



CAPSTONE MINING CORP.

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ANNUAL INFORMATION FORM

For the year ended December 31, 2009

Dated March 26, 2010

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Preliminary Notes

In this Annual Information Form, unless the context otherwise requires, Capstone Mining Corp. is referred to as the “**Company**” or “**Capstone**”. All information contained herein is as at March 26, 2010, unless otherwise stated.

Financial Statements

This Annual Information Form should be read in conjunction with the Company's consolidated financial statements and management's discussion and analysis for the year ended December 31, 2009. The financial statements and management's discussion and analysis are available under the Company's profile on the SEDAR website at www.sedar.com.

Compliance with NI 43-101

As required by National Instrument 43-101, Capstone has filed technical reports detailing the technical information related to its mineral interests discussed herein. Unless otherwise indicated, Capstone has prepared the technical information in this Annual Information Form (“Technical Information”) based on information contained in the technical reports and news releases (collectively the “Disclosure Documents”) available under Capstone’s company profile on SEDAR at www.sedar.com. Each Disclosure Document was prepared by or under the supervision of a qualified person (a “Qualified Person”) as defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators (“NI 43-101”). For readers to fully understand the information in this Annual Information Form, they should read the Disclosure Documents in their entirety, including all qualifications, assumptions and exclusions that relate to the information set out in this Annual Information Form which qualifies the Technical Information. Readers are advised that mineral resources that are not mineral reserves do not have demonstrated economic viability. The Disclosure Documents are each intended to be read as a whole, and sections should not be read or relied upon out of context. The Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents.

Cautionary Statement Regarding Forward-Looking Statements

This Annual Information Form, and the documents incorporated by reference herein, may contain “forward-looking information” within the meaning of Canadian securities legislation and “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, “forward-looking statements”). These forward-looking statements are made as of the date of this document and Capstone does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation.

Forward-looking statements relate to future events or future performance and reflect Company management’s expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved” or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of

resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual financial statements and management's discussion and analysis of those statements, all of which are filed and available for review on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

Accordingly, readers should not place undue reliance on forward-looking statements.

Currency

The Company reports its financial results and prepares its financial statements in United States dollars. All currency amounts in this Annual Information Form are expressed in United States dollars, unless otherwise indicated. References to "C\$" are to Canadian dollars and references to "MX\$" are to Mexican pesos.

The exchange rates for the Company's principal operating currencies and for the Canadian dollar are as follows:

As at December 31			
Canadian dollar (C\$)	2009	2008	2007
Average	1.1420	1.0660	1.0750
High	1.2991	1.2935	1.1855
Low	1.0259	.9765	.9215
Mexican peso (MX\$)	2009	2008	2007
Average	13.50136	11.14537	10.9152
High	15.3665	13.9183	7.9475
Low	12.5969	9.9180	11.2676

Conversion Table

In this Annual Information Form, metric units are used with respect to the Company's mineral properties, unless otherwise indicated. Conversion rates from imperial measures to metric units and from metric units to imperial measures are provided in the table set out below.

Imperial Measure	=	Metric Unit	Metric Unit	=	Imperial Measure
2.47 acres		1 hectare	0.4047 hectares		1 acre
3.28 feet		1 metre	0.3048 metres		1 foot
0.62 miles		1 kilometre	1.609 kilometres		1 mile
0.032 ounces (troy)		1 gram	31.1 grams		1 ounce (troy)
1.102 tons (short)		1 tonne	0.907 tonnes		1 ton
0.029 ounces (troy)/ton		1 gram/tonne	34.28 grams/tonne		1 ounce (troy)/ton

Classification of Mineral Reserves and Resources

In this Annual Information Form and as required by NI 43-101, the definitions of proven and probable mineral reserves and measured, indicated and inferred mineral resources are those used by Canadian provincial securities regulatory authorities and conform to the definitions utilized by the Canadian Institute of Mining, Metallurgy and Petroleum (“**CIM**”) in the “CIM Standards on Mineral Resources and Reserves – Definitions and Guidelines” adopted on August 20, 2000 and amended December 11, 2005 (“**CIM Standards**”).

Cautionary Note to U.S. Investors Concerning Estimates of Measured, Indicated and Inferred Resources

This Annual Information Form has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. The terms “Mineral Resource”, “Measured Mineral Resource”, “Indicated Mineral Resource” and “Inferred Mineral Resource” used in this Annual Information Form are Canadian mining terms as defined in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects under the guidelines set out in the CIM Standards . A reader in the United States should be aware that the definition standards enunciated in National Instrument 43-101 differ from those set forth in SEC Industry Guide 7.

1. While the terms “Mineral Resource”, “Measured Mineral Resource”, “Indicated Mineral Resource” and “Inferred Mineral Resource” are recognized and required by Canadian regulations, they are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. As such, information contained in this Annual Information Form concerning descriptions of mineralization and Mineral Resources under Canadian standards may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC. “Indicated Mineral Resource” and “Inferred Mineral Resource” have a great amount of uncertainty as to their existence and a great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an “Indicated Mineral Resource” or “Inferred Mineral Resource” will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an Inferred Mineral Resource exists or is economically or legally mineable. Disclosure of “contained metal” in a Mineral Resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC Industry Guide 7 standards as in place tonnage and grade without reference to unit measures. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into Mineral Reserves.

2. The terms “Mineral Reserve”, “Proven Mineral Reserve” and “Probable Mineral Reserve” used in this Annual Information Form are Canadian mining terms as defined in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects under the guidelines set out in the CIM Standards. In the United States, a Mineral Reserve is defined as part of a mineral deposit which could be economically and legally extracted or produced at the time the Mineral Reserve determination is made.

3. The definition for “Proven Mineral Reserves” under CIM Standards differs from the standards in the United States, where Proven or Measured Reserves are defined as Mineral Reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; (b) grade and/or quality are computed from the results of detailed sampling and (c) the sites for inspection, sampling and measurement are spaced so closely and the geographic character is so well defined that size, shape, depth and mineral content of Mineral Reserves are well established.

4. The definition for “Probable Mineral Reserves” under CIM Standards differs from the standards in the United States, where Probable Mineral Reserves are defined as Mineral Reserves for which quantity and grade and/or quality are computed from information similar to that of Proven Mineral Reserves (under United States standards), but the sites for inspection, sampling and measurement are further apart or are otherwise less adequately spaced, and the degree of assurance, although lower than that for Proven Mineral Reserves, is high enough to assume continuity between points of observation. The degree of assurance, although lower than that for Proven Mineral Reserves, is high enough to assume continuity between points of observation.

GLOSSARY OF TECHNICAL TERMS

In this Annual Information Form, the following technical terms have the following meanings:

AA	means Atomic Absorption.
Alteration	means chemical and mineralogical changes in a rock mass resulting from the passage of fluids.
Anomaly	means a deviation from uniformity. In the search for minerals, it is an area in which higher or lower than background concentrations of minerals may be found.
ASL	means above sea level.
Assay	means an analysis of the contents of metals in mineralized rocks.
Au	means gold.
Basalt	means an extrusive rock composed primarily of calcic plagioclase and pyroxene, with or without olivine.
bcm	means bank cubic metre.
Biotite	means a magnesium-iron mica widely distributed in igneous rocks.
Breccia	means a fragmental rock whose components are angular and not water-worn.
Chlorite	means in geology, the general term for hydrated silicates of aluminum, iron and magnesium.
CIM	means Canadian Institute of Mining, Metallurgy and Petroleum and the CIM Standards on Mineral Resources and Reserves – Definitions and Guidelines” adopted on August 20, 2000 and amended December 11, 2005.
Cons	means concentrates.
Cu	means copper.
Deposit	means a mineralized body which has been physically delineated by drilling, trenching and/or underground work and may contain a sufficient average grade of metal or metals to warrant further exploration and/or development expenditures. Such a deposit does not qualify as a commercially mineable reserve until final technical, legal and economic factors have been resolved.
Diamond drill Holes	means holes drilled by a method whereby rock is drilled with a diamond impregnated, hollow drilling bit which produces a continuous, in situ record of the rock mass intersected in the form of solid cylinders of rock which are referred to as core.
Disseminated	means a texture in which minerals occur as scattered particles in the rock.

Dyke	means a tabular body of igneous rock that cuts across the layering or fabric of the host rock.
EM	means electromagnetic.
Fabric	means the spatial arrangement and orientation of rock components, whether crystals or sedimentary particles, as determined by their sizes, shapes, etc.
Fault	means a fracture in a rock across which there has been displacement.
Feldspar	means one of a group of rock forming minerals which include microcline, orthoclase, plagioclase and anorthoclase.
Fire Assay	means a test to determine the grade of metallic ores, usually gold and silver, by methods requiring a furnace heat. It commonly involves certain processes, including scorification and cupellation.
Float	means rock detached from the underlying bedrock.
Foliation	means the preferred planar orientation of minerals and mineral aggregates in metamorphic rocks.
GIS	means geographic information system.
g	means gram.
Grade	means the amount of valuable mineral in each tonne of ore, expressed as ounces per ton or grams per tonne for precious metal and as a percentage by weight for other metals.
g/t	means grams per metric tonne.
Host Rock	means a volume of rock within which mineralization or an ore body occurs.
Hydrothermal	means applied to metamorphic and magmatic emanations high in water content; the processes in which they are concerned; and the rocks or ore deposits, alteration products, and springs produced by them.
Igneous	means a type of rock that is crystallized from a liquid magma.
Indicated Mineral Resources	means, in accordance with CIM definitions, that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

Inferred Mineral Resources	means, in accordance with CIM definitions, that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.
Inverse Distance	means one divided by distance.
K	means thousands.
Kt	means thousands of tonnes.
M	means millions.
Mafic	means ferromagnesian minerals and rocks where these minerals are abundant.
Measured Mineral Resources	means, in accordance with CIM definitions, that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.
Metamorphosed	describes a rock mass which has been subjected to metamorphism. Metamorphism is a geological process whereby the original mineral composition of a rock is changed (metamorphosed) in response to local or regional scale changes in temperature, pressure and the action of chemically active fluids.
Mineral Reserve	means, in accordance with CIM definitions, the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting minerals and allowances for losses that may occur when the material is mined.
Mineral Resource	means, in accordance with CIM definitions, a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.
Mineralization	means significant amounts of mineral(s) that is (are) of economic interest which may be established by prospecting, trenching and drilling.
MIbs	means millions of pounds.

Mt	means millions of tonnes.
NA	means not applicable.
NI 43-101	National Instrument 43-101 - Standards of Disclosure for Mineral Projects.
NSR	means net smelter return.
Ore	means rock that contains one or more minerals or metals, at least one of which has commercial value and which can be recovered at a profit.
Outcrop	means an exposure of rock at the earth's surface.
Pyrite	means a common iron sulphide mineral commonly found in hydrothermal veins and systems and commonly associated with gold mineralization.
Qualified Person	means, in accordance with NI 43-101, an individual who is an engineer or geoscientist with at least five years experience in mineral exploration, mine development, production activities and project assessment, or any combination thereof, including experience relevant to the subject matter of the project or report and is a member in good standing of an approved self-regulating organization.
Quartz	means a common rock forming mineral made up of silicon dioxide.
Silica	means silicon dioxide (SiO ₂), which occurs in the crystalline forms as quartz, cristobalite, tridymite, as cryptocrystalline chalcedony, as amorphous opal, and as an essential constituent of the silicate groups of minerals.
TC/RC	means treatment charges and refining charges by metal smelting and refining companies.
tpd	means tonnes per day.
tpy	means tonnes per year.
Vein	means a sheet-like body of minerals formed by fracture-filling or replacement of the host rock.
Volcanic	means formed by volcanic activity.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Company was incorporated pursuant to the *Company Act* (British Columbia) on July 17, 1987 under the name 330338 B.C. Ltd.

The Company changed its name to Fire Star Resources Ltd. on April 21, 1989, and to International Bancorp Ltd. on August 17, 1989, and to IBL Equities Ltd. on March 5, 1991.

On January 2, 1996, the Company changed its name to Serena Resources Ltd. and consolidated its share capital on a 5:1 basis. On May 17, 2001, the Company changed its name to Consolidated Serena Resources Ltd. and consolidated its share capital on a 5:1 basis.

On March 6, 2003, the Company changed its name to Capstone Gold Corp. On February 8, 2006, the Company changed its name to Capstone Mining Corp. and is now governed by the *Business Corporations Act* (British Columbia).

On January 12, 2005, Capstone amended its Notice of Articles to change its authorized capital from 100,000,000 common shares to an unlimited number of common shares and to remove the "Pre-existing Company Provisions", with a consequence of reducing the threshold percentage of votes required to approve a special resolution from 75% to 66⅔%, amongst other things.

On November 24, 2008, Capstone and Sherwood Copper Corporation ("Sherwood") completed a transaction in which Capstone's wholly-owned subsidiary acquired all of the outstanding capital of Sherwood, and the subsidiary and Sherwood amalgamated to form a new corporation named "Capstone Mining North Ltd." See "Business Combination with Sherwood Copper Corporation".

On January 1, 2009, Capstone and Capstone Mining North Ltd. were amalgamated as one company under the name Capstone Mining Corp.

The Company is a reporting company. Its principal business and registered and records address is at 9th Floor, 999 West Hastings Street, Vancouver, BC, V6C 2W2.

The Company carries on its Mexican operations through Capstone Gold, S.A. de C.V. ("**Capstone Mexico**"), a company incorporated on December 31, 2003, pursuant to the laws of Mexico. The Company owns 99% of the issued and outstanding voting securities of Capstone Mexico; the remaining 1% is beneficially owned by the Company and held in trust by its attorney of law in Mexico, Juan Carlos Galvan Pastoriza. Capstone Mexico has not issued any non-voting securities. All salaried employees at the Cozamin Mine are employed through Capstone Services S.A. de C.V. and all employees paid on an hourly basis are employed through Capstone Mining S.A. de C.V.

The Company carries on its Yukon operations through Minto Explorations Ltd. ("**MintoEx**"), a company incorporated on April 20, 1993, pursuant to the laws of the Province of British Columbia. The Company owns 100% of the issued and outstanding common shares of MintoEx.

The Company carries on its British Columbia mineral-related activities through Kutcho Copper Corp. ("**Kutcho Copper**"), a company incorporated on May 27, 2008, pursuant to the laws of the Province of British Columbia. The Company owns 100% of the issued and outstanding common shares of Kutcho Copper.

Intercorporate Relationships

The Company has the following subsidiary companies:

Name	Jurisdiction of incorporation or organization	Percent of voting shares owned by the Company
Minto Explorations Ltd.	British Columbia	100%
Kutcho Copper Corp.	British Columbia	100%
Capstone Gold, S.A. de C.V.	Mexico	99%*
Capstone Services S.A. de C.V.	Mexico	99%*
Capstone Mining S.A. de C.V.	Mexico	99%*

**The remaining 1% is beneficially owned by the Company and held in trust by its attorney of law in Mexico, Juan Carlos Galvan Pastoriza.*

GENERAL DEVELOPMENT OF THE BUSINESS

The Company has been engaged in the acquisition, exploration, development and operation of mineral properties. Over the past three completed financial years, the Company has continued to operate, expand and explore in the mining and resource sector. The Company's principal product is copper, although zinc, lead, gold and silver are also produced and sold. The Company currently carries on mining operations in Mexico and Canada and is evaluating a potential development project in British Columbia. The Company is active in seeking further production, exploration and development opportunities elsewhere throughout the world.

Three Year History

Financial Year Ended December 31, 2007

On February 21, 2007, Capstone reached an agreement in principle with Silverstone Resources Corp. ("Silverstone") whereby Capstone would sell, over the next 10 years, all of its silver production from the Cozamin Mine in Mexico to Silverstone. In consideration, Silverstone made an upfront payment of \$44 million, comprised of \$20 million in cash and issuing 19,155,310 Silverstone special warrants (the "**Special Warrants**"), plus a deferred payment upon delivery of the silver equal to the lesser of (a) \$4.00 (subject to a consumer price adjustment after three years) and (b) the then prevailing market price per ounce of silver as quoted on the London Bullion Market Association. Each Special Warrant may be exercised into a common share of Silverstone for no additional consideration at any time provided that: (a) the common shares issued pursuant to such exercise would not result in Capstone owning, together with any other common shares under its ownership, control or direction, 20% or more of the issued and outstanding common shares after immediately giving effect to such issuance; or (b) the shareholders of Silverstone other than Capstone pass a resolution at a meeting of Silverstone's shareholders approving any exercise that would result in Capstone owning 20% or more of the issued and outstanding common shares of Silverstone. The transaction closed on April 4, 2007.

On May 3, 2007, the Company acquired control and direction over 8,407,882 common shares (representing 13.4% of the outstanding shares at that time) of Silverstone upon the exercise of Special Warrants. As a result of such exercise, the Company held a balance of 10,747,428 Special Warrants.

On July 11, 2007, Capstone announced that it would make a normal course issuer bid to purchase, through the facilities of the Toronto Stock Exchange, certain of its outstanding common shares.

In October 2007, the Company announced that it had completed the expansion and commissioning of the 120% increase in production at its Cozamin Mine. Commissioning of the mine expansion

from the initial 350,000 tpy (1,000 tpd) to 750,000 tpy (2,200 tpd) began in late May 2007, and start-up commenced in mid-June 2007. Production in July 2007 and August 2007 averaged 1,900 tpd or 86% of planned throughput. Production in September 2007 averaged 1,977 tpd or 90% of planned throughput and had achieved over 2,200 tonnes on successive days. During the first week of October 2007, the mine operated at designed throughput and onwards.

Also in October 2007, an updated resource estimate was released, with the new resource estimate significantly increasing both the tonnage and contained metal within all of the resource categories, while maintaining its high grade.

In November 2007, the Company acquired control and direction over an additional 3,577,670 common shares of Silverstone. As a result the Company had control and direction over a total of 24,032,340 common shares of Silverstone and also held 2,747,428 Special Warrants. The shares were acquired in connection with a financing carried out by Silverstone.

Financial Year Ended December 31, 2008

In January 2008, Capstone started the expansion of the Cozamin Mine from the then current rate of 2,200 tpd or 750,000 tpy to 3,000 tpd or approximately 1 million tpy, a 36% increase in production. The expansion was expected to be completed by September 2008 at a total budgeted cost of \$9.5 million (including a 15% contingency).

In July 2008, Capstone made a normal course issuer bid to purchase, through the facilities of the Toronto Stock Exchange, certain of its outstanding common shares.

On September 8, 2008, the Company announced that it entered into a letter agreement with Sherwood to combine, by way of a plan of arrangement or other form of business combination. The transaction closed on November 24, 2008. For more information on the business combination, please see "Business Combination with Sherwood Copper Corporation" below.

In November 2008, Capstone announced that its Minto copper-gold mine in the Yukon was officially connected to Yukon Energy Corp.'s ("Yukon Energy") electrical grid. The connection of the Minto Mine to Yukon Energy's electrical grid completed a two-year process whereby the Minto Mine and Yukon Government made contributions toward the capital cost of extending the Yukon electrical grid approximately 80 km north from Carmacks to Minto Landing, and also involved the construction of three substations and a 27 km dedicated spur line from Minto Landing to the Minto Mine at MintoEx's cost.

On November 21, 2008, Sherwood completed a transaction with Silverstone whereby Silverstone purchased all of the payable gold and silver from the Minto Mine in the Yukon, over the life of the mine starting December 1, 2008. In exchange, Sherwood received an up-front payment from Silverstone of \$37.5 million, plus a further payment of the lesser of (a) \$300 per ounce of gold and \$3.90 per ounce of silver (subject to a 1% inflationary adjustment after three years and each year thereafter) and (b) the prevailing market price of gold and silver quoted on the London Bullion Market Association, for each ounce delivered. If production from the Minto Mine exceeds 50,000 oz of payable gold in the first two years of the agreement or 30,000 oz of payable gold per year thereafter, Silverstone will be entitled to purchase only 50% of the amount in excess of those thresholds. Kutcho Copper also granted Silverstone a right of first refusal to purchase any gold and/or silver streams from the Kutcho Project, should Kutcho Copper elect to sell such, on terms and conditions to be agreed by mutual consent.

Business Combination with Sherwood Copper Corporation

On September 8, 2008, the Company announced that it entered into a letter agreement with Sherwood to combine, by way of a plan of arrangement or other form of business combination. The transaction was carried out by way of statutory plan of arrangement of Sherwood whereby Capstone acquired all of the issued shares of Sherwood and Sherwood became a wholly-owned subsidiary of Capstone (the "**Capstone Arrangement**").

Under the Capstone Arrangement, Capstone acquired all of the issued and outstanding shares of Sherwood in exchange for Capstone shares on the basis of 1.566 Capstone shares for each one Sherwood share. The Capstone Arrangement was an "at market" transaction with no premium to either party, based on the 20-day volume weighted average price of each of Capstone and Sherwood to September 5, 2008. Based on the number of Sherwood shares outstanding as at September 17, 2008, the transaction involved the issuance of approximately 84 million Capstone shares, which equated to approximately 105% of Capstone's shares outstanding.

Each outstanding option, warrant, convertible and exchangeable security and any other right to acquire common shares of Sherwood entitled the holder thereof to receive upon the exercise, exchange or conversion thereof 1.566 common shares of Capstone in lieu of one common share of Sherwood and on the same other terms and conditions as the original option, warrant, convertible or exchangeable security or other right to acquire the common share of Sherwood; provided always that holders of the 5% convertible unsecured debentures due March 31, 2012 of Sherwood shall be entitled to tender the debentures held by them for repurchase by Capstone upon Capstone making such offer as required by their terms, all in accordance with terms and subject to the conditions as set out under the trust indenture dated as of February 28, 2007 between Sherwood and Computershare Trust Company of Canada, as trustee.

A special meeting of shareholders of Sherwood was held on November 14, 2008 which approved the proposed transaction.

On November 24, 2008, Sherwood and Capstone completed the arrangement under Section 192 of the *Canada Business Corporations Act* whereby Capstone, through its wholly-owned subsidiary, 7045204 Canada Inc. ("**Subco**"), acquired all of the issued and outstanding shares of Sherwood, thereby effecting a change of control of Sherwood. Under the transaction, Sherwood and Subco amalgamated to form a new corporation named "Capstone Mining North Ltd.".

Financial Year Ended December 31, 2009

On January 1, 2009, Capstone and Capstone Mining North Ltd. were amalgamated as one company under the name Capstone Mining Corp.

On January 16, 2009, Capstone completed a \$40 million corporate revolving term credit facility with the Bank of Nova Scotia (the "**RT Facility**"). Under the terms of the RT Facility, the funds are re-drawable over a three year term, subject to a \$8 million reduction every 6 months commencing on the first anniversary, attracting an interest rate of US dollar London Inter-bank Offered Rates ("**LIBOR**") plus 3.5% (adjustable in certain circumstances).

In February 2009, Capstone published an independent NI 43-101 compliant mineral resource estimate for the Company's Kutcho Project located near Smithers, BC.

In February 2009, Capstone announced the completion of an updated, independent NI 43-101 compliant mineral resource estimate for the Cozamin Mine in Mexico.

In March 2009, Capstone announced that it had entered into a voting agreement with Silver Wheaton Corp. ("Silver Wheaton") whereby Capstone agreed to vote the shares of Silverstone it

held in favour of the proposed plan of arrangement between Silverstone and Silver Wheaton whereby Silver Wheaton would acquire all of the outstanding shares and special warrants of Silverstone at a ratio of 0.185 shares of Silver Wheaton per common share or special warrant of Silverstone. In May 2009 Silver Wheaton acquired Silverstone by way of plan of arrangement. This transaction allowed Capstone to exchange approximately 26.8 million shares of Silverstone into 4.95 million shares of Silver Wheaton.

In April 2009, Capstone announced a C\$50,135,000 bought deal equity financing, in which Capstone entered into an agreement with a syndicate of underwriters to purchase an aggregate of 27,100,000 common shares of the Company at C\$1.85 per share. This financing was completed in May 2009, with the underwriters exercising 4,065,250 over-allotment options in the Company, resulting in a further C\$7.5 million in proceeds. The proceeds of the financing were allocated for future acquisition opportunities, debt repayment and general working capital purposes.

On May 1, 2009, due to a Presidential Decree in Mexico relating to the pandemic of swine flu, the Company's operations at Cozamin in Zacatecas state ceased to operate, with normal operations resuming on May 6, 2009. This was in-line with the decree ordering that all non-essential government and private-sector activities be suspended for this period.

In September 2009, the Company entered into an agreement with Golden Minerals Company, whereby Capstone Mexico acquired three mineral claims immediately adjacent to its Cozamin Mine. See "Material Mineral Properties – Cozamin Mine".

On September 15, 2009, the Company announced results of a Preliminary Economic Assessment (PEA) done at the Kutcho property in northwestern BC. By going underground, scaling back the throughput and focusing on high grades, Capstone was able to project a reduced capital and operating costs as well as a reduction in the environmental footprint of the project

In November 2009, the Company announced the acquisition of 4.5 million units of Nevada Copper Corp. by way of private placement, each unit consisting of one common share and one-half share purchase warrant of Nevada Copper.

On December 15, 2009, the Company announced the completion of the Minto Mine Phase IV Pre-feasibility Study. See "Material Mineral Properties – Minto Mine".

Repurchase of Convertible Debentures

In February 2007, Sherwood issued C\$43.6 million in convertible debentures (the "**Debentures**") pursuant to a short form prospectus offering. On December 22, 2008, the Company informed all Debentureholders that the Company was offering to repurchase their outstanding Debentures for C\$1,025.62 for each C\$1,000 principal amount of such Debentures, being equal to the aggregate of (i) 101% of the principal amount of the Debentures and (ii) all accrued and unpaid interest thereon up to but excluding the payment date. On January 22, 2009, the Company repurchased C\$38,871,000 in outstanding Debentures. As of the date of this Annual Information Form, there are C\$4,729,000 Debentures outstanding.

Subsequent to December 31, 2009

In January 2010, two directors of Capstone were awarded the A.E. Scholz Award by the Association for Mineral Exploration British Columbia (AME BC) in recognition of the Minto Mine located in the Yukon. This award is presented to an individual or group who has demonstrated excellence in mine development in British Columbia or the Yukon.

In February 2010, the Company announced increased mineral resource estimates for Capstone's Cozamin Mine in Mexico. The new mineral resource estimate included the results from 6,229 channel samples taken in 2009 from 40 stopes and drifts covering a cumulative distance of about 5km, as well as more detailed survey control. These data were incorporated into a completely new block model for the mine that now contains 25,168 individual channel samples, 150 drill holes from surface and 216 underground drill holes.

On March 2, 2010, Capstone announced updated mineral resource and mineral reserve estimates as at December 31, 2009 for all of its mineral properties, including the updated mineral reserve estimates for the Cozamin Mine in Mexico, based on the new mineral resource estimate reported in February 2010.

