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ANNUAL INFORMATION FORM

For the year ended December 31, 2013

Dated as of March 14, 2014

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Date of Information

In this Annual Information Form, unless the context otherwise requires, the “Company” or “Capstone” refers to Capstone Mining Corp. and its subsidiaries. All information contained herein is as of March 14, 2014, unless otherwise stated.

Financial Statements

This Annual Information Form should be read in conjunction with the Company’s consolidated financial statements and management’s discussion and analysis for the year ended December 31, 2013. The financial statements and management’s discussion and analysis are available under the Company’s profile on the SEDAR website at www.sedar.com.

Cautionary Statement Regarding Forward-Looking Information

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

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

- inherent hazards associated with mining operations;
- future prices of copper and other metals;
- counterparty risks associated with sales of our metals;
- our ability to raise capital;
- foreign currency exchange rate fluctuations;
- accuracy of mineral resource and mineral reserve estimates;
- changes in general economic conditions;
- 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;
- operating in foreign jurisdictions with risk of changes to governmental regulation;
- compliance with governmental regulations;
- dependence on key management personnel;
- compliance with environmental laws and regulations;
- reliance on approvals, licenses and permits from governmental authorities;
- impact of climatic conditions on our Pinto Valley, Cozamin and Minto operations;
- potential conflicts of interest involving our directors and officers;
- aboriginal title claims and rights to consultation and accommodation;
- limitations inherent in our insurance coverage;
- land reclamation and mine closure obligations;

- labour relations;
- increasing energy prices;
- competition in the mining industry;
- risks associated with joint venture partners; and
- our ability to integrate new acquisitions into our operations.

For a more detailed discussion of these factors and other risks, see “Risk Factors” beginning on page 60.

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

Currency

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

The United States dollar exchange rates for the Company’s principal operating currencies are as follows:

As at December 31			
Canadian dollar (C\$) ⁽¹⁾	2013	2012	2011
Average	1.0298	0.9996	1.0110
High	1.0704	1.0418	1.0604
Low	0.9838	0.9710	0.9449
Mexican peso (MX\$) ⁽²⁾	2013	2012	2011
Average	12.7691	13.1456	12.5587
High	13.4394	14.1257	13.7212
Low	11.9807	12.6433	11.8850

1. Information on US\$ to C\$ exchange rates obtained from Bank of Canada daily noon exchange rates.
2. Information on US\$ to MX\$ exchange rates obtained from oanda.com.

Conversion Table

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

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

Compliance with NI 43-101

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

Classification of Mineral Reserves and Mineral Resources

In this Annual Information Form and as required by NI 43-101, the definitions of proven and probable mineral reserves and measured, indicated and inferred mineral resources are those used by Canadian Provincial securities regulatory authorities and conform to the definitions utilized by the Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) in the “CIM Standards on Mineral Resources and Reserves – Definitions and Guidelines” adopted on August 20, 2000 and amended December 11, 2005 and November 27, 2010 (“CIM Standards”).

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

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

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

In addition, this Annual Information Form uses the terms “measured mineral resources”, “indicated mineral resources” and “inferred mineral resources” to comply with the reporting standards in Canada. The SEC’s Industry Guide 7 does not recognize mineral resources and US companies are generally not permitted to disclose resources in documents they file with the SEC. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into SEC defined mineral “reserves.” Further, “inferred mineral resources” have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Therefore, investors are also cautioned not to assume that all or any part of an inferred mineral resource exists. In accordance with Canadian rules, estimates of “inferred mineral resources” cannot form the basis of feasibility or other economic studies, except in rare cases. In addition, disclosure of “contained ounces” in a mineral resource estimate is permitted disclosure under NI 43-101 provided that the grade or quality and the quantity of each category is stated; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC standards as in place tonnage and grade without reference to unit measures. For the above reasons, information contained in this Annual Information Form containing descriptions of our mineral resource and mineral reserve estimates is not comparable to similar information made public by US companies subject to the reporting and disclosure requirements of the SEC.

GLOSSARY OF TECHNICAL TERMS

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

AAS	atomic absorption spectroscopy.
Ag	silver.
alteration	chemical and mineralogical changes in a rock mass resulting from the passage of fluids.
anomaly	a deviation from uniformity. In the search for minerals, it is an area in which higher or lower than background concentrations of minerals may be found.
assay	an analysis of the contents of metals in mineralized rocks.
Au	gold.
biotite	a magnesium-iron mica widely distributed in igneous rocks.
breccia	a fragmental rock whose components are angular and not water-worn.
chlorite	in geology, the general term for hydrated silicates of aluminum, iron and magnesium.
CIM	Canadian Institute of Mining, Metallurgy and Petroleum and the CIM Standards on Mineral Resources and Reserves – Definitions and Guidelines” adopted on August 20, 2000 and amended December 11, 2005 and November 27, 2010.
COG	cut off grade.
Cu	Copper.
deposit	a mineralized body which has been physically delineated by drilling, trenching and/or underground work and may contain a sufficient average grade of metal or metals to warrant further exploration and/or development expenditures. Such a deposit does not qualify as a commercially mineable reserve until final technical, legal and economic factors have been resolved.
diamond drill holes	holes drilled by a method whereby rock is drilled with a diamond impregnated, hollow drilling bit which produces a continuous, in situ record of the rock mass intersected in the form of solid cylinders of rock which are referred to as core.
disseminated	a texture in which minerals occur as scattered particles in the rock.
dmt	dry metric tonnes.
dmtu	dry metric tonne unit.
DFS	definitive feasibility study.
dyke	an intrusive tabular body of igneous rock that cuts across the layering or fabric of the host rock.
fabric	the spatial arrangement and orientation of rock components, whether crystals or sedimentary particles, as determined by their sizes, shapes, etc.
fault	a fracture in a rock across which there has been displacement.
Fe	iron.
feldspar	one of a group of rock forming minerals which include microcline, orthoclase, plagioclase and anorthoclase.
foliation	the preferred planar orientation of minerals and mineral aggregates in metamorphic rocks.
g	gram.
grade	the amount of valuable mineral in each tonne of ore, expressed as ounces per ton or grams per tonne for precious metal and as a percentage by weight for other metals.
g/t	grams per metric tonne.

ha	hectares.
host rock	a volume of rock within which mineralization or an ore body occurs.
HQ	approximately 63mm diameter drill core.
hydrothermal	applied to metamorphic and magmatic emanations high in water content; the processes in which they are concerned; and the rocks or ore deposits, alteration products, and springs produced by them.
igneous	a type of rock that is crystallized from a liquid magma.
Indicated Mineral Resources	in accordance with CIM definitions, that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.
Inferred Mineral Resources	in accordance with CIM definitions, that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.
IOCG	iron oxide copper gold.
K	thousands.
Koz	thousands of ounces.
Kt	thousands of tonnes.
LOM	life of mine.
M	millions.
mafic	ferromagnesian minerals and rocks where these minerals are abundant.
masl	metres above sea level
Measured Mineral Resources	in accordance with CIM definitions, that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.
mineral reserve	in accordance with CIM definitions, the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting minerals and allowances for losses that may occur when the material is mined.

mineral resource	in accordance with CIM definitions, a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.
Mineralization	significant amounts of mineral(s) that is (are) of economic interest which may be established by prospecting, trenching and drilling.
MIbs	millions of pounds.
MS	magnetic susceptibility.
Mt	millions of tonnes.
MW	megawatts.
NI 43-101	National Instrument 43-101 - Standards of Disclosure for Mineral Projects.
NQ	approximately 47mm diameter drill core.
NSR	net smelter return.
ore	rock that contains one or more minerals or metals, at least one of which has commercial value and which can be recovered at a profit.
outcrop	an exposure of rock at the earth's surface.
Pb	lead.
pyrite	a common iron sulphide mineral commonly found in hydrothermal veins and systems and commonly associated with gold mineralization.
QML	Quartz Mining License.
Qualified Person	has the meaning set out in NI 43-101.
quartz	a common rock forming mineral made up of silicon dioxide.
SAG	Semi-Autogenous grinding.
silica	silicon dioxide (SiO ₂), which occurs in the crystalline forms as quartz, cristobalite, tridymite, as cryptocrystalline chalcedony, as amorphous opal, and as an essential constituent of the silicate groups of minerals.
tpd	tonnes per day.
tpy	tonnes per year.
vein	a sheet-like body of minerals formed by fracture-filling or replacement of the host rock.
volcanic	formed by volcanic activity.
WUL	water use license.
Zn	zinc.

ITEM 1 - CORPORATE STRUCTURE

1.1 Name, Address and Incorporation

The Company was incorporated pursuant to the *Company Act* (British Columbia) on July 17, 1987 under the name 330338 BC Ltd. The Company changed its name to Fire Star Resources Ltd. on April 21, 1989, and to International Bancorp Ltd. on August 17, 1989, and to IBL Equities Ltd. on March 5, 1991. On January 2, 1996, the Company changed its name to Serena Resources Ltd. and consolidated its share capital on a 5:1 basis. On May 17, 2001, the Company changed its name to Consolidated Serena Resources Ltd. and consolidated its share capital on a 5:1 basis. On March 6, 2003, the Company changed its name to Capstone Gold Corp., and on February 8, 2006, the Company changed its name to its current name, Capstone Mining Corp. The Company is now governed by the *Business Corporations Act* (British Columbia). On January 12, 2005, Capstone amended its Notice of Articles to change its authorized capital from 100,000,000 common shares to an unlimited number of common shares and to reduce the threshold percentage of votes required to approve a special resolution from 75% to 66⅔%, amongst other things.

On November 24, 2008, Capstone and Sherwood Copper Corporation (“Sherwood”) completed a court-approved plan of arrangement pursuant to which Capstone’s wholly-owned subsidiary acquired all of the issued and outstanding common shares of Sherwood in exchange for common shares of Capstone, and the subsidiary and Sherwood amalgamated to form a new corporation named “Capstone Mining North Ltd.” On January 1, 2009, Capstone and Capstone Mining North Ltd. were amalgamated to form Capstone Mining Corp.

On June 17, 2011, a wholly-owned subsidiary of the Company acquired all of the issued and outstanding common shares of Far West Mining Ltd. (“Far West”) by way of a court-approved plan of arrangement. See “Acquisition of Far West”. Concurrent with the acquisition of Far West, the Company entered into an agreement with Korea Resources Corporation (“KORES”), pursuant to which Capstone sold to KORES a 30% indirect interest in Far West. See “KORES Strategic Partnership”.

On April 22, 2013, the Company incorporated 0968158 BC Ltd. under the *Business Corporations Act* (British Columbia) and on August 7, 2013, 0968158 BC Ltd. changed its name to Capstone PV Mining Corp. On April 22, 2013, the Company incorporated two indirect wholly-owned Delaware subsidiaries, which later changed their names to Capstone US Mining Corp. and Pinto Valley Mining Corp. On October 11, 2013, Pinto Valley Mining Corp. completed the acquisition of the Pinto Valley Mine and Capstone US Mining Corp. completed the acquisition of 99.9% of all of the outstanding stock of San Manuel Arizona Railroad Company (“SMARRCO”). The remaining 0.1% of SMARRCO is held by the three directors of SMARRCO, as required under Arizona railroad law.

On September 27, 2013, the Company established a branch in Luxembourg (“Luxembourg Branch”) for purposes of investment and financing within the Capstone group of companies. The Luxembourg Branch incorporated a wholly-owned subsidiary, Capstone Luxembourg Finance Sarl (“Luxembourg Finance”) to provide financial lending to Capstone subsidiary companies. On October 4, 2013, Luxembourg Finance provided a loan to Capstone US Mining Corp. for purposes of funding the acquisition of the Pinto Valley Mine. On September 16, 2013, the Company incorporated Capstone Finance Ltd. under the *Business Corporations Act* (British Columbia).

The Company is a reporting issuer in each of the Provinces of Canada. The Company’s common shares trade on the Toronto Stock Exchange (the “TSX”) under the symbol “CS”. Its principal business and registered and records address is at 900 - 999 West Hastings Street, Vancouver, BC V6C 2W2.

The Company carries on its US operations, primarily the Pinto Valley Mine and associated San Manuel Arizona Railroad Company (“SMARRCO”) in Arizona, through Pinto Valley Mining Corp, a company incorporated on April 22, 2013, pursuant to the laws of the United States. The Company owns 100% of the issued and outstanding common shares of Pinto Valley Mining Corp., a wholly owned US subsidiary.

The Company carries on its Mexican operations, primarily the Cozamin Mine in the State of Zacatecas, through Capstone Gold, S.A. de C.V. (“Capstone Mexico”), a company incorporated on December 31, 2003, pursuant to the laws of Mexico. The Company owns 99% of the issued and outstanding securities of Capstone Mexico; the remaining 1% is beneficially owned by the Company and held in trust by its attorney of law in Mexico. All salaried employees at

the Cozamin Mine are employed through Capstone Services S.A. de C.V. and all employees paid on an hourly basis are employed through Capstone Mining S.A. de C.V.

The Company carries on additional Mexican operations, primarily the Cumbal Exploration Project, through Capstone Exploraciones S.A. de C.V. (“Capstone Exploraciones”), a company incorporated on November 29, 2012, pursuant to the laws of Mexico. The Company owns 99% of the issued and outstanding securities of Capstone Exploraciones; the remaining 1% is owned by 0807370 BC Ltd., a wholly-owned subsidiary of the Company.

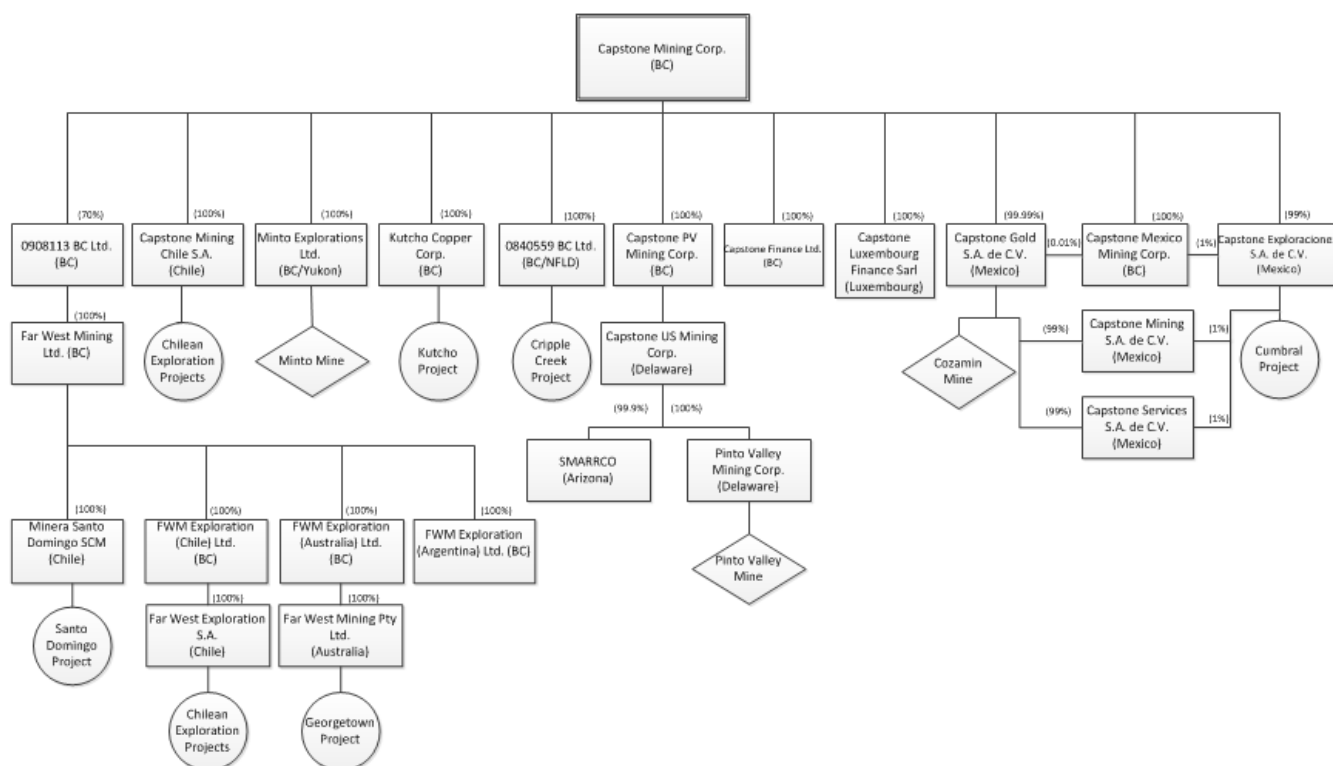
The Company carries on its Canadian operations, primarily the Minto Mine, located in the Yukon and through Minto Explorations Ltd. (“MintoEx”), a company incorporated on April 20, 1993, pursuant to the laws of the Province of British Columbia. The Company owns 100% of the issued and outstanding common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

The Company carries on its Chilean mineral-related activities, primarily the Santo Domingo Project, through its partial indirect ownership of Minera Santo Domingo SCM (formerly, Minera Lejano Oeste, S.A.), a company incorporated pursuant to the laws of Chile. The Company owns 70% of the issued and outstanding common shares of 0908113 BC Ltd., which owns 100% of the issued and outstanding common shares of Far West, which in turn owns 100% of the issued and outstanding common shares of Minera Santo Domingo SCM. A subsidiary of KORES owns the remaining 30% of 0908113 BC Ltd.

The Company carries on additional Chilean mineral-related activities, through Capstone Mining Chile S.A., a company incorporated pursuant to the laws of Chile. The Company owns 100% of the issued and outstanding common shares Capstone Mining Chile S.A. This activity, described in more detail below, is primarily focused on the exploitation of an option agreement with Sociedad Química y Minera de Chile S.A. (“SQM”) to earn up to 70% of a property, Project Providencia, located in Region II of Chile.

1.2 Intercorporate Relationships

The following chart describes the inter-corporate relationships among the Company’s subsidiaries as at February 24, 2014. The percentage of ownership is indicated for each entity:



ITEM 2 - GENERAL DEVELOPMENT OF THE BUSINESS

The Company is engaged in the acquisition, exploration, development and operation of mineral properties. Over the past three completed financial years, the Company has continued to operate, expand and explore mineral properties. The Company's principal product is copper, although significant amounts of zinc, lead, gold and silver are also produced and sold. The Company currently carries on mining operations in the United States, Mexico and Canada, have advanced exploration/development projects in Chile and has exploration projects in Chile and Mexico.

2.1 Three Year History

Financial Year Ended December 31, 2011

On March 14, 2011, Capstone reported the results of a pre-feasibility study for the Phase V expansion at the Minto Mine which included underground mineral reserves associated with the Minto East, Area 2 and 118 ore deposits.

On May 30, 2011, the Company announced the results of a NI 43-101 compliant mineral resource estimate for the Wildfire/Copper Keel area at the Minto Mine.

On June 20, 2011, the Company announced the results of an initial mineral resource estimate for the Mala Noche Footwall Zone at the Cozamin Mine.

On August 15, 2011, the Company announced the results of the pre-feasibility study on the Santo Domingo Project.

Acquisition of Far West

On April 17, 2011 the Company and Far West announced that they had entered into a definitive agreement pursuant to which a wholly-owned subsidiary of the Company agreed to acquire all of the issued and outstanding common shares of Far West, by way of a court-approved plan of arrangement.

Far West shareholders were entitled to elect to receive, in exchange for each Far West share held either (i) 1.825 shares of Capstone and C\$1.00 in cash, (ii) 2.047 shares of Capstone and C\$0.001 in cash, or (iii) C\$9.19 cash, subject to proration on the basis of an aggregate maximum cash amount of approximately up to C\$79.0M and provided that no Far West shareholder that elected option (iii) above, would receive less than C\$1.00 in cash per Far West share. Far West received, at the meeting of its security holders held on June 13, 2011, security holder approval for the arrangement and on June 17, 2011 Capstone completed its acquisition of Far West.

As part of the acquisition, Capstone issued 12,091,629 options in exchange for 5,907,000 options of Far West, which equates to an exchange ratio of 2.047 Capstone options for every Far West option exchanged. Those options issued by Capstone were on the same terms and conditions as those exchanged by the Far West holders. As a result of these exchanges, Capstone recorded the fair value of the vested options of \$19.3M as a cost of the transaction. In addition, Capstone issued 4,451,221 warrants in exchange for 2,439,025 warrants of Far West which equates to an exchange ratio of 1.825 Capstone warrants for every Far West warrant exchanged. Those warrants issued by Capstone were on the same terms and conditions as those exchanged by the Far West holders, except for the exercise price, which was reduced by C\$1.00. As a result of these exchanges, Capstone recorded the fair value of the vested warrants of \$4.0M as a cost of the transaction.

The Company filed a Form 51-102F4 Business Acquisition Report on July 7, 2011 in respect of its acquisition of Far West.

KORES Strategic Partnership

Concurrent with the acquisition of Far West, the Company announced that it entered into a strategic partnership with KORES. Under the terms of the partnership, Capstone sold to KORES a 30% indirect interest in Far West for cash consideration of \$194.2M. As a result of this partial disposition of its ownership interest in Far West, Capstone recorded a \$44.9M reduction to the carrying value of the Far West mineral properties on the date of purchase. This

reduction in mineral properties represented the amount paid by KORES for its 30% interest in excess of a 30% share of the fair value of the Far West net assets acquired on closing.

KORES agreed to arrange on a commercially reasonable best efforts basis for a debt financier to offer to provide financing for 65% of the bankable feasibility study capital costs, as well as fund 30% of the balance of capital requirements based on its equity ownership share.

The Company issued 40,198,632 shares by way of a private placement at C\$4.3526 per share to a KORES subsidiary for gross cash proceeds of C\$178.0M.

Financial Year Ended December 31, 2012

On February 8, 2012, the Company announced an updated NI 43-101 compliant mineral resource estimate for the Mala Noche Footwall Zone at the Cozamin Mine.

