MANAGEMENT'S DISCUSSION AND ANALYSIS OF
CAPSTONE MINING CORP.
FOR THE YEAR ENDED DECEMBER 31, 2019

Capstone Mining Corp. ("Capstone" or the "Company") has prepared the following management's discussion and analysis (the "MD&A") as of February 11, 2020 and it should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2019. All financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and all dollar amounts presented are United States ("US") dollars unless otherwise stated.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This document 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 the Company 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 and capital expenditures, the success of our mining operations, the continuing success of mineral exploration, Capstone's ability to fund future exploration activities, 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. In this document certain forward-looking statements are identified by words including "anticipated", "guidance", "plan" and "expected". 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 and closure of mining projects, 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, market access restrictions or tariffs, 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, licenses and permits from governmental authorities, acting as Indemnitor for Minto Exploration Ltd.'s surety bond obligations post divestiture, impact of climatic conditions on our Pinto Valley and Cozamin 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, maintaining ongoing social license to operate, 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, legal proceedings, and other risks of the mining industry as well as those factors detailed from time to time in the Company's interim and annual financial statements and MD&A of those statements, all of which are filed and available for review under the Company's profile on SEDAR at www.sedar.com. Although the Company has 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.

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Nature of Business

Capstone, a Canadian mining company publicly listed on the Toronto Stock Exchange, is engaged in the production of and exploration for base metals centered in the Americas, with a focus on copper. Pinto Valley Mining Corp., a wholly-owned US subsidiary, owns and operates the copper Pinto Valley Mine located in Arizona, US. Capstone Gold, S.A. de C.V., a wholly-owned Mexican subsidiary, owns and operates the polymetallic Cozamin Mine located in Zacatecas, Mexico, and has a portfolio of exploration properties in Mexico. Capstone Mining Chile SpA, a wholly-owned Chilean subsidiary, is performing exploration for base metal deposits in Chile.

0908113 B.C. Ltd. ("Acquisition Co.") is a 70% owned subsidiary of Capstone and 30% owned by Korea Resources Corporation. ("KORES"). Through Acquisition Co.'s wholly-owned Canadian subsidiary, Far West Mining Ltd. ("Far West"), Acquisition Co. is engaged in exploration for and development of base metal deposits primarily in Chile. Minera Santo Domingo SCM ("Santo Domingo"), a 100% owned subsidiary of Far West, holds the Santo Domingo copper-iron project in Chile.

On June 3, 2019, Capstone completed the sale of its 100% interest in the Minto mine, previously classified as an asset held for sale, to Pembridge Resources PLC ("Pembridge").

Q4 2019 Highlights and Significant Items

- **Capstone achieves higher than the mid-point of 2019 production guidance and delivers costs below the low end of C1 cash costs[1] guidance.** 2019 production of 153.4 million pounds of copper is in the top half of the guidance range of 145-160 million pounds and consolidated C1 cash costs[1] of $1.78 per payable pound of copper is lower than guidance of $1.80-$2.00 per payable pound.
- **Q4 2019 copper production of 35.4 million pounds and C1 cash costs[1] of $1.97 per payable pound produced.** Copper sales were higher at 40.3 million pounds due to the inventory drawdown at Pinto Valley. Pinto Valley Q4 2019 copper production was impacted by downtime in the fine crushing plant which enabled the Company to perform maintenance upgrades and then perform an operational test in December, see below.
- **In December, Pinto Valley conducted a test to push throughput levels a minimum of 10% higher and was able to achieve 18 days in excess of 60,000 tonnes per day ("tpd") and reached an all-time record daily tonnage of 70,334 tpd on December 21, 2019.** The objective of the test was to generate a list of bottlenecks that could potentially be overcome with low capital projects or operational improvements. A PV3 Optimization report is expected to be announced in H2 2020 along with a PV4 100,000+ tpd expansion study. Refer to the Corporate Update section for details.
- **Q4 2019 net income of $13.4 million from continuing operations** (Q4 2018 – net loss from continuing operations of ($15.2) million), which was positively impacted by higher sales volumes and a lower income tax expense (driven primarily by the recognition of $23.2 million of deferred tax assets associated with previously unrecognized corporate tax pools).
- **Q4 2019 operating cash flow before changes in working capital of $20.3 million** (Q4 2018 of $11.2 million).
- **The Company achieved its goal of removing $27.5 million of annualized costs out of the business.** Pinto Valley delivered an additional $2.5 million in sustainable annualized cost savings in Q4 2019 totalling $15 million in reductions on a full year basis, which is a reduction in overall site operating costs of approximately $0.80 per tonne milled. Refer to the Corporate Update section for details.
- **In Q4 2019, the Board approved the first phase of the PV3 Optimization study with a $15 million capital investment to improve mill reliability and overall performance at Pinto Valley.** The expected result is increased and sustainable throughput to between 56,000 to 57,000 tpd in 2021 and beyond. The one-year payback is calculated based on expected higher throughput, reduced maintenance and power costs, as well as increased copper recovery associated with improved copper mineral liberation prior to flotation.
- **In Q4 2019, Cozamin's raisebore project Phase 1 was completed two months ahead of schedule.** Ventilation to the upper section of the one-way ramp immediately improved when the reaming head broke through to surface in December 2019. The project is expected to be completed in early 2020.
- **Cozamin has announced the results from 150 holes of a 200 hole 2019/2020 infill drilling program, aiming to double the current reserve base.** Positive drill results pointing to potentially higher grades and wider intercepts than in the current reserve, as well as an expanded high grade resource, were released on November 5, 2019, December 2, 2019 and January 16, 2020. Mineral Resource and Mineral Reserve estimates will be updated in late 2020.

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*
Certain prior period alternative performance measures have been restated to conform with current period classification.

Corporate Update

Cost Reduction Program

Capstone has achieved its cost reduction target range of $25 to $30 million, using 2018 as a baseline. The Company has now removed $27.5 million of costs out of the business with $15 million in savings at Pinto Valley, resulting in a decrease in site operating costs of approximately $0.80 per tonne milled. Other areas of sustainable annualized savings include $3.5 million related to the new revolver terms and improved cash management, $4 million from downsizing of corporate administration and $5 million related to the disposition of Minto.

Cozamin: Near-Term Expansion Update

Development work on the one-way ramp system at Cozamin to debottleneck mine haulage continues on budget and on schedule for completion by the end of 2020. The concurrent development of the raisebore to improve ventilation in the southeast part of the mine is ahead of schedule and is expected to be completed in early 2020. Phase 1 completed ahead of schedule when the reaming head broke through to surface in December 2019, and immediately improved ventilation to the upper section of the new one-way ramp. Once these two underground expansion projects are completed, Cozamin's annual production for 2021 and beyond is expected to increase to approximately 50 – 55 million pounds of copper and 1.5 million ounces of silver.

Cozamin: Doubling the Mine Life

The 2019/2020 infill drilling program is progressing well and is approximately two months ahead of schedule, allowing flexibility to add more holes than originally planned. The drill program is aiming to upgrade Inferred Mineral Resources to Indicated category and subsequent conversion to Mineral Reserves to support doubling the mine life. Positive drill results pointing to higher grades and wider intercepts than in the current Mineral Reserve were released on November 5, 2019, December 2, 2019 and January 16, 2020. Mineral Resource and Mineral Reserve estimates are expected to be updated in late 2020.

During Q4 2019, Cozamin started drilling into the Portree claimblock ("Portree") it acquired earlier in the year. Prior to this, Portree was an untested inlier within Cozamin's land position covering the Mala Noche Footwall Zone ("MNFWZ") area. Portree is surrounded by high grade Inferred Mineral Resources that future drilling is expected to increase to Indicated categorization. Mining has already started within the newly acquired Portree claim.

Pinto Valley: Crushing Plant Modernization

In Q4 2019, the Board approved a $15 million capital project as part of the PV3 Optimization study to improve mill reliability and overall performance at Pinto Valley. The expected result is for throughput to reliably achieve between 56,000 to 57,000 tpd in 2021. The one-year payback is calculated based on expected higher throughput, reduced maintenance and power costs, as well as increased copper recovery associated with improved copper mineral liberation prior to flotation. Pinto Valley's 2020 guidance of between 110 to 120 million pounds of copper production accounts for scheduled downtime for secondary crusher and ball mill shell installations as part of this capital project.

Pinto Valley: PV3 Optimization & PV4 Expansion

Capstone is focused on incremental low capital investments and operational improvements to increase the mill tonnage beyond the 56,000 to 57,000 tpd, noted above. An operational test conducted in December 2019, aimed at pushing throughput levels up 15% to 60,000 tpd or more, was successfully executed. The test realized an all-time daily throughput record of 70,334 tpd and an all-time weekly throughput record of 63,517 tpd. Data from this test is currently being studied to determine what is the peak capacity run rate tied to a low capital expansion of Pinto Valley. The focus of the PV3 Optimization report is to maximize production by systematically debottlenecking the operation with a series of quick payback projects. All required permits are in place to operate at levels up to 79,500 tpd.

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Preliminary work on the Pinto Valley future expansion to 100,000+ tpd ("PV4 Expansion") continues, with an update expected in H2 2020. The study is focused on evaluating potential scenarios to take advantage of the one billion tonnes of Mineral Resources not currently scheduled in the current mine plan pit shell ("PV3").

Santo Domingo Project Progress

The Santo Domingo project is now "shovel-ready" as Capstone has obtained all permits and approvals for the start of construction from the Chilean authorities. An updated technical report that will include the opportunity to recover battery-grade cobalt is expected before the end of Q1 2020. Capital expenditures for the fully permitted project will be kept to a minimum in 2020 to preserve the optionality of the project as we continue the strategic process to right size or monetize Capstone's ownership.

Board Appointment

Capstone is also announcing the appointment of SeungWan Shon to the Company's Board of Directors as KORES' nominee, effective February 12, 2020. Min Geol Ryu will be stepping down from the Board of Directors, also effective February 12, 2020.

Mr. Shon currently leads KORES' Metals Team, managing overseas copper projects. Mr. Shon has been with KORES since 2001 and held numerous positions which include Mine Manager, Senior Manager of KORES Corporate Partnership Team and Senior Manager of the Exploration Team for Nonmetal Mineral Deposits in South Korea. Mr. Shon holds a Master of Science in Geology from Kyungpook National University, Korea.

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Certain prior period alternative performance measures have been restated to conform with current period classification.

