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ANNUAL INFORMATION FORM

For the year ended December 31, 2016

March 13, 2017

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IN THIS ANNUAL INFORMATION FORM, UNLESS THE CONTEXT OTHERWISE REQUIRES, THE "COMPANY" OR "CAPSTONE" REFERS TO CAPSTONE MINING CORP. AND ITS SUBSIDIARIES. ALL INFORMATION CONTAINED HEREIN IS AS OF DECEMBER 31, 2016, UNLESS OTHERWISE STATED.

Cautionary Statement Regarding Forward-Looking Information

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 our expectations or beliefs regarding future events. Forward-looking statements include, but are not limited to, statements with respect to the estimation of mineral resources and mineral reserves, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, the timing and possible outcome of legal proceedings and regulatory actions, and capital expenditures, the success of our mining operations, environmental risks, unanticipated reclamation expenses and title disputes. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "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 that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, amongst others, risks related to:

- inherent hazards associated with mining operations;
- future prices of copper and other metals;
- compliance with financial covenants;
- surety bonding;
- our ability to raise capital;
- Capstone's ability to acquire properties for growth;
- counterparty risks associated with sales of our metals;
- use of financial derivative instruments and associated counterparty risks;
- foreign currency exchange rate fluctuations;
- changes in general economic conditions;
- accuracy of mineral resource and mineral reserve estimates;
- operating in foreign jurisdictions with risk of changes to governmental regulation;
- compliance with governmental regulations;
- compliance with environmental laws and regulations;
- reliance on approvals, licences and permits from governmental authorities;
- impact of climatic conditions on our Pinto Valley, Cozamin and Minto operations;
- aboriginal title claims and rights to consultation and accommodation;
- land reclamation and mine closure obligations;
- uncertainties and risks related to the potential development of the Santo Domingo Project;
- increased operating and capital costs;
- challenges to title to our mineral properties;
- dependence on key management personnel;
- potential conflicts of interest involving our directors and officers;

- corruption and bribery;
- limitations inherent in our insurance coverage;
- labour relations;
- increasing energy prices;
- competition in the mining industry;
- risks associated with joint venture partners;
- our ability to integrate new acquisitions into our operations;
- cybersecurity threats and;
- legal proceedings.

For a more detailed discussion of these factors and other risks, see "Risk Factors" beginning on page 69.

Although we have attempted to identify important factors that could cause our actual results, performance or achievements to differ materially from those described in our forward-looking statements, there may be other factors that cause our results, performance or achievements not to be as anticipated, estimated or intended. There can be no assurance that our forward-looking statements will prove to be accurate, as our actual results, performance or achievements could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on our forward-looking statements.

Currency

We report our financial results and prepare our 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$" are to Canadian dollars, references to "MX$" are to Mexican pesos and references to "CLP" are to Chilean pesos.

The United States dollar exchange rates for our principal operating currencies are as follows:

	As at December 31		
Canadian dollar (C$)[1]	**2016**	**2015**	**2014**
Average	1.3248	1.2785	1.1047
High	1.4589	1.3990	1.1533
Low	1.2544	1.1728	1.1074
Mexican peso (MX$)[2]		**2015**	**2014**
Average	18.6845	15.8671	13.2985
High	20.9395	17.3897	14.7843
Low	17.2005	14.5235	12.8429

[1] Information on US$ to C$ exchange rates obtained from Bank of Canada daily noon exchange rates.

[2] Information on US$ to MX$ exchange rates obtained from Bank of Mexico.

Conversion Table

In this Annual Information Form, metric units are used with respect to Capstone'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

Compliance with NI 43-101

As required by National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101"), Capstone has filed technical reports detailing the technical information related to its material mineral properties discussed herein. For the purposes of NI 43-101, Capstone's material mineral properties are the Pinto Valley Mine, the Cozamin Mine, the Minto Mine, and the Santo Domingo Project. Unless otherwise indicated, Capstone has prepared the technical information in this Annual Information Form ("Technical Information") based on information contained in the technical reports, news releases and other public filings (collectively, the "Disclosure Documents") available under Capstone's profile on SEDAR at www.sedar.com. Each Disclosure Document was prepared by, or under the supervision of, or approved by a Qualified Person as defined in 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 Technical Information set out in this Annual Information Form which qualifies the Technical Information. The Disclosure Documents are each intended to be read as a whole, and sections should not be read or relied upon out of context. Readers are advised that mineral resources that are not mineral reserves do not have demonstrated economic viability. The Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents.

Classification of Mineral Reserves and Mineral 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, as amended ("CIM Standards"). Readers should note that the CIM standards as adopted by the CIM on November 27, 2010 were the relevant standards in effect at the time of the preparation of certain technical reports, including technical reports in respect of the Minto Mine and the Santo Domingo Project, and should refer to the 2010 CIM standards when reviewing those reports.

Cautionary Note to US Investors Concerning Estimates of Mineral Reserves and Mineral Resources

The disclosure in this Annual Information Form uses mineral resource and mineral reserve classification terms that comply with reporting standards in Canada, and, unless otherwise indicated, all mineral resource and mineral reserve estimates included in this Annual Information Form have been prepared in accordance with NI 43-101. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. These standards differ significantly from the disclosure requirements of the SEC set forth in Industry Guide 7. Consequently, mineral resource and mineral reserve information contained in this Annual Information Form is not comparable to similar information that would generally be disclosed by US companies in accordance with the rules of the SEC.

In particular, the SEC's Industry Guide 7 applies different standards in order to classify mineralization as a reserve. As a result, the definitions of proven and probable reserves used in NI 43-101 differ from the definitions in Industry Guide 7. Under SEC standards, mineralization cannot be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Accordingly, mineral reserve estimates contained in this Annual Information Form may not qualify as "reserves" under SEC standards.

In addition, this Annual Information Form uses the terms "measured mineral resources", "indicated mineral resources" and "inferred mineral resources" to comply with the reporting standards in Canada. The SEC's Industry Guide 7 does not recognize mineral resources and US companies are generally not permitted to disclose resources in documents they file with the SEC. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into SEC defined mineral "reserves." Further, "inferred mineral resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Therefore, investors are also cautioned not to assume that all or any part of an inferred mineral

resource exists. In accordance with Canadian rules, estimates of "inferred mineral resources" cannot form the basis of feasibility or other economic studies, except in rare cases. In addition, disclosure of "contained ounces" in a mineral resource estimate is permitted disclosure under NI 43-101 provided that the grade or quality and the quantity of each category is stated; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in place tonnage and grade without reference to unit measures. For the above reasons, information contained in this Annual Information Form containing descriptions of our mineral resource and mineral reserve estimates is not comparable to similar information made public by US companies subject to the reporting and disclosure requirements of the SEC.

GLOSSARY OF TECHNICAL TERMS

In this Annual Information Form, the following technical terms are defined:

AAS	atomic absorption spectroscopy.
Ag	silver.
Alteration	chemical and mineralogical changes in rock mass resulting from the passage of fluids.
Anomaly	a deviation from uniformity. In the search for minerals, it is an area in which higher or lower than background concentrations of minerals or expected values of various survey data may be found.
Assay	an analysis of the contents of metals in mineralized rocks.
Au	gold.
Biotite	a magnesium-iron mica widely distributed in igneous rocks.
Brownfield Project	a project located near an operating mine.
Breccia	a fragmental rock whose components are angular and not water-worn
Chlorite	the general term for hydrated silicates of aluminum, iron and magnesium.
CIM	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, November 27, 2010 and May 10, 2014 (unless indicated otherwise in this Annual Information Form).
Cu	copper.
diamond drillholes	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	a texture in which minerals occur as scattered particles in the rock.
Dmt	dry metric tonnes.
Dmtu	dry metric tonne unit.
DFS	definitive feasibility study.
Dyke	an intrusive tabular body of igneous rock that cuts across the layering or fabric of the host rock.
Fabric	the spatial arrangement and orientation of rock components, whether crystals or sedimentary particles, as determined by their sizes, shapes, etc.
Fault	a fracture in a rock across which there has been displacement.
Fe	iron.
Feldspar	one of a group of rock forming minerals which include microcline, orthoclase, plagioclase and anorthoclase.
Foliation	the preferred planar orientation of minerals and mineral aggregates in metamorphic rocks.
G	gram.
Grade	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.
Greenfield Project	a project not located near an operating mine.
g/t	grams per metric tonne.
Ha	hectares.
host rock	a volume of rock within which mineralization or an ore body occurs.
HQ	approximately 63mm diameter drill core.

GLOSSARY OF TECHNICAL TERMS

hydrothermal	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 produces by them.
Igneous	a type of rock that is crystallized from a liquid magma.
Indicated Mineral Resource	in accordance with CIM Definition Standards, is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors (as defined below) in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Mineral Reserve.
Inferred Mineral Resources	in accordance with CIM Definition Standards, that part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.
IOCG	iron oxide-copper-gold; a recognized mineral deposit type.
K	kilo (thousand).
Koz	thousands of ounces.
Kt	one thousand tonnes.
LOM	life of mine
M	mega (million).
Mafic	ferromagnesian minerals and rocks where these minerals are abundant
Masl	metres above sea level.
Measured Mineral Resource	in accordance with CIM Definition Standards, is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proven Mineral Reserve or to a Probable Mineral Reserve.
Mineral Reserve	in accordance with CIM Definition Standards, economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at pre-feasibility or feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The reference point at which Mineral Reserves are defined, usually the point where the ore is delivered to the processing plant, must be stated. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported. The public disclosure of a Mineral Reserve must be demonstrated by a pre-feasibility study or feasibility study.

Mineral Resource	in accordance with CIM Definition Standards, is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.
Mineralization	significant amounts of mineral(s) that is (are) of economic interest which may be established by prospecting, trenching and drilling.
Mlb	millions of pounds.
Mo	molybdenum.
Modifying Factors	Modifying Factors are considerations used to convert Mineral Resources to Mineral Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors.
MS	magnetic susceptibility.
Mt	megatonne (million tonnes).
MW	megawatt (million watts).
NI 43-101	National Instrument 43-101 – Standards of Disclosure for Mineral Projects.
NQ	approximately 47 millimetre diameter diamond drill core.
NSR	net smelter return.
Ore	rock that contains one or more minerals or metals, at least one of which has commercial value and which is estimated to be able to be recovered at a profit.
Outcrop	an exposure of bedrock at the earth's surface.
Pb	lead.
Pyrite	a common iron sulphide mineral commonly found in hydrothermal veins and systems and commonly associated with gold mineralization.
QAQC	quality assurance/quality control in a mineral exploration and mining context is the combination of quality assurance, the process or set of processes used to assure data quality, and quality control, the process of identifying data outside of established tolerance limits.
Qualified Person	has the meaning set out in NI 43-101.
Quartz	a common rock forming mineral made up of silicon dioxide.
SAG	Semi-Autogenous grinding.
Silica	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.
Tpd	tonnes per day.
Vein	a sheet-like body of minerals formed by fracture-filling or replacement of the host rock.
Volcanic	formed by volcanic activity.
WUL	water use licence.
Zn	zinc.

1 – CORPORATE STRUCTURE

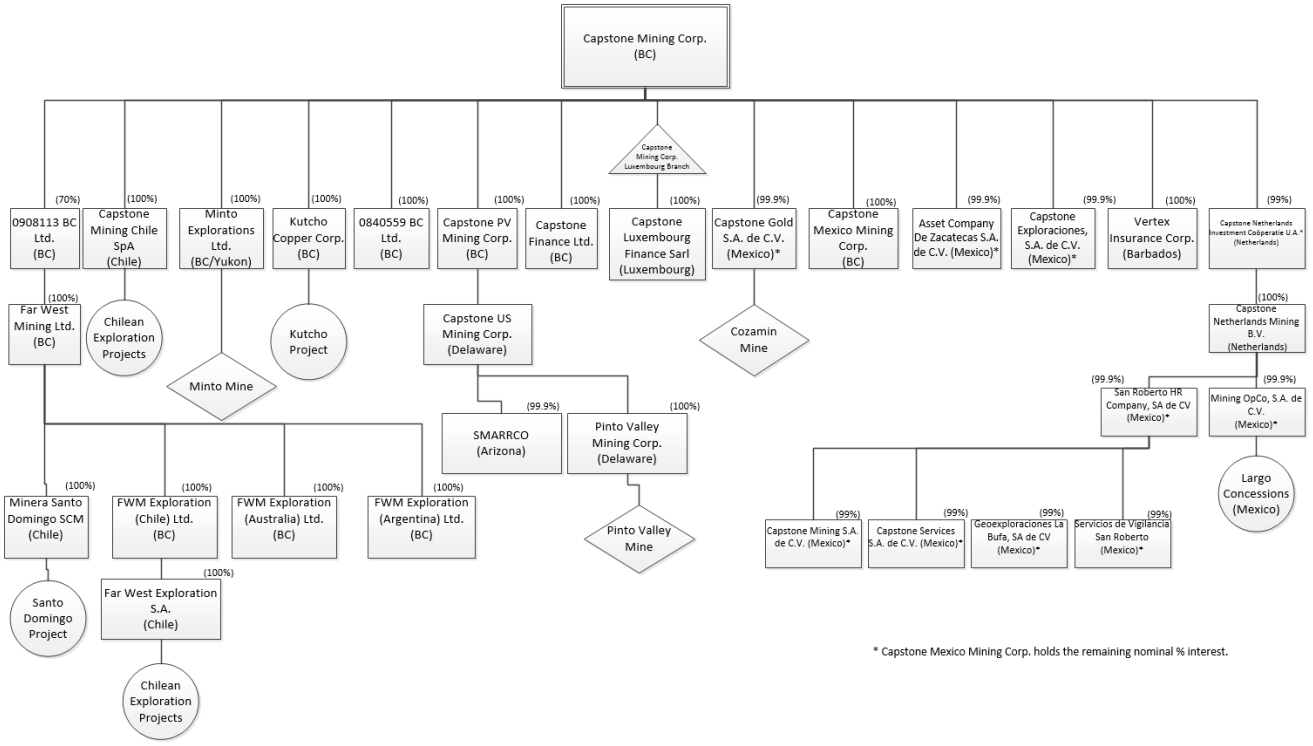
1.1 Name, Address and Incorporation

Capstone was incorporated pursuant to the *Company Act* (British Columbia) on July 17, 1987 under the name 330338 BC Ltd. We changed our name to Fire Star Resources Ltd. on April 21, 1989, to International Bancorp Ltd. on August 17, 1989, and to IBL Equities Ltd. on March 5, 1991. On January 2, 1996, we changed our name to Serena Resources Ltd. and consolidated our share capital on a 5:1 basis. On May 17, 2001, we changed our name to Consolidated Serena Resources Ltd. and consolidated our share capital on a 5:1 basis. We changed our name to Capstone Gold Corp. on March 6, 2003. On January 12, 2005, we amended our Notice of Articles to, amongst other things, change our authorized capital from 100,000,000 common shares to an unlimited number of common shares, and to reduce the threshold percentage of votes required to approve a special resolution from 75% to 66⅔%. We changed our name to our current name, Capstone Mining Corp. on February 8, 2006. On November 24, 2008, Capstone and Sherwood Copper Corporation ("Sherwood") completed a court-approved plan of arrangement pursuant to which a Capstone wholly-owned subsidiary acquired all of the issued and outstanding common shares of Sherwood in exchange for common shares of Capstone, and that subsidiary and Sherwood amalgamated to form a new corporation named "Capstone Mining North Ltd." On January 1, 2009, Capstone and Capstone Mining North Ltd. were amalgamated to form Capstone Mining Corp. On April 30, 2014, we amended our Articles to modify the means by which notice of meetings of shareholders and other shareholder information may be delivered to shareholders and increased the quorum requirements for meetings of shareholders to two persons holding at least 25% of the votes eligible to be cast at the meeting. Capstone is now governed by the *Business Corporations Act* (British Columbia).

Capstone's corporate head office and registered office is located at 2100 – 510 West Georgia Street, Vancouver, BC, V6B 0M3.

1.2 Intercorporate Relationships

The following chart describes the intercorporate relationships amongst Capstone's subsidiaries and the percentage of voting securities held by Capstone, either directly or indirectly, as at December 31, 2016, and the jurisdiction of incorporation, formation, continuation or organization of each subsidiary:



2 – GENERAL DEVELOPMENT OF THE BUSINESS

2.1 Three Year History

2017 to date

On January 13, 2017, a payment of $20.0 million was made on Capstone's Senior Secured Corporate Revolving Credit Facility ("RCF"), reducing the outstanding balance to $308.9 million. This payment was in addition to the $20.0 million payment and permanent credit reduction made in Q4 2016. At the same time, Capstone chose to permanently reduce the credit available under the RCF from $420 million to $400 million.

2016

In January, the Pinto Valley Mine published the PV3 Pre-Feasibility Study ("PV3 PFS") extending the mine life by 13 years to 2039, with plans to increase throughput by 8% without major capital investment. Increased mill efficiencies resulted in new daily, monthly and quarterly throughput records throughout the year.

The Cozamin Mine underwent a reorganization in 2016 with efforts focused on adopting a number of additional process improvements and training resources aimed at advancing mine development. Mineral resources and reserves at Cozamin were updated to take into account exploration and infill drilling completed during 2016. Exploration drilling resulted in new Indicated Mineral Resources that replenished 2016 mine production, however there was a net reduction of Measured and Indicated Mineral Resources totaling 2,487 kt averaging 1.18% Cu. This was due to changes in the Indicated classification boundary and further removal of Measured Mineral Resources contained in pillar material deemed to be not potentially economically extractable. The updated mineral reserves for the San Roberto and Mala Noche Footwall zones ("MNFWZ") were reduced by 2,059 kt (including 2016 mine production), which accounts for a 29% decrease in tonnage and 18% contained copper versus the year-end 2015 reserves. This represents a less than 15% reduction to Cozamin's NPV, as the reduction was related to low-grade material in the MNFWZ and material in San Roberto that was scheduled in the last year of the mine plan. In addition, the San Rafael zone resource, previously modelled in 2009, was updated in anticipation of an investigation into the viability of blending zinc-rich San Rafael ore with material mined from San Roberto and the MNFWZ.

After starting out the year with plans to temporarily suspend underground operations at Minto, successful efforts to lower costs extended underground mining into July 2017. After completing mining at Minto North in September, another stage of surface mining in the Area 2 pit was approved to extend surface operations and milling through 2017. During the year an engineering change occurred whereby the Area 2 Underground mineral reserves were updated taking into account changes to the block model. With recent copper price improvements, work is underway to extend operations beyond the completion of the Area 2 underground and open pit.

In addition to a reduction of our permanent workforce by 10% and full-time contractors by 5% in 2015, Capstone announced several new cost reduction activities in January 2016, including decreasing corporate head office positions by 22% and reducing recurring general and administrative expenses by nearly 20% (not including a non-recurring amount of $3.6 million related to workforce reductions).

The San Manuel Arizona Railroad Company ("SMARRCO") was placed on care and maintenance, resulting in a move to a modular truck transport system to haul concentrate from the Pinto Valley Mine to domestic customers and to the port of Guaymas, Mexico for export.

With a focus on covenant compliance and debt repayment, Capstone fixed prices on sales of copper concentrate open to quotational period adjustments as at the end December 2015 as well as on sales of copper concentrate shipped during the first quarter of 2016 in addition to hedging second quarter sales. Strong operating performance and cost control, combined with certainty around copper revenue, ensured covenant compliance throughout the year and provided the ability to repay $20 million on the RCF early in the fourth quarter. In November, a price protection program was set up to further protect sale prices of copper, predominantly over the first half of 2017 to assure continued debt repayment.

On October 25, 2016, we announced the appointment of Robert Gallagher and Jill Gardiner to Capstone's board of directors, and the retirement of Chantal Gosselin as a director.

Exploration activities undertaken in 2016 included brownfield exploration at the Cozamin Mine in Mexico and greenfield exploration, primarily in Chile focused at advancing the Project Providencia, a Sociedad Química y Minera Chile S.A. ("SQM") project in which we have an option to earn into. Activities at Providencia included mapping, soil geochemistry, trenching, geophysics and drilling.

2015

Pinto Valley continued to focus on reliability enhancement related to mill stability at the targeted throughput level of 52,000 tpd, steadily improving throughout the year to set daily, monthly and quarterly average throughput records under Capstone ownership in Q4. Work continued throughout the year to implement the PV2 Pre-Feasibility Study ("PV2 PFS") expansion plan at the Pinto Valley Mine, which extended the mine life to 2026. Work also continued throughout the year to scope various expansion options for the PV3 PFS. A detailed evaluation to expand mill throughput to 90,000 tpd was not advanced as the Company concluded this would not generate sufficient returns to justify the development and capital risk

At the Cozamin Mine, the mineral resources and reserves at the MNFWZ were updated to take into account exploration and infill drilling completed during 2014 and 2015 in this zone. The mineral reserves update replenished the material mined during 2015 and further extended mine life by approximately three months, at an average grade well above the average reserve grade.

At the Minto Mine, the Yukon Water Board issued the Water Use Licence on August 5, 2015, which completed the final stage of permitting for all of the mineral reserves identified in the July 2012 Phase VI Pre-Feasibility Study. Stripping of the Minto North deposit began immediately, with first ore release in December 2015.

In January 2015 we announced a RCF for up to $500 million. This facility amended our existing senior secured corporate revolving term facility and allowed us to repay and cancel our senior secured reducing revolving credit facility. The RCF was established with a four year term and requires certain interest coverage and leverage ratios.

In February 2015 we selected POSCO E&C ("POSCO") as the preferred Engineering, Procurement, Construction ("EPC") fixed price lump sum contractor for the Santo Domingo Project. On July 7, 2015, Capstone received approval for the Environmental Impact Assessment ("EIA"), covering the entire project as outlined in the 2014 Feasibility Study. Using a disciplined stage-gate approach for advancing the project, we determined that, as a result of the negative outlook for iron prices in July, 2015 that we should assess a phased approach, focusing on preparing a Feasibility Study to advance the copper portion of the project first, with the option to add iron facilities should the outlook for that market improve. As copper prices continued to deteriorate over the summer, we announced the suspension of most work on the Santo Domingo project in September 2015 and significantly downsized the Santiago and Diego de Almagro offices in Chile. The project and completion of the Feasibility Study for the phased approach is on hold with optionality maintained for future development when conditions improve.

In May 2015 Capstone entered into zero-cost collars for 36,000 tonnes of copper production between then and September 30, 2015 (with pricing periods from June 2015 to February 2016) at a minimum of $2.60 and a maximum of $3.10 per pound of copper. This price protection allowed us to fully commit our 2015 capital expenditure budget, while retaining some benefit should the price for copper increase through this period.

Exploration activities undertaken in 2015 included brownfield exploration at the Cozamin Mine in Mexico and greenfield exploration, primarily in Chile at Project Providencia, a SQM project in which we have an option to earn into. A drilling and trenching program at Providencia focused on soil geochemistry and led to the discovery of two copper-gold prospects that Capstone is still actively exploring.

2014

Following the acquisition of the Pinto Valley Mine in 2013, we issued the PV2 PFS in March of 2014 converting Mineral Resources to Mineral Reserves to take the mine plan from 5 years to 12 years, extending the mine life to 2026. Immediately following that, a further study was undertaken to consider the remaining Mineral Resources and their potential. At year end Capstone announced that two cases would be advanced to the PV3 PFS level. The base case included a 10% to 15% increase in throughput and the possibility of a mine life extension beyond 2026 and a second case would evaluate a throughput increase to 90,000 tpd combined with a potential mine life extension.

In August 2014, we announced completion of an updated NI 43-101 compliant mineral resource estimate for the Cozamin Mine. The estimate resulted in an immaterial reduction of both Mineral Reserves and Mineral Resources and a number of steps were initiated to recover some reserve losses.

At the Minto Mine, the mine plan was revised during the year to reflect the delay in receiving the Water Use Licence ("WUL") amendment which was required to bring additional reserves into the mine plan. Capstone made application to the Yukon Environmental Socio-Economic Assessment Board ("YESAB") for all remaining identified copper reserves on the property in July 2013 and YESAB recommended in favour of the proposed continuation of operation of the Mine in April 2014. Application was then made for the amended Quartz Mining and Water Use Licences on July 2, 2014. We had three rounds of information requests from the Yukon Water Board through the latter part of 2014, with the Yukon Water Board declaring "Adequacy" in December 2014. On December 10, 2014, our application went to the public comment period, which ended on January 21, 2015, with the WUL issued on August 5, 2015.

Development activities advanced in 2014 at our Santo Domingo Project. In June 2014 we completed a feasibility study for the project with capital costs within the range of $1.7 billion as previously guided (accuracy range of -10% to +15%) and an unlevered after-tax internal rate of return of 17.9%. Throughout the year we continued to advance the regulatory, social licence and technical development of the project.

A number of exploration activities were undertaken in 2014, both brownfield at our Cozamin Mine in Mexico and greenfield, primarily in Chile at Project Providencia, the earn in project with SQM. A drilling program tested coincident anomalies of induced polarization chargeability and multi-element soil geochemistry leading to the discovery of a copper- gold porphyry-type prospect.

3 – DESCRIPTION OF THE BUSINESS

3.1 General

Capstone is a Canadian base metals mining company, focused on copper in politically safe, mining friendly jurisdictions in the Americas. We have grown through a combination of exploration, development and acquisition of mineral properties and currently operate three producing copper mines: Pinto Valley in the US, Cozamin in Mexico and Minto in Canada. We have two development projects: Santo Domingo in Chile and Kutcho in Canada, as well as exploration properties in Chile and US.

Our principal product is copper, with zinc, lead, molybdenum, silver and gold produced and sold as by-products. We are focused on profitability, a growing production profile and operating in a safe and responsible manner. Our operating and growth strategy has two tiers. The first is to maintain our financial and operating flexibility through all points of the commodity cycle. The second is to pursue the organic growth potential of our existing development projects and extension of our existing mines. Capstone's material mineral properties consist of:

- Pinto Valley Mine, an open-pit, copper mine located in Arizona, US;
- Cozamin Mine, an underground, polymetallic mine located in the State of Zacatecas, Mexico;
- Minto Mine, an open-pit and underground copper mine located in the Whitehorse Mining District, Yukon, Canada; and
- Santo Domingo Project, a large scale, copper-iron project in Chile, in which Capstone holds a 70% interest.

In addition to ongoing exploration at the Cozamin Mine aimed at increasing mine life and throughput, we have a portfolio of early-stage, base metals exploration projects with the potential to add to production over the longer term. This exploration is focused in mining friendly jurisdictions, with preference given to areas where a team is in place and the permitting process is well understood. Capstone is actively pursuing additional exploration opportunities through earn-in and joint venture models.

The primary exploration project we are presently advancing is Project Providencia in Region II, Chile, under an option agreement with SQM to earn up to 70% of the project. It is a very large under-explored land package in the world's most prolific copper jurisdiction.

Principal Products and Operations

Capstone's principal product is copper (in concentrate as well as copper cathode), with zinc, lead, molybdenum, silver and gold produced as by-product. The following table summarizes Capstone's production for 2015 and 2016:

Operating Statistics	Pinto Valley		Cozamin		Minto	
	2016	2015	2016	2015	2016	2015
Production (contained metal and cathode) [1]						
Copper (tonnes)	68,850	60,412	14,307	15,650	31,426	16,515
Zinc (tonnes)		-	4,193	5,860		-
Lead (tonnes)		-	130	684		-
Molybdenum (tonnes)	83	89		-		-
Silver (000s ounces) [2]	377	290	1,001	1,287	355	170
Gold (ounces) [3]	1,944	1,002		-	39,506	16,114
Mining - Open Pit						
Waste (000s tonnes)	19,507	11,464		-	5,585	5,044
Ore (000s tonnes)	23,435	23,139		-	1,506	383
Total (000s tonnes)	42,942	34,603		-	7,091	5,428
Mining – Underground						
Ore (000s tonnes)		-	996	1,079	246	457
Milling						
Milled (000s tonnes)	20,565	17,730	1,001	1,080	1,491	1,388
Tonnes per day	56,189	48,576	2,736	2,958	4,074	3,803
Copper grade (%)	0.37	0.38	1.51	1.56	2.21	1.38
Zinc grade (%)		-	0.66	0.84		-
Lead grade (%)		-	0.07	0.14		-
Molybdenum grade (%)	0.01	0.01		-		-
Silver grade (g/t) [2]		-	43.0	53.0	8.0	4.7
Gold grade (g/t) [3]		-		-	1.23	0.49
Recoveries						
Copper (%)	87.6	87.4	94.8	93.0	95.2	86.2
Zinc (%)		-	63.0	64.6		-
Lead (%)		-	18.7	44.2		-
Silver (%)		-	72.4	69.6	87.8	76.9
Gold (%) [1]		-			67.0	73.6
Concentrate Production						
Copper (dmt)	234,702	203,966	53,744	60,826	70,348	45,703
Copper (%)	28.5	28.6	26.6	25.7	44.7	36.1
Silver (g/t) [2]		-	566	598	157	116
Gold (g/t) [3]		-		-	17.5	11.0
Zinc (dmt)		-	8,866	12,453		-
Zinc (%)		-	47.3	47.1		-
Lead (dmt)		-	222	1,166		-
Lead (%)		-	58.4	58.6		-
Silver (g/t)		-	3,155	3,112		-
Molybdenum (dmt)	174	184		-		-

[1] *Adjustments based on final settlements will be made in future quarters.*

[2] *Pinto Valley silver is not assayed on site, resulting in a significant lag time in receiving this data. As such, this figure is an estimate.*

[3] *Pinto Valley gold production reaches payable levels from time to time. Any payable gold production will be reported in the period revenue is received. Gold is not assayed on site, resulting in a significant lag time in receiving this data. As such, this figure is an estimate. At Minto, this amount represents gold contained in copper concentrate and excludes gold contained in gold concentrate produced.*

During the year ended December 31, 2016, we generated gross revenue of $597.2M primarily from the sale of 110,450 tonnes of payable copper.

The following table summarizes the gross sales revenue for 2016 and 2015:

Gross Revenue by Metal

	2016[1]		2015[1]	
	$ millions	%	$ millions	%
Copper	551.9	92.4	453.3	93.2
Zinc	7.1	1.2	9.3	1.9
Lead	0.2	0.0	1.4	0.3
Molybdenum	1.2	0.2	1.2	0.2
Silver[2]	14.3	2.4	13.3	2.7
Gold[2]	22.5	3.8	7.7	1.6
Total[3]	597.2	100	486.2	100

[1] The current and subsequent periods may include final settlement quantity and/or price adjustments from prior shipments.

[2] Gold and silver revenues include non-cash amounts for deferred revenue amortization related to the precious metal stream sales.

[3] Treatment and selling costs of $67.8 million (2015 - $65.7 million) are deducted from gross revenue of $597.2 million (2015 – $486.2 million) for revenue of $529.4 million (2015 - $420.5 million) as per the Consolidated Statements of Loss.

Pinto Valley production is primarily copper concentrate with a small amount of copper cathode produced from run-of-mine leaching and SX/EW production and molybdenum as a by-product. Historically the mine has also recovered silver as a by-product, though it is not estimated in the block model and is not included in the Mineral Resource or Reserve estimate. In 2016, approximately 25% of the copper concentrate production was delivered to domestic smelting facilities with the balance being exported to Asia. The copper cathode is sold domestically through a competitive tendering process. In early 2016, SMARRCO was placed on temporary care and maintenance, resulting in the temporary cessation of all rail operations as part of the transportation chain that delivers concentrate to the Port of Guaymas, Mexico for export. A modular truck transport system is now used to haul the concentrate from the Pinto Valley Mine to domestic customers and to the port of Guaymas for export. Pinto Valley averaged throughput of 56,000 tpd in 2016, prompting plans to increase throughput in 2017 beyond the target of 56,000 tpd contemplated in the PV3 pre-feasibility study. Life of mine annual production is 55,700 t of contained copper and 86 t of molybdenum.

Cozamin concentrate production is primarily copper with lesser amounts of by-product zinc and lead concentrate and contained silver. The copper concentrate is delivered to a major trading company in Manzanillo, Mexico under a multi- year agreement. Similarly, zinc and lead concentrate are sold under annual tenders and delivered to Manzanillo, as and when produced. Cozamin averaged throughput of 2,700 tpd in 2016, and is expecting to produce 14,000 t copper contained in concentrate containing silver, zinc and lead by-products in 2017.

The Minto Mine produces a high-grade copper concentrate. Sale of the concentrate is by open annual tender. Typically, trading companies provide the best terms of sale on a CIF North Asia basis. Due to its location and climate, logistics for the movement of concentrate are seasonal. Shipments by truck from the mine to the port of Skagway, Alaska are typically undertaken between January and March and then between July and October. In the intervening periods, concentrate production is stored in a protective environment at site. Minto Mine has a processing rate of 3,850 tpd and is expected to produce 19,000 kt copper contained in concentrate containing silver and gold by-products in 2017. The operation is currently slated to be temporarily placed on care and maintenance at the end of 2017. Capstone management is continuing to review the economics of additional mining which could extend operations. Depending upon the outlook for copper prices in the second-half of 2017, the option may exist to extend production from Minto into 2018 and beyond.

Precious Metals Streams

In 2008, we sold all of our gold and silver production from the Minto Mine over the life of mine to Silverstone Resources (“Silverstone”) in consideration for an upfront payment of $37.5M and a further payment of the lesser of

$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 the prevailing market price for each ounce delivered. Silverstone was subsequently bought by Silver Wheaton Corp. ("Silver Wheaton"). If production from the Minto Mine exceeds 30,000 ounces of gold per year, Silver Wheaton will be entitled to purchase only 50% of the amount in excess of that threshold. We have recorded the proceeds received as deferred revenue and recognize this amount as an adjustment to revenue as the ounces are delivered.