DESCRIPTION OF THE BUSINESS

General

Principal Products and Operations

The Company's principal products and sources of sales are copper, zinc, lead, gold and silver in concentrates. In 2007, the Cozamin Mine accounted for all of the Company's production of concentrates, while the Minto Mine contributed to concentrate production from November 24, 2008 onwards. Further information regarding both the Cozamin Mine and the Minto Mine is contained in the sections titled "Material Mineral Properties – Cozamin Mine" and "Material Mineral Properties – Minto Mine" below.

The following table summarizes the actual operating statistics for 2009:

Operating Statistics 2009	Cozamin Mine	Minto Mine
Production		
(contained in concentrates)		
- Copper (000's lbs)	36,121	53,657
- Gold (oz) ¹	-	28,579
- Zinc (000s lbs)	15,476	-
- Lead (000s lbs)	10,134	-
- Silver (oz)	1,462,478	299,767
Mining		
- Waste (tonnes)	-	11,132,511
- Ore (tonnes)	972,599	1,151,088
- Total material mined (tonnes)		12,283,599
Milling		
- Tonnes processed	975,728	1,031,190
- Tonnes processed per day	2,673	2,825
- Copper grade (%)	1.84	2.55
- Gold grade (g/t) ¹	-	1.14
- Zinc (%)	1.17	-
- Lead (%)	0.69	-
- Silver grade (g/t)	72.5	11.0

Operating Statistics 2009	Cozamin Mine	Minto Mine
Recoveries		
- Copper (%)	91.2	92.6
- Gold (%) ¹	-	75.3
- Zinc (%)	61.7	-
- Lead (%)	68.4	-
- Silver (%)	64	81.9
Concentrate		
- Dry tonnes produced	66,977	59,863
- Copper concentrate grade (%)	24.5	40.7
- Silver grade (g/t)	571	156
- Gold grade (g/t) ¹	-	14.9
- Zinc concentrate grade (%)	46.8	-
- Lead concentrate grade (%)	62.1	-
Payable Copper (000s) lbs	34,645	51,913
Cash cost/payable pound of Copper ²	\$0.90	\$1.12

¹ Gold is not assayed on site, resulting in a significant lag in receiving this data.

² This is a non-GAAP performance measure; please see Non-GAAP Performance Measures of the year end MD&A.

The following table summarizes the forecast operating statistics for 2010:

Forecast 2010 ¹	Cozamin	Minto	Total
Tonnes milled (millions)	1.1	1.2	2.3
Copper grade (%)	2.0%	2.2%	2.1%
Copper recovery (%)	92%	92%	92%
Contained copper (millions pounds)	40 to 45	50 to 55	90 to 100
Total cash cost per pound of payable copper ²	\$0.80 to \$0.90	\$1.00	\$1.10 to \$1.20

¹ Note: all numbers approximate

² This is a non-GAAP performance measure; please see Non-GAAP Performance Measures of the year end MD&A.

During the year ended December 31, 2009, net revenue of \$219.3 million was generated on the sale of 127,740 dmt of copper concentrates, 16,571 dmt of zinc concentrates and 6,771 dmt of lead concentrates. Payable metals sold were 85.3 million pounds of copper, 15.0 million pounds of zinc, 9.3 million pounds of lead, 31,571 ounces of gold and 1.7 million ounces of silver.

The Company's principal market (buyer) for copper, zinc and lead concentrates from the Cozamin and Minto mines are open global markets. The concentrates are delivered through intermediaries to customers worldwide by ship.

The Company sold all of its silver production from the Cozamin Mine over a 10 year period to Silverstone (now Silver Wheaton) in consideration for an upfront payment of \$44 million. In addition, Silver Wheaton will pay for each ounce of refined silver from the mine the lesser of \$4.00 per ounce of silver (subject to a 1% inflationary adjustment after three years and each year thereafter) and the prevailing market price per ounce of silver quoted on the London Bullion Market Association.

The Company also sold all of its gold and silver production from the Minto Mine over the life of the mine to Silver Wheaton in consideration for an upfront payment of \$37.5 million, plus a further payment of the lesser of (a) \$300 per ounce of gold and \$3.90 per ounce of silver (subject to a 1% inflationary adjustment after three years and each year thereafter) and (b) the prevailing market

price of gold and silver quoted on the London Bullion Market Association, for each ounce delivered. If production from the Minto Mine exceeds 50,000 oz of payable gold in the first two years of the agreement or 30,000 oz of payable gold per year thereafter, Silver Wheaton will be entitled to purchase only 50% of the amount in excess of those thresholds.

Kutcho Copper granted Silver Wheaton a right of first refusal to purchase any gold and/or silver streams from the Kutcho Project, should Kutcho Copper elect to sell such, on terms and conditions to be agreed by mutual consent.

Competitive Conditions

The mining industry is intensely competitive, particularly in the acquisition of additional reserves and resources in all of its phases of operation and the Company competes with many companies possessing similar or greater financial and technical resources.

The Company's competitive position is largely determined by its costs compared to other producers throughout the world and its ability to maintain its financial integrity through the lows of the metal price cycles. Costs are governed to a large extent by the location, grade and nature of the Company's mineral reserves as well as by operating and management skills. In contrast with diversified mining companies, the Company focuses on copper production, development and exploration, and is therefore subject to unique competitive advantages and disadvantages related to the price of copper and to a lesser extent, the price of base metal by-products. If copper prices substantially increase, the Company will be in a relatively stronger competitive position than diversified mining companies that produce, develop and explore for other minerals in addition to copper. Conversely, if copper prices substantially decrease, the Company will be at a competitive disadvantage to diversified mining companies.

Employees

The number of personnel employed by the Company and its subsidiaries at the end of the most recently completed financial year was 934, of which approximately 338 were contractors.

Environmental Protection

The Company's operations (Cozamin and Minto) and development project (Kutcho) are in Mexico and Canada and are subject to national and local laws and regulation in respect of the construction, operating standards for the mine and, once mine closure occurs, the eventual abandonment and restoration costs for the site. Since both of the operating mines and the proposed Kutcho Project are relatively smaller tonnage, higher grade operations, the overall financial impact of the environmental protection requirements is relatively minor relative to the overall financial performance of the Company. Each operation is subject to an asset retirement obligation review at year end, which assesses the abandonment and restoration cost for the operation at that point in time, and any changes are reflected in the balance sheet and could flow through the earnings statement. However, while the financial obligations will increase as disturbance increased, given the relatively modest amounts involved, such impacts are likely to be relatively minor from a capital and earnings perspective. Since the Kutcho Project is currently unpermitted, the environmental protection requirements could affect the Project's advancement – both by delaying or preventing project approvals and development and by adding financial burdens to the Project. However, British Columbia is a mature permitting regime and the environmental protection requirements are expected to be appropriate for a mine on the proposed scale of the Kutcho Project.

Overall, the Company's assets are in mature and stable mining jurisdictions and the environmental protection requirements are not anticipated to be a significant impediment to Capstone carrying out its business, nor should they result in an unsustainable burden on the Company's earnings.

Foreign Operations

Capstone is an emerging base metals producer with a 100% interest in the Minto Mine in the Yukon, Canada and the Cozamin Mine in Zacatecas, Mexico. In addition, the Company has a 100% interest in the Kutcho Project in B.C. Canada. Production of both mines combined for 2010 is expected to amount to nearly 100 million pounds of copper with by-products of silver, zinc, lead and gold.

The Minto Mine is expected to contribute 55% of the Company's copper production for this year. All of its copper production (concentrate with gold and silver by-products) is sold to overseas markets, primarily in Asia, and its sales are priced in US dollars. Approximately 45% of Capstone's copper production for 2010 is expected from the Cozamin Mine, as well as zinc and lead concentrates, with silver reporting to all three concentrates, and the concentrates are sold in US dollars to overseas markets.

Risk Factors

Capstone is subject to a number of significant risks due to the nature of its business and the present stage of its business development. Readers should carefully consider the risks and uncertainties described below before deciding whether to invest in Capstone common shares. Capstone's failure to successfully address the risks and uncertainties described below could have a material adverse effect on its business, financial condition and/or results of operations, and the trading price of its common shares may decline and investors may lose all or part of their investment. Capstone cannot give assurance that it will successfully address these risks or other unknown risks that may affect its business. Estimates of mineralized material are inherently forward-looking statements subject to error. Although Mineral Resource estimates require a high degree of assurance in the underlying data when the estimates are made, unforeseen events and uncontrollable factors can have significant adverse or positive impacts on the estimates. Actual results will inherently differ from estimates. The unforeseen events and uncontrollable factors include: geologic uncertainties including inherent sample variability, metal price fluctuations, variations in mining and processing parameters, and adverse changes in environmental or mining laws and regulations. The timing and effects of variances from estimated values cannot be accurately predicted.

The following risk factors should be considered:

Industry Risks

Operating Risk

The operations in which Capstone has a direct or indirect interest are subject to all the hazards and risks normally incidental to resource companies. Fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and other geotechnical instabilities, and the inability to obtain suitable or adequate machinery, equipment or labour are some of the industry operating risks involved in the operation of mines and the conduct of exploration programs. If any of these events were to occur, they could cause injury or loss of life, severe damage to or destruction of property. As a result, Capstone could be the subject of a regulatory investigation, potentially leading to penalties and suspension of operations. In addition, Capstone may have to make expensive repairs and could be subject to legal liability. The occurrence of any of these operating risks and hazards may have an adverse effect on Capstone's financial condition and operations, and correspondingly on the value and price of Capstone's common shares.

Price Risk

The commercial viability of Capstone's properties and its ability to sustain operations is dependent on, among other things, the price of copper, lead, zinc, gold and silver. Depending on the price to be received for any minerals produced, Capstone may determine that it is impractical to commence or

continue commercial production. A reduction in the price of copper, lead, zinc, gold or silver may prevent Capstone's properties from being economically mined or result in the write-off of assets whose value is impaired as a result of low metals prices.

Future revenues, if any, are expected to be in large part derived from the future mining and sale of copper, lead, zinc, gold and silver or interests related thereto. The prices of these commodities fluctuate and are affected by numerous factors beyond Capstone's control, including, among others:

- international economic and political conditions,
- expectations of inflation or deflation,
- international currency exchange rates,
- interest rates,
- global or regional consumptive patterns,
- speculative activities,
- levels of supply and demand,
- increased production due to new mine developments,
- decreased production due to mine closures,
- improved mining and production methods,
- availability and costs of metal substitutes,
- metal stock levels maintained by producers and others, and
- inventory carrying costs.

The effect of these factors on the price of precious and base metals cannot be accurately predicted. If the price of copper, lead, zinc, gold and silver decreases, the value of Capstone's assets could be materially and adversely affected, thereby having a material and adverse effect on the value and price of Capstone's common shares.

Liquidity Risk

The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company maintains adequate cash balances and credit facilities in order to meet short and long term business requirements, after taking into account cash flows from operations, and believes that these sources will be sufficient to cover the likely short and long term cash requirements. The Company's cash is invested in business accounts with quality financial institutions and is available on demand for the Company's programs, and is not invested in any asset backed commercial paper.

Trade Credit Risk

The Company is exposed to trade credit risk through its trade receivables on concentrate sales. The Company manages this risk dealing with a number of different trade creditors and by requiring provisional payments of 90 percent of the value of the concentrate shipped. The Company enters into derivative instruments with a number of counterparties. These counterparties are large, well diversified multinational corporations, and credit risk is considered to be minimal.

Foreign Exchange Risk

The Company is exposed to foreign exchange risk as the Company's operating costs are primarily in Canadian dollars and Mexican Pesos, while revenues are received in US dollars, hence any fluctuation of the US dollar in relation to these currencies may impact the profitability of the Company and may also affect the value of the Company's assets and liabilities. The Company

currently does not enter into financial instruments to manage this risk but the draws on debt facilities are made in US dollars to mitigate the risk on loan repayments if available.

Derivative Instrument Risk

The Company manages its exposure to fluctuations in metal prices by entering into derivative instruments approved by the Company's Board of Directors. The Company does not hold or issue derivative instruments for speculation or trading purposes. These derivative instruments are marked to market at the end of each reporting period and may not necessarily be indicative of the amounts the Company might pay or receive as the contracts are settled.

Interest Rate Risk

Currently the Company's long term liabilities are based on both fixed and variable interest rates. The Company is exposed to interest rate risk on its variable rate debt facilities. Variable interest rates are based on both US dollar and Canadian dollar LIBOR plus a fixed margin. The Company does not enter into derivative contracts to manage this risk.

Reserve and Resource Risk

The calculations of amounts of mineralized material are estimates only. Actual recoveries of copper, lead, zinc, gold and silver from mineralized material may be lower than those indicated by test work. Any material change in the quantity of mineralization, grade or stripping ratio, or the copper, lead, zinc, gold and silver price may affect the economic viability of a mineral property. In addition, there can be no assurance that metals recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. Notwithstanding pilot plant tests for metallurgy and other factors there remains the possibility that the ore may not react in commercial production in the same manner as it did in testing. Mining and metallurgy are an inexact science and accordingly there always remains an element of risk that a mine may not prove to be commercially viable.

Until an un-mined deposit is actually mined and processed, the quantity of Mineral Reserves, Mineral Resources and grades must be considered as estimates only. In addition, the quantity of Mineral Reserves and Mineral Resources may vary depending on, among other things, metal prices. Any material change in quantity of Mineral Reserves, Mineral Resources, grade, percent extraction of those Mineral Reserves recoverable by underground mining techniques or stripping ratio for those Mineral Reserves recoverable by open pit mining techniques may affect the economic viability of a mining project.

Political and Country Risk

Political and related legal and economic uncertainty may exist in countries where the Company may operate. The Company's mineral exploration and mining activities may be adversely affected by political instability and changes to government regulation relating to the mining industry. Other risks of foreign operations include political unrest, labour disputes, invalidation of governmental orders and permits, corruption, war, civil disturbances and terrorist actions, arbitrary changes in law or policies of particular countries, foreign taxation, price controls, delays in obtaining or the inability to obtain necessary environmental permits, opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on mineral exports and increased financing costs. These risks may limit or disrupt the Company's projects, restrict the movement of funds or result in the deprivation of contract rights or the taking of property by nationalization or expropriation without fair compensation. Presently, all of the Company's mineral properties are located in Mexico and Canada. While the Company believes that each of Mexico and Canada represent a favourable environment for mining companies to operate, there can be no assurance that changes in the government or laws or

changes in the regulatory environment for mining companies or for non-domiciled companies will not be made that would adversely affect the Company.

Dependence on Management

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

Environmental Regulations

The Company's operations are subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labour standards, occupational health, waste disposal, safety and other matters. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a direction of stricter standards and enforcement, and higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

Economic Risk

Many industries, including the precious and base metal mining industry, are impacted by global market conditions. Some of the key impacts of the recent financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, reduced consumer spending, increased unemployment rates, deteriorating business conditions, inflation, deflation, volatile fuel and energy costs, increased consumer debt levels, lack of available credit, changes in interest rates and tax rates may adversely affect Capstone's growth and profitability potential. Specifically:

- the global credit/liquidity crisis could impact the cost and availability of financing and Capstone's overall liquidity;
- the volatility of copper, lead, zinc, gold and silver prices may impact Capstone's future revenues, profits and cash flow;
- volatile energy prices, commodity and consumables prices and currency exchange rates impact potential production costs; and
- the devaluation and volatility of global stock markets impacts the valuation of Capstone's equity securities, which may impact its ability to raise funds through the issuance of equity.

These factors could have a material adverse effect on Capstone's financial condition and results of operations.

Increased operating and capital costs may adversely affect the viability of existing and proposed mining projects.

Until the recent events in the global financial markets, increases in the prices of labour and materials, to some extent caused by an increase in commodity prices, including the prices of the metals being mined by the industry, led to significantly increased capital and operating costs for mining projects. Increasing costs are a factor that must be built in to the economic model for any mining project. Significant operating cost increases as experienced by the industry in recent years prior to the recent financial crisis had the effect of reducing profit margins for some mining projects. Such increases in both operating and capital costs need to be factored into economic assessments of existing and proposed mining projects and may increase the financing requirements for such projects or render such projects uneconomic.

Company Risks

Title Risk

Although the Company has exercised the usual due diligence with respect to determining title to mineral properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. Surveys have not been carried out on the majority of the Company's mineral properties and therefore, in accordance with the laws of the jurisdiction in which such properties are situated, their existence and area could be in doubt.

Capstone's properties include various mining concessions in Mexico. Under the Mexican law, the concessions may be subject to prior unregistered agreements or transfers, which may affect the validity of Capstone's ownership of such concessions.

A claim by a third party asserting prior unregistered agreements or transfer on any of Capstone's mineral properties, especially where commercially viable Mineral Reserves have been located, could adversely result in Capstone losing commercially viable Mineral Reserves. Even if a claim is unsuccessful, it may potentially affect Capstone's current operations due to the high costs of defending against such claims and its impact on senior management's time. If Capstone loses a commercially viable Mineral Reserve, such a loss could lower Capstone's future revenues or cause it to cease operations if this Mineral Reserve represented all or a significant portion of Capstone's operations at the time of the loss.

Political Risk

Some of Capstone's properties, including its Cozamin Mine, are located in Mexico. Mexico has in the past been subject to political instability, changes and uncertainties, which, if they were to arise again, could cause changes to existing governmental regulations affecting mineral exploration and mining activities. Capstone's mineral exploration and mining activities in Mexico may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that increase the costs related to Capstone's activities or maintaining its properties. In addition, recent increases in kidnapping and violent drug related criminal activity in Mexico, and in particular Mexican States bordering the United States, may adversely affect Capstone's ability to carry on business safely.

The cost of exploration and future capital and operating costs are affected by foreign exchange rates for the Canadian dollar, United States dollar and Mexican peso. Fluctuations in foreign exchange rates for the Canadian dollar and Mexican peso versus the United States dollar could lead to increased costs reported in United States dollars or foreign exchange losses in respect to Canadian dollar or Mexican peso working capital balances held by Capstone. There can be no assurance that foreign exchange fluctuations will not materially adversely affect Capstone's financial performance and results of operations.

It may be difficult for Capstone to obtain necessary financing for certain of its planned exploration, development or operating activities because of their location in Mexico. Also, it may be difficult to find and hire qualified people in the mining industry who are situated in Mexico or to obtain all of the necessary services or expertise in Mexico or to conduct operations on its projects at reasonable rates. If qualified people and services or expertise cannot be obtained in Mexico, Capstone may need to seek and obtain those services from people located outside of Mexico which will require work permits and compliance with applicable laws and could result in delays and higher costs to Capstone to conduct its operations in Mexico.

Similarly, it may be difficult for Capstone to obtain necessary financing for certain of its planned exploration, development or operating activities because of their location in the Yukon. It may be difficult to find and hire qualified people in the mining industry who are situated in the Yukon or to obtain all of the necessary services or expertise in the Yukon or to conduct operations on its projects at reasonable rates. If qualified people and services or expertise cannot be obtained in the Yukon, Finding qualified people to conduct operations at Capstone's Minto Mine could result in higher costs to Capstone to conduct its operations in the Yukon.

The occurrence of the various foregoing factors and uncertainties cannot be accurately predicted and could have an adverse effect on Capstone's operations or future profitability.

Regulatory Risk

Capstone's mineral exploration and development activities are subject to governmental approvals, various laws and regulations governing development, land resumptions, operations, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims affecting local, First Nations and Aboriginal populations. Activities of the Company are also subject to various laws and regulations relating to the protection of the environment. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration, development or production.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on Capstone and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in exploring or developing its properties. Further, the mining licenses and permits issued in respect of the Company's projects and mines may be subject to conditions which, if not satisfied, may lead to the revocation of such licenses. In the event of revocation, the value of the Company's investments in such projects may decline.

In 2008 and 2009, the Yukon experienced extreme weather conditions that resulted in abnormally high run-off at the Minto Mine, exceeding the normal containment capacity of the mine site and eventually resulting in a Company decision to fill the Minto main pit with water in order to avoid a non-compliant discharge of water and causing the Company to cease mining operations until it obtained regulatory permission to discharge the excess waters. There is a risk there may be another year of extreme weather in the Yukon in 2010 or beyond, potentially resulting in excess run-off at the mine site which may potentially require utilization of the open pit for water storage again, which could have an adverse affect on Minto's operations. Since 2009, the Company has taken a number of steps to mitigate this risk, including establishing a water conveyance network to divert non-impacted water around the mine site, drawing down water levels on site over the 2009-2010 winter in order to maximize containment capacity of the water storage pond, working with regulators to amend the terms of its water use licence in order to better manage the site, constructing a larger water treatment facility on site, and accelerating mining out of the open pit in order to have a sufficient stockpile of ore available to sustain milling operations in the event the open pit is used for excess water containment again.

Permitting Risk

A number of approvals, licenses and permits are required for various aspects of a mine's development and operation. Minto Mine is currently permitted to conduct operations under its Quartz Mining Licence and two Water Use Licences, however there is a risk that amendments to these licences required in order to implement a planned mine expansion may not be granted by the Yukon regulatory authorities. The Kutcho Project must undergo environmental assessment and will then require issuance of environmental assessment certificate by the BC Environmental Assessment Office and Canadian Environmental Assessment Agency before making application for authorization to conduct development and operations. There is a risk that the Kutcho Project will not successfully complete the environmental assessment process and will be unable to progress to the development or operational stage.

The Cozamin Mine is currently permitted to conduct its current operations by way of a series of regulatory modifications to its original Environmental Impact Assessment, known in Mexico as an MIA (Manifestación de Impacto Ambiental), and operates under an environmental licence known in Mexico as an LAU (Licencia Ambiental Unica), filing certifications of annual operation (COA - Certificado de Operacion Annual) each year. With necessary changes to operations, however, there is a risk that amendments to this licence which is required in order to implement various changes planned for improved operations, may not be granted by the Mexican regulatory authorities.

Potential Conflicts

Certain of Capstone's directors and officers are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. See "Directors and Officers – Conflicts of Interest".

First Nations

The Minto Mine lies on Category A land in the Yukon where the Selkirk First Nation own both surface and subsurface rights.

The Kutcho Project lies within an area claimed as traditional territory by both the Tahltan First Nation and the Kaska First Nation. There is a risk that any land claim settlement with the Tahltan or the Kaska may adversely affect the Company's rights to the Kutcho Project.

Canadian law related to aboriginal rights, including aboriginal title rights, is in a period of change. There is a risk that future changes to the law may adversely affect the Company's rights to its Canadian projects, including Kutcho and Minto.

Consultation with First Nations is required of the Company in environmental assessment, subsequent permitting, development and operation of its proposed projects. There is a risk that the First Nations may publicly oppose the proposed project at any stage and this potential opposition may adversely affect the project or the Company's public image.

Dividends

Since incorporation, Capstone has not paid any cash or other dividends on its common shares and has no current plans to pay such dividends in the foreseeable future, as all available funds will be invested primarily to finance its mining and exploration activities, and for possible mergers and acquisitions.

Insurance Risk

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks. Capstone does not currently have insurance against all such risks and may decide not to take out insurance against all such risks as a result of high premiums or other reasons. Should such liabilities arise, they could have a material adverse effect on the Company and could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of Capstone.

Environmental Liability

Capstone is not aware of any claims for damages related to any impact that its operations have had on the environment but it may become subject to such claims in the future. An environmental claim could adversely affect Capstone's business due to the high costs of defending against such claims and its impact on senior management's time.

Also, environmental regulations may change in the future which could adversely affect Capstone's operations including the potential to curtail or cease exploration programs or to preclude entirely the economic development of a mineral property. The extent of any future changes to environmental regulations cannot be predicted or quantified, but it should be assumed that such regulations would become more stringent in the future. Generally, new regulations will result in increased compliance costs, including costs for obtaining permits, delays resulting from loss of permits or fines for failure to comply with the new regulations.

Competition Risk

Capstone is dependent on various supplies and equipment to carry out its operations. The shortage of such supplies, equipment and parts could have a material adverse effect on Capstone's ability to carry out its operations and therefore have a material adverse effect on the cost of doing business.

Material Mineral Properties

The Company's material mineral properties consist of: (i) Cozamin Mine located in the Morelos Municipality of the Zacatecas Mining District near the southeastern boundary of the Sierra Madre Occidental Physiographic Province in north-central Mexico; (ii) Minto Mine located in the Whitehorse Mining District, Yukon Territory; and (iii) Kutcho copper-gold project located in the Liard Mining Division of Northern British Columbia.

Cozamin Mine (Mexico)

A report titled "Technical Report, Cozamin Mine, Zacatecas, Mexico" dated March 31, 2009 (the "Cozamin Report") was compiled by SRK Consulting (Canada) Inc. and written by Robert Sim, P.Geol., Jenna Hardy, P.Geol., Jeff Woods, CP and Gordon Doerksen, P.Eng., each a Qualified Person as defined in NI 43-101. The Cozamin Report is available in its entirety on SEDAR at www.sedar.com under the Company's profile and is incorporated by reference herein.

Subsequent to the date of the Cozamin Report, Capstone announced an updated NI 43-101 compliant mineral resource estimate prepared by or under the supervision of independent consultant Robert Sim, P.Geol., of SIM Geological Inc. while updated mineral reserves estimates were prepared by or under the supervision of Robert Barnes, P.Eng., Vice President Operations of Capstone. See "Material Mineral Properties – Cozamin Mine – Cozamin Update", "Experts – Names of Experts" and "Experts – Interests of Experts". Mr. Sim and Mr. Barnes are each a "Qualified Person" for the purposes of NI 43-101.

The following is reproduced from the Executive Summary of the Cozamin Report.

EXECUTIVE SUMMARY

INTRODUCTION

The Cozamin Technical Report was compiled by SRK Consulting (Canada) Inc. for Capstone Mining Corp. to provide updated mineral resource and reserve estimates and update the latest operational conditions and summarize the current life of mine plan. The report was written by Robert Sim, P.Geo., Jenna Hardy, P.Geo., Jeff Woods, CP and Gordon Doerksen, P. Eng., all Qualified Persons as defined by NI 43-101.

LOCATION AND OWNERSHIP

The Cozamin Cu-Zn-Pb-Ag mine and processing plant are located two kilometres northwest of the city of Zacatecas, Mexico at approximately 22° 48' N latitude and 102 ° 35' W longitudes. The mine site is accessible via a short all-weather gravel road from Zacatecas. Infrastructure in the region is well established and the mine is connected to the regional electrical power grid.

Capstone Mining Corp. owns the Cozamin operation and operates it through its wholly owned subsidiary, Capstone Gold SA de CV. The Cozamin property is made up of 33 mining concessions covering 2,898 hectares of area.

Zacatecas has been an active mining region since the 16th century and the near-surface portions of the mine have been exploited by past operators.

GEOLOGY AND EXPLORATION

The Zacatecas Mining District covers a belt of epithermal and mesothermal vein deposits that contain silver, gold and base metals.

