



MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
(unaudited)

For the Three Months Ended March 31, 2020
(Expressed in US Dollars)

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF CAPSTONE MINING CORP. FOR THE THREE MONTHS ENDED MARCH 31, 2020

Capstone Mining Corp. ("Capstone" or the "Company") has prepared the following management's discussion and analysis (the "MD&A") as of April 28, 2020 and it should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and notes thereto for the three months ended March 31, 2020. 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. "C\$" refers to Canadian dollars.

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 and the impacts of the ongoing and evolving COVID-19 pandemic. 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. The potential effects of the COVID-19 pandemic on our business and operations are unknown at this time, including Capstone's ability to manage challenges and restrictions arising from COVID-19 in the communities in which Capstone operates and our ability to continue to safely operate and to safely return our business to normal operations. The impact of COVID-19 to Capstone is dependent on a number of factors outside of our control and knowledge, including the effectiveness of the measures taken by public health and governmental authorities to combat the spread of the disease, global economic uncertainties and outlook due to the disease, and the evolving restrictions relating to mining activities and to travel in certain jurisdictions in which we operate.

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, risks relating to widespread epidemics or pandemic outbreak including the COVID-19 pandemic; the impact of COVID-19 on our workforce, suppliers and other essential resources and what effect those impacts, if they occur, would have on our business, including our ability to access goods and supplies, the ability to transport our products and impacts on employee productivity, the risks in connection with the operations, cash flow and results of Capstone relating to the unknown duration and impact of the COVID-19 pandemic, 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.

Q1 2020 Highlights and Significant Items

- **Q1 2020 copper production of 35.5 million pounds and C1 cash costs¹ of \$2.05 per payable pound produced.** Copper sales were lower at 30.4 million pounds due to timing of shipments at Pinto Valley.
- **Q1 2020 net loss of \$21.9 million** impacted significantly by two items, non-cash inventory write-downs (\$6.7 million) and provisional pricing adjustments (\$9.8 million) related to COVID-19. (Q1 2019 – net income of \$8.3 million).
- **Q1 2020 operating cash flow of \$6.9 million** (Q1 2019 of \$28.7 million). Operating cash flow was impacted by approximately \$10 million due to one less shipment at Pinto Valley and the build-up of concentrate inventory during Q1 2020.
- **In January and April, Cozamin further announced the results from its 2019/2020 step-out and infill drilling program, aiming to double the current reserve base.** 177 holes of the 200 planned holes are now released, with updated Mineral Resource and Mineral Reserve estimates expected in late 2020. Positive drill results are pointing to expected higher grades and wider intercepts than in the current reserve, as well as a potentially expanded high-grade resource.
- **A positive update to Santo Domingo's Feasibility Study was released in February.** The update included a higher level of capital and operating cost certainty, the receipt of additional key permits and the development of a Preliminary Economic Assessment with respect to cobalt production.
- **The World Health Organization declared the coronavirus (COVID-19) a global pandemic in early March. Capstone has taken the following measures in response to COVID-19;** refer to the Corporate Update below for more details:
 - **Implemented rigorous control and prevention measures** in order to ensure the health of our workers at all our offices and operations.
 - **Safely ramped down operations at Cozamin on April 7, to comply with a government decree.**
 - **Withdrew its full-year 2020 production guidance,** due to Cozamin's temporary ramp down of operations and the ongoing uncertainty regarding COVID-19. **The Company will re-evaluate its full-year 2020 guidance as the pandemic evolves.**
- **2020 cost reduction actions taken to manage liquidity and deliver margins:**
 - **Reduced discretionary capital and exploration expenditures by \$32 million.**
 - **Actions taken by management to reduce operating costs for the remainder of 2020 by \$22 million.** These reductions include lower diesel prices and transportation costs, hedging foreign exchange and interest rate swaps.
 - **Operating cost reductions are expected to reduce C1 cash costs to \$1.75/lb to \$1.85/lb thus delivering margins at spot copper prices.**
 - **Executed financial hedges on foreign exchange and interest rates** to protect approximately half of the Company's Mexican Peso exposure from August 2020 through December 2021 and swapped the floating for fixed rate on the LIBOR portion of our revolving credit facility (RCF) at 0.355%. **Resulting in estimated expected savings against plan of \$4 million and \$4 million respectively over the term of the contracts.**

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

COVID-19

In response to the World Health Organization declaring novel coronavirus (COVID-19) a global pandemic in early March, Capstone has taken the following measures to ensure the health and safety of our people and the communities in which we operate:

- We have a global COVID-19 response team in place and are assessing any potential health and business impacts across all our operations.
- Implemented rigorous control and prevention measures at all our offices and operations in order to ensure the health of our workers, including remote working from home where possible and limiting all non-essential travel.
- In response to COVID-19 negatively affecting global markets and putting downward pressure on metal prices, Capstone has taken prudent financial measures to reduce discretionary capital and exploration expenditures by \$32 million in 2020.
- The Company's financial position as at December 31, 2019 was at a position of strength with low net debt/EBITDA of 1.56x, net debt of \$165 million and total available liquidity of \$135 million consisting of \$90 million undrawn on the revolving credit facility ("RCF") plus cash and short-term investments of \$45 million. As at March 31, 2020, the Company had total available liquidity of \$112 million consisting of \$80 million of undrawn credit on the RCF and cash and short-term investments of \$32 million. Subsequent to quarter-end, the Company drew \$30 million on the RCF as a precautionary measure for working capital purposes. The Company is closely monitoring future cash flow projections to ensure that we can take appropriate further actions as required.
- On April 7, the Company safely commenced ramping down operations at Cozamin to comply with a Mexican Federal Government decree which was extended from April 30, 2020 to until May 30, 2020. The decree allows for the normal operations to resume on May 18, 2020 in municipalities which present low or null transmission of COVID-19. Zacatecas is a low-risk jurisdiction based on current statistics. The Company is taking all steps necessary to be able to quickly and safely ramp production back up to full capacity by May 18, 2020.

2020 Cost Reductions

At the end of December 2019, the Company achieved its target of sustainable annualized cost savings of \$27.5 million from the business, using 2018 as a baseline.

In response to COVID-19, Capstone has taken prudent financial measures to reduce discretionary capital and exploration expenditures by \$32 million in 2020.

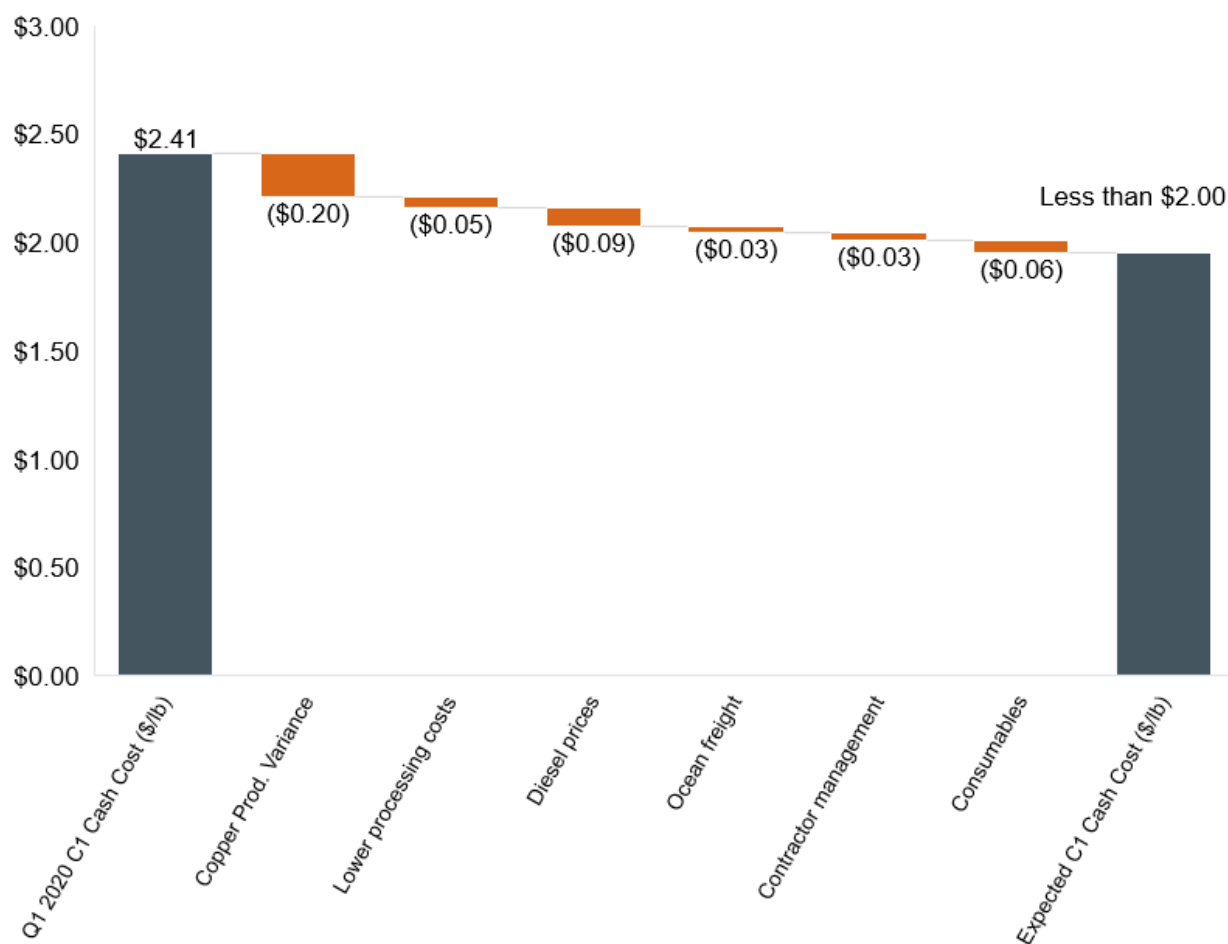
In addition, in relation to current financial markets, the Company is targeting the following cost reductions in 2020 expected to be reflected in our future operating results. These are additional cost saving measures which would enable Capstone to reduce our cash operating costs by approximately \$22 million over the remainder of 2020.

Operating Cost Items	Projected Annualized Cost Savings (\$ million)	Projected 2020 Savings (Q2 to Q4) (\$ million)
Diesel	\$10	\$8
Transportation costs	\$3	\$2
Contractor management freeze	\$4	\$3
Consumables and other inputs costs	\$4	\$3
Mexican peso @ 24.00 versus guidance 19.50	\$5	\$4
Canadian dollar @ 1.40 versus guidance 1.30	\$1	\$1
Fixed interest rate swap	\$1	\$1
TOTAL	\$28	\$22

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.

Pinto Valley Cost Reductions

As a result of these cost reduction measures and expected improvements to production compared to Q1 2020 (primarily related to grades reverting back to average of 0.31% copper), we expect the C1 cash costs¹ for Pinto Valley to reduce dramatically in the remaining quarters in 2020, compared to Q1 results, to below \$2.00/lb. This is a result of the following key factors illustrated in the waterfall below: (Refer to Risks and Uncertainties section for updated COVID-19 related risks.)



Pinto Valley: PV3 Optimization

PV3 Optimization is an initiative that aims to enhance performance via a series of low capital, quick payback, high impact debottlenecking steps and operational tweaks. The goal is to sustainably boost throughput, enhance recovery and lower costs. All required permits are in place to operate at levels up to 79,500 tonnes per day.

The first phase of PV3 Optimization aims to increase reliability and improve performance in the fine crushing plant and grinding circuit (“Phase 1”). In Q1 2020, the first of two secondary crushers and screen decks arrived and are scheduled to be installed in July. Also in July, the first of two new ball mill shells are expected to be installed, with the second scheduled for Q1 2021. The second secondary crusher and six tertiary screen decks are scheduled to arrive in Q4 2020. Once completed, the expected result is for throughput to reliably achieve higher throughput levels in the 56,000 to 57,000 tonnes per day range in 2021. During Q1 2020, a mineral processing consultant was hired to assist in reviewing historical reports and operational data and identify operational improvements to advance in the short term (“Phase 2”).

Pinto Valley: PV4 Expansion

Preliminary work on Pinto Valley’s potential future expansion to 100,000+ tonnes per day (“PV4 Expansion”) continues but at a slower rate given COVID-19 restrictions. The update has been delayed for an

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.

indeterminate period. 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”).

Cozamin: Near-Term Expansion Update

In early April 2020, Cozamin completed two major projects that represent a significant achievement on our path to expanding copper and silver production in 2021. The final key component of this expansion, the Calicanto one-way ramp, continues as scheduled and on budget to be completed in December 2020. (Refer to Risks and Uncertainties section for updated COVID-19 related risks). The 818-meter raisebore was completed 52 days ahead of schedule, which immediately improved ventilation and decreased the temperature in the deepest area of the mine. The second milestone is completion of an upgrade to the underground electrical substation, to boost the mine from 7.5MW to 9.5MW. In addition, an additional underground maintenance shop has been completed, increasing fleet maintenance capacity by 50%. Once completed, the underground expansion is expected to increase production to a new annual run rate of approximately 50-55 million pounds of copper and 1.5 million ounces of silver in 2021.

Cozamin: Targeting Doubling Mine Life

Updated Mineral Resource and Mineral Reserve estimates for Cozamin are still expected to be completed in late 2020. The 2019/2020 step-out and infill drilling program was progressing well at 85% completed and approximately three months ahead of schedule, until it was suspended as a non-essential activity by Mexican national decree. The drilling completed to date will be used to upgrade Inferred Mineral Resources to the Indicated category and subsequent conversion to Mineral Reserves to target doubling the mine life. Positive drill results pointing to higher grades and wider intercepts than in the current Mineral Reserve estimates were released on January 16, 2020 and April 23, 2020.