Operational Overview

	Q4 2019	Q4 2018	2019	2018
Copper production (million pounds)				
Pinto Valley	26.0	33.0	117.6	119.0
Cozamin	9.4	9.3	35.8	36.2
Total from continuing operations[2]	**35.4**	**42.3**	**153.4**	**155.2**
Copper sales				
Total from continuing operations[2] (million pounds)	40.3	35.1	152.4	143.5
Realized copper price[2] ($/lb.)	2.77	2.66	2.71	2.87
C1 cash costs[1] ($/lb.) produced				
Pinto Valley	2.35	1.97	2.05	2.16
Cozamin	0.91	0.75	0.90	0.75
Consolidated from continuing operations[2]	**1.97**	**1.70**	**1.78**	**1.83**

[2] The Minto mine was placed on care and maintenance in Q4 2018 and was considered a discontinued operation under IFRS 5 up until the date of sale (June 3, 2019).

Consolidated

For the year ended December 31, 2019, C1 cash costs[1] of $1.78 per pound produced were lower than 2018 as well as lower than the guided range. Production was in the top half of the guidance range.

The realized copper price in Q4 2019 of $2.77 per pound was higher than the LME average of $2.67 per pound due to four provisionally priced shipments at December 31, 2019, which were priced at an average of $2.79 per pound. The realized copper price in 2019 was $2.71 per pound, compared to $2.87 per pound in 2018 primarily due to lower gross copper revenue on new shipments of $2.76 per pound in 2019 (2018 was $2.92). Both periods had the same ($0.05 per pound) provisional adjustments on prior shipments.

Pinto Valley Mine

2019 C1 cash costs[1] of $2.05 per pound were lower than 2018, primarily due to the cost reduction program which lowered site operating costs to $216 million versus $231 million (including capitalized stripping costs). Copper production in 2019 was similar to 2018.

In Q4 2019, C1 cash costs[1] of $2.35 per pound were higher than Q4 2018, driven by lower production. Pinto Valley undertook downtime in November to perform maintenance in the fine crushing plant prior to conducting an operational test in December, aimed at running at significantly higher throughput rates. By pushing the operational limits at Pinto Valley, the information from this test is currently being analyzed to generate a number of debottlenecking projects from the mine through the mill. As a result of this test, Pinto Valley delivered 18 days in excess of 60,000 tpd in December, culminating in an all-time record day of 70,334 tpd and an all-time weekly record of 444,622 tonnes (~63,517 tpd average). The focus now will be to deliver a PV3 Optimization Study in H2 2020 that will identify low capital, high impact and quick payback projects to systematically debottleneck the entire operation so that Pinto Valley can perform at sustainably higher rates while maximizing recoveries, production and minimizing costs.

Cozamin Mine

C1 cash costs[1] increased in Q4 2019 and 2019 compared with the same periods last year. This increase was primarily driven by an increase in development in 2019 (11,050 metres versus 9,934 metres) as the mine builds an inventory of areas to be available for longhole stoping in preparation to support increased mining rates planned to start in 2021. Production in 2019 was consistent with 2018 results.

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*
Certain prior period alternative performance measures have been restated to conform with current period classification.

Financial Overview

	Q4 2019[3]	Q4 2018[3]	2019[3]	2018[3]	2017[3,4]
Revenue from continuing operations[2] ($ millions)	**113.6**	**98.0**	**418.7**	**415.9**	**430.4**
Net income (loss) from continuing operations ($ millions)	**13.4**	**(15.2)**	**10.9**	**7.4**	**44.6**
Net income (loss) from continuing operations attributable to shareholders ($ millions)	**13.4**	**(15.1)**	**11.0**	**8.3**	**44.7**
Net income (loss) from continuing operations attributable to shareholders per common share – basic and diluted ($)	*0.03*	*(0.04)*	*0.03*	*0.02*	*0.12*
Net income (loss) ($ millions)	**13.4**	**(39.0)**	**(16.2)**	**(23.6)**	**55.1**
Net income (loss) attributable to shareholders ($ millions)	**13.4**	**(38.9)**	**(16.0)**	**(22.7)**	**55.2**
Net income (loss) attributable to shareholders per common share – basic and diluted ($)	*0.03*	*(0.10)*	*(0.04)*	*(0.06)*	*0.14*
Adjusted net income (loss)[1] ($ millions) [5]	**(7.8)**	**3.1**	**(6.0)**	**13.4**	**6.1**
Adjusted net income (loss)[1] **attributable to shareholders** ($ millions) [5]	**(7.8)**	**3.2**	**(5.8)**	**14.3**	**6.2**
Adjusted net income (loss) attributable to shareholders per common share – basic and diluted ($)	*(0.02)*	*0.01*	*(0.01)*	*0.04*	*0.02*
Adjusted EBITDA[1] from continuing operations[2,5] ($ millions)	**22.5**	**31.3**	**102.5**	**126.6**	**95.9**
Cash flow from operating activities[2] ($ millions)	**22.1**	**54.2**	**92.9**	**131.1**	**112.5**
Cash flow from operating activities per common share[1,2] - basic ($)	*0.06*	*0.14*	*0.24*	*0.34*	*0.29*
Operating cash flow before changes in working capital[1,2] ($ millions)	**20.3**	**11.2**	**79.8**	**97.5**	**129.7**
Operating cash flow before changes in working capital per common share[1,2] – basic ($)	*0.05*	*0.03*	*0.20*	*0.25*	*0.34*
Total assets ($ millions)	**1,331.4**	**1,336.1**	**1,331.4**	**1,336.1**	**1,400.5**
Long term debt (excluding financing fees) ($ millions)	**209.9**	**219.9**	**209.9**	**219.9**	**274.9**
Total non-current financial liabilities ($ millions)	**207.1**	**217.0**	**207.1**	**217.0**	**270.7**
Total non-current liabilities ($ millions)	**404.6**	**380.5**	**404.6**	**380.5**	**452.7**
Net debt[1] ($ millions)	**165.5**	**150.1**	**165.5**	**150.1**	**158.7**

[2] In accordance with IFRS 5, Minto's results are excluded from revenue but included within cash flow amounts in both the current and comparative period. The Minto mine was sold on June 3, 2019.

[3] Effective January 1, 2019, the Company adopted IFRS 16 Leases ("IFRS 16") using the modified retrospective method which applies the standard prospectively, and as such, figures above related to 2018 and 2017 have not been restated to conform to IFRS 16. Refer to the Accounting Changes section of this MD&A for more information.

[4] Effective January 1, 2018, the Company has adopted IFRS 15 *Revenue from contracts with customers* ("IFRS 15") using the modified retrospective method which applies the standard retrospectively to only the most current period presented and as such, figures above related to 2017 have not been restated to conform to IFRS 15.

[5] Certain prior period amounts have been restated to conform with current period classification.

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Selected Quarterly Financial Information

($ millions, except per share data)	Q4 2019*	Q3 2019	Q2 2019**	Q1 2019	Q4 2018***	Q3 2018	Q2 2018	Q1 2018
Revenue	113.6	82.9	113.3	108.9	98.0	112.7	101.5	103.7
Earnings from mining operations	6.0	0.1	6.4	29.9	16.7	14.4	25.5	21.8
Net income (loss) from continuing operations attributable to shareholders	13.4	(9.9)	(4.6)	12.0	(15.1)	4.3	8.5	10.5
Income (loss) from continuing operations attributable to shareholders per share - basic and diluted	0.03	(0.03)	(0.01)	0.03	(0.04)	0.01	0.02	0.02
Net income (loss) attributable to shareholders	13.4	(10.6)	(27.2)	8.34	(39.0)	1.5	7.7	7.0
Net income (loss) per share attributable to shareholders - basic and diluted	0.03	(0.03)	(0.07)	0.02	(0.10)	0.00	0.02	0.02
Operating cashflow before changes in non-cash working capital[1]	20.3	9.5	19.2	30.7	19.1	25.9	30.7	24.6
Capital expenditures (including capitalized stripping)	28.5	28.5	32.6	23.2	29.1	23.8	27.7	24.3

* The net income (loss) figures in Q4 2019 includes a recognition of $23.2 million of corporate tax losses recorded as a deferred income tax recovery.
** The net income (loss) figures in Q2 2019 included a non-cash loss on the sale of Minto of $24.5 million.
*** The net income (loss) attributable to shareholders in Q4 2018 included a deferred income tax expense of $17.8 million, primarily associated with the non-cash write-down of deferred tax assets associated with reclamation liabilities of $20.2 million.

Revenue and earnings from mining operations above excludes the results of Minto, but operating cash flow and capital expenditures includes Minto up until the date of sale.

Effective January 1, 2019, the Company has adopted IFRS 16 *Leases* ("IFRS 16") using the modified retrospective method which applies the standard prospectively, and as such, figures above related to 2018 have not been restated to conform to IFRS 16. Refer to the Accounting Changes section of this MD&A for more information.