Since 2004, Capstone has undertaken exploration and definition drilling totalling 366 diamond drill holes and 105,261 m. The dominant mineralized vein on the Cozamin property is called the Mala Noche. This vein has been traced for 5.5 km, strikes approximately east-west and dips on average at 60° to the north. The Mala Noche vein system occupies a system of anastomosing faults that are principally comprised of the Mala Noche and El Abra faults along with other less significant faults. The mineralized bodies within the Mala Noche appear to be strongest where the disparate faults coalesce into a single fault zone. Although not all of the fault system is mineralized at any given location, there have been no other significant mineralized fault zones discovered to date.

Results from the exploration and mine development to date indicate that some of the strongest mineralization in the San Roberto mine rakes to the west at approximately -50° within the vein. Post mineralization offsets of the Mala Noche vein are minimal and occur along high angle, normal faults that strike northeast.

The Mala Noche vein in the San Roberto mine workings shows contained sulphides to occur as disseminations, bands and masses. Pyrite is the dominant vein sulphide and typically comprises approximately 15% of the Mala Noche vein in the San Roberto mine.

Pyrrhotite is the second most common sulphide mineral but is present only in the intermediate and deeper levels of the San Roberto mine and commonly occurs as an envelope to, or intermixed with, strong chalcopyrite mineralization. Chalcopyrite is the dominant copper sulphide at Cozamin. Like pyrrhotite, it is more common at the intermediate and deeper levels of the mine and occurs as disseminations, veinlets and replacement masses. These masses appear to be fractured and brecciated at intermediate levels in the mine. Minor bornite occurs as disseminated grains in some of the higher grade zones.

Sphalerite is the most common zinc sulphide mineral and occurs as disseminations and coarse crystalline masses. Galena is less common than sphalerite but is generally associated with it.

Argentite is the most common silver mineral. It has been identified microscopically occurring as inclusions in chalcopyrite, pyrite and likely sphalerite and galena.

The main gangue minerals are quartz, chlorite and calcite.

The distribution of metal value in the Cozamin reserves are found predominantly in copper (84 %), followed by zinc (7 %) and silver (7 %) with minor contribution from lead (2 %). Note that the distribution of metal values is based on sales at the reserve metal prices including the Silverstone agreement.

OPERATING RESULTS

The Cozamin Mine commenced operation in June 2006 and since that time has maintained continuous production and shown continual improvement. Tables 1.1 and 1.2 show annual summaries of mine and mill performance.

Since the start of operations, the mill has undergone numerous upgrades, expansions and operating optimizations. The mine has seen improved access, ventilation and an increase in its mobile equipment fleet. A shift away from cut and fill mining to predominantly Long Hole ("LH") open stoping methods has enabled higher mine production rates.

The life of mine ("LOM") plan production rate is 1,015,000 tonnes/year and is supported by the operating results in latter half of 2008 and the first quarter of 2009.

Table 1.1: Annual Tonnes and Grade Processed

Period	Ktonnes	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)
2006 (Jun.-Dec.)	185.5	70	1.42	0.65	1.77
2007	597.6	70	1.69	0.57	1.37
2008	833.2	63	1.62	0.55	1.31
2009 (1 st Quarter)	248.3	56	1.96	0.33	0.81
Total / Average	1,864.6	65	1.67	0.54	1.31

Table 1.2: Annual Concentrate Grades and Process Recoveries

Month	Concentrate Grade (%)			Recovery (%)			
	Cu	Pb	Zn	Ag	Cu	Pb	Zn
2006 (Jun.-Dec.)	25	60	46	70	90	71	56
2007	22	63	39	69	86	50	44
2008	23	63	41	71	88	65	49
2009 (1 st Quarter)	24	67	45	71	91	63	54
Average	23	63	42	70	88	60	49

MINERAL RESOURCE AND RESERVE ESTIMATES

The mineral resource model has been developed using the MineSight® (v4.50) with a nominal block size measuring 10 m x 3 m x 3 m, with the long axis oriented parallel to the E-W strike of the deposit. Grade estimates are made using ordinary kriging with parameters derived from the geostatistical properties present in the underlying database. Bulk densities are estimated into model blocks using the inverse distance (ID) interpolation method. Resources are classified in accordance with the CIM definition standards for mineral resources.

The mineral resource estimates are shown in Tables 1.3 and 1.4 respectively for the San Roberto and San Raphael deposits. The mineral reserve estimate for San Roberto is shown in Table 1.5. No mineral reserves were defined for the San Raphael deposit, as there is insufficient geotechnical and metallurgical testing, and analysis to support conversion to reserves.

Table 1.3: San Roberto Mineral Resource Estimate Summary (Dec. 31, 2008)

Cut-off Grade (Cu %)	Ktonnes	Cu (%)	Zn (%)	Pb (%)	Ag (g/t)	Au (g/t)	SG (t/m ³)
Measured							
0.50	2,287	2.00	1.10	0.43	79.2	0.068	2.93
1.00	1,908	2.24	1.03	0.42	84.1	0.064	2.93
1.15	1,749	2.35	1.01	0.41	86.0	0.063	2.93
1.50	1,373	2.63	0.96	0.37	90.0	0.061	2.94
2.00	947	3.04	0.93	0.31	95.1	0.057	2.94
2.50	616	3.48	0.94	0.24	99.0	0.056	2.94
3.00	386	3.92	0.93	0.18	101.3	0.056	2.95
Indicated							
0.50	12,303	1.35	1.26	0.30	54.8	0.074	2.91
1.00	7,296	1.76	1.21	0.27	61.2	0.065	2.92
1.15	6,077	1.90	1.20	0.25	63.0	0.063	2.92
1.50	3,963	2.22	1.16	0.23	66.9	0.060	2.93
2.00	2,091	2.67	1.12	0.21	72.8	0.056	2.96
2.50	1,030	3.13	1.04	0.21	79.5	0.052	3.00
3.00	490	3.59	0.94	0.21	87.1	0.050	3.04
Measured + Indicated							
0.50	14,590	1.45	1.23	0.32	58.6	0.073	2.91
1.00	9,204	1.86	1.17	0.30	65.9	0.065	2.92
1.15	7,826	2.00	1.15	0.29	68.2	0.063	2.93
1.50	5,336	2.33	1.11	0.26	72.8	0.060	2.93
2.00	3,038	2.79	1.06	0.24	79.7	0.056	2.95
2.50	1,646	3.26	1.00	0.22	86.8	0.054	2.98
3.00	876	3.74	0.94	0.20	93.4	0.053	3.00
Inferred							
0.50	4,782	0.95	1.06	0.21	42.4	0.073	2.81
1.00	1,623	1.42	0.98	0.19	49.0	0.063	2.84
1.15	1,100	1.58	0.95	0.17	52.5	0.065	2.85
1.50	504	1.93	1.03	0.18	62.4	0.071	2.92
2.00	181	2.32	1.04	0.16	72.3	0.075	2.98
2.50	41	2.75	0.88	0.15	73.4	0.076	3.13
3.00	5	3.13	0.62	0.10	77.4	0.089	3.26

(1) Mineral Resources do not have demonstrated economic viability.

(2) The “base case” cut-off grade of 1.15 %Cu is highlighted in table.

Table 1.4: San Rafael Mineral Resource Estimate Summary (Dec. 31, 2008)

Cut-off Grade (Zn %)	Ktonnes	Cu (%)	Zn (%)	Pb (%)	Ag (g/t)	Au (g/t)	SG (t/m ³)
Indicated							
2.0	3,431	2.97	0.21	0.40	33.8	0.441	2.75
2.5	2,407	3.29	0.22	0.43	36.0	0.469	2.75
3.0	1,467	3.64	0.23	0.47	38.3	0.482	2.76
3.5	720	4.07	0.25	0.50	41.4	0.489	2.78
4.0	328	4.48	0.24	0.52	44.3	0.462	2.80
4.5	135	4.87	0.24	0.56	47.5	0.468	2.81
5.0	41	5.22	0.25	0.61	51.3	0.518	2.82
Inferred							
2.0	2,642	2.61	0.09	0.37	24.0	0.436	2.65
2.5	1,161	3.11	0.12	0.47	30.2	0.514	2.68
3.0	556	3.55	0.14	0.57	35.8	0.609	2.68
3.5	256	3.92	0.14	0.65	39.5	0.675	2.67
4.0	83	4.32	0.15	0.72	41.9	0.714	2.66
4.5	19	4.76	0.17	0.81	45.4	0.709	2.65
5.0	3	5.16	0.20	0.73	51.4	0.855	2.66

- (1) Mineral Resources do not have demonstrated economic viability.
(2) The “base case” cut-off grade of 3 %Zn is highlighted in table.

Table 1.5: Mineral Reserve Estimate by Classification (Dec 31. 2008)

Classification	KTonnes	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)
Proven	1,606	76.91	2.02	0.44	0.97
Probable	6,491	55.38	1.57	0.26	1.13
Total	8,097	59.65	1.66	0.29	1.10

The mineral reserve estimate utilized metal prices of \$1.50 per pound copper, \$0.50 per pound zinc, \$0.45 per pound lead, and \$4.00 per ounce silver.

LOM OPERATING PLAN

The LOM operating plan was reviewed by SRK and deemed to be appropriate. The ore is planned to be extracted using three mining methods; cut and fill using waste rock fill, longhole open stoping and Avoca. Each method has been assigned to different mining blocks depending on the physical characteristics of the orebody.

Development mining and equipment usage was estimated based on the mine schedule. Capital development is conducted using a Mexican-based contractor. All other mining at Cozamin is done using Capstone employees.

The mine extends for a strike length of over 1 km and reserves extend to a depth of 600 m. Access to the underground workings is obtained from two service and haulage ramps and a hoisting shaft.

An annual summary of the tonnes, grade, payable metal and cash costs is shown in Table 1.6.

Table 1.6: Annual LOM Plan Production (Mar. 31, 2009)

Parameter	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Mining										
Development (m)	7,835	6,077	5,058	3,835	5,863	7,450	6,210	4,302	660	47,290
Milling										
Tonnes (000s)	1,015	1,015	1,015	1,015	1,015	1,015	1,015	734	258	8,097
Copper grade (%)	1.70	1.87	1.86	1.88	1.51	1.51	1.52	1.47	1.28	1.66
Zinc grade (%)	1.22	1.12	1.07	0.98	1.04	1.02	1.11	1.18	1.34	1.10
Lead grade (%)	0.51	0.45	0.38	0.34	0.19	0.15	0.17	0.16	0.16	0.29
Silver grade (g/t)	72	72	70	68	53	51	48	43	38	60
Payable Metals										
Copper (Mlbs)	33.1	36.6	36.3	36.8	29.4	29.5	29.8	20.8	6.4	258.6
Zinc (Mlbs)	14.8	13.6	12.9	11.9	12.6	12.4	13.5	10.3	4.1	106.1
Lead (Mlbs)	6.5	5.7	4.9	4.3	2.4	2.0	2.1	1.4	0.5	29.9
Silver (Moz)	1.6	1.6	1.6	1.5	1.2	1.1	1.0	0.7	0.2	10.4
Cash costs (US\$/lb payable Cu)										
Production (on site) costs	1.09	0.99	0.99	0.98	1.23	1.22	1.21	1.25	1.44	1.11
By-product Credits for Zn, Pb & Ag	0.41	0.35	0.33	0.30	0.32	0.31	0.31	0.32	0.38	0.33
Off site cost of Cu concentrate	0.32	0.32	0.32	0.32	0.32	0.32	0.32	0.32	0.32	0.32
Total Cash Cost	1.00	0.96	0.99	1.00	1.22	1.24	1.22	1.26	1.38	1.10

ECONOMIC ANALYSIS

A pre-tax economic model of the operating plan was generated using the assumptions shown in Table 1.7. The estimate of the pre-tax operating results is shown in Table 1.8. Only ongoing capital (2009 and beyond) was taken into account in the model and, as a result, the project has a very favourable pre-tax net present value (NPV) at an 8 % discount rate of \$172 M.

Table 1.7: Economic Analysis Assumptions (Mar. 31, 2009)

Item	Unit	Value
METAL PRICES		
Copper	\$/lb	2.00
Zinc	\$/lb	0.70
Lead	\$/lb	0.60
Silver	\$/oz	4.00
FLOTATION RECOVERY		
Copper in Cu concentrate	%	91
Zinc in Zn concentrate	%	65
Lead in Pb concentrate	%	60
Silver in all concentrates	%	74
OFF-SITE COSTS		
TC/RC, Transport, Payables, Penalties, Price Participation	\$/t	As per current contracts
OPEX		
Unit mining cost	\$/t milled	18.03
Unit processing cost	\$/t milled	12.99
Unit G&A cost	\$/t milled	4.49
Unit cost total	M\$	35.51
CAPEX		
LOM Capital	M\$	17.5

Table 1.8: LOM Economic Analysis Summary (at Mar. 31, 2009)

Item	Unit	Value
LOM PRODUCTION		
Ore Mined	Mt	8.1
Mill head grade – copper	Cu %	1.66
Mill head grade – zinc	Zn %	1.10
Mill head grade – lead	Pb %	0.29
Mill head grade – silver	Ag g/t	60
METAL PRODUCTION		
Copper in Cu concentrate	t Cu	122,000
Zinc in Zn concentrate	t Zn	58,000
Lead in Pb concentrate	t Pb	14,000
Silver in all concentrates	oz Ag	11,468,000
REVENUE		
Total NSR revenue (before royalty)	M\$	537
Royalty (@3 %)	M\$	16
Total NSR revenue (before royalty)	M\$	521
COST		
Total OPEX	M\$	288
Capex (inc. sustaining)	M\$	18
ECONOMIC RESULTS (EBITDA)		
NPV ₀ %DR	M\$	216
NPV ₈ %DR	M\$	172

A sensitivity analysis was performed individually on metal price, metal grade, capital cost and operating cost. The project is sensitive equally to metal price and grade fluctuations with an \$82 M (48 %) increase in pre-tax NPV₈% as a result of a 20 % increase in metal price or grade. Conversely, the project NPV drops by \$82 M for a 20 % decrease in metal price or grade. As most of the project capital has already been spent, the project is not sensitive to capital.

The project is somewhat sensitive to operating costs. A 20 % increase in operating costs leads to a 26 % (\$44 M) drop in pre-tax NPV₈%. See Table 1.9 for sensitivity results.

Table 1.9: Sensitivity Analysis Results (at Mar. 31, 2009)

Variable	Pre-tax NPV ₈ % (M\$)		
	-20 %	0 %	+20 %
Capital Cost	175	172	169
Operating Cost	217	172	128
Metal Price	90	172	254
Grade	90	172	254

CONCLUSIONS AND RECOMMENDATIONS

The Cozamin project has been successfully developed into viable mining and milling operation that, based on the assumptions made, shows a positive return on the mining and processing of current reserves and has the potential to expand its life if some of the current resources can be converted into reserves. There is no guarantee that an increase in reserves will be achieved and will depend upon further exploration, metallurgical, geotechnical and hydrogeology assessments as well as market conditions such as metal prices and smelter terms. The main risks to the project are:

- Water Supply and Management – Long-term water supply for the 3,000 tpd production rate is not totally established and mine personnel are looking at solutions which include greater control of the site water balance, securing underground water rights, drilling a deep ground water well and improvements to fresh water diversion structures.
- Mining Control - The mine must continue to ensure accurate drilling and blasting practices are maintained to minimize dilution, minimize secondary breaking and optimize extraction. Adequate back-up stopes must be available to give the mine production flexibility should dilution become a problem in a particular stope.
- External Factors – Exchange rates, off-site costs and, in particular, base metal prices all have the potential to seriously affect the economic results of the mine. Negative variance to these items from the assumptions made in the economic model would reduce the profitability of the mine and the mineral resource and reserve estimates.

The main opportunities for the project are:

- Improved ore handling system for the hoisting shaft – The LH mining method has the potential to produce oversized muck that can be a bottleneck at the shaft grizzly and loading pocket. Improvements in drilling and blasting practices can help alleviate the problem as well as an improvement in the underground truck dump/grizzly/rock breaker set-up.
- Timely updates of the resource model will allow for better mine planning and scheduling. Previous planning has been conducted using primarily the channel sample results – essentially a 2 dimensional approach to defining mining limits. Monthly updates of a block model using all available sampling and mapping information will greatly improve the mine design/planning process.
- Continued improvement in metal recovery and concentrate grade as demonstrated in year to date operating statistics.
- Maximizing mill throughput on a sustained basis to reduce unit costs. Mill has operated in excess of 3,500 tpd for periods of days which is 20 % greater than LOM throughput.
- Mine life may be extended by exploration on the 4 km of the Male Noche vein outside of the existing resource area, or converting the San Roberto inferred resources to reserves or acquiring additional claims which cover the down dip extension of the Male Noche vein to the east.
- Review of 31 drill holes omitted from resource model due to apparent survey issues may result in an increase in resources. For example, drill hole U62 (16.2 m 3.3 % Cu) intersected significantly thicker mineralization than surrounding channel sample data. If, through resurveying or re-drilling (if required), this hole is reintroduced into the database, it may result in an increase in the overall mineral resource.

The main recommendations identified by the QP authors of this report are summarized as:

- Refine the water balance to determine needs and potential long-term sources.
- Improve the characterization of ARD/ML of tailings and waste rock with further sampling, and testing to support storage options decisions.
- Mine ventilation measurement and control needs to be improved so ventilation system is optimized in terms of overall air volume and the ventilation of each individual mining area.
- Surveying of the mined-out LH stopes is highly advisable to help drilling and blasting practices to minimize dilution and optimize extraction as well for reconciliation of planned vs. actual stope shapes.

- Review of a series of 31 drill holes which exhibit irregular results compared to surrounding data suggesting errors in the recording of these holes in the database. Re-drilling of some holes may be required after this review, but other holes may be added to the database if specific errors are found and remedied. Work practices must be altered so that data collected from all future drilling programs is properly audited on a timely basis.
- Monthly updates of the block model using all current sampling and mapping information in order to provide a timely and accurate basis for mine planning purposes.
- Mine life may be extended by exploration on the 4 km of the Male Noche vein outside of the existing resource area, or converting the San Roberto inferred resources to reserves or acquiring additional claims which cover the down dip extension of the Male Noche vein to the east.
- A review of 31 drill holes omitted from resource model due to apparent survey issues may result in an increase in resources. For example, drill hole U62 (16.2 m 3.3 % Cu) intersected significantly thicker mineralization than surrounding channel sample data. If, through resurveying or re-drilling (if required), this hole is reintroduced into the database, it may result in an increase in the overall mineral resource.

All of the recommendations above are part of the on-going operation of the mine and do not require a special budget for their implementation.

COZAMIN UPDATE (to March 26, 2010)

Property

The Cozamin property currently consists of 40 mining concessions covering approximately 3,389 hectares.

In September 2009, Capstone Mexico entered into an agreement with Golden Minerals Company (AUM: TSX) of Golden Colorado, whereby Capstone Mexico acquired three mineral claims immediately adjacent to its Cozamin Mine in Zacatecas State, Mexico. The three mineral claims acquired (San Francisco, Santa Rita and La Esperanza) lie within the Company's current mineral holdings at the Cozamin Mine and immediately north of the current mining areas. Because the principal Mala Noche vein, which hosts all of the currently known mineral resources and mineral reserves, dips north, the Mala Noche vein crosses on to these claims below the current mineral resources and reserves.

These mineral claims were acquired from Minera Largo S de RL de CV, a wholly owned subsidiary of Golden Minerals Company, for a purchase price comprised of (a) an upfront payment of \$1.0 million, (b) future cash payments of a net smelter return of 1.5% on the first one million tonnes of production from the acquired claims, and (c) cash payments equivalent to a 3.0% net smelter return on production in excess of one million tonnes from the acquired claims. The net smelter return on production in excess of one million tonnes also escalates by 0.5% for each \$0.50 increment in copper price above \$3.00 per pound of copper. Final registration of the assignment of rights to La Esperanza (30.19 has.) is pending approval by the Mexican Mines Department. This approval is expected in April 2010.

The Cozamin property requires land rental and government fee payments on the mining concessions. In January 2009 the taxes totalled MX\$107,234 and in July 2009 the taxes totalled MX\$107,234. In January 2010, the taxes totalled MX\$127,382.

In the past year, Capstone has constructed a new power line and substation that allows the Company to draw up to 7.5 millions of watts from the national power grid. Generators (both operating and back-up) on site have a capacity of 2.0 millions of watts. The ultimate capacity of the current tailings pond at Cozamin is an additional 9.5 M tonnes.

Mineral Resource and Reserve Estimates

Mineral Resource Estimate (as at Dec. 31, 2009)

The mineral resource estimates for the Cozamin deposits were completed by Capstone staff under the supervision of independent consultant Robert Sim, P.Ge., of SIM Geological Inc., using accepted, industry standard, methods that conform with National Instrument 43-101. The resource model has been developed using MineSight® (v4.61).

The Cozamin mineral resources are segregated into the San Roberto and San Rafael areas and summarized at a series for NSR cut-offs. Highlighted in the two following tables is the “base case” cut-off of \$35.00 per tonne. This base case cut-off is appropriate in relation to the current operating costs at the Cozamin Mine.

Mineral resources exclude all historical (pre-Capstone) and all underground production conducted by Capstone as of December 31, 2009. Resources are constrained by the Capstone property boundary.

Cozamin Mine -- Mineral Resources by Class for All Deposits (at a NSR cut-off of US\$35/t)

Class	Tonnes (000's)*	Grade					Contained Metal				
		Copper	Zinc	Lead	Silver	Gold	Copper	Zinc	Lead	Silver	Gold
		(%)	(%)	(%)	(g/t)	(g/t)	(millions lbs)	(millions lbs)	(millions lbs)	(000s oz)	(000s oz)
Measured (M)	2,078	2.33	1.14	0.53	84.4	0.07	106.6	52.2	24.5	5,638	4.5
Indicated (I)	8,587	1.40	2.09	0.36	59.0	0.22	264.5	395.1	68.7	16,289	60.5
M & I **	10,665	1.58	1.90	0.40	63.9	0.19	371.1	447.4	93.2	21,928	65.1
Inferred	4,073	0.89	2.22	0.41	43.2	0.33	80.2	199.1	36.4	5,662	43.5

*Rounded to nearest thousand

**Totals may not add exactly due to rounding

Cozamin Mine -- Mineral Resources by Class for Each Deposit (at a NSR cut-off of US\$35/t)

Class**	Tonnes (000's)*	Grade					Contained Metal				
		Copper	Zinc	Lead	Silver	Gold	Copper	Zinc	Lead	Silver	Gold
		(%)	(%)	(%)	(g/t)	(g/t)	(millions lbs)	(millions lbs)	(millions lbs)	(000s oz)	(000s oz)
Measured (M)											
San Roberto	2,078	2.33	1.14	0.53	84.4	0.07	106.6	52.2	24.5	5,638	4.5
San Rafael	0										
Sub-total Measured	2,078	2.33	1.14	0.53	84.4	0.07	106.6	52.2	24.5	5,638	4.5
Indicated (I)											
San Roberto	6,604	1.73	1.71	0.33	64.4	0.13	252.5	249.6	48.0	13,662	28.4
San Rafael	1,983	0.27	3.33	0.47	41.2	0.50	12.0	145.5	20.7	2,627	32.2
Sub-total Indicated	8,587	1.40	2.09	0.36	59.0	0.22	264.5	395.1	68.7	16,289	60.5
M + I											
San Roberto	8,682	1.88	1.58	0.38	69.1	0.12	359.1	301.9	72.5	19,300	32.9
San Rafael	1,983	0.27	3.33	0.47	41.2	0.50	12.0	145.5	20.7	2,627	32.2
Sub-total M+I	10,665	1.58	1.90	0.40	63.9	0.19	371.1	447.4	93.2	21,928	65.1
Additional Inferred											
San Roberto	2,376	1.44	1.69	0.18	52.6	0.11	75.6	88.7	9.5	4,019	8.6
San Rafael	1,697	0.12	2.95	0.72	30.1	0.64	4.6	110.4	27.0	1,644	34.9
Sub-total Inferred	4,073	0.89	2.22	0.41	43.2	0.33	80.2	199.1	36.4	5,662	43.5

*Rounded to nearest thousand

**Totals may not add exactly due to rounding

Mineral Resource Estimates at different cut-offs (as at Dec. 31, 2009)

The mineral resources at Cozamin are summarized at a series of cut-off limits for comparison purposes in the table below.

Cozamin Mine -- Mineral Resources for all Deposits at Different NSR Cut-offs

NSR Cut Off (US\$/t)	Tonnes (000's)*	Grade					Contained Metal				
		Copper	Zinc	Lead	Silver	Gold	Copper	Zinc	Lead	Silver	Gold
							(millions)	(millions)	(millions)	(000s)	(000s)
		(%)	(%)	(%)	(g/t)	(g/t)	(lbs)	(lbs)	(lbs)	(oz)	(oz)
Measured + Indicated											
> 50	5,999	2.16	1.74	0.42	75.7	0.13	286.1	230.2	55.8	14,594	26.0
> 40	8,908	1.76	1.86	0.41	68.1	0.17	345.7	366.2	80.2	19,513	49.8
> 37.5	9,766	1.67	1.89	0.40	66.1	0.18	358.9	406.3	86.7	20,745	57.7
> 35 (Base case)	10,665	1.58	1.90	0.40	63.9	0.19	371.1	447.4	93.2	21,928	65.1
> 30	12,378	1.43	1.90	0.38	60.3	0.20	391.1	519.4	104.5	24,007	78.3
> 25	13,977	1.31	1.89	0.37	57.0	0.20	405.0	581.3	114.3	25,614	90.0
Additional Inferred											
> 50	1,309	1.41	2.45	0.39	53.4	0.30	40.6	70.8	11.3	2,249	12.5
> 40	2,894	1.01	2.37	0.41	46.8	0.35	64.5	151.0	26.5	4,354	32.7
> 37.5	3,388	0.94	2.33	0.43	44.6	0.34	70.1	174.4	31.8	4,861	37.5
> 35 (Base case)	4,073	0.89	2.22	0.41	43.2	0.33	80.2	199.1	36.4	5,662	43.5
> 30	5,382	0.77	2.18	0.40	40.2	0.32	91.3	258.1	46.9	6,952	56.0
> 25	7,207	0.65	2.08	0.38	36.5	0.32	103.0	330.7	60.9	8,453	73.2

*Rounded to nearest thousand

**Totals may not add exactly due to rounding

Mineral Resource Parameters

The metal prices and metallurgical parameters used to estimate the NSR values for each deposit are presented in the following tables. At San Rafael, ore grading above 0.3% copper will be treated in the plant with San Roberto ore. Zinc-rich (copper-poor) ore will be treated separately and gold will be recovered as reflected in the separate parameters for San Rafael.