Under an April 2007 agreement we have committed to sell the Cozamin Mine's silver production over a 10-year period to a company subsequently acquired by Silver Wheaton. Under that agreement, Silver Wheaton pays 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 for each ounce of silver, subject to price adjustments. Further, we agreed to deliver a minimum of 10.0M ounces of silver under the Agreement. To December 31, 2016 a total of 12.2M ounces have been delivered against the contract, exceeding the minimum delivery requirement. This stream expires on April 4, 2017 after which the full value of the silver produced at Cozamin will accrue to the benefit of Capstone.

Competitive Conditions

Our business is to produce and sell copper. Prices are determined by world markets over which we have no influence or control. Our competitive position is primarily determined by our costs compared to other producers throughout the world and our ability to maintain our financial integrity through metal price cycles. Costs are governed to a large extent by the grade, nature and location of our mineral reserves as well as by input costs and operating and management skills. In contrast with diversified mining companies, we focus on copper production, development and exploration, and are therefore subject to unique competitive advantages and disadvantages related to the price of copper and to a lesser extent, the price of our metal by-products. If copper prices increase, we 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 decrease, we will be at a competitive disadvantage to diversified mining companies.

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

Metal Prices

The Company's financial flexibility is highly dependent on the prevailing prices for the commodities it produces. While the Company's strategy is to remain unhedged, circumstances may arise where increased certainty of cash flows is considered more important to long term value creation than providing investors short term exposure to the volatility of metal prices. In these circumstances, the Company may elect to fix prices within a contractual quotational period or to lock in future prices through the variety of financial derivative instruments available.

Changes to Contracts

Our contract with Silver Wheaton concerning Cozamin Mine's silver production expires on April 4, 2017. Thereafter, the full value of the silver produced at the Cozamin Mine will accrue to the benefit of Capstone.

A portion of our Pinto Valley Mine employees are members of six unions and are governed by one collective agreement. The collective agreement expired in June 2014 and negotiations have been ongoing since that time.

Environmental Protection

Capstone's operations (Pinto Valley, Cozamin and Minto) and development project (Santo Domingo) are subject to the national and local laws and regulation in respect of the construction, operating standards and the eventual abandonment and restoration costs applicable to each location. Since the Cozamin Mine and certain areas of the

Minto Mine are relatively small tonnage, high-grade operations, the overall financial impact of the environmental protection requirements is minor relative to our overall financial performance. Each operation is subject to an asset retirement obligation review at year-end to assess the abandonment and restoration cost for the operation at that point. Any changes from the previous period are reflected in the balance sheet and could flow through the earnings statement. While the financial obligations will increase as disturbance increases, given the relatively modest amounts involved, such impacts are likely to be relatively minor from a capital and earnings perspective in the near term. Pinto Valley Mine has a long history of operations in an established mining district of Arizona. As such, there are significant reclamation liabilities. These were reviewed with regulators in 2013 at the time of the acquisition by Capstone and were also the subject of a detailed third party assessment commissioned by the Company in 2015 and have been updated to reflect the current mine life.

Capstone received approval of the Environmental Impact Assessment for the Santo Domingo project in 2015, which includes approval for the mine, related infrastructure, copper and iron processing facilities, the development of a greenfield port and iron concentrate and seawater supply pipelines.

In May 2016, Pinto Valley submitted a formal Mine Plan of Operations in support of the PV3 mine plan to the US Forest Service, marking the first step of the permitting process, required under the National Environmental Policy Act ("NEPA"). The NEPA process was initiated in January 2017.

Our assets are in mature and stable mining jurisdictions. The environmental protection requirements are not expected to be a significant impediment to carrying on our business, nor should they result in an unsustainable burden on our earnings.

Employees

As of December 31, 2016, Capstone had 1,174 employees and 545 contractors.

Our workforce at Minto and Cozamin is not unionized. There are approximately 393 hourly employees at the Pinto Valley Mine a portion of whom are members of six unions, and whom are all governed by one collective bargaining agreement negotiated by the United Steelworkers Union. The collective bargaining agreement at the Pinto Valley mine expired in June 2014 and negotiations have been ongoing since that time.

Foreign Operations

Two of Capstone's material properties are located in foreign jurisdictions, being the Pinto Valley Mine (US), and the Cozamin Mine (Mexico). We also have interests in exploration projects in Chile and the US.

Foreign operations accounted for approximately 71% of our 2016 revenue and represented approximately 87% of our assets as at December 31, 2016.

Reorganization

In 2015, Capstone restructured its Mexican group of companies to enhance Capstone's ability to operate effectively and efficiently in Mexico. The restructuring formed new labour service companies, namely, San Roberto HR Company, S.A. de C.V., Geoexploraciones La Bufa, S.A. de C.V. and Servicios de Vigilancia San Roberto, and transferred a 99% interest in two existing service companies (Capstone Mining S.A. de C.V. and Capstone Services S.A. de C.V.) from Capstone Gold S.A. de C.V. to San Roberto HR Company, S.A. Capstone Mexico Mining Corp. maintains its 1% interest in the two existing services companies and has a nominal interest in the new service companies.

Social and Environmental Policies

Capstone places great emphasis on providing a safe and secure working environment for all of our employees and contractors, and we recognize the importance of operating in a sustainable manner.

There was a fatality at the Cozamin mine in October 2016. A miner was struck by a piece of mobile equipment while working underground. As part of company-wide safety program and response to this incident, we shared investigation results with our other mine sites and enhanced how we measure health and safety performance by adding additional leading indicators to our monitoring programs.

Our Values and Ethics – Code of Conduct ("Code of Conduct") is our company policy that sets out the standards which guide the conduct of our business and the behaviour of our employees, officers and our Board of Directors. The Code of Conduct is reviewed annually by the Board. All employees, officers and directors are required to annually certify their understanding of and adherence to the Code of Conduct. Our Code of Conduct, amongst other things, sets out standards in areas relating to:

- Promotion and provision of a work environment in which individuals are treated with respect, provided with equal opportunity and is free of all forms of discrimination;
- Zero tolerance policy relating to use of prohibited substances;
- Ethical business conduct and legal compliance, including without limitation prohibition against accepting or offering bribes;
- Commitment to health and safety in our business operations, and the identification, elimination or control of workplace hazards;
- Commitment to maintain and improve sound environmental practices in all of our activities.

Capstone's commitment to sustainable performance is defined in our Integrated Environment, Health, Safety and Sustainability ("EHS&S") Policy. The Technical, Environment, Health, Safety and Sustainability ("TEHS&S") Committee of the Board has oversight of the EHS&S Policy. Annual corporate objectives for sustainable performance and improvement are approved by the Board and are linked to the objectives and compensation for employees at all levels of the organization. We measure our performance against these objectives. The Chief Operating Officer is accountable for ensuring our operations comply with sustainability requirements.

Capstone publishes an annual sustainability report, based on version G4 of the Global Reporting Initiative Guidelines, to communicate performance in health and safety, environmental, and social aspects that are most material to the business and Capstone's stakeholders. Capstone is implementing internal standards based on industry best practice to ensure continual improvement in key areas including health and safety, tailings management, energy management and stakeholder engagement.

3.2 Material Mineral Properties

Pinto Valley Mine (US)

Capstone, through Pinto Valley Mining Corp., owns 100% of the Pinto Valley Mine, located in the Globe-Miami district in Gila County, Arizona, approximately 130 km east of Phoenix in the southern United States. Pinto Valley's primary product is copper concentrate and we also produce copper cathode and by-product molybdenum and silver.

The Pinto Valley Mine is the subject of a report titled "Pinto Valley Mine Life Extension – Phase 3 (PV3) Pre-Feasibility Study" dated February 23, 2016 with an effective date of January 1, 2016. This technical report was compiled by Capstone Mining Corp, and authored by Gregg Bush, P.Eng., Capstone Mining Corp.; Tony J. Freiman, PE, Amec Foster Wheeler Environment & Infrastructure, Inc.; Corolla Hoag, CPG, SME-RM, SRK Consulting (U.S.), Inc.; Garth Kirkham, P.Geo., Kirkham Geosystems Ltd.; Kenneth W. Major, P.Eng., KWM Consulting Inc.; and John Marek, PE, SME-RM, Independent Mining Consultants, Inc., each a Qualified Person as defined by NI 43-101. The description of the Pinto Valley Mine in this document is based on assumptions, qualifications and procedures which are set out in the PV3 PFS. Reference should be made to the full text of this report, which is available in its entirety on SEDAR at *www.sedar.com* under Capstone's profile.

Project Description and Location

The property is located at the west end of the Globe-Miami mining district, approximately 130 km east of Phoenix and 10 km west of the town of Miami, in Gila County, Arizona, at 33°23'32"N and 100°58'15"W. The Pinto Valley property consists of approximately 5,130 ha of contiguous claims. These comprise 69 patented lode mining claims, 53 patented mill sites, 451 unpatented lode mining claims and mill sites, and seven parcels of fee (private) land.

Capstone acquired the Pinto Valley Mine and associated railroad operations on October 11, 2013 for a cost of US$650M. A 2% NSR applies to 26 of the unpatented mining claims that are not in the current mine plan.

Pinto Valley is an open pit mine producing copper and molybdenum concentrates. The administration, ore processing, tailings, waste rock storage, and maintenance facilities are located on the property in close proximity to the pit. The processing facility consists of three crushing stages, ball mills, copper flotation stages, a molybdenum flotation circuit, and associated thickeners for concentrates and tailings. Two previous tailings dams have been rehabilitated and two tailings dams are currently operational (Figure 1). Pinto Valley also has an SX/EW facility that processes pregnant leach solution from low copper grade material that is leached. The SX/EW accounts for less than 5% of production.

Environmental liabilities at the Pinto Valley Mine relate to the heap leach facility, tailings impoundments and associated engineered containment infrastructure, waste rock dumps, surface water containment structures, as well as the removal of all operational infrastructures. A closure strategy and a mined land reclamation plan detailing methods and costs associated with restoring the site to an acceptable environmental standard were most recently approved in 2016. Surety Bonds totaling $90M have been filed with the Arizona Department of Environmental Quality ("ADEQ") and the Arizona State Mine Inspector in accordance with the mandate of these agencies and associated regulations and policies. These financial security amounts represent the estimated reclamation cost for the mining operations at the end of the currently permitted mine plan (2026) on an undiscounted basis. Amounts are reviewed with each significant change in the mine plan or closure measures.

The Pinto Valley Mine requires 16 permits granted from various state and federal agencies; operations of the railroad requires five permits mainly from the State of Arizona. Pinto Valley Mine has all the necessary permits to conduct mining activities, with the exception of a consolidation/renewal of existing land use authorizations (Plan of Operations). Pinto Valley Mine is presently working with the U.S. Forest Service ("USFS") to develop an interim and a long-term renewal of its land use authorizations. An interim plan for existing disturbances to forest land will increase the reclamation bond by approximately $3.35M. For further details on the increase to the reclamation bond, please refer to page 75. The consolidated Plan of Operation was submitted to the USFS in Q2 2016 and deemed complete in Q3. Once approved, the Plan of Operations includes tailings storage on USFS land to accommodate the PV3 mine plan. As a result, the bonding requirement will likely increase by an estimated $11M.

In conjunction with the expanded PV3 mine footprint, amendments to the current Aquifer Protection Permit will be needed to reflect the expanded waste rock configuration.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Pinto Valley Mine is accessed from US Highway 60 ("US 60"), then 5 km on paved Forest Road ("FR") 287. The site can also be accessed from Tucson, Arizona (160 km to the south) by travelling north on State Route ("SR") 77. The mine is 10 km west of Miami, a town of approximately 1,800 residents, and 18 km west of Globe, the County seat, with approximately 7,500 residents. Because of a long-standing mining tradition in the area, many local services are in place to supply the mine's needs, with the remaining services coming from the greater Phoenix area. Medical facilities are available in Miami. Fire, police, public works, transportation, and recreational facilities are in place and fully functioning.

Pinto Valley Mine's moderate, semi-arid regional climate allows for year-round operation. The average annual precipitation is 480 mm. May and June are typically the driest months of the year and may result in local drought conditions.

Pinto Valley Mine has sufficient surface rights for mining operations, mineral processing facilities and tailings storage to mine the PV2 pushbacks (2026 mine life). The expanded PV3 PFS mine plan will require permit amendments. Off-site infrastructure includes the incoming electric power generation and transmission capacity provided by the Salt River Project, the local highway system provided by state and federal governments, the local transportation services provided by various contractors, and the telephone and data communications systems. Tailings are deposited in existing permitted tailings storage facilities. Tailings Dam No. 4 is the primary storage facility, with Tailings Dam No. 3 used during maintenance activities at Tailings Dam No. 4 (Figure 1). There is an adequate source of water with potable water coming from four groundwater wells and service water from a Peak Well system.

FIGURE 1: PINTO VALLEY INFRASTRUCTURE AND LOCATION OF OPEN PIT

The Pinto Valley Mine is located in east-central Arizona in the structural transition zone between the Sonoran section of the Basin and Range physiographic province to the south-southwest, and the Colorado Plateau to the north. The terrain surrounding the mine is generally mountainous, dominated by sharp landforms and prolific exposures of a variety of bedrock formations present in the region. The Pinto Valley Mine is entirely within the Pinto Creek watershed, where local elevations range from about 900 m to 1,500 m above mean sea level.

The Pinto Valley Mine is near the boundary of areas mapped as the Interior Chaparral biotic community and the Arizona Upland subdivision of Sonoran Desert scrub biotic community, with plant species on the property characteristic of each group. Most of the animal species observed have wide environmental tolerances and are present in both plant communities on the property.

History

The Globe-Miami district is one of the oldest and most productive mining districts in the United States, with its first recorded production occurring in 1878. Since that time, more than 15 billion pounds of copper have been produced in the Globe-Miami mining district. Prior to the construction of Pinto Valley Mine, a chalcocite-enriched zone of the deposit was mined from 1943 until 1953 as the Castle Dome underground mine.

The Pinto Valley open pit mine and concentrator went into production in 1974. The SX/EW plant began processing PLS from the leach dumps in 1981. In February 1998, mining and milling operations were suspended and

environmental permits were maintained during the suspension of operations, as were the water and electrical systems. SX/EW facilities and cathode copper production continued during the suspension of mining and milling operations.

The mine has had two restarts since the 1998 shutdown. The mine resumed sulphide operations in mid-2007 for 18 months to January 2009 and then went into care and maintenance with only leaching operations continuing. The second restart began in December 2012 and included extensive rehabilitation of the site and purchase of a new mining fleet.

Ownership of Pinto Valley has changed numerous times since its inception. At the time of construction and commissioning, it was owned by Cities Service Company, who had recently merged with Tennessee Corporation. Occidental Petroleum Corporation acquired Cities Service Company in late 1982 and sold the Miami operations to Newmont Mining Corporation in 1983. At this time, the company's name was changed to Pinto Valley Copper Corporation. In 1986, Newmont merged the Pinto Valley Copper assets into Magma Copper Company holdings, and Pinto Valley Copper became the Pinto Valley Mining Division of Magma Copper Company. In 1995, Broken Hill Proprietary Company Limited purchased Magma Copper Company. With the merger of Broken Hill Proprietary Company Limited and Billiton in 2001, the Pinto Valley Mining Division became Pinto Valley Operations of BHP. In 2013, Capstone purchased Pinto Valley Operations, now referred to as Pinto Valley Mine.

The pre-2006 Pinto Valley drilling programs comprised a combination of core, rotary, and churn drillholes. Drilling documentation was limited to BHP Copper internal reports, and there were no listings for vintage data, methods used, or pre-2010 drilling procedures. Churn holes defined much of the early Castle Dome mineralization, which has been mined out. Post-Castle Dome holes were drilled on an original spacing of east-west and north-south. Later, drilling was done to infill the original grid spacing in some areas. Drilling that has occurred since the 1986 block model includes 10 core holes and 3 reverse circulation (“RC”) rotary holes drilled in 1992. From the beginning of 1996 to April 1997, 67 RC exploration and infill holes were drilled: 48 RC holes drilled in 1996, and 19 RC holes drilled in 1997. The 1997 holes were drilled in the interior pit and through the Gold Gulch and Continental faults. Seven of the exploration holes were drilled east of the existing pit and laid the ground work for future plans of an east pit expansion. All drillhole collar locations were surveyed. The majority of the drillholes are vertical and, therefore, do not have downhole surveys. However, a majority of the inclined holes do have downhole surveys. From 2006 through 2008, there were drilling campaigns with various purposes, including delineation, exploration, geotechnical, and resource classification upgrade drilling. These include 39 drillholes in 2007 and 62 drillholes in 2008. Diamond drillhole programs in 2010 focused on exploration, while those in 2011 and 2012 focused on infill drilling for resource classification upgrade in support of restarting operations. Ten holes were drilled in 2010, 40 holes were drilled in 2011, and 64 holes were drilled in 2012. In 2013 BHP drilled 12 in-pit infill diamond drillholes totaling 2,853 m, to close the drillhole spacing grid and 64 in-pit RC drillholes totaling 3,380 m to help characterize the mineralization directly beneath working levels of the mine.

All drillhole logging data, including collar, survey, assay, lithology, alteration, and mineralization data were entered into an acQuire™ structured-query-language (“SQL”) database system. All sample data were tagged and tracked using bar codes, which linked all assay information provided by the laboratory to the database, including the QAQC. The system was secured by BHP using stringent protocols and procedures. Deviations and discrepancies from sample dispatch reports were reported and investigated.

A number of different companies and laboratories provided assay services to Pinto Valley over the years. Details of sampling and assaying procedures used during the earlier stages of operation are not readily available. Procedures used by outside labs that ran assays for some of the later drilling campaigns, such as those performed by Mountain States for the RC holes and Chemex for the AD holes, are also not readily available. The analytical procedures were in line with industry standards for total copper analyses, but BHP-specific procedures were used to determine acid soluble copper concentrations. These involved digestion with 10% sulphuric acid, followed by placement in a hot bath at 40°C, and read after 40 minutes.

Independent audits of the Pinto Valley assays were conducted in 1992 and 2000. Results indicated the assay values in the Pinto Valley database have been reliably entered and that total copper assays in the Pinto Valley database were reproducible and could be considered representative within normally-accepted error limits.

As part of the start-up Feasibility Study done in 2006, a QAQC program was conducted on 101 randomly selected drillhole assay interval pulp samples and 15 randomly selected drill core assay intervals. Samples were sent to Skyline Assayers and Laboratories Inc. ("Skyline Labs") in Tucson, Arizona for total copper and acid-soluble copper analyses. Skyline Labs was instructed to analyse the samples for acid soluble copper using BHP lab procedures. Certified reference material standards from the National Institute of Standards and Technology ("NIST") were inserted in sequential order for analysis preceding the 15th pulp sample in the analytical run. The results indicated that historical quality control measures used in the Pinto Valley Mine analytical laboratory were variable. At times they were extremely good, but at others they were less so, although still acceptable.

BHP Copper undertook surface mapping to provide additional data throughout the identification and selection phases of the PV2 mine planning project. Two drilling campaigns were conducted on separate occasions to improve both the geotechnical and geometallurgical knowledge of the deposit. The surface mapping for geotechnical information focused primarily on the bedding planes, major structures, and overall geological strength index. Various ore-types were confirmed using surface mapping and by reviewing core logs. Alteration zones and ore-types were identified in the pit wall and correlated against core samples taken in previous drill campaigns. Descriptions from the core logs were used to plot the correlation between rock type and alteration zone. The most important ore types were narrowed down to Ruin granite, quartz monzonite, and diabase. These ore types are based on relative abundance, gangue mineralogy, copper grade, alteration, and the potential impact on overall production (recovery, throughput, and consumption of reagents/energy). Capstone relied extensively on the BHP Copper's PV2 project data to complete the Capstone PV2 PFS. The data provided by BHP Copper was reviewed by the QPs in the Capstone PV2 PFS to ensure it was applicable and sufficiently detailed to form the basis of assumptions in the study. Additional work was conducted where data gaps were found, including field mapping for pit wall geotechnical analysis, geotechnical drilling for tailings impoundment design and metallurgical testing to validate previous test results.

Geological Setting

The Globe-Miami mining district of central Arizona includes porphyry copper-molybdenum ("Cu-Mo") deposits associated with Paleocene Epoch granodiorite to granite porphyry stocks (65-59 million years ago). Vein deposits and possible exotic copper deposits are also found within the district.

Precambrian basement rocks throughout southern Arizona and New Mexico largely consist of early Proterozoic Pinal Schist (~1,700 million years old) intruded by granites correlative with 1,450 Ma two-mica granite batholiths. At the Pinto Valley Mine this is represented by the Ruin granite (also referred to as the Lost Gulch quartz monzonite) that hosts the Cu-Mo mineralization. The Late Proterozoic-aged (~1,420-1,150 million years old) Apache group, comprising conglomerate, limestone, quartzite, and minor basalt units overlying the basement rocks, was intruded by 1,150 million years old Apache diabase sills of varying thicknesses. These diabase units are represented at the Pinto Valley Mine as thin dikes and sills, and commonly contain higher copper concentrations than the surrounding Ruin granite. During the Paleozoic Era, various limestone units were deposited representing the shallow, marine environment present over much of the southwestern US at the time.

Subduction of the Farallon tectonic plate (80-50 million years ago) off the west coast of the southwestern US initiated arc magmatism responsible for generating the Cu-Mo-bearing intrusions in the region. Stocks emanating from the Schultze granite, the source of the mineral-bearing fluids to the Globe-Miami district, were emplaced at the Pinto Valley Mine between 60-59 million years ago.

Regional Tertiary-Era Basin and Range extension and faulting following cessation of subduction facilitated the dismemberment, tilting, and exposure of the Cu-Mo deposits. They were preserved through deposition of the

Whitetail conglomerate (Oligocene Epoch) and the Apache Leap tuff (Miocene Epoch). Further extension in the Pliocene Epoch deposited the Gila conglomerate into basins.

The Pinto Valley Mine deposit is bound by faults that vary in age from the Pre-Cambrian to the Tertiary. These have controlled the emplacement of the Ruin granite, stocks of the Cu-Mo-bearing Schultze Granite, and subsequent post- mineralization Basin-and-Range extensional faulting.

Exploration

Capstone is not currently exploring the Pinto Valley Property due to the large resource already identified, of which 33% are reserves, resulting in a mine life to 2039. Additional resources could potentially be brought into the reserves in the future through operational improvements, cost reductions, and/or increased metals prices.

Mineralization

The primary sulphide minerals encountered at the Pinto Valley Mine are chiefly pyrite and chalcopyrite with minor amounts of molybdenite. Gold and silver are recovered as by-products. Sphalerite and galena occur locally in very small amounts. Alteration of silicate minerals of the host rocks to other groups of minerals due to the presence of hydrothermal fluids associated with the Cu-Mo-bearing intrusive rocks include potassic, argillic, sericitic, and propylitic alteration suites.

Sulphide minerals generally occur in veins and microfractures and less abundantly as disseminated grains, predominantly in biotite sites. The ore zone grades outward into a pyritic zone with higher total sulphide content. Molybdenum distribution generally reflects copper distribution, with higher molybdenum values usually found in the higher grade copper zones. Oxide mineralization and a supergene enrichment blanket was developed at the Pinto Valley Mine, but these areas have since been mined.

Sulphide deposition at Pinto Valley is controlled to some extent by the host rock. The sulphide content decreases in Precambrian aplite intrusions. Aplite usually contains less than 0.25% copper, whereas adjacent Quartz Monzonite may have as much as 0.6% copper. The deficiency of copper in aplite is probably due to the absence of biotite, which makes up about 7% of Quartz Monzonite. Disseminated chalcopyrite shows an affinity for biotite, where it is disseminated through the biotite or partially replacing it. Additional chalcopyrite is also present in veins cutting both rock types.

Drilling

In 2014, ten geotechnical holes, and in 2015, an infill RC program consisting of 43 holes aimed at 2016 and 2017 production, as well as three geotechnical holes were drilled and assayed. Data from these drill programs have been incorporated into the 2015 block model.

Sampling and Analysis

Capstone has not undertaken any exploration work since acquiring the Pinto Valley Mine. Details pertaining to sampling during drilling programs completed before Capstone ownership is found above in the section titled History.

As a part of the data verification process, Garth Kirkham, P.Geo, an independent Qualified Person as defined by NI 43-101 and co-author of the NI 43-101 Technical Report, Pinto Valley Mine 2014 Prefeasibility Study, visited the property on May 14, 2013 and April 16-17, 2015. The site visits included an inspection of the core logging facilities, offices, outcrops, historic drill collars, core stage facilities, core receiving area, core sawing stations, and a tour of the major centres and surrounding towns that are affected by the mining operation.

Mr. Kirkham randomly selected four complete drillholes from the database and laid the core out at the core storage area. Site staff supplied the logs and assay sheets so he could verify the core and logged intervals. The data correlated with the physical core and no issues were identified. In addition, Mr. Kirkham toured the complete core

storage facility, pulling and reviewing core throughout the tour. No issues were identified and drilling recoveries appeared to be very good to excellent.

Mr. Kirkham was confident the data and results were valid based on the site visit and inspection of all aspects of the project. This confidence extended to the sampling methods and procedures used. In Mr. Kirkham's opinion, all work, procedures and results have adhered to best practices and industry standards required by NI 43-101. No duplicate or verification samples were taken to verify assay results, but the author believes that the work is being conducted by a well- respected, large, multi-national company that employs competent professionals who adhere to industry best practices and standards. Mr. Kirkham also visited Skyline Labs and deemed the lab to be professionally operated, as is expected from a widely-used North American laboratory facility. Skyline Labs has been ISO 17025 certified since 2008.

Mineral Resource and Mineral Reserve Estimates

The mineral resource estimate for Pinto Valley mineralization was completed by independent consultant and Qualified Person, Garth Kirkham, P.Geo., of Kirkham Geosystems Ltd., as a part of the PV3 PFS summarized in the Pinto Valley Mine 2016 Prefeasibility Study NI 43-101 Technical Report. The mineral resources were estimated using accepted industry standards conforming to NI 43-101 requirements. Surfaces and solids were supplied by Pinto Valley Mine staff for the lithology domains, grade shells, and major faults. Drillhole samples were composited downhole to 13 m (45 feet) length to match the selective mining unit ("SMU") bench height and to reduce the influence of typically narrow, very high-grade samples. A radius of 45 m has been applied to values greater than 1.6% total copper ("TCu") and 0.05% molybdenum ("Mo"). The average bulk dry density for ore-grade mineralized rock, primarily Ruin Granite, is 2.51 t/m^3 (12.75 ft^3/ton). Although the in-situ bulk dry densities for all Pinto Valley Mine rock types range between 2.46 t/m^3 (13.0 ft^3/ton) for Whitetail conglomerate to 2.64 t/m^3 (12.1 ft^3/ton) for Pinal schist, 12.75 ft^3/ton was used. Grade variability is low, with nugget effects of less than 15% for both copper and molybdenum. The block model grades for copper and molybdenum were estimated using ordinary kriging into blocks that were 30 m Easting × 30 m Northing × 14 m Elevation (100 ft × 100 ft × 45 ft) in size. During grade estimation, search orientations were designed to follow the general trend of the mineralization in each of the zone domains. The estimation plan involved a single search pass using a minimum of 2 composites and a maximum of 16 composites, with a maximum of 4 from any single drillhole.

The reported mineral resources in Table 1 are based on the mineral resources estimate completed by Garth Kirkham, P.Geo., and reflect the mined topographic surface as at December 31, 2016. No mineral resource update was undertaken during 2016. Jeremy Vincent, P.Geo., Manager of Production and Development Geology at Capstone and a Qualified Person as defined by NI 43-101, oversaw the production depletion of the mineral resources model. Mineral resources are reported above a 0.17% Cu cut-off grade within a reasonable economic prospects pit that use the following parameters: US$ 3.30/lb Cu, US$ 10.00/lb Mo, 88% Cu recovery, 50% Mo recovery, US$ 1.50/ton mining costs, $1.50/ton G&A costs, $5.00/ton milling costs, and a pit slope angle of 45°.

TABLE 1: PINTO VALLEY MINERAL RESOURCES AT 0.17% TCU CUTOFF, AFTER 1 JANUARY 2017 (METRIC UNITS)

Classification	Tonnes (millions)	%Cu	%Mo	Contained Cu (Mt)	Contained Mo (Mt)
Measured (M)	627	0.34	0.008	2.12	0.05
Indicated (I)	774	0.26	0.006	1.99	0.05
Total M & I	**1,401**	**0.29**	**0.007**	**4.11**	**0.10**
Inferred	126	0.25	0.005	0.31	0.01

NOTE: *Garth Kirkham, P.Geo., FGC, of Kirkham Geosystems Ltd., is the Qualified Person responsible for the Pinto Valley mineral resources estimate. Mineral resources are not mineral reserves and do not have demonstrated economic viability. Mineral resources are presented inclusive of mineral reserves. Mineral resources are reported as at December 31, 2015. Mineral resources are reported above a 0.17% TCu cut-off grade. The economic assumptions for the reasonable prospects pit include: US$ 3.30/lb Cu, US$ 10.00/lb Mo, 88% Cu recovery, 50% Mo recovery, US$ 1.50/ton mining costs, US$ 1.50/ton G&A costs, US$ 5.00/ton milling costs, and a pit slope of 45°. Totals may not tally due to rounding.*

The mineral reserve was developed by John Marek, PE, President of Independent Mining Consultants, Inc. ("IMC") and was done in line with industry guidelines by tabulating the contained measured and indicated (proven and

probable) material inside of the designed pit at the mill cutoff grades. The schedule utilizes a variable cutoff grade to the mill that fluctuates between 0.17 to 0.22 %TCu, resulting in a low-grade stockpile that is processed at the end of the mine life. Stockpile material is included in the reserve. The final pit design and the mineral reserve do not include the low grade leach dump material in the economic analysis or mineral reserve. The reserves design was completed at $2.75/lb copper and $12.50/lb moly. The effective date of the mineral reserve is January 1, 2016. Patricia Maloney, P.E., Superintendent of Mine Engineering at Pinto Valley Mine and a Qualified Person as defined by NI 43-101, oversaw the production depletion of the mineral reserves model. To simplify the mineral reserve reporting process, the cut-off grade was changed from the variable 0.17-0.18% Cu to 0.175% Cu. This cut-off closely approximates the reported mineral reserves and will be used going forward.

TABLE 2: PINTO VALLEY MINERALS RESERVES, REMAINING AFTER 1 JANUARY 2017 (METRIC UNITS)

Class	Cutoff	Ore		
	Cu %	M tonnes	Cu %	% Mo
Proven	0.175	332.5	0.33	0.009
Probable	0.175	122.8	0.25	0.008
Proven and Probable	0.175	455.2	0.31	0.009

NOTE*: John Marek, PE, President of Independent Mining Consultants, is the Qualified Person responsible for the Pinto Valley mineral reserves estimate. Economic inputs to the block model were USD$2.75/lb Cu and USD$12.50 Moly. Summation errors due to rounding.*

Mining Operations

Run-of-mine ore is crushed through the primary crusher and conveyed to the fine crushing plant for further size reduction. The fine-crushed ore is fed to a conventional grinding and flotations circuit to produce a bulk copper concentrate and molybdenum concentrate. The concentrates are thickened and filtered to produce products suitable for transport. Tailings are thickened and deposited in one of the two active tailings storage facilities (TSF3 and TSF4). Low-grade mineralization is leached and the pregnant solution is processed through an SX/EW plant that exists on the property. However, no additional low-grade ore is being placed under leach in accordance with the mine plan.

The copper concentrates and cathodes produced from Pinto Valley Mine is sold to smelters and traders. The high quality of the concentrates makes it sought after by both smelters and traders. Pinto Valley has well-established environmental protocols that adhere to federal and state regulatory requirements and to internal corporate guidance to reduce impacts to the environment. Pinto Valley is subject to environmental regulations addressing groundwater, surface water, storm water management; air quality; well installation; water withdrawal from state aquifers; waste handling and disposal; handling and storage of toxic substances; surface reclamation; and cultural and biological resources. The Pinto Valley Mine has all the necessary permits to conduct mining activities through 2026, with the exception of the consolidated Plan of Operations that is currently under review by the USFS. The consolidated Plan of Operations is a compilation of prior authorizations and encroachments on federal lands.

The Pinto Valley Mine's applicable taxes include the following:

- Corporate Taxes – the combined US Federal and Arizona state corporate income tax is calculated at a blended 36.35% rate applied on taxable income. The Alternative Minimum Tax ("AMT") is calculated at a 20% rate applied on an adjusted amount of taxable income. A taxpayer pays the higher amount of regular Federal income tax and the AMT. If AMT is paid, it may generally be used as a credit against regular tax in future years to the extent regular tax is greater than AMT.
- The Arizona state severance tax on metalliferous minerals is charged at a 2.5% rate on 50% of the difference between the gross value of production and production costs.
- Gila County property taxes are administered by the Arizona Department of Revenue.

Exploration and Development

We do not currently have any planned exploration activities at the Pinto Valley Mine but from time to time we do undertake in-pit drilling to better define mineral reserves for short-term planning purposes. This data is then incorporated periodically into the global block model. Our development activities are focused on execution of the PV3 mine plan.