Santo Domingo Technical Report Update

In February 2020, a positive update to Santo Domingo’s Feasibility Study-level Technical Report, originally published on January 3, 2019 (“Base Case”), was released on February 19, 2020 and filed on SEDAR on March 24, 2020. The update included a higher level of Capital (“CAPEX”) and Operating Cost (“OPEX”) certainty, receipt of additional key permits and the development of a Preliminary Economic Assessment with respect to cobalt production (the “2020 PEA Opportunity”). Highlights included:

- Higher level of CAPEX/OPEX certainty due to confirmation of certain capital and operating costs with the negotiation of a power purchase agreement, indicative offers for desalinated water purchase from third parties, firm-fixed-price (lump sum) proposal for the construction of plant and mine facilities and firm actionable quotes for key process equipment.
- Base Case copper-iron-gold project has a post-tax net present value at an 8% discount rate (“NPV_{8%}”) of \$1.03 billion. Initial construction costs are estimated to be \$1.51 billion which includes a \$197 million contingency on total costs.
- The 2020 PEA Opportunity considers a conceptual plan to mine and process copper, iron-ore and gold at the onset of the mine. Subsequent to the decision of building the copper-iron-gold mine, a follow-on phase to initiate engineering and permitting is presented for a cobalt recovery circuit. The 2020 PEA Opportunity assumes two years for additional permitting and detailed engineering. During this development period, the cobalt laden pyrite will be stockpiled as a high-density slurry. Copper, iron and gold are mined for the 18-year mine life and processed over 18 years, and cobalt is mined for 18 years but processed over the last 16 years.
 - The copper-iron project with the phased cobalt opportunity has a NPV_{8%} of \$1.66 billion after tax.
 - Incremental CAPEX for a cobalt refining complex of \$0.67 billion, for combined construction costs of \$2.18 billion, timed to begin two years after construction begins for the copper-iron-gold plant.
 - Production of an average of 10.4 million pounds of cobalt per annum in the form of 22,600 tonnes per annum (“tpa”) battery-grade cobalt sulfate, at incremental operating costs of \$3.70 per pound of cobalt production costs and incremental C1 cash costs¹ of negative -\$4.11 per pound of cobalt production (including by-product sulfuric acid produced in the cobalt operation).

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.

Operational Overview

	Q1 2020	Q1 2019
Copper production (million pounds)		
Pinto Valley	26.8	32.7
Cozamin	8.7	8.7
Total	35.5	41.4
Copper sales		
Copper sold (from continuing operations) ² (million pounds)	30.4	35.3
Realized copper price (\$/lb.)	2.29	2.99
C1 cash costs¹ (\$/lb.) produced		
Pinto Valley	2.41	1.79
Cozamin	0.95	0.70
Consolidated	2.05	1.56

² Sales from continuing operations has been utilized due to the Minto mine being classified as a discontinued operation in the comparative period until the point of its sale on June 3, 2019.

Consolidated

Production of 35.5 million pounds was at the lower end of the original guidance range of 140 to 155 million pounds. Production levels are expected to ramp up through the year as Pinto Valley mined a lower grade area of the upper portion of the pit during the quarter. A focus on maximizing mill throughput continued in Q1 2020 following the successful December 2019 operational test, announced with the 2019 results in February 2020. A total of 28 days of over 60,000 tonnes per day was realized during Q1 2020 and an average daily throughput rate during Q1 2020 of 54,900 tonnes per day, or approximately 5% higher than the three-year average from 2017 to 2019. Sustainable high mill throughput rates are expected in the second half of 2020, helped by the installation of the first of two secondary crushers and screen decks planned for July 2020. Recoveries during the quarter of 82.4% were impacted by the low feed grade of 0.284% plus an expected higher than average oxide component. Grade and recovery are both planned to be higher for the balance of the year.

C1 cash costs¹ were impacted by Pinto Valley costs, overall lower production and less capitalized stripping resulting from the increased ore delivery to the mill.

The realized copper price in Q1 2020 of \$2.29 per pound was lower than the LME average of \$2.56 per pound due to three provisionally priced shipments at March 31, 2020, which were priced at an average of \$2.24 per pound. In addition, there was a (\$0.10) per pound negative provisional adjustment on prior shipments due to copper prices decreasing throughout the quarter. Sales volumes in Q1 2020 were lower than production due to timing of shipments at Pinto Valley.

Pinto Valley Mine

C1 cash costs¹ of \$2.41 per pound in Q1 2020 were higher than Q1 2019, primarily due to 18% lower copper production compared to the same period last year, as well as higher operating costs (site costs were \$56 million in Q1 2020 compared to \$216 million in 2019 or a run rate of \$54 million per quarter). C1 cash costs¹ were also impacted by lower capitalized stripping in Q1 2020 of \$5.3 million or \$0.20 per pound.

Property cost per tonne milled¹ of \$10.87 was \$0.30/tonne lower (-3%) versus the average cost per tonne milled in 2019 and \$0.76/tonne lower (-6.5%) than in 2018. This reflects the cost cuts implemented over the course of last year.

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.

During Q1 2020, the mill was able to achieve mill throughput of 54,899 tonnes per day (highest quarterly total since Q4 2017) as a result of operational improvements tied to maintenance programs.

Cozamin Mine

Production in Q1 2020 remained consistent at Cozamin compared to Q1 2019. C1 cash costs¹ of \$0.95 per pound were higher than Q1 2019. The primary cause of this is a decrease in by-product credits during the quarter due to declining commodity prices as a result of current market conditions, as well as less San Rafael zinc ore mined during the quarter. This was offset by decreases in overall operating costs from cost management efforts, as well as lower treatment and selling costs.

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

	Q1 2020	Q1 2019
Revenue ² (\$ millions)	70.4	108.9
Net income (loss) (\$ millions)	(21.9)	8.3
<i>Net income (loss) per common share – basic and diluted (\$)</i>	<i>(0.06)</i>	<i>0.02</i>
Adjusted net income (loss) ¹ (\$ millions) ³	(17.7)	12.0
Adjusted net income (loss) ¹ attributable to shareholders (\$ millions) ³	(17.5)	12.0
<i>Adjusted net income (loss) attributable to shareholders per common share – basic and diluted (\$)</i>	<i>(0.04)</i>	<i>0.03</i>
Adjusted EBITDA ^{1,4} from continuing operations ^{2,3} (\$ millions)	11.1	35.6
Cash flow from operating activities ² (\$ millions)	6.9	28.7
<i>Cash flow from operating activities per common share</i> ^{1,2} - basic (\$)	<i>0.02</i>	<i>0.07</i>
Operating cash flow before changes in working capital ^{1,2} (\$ millions)	(3.5)	30.7
<i>Operating cash flow before changes in working capital per common share</i> ^{1,2} – basic (\$)	<i>(0.01)</i>	<i>0.08</i>

	March 31, 2020	December 31, 2019
Total assets (\$ millions)	1,309.9	1,331.4
Long term debt (excluding financing fees) (\$ millions)	219.9	209.9
Total non-current financial liabilities (\$ millions)	217.4	207.1
Total non-current liabilities (\$ millions)	402.4	404.6
Net debt ¹ (\$ millions)	188.0	165.5

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

³ Certain prior period amounts have been restated to conform with current period classification.

⁴ EBITDA is earnings before interest, taxes, depletion and amortization.

Selected Quarterly Financial Information

(\$ millions, except per share data)	Q1 2020	Q4 2019*	Q3 2019	Q2 2019**	Q1 2019	Q4 2018***	Q3 2018	Q2 2018
Revenue	70.4	113.6	82.9	113.3	108.9	98.0	112.7	101.5
Earnings (loss) from mining operations	(20.0)	6.0	0.1	6.4	29.9	16.7	14.4	25.5
Net income (loss) from continuing operations attributable to shareholders	(21.7)	13.4	(9.9)	(4.6)	12.0	(15.1)	4.3	8.5
Net income (loss) from continuing operations attributable to shareholders per share - basic and diluted	(0.06)	0.03	(0.03)	(0.01)	0.03	(0.04)	0.01	0.02
Net income (loss) attributable to shareholders	(21.7)	13.4	(10.6)	(27.2)	8.34	(39.0)	1.5	7.7
Net income (loss) per share attributable to shareholders - basic and diluted	(0.06)	0.03	(0.03)	(0.07)	0.02	(0.10)	0.00	0.02
Operating cashflow before changes in non-cash working capital ¹	(3.5)	20.3	9.5	19.2	30.7	19.1	25.9	30.7
Capital expenditures (including capitalized stripping)	20.6	28.5	28.5	32.6	23.2	29.1	23.8	27.7

* 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 includes a non-cash loss on the sale of Minto of \$24.5 million.

*** The net income (loss) attributable to shareholders in Q4 2018 includes 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 on June 3, 2019.

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 have not been restated to conform to IFRS 16. Refer to the Accounting Changes section of this MD&A for more information.

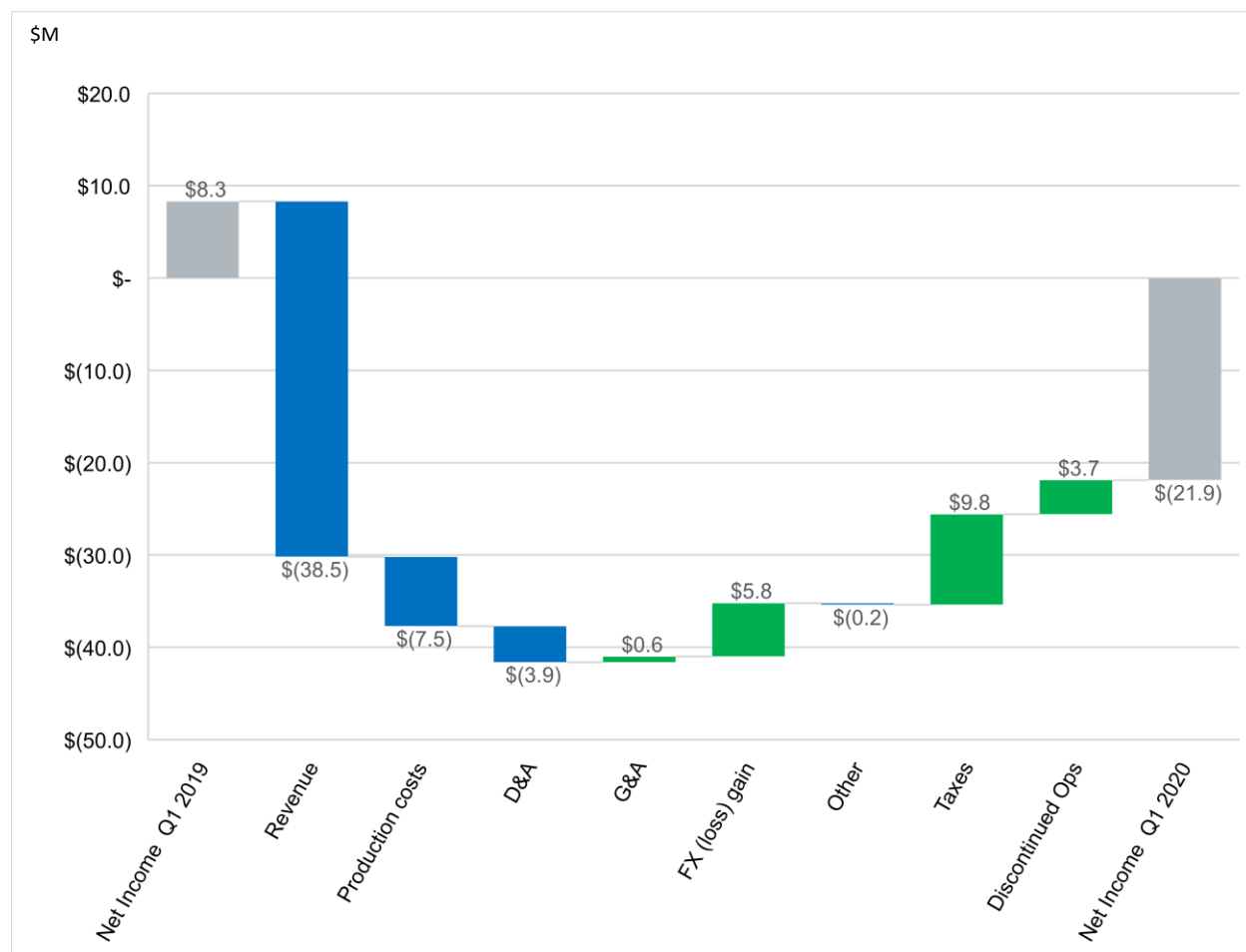
¹ These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures". Certain prior period alternative performance measures have been restated to conform with current period classification.

Consolidated Results

Consolidated Net Income (Loss) Analysis

Net Income (Loss) for the Three Months Ended March 31, 2020 and 2019

The Company recorded a net loss of \$21.9 million in Q1 2020 compared with net income of \$8.3 million in Q1 2019. The major differences are outlined below:



The difference quarter-over-quarter was driven by:

- \$38.5 million or 35% decrease in revenue from continuing operations related to a 4.9 million pound (14%) decrease in copper volumes sold as well as significantly lower realized copper prices (Q1 2020 - \$2.29 per pound, Q1 2019 - \$2.99 per pound).
- \$7.5 million increase in production costs, of which \$4.7 million is related to a non-cash inventory write-down of inventory at Pinto Valley as a result of the decline in copper prices at the end of Q1 2020.
- \$3.9 million increase in depletion and amortization despite lower copper volumes sold. This is due to increases in cost bases of depreciable assets at Pinto Valley as a result of fixed asset additions and a \$2 million non-cash inventory write-down.
- \$5.8 million increase in foreign exchange (loss) gain due to an unrealized gain in Q1 2020 of \$5.8 million on foreign currency as a result of the weakening Mexican Peso relative to the functional US dollar used by Cozamin.
- Decrease in income taxes due to an income tax recovery in Q1 2020 compared to an expense in Q1 2019. This was driven by the net loss for Q1 2020.
- Decrease in loss from discontinued operations as the Minto mine was sold in Q2 2019.