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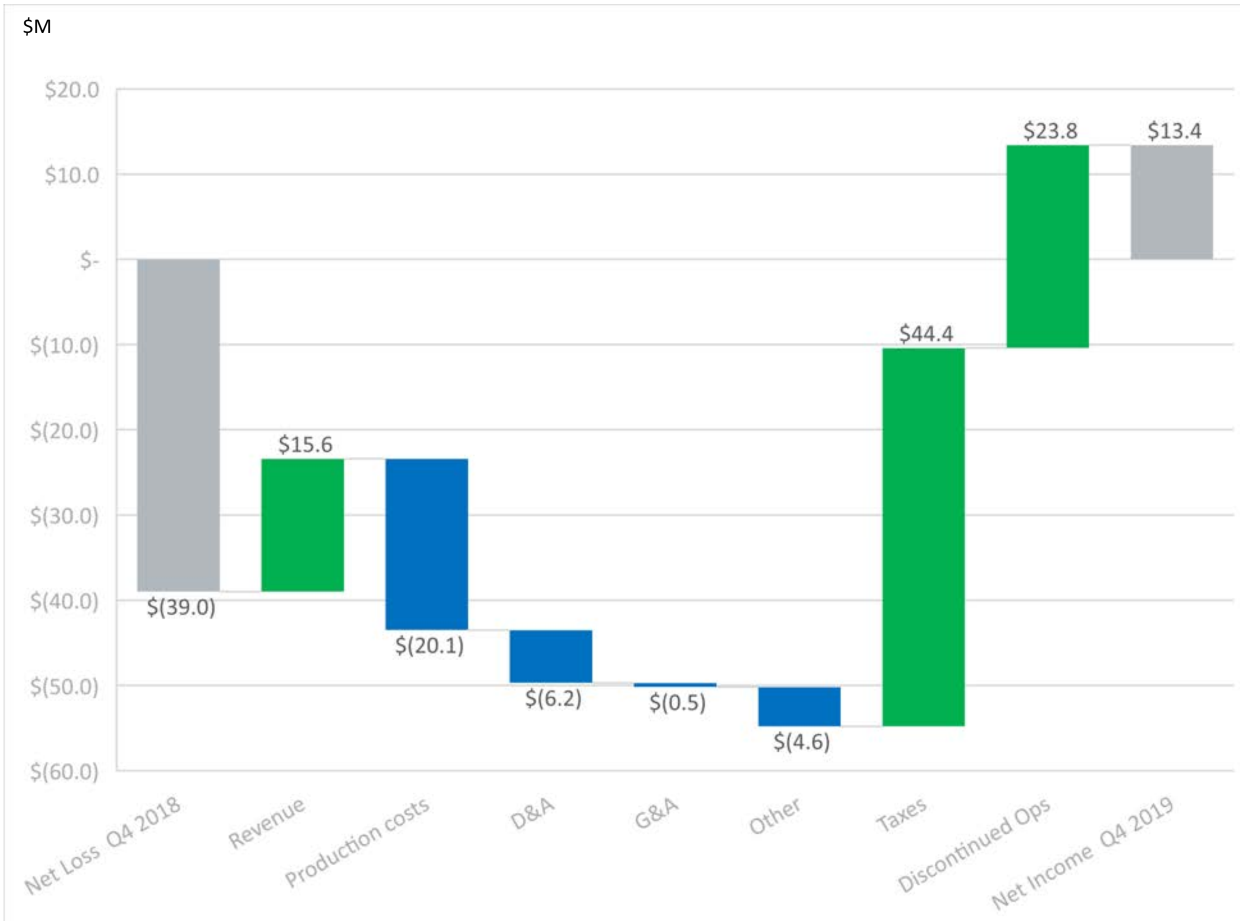
Consolidated Results

Consolidated Net Income (Loss) Analysis

Net Income (Loss) for the Three Months Ended December 31, 2019 and 2018

The Company recorded net income of $13.4 million in Q4 2019 compared with net loss of $39.0 million in Q4 2018. The major differences are outlined below:



The difference quarter-over-quarter was driven by:

- A $15.6 million or 16% increase in revenue from continuing operations related to a 5.2 million (15%) increase in copper volumes sold (Q4 2019 – 40.3 million pounds, Q4 2018 – 35.1 million pounds) as well as higher realized copper prices (Q4 2019 - $2.77 per pound, Q4 2018 - $2.66 per pound).
- A $20.1 million increase in production costs, primarily due to the increase in sales volume.
- A $6.2 million increase in depletion and amortization (D&A) was primarily due to the increase in sales volumes.
- Decrease in income taxes due to a recovery of income taxes in Q4 2019 as a result of recognition of deferred tax assets related to the recognition of previously unrecognized corporate tax pools.
- Decrease in loss from discontinued operations due to the fact that there was no loss or gain recognized in discontinued operations as the Minto mine was sold in Q2 2019.

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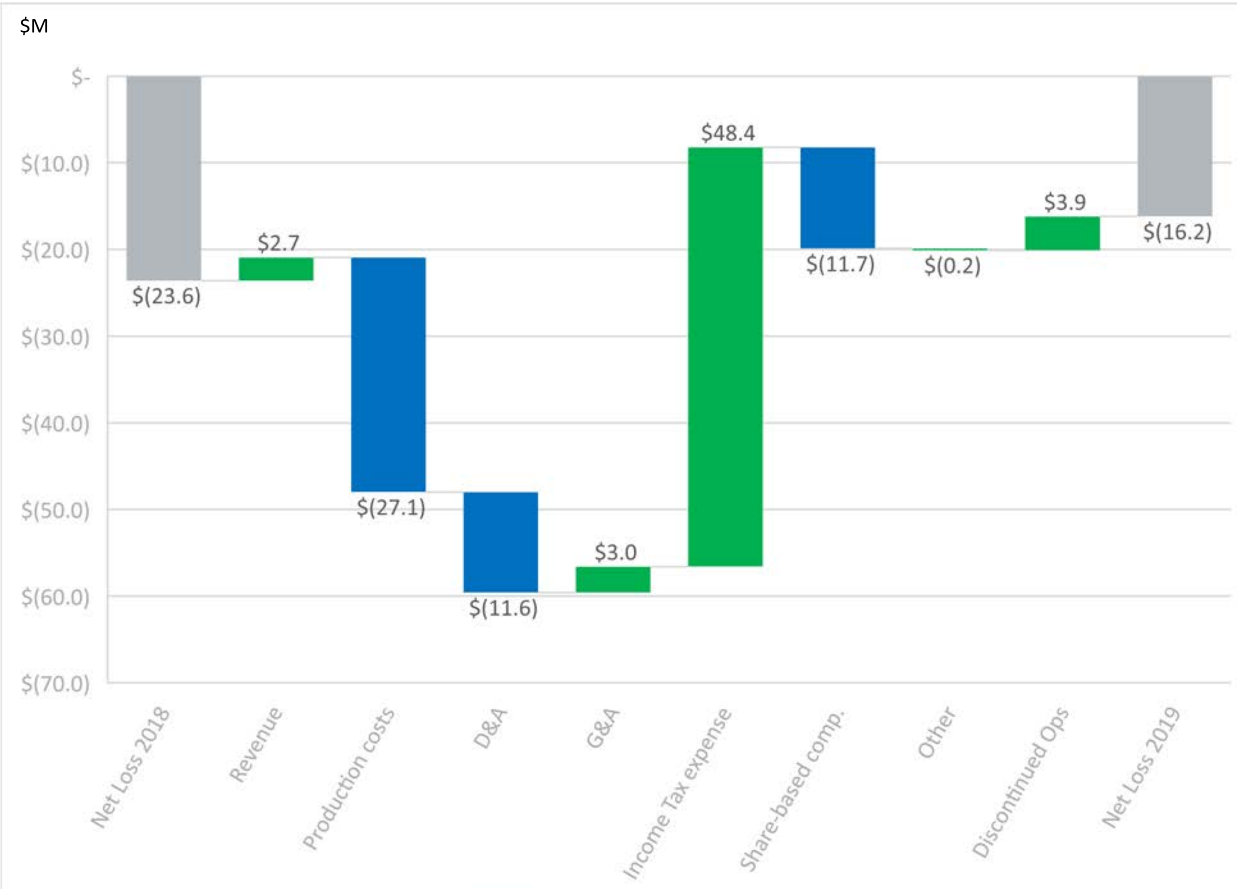
Certain prior period alternative performance measures have been restated to conform with current period classification.

Net Income (Loss) for the Years Ended December 31, 2019 and 2018

The Company recorded a net loss of $16.2 million for the year ended December 31, 2019 compared with net loss of $23.6 million in 2018. The major differences are outlined below:



The difference year-over-year was driven by:

- A $2.7 million increase in revenue from continuing operations primarily related to an increase in sales volumes sold (152.4 million pounds versus 143.5 million pounds). This was offset by a lower realized copper price in 2019 ($2.71 per pound versus $2.87 per pound).
- A $27.1 million increase in production costs on a sales basis, primarily due to higher sales volumes.
- A $11.6 million increase in D&A primarily as a result of higher sales volumes.
- A decrease in general and administrative expense ("G&A") of $3.0 million resulting primarily from the corporate restructuring in Q4 2018.
- A $48.4 million decrease in income tax expense as a result of an income tax recovery of $15.2M during 2019 primarily as a result of recognition of deferred tax assets during the year.
- A $11.7 million increase in share-based compensation expense. In 2018 there was a recovery which was driven by decreases in Capstone's share price. In 2019, the share price has steadily increased, resulting in a mark to market expense as well as an expense in the regular course of vesting.
- A $3.9 million decrease in loss from discontinued operations due to the fact that Minto was sold in Q2 2019.

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Certain prior period alternative performance measures have been restated to conform with current period classification.

Revenue from Continuing Operations

The increase in revenue quarter-on-quarter ($113.6 million versus $98.0 million) relates to increased copper revenue on increased copper volumes sold of 5.2 million pounds (40.3 million pounds versus 35.1 million pounds) at a higher realized price ($2.77 per pound versus $2.66 per pound). Q4 2019 realized price was higher than the LME average of $2.67 per pound primarily due to four provisionally priced shipments at December 31, 2019, which were priced at an average of $2.79 per pound.

During Q4 2019, there was a drawdown of inventory at Pinto Valley related to timing of shipments, which contributed to increased copper volumes sold. In Q4 2018, Pinto Valley had a buildup of inventory of approximately 14,000 tonnes of copper concentrate.

Revenue increased slightly in 2019 versus 2018 ($418.7 million versus $415.9 million) due to higher sales volumes (152.4 million pounds versus 143.5 million pounds) as a result of a large drawdown on inventory at Pinto Valley (compared to a build-up of inventory in 2018), partially offset by lower realized copper prices ($2.71/lb. versus $2.87/lb.). Zinc and silver revenue at Cozamin were also higher due to increased volumes and increased silver prices.

Realized Copper Prices

	2019				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Pinto Valley	$ 2.97	$ 2.56	$ 2.49	2.78	$ 2.96	$ 3.15	$ 2.72	$ 2.65
Cozamin	$ 3.03	$ 2.56	$ 2.58	2.73	$ 3.09	$ 3.12	$ 2.72	$ 2.69
Total	$ 2.99	$ 2.56	$ 2.52	2.77	$ 2.98	$ 3.15	$ 2.72	$ 2.66
LME Average	$ 2.82	$ 2.77	$ 2.63	$ 2.67	$ 3.16	$ 3.12	$ 2.77	$ 2.80
LME Close	$ 2.94	$ 2.71	$ 2.60	$ 2.79	$ 3.03	$ 3.01	$ 2.80	$ 2.71

Realized prices in 2019 were impacted by negative price adjustments on prior period shipments of ($7.1) million. Each quarter the Company's realized price is subject to provisional pricing adjustments which can be negative or positive depending on the forward copper price at the end of the quarter.