Cozamin Mine (Mexico)

The Cozamin Mine is the subject of a report titled "Technical Report on the Cozamin Mine, Zacatecas, Mexico" dated August 5, 2014 with an effective date of July 18, 2014 (the "Cozamin Report"). This technical report was prepared by Patrick Andrieux, PhD., P.Eng., Itasca Consulting Group, Inc.; Dave Hallman, PE, Tetra Tech, Inc.; Jenna Hardy, P.Geo., Nimbus Management Ltd.; Mel Lawson, SME-RM, Stantec Consulting International LLC; Ken Major, P.Eng., KWM Consulting Inc.; Vivienne McLennan, P.Geo., Capstone Mining Corp.; Allan Schappert, SME-RM, Stantec Consulting International LLC; Ali Shahkar, P.Eng., Lions Gate Geological Consulting Inc.; Robert Sim, P.Geo., Sim Geological Inc.; Brad Skeeles, P.Eng., Capstone Mining Corp.; and Jeremy Vincent, P.Geo., Capstone Mining Corp., each a Qualified Person as defined by NI 43-101. Reference should be made to the full text of this report, which is available in its entirety on SEDAR at *www.sedar.com* under Capstone's profile.

All scientific and technical information in this summary relating to any updates to the Cozamin Mine since the date of the Cozamin Report, other than the mineral resource and mineral reserve estimates, has been reviewed and approved by Qualified Persons who supervised the preparation of updates to elements of the Cozamin Report. These Qualified Persons include those listed in Interests of Experts in this Annual Information Form.

Project Description and Location

The Cozamin Mine is an operating polymetallic mine with a 3,300 tonne per day capacity, located in the Morelos Municipality of the Zacatecas Mining District, near the south-eastern boundary of the Sierra Madre Occidental Physiographic Province in North-central Mexico. The mine and processing facilities are located near coordinates 22° 48' N latitude and 102° 35' W longitude on 1:250,000 Zacatecas topographic map sheet (F13-6). The Cozamin Mine comprises 88 concessions covering approximately 4,308 ha.

Capstone acquired the project in January 2004, which is 100% owned by Capstone, subject to a 3% NSR payable to Grupo Bacis S.A. de C.V., a Mexican resource company. Mineral claims acquired in September 2009 from Minera Largo S de RL de CV, a wholly owned subsidiary of Golden Minerals Company ("Golden Minerals"), are subject to future cash payments of a NSR of 1.5% on the first one million tonnes of production and cash payments equivalent to a 3.0% NSR on production in excess of one million tonnes from the acquired claims. The NSR on production in excess of one million tonnes also escalates by 0.5% for each $0.50 increment in copper price above $3.00 per pound of copper. In 2014, we acquired 45 additional concessions from Golden Minerals totalling 775 ha that surround the Cozamin Mine's existing concessions. A total of 17 of the claims are subject to a finder's fee to be paid as a 1.0% NSR or Gross Proceeds Royalty to International Mineral Development and Exploration Inc. pursuant to existing agreements on the concessions dating back to October 1994 and August 2000. The Cozamin property requires payment of mining duties on the mining concessions semi-annually in January and July, plus annual land payments for surface use. Mining duties totalled US$ 41,945 in 2014, US$ 59,520 in 2015 and US$ 46,805 in 2016.

The Cozamin Mine lies within a regionally mineralized area that has seen extensive historic mining over more than 475 years. Host rocks surrounding the mineralized vein systems are anomalous in base and precious metals, providing a detectable halo of elevated metal values that extends a considerable distance beyond the known workings. Numerous old mine workings, excavations and dumps, and historic tailings are present, both on, and adjacent to, the Cozamin mine site; some lie on mining lands held by Capstone and others are held by third parties.

Prior to Capstone's involvement in the Cozamin Mine, several environmental studies had been carried out by previous owners. The San Roberto Mine had previously been fully permitted to operate at 750 tpd. Capstone

formally received its operating permit on October 20, 2006. This is known in Mexico as a Licencia Ambiental Única ("LAU"). A LAU for a throughput expansion to 2,600 tpd was received on March 25, 2008. On January 19, 2009, application was made to modify the LAU to expand throughput to 3,000 tpd, which was granted in May of that year. In January of 2011, further application was made to increase the permitted throughput from 3,000 tpd to 4,000 tpd, which was granted in November of 2011. The permit to operate at throughput up to 4,500 tpd capacity was granted in June 2015.

The Cozamin Mine's mineral resources and mineral reserves are situated primarily within a mineralized vein/fault structure known as the Mala Noche Vein ("MNV") that strikes east-west and dips to the north. This structure hosts the copper-rich San Roberto Mine and adjacent to the east, the zinc-rich San Rafael Mine. In 2010, we discovered the MNFWZ, a vein splay off the MNV vein on the footwall side oriented northwest-southeast. Capstone is currently exploring for extensions to mineralization found at MNV, San Rafael, and MNFWZ. Figure 2 illustrates the location of project infrastructure and the surface projection of the MNV.

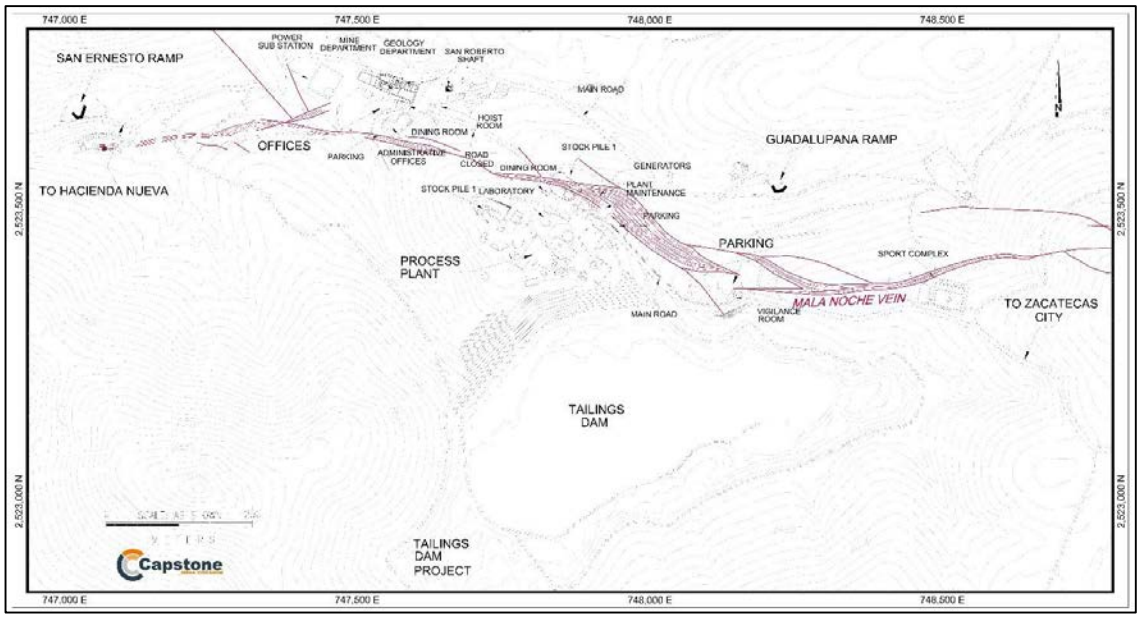


FIGURE 2: COZAMIN INFRASTRUCTURE AND LOCATION OF MINERAL RESOURCES AND RESERVES.

Environmental studies have shown that flotation tailings and some types of waste rock have the potential to generate acidic drainage. However, the country rocks surrounding the deposit have significant neutralizing capacity and show relatively low permeability. In addition, construction activities as a part of the expansions have already reduced identified sources of acidic drainage associated with the historic tailings impoundment as well as downstream contamination due to tailings spills by previous operators. An environmental management and monitoring program is currently underway and will be ongoing for the life of mine. Data collected are being used to define an operational environmental management and monitoring program, which will include appropriate environmental management and mitigation plans based on the principle of continuous improvement. These will be reviewed and revised as necessary, on at least an annual basis, with results reported as required to Mexican regulators.

Other issues of environmental concern relate to potential impacts comparable to those in underground mines of similar size with flotation tailings impoundments. These include: dust, tailings handling/management, storm water diversion, combustibles and reagent management/handling, waste management and disposal and noise. Work to date indicates that environmental impacts are manageable. Cozamin was awarded the Clean Industry Certification from Mexico's Federal Attorney for Environmental Protection (Procuraduría Federal de Protección al Ambiente or PROFEPA) for the third time in December 2015 for this management process and best practices and procedures. This is valid until November 2017.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Cozamin Mine is located 3.6 km to the north-northwest of the city of Zacatecas, the Zacatecas state capital. The municipality of Zacatecas has a population of approximately 138,000 people. Other communities in the immediate vicinity of the project include Hacienda Nueva (3 km west), Morelos (5 km northwest) and Veta Grande (5 km north). The Cozamin Mine operates year round and is accessible via paved roads to the project area boundary where good, all-weather roads provide access to the mine and most of the surrounding area. The mine area falls within the Hacienda Nueva and La Pimienta Ejidos.

The Cozamin Mine has excellent surrounding infrastructure including schools, hospitals, railroads, highways, and electrical power. The mine has access to a power line and substation that allows Capstone to draw up to 10.5 MW from the national power grid. Generators (both operating and back-up) on site have a capacity of 2.0 MW. At present there is sufficient capacity to store all of the tailings from the processing of identified mineral reserves assuming the Stages 6 and 7 lifts are constructed. Permits are not currently issued for all of these additional raises to the tailings storage facility. Employees and contractors are sourced from Zacatecas and other nearby communities with minimal foreign staff at the mine. Sufficient surface rights have been obtained to conduct all mining operations.

The climate in the region is semi-arid with maximum temperatures of approximately 30°C during the summer and minimum temperatures in the winter producing freezing conditions and occasional snow. The rainy season extends from June until September, with average annual precipitation totalling approximately 500 mm. As the certainty of runoff into the tailings pond cannot be predicted, additional water resources have been secured, with further water rights undergoing evaluation.

The Cozamin Mine is located in the Western Sierra Madre Physiographic Province near the boundary with the Mesa Central Province (Central Plateau Province). The Zacatecas area is characterized by rounded northwest trending mountains with the Sierra Veta Grande to the north and the Sierra de Zacatecas to the south. Elevations on the property vary from 2,400 m to 2,600 masl. The Zacatecas area is located between forested and sub-tropical regions to the southwest and desert conditions to the northeast. Vegetation consists of natural grasses, mesquite or huizache and crasicaule bushes. Standing bodies of water are dammed as most streams are intermittent.

History

In pre-Hispanic times, the area was inhabited by Huichol people who mined native silver from the oxidized zone of argentiferous vein deposits in the Zacatecas Mining District. During the Spanish Colonial era production commenced in 1548 at 3 mines: the Albarrada mine on the Veta Grande system, and the San Bernabe mine and Los Tajos del Panuco on the Mala Noche Vein system. The initial operations worked only the oxide minerals for silver and some gold, and later the sulphide-mineral zones were worked for base and precious metals.

From 1972, Consejo de Recursos Minerales (“CRM”) worked mines in El Bote, La Purisima and La Valencia zones. A number of old workings are located throughout the mine area, but accurate records of early production are not available. Historic production from the Zacatecas district is estimated by the CRM (1992) to be 750 million ounces of silver from 20 million tonnes grading over 900 g/t Ag and approximately 2.5 g/t Au. Lead, zinc and copper have also been recovered but the production and grades were not estimated.

Minera Cozamin was established in 1982 by Jack Zaniewicki who consolidated concession holdings over much of the Mala Noche Vein and operated the San Roberto Mine and plant at 250 tpd until October 1996. During this period, Industrias Peñoles S.A. de C.V. (“Peñoles”) undertook exploration in the district but did not buy any significant concessions. In all, it is estimated that 1.2 million tonnes of ore were mined and processed at the Cozamin Mine prior to October 1996.

In October 1996, Zaniewicki sold Cozamin to Minera Argenta, a subsidiary of Minera Bacis S.A. de C.V. (“Bacis”). Bacis expanded the mill to a 750 tpd flotation plant, and processed 250,000 tonnes of ore grading 1.2% Cu, 90 g/t

Ag, 0.5 g/t Au, 1.8% Zn and 0.6% Pb from 1997 to the end of 1999, mainly from shallow, oxide zone workings. Bacis developed resources principally by drifting and raising on the Mala Noche Vein within the San Roberto (Cozamin) mine. Diamond drilling was only used as an exploration tool to identify areas with mineralization peripheral to the developed mine workings. Near the end of 1998, Bacis closed the mine primarily due to low metal prices and under-capitalization of the asset. Capstone assumed ownership of the Cozamin Mine in 2004.

Geological Setting

The Zacatecas Mining District covers a belt of epithermal and mesothermal vein deposits that contain silver, gold and base metals (copper, lead and zinc). The district is in the Southern Sierra Madre Occidental Physiographic Province near the boundary with the Mesa Central Physiographic Province in north-central Mexico. The dominant structural features that localize mineralization are of Tertiary Era age, and are interpreted to be related to the development of a volcanic centre and to northerly trending basin-and-range structures. It occurs in a structurally complex setting, associated with siliceous subvolcanic and volcanic rocks underlain by sedimentary and meta-sedimentary rocks. The geologic units in this area include Triassic-aged metamorphic rocks of the Zacatecas Formation and overlying basic volcanic rocks of the Upper Jurassic-aged or Lower Cretaceous-aged Chilitos Formation. The Tertiary rocks consists mainly of a red conglomerate unit deposited in the Paleocene Epoch and/or Eocene Epoch, and overlying rhyolitic tuff and intercalated flows that were deposited from Eocene to Oligocene Epochs. Some Tertiary Era rhyolite bodies cut the Mesozoic Era and Tertiary Era units and have the appearance of flow domes.

The host rocks for the MNV are intercalated carbonaceous meta-sedimentary rocks and andesitic volcanic rocks ranging in age from Triassic to Cretaceous, and Tertiary-aged rhyolite intrusive rocks and flows. Mineralization in the MNV appears to have been episodic. A polymetallic dominant phase is interpreted as one of the last stages of mineralization at Cozamin. In general, this polymetallic phase was emplaced into an envelope of pre-existing vein hosting moderate to strong zinc and lead mineralization and moderate silver mineralization. Thus, the host lithology to the vein does not appear to have influenced the strength of the polymetallic phase of mineralization which is typically enveloped by earlier vein material.

Exploration

Cozamin exploration geologists have systematically mapped a total of 1,694 ha throughout the Cozamin Mine property at scales of 1:1,000 or 1:2,000 since 2004. Regular surface exploration along the strike of the MNV system has occurred through channel sampling and chip sampling. Channel samples were cut perpendicular to the strike of the vein and weighed approximately 2 kg. The results of the surface channel and chip sampling programs have been used to assist with exploration drillhole planning, but not used for mineral resources estimation. In 2015, 150 hectares were remapped at a scale of 1:2000 predominantly in the San Rafael area.

Capstone undertook several geophysical surveys using contractors between 2004 and 2010. A ground magnetic survey completed by Zonge Engineering and Research Organization (“Zonge”) in 2004 collected total magnetic field data from 24 north-oriented lines spaced 25 m apart that permitted mapping of the linear east-west orientation of the Mala Noche system as well as other intrusive features. Also in 2004, Zonge undertook a resistivity study through measurement of magnetic response using Controlled Source Audio Magnetotellurics over 8 line-kilometres and Natural Source Audio Magnetotellurics over 16 line-kilometres indicated the presence of sulphide mineralization below known mineralized extents. These results were used to assist with exploration drillhole planning. During the summer of 2009 New Sense Geophysics Limited conducted an aeromagnetic survey over all of the Cozamin Mine concessions. The results revealed a broad magnetic high trending northwest. These data were later reprocessed in 2013 and used for tracking infrastructure such as power lines and pipe lines and the general structural and vein trends of the Mala Noche system. In some cases the data were used as a secondary tool to help guide exploration and drill planning in new target areas. Between October 2009 and January 2010 Zonge completed resistivity and ground-induced polarization studies centred over Mala Noche West, Hacienda Nueva South, Mala Noche North, and Mala Noche East. Identified anomalies were followed up by drilling, but the results were poor.

The presence of sulphide-rich and graphitic sedimentary rocks coupled with close proximity to populated areas (buried pipes, fences, etc.), likely precluded effective chargeability, resistivity, or conductivity surveys, and as such we have not explored using geophysical methods since 2010. In 2015, Condor Consulting Ltd. conducted a full review of all previous geophysical surveys and determined the most likely effective geophysical survey method for future exploration targeting is total field magnetics and derivative products.

Mineralization

All mineralization at the Cozamin Mine occurs primarily in the Mala Noche fault-vein structure ("MNV"). In the San Roberto Mine, the MNV strikes west-northwest and the dip varies between 38° to 90° to the north. There is a clear association of higher copper grades with steeper dips of the Mala Noche fault structure. Where the MNV is weakly mineralized, it appears that the principal alteration in this fault is quartz-pyrite.

The main stage of copper-dominant mineralization at the Cozamin Mine is classified as intermediate sulphidation, high- temperature epithermal transitioning at depth to more mesothermal-like mineralization. The copper-dominant stage of mineralization appears to cut across or overprint earlier more clearly epithermal-type zinc-dominant mineralization. The epithermal veins display well banded quartz veins, sulphide pseudomorphs of carbonates, open space fillings, and quartz vuggy linings. The higher temperature veins have significantly less vugs, and the veins can be massive pyrrhotite-pyrite- chalcopyrite.

Pyrite is the dominant vein sulphide and typically comprises approximately 15% of the MNV in the San Roberto mine. Pyrrhotite commonly occurs as an envelope to, or intermixed with, strong chalcopyrite mineralization. Chalcopyrite is the only copper sulphide recognized megascopically at the Cozamin Mine. Like pyrrhotite, it is more common at the intermediate and deeper levels of the mine. It occurs as disseminations, veinlets and replacement masses. Sphalerite is the dominant economic sulphide in the upper levels in the San Roberto mine. Most of the sphalerite is marmatitic. It occurs as disseminations and coarse crystalline masses and is commonly marginal to the chalcopyrite-dominant portion of the vein. Argentiferous (silver-bearing) galena is less common than sphalerite but is generally associated with it as crystalline replacement masses. Arsenopyrite typically occurs as minor, microscopic inclusions in pyrite. Argentite is the most common silver mineral. It has been identified microscopically occurring as inclusions in chalcopyrite and pyrite. Gangue minerals in the MNV consist of quartz, silica, calcite, chlorite, epidote and minor disseminated sericite. The quartz occurs as coarse grained druse coarse crystalline masses, and a stockwork of quartz veinlets.

This transition from epithermal zinc dominant mineralization to copper-dominant mesothermal mineralization is thought to be the result of an evolving, telescoping hydrothermal system that was epithermal in its early stages and became mesothermal as the hydrothermal migrated upwards. This telescoping hydrothermal system is closely associated with the district's largest centre of rhyolite flow domes that may be the upward expression of a felsic stock.

The dominant mineralized vein on the Cozamin Mine is the MNV. This vein has been traced for 5.5 km on surface on the property. It strikes approximately east-west and dips on average at 60° to the North. There are at least 18 shafts that provide access to the historical workings at Cozamin. The largest of these is the San Roberto mine which has a strike length of 1.4 km. The vertical extent of mineralization at San Roberto is over 820 m. Adjacent to the San Roberto mine is the San Rafael mine, a zinc-rich part of the deposit with the same epithermal mineralization characteristics as the San Roberto mine. The MNFW zone, a splay off of the footwall side (south side) the MNV discovered in 2010, is not exposed at surface; however, based on underground drill definition it strikes in a northwest-southeast orientation over an explored distance of 1.45km and dips on average 54° to the northeast. Known base metal mineralization here has a vertical extent of approximately 500 m. The MNFW zone comprises up to five veins, two of which are volumetrically significant, in close spatial association with rhyolite dikes and locally the veins cross-cut the intrusions themselves. The relative age of the copper mineralization ranges from contemporaneous, to early post-rhyolite magmatism.

Drilling

In all, 692 diamond drillholes of HQ and/or NQ diameter have been completed from surface and from underground locations at the Cozamin Mine since April 2004. A total of 13 phases of drilling have targeted resource definition and expansion along the MNV (San Roberto and San Rafael mines), MNFWZ (since discovery in 2010), and other exploration targets on our property. This includes an infill program targeting zinc-rich mineralization in the upper parts of the San Roberto zone, as well as infill drilling in the San Rafael zone.

Drillhole collars are located using a total station TRIMBLE instrument, model S6. Downhole survey readings were recorded using either an Eastman Single Shot, FLEXIT SensIT or Reflex EZShot instrument. Survey readings are generally taken every 50-150 m for surface holes and every 50-100 m for underground holes. Survey results were corrected for magnetic declination.

In the core logging facility drillholes are assessed for drilling recovery, which has historically been very good. Drillholes are then logged for geology, alteration and mineralogy, followed by structural data measurements and rock quality (RQD) assessment. Next, the drillholes are marked for sampling by the geologist. This is followed by core photography before the core is sent for cutting.

Sampling and Analysis

We use diamond drillcore samples for mineral resources estimates. Diamond drillholes intersecting the MNV are spaced approximately 60 m along strike and down dip. Mineralization is less continuous in the MNFW zone than in the MNV, thus drillholes are more closely spaced averaging approximately 50 m along strike and down dip. Capstone employees are responsible for the all on-site sampling of drill core. The entire vein width is sampled. Typical sample intervals for drillcore are 0.5 m in the vein and 2 m in the wallrock (waste). Very high grade intervals are marked out and sampled separately from lower grade zones. Sample boundaries are based on mineral proportions and/or texture (e.g. massive versus disseminated). Drillcore samples are split by core saw and placed in marked bags and shipped to accredited external laboratories for sample preparation and analysis for copper, lead, zinc, silver, and sometimes gold. There were a total of 50,007 diamond drillhole samples contained in the database used for the June 2016 mineral resources estimate. Capstone employees are responsible for all on-site sampling of drill core.

Sample quality of drillhole samples is monitored through regular insertion of reference material standards, blanks, and duplicate samples. Certified reference material standards are purchased commercially and are also created from MNV material. QAQC procedures include real-time monitoring of quality control data, thresholds for sample failures and sample batch reanalysis, and regular monthly reporting. QAQC results demonstrate that drillhole assay values are accurate, repeatable, and free from cross-contamination.

A bias analysis between diamond drillhole and CCS samples located within the mineralized structures was completed as a part of the March 2014 resource update. CCS were found to be consistently higher-grade than the diamond drillhole samples. They were not included during the 2016 model update. Further investigation into the nature of the bias is required before potential reincorporation into the resource model can be considered. No other drilling, sampling, or recovery factors have been identified that could materially impact the accuracy or reliability of the results.

The Cozamin Mine collects bulk density measurements from mineralized and non-mineralized intercepts from each drillhole. All drillcore pieces greater than 10 cm in length within an assay sample length are selected from the core box and measured using a weight-in-air weight-in-water technique. A review of these data highlighted widely ranging values, which were reanalysed as a part of a quality control check. The QAQC samples indicated the bulk density dataset was of sufficient quality for use in mineral resource estimation. There are 20,878 bulk density measurements in the database available to estimate density.

Database validation work comprises a check of 10% of all new records entered into the database as a part of the mineral resource update process. This includes verification of collar, downhole survey, lithology, assay, and bulk density data. This was completed as a part of the June 2016 mineral resource update. Other data checks included validations of the spatial locations of mineralized drillhole intercepts and the locations of CCS data with respect to underground mapped geology. Errors were noted and corrected. There were eight drillholes excluded from the geological modelling and resource estimation process because either the logged vein intercepts fell outside of modelled vein structures, or they intercepted the vein at a very shallow angle.

Security of Samples

Only employees of Capstone entities are permitted in the core shack when unsampled drillcore is ready to be cut. A minimum of 10 samples are placed in a large sack and secured by a tamper proof seal. A transmittal form is then completed, which identifies the batch number, the serial numbers of the seals and the corresponding sample number series, and delivered to the sample preparation laboratory by a Cozamin representative.

Drill core containing intercepts of the Mala Noche Vein and Mala Noche Footwall structure is stored in a secured warehouse near the core shack. Waste hanging wall and footwall drill core is kept in a secure storage facility on the property and within the mine on Level 8. Access to the warehouse and storage facilities are controlled by the Mine Geology Department. No person other than the geologists responsible for logging is permitted to handle the core prior to sampling.

Mineral Resource and Mineral Reserve Estimates

In June 2016, the San Roberto and Mala Noche Footwall zone mineral resource models were updated by Jeremy Vincent, P.Geo., Manager of Production and Development Geology for Capstone, and a Qualified Person as defined by NI 43-101. The updated models take into account infill drilling completed to March 31, 2016. In addition, the San Rafael zone, previously modelled in 2009, was also refreshed in anticipation of an investigation into the viability of blending zinc-rich San Rafael ore with material mined from the San Roberto and MNFW zones. These updates are contained within two separate block models: the Mala Noche Vein ("MNV") block model contains the updated San Roberto and San Rafael zones, and the Mala Noche Footwall Zone ("MNFWZ") model, is rotated parallel to the dominant strike direction of the MNFWZ structure.

All geological modelling was undertaken using the Aranz Geo implicit modelling software, Leapfrog®. It comprised a lithological model to assist with exploration targeting and mining planning activities, as well as a mineralization model defining the mineralized MNV and MNFWZ structures. The veins were defined using logged and underground-mapped contacts in combination with as US$ NSR 30/t cut-off where mineralization boundaries were not exclusively defined in a vein structure.

All samples were composited to a 2 m length. This was followed by an exploratory data analysis that showed a moderate correlation between copper and silver in the San Roberto, San Rafael, and MNFW zones. In the San Rafael zone, zinc and lead also showed a moderate correlation. Ideally, to maintain correlations during estimation, multivariate techniques such as full co-kriging or decorrelation transforms are used; however, if the elements have similar variogram properties, then the correlations can still be adequately maintained using independent univariate estimation. This latter option was followed and is explained further below. The coefficient of variation ("COV"), which measures the spread of a distribution relative to its mean, was reviewed for each element to help assess the need for top cutting and to confirm the selected Ordinary Kriging ("OK") estimation method was appropriate. A COV of less than 1.5 is desired for OK grade estimation, which was found for copper, silver, and zinc. Minor top cuts were needed for these elements. Lead had a COV higher than 2 resulting from a longer high-grade tail of samples. This aligns with underground observations where lead can be found in high-grade patches. As such, a combination of top cutting and search restrictions were used to limit the influence of the high-grade samples so as to not over-estimate lead grades.

The three-dimensional spatial relationships of each element were assessed on the top-cut, composited data was undertaken using normal-score transformed semi-variograms. Search ellipses were set to vary dynamically during grade estimation to account for the local variations in strike and dip along the veins. The same variogram and search parameters were used for copper and silver in all domains, and for zinc and lead in the San Rafael zone to maintain the element correlations.

Grades were estimated into 12 m Easting × 2 m Northing × 10 m Elevation blocks in a sub-blocked model (in the MNFW zone model the blocks were rotated parallel to the strike of the mineralization). Bulk density samples were composited to 2.0 m lengths downhole and estimated using inverse distance weighting. Model validation included visual validation of grades against composited drillhole samples, creation of swath plots along easting, northing and elevation sections to assess grade smoothing, assessment of element correlations in the blocks, as well as a global change of support to assess grade smoothing at various cut-off grades. Validation checks showed the model to be valid with an appropriate amount of grade smoothing. As an additional check, the model was externally reviewed by SRK Consulting. There were no material issues identified with the geological modelling, estimation, validation, or classification process.

In the San Roberto zone, Measured resources were reinstated tightly around existing mine development and now total 359 kt of material with an average grade of 1.69% Cu above a US$ NSR 35/t cut-off. The existing Indicated resource limit was expanded to accommodate the new down-dip drilling in the western part of San Roberto. This added approximately 430 kt of material with an average NSR value of US$ 95/t, above a US$ 35/t NSR cut-off. An additional 168 kt was also gained from the updated geological interpretation of the MNV structure and associated hangingwall veins. In other parts of the San Roberto zone, the Indicated classification boundary was tightened around drillholes that represented limits of drilling exceeding approximately 60 m. This represents approximately 745 kt of material with an average undiluted NSR value of US$ 63/t, above a US$ 35/t NSR cut-off, that was moved into the Inferred category. The net change to Measured and Indicated resources in 2016 was a 3% decrease in tonnage, but the grades increased by 12% for copper, 5% for silver, 18% for zinc, and 6% for lead.

Subsequent to the June 2016 mineral resource update, there was a reduction of 1,748 kt of Measured and Indicated resources after taking into consideration the results of the December 2016 mineral reserves update (discussed below). The update showed that many of the remaining pillars and isolated unmined areas within the central part of the San Roberto zone exhibit very little chance of future economic extraction, hence they were removed from the resource base to keep mineral resource reporting in line with best practice standards.

In the San Rafael zone, a conservative reinterpretation of the zone is being used until additional infill drilling is completed in 2017. The updated interpretation is thinner and excludes mineralization previously modelled as internal waste in the hangingwall due to uncertainty in the mineralization continuity. As a result, the tonnage in the Indicated category was reduced by 47%, but the grades increased by 7% for copper, 12% for silver, 34% for zinc, and 32% for lead.

In the Mala Noche Footwall zone, approximately 400 kt of new Indicated resources were added as a result of exploration drilling and modelling, which equates to a 12% increase in tonnage. Copper and silver grades decreased by 9% and 5% respectively, while zinc and lead grades increased by 29% and 2% respectively. Zinc grades increased due to the inclusion of more zinc-rich material near the junction with the MNV structure.

The updated Measured and Indicated Mineral Resources for the copper zones, after 2016 mining activities, total 6,633 kt at 1.97% Cu (Table 3). Mining in 2016 consumed 720 kt of mineral resources at an average grade of 2.08% from the resource block model.

Mineral resources for the San Roberto, MNFW, and San Rafael zones after taking into mine production until December 31, 2016 are summarized in Table 3 above a US$35 per tonne net smelter return (“NSR”) cut-off. Jeremy Vincent, P.Geo., Manager of Production and Development Geology at Capstone and a Qualified Person as defined by NI 43-101, is responsible for the mineral resource estimates for the San Roberto, MNFW, and San Rafael zones.

There has been no mining activity in the San Rafael zone. Mineral Resources are presented inclusive of mineral reserves.

TABLE 3: COZAMIN MINE ESTIMATED MINERAL RESOURCES AS AT DECEMBER 31, 2016

Classification	Tonnes (kt)	Copper (%)	Silver (g/t)	Zinc (%)	Pb (%)	Copper Metal (kt)	Silver Metal (koz)	Zinc Metal (kt)	Lead Metal (kt)
Copper Zone – San Roberto									
Measured	359	1.69	60	1.17	0.28	6	696	4	1
Indicated	2,852	1.19	54	1.92	0.41	34	4,911	55	12
Measured + Indicated	**3,211**	**1.25**	**54**	**1.84**	**0.40**	**40**	**5,607**	**59**	**13**
Inferred	4,535	0.57	41	2.57	0.33	26	6,038	117	15
Copper Zone – Mala Noche Footwall									
Measured	329	2.40	43	0.63	0.03	8	459	2	0
Indicated	3,093	2.68	54	0.43	0.03	83	5,393	13	1
Measured + Indicated	**3,422**	**2.65**	**53**	**0.45**	**0.03**	**91**	**5,852**	**15**	**1**
Inferred	5,087	1.71	37	0.53	0.03	87	5,979	27	2
Total – Copper Zones									
Measured	688	2.03	52	0.91	0.16	14	1,155	6	1
Indicated	5,945	1.97	54	1.14	0.21	117	10,304	68	13
Measured + Indicated	**6,633**	**1.97**	**54**	**1.12**	**0.21**	**131**	**11,459**	**74**	**14**
Inferred	9,622	1.17	39	1.49	0.17	113	12,017	144	16
Zinc Zone – San Rafael									
Measured									
Indicated	1,091	0.30	47	4.47	0.56	3	1,649	49	6
Measured + Indicated	**1,091**	**0.30**	**47**	**4.47**	**0.56**	**3**	**1,649**	**49**	**6**
Inferred	1,441	0.20	43	4.14	0.47	3	1,991	60	7

NOTE: *The Cozamin mineral resource estimate was completed by Jeremy Vincent, P.Geo., Manager of Production and Development Geology at Capstone, and a Qualified Person as defined by NI 43-101. The NSR formula used for the mineral resources was based on US$ 2.50/lb Cu, US$ 20/lb Ag, US$ 1.0/lb Zn, MEX 18.5 to USD 1.0, and metallurgical recoveries of 94.5% Cu, 72% Ag, 70% Zn. The resulting NSR formula is $42.426*%Cu + 0.364*Agppm + 8.123*Zn%. Note that zero value is attributed to Pb because the circuit is expected to be used minimally due to low Pb concentrations. San Rafael 2014 NSR formulae are based on independent processing of San Rafael ore with head grades above or below a 0.50% Cu threshold. The metal prices for Cu, Ag, Zn, and Pb respectively are as follows: Cu = US$ 2.50/lb, Ag = US$ 20.00/oz, Zn = US$ 0.80/lb, Pb = US$0.85/lb. The following recoveries were used: ≤0.5% Cu head grade: Cu = 57%, Ag = 51%, Zn = 75%, Pb = 58%; >0.5% Cu head grade: Cu = 57%, Ag = 61%, Zn = 79%, Pb = 54% (≤0.50% Cu head grade: Cu*0.00 + Ag*0.107 + Zn*7.802 + Pb*6.628, >0.50% Cu head grade: Cu*25.917 + Ag*0.299 + Zn*7.436 + Pb*5.031). Mineral resources are presented inclusive of mineral reserves. Mineral resources are not mineral reserves and do not have demonstrated economic viability. Figures may not sum due to rounding..*

In December 2016, Diego Airo, P.Eng., Senior Mining Engineer at Capstone and a Qualified Person as defined by NI 43-101, updated the Mala Noche Vein and Mala Noche Footwall Zone mineral reserve model using the updated mineral resource model completed by Jeremy Vincent, P.Geo. The mineral reserve estimate was generated using Maptek Vulcan Mine Stope Optimizer software, which was operated using the following base assumptions: US$2.50/lb copper, US$ 20/oz Ag, US$ 1.0/lb Zn, minimum mining width of 2.0 m (internal dilution), external dilution of 0.5 m in the hanging wall and 0.5 m in the footwall, 48 degree minimum stope walls, stopes generated in 5 m step sizes along strike, stope heights varying between 12-15 m high, development heights of 4.5 m high and 4.0 m wide, and an NSR cut-off value of US$ 42.00/t. Results from the Mine Stope Optimizer were reviewed in detail to ensure all stopes were in non-mined out areas and that isolated stope blocks had sufficient economic

value to cover operating and capital costs of extracting those areas. All planned sill pillars that will not be mined due to geotechnical considerations were removed from the reserve. In the Mala Noche Vein, a short term model built with channel samples was used to validate the final stopes generated using the resource model, resulting in some areas being removed from the reserves where the short term model indicated lower grades than the resource model. All sill pillars and mining remnants existing in the previous MNV reserve were also removed from the estimate, as it was deemed all of those areas were no longer economic due to the small size and high capital costs to access. The final triangulations were reported separately as stopes and development as additional dilution was included to account for the development drifts and slashing, as well as an additional 5% ore loss for mine extraction and unforeseen geotechnical conditions. As the mine and reserves are getting deeper, additional geotechnical studies need to be conducted to improve confidence in the mining methodology proposed. This work is scheduled for 2017 and includes geotechnical bore hole logging and laboratory testing, in-situ stress measurements and updated geotechnical assessments.