On February 9, 2012, the Company announced that Jan Castro had resigned from Capstone's board of directors.

On April 11, 2012, the Company entered into a \$200M Senior Secured Revolving Corporate Credit Facility with the Bank of Nova Scotia (as Lead Arranger and Administrative Agent), Canadian Imperial Bank of Commerce (as Co-Syndication Agent), Bank of Montreal (as Co-Syndication Agent) and HSBC Bank Canada (the "Credit Facility"). The Credit Facility has a four year term with annual extensions permitted, subject to approval by all lenders, and attracts an interest rate of US dollar London Inter-bank Offered Rates ("LIBOR") plus 1.75% (adjustable in certain circumstances). The Credit Facility replaces Capstone's previous \$40M corporate revolving term credit facility with the Bank of Nova Scotia.

On May 14, 2012, the Company announced that KORES' representative on Capstone's board had changed. Effective May 9, 2012, Hak-Kyun Shin resigned from, and Wook Jin Choi was appointed to the Company's board of directors. Pursuant to the formation of the strategic partnership for the development of the Santo Domingo project, KORES is entitled to nominate one representative to Capstone's board.

On June 4, 2012, the Company announced that effective June 4, 2012, Kalidas Madhavpeddi had been appointed to its board of directors.

On June 18, 2012, the Company announced the results of the Phase VI pre-feasibility study on the Minto Mine.

On August 16, 2012, the Company announced that Tony Giardini had been appointed as Senior Vice President and Chief Financial Officer of the Company, replacing Richard Godfrey, who left the Company.

On October 23, 2012, the Company announced that KORES' representative on Capstone's board had changed. Effective October 23, 2012, Wook Jin Choi resigned from, and GookHo (GH) Lee was appointed to, the Company's board of directors.

On October 25, 2012, the Company announced the results of the first NI 43-101 compliant mineral resources estimate for two new areas, the Fireweed and Inferno North areas, at its Minto Mine. The resource estimate added 101 million pounds of copper in the indicated category and 86 million pounds in the inferred category, at a 1.2% copper cut-off grade at the Minto Mine.

On October 31, 2012, the Company announced that Tony Giardini had resigned as Senior Vice President and Chief Financial Officer of the Company.

On December 27, 2012, the Company announced TSX approval of the Company's Notice of Intention to make a Normal Course Issuer bid ("NCIB"). Pursuant to the NCIB, Capstone proposes to purchase through the facilities of the TSX and other Canadian marketplaces, from time to time, if considered advisable, up to an aggregate of 34,014,871 shares, being approximately 10% of the public float of Capstone's common shares, as of December 21, 2012. Purchases commenced through the TSX on December 31, 2012, and concluded on December 30, 2013. The Company further announced that BMO Nesbitt Burns would be appointed as the brokerage firm responsible for making purchases of common shares under the NCIB on behalf of Capstone. All purchases pursuant to the NCIB were made

through the open market through the facilities of the TSX and other Canadian marketplaces and will be in accordance with the rules and policies thereof. The purchase price paid for all common shares were the prevailing market price at the time of purchase. The Company may purchase a daily maximum of 271,787 common shares, representing 25% of the average daily trading volume of 1,087,151 common shares subject to certain prescribed exemptions.

Financial Year Ended December 31, 2013

On March 7, 2013, the Company announced an updated NI 43-101 compliant mineral resource estimate for the Mala Noche Footwall Zone at the Cozamin Mine. On May 14, 2013, the Company announced that D. James Slattery had been appointed as Senior Vice President and Chief Financial Officer of the Company.

On August 8, 2013 the Company announced that it has entered into an option agreement with Sociedad Química y Minera de Chile S.A. ("SQM") to earn up to 70% of a property, Project Providencia. The initial option is on 350,000 hectares in Chile's II Region and would be reduced overtime to a maximum of 50,000 hectares if a joint venture is formed.

Acquisition of Pinto Valley copper mining operation and the associated San Manuel Arizona Railroad Company

On April 28, 2013, the Company announced it had entered into a definitive agreement with BHP Copper Inc., a subsidiary of BHP Billiton Ltd. ("BHP"), to purchase BHP's wholly-owned Pinto Valley copper mining operation and the associated San Manuel Arizona Railroad Company ("SMARRCO") in Arizona, USA for US\$650M. The purchase price was paid in cash and is subject to customary adjustments. The purchase price was satisfied from Capstone's existing \$200M Senior Secured Revolving Credit Facility (\$176M available) and from a new 2.5-year, \$200M Senior Secured Reducing Revolving Credit Facility, that are respectively committed and underwritten by The Bank of Nova Scotia, and cash on hand. The new facility will include customary covenants and closing conditions, including closing of the Pinto Valley acquisition, and will bear interest at market rates. The acquisition agreement was not conditional upon financing.

On June 12, 2013, the Company filed a NI 43-101 report titled "Pinto Valley Property Mineral Resource Estimate" supporting the mineral resource estimate of the Pinto Valley copper mining operation.

On October 11, 2013, the Company announced it had completed the previously announced acquisition of the Pinto Valley copper mine and the associated San Manuel Arizona Railroad Company from BHP Copper Inc.

The Company filed a Form 51-102F4 Business Acquisition Report on December 20, 2013 in respect of its acquisition of the Pinto Valley copper mining operation and the associated San Manuel Arizona Railroad Company.

ITEM 3 - DESCRIPTION OF THE BUSINESS

3.1 General

Capstone's strategic goal is to be the best managed copper company within our peer group, delivering industry leading returns. Capstone is focused on profitability, a growing production profile and operating in a safe and responsible manner. Our well defined growth strategy has two tiers. The first is organic growth of our existing development projects and extension of our existing mines. The second is through the acquisition of producing properties. Both are focused on copper and in politically safe and mining friendly jurisdictions in the Americas. Capstone's material mineral properties consist of:

- the Pinto Valley Mine, an open pit copper-molybdenum mine located in Arizona, US;
- the Cozamin Mine, a copper-silver-zinc-lead underground mine located in the State of Zacatecas, Mexico;
- the Minto Mine, an open pit and underground copper-gold-silver mine located in the Whitehorse Mining District, Yukon, Canada; and
- the Santo Domingo Project, a large scale copper/gold/magnetite project in Chile, in which Capstone holds a 70% interest through a long-term strategic partnership with KORES.

In addition to ongoing exploration at the Cozamin Mine aimed at increasing mine life and throughput, Capstone has a portfolio of early stage base metals exploration projects that have the potential to add to production over the longer term. This exploration is focused in mining friendly jurisdictions, with preference given to areas where a team is in place and the permitting process is well understood. The two primary exploration projects the Company is pursuing at the present time are:

- Capstone entered into an earn-in and joint venture agreement with Westminster Resources Ltd. on April 17, 2012 for the Cumbraal Property located in Sonora, Mexico and may earn a 70% interest in the property. This property was assigned to a 100% owned exploration subsidiary of the Company, Capstone Exploraciones, S.A. de C.V., and is being actively explored.
- Capstone entered into an option agreement with SQM to earn up to 70% of Project Providencia in Region II, Chile, which is a very large under-explored land package in the world's most prolific copper jurisdiction. The initial option is on 350,000 hectares and would be reduced over time to a maximum of 50,000 hectares if a joint venture is formed. Capstone is the operator of the project and may earn up to a 70% interest in the Property with the right to withdraw from the project at any time.

Capstone is actively pursuing additional exploration opportunities through earn-in and joint venture models.

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Principal Products and Operations

The Company's principal products are copper, zinc, lead, moly, silver and gold in concentrates as well as copper cathode. Further information regarding the three mines (Pinto Valley, Cozamin and Minto) is contained in the respective Material Mineral Property sections further below in this document. The following table summarizes the production operating statistics for 2012 and 2013:

Operating Statistics	Pinto Valley ¹	Cozamin		Minto	
	Q4 2013	2013	2012	2013	2012
Production (contained metal)					
Copper (000s pounds)	29,618	45,515	46,909	37,238	35,928
Zinc (000s pounds)	-	17,825	17,221	-	-
Lead (000s pounds)	-	2,728	2,891	-	-
Moly (000s pounds)	14	-	-	-	-
Silver (000s ounces)	59	1,682	1,576	162	184
Gold (ounces) ²	-	-	-	18,361	18,599
Cathode Production					
Copper (000s pounds)	1,421	-	-	-	-
Mining					
Waste (000s tonnes)	10	-	-	9,696	9,805
Ore (000s tonnes)	4,538	1,209	1,171	2,013	943
Total (000s tonnes)	4,549	1,209	1,171	11,709	10,748
Milling					
Milled (000s tonnes)	3,730	1,206	1,173	1,402	1,342
Tonnes per day	45,491	3,305	3,205	3,842	3,666
Copper grade (%)	0.42	1.86	1.95	1.31	1.34
Zinc grade (%)	-	1.12	1.03	-	-
Lead grade (%)	-	0.19	0.20	-	-
Moly grade (%)	0.01	-	-	-	-
Silver grade (g/t)	-	61.0	58.9	4.6	5.1
Gold grade (g/t) ²	-	-	-	0.5	0.6
Recoveries					
Copper (%)	85.0	92.1	93.0	92.3	90.5
Zinc (%)	-	60.1	64.9	-	-
Lead (%)	-	54.5	55.8	-	-
Silver (%)	-	71.1	71.0	78.5	84.1
Gold (%) ¹	-	-	-	78.4	74.0
Concentrate Production					
Copper (dmt)	50,235	81,351	81,305	46,303	43,423
Copper (%)	26.8	25.4	26.2	36.5	37.5
Silver (g/t)	-	574	540	109	132
Gold (g/t) ²	-	-	-	12	13
Zinc (dmt)	-	16,928	16,057	-	-
Zinc (%)	-	47.8	48.6	-	-
Lead (dmt)	-	2,205	2,216	-	-
Lead (%)	-	56.1	59.2	-	-
Silver (g/t)	-	2,541	2,324	-	-
Moly (dmt)	14	-	-	-	-

¹ Pinto Valley's results for the 82 day period of Capstone ownership (Oct 11/13 to Dec 31/13).

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

During the year ended December 31, 2013, gross revenue of \$368.4M was generated on the sale of 166,967 dmt of copper concentrates, 17,379 dmt of zinc concentrates, 2,103 dmt of lead concentrates and 600 tonnes of copper cathode. Payable metals sold included 100.1 million pounds of copper, 14.7 million pounds of zinc, 2.3 million pounds of lead, 16,131 ounces of gold and 1.7 million ounces of silver.

The following table summarizes the gross sales revenue for 2013 and 2012:

Gross Sales Revenue by Metal				
	Year ended Dec. 31, 2013 (\$ 000's)	Year ended Dec. 31, 2013 %	Year ended Dec. 31, 2012 (\$ 000's)	Year ended Dec. 31, 2012 %
Copper	329,853	89.5	289,217	88.1
Zinc	12,569	3.4	11,676	3.6
Lead	2,234	0.6	2,425	0.7
Gold	9,911	2.7	11,363	3.5
Silver	13,855	3.8	13,474	4.1
Total	368,422	100.0	328,155	100.0

Precious Metals Streams

During 2008, the Company sold all of its gold and silver production from the Minto Mine over the life of mine to Silver Wheaton Corp. ("Silver Wheaton") in consideration for an upfront payment of \$37.5M and a further payment of the lesser of \$300 per ounce of gold and \$3.90 per ounce of silver (subject to a 1% inflationary adjustment after three years and each year thereafter) and the prevailing market price for each ounce delivered. If production from the Minto Mine exceeds 30,000 ounces of gold per year, Silver Wheaton will be entitled to purchase only 50% of the amount in excess of that threshold. The Company has recorded the proceeds received as deferred revenue and will recognize this amount as an adjustment to revenue as the appropriate ounces are delivered.

Under its April 2007 agreement with Silver Wheaton the Company has a commitment to sell the Cozamin Mine's silver production over a 10 year period to Silver Wheaton. Under the terms of the arrangement, Silver Wheaton agreed to pay for each ounce of refined silver from the mine the lesser of \$4.00 per ounce of silver (subject to a 1% inflationary adjustment after three years and each year thereafter) and the prevailing market price for each ounce of silver, subject to price adjustments. Further, the Company agreed to deliver a minimum of 10.0 million ounces of silver to Silver Wheaton over a ten year period. If, at the end of ten years, the Company has not delivered the agreed upon 10 million ounces of silver, then it has agreed to pay Silver Wheaton \$1.00 per ounce of silver not delivered. To December 31, 2013 a total of 8.9 million ounces had been delivered against the contract since its inception.

Competitive Conditions

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

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

Environmental Protection

The Company's operations (Pinto Valley, Cozamin and Minto) and development project (Santo Domingo) are in the US, Mexico, Canada and Chile and are subject to national and local laws and regulation in respect of the construction, operating standards and the eventual abandonment and restoration costs for the site. Since the Cozamin Mine, and certain areas of the Minto Mine are relatively small tonnage and higher grade operations, the overall financial impact of the environmental protection requirements is minor relative to the overall financial performance of the Company. Each operation is subject to an asset retirement obligation review at year end, which assesses the abandonment and restoration cost for the operation at that point, and any changes are reflected in the balance sheet and could flow through the earnings statement. While the financial obligations will increase as disturbance increases, given the relatively modest amounts involved, such impacts are likely to be relatively minor from a capital and earnings perspective, in the near term. Pinto Valley Mine, has a long history of operations in an established mining district of Arizona. As a low-grade, high tonnage operation the reclamation issues, while different from those at Capstone's other operations, were reviewed with regulators in 2013 and detailed local guidance and regulations around acceptable closure practices are well understood. In addition, the site has undergone significant progressive reclamation. The Santo Domingo project is currently unpermitted; the environmental protection requirements could affect the project's advancement by delaying or preventing approvals consistent with the economic development of the project. Chile has a well-defined permitting process and clear environmental protection objectives and timely approval is expected for a project of the scope of Santo Domingo in its environmental setting.

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

Employees

As of December 31, 2013, the Company had approximately 1,307 employees and approximately 626 contractors.

The Company's workforce is not unionized with the exception of approximately 354 hourly employees at the Pinto Valley Mine which are members of six unions, governed by one collective bargaining agreement negotiated by the United Steelworkers Union.

Foreign Operations

Three of the Company's material properties are located in foreign jurisdictions, being the Pinto Valley Mine located in the United States, Cozamin Mine located in Mexico and the Santo Domingo Project located in Chile.

Social and Environmental Policies

The Company places great emphasis on providing a safe and secure working environment for all of Capstone's employees and contractors, and recognizes the importance of operating in a sustainable manner. There were no fatal or long-term disability accidents or significant environmental incidents at any of Capstone's operations through the financial year ended December 31, 2013. The Company-wide lost time incident frequency rate (including contractors) was reduced from 1.15 in 2012 to 0.35 in 2013. Capstone's Environmental, Health, Safety & Sustainability Committee meets at least four times annually to review the Company's performance and compliance as related to such matters. Capstone has adopted an Environmental, Health, Safety and Sustainability Policy, and has communicated the importance of working in a safe and secure working environment to all employees and significant contractors at all sites.

3.2 Material Mineral Properties

As at the date of this Annual Information Form, Capstone's material mineral properties consist of the:

- Pinto Valley Mine, an open pit copper mine, located in the State of Arizona, United States
- Cozamin Mine, an underground copper mine located in the State of Zacatecas, Mexico;
- Minto Mine, an open pit copper mine located in the Whitehorse Mining District, Yukon, Canada; and

- Santo Domingo Project, a large scale copper development project in Chile, in which Capstone holds a 70% interest through a long-term strategic partnership with KORES.

3.3 Pinto Valley

The Pinto Valley Mine is the subject of a report titled “Pinto Valley Property Mineral Resource Estimate, NI 43-101 Technical Report” dated December 11, 2013 (the “Pinto Valley Report”). This technical report was compiled by Kirkham Geosystems Ltd. and written by Garth Kirkham, P. Geo., a Qualified Person as defined in NI 43-101. The description of the Pinto Valley Mine in this document is based on assumptions, qualifications and procedures which are set out only in the full Pinto Valley Report. Reference should be made to the full text of this report, which is available in its entirety on SEDAR at www.sedar.com under the Company’s profile.

Project Description and Location

The Pinto Valley poly-metallic base metal mine is located in the Globe-Miami district in Gila County, Arizona approximately 80 miles east of Phoenix in the southern United States. The Pinto Valley Mine and Concentrator are at an elevation of 1,300 m. The core of the Pinto Valley property consists of 69 patented lode mining claims. Also included in the property are 53 patented mill sites. Adjacent to the patented claims are 329 unpatented lode mining claims and mill sites. Seven parcels of fee (private) land are associated with the property.

Capstone entered into a purchase agreement with BHP Copper Inc. April 28, 2013 for the Pinto Valley Mine and associated railroad operations. 100% ownership of the properties by Capstone was acquired as of October 11, 2013 for a cost of \$650M USD. A 2% net smelter return (NSR) royalty applies to 26 of the unpatented mining claims which are not expected to be mined until after 2026.

The Pinto Valley operations require 17 permits granted from various state and federal agencies; operations of the railroad requires five permits mainly from Arizona State. Permits are in good standing.

Environmental liabilities at the Pinto Valley Mine relate to the heap leach facility, tailings deposits and associated engineered containment infrastructure, waste rock dumps as well as some water stored at the site that is impacted by operations as well as the removal of all operational infrastructures. A closure plan has been developed and approved (most recently in October 2013 as part of the permit transfer process) detailing methods and costs associated with restoring the site to an acceptable environmental standard. Engineered covers will be placed on tailings and waste rock such that interactions with surface water are minimized. Very little water will be released from the site during closure and appropriate diversions will be established to direct any storm water away from impacted areas. Letters of credit totaling \$87.1M have been filed with the Arizona State Mining Inspector (“ASMI”) and the Arizona Department of Environmental Quality (“ADEQ”) in accordance with the mandate of these agencies and associated regulations and policies. These financial security amounts represent the estimated reclamation cost for the mining operations at the end of the 12 year permitted mine plan on an undiscounted basis. These amounts are reviewed when the proponent alerts the agency to a change in the mine plan or closure measures.

Pinto Valley Mine has all of the necessary permits to conduct mining activities for the next twelve years, with the exception of an approved Plan of Operations that is currently under review by the U.S. Forest Service (USFS). The Plan of Operations is a compilation of several special use permits and other authorizations to use USFS lands adjacent to the private lands where mining activities occur. This Plan is subject to a National Environmental Policy Act review that was initiated under BHP and is continuing with Pinto Valley Mining Corp. as the proponent. Once approved, it is expected that an additional financial assurance will be required by the USFS, likely in 2015. As at December 31, 2013, the Company was approximately 50% through the process with no material risks identified. The Company’s assessment is that any modifications to the Plan of Operations following this review would not likely result in any material change to permitted operating parameters or financial obligations under any applicable permits. The major instruments or authorizations permitting and governing operations for the project include an Aquifer Protection Permit from ADEQ, a Mined Land Reclamation Plan approved by ASMI and an approved Plan of Operations (“USFS”).

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Pinto Valley Mine is located 13 km (8 miles) west of Miami, a town of approximately 1,800 residents, and 21 km (13 miles) west of Globe, the County seat, with approximately 7,500 residents. Because of a long-standing mining tradition in the area, local services are already in place to supply the mine's needs. The current level of community services is deemed to be adequate for the needs of the mine. Medical facilities are available at the Cobre Valley Community Hospital located in Miami. Fire, police, public works, transportation, and recreational facilities are in place and fully functioning. The community has an adequate supply of permanent housing and temporary housing to accommodate the Pinto Valley Mine's current workforce.

Infrastructure for Pinto Valley includes the existing maintenance shops, administration offices, environmental facilities, water and electric distribution systems, and other miscellaneous facilities. Off-site infrastructure includes the incoming electric power generation and transmission capacity provided by the Salt River Project (SRP), the local highway system provided by state and federal governments, the local transportation services provided by various contractors, and the telephone and data communications systems. Tailings are deposited in existing permitted tailings storage facilities using the same practices from previous operations. The majority of the tailings are placed in Tailings Dam No. 4; Tailings Dam No. 3 is used for tailings placement during maintenance activities at Tailings Dam No. 4. There is an adequate source of water with potable water coming from 4 groundwater wells and service water from a Peak Well system.

A large network of roads has been built to serve the Pinto Valley Mine. The primary access, FR 287, is a paved road; all other roads are unpaved. Some roads are well-maintained to accommodate daily traffic, whereas others are not maintained and require four-wheel drive vehicles. Although FR 287 is a public road that passes through the mine property, public access to the mine facilities is restricted and managed by gates and Pinto Valley Mine security personnel.

The climate in the region is semi-arid with an average annual precipitation in the region of 58.4 cm and falls occurring in a bimodal pattern. Most of the rainfall occurs during the winter and summer months, with dry periods in the spring and fall. The average annual maximum temperature is 25°C. July is the warmest month with an average maximum temperature of 36°C. The average annual minimum temperature for the coolest month is 1°C in January.

The Pinto Valley Mine is located in east-central Arizona in the structural transition zone between the Sonoran section of the Basin and Range physiographic province to the south-southwest, and the Colorado Plateau to the north. The terrain surrounding the mine property is generally mountainous, dominated by sharp landforms and prolific exposures of the variety of bedrock formations present in the region. The Pinto Valley Mine is entirely within the Pinto Creek watershed, where local elevations range from about 1,067 m to 1,524 m above mean sea level.

The Pinto Valley Mine is near the boundary of areas mapped as the Interior Chaparral biotic community and the Arizona Upland subdivision of Sonoran desert scrub biotic community. Most of the plant and animal species observed have wide environmental tolerances from being on the edge of two major plant communities.