Cozamin Mine -- NSR parameters San Roberto (as at Dec. 31, 2009)

Metal Prices		
Units		Value \$US
Cu	\$/lb	\$2.50
Zn	\$/lb	\$0.80
Pb	\$/lb	\$0.85
Ag	\$/oz	\$4.00

NSR Parameters		
Units		Value \$US
Cu	0.10 %	\$2.47
Zn	0.10 %	\$0.56
Pb	0.10 %	\$0.89
Ag	g/t	\$0.06

Grades			
	Cu	Zn	Pb
Cu Conc.	25%		
Zn Conc.		50%	
Pb Conc.			60%

Recovery %			
Ag	Cu	Zn	Pb
50	92		
2		70	
20			60

Cozamin Mine -- NSR parameters San Rafael Zinc Ore (as at Dec. 31, 2009)

Metal Prices		
Units		Value \$US
Cu	\$/lb	\$2.50
Zn	\$/lb	\$0.80
Pb	\$/lb	\$0.85
Au	\$/oz	\$950
Ag	\$/oz	\$4.00

NSR Parameters		
Units		Value \$US
Cu	0.10 %	\$2.47
Zn	0.10 %	\$0.69
Pb	0.10 %	\$1.50
Au	g/t	\$17.21
Ag	g/t	\$0.06

Grades				
	Au	Ag	Zn	Pb
Zn Conc.	0.72 g/t	183 g/t	52%	
Pb Conc.	25.0 g/t	2,418 g/t		55%

Recovery %			
Au	Ag	Zn	Pb
7	16	70	2
67	58	15	85

Mineral Reserve Estimate (as at Dec. 31, 2009)

Summary of the mineral reserves at the Cozamin Mine on December 31, 2009, reported using \$35 NSR/tonne (totals include measured and indicated resources):

Cozamin Mine – Mineral Reserves by Class for All Deposits (at a NSR cut-off of US\$35/t)

Class	Tonnes (000's)*	Grade					Contained Metal				
		Copper (%)	Zinc (%)	Lead (%)	Silver (g/t)	Gold (g/t)	Copper (millions lbs)	Zinc (millions lbs)	Lead (millions lbs)	Silver (000s oz)	Gold (000s oz)
San Roberto											
Proven	1,610	2.16	1.01	0.52	76	0.059	76.5	35.8	18.6	3,951	3.1
Probable	5,932	1.62	1.57	0.30	59	0.110	211.1	204.8	39.6	11,255	21.0
San Roberto P&P	7,542	1.73	1.45	0.35	63	0.099	287.8	240.6	58.2	15,207	24.1
San Rafael											
Proven	0	0	0	0	0	0	0	0	0	0	0
Probable	1,865	0.25	3.12	0.43	37	0.474	10.3	128.1	17.6	2,233	28.4
San Rafael P&P	1,865	0.25	3.12	0.43	37	0.474	10.3	128.1	17.6	2,233	28.4
all											
Proven	1,610	2.16	1.01	0.52	76	0.059	76.5	35.8	18.6	3,951	3.1
Probable	7,797	1.29	1.94	0.33	54	0.197	221.5	332.9	57.2	13,488	49.4
All P&P	9,407	1.44	1.78	0.37	58	0.174	298.1	368.7	75.8	17,439	52.5

*Rounded to nearest thousand

**Totals may not add exactly due to rounding

Cozamin Mine – Mineral Reserves by Class for Each Deposit (at a NSR cut-off of US\$35/t)

Class**	Tonnes (000's)*	Grade					Contained Metal				
		Copper (%)	Zinc (%)	Lead (%)	Silver (g/t)	Gold (g/t)	Copper (millions lbs)	Zinc (millions lbs)	Lead (millions lbs)	Silver (000s oz)	Gold (000s oz)
Proven											
San Roberto	1,610	2.16	1.01	0.52	76	0.059	76.5	35.8	18.6	3,951	3.1
San Rafael	0	0	0	0	0	0	0	0	0	0	0
Sub-total Proven	1,610	2.16	1.01	0.52	76	0.059	76.5	35.8	18.6	3,951	3.1
Probable											
San Roberto	5,932	1.62	1.57	0.30	59	0.110	211.1	204.8	39.6	11,255	21.0
San Rafael	1,865	0.25	3.12	0.43	37	0.474	10.3	128.1	17.6	2,233	28.4
Sub-total Probable	7,797	1.29	1.94	0.33	54	0.197	221.5	332.9	57.2	13,488	49.4
P+P											
San Roberto	7,542	1.73	1.45	0.35	63	0.099	287.8	240.6	58.2	15,207	24.1
San Rafael	1,865	0.25	3.12	0.43	37	0.474	10.3	128.1	17.6	2,233	28.4
Sub-total P+P	9,407	1.44	1.78	0.37	58	0.174	298.1	368.7	75.8	17,439	52.5

*Rounded to nearest thousand

**Totals may not add exactly due to rounding

Mineral Reserve Parameters

The metal prices and metallurgical parameters used to estimate the NSR values for each deposit are presented in the following tables. At San Rafael, ore grading above 0.3% copper will be treated in the plant with San Roberto ore. Zinc-rich (copper-poor) ore will be treated separately and gold will be recovered as reflected in the separate parameters for San Rafael.

Cozamin Mine – NSR parameters San Roberto (as at Dec. 31, 2009)

Metal Prices		NSR Parameters			
Units	Value \$US	Units	Value \$US		
Cu \$/lb	\$2.50	Cu 0.10 %	\$2.47		
Zn \$/lb	\$0.80	Zn 0.10 %	\$0.56		
Pb \$/lb	\$0.85	Pb 0.10 %	\$0.89		
Ag \$/oz	\$4.00	Ag g/t	\$0.06		

Grades				Recovery %			
	Cu	Zn	Pb	Ag	Cu	Zn	Pb
Cu Conc.	25%			50	92		
Zn Conc.		50%		2		70	
Pb Conc.			60%	20			60

Cozamin Mine – NSR parameters San Rafael Zinc Ore (as at Dec. 31, 2009)

Metal Prices		NSR Parameters			
Units	Value \$US	Units	Value \$US		
Cu \$/lb	\$2.50	Cu 0.10 %	\$2.47		
Zn \$/lb	\$0.80	Zn 0.10 %	\$0.69		
Pb \$/lb	\$0.85	Pb 0.10 %	\$1.50		
Au \$/oz	\$950	Au g/t	\$17.21		
Ag \$/oz	\$4.00	Ag g/t	\$0.06		

Grades				Recovery %				
	Au	Ag	Zn	Pb	Au	Ag	Zn	Pb
Zn Conc.	0.72 g/t	183 g/t	52%		7	16	70	2
Pb Conc.	25.0 g/t	2,418 g/t		55%	67	58	15	85

Reconciliation of Mineral Reserves

Mineral reserves are adjusted annually by the amount mined, by additions and deletions resulting from new geological information and interpretation, in conjunction with changes in operating parameters and metal prices. However, proven and probable mineral reserves are not usually revised in response to short-term fluctuations in the metal markets. The following is a reconciliation of the proven and probable mineral reserves at Cozamin to December 31, 2009:

	Tonnes (000s)
Opening balance, December 2008*	2,631
Additions San Roberto**	3,935
Additions San Rafael**	1,865
Less Tonnes milled January to December 2009	976
Closing balance as of December 31, 2009	9,407

*2008 reserves were calculated using metal prices of: \$2.25/lb copper, \$8.50/oz silver, \$0.60/lb lead and \$1.00/lb zinc.

*2009 reserves were calculated using metal prices of: \$2.50/lb copper, \$4.00/oz silver, \$0.85/lb lead \$0.80/lb zinc and \$950/oz gold

Resource Model versus Process Plant Reconciliation

Year	Parameter	Tonnes(000s)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)
2009	Resource Model Diluted estimate*	965	71	1.89	0.41	1.42
	Plant Sampled	971	64	1.84	0.69	1.16
	Difference	6	-7	-0.05	0.28	-0.25
	Percent Difference	1%	9%	-3%	68%	-18%

*Models generated and reported by Rob Sim and diluted with guidance of Robert Barnes

There are no known factors related to environmental, permitting, legal, title, taxation, socio-economic, marketing or political issues which could materially affect the mineral resource or mineral reserve estimates.

Operating Results – Cozamin Mine

The Cozamin Mine commenced operation in June 2006 and since that time has maintained continuous production and shown continual improvement. Since the start of operations, the mill has undergone numerous upgrades, expansions and operating optimizations. The mine has seen improved access, ventilation and an increase in its mobile equipment fleet. A shift away from cut and fill mining to predominantly Long Hole (“LH”) open stoping methods has enabled higher mine production rates.

The LOM plan production rate is 1,015,000 tpy and is supported by the operating results of 2009.

Key Operating Statistics for 2009 at the Cozamin Mine

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Total 2009 (Adjusted) ⁽³⁾
Production (contained in concentrates)⁽²⁾					
Copper (000s) pounds	9,813	9,881	8,196	8,934	36,121
- Lead (000s pounds)	1,157	2,332	3,193	3,452	10,134
- Zinc (000s pounds)	2,386	3,324	5,062	4,704	15,476
- Silver (ounces)	317,963	390,639	366,210	387,665	1,462,478
Mine					
- Tonnes of ore mined	248,507	243,494	236,803	243,795	972,599
Mill					
- Tonnes processed	248,325	249,975	236,938	240,490	975,728
- Tonnes processed per day	2,759	2,741	2,581	2,614	2,673
- Copper grade (%)	1.96	1.92	1.73	1.83	1.84
- Lead grade (%)	0.33	0.61	0.89	0.93	0.69
- Zinc grade (%)	0.81	1.01	1.51	1.33	1.17
- Silver grade (g/t)	56	66	67	69	64
Recoveries					
- Copper (%)	91.4	93.4	91.3	92.0	91.2
- Lead (%)	64.8	69.4	67.6	70.0	68.4
- Zinc (%)	59.3	59.5	63.2	66.7	61.7
- Silver (%)	71.0	73.6	72.0	73.1	72.5
Concentrate					
- Copper concentrate produced (dmt)	18,461	17,595	14,711	16,221	66,977

- Copper (%)	24.1	25.5	25.3	25.0	24.5
- Silver (g/t)	463	561	595	569	571
- Lead concentrate produced (dmt)	782	1,500	2,060	2,233	6,575
- Lead (%)	67.1	70.5	70.3	70.2	69.9
- Silver (g/t)	1,738	1,511	1,282	1,264	1,382
- Zinc concentrate produced (dmt)	2,415	3,312	4,782	4,499	15,008
- Zinc (%)	44.8	45.5	48.0	47.4	46.8
On site Operating Costs (\$/t milled) ⁽¹⁾	\$34.97	\$34.03	\$38.93	\$51.60	\$39.79
Payable pounds of copper produced (000s)	9,405	9,493	7,872	8,577	34,645
Total cash cost per pound of payable copper ⁽¹⁾	\$1.00	\$0.81	\$0.75	\$0.94	\$0.90

(1) *The cash cost per pound of payable copper measure shown is an estimate of the cash cost on a production basis. This is a non-GAAP performance measure; please see "Non-GAAP Performance Measure" in the Company's 2009 year end MD&A.*

(2) *Adjustments based on final settlements will be made in future periods.*

(3) *Some totals will not sum, due to adjustments on final settlements on copper sales during the year. These adjustments are only reflected in the year to date column.*

During 2009, a total of 68,206 dmt of copper concentrates, 6,762 dmt of lead concentrates and 18,569 dmt of zinc concentrates were shipped and recorded as revenue.

Mining Operations

From January to December 2009, the mine processed a mill feed of 975,728 tonnes of ore grading 1.84% copper, 1.17% zinc, 0.69% lead and 64 g/t silver. The average production rate was approximately 2,673 tpd during that period. The mine produced 36.1 million pounds of copper, 15.5 million pounds of zinc, 10.1 million pounds of lead and 1.46 million ounces of silver.

During 2009, 9,265 m of development (ramps, drifts and raises) were completed to support stope mining and for capital projects extending mine workings to below the 12 level.

Milling

Throughout 2008 daily treatment capacity was averaged 2,673 tpd, with the mill operating 7 days a week. In 2009, the concentrator plant processed approximately 976 k tonnes of ore and is expected to process 1,100,000 tonnes of ore in 2010.

Environment

The closure cost for the Cozamin Mine was re-estimated and updated to December 31, 2009, totalling \$2.3 million, plus an additional \$0.60 million for severance.

Outlook

Cozamin Mine

The Company provided guidance that the Cozamin Mine production in 2010 is expected to total 40 to 45 million pounds of copper in concentrates, with by-product lead, zinc and silver, at a cash cost of approximately \$0.80 to \$0.90 per pound of payable copper.

Capital expenditures for 2010 are forecast to total \$5.7 million and are primarily focused on completing items related to the Phase III expansion, such as connecting to grid power, installation and commissioning of the in-mine crusher and shaft deepening.

Additionally, a total of \$3.0 million is expected to be spent on exploration at the Cozamin Mine, primarily focused on exploring for extensions to high grade mineral reserves immediately adjacent to the current workings, but also exploring additional targets along strike for possible new deposits.

Exploration at Cozamin will consist of geophysics, mapping and sampling, as well as evaluating the three newly acquired mineral claims that are within the immediate area of the Cozamin Mine resources and reserves. The acquisition of these claims has opened up potential for the discovery and definition of additional mineral resources in close proximity to the existing mine workings.

The LOM operating plan is being updated based on the reserve update completed and published March 17, 2010. This LOM operating plan incorporates additional reserves from the San Rafael mine area and will be completed at 1.1 M tpy production basis versus 1.015 M tpy production basis but all other aspects of an updated LOM operating plan are expected to be similar to SRK's published plan in the Cozamin Report.

Minto Mine (Yukon Territory)

A report titled "Minto Phase IV, Pre-Feasibility Technical Report" dated December 15, 2009 (the "Minto Report") was compiled by SRK Consulting (Canada) Inc. and written by Cam Scott, P.Eng., Clint Donkin, AusIMM, Dino Pilotto, P.Eng, Gordon Doerksen, P.Eng., Garth Kirkham, P.Geo., Mike Levy, PE and Wayne Barnett, P.Eng., each a Qualified Person as defined in NI 43-101. The Minto Report is available in its entirety on SEDAR at www.sedar.com under the Company's profile and is incorporated by reference herein.

Following the extract below from the Minto Report is updated information subsequent to the date of the Minto Report, prepared by or under the supervision of Stephen P. Quin, P.Geo, President & COO of Capstone, and, as to exploration activities, by Brad Mercer, P.Geo., Vice President Exploration of Capstone. See "Material Mineral Properties – Minto Mine – Minto Update", "Experts – Names of Experts" and "Experts – Interests of Experts". Mr. Quin and Mr. Mercer are each a "Qualified Person" for the purposes of NI 43-101.

The following is reproduced from the Executive Summary of the Minto Report.

EXECUTIVE SUMMARY

INTRODUCTION

Minto Explorations Ltd. ("MintoEx"), a wholly owned subsidiary of Capstone Mining Corp. ("Capstone"), owns (100%) and operates the Minto Mine; a 3,200 tonne per day ("tpd") high-grade copper-gold mine approximately 240 km northwest of Whitehorse, Yukon. This pre-feasibility and technical report was compiled for MintoEx by SRK Consulting (Canada) Inc. ("SRK") to describe a new mineral resource and reserve estimate and describe the new life-of-mine plan with cost and plant capacity improvements.

A preliminary feasibility study and technical report ("2007 PFS") was completed for the Main and Area 2 deposits in November 2007 after a successful exploration program in 2006. In 2007 through to 2009, three other exploration targets, Ridgetop, Area 118, and Minto North were drilled to resource-quality levels and the Area 2 deposit was significantly expanded. These additional mineral resources are described in this report, and form the basis of the life-of-mine plan. Exploration on the Minto property is ongoing, diamond drilling is currently suspended for the season but is planned to start again in early 2010 and is designed to more fully define and, potentially, expand the mineral resources, as well as to explore additional mineralized targets.

Based on the results of the 2007 PFS, MintoEx applied to the Yukon government for an amendment to its Quartz Mining Licence in order to increase production from the Main deposit to 3,200 tpd, permission for which was granted in July 2008. An application to amend the Quartz Mining Licence to increase production to 3,600 tpd is currently undergoing environmental assessment. A further application to amend its Quartz Mining Licence is expected to be filed by MintoEx in early 2010 in order to further increase production and modify operating parameters to accommodate other proposed operational improvements, as well as incorporate the mining of the Area 2, Area 118, Ridgetop and Minto North deposits.

GEOLOGY AND EXPLORATION

The Minto Project is found in north-northwest trending Carmacks Copper Belt along the eastern margin of the Yukon-Tanana Composite Terrain. The belt is host to several intrusion-related Cu-Au mineralized hydrothermal systems. The Minto Property and surrounding area are underlain by plutonic rocks of the Granite Mountain Batholith of Early Mesozoic Age. The component of the batholith represented on the Minto Property is the Minto pluton and is predominantly of granodiorite composition. Hypogene copper sulphide mineralization at Minto is hosted wholly within this pluton in sub-horizontal horizons of structurally prepared rock.

Four deposits of copper-gold-silver mineralization are reported in this document. Each of these deposits closely share a similar style of mineralization hosted by vertically stacked, shallow dipping deformation zones within the intrusion. The Main deposit is currently exposed in an operating open pit mine and this geometry has been confirmed. Three other deposits have drill delineated mineral resources and/or reserves but mineralization is not exposed.

For the purpose of this report the Area 2 and Area 118 deposits are now considered continuous, and reported as one deposit, namely Area 2/118 located immediately south of Main Minto. The Ridgetop deposit is located just over 300 m south of the Area 2/118 deposit while the most recently discovered deposit to be reported is the Minto North deposit located about 700 m north of the Main deposit. These deposits and other mineral prospects define a general north-northwest trend informally called the Priority Exploration Corridor or PEC.

Copper sulphide mineralization is found in the rocks that have a structurally imposed fabric, ranging from a weak foliation through to a strongly developed gneissic banding. The contact relationship between the foliated deformation zones and the massive phases of granodiorite is generally very sharp. These contacts do not exhibit chilled margins and are considered by MintoEx geologists to be structural in nature, separating the variably strained equivalents of the same or similar rock type. The more highly strained deformation zones forms sub-horizontal horizons and can be traced laterally for more than 1000 m in the drill core. They are often stacked in parallel to sub-parallel sequences and it is postulated that the foliated granodiorite represent healed, shallowly dipping shear zones within the Granite Mountain Batholith, that are theorized to have formed when the rocks passed through the brittle/ductile transformation zone in the earth's crust in transition from a deep emplacement environment of the batholiths to eventual exhumation. However, there is on-going debate as per the stratigraphic, intrusive or structural nature of the zones hosting the foliation and mineralization, and MintoEx have engaged the Mineral Deposits Research Unit of the University of British Columbia to help understand the mineral paragenesis and deformation history. No other recognized deposit type compares directly with Minto mineralization. While an Iron Oxide Copper Gold (IOCG) style for the Minto deposit cannot be unequivocally demonstrated, the authors are of the opinion that this style of deposit provides the most consistent model for our current level of understanding.

The primary hypogene sulphide mineralization consists of chalcopyrite, bornite, euhedral chalcocite and minor pyrite. Metallurgical testing also indicates the presence of covellite, although this sulphide species has never been positively logged macroscopically. Texturally, sulphide minerals predominantly occur as disseminations and foliaform stringers along foliation planes in the deformed granodiorite (i.e. sulphide stringers tend to follow the foliation planes). Occasionally, coarse free gold is observed associated with chloritic or epidote lined fractures that cross-cut the sulphide mineralization. The free gold may be due to secondary enrichment during a later hydrothermal process overprinting the main copper sulphide-gold event. Sulphide mineralization is always accompanied by variable amounts of magnetite and biotite mineralization. While these minerals occur

in the non-deformed rocks they are present in the mineralized horizons in a much greater abundance in the range of an order of magnitude greater than background.

Supergene mineralization occurs proximal to near-surface extension of the primary mineralization and beneath the Cretaceous conglomerate. Chalcocite is the prime mineral in these horizons along with secondary malachite, minor azurite and minor native copper. Observations of foliated and even copper mineralized cobbles in drilling indicate that “Minto-type” mineralization was exposed, eroded and reincorporated in conglomerate sedimentary deposits by the Cretaceous Age. Other rock types, albeit volumetrically insignificant, include thin dykes (typically less than 1 m) of simple quartz-feldspar pegmatite, aplite, and an aphanitic textured intermediate composition rock.

Structural deformation includes the ore-bearing deformation zones, as well folding present on the regional to micro-scale. Within the deformation zones the foliation exhibits highly variable orientations with the presence of small-scale (several centimeters in amplitude) folds. The ore-bearing zones are also occasionally folded on a scale of several hundred metres. The larger-scale folds appear to be gentle folds with north-south axial traces. Late brittle fracturing and faulting is noted throughout the property area, some of these faults have displacements significant enough to compartmentalize the deposits. For example, the Minto Creek fault bisects the Minto Main deposit, dividing it into north and south areas. The fault is modeled as dipping steeply north-northeast with an apparent left lateral reverse displacement. The DEF fault defines the northern end of the Main deposit. It strikes more or less eastwest and dips north-northwest and cuts off the main zone mineralization. The boundary between the Area 2 and Area 118 ore zones is an intermediate NE dipping fault, and at least two parallel structures displace mineralized domains in Area 118. A similar NW striking fault zone appears to define the northeastern boundary of the Ridgetop deposit, and defines the outcrop of Cretaceous conglomerates.

Pervasive, strong potassic alteration occurs within the flat lying zones of mineralization, and is the predominant alteration assemblage observed in all of the Minto Deposits. The potassic alteration assemblage is characterized by elevated biotite contents and minor secondary k-feldspar overgrowth on plagioclase relative to the more massive textured country rock. Additional alteration includes the replacement of mafic minerals by secondary chlorite, epidote, or sericite observed both in mineralized and waste rock interstitially or fracture/vein proximal, as well as variable degrees of hematization of feldspars. Minor carbonate overprint is occasionally observed associated with secondary biotite. Silicification is present but not pervasive in the Minto deposits.

Mineral exploration on the Minto property has been conducted intermittently since 1971. Subsequent to the discovery of the Main deposit, now the producing open pit Minto Mine, the adjacent southern half of the property has undergone systematic brownfields exploration. Exploration on the northern half is more sporadic. There are currently more than 1000 drill holes within a roughly 16 square kilometre area. As such, following up on open mineralized horizons in geological models, projecting mineralized horizons into areas of little or no drilling and drilling near historical drill hole intercepts were the principal exploration tools employed by MintoEx and its geologists. Subsequent to Capstone’s predecessor, Sherwood Copper’s acquisition of Minto Explorations Ltd. in June 2005, exploration from 2005 to 2009 has concentrated mostly on diamond drilling. However, an extensive historic soil sample survey and some ground based and airborne geophysics have been conducted and are very useful to guide drilling activity.

The current approach by MintoEx is the systematic evaluation of modern electrical (chargeability), geophysical methods by commissioning various “proof-of-concept” surveys over known mineralization and then expanding survey coverage outward into untested areas using these methods that are calibrated to known deposits. An emphasis is placed on looking for signature analogs as opposed to being pedantic about precise measurements of response. The predominant electrical geophysical methods used are Gradient Array Induced Potential (GAIP), Dipole-Dipole Induced Potential and Titan-24 DC Induced Potential. Drill targeting is predominantly based upon the coincidence of an anomaly in one of the electrical (chargeability) methods with an anomaly in the 1993 total field airborne magnetic survey (MAG).

Within the currently known extent of the PEC in future there will likely be more reliance solely on electrical / chargeability methods as the near-surface potential and discrete magnetic bull’s-eyes have

largely been targeted. Magnetic data in areas located north of Minto North plus areas west and east respectively of the PEC may still be useful as these regions are still relatively under explored.

The current highest priority exploration targets are based on the evaluation of geophysics, soil geochemistry, geologic modelling, and diamond drilling. The targets identified as Ridgetop Southwest, Copper Keel (North and South), Airstrip, Connector, DEF, and the newly discovered Minto East are all located within a 2 km by 2 km area, south of the DEF fault. MintoEx also sees good exploration potential in the area north of the DEF fault, as evidenced by the discovery of the high grade Minto North deposit early in 2009 and the recently discovered Minto East prospect in late 2009.

In 2009, several other historic bedrock copper occurrences discovered in the 1970s north of the DEF fault were relocated and confirmed. In addition various copper-in-soil geochemical anomalies, often coincident with magnetic geophysical anomalies, occur throughout the property and many of them remain untested. However, further understanding of the bedrock geology north of the DEF fault is required before many of these targets can be properly assessed and placed in perspective.

MINERAL RESOURCES

A primary objective of SRK's work was to produce a revised independent mineral resource evaluation for the Area2/118 and for the Ridgetop deposits. The Minto North Zone, another integral part of the Minto Deposit, has been evaluated by Kirkham Geosystems Ltd (Kirkham Geosystems).

The mineral resource evaluation reported herein supersedes earlier resource estimates prepared by LGGC in 2008 and reported in the SRK Technical Report, June 2008.

The mineral resource estimate in the Area 2/118 and Ridgetop deposits was completed by Dr. Wayne Barnett, Ph.D., Pr.Sci.Nat., an independent qualified person as this term is defined in National Instrument 43-101. The effective date of this mineral resource estimate is June 1, 2009. Marek Nowak, P.Eng., analyzed the data, reviewed and validated the mineral resource estimates. The Minto North deposit mineral resource estimate was completed by Garth Kirkham, P.Geo., of Kirkham Geosystems, an independent qualified person as this term is defined in National Instrument 43-101.

In the opinion of SRK, the block model mineral resource estimate and mineral resource classification reported herein are a reasonable representation of the global mineral resources at Area2/Area 118, Ridgetop, and Minto North deposits at the current level of sampling. The mineral resources presented herein have been estimated in conformity with generally accepted CIM "Estimation of Mineral Resource and Mineral Reserves Best Practices" guidelines and are reported in accordance with Canadian Securities Administrators' National Instrument 43-101. Mineral resources are not mineral reserves and do not have demonstrated economic viability. The estimated mineral resources have been used in the preliminary feasibility study described in this report.

The database used to estimate the Area 2/118 and Ridgetop deposits was audited by SRK and the mineralization boundaries were modelled by SRK based on lithological and structural interpretations. Kirkham Geosystems audited the Minto North database and modelled mineralization boundaries. SRK is of the opinion that the current drilling information is sufficiently reliable to interpret with confidence the boundaries of the mineralized domains and that the assaying data is sufficiently reliable to support estimating mineral resources.

The "reasonable prospects for economic extraction" requirement for a mineral resource generally implies that the quantity and grade estimates meet certain economic thresholds, and that the mineral resources are reported at an appropriate cut-off grade taking into account extraction scenarios and processing recoveries. In order to meet this requirement, SRK considers that the Area 2/118, Ridgetop, and Minto North deposits are amenable for open pit extraction.