Revenue by Mine

	Q4 2019 [2]		Q4 2018 [2]		2019 [2]		2018 [2]	
	$ millions	%	$ millions	%	$ millions	%	$ millions	%
Pinto Valley	84.1	74.0%	66.8	68.2%	300.3	71.7%	294.7	70.9%
Cozamin	29.5	26.0%	31.2	31.8%	118.4	28.3%	121.2	29.1%
Total revenue from continuing operations	113.6	100%	98.0	100%	418.7	100%	415.9	100%

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

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Provisionally Priced Copper

Gross revenue for the twelve-month period ended December 31, 2019 included 44.9 million pounds of copper sold subject to final settlement. Of this, the prices for 24.2 million pounds are final at a weighted average price of $2.69 per pound. The remaining 20.7 million pounds are subject to price change upon final settlement at the end of the applicable quotational period, as follows:

Quotational Period	Millions of Pounds of Copper			Provisional Price ($/pound)
	Pinto Valley	Cozamin	Total	
Jan-20	8.1	2.0	10.1	$2.79
Feb-20	10.6	-	10.6	$2.79
TOTAL	18.7	2.0	20.7	$2.79

Reconciliation of Realized Copper Price

	Q4 2019 $ millions	Q4 2018 $ millions	2019 $ millions	2018 $ millions
Gross copper revenue on new shipments	111.1	95.6	419.4	418.9
Provisional adjustments on prior shipments	0.5	(2.1)	(7.1)	(7.7)
Gross copper revenue	111.6	93.5	412.3	411.2
Plus: gross revenue from other metals	13.6	13.2	49.6	40.1
Less: treatment and selling costs	(11.6)	(8.7)	(43.2)	(35.4)
Revenue	113.6	98.0	418.7	415.9
Payable copper sold (000s pounds)	40,265	35,146	152,354	143,528
	$/lb	$/lb	$/lb	$/lb
Gross copper revenue on new shipments	$ 2.76	$ 2.72	$ 2.76	$ 2.92
Provisional adjustments on prior shipments	0.01	(0.06)	(0.05)	(0.05)
Realized copper price	$ 2.77	$ 2.66	$ 2.71	$ 2.87
LME average copper price	$ 2.67	$ 2.80	$ 2.72	$ 2.96

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*
Certain prior period alternative performance measures have been restated to conform with current period classification.

Consolidated Cash Flow Analysis

$ millions	Q4 2019	Q4 2018[2]	2019 [2]	2018 [2]
Operating cash flow before changes in working capital[1]	20.3	11.2	79.8	97.5
Changes in working capital	1.8	43.0	13.1	33.6
Total cash flows from operating activities	**22.1**	**54.2**	**92.9**	**131.1**
Cash flows used in investing activities	(23.4)	(52.5)	(65.5)	(132.5)
Cash flows used in financing activities	(0.6)	(18.6)	(21.7)	(78.7)
Effect of foreign exchange rates on cash	0.4	(1.2)	0.3	(2.2)
Net change in cash	**(1.5)**	**(18.1)**	**6.0**	**(82.3)**
Opening cash	41.4	52.0	33.9	116.2
Closing cash	**39.9**	**33.9**	**39.9**	**33.9**

[2] The consolidated cash flow analysis includes amounts from Minto in both the current and comparative periods. The Minto mine was sold in Q2 2019.

Changes in Cash Flows for the Three Months Ended December 31, 2019 and 2018

The net change in cash was ($1.5) million in Q4 2019 compared to ($18.1) million in Q4 2018. The change was primarily due to:

- Cash flow from operating activities before changes in working capital[1] was higher by $9.1 million primarily due to the absence of operating cash flow before changes in working capital[1] related to Minto (Q4 2018 – outflow of $8.0 million).
- Changes in working capital was lower by $41.2 million, primarily due to:
  - In Q4 2018, there was a reduction in inventory at Minto due to placing the mine on care and maintenance during the quarter which resulted in large cash inflows.
  - In Q4 2019 there was an increase in receivables at Pinto Valley, primarily due to timing of payments, partially offset by a reduction of inventory at Pinto Valley due to increased sales of copper during the quarter due to shipment timing.
- Cash flows used in investing activities in Q4 2018 included $23.3 million of purchases of short-term investments and capital expenditures of $29.3 million, compared to capital expenditures of $23.5 million and purchases of short-term investments of $0.1 million in Q4 2019.
- Cash flows used in financing activities in Q4 2018 included a repayment of debt of $15 million.

Changes in Cash Flows for the Years Ended December 31, 2019 and 2018

The net change in cash was $6.0 million in 2019 compared to ($82.3) million in 2018. The change was primarily due to:

- Cash flow from operating activities before changes in working capital[1] was lower by $17.7 million primarily due to lower copper prices.
  - Pinto Valley benefited from 5% lower C1 cash costs[1] in 2019 because of improved cost control, offset by lower realized copper prices ($2.70 per pound versus $2.86 per pound).
  - Cash flow was lower at Cozamin due to increased mining costs (primarily increased development metres) and lower realized copper prices ($2.72 per pound versus $2.89 per pound)
- Changes in working capital was lower by $20.5 million primarily due to:
  - Minto being put on care and maintenance in Q4 2018 and the associated reduction in inventory.

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*
Certain prior period alternative performance measures have been restated to conform with current period classification.

    - There was a change in receivables at Cozamin during the year due to timing differences.
- Cash flows used in investing activities in 2019 was lower by $67.0 million and the change is primarily due to the sale of short-term investments for proceeds of $31.4 million in 2019 compared to the purchase of short-term investments of $35.9 million in 2018. Capital expenditures comprise the majority of investing cash flows (2019: $96.7 million, 2018: $96.8 million).
- Cash flows used in financing activities in 2019 included net debt repayments of $10 million plus interest of $15.6 million compared to debt repayments of $55 million and interest of $15.6 million in 2018. 2018 also included outflows of $4.9 million for purchase of treasury shares as well as $4.9 million for derivative settlement.

Operational Results

Pinto Valley Mine – Miami, Arizona

Operating Statistics

	2019					2018				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Production (contained metal and cathode) [2]										
Copper (000's pounds)	32,699	28,973	29,936	26,021	117,629	25,179	29,586	31,312	32,990	119,067
Mining										
Waste (000s tonnes)	7,876	7,889	7,285	7,051	30,101	6,789	6,815	6,042	8,041	27,687
Ore (000s tonnes)	4,999	4,545	4,663	4,681	18,888	5,066	4,562	4,755	4,907	19,290
Total (000s tonnes)	12,875	12,434	11,948	11,732	48,989	11,855	11,377	10,797	12,948	46,977
Milling										
Milled (000s tonnes)	4,933	4,470	4,658	4,604	18,665	4,834	4,628	4,758	5,026	19,246
Tonnes per day	54,811	49,121	50,630	50,043	51,137	53,716	50,856	51,715	54,627	52,728
Copper grade (%)	0.35	0.33	0.33	0.30	0.33	0.27	0.33	0.34	0.34	0.32
Recoveries										
Copper (%)	84.3	87.0	85.6	83.5	85.1	83.1	86.2	84.8	84.3	84.6
Concentrate Production										
Copper (dmt)	56,146	46,490	48,676	45,248	196,560	43,847	47,881	51,206	58,813	201,747
Copper (%)	25.7	27.4	26.9	25.1	26.3	25.0	27.3	27.1	24.8	26.0
Site operating costs [1,3] ($/t milled)	$8.82	$10.11	$10.73	$10.54	$10.03	$9.78	$10.65	$10.89	$9.59	$10.22
Payable copper produced (000's pounds)	31,584	27,991	28,926	25,144	113,645	24,332	28,579	30,241	31,866	115,018
Copper C1 cash cost [1] ($/lb payable copper produced)	$1.79	$2.00	$2.13	$2.35	$2.05	$2.41	$2.15	$2.15	$1.97	$2.16
Adjusted EBITDA [1,4] ($ millions)	$28.4	$18.4	$5.0	$15.8	$67.6	$17.6	$25.2	$20.1	$17.7	$80.6

[2] *Adjustments based on final settlements will be made in future quarters*
[3] *Site operating costs is cash production costs of metal produced (excluding cathode production costs)* [1]
[4] *Certain prior period amounts have been restated to conform with current period classification*

Operational and C1 Cash Costs[1] Update

2019 C1 cash costs[1] of $2.05 per pound were lower than 2018 primarily due to lower site costs of $216 million versus $231 million in 2018 (including capitalized stripping costs). Cost reductions were primarily driven by the revised Collective Bargaining Agreement signed in 2018 (which allowed Pinto Valley to reduce contractor costs), lower diesel costs as result of strategic purchasing program, improved power pricing and benefits from the cost reduction program which commenced in 2019. Production was slightly lower in 2019 primarily on lower throughput. In Q4 2019, the Board approved a $15 million capital project aimed at improving processing plant throughput and reliability.

In Q4 2019, C1 cash costs[1] of $2.35 per pound were higher than Q4 2018, primarily driven by lower grade ore due to anticipated mine sequencing and lower throughput. Pinto Valley undertook downtime in November to perform maintenance in the fine crushing plant prior to conducting an operational test in December aimed at running at significantly higher throughput rates. By pushing the operational limits at Pinto Valley the information from this test is currently being analyzed to generate a number of debottlenecking projects from the mine through the mill. The result - Pinto Valley delivered 18 days in excess of 60,000 tpd in December, culminating in an all-time record day of 70,334 tpd and an all-time weekly record of 444,622 tonnes (~63,517 tpd average). The focus now will be to identify low capital, high impact, and quick payback projects to systematically debottleneck the entire

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operation so that the Operation can perform at sustainably higher rates while maximizing recoveries, production and minimizing costs.

Investing Activities
Sustaining capital in Q4 2019 focused primarily on planned mining equipment component replacements and mine infrastructure and was $0.4 million more than Q4 2018.

($ millions)	**Q4 2019**	Q4 2018	**2019**	2018
Deferred stripping - cash	**3.3**	8.1	**20.8**	27.2
Deferred stripping - non cash	**1.0**	1.9	**5.7**	6.3
Deferred stripping as reported in the financials	**4.3**	10.0	**26.5**	33.5
Sustaining capital	**8.3**	7.9	**26.1**	31.6
Expansionary capital	**0.8**	0.9	**3.3**	2.1
Total	**13.4**	18.8	**55.9**	67.2

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*
Certain prior period alternative performance measures have been restated to conform with current period classification.