History

The Globe-Miami district is one of the oldest and most productive mining districts in the United States. The first recorded production from the district was in 1878. Since that time, over 15 billion pounds of copper have been produced.

Pinto Valley Mining Division originated as Miami Copper Company in 1909. In 1960, the Tennessee Corporation took over Miami Copper Company, and, in 1969, Cities Service Company merged with the Tennessee Corporation. In late 1982, Occidental Petroleum Corporation (Occidental) acquired Cities Service Company. In February 1983, Occidental sold the Miami operations to Newmont Mining Corporation. At this time, the company's name was changed to Pinto Valley Copper Corporation (Pinto Valley Copper). In November 1986, Newmont merged the Pinto Valley Copper assets into Magma Copper Company holdings, and Pinto Valley Copper became the Pinto Valley Mining Division of Magma Copper Company. In December 1995, Broken Hill Proprietary Company Limited (BHP) purchased Magma Copper Company. With the merger of BHP and Billiton in 2001, the Pinto Valley Mining Division became the Pinto Valley Operations of BHP Copper Inc.

Development of the Pinto Valley open pit began in 1972, and the mine and concentrator went into production in 1974. Previously, a chalcocite-enriched zone of the deposit was mined from 1943 until 1953, as the Castle Dome Mine. Sulphide ore from the Pinto Valley open pit operation was processed at the unit's concentrator, which produced a copper concentrate containing approximately 28% copper and a molybdenum disulphide by-product. The copper concentrate was then trucked to a smelter and refinery in San Manuel, Arizona. In February 1998, sulphide mining and milling was suspended due to depressed copper prices. The concentrator was placed under care and maintenance and the mining equipment fleet was sold. Operating and environmental permits were maintained during the suspension of sulphide operations, as were the water and electrical systems, although these were maintained at lower usage rates than during mining and milling operations. Cathode copper production continued during the suspension of sulphide operations at the Pinto Valley and Miami SX-EW facilities.

In April 2006, a study was completed to determine the feasibility of rehabilitating the mill and flotation plant and restart mining activities. A provisional approval for restart was granted in December 2006 and final approval was granted in early 2007. The resource and reserve estimates made in 1996 were reviewed and validated, and these estimates were restated in June 2007. The Pinto Valley Mine operated for 18 months before depressed copper prices forced it to be placed under care and maintenance again. The notice and cessation of the operation occurred on January 20, 2009.

In 2011, a new study was commissioned to restart the mine; it was peer reviewed and approved by BHP Copper Inc. in January 2012 and the mill was restarted in December 2012.

The declared resource and reserve statement (JORC compliant) for Pinto Valley by BHP Copper Inc. was published in "BHP Annual Report 2013". Capstone has not completed the work necessary to verify the classification of the resource and reserve statement. Capstone is not treating the resource and reserve statement as NI 43-101 defined mineral resources and mineral reserves verified by a Qualified Person. The historical estimates should not be relied upon. The Pinto Valley Operation will require considerable further evaluation which Capstone's management and consultants intend to carry out in due course. Capstone does not have a copy of the report that includes the resource and reserve statement signed by a professional geologist. Therefore, Capstone cannot verify the resource or reserves or comment on whether the estimate was made in compliance with the current standards. Capstone is not relying on these estimates.

Geological Setting

The Globe-Miami mining district of central Arizona covers porphyry copper deposits (Creasey, 1980) associated with Paleocene (59 to 63 Ma) Granodiorite to Granite Porphyry stocks. The porphyry copper deposits have been dismembered by faults and affected by later erosion and minor oxidation. Vein deposits and possible exotic copper deposits are also found within the district.

The Globe-Miami district contains igneous, metamorphic, and sedimentary rocks of Precambrian, Paleozoic, Tertiary, and Quaternary age. The hydrothermal ore deposits in the district comprise vein deposits and typical porphyry copper deposits. The primary minerals of the porphyry copper deposits are chiefly pyrite and chalcopyrite with minor amounts of molybdenite; gold and silver are recovered as by-products.

The host rock for the porphyry copper deposit is Precambrian age Lost Gulch Quartz Monzonite.

The deposit is bound by post-mineral faults. The South Hill fault is on the south side, the Jewel Hill fault is on the east side, and the Gold Gulch fault is on the west side. Minor post mineral normal displacement has taken place on the Dome fault, a pre-mineral structure that strikes north-easterly across the north limb of the deposit.

Diabase forms thin dikes in pit exposures. These dikes commonly contain higher copper content than surrounding Quartz Monzonite. In the eastern part of the deposit, a Diabase sill lies at the top of the ore. Diabase west of the Gold Gulch fault is mineralized by pyrite and chalcopyrite veins with abundant magnetite near mineralized Granite Porphyry.

Mapping the regional Pinto Valley tenement has identified a number of new mineral occurrences. Copper mineralization was observed at a number of contacts between two genetically different granitic bodies. Surface

exposure of porphyry breccia systems were also found bearing pyrite and chalcopyrite in a jarosite-dominated oxide precipitate. These sites were analyzed with field portable TerraSpec which detected dickite, indicating hydrothermal alteration. A number of massive magnetite/hematite seams bearing manganese, pyrite, and copper were mapped in skarn contacts around the fringe of limestone bodies. A skarn occurrence was found in contact with an intrusive Diabase unit bearing a stockwork of sulphide-rich "D" veins. Also a number of old workings were found throughout the area, testing a range of copper-bearing geological settings, such as porphyry stock, pegmatitic intrusive, mineralized skarn, intrusive contact, and oxide occurrence under tertiary cover.

Exploration

Surface mapping has been the main source of additional data throughout the identification phase for Pinto Valley 2 (PV2). Two campaigns were conducted on separate occasions to improve both the geotechnical and geometallurgical knowledge of the deposit. All work stated in this section was performed by or on behalf of BHP Copper. The surface mapping for geotechnical information focused primarily on the bedding planes, major structures, and overall geological strength index. Various ore-types were confirmed using surface mapping and by reviewing core logs. Alteration zones and ore-types were identified in the pit wall and correlated against core samples taken in previous drill campaigns.

Descriptions from the core logs were used to plot the correlation between rock type and alteration zone. The primary ore-types were narrowed down to Ruin Granite, Quartz Monzonite, and Diabase. These ore-types are based on relative abundance, gangue mineralogy, copper grade, alteration, and the potential impact on overall production (recovery, throughput, and consumption of reagents/energy).

During the brownfield surface mapping campaign in the Pinto Valley district a number of new copper mineralization occurrences were identified. Three principle target zones are presented below:

- *Kozi Prospect*
 - Mapped over the Ruin Granite, southeast of the pit
 - Reflected-light thin section of the rock shows a brecciated texture evidence of hydrothermal alteration, relict sulphide boxwork, and some pyrite grains
 - Chemical assay reports for samples taken from this area indicate > 1% Cu
- *Bondi Prospect*
 - Related to the Dripping Spring Quartzite, and some zone with hornfels of biotite-magnetite outcrop as a 90-metre high cliff face and narrow gully incised by active creek systems
 - Near the tails facility
 - Area warrants further review to identify the source of copper oxide precipitate
 - Difficult to state the copper sources due to the oxidation observed in the quartzites
 - The state is structurally complex and partially covered by post-mineral cover
- *Mati Prospect*
 - Mapped limestone sequences 250 m northeast of the pit
 - Copper sulphides related to magnetite replacement suggest a tertiary intrusion origin
 - Skarnification zone with prograde stage development of pyroxene and wollastonite and retrograde stage of epidote

Two other small zones containing copper oxide were identified; one is an old copper mine near the Carlotta mine cross road in the southwest boundary of Pinto Valley, the other is an outcrop of Apache Leap Tuff related to a small paleochannel in an active creek.

The Company will be assessing the results of this historical exploration activity and the potential impact on the development of the mining operations and future exploration efforts.

Mineralization

The hydrothermal ore deposits in the district comprise vein deposits and typical porphyry copper deposits. On the basis of predominant metals, the vein deposits can be further divided into copper veins, zinc-lead veins, zinc-lead-vanadium-molybdenum veins, manganese-zinc-lead-silver veins, gold-silver veins, and molybdenum veins (Peterson, 1962). The primary minerals of the porphyry copper deposits are chiefly pyrite and chalcopyrite with minor amounts of molybdenite; gold and silver are recovered as by-products. Sphalerite and galena occur locally in very small amounts. Silicate alteration associated with the deposits includes potassic, argillic, sericitic, and propylitic alterations.

The Pinto Valley is a hypogene orebody with chalcopyrite, pyrite, and minor molybdenite as the only significant primary sulphide minerals. It is the underlying protore of the chalcocite-enriched Castle Dome deposit exhausted in 1953 (Peterson et al., 1951).

Primary sulphide ore minerals consist of pyrite, chalcopyrite, and minor molybdenite that occur in veins and microfractures, and less abundantly as disseminated grains predominantly in biotite sites. The ore zone grades outward into a pyritic zone with higher total sulphide content and the ore zone grades inward toward the low-grade core which has lower total sulphides. Molybdenum distribution generally reflects copper distribution, with higher molybdenum values usually found in the higher-grade copper zones.

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

The shell has the appearance of a hook in plan view and mimics the pit outline. Rock located south of the ore has decreasing sulphide content and numerous barren quartz veins. This area has been interpreted as a low-grade core, and this low-grade zone corresponds spatially with the Granite Porphyry, which is seen as a poor lithologic host for ore-grade mineralization elsewhere in the deposit. Rock located north of ore has progressively more abundant, late-stage quartz-pyrite-sericite veins.

The deposit is bound by post-mineral faults. The South Hill fault is on the south side, the Jewel Hill fault is on the east side, and the Gold Gulch fault is on the west side. Minor post mineral normal displacement has taken place on the Dome fault, a pre-mineral structure that strikes north-easterly across the north limb of the deposit.

Diabase forms thin dikes in pit exposures. These dikes commonly contain higher copper content than surrounding Quartz Monzonite. In the eastern part of the deposit, a Diabase sill lies at the top of the ore. Diabase west of the Gold Gulch fault is mineralized by pyrite and chalcopyrite veins with abundant magnetite near mineralized Granite Porphyry.

Drilling

The pre-2006 Pinto Valley drilling programs comprised a combination of core, rotary, and churn drill holes. Drilling documentation was limited to BHP Copper internal reports, and there were no listings for vintage data, methods used, or pre-2010 drilling procedures, other than those found in the internal reports. Churn holes defined much of the early Castle Dome reserve, which has been mined out. Post-Castle Dome holes were drilled on an original spacing of 400 ft east-west and 200 ft north-south. Later, drilling was done to infill the original grid to 200 ft spacing in some areas. Drilling that has occurred since the 1986 block model was constructed includes 10 core holes and 3 reverse circulation rotary holes drilled in 1992. From the beginning of 1996 to April 1997, 67 reverse circulation exploration and infill holes were drilled: 48 RC holes (AD and NR-Series totalling 29,665 ft) drilled in 1996, and 19 RC holes (WW and 97-Series totalling 8,520 ft) drilled during 1997. The WW and 97-Series were drilled in the interior pit and through the Gold Gulch and Continental faults. Seven of the exploration holes were drilled east of the existing pit and laid the ground work for future plans of an east pit expansion, known as the Satellite Pit.

The current Pinto Valley drill hole database contains a significant amount of drilling that defined the grades in the block model that have been mined out, especially as they relate to the Castle Dome mining activity.

All drill hole collar locations were surveyed. The majority of the drill holes are vertical and, therefore, do not have downhole surveys. However, a majority of the inclined holes do have downhole surveys.

From 2006 through 2008, there have been various drilling campaigns with mixed purpose: delineation, exploration, geotechnical, and resource classification upgrade drilling. These include 18 G-Series geotechnical holes, 11 HW-Series holes in 2007, 17 PZ-Series holes drilled in 2008, 17 S-Series holes drilled in 2008, 24 B-Series holes drilled in 2008, and 4 DH-Series holes drilled in 2008.

The most current drilling occurred in 2010 which focused on exploration, and in 2011 and 2012 which focused on infill drilling for resource classification upgrade in support of restarting operations. Ten holes were drilled in 2010, 40 holes were drilled in 2011, and 64 holes were drilled in 2012.

Sampling and Analysis

Once drilling is completed, the core is transported to the core handling facility. Here it is placed in wax-covered core boxes with depth markers for every drill run of up to 10 ft. QuickLogs are done at core reception which includes initial lithology and a visual estimation of mineralization and alteration, particularly biotite content. The mine is set up on a bar code system for ease of handling and to track the core and samples. There is a triple bar code tag: the first tag is for the half core that remains in the box, the second tag is for the split that is sent to the lab for analysis, and the third tag is for the coarse duplicate and is used to tag the pulps and rejects. The core is logged for geology and split by saw at one of two stations.

The QuickLog data and the detailed logs are entered into an acQuire® relational database system which also records the collar, survey, assay, lithology, alteration, mineralization, and geotechnical (RQD) data. This data is tagged and tracked using the bar codes, and all subsequent assay information provided by the laboratory, including the QA/QC data, is linked to the database. The system is secured by BHP using protocols and procedures which appear to be extremely stringent. A dispatch report is created which is then sent to the laboratory and subsequently matched against the shipments. Deviations and discrepancies are reported and investigated. Any updated assay data from the laboratory is linked to the bar code system and relayed to the company electronically via Excel® CSV files and imported into acQuire® automatically. The data is imported into MineSight for the purpose of resource estimation.

A number of different companies and laboratories have provided assay services to Pinto Valley over the years. Details of sampling and assaying procedures used during the earlier stages of operation are not readily available. Procedures used by outside labs that ran assays for some of the later drilling campaigns, such as those performed by Mountain States for the RC holes and Chemex for the AD holes, are also not readily available. The analytical procedures currently in place at Pinto Valley are in line with industry standards for total copper, but procedures are BHP-specific with respect to acid soluble copper (i.e., digestion with 10% sulphuric acid, placed in a hot bath at 40 degrees Celsius, and read after 40 minutes).

Samples were assayed for total copper and acid soluble copper. Composites representing 30-50 ft of the sample rejects were made and these composites were assayed for total copper, oxide copper, molybdenum, sulphur, and trace metals of gold and silver. Comparisons were made between the total copper and acid soluble copper assays from the original assay intervals and the composite intervals.

Independent audits of the Pinto Valley assays were conducted in 1992 and 2000. Results were as follows:

- assay values in the Pinto Valley database have been reliably entered;
- total copper assays in the Pinto Valley database are reproducible and can be considered representative within normally-accepted limits of error;
- total copper assays in holes below the current pit base can also be considered representative within normally-accepted limits of error, except in the deeper parts of some RC holes where they may be low-

biased. However, using these assays to estimate grades in the model is acceptable because they will tend to provide a conservative rather than an overly optimistic estimation of grades;

- acid soluble assays in the Pinto Valley database vary considerably depending on the drilling campaign and;
- reserves, resources, and production at Pinto Valley are reported as sulphide copper, which is calculated by subtracting acid soluble copper from total copper. Because biases exist in the acid soluble copper assays, this procedure generates sulphide copper values that are biased relative to each other as a function of the drilling campaign. However, sulphide copper values are only slightly lower than overall total copper values, so it can be reasonably assumed that the sulphide copper values are also globally correct within normally-accepted limits of error.

As part of the start-up Feasibility Study done in 2006, a QA/QC program was conducted on 101 randomly selected drill hole assay interval pulp samples and 15 randomly selected core assay intervals. Samples were sent to Skyline Assayers and Laboratories (Skyline Labs) in Tucson, Arizona to be analysed for total copper and acid soluble copper. Skyline Labs was instructed to analyse the samples for acid soluble copper using BHP lab procedures. Before the lab processed these samples, BHP provided instructions for the pulp sample analytical procedures and also provided a sequential pulp sample list. Included in this QA/QC program for the Feasibility Study were seven sets of a known National Institute of Standards and Technology (NIST) standard pulps: Copper Ore Mill Heads standard at 0.84% Total Copper, and a Copper Mill Tails standard at 0.091% Total Copper. These known standard sets were inserted in sequential order for analysis preceding the 15th pulp sample in the analytical run. All relative precisions are discussed at a 95% confidence level (estimated using the Student's T-distribution).

The author of the Pinto Valley Report, Garth Kirkham, visited the property on May 14, 2013. While there he inspected the core logging facilities, offices, outcrops, historic drill collars, core stage facilities, core receiving area, core sawing stations, and a tour of the major centres and surrounding towns that are affected by the mining operation. His overall impression was that of a clean, well-organized and professional environment.

The author randomly selected four complete drill holes from the database and laid the core out at the core storage area. Site staff supplied the logs and assay sheets so the author could verify the core and logged intervals. The data correlated with the physical core and no issues were identified. In addition, the author toured the complete core storage facility, pulling and reviewing core throughout the tour. No issues were identified and recoveries appeared to be very good to excellent.

The author is confident that the data and results are valid based on the site visit and inspection of all aspects of the project; this confidence extends to the methods and procedures used. It is the opinion of the independent author that all work, procedures, and results have adhered to best practices and industry standards required by NI 43-101. The author also visited Skyline Labs and deemed the labs operations as very professional as is expected from a widely-used North American laboratory facility.

Mineral Resource and Mineral Reserve Estimates

The mineral resource estimate for Pinto Valley mineralization was completed by independent consultant Garth Kirkham, P.Geo., of Kirkham Geosystems using accepted industry standards that conform to NI 43-101 requirements. The mineral resource estimation was completed as of February 28, 2013 and restated based on open pit production conducted through December 31, 2013.

The mineral resource estimate for Pinto Valley uses a 0.25% copper cut-off grade. The cut-off grade is considered appropriate given the type of deposit and mining method employed at the mine site.

Estimated Mineral Resource for Pinto Valley as of December 31*

Classification	Tonnes (Mt)	Copper (%)	Molybdenum (%)	Contained Copper (M lbs)	Contained Molybdenum (M lbs)
Measured (M)	386	0.38	0.01	3,257	83
Indicated (I)	534	0.33	0.01	3,843	88
Total (M+I)	920	0.35	0.01	7,100	172
Inferred	34	0.31	0.01	228	5

**Note 1 Mineral resources are not mineral reserves and do not have demonstrated economic viability*

2 Mineral resources reported above a 0.25% Cu cut-off grade

3 Figures may not tally due to rounding

The Pinto Valley Mine has no declared mineral reserve estimates as defined in the CIM “Estimation of Mineral Resource and Mineral Reserves Best Practices” guidelines. All previous mineral reserve estimates for Pinto Valley are considered to be historical in nature. Capstone intends to complete an independent NI 43-101 technical report in 2014 that will include mineral reserves as defined in the CIM “Estimation of Mineral Resource and Mineral Reserves Best Practices” guidelines.

Reconciliation

Reconciliation was conducted to determine the accuracy of the block model when compared to the mine reported production. Surveys were utilized to determine the volume of material mined from the block model and these tonnages were further reconciled with mine production results. The surveys were taken on October 11, 2013 and December 31, 2013 to reflect the time period that Capstone has owned Pinto Valley Mine. The results indicate there were nominal variances between the mine reported and block model reconciliation. Reconciliation was also conducted between the mine and mill reported production. The results indicate nominal variance in that review.

Mining Operations

Capstone Mining Corp. acquired the Pinto Valley copper mine from BHP Copper Inc., a subsidiary of BHP Billiton Ltd. on October 11, 2013. The restart of the Pinto Valley Mine, which commenced in December 2012, is continuing with a targeted mill rate of 50,800 tonnes per day and annualized production of 130 million to 150 million pounds of copper per year.

Operations at Pinto Valley are established; processing facilities, shops, fuel bays, and other support functions are all operational. Ramping-up capacities while further stabilizing these operations are both critical measures for the success of the mining operation. The main risks to the mine plan are related to pit slope stability, and these will be mitigated through ongoing and active observations with ground and radar monitoring applications. The mine configuration, infrastructure, and site logistics required to mine the exposed ore in the pit are the same as they were under previous operations.

The mining is executed as an owner/operator operation with a truck/loader fleet. The overall dimensions of the mine’s mineral deposit, including already extracted ore, measures 7,500×3,500×1,600 ft (~2,300×1,050×500 m), elongating in an east-northeast direction. The ore body outcrops at the bottom of the current mine surface.

The strip ratio (waste: ore) in 2013 was very low at 0.002:1 as mining operations focused on mining the bottom of the pit. An average tonnage factor (dry basis) of 2.5 tonnes per cubic metre is used for planning and reporting purposes, established through reconciliation of plant feed and confirmed by wet and dry weight analysis of whole core. The mill ore cut-off is variable, nominally set at 0.25% TCu. Stockpile (leach) material-grade cut-off ranges from 0.10% to 0.20% TCu. Material between 0.20% and 0.25% will be stockpiled for future processing.

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

- Corporate Taxes – the combined US Federal and Arizona state corporate income tax is calculated at a blended 39.53% rate applied on taxable income. The Alternative Minimum Tax (“AMT”) is calculated at a 20% rate applied on an adjusted amount of taxable income. A taxpayer pays the higher amount of regular Federal income tax and the AMT. If AMT is paid, it may generally be used as a credit against regular tax in future years to the extent regular tax is greater than AMT.
- The Arizona state severance tax on metalliferous minerals is charged at a 2.5% rate on 50% of the difference between the gross value of production and production costs.
- Gila County property taxes are administered by the Arizona Department of Revenue.

3.4 Cozamin Mine (Mexico)

The Cozamin Mine is the subject of a report titled “Technical Report, Cozamin Mine, Zacatecas, Mexico” dated March 31, 2009 (the “Cozamin Report”). This technical report was compiled by SRK Consulting (Canada) Inc. and written by Robert Sim, P.Geo., Jenna Hardy, P.Geo., Jeff Woods, CP and Gordon Doerksen, P.Eng., each a Qualified Person as defined in NI 43-101. The description of the Cozamin Mine in this document is based on assumptions, qualifications and procedures which are set out only in the full Cozamin Report. Reference should be made to the full text of this report, which is available in its entirety on SEDAR at www.sedar.com under the Company's profile.