The new proven and probable reserves, discounted for mine production to December 31, 2016, containing 4,320 kt at 1.74% Cu (fully diluted and recovered) are detailed in the table below.

TABLE 4: COZAMIN MINE ESTIMATED MINERAL RESERVES AS AT DECEMBER 31, 2016

Classification	Tonnes (kt)	Copper (%)	Silver (g/t)	Zinc (%)	Pb (%)	Copper Metal (kt)	Silver Metal (koz)	Zinc Metal (kt)	Lead Metal (kt)
Copper Zone – San Roberto									
Proven	133	1.42	56	0.86	0.31	2	238	1	0
Probable	1,452	0.98	44	1.30	0.36	14	2,075	19	5
Proven + Probable	1,585	1.02	45	1.27	0.36	16	2,313	20	6
Copper Zone – Mala Noche Footwall									
Proven	134	1.80	33	0.61	0.03	2	142	1	0
Probable	2,601	2.18	45	0.29	0.02	57	3,722	7	1
Proven + Probable	2,735	2.16	44	0.30	0.02	59	3,865	8	1
Total – Copper Zones									
Proven	267	1.61	44	0.73	0.17	4	380	2	0
Probable	4,053	1.75	44	0.65	0.14	71	5,798	26	6
Proven + Probable	4,320	1.74	44	0.66	0.14	75	6,178	28	6

NOTE: *Diego Airo, P.Eng, Senior Mining Engineer at Capstone Mining Corp. is the Qualified Person for the Cozamin mineral reserve estimates. Disclosure of the Cozamin Mine mineral reserves as of December 31, 2016 was completed using fully diluted mineable stope shapes generated by the Maptek Vulcan Mine Stope Optimizer software and calculated on the 2016 resource block models created by J. Vincent, P.Geo., of Capstone Mining Corp. The reserves are based on a Net Smelter Return (NSR) cut-off of US $42/tonne. The NSR formula used for the reserves was based US$ 2.50/lb Cu, US$ 20/lb Ag, US$ 1.0/lb Zn, MEX 18.5 to USD 1.0, and metallurgical recoveries of 94.5% Cu, 72% Ag, 70% Zn. The resulting NSR formula is $42.425*%Cu + 0.364*Agppm + 8.123*Zn%. Note that zero value is attributed to Pb because the circuit is expected to be used minimally due to low Pb concentrations. Tonnage and grade estimates include dilution and recovery allowances. Figures may not sum due to rounding.*

The new reserves resulted in a reduction, after accounting for depletion, of 2,059 kt, which amounts to a 29% decrease in tonnage and 18% contained copper versus the year end 2015 reserves. Approximately 40% of this reduction is a result of removing historic pillars and small mining remnants from the San Roberto reserve, 30% is due to using the Mine Stope Optimizer software in the MNFWZ which removed reserve stopes in very narrow veins and the remaining reduction is due to individual evaluation of isolated or complex stoping blocks, using simplified cashflow analyses, channel sample models or review of geology and access. This change represents an approximate 15% reduction in Cozamin's NPV.

A high level sensitivity test was conducted as part of the reserve update, which consisted of varying metal prices and operating costs +/- 20% in the Mine Stope optimizer, resulting in 4 additional cases. The results showed fluctuations of tonnage in the range of 13% to 16% and contained copper of 6 to 8% in tonnage. A secondary sensitivity test was conducted on all of the stope shapes as designed at $2.50/lb Cu (base case), evaluating the distribution of Net Smelter Return. The test indicated that over 80% of the stopes have an NSR above US$ 60/tonne (base cut off is US$ 42/tonne). Both of these tests indicate that the Cozamin reserve is robust and not highly sensitive to +/- 20% fluctuations in key parameters.

Mining Operations

The Cozamin Mine is an underground mining operation that commenced in 2006. Ore is extracted primarily using long-hole open stoping. The mine extends for a strike length of over 1 km and mineral reserves extend to a depth of 1,000 m. Access to the underground workings is via two service and haulage ramps and a hoisting shaft.

Run-of-mine ore is stockpiled on surface and sent to the crushing plant. The crushed ore is stored in two ore bins that feed parallel conventional grinding circuits. The resulting product is sent to the copper-lead rougher flotation where a copper- lead concentrate is produced. The tailings report to zinc conditioning tanks prior to zinc flotation, where reagents are added to activate zinc mineralization. The tailings go through zinc rougher and cleaning circuits to product a zinc concentrate. Separate copper and lead concentrates are produced from the copper-lead concentrate via selective flotation. The concentrates are thickened and filtered to produce product suitable for transport. The concentrates are trucked to Manzanillo, Colima, Mexico. The current mine plans maintain the Cozamin Mine operations life to 2020. We are currently evaluating the financial viability of blending zinc-rich mineralization from the San Rafael zone with the copper-rich mineralization from the San Roberto and Mala Noche Footwall zones.

All necessary permits to conduct mining work on the property have been obtained. There are no known factors or risks that affect access, title or the ability to conduct mining. Environmental liabilities and issues are limited to those that are expected to be associated with an underground base metal operation. These include an underground mine, associated infrastructure, access roads and surface infrastructure including the process plant, waste and tailings disposal facilities situation within the area of disturbance.

The Cozamin Mine's applicable taxes include the following:

- Corporate Taxes - the Mexican corporate income tax is at a 30% rate applied on net income after depreciation. The 2013 Mexican Tax Reform repealed the 17.5% IETU Tax (Impuesto Empresarial Tasa Única) effective for Cozamin's 2014 taxation year.
- A value added tax is payable to the Mexican government. The amount paid in any given year is 100% refundable, and may be used to offset income tax.
- The 2013 Mexican Tax Reform introduced a 7.5% mining tax. The mining tax, effective January 1, 2014, is applied on the positive difference between income arising from sales related to mining and the deductions permitted by the Income Tax Law, not including deductions on investments (except those involved in mining prospecting and exploration), interest payable and the annual inflation adjustment. The Tax Reform also introduced a 0.5% mining tax on precious metals that is applied on gross taxable revenues.
- Property taxes are approximately $20,000 per year.
- The State of Zacatecas introduced taxes effective January 1, 2017 for purposes of reducing the environmental impact created by industrial activities carried out in the state. These new taxes consist of the (i) Environmental Remediation Tax on the Extraction of Materials, (ii) Tax on Gas Emissions to the Atmosphere, (iii) Tax on Emissions of Pollutants to the Soil, Subsoil, and Water, and (iv) Tax on the Disposal of Wastes. Cozamin is assessing the impact of these new taxes that are applicable for the 2017 taxation year, including whether the state has the legal constitutional right to levy such taxes and we have filed a challenge on constitutional grounds.

Exploration and Development

The 2017 planned exploration program includes a proposed 23,275 meters of underground infill and step-out exploration drilling on the Mala Noche Footwall mineral resource area. Surface drilling is also planned in 2017 and includes a total of 7,730 meters of infill drilling at the San Rafael Deposit.

Minto Mine (Yukon)

The Minto Mine is the subject of a report titled "Minto Phase VI Preliminary Feasibility Study Technical Report" dated July 31, 2012 with an effective date of January 1, 2012 (the "Minto Report"). This technical report was compiled by Minto Explorations Ltd. ("MintoEx") and written by Brad Mercer, P.Geo.; Wayne Barnett, P.Eng.; John Eggert, P.Eng.; Bill Hodgson, P.Eng.; Garth Kirkham, P.Geo.; Mike Levy, PE; Pooya Mohseni, P.Eng.; Bruce Murphy, P.Eng.; and Colleen Roche, P.Eng., each a Qualified Person as defined by NI 43-101. The description of the Minto Mine in this document is based on assumptions, qualifications and procedures which are set out only in the full Minto Report. Reference should be made to the full text of this report, which is available in its entirety on SEDAR at *www.sedar.com* under Capstone's profile.

All scientific and technical information in this summary relating to any updates to the Minto Mine since the date of the Minto Report has been reviewed and approved by Qualified Persons who supervised the preparation of updates to elements of the Minto Report.

Project Description and Location

The Minto Mine is a 3,850 tpd operating copper mine located in central Yukon, located approximately 240 km northwest of Whitehorse, Yukon's capital. The project is roughly centred on NAD 83, UTM Zone 8 coordinates 6,945,000 mN, 385,000 mE. The mine is located on the west side of the Yukon River on Selkirk First Nation ("SFN") Category A settlement land (SFN Parcel R-6A). There are no back-in rights, payments or other agreements or encumbrances to which the property is subject other than a Cooperation Agreement with the SFN and a NSR payable to the SFN.

The project consists of 164 quartz claims covering an area of approximately 2,760 ha that are 100% owned by Minto Explorations Ltd., a 100% owned subsidiary of Capstone. The claims have expiry dates ranging between March 1, 2017 and October 7, 2028. The leases, but not the claim boundaries, have been surveyed by an authorized Canada Lands Surveyor in accordance with instructions from the Surveyor General.

Environmental liabilities at the Minto Mine relate to the dry stacked tailings facility and waste rock dumps as well as some water stored at the site that is impacted by operations and to the removal of all operational infrastructures. A closure plan has been developed and approved (most recently on December 2014) detailing methods and costs associated with restoring the site to an acceptable environmental standard. Engineered covers will be placed on tailings and waste rock such that interactions with surface water are prevented. A C$72.1M surety bond has been put in place with the Yukon Government in accordance with a territorial closure and reclamation policy. The closure plan and related letter of credit amount are reviewed on a bi-annual basis. The latest bi-annual closure plan update was submitted in August 2016 and is currently under review.

MintoEx has obtained a variety of permits in order to conduct ongoing work on site. The major instruments or authorizations permitting and governing operations for the project include a Type A Water Use Licence, issued by the Yukon Water Board and a Quartz Mining Licence issued by the Yukon Government, Energy Mines and Resources. MintoEx has all permits necessary to extract ore from currently planned mining areas, to maintain plant throughput, deposit in waste and tailings management facilities and conduct other environmental aspects of the project. Figure 3 illustrates the location of Minto infrastructure in relation to the open pit and underground mineral resources and reserves.

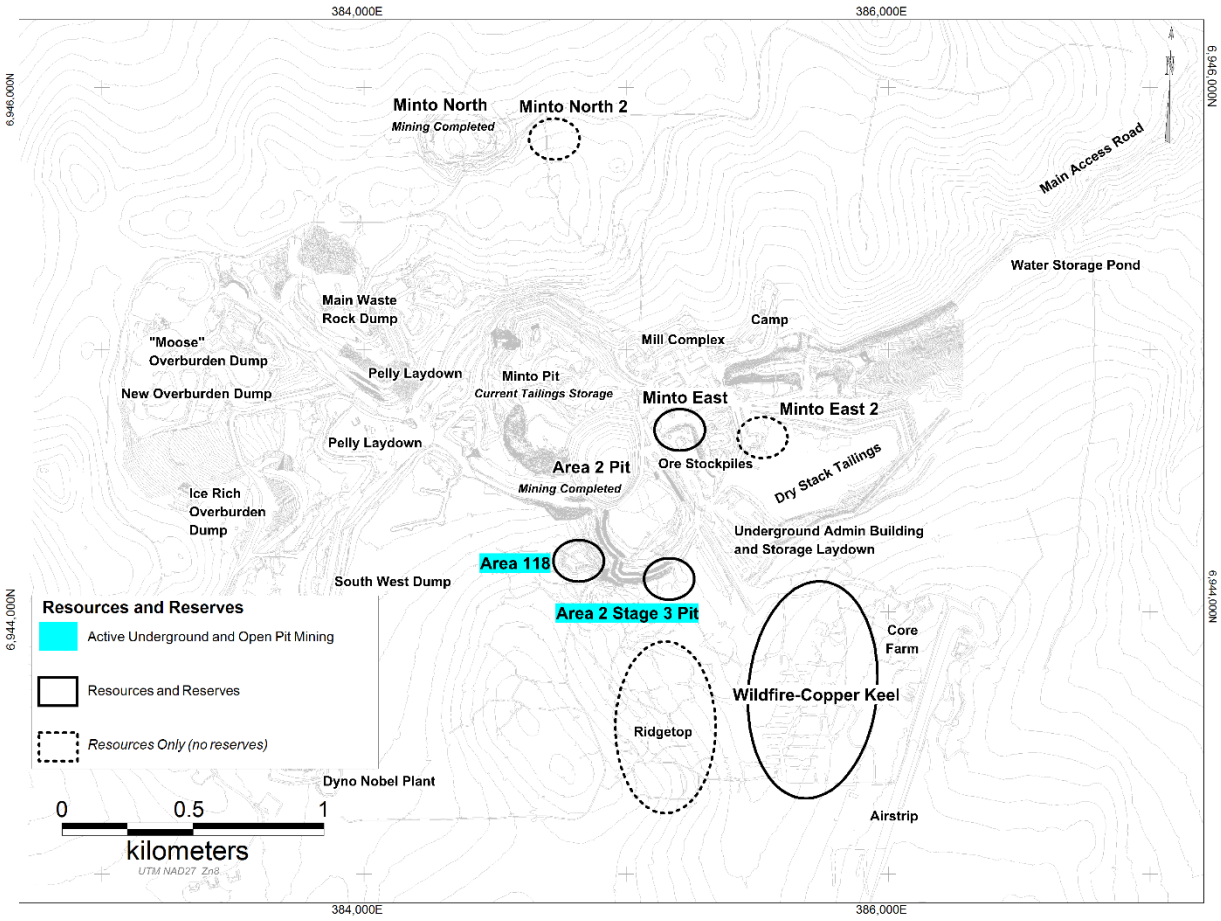


FIGURE 3: MINTO INFRASTRUCTURE AND LOCATION OF MINERAL RESOURCES AND MINERAL RESERVES

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Minto Mine is accessible via the Klondike Highway (No. 2) to Minto Landing on the east side of the Yukon River. At Minto Landing, the mine operates a barge across the river in the summer months and constructs an ice bridge in the winter. The barge has the capacity to carry one B-train transport trailer and truck. There is typically a 6 to 8-week period during each break-up and freeze-up of the Yukon River when there is no access across the river. A 27 km long, all-weather gravel road provides access from the West side of the Yukon River to the project site.

The mine access road crosses one major tributary of the Yukon River, Big Creek, via a single-lane steel span bridge made with reinforced concrete abutments and deck. The highway, river crossing and gravel mine access road are suitable for heavy transport traffic. During the river freeze and thaw periods, personnel are transported from Whitehorse via charter air services that land on the 1,300 m-long airstrip located at the mine.

The climate in the Minto area of the Yukon is considered sub-arctic with short cool summers and long cold winters. The average temperature in the summer is 10°C and the average temperature in the winter is -20°C. Average precipitation is approximately 25 cm of rain equivalent per annum in the form of rain and snow. The weather does not impede year round operation of the mine and processing plant except in short periods of harsh cold temperatures (-48°C) that can cause open pit mining operations to be temporarily suspended.

The property lies in the Dawson Range, part of the Klondike Plateau, an uplifted surface that has been dissected by erosion. Local topography consists of rounded rolling hills and ridges and broad valleys. The highest elevation on the property is approximately 1,000 masl, compared to elevations of 460 m along the Yukon River. Slopes on the property are relatively gentle and do not present accessibility problems. Bedrock outcrops can often be found at the tops of hills and ridges. There are no risks of avalanche on the property.

Vegetation in the area is sub-Arctic boreal forest made up of largely spruce and poplar trees. The area has experienced several wildfires over the years, the latest in 2010, and has no old-growth trees remaining. The fire in 2010 led to the partial evacuation of the camp and a short stoppage in production.

The nearest services, including fuel, groceries, hotel, restaurant and medical clinic, are at Carmacks, approximately 75 km south of Minto on Highway 2. Some services are available at Pelly Crossing, 35 km to the East of Minto. The nearest large community is Whitehorse, with a population of approximately 28,000. It is serviced with commercial flights daily from Vancouver, Edmonton and other northern communities. Whitehorse is also connected via paved highways to British Columbia to the South, to Alaska to the West and to the port of Skagway to the Southwest, where Minto concentrate is trucked for loading onto ocean-going vessels.

The Minto Mine has sufficient power, water, camp and personnel to continue operations through the life of mine plan.

History

In 1970, a joint venture between Consolidated Silver Standard (formerly Silver Standard Mines Ltd.) and Asarco Inc. conducted a regional stream sediment geochemical survey in the area. In 1971, the DEF claims were staked by United Keno Explorations. That same year a joint venture formed with United Keno Hill Mines, Falconbridge Nickel and Canadian Superior Explorations, to cover follow-up prospecting. Induced polarization ("IP") and very-long-frequency-electromagnetic ("VLF-EM") geophysical surveys, soil sampling and mapping on the DEF claims followed. In June 1973, a main mineralized body was discovered. There are no detailed descriptions of historical sampling methods, preparation, or analysis by Asarco, and there is no useable core from this period. In 1974, a winter road was built from Yukon Crossing and 58 diamond drillholes (11,228 m) on the Minto claims were drilled. From 1975-1976 joint Feasibility studies were conducted.

In 1984, Consolidated Silver Standard transferred its interest in the Minto claims to Western Copper Holdings, a subsidiary of Teck Corp. In 1989, Western Copper Holdings transferred its interest in the Minto claims to Teck Corp. In 1993, MintoEx was formed. Asarco and Teck sold their interest in the Minto claims (and leases) for shares in MintoEx and provided $375,000 in working capital. Asarco and Teck also received a net smelter royalty of 1.5% to be divided evenly. In that same year, Falconbridge, the parent of United Keno Hill, sold its interest in the DEF claims to MintoEx. Falconbridge was granted an option to repurchase the DEF claims on January 1, 2005 if the deposit was not in production by then. An initial public offering of shares of MintoEx was completed in 1994. There were 5,912,501 shares issued and outstanding with Asarco being the majority shareholder with 3,297,500 shares (55.8%).

In 1996, funding was arranged with Asarco to bring the deposit into production whereby Asarco would provide up to $25M. Under the funding arrangement, Asarco would acquire a 70% interest in the project, MintoEx would retain a 30% interest and remain as operator. That same year, MintoEx made the $1M payment to Falconbridge for the DEF claims completing the consolidation of the Minto and DEF claims. Also in that year, a 16 km access road was constructed including a barge landing site on the West side of the Yukon River and a bridge over Big Creek. A further 12.8 km of road construction in 1997 was done to complete the new access road. Also in 1997, a co-operation agreement was signed with the SFN. In 1999, a production licence was received.

From 1973 to 2001, most of the drill core samples were split using a mechanical wheel core splitter (in contrast to a diamond saw). In the case of two holes drilled in 1993 for metallurgical grinding testing, the entire core through the mineralized interval was utilized to improve the validity and reliability of the metallurgical tests. Quality control

procedures used during the 1973 to 2001 drill programs are not known, with the exception of 10 samples submitted for umpire analysis in 1994.

In 2001, most of the Asarco core and all of the Falconbridge core was destroyed by time and forest fire. A limited amount of the old Asarco core that could be recovered was re-sampled in 2002. In June 2005, Sherwood acquired the Minto property. In 2006, mill construction commenced. A C$85M debt package was arranged, forward sales completed, and concentrate off-take agreement executed in October 2006. In 2007, a Power Purchase Agreement for Minto was signed. That same year, the first copper-gold concentrates at Minto Mine were produced and a resource estimate for the Area 2 deposit was completed. First concentrates from the Minto Mine were delivered to the Port of Skagway, Alaska in July 2007. The Minto Mine declared commercial production and the first Minto concentrates shipped from Skagway in October 2007. In 2008, Capstone acquired all outstanding shares of Sherwood.

Geological Setting

The Minto Mine is found in the 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 (the "Batholith") of the Early Mesozoic Age. The component of the Batholith represented on the Minto Property is the Early Jurassic Age Minto pluton and is predominantly of granodiorite composition. Other rock types, albeit volumetrically insignificant, include thin dykes (typically less than 1 m in thickness) of simple quartz-feldspar pegmatite, aplite, and an aphanitic- textured intermediate composition rock.

For ease of reference the Minto copper-gold-silver system is divided into seven mineralized areas within the Minto deposit; from North to South they are: Minto North; Minto North 2 (formerly Inferno North); Minto Main; Minto East; Minto East 2; Minto South (MSD-a consolidation of Area 2, Copper Keel, Area 118 and Wildfire deposits that are now considered one continuous deposit); and Ridgetop. In 2014, we renamed the Fireweed zone to Minto East 2 to reflect the continuity of mineralization between these zones. Each of these deposits closely share a similar style of mineralization hosted by vertically stacked, shallow dipping deformation zones within the intrusion. Remnants of the Main deposit are currently exposed in an exhausted open pit mine and this geometry has been confirmed, with a similar geometry exposed in the exhausted Area 2 open pit. The other deposits have drill-delineated mineral resources and/or reserves but mineralization is not exposed at the surface. These deposits and other mineral prospects define a general north-northwest trend informally called the Priority Exploration Corridor (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 form sub-horizontal horizons and can be traced laterally for more than 1,000 m in the drill core. They are often stacked in parallel to sub-parallel sequences and it is postulated that the foliated granodiorite horizons represent healed, shallowly dipping shear zones within the Batholith; 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 Batholith to eventual exhumation. There is on-going debate, however, regarding the stratigraphic, intrusive, or structural nature of the zones hosting the foliation and mineralization. MintoEx engaged the Mineral Deposits Research Unit ("MDRU") 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 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 the current level of understanding.

Exploration

Mineral exploration on the Minto property has been conducted intermittently since 1971. Subsequent to the discovery of the Minto Main deposit, which has been mined out, the adjacent southern half of the property has undergone systematic brownfield exploration. Exploration on the northern half is more sporadic.

The exploration approach by MintoEx has been 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. The predominant electrical geophysical methods used are Gradient Array Induced Potential ("GAIP"), Dipole-Dipole Induced Potential, and Titan-24 DC Induced Potential. Drill targeting has been 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").

GAIP surveys were conducted in 2006 and 2007 with a combined total of 171 line kilometres. Both surveys were conducted by Aurora Geosciences of Whitehorse, Yukon. The GAIP method proved a successful exploration tool for locating near- surface mineralization when combined with magnetics; the most notable discovery attributed to this being Minto North.

A modified pole-dipole geophysical survey was conducted in 2009 over areas west and north of the DEF fault. The survey targeted areas of known historical geophysical anomalies, as well as overlapping GAIP coverage where permafrost or deep overburden ground conditions returned poor results. A total of 20.6 line kilometres were completed by Aurora Geosciences. The results of the survey indicated two separate anomalies, one approximately 1,000m due west of Minto North, and the second approximately 2,400m due north of Minto North. Drill testing results for each anomaly were enigmatic in that no significant copper-gold mineralization was encountered despite the intersection of multiple, thick sequences of foliated favorable host rock.

Three separate mise-a-la-masse drillhole IP surveys were completed in 2009, 2010, and 2011, with all three surveys being completed by Aurora Geosciences. The results of the surveys were useful in vectoring step-out drilling at Copper Keel NE and at Inferno.

Another new exploration tool implemented in 2009 included the completion of the deep penetrating Titan-24 geophysical survey of the Minto PEC from July 29 to August 8, 2009. The survey included three double spread direct current resistivity/induced polarization ("DC/IP") and magnetotelluric ("MT") lines totaling 21 line kilometres. An expanded Titan- 24 DC/IP survey covering about 85% of the property was completed from May 19 to July 15, 2010. Titan-24 surveying for both 2009 and 2010 programs were conducted by Quantec Geoscience of Toronto, Ontario.

The 2009 Titan-24 survey showed a coincidence of significant copper sulphide mineralization of known deposits with chargeability anomalies as well as several previously unknown deep anomalies. The most attractive deep targets were located south of Ridgetop, flanking the Minto Main Pit (west, southeast, northwest, and northeast), and flanking the Minto North deposit (east, west, and north). The survey also identified a near surface target southwest of Ridgetop. MT results indicated steeply dipping fault-like structures with an estimated 70^{o} dip to the north, the most prominent being the DEF fault. Preliminary drill testing of the Titan-24 targets spanned from September 4 to October 17, 2009. Results of the drilling were variable returning promising copper mineralization intersections in 9 drill holes at Ridgetop Southwest and significant copper-gold mineralization in 2 holes southeast of Minto Pit (Minto East Discovery); however, in 9 holes at 8 other separate targets no significant copper-gold mineralization was encountered.

Similar to the 2009 Titan-24 survey, the expanded 2010 survey identified previously unknown moderate to deep anomalies; the most attractive new targets were located east of the Copper Keel trend (Wildfire), at Copper Keel NE, southwest of Ridgetop, at Airstrip SW, and northeast of the Minto airstrip. Drill testing of the 2010 Titan-24 chargeability targets spanned from June 25 to November 5, 2010. Further testing of select Titan-24 targets continued throughout the 2011 drilling campaign. Results of the 2010 drilling were variable returning significant

copper mineralization in more than 70 drillholes east of the Copper Keel trend (Wildfire discovery), and in 4 holes northeast of the Minto Pit (Inferno discovery). Promising copper-gold mineralization was observed in 3 holes southwest of Area 118, 4 holes at Copper Keel NE, and in 1 hole at Ridgetop NE. No significant results were encountered in 5 holes at three other separate targets. Results of the 2011 drilling were variable returning significant copper mineralization in more than 70 drillholes at Copper Keel NE and 26 holes at the Minto East 2 Discovery. Similar to 2010, some of the 2011 tested targets did not encounter significant copper-gold mineralization despite the intersection of multiple, thick sequences of foliated favorable host rock.

Future exploration programs will be more reliant solely on electrical/chargeability methods targeting deeper mineralization as the near-surface potential and discrete magnetic bull's-eyes have largely been targeted. MintoEx 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, the Minto North 2 prospect in late 2010, and the Minto North 2 deposit in 2012. 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.

In 2009, several other historic bedrock copper occurrences discovered in the 1970's 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. No exploration has been undertaken since 2012.

Mineralization

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 crosscut the sulphide mineralization. Sulphide mineralization is always accompanied by variable amounts of magnetite mineralization and biotite alteration. While these minerals occur in the non-deformed rocks they are present in the mineralized horizons in a much greater abundance in an order of magnitude greater than background.

Massive mineralization occurs locally over intervals exceeding 0.5 m in thickness and semi-massive mineralization over several metres in thickness may occur. In these sulphide rich areas, textures often resemble those seen in magmatic sulphide zones with sulphide mineralization interstitial to the rock forming silicate minerals. The higher grade portion of the Minto Main deposits roughly corresponds to the bornite zone where locally concentrations of bornite up to 8% by volume are seen. The precious metal grades are elevated in the bornite zone (very fine gold and electrum occur as inclusions in bornite) and occurrences of coarse grained native gold are noted almost exclusively in bornite-rich material. The chalcopyrite zone is characterized by the metallic mineral assemblage of chalcopyrite-pyrite +/- very minor bornite and magnetite. Empirical observations indicate the highest concentrations of bornite are associated with coarse grained, disseminated and stringer-style magnetite mineralization, up to 20% by volume locally.

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 potassium-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.

The Minto North, Minto East, and Minto East 2 Deposits exhibit a zoning from West to East. High-grade bornite-dominant mineralization is observed in the West with lower grade chalcopyrite-dominant mineralization in the East. Bornite mineralization occurs as strong disseminations and foliaform stringers locally >10% to occasional semi-massive to massive lenses up to 2 m in thickness. Mineralization at the Area 2/118/Copper Keel regions of the Minto South Deposit and at Minto North 2 is distinct in that mineralization is predominantly disseminated (plus occasional foliaform stringers) and the semi-massive to massive sulphide mineralization is absent; as a whole the mineralization is more homogeneous and consistent as compared to Minto North or Minto Main. Mineralization at both Ridgetop and the Wildfire region of Minto South are subdivided into the near surface horizons that have been affected by supergene oxidation and the more typical primary sulphide mineralization of the deeper zones. Chalcopyrite is the dominant sulphide in the lower zones, and bornite is only observed in minor amounts. Texturally, chalcopyrite occurs as disseminations and foliaform stringers, and is rarely observed as semi-massive to massive bands. Magnetite is coarse grained, disseminated, stringer-style, and can occur in bands up to 0.3 m in thickness, up to 20% volume locally.

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.

Structural deformation includes the ore-bearing deformation zones, as well as 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 centimetres 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.

Drilling

There are currently more than 1,360 drillholes within a roughly 16 square kilometre area at Minto. Under the direct supervision of MintoEx mine geologists, MintoEx drilled a total of 1,145 m in 17 holes of NQ-diameter on the Minto property at Area 2 between May and December 2016 and a sole 126 m drillhole at Minto North using the contractor, Driftwood Diamond Drilling Ltd., of Smithers, BC. MintoEx drilled a total of 115,054 m in 399 vertical and 37 angled, NQ and NTW-diameter, diamond drillholes at the Minto South Deposit from February 2006 to July 2011, October 2014 to March 2015 and July to December 2016. The average drillhole length is 257 m. Drillhole spacing ranges between 30 m to 60 m at the Area 2 resource sub-domain, 40 m at the Area 118 resource sub-domain, and 40 m to 60 m at the Wildfire and Copper Keel sub-domains. At Ridgetop, MintoEx drilled a total of 16,850 m in 139 NQ-diameter, vertical drillholes and three angled diamond drillholes from May 2007 to September 2009. The average length of the Ridgetop drillholes is 122.5 m. Drillhole collars are spaced between 20 m and 60 m apart. The mineralized zones dip moderately to the northeast. At Minto North, MintoEx drilled a total of 11,548 m in 71 vertical and 17 angled, NQ and NTW-diameter, diamond drillholes from January to October 2009. The average drillhole length is 130 m. Drillhole collars are spaced between 15 m and 20 m apart. Mineralized zones are shallowly dipping to the northwest. At Minto East, MintoEx drilled a total of 11,396 m in 13 vertical and 21 angled, NQ-diameter, diamond drillholes from April 2007 to August 2010 and in December 2015. The average drillhole length is 336 m, which are spaced approximately 40 m apart. Mineralized zones are shallowly dipping to the northwest. At Minto East 2, MintoEx drilled a total of 24,295 m in 13 vertical and 46 angled, NQ-diameter, diamond drillholes from 2011 to 2012. The average drillhole length is 412 m. Drillhole collars are spaced between 40 m and 80 m apart. At Minto North 2, MintoEx drilled a total of 1,566 m in 9 vertical, NQ-diameter, diamond drillholes from March to April, 2012. The average drillhole length is 174 m. Drillhole collars are spaced from 40 to 80 m apart. The mineralized zone is sub-horizontal.

A review of drill hole spacing was conducted for various mineralization zones in 2014 and it was identified that in-fill drilling was appropriate to reduce the drill spacing in some areas. The first area targeted was the planned pushback of the Area 2 pit (Area 2 Stage 3), with drilling conducted by Driftwood Diamond Drilling Ltd. in the fall of 2014. Nineteen holes were drilled, for a total of 3,026 meters, reducing the drill spacing to an approximate 40 m grid pattern. The program continued in January 2015 with an additional four NQ and 2 angled HQ drillholes totalling 959 meters in the Area 2 Stage 3 Area. The two angled holes were drilled for geotechnical assessment of potential pit wall stability. Drilling then continued to mid-March 2015, targeting gaps in drill coverage in the Area 118 underground area. Fourteen NQ holes, totalling 3,112 meters were completed in Area 118. Drilling was then put on hiatus until, lastly, one 369 meter drillhole for geo- mechanical assessment was drilled into Minto East during December 2015.

Drillhole collar locations were initially located using a differential GPS unit, followed by survey using a Trimble G8 GPS unit after completion of the drillhole. Since 2008, downhole survey measurements were taken primarily using a Reflex™ Flexit downhole survey tool. Although local magnetite concentrations sometimes prevented measurement of azimuth deviations, the tool provided overall readings that were realistic showing minor deviation in azimuth and dip. In 2010 a Reflex™ Maxibor II, which is not magnetically susceptible, was used in 22 drillholes in areas known to be highly magnetic. Between 2008 and 2015 we collected magnetic susceptibility data, but we determined that high magnetic susceptibility does not imply the presence of mineralization, even though magnetic susceptibility is elevated in mineralized intervals.

Mineralized intervals measured in the vertical drillholes are considered to be nearly true width because of the shallow- dipping nature of the mineralization. Drillcore is transported from the drill rig to the logging facility by the drilling contractor, where MintoEx personnel log it for geological, sampling, and geotechnical purposes. Geological data including lithology, structure, alteration, and mineralization is recorded for all drillholes. All drillcore is photographed.