Cozamin Mine – Zacatecas, Mexico

Operating Statistics

	2019					2018				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Production (contained metal) [2]										
Copper (000's pounds)	8,672	8,723	9,085	9,362	35,842	9,447	7,758	9,591	9,359	36,155
Zinc (000's pounds)	5,525	3,842	4,526	4,570	18,463	1,753	3,412	4,510	5,225	14,900
Silver (000s ounces)	326	323	352	365	1,366	250	253	321	340	1,164
Mining										
Ore (000s tonnes)	271	289	296	287	1,143	215	228	266	280	989
Milling										
Milled (000s tonnes)	273	284	295	294	1,146	213	224	270	279	986
Tonnes per day	3,038	3,121	3,204	3,196	3,140	2,366	2,464	2,939	3,030	2,702
Copper grade (%) [3]	1.53	1.48	1.48	1.53	1.50	2.09	1.66	1.70	1.61	1.75
Zinc grade (%) [3]	1.32	0.96	1.01	1.00	1.07	0.62	1.04	1.13	1.29	1.04
Silver grade (g/t) [3]	47.9	45.0	46.1	47.8	46.7	44.9	45.3	48.7	50.2	47.5
Recoveries [3]										
Copper (%)	94.2	94.1	94.5	94.6	94.4	96.3	94.6	94.7	94.3	95.0
Zinc (%)	69.3	64.2	68.8	70.2	68.2	59.8	66.4	67.1	65.9	65.6
Silver (%)	77.5	77.3	77.0	78.7	77.7	81.4	77.5	75.9	75.5	77.2
Concentrate Production										
Copper (dmt)	15,163	15,484	15,505	15,118	61,270	15,810	13,581	16,775	16,783	62,949
Copper (%)	25.9	25.6	26.6	28.1	26.5	27.1	25.9	25.9	25.8	26.1
Silver (g/t)	576	604	620	627	607	487	517	516	511	508
Zinc (dmt)	5,383	3,651	4,090	4,173	17,297	1,667	3,259	4,306	5,068	14,300
Zinc (%)	46.6	47.7	50.2	49.7	48.4	47.7	47.5	47.5	46.8	47.3
Site operating costs [1,4] ($/t milled)	$47.64	$47.71	$47.36	$51.80	$48.65	$46.02	$48.55	$52.37	$49.58	$49.39
Payable copper produced (000's lb's)	8,321	8,365	8,725	9,010	34,421	9,072	7,436	9,194	8,964	34,666
Copper C1 cash cost [1] ($/lb payable copper produced)	$0.70	$1.06	$0.94	$0.91	$0.90	$0.71	$0.67	$0.87	$0.75	$0.75
Adjusted EBITDA [1,4] ($ millions)	$17.6	$9.1	$14.3	$11.0	$52.0	$18.3	$15.4	$16.2	$16.6	$66.5

[2] *Adjustments based on final settlements will be made in the future quarters.*
[3] *Grade and recoveries were estimated based on concentrate production and may be impacted by settlements from prior production periods.*
[4] *Site operating costs is cash production costs of metal produced* [1]
[5] *Certain prior period amounts have been restated to conform with current period classification*

Operational and C1 Cash Costs[1] Update

In 2019, ore from the San Rafael zinc zone was mined and processed to take advantage of surplus mill capacity, however, this resulted in dilution of the reported copper grades when compared to the same periods in 2018 when less zinc ore was mined.

Overall 2019 copper production was slightly lower compared to total 2018 production. Lower recoveries and lower blended grades were a result of the mill feed being diluted with additional tonnes from the predominately zinc zone (San Rafael). San Rafael contributed 286 thousand tonnes or 25% to the mill feed at 0.34% copper grade (2018 was 136 thousand tonnes or 14% at 0.36% copper grade). Q4 2019 copper head grade from areas other than San Rafael was also lower than the same period last year (1.91% versus 2.04%).

2019 C1 cash costs[1] increased 20% when compared to 2018. This is primarily a result of increased mine operating expenses as a result of increased development metres mined during 2019 to prepare for 2021 and the planned increased mining rates.

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Q4 2019 copper production overall remained flat when compared to Q4 2018. The primary reason for this is lower grade during the quarter and was offset by higher milled tonnes.

C1 cash costs[1] increased 21% in Q4 2019 when compared to the same period last year. This increase is primarily driven by an increase in mine development as the mine builds areas available for longhole stoping to support increased mining rates planned for 2021.

Investing Activities

Capital spending at Cozamin totaled $8.6 million for Q4 2019 and $30.6 million for 2019 and related primarily to mine development. Also included within yearly capital spending of $30.6 million was expansionary capital of $3.6 million spent on the one-way ramp system as part of the Cozamin expansion project as well as the acquisition costs associated with the Portree claimblock that lays within the Mala Noche Footwall Zone.

Capitalized exploration expenditures totaled $2.2 million for Q4 2019 and $6.1 million for the year 2019. This was spent primarily on Mineral Resource drilling of the Mala Noche Footwall Zone, associated with infilling regions of Inferred Mineral Resource category of the Mineral Resource estimate from underground using one rig and from surface using five rigs. The drill program is aiming to upgrade Inferred Mineral Resources to the Indicated category and subsequent conversion to Mineral Reserves to support doubling the mine life. Positive drill results pointing to higher grades and wider intercepts than in the current Mineral Reserve were released on November 5, 2019, December 2, 2019 and January 16, 2020. Mineral Resource and Mineral Reserve estimates are expected to be updated in late 2020.

Santo Domingo Project – Chile (Copper and Iron)

Investing Activities

During 2019, Capstone updated the feasibility study on Santo Domingo which included a mine life of 18 years, production of 259 million pounds of copper per year for the first five years plus 3.3 million tonnes of iron with a net present value (after tax, 8%) of $1 billion and 22% internal rate of return. Refer to news release dated November 26, 2018 for more information.

($ millions)	**Q4 2019**	Q4 2018	**2019**	2018
Capitalized project costs (100%) per financials	**4.2**	1.4	**18.3**	1.4
Capstone's share (70%)	**2.9**	1.0	**12.8**	1.0
Project care and maintenance costs (100%) per financials	**-**	-	**-**	2.0
Capstone's share (70%)	**-**	-	**-**	1.4

2019 project development costs related to permitting, detailed engineering, land tenure costs and further metallurgical testing. Project development costs incurred during 2019 are capitalized within mineral properties. During 2018 these costs up to September 30, 2018 were recorded as care and maintenance expenses and recorded as project development costs starting in Q4 2018.

The Santo Domingo project is now “shovel-ready” as Capstone has obtained all permits and approvals for the start of construction from the Chilean authorities including an approved Mine Closure Plan. In Q1 2020, the Company is expected to release updated project economics, including a preliminary business case for recovering and producing cobalt. Capital expenditures for the fully permitted Santo Domingo project will be kept to a minimum in 2020 to preserve the optionality of the project, as we continue the strategic process to right size or monetize Capstone’s ownership.

[1] *These are alternative performance measures. Refer to the MD&A section entitled “Alternative Performance Measures”. Certain prior period alternative performance measures have been restated to conform with current period classification.*

Minto – Discontinued Operations Reporting

On June 3, 2019, Capstone completed the sale of its 100% interest in the Minto mine, previously classified as an asset held for sale, to Pembridge Resources PLC ("Pembridge"). Under the terms of the agreement, Capstone will receive up to $20 million in cash in staged payments ("contingent consideration"), as follows:

- $5 million within 60 days of reaching commercial production, or January 31, 2021;
- $5 million within 90 days, following two consecutive quarters of commercial production in which the average London Metals Exchange Cash Copper Bid Price ("Average LME Price") is greater than $3.00 per pound within the three years following commercial production; and
- $10 million, within 90 days following two consecutive quarters of commercial production in which the Average LME Price is greater than $3.50 per pound within the three years following commercial production.

In conjunction with sale of Minto, Pembridge has posted a surety bond to cover potential future reclamation liabilities. In addition, Pembridge is required to post C$10 million (Canadian dollars) in cash collateral over time against the bond and conduct prescribed progressive reclamation activities to reduce the overall future closure cost. While this surety bond is outstanding, Capstone will act as an indemnitor to the surety bond provider and for certain other obligations, and Pembridge will indemnify Capstone for environmental liabilities at the mine. If Pembridge defaults on the surety bond, Capstone may be required to recognize a liability related to Minto's asset retirement obligation.

On June 3, 2019, the contingent consideration had a fair value of $8.4 million, which is marked-to-market at the end of each reporting period with the change recorded in other income (expense). As at December 31, 2019, the contingent consideration had a fair value of $9.6 million, with the change in the copper price.

As a result of the sale, the Company recognized a net loss on disposal of $24.5 million in Q2 2019. This loss consisted of a gain of $5.8 million when deducting the book value of assets from the fair value of the contingent consideration received of $8.4 million. This was offset by the reclassification of $30.3 million cumulative non-cash foreign exchange losses related to Minto from a separate component of shareholders' equity to net income (loss). This reclassification is due to the fact that Minto (which has a functional currency of Canadian dollars) has had a weakening Canadian dollar relative to the US dollar causing foreign currency adjustments to be included in a separate component of shareholders' equity until the sale.

Outlook

2020 Production, Cost and Capital Guidance

In 2020, Capstone expects to produce between 140 and 155 million pounds of copper at C1 cash costs[1] of between $1.85 and $2.00 per pound of payable copper produced.

2020 Guidance	Pinto Valley	Cozamin	Santo Domingo	Total
Production and Cost				
Copper production (million pounds)	**110 – 120**	**30 – 35**	-	**140 - 155**
C1 cash cost[1,2]	**$2.10 - $2.25**	**$0.95 - $1.10**	-	**$1.85 - $2.00**
Capital Expenditure ($ millions, rounded)				
Sustaining	28.0	24.0	-	52.0
Capitalized stripping[3]	8.0	-	-	8.0
Expansionary	19.0	2.0	9.0[4]	30.0
Total Capital Expenditure	**55.0**	**26.0**	**9.0**	**90.0**
Exploration ($ millions, rounded)				
Brownfield [5]	-	6.0	-	6.0
Greenfield [6]	-	-	-	4.0
Total Exploration	**-**	**6.0**	**-**	**10.0**

[2] Per pound of payable copper produced, net of by-product credits and treatment and selling costs.
[3] Capitalized stripping is included as an operating cost in the PV3 PFS; however, under IFRS accounting guidelines, stripping costs are capitalized when certain criteria are met.
[4] On a 100% basis, the total is approximately $13 million; ownership is 70% Capstone and 30% KORES.
[5] Brownfield exploration is capitalized.
[6] Greenfield exploration is expensed.

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*
Certain prior period alternative performance measures have been restated to conform with current period classification.

Liquidity and Financial Position Review

Discontinued Operation

In accordance with IFRS 5, the Minto mine was considered a discontinued operation for the year ended December 31, 2018 for financial reporting purposes and during 2019 up until the mine was sold on June 3, 2019. Minto related assets and liabilities were classified as assets held for sale or liabilities directly associated with assets held for sale as at December 31, 2018.