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.

Revenue from Continuing Operations

The decrease in revenue quarter-on-quarter (\$70.4 million versus \$108.9 million) relates to decreased copper revenue on decreased copper volumes sold from continuing operations of 4.9 million pounds (30.4 million pounds versus 35.3 million pounds) at a lower realized price (\$2.29 per pound versus \$2.99 per pound). Q1 2020 sales were lower than production due to the timing of shipments primarily at Pinto Valley.

The realized copper price in Q1 2020 of \$2.29 per pound was lower than the LME average of \$2.56 per pound due to three provisionally priced shipments at March 31, 2020, which were priced at an average of \$2.24 per pound. In addition, there was negative \$0.10 per pound of provisional pricing adjustments on prior shipments due to copper prices decreasing throughout the quarter.

Realized Copper Prices

	2020	2019			
	Q1	Q1	Q2	Q3	Q4
Pinto Valley	\$ 2.25	\$ 2.97	\$ 2.56	\$ 2.49	\$ 2.78
Cozamin	\$ 2.40	\$ 3.03	\$ 2.56	\$ 2.58	\$ 2.73
Total	\$ 2.29	\$ 2.99	\$ 2.56	\$ 2.52	\$ 2.77
LME Average	\$ 2.56	\$ 2.82	\$ 2.77	\$ 2.63	\$ 2.67
LME Close	\$ 2.18	\$ 2.94	\$ 2.71	\$ 2.60	\$ 2.79

Realized prices in Q1 2020 were impacted by negative price adjustments on prior period shipments of (\$3.1) 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

	Q1 2020 ²		Q1 2019 ²	
	\$ millions	%	\$ millions	%
Pinto Valley	44.5	63.2%	76.6	70.3%
Cozamin	25.9	36.8%	32.3	29.7%
Total revenue from continuing operations	70.4	100%	108.9	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 three-month period ended March 31, 2020 included 44.7 million pounds of copper sold subject to final settlement. Of this, the prices for 32.5 million pounds are final at a weighted average price of \$2.55 per pound. The remaining 12.2 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	
Apr-20	4.8	2.4	7.2	\$2.24
Jul-20	5.0	-	5.0	\$2.25
TOTAL	9.8	2.4	12.2	\$2.24

Reconciliation of Realized Copper Price

	Q1 2020 \$ millions	Q1 2019 \$ millions
Gross copper revenue on new shipments	72.7	103.0
Provisional adjustments on prior shipments	(3.1)	2.4
Gross copper revenue	69.6	105.4
Plus: gross revenue from other metals	10.1	13.6
Less: treatment and selling costs	(9.3)	(10.1)
Revenue	70.4	108.9
Payable copper sold (000s pounds)	30,385	35,306
	\$/lb	\$/lb
Gross copper revenue on new shipments	\$ 2.39	\$ 2.92
Provisional adjustments on prior shipments	(0.10)	0.07
Realized copper price	\$ 2.29	\$ 2.99
LME average copper price	\$ 2.56	\$ 2.82

Gross copper revenue on new shipments in Q1 2020 of \$2.39 per pound was impacted by the effect of the negative provisional pricing adjustments on 12.2 million pounds of copper sold during the quarter and provisionally priced at \$2.24 per pound (see above).

Consolidated Cash Flow Analysis

\$ millions	Q1 2020	Q1 2019 ²
Operating cash flow before changes in working capital ¹	(3.5)	30.7
Changes in working capital	10.4	(2.0)
Total cash flows from operating activities	6.9	28.7
Cash flows used in investing activities	(25.9)	(15.1)
Cash flows used in financing activities	6.6	(3.9)
Effect of foreign exchange rates on cash and cash equivalents	(1.4)	0.4
Net change in cash and cash equivalents	(13.8)	10.1
Opening cash and cash equivalents	39.9	33.9
Closing cash and cash equivalents	26.1	44.0

² The consolidated cash flow analysis includes amounts from Minto in the comparative period. The Minto mine was sold in Q2 2019.

Changes in Cash Flows for the Three Months Ended March 31, 2020 and 2019

The net change in cash was (\$13.8) million in Q1 2020 compared to \$10.1 million in Q1 2019. The change was primarily due to:

- Cash flow from operating activities before changes in working capital¹ was lower by \$34.2 million primarily due to:
 - Sales volumes from continuing operations were lower by 14% and there was a 23% drop in the realized copper price.
 - Increase in property costs at Pinto Valley, impacted by \$5.3 million less being capitalized to deferred stripping.
- Changes in working capital was higher by \$12.4 million, primarily due to Pinto Valley:
 - In Q1 2020 there was a decrease in receivables, primarily due to timing of cash receipts on shipments as well as provisional pricing adjustments recorded to receivables, and an increase in payables due to timing of payments. Partially offset by a buildup of inventory.
- Cash flows used in investing activities in Q1 2020 comprised \$24.7 million of mineral property, plant and equipment additions during Q1 2020 compared to \$22.0 million in Q1 2019. Additionally, there were \$1.3 million of purchases of short-term investments compared to Q1 2019 in which there was \$7.0 million of proceeds from the sales of short-term investments.
- Cash flows used in financing activities were higher in Q1 2020 primarily due to net \$10 million proceeds from bank borrowings (Q1 2019 – nil).

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.

Operational Results
Pinto Valley Mine – Miami, Arizona
Operating Statistics

	2020	Q1	Q2	2019	Q4	Total
	Q1	Q1	Q2	Q3	Q4	Total
Production (contained metal and cathode) ²						
Copper (000's pounds)	26,788	32,699	28,973	29,936	26,021	117,629
Mining						
Waste (000s tonnes)	5,588	7,876	7,889	7,285	7,051	30,101
Ore (000s tonnes)	5,399	4,999	4,545	4,663	4,681	18,888
Total (000s tonnes)	10,987	12,875	12,434	11,948	11,732	48,989
Strip Ratio (Waste : Ore)	1.04	1.58	1.74	1.56	1.51	1.59
Milling						
Milled (000s tonnes)	4,996	4,933	4,470	4,658	4,604	18,665
Tonnes per day	54,899	54,811	49,121	50,630	50,043	51,137
Copper grade (%)	0.28	0.35	0.33	0.33	0.30	0.33
Recoveries						
Copper (%)	82.4	84.3	87.0	85.6	83.5	85.1
Concentrate Production						
Copper (dmt)	46,613	56,146	46,490	48,676	45,248	196,560
Copper (%)	25.0	25.7	27.4	26.9	25.1	26.3
Property costs ^{1,3} (\$/t milled)	\$10.87	\$9.94	\$12.00	\$12.36	\$11.29	\$11.17
Payable copper produced (000's pounds)	25,888	31,584	27,991	28,926	25,144	113,645
Copper C1 cash cost ¹ (\$/lb payable copper produced)	\$2.41	\$1.79	\$2.00	\$2.13	\$2.35	\$2.05
Adjusted EBITDA ^{1,3} (\$ millions)	\$2.9	\$23.6	\$23.2	\$5.2	\$9.9	\$61.9

² Adjustments based on final settlements will be made in future quarters

³ Certain prior period amounts have been restated to conform with current period classification

Operational and C1 Cash Costs¹ Update

Copper production in Q1 2020 was down 18% compared to Q1 2019 primarily due to lower head grade (Q1 2020 – 0.28% vs Q1 2019 – 0.35%) as well as lower recoveries (82.4% vs 84.3%). The reduction in grade is a function of the mine plan sequence. Recovery was impacted by higher oxidization in the ore delivered and overall lower grades compared to 2019.

C1 cash costs¹ of \$2.41 per pound in Q1 2020 were higher than Q1 2019, primarily due to 18% lower copper production compared to the same period last year, as well as higher operating costs and less capitalized stripping costs in 2020. In 2019, Pinto Valley site operating costs were reduced by \$15 million to \$216 million on a full year basis or \$54 million per quarter. Q1 2020 property costs of \$56 million, were slightly higher due to increases in contractors for supplemental labour and increased project work in the mill and mine, as well as an added focus on preventative maintenance in the mill to achieve the higher mill throughput. Additionally, \$5.3 million less was capitalized to deferred stripping compared to the same period last year which impacted C1 cash costs¹.

Property cost per tonne milled¹ in Q1 2020 of \$10.87 was \$0.30/tonne lower (-3%) versus the average cost per tonne milled in 2019 and \$0.76/tonne lower (-6.5%) than in 2018. This reflects the cost cuts implemented over the course of last year.

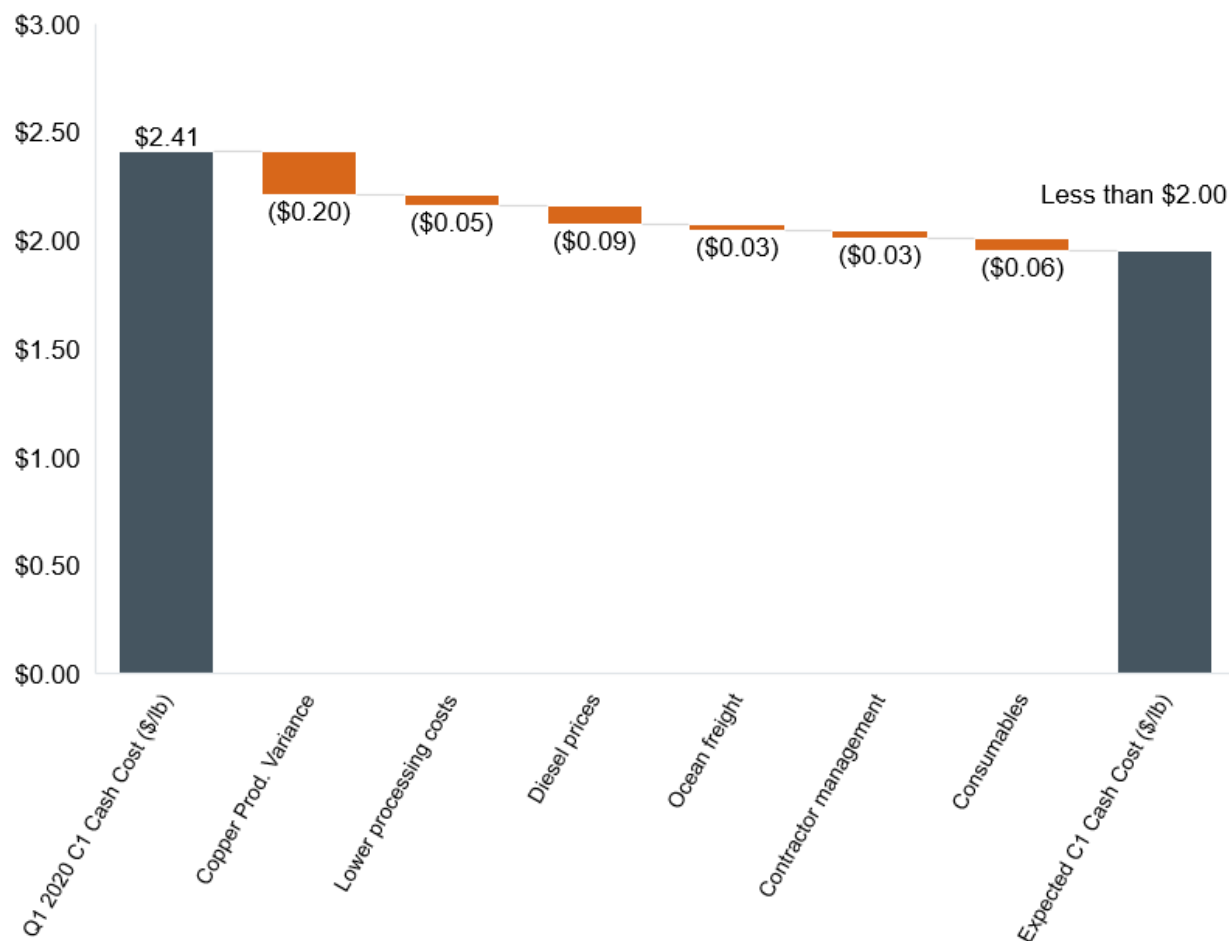
¹ These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

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

2020 Cost Reduction Focus

Pinto Valley has reduced capital expenditure guidance by \$22 million amidst a lower copper price environment (Refer to news release dated March 25, 2020 for details). In addition, the focus is on further reducing operating costs to deliver C1 cash costs¹ below \$2.00 per pound for the remainder of 2020.

C1 cash costs¹ from the Pinto Valley mine are expected to be lower in each of the remaining quarters in 2020 due to both higher production and lower costs. Pinto Valley expects to produce more copper than in Q1 2020 in each of the next three quarters due the fact that the mine grade is expected to revert back to 2020 average of 0.31% copper. The increase in grade results in a 10% increase in production or \$0.20/lb reduction in costs. Refer to the Risks and Uncertainties section for COVID-19 related risks.



From a cost reduction perspective, the following items are expected to result in lower costs in future quarters:

Operating Cost Item	Actions Taken	2020 Savings (Q2 to Q4) (\$ million)
Diesel	Price of \$1.30/gallon versus budget of \$2.35/gallon	\$8
Transportation costs	Renegotiated shipping transportation due to low fuel costs	\$2
Contractor management	Manage staffing levels at site	\$3
Consumables and other inputs costs		\$3
TOTAL – Pinto Valley		\$16

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.

Investing Activities

Sustaining capital in Q1 2020 focused primarily on planned mining equipment component replacements and mine infrastructure and was \$1.0 million less than Q1 2019. Expansionary capital in Q1 2020 was \$4.9 million and included the delivery of the first raptor crusher and screen deck on site during the quarter. Deferred stripping was lower in Q1 2020 due to higher ore delivery to the mill which resulted in a lower strip ratio.