Sampling and Analysis

Drill core samples are normally 1.5 m in length in foliated granodiorite (mineralized) and 3.0 m in length in the unfoliated granodiorite (waste) rock. The geological contact between these units is generally sharp and it is respected during sampling. Shoulder samples are taken in the waste at both the upper and lower contacts, consisting of a 1.5 m and a 1.0 m sample. Unfoliated granodiorite units between mineralized units are completely sampled if they are 10 m in thickness or less between mineralized, foliated units, otherwise they are sampled at the geologist's discretion.

Our quality assurance protocols require certified reference materials, sample blanks, and duplicate samples to be regularly inserted into the sample stream. Our samples have generally been sent to the ALS Geochemistry ("ALS") laboratory in Vancouver, but we have also used SGS Canada Inc. ("SGS") for parts of our drilling programs. MintoEx inserted one each of a certified reference material, blank, coarse reject duplicate and pulp reject duplicate with every 16 core samples until 2014. In 2014, a field duplicate sample, the other half of the core, was added to the suite of control samples except where whole core is required for metallurgical or geotechnical testing. The duplicate control samples are cycled between field duplicates, coarse reject duplicates and pulp reject duplicates within every batch of 20 samples including control samples. Umpire assaying of pulps at a secondary laboratory was conducted periodically, typically involving analysis of 0.5% or more of the core samples. Other quality control measures include random checks of drillhole collar locations using handheld GPS units and comparing entries in our database to original data sources. We consider our samples to be representative and we are not aware of any factors that may have resulted in sample biases. We do not know of any drilling, sampling, or recovery factors that could materially impact the accuracy or reliability of the drilling results.

Bulk density measurements are taken in both mineralized and waste material. Since 2005, a weight-in-air-weight-in-water method is used for bulk density determinations. In 2016, bulk density measurements were taken on whole sample intervals. From 2005-2015, measurements were taken at approximately every 1-3 m in mineralized zones,

every 5 m in poorly mineralized zones, and every 20-30 m in waste zones. Bulk density data obtained prior to 2005 were not used in the resource estimations because the data was constructed by correlating bulk density to copper grade based upon too few actual measurements and because the core upon which this method was constructed was destroyed in forest fires and the methodology could not be audited.

Security of Samples

Exploration work by MintoEx was conducted using a quality assurance and quality control program generally meeting industry best practices. All aspects of the exploration data acquisition and management including surveying, drilling, sampling, sample security, and assaying and database management were conducted under the supervision of appropriately qualified geologists and include written field procedures and verifications.

Analytical control measures typically involve internal and external laboratory control measures to monitor the precision and accuracy of the sampling, preparation and assaying. Insertion of certified reference material standards and blank material monitors the reliability of assaying results and is also important to prevent sample mix-up and monitor potential for cross contamination. Assaying protocols typically involve regular duplicate and replicate assays to monitor the reliability of assaying results throughout the sampling and assaying process.

Several audits of our drillhole database were conducted by SRK and Garth Kirkham between 2005 and 2012, in addition to internal validations; significant errors were not found.

Mineral Resource and Mineral Reserve Estimates

The mineral resource estimates for the Minto South Deposit ("MSD") and Ridgetop deposits were completed by Dr. Wayne Barnett, Ph.D., P.Geo., of SRK Consulting (Canada) Inc. ("SRK"), an independent Qualified Person as defined by NI 43-101. The effective date of the MSD resource estimate is May 31, 2015 and the effective date of the Ridgetop resource estimate is August 30, 2010. Marek Nowak, P.Eng., also of SRK, analysed the data, reviewed and validated the mineral resource estimates for MSD and Ridgetop. The MSD comprises the Area 2 (including the Copper Keel extension), Area 118, and Wildfire zones that form a part of the same system of mineralization. The most recent geological model in 2015 was created using Leapfrog Geo™ to update the foliated and non-foliated units, weathering horizons, and key fault structures offsetting the mineralization from the previous model created in GEMS™. Outlier samples were capped before compositing. Data were composited to 1.5 m lengths. Exploratory data analysis indicated gold and copper were highly correlated, so estimation parameters for both of these elements were the same. Copper and gold were estimated by ordinary kriging into blocks measuring 10 m Easting by 10 m Northing by 3 m Elevation. Silver and bulk density were estimated using an inverse-distance-squared method. Sample search ellipses were oriented to match the directions of the modelled geology. Estimation validation included visual checks, comparison of average grades to assess global bias, and generation of swath plots to assess smoothing of blocks compared to the declustered, input, composite data. For the Ridgetop deposit, a very similar process outlined above was followed to model the geology and conduct the mineral resources estimate, although entirely within GEMS™.

In 2016, mineral resource updates were undertaken for the P-Lens of the Area 2 deposit. This model supersedes the portion of the model representing the P-Lens of the Area 2 deposit completed in 2015 by SRK. The Area 2 P-Lens block model was updated by Marek Nowak, P.Geo., of SRK using the updated geological solid provided by Minto Geology. Grades were re-estimated using the same parameters used in the June 2015 iteration. The classification of Measured and Indicated Resources was revised slightly to take into account the 40 m drillhole spacing requirement for Indicated Resources. Existing Measured resources were re-classified as Indicated, as drillholes in this zone are not close enough to warrant a Measured classification.

The Minto East deposit was updated by Jeremy Vincent, P.Geo., Manager of Production and Development Geology, using the updated domain solid, modelled by Minto Ex. The new geological model provides a tighter confinement of the mineable mineralization, as obvious intervals of barren foliated granodiorite that run sub-parallel to the mineralization were excluded from the new interpretation. The updated interpretation is considered to better

represent what can be selectively underground mined at Minto. The Indicated classification boundary was adjusted slightly to take into consideration the 40 m drillhole spacing requirement.

The motivation for the revision and re-estimation of these two underground deposits is based off experience gained from mining the Area 118 underground lens, which extracted approximately 25% fewer tonnes at 25% higher grade than predicted by the model. This showed that the underground mining method was more selective at extracting higher-grade material than predicted by the block model. A review of other underground deposits such as Minto East 2 and Copper Keel is planned in 2017.

Garth Kirkham, P.Geo., FGC, an independent Qualified Person as defined by NI 43-101, is responsible for the Minto North, Minto East 2, and Minto North 2 resource estimates. The effective date of the Minto North resource estimate is December 1, 2009. Mining of this pit commenced in November 2015 and was completed in October 2016. A total of 477 kt of Measured and Indicated resources remain after removal of resources sterilized by the open pit (60 kt at 2.67% Cu).

The effective date of the Minto North 2 resource estimate is October 25, 2012. The Minto North 2 geology was modelled using cross-sectional interpretations taking into account lithology, copper grades and site knowledge. Samples were composited to 1.5 m lengths. Similar to the MSD and Ridgetop deposits, outlier samples were not top cut, but their influence was lessened by the use of restricted search distances above specified grade thresholds. Grades were estimated into blocks measuring 10 m Easting x 10 m Northing x 3 m Elevation using ordinary kriging, while bulk density was estimated using inverse distance squared. Search ellipses were oriented to match the directions of the modelled geology. Estimation validation included visual checks, comparison of average grades to assess global bias, and generation of swath plots to assess smoothing of blocks compared to the de-clustered, input, composite data.

The effective date of the Minto East 2 resource estimates is May 1, 2015. The Minto East 2 deposit is an underground target, located approximately 300 m below the surface. In 2015, the 100, 300, 500, 700, 800, and 900 zones in Minto East 2 were re-modelled using Leapfrog Geo™. Samples were composited to 2.5 m lengths to align with the selective mining unit. Outlier samples greater than 6.0% copper, 2.9 g/t Au, and 24 g/t Ag were top cut to limit the influence of high-grade samples. Grades were estimated into blocks measuring 5 m Easting x 5 m Northing x 5 m Elevation using Ordinary Kriging with a single-pass search strategy. Bulk density was estimated using inverse distance weighting. The search ellipses were oriented to match the modelled geology. Estimation validation included visual checks, comparison of average grades to assess global bias, and generation of swath plots to assess smoothing of blocks compared to the de-clustered, input, composite data.

Historically all Minto resources have been reported above a 0.5% Cu cut-off, as they demonstrated the potential for economic extraction by being captured within ultimate pits defined by pit-optimization software. With the completion of the Main, Area 2 and Area 118 open pits, along with underground mining of some of the lenses below these pits, this rationale was revisited to ensure we continue to report the resources appropriately.

Taking into consideration existing mine infrastructure, remaining mine life, and the tailings now contained in the Area 2 pit, an ultimate pit no longer captures the same quantity of material as before. SRK re-assessed the resources from both open-pit and underground perspectives. SRK first ran a Whittle shell to assess what could potentially be mined within an open pit using a 0.5% Cu cut-off. The Whittle shell run used the same economic parameters from the 2012 Phase VI PFS, and it was constrained by the Area 2 pit filled with tailings to the ultimate planned elevation of 799 m. The Whittle shell was significantly reduced from previous years due to the tailings restriction. SRK then estimated the resource grading 1% or greater below the Whittle shell, to demonstrate potential for economic extraction of underground resources. Blocks that showed a consistent trend that demonstrated a potentially mineable zone were retained, whereas isolated blocks that were deemed not to have reasonable prospects for economic extraction were removed from the total.

The change in cut-off had the largest impact on the MSD and Minto East 2 deposits, both of which have thick sequences of sub-economic mineralization. Net changes to the resources due to the change in cut-off grade for reporting amounted to a decrease of 11,263 kt at 0.72% Cu for Measured and Indicated resources, and a decrease of 9,575 kt at 0.70% Cu for Inferred resources

Mineral resources reported in Table 5 are based on the mineral resources models estimated by Dr. Wayne Barnett, P. Geo., Garth Kirkham, P.Geo., FGC, and Jeremy Vincent, P.Geo., and reflect mining activities until December 31, 2016. Discounting of the mineral resource models for mining activities was undertaken by Douglas McIlveen, P.Geo., Chief Geologist with MintoEx, and a Qualified Person as defined by NI 43-101. Block model depletion from mining activities in 2016 totalled 1,603 kt at an average grade of 2.38% Cu.

All open-pit mineral resources are presented above a 0.5% copper cut-off, while underground resources are reported above a 1.0% Cu cut-off grade. Mineral resources are reported inclusive of mineral reserves. Stockpiles are reported as Measured mineral resources. Measured and Indicated resources as at December 31, 2016 total 30,918 kt at 1.15% Cu.

TABLE 5: MINTO MINE ESTIMATED MINERAL RESOURCES AS AT DECEMBER 31, 2016

Classification	Tonnes (kt)	Copper (%)	Silver (g/t)	Gold (g/t)	Contained Copper (kt)	Contained Silver (koz)	Contained Gold (koz)
Minto South Deposit (MSD) (Open Pit and Underground)							
Measured (M)	3,466	1.09	3	0.41	38	374	45.2
Indicated (I)	17,723	1.08	3	0.37	192	1,893	212.0
Total (M+I)	**21,189**	**1.09**	**3**	**0.38**	**230**	**2,268**	**257.2**
Inferred	12,445	0.80	2	0.22	100	969	89.3
Ridgetop (Open Pit)							
Measured (M)	1,531	0.98	2	0.25	15	105	12.3
Indicated (I)	3,534	0.87	3	0.30	31	326	34.1
Total (M+I)	**5,065**	**0.90**	**3**	**0.28**	**46**	**431**	**46.4**
Inferred	318	0.75	2	0.13	2	16	1.3
Minto North (Open Pit)							
Measured (M)	221	0.94	3	0.21	2	20	1.5
Indicated (I)	257	1.00	6	0.61	3	46	5.0
Total (M+I)	**477**	**0.97**	**4**	**0.42**	**5**	**67**	**6.5**
Inferred	28	0.70	3	0.32	0	3	0.3
Minto East (Underground)							
Measured (M)	-	-	-	-	-	-	-
Indicated (I)	919	2.35	6.90	1.01	22	204	29.8
Total (M+I)	**919**	**2.35**	**7**	**1.0**	**22**	**204**	**29.8**
Inferred	124	1.48	5	0.6	2	20	2.5
Minto East 2 (Underground)							
Measured (M)	-	-	-	-	-	-	-
Indicated (I)	2,778	1.72	7	0.80	48	629	71.8
Total (M+I)	**2,778**	**1.72**	**7**	**0.80**	**48**	**629**	**71.8**
Inferred	1,889	1.38	4	0.50	26	247	30.1
Minto North 2 (formerly Inferno North)							
Measured (M)	-	-	-	-	-	-	-
Indicated (I)	-	-	-	-	-	-	-
Total (M+I)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Inferred	1,419	1.42	5	0.51	20	214	23.3
Stockpiles							
Stockpiles (Measured)	489	1.42	6	0.41	7	92	6.4
Minto – Total Mineral Resources							
Measured (M)	5,707	1.09	3	0.36	62	592	65.5
Indicated (I)	25,211	1.17	4	0.44	295	3,098	352.7
Total (M+I)	**30,918**	**1.15**	**4**	**0.42**	**357**	**3,690**	**418.2**
Inferred	16,223	0.93	3	0.28	150	1,470	146.8

NOTE: *Dr. Wayne Barnett, Ph.D., P.Geo., of SRK Consulting (Canada) Inc. ("SRK"), is the Qualified Person responsible for the mineral resource estimates of the MSD and Ridgetop deposits. Garth Kirkham, P.Geo., FGC, of Kirkham Geosystems Ltd., is the Qualified Person responsible for the mineral resource estimates of the Minto North, Minto East 2, and Minto North 2 deposits. Jeremy Vincent, P.Geo., Manager of Production and Development Geology at Capstone is the Qualified Person responsible for the estimate of the Minto East mineral deposit. Mineral resources are reported as at December 31, 2016 above a 0.5% Cu cut-off grade for potential open-pit scenarios and above a 1.0% Cu cut-off grade for underground mining scenarios. Stockpiles are treated as Measured mineral resources. Mineral resources are not mineral reserves and do not have demonstrated economic viability. Mineral resources are presented inclusive of mineral reserves. Totals may not sum exactly due to rounding.*

The mineral reserve estimates for MSD – Area 2 pit were completed by Pooya Mohseni, P.Eng., Mine Manager with MintoEx, and a Qualified Person as defined by NI 43-101. The mineral reserve estimates were generated using a NSR model that estimates metal prices, exchange rates, mining dilution, mill recovery, concentrate grade, and offsite costs. Economic pit shells were generated using the Whittle™ mine planning software. The pit shells were further optimized by Minto personnel to developed detailed pit designs. In the fourth quarter of 2015, an engineering change occurred whereby the Area 2 Pit mineral reserves were updated taking into account changes to MSD block model. No revisions were made to the Area 2 Pit reserves in 2016.

The mineral reserves for the MSD – Area 2 underground, Minto East underground, and MSD – Copper Keel underground were completed by Pooya Mohseni, P.Eng. The mineral reserves estimates were generated using a NSR model and then reported above a NSR cut-off value of C$ 64.40/t. The success in MSD – Area 118 and Area 2 (M-zone) mining established the viability of the long-hole mining method at Minto. All underground reserves for the remaining MSD – Area 2 underground, Minto East underground, and MSD – Copper Keel underground zones are based on the long-hole mining method.

In 2016, Area 2/Area 118 underground mineral reserves were depleted with the completion of mining of MSD – Area 118, and the start of mining of MSD – Area 2. In addition, the reserves for MSD – Area 2 underground and Minto East were updated using revised geological interpretations and block models. In total, the reserves for MSD – Area 2/Area 118 underground were reduced by 44% in tonnage and 32% contained copper in 2016. 82% of the reduction was due to depletion and 18% due to the geological interpretation and block model update. The Minto East update resulted in a reduction of 8% in tonnage and an increase of 6% in contained copper. Minor revisions were made to the MSD – Copper Keel underground reserves in 2016 as a result of revisions to the ore loss and dilution estimates. The MSD – Copper Keel underground reserve change is not material in nature.

Underground production is scheduled to continue in MSD - Area 2 underground in 2017.

All other mineral reserves remain unchanged except for the stockpiles, which experienced significant depletion. Kevin Cymbalisty, P.Eng., Chief Engineer at Minto Ex, and a Qualified Person as defined by NI 43-101, oversaw the process of discounting the mineral reserves models for mining activity until December 31, 2016 (Table 6).

TABLE 6: MINTO MINE ESTIMATED MINERAL RESERVES AS AT DECEMBER 31, 2016

Classification	Tonnes (kt)	Copper (%)	Silver (g/t)	Gold (g/t)	Contained Copper (kt)	Contained Silver (koz)	Contained Gold (koz)
Minto North Open Pit							
Proven	-	-	-	-	-	-	-
Probable	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**
MSD - Area 2 Open Pit							
Proven	-	-	-	-	-	-	-
Probable	807	1.21	1	0.41	10	26	10.6
Total	**807**	**1.21**	**1**	**0.41**	**10**	**26**	**10.6**
Minto East Underground							
Proven	-	-	-	-	-	-	-
Probable	625	2.07	6	0.89	13	120	17.9
Total	**625**	**2.07**	**6**	**0.89**	**13**	**120**	**17.9**
MSD – Area 2 / 118 Underground							
Proven	-	-	-	-	-	-	-
Probable	381	2.06	8	0.87	8	103	10.7
Total	**381**	**2.06**	**8**	**0.87**	**8**	**103**	**10.7**
MSD – Copper Keel Underground							
Proven	-	-	-	-	-	-	-
Probable	1,616	1.73	6	0.63	28	315	32.5
Total	**1,616**	**1.73**	**6**	**0.63**	**28**	**315**	**32.5**
MSD - Wildfire Underground							
Proven	-	-	-	-	-	-	-
Probable	-	-	-	-	-	-	-
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Stockpiles							
Proven	489	1.42	6	0.41	7	92	6.4
Total	**489**	**1.42**	**6**	**0.41**	**7**	**92**	**6.4**
Total Minto Reserves							
Proven	489	1.42	6	0.41	7	92	6.4
Probable	3,429	1.71	5	0.65	59	563	71.7
Total Minto	**3,919**	**1.67**	**5**	**0.62**	**65**	**655**	**78.2**

NOTE: *Pooya Mohseni, P.Eng., Mine Manager at Minto, is the Qualified Person responsible for the estimation of the Minto mineral reserves. Mineral reserves are reported as at December 31, 2016. Mineral reserves are reported above a cut-off grade of 0.5% Cu for open-pit material and above a US$ 64.40/t NSR cut-off for underground material. Stockpiles are treated as Proven mineral reserves. Metal price assumptions used to determine NSR cut-off for all deposits are: Cu=$2.50, Au=$300, Ag=$3.90. Process recoveries for all deposits are: Cu=91%, Au=70, Ag=78%. Totals may not sum exactly due to rounding.*

Mining Operations

The Minto Mine is an open pit and underground mining operation that commenced in 2007. Open pit mining uses conventional drill and blast, and truck and shovel contractor fleet. Pit designs vary on the site but are typically 12 m benches with a double bench configuration. Underground operations primarily use long-hole open stoping, with some smaller areas of room and pillar. Access to the underground workings is via a single service and haulage ramp.

Run-of-mine ore is stockpiled on surface depending on the copper grade of the material. A loader transports the stockpiled material to the primary crusher which feeds a gyratory crusher. The crushed product is then fed to a conventional grinding and flotations circuit to produce a bulk copper concentrate. The concentrate is thickened and filtered to produce product suitable for transport. The product is transported by truck to Skagway, Alaska for export.

In 2016, open pit mining activities were focused on the continued mining and completion of Minto North pit. Underground mining activities were focused on the completion of Area 118 production, and the development and start of production in Area 2.

The Yukon Environmental and Socio-economic Assessment Board completed its evaluation for the Phase V/VI expansion in April 2014. An amended and renewed Quartz Mining Licence for the entire Phase V/VI expansion was received in December 2014. Minto received its Water Use Licence amendment for Phase V/VI operations in August 2015.

Federal and Territorial income tax applies to the Minto Mine. Taxable income generally starts with the before-tax cash flow and essentially deducts the cost of building and developing the mine and mill (Class 41a un-depreciated capital costs ("UCC"), Canadian exploration expenses ("CEE") and Canadian development expense ("CDE")) as would be expected over the life of the mine and as allowed by the Canadian tax rules. Generally Class 41a UCC and CEE can be deducted 100% against profit from the mine while CDE can only be deducted on a declining balance basis at 30% per year. The losses that are generated in the first few years of mine operation are deducted against income in later years.

The Yukon QMA Royalty also starts with before-tax cash flow from the cash flow portion of the model and deducts depreciation at 15% per year on a straight-line basis for the mine capital assets and mill capital assets. It deducts deferred pre-operating costs that are not capital assets on a unit of production method. The Yukon QMA Royalty does not have a loss carryover or carry back provision. Taxes are paid at rates that increase as income increases to a maximum of 12%.

Underground mining at Minto will continue until early Q4 2017 and surface mining of the Area 2 Stage 3 pit commenced in Q1 with completion expected in Q3 2017. The mill will continue to process stockpiled material and is scheduled to run at full capacity until the end of 2017. The current plan is to place the operation on temporary care and maintenance at the end of 2017. However, as Minto has an approximate 3-year mine life beyond 2017 in reserves, Capstone management is continuing to review the economics of additional mining which could extend operations. Depending on the outlook for copper prices in the second half of 2017, the option may exist to extend production from Minto into 2018 and beyond.

The impairment of $44.9 million that was recorded in 2015 against the carrying value of Minto's mineral property, plant and equipment reflected the shortened mine life as a result of the impact of near-term copper price volatility on the mine's economics. The impairment was recorded based on a project valuation using a discounted cash flow model based on the most current operating plan and assumptions as well as management's best estimates, generally relying on either the forward markets or analyst consensus, for metal prices and exchange rates. Management used an after-tax discount rate of 8%.

The long-term metal price assumption used for the estimation of Mineral Reserves at Minto remains $2.50 per pound of copper.

Exploration and Development

No exploration activities are slated at Minto for 2017, although a limited amount of in-fill drilling, to tighten up spacing for short term planning purposes in areas of existing reserves, may be considered.

Mining of the Minto North pit was completed in September 2016, with the mill continuing to process Minto North material until the end of Q1 2017.

Santo Domingo Project (Chile)

With copper and iron prices continuing to deteriorate in 2015, Capstone suspended most work on its Santo Domingo project in September 2015, and has since downsized the Santiago and Diego de Almagro offices in Chile. A decision to renew development work will be contingent on a range of factors, including an improvement in the longer term outlook for copper and iron prices. The Company has also taken two impairment charges, one in 2015 and a second in 2016, to reflect the impact on value of the reduction in the consensus view of long term iron prices. Reference should be made to the consolidated financial statements which are available in their entirety on SEDAR at *www.sedar.com* under Capstone's profile.

In light of the current depressed iron market, a number of preliminary internal studies were carried out in 2015 to evaluate development options for copper only and/or copper with a deferred option to expand to iron production in the future. While these preliminary studies indicate the possibility of an economic case for a staged development of the resource, work was suspended in late 2015 due to depressed conditions in the commodities markets in general. In 2016 a study was completed that evaluated the economics of combining Santo Domingo with another copper deposit under a central processing facility. This study has been completed and next steps are presently being reviewed.

The Santo Domingo Project is the subject of a report titled "Santo Domingo Project, Region III, Chile, NI 43-101 Technical Report on Feasibility Study" dated May 22, 2014 (the "Santo Domingo Report"), that summarizes the Feasibility Study completed on the Project in 2014. This technical report was authored by Joyce Maycock, P.Eng., David Frost, FAusIMM, Vikram Khera, P.Eng., Carlos Guzman, FAusIMM, Roy Betinol, P.Eng., Hans Gopfert, P.Eng., Anna Klimek, P.Eng., David Rennie, P.Eng., and Tom Kerr, P.Eng., each a Qualified Person as defined in NI 43-101. The following descriptions of the Santo Domingo Project are based on assumptions, qualifications and procedures which are set out in the Santo Domingo NI 43-101 Technical Report. Reference should be made to the full text of this report which is available in its entirety on SEDAR at *www.sedar.com* under Capstone's profile.

Project Description and Location

The Santo Domingo Project is based on a large open pit copper/gold/magnetite resource located approximately two hours north of Copiapó by paved road and 7 km southeast of the town of Diego de Almagro in Region III of Northern Chile. The Santo Domingo property was originally part of the BHP Candelaria project area, which consisted of eight non-contiguous concessions in a north-south corridor extending between the towns of Taltal to the North and to a point about 75 km South of the city of Copiapó.

The project was owned by Far West, which was formerly a Toronto Stock Exchange ("TSX") listed mineral exploration company headquartered in Vancouver. The initial Candelaria Project land package assembled by BHP in 2002 consisted of 3,434.5 km2 of exploration concessions. In 2002 and 2003, Far West and BHP entered into Project Area Agreements that allowed Far West to earn an interest in the concessions within the project area. Effective August 5, 2003, Far West assigned interests in the Project Area Agreements to its wholly owned Chilean subsidiary, Minera Lejano Oeste S.A. ("MLO"). On May 4, 2005, BHP terminated any interest in the concessions within the project area and commenced transfer of title of all these concessions to MLO in exchange for a retained 2% NSR royalty. As of the date of the Santo Domingo Report, all concessions in the Candelaria Project area are 100% owned by MLO. On June 17, 2011, Far West was acquired by Capstone at the same time as Capstone entered into a strategic relationship with Korea Resources Corporation ("KORES"). The terms of this relationship provided for amongst other things, a private placement in the equity of Capstone, representation on the Board of Directors of Capstone, the acquisition of a 30% interest in the project by KORES, participation in the financing of the project as well as an agreement to enter into a life of mine off-take agreement for 50% of the production of copper and iron from the project on prevailing market terms.

Far West, a subsidiary of Capstone, controls 100% of four groups of concessions with a total of 178 claims (82 exploitation concessions totalling 19,375 ha and 96 exploration concessions totalling 17,000 ha) that cover a total

of 36,375 ha and includes the areas of the planned mine site, plan area, and auxiliary facilities including proposed port facilities and the planned seawater and concentrate pipelines from the port to the mine. The centre of the deposit is located at approximately 26°28'00”S and 70°00'30”W.

No surface rights are currently held by Capstone in the project area, but the process to acquire surface rights is well understood. We have proposed to consolidate Capstone’s property in the areas covering the deposit and the process facilities by purchasing these lands through the Ministerio de Bienes Nacionales. It will be necessary to either acquire a total of 3,901.3 ha or complete the creation of mining easements for the installation and use of various facilities. Capstone also proposes to apply for one or more mining rights-of-way in the areas of interest of the project such as the pipeline route, access roads and off-site ancillary facilities to safeguard these areas. The project has received government guarantees for the rights of way required by the Project for the areas currently identified. There is sufficient suitable land available within the exploitation concessions for the planned tailings disposal, mine waste disposal, and mining-related infrastructure such as the open pit, process plant, workshops and offices.

The project as currently envisaged will not require an application for water rights. The water for the operation will consist solely of seawater. A maritime concession has been requested to allow the extraction of seawater.

There are 752 identified permits that will be required to support operations. Fifteen of these permits are considered to be on the critical path for timely construction and start-up of the project.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Access to the Santo Domingo property area is 1 km off the paved highway C-17 from Diego de Almagro (5 km to the North) to Copiapó (approximately 120 km to the South).

The Santo Domingo property is located in the Atacama Desert, one of the driest regions on earth. The climate is arid and the weather is generally clear and warm in all seasons and poses no limitations on field activities. The closest weather station where temperature and precipitation measurements have been recorded for some time is the city of El Salvador. The daytime high and low temperatures there are 26°C and 0.8°C for July, and 30°C and 9.8°C for January, respectively. The highest average recorded precipitation is in May at 14.8 mm and the lowest is in December at 0 mm.

The region has well-established infrastructure (power, water, transportation, work force, etc.) to service the mining community. There is no infrastructure at Santo Domingo property itself other than gravel roads for access to the property and drill sites. The project is approximately 1 km from a paved highway and 5 km from a sub-station that provides power to the town of Diego de Almagro.

Several cities or towns are near the Santo Domingo property. Diego de Almagro, located adjacent to the property, has a population of approximately 16,000 people. Chañaral is a deep-sea port less than one hour’s drive to the west of the property. It has a population of approximately 10,000 people, hotel accommodations, food, fuel, and minor services. The most important logistical centre in the region is Copiapó, approximately two hours’ drive to the south of the Santo Domingo property. It has a population of approximately 150,000 people, an airport with daily scheduled flights to Santiago and Antofagasta, and abundant businesses offering services specific to mining and exploration.

Vegetation is very sparse. In the valley bottoms, plant life consists of small, widely-spaced bushes a few tens of centimetres in height. Hillsides and peaks are generally devoid of any vegetation. In spite of the dry conditions, hills of gentle to moderate relief have been cut by deep gullies and flanked with gravel-filled valleys and alluvial fans; evidence of water movement preserved since conditions were less arid. Elevations range from approximately 900 m to 1,500 masl.

Seismic zone maps of South America indicate that the project area is likely to have high seismicity and the site is considered part of Zone 3 (shores) according to the Chilean National Design Code Nch2369, with a peak ground

acceleration of 0.4 *g*. Figure 4 illustrates the location of the proposed project infrastructure, including the seawater pipeline system, process plant, thickeners, tailings distribution box, and open pit locations.

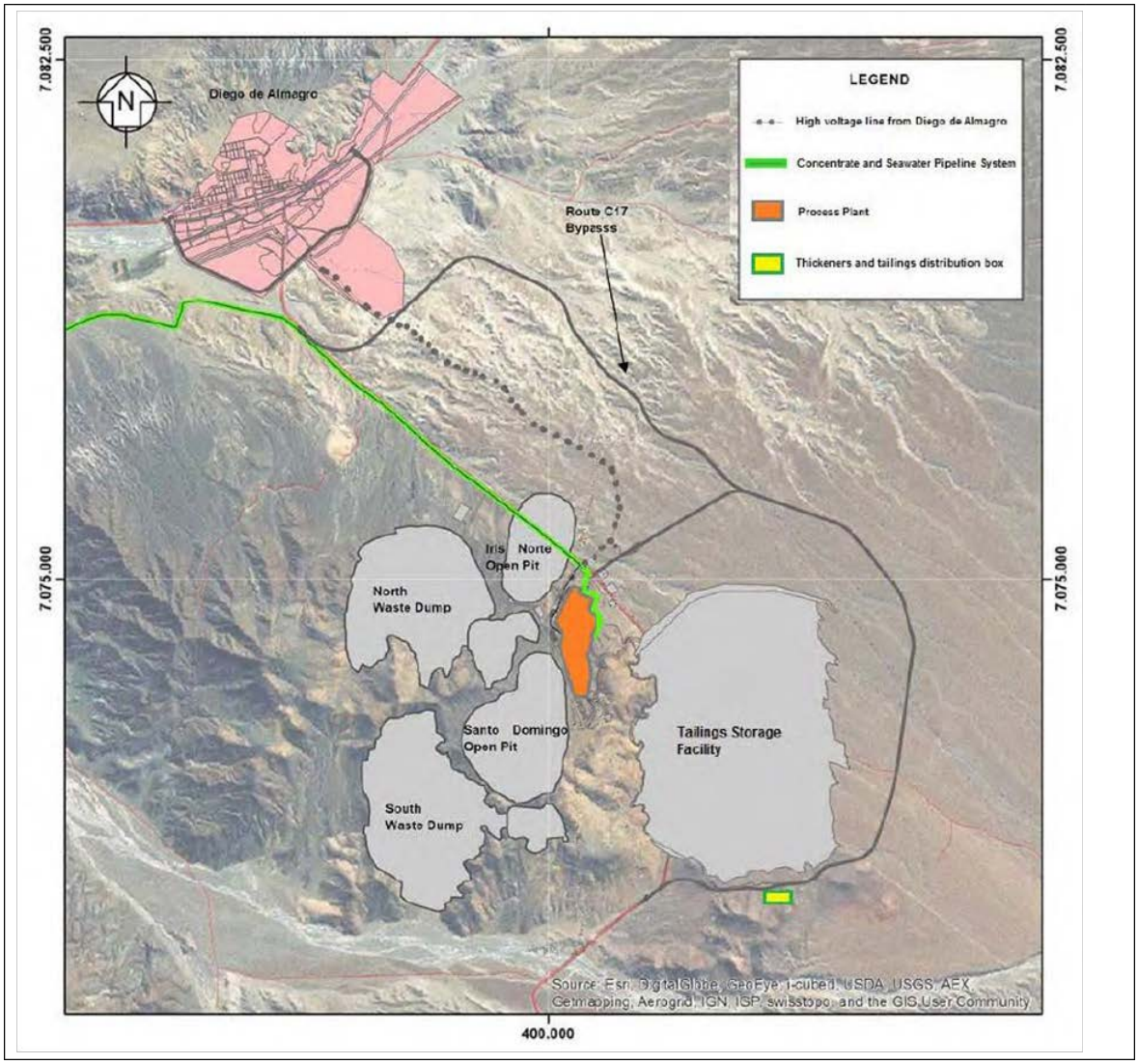


FIGURE 4: SANTO DOMINGO PROPOSED PROJECT INFRASTRUCTURE

History

Mining for copper, gold, and iron has been ongoing in this area since early in the 19th century. Small mines in the region supplied copper ore to smelters in both Chañaral and Pan de Azúcar. Independent copper mines have been in operation on what is now Anglo American's Manto Verde deposit (located 25 km Southwest of the Santo Domingo property) since the late 1800s, but significant production in this area started in 1906. Between 1906 and 1935, a reported total of 400,000 tonnes grading in excess of 3% Cu was mined from the Manto Verde fault zone.