All scientific and technical information in this summary relating to any updates to the Cozamin Mine since the date of the Cozamin Report, other than the mineral resource and mineral reserve estimates, has been reviewed and approved by Qualified Persons who supervised the preparation of updates to elements of the Cozamin Report. These Qualified Persons include those listed in Item 15 of this Annual Information Form.

Project Description and Location

The Cozamin poly-metallic base metal mine is located in the Morelos Municipality of the Zacatecas Mining District near the south-eastern boundary of the Sierra Madre Occidental Physiographic Province in North-central Mexico. The mine and processing facilities are located near coordinates 22° 48' N latitude and 102° 35' W longitude on 1:250,000 Zacatecas topographic map sheet (F13-6). The Cozamin property currently consists of 40 mining concessions covering approximately 3,389 hectares.

Capstone acquired the project in January 2004. The project is 100% owned by Capstone, subject to a 3% net smelter royalty payable to Grupo Bacis S.A. de C.V. (“Bacis”), a Mexican resource company. The Cozamin property requires land rental and government fee payments on the mining concessions. In January 2011, taxes totalled MX\$87,544 and in July 2011, the taxes totalled MX\$142,766. In January 2012, the taxes totalled MX\$189,327, and in July 2012, the taxes totalled MX\$195,791. In January 2013, the taxes totalled MX\$221,796.

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

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

An environmental impact assessment, known in Mexico as a “Manifestacion de Impacto Ambiental”, identified acid rock drainage and metal leaching as potential concerns manageable with appropriate mitigation measures that have been implemented. An environmental management and monitoring program is currently underway and will be ongoing for the life of mine. Data collected are being used to define an operational environmental management and monitoring program, which will include appropriate environmental management and mitigation plans based on the principle of continuous improvement. These will be reviewed and revised as necessary, on at least an annual basis, with results reported as required to Mexican regulators.

Other issues of environmental concern relate to potential impacts comparable to those in underground mines of similar size with flotation tailings impoundments. These include: dust, tailings handling/management, storm water diversion, combustibles and reagent management/handling, waste management and disposal and noise. Work to date indicates that environmental impacts are manageable. As part of this management process and best practices, on April 2011 the company was awarded the Clean Industry Certification from Mexico’s Federal Attorney for Environmental Protection (Procuraduría Federal de Protección al Ambiente or PROFEPA).

Prior to Capstone’s involvement in the Cozamin Mine, several environmental studies had been completed by previous owners and the San Roberto mine had been permitted to operate at 750 tpd. Capstone formally received its operating permit on October 20, 2006. This is known in Mexico as a Licencia Única Ambiental (“LUA”). A LUA for the tonnage expansion to 2,600 tpd was received on March 25, 2008. On January 19, 2009, application was made to modify the LUA for the tonnage expansion to 3,000 tpd, which was granted in May of that year. In January of 2011, further application was made to increase the permitted throughput from 3,000 tpd to 4,000 tpd, which was granted in November of 2011.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Cozamin Mine is located 3.5 km to the NNE of the city of Zacatecas, the Zacatecas state capital. The municipality of Zacatecas has a population of approximately 130,000 people. Other communities in the immediate vicinity of the project include the following: Hacienda Nueva (3 km W), Morelos (5 km NW) and Veta Grande (5 km N). The Cozamin Mine is accessible via paved roads to the project area boundary where good, all-weather roads provide access to the mine and most of the surrounding area. The project area falls within the Hacienda Nueva and La Pimienta Ejido concessions.

The Cozamin Mine has excellent surrounding infrastructure including schools, hospitals, railroads, and electrical power. The Company has access to a power line and substation that allows the Company to draw up to 7.5 MW from the national power grid. Generators (both operating and back-up) on site have a capacity of 2.0 MW. The ultimate capacity of the current tailings pond at the Cozamin Mine is an additional 9.5 M tonnes. Permits are not currently issued for all of these additional raises to the tailing facility. There is an adequate source of personnel that avoids the necessity of “expat” employees.

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

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

History

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

During the Mexican Revolution (1910-1917), mining was essentially halted with flooding and cave-ins limiting access. From 1972, Consejo de Recursos Minerales ("CRM") worked mines in the El Bote, La Purisima and La Valencia zones. Historic production from the Zacatecas district is estimated by the CRM (1992) to be 750 million ounces of silver from 20 million tonnes grading over 900 g/t Ag and approximately 2.5 g/t Au. Lead, zinc and copper have also been recovered but the production and grades were not estimated.

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

In October 1996, Zaniewicki sold Cozamin for \$6.8M to Minera Argenta, a subsidiary of Bacis. Bacis expanded the mill to a 750 tpd flotation plant, and processed 250,000 tonnes of ore grading 1.2% Cu, 90 g/t Ag, 0.5 g/t Au, 1.8% Zn and 0.6% Pb from 1997 to the end of 1999. Bacis developed resources principally by drifting and raising on the Mala Noche vein within the San Roberto (Cozamin) mine. Diamond drilling was only used as an exploration tool to identify areas with mineralization peripheral to the developed mine workings. At the end of 1999, Bacis had historic (not 43-101 compliant) resources at San Roberto in all categories that totalled about 6 million tonnes grading about 1% Cu, 0.9% Pb, 3.2% Zn and silver in the range of 85 g/t to 105 g/t.

In 1999, Bacis closed the mine. The principal factors that resulted in the mine closure were low metal prices and under capitalization. Capstone then commenced field work in March 2004 and surface drilling one month later.

In November 2004, the mine was dewatered and exploration drilling continued from underground. The hoist, shaft and mine infrastructure were sufficiently rehabilitated in January and February 2005 to allow for the development of the first cross cuts for underground drilling which commenced in March 2005. Initial metallurgical studies by SGS Lakefield and PRA were received in January and a feasibility report for the project was completed in February 2006. The first phase of underground drilling was completed in April, 2006.

An independent study of geological resources at Cozamin was completed in October 2005 and a second resource estimate study was completed in June 2006. The mine and plant were commissioned in July 2006 and quickly reached an average daily production rate of 1,000 t/d. Mine and plant capacity was then doubled by July 2007. Daily production at Cozamin was increased to 3,000 t/d in late 2008 and maintained at just above that level to 2012 (3,200 t/d).

Geological Setting

The Zacatecas Mining District covers a belt of epithermal and mesothermal vein deposits that contain silver, gold and base metals (copper, lead and zinc). The district is in the Southern Sierra Madre Occidental Physiographic Province near the boundary with the Mesa Central Physiographic Province in North-central Mexico. The dominant structural features that localize mineralization are presumed to be of Tertiary Age, and are interpreted to be related to the development of a volcanic centre and to northerly trending basin-and-range structures.

The Zacatecas Mining District occurs in a structurally complex setting, associated with siliceous subvolcanic and volcanic rocks underlain by sedimentary and meta-sedimentary rocks. The geologic units of the Zacatecas area include Triassic metamorphic rocks of the Zacatecas Formation and overlying basic volcanic rocks of the Upper Jurassic or Lower Cretaceous Chilitos Formation. The Tertiary rocks consists mainly of a Red Conglomerate unit deposited in

Paleocene and/or Eocene times, and overlying rhyolitic tuff and intercalated flows that were deposited from Eocene to Oligocene times. Some Tertiary rhyolite bodies cut the Mesozoic and Tertiary units and formed flow domes.

The Zacatecas Formation, a marine Upper Triassic unit, consists of sericite schists, phyllites, slates, quartzites, metasandstone, flint, metaconglomerate and recrystallized limestone and represents the oldest rocks in the district.

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

In the underground workings at Cozamin, the Mala Noche vein has been shown to occupy a system of anastomosing faults that is principally comprised of the Mala Noche and Elabra faults along with other less significant faults. Although not all of the fault system is mineralized at any given location, there have been no other significant mineralized fault zones discovered to date.

The Mala Noche is the principal fault associated with mineralization at Cozamin. In the San Roberto Mine, the Mala Noche strikes WNW (N70-80W) and the dip varies from 38° to 90° to the north. There is a clear association of higher copper grades with steeper dips of the Mala Noche fault. Where the Mala Noche is weakly mineralized, it appears that the principal alteration in this fault is mostly quartz-pyrite.

Exploration

In 2004, Capstone decided to drill test the Mala Noche vein beneath the historic workings of the San Roberto mine. The initial three drill sections, comprised of two drill holes each, all intersected significant economic mineralization over true widths varying from 3.2 m to 14.9 m. These three drill sections were distributed over 550 m of strike extent beneath the historic workings. At that point, Capstone decided to drill single hole sections every 100 m beneath the San Roberto workings. These holes targeted the Mala Noche vein at approximately 2,150 masl which is 65 m below the historic workings. This strategy resulted in the first 20 exploration holes being distributed over a strike length of 1.4 km. Of these first 20 drill holes, 17 intersected significant mineralization that averaged 6.64 m in true width and had weighted grade averages of 2.61% Cu, 91.25 g/t Ag and 1.38% Zn.

These significantly higher copper grades and undiminished silver grades are associated with significant amounts of pyrrhotite. This reinforced the Company's conviction that the historic workings at San Roberto are located just above the upper reaches of a large copper-silver mineralized system of mesothermal character. Subsequent exploration drilling showed that the copper-silver dominant phase of mineralization extends below 1,865 masl which is 350 m below the historic workings.

As at the date of the Cozamin Report, nine exploration phases have been completed by Capstone on the Cozamin Mine:

- *Phase I*
 - Budget \$1M (undertaken March 2004 - August 2004).
 - Mapped 5.5 km of the surface trend of the Mala Noche vein system.
 - Completed CSAMT (8 line kilometres) and NSAMT (16 line kilometres) with magnetic survey (26 line kilometres) over the Mala Noche vein system (Zonge Engineering and Research Organization).
 - Completed a 7,484.44 m surface NQ-diameter diamond drill program (holes CG-04-01 to CG-04-19).
 - Completed an independent review (Hawthorne, 2004) of the existing plant and mill to determine cost of rehabilitation and expansion.
- *Phase II*
 - Budget \$2.5M (undertaken September 2004 - March 2005).
 - Further evaluation of geophysical results.

- Completed a 10,483.27 m surface NQ-diameter diamond drill program (holes CG-04-20 to CG-04-37) that mainly tested the Mala Noche vein at elevations between the 1,900 m and 2,050 m level below old workings in the San Roberto mine. Completion of preliminary metallurgical test by SGS Lakefield.
- *Phase III*
 - Budget \$4,537,500 (undertaken April 2005 - April 2006).
 - Metallurgical study completed by Process Research Associates Ltd.
 - Clifton Associates Ltd. of Guadalajara, Jalisco, Mexico and Nimbus. Management Ltd. of Vancouver submitted an environmental impact assessment (MIA), an impact study for land use (ETJ) and a risk assessment (ER) to the Mexican federal regulatory agency in charge of environmental issues.
 - Completed a 17,687.70 m underground definition NQ-diameter diamond drill program (holes CG-U01 to CG-U114).
 - Initial resource estimate prepared in October 2005 by Giroux Consultants Ltd. based on the 37 surface drill holes, 66 underground drill holes and 48 underground channel samples.
 - Feasibility study completed in March 2006 by RJR Mineral Services.
 - Updated resource prepared in July 2006 by Giroux Consultants Ltd. incorporating assay results from all surface and underground diamond drill holes, and 768 additional channel samples from the initial 2005 estimate.
- *Phase IV and V*
 - Combined budget \$6M (undertaken October 2006 - July 2007).
 - Completed a 4,824.56 m surface PQ/NQ-diameter diamond drill program (holes CG-06-38 to CG-06-39 and CG-07-40 to CG-07-42) that tested the Mala Noche vein at elevations between approximately 600-700 m below surface of the San Roberto mine.
 - Completed a 21,441.10 m underground NQ-diameter diamond drill program (holes CG-06-U115 to CG-06-U124, and CG-07-U125 to CG-07-U183). These holes were designed to infill and extend the 2006 estimated resources.
- *Phase VI*
 - Combined budget \$5M (undertaken November 2007 – December 2008).
 - Completed 30,430 m of HQ diameter diamond drilling from surface (holes CG-08-43 to CG-08- 150).
 - Completed 9,000 m of NQ diameter diamond drilling from underground (holes CG-07-U184 to CG-08-U217 and also some prior holes were extended).
- *Phase VII*
 - Combined budget \$3.5M (undertaken January 2010 – December 2010) No drilling was completed during 2009.
 - Completed 1,567 m of underground drilling (holes UGIN-14 to UGIN-35) to test for Mala Noche Footwall Zone, a splay off of the Mala Noche Vein on the footwall side of the main mineralized structure (“MNFWZ”) and San Ernesto vein.
 - Completed 10,342 m of underground drilling at MNFWZ (holes CG-10-U218 to CG-10-U249)
 - Completed 4,519 m of surface drilling (holes CG-10-S151 to CG-10-S158).
- *Phase VIII*
 - Combined budget \$7.9M (undertaken January 2011 – December 2011).
 - Completed 22,286 m of underground drilling (holes CG-11-U250U to CG-11-U293) targeting MNFWZ.
 - Completed 20,330 m of surface drilling (holes CG-11-S159 to CG-11-S180) for new exploration targets.
- *Phase IX*
 - Combined budget \$6.5M (undertaken January 2012 – November 2012).
 - Completed 27,083 m of underground drilling (holes CG-12-U293 to CG-12-U340) targeting MNFWZ.
 - Completed 5,056 m of surface drilling (holes CG-12-S181 to CG-12-S185) for new exploration targets.
- *Phase X*
 - Budget of \$4.9M (undertaken January 2013 – December 2013)
 - Completed 19,836m of underground drilling (holes CG-13-U341 to CG-13-U373) targeting MNFWZ

From 2004 until later 2009 the Company focused exploration on the main Mala Noche Vein (“MNV”) system where underground drilling targeted areas in the San Roberto area that needed infill drilling to attain a higher level of confidence and a higher resource classification as steps to completing a mineral reserve estimate. A similar approach was taken with surface drilling, focusing on the San Rafael area of the Mala Noche system to the East of the San Roberto Mine.

In 2010, the Company discovered a new zone of high grade copper-silver mineralization called the Mala Noche Footwall Zone (“MNFWZ”). Located in a structure that splays at about 30° on the footwall side from the main mineralization, the MNFWZ is still being tested. The zone is more than 700 m long in the strike direction and locally between 200-500 m in the dip direction and is still open to the east and down dip. The structure is also open locally up dip but it appears to be transitioning to more zinc dominated mineralization and thus presents a lower value target in that direction. In the west the MNFWZ merges with the MNV and is considered largely closed in that area.

The MNFWZ is a significant exploration target and was the biggest driver for the 2011 and 2012 exploration programs; infill and step-out drilling at MNFWZ continued in 2013. Because the MNFWZ splays obliquely from the MNV, where it is being mined, and in close proximity to the main haulage ways of the Cozamin Mine, it presented an attractive exploration target that could transition readily into the development stage. In 2011, two cross-cuts were driven from the producing mine into the MNFWZ on two different levels and two drifts were driven east and west for 38 m and 310 m respectively on level 12.8 and 133 m and 235 m also east and west respectively on level 12. By December 31, 2011 more than 60,000 tonnes of development ore at a grade of 2% copper was mined from this drift, opening up the structure for mapping continuity of grade and providing material for metallurgical testing. By December 31, 2012 the MNFWZ was further developed on sub-levels 12.5, 13.2 and 12.8 with back cuts in levels 12W, 12.5 and 12.8 producing a total of 107,356 tonnes at a grade of 1.93% copper. By December 31, 2013 the production in MNFWZ was 172,877 tonnes at grade of 1.95% copper in 12.5 long hole stope, L12, 12.8, L13,13.2, 13.5, 13.8, 14.5 and 14.8 stopes.

Mineralization

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

This transition from epithermal zinc dominant mineralization to copper-dominant mesothermal mineralization is thought to be the result of an evolving, telescoping hydrothermal system that was epithermal in its early stages and became mesothermal as the hydrothermal migrated upwards. Chalcopyrite-pyrite-pyrrhotite mineralization can be seen to cut earlier sphalerite-galena-pyrite mineralization in drill core and workings. Zones of massive pyrrhotite along with apparent retrograded calcsilicates suggest mineral deposition in a mesothermal environment that was superimposed on epithermal alteration and mineralization. This telescoping hydrothermal system is closely associated with the district’s largest center of rhyolite flow domes that may be the upward expression of a felsic stock.

The dominant mineralized vein on the Cozamin Mine is the Mala Noche. This vein has been traced for 5.5 km on surface on the property. It strikes approximately east-west and dips on average at 60° to the North. There are at least 18 shafts that provide access to the historical workings at Cozamin. The largest of these is the San Roberto mine which has a strike length of 1.4 km. Mineralization peripheral to these workings was the principal target of Capstone’s exploration at Cozamin.

The Mala Noche vein system occupies a system of anastomosing faults. The mineralized bodies within the Mala Noche appear to be strongest where the disparate faults coalesce into a single fault zone. Results from the exploration and mine development to date indicate that some of the strongest mineralization in the San Roberto mine rakes to the west at approximately -50° within the vein. Post mineralization offsets of the Mala Noche vein are minimal and occur along high angle, normal faults that strike northeast.

Moderate propylitic wall rock alteration is generally limited to 3 m into the hanging wall and footwall. Gangue minerals in the Mala Noche vein consist of quartz, silica, calcite, chlorite, epidote and minor disseminated sericite.

The quartz occurs as coarse grained druse coarse crystalline masses, and a stockwork of quartz veinlets. Mineralization in the Mala Noche vein at the Cozamin Mine appears to have been episodic. Early epithermal mineralization and alteration (represented by sulphide pseudomorphs of carbonates and possibly barite and well-banded quartz veins and vug linings of quartz druse) have been overprinted by higher temperature pyrite-pyrrhotite-chalcopyrite dominant mineralization in a telescoped, intrusive related hydrothermal system. The Mala Noche vein in the San Roberto mine workings shows contained sulphides to occur as disseminations, bands and masses. Considering the limited exposure of the copper-silver phase of mineralization in the current depths of the mine workings, conclusions about mineralization styles at this point in time are preliminary.

Pyrite is the dominant vein sulphide and typically comprises approximately 15% of the Mala Noche vein in the San Roberto mine. It occurs as fine disseminations and veinlets, coarse crystalline replacements, and pseudomorphs of possible epithermal carbonates such as barite and calcite. Pyrrhotite is the second most common sulphide mineral but is present only in the intermediate and deeper levels of the San Roberto mine. It occurs as replacement masses, pseudomorphs of platy masses and acicular replacements probably after amphibole. Pyrrhotite commonly occurs as an envelope to, or intermixed with, strong chalcopyrite mineralization.

Chalcopyrite is the only copper sulphide recognized megascopically at the Cozamin Mine. Like pyrrhotite, it is more common at the intermediate and deeper levels of the mine. It occurs as disseminations, veinlets and replacement masses. These masses appear to be fractured and brecciated at intermediate levels in the mine.

Sphalerite is the dominant economic sulphide in the upper levels in the San Roberto mine. Most of the sphalerite is marmatitic. It occurs as disseminations and coarse crystalline masses and is commonly marginal to the chalcopyrite-dominant portion of the vein.

Galena is less common than sphalerite but is generally associated with it. Where it is abundant, it occurs as coarse crystalline replacement masses. Both coarse and fine crystalline masses of galena are argentiferous.

Arsenopyrite typically occurs as minor, microscopic inclusions in pyrite. Argentite is the most common silver mineral. It has been identified microscopically occurring as inclusions in chalcopyrite and pyrite. Assays indicate that silver is also probably present in sphalerite and galena.

Bismuth and silver selenides occur as inclusions predominantly in chalcopyrite and pyrite. The main gangue minerals are quartz and calcite with rhodochrosite, barite and gypsum also reported.

Drilling

In all, 178 surface and 226 underground exploration holes have been drilled at the Cozamin Mine in the period from April 2004 through November 2012 targeting the MNV, which is the cut off for the current mineral resource and mineral reserve estimates. From April 2004 through 2008, 59 surface holes have targeted San Rafael. Since 2010, 118 underground holes and 6 surface holes have targeted the MNFWZ. In 2013, 33 underground holes targeted the MNFWZ and intersected the MNV where possible. 124 holes from 2012 are included in the most recent mineral resource estimate; a mineral resource estimate including 2013 drilling is underway.

Drill holes are located using a total station TRIMBLE instrument, model S6. Down hole survey readings were recorded using either an Eastman Single Shot, FLEXIT SensIT or Reflex EZShot instrument. Survey readings are generally taken every 50-150 m for surface holes and every 50-100 m for underground holes. Survey results have been corrected for magnetic declination (+8°). Dip variations in surface holes are not more than 5.3°, with an average value of 1.1°. The maximum down hole dip variation in the underground holes is 15.4° with an average variation of 1.3°.

The Phase I and II surface exploration drill programs totalled 17,967.71 m of NQ-diameter diamond core in 37 holes that were drilled in 2004 and the first quarter of 2005. The Phase III underground definition drill program consisted of 114 holes that totalled 17,736.31 m of NQ-diameter diamond core that were drilled in 2005 and the first half of 2006.

Phases IV and V surface drilling commenced in October 2006 and was completed in April 2007. The five surface holes were drilled with PQ-diameter rods to approximately 300 m, reduced to HQ rods to about 700 m and then reduced again to NQ rods. A total of 4,824.5 m were drilled and 304 samples assayed copper, silver, lead, zinc and gold at ALS Chemex in Vancouver. Underground NQ-diameter drilling commenced in November 2006 and was completed in

July 2007. 69 holes were drilled for a total of 21,441.10 m, with 2,277 samples assayed for copper, silver, lead, zinc and gold at ALS Chemex in Vancouver.