Working Capital

Working capital was $68.0 million at December 31, 2019 compared with $103.9 million at December 31, 2018, as follows:

(millions)		**Dec. 31, 2019**		Dec. 31, 2018
Current assets				
Cash and cash equivalents	**$**	**39.9**	$	30.1
Short-term investments		**4.5**		35.9
Receivables		**28.6**		22.3
Inventories		**47.9**		66.5
Other assets		**2.5**		2.5
Assets classified as held for sale		**-**		49.8
Total current assets	**$**	**123.4**	$	207.1
Current liabilities				
Accounts payable and accrued liabilities	**$**	**52.5**	$	50.0
Other liabilities		**2.9**		11.4
Liabiliites directly associated with assets classified as held for sale		**-**		41.8
Total current liabilities	**$**	**55.4**	$	103.2
Working capital	**$**	**68.0**	$	103.9

Cash and cash equivalents and short-term investments from continuing operations combined, decreased by $21.6 million from December 31, 2018 to December 31, 2019. Refer to the Statement of Cash Flows within the Company's annual consolidated financial statements for further details surrounding the movement in the cash balance.

As at December 31, 2019, the Company held $4.5 million of highly liquid short-term investments in exchange traded funds. Given their highly liquid nature, management liquidates these short-term investments to meet cash demands on an as-needed basis.

Short term investments decreased due to redemption of short-term investments of $31.4 million during the current year.

Inventories decreased primarily due to a drawdown of concentrate inventory at Pinto Valley in 2019.

Other liabilities decreased primarily due to the timing of income tax payments as well as changes in share-based payments obligations.

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Certain prior period alternative performance measures have been restated to conform with current period classification.

Credit Facilities

On July 25, 2019 Capstone amended the corporate revolving credit facility ("RCF") which now matures on July 25, 2022 with a credit limit to $300 million. The facility pricing grid, starting at LIBOR + 2.5% and increasing to LIBOR + 3.5% based on the total leverage ratio, will remain in effect until maturity.

The interest rate at December 31, 2019 was LIBOR + 2.75% with a standby fee of 0.62% payable on the undrawn balance (adjustable in certain circumstances).

A drawdown of $25.0 million and a repayment of $35.0 million were made on the RCF during the year ended December 31, 2019, resulting in an outstanding balance of $209.9 million. A repayment of $55.0 million was made on the RCF during the year ended December 31, 2018.

The corporate revolving credit facility requires the Company to maintain certain financial ratios relating to debt and interest coverage. Capstone was in compliance with these covenants as at December 31, 2019.

Provisions

Provisions of $120.2 million at December 31, 2019 includes the following:

- $112.6 million for reclamation and closure cost obligations at Capstone's operating mines;
- $3.2 million related to other long-term provisions at the Cozamin mine; and
- $4.4 million for the long-term portion of the share-based payment obligations associated with the Deferred Share Units ("DSUs"), Restricted Share Units ("RSUs") and Performance Share Units ("PSUs").

Reclamation and closure cost obligations increased by $22.5 million during the year. The increase was primarily related to changes in estimates ($19.9 million) driven primarily by decreases in discount rate assumptions.

Financial Capability

The Company's ability to service its ongoing obligations and cover anticipated corporate, exploration and development costs associated with its existing operations is dependent on the Pinto Valley and Cozamin mines generating positive cash flow and available liquidity. Based on reasonable expectations for our operating performance and flexible capital and exploration plan, we believe we have ample financial capacity to manage our current requirements for the foreseeable future, even with a return to more challenging market conditions.

Capital Management

Capstone's capital management objectives are intended to safeguard the Company's ability to support its normal operating requirements on an ongoing basis as well as continue the development and exploration of its mineral properties and support any expansion plans. As part of the Company's treasury policy, the Company will only hold deposits in Canadian Tier 1 banks, International Commercial Banks with a rating of A- or greater, Canadian and US government bonds, or bankruptcy remote treasury market or exchange traded funds of AAA rating.

Commitments

Agreements with the Grupo Minera Bacis S.A. de C.V. (“Bacis”)

Under the terms of the December 2003 option agreement with Bacis, Capstone assumed a 100% interest in the Cozamin Mine with a 3% net smelter royalty paid to Bacis on all payable metal sold from production on the property covered by the agreement.

Off-take agreements

The Company has a concentrate off-take agreement with a third party whereby it will purchase 100% of the copper concentrate produced by the Cozamin Mine up to the end of November 2021.

The Company has a concentrate off-take agreement with a third party whereby it will purchase 100% of the zinc concentrate produced by the Cozamin Mine up to the end of November 2021.

The Company has a concentrate off-take agreement with a third party whereby it will purchase 100% of the lead concentrate produced by the Cozamin Mine up to the end of December 2020.

The Company has a number of annual and multi-year concentrate off-take agreements with third parties whereby they will purchase the copper concentrate produced by the Pinto Valley Mine.

Capital expenditure contracted for at the end of the reporting period but not yet incurred was $16.3 million for expenditures at Pinto Valley and Santo Domingo (2018 – $6.4 million).

Risks and Uncertainties

For full details on the risks and uncertainties affecting the Company, please refer to the Company’s Annual Information Form ("AIF") (see section entitled “Risk Factors”) for the year ended December 31, 2018 and the MD&A for the three and nine months ended September 30, 2019 (see section entitled “Risks and Uncertainties”). These documents are available for viewing on the Company’s website at www.capstonemining.com or on the Company’s profile on the SEDAR website at www.sedar.com.

The following updates to the risk factors disclosures in the AIF for the year ended December 31, 2018 and MD&A for the three and nine months ended September 30, 2019 are relevant:

A global pandemic could cause temporary closure of businesses in regions that are significantly impacted by the health crises, or cause governments to take preventative measures such as the closure of points of entry, including ports and borders. These restrictive measures along with market uncertainty could cause an economic slowdown resulting in a decrease in the demand for copper and have a negative impact on base metal prices. The recent outbreak of the novel coronavirus (2019-nCoV) has had a negative impact on copper prices and governmental actions to contain the outbreak may impact our ability to transport or market our concentrate or cause disruptions in our supply chains.

Transactions with Related Parties

Capstone has related party relationships, as defined by IFRS, with its key management personnel and with KORES, which owns 30% of Acquisition Co. Acquisition Co., through its subsidiaries, owns the Santo Domingo copper-iron project in Chile. Related party transactions and balances are disclosed in the annual consolidated financial statements.

Off Balance Sheet Arrangements

At December 31, 2019, the Company had no off-balance-sheet arrangements other than the following:

- those disclosed under Contractual Obligations in the 2019 audited financial statements;
- the indemnification referred to in the Minto – Discontinued Operations Reporting section;
- Four surety bonds totaling $124.3 million; and
- Letters of credit for $0.3 million.

[1] *These are alternative performance measures. Refer to the MD&A section entitled “Alternative Performance Measures”. Certain prior period alternative performance measures have been restated to conform with current period classification.*

Accounting Changes

In 2018, the Company adopted IFRS 15, Revenue from contracts with customers and IFRS 9, Financial Instruments. Refer to the consolidated financial statements for the year ended December 31, 2018 for more information.

In 2019, the Company adopted IFRS 16, Leases, effective January 1, 2019. Refer to the consolidated financial statements for the year ended December 31, 2019 for more information.

Alternative Performance Measures

Alternative performance measures are furnished to provide additional information. These non-GAAP performance measures are included in this MD&A because these statistics are key performance measures that management uses to monitor performance, to assess how the Company is performing, and to plan and assess the overall effectiveness and efficiency of mining operations. These performance measures do not have a standard meaning within IFRS and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. These performance measures should not be considered in isolation as a substitute for measures of performance in accordance with IFRS.

As a result of adopting IFRS 16 Leases, cash paid related to sustaining leases is included within All-in sustaining cost[1] from 2019 on a prospective basis. Prior to adoption of IFRS 16 Leases, cash payments related to operating leases were included within C1 cash costs[1] (operating mines) and general and administrative expenses.

Effective January 1, 2019, the Company has adopted IFRS 16 using the modified retrospective application method, where the 2018 comparatives are not restated and the cumulative effect of initially applying IFRS 16 has been recorded on January 1, 2019 for any differences identified, including adjustments to opening retained earnings balance.

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*
Certain prior period alternative performance measures have been restated to conform with current period classification.

Breakdown of C1 Cash Costs and All-in Sustaining Cost Per Pound of Payable Copper Produced

In accordance with IFRS 5, Minto was considered a discontinued operation for the three and twelve months ended December 31, 2018 and up until its sale on June 3, 2019 for financial reporting purposes. Minto was placed on care and maintenance in Q4 2018.

Three Months Ended December 31, 2019 and 2018

	Q4 2019			Q4 2018				
	Pinto Valley	Cozamin	Total	Pinto Valley	Cozamin	Total from Continuing Operations	Minto	Total
Payable copper produced (000s lbs)	25,144	9,010	34,154	31,866	8,964	40,830	2,132	42,962
Production costs of metal produced (per financials, $M)	$ 69.0	$ 15.0	$ 84.0	$ 48.9	$ 14.8	$ 63.8	$ 21.2	$ 85.0
Transportation cost to point of sale ($M)	(5.2)	(1.0)	$ (6.2)	(5.7)	(1.1)	(6.8)	-	(6.8)
Inventory write-down ($M)	(0.7)	-	(0.7)	0.3	-	0.3	1.2	1.5
Supplies obsolescence ($M)	-	-	-	(0.6)	(0.1)	(0.7)	-	(0.7)
Inventory working capital adjustments ($M)	(12.8)	1.2	(11.6)	7.3	0.2	7.4	(16.9)	(9.5)
Cash production costs of metal produced ($M)	$ 50.3	$ 15.2	$ 65.5	$ 50.2	$ 13.8	$ 64.0	$ 5.5	$ 69.5
Production costs ($/lb)								
Mining	$ 0.59	$ 1.09	$ 0.72	$ 0.45	$ 0.97	0.56	$ 1.68	$ 0.62
Milling/Processing	1.20	0.36	0.99	0.91	0.34	0.78	0.37	0.76
G&A	0.21	0.24	0.21	0.22	0.23	0.23	0.53	0.24
C1P sub-total	2.00	1.69	1.92	1.58	1.54	1.57	2.58	1.62
By-product credits ($/lb)	(0.09)	(1.10)	(0.36)	(0.07)	(1.11)	(0.30)	(0.22)	(0.30)
Treatment and selling costs ($/lb)	0.44	0.32	0.41	0.46	0.32	0.43	0.32	0.43
C1 cash cost ($/lb PRODUCED)	**$ 2.35**	**$ 0.91**	**$ 1.97**	**$ 1.97**	**$ 0.75**	**$ 1.70**	**$ 2.68**	**$ 1.75**
NSR royalties	-	0.10	0.03	-	0.10	0.02	0.40	0.04
Non-cash deferred revenue	-	-	-	-	-	-	(0.23)	(0.01)
Production-phase capitalized stripping	0.13	-	0.10	0.26	-	0.20	-	0.19
Sustaining capital	0.35	0.76	0.46	0.25	0.66	0.34	0.14	0.34
PV3 development	-	-	-	0.03	-	0.02	-	0.02
Accretion of reclamation obligation	0.02	0.01	0.01	0.01	0.01	0.01	0.05	0.01
Amortization of reclamation asset	-	0.03	0.01	-	0.06	0.02	-	0.02
Corporate sustaining capital	-	-		-	-	-	-	-
Corporate G&A, excluding depreciation			0.11			0.09		0.08
All-in sustaining cost adjustments	0.50	0.90	0.72	0.55	0.83	0.70	0.36	0.69
All-in sustaining cost ($/lb PRODUCED)	**$ 2.85**	**$ 1.81**	**$ 2.69**	**$ 2.52**	**$ 1.58**	**$ 2.40**	**$ 3.04**	**$ 2.44**