Previous ownership of concessions in the Santo Domingo property is unknown. The area appears to have had a relatively long history of small-scale mining and prospecting. Mining activities on the nearby Manto Verde deposit date back to the late 1800s and it is probable that workings in the Santo Domingo property have a similar age.

Many small inactive mines and a myriad of pits occur throughout the property area. The mines typically exploited copper mineralization hosted in narrow (one meter to five meters) steeply-dipping veins and, in some cases adjacent strata to these veins. The largest mines are located along approximately 700 m of the Santo Domingo

structure. These mines include La Estrella, La Estrellita, El Iris, and others. Judging by the size of the dumps and number of adits, it is possible that this specific area produced upwards of 500,000 tonnes. A second area of minor production is a small open pit with peripheral underground workings on the Caprichosa concession in Target Area 4a2 (Far West nomenclature) that may have produced in the order of 20,000 tonnes of copper oxide-bearing rock coming from a stratum dominated by specular hematite. However, surface workings at the majority of the mines in the Santo Domingo property (other than those noted above) are generally less than a few tens of metres in length and the extent of underground development is unknown. Judging by the quantity of dump material adjacent to most of these mines, it is probable that production was no more than a few thousand tonnes at any one site.

The initial Candelaria Project land package was assembled by BHP in 2002, who then flew a Falcon™ gravity and magnetic survey over a portion of the northern Chilean Iron Belt, including the Santo Domingo Project area. In 2002 and 2003, Far West and BHP entered into Project Area Agreements that allowed Far West to earn an interest in the concessions within the project area. Effective August 5, 2003, Far West assigned interests in the Project Area Agreements to MLO. On May 4, 2005, BHP terminated any interest in the concessions within the project area and commenced transfer of title of all these concessions to MLO in exchange for a retained 2% NSR royalty.

Exploration comprised initial geological mapping (50 km2) at 1:25,000 scale, surface and drainage sampling, interpretation of existing airborne geophysical data, and induced polarization ("IP") survey, and core and reverse circulation ("RC") drilling that outlined the Santo Domingo Sur ("SDS"), Estrellita, and Iris deposits. Drilling was originally designed to target gravity and magnetic anomalies for IOCG mineralization of Candelaria or Manto-Verde style. In April 2005, drillhole 22 intersected iron oxide mantos with copper mineralization of grade and width that had the potential to be economic. Further drilling in the area outlined the SDS deposit. Subsequent drilling to the northwest of SDS following a north-northwest trending gravity anomaly discovered and outlined the Iris deposit with mineralization of similar style to SDS. Additional drilling in the northwestern part of the Santo Domingo area, around the small-scale Estrellita mine workings, outlined the Estrellita deposit, which is more similar to Manto Verde as it represents copper oxide mineralization along a fault zone. The 2008 drilling outlined a new zone of mineralization known as Iris Norte. Additional holes have been drilled to test other gravity and magnetic features in the Santo Domingo area and intersected widespread but discontinuous copper mineralization around the four outlined deposits. An initial copper-gold resource estimate was performed in 2006 for the SDS deposit and updated in 2007, which then included copper-gold resource estimates for Estrellita and Iris. As of May 31, 2010, drilling in the Santo Domingo area totalled 106,886 m in 398 holes.

In 2008, a preliminary economic assessment ("PEA") was undertaken. This envisaged two open-pit mining options, one being mining the SDS deposit for the recovery of copper, gold and iron from magnetite; the second being mining the SDS and Iris deposits for the recovery of copper, gold and iron from magnetite and hematite. The resource estimate supporting the PEA was updated to include iron as an element of interest. Results indicated that the options were revenue negative under the assumptions in the study; however, changes to the base-case metal price assumptions did result in positive economics, and additional work was recommended.

Geological Setting

The Santo Domingo deposit is located in the Chilean Iron Belt ("CIB") to the east of the Atacama fault zone, a complex sinistral strike-slip and dip-slip fault system that runs sub-parallel to the coast of Northern Chile for over 1,200 km. The CIB contains a large number of copper and iron deposits of cretaceous age. The geology of the belt consists of volcanic flows and tuffs, dioritic intrusives and calcareous sediments typical for a volcanic arc environment. The geology of the Santo Domingo area is dominated by andesitic volcanic flows and limestone horizons with occasional outcrop of diorite intrusions. Large parts of the deposit are covered by younger cover consisting of clay and gravel. The CIB is characterized by a large number of small surface showings of copper oxide, frequently accompanied by specular hematite. The Santo Domingo deposit is essentially blind and is hosted by extensive tuff horizons that are overlain by andesitic volcanics.

The Santo Domingo Project lies on the east side of the Atacama fault complex which, in this area, consists of numerous clusters of generally north-south structural breaks in a belt approximately 30 km wide. It appears that the 10 km wide westernmost cluster, which hosts the Manto Verde copper deposit, is the main part of the fault system.

The bulk of the rock exposed in the Santo Domingo Project appears to overlie the Punta del Cobre volcano-sedimentary sequence. It is an intercalated and interfingered sequence of volcaniclastics, andesite flows, limestone, and calcareous sedimentary rocks, probably of the Lower Cretaceous Bandurrias and Chañarcillo Groups. The Bandurrias Group is defined as a predominantly volcanic sequence of andesite flows and volcaniclastic rocks. Chañarcillo Group rocks consist largely of limestone and calcareous marine sediments. Both definitions match observed geology on the Santo Domingo Project. The project area is divided into a number of structural blocks with different lithological characteristics suggesting the blocks are at different levels.

Exploration

Much of the exploration work in the Santo Domingo area was conducted by previous owners of the property. Exploration work completed by Capstone between August 2011 and May 2014 consisted of a detailed aerial survey of the plant site area using a scale of 1:1,000 and a 1 m contour spacing, which was prepared by Fugru Interra S.A. in 2012. The topography covers an area of approximately 16,000 ha for the plant site, port facilities and pipeline routes.

Exploration work undertaken on the project in October 2013 consisted of a versatile time-domain electromagnetic ("VTEM") and aeromagnetic geophysical survey covering 356 line-kilometres by Aeroquest Airborne or Aurora, Ontario, Canada. In November 2013, Aeroquest Airborne conducted an airborne z-axis tipper electromagnetic ("ZTEM") and aeromagnetic geophysical survey covering 369 line-kilometres. In 2014 Condor Consulting Inc. ("Condor") assessed available geophysical datasets from both the recent and historical airborne and ground surveys carried out during the past 12 years in the project area. The work resulted in the geophysical characterization of the signatures of the three mineralized occurrences (Santo Domingo, Iris, Estrellita) and the generation of seven target zones of varying priority for follow-up exploration.

The project has been explored for its large tonnage potential as a primary consideration. There has been no exploration targeting small lenses of mineralization in the 1-5 Mt range. Copper oxide mineralization is known to exist on the property but has also not been targeted specifically. Additional potential exists for iron mineralization without copper, which so far has been deemed uneconomic by itself, but has potential once an operation is built in the project area. The main iron potential is located around Iris Norte and to the south of Santo Domingo Sur, where magnetite occurs in skarn zones of unknown size.

Mineralization

Copper-bearing IOCG-type mineralization is widespread in the Santo Domingo area. Specular hematite and copper oxides (including chrysocolla, brochantite, and malachite) are the typical near-surface mineral assemblages. Copper oxides typically persist to 70 m to 90 m below surface, with chalcopyrite being the dominant copper mineral at greater depths.

Manto replacement-style mineralization in tuffaceous or calcareous sediments is widespread on the property. In the Estrellita and Estefania areas, several gently north-dipping, strata-bound iron oxide (specular hematite near surface, grading to magnetite at depth) ± copper horizons, up to 12 m thick, occur in roughly the same 200 m stratigraphic interval, and have been tentatively traced with drilling or extrapolated across 3 km of strike length. Mineralization typically occurs within a simple single-phase breccia of fine-grained, calcareous tuffaceous sediment. The breccia matrix typically consists of fine-grained specular hematite with disseminated, stringer and fracture-coating copper oxides, and rare clots of chalcopyrite. Breccia horizons appear to be largely strata-bound, but to the south are discordant, following the steeply- dipping Santo Domingo fault, suggesting that this fault may have been a fluid conduit.

In the SDS deposit, copper mineralization occurs in a sequence of iron oxide mantos within a tuffaceous package between andesitic flows. Drilling has identified a 150 m to 500 m thick, mineralized sequence covering an area of approximately 1,300 m by 800 m. Mineralization consists of stacked chalcopyrite-bearing specularite-magnetite mantos, within tuff and tuffaceous sediments overlain by andesitic flows.

The Iris deposit is approximately 500 m wide, with a strike length of 1,600 m. The deposit consists of iron oxide mantos and breccias along a North-Northwest-striking fault zone. Mineralization occurs close to surface at the Southern end and plunges gently towards the North. The distribution of copper mineralization in the Iris deposit is more erratic and irregular than in the SDS deposit, owing to the fact that structural control seems to have played a greater role in the Iris deposit than in the more continuous stratiform replacement style mineralization at SDS. The dominating iron oxide at Iris is hematite, while the main copper mineral is chalcopyrite. There are some old mine workings at the southern end of the deposit where copper oxides such as brochantite and chrysocolla were mined at surface. The mineralization is hosted by a specularite manto that is cut by steeply-dipping structures. The extent of mineralization at surface is approximately 100 m by 60 m.

The Estrellita deposit is an east-west-striking, flat-lying to shallowly north-dipping tabular body lying approximately 3.5 km northwest of SDS. The zone has been faulted into a series of four blocks which step downwards to the north, with displacement across the faults ranging up to approximately 75 m. The overall footprint of the zone measures 900 m long by 450 m wide, and is up to 100 m thick. The zone is thickest in the middle and narrows somewhat towards the periphery. There are narrower zones of limited lateral extent in the footwall of the main zone. Mineralization at the Estrellita deposit is a mixture of manto-style iron oxide and structurally controlled, vein-style mineralization. The central part of the Estrellita deposit consists of a more or less horizontal tabular body of iron-oxide manto that appears to have formed at the intersection of a horizontal and a steeply dipping set of specular hematite structures. Mineral zoning is further complicated by the presence of copper oxides due to supergene weathering process affecting the deposit in areas nearer to surface.

Drilling

In late 2011 and early 2012, Capstone conducted an infill drilling campaign that was designed to elevate Indicated mineral resources located within the projected first three years of production to the Measured resources category. A secondary purpose was to collect material for metallurgical test work at the feasibility-study level. The campaign consisted of 66 diamond drillholes for a total of 13,282 m of additional drilling. A revised mineral resources estimate incorporating the results of the latest infill drilling campaign has been included in the published NI 43-101 Technical Report as well as the completed Definitive Feasibility Study (“DFS”).

Drilling was contracted to Harris y Cia., Major Drilling, Geo Operaciones and Captagua, all based in Chile. Most of the RC drilling was conducted by a truck-mounted Schramm Rotadrill. The diamond drilling was conducted by various types of equipment. HQ-diameter core was typically drilled to a depth of approximately 300 m, below which NQ-diameter core (47.6 mm diameter) was drilled. Samples, taken in two-metre intervals for RC, were collected by drilling personnel, and tagged and organized by Far West personnel. A geologist was generally on site during most of the day shift for RC drilling.

Diamond drill core was sampled in one-metre (all diamond drillholes before 2010) or two-metre (diamond drillholes 2010) intervals that were marked by Far West geologists in order to adjust the samples to geological units. Most holes are vertical as the orientation of mineralization at SDS and Estrellita is horizontal or gently dipping. Inclined holes, particularly diamond holes, were drilled in order to establish the limits of mineralization at the edges of the deposits as well as to establish the structural framework at Estrellita, Iris, and Iris Norte. Drillhole collars were located using a differential GPS. Coordinates are accurate to within one metre or less. Relative elevations between holes in close proximity (such as at SDS) were determined using a tight chain and clinometer. Downhole surveying was conducted using a combination of gyroscope and accelerometer, with measurements taken every 10 m.

Sampling and Analysis

Reverse circulation drill cuttings were collected at 2 m intervals. Core was nominally sampled at 2 m intervals. Samples for assay were marked at 1 m and 2 m intervals by technicians and subsequently adjusted by the geologist to correspond to major lithological contacts. For programs conducted prior to 2011, sample lengths were not less than 0.5 m and most did not exceed 2 m. The shortest and longest sample lengths in 2011–2012 were 0.7 m and 2.7 m, respectively, and most samples were 2 m long.

The primary analytical laboratory was ALS Chemex, and the facilities in La Serena, Chile and Antofagasta, Chile were used. Both of these facilities have ISO 9001:2008 accreditation and La Serena has ISO 17025 accreditation. Sample preparation consisted of drying, crushing to minus #10 Tyler >70%, homogenizing and then pulverizing to minus #200 Tyler >85%. Samples were analysed for 27 elements via ALS Chemex procedure ME-ICP61, using inductively coupled plasma ("ICP"). Gold assays were determined using fire assay with an AAS finish. Copper values over 10,000 ppm were re-assayed. Due to the ME-ICP61 method understating the iron content, 7,401 samples from the 2010 drill program were resubmitted for assay using a method with a more aggressive digestion; including all samples over 15% Fe inside the existing block model for which sample material was still available. Soluble copper analysis was conducted on 1,035 samples from 2011–2012 drilling.

A total of 19,302 magnetic susceptibility measurements have been recorded. There are 2,229 density measurements, performed by Far West Mining personnel on core samples using the water displacement method. Roscoe Postle Associates Inc. ("RPA") developed regression formulae based on the specific gravity values reported by Far West Mining to convert volumes to weights, using Fe concentration as the independent variable.

The QAQC protocols have remained largely consistent throughout all programs conducted by Far West Mining and Capstone. Minor changes have been implemented by Capstone to accommodate issues and recommendations from past programs and to include magnetic susceptibility measurements. Certified reference materials are inserted every 25th sample, constituting 4% of the total number of samples submitted. Blanks, consisting of common Portland cement, were inserted every 50th sample. Field duplicates are taken every 25th sample.

RPA considers that the drilling has been conducted in a manner consistent with standard industry practices. The spacing and orientation of the holes are appropriate for the deposit geometry and mineralization style. Sampling methods are acceptable, meet industry-standard practice, are appropriate for the mineralization style, and are acceptable for Mineral Resource estimation. The quality of the analytical data is reliable, and analysis and security are performed in accordance with exploration best practices and industry standards.

Security of Samples

The logging facility is fenced, locked when not occupied, and is secure. Samples are handled only by employees or their designates (i.e. ALS personnel). Regular data verification programs have been undertaken by third-party consultants from 2005 to 2014 on the data collected in support of the mineral resources and mineral reserves estimates on the Santo Domingo Project. RPA considers that as a result of this work, the data verification findings acceptably support the geological interpretations and the database quality, and therefore support the use of the data in Mineral Resource estimation.

Metallurgical Sampling Program

In 2014, 13 drillholes totalling 1,484 m of reverse circulation and 1,535 m of diamond core drilling (3,019 metres total) to obtain fresh material for additional metallurgical sampling were completed. The first five years of mine production was targeted during the drilling program and was completed solely within the Santo Domingo pit limits. The rock chips from the reverse circulation drilling were logged and bagged. Portions of the rock chips are to be used for the commissioning of the metallurgical testing pilot plant. The core obtained during diamond drilling was taken to the Diego de Almagro core storage area with all core being logged and having magnetic susceptibility testing completed prior to cutting. The core was then cut into a single half core and two quarter core sections. One

of the quarter core sections was sent to ALS Minerals in Antofagasta for assaying; the second quarter core section is being archived at Diego de Almagro; with the half core section to be provided to ALS Minerals in Santiago for the pilot plant testing program. A total of six composite samples (in addition to the commissioning sample) are to be prepared and tested during the pilot plant program.

Mineral Resource and Mineral Reserve Estimates

David Rennie, P.Eng., of RPA, is the Qualified Person responsible for the preparation of the mineral resources estimates for the Santo Domingo Project. The mineral resources estimates for Santo Domingo Sur, Iris, and Iris Norte have an effective date of August 31, 2012 and the mineral resources estimate for Estrellita has an effective date of October 30, 2007.

RPA constructed 3D wireframe or solid models and gridded surfaces of the mineralized zones, fault structures and topography for use in constraining the block grade interpolations. The principal controls were lithology and structure; however, in some places a nominal grade shell boundary was used. Most zones required construction of wireframes for post-mineral dikes that transect the mineralized mantos. There are also some sequences of barren tuffs that were modelled. A wireframe model was also created to enclose oxidized material which has been demonstrated to yield much lower metallurgical recoveries than the un-oxidized mineralization. A modest amount of underground and open pit mining has been carried out at Estrellita. Far West personnel provided raw cavity monitoring device (CMD) data from which RPA was able to construct approximate wireframe models of the void spaces. A grade capping strategy was utilized that represented approximately 0.2% of the total number of assays in the Santo Domingo Sur, Iris and Iris Norte deposits. Grades at Estrellita were capped at 3% copper and 0.3 g/t gold. Samples from Santo Domingo Sur, Iris and Iris Norte were composited in downhole intervals of 4 m starting at the contact for each zone and continuing until the hole exited the zone. Drill samples at Estrellita were composited to 2 m lengths, weighted by both length and density. Grades for copper, gold, iron, and magnetic susceptibility were interpolated into each block using ordinary kriging for the Santo Domingo Sur, Iris and Iris Norte deposits. The interpolation was configured to use an ellipsoidal search with a minimum of three and a maximum of 18 composites and a maximum of three composites allowed from any one drillhole. For Estrellita, ordinary kriging was utilized to interpolate copper and gold grades into each block. Iron was not estimated. The search was constrained to a minimum of three and maximum of 12 composites, with a maximum of three composites from any one drillhole. Grade interpolations were validated, and no significant errors or biases were noted. Blocks receiving an estimate for copper were assigned to at least the Inferred category at Santo Domingo Sur, Iris and Iris Norte. All blocks with an average distance to composites of 200 m or less and for which the nearest composite was within 100 m were classified as Indicated. Within the area of infill drilling completed in 2011–2012, a boundary was drawn around the 50 m drilling pattern and Indicated blocks encompassed by it were nominally assigned to the Measured classification. The final step in the classification was to use the oxide wireframe to tag oxidized blocks and remove these from the Mineral Resources. The classification of Indicated at Estrellita was applied to all blocks estimated by at least two drillholes with the closest composite less than 65 m away. Remaining blocks were classified as Inferred.

RPA ran a pit optimization during 2009 using a Lerchs–Grossmann (LG) algorithm for Santo Domingo Sur, Iris and Iris Norte deposits. Copper equivalent (CuEq) grades were calculated using estimates for recovery, toll treatment/refinement charges, and transport costs for each metal and based on the operating cost estimates contained in the 2008 Preliminary Assessment. At the 0.25% CuEq cut-off, all but 5% of the Mineral Resources were captured by the pit shell. On the basis of this result, it was concluded that there was little merit in restricting the Mineral Resources to those blocks contained only within the pit shell. In RPA's opinion, the shape and depth of the Mineral Resources have not changed since the previous estimate and it is still valid to consider them as having reasonable prospects of economic extraction by open pit mining. The Estrellita resource estimate is not constrained within a LG shell. RPA's opinion was that a 0.3% Cu cut-off would be appropriate for the reporting of the estimate. At the time of the estimate in 2007, RPA considered that the 0.3% Cu cut-off was similar to that used in other operations of similar size and grade. Table 7 summarizes the Santo Domingo mineral resources as at December 31, 2016. No mining has occurred on the property.

Risk factors that could potentially affect the Mineral Resources estimates include the following: long-term commodity price and exchange rate assumptions; changes in the assumptions used in the LG shell constraining mineral resources at Santo Domingo Sur, Iris, and Iris Norte; the assumed mining methods and cost assumptions for the Santo Domingo Sur, Iris, and Iris Norte deposits being those from the 2008 Preliminary Economic Analysis are not those arising from the Feasibility Study; no LG shell being employed to support reasonable prospects at Estrellita; delays or other issues in reaching agreements with local communities, changes in permitting, surface rights and environmental assumptions.

TABLE 7: SANTO DOMINGO ESTIMATED MINERAL RESOURCES AS AT DECEMBER 31, 2016

Deposit	Tonnage (Mt)	CuEq (%)	Cu (%)	Au (g/t)	Fe (%)
Measured Resources					
Santo Domingo Sur	63.3	0.95	0.62	0.083	31.3
Iris	1.54	0.46	0.43	0.052	25.3
Total Measured	64.8	0.94	0.62	0.082	31.2
Indicated Resources					
Santo Domingo Sur	214.0	0.72	0.33	0.045	27.4
Iris	111.0	0.63	0.19	0.028	26.0
Iris Norte	92.3	0.67	0.12	0.015	26.7
Estrellita	31.7	n/a	0.53	0.05	n/a
Total Indicated	*449*	-	*0.27*	*0.034*	*25.0*
Total Measured and Indicated	514	-	0.31	0.04	25.8
Inferred Resources					
Santo Domingo Sur	29.8	0.55	0.26	0.037	23.6
Iris	5.05	0.60	0.18	0.024	26.7
Iris Norte	20.5	0.70	0.08	0.009	28.0
Inferred (Santo Domingo Sur/Iris)	55.4	0.61	0.19	0.025	25.5
Estrellita	2.7	n/a	0.48	0.050	n/a
Total Inferred	58.1	-	0.20	0.026	24.3

NOTE: *Mineral resources are reported inclusive of mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The Qualified Person for the estimates is Mr. David Rennie, P.Eng., an employee of Roscoe Postle Associates Inc. Mineral resources for the Santo Domingo Sur, Iris, and Iris Norte deposits have an effective date of August 31, 2012. Mineral resources for the Estrellita deposit have an effective date of October 30, 2007. Mineral Resources for the Santo Domingo Sur, Iris, and Iris Norte deposits are reported using a cut-off grade of 0.25% copper equivalent (CuEq). CuEq grades are calculated using average long-term prices of US$3.50/lb Cu, US$ 1,500/oz Au and US$ 1.94/dmtu Fe (US$ 120/dmt conc. At 62% Fe). The CuEq equation is: Metal Value = Grade*Cm*R%/100*(Price-TCRC-Freight)*(100-Royalty)/100, where Cm is a constant to convert grade of metal, m, to metal price units; R is metallurgical recovery and %Cu Equivalent = (Cu Value + Au Value + Fe Value)/(Cu Value per 1%Cu). An assessment of Mineral Resources for the Santo Domingo Sur, Iris, and Iris Norte deposits was performed using a Lerchs–Grossman pit shell that has the following assumptions: pit slopes averaging 45°; mining cost of US$1.19/t, processing cost of US$ 4.49/t; processing recovery of 85%; selling price of US$2.25/lb, and a selling cost of US$0.247/lb. At the 0.25% CuEq cut-off, all but 5% of the Mineral Resources were captured by the pit shell. On the basis of this result, it was concluded that there was little merit in restricting the Mineral Resources to those blocks contained only within the pit shell. Accordingly, the Mineral Resource inventory was reported in its entirety. Mineral Resources for the Estrellita deposit are reported using a cut-off grade of 0.3% Cu. Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade and contained metal content.*

Mr. Carlos Guzman, CMC, a NCL Ingeniería y Construcción SpA. (“NCL”) employee, is the Qualified Person responsible for the preparation of the Santo Domingo mineral reserves estimate as a part of the 2014 Feasibility Study. The effective date of the mineral reserves estimate is May 2, 2014.

Pit optimization, mine design and mine planning were carried out by NCL using the 2012 block model prepared by RPA and did not include consideration of material classified as Inferred. Inferred Mineral Resources were treated as waste. A block size of 12.5 m Easting x 12.5 m Northing x 12 m Elevation was selected for the block model. The selected block size was based on the geometry of the domain interpretation and the data configuration. The mining cost estimate for the pit optimization process is based on studies developed by NCL during 2012. The estimated average project mining cost was separated into various components such as fuel, explosives, tires, parts, salaries and wages, benchmarked against similar current operations in Chile. Each component was updated for first-quarter 2013 prices and the exchange rate from Chilean Pesos to US dollars. This resulted in an estimated mining cost of

approximately $1.53/t. The metal prices, processing costs, refining costs, and processing recoveries were provided to NCL by Capstone. A number of calculations were performed in the model in order to determine the NSR of each individual block. The internal (or mill) cut-off of $7.84/t milled incorporates all operating costs except mining. This internal cut-off is applied to material contained within an economic pit shell, where the decision to mine a given block was determined by the pit optimization and was applied to all of the Mineral Reserve estimates. Marginal ore was calculated for the same $7.84/t cut-off, but for a NSR determined at higher metal prices. Final slope angles used for the pit optimization process were a result of multiple iterations and analysis carried out by the NCL mining team and geotechnical specialists Derk Ingeniería y Geología Ltda ("Derk"). The original block model was based on an ore percentage with dimensions of 12.5 m x 12.5 m x 12 m, resulting in a 1,875 m3 block volume; this means that every block has a defined "ore" proportion with an ore density, and a corresponding "waste" proportion with a waste density. To accommodate selective mining methods, any resource block with an ore percentage that was <10% was treated as waste. Blocks with an ore percentage that was higher than 90% were diluted with waste such that all high-ore blocks were considered to contain only 90% ore. Selective mining therefore will be performed on those blocks that have an ore percentage of between 10% and 90%. The Santo Domingo mineral reserves estimate is summarized in Table 8.

In the opinion of the NCL, the main factors that may affect the Mineral Reserves estimate are metallurgical recoveries and operating costs (fuel, energy and labour). NCL notes that the base price, as well as changes in the price of metals, even though this is the most important factor for revenue calculation, does not affect the Mineral Reserves estimate to any significant degree. A revenue factor of 0.86 was used for the LG shell that was employed as the guide for the practical design for both the Santo Domingo and Iris Norte pits. This selected revenue factor is conservative and as such allows for a broad swing in metals pricing before any salient effect on the Mineral Reserves estimate will occur.

TABLE 8: SANTO DOMINGO ESTIMATE MINERAL RESERVES AS AT DECEMBER 31, 2016

Stage	Tonnage (Mt)	Grade			Contained Metal		
		Cu (%)	Au (g/t)	Fe (%)	Cu (kt)	Au (koz)	Magnetite Conc. (Mt)
Proven Reserves							
Santo Domingo Sur	65.3	0.61	0.08	30.9	398	169.9	8.2
Probable Reserves							
Santo Domingo Sur	251.6	0.27	0.04	27.9	679	300.5	48.3
Iris Norte	74.8	0.13	0.01	26.9	97	36	18.7
Total Probable	326.4	0.24	0.03	27.6	777	336.4	66.9
Total Mineral Reserves							
Proven + Probable	391.7	0.30	0.04	28.2	1,175	506.3	75.1

NOTE: *The mineral reserves estimate have an effective date of May 2, 2014 and were prepared by Mr. Carlos Guzman, CMC, and employee of NCL. Mineral Reserves are reported as constrained within Measured and Indicated pit designs, and supported by amine plan featuring variable throughput rates and cut-off optimization. The pit designs and mine plan were optimized using the following economic and technical parameters: metal prices of US$ 2.75/lb Cu, US$ 1,275/oz Au and US$80/dmt of Fe concentrate; recovery to concentrate assumptions of a maximum of 93.6% for Cu and 75% for Au, with magnetite concentrate recovery varying on a block-by-block basis; copper concentrate treatment charges of US$70/dmt, U$0.07/lb of Cu refining charges, US$5.0/oz of Au refining charges, US$48/wmt and US$3/wmt for shipping Cu and Fe concentrates respectively; waste mining cost of $1.53/t, mining cost of US$1.53/t ore, and process and G+A costs of US$7.84/t processed; average pit slope angles that range from 37.6º to 43.6º; a 2% royalty rate assumption, and an assumption of 100% mining recovery. Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade and contained metal content.*

Mining Operations

A mine plan was developed for the Santo Domingo Project to process 60,000 tpd to 65,000 tpd of feed (21.9 to 23.7 Mt/a) with a peak total mining rate of 107.5 Mt/a in Years 1 to 4. Because of the softer characteristics of the initial feed (higher copper content and lower magnetite), an initial period of five years was scheduled for a plant feed of 65 kt/d. From Year 6 the plant throughput is scheduled for 60 kt/d. Year 1 feed to the plant is made up of material mined during pre-production and Year 1. Oxide material has been identified and will be stockpiled separately.

Mill throughput was also restricted to a magnetite concentrate production capacity of a maximum 4.5 Mt/a up to Year 10; and 5.4 Mt/a from Year 11. For the first 5 years of operation, Santo Domingo will have an annual average production of approximately 248 million pounds of copper contained in 388,000 dmt of concentrate (at an average copper content of 29%). The life of mine ("LOM") average is 128 million pounds of copper in approximately 200,000 t of concentrate per year over a period of approximately 18 years. The total life of mine production is estimated to be 2.29 billion pounds of copper contained in 3.58 million tonnes of concentrate. For the same period, the average magnetite concentrate production is estimated to average 3.26 million dmt per year. The magnetite concentrate production will average 4.19 million dmt per year over the life of mine with a total estimated production of approximately 75.08 million dmt. The first 5 years production does not include the Year 0 ramp up.

The final pit design was based on a Lerchs–Grossmann (LG) shell that used a copper price of $2.75 per pound and US$ 80/t for magnetite concentrate. Two pits, the Santo Domingo pit and the Iris Norte pit, were designed. The Santo Domingo pit will have four phases; three mining phases are planned for the Iris Norte pit.

In the Santo Domingo pit, the Phase 1 targets the material with the highest grade and lowest strip ratio in the central area, down to 892 m elevation. Phases 2 and 3 are successive expansions to the north, down to 772 m and 736 m elevation, respectively. Phase 4 in Santo Domingo is in the area called Iris which is at the north of the Santo Domingo pit, but has a separate access to the east side and will go down to 676 m elevation.

Three mining phases were designed in Iris Norte, as successive expansions from south to north, going down to 736 m, 724 m and 664 m elevation, respectively. Each phase has access from the east and west sides.

The Santo Domingo pit will have two exits on the west side providing access to the ROM pad area and the primary crusher. On the east side there will be another exit to access the main waste storage area. The final pit will be 2,200 m long in the north–south direction and 1,500 m wide in the east–west direction. The pit bottom will be at the 676 m elevation and the highest wall will be about 552 m on the southeastern side. The total area to be disturbed by the pit is approximately 229 ha.

The Iris Norte pit will have one exit on the west side providing access to the run-of-mine (ROM) pad area and the primary crusher. On the east side there will be an exit to access the waste storage area. The final pit will be 1,600 m long in the north–south direction and 900 m wide in the east–west direction. The pit bottom will be at the 664 m elevation, and the highest wall will be about 315 m on the north side. The total area to be disturbed by the pit is about 124 ha.

Mine equipment requirements were calculated based on the annual mine production schedule, the mine work schedule and equipment hourly production estimates. The study is based on operating the mine with 42 m3 capacity hydraulic excavators (shovels) and trucks with a capacity of 290 t. The fleet will be complemented with drilling rigs for ore and waste. Auxiliary equipment will include tracked dozers, wheel dozers, motor graders and a water truck. A small drill rig was also included for pre-splitting purposes.

The primary crushing plant will receive run-of-mine feed directly from the open pits. The crusher is designed to allow two 290 t trucks to discharge directly into the crusher dump pocket. The crushed product will be conveyed to the coarse ore stockpile (COS) which has a live capacity of six to eight hours of operation. From the COS ore is then conveyed to the SAG mill. The SAG mill product will discharge onto a conventional vibrating deck screen with the screen undersize pumped to two separate batteries of hydrocyclones.

The hydrocyclone overflow streams (the copper flotation circuit feed stream) with a P80 of 180 µm will be fed to a single rougher; single scavenger; and three stage cleaner concentrate production plant. The rougher concentrate will be reground using a vertical mill prior to introduction to the cleaner/scavengers. The rougher flotation stage tailings will be pumped to magnetic separation that consists of two lines each with five individual primary LIMS (1,000 gauss low intensity magnetic separators) magnetic drum separators.

The rougher magnetic concentrate from each magnetic drum line will be sent to grinding and classification; the rougher magnetic concentration tailings will report to the main plant tailings stream. The cleaning circuit magnetic LIMS concentrator will consist of two parallel lines each with three LIMS drum separators operating in a counter-current configuration to facilitate high selectivity. The final magnetite concentrate will be pumped to the magnetite concentrate thickener prior to being sent (via a 12 inch pipeline) to the magnetite filter plant located at the port.

The first stage of tailings thickening (pre-thickening) will be conducted at the process plant and the second stage (final thickening) is conducted at the TSF area. Recovered water from the thickeners will be pumped back to the process water pond with thickened tailings being transferred to the TSF area for deposition.

Copper concentrate will be filtered at the process plant. During the concentrate filtration washing stage, desalinated water will replace the seawater contained in the copper concentrate cake to reduce the chloride content to less than 300 ppm. Copper concentrate filter cake will discharge by gravity to the copper concentrate stockpile.

The magnetite concentrate will be received at the port in an agitated storage tank and then pumped directly to the filter plant to obtain a magnetite concentrate. There will be four horizontal filter presses with desalinated water used for washing to reduce the chloride content of the concentrate to less than 300 ppm. The magnetite concentrate filter cake product will discharge onto a conveyor feeding the concentrate transfer tower and then the magnetite concentrate stockpile.

All of the process makeup water will be seawater prior to the rinsing of the copper and magnetite concentrate during the filtering process. Rinse water used during the filtering process will be supplies by reverse osmosis water treatment plants located at both the port and the process plant.