Phase VI surface drilling commenced in January 2008 and was completed in October 2008. The 105 holes were drilled with HQ rods and, where necessary, reduced to NQ rods. A total of 29,642.90 m were drilled from surface and 4,497 samples assayed for copper, silver, lead, zinc and gold. Samples were prepared at ALS Chemex in Hermosillo Sonora, Mexico and assayed by ALS Chemex in Vancouver. Duplicate samples taken for QA/QC were sent to SGS Lakefield in Toronto. Underground NQ-diameter drilling commenced in November 2006 and was completed in July 2007. 69 holes were drilled for a total of 21,441.10 m. Assaying of 2,277 samples for copper, silver, lead, zinc and gold was carried out by ALS Chemex in Vancouver.

Phase VII both surface and underground drilling commenced in January 2010 and was completed in December 2010. The 4,519 m of surface drilling (holes CG-10-S151 to CG-10-S158) were drilled with HQ rods and, where necessary, reduced to NQ rods, 1,810 samples assayed for copper, silver, lead, zinc and gold. Samples were prepared at ALS Chemex in Hermosillo Sonora, Mexico and assayed by ALS Chemex in Vancouver. Duplicate samples taken for QA/QC were sent to SGS Lakefield in Toronto. Underground NQ-diameter drilling, 52 holes were drilled for a total of 11,909 m. Assaying of 5,032 samples for copper, silver, lead, zinc and gold was carried out by ALS Chemex in Vancouver.

Phase VIII surface and underground drilling commenced in January 2011 and was completed in December 2011. The 22,286 m of underground drilling (holes CG-11-U250 to CG-11-U293) targeting the MNFWZ were also drilled with NQ-diameter for a total of 43 holes, Assaying of 8,066 samples for copper, silver, lead, zinc and gold was carried out by ALS Chemex. The 20,330 m of surface drill holes were done through twenty-one holes with HQ rods and, where necessary, reduced to NQ rods. A total of 6,777 samples were assayed for copper, silver, lead, zinc and gold.

Phase IX underground drilling commenced in January 2012 and was completed in November 2012. The 27,083 m of underground drilling targeting the MNFWZ in 48 holes (holes CG-12-293 to CG-12-340) were drilled with HQ rods, and where necessary, reduced to NQ rods. Assaying of 5,660 samples for copper, silver, lead, zinc, and gold was carried out by ALS Chemex (2,337 samples) and the on-site laboratory (3,323 samples). The 5,056 m of surface drill holes were done through five holes with HQ rods, and, where necessary, reduced to NQ rods. Assaying of 440 samples for copper, silver, lead, zinc, and gold was carried out by ALS Chemex (107 samples) and the on-site laboratory (333 samples).

Phase X underground drilling commenced in January 2013 and was completed in December 2013. The 19,836 m of underground drilling targeting the MNFWZ/MNV in 33 holes (holes CG-13-341 to CG-13-373) were drilled with HQ rods, and where necessary, reduced to NQ rods. Assaying of 2,199 samples for copper, silver, lead, zinc, and gold was carried out by ALS Chemex (1,301 samples) and the on-site laboratory (898 samples).

Sampling and Analysis

Two sampling methods are presented in the Cozamin Report: drill core cutting and underground chip sampling.

Capstone employees are responsible for the all on-site sampling of drill core. Analysis of these samples is done at accredited outside laboratories. Channel samples are prepared by Capstone employees for analysis at the on-site laboratory. Duplicate quality control samples (coarse crush and pulp) are prepared by Capstone employees for analysis at an off-site laboratory. Blind samples comprised of standard reference material are included in the sample streams.

The sample interval for drill core cutting does not exceed 0.5 m in the vein and 2 m in the wallrock. Very high grade intervals are marked out and sampled separately from lower grade zones. Sample boundaries are based on mineral proportions and/or texture (e.g. massive versus disseminated). However, sample intervals are not less than 0.25 m in length.

As at the date of the Cozamin Report, samples are sent to ALS Chemex in Hermosillo for preparation. Upon receipt, samples are inspected for any irregularities. Samples are then dried, weighed, crushed. Two hundred and fifty grams is split and pulverized to at least 85% passing 75 microns. Reject material is retained at ALS Chemex in Hermosillo in a

cold storage facility. Prepared pulps are sent to ALS Chemex in Vancouver for primary analysis. Check sample pulps are sent to SGS in Toronto for analysis.

At ALS Chemex, gold and silver were analyzed by fire assay with a gravimetric finish using a 50 g charge. The detection range for this method is 0.05 ppm to 1,000 ppm Au and 5 ppm to 10,000 ppm Ag. Silver was also analyzed with copper, lead and zinc using a four-acid digest by inductively coupled plasma-atomic emission spectroscopy (ICP-AES). The detection ranges with this method are: 1 ppm to 1,500 ppm Ag and 0.001 ppm to 10,000 ppm for Cu, Pb and Zn. Samples with over limit lead results are re-analyzed using the CON02 method in which the sample undergoes a four acid digest producing a lead sulphate that undergoes titration for determination of the lead content. Two samples from Phase V had over limit results (23% to 27% lead). At their lead values, the tolerance level for reporting the grade with the titration method is $\pm 2.5\%$.

At SGS, gold is analyzed by fire assay with an atomic absorption finish using a 30 g charge. The detection range for this method was 5 ppb to 2,000 ppb. Silver was analyzed from a 2 g charge using a multi-acid digest with atomic absorption finish (0.3 g/t to 300 g/t Ag detection range). Over limit results were re-analyzed by fire assay with an atomic absorption finish using a 50 g charge. Copper, lead and zinc are analyzed by inductively coupled plasma-optical emission spectroscopy (ICP-OES) using a four acid digest. Detection limits are: 10 ppm to 10% for copper, 20 ppm to 10% for lead and 10 ppm to 10% for zinc. Over limit results are reanalyzed using the same method but with a sodium peroxide fusion. The over limit detection limit is 0.01% for each metal.

Blanks, standards and pulp duplicates were inserted into the series of underground drill core samples submitted for assay. Typically, standard and blank samples were placed at the start and finish of the mineralized interval within a hole. Approximately two sample intervals per hole were selected to have pulp duplicates prepared, and another two intervals per hole were selected for preparation of core duplicates. Additional quality control samples were inserted into the sequence as deemed necessary, e.g. a blank inserted in the sample sequence after a sample expected to have very high grade to monitor the quality of the assays.

With regard to underground channel sampling, chip samples up to 20 cm wide are collected along the marked sample line. The line number and sample interval are clearly entered in the sample book. Two stubs are placed in the sample bag by the sampler. The sample books are archived at the Cozamin Mine.

The underground channel samples were analyzed at both SGS Toronto (using the same methods as the drill core samples) and at the on-site lab at Cozamin prior to mid-2006. SGS Toronto was used as the primary laboratory and the site laboratory as a check. Pulp samples were analyzed on-site by fire assay with an atomic absorption finish for copper, silver, lead, zinc and iron. From mid-2006 the Cozamin site laboratory has been used as the primary laboratory and check samples sent to SGS in 2006 and ALS Chemex in 2007. The same methods described for the drill hole samples have been used for the underground check samples submitted to SGS and ALS Chemex.

Blanks, standards and pulp duplicates were inserted into the series of underground samples submitted for assay. Standard and blank samples are inserted into the sample sequence approximately 1 in 15 samples, and pulp duplicates every 20 samples. Additional quality control samples were inserted into the sequence as deemed necessary.

Although the author of the Cozamin Report has not visited the assay labs used to analyze Cozamin samples, they are reputable facilities which have been monitored using an appropriate QA/QC program. In the opinion of the author, the sample preparation, analysis and security practises follow accepted industry standards and the results demonstrate an acceptable level of analytical accuracy and precision. The results of the data verification indicate that the database is sound and reliable for the purposes of resource estimation.

Security of Samples

While at the on-site laboratory, only Capstone employees are allowed in the core shack when unsampled core is laid out waiting to be cut. No person other than the geologist responsible for logging is allowed to handle the core prior to sampling. The geologist takes great care to ensure that core is returned to the box in the same position and orientation from which it came. Visitors to the core shack must be accompanied by a Capstone employee. A minimum of ten consecutive samples are placed in order in a large sack. The sack is sealed with tape and by a numbered seal that prevents opening the sack without damaging the seal. The sample number series of the enclosed

samples are clearly written on the exterior of the sack. The batch number, the serial numbers of the seals and the corresponding sample number series are written on the transmittal form to be sent to the preparation laboratory.

Mineral Resource and Mineral Reserve Estimates

At year end 2012 update to the mineral resource estimate for San Roberto was completed by independent consultant Ali Shahkar, P.Eng, Principal Consultant of Lions Gate Geological Consulting Inc. (“LGGC”), using accepted industry standard methods conforming to NI 43-101 requirements. The Mineral Resource estimates for the end of 2013 tabulated below exclude all mined out areas.

The original 2009 mineral resource estimate for the San Rafael deposit was completed by Capstone staff under the supervision of independent consultant Robert Sim, P.Geo., of SIM Geological Inc., using accepted industry standard methods that conform to NI 43-101 requirements. This block model was re-tabulated based on the current NSR formulae by independent consultant Ali Shahkar, P.Eng, Principal Consultant of LGGC. For the tabulation of the remaining Mineral Resources for the end of year 2012. There has been no mining activity in San Rafael in 2012 or 2013. As such, the Mineral Resource estimates for San Rafael tabulated below remained unchanged.

The mineral resource estimate for the MNFWZ deposit was prepared by independent consultant Ali Shahkar, P.Eng., Principal Consultant of LGGC, in February 2013, using accepted industry standard methods conforming to NI 43-101 requirements. This model was depleted for all mining activity to the end of 2013 to produce the remaining Mineral Resource estimates stated below.

In each case, estimated mineral resources exclude all historical (pre-Capstone) and Capstone underground production conducted through December 31, 2013. Mineral resources are constrained by the Capstone property boundary.

The Cozamin mineral resource estimates for the San Roberto and MNFWZ areas are reported in the following table above a \$35 per tonne cut-off.

Estimated Mineral Resource for San Roberto and MNFWZ areas as at December 31, 2013*

Classification	Tonnes (000s)	Copper (%)	Silver (g/t)	Zinc (%)	Pb (%)	Contained Cu (Mlb)	Contained Silver (koz)	Contained Zn (Mlb)	Contained Pb (Mlb)
Measured (M)	3,290	1.57	65	1.44	0.53	114	6,869	104	38
Indicated (I)	8,530	1.43	43	0.98	0.16	269	11,720	184	30
Total (M+I)	11,970	1.45	49	1.16	0.27	383	18,772	307	72
Inferred	3,340	1.39	36	0.91	0.10	103	3,853	67	7

*Note 1 Resources calculated for US\$35 NSR COG

2 Metal Price assumptions used to calculate the NSR COG for All Deposits are: Cu=\$2.50; Zn=\$0.80; Ag=\$20.00; Pb=\$0.85 (each in US Funds). Processing recoveries used to calculate the NSR COG for the San Roberto and MNFWZ Resource are based historical site operating experience reflecting recoveries of: Cu=92%; Zn=69%; Ag=72%; Pb=64%.

3 Figures may not tally due to rounding

The Cozamin mineral resource estimates for the San Rafael area is reported in the following table above a \$35 per tonne cut-off, which remain unchanged since 2012. There has been no mining activity or changes to the San Rafael model in 2013.

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Estimated Mineral Resource for San Rafael Zinc Deposit as at December 31, 2013*

Classification	Tonnes (000s)	Copper (%)	Silver (g/t)	Zinc (%)	Pb (%)	Contained Cu (Mlb)	Contained Silver (koz)	Contained Zn (Mlb)	Contained Pb (Mlb)
Measured (M)	-	-	-	-	-	-	-	-	-
Indicated (I)	1,150	0.33	49.3	3.64	0.49	8.4	1,822	92.4	13
Total (M+I)	1,150	0.33	49.3	3.64	0.49	8.4	1,822	92.4	13
Inferred	750	0.13	37.8	3.62	0.77	2.1	912	59.9	13

*Note 1 Resource calculated for US\$35 NSR COG

- 2 Metal Price assumptions (in USD) used to calculate the NSR COG for All Deposits are: Cu=\$2.50; Zn=\$0.80; Ag=\$20.00; Pb=\$0.85. Processing recoveries used to calculate the NSR COG for the San Rafael Resource are based historical site operating experience reflecting recoveries of: Cu=57%; Zn=79%; Ag=61%; Pb=56%.
- 3 Figures may not tally due to rounding

During 2013, extraction of the MNFWZ proven and probable reserves was advanced using a cut and fill and longhole mining method. During the year, detailed mine planning was completed to add mineral reserves to the MNFWZ based on the updated mineral resource estimation completed in March 2013. Stantec Consulting LLC of Tempe, Arizona supervised and reviewed the work completed by Cozamin. The MNFWZ mineral reserves stated below is based on the mineral reserves addition and the subsequent depletion due to the mineral extraction in 2013.

San Roberto mineral reserves have changed based on depletion due to mineral extraction in 2013. San Rafael Reserves remained the same during the year due to no mining activity in the area. The year end 2013 updated mineral reserve estimates for all Cozamin areas are shown in the table below:

Cozamin Mine Estimated Mineral Reserves as at December 31, 2013*

	Tonnage (000s)	Cu (%)	Ag (g/t)	Zn (%)	Pb (%)
San Roberto					
Proven	2,124	1.44	62.2	1.41	0.61
Probable	2,589	1.25	53.8	1.59	0.30
Subtotal San Roberto	4,713	1.34	57.6	1.51	0.44
Mala Noche Footwall					
Proven	248	1.86	40.7	0.35	0.03
Probable	4,216	1.67	31.8	0.23	0.01
Subtotal Mala Noche Footwall	4,464	1.68	32.4	0.24	0.01
Copper Zones					
Proven	2,372	1.48	60.0	1.30	0.55
Probable	6,805	1.51	40.2	0.75	0.12
Subtotal Copper Zones	9,177	1.51	45.3	0.89	0.23
San Rafael Zinc					
Probable	721	0.34	49.17	3.49	0.46
Subtotal San Rafael	721	0.34	49.17	3.49	0.46
Total Cozamin Mineral Reserves	9,898	1.42	45.58	1.08	0.25

*Note 1 Mineral reserve estimates are based on the use of metal prices of \$2.50 per pound copper, \$0.80 per pound zinc, \$0.85 per pound lead, and \$20.00 per ounce silver (each in US Funds).

- 2 Processing recoveries used to calculate the NSR COG for the San Roberto and MNFWZ Reserves are based historical site operating experience reflecting recoveries of: Cu=92%; Zn=69%; Ag=72%; Pb=64%. Processing recoveries used to calculate the NSR COG for the San Rafael Reserves are based historical site operating experience reflecting recoveries of: Cu=57%; Zn=79%; Ag=61%; Pb=56%.
- 3 Table does not include unprocessed stockpiled material.
- 4 Figures may not tally due to rounding
- 5 \$40 NSR COG used for mineral reserve calculation

Reserve Balance

The depletion and growth of the Cozamin mineral reserves are as follows:

Cozamin Mine 2013 Mineral Reserve Balance*

Classification	Opening Balance			Production Depletion			Stockpile Change			Engineering Change			Closing Balance		
	Tonnes (000's)	Grade (Cu %)	Pounds (000's)	Tonnes (000's)	Grade (Cu %)	Pounds (000's)	Tonnes (000's)	Grade (Cu %)	Pounds (000's)	Tonnes (000's)	Grade (Cu %)	Pounds (000's)	Tonnes (000's)	Grade (Cu %)	Pounds (000's)
Proven	2,773	1.52	92,917	(657)	1.93	(27,969)	-	-	-	257	2.21	12,478	2,372	1.48	77,426
Probable	5,548	1.38	169,301	(540)	1.93	(22,995)	-	-	-	2,518	1.55	86,038	7,526	1.40	232,344
Stockpile	12	1.89	483	(12)	1.89	(483)	14	0.87	263	-	-	-	14	0.87	263
Subtotal	8,333	1.43	262,701	(1,209)	1.93	(51,448)	14	0.87	263	2,775	1.61	98,517	9,912	1.42	310,033

*Note 1 Mineral reserve estimates are based on the use of metal prices of \$2.50 per pound copper, \$0.80 per pound zinc, \$0.85 per pound lead, and \$20.00 per ounce silver (each in US Funds).

2 Processing recoveries used to calculate the NSR COG for the San Roberto and MNFWZ Reserves are based historical site operating experience reflecting recoveries of: Cu=92%; Zn=69%; Ag=72%; Pb=64%. Processing recoveries used to calculate the NSR COG for the San Rafael Reserves are based historical site operating experience reflecting recoveries of: Cu=57%; Zn=79%; Ag=61%; Pb=56%.

3 Table does not include unprocessed stockpiled material.

4 Figures may not tally due to rounding

5 \$40 NSR COG used for mineral reserve calculation

The mineral reserve balance for Cozamin is summarized in the table above. During 2013, operations continued to extract mineralized material primarily in the copper zones. An engineering change occurred in 2013 to include new mineral reserves located in the MNFWZ. Stantec Consulting LLC of Tempe, Arizona supervised and reviewed the work completed by Cozamin.

Reconciliation

Reconciliation activities were conducted to determine the accuracy of the Mineral Reserve block model (model) to the mine reported production. The results indicate that although production tonnage matched model prediction, Cozamin produced more copper and silver than predicted by the model. Therefore, the copper and silver grades identified in the model are considered to be conservative and may understate respective contained metals. Block model parameters are under review to address this variance. There was a nominal variance in the 2013 mine and mill reconciliation for tonnage and grade.

Mining Operations

The Cozamin Mine commenced operation in June 2006 and since that time has maintained continuous production and has shown continual improvement. Since the start of operations, the mill has undergone numerous upgrades, expansions and operating optimizations. The mine has seen improved access, ventilation and an increase in its mobile equipment fleet. The ore is planned to be extracted using three mining methods: cut and fill using waste rock fill, longhole open stoping and Avoca - a hybrid of longhole and cut and fill methods. Each method has been assigned to individual mining blocks depending on the physical characteristics of the veins and its suitability to one of the above methods.

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

The mine extends for a strike length of over 1 km and mineral reserves extend to a depth of 700 m. Access to the underground workings is via two service and haulage ramps and a hoisting shaft.

The LOM plan production rate is 1.2 million tpy and is supported by the operating results of 2012 and 2013.

During 2013, a total of 81,351 dmt of copper concentrates, 2,205 dmt of lead concentrates and 16,928 dmt of zinc concentrates were shipped and recorded as revenue.

From January to December 2013, the mine processed a mill feed of 1,206,383 tonnes of ore grading 1.86% copper, 1.12% zinc, 0.19% lead and 61.0 g/t silver. The average production rate was approximately 3,305 tpd during that

period. The mine produced 45.52 million pounds of copper, 17.85 million pounds of zinc, 2.73 million pounds of lead and 1.68 million ounces of silver.

The Cozamin Mine's applicable taxes include the following:

- Corporate Taxes - the Mexican corporate income tax is at a 30% rate applied on net revenue (profit) after depreciation. The 2013 Mexican Tax Reform repealed the 17.5% IETU Tax (Impuesto Empresarial Tasa Unica) effective for Cozamin's 2014 taxation year.
- A value added tax is payable to the Mexican government. The amount paid in any given year is 100% refundable, and may be used to offset income tax.
- The 2013 Mexican Tax Reform introduced a 7.5% mining royalty. The royalty, effective January 1, 2014, will be applied on the positive difference between income arising from sales related to mining and the deductions permitted by the Income Tax Law, not including deductions on investments (except those involved in mining prospecting and exploration), interest payable and the annual inflation adjustment.
- Property taxes are approximately \$20,000 per year.

The payback period for the entire project capital spent to date was completed within the first two years of operation. The payback on all future capital spending will be almost immediate due to large cash flows and minimal capital expenditures planned.

The LOM plan currently has the mine being depleted of current reserves in 2021. There are several potential resource areas that may, if shown to be economic, add life to the mine but these are not yet at a stage where they can be classed as reserves. It must be noted that these mineral resources may not be found to present potential for economic extraction. The reader is cautioned not to assume that all or any part of mineral resources will ever be converted into reserves or mined, and it should further be understood that "inferred resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of mineral resources will ever be upgraded to a higher category.

The closure cost for the Cozamin Mine was re-estimated and updated in December 31, 2013, totalling \$9.1M at the end of operations including 5 years of post-closure monitoring.

Exploration and Development

The Mala Noche Footwall Zone continued to be the exploration driver in 2013. An in-fill drilling program completed in 2012 increased the indicated resource estimation in the latest Mineral Resource estimate. This material will be used in engineering studies aimed at increasing Mineral Reserves and as such represents a major upside opportunity at Cozamin for either increased mine life or increased throughput or some combination of both scenarios.

The majority of the 2013 exploration budget is aimed at converting some of these Inferred Resources to Indicated Class or better by infill drilling from underground. Further underground drilling is also needed to test down dip and along strike to the east from the current resource area where the MNFWZ deposit remains open to expansion possibilities. After the MNFWZ drilling program is complete, additional drilling will target the main MNV mineral resource/mineral reserve area in areas where the mineralization appears to be open.

3.5 Minto Mine (Yukon)

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

All scientific and technical information in this summary relating to any updates to the Minto Mine since the date of the Minto Report has been reviewed and approved by Qualified Persons who supervised the preparation of updates to elements of the Minto Report. These Qualified Persons include those listed in Item 15 of this Annual Information Form.

Project Description and Location

The Minto Mine is located in the Whitehorse Mining District in the central Yukon. The property is located approximately 240 km northwest of Whitehorse, Yukon's capital. The project consists of 164 quartz claims covering an area of approximately 2,760 ha.