In order to constrain the overall mineral resource to demonstrate reasonable prospects for economic extraction, for the Area 2/118, and Ridgetop deposits the mineral resources are based on a combined processing and G&A cost of C\$5.00 per tonne of material processed and metal prices of US\$2.85 per pound for copper, US\$900 per ounce gold, and US\$12 per ounce silver.

The open pit resource is constrained by an optimized Whittle shell based on the NSR model, overall slope angles of 50 degrees and the site operating costs listed. At Minto North, a project at its relatively early stage of exploration, global resources have been reported. The mineral resource statements for the Area2/118, Ridgetop, and Minto North are presented in Tables 1-3. A combined resource from all three deposits is presented in Table 4.

Table 1: Mineral Resource Statement at 0.5% Cu Cut-off for the Area 2/118 Deposit, SRK Consulting (June 9, 2009)

Classification	Tonnes (Kt)*	Copper (%)	Gold (g/t)	Silver (g/t)	Contained Cu (K lb.)*	Contained Gold (K oz)*	Contained Ag (K oz)*
Measured (M)	6,936	1.25	0.47	4.29	190,638	104	956
Indicated (I)	11,301	0.92	0.29	3.36	230,198	106	1,220
Sub-total (M+I)**	18,237	1.05	0.36	3.71	420,836	210	2,176
Inferred	5,116	0.91	0.24	2.99	102,420	40	492

*Rounded to nearest thousand **Totals may not add exactly due to rounding

Table 2: Mineral Resource Statement at 0.5% Cu Cut-off for the Ridgetop Deposit, SRK Consulting (June 9, 2009)

Classification	Tonnes (Kt)*	Copper (%)	Gold (g/t)	Silver (g/t)	Contained Cu (K lbs)*	Contained Gold (K oz)*	Contained Ag (K oz)*
Measured (M)	1,568	0.98	0.26	2.12	33,719	13	107
Indicated (I)	2,355	0.98	0.33	3.30	50,926	25	250
Sub-total (M+I)**	3,923	0.98	0.30	2.83	84,645	38	357
Inferred	686	0.90	0.26	2.38	13,644	6	53

*Rounded to nearest thousand **Totals may not add exactly due to rounding

Table 3: Mineral Resource Statement at 0.5% Cu Cut-off for the Minto North Deposit, Kirkham Geosystems (December 1, 2009)

Classification	Tonnes (000's)*	Copper (%)	Gold (g/t)	Silver (g/t)	Contained Copper (K lbs)*	Contained Gold (K oz)*	Contained Silver (K oz)*
Measured (M)	1,844	2.15	1.11	7.7	87,530	66	456
Indicated (I)	264	1.04	0.6	5.76	6,055	5	49
Sub-total (M+I)**	2,108	2.01	1.04	7.46	93,585	71	505
Additional Inferred	25	0.84	1.03	6.4	457	0	3

Table 4: Combined Mineral Resource Statement at 0.5% Cu Cut-off for Area 2/118, Ridgetop, and Minto North Deposits (December 1, 2009)*

Classification	Tonnes (000's)*	Copper (%)	Gold (g/t)	Silver (g/t)	Contained Copper (K lbs)*	Contained Gold (K oz)*	Contained Silver (K oz)*
Measured (M)	10,348	1.37	0.55	4.57	311,887	183	1,519
Indicated (I)	13,920	0.94	0.30	3.39	287,179	136	1,519
Sub-total (M+I)**	24,267	1.12	0.41	3.89	599,066	319	3,038
Additional Inferred	5,827	0.91	0.25	2.93	116,520	46	548

**Excludes Minto Main deposit mineral resource*

MINE PRODUCTION AND MINERAL RESERVE ESTIMATE

The Area 2, 118, Ridgetop and Minto North ("Phase IV") deposits are proposed to be developed as open pits following completion of mining in the Minto Main deposit. The planning for this Prefeasibility study assumes a start date of January 1, 2010. The proposed Main Pit mine plan (as provided by MintoEx) was incorporated into this pre-feasibility study.

Based on a start date of January 2010, the Main/Phase IV mine will produce a total of 10.9 million tonnes (Mt) of ore (includes Main Pit stockpile balance at end of 2009) and 70.4 Mt of waste over approximately an 8-year mine operating life ending in early 2018.

The LOM plan focuses on accessing and milling high-grade ore first, with lower grade material sent to stockpiles for blending and processing later in the mine life based on repeated exploration success that has supported successive deferrals in the timing of the processing of this lower grade material as additional higher grade mineralization is discovered and defined.

Mine design for the Phase IV pits was initiated with the development of a Net Smelter Return ("NSR") model. The model included estimates of metal prices (\$2.00/lb Cu price used), exchange rate, mining dilution, mill recovery, concentrate grade smelting and refining payables and costs, freight and marketing costs and royalties. The NSR model was based on a 10 m x 10 m x 3 m block size for Phase IV. Gemcom Whittle™ software was then used to determine the optimal mining shells for each of the deposits. Detailed mine planning and scheduling was then conducted on the optimal pit shells to produce the current pit designs used in the mineral reserves estimate summarized in Table 5 below. The mineral reserve for Main Pit includes the ore stockpile balance predicted for the end of 2009 as well as proposed mining from 2010 going forward. The various estimated copper cut-off grades used within the planned pits are noted in Table 5.

Table 5: PFS Mineral Reserve Estimates for Main/Phase IV (at Dec. 31, 2009)

Deposit	Reserve Class	Tonnes ('000s)	Cut-off Grade (%Cu equiv.)	Diluted grade			Contained Metal		
				Cu (%)	Au (g/t)	Ag (g/t)	Cu (Mlb)	Au (oz)	Ag (oz)
Main pit	Proven	3,920	0.62	1.64	0.58	6.51	142	72	820
	Probable	206	0.62	1.20	0.45	5.25	5	3	35
	Sub-total	4,126	0.62	1.62	0.57	6.45	147	75	855
North Pit	Proven	1,346	0.55	2.50	1.37	9.04	74	59	391
	Probable	3	0.55	2.91	1.07	13.11	0	0	1
	Sub-total	1,349	0.55	2.50	1.37	9.05	74	60	393
Ridgetop Pit	Proven	802	0.58	1.17	0.31	2.33	21	8	60
	Probable	522	0.58	1.39	0.50	4.90	16	8	82
	Sub-total	1,324	0.58	1.26	0.38	3.34	37	16	142
Area 2/118 Pit	Proven	3,707	0.56	1.56	0.59	5.36	127	71	639
	Probable	387	0.56	1.09	0.19	2.79	9	2	35
	Sub-total	4,094	0.56	1.51	0.56	5.12	137	73	674
Total	Proven	9,775	0.58	1.69	0.67	6.08	364	211	1,911
	Probable	1,118	0.58	1.25	0.38	4.26	31	14	153
	Total	10,893	0.58	1.64	0.64	5.89	395	224	2,064

The post-2009 mining sequence was divided into eight stages. The first stage sees the completion of mining in the Main Pit followed by Minto North, the two stages in Ridgetop, Area 118 and finally three stages in Area 2. The stages were designed to provide the required ore per period, to maximize grade and defer stripping waste as long as possible. The Main and Phase IV pits are most economical when mined in sequence with the stripping of the Phase IV pits beginning near the completion of mining in the current or Main Pit. Waste rock will be placed in the valley fill dumps to the west and tailings from Phase IV will be placed in the mined out Main Pit. The LOM mine production schedule is shown in Table 6.

Table 6: Life Of Mine Forecast (at Dec. 31, 2009)

Parameter	Units	Year									
		Total	2010	2011	2012	2013	2014	2015	2016	2017	2018
			Main pit		Phase IV Pits						
Mining											
Ore	Mt	10.0	2.0	1.3	0.3	1.4	1.2	1.4	1.3	1.1	-
Overburden	Mt	16.9	4.9	3.4	2.3	1.2	1.6	1.0	1.9	0.7	
Waste Rock	Mt	53.5	3.3	3.0	7.1	6.0	8.6	7.9	9.7	8.0	
Total Waste	Mt	70.4	8.2	6.3	9.4	7.2	10.2	8.9	11.6	8.6	-
Total Material	Mt	80.4	10.2	7.6	9.7	8.6	11.4	10.3	12.9	9.8	-
Strip ratio	Wt:Ot	7.0	4.1	5.0	33.2	5.1	8.6	6.3	8.7	7.6	-
Daily production	Kt/day	27.5	27.8	20.9	26.4	23.5	31.1	28.3	35.3	26.8	-
Mined Cu grade	%	1.66	1.71	1.59	1.20	2.43	1.28	1.42	1.42	1.80	-
Mined Au grade	g/t	0.65	0.52	0.67	0.50	1.24	0.43	0.51	0.51	0.73	-
Mined Ag grade	g/t	5.93	7.04	6.23	2.27	8.71	3.76	5.23	4.48	6.00	-
Mined Contained Cu	Mlbs	367	74	45	7	75	33	44	42	45	-
Mined Contained Au	Koz	210	33	28	5	56	16	23	22	27	-
Mined Contained Ag	Koz	1,912	447	257	21	394	143	238	192	221	-
Processing											
Processed Ore	Mt	10.9	1.2	1.4	1.4	1.4	1.4	1.4	1.4	1.4	0.1
	dmt/day		3,33	3,75	3,75	3,75	3,75	3,75	3,75	3,75	
Process rate	y	3,704	4	0	0	0	0	0	0	0	3,750
Proc. Cu grade	%	1.64	2.33	1.68	1.10	2.47	1.22	1.44	1.40	1.64	0.81
Proc. Au grade	g/t	0.64	0.80	0.67	0.35	1.27	0.40	0.52	0.50	0.65	0.25
Proc. Ag grade	g/t	5.89	9.84	6.48	3.64	8.88	3.66	5.32	4.44	5.52	2.67

In order to assess the opportunity of potential large scale open pits and their potential impact on future permitting requirements, a preliminary study was conducted where an optimistic copper price and lower operating costs were used to understand these potential pit limits. Although the large scale pits provide the potential for more tonnage through the mill, they do so at a reduced copper grades (due to lower operating costs and higher copper prices) and also would require significant increases in waste dump capacities as well as tailings storage requirements. It should be noted that this large open pit scenario is preliminary in nature and only serves as a rough indication of potential pit size.

Exploration on the Minto project has historically been focused on finding near-surface deposits conducive to open pit mining. In the course of exploration, several deeper deposits have been discovered that may provide an opportunity to add mill feed material using underground mining methods. Both deep penetrating geophysical surveys and core drilling have provided some preliminary definition of deposits below 150 m in depth, and these deposits and targets may be amenable to underground exploitation.

Waste Management

Tailings from the mill will be sent to the currently permitted existing dry-stack location for the life of the Main Pit (to end of 2011). Upon completion of mining in the Main Pit, thickened tailings generated from processing ores from other Phase IV pits will then be deposited into the Main Pit.

This plan is not yet permitted but offers a potentially viable solution to tailings disposal that provides backfill material for the Main Pit, reduces the amount disturbed land that would normally be required by mining of the Phase IV pits, and provides a significant cost savings over the current dry-stack method.

Waste rock from the current open pit will be deposited in an expansion of the existing permitted West Valley Fill waste dump located in the lower valley southwest of the Main Pit. Phase IV waste rock is proposed to be placed in an adjacent Central Valley Fill waste dump.

MINERAL PROCESSING

Metallurgical Test Work

The mineralogy is relatively coarse grained and test work on Minto North, Area 2, Area 118 and Ridgetop indicated that a coarse primary grind size of 250 micron is feasible to achieve adequate liberation for flotation.

The latest test work campaigns conducted by G&T Metallurgical Services Ltd. on Minto North, Ridgetop East and Area 118 in 2009 have demonstrated performance consistent with the current Main Pit ore flotation characteristics.

Process Plant

The process design for this pre-feasibility study is based on treating ore with similar hardness to the current Minto Main ore being processed, or similar to that tested by DJB Consultants in October 2007.

The throughput selected is a function of the existing Minto plant milling circuit capacity. Ausenco Minerals Canada Inc. ("Ausenco") has modelled the current plant and predicted a throughput of 171 dry metric tonnes per hour based on 80% of the SAG feed material (F80) being finer than 25 mm. An average of 3,750 tonnes per day will be processed at a design availability of 91.3%.

Process Plant Capital Cost

The total process plant capital cost to facilitate the increase in plant throughput to a nominal 4,100 tonnes per day, or 3,750 tpd after allowances for availability, is C\$9.1 million. This estimate has an overall accuracy of $\pm 25\%$ as of the fourth quarter 2009. This estimate excludes capital cost associated with the mine and associated infrastructure, water supply, access roads or tailings storage facility. This capital cost is exclusive of equipment purchased by MintoEx to date and therefore none of this capital cost is expected to be incurred before the end of 2009.

Process Plant Operating Cost

The process plant operating cost for the plant upgrade based on an annualised throughput of 1,368,837 tonnes was calculated to be C\$12.79/t. This operating cost was estimated at an accuracy of $\pm 25\%$ as of the fourth quarter 2009.

Process Plant Design Risks and Opportunities

Risks associated with the project include:

- The secondary crusher (S4800) installed by MintoEx does not facilitate screening of the feed material prior to the cone crusher to remove fines. The name plate capacity of the S4800 cone crusher (205 tph) is below the required capacity of 228 tph.
- The design for the plant throughput increase is based on a crushed ore product size (P80) of 25 mm. This is significantly finer than the current crushing circuit product size of 75 mm. There has not been any material flow test work on this size material. The impact the finer size will have on the draw down angles of the ore into the coarse ore reclaim feeder chute, and therefore the live stockpile capacity are uncertain. The following measures are proposed to reduce the project risk:
- An opportunity exists to install a scalping screen prior to the secondary crusher. This will improve the overall operation and throughput of the crushing circuit.
- An opportunity exists to review the crushed ore properties through further test work and/or experience in operating the recently installed secondary crusher. Stockpile live capacity may be

increased by installing a second reclaim feeder. A second feeder will have the added benefit of providing improved blending to the SAG mill and operating redundancy.

- The comminution test work completed is suitable for this level of study. Additional comminution test work is recommended for future stages of the project to confirm the assumptions relating to SAG mill throughput made in this report. The following opportunities exist to improve the project economics:
- The cost quoted for a new VTM300 concentrate re-grind mill was approximately C\$1.2 million. A second hand VTM200 was identified at the time of the Pre-feasibility Study at a cost of around C\$0.29 million.
- A conceptual level review was completed on a potential Phase V plant upgrade to 7,500 tonnes per day. The review indicated that the plant operating cost could be further lowered to C\$9.20/t based on a C\$27 million capital expenditure. This estimate excludes capital cost associated with the mine and associated infrastructure, water supply, access roads or tailings storage facility. Both the operating and capital cost estimates are at an accuracy of $\pm 40\%$ and would require further investigation during the Phase V pre-feasibility study.

Conceptual Design In-pit Tailings Disposal

Using a spreadsheet-based tailings solids and surface water balance model, SRK has developed a conceptual design for the subaqueous disposal of 7.7 million tonnes of tailings in the Main Pit. Additional capacity is required annually to store approximately 700,000 cubic metres of water associated with freshet flows, plus incremental storage to meet minimum and maximum operational requirements.

The design is based on the construction of a 2.1 million cubic metre divider embankment between the Main and Area 2 Pits so that tailings can continue to be contained within the Main Pit once the residual ridge crest between the two pits, at approximately elevation 766 m amsl, is exceeded. As a minimum a starter embankment will be required, followed by multiple stages of embankment raises in approximately 10-m increments.

Subaqueous deposition methods will be used with the expectation that slurry deposition would be performed from variable locations around the pit perimeter and within the pit "basin" to facilitate uniform distribution of tailings and avoid the formation of a "peak and valley" tailings surface.

It has been assumed that the excess water within the pit will be limited to a maximum depth of 10 m. This will be achieved by pumping from a floating barge located in the northeast quadrant of the pit. The pumping capacity will be sufficient to accommodate both mill operational requirements (continuous recycle at an assumed rate of 150 m³/hr) and annual freshet disposal requirements (approximately 100 to 250 m³/hr for 5 months per year). The excess water associated with the annual freshet will require treatment prior to discharge.

Seepage through the embankment (and potentially the pit sidewalls) can be controlled through embankment design and construction, tailings management (pre-sliming) and vertical dewatering wells.

Environmental Assessment and Licensing

In the Yukon, mining projects require an environmental assessment prior to the issuance of significant operating permits for mining, including a Type A Water Use License and a Quartz Mining Production Licence. Elements of the Minto Project have undergone environmental assessment under three different federal and territorial assessment bodies. A previous milling and mining rate increase (2008) has also been assessed under the current regime, the Yukon Environmental and Socioeconomic Assessment Board (YESAB). The project is currently (November 2009) entering the assessment process again for water management and mining and milling rate amendments to the major authorizations.

The major instruments or authorizations permitting and governing operations for the project include Type A and B Water Use licences, issued by the Yukon Water Board, a Quartz Mining Licence issued by Yukon Government, Energy Mines and Resources, and an Authorization to Deposit a Deleterious Substance under the federal Metal Mining Effluent Regulations.

The expansion of the Minto Mine in the Phase IV development will require environmental assessment under YESAA and major licence amendments. Water management planning is expected to be of particular interest to the assessors given recent issues at the site.

Selkirk First Nation

MintoEx claims continue to lie within Selkirk First Nation (SFN) Category A Settlement Lands (Parcel R-6A), where both surface and mineral rights are reserved for SFN and the SFN are afforded the rights to exercise certain powers over land use and environmental protection. In addition, the mine access road lies within parcels Parcel R-6A and Parcel R-44A, and the east barge landing access point lies on Parcel R-43B.

In September 16, 1997, the company and the SFN entered a Cooperation Agreement concerning the Minto Project with respect to the development of the Minto Mine. This agreement was recently amended (November 4, 2009). In addition to establishing cooperation with respect to permitting and environmental monitoring, this confidential document deals with other economic and social measures and communication between Selkirk First Nation and the company. This agreement will continue to guide SFN involvement in the project as mine expansion planning and development proceeds.

Environmental Conditions

Environmental conditions pre-mine development have been compiled, assessed and referenced in previous environmental assessments, but the environmental assessment and permitting process for the Phase IV expansion will require that these conditions be further updated based on recent site monitoring program results.

Specifically, baseline environmental conditions of the drainage to the north of the Minto Creek drainage will be of interest to assessors, as the Minto North deposit is located approximately 100 m into the drainage. Although physically there will likely be minimal disturbance in this drainage from the mining activities, there is potential for there to be effects to the aquatic receiving environment downstream.

Currently an updated Environmental Conditions report is in preparation to support the Phase IV development that updates all environmental data for the project area and will be used for the assessment and permitting processes.

Water Management and Effluent Discharge

MintoEx in its original water licence application submitted in 1996, outlined a water management plan based on the limited baseline information and project projections available for the Minto Mine at the time. In the intervening period since the application, screening and issuance of the Type A water use licence, significant additional baseline and operational data have been collected. These data show that the conditions upon which the initial water management and treatment assumptions were predicated were not representative of actual conditions observed.

MintoEx has therefore revised the site Water Management Plan and has submitted an environmental assessment Project Proposal and Water Use Licence amendment request to authorize the implementation of a new water management strategy. This includes the construction and use of storm water diversions, a water treatment plant and revised project effluent discharge standards.

Although the major elements of these water management revisions were designed to be functional beyond the mining of the Main Pit and into mine expansion proposed for the Phase IV developments, the plan will require further reassessment during the Phase IV development planning process.

The critical consideration with respect to water management for Phase IV planning will be contingency runoff storage of water requiring treatment of settling prior to discharge and ensuring that effects to the unnamed drainage for the Minto North deposit are minimized and fully mitigated. Water treatment will continue to be a critical component of the water management strategy into the Phase IV expansion, as it is in the currently proposed water management plan.

Closure Planning

Closure philosophies and measures for the Phase IV mine plan will mirror those presented in the previously submitted and approved closure plans. Although closure and reclamation concepts will be required for the Phase IV environmental assessment and attendant authorization amendments, it is expected that actual details (including closure cost estimates) will be presented in a subsequent revision to the closure plan on the existing Quartz Mining Licence schedule (every 2 years on the anniversary of the mill start up – August 1). Revisions to the closure plan reflecting the Phase IV mine plan would not be required until the amendments to the Water Use Licence and Quartz Mining Licence authorizing mining and milling activities in the Phase IV deposits are issued, as the closure plan applies to authorized mining activities and plans.

Closure measures for the site following the completion of the Phase IV mine plan are expected to generally follow those currently authorized.

Metal Leaching/ Acid Rock Drainage

Characterization of mine rock and tailings from the Area 2/ 118, Ridgetop, and Minto North deposits has shown that there is sufficient neutralization potential (NP) to offset the acid potential (AP) within the waste materials. Both bulk mine rock and tailings had NP/AP>3, and the majority of mineralized rock samples tested also had NP/AP > 3. A small proportion of the mineralized waste has lower NP/AP values (a single sample had NP/AP < 1) indicating that localized pockets of potentially acid generating rock do exist. Overall, however, the Phase 4 characterization results indicate that waste management planning does not need to take prevention of acid rock drainage (ARD) into consideration.

Bulk mine rock has elemental concentrations typical of granitic rocks, and metal leaching from bulk waste is not expected to be environmentally significant. Mineralized waste has elevated concentrations of copper, and care should be taken to ensure that mineralized waste is placed randomly with bulk waste to prevent the development of local 'hot spots' within the larger mass of bulk waste rock that lead to leaching of environmentally-significant quantities of copper.

Economics

The estimated economic benefit of mining the Minto Phase IV deposits is sufficient to take the project to the next level. While more detailed work will be required to optimize the project, there is adequate economic justification for MintoEx to proceed with further work and, in particular, the application for licence and permit amendments from the Yukon Government.

Table 8 presents a summary of the operating costs by major area, while Table 9 summarizes the capital costs. Table 9 shows the capital costs without closure costs. A closure cost allowance of \$20M was used in the cash flow analysis, however, the end of mine life closure cost remains to be estimated once the requirements are defined. Table 10 shows the comparison of Phase IV PFS Base and Alternate Cases. The Phase IV deposits add economic benefit to the mine, yielding a Base Case pre-tax Net Present Value at a 7.5% discount rate ("NPV7.5%") of \$199 m. The Alternate Case models yield a substantial improvement in the project economics due to higher metal prices based on current forward projections.

Table 8: Operating Costs by Major Area

Area	C\$/t
Mining (C\$/t moved)	2.31
Mining (C\$/t ore)	17.02
Processing	13.90
General, administration, camp, royalties	11.94
Total	42.86

Table 9: Capital Costs by Major Area

Area	C\$ millions
Plant Expansion	9.1
Open pit mining equipment	33.7
Sub-total	42.8
Sustaining Capital	5.4
Life-of-mine capital	48.2

Table 10: Comparison Phase IV Base and Alternate Cases

Item	Unit	Phase IV PFS Base Case	Phase IV PFS Case 2	Phase IV PFS Case 3
Waste mined	Mtonnes	70.4	70.4	70.4
Ore mined	Mtonnes	10.0	10.0	10.0
Total mined	Mtonnes	80.4	80.4	80.4
Strip ratio	W:O	7.0	7.0	7.0
Mill Feed*	Ktonnes	10.9	10.9	10.9
Copper millhead grade	% Cu	1.64%	1.64%	1.64%
Gold millhead grade	g/t Au	0.64	0.64	0.64
Silver millhead grade	g/t Ag	5.9	5.9	5.9
Copper in cons	Mlb	366	366	366
Gold in cons	Koz	166	166	166
Silver in cons	Koz	1,685	1,685	1,685
Concentrate Grade	% Cu	40%	40%	40%
Copper Price (inc. hedging)	US\$/lb	\$2.25	\$2.55	\$2.90
Gold price (inc. hedging)	US\$/oz	\$300.00	\$300.00	\$300.00
Silver price (inc. hedging)	US\$/oz	\$3.90	\$3.90	\$3.90
Exchange rate	US\$/C\$	\$0.91	\$0.91	\$0.91
NSR	C\$/t milled	\$75	\$86	\$99
Unit Mining Costs	\$/t mined	\$2.31	\$2.31	\$2.31
Unit Mining Costs	\$/t milled	\$17.02	\$17.02	\$17.02
Unit Total OPEX (inc royalties)	\$/t milled	\$42.86	\$42.92	\$42.98
Unit On-site OPEX (inc. royalties)	US\$/lb Cu payable	\$1.20	\$1.20	\$1.20
Unit Off-site OPEX	US\$/lb Cu payable	\$0.29	\$0.29	\$0.29
Unit By-product Credit	US\$/lb Cu payable	\$0.15	\$0.15	\$0.15
Unit OPEX net by-product credits	US\$/lb Cu payable	\$1.34	\$1.34	\$1.34
Total Capital (initial & sustaining)	\$M	\$48	\$48	\$48
Allowance for closure cost	\$M	\$20	\$20	\$20
NPV _{7.5%} pre-tax	\$M	\$199	\$291	\$395
NPV _{7.5%} after tax	\$M	\$160	\$218	\$281

*Note Mill Feed includes Ore Stockpile

Base case sensitivity analyses were run for Cu grade, Cu price, capital expense (“CAPEX”), and operating expense (“OPEX”). Each variable was changed from -20% to +20% of the base case value and the resultant NSR7.5% values were graphed (Figure 1). Each variable was changed independently of the other variables so there is no compounding effect of multiple variable modifications.

The results show the project is most sensitive to Cu grade followed closely by Cu prices. Normally grade and metal price affects are equal but in Minto’s case, the Cu price is hedged for some of the production so the effect of Cu price is tempered with some metal price certainty.

Most of Minto’s costs are in Canadian dollars but metal prices and Minto’s metal purchase agreement are in US dollars. This commercial situation makes the project sensitive to the US\$:C\$ exchange rate. For this study, an exchange rate of C\$1.10: US\$1.00 was selected based on a historical average relationship between C\$ to US\$ exchange ratio and copper price at US\$2.25/lb of copper.