(\$ millions)	Q1 2020	Q1 2019
Deferred stripping - cash	0.3	5.6
Deferred stripping - non cash	0.1	1.3
Deferred stripping as reported in the financials	0.4	6.9
Sustaining capital	3.8	4.8
Expansionary capital	4.9	0.5
Total	9.1	12.2

Cozamin Mine – Zacatecas, Mexico
Operating Statistics

	2020	2019				
	Q1	Q1	Q2	Q3	Q4	Total
Production (contained metal) ²						
Copper (000's pounds)	8,699	8,672	8,723	9,085	9,361	35,841
Zinc (000's pounds)	4,464	5,525	3,842	4,526	4,570	18,463
Silver (000s ounces)	298	326	323	352	365	1,366
Mining						
Ore (000s tonnes)	278	271	289	296	287	1,143
Milling						
Milled (000s tonnes)	276	273	284	295	294	1,146
Tonnes per day	3,032	3,038	3,121	3,204	3,195	3,140
Copper grade (%) ³	1.51	1.53	1.48	1.48	1.53	1.50
Zinc grade (%) ³	1.04	1.32	0.96	1.01	1.00	1.07
Silver grade (g/t) ³	42.0	47.9	45.0	46.1	47.8	46.7
Recoveries ³						
Copper (%)	94.5	94.2	94.1	94.5	94.6	94.4
Zinc (%)	70.8	69.3	64.2	68.8	70.2	68.2
Silver (%)	78.7	77.5	77.3	77.0	78.7	77.7
Concentrate Production						
Copper (dmt)	14,229	15,163	15,484	15,505	15,118	61,270
Copper (%)	27.7	25.9	25.6	26.6	28.1	26.5
Silver (g/t)	555	576	604	620	627	607
Zinc (dmt)	4,168	5,383	3,651	4,090	4,173	17,297
Zinc (%)	48.6	46.6	47.7	50.2	49.7	48.4
Property costs ^{1,4} (\$/t milled)	\$45.17	\$47.37	\$47.57	\$47.24	\$51.71	\$48.50
Payable copper produced (000's lb's)	8,368	8,321	8,365	8,725	9,010	34,421
Copper C1 cash cost ¹ (\$/lb payable copper produced)	\$0.95	\$0.70	\$1.06	\$0.94	\$0.91	\$0.90
Adjusted EBITDA ^{1,4} (\$ millions)	\$11.7	\$16.2	\$10.9	\$13.6	\$10.6	\$51.3

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 Certain prior period amounts have been restated to conform with current period classification

Operational and C1 Cash Costs¹ Update

Copper production in Q1 2020 remained consistent at Cozamin compared to Q1 2019. Zinc production decreased due to a decline in head grade as a result of mining sequence changes driven by geotechnical requirements.

C1 cash costs¹ of \$0.95 per pound in Q1 2020 were at the low end of 2020 guidance. The increase from Q1 2019 primary relates to a decrease in by-product credits during the quarter due to declining commodity prices and lower zinc production, offset by a decrease in overall operating costs and treatment and selling costs. Operating costs in Q1 2020 of \$45.17 per tonne milled were lower than Q1 2019 costs of \$47.37 per tonne milled, primarily as a result of a 15% decrease in operating development meters in the mine as a result of a return to higher longhole stoping productivity as developed mineral inventories have reached the desired levels to support increased mining rates in 2021.

On April 7, the Company safely commenced ramping down operations at Cozamin to comply with a Mexican Federal Government decree which was extended from April 30, 2020 to until May 30, 2020. The decree

¹ These are alternative performance measures. Refer to the MD&A section entitled "Alternative Performance Measures".

allows for the normal operations to resume on May 18, 2020 in municipalities which present low or null transmission of COVID-19. Zacatecas is a low-risk jurisdiction based on current statistics. The Company is taking all steps necessary to be able to quickly and safely ramp production back up to full capacity by May 18, 2020.

Investing Activities

Capital spending at Cozamin totaled \$6.5 million for Q1 2020 related primarily to mine development including the completion of the 818 metre raisebore. Also included was expansionary capital of \$0.7 million spent on the one-way ramp system as part of the Cozamin expansion project.

Capitalized exploration expenditures totaled \$2.5 million for Q1 2020. This was spent primarily on Mineral Resource drilling of the Mala Noche Footwall Zone, associated with infilling or stepping out from regions of Inferred Mineral Resource category of the Mineral Resource estimate. We were undertaking this work with 5 surface and 1 underground diamond drilling rigs. The drill program is aiming to upgrade Inferred Mineral Resources to the Indicated category to maximize subsequent conversion to Mineral Reserves in support of a doubling of mine life. 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. All work to support the updated Mineral Resource and Mineral Reserve estimates remains on track to be completed in late 2020.

Santo Domingo Project – Chile (Copper and Iron)

Investing Activities

During 2019, Capstone updated the Technical Report 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 NPV_{8%} of \$1 billion and 22% internal rate of return. In Q1 2020, a positive update to this report was published which includes a higher level of CAPEX/OPEX certainty, stronger copper and gold recovery algorithms, receipt of additional key permits, and the development of a Preliminary Economic Assessment with respect to cobalt production. Refer to news release dated February 19, 2020 for more information.

(\$ millions)	Q1 2020	Q1 2019
Capitalized project costs (100%) per financials	2.4	2.6
Capstone's share (70%)	1.7	1.8

2020 project development costs related to permitting, basic and detailed engineering, land tenure costs, EIA required early works, and further metallurgical testing. Project development costs incurred since Q4 2018 are capitalized within mineral properties.

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. 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”) for up to \$20 million in cash in staged payments, based on certain milestones (“contingent consideration”).

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 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 March 31, 2020, the contingent consideration had a fair value of \$6.5 million, with the change reflecting the reduction in the copper price.

Exploration

(\$millions)	Q1 2020	Q1 2019
Greenfield exploration	0.6	0.8
Brownfield exploration (capitalized to mineral properties)	2.5	1.5
Total exploration	3.1	2.3

Capstone’s greenfield exploration is predominantly focused on early-stage project generation in the Americas. Active projects include an Option Agreement with Kootenay Silver Inc. for the Amapa Prospect (Sonora, Mexico), an Option Agreement with Lara Exploration Ltd. for the Planalto Prospect (Carajas Region, Brazil), and a portfolio of newly staked 100% Capstone claims located in Sonora, Mexico. South American exploration is actively searching for new early-stage projects predominantly in Chile and Peru. All field work is currently postponed to conserve cash as a result of lower Copper prices and uncertainty surrounding the impacts COVID-19 measures may have on Capstone’s operations.

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.

Outlook

2020 Production, Cost and Capital Guidance

In light of the temporary ramp-down at Cozamin to comply with a Mexican Federal Government decree which was extended from April 30, 2020 to until May 30, 2020, and the ongoing uncertainty regarding COVID-19, Capstone has decided to withdraw its full-year 2020 production guidance. The Company will continue to target safe execution of its operation plans and will re-evaluate its full-year 2020 guidance as the pandemic evolves.

Prior to the temporary ramp-down at the Cozamin mine, Capstone had taken prudent financial measures, due to the recent drop in copper prices, to reduce discretionary capital and exploration expenditures of \$32 million in 2020, as shown in the table below. The Company does not expect that these reductions will materially impact its growth plans for 2021 and beyond.

Refer to the Corporate update section for revised 2020 operating cost expectations.

2020 Expenditure Guidance	Original Guidance	Revised Guidance
Pinto Valley		
Sustaining	\$28	\$18
Capitalized stripping	\$8	\$3
Expansionary	\$19	\$12
Total Pinto Valley Capital	\$55	\$33
Cozamin	\$26	\$24
Santo Domingo	\$9 ³	\$6 ⁴
Total Capital	\$90	\$63
Total Exploration	\$10	\$5

³ On a 100% basis, the figure is \$12 million; ownership is 70% Capstone and 30% Korea Resources Corporation.

⁴ On a 100% basis, the figure is \$9 million; ownership is 70% Capstone and 30% Korea Resources Corporation.

Liquidity and Financial Position Review

Working Capital

Working capital was \$48.9 million at March 31, 2020 compared with \$68.0 million at December 31, 2019, as follows:

<i>(millions)</i>		Mar. 31, 2020		Dec. 31, 2020
Current assets				
Cash and cash equivalents	\$	26.1	\$	39.9
Short-term investments		5.8		4.5
Receivables		13.6		28.6
Inventories		58.0		47.9
Other assets		4.4		2.5
Total current assets	\$	107.9	\$	123.4
Current liabilities				
Accounts payable and accrued liabilities	\$	57.2	\$	52.5
Other liabilities		1.8		2.9
Total current liabilities	\$	59.0	\$	55.4
Working capital	\$	48.9	\$	68.0

Cash and cash equivalents and short-term investments combined, decreased by \$12.5 million from December 31, 2019 to March 31, 2020. Refer to the Statement of Cash Flows within the Company's condensed interim consolidated financial statements for further details surrounding the movement in the cash balance.

As at March 31, 2020, the Company held \$5.8 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 increased due to net purchase of short-term investments of \$1.7 million during the current period and fair market adjustments of (\$0.4) million.

Receivables decreased by \$15 million primarily due to changes in provisional pricing adjustments recorded to receivables of \$8 million due to declining copper prices, as well as timing of cash receipts on shipments at Pinto Valley.

Inventories increased primarily related to Pinto Valley, due to higher volumes held as a result of timing of shipments and was partially offset by an inventory write-down.

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 plus 2.5% and increasing to LIBOR plus 3.5% based on the total leverage ratio, will remain in effect until maturity.

The interest rate at March 31, 2020 was US LIBOR plus 2.75% with a standby fee of 0.62% payable on the undrawn balance (adjustable in certain circumstances).

A drawdown of \$15.0 million and a repayment of \$5.0 million were made on the RCF during the three months ended March 31, 2020, resulting in an outstanding balance of \$219.9 million. Subsequent to period end, the Company completed a drawdown of \$30.0 million on the RCF as a precautionary measure during COVID-19.

During the three months ended March 31, 2020, a total of \$0.3 million (2019 – \$0.3 million) was amortized and recorded in other interest expense.

The RCF is secured against the present and future real and personal property, assets and undertakings of Capstone (excluding certain assets, which include Acquisition Co., Far West, Santo Domingo, and Far West Exploration S.A., and subject to certain exclusions for Capstone Mining Chile SpA).

As at March 31, 2020 the RCF covenants were as follows:

- Interest Coverage Ratio of 5.77: 1.00 (to be equal to or greater than 2.50: 1.00)
- Senior Secured Leverage Ratio of 2.61: 1.00 (to be less than or equal to 3.00: 1.00)
- Total Leverage Ratio of 2.61: 1.00 (to be a maximum of 4.00: 1.00)

Subsequent to period end, the Company entered into an interest rate swap exchanging the floating LIBOR rate for a fixed monthly LIBOR rate of 0.355% on an amortizing notional principal as follows:

- \$150M to December 31, 2020
- \$125M to December 31, 2021
- \$100M to July 25, 2022

Any balance drawn on the RCF above the notional principal of the swap will be charged interest at the prevailing market rate. The effective interest rate on these notional amounts will be 0.355% plus 2.5% to 0.355% plus 3.5% based on the leverage ratio.

Subsequent to period end, the Company entered into a zero cost collar Mexican Peso to US dollar foreign exchange option transaction whereby it sold a series of call option contracts and purchased a series of put option contracts with equal and offsetting values at inception. The purchased put contracts have floor Mexican Peso to US Dollar exchange rates ranging from 23 to 23.5. The sold call contracts have strike exchange rates ranging from 29.25 to 30. The contracts are for 500 million Mexican Pesos (\$20 million) covering the period between August 2020 to December 2021, representing approximately 50% of the Mexican Peso costs of the Cozamin mine during this period.

Provisions

Provisions of \$113.3 million at March 31, 2020 includes the following:

- \$108.4 million for reclamation and closure cost obligations at Capstone’s operating mines;
- \$2.6 million related to other long-term provisions at the Cozamin mine; and
- \$2.3 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”).

Provisions at December 31, 2019 were \$120.2 million. The \$6.9 million decrease was attributed primarily to a decrease in the share-based payment obligations as a result of declining Capstone share price during Q1 2020, as well as a weaker Mexican Peso during the quarter affecting the reclamation obligation at the Cozamin mine.

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 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 actions taken on capital, exploration and operating cost reductions and additional liquidity options available, we believe we have the financial capacity to manage our liquidity for the foreseeable future, even with a continuation of current challenged market conditions.

The Company is compliant with debt covenants as at March 31, 2020. A reduction in production or other COVID-19 related impacts, including but not limited to, low copper prices or an extended disruption of operations could cause us to breach our covenants under our Revolving Credit Facility. In the absence of a covenant waiver, this could result in our lenders calling for our debt to be repaid.

Refer to the Risks and Uncertainties section for more details surrounding risks to future covenant compliance.

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.

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 "Risks and Uncertainties") for the year ended December 31, 2019. This document is 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.

Coronavirus (COVID-19) Pandemic Risk

The recent outbreak of the COVID-19 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 or interruption of production. A material spread of COVID-19 in jurisdictions where we operate could impact our ability to staff operations. A reduction in production or other COVID-19 related impacts, including but not limited to, low copper prices could cause us to breach our covenants under our Revolving Credit Facility. In the absence of a covenant waiver, this could result in our lenders calling for our debt to be repaid.

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. Currently, the Mexican Federal Government has issued a Decree for the suspension of all non-essential operations until April 30, 2020, this Decree or further decrees could extend the suspension for a prolonged period of time. Penalties could be imposed if Capstone's response to the Decree is deemed to be non-compliant with the Decree. These restrictive measures along with market uncertainty could cause an economic slowdown resulting in a decrease in the demand for copper and have a further negative impact on base metal prices.