The project is roughly centred on NAD 83, UTM Zone 8 coordinates 6,945,000 mN, 385,000 mE. The mine is located on the west side of the Yukon River on Selkirk First Nation ("SFN") Category A settlement land (SFN Parcel R-6A).

The 100% registered owner of the 164 claims is Minto Explorations Ltd. ("MintoEx"), a 100% owned subsidiary of the Company. The status of the claims has been recently confirmed with the Mining Recorder, as having expiry dates ranging between March 1, 2017 and October 7, 2028. The lease, but not the claim boundaries, has been surveyed by an authorized Canada Lands Surveyor in accordance with instructions from the Surveyor General.

There are no known back-in rights, payments or other agreements or encumbrances to which the property is subject other than a recently amended Cooperation Agreement with the SFN and a net smelter royalty payable to the SFN.

Environmental liabilities at the Minto Mine relate to the dry stacked tailings facility and waste rock dumps as well as some water stored at the site that is impacted by operations and to the removal of all operational infrastructures. A closure plan has been developed and approved (most recently on September 9, 2011) detailing methods and costs associated with restoring the site to an acceptable environmental standard. Engineered covers will be placed on tailings and waste rock such that interactions with surface water are minimized. Active water treatment will not be required as passive treatment systems are planned to be utilized. A \$23.9M surety bond has been put in place with the Yukon Government in accordance with a territorial closure and reclamation policy. The closure plan and related letter of credit amount are reviewed on a bi-yearly basis.

MintoEx has obtained a variety of permits in order to conduct ongoing work on site and the Company is in the process of obtaining additional approvals associated with expanded operations and mine life. The major instruments or authorizations permitting and governing operations for the project include a Type A Water Use Licence, issued by the Yukon Water Board and a Quartz Mining Licence issued by the Yukon Government, Energy Mines and Resources. MintoEx has received a portion of the permits necessary to extract ore from additional mining areas, for higher plant throughput, revised waste and tailings management facilities and other environmental aspects of the project. At this time, MintoEx is confident that the additional permits to access the new deposits and waste management facilities will be granted after the government authorities have completed their reviews.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

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

The mine access road crosses one major tributary of the Yukon River, Big Creek, via a single-lane steel span bridge made with reinforced concrete abutments and deck. The highway, river crossing and gravel mine access road are suitable for heavy transport traffic.

When access across the Yukon River is available, operations personnel are transported to the site in commercial buses based out of Whitehorse. During the river freeze and thaw periods, personnel are transported from Whitehorse via charter air services that land on the 1,300 m airstrip located at the mine.

The climate in the Minto area of the Yukon is considered sub-arctic with short cool summers and long cold winters. The average temperature in the summer is 10°C and the average temperature in the winter is -20°C. Average precipitation is approximately 25 cm of rain equivalent per annum in the form of rain and snow. The weather does not impede year round operation of the mine and processing plant except in short periods of harsh cold temperatures (-50°C) that can cause open pit mining operations to be temporarily suspended.

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

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

The nearest services, including fuel, groceries, hotel, restaurant and clinic, are at Carmacks, approximately 75 km south of Minto on Highway 2. Some services are available at Pelly Crossing, 35 km to the East of Minto. The nearest large community is Whitehorse, with a population of approximately 27,000. It is serviced with commercial flights daily from Vancouver, Edmonton and other northern communities. Whitehorse is also connected via paved highways to British Columbia to the South, to Alaska to the West and to the port of Skagway to the Southwest, where Minto concentrate is trucked for loading onto ocean-going vessels.

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

History

In 1970, a joint venture between Silver Standard Mines Ltd. and Asarco Inc. conducted a regional stream sediment geochemical survey in the area. In 1971, DEF claims were staked by United Keno Explorations. That same year a joint venture formed with United Keno Hill Mines, Falconbridge Nickel and Canadian Superior Explorations, to cover follow-up prospecting. IP and VLF-EM geophysical surveys, soil sampling and mapping on the DEF claims followed. In June 1973, a main mineralized body was discovered. In 1974, a winter road was built from Yukon Crossing and 58 diamond drill holes (11,228 m) on the Minto claims were drilled. From 1975-1976 joint feasibility studies were conducted.

In 1984, Silver Standard changed its name to Consolidated Silver Standard and transferred its interest in the Minto claims to Western Copper Holdings, a subsidiary of Teck Corp. In 1989, Western Copper Holdings transferred its interest in the Minto claims to Teck Corp.

In 1993, MintoEx was formed. Asarco and Teck sold their interest in the Minto claims (and leases) for shares in MintoEx and provided \$375,000 in working capital. Asarco and Teck also received a net smelter royalty of 1.5% to be divided evenly. In that same year, Falconbridge, the parent of United Keno Hill, sold its interest in the DEF claims to MintoEx for \$1M, with payment being due in 1996. Falconbridge was granted an option to repurchase the DEF claims on January 1, 2005 if the deposit was not in production by then.

An initial public offering of shares of MintoEx completed in 1994. There were 5,912,501 shares issued and outstanding with Asarco being the majority shareholder with 3,297,500 shares (55.8%).

In 1995, a feasibility study was completed. Reserves were 8,818,000T of 1.73% Cu, 0.014 oz/t Au and 0.22 oz/t Ag at 0.5% Cu cut-off grade. Recoveries were 95% for Cu and 85% for Au and Ag. Mine life was projected to be 12 years at a production rate of 477,000 tonnes per year.

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

12.8 km of road construction in 1997 was done to complete the new access road. Also in 1997, a co-operation agreement was signed with the SFN. In 1999, a production license was received.

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

In 2008, Capstone and Sherwood announced a combination to create an intermediate copper producer with Sherwood shareholders overwhelmingly approving the business combination. In connection with the closing of a precious metal transaction, Silverstone provided an upfront payment of \$37.5 M for payable gold and silver from Minto. Capstone and Sherwood completed the business combination in November 2008.

In 2009, the high grade Minto North Deposit was discovered and defined. Increased copper-gold mineral resources at Minto were announced in June 2009. Also in 2009 there was a drill discovery of the Minto East prospect.

In 2010, the high grade Minto East Deposit was defined. Increased copper-gold mineral resources for Area 2/118 and Ridgetop plus a preliminary mineral resource for Minto East was completed and announced in August 2010. The Minto East mineral resource was further updated later in the year. There were further drill discoveries in 2010 at the Wildfire and Inferno prospects.

In 2011, the Copper Keel and Wildfire areas were further drill delineated and incorporated into a larger deposit called Minto South or MSD for short. A new mineral resource for the combined MSD deposit was announced in May of 2011 and the resource estimate was updated again later in the year and subsequently announced in February of 2012. Also in 2011 there was a drill discovery of the Fireweed prospect.

In 2012, the Fireweed extension of the Minto East deposit was discovered and partially defined; the Inferno North extension of the Minto North deposit was also discovered. New mineral resource estimates for the Fireweed and Inferno North extensions were announced in October 2012.

No exploration was conducted on the mine property in 2013.

Geological Setting

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

For ease of reference the Minto copper-gold-silver system is divided into seven mineralized areas within the Minto deposit; from North to South they are: Minto North; Inferno North; Minto Main; Minto East; Fireweed; Minto South (MSD—a consolidation of Area 2, Copper Keel, Area 118 and Wildfire deposits that are now considered one continuous deposit); and Ridgetop. Each of these deposits closely share a similar style of mineralization hosted by vertically stacked, shallow dipping deformation zones within the intrusion. Remnants of the Main deposit are currently exposed in an exhausted open pit mine and this geometry has been confirmed, a similar geometry is also exposed in the currently operating Area 2 open pit. The other deposits have drill-delineated mineral resources and/or reserves but mineralization is not exposed at the surface. These deposits and other mineral prospects define a general north-northwest trend informally called the Priority Exploration Corridor.

Copper sulphide mineralization is found in the rocks that have a structurally imposed fabric, ranging from a weak foliation through to a strongly developed gneissic banding. The contact relationship between the foliated deformation

zones and the massive phases of granodiorite is generally very sharp. These contacts do not exhibit chilled margins and are considered by MintoEx geologists to be structural in nature, separating the variably strained equivalents of the same or similar rock type.

The more highly strained deformation zones form sub-horizontal horizons and can be traced laterally for more than 1,000 m in the drill core. They are often stacked in parallel to sub-parallel sequences and it is postulated that the foliated granodiorite horizons represent healed, shallowly dipping shear zones within the Batholith; theorized to have formed when the rocks passed through the brittle/ductile transformation zone in the earth's crust in transition from a deep emplacement environment of the Batholith to eventual exhumation. There is on-going debate, however, regarding the stratigraphic, intrusive, or structural nature of the zones hosting the foliation and mineralization. MintoEx have engaged the Mineral Deposits Research Unit ("MDRU") of the University of British Columbia to help understand the mineral paragenesis and deformation history. No other recognized deposit type compares directly with Minto mineralization. While an Iron Oxide Copper Gold ("IOCG") style for the Minto Deposit cannot be unequivocally demonstrated, the authors are of the opinion that this style of deposit provides the most consistent model for the current level of understanding.

The primary hypogene sulphide mineralization consists of chalcopyrite, bornite, euhedral chalcocite, and minor pyrite. Metallurgical testing also indicates the presence of covellite, although this sulphide species has never been positively logged macroscopically.

Texturally, sulphide minerals predominantly occur as disseminations and foliaform stringers along foliation planes in the deformed granodiorite (i.e. sulphide stringers tend to follow the foliation planes). Occasionally, coarse free gold is observed associated with chloritic or epidote lined fractures that cross-cut the sulphide mineralization. The free gold may be due to secondary enrichment during a later hydrothermal process overprinting the main copper sulphide-gold event. Sulphide mineralization is always accompanied by variable amounts of magnetite mineralization and biotite alteration. While these minerals occur in the non-deformed rocks they are present in the mineralized horizons in a much greater abundance in the range of an order of magnitude greater than background.

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

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

Pervasive, strong potassic alteration occurs within the flat lying zones of mineralization, and is the predominant alteration assemblage observed in all of the Minto deposits. The potassic alteration assemblage is characterized by elevated biotite contents and minor secondary K-feldspar overgrowth on plagioclase relative to the more massive textured country rock. Additional alteration includes the replacement of mafic minerals by secondary chlorite, epidote, or sericite observed both in mineralized and waste rock interstitially or fracture/vein proximal, as well as

variable degrees of hematization of feldspars. Minor carbonate overprint is occasionally observed associated with secondary biotite. Silicification is present but not pervasive in the Minto deposits.

Exploration

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

There are currently more than 1,240 drill holes within a roughly 16 square kilometre area. As such, following up on open mineralized horizons in geological models, projecting mineralized horizons into areas of little or no drilling, and drilling near historical drill hole intercepts were the principal exploration tools employed by MintoEx and its geologists. Subsequent to Capstone's predecessor, Sherwood Copper's, acquisition of Minto Explorations Ltd. in June 2005, exploration from 2005 to 2012 has concentrated mostly on diamond drilling. However, an extensive historic soil sample survey and some ground based and airborne geophysics have been conducted and are very useful in guiding drilling activity.

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

Within the currently known extent of the Priority Exploration Corridor, future exploration programs will likely be more reliant solely on electrical/chargeability methods as the near-surface potential and discrete magnetic bull's-eyes have largely been targeted. Magnetic data in areas located north of Minto North plus areas West and East respectively of the PEC may still be useful as these regions are still relatively under explored.

The current highest priority exploration targets are based on the evaluation of geophysics, soil geochemistry, geologic modelling, and diamond drilling. The targets identified as Ridgetop Southwest, Airstrip, MSD Gap, and the newly discovered Fireweed prospect are all located within a 2 km by 2 km area, south of the DEF fault. MintoEx sees good exploration potential in the area North of the DEF fault, as evidenced by the discovery of the high grade Minto North deposit early in 2009, the Inferno prospect in late 2010, and the Inferno North deposit in 2012.

In 2009, several other historic bedrock copper occurrences discovered in the 1970's North of the DEF fault were relocated and confirmed. In addition various copper-in-soil geochemical anomalies, often coincident with magnetic geophysical anomalies, occur throughout the property and many of them remain untested. However, further understanding of the bedrock geology North of the DEF fault is required before many of these targets can be properly assessed and placed in perspective. No exploration has been undertaken since 2012.

Mineralization

The primary hypogene sulphide mineralization consists of chalcopyrite, bornite, euhedral chalcocite, and minor pyrite. Metallurgical testing also indicates the presence of covellite, although this sulphide species has never been positively logged macroscopically.

Texturally, sulphide minerals predominantly occur as disseminations and foliaform stringers along foliation planes in the deformed granodiorite (i.e. sulphide stringers tend to follow the foliation planes). Occasionally, coarse free gold is observed associated with chloritic or epidote lined fractures that crosscut the sulphide mineralization. The free gold may be due to secondary enrichment during a later hydrothermal process overprinting the main copper sulphide-gold event. Sulphide mineralization is always accompanied by variable amounts of magnetite mineralization and biotite alteration. While these minerals occur in the non-deformed rocks they are present in the mineralized horizons in a much greater abundance in the range of an order of magnitude greater than background.

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

The Minto North and Minto East Deposits exhibit a zoning from West to East. High-grade bornite-dominant mineralization is observed in the West with lower grade chalcopyrite-dominant mineralization in the East. The bornite zone is defined by the metallic mineral assemblage bornite-magnetite-chalcopyrite. Bornite mineralization occurs as strong disseminations and foliaform stringers locally >10% to occasional semi-massive to massive lenses up to 2 m in thickness.

Mineralization at the Area 2/118/Copper keel regions of the Minto South Deposit is distinct in that mineralization is predominantly disseminated (plus occasional foliaform stringers) and the semi-massive to massive sulphide mineralization is absent; as a whole the mineralization is more homogeneous and consistent as compared to Minto North or Minto Main. The primary mineral assemblage includes chalcopyrite-bornite-magnetite with minor amounts of pyrite. A crude zoning is present in that the higher grade northern half of the Minto South Deposit shows increased bornite concentrations up to 8% locally.

Mineralization at both Ridgetop and the Wildfire region of Minto South are subdivided into the near surface horizons that have been affected by supergene oxidation and the more typical primary sulphide mineralization of the deeper zones. The lower zones are defined by a mineral assemblage of chalcopyrite-magnetite with minor amounts of pyrite. Chalcopyrite is the dominant sulphide in the lower zones, and bornite is only observed in minor amounts. Texturally, chalcopyrite occurs as disseminations and foliaform stringers, and is rarely observed as semi-massive to massive bands. Magnetite is coarse grained, disseminated, stringer-style, and can occur in bands up to 0.3 m in thickness, up to 20% volume locally.

Drilling

No exploration drilling was conducted at the property in 2013.

Under the direct supervision of MintoEx and Capstone staff geologists, MintoEx drilled a total of 29,539 m in 84 holes on the Minto property at Inferno North, Fireweed, and other targets between January and May 2012 using the contractor Driftwood Diamond Drilling Ltd. of Smithers, BC. Forty-five of the 2012 drill holes (16,223 m) were used in the resource estimations discussed in the Minto Report, however 39 drill holes (13,316 m) completed in 2012 are associated with other exploration targets and as such are not incorporated into the mineral resource estimates used in the Minto Report. MintoEx drilled a total of 106,456 m in 376 vertical and 19 angled diamond drill holes at the Minto South Deposit from February 28, 2006 to July 5, 2011. The size of the drill core is NQ and NTW. The median length of the drill holes is 276 m (average 269.5 m); the shallowest hole was 78 m long and deepest hole was 693 m. All 395 drill holes were used in the Minto South Deposit resource estimation. Three angled and 25 vertical holes drilled by ASARCO in 1971 to 1974 were included in the Minto South Deposit resource estimate. Drill hole collars are spaced at approximately 28 m to 60 m at the Area 2 resource sub-domain, 40 m at the Area 118 resource sub-domain, and 40 m to 60 m centers at the Wildfire and Copper Keel sub-domains.

At Ridgetop, MintoEx drilled a total of 16,850 m in 139 vertical drill holes and three angled diamond drill holes from May 2007 to September 2009. The size of the MintoEx drill core is NQ. The median length of the Ridgetop drill holes is 120.5 m (average 122.5 m); the shallowest hole was 54 m long and the deepest hole was 322 m. One vertical hole (150 m) and three angled holes (492 m) drilled by ASARCO in 1971, and four vertical (635 m) holes and four angled holes (571 m) drilled in 1972 were included in the resource. The size of the ASARCO drill core is assumed to be BQ. In 1994, four vertical holes (520 m) and five angled holes (654 m) of HQ-sized core were drilled; these holes were used in the resource estimate. Drill hole collars are spaced at approximately 20 to 60 m centers. Mineralized zones are dipping moderately to the northeast.

At Minto North, MintoEx drilled a total of 11,548 m in 71 vertical and 17 angled diamond drill holes from January to October 2009. In total, 87 drill holes are included in the resource model; one drill hole is excluded because it is located well outside the currently defined deposit boundaries. No historical drill holes are included in the resource model. The size of the MintoEx drill core is NQ. The median length of the 2009 Minto North drill holes is 120 m (average 130 m); the shallowest hole was 57 m and the deepest hole was 342 m. Drill hole collars are spaced at approximately 15 to 20 m centers. Mineralized zones are shallowly dipping to the northwest.

At Minto East, MintoEx drilled a total of 11,067 m in 13 vertical and 20 angled diamond drill holes from April 2007 to August 2010. In total, 33 drill holes are included in the resource model. No historical drill holes are included in the resource model. The size of the MintoEx drill core is NQ with the exception of four drill holes in NTW. The median length of the Minto East drill holes is 332 m (average 336 m); the shallowest hole was 179 m and the deepest hole was 408 m. Drill hole collars are spaced at approximately 40 m centers. Mineralized zones are shallowly dipping to the northwest.

Prior to 2008, all drilling for MintoEx was completed using the imperial system, and footages were converted to metres by MintoEx personnel who logged and recorded all data in metres. Since 2008, drilling for MintoEx was completed using the metric system. Drill hole collar locations were initially located using a differential GPS unit, and more precise location coordinates were surveyed after completion of drilling by the Minto Mine survey team using a Trimble R8 GPS unit.

Bulk density measurements were taken from nearly all holes drilled from 2005 through 2012 in both mineralized and waste material. Measurements were taken at approximately every 1 to 3 m intervals in ore, corresponding to 1 to 3 measurements per run in strongly mineralized material, 1 every 5 m in poorly mineralized material, and at least 1 measurement every 20 to 30 m in waste.

Pieces of core were weighed both in air and in water using an Ohaus triple beam balance. Spot checks on the field data were undertaken internally by MintoEx, where 159 samples from 66 drill holes were analyzed. Measurements were recorded on a triple beam scale on the same piece of core that was originally measured.

Bulk density data obtained prior to 2005 were not used in the resource estimations because the data was constructed by correlating bulk density to copper grade based upon too few actual measurements and because the core upon which this method was constructed was destroyed in forest fires and the methodology could not be audited.

Sampling and Analysis

From 1973 to 2001, most of the samples sent for analysis were obtained by splitting the core using a mechanical wheel core splitter (in contrast to a diamond saw from 2005 to 2010). In the case of two holes drilled in 1993 for metallurgical grinding testing, the entire core through the mineralized interval was utilized to improve the validity and reliability of the metallurgical tests and hence no assay data are available.

In 2005 and 2006, the mineralized intervals intersected in core were sampled in lengths ranging from 0.3 m to 3.0 m and averaging 1.0 m to 1.5 m. The sampling intervals were typically 1.5 m in mineralized material and 3.0 m in longer waste intervals within the mineralized zones. Two shoulder samples were taken in waste at both the upper and lower contacts, consisting of a 1.5 m sample and a 1.0 m sample. Samples did not cross geological contacts. This approach is appropriate for this style of mineralization and the objectives of the program.

In 2007, the mineralized intervals in core were sampled in lengths ranging from 0.24 m to 3.49 m and averaging 1.33 m with a median of 1.5 m from 7,450 sawn core samples. In 2008, the mineralized intervals in core were sampled in lengths ranging from 0.25 m to 4.20 m and averaging 1.29 m with a median of 1.3 m from 12,538 sawn core samples. In 2009, the mineralized intervals in core were sampled in lengths ranging from 0.19 m to 4.50 m and averaging 1.47 m with a median of 1.5 m from 13,026 sawn core samples. In 2010, the mineralized intervals in core were sampled in lengths ranging from 0.22 m to 3.90 m and averaging 1.41 m with a median of 1.5 m from 18,739 sawn core samples.

From 2007 through 2012, sampling intervals were typically 1.5 m to 2.0 m in mineralized material, and 3.0 m in longer waste intervals between mineralized zones. Drill core assay samples were collected from all foliated granodiorite

horizons and, typically, sampling extended into the surrounding massive, unfoliated and unmineralized rock for at least 3.0 metres. Individual samples do not cross the geological boundary between foliated and unfoliated rock which is generally a sharp contact. The sampling methodology is appropriate for this style of mineralization.

During 2005 and 2006, drill core samples, Standard Reference Materials ("SRM") and blanks were submitted to the Vancouver Chemex laboratory for copper and gold analysis in North Vancouver, British Columbia. In addition, Chemex was also instructed to perform analysis on pulp duplicates injected into the sample stream at regular intervals. In 2005, all samples were processed in Vancouver. In 2006, some samples were processed at other Chemex locations. Chemex-Elko, Nevada processed 9% of the total number of samples and Chemex-Thunder Bay, Ontario processed 11%. The samples submitted to Chemex were first crushed in a jaw crusher to reduce the material to greater than 70% - 10 mesh (2 mm). A 100 to 250 g subsample was then split and pulverized to better than 85% passing - 75 µm. Copper was determined through a four acid digestion method (HF, HNO₃, HClO₄ digestion and HCL leach) with final copper determination by atomic absorption spectroscopy ("AAS"). Non-sulphide copper was analyzed using sulphuric acid leach with AAS determination. Gold was determined by one assay-tonne fire assay analysis. During 2005, all sample analysis was completed by gravimetric finish. During 2006, the first 17% (1,955) of the sample analysis was completed by gravimetric finish. For the remaining samples (9,182), the gold analysis was determined using AAS method. Silver was analyzed using aqua regia digestion and AAS finish.