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Years Ended December 31, 2019 and 2018

	2019			2018				
	Pinto Valley	Cozamin	Total	Pinto Valley	Cozamin	Total from Continuing Operations	Minto	Total
Payable copper produced (000s lbs)	113,644	34,422	148,066	115,018	34,666	149,684	22,228	171,912
Production costs of metal produced (per financials, $M)	$ 233.6	$ 58.6	$ 292.2	$ 214.1	$ 51.0	$ 265.1	$ 75.8	$ 340.9
Transportation cost to point of sale ($M)	(21.3)	(3.3)	$ (24.6)	(20.1)	(3.2)	(23.3)	(1.9)	(25.2)
Inventory write-down ($M)	(1.5)	-	(1.5)	-	-	-	(0.1)	(0.1)
Supplies obsolescence ($M)	-	-	-	(1.0)	(0.1)	(1.1)	-	(1.1)
Reversal of write-down on concentrate sales ($M)	-	-	-	0.2	-	0.2	-	0.2
Inventory working capital adjustments ($M)	(15.9)	0.4	(15.5)	10.7	1.0	11.7	(9.3)	2.4
Cash production costs of metal produced ($M)	$ 194.9	$ 55.7	$ 250.6	$ 203.9	$ 48.7	$ 252.6	$ 64.5	$ 317.1
Production costs ($/lb)								
Mining	$ 0.50	$ 1.02	$ 0.62	$ 0.50	$ 0.88	0.59	$ 1.72	$ 0.74
Milling/Processing	1.03	0.37	0.87	1.04	0.30	0.87	0.63	0.84
G&A	0.19	0.23	0.20	0.23	0.22	0.23	0.55	0.27
C1P sub-total	1.72	1.62	1.69	1.77	1.40	1.69	2.90	1.85
By-product credits ($/lb)	(0.09)	(1.07)	(0.32)	(0.06)	(0.94)	(0.27)	(0.14)	(0.25)
Treatment and selling costs ($/lb)	0.42	0.35	0.41	0.45	0.29	0.41	0.36	0.40
C1 cash cost ($/lb PRODUCED)	**$ 2.05**	**$ 0.90**	**$ 1.78**	**$ 2.16**	**$ 0.75**	**$ 1.83**	**$ 3.12**	**$ 2.00**
NSR royalties	-	0.10	0.02	-	0.10	0.02	0.03	0.02
Non-cash deferred revenue	-	-	-	-	-	-	(0.06)	(0.01)
Production-phase capitalized stripping	0.18	-	0.14	0.23	-	0.18	-	0.16
Sustaining capital	0.23	0.78	0.36	0.27	0.58	0.35	0.32	0.35
PV3 development	-	-	-	0.02	-	0.01	-	0.01
Sustaining leases	-	0.01	0.01	-	-	-	-	-
Accretion of reclamation obligation	0.02	0.01	0.02	0.02	0.01	0.01	0.02	0.01
Amortization of reclamation asset	-	0.04	0.01	-	0.06	0.03	0.01	0.02
Corporate G&A, excluding depreciation			0.10			0.12		0.11
All-in sustaining cost adjustments	0.43	0.94	0.66	0.54	0.75	0.72	0.32	0.67
All-in sustaining cost ($/lb PRODUCED)	**$ 2.48**	**$ 1.84**	**$ 2.44**	**$ 2.70**	**$ 1.50**	**$ 2.55**	**$ 3.44**	**$ 2.67**

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Reconciliation of Net Debt

		31-Dec-19		31-Dec-18
Long term debt (per financials, $M), excl. deferred financing costs of $2.8M and $3.0M	$	209.9		219.9
Less:				
Cash and cash equivalents (per financials, $M)		(39.9)	$	(30.1)
Short term investments (per financials, $M)		(4.5)		(35.9)
Cash held by discontinued operation (per financials, $M)		-		(3.8)
Net debt	**$**	**165.5**	**$**	**150.1**

Reconciliation of Cash Flow from Operating Activities per Common Share

($ millions, except share and per share amounts)		Q4 2019		Q4 2018		2019		2018
Cash flow from operating activities (per financials)	$	22.1	$	54.2	$	92.9	$	131.1
Weighted average common shares - basic (per financials)		391,487,393		387,040,362		391,303,393		386,690,981
Cash flow from operating activities per share	**$**	**0.06**	**$**	**0.14**	**$**	**0.24**	**$**	**0.34**

Reconciliation of Operating Cash Flow before Working Capital Changes per Common Share

($ millions, except share and per share amounts)		Q4 2019		Q4 2018		2019		2018
Operating cash flow (per financials)	$	22.1	$	54.2	$	92.9	$	131.1
Adjustment for changes in working capital (per financials)		(1.8)		(43.0)		(13.1)		(33.6)
Operating cash flow before working capital changes	**$**	**20.3**	**$**	**11.2**	**$**	**79.8**	**$**	**97.5**
Weighted average common shares - basic (per financials)		391,487,393		387,040,362		391,303,393		386,690,981
Operating cash flow before working capital changes per share	**$**	**0.05**	**$**	**0.03**	**$**	**0.20**	**$**	**0.25**

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*
Certain prior period alternative performance measures have been restated to conform with current period classification.

Reconciliation of Adjusted Net Income (Loss) from Continuing Operations

($ millions, except share and per share amounts)	Q4 2019	Q4 2018[2]	2019	2018[2]
Net income (loss) from continuing operations (per financials)	$ 13.4	$ (15.2)	$ 10.8	$ 7.4
Inventory write-down	0.6	0.4	1.5	0.9
Unrealized loss on derivative contracts	-	-	-	0.1
Non-recurring G&A	0.6	-	0.6	0.8
Corporate restructuring costs	-	2.6	-	2.6
Deferred income tax expense (recovery)	(23.2)	20.2	(23.2)	20.2
Share based compensation	1.9	(2.6)	4.7	(7.0)
Loss on disposal of assets	0.8	0.1	1.0	0.2
Unrealized foreign exhange (gain)/loss	(0.1)	1.1	0.9	1.3
Change in fair value of contingent receivable (RE: Minto)	(1.4)	-	(1.2)	-
Tax effect on the above adjustments	(0.4)	(0.1)	(0.8)	(0.2)
Adjusted net income (loss) from continuing operations	**$ (7.8)**	**$ 6.5**	**$ (5.7)**	**$ 26.3**
Adjusted net income (loss) from continuing operations attributable to:				
Shareholders of Capstone Mining Corp.	$ (7.8)	$ 6.6	$ (5.5)	$ 27.2
Non-controlling interests	-	(0.1)	(0.2)	(0.9)
	$ (7.8)	**$ 6.5**	**$ (5.7)**	**$ 26.3**
Weighted average common shares - basic (per financials)	391,487,393	387,040,362	391,303,393	386,690,981
Adjusted net income from continuing operations attributable to shareholders of Capstone Mining Corp. per common share - basic	**$ (0.02)**	**$ 0.02**	**$ (0.01)**	**$ 0.07**
Weighted average common shares - diluted (per financials)	395,185,246	387,040,362	395,159,192	386,690,981
Adjusted net income from continuing operations attributable to shareholders of Capstone Mining Corp. per common share - diluted	**$ (0.02)**	**$ 0.02**	**$ (0.01)**	**$ 0.07**

[2] *Certain prior period amounts have been restated to conform with current period classification.*

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Reconciliation of Adjusted Net Income (Loss)

($ millions, except share and per share amounts)	Q4 2019	Q4 2018[2]	2019	2018[2]
Net income (loss) (per financials)	$ 13.4	$ (39.0)	$ (16.2)	$ (23.6)
Inventory write-down	0.6	0.4	1.5	1.0
Minto restructuring costs	-	4.5	0.3	4.5
Other one-time Minto costs	-	-	0.6	-
Non-recurring G&A	0.6	-	0.6	0.8
Corporate restructuring costs		2.6		2.6
Minto inventory write down	-	10.1	-	10.1
Minto embedded derivative write down	-	5.8	-	3.5
Deferred income tax expense (recovery)	(23.2)	20.2	(23.2)	20.2
Unrealized (gain) loss on derivative contracts	-	-	-	0.1
Change in fair value of contingent receivable (RE:Minto)	(1.4)	-	(1.2)	-
Changes in deferred revenue	-	-	1.3	-
Loss on sale of Minto	-	-	24.5	-
Share based compensation	1.9	(2.6)	4.7	(7.0)
Loss on disposal of assets	0.8	0.1	1.0	0.2
Unrealized foreign exchange (Gain)/Loss	(0.1)	1.1	0.9	1.2
Tax effect of the above adjustments	(0.4)	(0.1)	(0.8)	(0.2)
Adjusted net income (loss)	**$ (7.8)**	**$ 3.1**	**$ (6.0)**	**$ 13.4**
Adjusted net income (loss) attributable to:				
Shareholders of Capstone Mining Corp.	$ (7.8)	$ 3.2	$ (5.8)	$ 14.3
Non-controlling interests	-	(0.1)	(0.2)	(0.9)
	$ (7.8)	**$ 3.1**	**$ (6.0)**	**$ 13.4**
Weighted average common shares - basic (per financials)	391,487,393	387,040,362	391,303,393	386,690,981
Adjusted net income attributable to shareholders of Capstone Mining Corp. per common share - basic	**$ (0.02)**	**$ 0.01**	**$ (0.01)**	**$ 0.04**
Weighted average common shares - diluted (per financials)	395,185,246	387,040,362	392,223,443	386,690,981
Adjusted net income attributable to shareholders of Capstone Mining Corp. per common share - diluted	**$ (0.02)**	**$ 0.01**	**$ (0.01)**	**$ 0.04**