Transactions with Related Parties

As described in the Nature of Business section, 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.

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. Page 27

Off Balance Sheet Arrangements

At March 31, 2020, 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 \$124.1 million; and
- Letters of credit for \$0.3 million.

Accounting Changes

In 2019, the Company retrospectively 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.

These alternative performance measures are presented in Highlights and discussed further in other sections of the MD&A. These measures provide meaningful supplemental information regarding operating results because they exclude certain significant items that are not considered indicative of future financial trends either by nature or amount. As a result, these items are excluded for management assessment of operational performance and preparation of annual budgets. These significant items may include, but are not limited to, restructuring and asset impairment charges, individually significant gains and losses from sales of assets, share based compensation, unrealized gains or losses, and certain items outside the control of management. These items may not be non-recurring. However, excluding these items from GAAP or Non-GAAP results allows for a consistent understanding of the Company's consolidated financial performance when performing a multi-period assessment including assessing the likelihood of future results. Accordingly, these Non-GAAP financial measures may provide insight to investors and other external users of the Company's consolidated financial information

C1 Cash Costs Per Payable Pound of Copper Produced

C1 cash costs per payable pound of copper produced is a key performance measure that management uses to monitor performance. Management uses this measure to assess how well the Company's producing mines are performing and to assess overall efficiency and effectiveness of the mining operations.

All-in Sustaining Costs Per Payable Pound of Copper Produced

All-in sustaining costs per payable pound of copper produced is an extension of C1 cash costs measure discussed above and is also a key performance measure that management uses to monitor performance. Management uses this measure to analyze margins achieved on existing assets while sustaining and maintaining production at current levels. Consolidated All-in sustaining costs includes Corporate general and administrative costs.

Net Debt

Net debt is a performance measure used by the Company to assess its financial position.

Operating Cash Flow before Working Capital Changes per Common Share

Operating Cash Flow before working capital changes per common share is a performance measure used by the Company to assess its ability to generate cash from its operations, while also taking into consideration changes in the number of outstanding shares of the Company.

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.

Adjusted Net Income (Loss)

Adjusted net income (loss) is net income (loss) attributable to shareholders as reported, adjusted for certain types of transactions that in our judgment are not indicative of our normal operating activities or do not necessarily occur on a regular basis.

EBITDA

EBITDA is net income (loss) attributable to shareholders before net finance expense, tax expense, and depletion and amortization.

Adjusted EBITDA

Adjusted EBITDA is EBITDA before the pre-tax effect of the adjustments made to adjusted net income (above) as well as certain other adjustments required under the Company's RCF agreement in the determination of EBITDA for covenant calculation purposes.

The adjustments made to Adjusted net income (loss) and adjusted EBITDA allow management and readers to analyze our results more clearly and understand the cash generating potential of the Company.

Property Cost per Tonne Milled

Property cost per tonne milled is a key performance measure that management uses to monitor performance. Management uses this measure to assess how well the Company's producing mines are performing and to monitor costs and assess overall efficiency and effectiveness of the mining operations.

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 months ended March 31, 2019 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 March 31, 2020 and 2019

	Q1 2020			Q1 2019		
	Pinto Valley	Cozamin	Total	Pinto Valley	Cozamin	Total
Payable copper produced (000s lbs)	25,888	8,368	34,256	31,584	8,321	39,905
Production costs of metal produced (per financials, \$M)	\$ 54.8	\$ 14.0	\$ 68.8	\$ 47.9	\$ 13.2	\$ 61.1
Transportation cost to point of sale (\$M)	(4.9)	(0.7)	\$ (5.6)	(5.9)	(0.6)	(6.5)
Inventory write-down (\$M)	(4.7)	-	(4.7)	-	-	-
Inventory working capital adjustments (\$M)	9.7	(0.8)	8.9	3.5	0.4	3.9
Cash production costs of metal produced (\$M)	\$ 54.9	\$ 12.5	\$ 67.4	\$ 45.5	\$ 13.0	\$ 58.5
Production costs (\$/lb)						
Mining	\$ 0.70	\$ 0.92	\$ 0.75	\$ 0.45	\$ 0.99	\$ 0.56
Milling/Processing	1.19	0.33	0.99	0.82	0.34	0.72
G&A	0.23	0.24	0.23	0.17	0.23	0.18
C1P sub-total	2.12	1.49	1.97	1.44	1.56	1.46
By-product credits (\$/lb)	(0.14)	(0.82)	(0.31)	(0.08)	(1.23)	(0.32)
Treatment and selling costs (\$/lb)	0.43	0.28	0.39	0.43	0.37	0.42
C1 cash cost (\$/lb PRODUCED)	\$ 2.41	\$ 0.95	\$ 2.05	\$ 1.79	\$ 0.70	\$ 1.56
NSR royalties	-	0.09	0.02	-	0.11	0.02
Production-phase capitalized stripping	0.01	-	0.01	0.17	-	0.15
Sustaining capital	0.14	0.69	0.28	0.15	0.79	0.29
Sustaining leases	-	0.01	-	-	0.01	-
Accretion of reclamation obligation	0.02	0.01	0.02	0.02	0.01	0.01
Amortization of reclamation asset	0.01	0.04	0.02	-	0.05	0.01
Corporate G&A, excluding depreciation			0.09			0.10
All-in sustaining cost adjustments	0.18	0.84	0.44	0.34	0.97	0.58
All-in sustaining cost (\$/lb PRODUCED)	\$ 2.59	\$ 1.79	\$ 2.49	\$ 2.13	\$ 1.67	\$ 2.14

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-Mar-20	31-Dec-19
Long term debt (per financials, \$M), excl. deferred financing costs of \$2.5M and \$2.8M	\$ 219.9	\$ 209.9
Less:		
Cash and cash equivalents (per financials, \$M)	(26.1)	(39.9)
Short term investments (per financials, \$M)	(5.8)	(4.5)
Net debt	\$ 188.0	\$ 165.5

Reconciliation of Cash Flow from Operating Activities per Common Share

(\$ millions, except share and per share amounts)	Q1 2020	Q1 2019
Cash flow from operating activities (per financials)	\$ 6.9	\$ 28.7
Weighted average common shares - basic (per financials)	392,510,893	391,219,806
Cash flow from operating activities per share	\$ 0.02	\$ 0.07

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

(\$ millions, except share and per share amounts)	Q1 2020	Q1 2019
Operating cash flow (per financials)	\$ 6.9	\$ 28.7
Adjustment for changes in working capital (per financials)	(10.4)	2.0
Operating cash flow before working capital changes	\$ (3.5)	\$ 30.7
Weighted average common shares - basic (per financials)	392,510,893	391,219,806
Operating cash flow before working capital changes per share	\$ (0.01)	\$ 0.08

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)	Q1 2020	Q1 2019 ²
Net income (loss)(per financials)	\$ (21.9)	\$ 8.3
Inventory write-down - production costs	4.7	-
Inventory write-down - depletion and amortization	2.0	-
Unrealized loss on derivative contracts	0.1	-
Share based compensation	(0.9)	1.6
Loss on disposal of assets	0.2	(0.4)
Unrealized foreign exchange (gain)/loss	(5.8)	(0.2)
Change in fair value of contingent receivable (RE: Minto)	3.1	-
Changes in deferred revenue	-	1.3
Minto restructuring costs (reversal of restructuring costs)	-	1.8
Tax effect on the above adjustments	0.8	(0.4)
Adjusted net income (loss)	\$ (17.7)	\$ 12.0
Adjusted net income (loss) attributable to:		
Shareholders of Capstone Mining Corp.	\$ (17.5)	\$ 12.0
Non-controlling interests	(0.2)	(0.0)
	\$ (17.7)	\$ 12.0
Weighted average common shares - basic (per financials)	392,510,893	391,219,806
Adjusted net income (loss) attributable to shareholders of Capstone Mining Corp. per common share - basic	\$ (0.04)	\$ 0.03
Weighted average common shares - diluted (per financials)	392,510,893	395,575,984
Adjusted net income (loss) attributable to shareholders of Capstone Mining Corp. per common share - diluted	\$ (0.04)	\$ 0.03

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

Reconciliation of Adjusted EBITDA

(\$ millions)	Q1 2020	Q1 2019 ²
Net income from continuing operations (per financials)	\$ (21.9)	\$ 12.0
Net finance costs	4.2	4.6
Taxes	(3.7)	6.1
Depletion and amortization	21.3	17.4
EBITDA - from continuing operations	(0.1)	40.1
Share-based compensation expense (recovery)	(0.9)	1.6
Inventory write-down - production costs	4.7	-
Unrealized gain on derivative instruments	0.1	-
Loss on disposal of mineral properties, plant and equipment	0.2	0.1
Unrealized foreign exchange (gain)/ loss	(5.8)	-
Unrealized revenue adjustment	9.8	(6.2)
Change in fair value of contingent receivable (RE: Minto)	3.1	-
Adjusted EBITDA - from continuing operations	\$ 11.1	\$ 35.6
<i>Adjusted EBITDA by mine</i>		
Pinto Valley	2.9	23.6
Cozamin	11.7	16.2
Other	(3.5)	(4.2)
Adjusted EBITDA - from continuing operations	\$ 11.1	\$ 35.6

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

³ Net income from continuing operations has been utilized for the calculation of EBITDA due to the Minto mine being classified as a discontinued operation in the comparative period until the point of its sale on June 3, 2019.

Unrealized revenue adjustments from provisional pricing arrangements have been adjusted for, starting Q1 2020, to align with how EBITDA is determined for the Company's RCF covenant calculations. Provisional pricing is a non-cash revenue adjustment for mark to market that may or may not be realized in future periods. Q1 2019 amounts have been restated accordingly.

Property Cost per Tonne Milled

	Q1 2020		Q1 2019	
	Pinto Valley	Cozamin	Pinto Valley	Cozamin
Tonnes of mill feed (000s)	4,996	276	4,933	273
Production costs of metal produced (per financials, \$M)	\$ 54.8	\$ 14.0	\$ 47.9	\$ 13.2
Transportation cost to point of sale (\$M)	(4.9)	(0.7)	(5.9)	(0.6)
Inventory write-down (\$M)	(4.7)	-	-	-
Inventory working capital adjustments (\$M)	9.7	(0.8)	3.5	0.4
Cash production costs of metal produced (\$M)	\$ 54.9	\$ 12.5	\$ 45.5	\$ 13.0
Deferred stripping costs (\$M)	0.4	-	5.6	-
Cathode costs (\$M)	(1.7)	-	(2.1)	-
Stockpile movement (\$M)	0.7	-	-	-
Total property costs (\$M)	\$ 54.3	\$ 12.5	\$ 49.0	\$ 13.0
Property cost per tonne milled (\$)	\$ 10.87	\$ 45.17	\$ 9.94	\$ 47.37

Starting Q1 2020, we have presented Property cost per tonne milled, replacing the previous disclosure of Site operating cost per tonne milled. This is considered a more meaningful metric because it excludes variation due to changes in the amount of capitalized stripping. Q1 2019 amounts have been restated accordingly.

Additional Information and Reconciliations
Sales from Continuing Operations²

	2020	2019				
	Q1	Q1	Q2	Q3	Q4	Total
Copper (000 lbs)						
Pinto Valley	21,407	27,574	37,297	21,791	32,050	118,712
Cozamin	8,978	7,732	8,249	9,446	8,215	33,642
Total	30,385	35,306	45,546	31,237	40,265	152,354
Zinc (000 lbs)						
Cozamin	3,013	4,261	1,611	5,402	4,264	15,538
Lead (000 lbs)						
Cozamin	1,193	1,358	393	341	917	3,009
Molybdenum (tonnes)						
Pinto Valley	16	45	2	26	33	106
Silver (000s ounces)						
Cozamin	291	273	280	333	294	1,180
Pinto Valley	56	54	82	48	81	265
Total	347	327	362	381	375	1,445
Gold (ounces)						
Pinto Valley*	1,001	(98)	784	489	912	2,087
Cozamin	4	29	12	40	46	127
Total	1,005	(69)	796	529	958	2,214

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

² Sales from continuing operations has been utilized due to the Minto mine being classified as a discontinued operation in the comparative period until the point of its sale on June 3, 2019.

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		
	Copper (dmt)	Cathode (tonnes)	Molybdenum (dmt)	Copper (dmt)	Zinc (dmt)	Lead (dmt)
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
Production	45,526	484	16	14,229	4,168	545
Sales	(39,362)	(342)	(15)	(15,407)	(3,407)	(869)
Mar.31, 2020	9,846	347	10	1,137	933	1

* 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 production levels in each quarter.

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.

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 April 28, 2020:

Issued and outstanding	400,045,604
Share options outstanding at a weighted average exercise price of \$0.73	22,925,467
Fully diluted	422,971,071

Management's Report on Internal Controls Disclosure Controls and Procedures ("DC&P")

Capstone's management, with the participation of its President & Chief Executive Officer and Chief Financial Officer, has designed DC&P which provide reasonable assurance that material information related to Capstone is identified and communicated in a timely manner.

Internal Control Over Financial Reporting ("ICFR")

Capstone's management, with the participation of its President & Chief Executive Officer and Senior Vice President & 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. Capstone's ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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.

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 March 31, 2020.

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.

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.

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" effective February 19, 2020.

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.