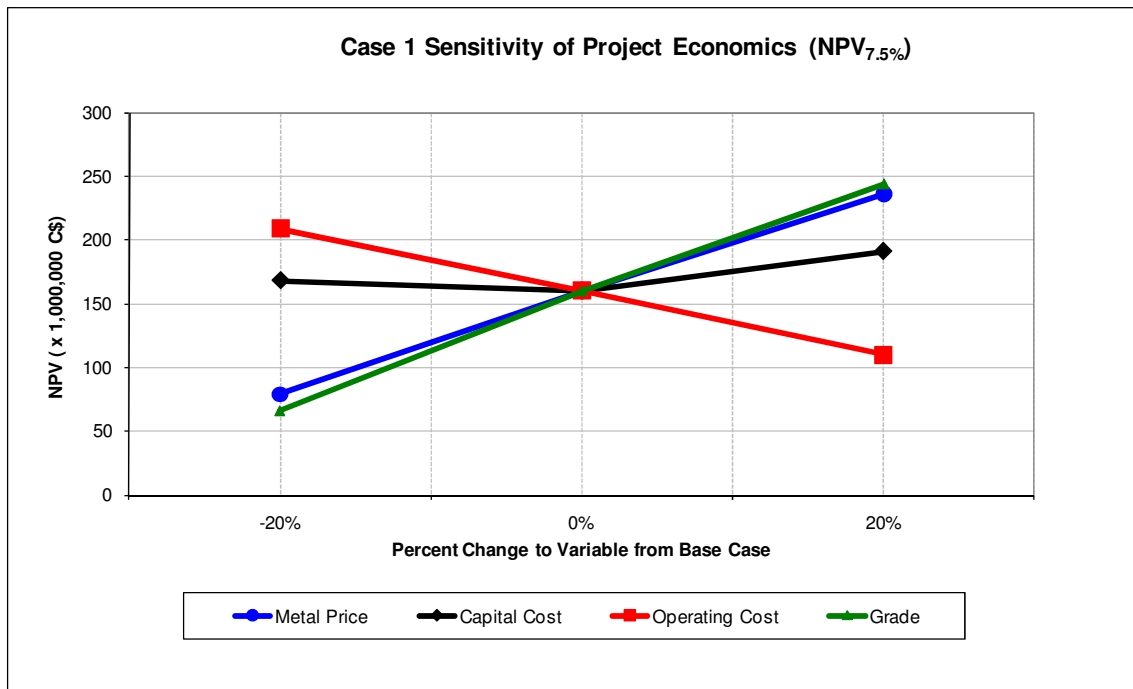


Figure1: Base Case Pre-tax NPV7.5% Sensitivities

CONCLUSIONS

The conclusions of note are:

- The Minto deposit, encompassing Main Pit and Phase IV pits (Area 2, North, Area 118 and Ridgetop), represents a significant ore reserve. The current mining in the Main Pit has helped confirm the expected grade and extent of the ore reserves and the detailed drilling has provided a further measure of confidence in the reserve estimate.
- The Phase IV deposits are estimated to be economic to exploit and, according to the assumptions of this study, adds value to the Minto mine by increasing the NPV of the overall project.
- There are strong exploration targets in the immediate vicinity of the Main and Phase IV pits and management has demonstrated its ability and commitment to explore for new deposits
- Based on test work conducted to date, the Phase IV waste rock does not appear to have any ARD issues. The major risk areas identified in this study are:
- Timing and approval of mine permit revisions;

- Exchange rates, metal prices and external influences;
- Grade control.
- The most important opportunities to improve the project are:
- Optimization of mine plan;
- Underground production potential, bringing ex-pit high grade feed to the mill relatively early in the mine life. A conceptual level review was completed for an alternative to the Phase V plant upgrade, that involves underground extraction of higher grade ore, eliminating the need for further plant expansions and allowing processing of higher grade ore sooner than in an open pit scenario.
- Conversion of inferred resources to higher classifications for reduction of strip ratios
- Discovering new mineral resources and mineral reserves

RECOMMENDATIONS

Detailed recommendations of this PFS are contained in Section 27 of this report. The main recommendations of note are:

- Further exploration drilling is recommended to further define drilled targets that indicate anomalous metal values, in particular, deeper targets that could have underground mining potential are underexplored;
- Optimization of the PFS mine plan should be undertaken to obtain smoother production and grade curve;
- Conduct further waste rock dump geotechnical engineering studies to test all assumptions made in this and other reports.

MINTO UPDATE

Mineral Resource and Mineral Reserve Estimates

Permit amendments are required for production in 2012 and beyond. The base case metal price estimate used was \$2.25/lb Cu.

The following tables summarize the mineral reserve and resource estimates for the Minto Mine:

Mineral Reserves Estimates as of December 31, 2009

Mineral Reserves		Contained Metal*											
	Category	000s	Cu	Zn	Pb	Ag	Au		Cu	Zn	Pb	Ag	Au
		Tonnes	%	%	%	g/t	g/t		m lbs	m lbs	m lbs	000s ozs	000s ozs
Minto	Proven	9,775	1.69	-	-	6.1	0.67		364	-	-	1,911	211
	Probable	1,118	1.25	-	-	4.3	0.38		31	-	-	153	14
	Total	10,893	1.64	-	-	5.9	0.64		395	-	-	2,064	224

* Totals may not add due to rounding

Mineral Resource Estimates as of December 31, 2009

Mineral Resources - inclusive of mineral reserves							Contained Metal					
	Category	000s	Cu	Zn	Pb	Ag	Au	Cu	Zn	Pb	Ag	Au
		Tonnes	%	%	%	g/t	g/t	m lbs	m lbs	m lbs	000s ozs	000s ozs
Minto	Measured	15,442	1.49			5.48	0.59	506			2,718	293
	Indicated	14,411	0.94			3.42	0.30	299			1,588	142
	M&I**	29,852	1.22			4.48	0.45	805			4,306	434
	Inferred	5,849	0.91			2.93	0.25	117			550	48

* Totals may not add due to rounding

** M&I = Measured and Indicated

Operating Details – Minto Mine

Key operating statistics at the Minto Mine for 2009 are presented below:

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Total 2009 (Adjusted) ⁽⁵⁾
Production ⁽³⁾ (contained in concentrates)					
- Copper (000s pounds)	16,228	13,178	9,455	15,772	53,657
- Gold (ounces) ⁽²⁾	8,527	7,564	3,698	8,790	28,579
- Silver (ounces)	100,714	64,637	45,198	89,218	299,767
Mining					
- Waste (tonnes)	2,196,728	2,845,300	3,401,120	2,689,363	11,132,511
- Ore (tonnes)	292,594	289,010	7,698	561,786	1,151,088
- Total material mined (tonnes)	2,489,322	3,134,310	3,408,818	3,251,149	12,283,599
Milling					
- Tonnes processed	233,529	267,254	269,411	260,996	1,031,190
- Tonnes processed per day	2,595	2,937	2,870	2,837	2,825
- Copper grade (%)	3.39	2.41	1.76	2.95	2.55
- Gold grade (g/t) ^{(2), (3)}	1.57	0.97	0.60	1.14	1.14
- Silver grade (g/t)	16.0	9.6	6.7	12.7	11.0
Recoveries					
- Copper (%)	93.0	92.6	91.9	92.4	92.6
- Gold (%) ^{(2), (3)}	72.8	71.9	71.6	83.7	75.3
- Silver (%)	83.5	79.6	80.0	83.4	81.9
Concentrate					
- Dry tonnes produced	17,283	14,667	10,834	17,079	59,863
- Copper grade (%)	42.6	40.8	40.3	41.9	40.7
- Gold grade (g/t) ^{(2), (3)}	15.5	12.5	10.3	16.0	14.9
- Silver grade (g/t)	183	139	133	163	156
On site Operating Costs ⁽¹⁾ (\$/t milled) ⁽⁴⁾	\$47.85	\$44.52	\$42.72	\$55.42	\$47.64
Payable pounds of copper produced (000s lbs)	15,700	12,749	9,147	15,252	51,913
Total cash cost per pound ⁽¹⁾ of payable copper ⁽⁴⁾	\$0.87	\$1.09	\$1.48	\$1.10	\$1.12

(1) The cash cost per pound of payable copper measure shown is an estimate of the cash cost on a production basis. This is a non-GAAP performance measure; please see "Non-GAAP Performance Measure" in the Company's 2009 year end MD&A.

(2) Gold is not assayed on site, resulting in a significant lag in receiving this data.

(3) Adjustments based on final settlements will be made in future periods.

(4) Minto's operating costs are adjusted to exclude mining of ore and waste not related to concentrate produced in the period, these costs are capitalized or inventoried in the financial statements, then expensed when the associated ore is processed.

(5) Some totals will not sum, due to adjustments on final settlements on copper sales during the year. These adjustments are only reflected in the year to date column.

The Minto Report identified opportunities for the potential development of underground, higher grade production to supplement open pit production. This opportunity has become the focus for consideration of a potential Phase V expansion of the Minto Mine during 2010. Phase V would most likely comprise underground production in parallel with open pit production at the same mill throughput rates as proposed in the Minto Report, resulting in an overall higher feed grade and the open pit production being spread over a longer time period.

In February 2010, exploration re-commenced at the high grade Minto copper-gold mine with the emphasis on drilling to expand the south perimeter of the Area 2/118 deposit toward the nearby Copper Keel North prospect and link the two areas. Drilling also recommenced at the newly discovered Minto East prospect. The first exploration area has mineral resources that lie outside or beneath the Phase IV proposed open pits while Minto East is a newly discovered horizon of high grade mineralization that is open and remains to be delineated. The objective of the current drill program is to evaluate further the potential for a underground mining operation to exploit these deeper mineral resources by providing the basis for an updated mineral resource, to be completed later in 2010.

The following table provides the results of the Company's most recent drill intercepts which demonstrate the potential to expand the deeper copper-gold mineralization that is the focus of the early 2010 drilling. Further drilling and evaluation is underway.

Highlights from 2010 Drilling

Hole ID	Target Area	From (m)	To (m)	Interval (m)*	Interval (ft)*	Copper (%)	Gold (g/t)	Silver (g/t)
10SWC-592	Area 2 South	30.9	45.6	14.7	48.2	1.33	0.41	2.7
<i>Including</i>		33.9	36.9	3.0	9.8	2.33	0.72	5.4
<i>And</i>		68.5	86.2	17.7	58.1	1.43	0.58	7.3
<i>Including</i>		72.9	77.9	5.0	16.4	2.26	1.00	12.5
<i>And</i>		221.1	224.7	3.6	11.8	1.75	0.65	3.7
10SWC-594	Minto East	278.6	288.8	10.2	33.5	2.32	4.14	10.8
<i>Including</i>		282.1	288.8	6.7	22.0	2.62	6.12	14.9
10SWC-597	Minto East	285.5	295.6	10.1	33.1	2.60	1.00	6.0
<i>And</i>		293.0	295.6	2.6	8.5	4.40	1.41	10.7
10SWC-598	Area 2 South	41.1	52.0	10.9	35.8	1.22	0.13	1.0
<i>Including</i>		43.5	46.5	3.0	9.8	2.74	0.16	1.3
<i>And</i>		243.0	250.4	7.4	24.3	2.49	0.86	8.1

Outlook

Minto Mine

The Company has provided guidance that production from the Minto Mine in 2010 of approximately 50 to 55 million pounds of copper in concentrate at a total cash cost of approximately \$1.30 to \$1.40 per pound of payable copper.

Additionally, a total of \$5.3 million is expected to be spent on exploration during 2010, focused on (a) evaluating the potential of the Minto East discovery, (b) on testing for expansions of the mineralization in the Area 2/118 area that may be amenable to underground mining and (c) continuing the exploration on the balance of the prospective Minto Mine property.

Capital expenditures at the Minto Mine are forecast to total \$12.7 million and include completion of the installation and commissioning water conveyance network and water treatment plant, community infrastructure development and permitting and regulatory costs related to implementation of the Phase IV expansion.

Kutcho Project (British Columbia)

A report titled "Preliminary Economic Assessment, Underground Mining Option, Kutcho Project, British Columbia" dated September 2, 2009 (the "Kutcho Report") was prepared by JDS Energy & Mining Inc. The Kutcho Report was written by: Michael Makarenko, P.Eng. of JDS Energy & Mining Inc.; Wayne Corso of JDS Energy & Mining Inc.; Bob Princewright, P.Eng. of JDS Energy & Mining Inc.; Ali Sheykhleslami, P.Eng. of JDS Energy & Mining Inc.; Garth Kirkham, P.Geo. of Kirkham Geosystems Inc.; David Hendriks, P.Eng. of Techpro; and Brad Mercer, P.Geo. of Capstone, each a Qualified Person as defined in NI 43-101. The Kutcho Report is available in its entirety on SEDAR at www.sedar.com under the Company's profile and is incorporated by reference herein.

Following the extract below from the Kutcho Report is updated information subsequent to the date of the Kutcho Report, prepared by or under the supervision of Stephen P. Quin, P.Geo, President & COO of Capstone. See "Material Mineral Properties – Kutcho Project – Kutcho Updates", "Experts – Names of Experts" and "Experts – Interests of Experts". Mr. Quin is a "Qualified Person" for the purposes of NI 43-101.

The following is reproduced from the Executive Summary of the Kutcho Report.

EXECUTIVE SUMMARY

INTRODUCTION

This Preliminary Economic Assessment Technical Report ("PEA") was compiled by JDS Energy Mining Inc. ("JDS") for Kutcho Copper Corporation ("Kutcho Copper" or "KCC"), a wholly owned subsidiary of Capstone Mining Corporation ("Capstone" or "CMC").

A pre-feasibility study on the project was completed by Wardrop Engineering Inc. ("Wardrop") in October 2007 for Western Keltic Mines Inc. ("Western Keltic" or "WKM"). On May 27, 2008 Sherwood Copper Corp. ("Sherwood") completed the acquisition of Western Keltic Mines Inc. The amalgamated company, a 100% owned subsidiary of Sherwood, operated under the name Kutcho Copper Corp. A Preliminary Economic Assessment was completed by SRK Consulting (Canada) Inc. ("SRK") for Kutcho Copper.

On May 27, 2008 Sherwood acquired 100% ownership in WKM by amalgamating WKM with a subsidiary so that Kutcho Copper Corp. now owns the Kutcho property. On November 27, 2008, Capstone completed a plan of arrangement with Sherwood, whereby Capstone acquired Sherwood and Kutcho Copper became a wholly owned subsidiary of Capstone.

In order to enhance the economics of the project and to present a development option that would streamline the permitting process, Kutcho Copper led a project review that drove key changes to the project development strategy including:

- An updated mineral resource estimate based on new drilling results;
- Underground mining of the Main and Esso deposits;
- A small starter pit;
- Reduction in the milling rate from 4,000 tpd to 2,500 tpd to reduce capital costs and align with an underground mining scenario;

- Improved waste management plan, using tailings for paste backfill, reduced dry-stacked tailings and development waste as backfill; and
- Significantly reduced disturbance area.

This report summarizes the results of this strategy change and highlights the recommendations of work needed to take the project to the next stage. While compiled by JDS, this report also relies on the contributions of the following companies: Capstone Mining, Techpro and Kirkham Geosystems Ltd.

LOCATION

The Kutcho property is located approximately 100 km due east of Dease Lake in the Liard mining division of Northern British Columbia. The site is located at approximately 1500m elevation, has an average annual temperature of -1 °C and experiences 0.5 m of precipitation annually, half of which is snow.

The site is accessible via a 900 m long gravel airstrip located 10 km from the deposit and a 100 km long seasonal road from Dease Lake that is only suitable for off-highway vehicles during the summer months.

GEOLOGY & MINERALIZATION

“Located near the eastern end of an east – west striking narrow allochthonous belt of island arc volcanic rocks of Permian Age, the Kutcho property contains three known Kuroko-type volcanogenic massive sulphide (“VMS”) deposits. They are aligned in a westerly plunging linear trend and from east to west they are called the Main, Sumac, and Esso deposits. The largest of the three, the Main deposit comes to surface near the eastern end of this trend, whereas the Esso deposit occurs at depths about 400 - 520 m below surface at the western or down plunge end of the trend as it is currently known. The trend is open down plunge but is poorly explored presumably due to the great depths of any projected extension. The Main deposit is by far the largest of the three deposits and coupled with its near surface position it is the prime focus for this PEA study.

The mineralized zone in the Main deposit dips at an average of 45° to the north but ranges from 38° in the east to 63° in the west. Changes in foliation angles and the dip of the mineralized zone also suggest it is openly buckled. Internal stratigraphy and mineral zoning is known from drillhole interpretations and from one continuous cross-section mapped in an adit located roughly at the center of the strike length. Grade trends exhibited on long-sections suggest there are other controls to higher grade copper and zinc mineralization however these controls are not known.

In cross-section, the sulphide mineralization generally changes from a thick pyritic footwall zone to a copper-zinc enriched pyritic zone toward the hanging wall with the hanging wall contact often marked by a narrow (>1 m) band of zinc dominated mineralization. Based upon VMS models, this is considered to be primary and syngenetic in nature. The contact between the largely barren footwall pyrite mineralization and the potentially economic copper-zinc-pyrite mineralization is gradational over a very short distance or often quite sharp but it does not appear to be controlled either by a change in volcanic stratigraphy or by a latter structure. Visually, it is marked by the presence or absence of chalcopyrite disseminated throughout the pyrite dominated sulphide mineralization.

In contrast, the hanging wall contact is identified not only by a change in host rock but also displays a sharp break in sulphide mineralization. Often, at this upper contact, veinlets of bornite and sphalerite crosscut the contact within a confined band of about one metre or less. This zone of vein mineralization appears to be a secondary, structurally controlled remobilization of sulphide mineralization that overprints the original contact. In this zone the sulphides are texturally much coarser grained than the syngenetic VMS mineralization. This zone sometimes shows a sharp increase in copper grade due to an abundance of bornite.” (SRK 2008)

MINERAL PROCESSING AND METALLURGY

The mineralogy of the Kutcho deposit is fine grained and requires a relatively fine primary grind followed by a very fine regrind to produce copper and zinc concentrates at reasonable recoveries.

Obtaining the required fine grind is possible but requires a relatively large amount of power. The flotation circuit is expected to be a standard copper-zinc flotation circuit with copper being recovered followed by zinc. Both copper and zinc rougher concentrates will be regrind to approximately 18 microns followed by three stages of cleaning.

The copper concentrate is expected to grade 30.3% copper however it may contain sufficient zinc to incur a smelter penalty. The penalty has been assumed to be \$4.00/dmt. The sphalerite mineralization is low in iron and the grade of the zinc concentrate is expected to be 53%. Recoveries are expected to be 86% for copper and 74% for zinc. The recovery assumptions used in this report are shown in Table 1.1.

TABLE 1.1 Cash Flow Calculation Metallurgical Parameters

Metal	Assumed Recovery	Assumed Cu Concentrate Grade	Assumed Zn Concentrate Grade
Copper	84%	30.3%	-
Zinc	74%	4%	53%
Gold	27%	1.76 g/t	-
Silver	52%	280 g/t	-

Considerable metallurgical test work was undertaken by several of the prior owners of the project which was used to guide Kutcho Copper's test work.

A preliminary metallurgical program was undertaken in 2008/09 based on frozen, preserved core stored at SGS Lakefield. Results from this testing program have been incorporated into the design parameters but do not address the characteristics of the higher grade ore from the Esso deposit.

Further metallurgical test work is required to optimize the size of primary grind and the reagent scheme. Variability testing will refine the metallurgical response with depth. The 2008 drill program was designed to collect fresh sample material to provide an opportunity to evaluate the metallurgical response to variations in bornite/chalcopyrite ratios, the degree of dissemination and pyrite content and relate these characteristics to metallurgical response. This metallurgical program awaited the redesigned mine plan included in this study and is a recommendation of this report.

MINERAL RESOURCE ESTIMATE

The resource estimate was completed by Garth Kirkham, P.Geo., Kirkham Geosystems Ltd., using industry standard methods that conform to National Instrument 43-101 and utilizing MineSight Software.

The data and methodology utilized for the resource estimate is as follows:

- The database consists of a total of 429 drill holes which includes all holes prior to the drilling performed by Western Keltic Mines and the drilling performed in 2004 for 40 drill holes, 2005 for 27 drill holes, 2006 for 23 drill holes and 81 drill holes completed by Kutcho Copper in 2008. Drill hole data was composited to 2.5 meter intervals;
- Bulk densities were estimated on a block-by-block basis for the Main Deposit based on 1,326 measurements taken during from drill core. An average bulk density of 3.14 was used for tonnage calculations for the Esso and the Sumac deposits;

- Sectional interpretations were created for each on the Main, Esso and Sumac Deposits. These sections were then wire-framed to form a solid which were then edited to match the drillhole intercepts precisely in 3D. The solids were used to then code the drillhole assays and composites for subsequent geostatistical analysis and for block matching in the grade interpolation process;
- Geostatistical analyses were performed on the assays and composites using no constraints in addition to the coded intervals within the mineralized zone solids;
- Therefore, for the purpose of the resource model, the solids zones were utilized to constrain the block model by matching assays to those within the solid and those outside the solid zones. The orientation and ranges (distances) utilized for search ellipsoids used in the estimation process were derived from the dimensions and orientation of the mineralized zones;
- In terms of selectivity and estimation quality, it was decided that a 2.5m composite provided the best compromise between number of composites available for estimation, and a reasonable degree of dilution and regularization;
- 15% Cu, 17.5% zinc, 100 gpt silver and 3 gpt gold was chosen as the most reasonable threshold at which to cut grades for Main and 15% Cu, 20% zinc, 100 gpt silver and 8 gpt gold for Esso and Sumac. In addition, the range chosen at which to limit grades greater than threshold was 12 meters;
- The ellipsoid direction chosen for the estimation process within the Main Deposit was chosen to be 10 degrees azimuth and -45 degrees dip for the major axis, 100 degrees and 0 degrees for the minor axis and 10 degrees and 45 degrees for the vertical axis. Sumas and Esso was chosen to be 0 degrees azimuth and -50 degrees dip for the major axis, 90 degrees azimuth and 0 degrees dip for the minor axis and 0 degrees azimuth and 40 dress dip for the vertical axis;
- The block size chosen was 5m x 5m x 5m oriented orthogonally in an effort to adequately decretitize the mineralized zones so as not to inject an inordinate amount of internal dilution and to somewhat reflect drill hole spacing available;
- The choice of interpolator was ordinary kriging for the Main deposit and inverse distance to the 3rd power for the Esso and Sumac deposits. Nearest neighbour, inverse distance and ordinary kriging were run for all deposits for comparison and validation purposes;
- The three estimation passes were used to estimate the Resource Model because a more realistic block-by-block estimation can be achieved by using more restrictions on those blocks that are closer to drill holes, and thus better informed; and
- Classification of resources is based on a number of criteria namely; distance to first composite, average distance of all composites used in a block and the number of drillholes used to estimate a block.

Resource estimates are tabulated at a 1.5% copper cut-off for all three deposits combined & individually and are summarized in Table 1.2.

TABLE 1.2 Kutcho Project Resource Summary

Kutcho Project - Mineral Resource Estimate at a 1.5% Copper Cut-Off for All Deposits¹										
Class	Tonnes (000's)	Grade					Contained Metal			
		Copper (%)	Zinc (%)	Gold (g/t)	Silver (g/t)	Copper Equivalent² (%)	Copper (M lb)	Zinc (M lb)	Gold (K oz)	Silver (K oz)
Measured (M)	5,421	2.15	2.86	0.34	31.4	3.70	256.6	341.8	59	5,482
Indicated (I)	4,994	2.14	2.83	0.39	33.5	3.74	235.8	312.0	62	5,376
M & I	10,415	2.14	2.85	0.36	32.4	3.72	492.4	653.8	121	10,857
Inferred	1,893	2.09	2.93	0.46	33.6	3.78	87.3	122.4	28	2,047

Notes for Table 1.2: 1-Numbers may not total due to rounding. 2-Equivalent copper grade calculated using these metal prices in \$US: Cu \$1.50/lb, Zn \$0.50/lb, Ag \$12.00/oz, Au \$700.00/oz.

TABLE 1.3 Mining Resource Summary by Mining Method

Mining Area & Method	Tonnes	Cu %	Zn %	Ag g/t	Au g/t	Eq. Cu %
Main LH	3,056,439	1.84	2.41	27.89	0.29	2.94
Main MCF	4,793,260	1.98	2.64	28.31	0.31	3.18
Esso LH	1,436,238	2.10	3.43	34.46	0.45	3.66
Esso MCF	1,209,563	2.49	4.08	37.45	0.61	4.35
Main – Starter Pit	446,215	1.88	1.64	23.86	0.26	2.65
Grand Total	10,941,715	2.01	2.80	29.80	0.36	3.28

TABLE 1.4 Mining Resource Summary by Class

Resource Class	Tonnes	Cu %	Zn %	Ag g/t	Au g/t	Eq. Cu %	% Of Total
Measured	2,310,216	2.06	2.97	30.63	0.37	3.38	21.1%
Indicated	7,522,928	1.92	2.64	28.78	0.33	3.09	68.8%
Inferred	1,108,571	2.48	3.99	35.00	0.57	4.30	10.1%
Grand Total	10,941,715	2.01	2.80	29.80	0.36	3.28	100%

MINE PLAN

The mining resource is summarized by deposit and mining method in Table 1.3 and by resource class in Table 1.4. The Main and Esso deposits vary in dip from 30-70° and in width from 3-20m. The Main deposit essentially outcrops on surface and extends to depth of approximately 250m below surface, while the Esso deposit lies approximately 1,500 m to the west and extends to a depth of 420-600m below surface.

Mineral Resources that are not mineral reserves do not have demonstrated economic viability. Mineral resource estimates do not account for mineability, selectivity, mining loss and dilution. These mineral resource estimates include inferred mineral resources that are normally considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is also no certainty that these inferred mineral resources will be converted to measured and indicated categories through further drilling, or into mineral reserves, once economic considerations are applied.

A small starter pit will be pre-stripped in Year -1 and will provide ore in Year 1 while the underground mine is being developed.

Two underground mining methods are proposed: mechanized cut & fill (“MCF”) for the shallow dipping mineralization, and sublevel long-hole (“LH”) stoping with backfill for those blocks amenable to bulk mining. The initial pre-production development period is estimated to 18 months. All lateral capital development is assumed to be completed by Kutcho Copper.

At full production the mine is expected to generate 2,500 tonnes ore per day over 365 operating days per year to mine 912,500 ore tonnes annually. Underground mining starts in the Main deposit and then proceeds to the Esso deposit and has been sequenced to deliver higher grades in the early years of the project. The underground production rates by deposit are outlined below:

- Year 1: Main 1,255 tpd;
- Years 2-4: Main 2,500 tpd;
- Year 5: Main 1,251 tpd , Esso 1,249 tpd;
- Years: 6-9: Main 1,000 tpd , Esso 1,500 tpd; and
- Years: 10-12: Main 2,500 tpd

The primary access for the mine will be via a single straight decline driven at a grade of -10% and ending at the 1465m elevation effectively at the bottom center of the Main Zone. Two ramp systems will be driven off the primary access ramp, one to the east and the other to the west to provide access to the extents of the Main Zone.

Access to the Esso deposit will be a 2,320 metre long exploration decline ramp starting from the bottom of the Main deposit’s lower west ramp and driven at an average grade of -15%. The ramp will end at the 1090m elevation at the top of the Esso ore body. A central ramp will then be developed to the bottom of the Esso deposit, with sublevels and accesses driven east and west to the Esso mining zones. The Esso access ramp will pass within 75-100m of the Sumac ore body and allow exploration drilling of the resource.