[2] *Certain prior period amounts have been restated to conform with current period classification.*

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Reconciliation of Adjusted EBITDA

($ millions)	Q4 2019	Q4 2018[2]	2019	2018[2]
Net income from continuing operations (per financials)	$ 13.4	$ (15.2)	$ 10.8	$ 7.4
Net finance costs	4.4	3.9	16.7	17.2
Taxes	(21.0)	23.4	(15.1)	33.2
Depletion and amortization	23.3	17.6	82.5	69.9
EBITDA - from continuing operations	**20.1**	**29.7**	**94.9**	**127.7**
Share-based compensation expense (recovery)	1.9	(2.6)	4.7	(7.0)
Inventory write-down	0.6	0.4	1.5	0.9
Unrealized gain on derivative instruments	-	-	-	0.1
Loss on disposal of mineral properties, plant and equipment	0.8	0.1	1.1	0.2
Unrealized foreign exchange (gain)/ loss	(0.1)	1.1	0.9	1.3
Non-recurring G&A	0.6	-	0.6	0.8
Restructuring costs	-	2.6	-	2.6
Change in fair value of contingent receivable (RE: Minto)	(1.4)	-	(1.2)	-
Adjusted EBITDA - from continuing operations	**$ 22.5**	**$ 31.3**	**$ 102.5**	**$ 126.6**
Adjusted EBITDA by mine				
Pinto Valley	15.8	17.7	67.6	80.6
Cozamin	11.0	16.6	52.0	66.5
Other	(4.3)	(3.0)	(17.1)	(20.5)
Adjusted EBITDA - from continuing operations	**$ 22.5**	**$ 31.3**	**$ 102.5**	**$ 126.6**

[2] *Certain prior period amounts have been restated to conform with current period classification.*

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Additional Information and Reconciliations

Sales from Continuing Operations

	2019					2018				
	Q1	**Q2**	**Q3**	**Q4**	**Total**	**Q1**	**Q2**	**Q3**	**Q4**	**Total**
Copper (000 lbs)										
Pinto Valley	27,574	37,297	21,791	32,050	118,712	26,745	24,670	31,891	26,385	109,691
Cozamin	7,732	8,249	9,446	8,215	33,642	8,446	7,041	9,591	8,761	33,839
Total	35,306	45,546	31,237	40,265	152,354	35,191	31,711	41,482	35,146	143,530
Zinc (000 lbs)										
Cozamin	4,261	1,611	5,402	4,264	15,538	1,132	2,679	3,181	4,303	11,295
Lead (000 lbs)										
Cozamin	1,358	393	341	917	3,009	-	422	971	1,120	2,513
Molybdenum (tonnes)										
Pinto Valley	45	2	26	33	106	44	35	-	38	117
Silver (000s ounces)										
Cozamin	273	280	333	294	1,180	200	206	333	291	1,030
Pinto Valley	54	82	48	81	265	60	48	67	60	235
Total	327	362	381	375	1,445	260	254	400	351	1,265
Gold (ounces)										
Pinto Valley*	(98)	784	489	912	2,087	174	401	(28)	1,170	1,717
Cozamin	29	12	40	46	127	-	-	-	68	68

**Pinto Valley gold production reaches payable levels from time to time. Any payable gold production will be reported in the period revenue is received.*

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.*

Continuity Schedule of Concentrate and Cathode Inventories

	Pinto Valley***			Cozamin			Minto
	Copper (dmt)	Cathode (tonnes)	Molybdenum (dmt)	Copper (dmt)	Zinc (dmt)	Lead (dmt)	Copper (dmt)
Dec. 31, 2017	10,814	327	40	6,332	635	12	5,200
Reclassification*	-	-	-	-	-	-	(5,200)
IFRS 15 adjustment**	-	-	-	(4,871)	(412)	-	-
Production	44,570	457	28	15,810	1,667	38	-
Sales	(48,514)	(281)	(44)	(14,791)	(1,717)	-	-
Mar. 31, 2018	6,870	503	24	2,480	173	50	-
Production	48,202	350	19	13,581	3,259	494	-
Sales	(41,631)	(542)	(35)	(12,991)	(3,127)	(361)	-
Jun. 30, 2018	13,441	311	8	3,070	305	183	-
Production	46,813	338	17	16,774	4,305	717	-
Sales	(53,787)	(448)	-	(17,810)	(3,772)	(763)	-
Sep. 30, 2018	6,467	201	25	2,034	838	137	-
Production	60,784	386	22	16,782	5,068	1,055	-
Sales	(46,922)	(422)	(38)	(16,630)	(5,013)	(894)	-
Dec. 31, 2018	20,329	165	9	2,186	893	298	-
Production	54,236	384	38	15,163	5,383	801	-
Sales	(49,883)	(422)	(45)	(14,366)	(5,330)	(1,010)	-
Mar.31, 2019	24,682	127	2	2,983	946	89	-
Production	48,442	405	21	15,484	3,651	268	-
Sales	(66,752)	(282)	-	(15,442)	(1,782)	(357)	-
Jun.30, 2019	6,372	250	23	3,025	2,815	0	-
Production	46,715	486	22	15,505	4,090	386	-
Sales	(37,199)	(404)	(26)	(17,336)	(6,206)	(302)	-
Sep.30, 2019	15,888	332	19	1,194	699	84	-
Production	45,166	437	23	15,118	4,174	911	-
Sales	(57,372)	(564)	(33)	(13,997)	(4,701)	(670)	-
Dec. 31, 2019	3,682	205	9	2,315	172	325	-

** Minto was considered a discontinued operation at March 31, 2018 and as such the inventory held at Minto at December 31, 2017 was re-classified from inventories to assets held for sale. Minto was sold during Q2 2019.*
*** Opening balance sheet adjustments were required due to the application of IFRS 15 impacting Cozamin's opening inventory. Refer to the consolidated financial statements for the year ended December 31, 2018 for more information.*
**** Reported copper concentrate production at Pinto Valley noted in the "Pinto Valley Mine" section of this document includes copper produced in concentrate and in circuit and therefore differs from the copper concentrate production amount noted above.*

Capstone's mining operations at Pinto Valley and Cozamin are not subject to any seasonality with respect to shipping and copper production does not vary significantly from quarter to quarter. As a result, the reported sales volumes are not expected to vary significantly from quarter to quarter.

Outstanding Share Data and Dilution Calculation

The Company is authorized to issue an unlimited number of common shares, without par value. The table below summarizes the Company's common shares and securities convertible into common shares as at February 11, 2020:

Issued and outstanding	400,045,604
Share options outstanding at a weighted average exercise price of $0.93	23,257,683
Fully diluted	423,303,287

[1] *These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".*
Certain prior period alternative performance measures have been restated to conform with current period classification.

Management's Report on Internal Controls

Disclosure Controls and Procedures ("DC&P")

Management performed an evaluation of the design and operating effectiveness of the Company's DC&P, as defined by National Instrument 52-109. This evaluation was performed under the supervision of and with participation by Capstone's President and Chief Executive Officer and Chief Financial Officer. Management concluded the Company's DC&P were effective as at December 31, 2019.

Internal Control Over Financial Reporting ("ICFR")

Capstone's management, with the participation of its President & Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR"). Any system of ICFR, no matter how well designed, has inherent limitations and cannot provide absolute assurance that all misstatements and instances of fraud, if any, within the Company have been prevented or detected.

The Company uses the 2013 Internal Control – Integrated Framework published by The Committee of Sponsoring Organizations of the Treadway Commission ("2013 COSO framework") as the basis for assessing its ICFR. Management performed an evaluation of Capstone's ICFR and concluded that, as at December 31, 2019, ICFR were designed and operating effectively so as to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS").

There were no changes in the Company's ICFR that materially affected, or are reasonably likely to materially affect, ICFR during the three-months ended December 31, 2019.

Other Information

Approval

The Board of Directors of Capstone approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it from the Company.

Additional Information

Additional information is available for viewing at the Company's website at www.capstonemining.com or on the Company's profile on the SEDAR website at www.sedar.com.

National Instrument 43-101 Compliance

Unless otherwise indicated, Capstone has prepared the technical information in this MD&A ("Technical Information") based on information contained in the technical reports, Annual Information Form and news releases (collectively the "Disclosure Documents") available under Capstone Mining Corp.'s company profile on SEDAR at www.sedar.com. Each Disclosure Document was prepared by or under the supervision of a qualified person (a "Qualified Person") as defined in National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators ("NI 43-101"). Readers are encouraged to review the full text of the Disclosure Documents which qualifies the Technical Information. Readers are advised that Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The Disclosure Documents are each intended to be read as a whole, and sections should not be read or relied upon out of context. The Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents.

Disclosure Documents include the National Instrument 43-101 compliant technical reports titled "NI 43-101 Technical Report on the Cozamin Mine, Zacatecas, Mexico" effective October 24, 2018, "Pinto Valley Mine Life Extension – Phase 3 (PV3) Pre-Feasibility Study" effective January 1, 2016 and "Santo Domingo Project, Region III, Chile, NI 43-101 Technical Report on Feasibility Study Update" effective November 26, 2018.
"Santo Domingo Project, Region III, Chile, NI 43-101 Technical Report on Feasibility Study Update" effective November 26, 2018.

The disclosure of scientific and Technical Information in this MD&A was reviewed and approved by Brad Mercer, P. Geol., Senior Vice President, Operations and Exploration (technical information related to mineral exploration activities and to Mineral Resources at Cozamin), Clay Craig, P.Eng, Superintendent Mine Technical Services – Pinto Valley Mine (technical information related to Mineral Reserves and Mineral Resources at Pinto Valley), Tucker Jensen, Senior Technical Advisor – Cozamin Mine, P.Eng (technical information related to Mineral Reserves at Cozamin) and Albert Garcia III, PE, Vice President, Projects (technical information related to project updates at Santo Domingo) all Qualified Persons under NI 43-101.