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

March 31, 2020

(Expressed in United States ("US") Dollars)

Capstone Mining Corp.
Condensed Interim Consolidated Statements of Financial Position

(unaudited)

(expressed in thousands of US dollars)

ASSETS	March 31, 2020	December 31, 2019
Current		
Cash and cash equivalents	\$ 26,098	\$ 39,939
Short-term investments (Note 4)	5,829	4,549
Receivables (Note 5)	13,563	28,554
Inventories (Note 6)	57,987	47,888
Other assets (Note 10)	4,396	2,451
	107,873	123,381
Mineral properties, plant and equipment (Note 7)	1,130,044	1,132,164
Promissory note receivable (Note 9)	32,494	31,594
Deferred income tax asset (Note 14)	25,015	24,655
Other assets (Note 10)	14,426	19,586
Total assets	\$ 1,309,852	\$ 1,331,380
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 57,231	\$ 52,493
Other liabilities (Note 11)	1,806	2,899
	59,037	55,392
Long term debt (Note 13)	217,376	207,093
Provisions	113,331	120,180
Deferred income tax liabilities (Note 14)	59,457	64,021
Other liabilities (Note 11)	7,900	8,136
Lease liabilities (Note 12)	4,307	5,170
Total liabilities	461,408	459,992
EQUITY		
Share capital	\$ 838,523	\$ 838,523
Other reserves	31,612	32,386
Accumulated deficit	(131,824)	(109,806)
Total equity attributable to equity holders of the Company	738,311	761,103
Non-controlling interest	110,133	110,285
Total equity	848,444	871,388
Total liabilities and equity	\$ 1,309,852	\$ 1,331,380

Subsequent events (Notes 1, 13 and 21)

See accompanying notes to these consolidated financial statements.

Capstone Mining Corp.
Condensed Interim Consolidated Statements of (Loss) Income
Three Months Ended March 31, 2020 and 2019
(unaudited)
(expressed in thousands of US dollars, except share and per share amounts)

	2020	2019
Revenue (Note 16)	\$ 70,352	\$ 108,854
Operating costs		
Production costs	(68,784)	(61,089)
Royalties	(674)	(919)
Depletion and amortization	(20,846)	(16,926)
(Loss) earnings from mining operations	(19,952)	29,920
General and administrative expenses (Note 19)	(3,473)	(4,134)
Exploration expenses (Note 7)	(566)	(758)
Care and maintenance expense (Note 7)	(236)	(256)
Share-based compensation recovery (expense) (Note 15)	907	(1,574)
(Loss) earnings from operations	(23,320)	23,198
Other (expense) income		
Foreign exchange gain (loss)	5,371	(401)
Other expense	(3,435)	(162)
(Loss) income before finance costs and income taxes	(21,384)	22,635
Interest on long term debt	(2,951)	(3,934)
Other interest expense	(1,285)	(626)
(Loss) income from continuing operations before income taxes	(25,620)	18,075
Income tax recovery (expense) (Note 14)	3,716	(6,067)
Net (loss) income from continuing operations	\$ (21,904)	\$ 12,008
Net loss from discontinued operations (Note 8)	-	(3,709)
Net (loss) income	\$ (21,904)	\$ 8,299
Net (loss) income from continuing operations attributable to:		
Shareholders of Capstone Mining Corp.	\$ (21,752)	\$ 12,045
Non-controlling interest	(152)	(37)
	\$ (21,904)	\$ 12,008
Net (loss) income attributable to:		
Shareholders of Capstone Mining Corp.	\$ (21,752)	\$ 8,336
Non-controlling interest	(152)	(37)
	\$ (21,904)	\$ 8,299
Net (loss) income per share from continuing operations		
(Loss) earnings per share - basic	\$ (0.06)	\$ 0.03
Weighted average number of shares - basic (Note 17)	392,510,893	391,219,806
(Loss) earnings per share - diluted	\$ (0.06)	\$ 0.03
Weighted average number of shares - diluted (Note 17)	392,510,893	395,575,984
Net (loss) earnings per share		
(Loss) earnings per share - basic (Note 17)	\$ (0.06)	\$ 0.02
Weighted average number of shares - basic (Note 17)	392,510,893	391,219,806
(Loss) earnings per share - diluted (Note 17)	\$ (0.06)	\$ 0.02
Weighted average number of shares - diluted (Note 17)	392,510,893	395,575,984

See accompanying notes to these consolidated financial statements.

Capstone Mining Corp.

Condensed Interim Consolidated Statements of Comprehensive (Loss) Income

Three Months Ended March 31, 2020 and 2019

(unaudited)

(expressed in thousands of US dollars)

	2020	2019
Net (loss) income	\$ (21,904)	\$ 8,299
Other comprehensive (loss) income ("OCI")		
Items that will not be reclassified subsequently to profit or loss		
Change in fair value of marketable securities, net of tax of \$nil (2019 - \$nil)	(953)	(128)
	(953)	(128)
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation adjustment	(710)	519
	(710)	519
Total other comprehensive (loss) income	(1,663)	391
Total comprehensive (loss) income	\$ (23,567)	\$ 8,690
<hr/>		
Total comprehensive (loss) income attributable to:		
Shareholders of Capstone Mining Corp.	\$ (23,415)	\$ 8,727
Non-controlling interest	(152)	(37)
	\$ (23,567)	\$ 8,690

See accompanying notes to these consolidated financial statements.

Capstone Mining Corp.

**Condensed Interim Consolidated Statements of Cash Flows
Three Months Ended March 31, 2020 and 2019**

(unaudited)

(expressed in thousands of US dollars)

	2020	2019
Cash (used in) provided by:		
Operating activities		
Net (loss) income	\$ (21,904)	\$ 8,299
Adjustments for:		
Depletion and amortization	19,359	17,451
Income and mining tax (recovery) expense	(3,716)	6,182
Inventory write-down	6,656	-
Share-based (recovery) compensation expense	(907)	1,574
Restructuring provision	-	1,321
Net finance costs	4,236	5,309
Unrealized gain on foreign exchange	(6,809)	(232)
Loss (gain) on disposal of assets	237	(374)
Change in contingent consideration	3,063	-
Other	109	722
Income taxes paid	(3,702)	(9,549)
Changes in other assets	(84)	(140)
Other receipts	9	20
Changes in non-cash working capital <i>(Note 18)</i>	10,367	(1,866)
	6,914	28,717
Investing activities		
Mineral properties, plant and equipment additions	(24,686)	(21,950)
(Purchase of) proceeds from short-term investments	(1,279)	7,019
Proceeds on disposal of assets	4	519
Other assets	8	(652)
	(25,953)	(15,064)
Financing activities		
Proceeds from bank borrowings <i>(Note 13)</i>	15,000	-
Repayment of bank borrowings <i>(Note 13)</i>	(5,000)	-
KORES payment against promissory note <i>(Note 9)</i>	-	516
Repayment of lease obligations	(264)	(260)
Proceeds from issuance of share capital	-	4
Interest paid	(3,108)	(4,231)
	6,628	(3,971)
Effect of exchange rate changes on cash and cash equivalents	(1,430)	402
(Decrease) increase in cash and cash equivalents	(13,841)	10,084
Cash and cash equivalents - beginning of period	39,939	33,886
Cash and cash equivalents - end of period		
<i>(includes \$nil (2019 - \$6,892) cash held for sale)</i>	\$ 26,098	\$ 43,970

Supplemental cash flow information *(Note 18)*

See accompanying notes to these consolidated financial statements.

Capstone Mining Corp.
Condensed Interim Consolidated Statements of Changes in Equity
Thee Months Ended March 31, 2020 and 2019

(unaudited)

(expressed in thousands of US dollars, except share amounts)

	Attributable to equity holders of the Company										
	Number of shares	Share capital	Reserve for equity settled share based transactions	Revaluation reserve	Foreign currency translation reserve	Share purchase reserve	Accumulated deficit	Total - attributable to equity holders	Non-controlling interest	Total equity	
January 1, 2020	400,045,604	\$ 838,523	\$ 53,971	\$ 2,478	\$ (16,758)	\$ (7,305)	\$ (109,806)	\$ 761,103	\$ 110,285	\$ 871,388	
Share-based compensation (Note 15)	-	-	219	-	-	-	-	219	-	219	
Settlement of share units	-	-	-	-	-	670	(266)	404	-	404	
Change in fair value of marketable securities	-	-	-	(953)	-	-	-	(953)	-	(953)	
Net (loss) income	-	-	-	-	-	-	(21,752)	(21,752)	(152)	(21,904)	
Foreign currency translation	-	-	-	-	(710)	-	-	(710)	-	(710)	
March 31, 2020	400,045,604	\$ 838,523	\$ 54,190	\$ 1,525	\$ (17,468)	\$ (6,635)	\$ (131,824)	\$ 738,311	\$ 110,133	\$ 848,444	
January 1, 2019	399,580,329	\$ 838,351	\$ 52,541	\$ 2,581	\$ (47,958)	\$ (10,705)	\$ (92,236)	\$ 742,574	\$ 110,442	\$ 853,016	
Shares issued on exercise of options (Note 15)	17,436	6	(2)	-	-	-	-	4	-	4	
Share-based compensation (Note 15)	-	-	669	-	-	-	-	669	-	669	
Settlement of share units	-	-	-	-	-	3,385	(1,519)	1,866	-	1,866	
Change in fair value of marketable securities	-	-	-	(128)	-	-	-	(128)	-	(128)	
Net (loss) income	-	-	-	-	-	-	8,336	8,336	(37)	8,299	
Foreign currency translation	-	-	-	-	519	-	-	519	-	519	
March 31, 2019	399,597,765	\$ 838,357	\$ 53,208	\$ 2,453	\$ (47,439)	\$ (7,320)	\$ (85,419)	\$ 753,840	\$ 110,405	\$ 864,245	

See accompanying notes to these consolidated financial statements.

Capstone Mining Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

(tabular amounts expressed in thousands of US dollars, except share amounts)

1. Nature of Operations

Capstone Mining Corp. (“Capstone” or the “Company”), a Canadian mining company publicly listed on the Toronto Stock Exchange, is engaged in the production of and exploration for base metals in the United States (“US”), Mexico, and Chile, 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. (“Capstone Gold”), 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. In June 2019, Capstone sold its 100% interest in Minto Explorations Ltd. (“Minto”), which owns the copper Minto Mine located in Yukon, Canada (*Note 8*). 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 the exploration and development of base metals 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.

Subsequent to period end, Capstone has been taking steps to safely and systematically reduce mining and processing activities temporarily at its Cozamin Mine to comply with a government-mandated suspension of all non-essential activities, in response to the COVID-19 pandemic.

The head office, registered and records office and principal address of the Company are located at 2100 - 510 West Georgia Street, Vancouver, British Columbia, Canada and the Company is incorporated in British Columbia.

The condensed consolidated financial statements were approved by the Board of Directors and authorized for issuance on April 28, 2020.

2. Significant Accounting Policies

Basis of preparation and consolidation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting using the same accounting policies and methods of application as the audited annual consolidated financial statements of the Company for the year ended December 31, 2019, which were prepared in accordance with International Financial Reporting Standards (“IFRS”), except as noted below. Accordingly, certain information and footnote disclosure normally included in annual financial statements have been omitted or condensed.

The Company’s management makes judgements in its process of applying the Company’s accounting policies in the preparation of these condensed interim consolidated financial statements. In addition, the preparation of the financial data requires that the Company’s management makes assumptions and estimates of the impacts of uncertain future events on the carrying amounts of the Company’s assets and liabilities at the end of the reporting period, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting impacts on the carrying amounts of the Company’s assets and liabilities are accounted for prospectively.

Capstone Mining Corp.

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In preparing the Company's condensed interim consolidated financial statements for the three months ended March 31, 2020, the Company applied the critical judgements and estimates disclosed in Note 2 of its consolidated financial statements for the year ended December 31, 2019.

These condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2019.

The Company has made a change in its application of accounting policy for depletion and amortization of mineral properties, plant and equipment. Until December 31, 2019, the Company depleted the carrying amounts of its mining properties over estimated recoverable tonnes of permitted proven and probable Mineral Reserves. Effective January 1, 2020, the Company depletes the carrying amounts of its mining properties over estimated recoverable tonnes of permitted proven and probable Mineral Reserves and a portion of permitted Mineral Resources considered to be highly probable to be economically extracted over the life of mine. This change in estimate better reflects the pattern in which the asset's future economic benefits are expected to be consumed based on the current mine plans. This change in accounting estimate has an immaterial impact on depletion in the current and future periods.

3. Financial Instruments

Fair value of financial instruments

IFRS 13 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 – Fair values measured using unadjusted quoted prices in active markets for identical instruments
- Level 2 – Fair values measured using directly or indirectly observable inputs, other than those included in level 1
- Level 3 – Fair values measured using inputs that are not based on observable market data.

As of March 31, 2020 the Company's classification of financial instruments within the fair value hierarchy are summarized below:

	Level 1	Level 2	Level 3	Total
Short-term investments (Note 4)	\$ 5,829	\$ -	\$ -	\$ 5,829
Concentrate receivables (Note 5)	-	4,175	-	4,175
Promissory note receivable (Note 9)	-	-	35,387	35,387
Derivative asset - current (Note 10)	-	25	-	25
Investment in marketable securities (Note 10)	584	-	-	584
Contingent consideration on sale of Minto (Note 10)	-	-	6,547	6,547
	\$ 6,413	\$ 4,200	\$ 41,934	\$ 52,547

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between Level 1, Level 2 and Level 3 during the three months ended March 31, 2020.

Capstone Mining Corp.