Backfill is an integral part of the underground mine plan and will incorporate process plant tailings as well as mine development waste. The backfill serves several purposes:

- Underground support and working platform in MCF mining; and
- Storage of all Potentially Acid Generating (“PAG”) waste rock and process plant tailings.

Waste rock will be scheduled so that material mined early in the underground development effort and more likely to be classified as non-PAG will be hauled and used on surface. As the stoping reaches a steady state underground, development rock will preferentially be used as backfill. The backfill plan calls for all waste rock generated after production Year 2 to be stored underground. This plan takes advantage of the location and timing of the mine development and allows for placing predominantly PAG waste rock underground and non-PAG on surface. A permanent non-PAG waste dump will not be required.

An insufficient volume of waste rock is available for the backfill requirement; hence the use of paste fill has been incorporated into the mine plan. Paste fill consists of process tailings partially dewatered and mixed with Portland cement. This material is of a consistency that can be directed to specific locations by positive displacement pumps and pipeline. The paste fill plant will be operated such that all tailings required for backfill will be converted to paste and pumped to the mine for use as fill. Tailings not required for backfill will be dewatered for dry stack storage on surface. In general, 40% of the tailings can be accommodated in underground stoping areas.

The mine production plan is shown in Table 1.5.

TABLE 1.5 Mine Production Plan

Parameter	Unit	Production Year												Totals	
		-1	1	2	3	4	5	6	7	8	9	10	11	12	
Starter Pit Production	tonnes	-	446,215	-	-	-	-	-	-	-	-	-	-	-	446,215
Main Production	tonnes	-	458,000	912,500	912,500	912,500	456,753	364,961	365,000	365,000	365,000	912,500	912,500	912,500	7,849,698
Esso Production	tonnes	-	-	-	-	-	455,747	547,516	547,539	547,500	547,500	-	-	-	2,645,802
Total Mine Production	tonnes	-	904,215	912,500	912,500	912,500	912,500	912,500	912,500	912,500	912,500	912,500	912,500	912,500	10,941,715
Daily Production Rate	tpd	-	2,363	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,498
Starter Pit Waste	tonnes	2,032,608	715,413	-	-	-	-	-	-	-	-	-	-	-	2,748,021
Copper Grade	%	-	2.01	2.03	2.03	1.94	2.09	2.17	2.13	2.11	2.00	1.95	1.81	1.81	2.01
Zinc Grade	%	-	2.08	2.65	2.69	2.50	3.27	3.44	3.22	3.19	3.07	2.61	2.46	2.45	2.80
Silver Grade	g/t	-	27.07	29.07	29.12	28.04	31.74	33.16	33.67	33.15	29.46	29.58	26.82	26.65	29.80
Gold Grade	g/t	-	0.36	0.29	0.29	0.32	0.40	0.44	0.44	0.44	0.39	0.37	0.30	0.30	0.36
Capital Development	metres	2,425	1,961	1,350	1,355	2,354	406	-	-	-	-	-	-	-	9,851
Sustaining Development	metres	-	402	801	744	1,223	1,777	1,925	1,311	1,320	1,754	907	1,011	1,070	14,244
Total Lateral Development	metres	2,425	2,363	2,151	2,099	3,577	2,183	1,925	1,311	1,320	1,754	907	1,011	1,070	24,095
	metres/day	6.6	6.5	5.9	5.7	9.8	6.0	5.3	3.6	3.6	4.8	2.5	2.8	2.9	5.1
Capital Raise Development	metres	154	165	212	318	591	381	-	-	-	-	-	-	-	1,821
Mined UG Waste	tonnes	167,430	163,517	150,316	149,379	241,423	147,339	129,969	88,494	89,133	118,371	61,203	68,263	72,208	1,647,043
Backfill Placed	cu. metres	-	133,769	266,503	265,077	277,054	290,908	294,625	279,264	279,500	290,329	269,156	271,771	273,232	3,191,189

WASTE MANAGEMENT PLAN

Tailings from the mill will be directed to a paste plant where they will be conditioned and sent either to the underground mine as backfill or to the surface storage facility. The requirements of the fill will determine the treatment. Tailings that are stored on the surface will be dewatered in the paste plant to a nominal 75% solids and pumped to a lined facility adjacent and east of the process plant and/or the mined pit. Tailings used for mine backfill will require the addition of Portland cement depending on the location and strength requirements of the fill. The life of mine will produce an estimated 6.5 million cubic meters of tails of which 2.5 million cubic meters will be stored as backfill and 4.0 million cubic meters stored on surface.

The underground mine and starter pit will generate a total of 1.63 million cubic meters (4.4 million tonnes) of waste rock, the majority of which is expected to be non-PAG, especially that which is mined first and is distal from the ore body. The mine plan assumes that the underground pre-production waste and waste from the first year of production will be hauled to the surface, combined with pit waste and used to construct civil works and the tailings berm. Subsequent years will preferentially store the waste rock underground and use tailings backfill as make up. Total waste rock to the surface will total approximately 150,000 cubic meters leaving the balance, or 460,000 cubic meters to be stored underground. The majority of the non-PAG waste rock from underground and the pit will be used for the construction of surface structures such as berms and pads. A permanent non-PAG waste dump is required.

All PAG rock generated underground will be placed as fill for permanent storage underground. PAG material from the starter pit will be temporarily stored on surface and then placed in the mined pit as soon as practical. The PAG material placed in the pit will be covered with a combination of dry tailings and paste fill for permanent storage.

ENVIRONMENTAL CONSIDERATIONS

“The Kutcho Project is subject to the British Columbia Environmental Assessment Act and the Canadian Environmental Assessment Act. The former requires that the project undergo an environmental assessment and obtain an Environmental Assessment (EA) Certificate. The Project was initiated into the BC EA process through the issuance of a Section 10 order by the BC Environmental Assessment Office (EAO) on July 29, 2005. The provincial and federal processes will be integrated in a harmonized review, with the EAO taking the lead. On December 24, 2007, the Canadian Environmental Assessment Agency announced that the Project would be subject to a Comprehensive Study.

In 2005, a program of environmental and socio-economic baseline studies was begun to provide the information necessary to prepare the EA Application and to develop management and monitoring plans. It covered all facets of the biophysical and human environment, including meteorology, air quality, hydrology, hydrogeology, metal leaching and acid rock drainage, aquatic ecology, fish and fish habitat, soils, vegetation, ecosystem mapping, wildlife, wetlands, archaeology, socio-economics, land use, country foods and human health, and traditional use and traditional ecological knowledge. The program was completed in 2007. Monitoring of meteorology, air quality, and hydrology and water quality will continue throughout the construction, operation, closure and post-closure phases.

The most significant environmental issue for the project will be maintaining water quality in the receiving environment. Treatment of mine effluent to BC water quality criteria will be required during all mining phases.

The project is in the traditional territories of the Tahltan and Kaska Dena First Nations. Consultation with these First Nations and other stakeholders has been ongoing since the project began.” (SRK 2008)

The redesign of the project to an underground mine and small starter pit may result in a different permitting process than that described above.

ECONOMIC ANALYSIS

The economic assessment in this report is preliminary in nature and uses inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that this preliminary economic assessment will be realized. The inferred mineral resource used in the mine plan is 10.1% of the total LOM resource.

Two life of mine (“LOM”) price scenarios were evaluated. Case 1, the Base Case with prices designed to approximate long term projections with no escalation or de-escalation going forward. Case 2 contains metal pricing that is identical to the 2008 SRK Base Case PEA in order that a direct comparison can be made between the two development scenarios. The metal price assumptions by case are shown in Tables 1.6 and 1.7. All other “cases” are examined by use of sensitivity analysis. Results are shown in Table 1.8.

TABLE 1.6 Base Case LOM Metal Price Assumptions

Metal	Unit	Production Year								
		1	2	3	4	5	6	7	8-12	
Copper	US\$/lb Cu	\$2.25	\$2.25	\$2.25	\$2.25	\$2.25	\$2.25	\$2.25	\$2.25	\$2.25
Zinc	US\$/lb Zn	\$0.70	\$0.70	\$0.70	\$0.70	\$0.70	\$0.70	\$0.70	\$0.70	\$0.70
Gold	US\$/oz Au	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750
Silver	US\$/oz Ag	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00

TABLE 1.7 Case 2 LOM Metal Price Assumptions

Metal	Unit	Production Year								
		1	2	3	4	5	6	7	8	9-12
Copper	US\$/lb Cu	\$2.44	\$2.36	\$2.29	\$2.22	\$2.17	\$2.13	\$2.10	\$2.09	\$2.00
Zinc	US\$/lb Zn	\$1.02	\$0.98	\$0.95	\$0.92	\$0.92	\$0.92	\$0.92	\$0.92	\$0.92
Gold	US\$/oz Au	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600
Silver	US\$/oz Ag	\$10.00	\$10.00	\$10.00	\$10.00		\$10.00	\$10.00	\$10.00	\$10.00

The Canadian to \$US exchange rate is held constant at a value of 1.20.

TABLE 1.8 Economic Analysis Results

Item	Unit	Base Case	Case 2
Average Copper Price	US\$/lb	\$2.25	\$2.14
Average Zinc Price	US\$/lb	\$0.70	\$0.93
Average Gold price	US\$/oz	\$750	\$600
Average Silver price	US\$/oz	\$12.00	\$10.00
Unit Mining Costs	\$/t milled	\$30.88	\$30.88
Unit Milling Costs	\$/t milled	\$24.45	\$24.45
Unit G&A and Site Services	\$/t milled	\$11.65	\$11.65
Unit Capital Lease Costs	\$/t milled	\$3.12	\$3.12
Unit Total OPEX	\$/t milled	\$68.10	\$68.10
Unit Total OPEX (with royalties)	\$/t milled	\$72.26	\$72.33
Unit OPEX (net of credits)	US\$/lb Cu	\$1.41	\$1.24
Total Capital (excluding sustaining capital, capital leases and closure)	\$M	\$133.5	\$133.5
NPV10% Pre Tax	\$M	\$63	\$93
NPV10% After Tax	\$M	\$36	\$58
IRR Pre Tax	%	19%	25%
IRR After Tax	%	16%	21%
Payback Period (tax in)	Years	5.2	4.1

The key parameters are summarized annual for both economic cases in Tables 1.9 and 1.10.

TABLE 1.9 Base Case Annual Economic Summary

Parameter	Totals	Production Year												
		-1	1	2	3	4	5	6	7	8	9	10	11	12
Payable Metals														
Copper (M lbs)	392.5	0.0	32.5	33.1	33.0	31.7	34.1	35.4	34.7	34.4	32.6	31.9	29.5	29.5
Zinc (M lbs)	500.4	0.0	30.7	39.5	40.0	37.2	48.7	51.2	48.0	47.5	45.7	38.8	36.7	36.5
Gold (K oz)	30.9	0.0	2.5	2.0	2.1	2.3	2.9	3.2	3.2	3.1	2.8	2.6	2.1	2.1
Silver (K oz)	4,905.5	0.0	368.3	399.1	399.8	385.0	435.8	455.3	462.3	455.2	404.5	406.1	368.2	365.9
Net Smelter Return (C\$M)	\$1,187	\$0	\$94	\$98	\$98	\$94	\$105	\$110	\$107	\$106	\$100	\$96	\$89	\$89
Operating Cost (C\$M)	\$790.7	\$0	\$55.1	\$67.6	\$67.9	\$67.2	\$67.7	\$69.4	\$68.9	\$67.5	\$66.8	\$65.0	\$63.8	\$63.9
Total by Product Credits (C\$M)	\$456	\$0	\$29	\$36	\$36	\$34	\$44	\$46	\$44	\$43	\$41	\$36	\$33	\$33
Unit Cost, net of credits (\$US/lb cu)	\$1.41	\$1.26	\$1.48	\$1.48	\$1.54	\$1.33	\$1.30	\$1.33	\$1.31	\$1.39	\$1.44	\$1.55	\$1.55	\$1.26
Unit Cost, after By-product Credits (\$US/lb cu)	\$0.71	\$0.00	\$0.66	\$0.80	\$0.80	\$0.87	\$0.59	\$0.55	\$0.60	\$0.59	\$0.66	\$0.76	\$0.86	\$0.87
Capital (C\$M)	\$161.5	\$133.5	\$12.5	\$3.8	\$4.3	\$12.5	\$2.7	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	-\$7.7
Pre-Tax Cash Flow (C\$M)	\$234.8	-\$133.5	\$26.1	\$26.9	\$26.3	\$14.6	\$35.1	\$40.5	\$38.3	\$38.7	\$33.5	\$30.9	\$24.9	\$32.4
Post Tax Cash Flow (C\$M)	\$163.8	-\$133.5	\$25.3	\$26.3	\$25.6	\$14.0	\$34.3	\$39.7	\$34.3	\$19.8	\$22.0	\$20.2	\$16.3	\$19.6
Cumulative Post Tax Cash Flow (C\$M)	-	-\$133.5	-\$108.2	-\$82.0	-\$56.3	-\$42.3	-\$8.0	\$31.7	\$66.0	\$85.8	\$107.8	\$128.0	\$144.2	\$163.8

TABLE 1.10 Case 2 Annual Economic Summary

Parameter	Totals	Production Year												
		-1	1	2	3	4	5	6	7	8	9	10	11	12
Payable Metals														
Copper (M lbs)	392.5	0.0	32.5	33.1	33.0	31.7	34.1	35.4	34.7	34.4	32.6	31.9	29.5	29.5
Zinc (M lbs)	500.4	0.0	30.7	39.5	40.0	37.2	48.7	51.2	48.0	47.5	45.7	38.8	36.7	36.5
Gold (K oz)	30.9	0.0	2.5	2.0	2.1	2.3	2.9	3.2	3.2	3.1	2.8	2.6	2.1	2.1
Silver (K oz)	4,905.5	0.0	368.3	399.1	399.8	385.0	435.8	455.3	462.3	455.2	404.5	406.1	368.2	365.9
Net Smelter Return (C\$M)	\$1,223	\$0	\$108	\$111	\$107	\$99	\$110	\$113	\$108	\$107	\$98	\$92	\$86	\$85
Operating Cost (C\$M)	\$791.4	\$0	\$55.3	\$67.9	\$68.0	\$67.3	\$67.7	\$69.4	\$68.9	\$67.5	\$66.8	\$64.9	\$63.8	\$63.8
Total by Product Credits (C\$M)	\$557	\$0	\$38	\$46	\$45	\$41	\$53	\$56	\$53	\$52	\$50	\$43	\$40	\$40
Unit Cost, net of credits (\$US/lb cu)	\$1.24	\$1.09	\$1.28	\$1.30	\$1.39	\$1.14	\$1.11	\$1.16	\$1.14	\$1.21	\$1.29	\$1.39	\$1.39	\$1.09
Unit Cost, after By-product Credits (\$US/lb cu)	\$0.50	\$0.00	\$0.44	\$0.56	\$0.58	\$0.69	\$0.36	\$0.32	\$0.39	\$0.37	\$0.44	\$0.57	\$0.66	\$0.67
Capital (C\$M)	\$161.5	\$133.5	\$12.5	\$3.8	\$4.3	\$12.5	\$2.7	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	-\$7.7
Pre-Tax Cash Flow (C\$M)	\$270.3	-\$133.5	\$40.1	\$39.0	\$34.9	\$19.0	\$39.4	\$43.4	\$39.4	\$39.4	\$30.9	\$27.3	\$21.8	\$29.3
Post Tax Cash Flow (C\$M)	\$186.5	-\$133.5	\$39.0	\$38.1	\$34.1	\$18.4	\$38.5	\$36.2	\$19.9	\$25.9	\$20.3	\$17.9	\$14.2	\$17.5
Cumulative Post Tax Cash Flow (C\$M)	-	-\$133.5	-\$94.5	-\$56.4	-\$22.3	-\$3.9	\$34.5	\$70.7	\$90.6	\$116.6	\$136.9	\$154.7	\$169.0	\$186.5

Capital and Operating Costs

All capital costs are in Canadian dollars. Total capital and operating costs are summarized in Tables 1.11 and 1.12.

TABLE 1.11 Capital Cost Summary

Item	Initial Capital	Capital Leases	Sustaining Capital	Total Capital
	(C\$ Millions)			
Mine	\$15.883	\$17.470	\$27.367	\$43.250
Plant	\$38.600	-	-	\$38.600
General Site	\$6.250	-	-	\$6.250
Power	\$1.000	\$4.500	-	\$1.000
Services	\$1.325	-	-	\$1.325
Ancillary Buildings	\$4.400	\$6.950	-	\$4.400
Construction Camp	\$4.900	-	-	\$4.900
Off-site Infrastructure	\$18.000	-	-	\$18.000
DIRECT COSTS TOTAL	\$90.368	\$28.920	\$27.367	\$117.725
Indirects	\$29.607	-	-	\$29.607
Contingency (15%)	\$13.554	-	\$0.627	\$14.181
GRAND TOTAL CAPITAL	\$133.519	\$28.920	\$27.994	\$161.513

TABLE 1.12 Total Project Operating Cost

Activity/Item	Unit Cost (\$/tonne)
Mining	\$30.88
Processing	\$24.45
Administration	\$11.65
Capital Leases	\$3.11
Royalties	\$2.17
Total	\$72.26

A production summary for the Base Case is shown in Table 1.13.

Sensitivity Analysis

Sensitivity analysis was carried out using metal prices, mill head grade, capital costs and operating costs as variables. Each variable was changed independently. Sensitivities were generated using the NPV@10% discount rate as the measure of project performance.

The net present value ("NPV") of the project is most affected by the price of metal or parameters directly affecting revenue such as metal recovery, exchange rate and head grade. Also, project performance is significantly more sensitive to Operating than Capital costs. These results identify two areas on which to focus in order to effect positive changes to economic performance of the Kutcho project. Other than metal pricing which is out of the operator's control, metallurgical recovery, and

operating cost control have a marked effect. Capital costs have a relatively small impact on NPV and may be in part a result of using capital leasing to reduce the amount of preproduction capital and in effect moving these burdens to the operating side.

Case 2 assumes higher initial metal prices which approximate current spot values but decrease over time to stabilize at long term prices used in the 2008 PEA base case. The boost to revenue for the first several years, due to these higher metal prices, has a positive effect on the project economics. It's also interesting to note that the high sensitivity to revenue enhancing parameters are augmented also and reinforce the needed focus on metal recoveries.

TABLE 1.13 Production Summary

Parameter	Unit	Total	Production Year											
			1	2	3	4	5	6	7	8	9	10	11	12
Mill Feed	Kt	10,941.7	904	913	913	913	913	913	913	913	913	913	913	913
Copper	%	2.01%	2.01%	2.03%	2.03%	1.94%	2.09%	2.17%	2.13%	2.11%	2.00%	1.95%	1.81%	1.81%
Zinc	%	2.80%	2.08%	2.65%	2.69%	2.50%	3.27%	3.44%	3.22%	3.19%	3.07%	2.61%	2.46%	2.45%
Gold	g/t	0.36	0.36	0.29	0.29	0.32	0.40	0.44	0.44	0.44	0.39	0.37	0.30	0.30
Silver	g/t	29.80	27.07	29.07	29.12	28.04	31.74	33.16	33.67	33.15	29.46	29.58	26.82	26.65
Cu Con Produced	dmt	608,876	50,390	51,302	51,244	49,135	52,960	54,978	53,854	53,409	50,585	49,410	45,835	45,775
Zinc Con Produced	dmt	428,288	26,254	33,791	34,250	31,855	41,695	43,790	41,043	40,644	39,077	33,243	31,381	31,264
Copper in Cu Con	t	184,489	15,263	15,544	15,527	14,888	16,047	16,658	16,318	16,183	15,327	14,971	13,888	13,870
Copper in Cu Con	M lbs	406.7	33.7	34.3	34.2	32.8	35.4	36.7	36.0	35.7	33.8	33.0	30.6	30.6
Gold in Cu Con	oz	34,298	2,796	2,274	2,312	2,507	3,203	3,500	3,520	3,467	3,114	2,913	2,355	2,337
Silver in Cu Con	oz	5,450,549	409,238	443,431	444,200	427,824	484,170	505,923	513,682	505,778	449,487	451,206	409,097	406,513
Zinc in Zn Con	t	226,993	13,915	17,909	18,152	16,883	22,099	23,209	21,753	21,541	20,711	17,619	16,632	16,570
Zinc in Zn Con	M lbs	500.4	30.7	39.5	40.0	37.2	48.7	51.2	48.0	47.5	45.7	38.8	36.7	36.5

Other opportunities at Base Case metal prices have been evaluated in order to quantify their impact and are summarized below:

- 10% drop in power cost, from \$0.27/kWh to \$0.24/kWh
 - NPV10% = \$44 million, IRR = 17%;
- Increase copper recovery to 86% from 84%
 - NPV10% = \$44 million, IRR = 17%;
- Increase gold recovery to 50% from 27%
 - NPV10% = \$44 million, IRR = 17%; and
- BC Hydro power at their Zone II rate of \$0.126 per kWh, which would require an additional \$22.4 million of capital at site and the Dease Lake plant
 - NPV10% = \$51 million, IRR = 17%.

CONCLUSIONS

The Kutcho Project contains a substantial sulphide resource that can be selectively mined by underground mining methods. This development plan has several potential advantages over the previously proposed large open pit mining scenario including but not limited to:

- Selectivity in mining which would deliver a higher grade feed to the process plant;
- Less total material moved which translates into less surface disturbance and waste material stored; and
- The opportunity to permanently store a portion of the tailings underground.

At the metal prices used for evaluation, the project is economic.

There is also a likelihood of improving the project economics by identifying additional ore within the development area that may justify increased underground production or extend the mine life.

RECOMMENDATIONS

Two opportunities that could have a significant impact on the project are power supply and metallurgical recovery and it's recommended that efforts continue to be directed towards crystallizing these opportunities.

Power Supply: The availability of inexpensive hydro power from Dease Lake, or any other source, has a significant impact on project economics because the fine grind requires a large power input. The Base Case economics assumes site diesel generated power at a cost of \$0.27 per kWh at a diesel price of \$1.00 per litre. Efforts to confirm a cheaper power supply could significantly benefit the project. Negotiations with BC Hydro and Regional Power Inc, (the IPP in Dease Lake) need to be initiated to secure line power at acceptable rates and minimize capital expenditures.

Metallurgy: Metallurgical recovery needs to be optimized. Additional testing is required to confirm recoveries, work indexes, HPGR comminution potential and concentrate & tailings settling and filtration characteristics on higher grade Main & Esso ore. This is critical as one of the primary objectives of the underground mine plan was to send higher grade ore to the mill. Should metallurgical recoveries increase as expected, significant economic benefits will result.

At the metal prices used for evaluation, the project is economic and should proceed to the pre-feasibility stage.

Kutcho Copper should use this study as the basis to re-engage the project stakeholders, including the regulators, potentially affected First Nations and potentially impacted communities in order to re-initiate the pre-permitting process for the project, and determine what, if any, additional baseline or technical information might be required for such a development project before entering the formal permitting process, as well as beginning the process of advancing impact benefit agreements with First Nations so that these matters are well advanced if and when a pre-feasibility study is completed.

KUTCHO UPDATE

Work is underway to follow up on both of the principal recommendations in the PEA. Metallurgical testing on core collected in the 2008 drill program is being conducted at SGS Lakefield and at the Company's Cozamin Mine metallurgical facilities. Expenditures in 2010 are expected to be approximately \$1.4 million.

Since the PEA was published in September 2009, two metallurgical testing programs were implemented, one at SGS Lakefield and another utilizing in-house expertise at the Cozamin Mine operation. Both of these programs commenced in the fourth quarter of 2009. Test work is currently in progress.

Funding has recently been approved for the following 2010 work:

- ❖ Determine tailings metallurgical properties (assessed by SGS) with respect to potential recovery of precious metals such as gold and silver that is associated with the iron pyrite or is liberated. Tailings will also be tested for geo-mechanical properties and acid generating potential.
- ❖ Complete the SGS Lakefield and Cozamin Mine review of potential to improve recovery of copper and zinc as well as optimize grinding requirements.
- ❖ Determine the optimum power supply infrastructure requirements by considering the advantages associated with the following four options:
 - Power line from the Dease Lake hydro power plant (102km) (seasonal supply);
 - Diesel generated power;
 - BC Government power line extension to Dease Lake and then to the site 102km (year round supply).
- ❖ Accelerate Esso high grade production by reviewing the potential of replacing the ramp access from the bottom of the main zone with a dedicated ramp from surface (comparable overall length) while ensuring that exploration of Sumac is not compromised.

In addition to pursuing recommendations in the Preliminary Economic Assessment, data collection by Rescan for the Environmental Baseline was completed. This data is now being consolidated into a final environmental baseline report that is expected to be issued by Rescan during the second quarter of 2010.

DIVIDENDS

The Company has neither declared nor paid any dividends on its common shares, with a single exception: further to a June 2, 2006 corporate dividend transaction which facilitated the initial public offering of Silverstone, a dividend-in-kind was distributed by the Company to its shareholders. The dividend-in-kind was paid on the basis of one unit of Silverstone for every three shares of the Company held. The units consist of one common share in the capital stock of Silverstone and one

half of one transferable share purchase warrant to purchase common shares in the capital stock of Silverstone.

The Company has no present intention of paying dividends on its common shares, as it anticipates that all available funds will be invested to finance the growth of its business.

DESCRIPTION OF CAPITAL STRUCTURE

Share Capital

The Company has an authorized capital of an unlimited number of common shares without par value, 197,645,802 of which were issued and outstanding as of December 31, 2009 and 197,924,428 of which were outstanding as of March 26, 2010.

The holders of the common shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Company and each common share confers the right to one vote in person or by proxy at all meetings of the shareholders of the Company. The holders of the common shares, subject to the prior rights, if any, of the holders of any other class of shares of the Company, are entitled to receive such dividends in any financial year as the Board of Directors of the Company may determine. In the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of the common shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of the Company, the remaining property and assets of the Company.