The 2007 drill core samples, blanks, SRMs and duplicates were submitted to the Vancouver Chemex laboratory for copper and gold analysis in North Vancouver. Some samples were processed at other locations. SGS Laboratories under agreement with MintoEx processed 485 samples (6% of the total number of samples); assays were all performed at the Vancouver Chemex Lab. Sample preparations were performed at Chemex at Elko, Nevada, 4% of the total number of samples, Chemex at Reno, Nevada 10%, and Chemex at Terrace, British Columbia, 50%. The samples submitted to Chemex were first crushed in a jaw crusher to reduce the material to greater than 70% - 10 mesh (2 mm). A 100 to 250 g subsample was then split and pulverized to better than 85% passing - 75 µm. Copper was determined by the four acid digestion method (HF, HNO₃, HClO₄ digestion and HCL-leach) with final copper determination by AAS. Non-sulphide copper was analyzed using sulphuric acid leach with AAS determination. Gold was analyzed by one assay-tonne fire assay followed by AAS. Silver was analyzed using aqua regia digestion and AAS finish.

Two laboratories were used in 2008. Drill core samples, blanks, SRMs and duplicates were submitted to SGS Laboratories under agreement with MintoEx, and to the Vancouver Chemex laboratory for copper and gold analysis in North Vancouver after processing at the sample preparation facility in Terrace. SGS Laboratories under agreement with MintoEx processed 61% of the total number of samples from areas outside of Ridgetop. The remaining 39% of the samples were analysed at the Vancouver Chemex Lab. The samples submitted to SGS were first crushed in a jaw crusher to reduce the material to greater than 85% - 10 mesh (2 mm). A 250 g subsample was then split and pulverized to better than 90% passing - 75 µm. The pulp was split with one part analysed for copper and silver at the SGS facility at the Minto site and one part analysed for gold and non-sulphide copper at SGS Red Lake, Ontario operation. During mid-July, silver analyses were performed by SGS at Lakefield, Ontario and Don Mills, Ontario after a switch failure in SGS Minto ICP-AAS equipment. Copper reanalysis due to SRM failures were done by SGS at Lakefield and Don Mills in Ontario. Copper was determined by aqua regia digestion method with final copper determination by atomic absorption spectroscopy ("AAS"). Non-sulphide copper was analyzed using sulphuric acid leach with AAS determination. Samples were assayed for gold using a fire assay procedure on a thirty grams subsample with atomic absorption spectroscopy finish. Silver was analyzed using aqua regia digestion and AAS finish.

The samples submitted to Chemex from July 27 to August 19 were first crushed in a jaw crusher to reduce the material to greater than 85% - 10 mesh (2 mm). A 250 g subsample was then split and pulverized to better than 90% passing - 75 µm. The sample turnaround time increased to nearly seven weeks after implementing the finer crush, so subsequent samples were first crushed in a jaw crusher to reduce the material to greater than 70% - 10 mesh (2 mm) with a 250 g subsample split and pulverized to better than 85% passing - 75 µm. At Chemex, copper was determined by the four acid digestion method (HF, HNO₃, HClO₄ digestion and HCL-leach) with final copper determination by AAS. Non-sulphide copper was analyzed using sulphuric acid leach with AAS determination. Gold was determined by one assay-tonne fire assay analysis followed by AAS. Silver was analyzed using aqua regia digestion and AAS finish.

The 2009 and 2012 drill core samples, blanks and SRMs were submitted to the Vancouver Chemex laboratory for copper and gold analysis in North Vancouver. In addition, Chemex was also instructed to perform analysis on pulp and coarse reject duplicates injected into the sample stream at regular intervals. After August 2010, the pulp and coarse reject duplicates were returned to the MintoEx office in Vancouver, where they are transferred to fresh Kraft paper bags, assigned new sample numbers and resubmitted to Chemex as “blind duplicates”. The samples submitted to Chemex were first crushed in a jaw crusher to reduce the material to greater than 70% - 10 mesh (2 mm) with a 250 g subsample split and pulverized to better than 85% passing - 75 µm. Copper was determined by aqua regia digestion method with final copper determination by AAS. Non-sulphide copper was analyzed using sulphuric acid leach with AAS determination. Gold was determined using a fire assay procedure on a thirty grams subsample with atomic absorption spectroscopy finish. Silver was analyzed using aqua regia digestion and AAS finish.

Of the 79 drill holes in the 2006 Area 2 database, 11 collars (13%) were selected at random in the area of the resource estimation boundaries and were checked by a handheld Garmin GPS. The recorded values show good agreement and differences lie within the error of the handheld GPS. In December 2008, MintoEx conducted a review of the drilling data from Area 2/118 and Ridgetop deposits. A total of 10% of the values in the database were checked against primary sources including the borehole collar surveys against survey records, lithology and mineralization data against core logs and assays for copper and gold against signed certificates of analysis. No significant errors were found. In November of 2009, Kirkham Geosystems manually compared the Minto North Deposit database assays against original assay certificates. A total of 15% of the values were checked and no errors or omissions were found. In addition, a spreadsheet check was run against the Area 2, Area 118 and Ridgetop database.

Security of Samples

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

Analytical control measures typically involve internal and external laboratory control measures to monitor the precision and accuracy of the sampling, preparation and assaying. Insertion of certified SRM and blank material monitors the reliability of assaying results and is also important to prevent sample mix-up and monitor potential contamination of samples.

Assaying protocols typically involve regular duplicate and replicate assays to monitor the reliability of assaying results throughout the sampling and assaying process. Umpire assaying is typically performed as an additional reliability test of assaying results by re-assaying a set number of sample rejects and pulps at a secondary laboratory.

ALS-Chemex and SGS implemented internal laboratory measures consisting of inserting quality control samples (blanks and certified reference materials and duplicate pulp) within each batch of samples submitted for assaying.

Quality control procedures used during the 1971 to 2001 drill programs are not known, with the exception of 10 samples submitted for umpire analysis in 1994. The 2001 sample shipments were accompanied by four types of quality control samples, namely: a blank (granodiorite from the site), an ASARCO coarse standard, prepared pulp samples and duplicate splits (coarse ground rejects and the pulverized rejects).

MintoEx inserted one each of an SRM, blank, pulp reject duplicate and coarse reject duplicate (for Chemex only) with every 16 sawn core samples. Umpire assaying of pulps at a secondary laboratory was conducted periodically, typically involving analysis of 0.5% or more of the sawn core samples.

Mineral Resource and Mineral Reserve Estimates

A primary objective of the Minto Report was to produce a mineral reserve evaluation for the Area 2 Open Pit and Area 118 underground within the Minto South Deposit. Area 2/118 and the exploration areas Copper Keel/Wildfire are considered continuous and a new combined mineral resource estimate was reported on May 30, 2011, which is known as Minto South Deposit (“MSD”). The MSD estimate was reviewed and approved by SRK. The Minto North and East deposits have been evaluated by Kirkham Geosystems Ltd. Subsequent to the Minto Phase VI Report additional

drilling was conducted in the Fireweed extension of the Minto East Deposit and Inferno North extension of the Minto North Deposit.

Kirkham Geosystems Ltd. has conducted further resource modelling and mineral resource estimation based upon this new drill information. Mineral resource estimations for Fireweed and Inferno North were completed by Kirkham Geosystems Ltd. and reported on October 25, 2012.

The mineral resource estimates for the MSD and Ridgetop deposits were completed by Dr. Wayne Barnett, Ph.D., Pr.Sci.Nat., an independent Qualified Person as defined by NI 43-101. The effective date of the revised MSD resource estimate is September 13, 2011; the effective date of the Ridgetop resource estimate is August 30, 2010. Marek Nowak, P.Eng., analyzed the data, reviewed and validated the mineral resource estimates for Minto South and Ridgetop. The Minto North, Minto East, Fireweed and Inferno North resource estimates were completed by Garth Kirkham, P.Geo., of Kirkham Geosystems Ltd., an independent Qualified Person as defined by NI 43-101. The effective date of the Minto North resource estimate is December 1, 2009; the effective date of the Minto East resource estimate is October, 2010; the effective date of the Fireweed and Inferno North resource estimates is October 25, 2012.

Minto used the mineral resource estimates completed by the Qualified Persons mentioned above and completed a reconciliation procedure to remove mineral resources which had been extracted during 2013 operations. The results of the reconciliation for mineral resources at a 0.5% Cu cut-off grade ("COG") are presented below.

Combined Estimated Mineral Resource for all Minto Mine Deposits as at December 31, 2013^{2,3,4,5}

Classification	Tonnes (000's) ¹	Copper (%)	Gold (g/t)	Silver (g/t)	Contained Cu (Mlbs) ¹	Contained Gold (koz) ¹	Contained Silver (koz) ¹
Measured (M)	11,236	1.36	0.55	4.38	334	197	1,583
Indicated (I)	38,023	1.03	0.36	3.70	861	442	4,522
Total (M+I)	49,259	1.10	0.40	3.85	1,195	639	6,105
Inferred	16,211	0.92	0.30	3.17	329	157	1,650

Note 1 - Rounded to nearest thousand; totals may not sum exactly due to rounding.

Note 2 - Excludes material mined but not processed during pre-stripping activities in the Area 2 region of MSD and currently held in stockpile.

Note 3 - Includes any resources remaining in the Minto Main Deposit not considered in the current mine plan.

Note 4 - Metal Price assumptions used to calculate the COG for All Deposits are: Cu=\$3.50; Au=\$1300; Ag=\$16.00 (each in US Funds).

Note 5 - Estimated with a 0.5% Cu COG

In order to demonstrate a reasonable prospect of economic extraction, SRK evaluated the overall mineral resource against an economic shell created using Whittle™ pit optimization software. SRK regards the entire reported resource as having reasonable prospects of economic extraction.

The mineral reserve estimate for open pit and underground mineralization is summarized in the table below. During 2013, mining of the MSD deposit continued in the Area 2 Open Pit. Since the stockpiles contained material from the Main Zone and the MSD deposits, for clarity, they have now been classified as a separate entity.

Minto Mine Estimated Mineral Reserves as at December 31, 2013*

	Tonnage (000s)	Cu%	Au (g/t)	Ag (g/t)
Minto North Open Pit				
Proven	1,596	2.26	1.21	8.12
Probable	9	1.68	0.58	6.92
Subtotal Minto North	1,605	2.26	1.21	8.11
MSD - 118 Open Pit				
Proven				
Probable	483	1.28	0.10	1.81
Subtotal 118	483	1.28	0.10	1.81

	Tonnage (000s)	Cu%	Au (g/t)	Ag (g/t)
MSD - Area 2 Open Pit				
Proven	246	1.57	0.62	5.86
Probable	1,314	1.04	0.29	3.51
Subtotal Area 2	1,560	1.13	0.35	3.88
Minto East Underground				
Probable	709	2.28	1.04	6.15
Subtotal Minto East U/G	709	2.28	1.04	6.15
MSD - Area 2 / 118 Underground				
Probable	1,708	1.76	0.74	7.24
Subtotal Area 2/118 U/G	1,708	1.76	0.74	7.24
MSD - Copper Keel Underground				
Proven	106	1.74	0.61	6.3
Probable	1,455	1.81	0.65	6.7
Subtotal Copper Keel	1,561	1.81	0.64	6.67
MSD - Wildfire Underground				
Proven	301	1.80	0.77	6.06
Probable	59	1.59	1.00	7.85
Subtotal Wildfire	360	1.76	0.80	6.35
Stockpiles				
Proven	1,522	1.07	0.41	3.45
Subtotal Stockpiles	1,522	1.07	0.41	3.45
Total Minto Reserves				
Proven	3,771	1.68	0.80	5.87
Probable	5,737	1.63	0.60	5.66
Total	9,509	1.65	0.68	5.75

*Note 1 Rounded to nearest thousand; totals may not sum exactly due to rounding.

2 Includes stockpiled material

3 Metal Price assumptions used to calculate the NSR Cut-off for All Deposits are: Cu=\$2.50; Au=\$300; Ag=\$3.90 (each in US Funds).

4 Processing Recoveries for All Deposits are: Cu=91%; Au=70%; Ag=78%

5 Open Pit Mining use a 0.5% copper COG. Underground mining uses a \$64.40 NSR COG

Reserve Balance

The depletion and growth of the Minto mineral reserves are as follows:

Minto Mine 2013 Mineral Reserve Balance*

Classification	Opening Balance			Production Depletion			Stockpile Change			Engineering Change			Closing Balance		
	Tonnes (000's)	Grade (Cu %)	Pounds (000's)	Tonnes (000's)	Grade (Cu %)	Pounds (000's)	Tonnes (000's)	Grade (Cu %)	Pounds (000's)	Tonnes (000's)	Grade (Cu %)	Pounds (000's)	Tonnes (000's)	Grade (Cu %)	Pounds (000's)
Proven	5,386	1.62	192,360	(2,064)	1.41	(64,306)	-	-	-	(1,073)	1.02	(24,129)	2,249	2.10	103,926
Probable	7,044	1.51	234,493	(287)	0.97	(6,153)	-	-	-	(1,020)	1.01	(22,712)	5,737	1.63	205,629
Stockpile	617	0.97	13,194	-	-	-	905	1.14	22,745	-	-	-	1,522	1.07	35,940
Subtotal	13,047	1.53	440,048	(2,350)	1.36	(70,459)	905	1.14	22,745	(2,093)	1.02	(46,841)	9,509	1.65	345,494

*Note 1 Rounded to nearest thousand; totals may not sum exactly due to rounding.

2 Includes stockpiled material

3 Metal Price assumptions used to calculate the NSR Cut-off for All Deposits are: Cu=\$2.50; Au=\$300; Ag=\$3.90 (each in US Funds).

4 Processing Recoveries for All Deposits are: Cu=91%; Au=70%; Ag=78%

5 Open Pit Mining use a 0.5% copper COG. Underground mining uses a \$64.40 NSR COG

The mineral reserve estimate for open pit and underground mineralization is summarized in the table above. During 2013, mining of the MSD deposit continued in the Area 2 Open Pit. Underground exploration drifting was conducted on the 740 Level of the Area 118 underground to denote the extents of the mineralized zone. The open pit operations

in the Area 2 Pit and underground exploration drifts resulted in mineral reserve depletion. The stockpile inventory increased due to open pit mining activities in the Area 2 Pit. During the fourth quarter of 2013, daily ore production exceeded the daily mill demands as mineral extraction in Area 2 entered thicker ore horizons. An engineering change also occurred due to the removal of mineral reserves in Ridgetop. A write down on the Ridgetop asset occurred in the fourth quarter; citing potentially lower metallurgical recoveries due to higher than anticipated soluble copper content than previously anticipated resulted in Ridgetop being sub economic. However Minto will continue to conduct further metallurgical studies on Ridgetop.

Reconciliation

Reconciliation activities were conducted for the Area 2 Pit, Area 118 Underground and mine reported to mill reported production.

Area 2 Pit reconciliation compared the mine production model to the block model. The results indicate that:

- Sulfide production had a nominal variance in terms of tonnage. Reported sulfide copper grade was slightly lower than predicted in the block model; and
- Overall, the production model reported less tonnage (6%) and lower grade (2%) than predicted in the block model.

The reason for these differences is considered to be the natural conditional bias in the long range resource model. The resource model tends to underestimate the sulfide ore in the higher grade portion of the deposit and to over-estimate the sulfide ore in the lower grade periphery of the deposit.

Underground exploration drifting was conducted on 740 Level to denote the extents of the mineralized zone for Area 118. Minimal amount of ore was extracted. Overall, there was a nominal variance in terms of tonnage when compared to the resource block model. The reported copper grade was higher than predicted by the block model (actual grade is a weight composite based on grab samples from blasted ore rounds). The primary reasons for the grade difference are likely due to the sampling procedure that tends to show a bias toward higher grades and to the interpreted ore / waste contact is slightly off-alignment with actual mapping. Further investigation is being conducted to enhance underground grade control processes.

The stockpile inventory increased due to the open pit mining activities in the Area 2 Pit. During the fourth quarter of 2013, daily ore production exceeded the daily mill demands as mineral extraction entered the lower levels of the Area 2 pit where thicker ore horizons exist.

The mine to mill reconciliation compares the estimated mill throughput by the mining operations and the actual mill throughput reported by the Minto metallurgy group. The reconciled throughput for 2013 reported higher tonnes than estimated by the mine but the comparison is within a 5% variance.

Mining Operations

The Minto Mine commenced operation in 2007 and since that time has maintained continuous production and has shown continual improvement. Since the start of operations, the mill has undergone numerous upgrades and expansions. Mining utilizes both open pit and underground techniques. The process plant produces copper concentrate containing silver and gold by-products which is trucked to Skagway.

In 2013, open pit mining activities were primarily focused on mineral extraction of the Area 2 Stage 2 Pit which will conclude in early 2014. Surface deposits will continue to be developed as open pit that will rely on a contractor mining approach. Underground mining activities in the first half of the year focused on the main ramp development along with infrastructure requirements. The fresh air raise initial development was completed in October and full operation of the raise will be completed in early 2014. Access to the 740 Level was completed and production commenced on the 740 Level in September. The ramp continued to the 710 elevation until year end.

During 2013, the mill processed a feed of 1,402,264 tonnes at a copper grade of 1.31%, a silver grade of 4.59 g/t and a gold grade of 0.52 g/t. The average production rate was approximately 3,842 tpd. The mine produced a total of 46,303 tonnes of copper concentrate at an average copper grade of 36.5%.

MintoEx sold most of its gold and all of its silver production to Silverstone Resources in November 2008. Silverstone was subsequently bought by Silver Wheaton who now owns the Minto Mine precious metal stream. Silver Wheaton pays Minto \$300/oz Au and \$3.90/oz Ag through the mine life.

The environmental and socio-economic assessment and review process is underway for the Phase V and Phase VI expansions. At this stage of the assessment there have not been any conditions expected to be of significant concern, or that cannot be mitigated. Engagement with regulators and other stakeholders has been ongoing to minimize potential delays in the assessment review. Once the project has been assessed it will continue into the licencing phase.

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

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

Exploration and Development

No exploration activities are slated at Minto for 2014.

The Area 2 Stage 2 pit was completed in early 2014, following which surface mining has moved to the Area 118 pit which will finish in mid-August. The mine plan calls for reduced surface mining rate during the first half of the year to balance mining and milling activities.

Capstone is able to defer the development and production from the Area 118 underground for one year without a negative impact on 2014 production. The underground plan in 2014 will target the M-Zone; a high grade mineralized horizon located adjacent to the Area 2 Stage 2 Pit. Upon completion of the M-Zone, the Area 2 Stage 2 Pit will be utilized for water storage.

The mill will process ore from the Area 2 and Area 118 pits, supplemented with ore from underground and stockpile for the first half of the year. Stockpiled ore will be the primary source in the second half of the year. Mill throughput in 2014 will remain relatively constant throughout the year, however grades will decline starting in August when lower grade material from the stockpile is scheduled to be milled.

Pre-stripping of Minto North is set to begin on August 2014, contingent upon receipt of the necessary permits and licenses. A delay in the Phase V/VI permit application has resulted in the shift of the most significant production from Minto North by one year.

3.6 Santo Domingo Project (Chile)

The Santo Domingo Project is the subject of a report titled "Technical Report on the Santo Domingo Project, Chile" dated September 28, 2011 (the "Santo Domingo Report"). This technical report was prepared by Ausenco Minerals Canada Inc. The Santo Domingo Report was written by: David Brimage, AusIMM CP, David W. Rennie, P.Eng., John Nilsson, P.Eng., Art Winckers, P.Eng. and Michael Davies, P.Eng., each a Qualified Person as defined in NI 43-101. The following descriptions of the Santo Domingo Project are based on assumptions, qualifications and procedures which are set out in the Santo Domingo Report. Reference should be made to the full text of this report which is available in its entirety on SEDAR at www.sedar.com under the Company's profile.

Project Description and Location

The Santo Domingo Project is based on a large open pit copper/gold/magnetite resource located approximately two hours north of Copiapó by paved road and 5 km southeast of the town of Diego de Almagro in Region III of Northern Chile. The Santo Domingo property was originally part of the BHP Candelaria project area, which consisted of eight non-contiguous concessions in a north-south corridor extending between the towns of Taltal to the North and to a point about 75 km South of the city of Copiapó.

The Santo Domingo Project area encompasses 82 contiguous mining concessions covering an area of 19,841 hectares in Region III of Northern Chile. The centre of the deposit is located at approximately 26°28'00"S and 70°00'30"W.

The project was owned by Far West, which was formerly a TSX listed mineral exploration company headquartered in Vancouver. On June 17, 2011, Far West was acquired by Capstone at the same time as the Company entered into a strategic relationship with Korea Resources Corporation ("KORES"). The terms of this relationship provided for amongst other things, a private placement in the equity of the Company, representation on the Board of Directors of the Company, the acquisition of a 30% interest in the project by KORES, participation in the financing of the project as well as an agreement to enter into a life of mine off-take agreement for 50% of the production of the project on prevailing market terms.

The initial Candelaria Project land package assembled by BHP in 2002 consisted of 3,434.5 km² of exploration concessions. In 2002 and 2003, Far West and BHP entered into Project Area Agreements that allowed Far West to earn an interest in the concessions within the project area. Effective August 5, 2003, Far West assigned interests in the Project Area Agreements to its wholly owned Chilean subsidiary, Minera Lejano Oeste S.A. ("MLO"). On May 4, 2005, BHP terminated any interest in the concessions within the project area and commenced transfer of title of all these concessions to MLO in exchange for a retained 2% NSR royalty. As of the date of the Santo Domingo Report, all concessions in the Candelaria Project area are 100% owned by MLO.