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Three Months Ended March 31, 2020

(tabular amounts expressed in thousands of US dollars, except share amounts)

Set out below are the Company's financial assets by category:

	March 31, 2020			
	Fair value through profit or loss	Fair value through OCI	Amortized cost	Total
Cash and cash equivalents	\$ -	\$ -	\$ 26,098	\$ 26,098
Short-term investments (Note 4)	5,829	-	-	5,829
Concentrate receivables (Note 5)	4,175	-	-	4,175
Other receivables (Note 5)	-	-	1,144	1,144
Promissory note receivable (Note 9)	35,387	-	-	35,387
Derivative asset - current (Note 10)	25	-	-	25
Investments in marketable securities (Note 10)	-	584	-	584
Contingent consideration on sale of Minto (Note 10)	6,547	-	-	6,547
	\$ 51,963	\$ 584	\$ 27,242	\$ 79,789

	December 31, 2019			
	Fair value through profit or loss	Fair value through OCI	Amortized cost	Total
Cash and cash equivalents	\$ -	\$ -	\$ 39,939	\$ 39,939
Short-term investments (Note 4)	4,549	-	-	4,549
Concentrate receivables (Note 5)	19,946	-	-	19,946
Other receivables (Note 5)	-	-	1,102	1,102
Promissory note receivable (Note 9)	35,387	-	-	35,387
Derivative asset - current (Note 10)	147	-	-	147
Investments in marketable securities (Note 10)	-	1,679	-	1,679
Contingent consideration on sale of Minto (Note 10)	9,611	-	-	9,611
	\$ 69,640	\$ 1,679	\$ 41,041	\$ 112,360

Set out below are the Company's financial liabilities by category:

	March 31, 2020		
	Fair value through profit or loss	Amortized cost	Total
Accounts payable and accrued liabilities	\$ -	\$ 57,231	\$ 57,231
Long term debt (Note 13)	-	217,376	217,376
	\$ -	\$ 274,607	\$ 274,607

	December 31, 2019		
	Fair value through profit or loss	Amortized cost	Total
Accounts payable and accrued liabilities	\$ -	\$ 52,493	\$ 52,493
Long term debt (Note 13)	-	207,093	207,093
	\$ -	\$ 259,586	\$ 259,586

There have been no changes during the three months ended March 31, 2020 as to how the Company categorizes its financial assets and liabilities by fair value through profit or loss, fair value through OCI, and amortized cost.

Observable and unobservable inputs that would have been impacted by the COVID-19 pandemic have been appropriately considered into the fair value measurements of the Company's financial instruments for the three months ended March 31, 2020.

Capstone Mining Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

(tabular amounts expressed in thousands of US dollars, except share amounts)

Financial instruments and related risks

The Company's activities expose it to financial risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are commodity price risk, credit risk, foreign exchange risk, liquidity risk and interest rate risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis. There have been no significant changes in the Company's exposure to these financial risks. As at March 31, 2020, the Company's exposure to these financial risks have not been significantly impacted by the COVID-19 crisis.

4. Short-Term Investments

Details are as follows:

	March 31, 2020	December 31, 2019
Exchange traded funds	\$ 5,829	\$ 4,541
Money market funds	-	8
Total short-term investments	\$ 5,829	\$ 4,549

Short-term investments are investments in highly liquid, bankruptcy remote, AAA rated funds.

5. Receivables

Details are as follows:

	March 31, 2020	December 31, 2019
Concentrates	\$ 4,175	\$ 19,946
Value added taxes and other taxes receivable	1,174	186
Income taxes receivable	3,874	3,201
Other	1,144	1,102
Current portion of finance lease receivable	303	326
Current portion of KORES promissory note (Note 9)	2,893	3,793
Total receivables	\$ 13,563	\$ 28,554

6. Inventories

Details are as follows:

	March 31, 2020	December 31, 2019
Consumable parts and supplies	\$ 37,380	\$ 32,543
Ore stockpiles	776	1,594
Concentrate	18,327	12,791
Cathode	1,504	960
Total inventories	\$ 57,987	\$ 47,888

During the three months ended March 31, 2020, concentrate and cathode inventories recognized as production costs, including depletion and amortization, amounted to \$89.6 million (2019 – \$78.0 million).

During the three months ended March 31, 2020, the Company recorded a net write-down of \$6.7 million (2019 - \$nil), to reflect the carrying amount of Pinto Valley's concentrate and ore-stockpile inventory exceeding its net realizable value, as a result of the decline in the price of copper at March 31, 2020. Of the \$6.7 million of

Capstone Mining Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

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write-down, \$4.7 million and \$2.0 million was recorded as production costs and depletion and amortization, respectively.

7. Mineral Properties, Plant and Equipment

Details are as follows:

	Mineral properties			Plant and equipment				Total
	Depletable	Non-depletable	Mineral exploration and development properties	Mill development costs	Plant & equipment	Right of use assets	Construction in progress	
At January 1, 2020, net	\$ 399,769	\$ 112,644	\$ 289,486	\$ 21,214	\$ 269,265	\$ 3,521	\$ 36,265	1,132,164
Additions	-	444	9,793	-	18	56	10,320	20,631
Disposals	-	-	-	-	(179)	-	-	(179)
Reclassifications	28,512	-	(28,447)	1,724	17,112	-	(18,901)	-
Depletion and amortization	(7,044)	(5,783)	-	(306)	(9,277)	(162)	-	(22,572)
At March 31, 2020, net	\$ 421,237	\$ 107,305	\$ 270,832	\$ 22,632	\$ 276,939	\$ 3,415	\$ 27,684	\$ 1,130,044
At March 31, 2020:								
Cost	\$ 697,516	\$ 142,481	\$ 270,832	\$ 32,217	\$ 508,742	4,191	\$ 27,684	\$ 1,683,663
Accumulated amortization	(276,279)	(35,176)	-	(9,585)	(231,803)	(776)	-	(553,619)
Net carrying amount	\$ 421,237	\$ 107,305	\$ 270,832	\$ 22,632	\$ 276,939	\$ 3,415	\$ 27,684	\$ 1,130,044

The Company's exploration costs were as follows:

	Three months ended March 31,	
	2020	2019
Exploration capitalized to mineral properties	\$ 2,484	\$ 1,540
Greenfield exploration expensed to the statement of (loss) income	566	758
Total exploration costs	\$ 3,050	\$ 2,298

Exploration capitalized to mineral properties in 2020 relates primarily to brownfield exploration at the Cozamin mine. Greenfield exploration expenses in 2020 relates to exploration efforts in Mexico and Brazil.

The Company's care and maintenance costs incurred during the period ended March 31, 2020 related to San Manuel Arizona Railroad Company and totalled \$0.2 million (March 31, 2019 - \$0.3 million).

At March 31, 2020 and 2019, construction in progress relates to capital costs incurred in connection with sustaining capital at the Pinto Valley and Cozamin mines.

As at March 31, 2020, bank borrowings (Note 13) were secured by mineral properties, plant and equipment with a net carrying value of \$869.0 million (December 31, 2019 - \$874.3 million).

8. Disposal of Assets Classified as Held for Sale

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 the later of 60 days of reaching commercial production, or January 31, 2021;

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Notes to the Condensed Interim Consolidated Financial Statements

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- \$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.

On June 3, 2019, the contingent consideration had a fair value of \$8.4 million. As at March 31, 2020 the contingent consideration had a fair value of \$6.5 million (December 31, 2019 - \$9.6 million) (*Note 10*), with a mark-to-market change of (\$3.1) million recorded in other expense for the three months ended March 31, 2020 (2019 - \$nil).

In conjunction with completion of the sale, Pembridge has posted a surety bond to cover potential future reclamation liabilities. While this surety bond is outstanding, Capstone will act as an indemnitor to the surety bond provider and for certain other obligations. If Pembridge defaults on the surety bond, Capstone may be required to recognize a liability related to Minto's asset retirement obligation. As at March 31, 2020, no liability has been recorded.

The Company recognized a loss on disposal of \$24.5 million calculated as follows:

	June 3, 2019
Consideration	
Contingent consideration	\$ 8,371
Transaction costs	(142)
Total consideration	<u>\$ 8,229</u>
Net assets sold and derecognized:	
Cash	\$ 1
Inventory	2,394
Mineral properties, plant & equipment	35,861
Other assets	2,442
Total assets	<u>40,698</u>
Deferred income tax liabilities	1,663
Deferred revenue	11,530
Reclamation and closure cost obligations	24,846
Other liabilities	303
Total liabilities	<u>38,342</u>
Net assets	<u>\$ 2,356</u>
Cumulative foreign currency translation adjustments related to Minto re-classified to net income (loss)	\$ 30,362
Loss on disposition	<u>\$ (24,489)</u>

The results of the discontinued operations included in net income for the three-month period ended March 31, 2019 are set out below.

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Loss for the period from discontinued operations:

	Three months ended March 31, 2019	
Revenue	\$	8,000
Production costs		(5,603)
Royalties		(401)
Depletion and amortization		(13)
Earnings (loss) from mining operations		1,983
Care & maintenance		(3,824)
Restructuring recovery (expense)		(1,844)
Loss from operations		(3,685)
Other income (expense)		841
Net finance costs		(749)
Loss before income taxes		(3,593)
Income tax expense		(116)
Net loss from discontinued operations (attributable to shareholders of Capstone)	\$	(3,709)

The results of cash flows from discontinued operations for the three-month period ended March 31, 2019 are set out below.

Cash flows from discontinued operations:

	Three months ended March 31, 2019	
Net cash inflows from operating activities	\$	3,373
Net cash inflows from investing activities		166
Net cash outflows from financing activities		(746)
Net cash outflows	\$	2,793

9. KORES Promissory Note

Details of changes in the balance of the promissory note receivable are as follows:

Balance, December 31, 2019	\$	35,387
Cash calls against the promissory note		-
Balance, March 31, 2020	\$	35,387

	March 31, 2020		December 31, 2019	
KORES promissory note	\$	35,387	\$	35,387
Less: current portion (Note 5)		(2,893)		(3,793)
Non-current portion	\$	32,494	\$	31,594

The current portion of the promissory note represents management's best estimate of the portion of the note that will be repaid within 12 months of the consolidated statement of financial position date.

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10. Other Assets

Details are as follows:

	March 31, 2020	December 31, 2019
<i>Current:</i>		
Prepays and other	\$ 4,371	\$ 2,304
Derivative assets	25	147
Total other assets - current	\$ 4,396	\$ 2,451
<i>Non-current:</i>		
Contingent consideration on sale of Minto (Note 8)	\$ 6,547	\$ 9,611
Taxes receivable	5,258	5,864
Investments in marketable securities	584	1,679
Finance lease receivable	1,345	1,553
Deposits	692	879
Total other assets - non-current	\$ 14,426	\$ 19,586

11. Other Liabilities

Details are as follows:

	March 31, 2020	December 31, 2019
<i>Current:</i>		
Income taxes payable	\$ 409	\$ 1,257
Current portion of lease liabilities (Note 12)	687	769
Current portion of share-based payment obligation	710	873
Total other liabilities - current	\$ 1,806	\$ 2,899
<i>Non-current:</i>		
Retirement benefit liabilities	\$ 4,913	\$ 4,771
Other	2,987	3,365
Total other liabilities - non-current	\$ 7,900	\$ 8,136

12. Lease Liabilities

Details are as follows:

	March 31, 2020	December 31, 2019
Lease liabilities	\$ 4,994	\$ 5,939
Less: current portion (Note 11)	(687)	(769)
Non-current portion	\$ 4,307	\$ 5,170

Undiscounted lease payments:

	March 31, 2020
Not later than 1 year	\$ 967
Later than 1 year and not later than 5 years	3,458
Later than 5 years	3,069
	\$ 7,494

Capstone leases several assets including buildings, land and equipment. Interest expense on the lease liabilities amounted to \$0.1 million (2019 - \$0.1 million) for the three months ended March 31, 2020. The cost relating to variable lease payments that do not depend on an index or a rate amounted to \$0.1 million (2019

Capstone Mining Corp.

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- \$0.1 million) for the three months ended March 31, 2020. There were no leases with residual value guarantees or leases not yet commenced to which Capstone is committed. The expense relating to short-term leases and low value leases amounted to \$0.1 million (2019 - \$0.2 million) for the three months ended March 31, 2020.

13. Long-Term Debt

Details are as follows:

	March 31, 2020	December 31, 2019
Long term debt	\$ 219,925	\$ 209,925
Financing fees	(2,549)	(2,832)
Total long term debt	\$ 217,376	\$ 207,093

Details of the changes in long-term debt, including both cash and non-cash changes are as follows:

Balance, December 31, 2019	\$ 207,093
Repayments	(5,000)
Drawdowns	15,000
Amortization of financing fees	283
Balance, March 31, 2020	\$ 217,376

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

The interest rate at March 31, 2020 was US LIBOR plus 2.75% (2019 - US LIBOR plus 2.75%) with a standby fee of 0.62% payable on the undrawn balance (adjustable in certain circumstances).

Subsequent to period end, the Company entered into an interest rate swap exchanging the floating LIBOR rate for a fixed monthly LIBOR rate of 0.355% on an amortizing notional principal as follows:

- \$150M to December 31, 2020
- \$125M to December 31, 2021
- \$100M to July 25, 2022

Any balance drawn on the RCF above the notional principal of the swap will be charged interest at the prevailing market rate. The effective interest rate on these notional amounts will be 0.355% plus 2.5% to 0.355% plus 3.5% based on the leverage ratio.

A drawdown of \$15.0 million and a repayment of \$5.0 million were made on the RCF during the three months ended March 31, 2020 (2019 - \$nil), resulting in an outstanding principal balance of \$219.9 million. Subsequent to period end, the Company completed a drawdown of \$30.0 million on the RCF.

\$1.1 million of fees associated with the RCF amendment were capitalized and are being amortized to the consolidated statement of loss over the term of the facility. During the three months ended March 31, 2020, a total of \$0.3 million (2019 - \$0.3 million) was amortized and recorded in other interest expense.

The RCF is secured against the present and future real and personal property, assets and undertakings of Capstone (excluding certain assets, which include Acquisition Co., Far West, Santo Domingo, and Far West Exploration S.A., and subject to certain exclusions for Capstone Mining Chile SpA). The credit facility requires

Capstone Mining Corp.

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the Company to maintain certain financial ratios relating to debt and interest coverage. Capstone was in compliance with these covenants as at March 31, 2020.