MARKET FOR SECURITIES

Common Shares - Trading Price and Volume

The Company's shares are listed for trading through the facilities of The Toronto Stock Exchange under the symbol "CS". During the 12 months ended December 31, 2009 and the two months ended February 28, 2010, the Company's shares traded as follows:

Month	Volume	High (C\$)⁽¹⁾	Low (C\$)⁽¹⁾
February 2010	18,708,111	2.88	2.56
January 2010	31,725,666	3.19	2.55
December 2009	27,032,381	2.95	2.70
November 2009	29,470,521	3.16	2.70
October 2009	32,915,821	3.25	2.77
September 2009	36,992,130	3.30	2.74
August 2009	29,703,410	3.13	2.65
July 2009	49,067,204	3.12	2.17
June 2009	57,608,123	2.77	2.08
May 2009	58,336,711	2.48	1.91
April 2009	43,366,363	2.14	1.65
March 2009	17,122,710	1.75	1.06
February 2009	7,457,640	1.45	1.05
January 2009	6,127,474	1.38	0.91

Debentures - Trading Price and Volume

The Company's Debentures are listed for trading through the facilities of the Toronto Stock Exchange under the symbol "CS.DB". During the 12 months ended December 31, 2009 and the two months ended February 28, 2010, the Company's Debentures traded as follows:

Month	Volume	High (\$)⁽¹⁾	Low (\$)⁽¹⁾
February 2010	-	-	-
January 2010	3	\$92.00	\$92.00
December 2009	-	-	-
November 2009	101	\$100.20	\$100.20
October 2009	100	\$100.10	\$100.10
January 2009	11,620	\$100.90	\$100.11

(1) All market prices are in Canadian dollars.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The name, province or state, country of residence, position or office held with the Company and principal occupation during the past five years of each director and executive officer of the Company are described below:

Name and Address	Office or Position Held	Previous Service as a Director	Principal Occupation during past five years
Darren M. Pylot British Columbia, Canada	Vice Chair, CEO and Director	Director since February 13, 1995	CEO, Vice Chair and Director of the Company since February 1995; Director of East Asia Minerals Corporation from January 2004 to present; President of Stealth Investments Corp. from March 1996 to present; Director of Lithium 1 Inc. from July 2009 to present; Director of Zena Mining from 2009 to present; previously President, CEO, Chairman and Director of Silverstone Resources Corp. from April 2005 to 2009.
Stephen P. Quin ⁽³⁾ British Columbia, Canada	President, Chief Operating Officer and Director	Since November 24, 2008	Professional Geoscientist. President & COO of the Company since November 2008; previously President and CEO of Sherwood Copper Corporation from September 2005 to November 2008; prior to Sept. 1, 2005 Executive Vice President of Miramar Mining Corporation. Current director of Mercator Minerals Ltd., Rare Element Resources, Kimber Resources, Bear Lake Gold, Troon Ventures.
D. Bruce McLeod ⁽³⁾ British Columbia, Canada	Director	Since November 24, 2008	Mining Engineer and Business Executive; President & CEO of Troon Ventures Ltd. since 1989; President and CEO of Creston Moly Corp since Aug 2009; prior to that Executive Chairman and Director of Sherwood Copper Corp. from Sept. 2005 to Nov. 2008, President & CEO of Tenajon Resources Ltd. from 1989 to Aug. 2009, COO and Director of Stornoway Diamond Corp. from July 2003 to Sept 2007.

Name and Address	Office or Position Held	Previous Service as a Director	Principal Occupation during past five years
Colin K. Benner ⁽²⁾ British Columbia, Canada	Chair and Director	Since November 24, 2008	Mining Engineer and Business Executive; currently Chairman of the Company and serves on several other public company boards. Served as CEO of HudBay Minerals Ltd. in 2009, Executive Chairman of PBS Coals Ltd. from 2007 to 2008, Vice Chairman and CEO of Skye Resources in 2007, Vice Chairman and CEO of Lundin Mining Corporation from 2006 to 2007 and Vice Chairman and CE of EuroZinc Mining Corp. from 2005 to 2006.
Lawrence Bell ⁽¹⁾⁽²⁾ British Columbia, Canada	Director	Since November 24, 2008	Businessman; Chair of Matrix Asset Management Inc.; director of Goldcorp Inc., International Forest Products Limited, Silver Wheaton Corp.; previously Chair of Canada Line Rapid Transit Project and Chair of BC Hydro.
John Wright ⁽³⁾ British Columbia, Canada	Director	Since November 24, 2008	Consulting Engineer.
George Brack ⁽¹⁾⁽²⁾ British Columbia, Canada	Director	Since May 19, 2009	Businessman; previously Managing Director and Industry Head, Mining Group of Scotia Capital from December 2006 to February 2009 and President of Macquarie North America Ltd. from 2000 to 2006.
Dale Peniuk ⁽¹⁾ British Columbia, Canada	Director	Since May 19, 2009	Chartered Accountant, financial consultant to the mining industry and corporate director, March 2006 to present; previously Partner KPMG LLP Chartered Accountants 1996 to 2006.
Richard Godfrey British Columbia, Canada	Chief Financial Officer	NA	Chief Financial Officer of the Company since November 2008; previously Chief Financial Officer of Sherwood Copper Corporation from May 2007 to November 2008 and Chief Financial Officer of Northair Group of Companies from May 2007 to January 2009; previously VP Finance of EuroZinc Mining from 2006 to March 2007 and Chief Financial Officer of Breakwater Resources Ltd. from 2003 to 2006.
Brenda Nowak British Columbia, Canada	Corporate Secretary	NA	Corporate Secretary of the Company since November 2008; Corporate Secretary, Northair Group of Companies, which includes International Northair Mines Ltd., Creston Moly Corp., New Dimension Resources Ltd. and Troon Ventures Ltd. since January 2007; Corporate Secretary of Stornoway Diamond Corporation since January 2007; previously Corporate Secretary of Sherwood Copper Corporation from January 2007 to November 2008 and Legal Assistant, DuMoulin Black LLP, July 2003 to January 2007.
Peter Hemstead British Columbia, Canada	Treasurer and Vice President Marketing	NA	Treasurer of Capstone since November 2008; previously Treasurer of Sherwood Copper Corporation from October 2006 to November 2008 and Senior Manager at PricewaterhouseCoopers LLP from January 1997 to October 2006.

Name and Address	Office or Position Held	Previous Service as a Director	Principal Occupation during past five years
Robert Barnes South Dakota, USA	Vice President Operations	NA	Vice President Operations for Capstone since November 2008; previously Vice President Operations of the Company from 2005 to November 2008; mine manager, construction manager for tailings expansion, plant and infrastructure construction supervisor, and underground development coordinator of La Colorada underground silver mine of Pan American Silver Corp. from 2001 to 2004,
Brad Mercer Alberta, Canada	Vice President Exploration	NA	Vice President Exploration for Capstone since November 2008; previously Vice President of Exploration for Sherwood Copper Corp. from April 2008 to November 2008 and Exploration Manager of Sherwood from July 2005 to March 2008; Director of Northern Tiger Resources Inc.
Jason Howe British Columbia, Canada	Vice President, Business Development	NA	Vice President Business Development for Capstone since March 2009; President & CEO of Zena Mining from 2008 to present; previously Vice President Finance for the Company from November 2008 to March 2009, Chief Finance Officer of Capstone from April 2004 to November 2008 and Tax Manager at PricewaterhouseCoopers LLP from November 2000 to April 2004.

(1) Denotes members of the Audit Committee.

(2) Denotes members of the Human Resources and Corporate Governance Committee.

(3) Denotes members of the Environmental, Health & Safety Committee.

Control of Securities

As at March 26, 2010, the directors and executive officers of the Company as a group beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of 2,158,053 common shares of the Company, representing approximately 1.1% of the issued and outstanding common shares of the Company. In addition, the director and executive officers of the Company as a group held incentive stock options for the purchase of an aggregate of 7,858,700 common shares in the capital of the Company, which options are exercisable between C\$0.65 and C\$3.35 per common share and expire between August 3, 2010 and March 26, 2015.

Committees of the Board of Directors

The committees of the Board of Directors of the Company and the directors serving on each of the committees are described below:

Audit Committee

The members of the Company's Audit Committee are Dale Peniuk (Chairman), Lawrence Bell and George Brack. The Audit Committee oversees the Company's financial reporting obligations, financial system and disclosures. It reviews the quarterly and annual financial statements, management's discussion and analysis, monitors and assesses the integrity of the Company's internal control systems, meets with the Company's auditors and liaises between the board of directors and the auditors.

Human Resources and Corporate Governance Committee

The members of the Company's Human Resources and Corporate Governance Committee are Colin K. Benner (Chair), Lawrence Bell and George Brack. This committee is responsible for determining the compensation paid to the Company's executive officers and directors and for determining stock option grants for directors, officers, employees and consultants.

Environmental, Health and Safety Committee

The members of the Company's Environmental, Health and Safety Committee are Bruce McLeod (Chair), Stephen P. Quin and John Wright. This committee's mandate is to develop, implement and monitor the Company's environmental, health and safety practices.

Other Committees

In addition, the Company has a disclosure policy committee comprised of the Chief Executive Officer (Darren Pylot), the President (Stephen Quin), Chief Financial Officer (Richard Godfrey), and the Corporate Secretary (Brenda Nowak). This committee is responsible for overseeing the Company's corporate disclosure practices and the administration of the Company's policy on corporate disclosure, confidentiality and insider and employee trading.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Company, no director or executive officer of the Company is, as at the date of this Annual Information Form, or was, within 10 years before the date of this Annual Information Form, a director, chief executive officer ("**CEO**") or chief financial officer ("**CFO**") of any company (including the Company) that:

- (a) was the subject, while the director or executive officer was acting in the capacity as director, CEO or CFO of such company, of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or
- (b) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, CEO or CFO but which resulted from an event that occurred while the proposed director was acting in the capacity as director, CEO or CFO of such company.

Other than as set out herein, to the knowledge of the Company, none of the Company's directors or executive officers or any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (a) is, as at the date of this Annual Information Form, or has been within 10 years before the date of this Annual Information Form, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- (b) has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or

become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder;

- (c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (d) has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Colin K. Benner was a director of Tahera Diamond Corporation which, on January 16, 2008, was granted creditor protection by the Ontario Superior Court of Justice under the Companies' Creditors Arrangement Act (Canada) ("**CCAA**"). Mr. Benner resigned as a director of Tahera Diamond Corporation on September 29, 2008. The company has since been sold.

Conflicts of Interest

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other reporting companies or have significant shareholdings in other reporting companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such a participation or such terms and such director will not participate in negotiating and concluding terms of any proposed transaction. From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. Under the laws of the Province of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time. See also "Describe the Business – Risk Factors".

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The Company's Audit Committee has a charter (the "**Audit Committee Charter**") in the form attached to this Annual Information Form as Schedule "A".

Composition of the Audit Committee

The following are the members of the Audit and Risk Management Committee:

Dale Peniuk (Chair)	Independent ⁽¹⁾	Financially literate ⁽¹⁾
Lawrence Bell	Independent ⁽¹⁾	Financially literate ⁽¹⁾
George Brack	Independent ⁽¹⁾	Financially literate ⁽¹⁾

(1) As defined by Multilateral Instrument 52-110 ("**MI 52-110**").

Relevant Education and Experience

Dale Peniuk

Mr. Peniuk is a chartered accountant and a graduate of the University of British Columbia (B.Comm). Mr. Peniuk was an assurance partner with KPMG LLP Canada from 1996 to 2006 and was the leader of their British Columbia mining practice. In addition to Capstone, he is presently a Director and audit committee Chair of Lundin Mining Corp., Corriente Resources Inc., Argonaut Gold Ltd., Quest Capital Corp., Rainy River Resources Ltd., Reservoir Capital Corp. and Q2 Gold Resources Ltd.

Lawrence Bell

Mr. Bell served as the non-executive Chairman of British Columbia Hydro and Power Authority until December 2007. From August 2001 to November 2003, Mr. Bell was Chairman and Chief Executive Officer of British Columbia Hydro and Power Authority and, from 1987 to 1991, he was Chairman and Chief Executive Officer of British Columbia Hydro and Power Authority. He is also a director of International Forest Products Limited and Silver Wheaton Corp. and is former Chairman of the University of British Columbia Board of Directors and former Chairman of Canada Line (Rapid Transit) Project. Prior to these positions, Mr. Bell was Chairman and President of the Westar Group and Chief Executive Officer of Vancouver City Savings Credit Union. In the province's public sector, Mr. Bell has served as Deputy Minister of Finance and Secretary to the Treasury Board. He holds a Bachelor of Arts degree and an Honours Ph.D. from the University of British Columbia. He also holds a Masters of Arts degree from San José State University.

George Brack

Mr. Brack was Managing Director and Industry Head – Mining of Scotia Capital Inc. from December 2006 to January 2009. Prior to joining Scotia Capital, he held the position of President of Macquarie North America Ltd., an investment banking firm specializing in mergers and acquisitions as well as other advisory functions for North American resource companies. Mr. Brack has also held positions with Placer Dome as Vice President Corporate Development, and with CIBC Wood Gundy where he was Vice President of the Investment Banking Group. Mr. Brack is financially literate, possessing extensive experience in corporate finance and investment banking, particularly with respect to the mining sector.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on an exemption in Section 2.4 of MI 52-110 (*De Minimis Non-audit Services*), Section 3.2 of MI 52-110 (*Initial Public Offerings*), Section 3.3(2) of MI 52-110 (*Controlled Companies*), Section 3.4 of MI 52-110 (*Events Outside Control of Member*), Section 3.5 of MI 52-110 (*Death, Disability or Resignation of Audit Committee Member*) or Section 3.6 of MI 52-110 (*Temporary Exemption for Limited and Exceptional Circumstances*), on an exemption from MI 52-110, in whole or in part, granted under Part 8 of MI 52-110 (*Exemptions*) or on Section 3.9 of MI 52-110 (*Acquisition of Financial Literacy*).

Pre-Approval Policies and Procedures

The Audit Committee pre-approves all non-audit services to be provided by the Company's external auditor and has established policies and procedures accordingly.

External Auditors Service Fees (By Category)

The aggregate fees billed by the Company's external auditors in the last two fiscal years ended December 31, 2008 and 2009 are as follows:

Financial Year Ending	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
December 31, 2009	C\$363,000	C\$45,000	C\$175,000	Nil
December 31, 2008	C\$138,959	C\$54,690	Nil	Nil

LEGAL PROCEEDINGS

The Company is not subject to any legal proceedings as of December 31, 2009, and was not subject to any proceedings throughout the recently completed financial year, except for:

- Ms. Amielle Lake, a former employee of Western Keltic Mines Inc., filed a lawsuit on May 12, 2008 in the Supreme Court of British Columbia against Sherwood, Western Keltic and a former senior officer of Western Keltic. Ms. Lake alleged that it was a term of her employment contract that she was entitled to receive a change of control payment of two times her annual salary, or C\$190,000, upon the acquisition of Western Keltic by Sherwood. The Company disputed this claim. The matter was settled out of court in January 2009.

The directors and the management know of no active or pending proceedings against anyone that might materially adversely affect an interest of ours.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed herein, no director, executive officer or principal shareholder of the Company, or any associate or affiliate of the foregoing, have had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year prior to the date of this Annual Information Form that has materially affected or will materially affect the Company.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Computershare Trust Company of Canada, 2nd floor, 510 Burrard, Vancouver, British Columbia, V6C 3B9. The Company has appointed Computershare Investor Services Ltd., 4 King Street West, Suite 1101, Toronto, Ontario, M5H 1B6 as its co-transfer agent and registrar.

MATERIAL CONTRACTS

Contracts of the Company, other than contracts entered into in the ordinary course of business, that are material to the Company and that were entered into by the Company between January 1, 2009 and December 31, 2009 or that were entered into prior to that date but are still in effect are listed below:

1. February 28, 2010 extension of and amendment to August 1, 2007 contract for mining services between Pelly Construction Ltd. and MintoEx for the provision of mining activities services.
2. Revolving Term Credit Facility dated for reference January 16, 2009 between Capstone and The Bank of Nova Scotia providing a credit facility made available on a revolving basis in the principal amount of \$40 million.
3. Various Employment Agreements dated November 2008 with senior management of the Company.
4. Precious metal purchase agreement between MintoEx and Silverstone dated as of November 21, 2008 whereby Capstone agreed sell, through MintoEx, 100% of the gold and silver production from the Minto Mine for a period of 10 years.
5. Skagway Ore Terminal Operations Contract dated April 23, 2008 between MintoEx and Mineral Services Inc. whereby Mineral Services provides the long term operation and maintenance of the Skagway Ore Terminal.
6. Credit Agreement (2008 Corporate Facility) dated for reference March 7, 2008 between Sherwood and Macquarie Bank Limited providing a credit facility made available on a revolving basis in the principal amount of up to C\$10 million.
7. Concentrate Off-Take Agreement between MRI Trading AG and MintoEx dated October 4, 2006, as amended on July 31, 2007 regarding the purchase of 100% of the concentrates produced by the mine.
8. Concentrate haul agreement between Canadian Lynden Transport Ltd. and MintoEx dated June 27, 2007 for the provision of concentrate hauling from the Minto Mine in the Yukon to Skagway, Alaska.
9. User Agreement between the Alaska Industrial Development and Export Agency, Sherwood and MintoEx dated January 18, 2007, as amended on May 14 and 25, 2007, for the refurbishment, reconstruction and recommissioning of the Skagway Ore Terminal.
10. Silver purchase agreement between Capstone Mexico and Silverstone Resources (Barbados) Corp. dated as of April 4, 2007 whereby the Company agreed sell, through Capstone Mexico, 100% of the silver production from the Cozamin Property for a period of 10 years.

11. Trust Indenture dated February 28, 2007 between the Company and Computershare Trust Company of Canada which sets out the details of Computershare acting as trustee for the Debentures.
12. Power Purchase Agreement between Yukon Energy Corporation and MintoEx dated February 12, 2007 for the provision of grid power to the Minto Mine site as described under the heading "Description of the Business".
13. Forward sales agreement entered into by Capstone Mexico and Standard Bank during 2007 regarding the delivery of copper.
14. Forward Sales Agreements entered into by MintoEx and Cozamin regarding the delivery of copper, lead and zinc as described in the audited December 31, 2009 consolidated financial statements.
15. Loan facility agreements with Macquarie Bank Limited dated October 25, 2006 among Sherwood and MintoEx for the provision of secured debt facilities as described under the heading "Description of the Business".
16. Concentrate offtake agreements between Capstone Mexico and Trafigura, MRI, and Louis Dreyfus.
17. Amended and Restated Agreement among the Company, Capstone Mexico, and Bacis dated for reference November 30, 2005, whereby it was agreed that Capstone Mexico assumed all responsibility for the payment of indebtedness to FIFOMI and that all payments by the Company to FIFOMI would be credited against any work expenditure required of Capstone Mexico. It was also agreed that the Company may accelerate the share payments required for the exercise of the option on the Cozamin property. Bacis also agreed to remove, at its own expense, the mortgage interest in favour of Banco Inverlat, registered against the Cozamin property and indemnify the Company in respect of any costs related to the mortgage interest removal and any amounts owing under such mortgage.
18. Option agreement between Capstone Mexico and Bacis dated for reference November 30, 2005; this option agreement became effective upon regulatory approval of the spin-off of the Silver Properties described. Upon becoming effective, this option agreement replaced the January 21, 2004 option agreement; the only difference was that under the November 30, 2005 option agreement, the Silver Properties were not included and the only property involved was Cozamin.

EXPERTS

Names of Experts

The following is a list of the persons or companies named as having prepared or certified a statement, report or valuation in this Annual Information Form, either directly or in a document incorporated by reference, and whose profession or business gives authority to the statement, report or valuation made by the person or company:

- Mr. Robert Sim, P.Geo., of SIM Geological Inc., supervised the preparation of the updated mineral resource estimate for the Cozamin deposit announced March 2, 2010. He is also responsible for Sections 12, 13, 14 and 17.1 through 17.3 of the Cozamin Report.

- Ms. Jenna Hardy, P.Geo., of Nimbus Management Ltd., is responsible for the updated environmental section of this Annual Information Form with respect to the Cozamin Mine as well as Section 19.5 of the Cozamin Report.
- Mr. Gordon Doerksen, P.Eng., of SRK Consulting (Canada) Inc., is responsible for Sections 1 to 11, 15, 17.14, 18 to 19.4, 19.6 to 25 and Appendix A of the Cozamin Report and is responsible for the Executive Summary and Sections 1 to 4, 17, 20 to 23, parts of Sections 24, 26 and 27, 25 and 28 to 31 of the Minto Report.
- Mr. Jeffrey L. Woods of SRK Consulting Inc. is responsible for Section 16 of the Cozamin Report.
- Mr. Wayne Barnett, PhD, Pr.Sci.Nat, of SRK Consulting (Canada) Inc., is responsible for Sections 6 to 11 and Section 16 of the Minto Report.
- Mr. Michael Levy, PE,PG, of SRK Consulting Inc., is responsible for Section 18.2 of the Minto Report.
- Mr. Dino Pilotto, P.Eng., of SRK Consulting (Canada) Inc., is responsible for Sections 16.6, 18.1, 18.3 -18.5, 24.1, 24.3, 26.3 and 27.2 of the Minto Report.
- Mr. Clinton Donkin, MAusIMM, of Ausenco Minerals Canada Inc., is responsible for Sections 15, 19, 24.2, 24.4, 26.1 and 27.1 of the Minto Report.
- Mr. Garth Kirkham, P.Geo., of Kirkham Geosystems Ltd., is responsible for the mineral resource estimate on the Kutcho Project and is responsible for Sections 12, 13, and the Minto North Resource Estimate listed in Section 16 of the Minto Report.
- Mr. Cameron C. Scott, P.Eng., is responsible for Sections 18.6, 26.4, and 27.3 of the Minto Report.
- Mr. Michael Makarenko, P.Eng., of JDS Energy & Mining Inc., is responsible for and/or shared responsibility for Sections 1.1 - 1.3, 1.5 - 1.8, 2 - 9, 15, 18, 19.1 - 19.6, 19.8 -19.14.1, 19.14.9, 19.15.1 - 19.15.2, 19.15.5, 20, 23 and 24 of the Kutcho Report.
- Mr. David Hendricks of TechPro*Teched is responsible for Sections 1.4 and 16 of the Kutcho Report.
- Mr. Wayne Corso, of JDS Energy & Mining, is responsible for parts of Sections 1.9 - 1.11, 19.16, and 21 - 22 of the Kutcho Report.
- Mr. Robert Princwright, P.Eng., CP.Eng., of JDS Energy & Mining Inc., is responsible for and/or shared responsibility for Sections 19.7, 19.15.3 and 19.15.4 of the Kutcho Report.
- Mr. Ali Sheykhholeslami, P.Eng., of JDS Energy & Mining Inc., is responsible for and/or shared responsibility for Sections 1.4, 16, 19.14.2 - 19.14.8 of the Kutcho Report.
- Mr. Stephen P. Quin, P.Geo., is responsible for preparing or supervising the updated information relating to the Minto Mine and the Kutcho Project in this Annual Information Form.
- Mr. Brad Mercer, P.Geo., is responsible for supervising the exploration activities at the Company's Minto Mine and Kutcho Project.

- Mr. Robert Barnes, P.Eng., is responsible for the preparing or supervising the updated information regarding the Cozamin Mine including the updated Cozamin mineral reserves and is responsible for all mine operations information in this Annual Information Form.

Interests of Experts

Except as otherwise disclosed below, none of the experts named under “Names of Experts”, when or after they prepared the statement, report or valuation, has received any registered or beneficial interests, direct or indirect, in any securities or other property of the Company or of one of the Company’s associates or affiliates (based on information provided to the Company by the experts) or is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

Stephen Quin, P.Geo., is the President, Chief Operating Officer and a director of the Company and, as of the date hereof, held 528,137 common shares of the Company and 1,302,150 stock options exercisable into common shares of the Company.

Brad Mercer, P.Geo., is the Vice President, Exploration of the Company and, as of the date hereof, held 68,524 common shares of the Company and 334,810 stock options exercisable into common shares of the Company.

Robert Barnes, P.Eng., is the Vice President, Operations of the Company and, as of the date hereof, held 83,750 common shares of the Company and 610,000 stock options exercisable into common shares of the Company.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of the Company’s securities, and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Company’s Information Circular for its most recent annual general meeting of securityholders that involved the election of directors. Additional financial information is provided in the Company’s consolidated financial statements and management’s discussion and analysis for the 12 months ended December 31, 2009.

SCHEDULE "A"

CAPSTONE MINING CORP. (the "Corporation")

AUDIT COMMITTEE CHARTER

1. Each member of the Audit Committee shall be a member of the Board of Directors, in good standing, and the majority of the members of the audit committee shall be independent in order to serve on this committee.
2. At least one of the members of the Audit Committee shall be financially literate.
3. Review the Committee's charter annually, reassess the adequacy of this charter, and recommend any proposed changes to the Board of Directors. Consider changes that are necessary as a result of new laws or regulations.
4. The Audit Committee shall meet at least four times per year, and each time the Company proposes to issue a press release with its quarterly or annual earnings information. These meetings may be combined with regularly scheduled meetings, or more frequently as circumstances may require. The Audit Committee may ask members of the Management or others to attend the meetings and provide pertinent information as necessary.
5. Conduct executive sessions with the outside auditors, outside counsel, and anyone else as desired by the committee.
6. The Audit Committee shall be authorized to hire outside counsel or other consultants as necessary (this may take place any time during the year).
7. Approve any non-audit services provided by the independent auditors, including tax services. Review and evaluate the performance of the independent auditors and review with the full Board of Directors any proposed discharge of the independent auditors.
8. Review with the Management the policies and procedures with respect to officers' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of these areas by the independent auditor.
9. Consider, with the Management, the rationale for employing accounting firms rather than the principal independent auditors.
10. Inquire of the Management and the independent auditors about significant risks or exposures facing the Company; assess the steps the Management has taken or proposes to take to minimize such risks to the Company; and periodically review compliance with such steps.
11. Review with the independent auditor, the audit scope and plan of the independent auditors. Address the coordination of the audit efforts to assure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.
12. Inquire regarding the "quality of earnings" of the Company from a subjective as well as an objective standpoint.
13. Review with the independent accountants: (a) the adequacy of the Company's internal controls including computerized information systems controls and security; and (b) any

related significant findings and recommendations of the independent auditors together with the Management's responses thereto.

14. Review with the Management and the independent auditor the effect of any regulatory and accounting initiatives, as well as off-balance-sheet structures, if any.
15. Review with the Management, the independent auditors, the interim annual financial report before it is filed with the regulatory authorities.
16. Review with the independent auditor that performs an audit: (a) all critical accounting policies and practices used by the Company; and (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Management of the Company, the ramifications of each alternative and the treatment preferred by the Company.
17. Review all material written communications between the independent auditors and the Management.
18. Review with the Management and the independent auditors: (a) the Company's annual financial statements and related footnotes; (b) the independent auditors' audit of the financial statements and their report thereon; (c) the independent auditor's judgments about the quality, not just the acceptability, of the Company's accounting principles as applied in its financial reporting; (d) any significant changes required in the independent auditors' audit plan; and (e) any serious difficulties or disputes with the Management encountered during the audit.
19. Periodically review the Company's code of conduct to ensure that it is adequate and up-to-date.
20. Review the procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters that may be submitted by any party internal or external to the organization. Review any complaints that might have been received, current status, and resolution if one has been reached.
21. Review procedures for the confidential, anonymous submission by employees of the organization of concerns regarding questionable accounting or auditing matters. Review any submissions that have been received, the current status, and resolution if one has been reached.
22. The Audit Committee will perform such other functions as assigned by law, the Company's articles, or the Board of Directors.