Both the copper and magnetite concentrate will be ship loaded at the port for transport to selected buyers. KORES is required to purchase 50% of the annual production of copper and iron ore concentrates produced by the project. Capstone will market and sell the remaining 50%. The KORES terms and conditions will reflect the Capstone terms negotiated independently in the market. Capstone is currently researching the market for buyers for the remaining 50% of the copper and iron concentrate production. Baseline environmental studies were carried out for communities in the area of influence of the project: Diego de Almagro, Inca de Oro, El Salado, Chañaral, Flamenco, Torres del Inca, Obispito and Caldera.

Physical environment baseline studies included characterization of climate, meteorology, air quality, sedimentable particulate material (SPM), gases, noise and vibration, geology, geomorphology, natural hazards, soils, hydrology and hydrogeology. The marine environment baseline studies included characterization of the physical environment, chemical, and biological. The biotic environment baseline studies addressed the fauna and flora components of the project. The anthropological environment baseline studies for the port and proposed mine site included the description of human component, constructed environment, cultural heritage and palaeontology and landscape issues. Baseline studies were also completed to address current water resources. Based upon the study results, no impacts to local water resources are anticipated as the project will use seawater for the mining process. Four key areas of risk were identified from the completed baseline studies, as follows:

- Water:
    - Alteration of the surface water flow and drainage patterns
    - Alteration in the underground water flow and/or water quality
- Air quality:
    - Increases in the levels of breathable particulate material (PM10), breathable fine particulate material (PM2.5) and gases (primarily as a result of wind activity on stockpiles, dust generation from construction and mining activity and material transport)
    - Increases in levels of sedimentable particulate matter

- Marine environment:
    - Potential disruption to benthic communities due to the operation of the seawater intake and brine discharge systems and port construction activities
- Human environment:
    - Effects of the project on the current lifestyles of local communities

Studies were completed to identify potential mitigation measures to address the recognized risks. Mitigations proposed include, but are not limited to, community liaison and development programs, construction of settlement by-pass roads, implementation of zero-discharge facilities, and reviews of and modifications to infrastructure designs to accommodate community and environmental concerns.

A stakeholder identification study has been completed, and has identified a number of parties will be either directly or indirectly affected by project influence. A number of communication sessions were undertaken during 2012 and 2013, and included open houses and meetings, sessions to address specialist interests (such as fishermen); meetings with regional authorities, community support service authorities, and professional organizations.

Community issues identified during these meetings include:

- Job opportunities for local residents during the construction and operation phases of the project
- Decreased quality of life due to increased demand for local supplies of goods and services, housing, and health services
- Environmental effects related to mining activities
- Changes to road usages due to by-pass construction and concentrate transport
- Effect of the proposed port facilities on seafood extraction activities
- Effects of seawater intake and brine discharge from the desalination plant.

The Environmental Impact Assessment ("EIA") submitted for review on October 30, 2013 was approved on July 8, 2015. During the EIA the environmental citizen participation (PAC) process as required by the evaluation process will continue. The citizen participation process with indigenous communities takes into account the special rules that govern the consultation and participation processes of such peoples. Although the lands of the Colla Community of Diego de Almagro are not within the direct area of project influence, Capstone will keep lines of communication open for possible approaches or inquiries from this community.

All capital costs are in third quarter 2013 US$. Capital cost estimates were prepared by the various consultants working on the 2014 Feasibility Study and were based on battery limits established by Capstone. Owner costs were provided by Capstone. Estimates were based on a combination of direct quotes and benchmarking. The estimate is a Type 3 estimate according to AMEC standards (and the Association for the Advancement of Cost Engineering International, AACE), with an accuracy of -10 to +15% at the 85% confidence level. The initial capital cost was estimated at $1,751 M; with an estimated sustaining capital cost total of $376.3 M. The combined initial and sustaining capital costs for the life of mine were estimated to be $2,127 M in total (Table 9).

TABLE 9: INITIAL CAPITAL COST ESTIMATE

	Area	Cost (US$M)
Initial Capital	Mine	174.4
	Process Plant	341.8
	Tailings and Water Reclaim	49.9
	Plant Infrastructure (On Site)	97.1
	Port	157.5
	Port Infrastructure (On Site)	27.5
	External Infrastructure (Off Site)	235.9
	Indirect Costs	437.3
	Contingency	229.3
Total Initial Capital		*1,750.7*
Total Project Sustaining Capital		*376.3*
Project Total Cost		*2,127.0*

The operating costs are also presented in third quarter 2013 US dollars. For the copper equivalent estimate, prices of $2.85/lb copper and $85.00/t magnetite concentrate were used. The operating cost estimate is considered to be at a Feasibility-Study level, with an accuracy of -10% to +15%. Operating costs are summarized in Table 10.

TABLE 10: OPERATING COST ESTIMATE

Cost Centre	LOM Total (MUS$)	LOM Average (US$/t)	LOM Average (US$/lb CuEq)
Process	2,753.4	7.03	0.607
Copper Concentrate Transport	54.5	0.14	0.012
G & A	439.6	1.12	0.097
Mining	2,513.4	6.42	0.555
Total	*5,760.9*	*14.71*	*1.271*

For purposes of the project capital and operating cost estimates, a fixed foreign exchange rate between Chilean Pesos (CLP) and US dollars (US$) was initially used. However, during the DFS estimate development, the foreign exchange rate between the CLP and US$ changed appreciably. To accommodate this change Capstone completed an update to the foreign exchange rate for the operating and capital cost estimates.

- For an updated foreign exchange rate for the development period from 2014 through 2017, Capstone used the mean value of the projected CLP to US$ foreign exchange rate from a total of 29 analyst firms compiled by Bloomberg (as of May 6, 2014).
- For an updated foreign exchange rate for the operating period from 2018 through 2035, Capstone used an algorithm that was developed using the CLP/US$ exchange rate value versus the market sales price of copper. This information was gathered over the last 10 years on a daily basis and resulted in the following algorithm:

  CLP/US$ Exchange Rate = -0.0204 (price of Cu in US$/t) + 660.41

For the 2014 Feasibility Study copper price of US$2.85 (US$6,281/t), this equates to a CLP/US$ rate of 532. The exchange rate assumptions are detailed in Table 11.

TABLE 11: FOREIGN EXCHANGE RATE ASSUMPTIONS

	Initial Foreign Exchange Rate (CLP/US$)
Initial Capital Cost Estimate (excluding mine equipment)	480
Sustaining Capital Cost Estimate (excluding mine equipment)	480
Process Operating Cost Estimate	480
G&A and Copper Hauling Operating Cost Estimate	480
Initial Mine Equipment Capital Cost Estimate	500
Sustaining Mine Equipment Capital Cost Estimate	500
Mine Operating Cost Estimate	500
	Revised Foreign Exchange Rate (CLP/US$)
2014	553
2015	557
2016	517
2017	519
2018 through 2035 (Operating Period)	532

There were no impacts on the copper hauling operations or G&A as these values were originally estimated in US$.

The project has been evaluated using an 8% discounted cash flow (DCF) analysis on an after-tax basis. To reflect the time value of money, annual net cash flow (NCF) projections are discounted back to the DFS project valuation date of third quarter 2013 using an 8% discount rate. The discount rate appropriate for the Santo Domingo project has been determined using several factors, including the type of commodity and the level of project risks (market risk, technical risk and political risk). The discounted present values of the cash flows are summed to arrive at the project net present value (NPV).

An NPV sensitivity analysis was completed using discount rates of 5%, 8% (selected rate), 10%, 12% and 15%. In addition to the NPV, the internal rate of return (IRR) and payback period were also calculated. In the calculation of IRR it is assumed that any intermediate cash flows can be reinvested at the same rate of return. Cash flows are assumed to occur at the end of each period.

On an after-tax basis, the cumulative net cash flow for the base case is US$3,226.7 million, the IRR is 17.9% and the payback period is 4.2 years. Based on the assumptions made the cash flow analysis shows that the project will generate positive cash flows from the first full year of production onwards. At an 8% discount rate, the after-tax net present value (NPV) of the project is US$797.4 million. The cash flow analysis for the base case is provided in Table 12.

The after-tax annual and cumulative cash flow are shown in Figure 5.

TABLE 12: RESULTS OF FINANCIAL ANALYSIS

Summary of Cash Flow	Unit	Pre-tax	After-Tax
Cumulative net cash flow			
Undiscounted	US$ M	4,251.9	3,226.7
Net present value			
Discounted at 5%	US$ M	1,889.8	1,374.7
Discounted at 8%	US$ M	1,154.1	797.4
Discounted at 10%	US$ M	818.8	534.7
Discounted at 12%	US$ M	568.0	338.8
Discounted at 15%	US$ M	302.5	132.5
Internal rate of return	%	21.3	17.9
Payback period	Years	4.0	4.2

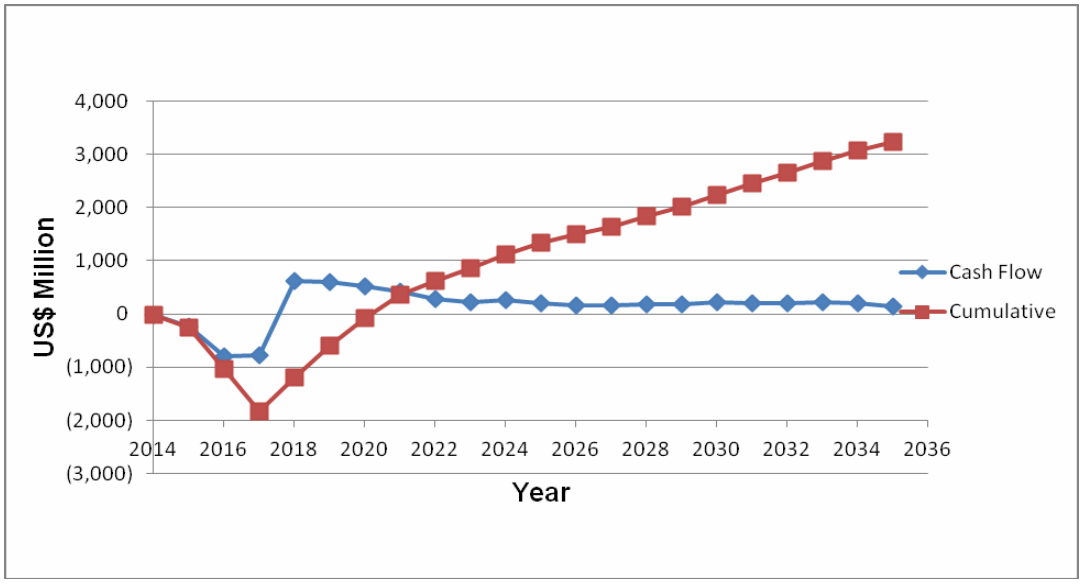


FIGURE 5: PROJECT AFTER TAX CASH FLOW

As stated, the project was evaluated on an after-tax basis with taxes payable in three forms:

- Government mining royalty
- First Category corporate income tax
- IVA.

Since January 1, 2006, mine operators whose annual sales exceed the equivalent 12,000 tonnes of fine copper must pay a mining royalty tax. The mining royalty is levied on operating mine income on a sliding scale between 5% and 14%, depending on operating margins. The royalty is estimated to be $241.0 M over the LOM and is deductible as an expense against corporate tax.

Corporate income tax consists of the First Category Tax at 27%. Total First Category Tax payments over the LOM are estimated to be $784.2 M. The 15% Second Category "Additional" Tax was not evaluated for the project. This Second Category Tax is levied on dividend distributions to foreign shareholders.

An IVA of 19% is applicable to a number of goods and services purchased but this tax is refundable once the mine is in operation. Other than the delay in the recovery of IVA during construction and the impact of the time value of money, the LOM net effect of IVA is zero.

The project evaluation is primarily on an equity funded basis. Where opportunities to utilize debt capital to fund the project are considered, interest shields may reduce the income tax burden of the project, but will require planning to consider Chilean thin capitalization requirements and withholding taxes on interest.

Project investors will need to consider the merits of utilizing a D.L. 600 Foreign Investment Contract ("D.L. 600 Contract") to contribute the capital investment into the project. A D.L. 600 Contract provides the ability to elect tax invariability treatment for the project. Article 11 ter of D.L. 600 provides foreign investors the right to an invariable mining royalty rate for a period of 15 years from the project start date. Article 11 bis of D.L. 600 allows an investor to elect an invariable income tax rate of 42% (versus the 35% combined First and Second Category Tax) for 20 years for a mining project. Effective January 9, 2014, the Chilean Foreign Investment Committee approved the D.L.600 Article 11 ter Foreign Investment Contract for Capstone's investment in the Santo Domingo project.

4 – RISK FACTORS

Capstone is subject to a number of significant risks due to the nature of our business which includes acquisition, financing, exploration, development and operation of mining properties and ownership of a rail transportation company. You should carefully consider the risks and uncertainties described below and other information contained in this Annual Information Form before deciding whether to invest in Capstone common shares. The risks and uncertainties described below could have a material adverse effect on our business, financial condition or results of operations, and the trading price of our common shares may decline and investors may lose all or part of their investment. We cannot give assurance that we can control or will successfully address these risks or other unknown risks that may affect our business. Additional risks or uncertainties not presently known to Capstone or that Capstone currently considers immaterial may also impair our business operations.

Mining is inherently dangerous and subject to conditions or events beyond Capstone's control, the occurrence of which could have a material adverse effect on Capstone's business, financial condition, results of operations and prospects.

Capstone's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of copper and other metals, including, without limitation, fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and other geotechnical instabilities, equipment failure or structural failure, metallurgical and other processing problems and other conditions involved in the mining of minerals, any of which could result in damage to, or destruction of, our mines, plants and equipment, personal injury or loss of life, environmental damage, delays in mining, increased production costs, asset write-downs, monetary losses and legal liability. The occurrence of any of these events could result in a prolonged interruption in Capstone's operations that would have a material adverse effect on Capstone's business, financial condition, results of operations and prospects.

Changes in the market price of copper and other metals could negatively affect the profitability of the Company's operations and financial condition.

The commercial viability of Capstone's properties and Capstone's ability to sustain operations is dependent on, amongst other things, the market price of copper, lead, zinc, gold, silver and molybdenum. Depending on the expected price for any minerals produced, Capstone may determine that it is impractical to continue commercial production at the Pinto Valley Mine, the Cozamin Mine or the Minto Mine or to develop the Santo Domingo Project.

A reduction in the market price of copper, lead, zinc, gold, silver, or molybdenum 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. The market price of copper, lead, zinc, gold, silver and molybdenum is volatile and is impacted by numerous factors beyond Capstone's control, including, amongst others:

- the supply/demand balance for any given metal;
- international economic and political conditions;

- expectations of inflation or deflation;
- international currency exchange rates;
- interest rates;
- global or regional consumptive patterns;
- speculative activities;
- increased production due to new mine developments;
- decreased production due to mine closures;
- improved mining and production methods;
- availability and costs of metal substitutes;
- new technologies that use other materials in place of our products;
- metal stock levels maintained by producers and others; and
- inventory carry costs.

The effect of these factors on the price of base and precious metals cannot be accurately predicted and there can be no assurance that the market price of these metals will remain at current levels or that such prices will improve. A decrease in the market price of copper, lead, zinc, gold, silver or molybdenum would affect the profitability of the Pinto Valley Mine, the Cozamin Mine and the Minto Mine and could affect Capstone's ability to finance the exploration and development of our other properties, which would have a material adverse effect on Capstone's business, financial condition, results of operations and prospects.

Within this industry context, the Company's strategy is to maintain a cost structure that will allow it to achieve adequate levels of cash flow during the low point in the copper price cycle. Circumstances may arise, however, where increased certainty of cash flows is considered more important to long term value creation than providing investors short term exposure to the volatility of metal prices. In these circumstances, the Company may elect to fix prices within a contractual quotational period and/or to lock in future prices through the variety of financial derivative instruments available. There are, however, risks associated with programs to fix prices including, amongst other things, the potential risk that the counter party will not be able to meet their obligations, the risk of opportunity losses in the event of an increase in the world price of the commodity, the possibility that rising operating costs will make delivery into hedged positions uneconomic, and production interruption events.

Financial covenant compliance risks

The terms of Capstone's amended senior secured corporate revolving credit facility requires that Capstone satisfy various affirmative and negative covenants and meet certain quarterly financial ratio tests. These covenants limit, amongst other things, Capstone's ability to incur further indebtedness if doing so would cause it to fail to meet certain financial ratio tests. They also limit the ability of Capstone to create certain liens on certain assets or to engage in certain types of transactions. A failure to comply with these covenants, including a failure to meet the financial tests or ratios, could result in an event of default and allow lenders to accelerate the debt repayment.

Surety bonding risks

Capstone secures its obligations for reclamation and closure costs with surety bonds provided by leading global insurance companies in favour of regulatory authorities in Yukon and Arizona. These surety bonds include the right of the surety bond provider to terminate the relationship with Capstone on providing notice of up to 90 days. The surety bond provider would, however, remain liable to the regulatory authorities for all bonded obligations existing prior to the termination of the bond in the event Capstone failed to deliver alternative security satisfactory to the regulator. Capstone may require substantial additional capital to accomplish its exploration and development plans and fund strategic growth and there can be no assurance that financing will be available on terms acceptable to Capstone, or at all.

Capstone may require substantial additional financing to advance the Pinto Valley Mine, the Cozamin Mine and the Minto Mine to achieve designed production rates, to finance potential strategic acquisitions required for growth

and to accomplish any exploration and development plans for the Santo Domingo Project. These financing requirements could adversely affect Capstone's ability to access the capital markets in the future. Failure to obtain sufficient financing, or financing on terms acceptable to Capstone, may result in a delay or indefinite postponement of exploration, development or production at one or more of our properties. Additional financing may not be available when needed and the terms of any agreement could impose restrictions on the operation of our business. Failure to raise financing when needed could have a material adverse effect on our business, financial condition, results of operations and prospects.

Capstone's ability to acquire properties for growth.

The life of any mine is limited by its ore reserves. As we seek to replace and expand our reserves through exploration, acquisition of interests in new properties or of interests in companies which own the properties, we encounter strong competition from other companies in connection with the acquisition of properties. This competition may limit our ability to adequately replace reserves.

The sale of our metals is subject to counterparty and market risks.

Capstone has entered into concentrate off-take agreements whereby 100% of planned production of the concentrate produced from the Pinto Valley, Cozamin and Minto Mines was committed to various external parties through calendar year 2016. Thereafter, approximately 21% is committed under contract through 2017. Capstone has also sold forward all of the Company's gold and silver production from the Minto Mine and all of the silver production until April 2017 from the Cozamin Mine to Silver Wheaton. If any counterparty to any off-take or forward sales agreement does not honour such arrangement, or should any such counterparty become insolvent, Capstone may incur losses on the production already shipped or be forced to sell a greater volume of our production in the spot market, which is subject to market price fluctuations. In addition, there can be no assurance that Capstone will be able to renew any of our off-take agreements at economic terms, or at all, or that Capstone's production will meet the qualitative and quantitative requirements under such agreements.

Fluctuations in foreign currency exchange rates could have an adverse effect on Capstone's business, financial condition, results of operations and prospects.

Fluctuations in the Canadian dollar or Mexican peso relative to the US dollar could significantly affect our business, financial condition, results of operations and prospects. Exchange rate movements can have a significant impact on Capstone as all of Capstone's revenue is received in US dollars but a portion of the Company's operating and capital costs are incurred in Canadian dollars and Mexican pesos. Also, Capstone is exposed to currency fluctuations in the Chilean peso relating to expenditures for the Santo Domingo Project. As a result, a strengthening of these currencies relative to the US dollar will reduce Capstone's profitability and affect its ability to finance its operations. While Capstone does not currently have any foreign currency contracts in place to hedge against currency risk, circumstances may arise in the future where this may be an appropriate strategy to manage costs and risks.

General economic conditions or changes in consumption patterns may adversely affect Capstone's growth and profitability.

Many industries, including the base and precious metals 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 metals 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 changes in tax rates may adversely affect Capstone's growth and profitability potential. Specifically:

- a global credit/liquidity issue could impact the cost and availability of financing and our overall liquidity;
- volatility of prices for copper, lead, zinc, gold, silver and/or molybdenum prices may impact our future

revenues, profits and cash flows;
- recessionary pressures could adversely impact demand for our production;
- volatile energy prices, commodity and consumables prices and currency exchange rates could negatively impact potential production costs; and
- devaluation and volatility of global stock markets could impact the valuation of Capstone's securities, which may impact Capstone's ability to raise funds through future issuances of equity.

These factors could have a material adverse effect on our business, financial condition, results of operations and prospects.

Capstone's calculations of mineral resources and mineral reserves are estimates and are subject to uncertainty.

Our calculations of mineral resources and mineral reserves are estimates and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be inaccurate. Actual recoveries of copper, lead, zinc, gold, silver and molybdenum from mineralized material may be lower than those indicated by test work. Any material change in the quantity of mineralization, grade or stripping ratio, may affect the economic viability of Capstone's properties. In addition, there can be no assurance that metal 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. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Mining and metallurgy are inexact sciences and, accordingly, there always remains an element of risk that a mine may not prove to be commercially viable.

Until a deposit is actually mined and processed, the quantity of mineral resources and mineral reserves and grades must be considered as estimates only. In addition, the quantity of mineral resources and mineral reserves may vary depending on, amongst other things, metal prices, cut-off grades and operating costs. Any material change in quantity of mineral reserves, mineral resources, grade, percent extraction of those mineral reserves recoverable by underground mining techniques or the stripping ratio for those mineral reserves recoverable by open pit mining techniques may affect the economic viability of Capstone's mining projects.

We face added risks and uncertainties as a result of operating in foreign jurisdictions, including changes in regulation and policy.

Capstone's business operates in a number of foreign countries where there are added risks and uncertainties due to the different economic, cultural and political environments. Our 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 and unrest, invalidation of governmental orders and permits, corruption, war, civil disturbances and terrorist actions, arbitrary changes in law or policies of particular countries (including nationalization of mines), foreign taxation, price controls, delays in obtaining or renewing or the inability to obtain or renew 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. Local economic conditions, including higher incidences of criminal activity and violence in areas of Mexico can also adversely affect the security of our operations and the availability of supplies. In addition, risks of operations in Mexico include extreme fluctuations in currency exchange rates, high rates of inflation, significant changes in laws and regulations including but not limited to tax regulations, hostage taking and expropriation. These risks may limit or disrupt Capstone's projects, reduce financial viability of local operations, 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. 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 Capstone's business, financial condition, results of operation and prospects.

Differences in interpretation or application of tax laws and regulations or accounting policies and rules and Capstone's application of those tax laws and regulations or accounting policies and rules where the tax impact to the Company is materially different than contemplated.

Resource Nationalism

Governments in certain jurisdictions struggle with depressed economies and as a result have targeted mining companies for additional revenue by way of increased economic rent for the exploitation of resources in their countries. Many countries including Chile and Mexico have implemented changes to their respective mining regimes. Future changes could include things such as, but not limited to, law affecting foreign ownership and take-overs, mandatory government participation, taxation and royalties, working conditions, export duties or repatriation of income or return of capital.

Our operations are subject to significant governmental regulation, which could significantly limit our exploration and production activities.

Capstone's mineral exploration and development activities are subject to governmental approvals and various laws and regulations governing development, operations, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use and land claims affecting local, First Nations and Aboriginal populations. The liabilities and requirements associated with the laws and regulations related to these and other matters may be costly and time- consuming and may restrict, delay or prevent commencement or continuation of exploration or production operations. We cannot provide definitive assurance that we have been or will be at all times in compliance with all applicable laws and regulations. Failure to comply with applicable laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of cleanup and site restoration costs and liens, the issuance of injunctions to limit or cease operations, the suspension or revocation of permits or authorizations and other enforcement measures that could have the effect of limiting or preventing production from our operations. Capstone may incur material costs and liabilities resulting from claims for damages to property or injury to persons arising from Capstone's operations. If Capstone is pursued for sanctions, costs and liabilities in respect of these matters, Capstone's mining operations and, as a result, Capstone's financial performance, financial position and results of operations, could be materially and adversely affected.

In addition, 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 that could limit or curtail our exploration, development or production. Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or the more stringent implementation thereof, could have a material adverse impact on Capstone and increase our exploration expenses, capital expenditures or production costs or reduce production at our producing properties or require abandonment or delays in exploring or developing our properties.

Our operations are subject to stringent environmental laws and regulations that could significantly limit our ability to conduct our business.

Our 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 operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain of our operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in the direction of stricter standards and enforcement, higher fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors, officers and employees. Compliance with changing environmental laws and regulations may require significant capital outlays, including obtaining additional permits, and may cause material changes or delays in, or the cancellation of, our exploration programs or current operations.

Capstone is required to obtain, maintain and renew environmental, construction and mining permits, which is often a costly, time-consuming and uncertain process.

Mining companies, including Capstone, need many environmental, construction and mining permits, each of which can be time-consuming and costly to obtain, maintain and renew. In connection with our current and future operations, we must obtain and maintain a number of permits that impose strict conditions, requirements and obligations on Capstone, including those relating to various environmental and health and safety matters. To obtain, maintain and renew certain permits, we are required to conduct environmental assessments pertaining to the potential impact of our current and future operations on the environment and to take steps to avoid or mitigate those impacts. For example, additional permits will be required to fully exploit the resources at Pinto Valley and Minto. There is a risk that Capstone will not be able to obtain such permits or that obtaining such permits will require more time and capital than anticipated.

Permit terms and conditions can also impose restrictions on how we operate and limits our flexibility in developing our mineral properties. Many of Capstone's permits are subject to renewal from time to time, and renewed permits may contain more restrictive conditions than Capstone's existing permits. In addition, we may be required to obtain new permits to expand our operations, and the grant of such permits may be subject to an expansive governmental review of our operations. Alternatively, we may not be successful in obtaining such permits, which could prevent Capstone from commencing, extending or expanding operations or otherwise adversely affect Capstone's business, financial condition, results of operation and prospects. Further, renewal of our existing permits or obtaining new permits may be more difficult if we are not able to comply with our existing permits. Applications for permits, permit area expansions and permit renewals may be subject to challenge by interested parties, which can delay or prevent receipt of needed permits. The permitting process can also vary by jurisdiction in terms of its complexity and likely outcomes.

Accordingly, permits required for Capstone's operations may not be issued, maintained or renewed in a timely fashion or at all, may be issued or renewed upon conditions that restrict Capstone's ability to operate economically, or may be subsequently revoked. Any such failure to obtain, maintain or renew permits, or other permitting delays or conditions, including in connection with any environmental impact analyses, could have a material adverse effect on Capstone's business, results of operations, financial condition and prospects.

Climatic conditions can affect our operations at the Pinto Valley, Cozamin and Minto Mines.

Arizona can be subject to periods of drought. Operations at the Pinto Valley Mine require water for normal operations. Capstone has entered to a Water Supply Agreement with BHP Copper, but such agreement is subject to water availability and BHP's own requirements. A lack of necessary water for a prolonged period of time could affect operations at the Pinto Valley Mine and materially adversely affect our results of operations. Arizona can also be subject to significant rainfall events which could result in flooding of pits at the Pinto Valley Mine adversely affecting our results of operations.

Operations at the Cozamin Mine are also subject to extreme adverse weather conditions. Drought has been prevalent in Central Mexico for years and the effects of lack of water might disrupt normal process operations. As a proactive measure, Cozamin has made agreements with local government and water rights owners for the purchase and use of water from offsite sources.

Operations at the Minto Mine may be subject to extreme weather conditions. Unseasonable weather conditions may preclude normal work patterns and can severely limit Capstone's mining operations, resulting in additional costs and delays. In the past, 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. As a result, we decided to fill an active mining pit with water, which caused Capstone to cease mining operations until Capstone obtained regulatory permission to discharge the excess waters. Future extreme weather in Yukon could again result in excess run-off at the mine site, which could have an adverse effect on the results of operations at the Minto Mine and on our business, financial condition, results of operation and prospects.

Climate change is an international concern and as a result poses risk of both climate changes and government policy in which governments are introducing climate change legislation and treaties that could result in increased costs, and therefore, decreased profitability at some of our operations.

Aboriginal title claims and rights to consultation and accommodation may affect Capstone's existing operations as well as development projects and future acquisitions.

The nature and extent of First Nations rights and title remains the subject of active debate, claims and litigation in Canada, including in British Columbia and Yukon. The Minto Mine lies on Category A land in Yukon where the Selkirk First Nation own both surface and subsurface rights. The Kutcho Project in British Columbia 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 Capstone's rights to the Kutcho Project. There can be no guarantee that the unsettled nature of the land claims in British Columbia and Yukon will not create delays in project approval or unexpected interruptions in project progress, or result in additional costs to advance Capstone's projects. In many cases, environmental assessment, subsequent permitting, development and operation of proposed projects is only possible with the support of the local First Nations group. In order to secure such support, we may have to take measures to limit the adverse impact to, and ensure that some of the economic benefits of the construction and mining activity will be enjoyed by, the local First Nations group. 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 Capstone's public image. Further, 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 Capstone's rights to the Minto Mine.

Land reclamation and mine closure requirements may be burdensome and costly.

Land reclamation and mine closure requirements are generally imposed on mining companies, which require Capstone, amongst other things, to minimize the effects of land disturbance. Such requirements may include controlling the discharge of potentially dangerous effluents from a site and restoring a site's landscape to its pre-exploration form. The actual costs of reclamation and mine closure are uncertain and planned expenditures may differ from the actual expenditures required. Therefore, the amount that we are required to spend could be materially higher than current estimates. Any additional amounts required to be spent on reclamation and mine closure may have a material adverse effect on our financial performance, financial position and results of operations and may cause Capstone to alter Capstone's operations. Although we include liabilities for estimated reclamation and mine closure costs in our financial statements, it may be necessary to spend more than what is projected to fund required reclamation and mine closure activities.

There are uncertainties and risks related to the potential development of the Santo Domingo Project and if the construction and development of this project remains in a long-term suspension, it could adversely affect the Company's business, financial condition, results of operations and prospects.

Development of the Santo Domingo Project will require obtaining permits and financing, and the construction and operation of mines, processing plants and related infrastructure. Capstone has received the approval for the Environmental Impact Assessment ("EIA") and also completed the tender process for EPC Engineering, Procurement, Construction Management ("EPCM") packages for project development. Capstone has selected POSCO as the preferred EPC fixed price lump sum contractor for the Santo Domingo project. While the EPC contract has not been concluded, Capstone awarded a Limited Notices to Proceed to complete the verification of the Definitive Feasibility Study which was completed in 2016. If Capstone proceeds to development we will be subject to all of the risks associated with establishing new mining operations. However, due to the prevailing market conditions, Capstone temporarily suspended the Santo Domingo Project in 2015. As the project remains in long-term suspension, there are risks associated with a prolonged suspension, including the timing of receipt of the remaining approvals and permits, changes in requirements of Governmental Authorities, the availability of key personnel, the availability of contractors (including POSCO), and the potential for higher costs than estimated if and

when Capstone decides to develop the project. These events could have a material adverse effect on Capstone's financial condition, business, operating results and prospects.

The costs, timing and complexities of developing Capstone's projects may be greater than anticipated.

Cost estimates may increase significantly as more detailed engineering work is completed on a project. It is common in mining operations to experience unexpected costs, problems and delays during construction, development and mine start- up. Accordingly, we cannot provide assurance that our activities will result in profitable mining operations at our mineral properties. If there are significant delays in when these projects are completed and are producing on a commercial and consistent scale, or their capital costs were to be significantly higher than estimates, these events could have a significant adverse effect on Capstone's results of operation, cash flow from operations and financial condition.

Mineral rights or surface rights to our properties could be challenged, and, if successful, such challenges could have a material adverse effect on our production and our business, financial condition, results of operations and prospects.

Title to Capstone's properties may be challenged or impugned. Our 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 our 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.

A claim by a third party asserting prior unregistered agreements or transfer on any of Capstone's properties, especially where mineral reserves have been located, could result in Capstone losing a commercially viable property. Even if a claim is unsuccessful, it may potentially affect Capstone's current operations due to the high costs of defending against the claim and its impact on Capstone's resources. Title insurance is generally not available for mineral properties and Capstone's ability to ensure that Capstone has obtained a secure claim to individual mineral properties or mining concessions may be severely constrained. We rely on title information and/or representations and warranties provided by our grantors. If we lose a commercially viable property, such a loss could lower our future revenues or cause Capstone to cease operations if the property represented all or a significant portion of our mineral reserves at the time of the loss.

It may be difficult for Capstone to find and hire qualified people in the mining industry who are situated in Arizona, Mexico, Yukon and Chile or to obtain all of the necessary services or expertise in Arizona, Mexico, Yukon and Chile or to conduct operations on Capstone's projects at reasonable rates.

If qualified people and services or expertise cannot be obtained in Arizona, Mexico, Yukon and Chile, we may need to seek and obtain those services from people located outside of these areas, which will require work permits and compliance with applicable laws and could result in delays and higher costs.

We are dependent on key management personnel.

We are very dependent upon the personal efforts and commitment of our existing management and our current operations and future prospects depend on the experience and knowledge of these individuals. Capstone does not maintain any "key person" insurance. To the extent that one or more of Capstone's members of management are unavailable for any reason, or should Capstone lose the services of any of them, a disruption to Capstone's operations could result, and there can be no assurance that Capstone will be able to attract and retain a suitable replacement.

Our directors and officers may have interests that conflict with Capstone's interests.

Certain of Capstone's directors and officers also serve as directors or officers, or have significant shareholdings in, other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. To the extent that such other companies may participate in ventures which Capstone may participate in, or in ventures which Capstone may seek to participate in, our directors and officers may have a conflict of

interest in negotiating and concluding terms respecting the extent of such participation. In all cases where our directors and officers have an interest in other companies, such other companies may also compete with Capstone for the acquisition of mineral property investments. As a result of these conflicts of interest, we may not have an opportunity to participate in certain transactions, which may have a material adverse effect on our business, financial condition, results of operation and prospects.