At March 31, 2020, there were four Surety Bonds totaling \$124.1 million to support various reclamation obligation bonding requirements. This comprises \$118.6 million securing reclamation obligations at Pinto Valley, \$4.0 million provided as security as part of a power supply agreement at Pinto Valley, and \$1.5 million related to the construction of a port for Santo Domingo in Chile. In addition, the Company has a letter of credit with Scotiabank for \$0.3 million.

14. Income Taxes

Income tax (recovery) expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

	Three months ended March 31,	
	2020	2019
(Loss) income from continuing operations before income	\$ (25,621)	\$ 18,075
Canadian federal and provincial income tax rates	27.00%	27.00%
Income tax (recovery) expense based on the above rates	(6,918)	4,880
Increase (decrease) due to:		
Non-deductible expenditures	410	392
Effects of different statutory tax rates on losses (income) of subsidiaries	2,406	(1,370)
Mexican mining royalty tax	398	1,129
Current period losses for which no deferred tax assets were recognized	161	1,096
Recognition of tax assets which were previously unrecognized	(1,433)	-
Withholding taxes	263	-
Adjustment to tax estimates in prior years	(576)	163
Foreign exchange and other translation adjustments	1,050	124
Other	523	(347)
Income tax (recovery) expense	\$ (3,716)	\$ 6,067
Current income and mining tax expense	\$ 1,209	\$ 2,549
Deferred income tax (recovery) expense	(4,925)	3,518
Income tax (recovery) expense	\$ (3,716)	\$ 6,067

15. Share Capital

Authorized

An unlimited number of common voting shares without par value.

Stock options

Pursuant to the Company's amended stock option plan, directors may authorize the granting of options to directors, officers, employees and consultants of the Company. Options granted under the plan have a term not to exceed 5 years and vesting periods that range from 1 to 3 years. The exercise price of options granted are denominated in Canadian dollars ("C\$").

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Three Months Ended March 31, 2020

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The continuity of stock options issued and outstanding is as follows:

	Options outstanding	Weighted average exercise price (C\$)
Outstanding, December 31, 2019	23,309,912	\$ 0.93
Granted	5,325,528	0.70
Expired	(5,709,973)	1.51
Outstanding, March 31, 2020	22,925,467	\$ 0.73

As at March 31, 2020, the following options were outstanding and outstanding and exercisable:

Exercise prices (C\$)	Outstanding			Outstanding & exercisable		
	Number of options	Weighted average exercise price (C\$)	Weighted average remaining life (years)	Number of options	Weighted average exercise price (C\$)	Weighted average remaining life (years)
\$0.33	7,723,163	\$ 0.33	0.8	7,723,163	\$ 0.33	0.8
\$0.54 - \$0.91	10,301,538	0.64	4.4	1,555,856	0.58	3.9
\$1.20 - \$1.68	4,900,946	1.54	2.5	3,919,051	1.57	2.4
	22,925,647	\$ 0.73	2.8	13,198,070	\$ 0.73	1.7

During the three months ended March 31, 2020, the fair value of options granted was \$1.0 million (2019 – \$0.9 million) and had a weighted average grant-date fair value of C\$0.29 (2019 – C\$0.29) per option.

Weighted average assumptions used in calculating the fair values of options granted during the period were as follows:

	Three months ended March 31, 2020	2019
Risk-free interest rate	1.38%	1.82%
Expected dividend yield	nil	nil
Expected share price volatility	58%	67%
Expected forfeiture rate	6.42%	5.01%
Expected life	3.8 years	3.8 years

Other share-based compensation plans

The Company has other share-based compensation plans in the form of Deferred Share Units (“DSUs”), Restricted Share Units (“RSUs”) and Performance Share Units (“PSUs”). DSUs granted to directors vest upon issuance but are not settled until cessation of service on the board, PSUs granted to executives vest after the three year performance period and RSUs granted to executives used to vest after three years but 2020 RSU grants now vest 1/3 per year over their three year term.

The continuity of DSUs, RSUs, and PSUs issued and outstanding is as follows:

	DSUs	RSUs	PSUs
Outstanding, December 31, 2019	3,551,366	7,848,890	5,268,600
Granted	792,858	5,269,966	3,335,447
Forfeited	-	(237,336)	-
Settled	-	(890,606)	(1,020,537)
Outstanding, March 31, 2020	4,344,224	11,990,914	7,583,510

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During the three months ended March 31, 2020, the fair value of DSUs, RSUs, and PSUs granted was \$5.0 million (2019 - \$4.2 million) and had a weighted average grant-date fair value of C\$0.70 (2019 – C\$0.62) per unit.

RSU and PSU obligations, under the Share Unit Plan, can be settled in cash, shares delivered from a Share Purchase Trust or a combination thereof, as determined by and at the discretion of the Human Resources and Compensation Committee of the Company's Board of Directors. DSU obligations, under the Deferred Share Unit Plan, are redeemed in cash. No Capstone shares were purchased by the Share Purchase Trust during the three months ended March 31, 2020 and 2019.

Share-based compensation expense

	Three months ended March 31,	
	2020	2019
Share-based compensation expense related to stock options	\$ 219	\$ 669
Share-based compensation (recovery) expense related to DSUs, RSUs and PSUs	(1,126)	905
Total share-based compensation (recovery) expense	\$ (907)	\$ 1,574

16. Revenue

The Company's revenue breakdown by metal is as follows:

	Three months ended March 31,	
	2020	2019
Copper	\$ 69,617	\$ 105,398
Silver	5,447	5,080
Zinc	1,897	6,284
Lead	938	1,263
Molybdenum	280	1,073
Gold	1,540	(83)
Total gross revenue	79,719	119,015
Less: treatment and selling costs	(9,367)	(10,161)
Revenue	\$ 70,352	\$ 108,854

Revenue recognized in the reporting period for provisional pricing changes recorded in the above table:

	Three months ended March 31,	
	2020	2019
Copper	\$ (8,303)	\$ 6,532
Silver	(331)	(256)
Zinc	(478)	518
Lead	(24)	26
Molybdenum	47	-
Gold	(714)	(661)
Revenue adjustments from provisional pricing arrangements	\$ (9,803)	\$ 6,159

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(tabular amounts expressed in thousands of US dollars, except share amounts)

17. (Loss) Earnings Per Share

(Loss) earnings per share, calculated on a basic and diluted basis, is as follows:

	Three months ended March 31,	
	2020	2019
(Loss) earnings per share		
Basic and diluted	\$ (0.06)	\$ 0.02
<i>Net (loss) income</i>		
Net (loss) income attributable to common shareholders - basic and diluted	\$ (21,752)	\$ 8,336
Weighted average shares outstanding - basic	392,510,893	391,219,806
Dilutive securities		
Stock options	-	4,356,178
Weighted average shares outstanding - diluted	392,510,893	395,575,984
<i>Potentially dilutive securities excluded (as anti-dilutive)</i>		
Stock options	22,925,467	19,799,149

18. Supplemental Cash Flow Information

The changes in non-cash working capital items are comprised as follows:

	Three months ended March 31,	
	2020	2019
Receivables	\$ 15,140	\$ 1,267
Inventories	(13,640)	2,048
Other assets	(2,084)	(2,387)
Accounts payable and accrued liabilities	10,951	(2,797)
Other liabilities	-	3
Net change in non-cash working capital	\$ 10,367	\$ (1,866)

The significant non-cash financing and investing transactions during the period are as follows:

	Three months ended March 31,	
	2020	2019
Decrease (increase) in accounts payable and accrued liabilities related to mineral properties, plant and equipment	\$ 2,594	\$ (390)
Amortization of mining equipment capitalized to deferred stripping assets	\$ 88	\$ 1,345
Fair value of stock options allocated to share capital upon exercise	\$ -	\$ 2

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Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

(tabular amounts expressed in thousands of US dollars, except share amounts)

19. General & Administrative Expenses

Details are as follows:

	Three months ended March 31,	
	2020	2019
General & administrative	\$ 3,139	\$ 3,788
Corporate depreciation	334	346
	\$ 3,473	\$ 4,134

20. Segmented Information

The Company is engaged in mining, exploration and development of mineral properties, and has operating mines in the US and Mexico. The Company has four reportable segments as identified by the individual mining operations of Pinto Valley (US), Cozamin (Mexico), as well as the Santo Domingo development project (Chile) and Other. Segments are operations reviewed by the CEO, who is considered to be the chief operating decision maker. Minto operations have been classified as a discontinued operation for 2019.

Operating segment details are as follows:

	Three months ended March 31, 2020				
	Santo				Total
	Pinto Valley	Cozamin	Domingo	Other	Total
Revenue					
Copper	\$ 48,092	\$ 21,525	\$ -	\$ -	\$ 69,617
Silver	818	4,629	-	-	5,447
Zinc	-	1,897	-	-	1,897
Lead	-	938	-	-	938
Molybdenum	280	-	-	-	280
Gold	1,533	7	-	-	1,540
Treatment and selling costs	(6,198)	(3,169)	-	-	(9,367)
Net revenue	44,525	25,827	-	-	70,352
Production costs	(54,816)	(13,968)	-	-	(68,784)
Royalties	-	(674)	-	-	(674)
Depletion and amortization	(15,919)	(4,927)	-	-	(20,846)
(Loss) earnings from mining operations	(26,210)	6,258	-	-	(19,952)
General and administrative expenses	(110)	(78)	-	(3,285)	(3,473)
Exploration expenses	-	(174)	(12)	(380)	(566)
Care and maintenance	(236)	-	-	-	(236)
Share-based compensation recovery	-	-	-	907	907
(Loss) earnings from operations	(26,556)	6,006	(12)	(2,758)	(23,320)
Other income (expense)	416	4,573	(252)	(2,801)	1,936
(Loss) earnings before finance costs and income taxes	(26,140)	10,579	(264)	(5,559)	(21,384)
Net finance costs	(867)	(101)	(2)	(3,266)	(4,236)
(Loss) earnings before income taxes	(27,007)	10,478	(266)	(8,825)	(25,620)
Income tax recovery (expense)	7,213	(3,819)	-	322	3,716
Total net (loss) income	\$ (19,794)	\$ 6,659	\$ (266)	\$ (8,503)	\$ (21,904)
Mineral properties, plant & equipment additions	\$ 9,125	\$ 9,003	\$ 2,416	\$ 87	\$ 20,631

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	Three months ended March 31, 2019				
	Pinto Valley	Cozamin	Santo Domingo	Other	Total
Revenue					
Copper	\$ 81,948	\$ 23,449	\$ -	\$ -	\$ 105,397
Silver	837	4,245	-	-	5,082
Zinc	-	6,284	-	-	6,284
Lead	-	1,263	-	-	1,263
Molybdenum	1,073	-	-	-	1,073
Gold	(121)	37	-	-	(84)
Treatment and selling costs	(7,133)	(3,028)	-	-	(10,161)
Net revenue	76,604	32,250	-	-	108,854
Production costs	(47,902)	(13,187)	-	-	(61,089)
Royalties	-	(919)	-	-	(919)
Depletion and amortization	(11,300)	(5,626)	-	-	(16,926)
Earnings from mining operations	17,402	12,518	-	-	29,920
General and administrative expenses	(121)	(183)	-	(3,830)	(4,134)
Exploration expenses	-	(176)	(47)	(535)	(758)
Care and maintenance	(256)	-	-	-	(256)
Share-based compensation expense	-	-	-	(1,574)	(1,574)
Earnings (loss) from operations	17,025	12,159	(47)	(5,939)	23,198
Other (expense) income	(117)	(207)	120	(359)	(563)
Earnings (loss) before finance costs and income taxes	16,908	11,952	73	(6,298)	22,635
Net finance costs	(936)	(27)	(4)	(3,593)	(4,560)
Earnings (loss) before income taxes	15,972	11,925	69	(9,891)	18,075
Income tax expense	(2,188)	(3,879)	-	-	(6,067)
Net income (loss) from continuing operations	\$ 13,784	\$ 8,046	\$ 69	\$ (9,891)	\$ 12,008
Net loss from discontinued operations (Note 9)	-	-	-	-	(3,709)
Total net income (loss)	\$ 13,784	\$ 8,046	\$ 69	\$ (9,891)	\$ 8,299
Mineral properties, plant & equipment additions	\$ 12,223	\$ 8,210	\$ 2,630	\$ 143	\$ 23,206

	As at March 31, 2020				
	Pinto Valley	Cozamin	Santo Domingo	Other	Total
Mineral properties, plant and equipment	\$ 711,084	\$ 155,024	\$ 261,458	\$ 2,478	\$ 1,130,044
Total assets	\$ 779,178	\$ 179,700	\$ 267,589	\$ 83,385	\$ 1,309,852
Total liabilities	\$ 158,101	\$ 73,815	\$ 3,924	\$ 225,568	\$ 461,408

	As at December 31, 2019				
	Pinto Valley	Cozamin	Santo Domingo	Other	Total
Mineral properties, plant and equipment	\$ 719,300	\$ 151,047	\$ 259,086	\$ 2,731	\$ 1,132,164
Total assets	\$ 788,729	\$ 185,061	\$ 267,335	\$ 90,255	\$ 1,331,380
Total liabilities	\$ 153,250	\$ 80,849	\$ 5,557	\$ 220,336	\$ 459,992

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21. Subsequent event

Subsequent to period end, the Company entered into a zero cost collar Mexican Peso to US dollar foreign exchange option transaction whereby it sold a series of call option contracts and purchased a series of put option contracts with equal and offsetting values at inception. The purchased put contracts have floor Mexican Peso to US Dollar exchange rates ranging from 23 to 23.5. The sold call contracts have strike exchange rates ranging from 29.25 to 30. The contracts are for 500 million Mexican Pesos (\$20.0 million) covering the period from August 2020 to December 2021, representing approximately 50% of the Mexican Peso costs of the Cozamin mine during this period.