Corruption and Bribery Risk

Capstone is required to comply with anti-corruption and anti-bribery laws of various countries including, Canada, US, Mexico and Chile. In recent years there has been an increase in enforcement and severity of penalties under such laws. A company may be found liable for violations by employees, contractors and third party agents. Capstone has implemented policies and taken measures including training to mitigate the risk of non-compliance, however, such measures are not always effective in ensuring that Capstone, its employees, contractors and third party agents comply strictly with such laws. If Capstone is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions resulting in a material adverse effect on Capstone's reputation and financial results.

Capstone's insurance does not cover all potential losses, liabilities and damage related to Capstone's business and certain risks are uninsured or uninsurable.

In the course of exploration, development and production of mineral properties and in the conduct of our operations, certain risks, including rock bursts, cave-ins, fires, flooding, earthquakes and cyber-attacks may occur. It is not always possible to fully insure against such risks. Capstone currently does not have insurance against all risks and may decide not to take out insurance against all risks as a result of high premiums or other reasons. Further, insurance against certain risks, including those related to environmental matters, is generally not available to Capstone or to other companies within the mining industry. Losses from these events may cause Capstone to incur significant costs that could have a material adverse effect on Capstone's business, financial condition, results of operation and prospects.

Our operations will be adversely affected if we fail to maintain satisfactory labour relations.

Our workforce is not unionized with the exception of approximately 393 of the hourly employees at the Pinto Valley Mine which are represented by six unions, governed by one collective bargaining agreement negotiated by the United Steelworkers Union which expired June 30, 2014 and is currently under negotiation. We cannot predict at this time whether we will be able to reach new agreements with our unionized workforce without a work stoppage or other labour unrest, and any such new agreements may not be on terms favourable to Capstone. Additional groups of non-union employees may seek union representation in the future. Further, relations with employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities in jurisdictions where Capstone conducts business. Changes in such legislation or otherwise in our relationship with our employees may result in higher ongoing labour costs, employee turnover, strikes, lockouts or other work stoppages, any of which could have a material adverse effect on our business, results of operations and financial condition.

Increased energy prices could adversely affect Capstone's results of operations and financial condition.

Mining operations and facilities are intensive users of electricity and carbon-based fuels. Energy prices can be affected by numerous factors beyond our control, including global and regional supply and demand, political and economic conditions, and applicable regulatory regimes. The prices of various sources of energy may increase significantly from current levels. An increase in energy prices for which Capstone is not hedged could materially adversely affect our results of operations and financial condition.

We may not be able to compete successfully with other mining companies.

The mining industry is competitive in all of its phases. Capstone faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, metals. Many of these companies have greater liquidity, greater access to credit and other financial resources, newer or more efficient equipment, lower cost structures, more effective risk management policies and procedures and/or a greater ability than Capstone to withstand losses. Our competitors may be able to respond more quickly to new laws or regulations or emerging technologies, or devote greater resources to the expansion or efficiency of their operations than we can. In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships amongst themselves or with third parties. Accordingly, it is possible that new competitors or alliances amongst current and new competitors may emerge and gain significant market share to our detriment. Capstone may also encounter increasing competition from other mining companies in our efforts to hire experienced mining professionals. Increased competition could adversely affect Capstone's ability to attract necessary capital funding, to acquire it on acceptable terms, or to acquire suitable producing properties or prospects for mineral exploration in the future. As a result of this competition, we may not be able to compete successfully against current and future competitors, and any failure to do so could have a material adverse effect on our business, financial condition, results of operations and prospects.

Capstone may experience difficulties with Capstone's joint venture partners.

Capstone currently operates the Santo Domingo Project through a joint ownership arrangement with KORES and may in the future enter into additional joint ownership arrangements with other partners. Capstone is subject to the risks normally associated with the conduct of joint ownership arrangements, which include disagreements with Capstone's partners on how to develop, operate and finance Capstone's joint ownership activities, including future acquisitions or the Santo Domingo Project, and possible disputes with Capstone's partners regarding joint ownership arrangement matters. These disagreements and disputes may have an adverse effect on Capstone's ability to successfully pursue joint ownership arrangements, including the development of the Santo Domingo Project, which could affect our business, financial condition, results of operation and prospects.

Capstone may experience problems integrating new acquisitions into Capstone's existing operations.

Capstone's success at completing acquisitions will depend on a number of factors, including, but not limited to, identifying acquisitions that fit Capstone's strategy, negotiating acceptable terms with the seller of the business or property to be acquired and obtaining approval from regulatory authorities in the jurisdictions of the business or property to be acquired. Any positive effect on Capstone's results from Capstone's acquisitions will depend on a variety of factors, including, but not limited to, assimilating the operations of an acquired business or property in a timely and efficient manner, maintaining Capstone's financial and strategic focus while integrating the acquired business or property, implementing uniform standards, controls, procedures and policies at the acquired business, as appropriate, and to the extent that Capstone makes an acquisition outside of markets in which Capstone has previously operated, conducting and managing operations in a new operating environment. The Pinto Valley Mine was acquired on an "as is where is" basis with limited representations and warranties. In addition, Capstone has provided indemnities to BHP Copper with respect to certain liabilities and have limited recourse against BHP Copper with respect to many potential liabilities related to the Pinto Valley Mine. As a result, the acquisition of mineral properties, such as the Pinto Valley Mine, may subject Capstone to unforeseen liabilities, including environmental liabilities.

Capstone may experience cybersecurity threats

We rely on secure and adequate operations of information technology systems in the conduct of our operations. Access to and security of the information technology systems are critical to our operations. To our knowledge, we have not experienced any material losses relating to disruptions to our information technology systems. We have enhanced and implemented ongoing policies, controls and practices to manage and safeguard Capstone and our stakeholders from internal and external cybersecurity threats and to comply with changing legal requirements and

industry practice. Given that cyber risks cannot be fully mitigated and the evolving nature of these threats, we cannot assure that our information technology systems are fully protected from cybercrime or that the systems will not be inadvertently compromised, or without failures or defects. Disruptions to our information technology systems, including, without limitation, security breaches, power loss, theft, computer viruses, cyber-attacks, natural disasters, and non- compliance by third party service providers and inadequate levels of cybersecurity expertise and safeguards of third party information technology service providers, may adversely affect the operations of Capstone as well as present significant costs and risks including, without limitation, loss or disclosure of confidential, proprietary, personal or sensitive information and third party data, material adverse effect on our financial performance, compliance with our contractual obligations, compliance with applicable laws, damaged reputation, remediation costs, potential litigation, regulatory enforcement proceedings and heightened regulatory scrutiny.

Legal Proceedings

From time to time, Capstone is involved in routine legal matters, including but not limited to, regulatory investigations, claims, lawsuits and other proceedings in the ordinary course of our business. There can be no assurances that these matters will not have a material effect on our business.

5 – DIVIDENDS AND DISTRIBUTIONS

We have not declared or paid any dividends or distributions on our common shares in the last three financial years and have no present intention of doing so, as we anticipate that all available funds will be invested to finance the growth of our business.

6 – DESCRIPTION OF CAPITAL STRUCTURE

6.1 General Description of Capital Structure

Capstone has an authorized capital of an unlimited number of common shares without par value, 391,310,079 of which were issued and outstanding as of March 13, 2017.

Common Shares

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

7 – MARKET FOR SECURITIES

Trading Price and Volume – Common Shares

Our common shares are listed for trading on the TSX under the symbol "CS". The following table sets out the monthly price ranges and volumes of Capstone common shares on the TSX during the 12 months ended December 31, 2016 and up to the date of this Annual Information Form:

Month	Volume	High (C$)	Low (C$)
March 2017*	10,040,237	1.75	1.29
February 2017	33,198,094	1.81	1.43
January 2017	23,721,756	1.52	1.23
December 2016	26,983,181	1.40	1.00
November 2016	40,508,515	1.15	0.81
October 2016	16,855,296	0.83	0.68
September 2016	12,868,466	0.81	0.65
August 2016	19,524,483	0.89	0.65
July 2016	17,099,869	0.97	0.77
June 2016	13,733,309	0.86	0.64
May 2016	13,489,177	082	0.60
April 2016	33,774,270	0.89	0.44
March 2016	32,121,017	0.62	0.40
February 2016	32,640,805	0.42	0.32
January 2016	37,993,936	0.45	0.27

* includes data from March 1 to March 13, inclusive. Source: Bloomberg

8 – DIRECTORS AND OFFICERS

8.1 Name and Occupation

As of the date of this AIF, the directors and executive officers of Capstone are as follows:

Name and Address	Office held with Capstone	Principal Occupation during past five years	Director Since[1]
Lawrence I. Bell[2][3] British Columbia, Canada	Director	A director of Silver Wheaton Corp.; previously Chair of Canada Line Rapid Transit Project and Chair of BC Hydro.	November 24, 2008
George L. Brack[2][4] British Columbia, Canada	Chairman and Director	Currently the Chairman of Capstone; and a director of Geologix Explorations Inc, Silver Wheaton Corp. and Timmins Gold Corp.	May 19, 2009
Robert J. Gallagher[3] British Columbia, Canada	Director	A director of New Gold Inc., Dynasty Gold Corp., Southern Arc Minerals Inc. and Japan Gold Corp.; former President & CEO of New Gold Inc.	November 1, 2016
Jill V. Gardiner[2][5] British Columbia, Canada	Director	Financial consultant and corporate director; a director of Capital Power Corporation and Parkbridge Lifestyle Communities Inc.; previously served as a director of SilverBirch Hotels & Resorts and Timber Investments Ltd.; and served as chair of the board for Turquoise Hill Resources Ltd. until December 2016.	November 1, 2016
Soon Jin (Alex) Kwon[6] Ontario, Canada	Director	Director & Chief Operating Officer of KORES Canada Corporation, a wholly owned subsidiary of Korea Resources Corporation since 2013.	April 29, 2015
Kalidas Madhavpeddi[4][5] Arizona, US	Director	President, Azteca Consulting LLC from 2006; advisor to China Molybdenum Co. Ltd. from 2008; currently a director of Trilogy Metals Inc. (formerly Novacopper Inc.) and NovaGold Resources Inc.; and served as a director of Namibia Rare Earths Inc. until November 2016.	June 1, 2012
Dale C. Peniuk[2][4][5] British Columbia, Canada	Director	Chartered Professional Accountant (CPA, CA) and corporate director; a director of Argonaut Gold Inc. and Lundin Mining Corporation; previously a Partner with KPMG LLP Chartered Accountants.	May 19, 2009
Darren M. Pylot British Columbia, Canada	President and CEO and Director	President and CEO of the Company and a director of the Company since October 2003; currently a director of Zena Mining Corp.	October 23, 2003
Richard N. Zimmer[3][4] British Columbia, Canada	Director	A director of Alexco Resource Corp.	June 20, 2011

[1] Each director is appointed for a term of one year, which expires on the date of the annual meeting of shareholders of Capstone following his or her appointment. Capstone's next annual meeting is scheduled to be held on April 26, 2017.
[2] Member of the Human Resource & Compensation Committee
[3] Member of the Technical, Health, Environmental, Safety & Sustainability Committee
[4] Member of the Corporate Governance & Nominating Committee
[5] Member of the Audit Committee

Name and Address	Office held with Capstone	Principal Occupation during past five years
Cindy L. Burnett British Columbia, Canada	Vice President, Investor Relations and Communications	Vice President, Investor Relations and Communications since September 2012 and Vice President, Investor Relations from March 2011 to September 2012.
Gregg B. Bush British Columbia, Canada	Senior Vice President and Chief Operating Officer	Senior Vice President and Chief Operating Officer since May 2010.
Jason P. Howe British Columbia, Canada	Vice President, Corporate Development	Vice President, Corporate Development since October 2016; previously Vice President, Business Development from March 2009 to October 2016; President & CEO of Zena Mining since 2008.
Wendy A. King British Columbia, Canada	Vice-President, Legal, Risk and Governance and Corporate Secretary	Vice President, Legal, Risk and Governance since February 2014 and Corporate Secretary since March 2015; previously Senior Vice President Government Relations, General Counsel, Chief Compliance Officer and Corporate Secretary for Central 1 Credit Union from March 2012 to February 2014; Senior Legal Counsel and Assistant Corporate Secretary for Weyerhaeuser Company Limited from 2001 to 2012.
Gillian A. McCombie British Columbia, Canada	Vice President, Human Resources	Vice President, Human Resources since March 2013; previously, Director of Human Resources from December 2011 to March 2013.
Brad J. Mercer Alberta, Canada	Senior Vice President, Exploration	Senior Vice President, Exploration since March 2013, Vice President, Exploration for Capstone from November 2008 to March 2013.
D. James Slattery British Columbia, Canada	Senior Vice President and Chief Financial Officer	Senior Vice President and Chief Financial Officer since July 2013; previously Vice President and Chief Financial Officer of Inmet Mining Corporation from July 2005 to April 2013.

Note: Guy Lebel held the position of Vice President, Evaluations from April 15, 2013 to January 11, 2016; Robert S. Blusson held the position of Vice President, Finance from January 1, 2013 to October 3, 2016; Peter T. Hemstead held the position of Treasurer from January 1, 2009 to October 3, 2016 and Vice President, Marketing from March 1, 2010 to October 3, 2016; Tomas Iturriaga held the position of Vice President, North American Operations from August 1, 2015 to February 2, 2017.

Ownership of Securities by Directors and Officers

As at March 13, 2017, the directors and executive officers as a group beneficially owned or exercised control or direction over, directly or indirectly, an aggregate of 2,837,766 Capstone common shares, representing approximately 0.76% of the issued and outstanding common shares of Capstone.

To the knowledge of Capstone, after reasonable enquiry, no director or officer of Capstone 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 or chief financial officer of any company that: (a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period for more than 30 consecutive days (together, an "order"),that was issued while the director or officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an order that was issued after the director or officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of Capstone, after reasonable enquiry, no director or officer of Capstone, or a shareholder holding a sufficient number of securities of Capstone to affect materially the control of Capstone: (a) is as at the date of this Annual Information Form, or has been within the 10 years before the date of this Annual Information Form, a director or officer of any company that, while that person was acting in that capacity, or within a year of that person was acting 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; or (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.

To the knowledge of Capstone, after reasonable enquiry, no director or officer of Capstone, or a shareholder holding a sufficient number of securities of Capstone to affect materially the control of Capstone 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 any other 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.

8.2 Conflicts of Interest

Certain of our directors and officers serve or may agree to serve as directors or officers of other reporting companies, including public companies as noted in 8.1 above, or have significant shareholdings in other reporting companies and, to the extent that such other companies may participate in ventures in which we may participate, our directors 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 our directors, a director who has a conflict abstains from voting for or against the approval of such 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 Capstone are required to act honestly, in good faith and in the best interests of Capstone. In determining whether or we will

participate in a particular program and the interest we will acquired, the directors will primarily consider the degree of risk to which we may be exposed and our financial position at that time. See also "Risk Factors".

9 – AUDIT COMMITTEE INFORMATION

9.1 Audit Committee Terms of Reference

The full text of our Audit Committee Terms of Reference is included as Schedule "A" to this Annual Information Form.

9.2 Composition of the Audit Committee and Relevant Education and Experience

Our Audit Committee consists of three members all of whom are independent and financially literate as defined by National Instrument 52-110 - *Audit Committees* ("NI 52-110"). The name, relevant education and experience of each Audit Committee member is outlined below:

Dale C. Peniuk (Chair)

Mr. Peniuk is a Chartered Professional Accountant CPA, CA and corporate director. In addition to Capstone, Mr. Peniuk currently serves on the Board and as Audit Committee Chair of Lundin Mining Corporation and Argonaut Gold Inc. and has been on the board and chair of the audit committee of numerous other Canadian public mining companies since 2006. Mr. Peniuk obtained a B.Comm from the University of British Columbia in 1982 and his Chartered Accountant designation from the Institute of Chartered Accountants of British Columbia (now the Chartered Professional Accountants of British Columbia) in 1986, and spent more than 20 years with KPMG LLP, Chartered Accountants (now KPMG LLP, Chartered Professional Accountants) and predecessor firms, the last 10 of which as an assurance partner with a focus on mining companies.

Jill V. Gardiner

Ms. Gardiner is a corporate director and has a financial consulting practice. She is currently a director of Capital Power Corporation and Parkbridge Lifestyle Communities Inc. Previously, Ms. Gardiner spent over 20 years in the investment banking industry, most recently as Managing Director and Regional Head, British Columbia, for RBC Capital Markets. She also held various positions in corporate finance, mergers and acquisitions and debt capital markets as well as serving as Head of the Forest Products Group and Head of the Global Utilities Group. Prior to joining the investment banking industry, Ms. Gardiner was Senior Project Manager at the Ontario Energy Board and was also a lecturer at the University of Victoria, School of Business. Ms. Gardiner has an MBA and BSc from Queen's University. Ms. Gardiner has extensive experience analyzing and evaluating financial statements as both a director and as Managing Director or RBC Capital Markets.

Kalidas Madhavpeddi

Mr. Madhavpeddi is President of Azteca Consulting LLC and also an advisor to China Molybdenum Inc., a former Senior Vice President of Business Development at Phelps Dodge Corporation, former President of Phelps Dodge Wire and Cable and Senior Vice President of Phelps Dodge Sales Company and other various technical and engineering positions. He holds a M.S., Industrial Management and Engineering from the University of Iowa, and a B.S., Civil Engineering from the Indian Institute of Technology in Madras, India and completed the Advanced Management Program at Harvard Business School. Mr. Madhavpeddi has extensive experience analysing and evaluating financial statements as both a director and senior vice president of public companies.

9.3 Audit Committee Oversight

At no time since the commencement of our 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.

9.4 Pre-Approval Policies and Procedures

The Audit Committee pre-approves all non-audit services provided by our external auditor and has established policies and procedures accordingly. When a new service is proposed by Capstone's external auditor, management confirms with the audit engagement partner that there is no independence concern related to the proposed service. Once it is confirmed by the audit engagement partner and the Chair of Audit that the proposed service(s) would not impair the auditor's independence, the matter is raised to the Audit Committee for approval before management proceeds with engaging the external auditor to perform the proposed service(s).

9.5 External Auditors Service Fees (By Category)

The aggregate fees billed by our external auditors in the last two fiscal years ended December 31, 2016 and 2015 are as follows:

Year Ending	Audit Fees[(1)]	Audit-Related Fees	Tax Fees[(2)]	All Other Fees[(3)]
December 31, 2016	C$944,000	nil	C$140,000	C$43,000
December 31, 2015	C$856,000	nil	C$109,600	C$121,910

(1) This amount includes the fees billed for the audit of the annual consolidated financial statements and for the review of the Interim condensed consolidated financial statements. In previous years, interim review fees were disclosed in the "Audit-related fees" category, these fees are shown within the "Audit fees" category for both years shown above.

(2) The aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning. All fees for tax compliance, tax advance and tax planning must be approved by the Audit Committee.

(3) The aggregate fees billed that are not "Audit Fees", "Audit-Related Fees" or "Tax Fees". These fees in 2015 and 2016 relate primarily to IT advisory services. All fees for other professional services must be approved by the Audit Committee.

10 – LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

Capstone was not subject to any material legal proceedings throughout the recently completed financial year. Capstone is, from time to time, involved in legal claims, proceedings and complaints arising in the ordinary course of business. While the outcome of these legal proceedings cannot be predicted with certainty, we believe that any adverse decision in such proceedings or complaints will not have a material adverse effect on the financial condition or operations of Capstone. The directors and the management know of no contemplated or pending proceedings against anyone that might materially adversely affect our financial condition or results of operations.

Regulatory Actions

On December 21, 2015, the Yukon government reassessed Minto Explorations Ltd.'s 2014 annual royalty return and notwithstanding Minto's disagreement with the 2014 reassessment, Minto has paid the claimed penalty and interest within the required time period for the 2014 reassessment. Minto continues to work with the Yukon government to resolve the reassessment, inclusive of the impact on the 2010-2013 years. It is not possible to estimate the amount of the reassessed royalty until the Yukon government has completed the reassessments, however we do not anticipate that it will have a material impact on the Company.

Other than the assessment noted above, as of December 31, 2016, Capstone is not subject to:

- any penalties or sanctions imposed against Capstone by a court relating to securities legislation or by a securities regulatory authority during the financial year ended December 31, 2016; or
- any other penalties or sanctions imposed by a court or regulatory body against Capstone that would likely be considered important to a reasonable investor in making an investment decision; or
- settlement agreements Capstone entered into before a court relating to securities legislation or with a securities regulatory authority during the financial year ended December 31, 2016.

11 – INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed herein, no director, executive officer or principal shareholder of Capstone, 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 Capstone.

12 – TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc., at 3rd Floor, 510 Burrard Street, Vancouver, British Columbia V6C 3B9, is the transfer agent and registrar of our common shares, and Computershare Investor Services Inc., at 11th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1, is the co-transfer agent and registrar.

13 – MATERIAL CONTRACTS

Material contracts, other than contracts entered into in the ordinary course of business, that were entered into by Capstone between January 1, 2016 and as of the date of this AIF, or before that time, but that are still in effect are listed below:

1. Shareholders' Agreement between the Company, KORES, Korea Chile Mining Corporation and 0908113 BC Ltd. dated June 17, 2011 with respect to the ownership of the Santo Domingo Project. This agreement governs the conduct of the business and affairs of 0908113 B.C. Ltd. and the relationship of the parties, and provides restrictions on transfer of title and ownership of shares. A copy of the Shareholders' Agreement is available on SEDAR at *www.sedar.com*.
2. Third Amended and Restated Credit Agreement between Capstone, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Wells Fargo Bank N.A., Canadian Branch, Citibank, N.A., Canadian Branch, Export Development Canada, Bank of Montreal, Mizuho Bank, Ltd., and ING Capital LLC., dated January 16, 2015 (the "RCF"). The RCF originally comprised a committed $440 million plus a $60 million accordion. Capstone chose to permanently reduce the credit available under the RCF by $20 million in the fourth quarter of 2016, and again reduced the credit available by another $20 million early in the first quarter of 2017, thereby permanently reducing the credit available under the RCF to $400 million as of the date of this AIF. The RCF has a four year term maturing in January 2019 and may be extended on mutual consent, an interest rate of US LIBOR plus 2.50% to 3.50% and a standby fee of 0.5625% to 0.7875%, payable on the undrawn balance of the facility, depending on the quarterly total leverage ratio. The $60 million accordion may be exercised by Capstone once additional credit is committed from existing or new lenders. A copy of the RCF is available on SEDAR at *www.sedar.com*.

14 – INTERESTS OF EXPERTS

14.1 Names of Experts

Deloitte LLP, Chartered Professional Accountants ("Deloitte"), have prepared an auditors' report dated February 15, 2017, on Capstone's annual consolidated financial statements as of and for the years ended December 31, 2016 and December 31, 2015 which have been filed on SEDAR. Deloitte have confirmed they are independent of Capstone within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia.

The following persons or companies have 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: Dave Hallman, PE, Diego Airo, P.Eng., Jenna Hardy, P.Geo., Jeremy Vincent, P.Geo., Kenneth Major, P.Eng., Mel Lawson, SME-RM, Patrick Andrieux, P.Eng., Vivienne McLennan, P.Geo., Bill Hodgson, P.Eng., Bruce Murphy, P.Eng., Colleen Roche, P.Eng., Douglas McIlveen, P.Geo., John Eggert, P.Eng., Michael Levy, PE, Kevin Cymbalisty, P.Eng., Pooya Mohseni,

P.Eng., Wayne Barnett, Pr.Sci.Nat, Carolla Hoag, CPG, SME-RM, Garth Kirkham, P.Geo., FGC, Patricia Maloney, P.E., John Marek, PE, Tony Freiman, PE, Anna Klimek, P.Eng., Carlos Guzman, F.AusIMM, David Frost, F.AusIMM, David W. Rennie, P.Eng., Hans Gopfert, P.Eng., Joyce Maycock, P.Eng., Roy Betinol, P.Eng., Tom Kerr, P.Eng., and Vikram Khera, P.Eng.

14.2 Interests of Experts

To the knowledge of Capstone, after reasonable enquiry, except for Jenna Hardy, Douglas McIlveen, Vivienne McLennan, Kevin Cymbalisty, Pooya Mohseni, Diego Airo, and Jeremy Vincent, none of the experts named under "Names of Experts", when or after they prepared the statement, report or valuation, has received or holds any registered or beneficial interests, direct or indirect, in any securities or other property of Capstone or of one of Capstone's associates or affiliates (based on information provided to us by the experts) or is or is expected to be elected, appointed or employed as a director, officer or employee of Capstone or of any of our associates or affiliates. Vivienne McLennan, Diego Airo, and Jeremy Vincent are employees of Capstone, and Douglas McIlveen, Kevin Cymbalisty, and Pooya Mohseni are employees of Minto Explorations Ltd. Each of the experts noted in this section 14.2 beneficially owns, directly or indirectly, less than one percent of the outstanding common shares of the Company.

15 – ADDITIONAL INFORMATION

Additional information relating to Capstone may be found on SEDAR at *www.sedar.com*, including financial and other information in our consolidated financial statements and management's discussion and analysis for the year ended December 31, 2015, under "Capstone Mining Corp."

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Capstone's securities, and securities authorized for issuance under equity compensation plans is contained in Capstone's Information Circular for our most recent annual general meeting of security holders that involved the election of directors.

SCHEDULE A

AUDIT COMMITTEE

TERMS OF REFERENCE

1. PURPOSE

The overall purpose of the Audit Committee of Capstone Mining Corp. ("Capstone") is to assist the Board of Directors (the "Board") in fulfilling its oversight responsibilities related to the quality and integrity of financial reporting, including ensuring fair presentation of the financial position and results of operations of Capstone in accordance with Canadian generally accepted accounting principles. The Audit Committee will also ensure that management has designed and implemented an effective system of internal financial controls and review their compliance with regulatory and statutory requirements as they relate to consolidated financial statements, taxation matters and disclosure of material facts.

2. COMPOSITION

A. The Audit Committee shall consist of at least three members of the Board, all of whom shall be "independent directors", as that term is defined in National Instrument 52-110, "Audit Committees".

B. The Board, at its organizational meeting held in conjunction with each annual general meeting of the shareholders, shall appoint the members of the Audit Committee for the ensuing year. The Board may at any time remove or replace any member of the Audit Committee and may fill any vacancy in the Audit Committee.

C. The Board shall have appointed the chair of the Audit Committee on an annual basis.

D. All of the members of the Audit Committee shall be "financially literate" (i.e. able to read and understand a set of financial statements that present a breadth and level of complexity of the issues that can reasonably be expected to be raised by Capstone's consolidated financial statements).

E. The secretary of the Audit Committee shall be designated from time to time from one of the members of the Audit Committee or, failing that, shall be the Corporate Secretary, unless otherwise determined by the Audit Committee.

F. The quorum for meetings shall be a majority of the members of the Audit Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.

3. CORE RESPONSIBILITIES

A. The overall duties and responsibilities of the Audit Committee shall be as follows:

i. To assist the Board in the discharge of its responsibilities relating to accounting principles, reporting practices and internal controls and its approval of Capstone's annual and quarterly consolidated financial statements;

ii. To ensure that management has designed, implemented and is maintaining an effective system of internal financial controls; and

iii. To report regularly to the Board on the fulfilment of its duties and responsibilities.

B. The duties and responsibilities of the Audit Committee as they relate to the external auditors shall, in general, be to oversee the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for Capstone, including

C. the resolution of disagreements between management and the external auditor regarding financial reporting. Specifically, these duties and responsibilities include the following:

   i. To recommend to the Board a firm of external auditors to be engaged by Capstone, and to consider the independence of such external auditors;

   ii. To review and pre-approve the audit and any other services rendered by the external auditors and review the fee, scope and timing of these services;

   iii. To review the audit plan of the external auditors prior to the commencement of the audit;

   iv. To review with the external auditors, upon completion of their audit, the following:

      a) content of their report to the Audit Committee;

      b) scope and quality of the audit work performed;

      c) adequacy of Capstone's financial and auditing personnel;

      d) co-operation received from Capstone's personnel during the audit;

      e) significant transactions outside of the normal business of Capstone;

      f) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems;

      g) any significant changes to their audit plan; and

      h) any serious difficulties or disputes with management encountered during the audit;

   v. To discuss with the external auditors the quality and not just the acceptability of accounting principles;

   vi. To implement structures and procedures to ensure that the Audit Committee meets the external auditors on a regular basis in the absence of management;

   vii. To review the performance of the external auditors, making recommendations to the auditors, to management and/or to the Board as appropriate; and

   viii. To review and approve hiring policies for employees or former employees of the past and present external auditors.

D. The duties and responsibilities of the Audit Committee as they relate to the internal control procedures are to:

   i. Review and approve the internal control assessment plan;

   ii. Review any significant findings and recommendations, and management's response thereto;

   iii. Review the appropriateness and effectiveness of the policies and business practices which impact on the financial integrity of Capstone, including those relating to internal auditing, insurance, accounting, information services and systems and financial controls, management reporting and risk management;

   iv. Review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls;

v. Review all material written communications between the external auditors and management; and

vi. Periodically review the financial and auditing procedures and the extent to which recommendations made by the internal audit staff or by the external auditors have been implemented.

E. The Audit Committee is also charged with the responsibility to:

i. Review the quarterly financial statements and associated MD&A and earnings release and recommend approval to the Board with respect thereto;

ii. Review and approve the financial sections of:

a) the annual report to shareholders;

b) the annual information form;

c) prospectuses and other offering documents; and

d) other public reports requiring approval by the Board and report to the Board with respect thereto;

iii. Review regulatory filings and decisions as they relate to the consolidated financial statements;

iv. Review the appropriateness of the policies and procedures used in the preparation of the consolidated financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;

v. Review and report on the integrity of the consolidated financial statements;

vi. Review the minutes of any audit committee meetings of subsidiary companies;

vii. Review with management, the external auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results and the manner in which such matters have been disclosed in the consolidated financial statements;

viii. Review the compliance with regulatory and statutory requirements as they relate to consolidated financial statements, tax matters and disclosure of material facts;

ix. Review with 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 external auditors;

x. Receive a report annually from management of all accounting firms employed, other than the principal external auditors, with such report to include the nature of the services performed and the fees charged;

xi. Develop a calendar of activities to be undertaken by the Audit Committee for each ensuing year and to submit the calendar in the appropriate format to the Board following each annual general meeting of shareholders;

xii. Establish and periodically review procedures for:

a) the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls, or auditing matters; and

b) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and

xiii. Review the adequacy of the Terms of Reference annually, proposing modifications as appropriate.

4. RESPONSIBILITIES OF THE COMMITTEE CHAIR

The fundamental responsibility of the Audit Committee Chair is to be responsible for the management and effective performance of the Audit Committee and provide leadership to the Audit Committee in fulfilling its core responsibilities and any other matters delegated to it by the Board. To that end, the Audit Committee Chair's responsibilities shall include:

A. Working with the Chairman of the Board, the Chief Financial Officer and the Corporate Secretary to establish the frequency of the Audit Committee meetings;

B. Providing leadership to the Audit Committee and presiding over Audit Committee meetings;

C. Facilitating the flow of information to and from the Audit Committee and fostering an environment in which Audit Committee members may ask questions and express their viewpoints;

D. Reporting to the Board with respect to the significant activities of the Audit Committee and any recommendations of the Audit Committee;

E. Leading the Audit Committee in annually reviewing and assessing the adequacy of its terms of reference and evaluating its effectiveness in fulfilling its terms of reference; and

F. Taking such other steps as are reasonably required to ensure that the Audit Committee carries out its core responsibilities under its terms of reference.

5. AUTHORITY

A. The Audit Committee shall have access to such officers and employees and to such information respecting Capstone, as it considers to be necessary or advisable in order to perform its duties and responsibilities.

B. The external auditors shall have a direct line of communication to the Audit Committee through its Chair and may bypass management if deemed necessary. The Audit Committee, through its Chair, may contact directly any Capstone employee as it deems necessary, and any employee may bring before the Audit Committee any matter involving questionable, illegal or improper financial practices or transactions.

C. The Audit Committee shall have authority to engage independent counsel, consultants and other advisors at the expense of Capstone, as it determines to be necessary or advisable to carry out its duties and responsibilities, including setting and authorizing the payment of the compensation for any advisors employed by the Audit Committee, and to communicate directly with the internal and external auditors.

6. ACCOUNTABILITY

A. The Audit Committee Chair has the responsibility to make periodic reports to the Board, as requested, on financial reporting and internal financial control matters relative to Capstone.

B. The Audit Committee shall report its discussions to the Board by maintaining minutes of its meetings and providing an oral report at the next Board meeting.

7. MEETINGS

Meetings of the Audit Committee shall be conducted as follows:

A. The Audit Committee shall meet at least four times annually at such times and at such locations as may be requested by the Chair of the Audit Committee. The external auditors or any member of the Audit Committee may request a meeting of the Audit Committee;

B. Notice of the time and place of every meeting of the Audit Committee shall be given in writing to each member of the Audit Committee a reasonable time before the meeting;

C. The external auditors shall receive notice of and have the right to attend all meetings of the Audit Committee;

D. Agendas for meetings of the Audit Committee shall be developed by the Chair of the Audit Committee in consultation with management and the Corporate Secretary, and should be circulated to Audit Committee members one week prior to Audit Committee meetings;

E. The following management representatives shall be invited to attend all meetings, except executive sessions and private sessions with the external auditors:

    i. Chief Executive Officer;

    ii. Chief Operating Officer; and

    iii. Chief Financial Officer;

F. Other management representatives shall be invited to attend as necessary;

G. A member of the Audit Committee may be designated as the liaison member to report on the deliberations of the Audit Committee to the Board; and

H. All meetings shall include an in-camera session of independent directors without management present.