Far West, now a subsidiary of Capstone, controls 100% of 82 exploitation concessions ("constituidas") in the Santo Domingo area, including the exploitation concessions acquired through option (Estrellita 1/10, Iris I 1/200, Iris II 1/160, Iris 1/55, Estefanía, Manto Ruso 1/8, Pichanga 1/100, and Santo 1/20.) In all, the 82 exploitation concessions cover a total area of 19,841 ha.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

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

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

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

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

Vegetation is very sparse. In the valley bottoms, plant life consists of small, widely-spaced bushes a few tens of centimeters in height. Hillsides and peaks are generally devoid of any vegetation. In spite of the dry conditions, hills

of gentle to moderate relief have been cut by deep gullies and flanked with gravel-filled valleys and alluvial fans; evidence of water movement preserved since conditions were less arid. Elevations range from approximately 900 to 1,500 masl.

Seismic zone maps of South America indicate that the project area is likely to have high seismicity and the site is considered part of Zone 3 (shores) according to the Chilean National Design Code Nch2369, with a peak ground acceleration of 0.4 g.

History

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

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

Many small inactive mines and a myriad of pits occur throughout the property area. The mines typically exploited copper mineralization hosted in narrow (one meter to five meters) steeply-dipping veins and, in some cases adjacent strata to these veins. The largest mines are located along approximately 700 m of the Santo Domingo structure. These mines include La Estrella, La Estrellita, El Iris, and others. Judging by the size of the dumps and number of adits, it is possible that this specific area produced upwards of 500,000 tonnes. A second area of minor production is a small open pit with peripheral underground workings on the Caprichosa concession in Target Area 4a2 (Far West nomenclature) that may have produced in the order of 20,000 tonnes of copper oxide-bearing coming from a specularite stratum.

However, surface workings at the majority of the mines in the Santo Domingo property (other than those noted above) are generally less than a few tens of metres in length and the extent of underground development is unknown. Judging by the quantity of dump material adjacent to most of these mines, it is probable that production was no more than a few thousand tonnes at any one site.

The initial Candelaria Project land package was assembled by BHP in 2002. In 2002 and 2003, Far West and BHP entered into Project Area Agreements that allowed Far West to earn an interest in the concessions within the project area. Effective August 5, 2003, Far West assigned interests in the Project Area Agreements to MLO. On May 4, 2005, BHP terminated any interest in the concessions within the project area and commenced transfer of title of all these concessions to MLO in exchange for a retained 2% NSR royalty.

No historic resource estimates or production records for workings in the Santo Domingo property have been located.

Geological Setting

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

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

The bulk of the rock exposed in the Santo Domingo Project appears to overlie the Punta del Cobre volcano-sedimentary sequence. It is an intercalated and interfingered sequence of volcanoclastics, andesite flows, limestone, and calcareous sedimentary rocks, probably of the Lower Cretaceous Bandurrias and Chanarcillo Groups. The Bandurrias Group is defined as a predominantly volcanic sequence of andesite flows and volcanoclastic rocks. Chanarcillo Group rocks consist largely of limestone and calcareous marine sediments. Both definitions match observed geology on the Santo Domingo Project.

Exploration

Exploration work in the Santo Domingo area was conducted by Far West from July 2003 to May 2010 and by Capstone from August 2011 to May 2012. It consisted of:

- 50 km² of geological mapping at 1:25,000.
- 50 surface rock samples for analysis for Au and a 27-element Inductively Coupled Plasma (ICP) suite.
- 47 sieved (106 micron) drainage sediment samples for analyses as above.
- 17.6 km of Induced Polarization (IP) survey.
- A total of 120,168 m of drilling in 464 holes, including 90,611 m of reverse circulation (RC) drilling in 348 holes and 29,557 m diamond (core) drilling in 114 holes.
- Analysis for gold and 27-element ICP on two-metre intervals for RC and one-metre intervals for core.

A total of 50 rock chip samples were collected from the Santo Domingo area and sent to ALS Chemex Laboratories in La Serena (ALS Chemex) for gold and 27-element ICP analyses. Samples with over 10 g Au and over 10,000 ppm Cu were assayed and bubble plots of copper and gold values produced. Samples were generally taken where copper oxides were apparent, and hence most samples contained anomalous levels of copper.

A total of 47 sediment samples were collected from drainages within and immediately peripheral to the Santo Domingo area. The samples were analyzed by ALS Chemex for gold and a 27-element ICP package. Most drainage channels in the area were sampled.

Approximately 200 g of -106 µm material was collected from each sample site using an Endecott No. 140 sieve (or equivalent) and simple bubble plots of copper and gold in sediments were produced. Drainages in the areas underlain by andesite flows, especially in the North and Northwest part of the target area, are generally anomalous, with copper values typically in excess of 400 ppm. This broad anomaly is roughly coincident with the widespread distribution of Northwest trending specularite-copper oxide mineralized veins that cut the andesites. The highest copper value in drainage sediment (sample 7954) was 1,865 ppm from within the Santo Domingo area, approximately two kilometres east-southeast of the Estrellita mine. No associated bedrock mineralization is known.

Mineralization

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

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

In the SDS deposit, copper mineralization occurs in a sequence of iron oxide mantos within a tuffaceous package between andesitic flows. Drilling has identified a 150 m to 500 m thick, mineralized sequence covering an area of

approximately 1,300 m by 800 m. Mineralization consists of stacked chalcopyrite-bearing specularite-magnetite mantos, within tuff and tuffaceous sediments overlain by andesitic flows.

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

The Estrellita deposit is an East-West-striking, flat-lying to shallowly north-dipping tabular body lying approximately 3.5 km Northwest of SDS. The zone has been faulted into a series of four blocks which step downwards to the North, with displacement across the faults ranging up to approximately 75 m. The overall footprint of the zone measures 900 m long by 450 m wide, and is up to 100 m thick. The zone is thickest in the middle and narrows somewhat towards the periphery. There are narrower zones of limited lateral extent in the footwall of the main zone.

Mineralization at the Estrellita deposit is a mixture of manto-style iron oxide and structurally controlled vein style mineralization. The central part of the Estrellita deposit consists of a more or less horizontal tabular body of iron oxide manto that appears to have formed at the intersection of a horizontal and a steeply dipping set of specularite structures.

Drilling

Drilling has been conducted in the Santo Domingo area since May 2004. Far West has completed 348 RC drill holes in the target area for a total of 90,611 m and 50 diamond drill holes for a total of 16,275 m. As of May 31, 2010, drilling in the Santo Domingo area totalled 106,886 m in 398 holes.

In late 2011 and early 2012, Capstone conducted an infill drilling campaign that was designed to elevate the projected first three years of production from the indicated category to the measured category. A secondary purpose was to collect material for metallurgical test work at the feasibility study level. The campaign consisted of 66 diamond drill holes for a total of 13,282 m of additional drilling. A new mineral resource estimate incorporating the results of the latest infill drilling campaign will be reported in the upcoming definitive feasibility study ("DFS").

Drilling was contracted to Harris y Cia., Major Drilling, Geo Operaciones and Captagua, all based in Chile. Most of the RC drilling was conducted by a truck-mounted Schramm Rotadrill, using a centre return hammer and a 5.5 in. (13.97 cm) carbide button bit. The diamond drilling was conducted by various types of equipment. HQ core (63.5 mm diameter) was typically drilled to a depth of approximately 300 m, below which NQ core (47.6 mm diameter) was drilled. Drilling was conducted in two 12-hour shifts per day. Samples, taken in two-metre intervals for RC, were collected by drilling personnel, and tagged and organized by Far West personnel. A geologist was generally on site during most of the day shift for RC drilling.

Diamond drill core was sampled in one-metre (all DD holes before 2010) or two-metre (DD holes 2010) intervals that were marked by Far West geologists in order to adjust the samples to geological units.

Most holes are vertical as the orientation of mineralization at SDS and Estrellita is horizontal or gently dipping. Inclined holes, particularly diamond holes, were drilled in order to establish the limits of mineralization at the edges of the deposits as well as to establish the structural framework at Estrellita, Iris, and Iris Norte. Drill collars were located using a differential GPS. Coordinates are accurate to within one metre or less. Relative elevations between holes in close proximity (such as at SDS) were determined using a tight chain and clinometer.

Drill cuttings and core were logged using a set of codes similar to those used for surface mapping. All geological data were entered digitally into summary logs. All digital data (analyses and geological logs) were subsequently entered into an MS Access project database for presentation and section generation.

Drilling was originally designed to target gravity and magnetic anomalies for IOCG mineralization of Candelaria or Manto Verde style. In April 2005, drillhole 22 intersected iron oxide mantos with copper mineralization of grade and width that had the potential to be economic. Further drilling in the area outlined the SDS deposit. Subsequent drilling to the northwest of SDS following a north-northwest trending gravity anomaly discovered and outlined the Iris deposit with mineralization of similar style to SDS. Additional drilling in the northwestern part of the Santo Domingo area, around the small-scale Estrellita mine workings, outlined the Estrellita deposit, which is more similar to Manto Verde as it represents copper oxide mineralization along a fault zone. The 2008 drilling outlined a new zone of mineralization known as Iris Norte. Additional holes have been drilled to test other gravity and magnetic features in the Santo Domingo area and intersected widespread but discontinuous copper mineralization around the four outlined deposits.

In the author of the Santo Domingo Report's opinion, the drilling has been conducted in a manner consistent with standard industry practices. The spacing and orientation of the holes are appropriate for the deposit geometry and mineralization.

Sampling and Analysis

Reverse circulation drill cuttings were blown into a cyclone and collected every two metres from top to bottom of each hole, regardless of lithology changes. This material was dumped directly into a riffle splitter with a bar separation of approximately one centimetre. Both parts of the initial split were reintroduced to the splitter and divided a second time to ensure adequate mixing of the entire sample. Half of this initial split was re-split and then split again.

These three consecutive splits resulted in a final sample one-eighth the size of the initial complete sample. A 2 kg to 3 kg portion of this final split was bagged and ticketed with a unique assay number, ready to be sent to the laboratory for analyses. A second sample of 3 kg to 4 kg was collected from the other half of the final split and stored (buried) at or near the drill site. This complete second set of samples can be used for confirmation assays, petrographic work, etc.

In the case of diamond drilling, core was placed into wooden core boxes by the drilling contractor at the drill. The depth of each interval of core pulled was marked on a wooden block and placed in the core box. The core was then transported to a logging facility by Far West personnel. At the logging facility, the core was photographed and a geotechnical log completed. Geotechnical data recorded included recovery, rock quality designation (RQD), fracture frequency, rock alteration and weathering, structure type, angle and roughness, joint compressive strength (JCS), and bulk density. Cut core samples with a length of 15 cm or 20 cm were also collected and stored in preparation for subsequent triaxial and point load tests.

The core was then geologically logged noting lithology, mineralogy, etc., using the same codes employed for logging of the RC cuttings. Structural information was also noted during core logging, something that was not possible for RC cuttings. Samples for assay were marked at one metre intervals by technicians, and subsequently adjusted by the geologist to correspond to major lithologic contacts. Sample lengths were not less than 0.5 m, nor did they exceed two metres. Sampled intervals were cut in half along the drill axis using a diamond saw. Half of the sample was returned to the core box and stored at the core facility. The other half was bagged and shipped (via ALS Chemex truck) to the ALS Chemex laboratory at La Serena, Chile, an independent commercial ISO 9001-certified laboratory, for analyses.

Upon arrival at the laboratory, samples were organized, recorded, and prepared for analyses using ALS Chemex's Prep-31 process. This process consists of:

- drying at 60°C;
- crushing (jaw crusher) to minus #10 Tyler >70%;
- homogenizing and splitting to 500 g with a Jones splitter;
- storage of reject material (over 500 g);
- pulverizing 500 g sample with a ring pulverizer to minus #200 Tyler >85%; and
- storage in 250 g envelopes.

All samples were analyzed for 27 elements using ICP. Samples were initially analyzed using ALS Chemex procedure ME-ICP61, which is ICP following four-acid total digestion (HF-HNO₃ – HClO₄ acid digestion, HCl leach) and more recently by ME-ICP81 (see below). Copper values over 10,000 ppm were assayed using ALS Chemex method Cu-AA62, which involved total digestion and an Atomic Absorption Spectroscopy (AAS) finish. Gold content was determined using method Au-AA24 (30 g sample, fire assay with an AAS finish). These analytical procedures conform to industry standards.

Drill cuttings and core were logged by geologists who also entered data into an MS Excel database. Each geologist was responsible for entering his/her own logs. Data from these individual “unproofed” logs were printed out, and then checked line by line against the original handwritten log by a two-geologist team. Corrections were made and a “proofed” version of the individual log saved. Each individual “proofed” geology log was then added to a “master geology” log. This master file can then be processed for further analysis and/or display by exporting the data in the required format.

An independent Quality Control/Quality Assurance (QA/QC) program was implemented by Far West to monitor the analytical results. Three types of quality control sample inserts were utilized during the drilling programs: (i) standards; (ii) blanks; and (iii) duplicates.

The QA/QC protocols have remained largely consistent throughout all of the programs conducted by Far West. Minor changes have been implemented to accommodate issues and recommendations from past programs, and to include the magnetic susceptibility measurements, which is a relatively recent addition to the assay procedures.

Certified Reference Materials (CRM), or standards, are inserted every 25th sample, constituting 4% of the total number of samples submitted. Standard samples are inserted into the sample sequence and analyzed by ALS Chemex in a normal way.

A separate assay ledger is also kept for each hole. Initially, sample intervals and numbers are entered manually into the ledger and then transcribed into an MS Excel spreadsheet. The initial ledgers or logs are completed by the samplers at the drill for RC cuttings and at the core-logging facility for core. Inserted blanks, standards, and duplicates are also recorded in this ledger. Assay results, when available from the laboratory, are cut and pasted into the digital ledger from an MS Excel file provided by the lab. Once complete, data from the ledger are imported to a master MS Access database containing all the Candelaria Project drill assays.

One person is responsible for management of the database, posting of final results, and controlling user access.

Security of Samples

Samples were collected at the drill in the case of RC and for the diamond drill holes, at the Far West logging facility in Diego de Almagro. The logging facility is fenced, locked when not occupied, and is secure. Samples are handled only by Far West employees or their designates (i.e., ALS-Chemex personnel).

Observed sample recovery was excellent and no intervals with poor recovery were reported. Apart from most overburden material and a few obviously barren bedrock intervals, all samples were sent for analyses. Pre-laboratory sample preparation by Harris (drilling contractor) and Far West personnel was conducted under the supervision of Far West geologists. Samples were sealed in plastic bags using zip strips, subsequently sealed in woven polypropylene sacs, and stored in the drilling camp until collected by ALS Chemex personnel. Once leaving the drill camp on the property, sample security could not be confirmed. However, Far West advises that, in virtually all cases, copper estimates in logged chips correlate well with analytical results.

Mineral Resource and Mineral Reserve Estimates

The Santo Domingo Project currently comprises of the following deposits: Santo Domingo Sur (SDS), Iris, (currently grouped together as “SDS/IRIS”), and Iris Norte.

The mineral resource estimates for the SDS and Iris Zones have been updated by Scott Wilson RPA. The estimates include data from recent measurements of magnetic susceptibility, as well as 35 additional drill holes completed since the last estimate, which was carried out by Scott Wilson RPA in 2009. In addition to the 35 holes, five other holes

were used in the geological interpretation, but not in the grade interpolation, as the assay results had not been received. The cut-off for the assay data was May 15, 2010, and the estimate is considered to be current to that date.

Santo Domingo – Mineral Resource Estimate used in PFS (Effective May 15, 2010)

Zone	Mt	%CuEq	%Cu	g/t Au	%Fe
Indicated					
SDS (1-4)	275	0.64	0.41	0.056	27.8
Iris (5-6)	111	0.50	0.23	0.033	26.3
Iris Norte (7-8)	99.5	0.47	0.16	0.019	26.4
Indicated (SDS/Iris)	486	0.57	0.32	0.043	27.2
Estrellita*	31.7	n/a	0.53	0.050	n/a
Total Indicated	517		0.33	0.044	
Inferred					
SDS (1-4)	30.5	0.46	0.26	0.037	23.7
Iris (5-6)	5.52	0.47	0.19	0.026	26.0
Iris Norte (7-8)	25.3	0.47	0.10	0.011	27.9
Inferred (SDS/Iris)	61.3	0.46	0.19	0.025	25.7
Estrellita*	2.7	n/a	0.48	0.050	n/a
Total Inferred	64.0		0.20	0.026	

Notes:

1. CIM definitions were followed for mineral resources.
2. Mineral resources for SDS/Iris are estimated at a cut-off grade of 0.25% CuEq. The cut-off for Estrellita was 0.3% Cu.
3. CuEq grades are calculated using average long-term prices of \$2.25/lb Cu, \$950/oz Au and \$0.74/dmtu Fe (\$50/dmt conc. @ 67.5% Fe).

*The Estrellita Zone, which was estimated in 2007, was not included in the 2010 update as there has been no change to the database for this deposit.

Based on the analysis of a Whittle™ pit optimization evaluation for varying revenue factors the chosen Whittle™ shell was used as the basis for the detailed pit designs created for each of the Santo Domingo pits. These detailed pit designs take into consideration, minimum mining widths, access ramps, and detailed bench configurations.

The mineral reserves estimate for the detailed open pit designs are summarized in the following table for the probable reserve classification. The Santo Domingo Sur and Iris deposits formed the SDS/Iris open pit with Iris Norte forming its own pit. These open pits were then further divided into various stages for mine planning purposes. SDS/Iris pit is divided into four stages, while Iris Norte has been divided into three stages.

Santo Domingo Open Pit Probable Mineral Reserves (Effective August 15, 2011)

Stage	Ore (Mt)	Ore Grade		Contained Metal		
		Au (g/t)	Cu (%)	Au (kOz)	Cu (Mlbs)	Magnetite Conc. (Mt)
SDS/Iris						
SDS Stage 1	71.8	0.08	0.61	193	958	11
SDS Stage 2	63.7	0.06	0.41	113	574	10
SDS Stage 3	170.5	0.03	0.23	173	848	32
SDS Stage 4	38.8	0.05	0.36	60	304	3
Subtotal SDS/Iris	344.8	0.05	0.35	539	2,684	57
Iris Norte						
IRN Stage 1	21.4	0.03	0.23	20	108	4
IRN Stage 2	28.0	0.01	0.13	12	78	7
IRN Stage 3	23.7	0.01	0.11	8	60	5

Stage	Ore (Mt)	Ore Grade		Contained Metal		
		Au (g/t)	Cu (%)	Au (kOz)	Cu (Mlbs)	Magnetite Conc. (Mt)
Subtotal Iris Norte	73.1	0.02	0.15	41	246	17
Grand Total	418.0	0.04	0.32	580	2,930	73

Notes: NSR cut-off of \$5.79/t (incremental operating cost; does not include mining costs). Reserves based on Indicated Resources only. Magnetite concentrate tonnage based on average 65% iron grade. Due to rounding, some figures may not add up to the totals shown. Capstone is in the process of developing a DFS for the project, which is expected to be published by year end.

Within the pit designs there is a total of 8 Mt of inferred mineral resources. These inferred tonnes were not included in the life-of-mine production plan. There is no certainty that these inferred mineral resources will be converted to the measured or indicated categories through further drilling, or into mineral reserves, once economic considerations are applied. There is also 31 Mt of oxide material that has not been included in the life-of-mine plan. This oxide material will be selectively placed on the waste rock fill to allow for potential processing in the future.

In general, increases in operating costs, reductions in revenue assumptions or reductions in metallurgical recovery may result in increased cut-off grades, reductions in reserves and increasing strip ratios. The converse is also true. Reductions in operating costs, increases in revenue assumptions or increases in metallurgical recovery may result in reduced cut-off grades and increases in reserves.

There is currently a highway crossing over the area of the Iris Norte open pit design. This infrastructure element will require re-location in order to mine the reserves in this area. Reserves have been estimated assuming that project permitting is achievable.

Mining Operations

The following discussion refers to the results of the Santo Domingo Report prepared for the Santo Domingo project. Capstone is in the process of developing a Definitive Feasibility Study ("DFS") for the project, which is expected to be published mid 2014 which will provide for a comprehensive project update.

The mining sequence, which mines higher grade material early on in the schedule, begins with Santo Domingo Sur. Mining of the Santo Domingo Sur Pit will be followed by Iris, with Iris Norte mined last in the sequence. Santo Domingo Sur and Iris form one of the pits and is divided into four stages. Iris Norte forms a separate pit and has been split into three stages.

The production schedule for the Santo Domingo deposits was developed with the aid of MineSight™ software, and incorporated the open pit deposits at Santo Domingo Sur, Iris and Iris Norte. The maximum processing rate of 70 ktpd was used in the schedule.

Open pit mining will take place sequentially with Santo Domingo Sur mined first, followed by Iris and finally Iris Norte. There will be some overlap between these pits in order to provide adequate mill feed and to balance waste stripping requirements. The average maximum production rate from the Santo Domingo open pits is approximately 285 ktpd. Only indicated mineral resources were used in the LOM plan.

The Santo Domingo open pits will produce 418 Mt of mill feed and 1,277 Mt of waste rock over a 19-year mine operating life (yielding an overall strip ratio of 3.1:1 (t:t)). The mine schedule focuses on achieving the required plant feed production rate, mining of higher grade material early in schedule, while balancing waste stripping requirements.

To further illustrate the progression of mining of the Santo Domingo deposits, the following provides the open pit stage bottom elevation reached by the end of each period:

Year	Development
Year -1	Pre-stripping of the SDS/Iris pit commences with a total of 0 Mt of waste material mined. Approximately 0.4 Mt of ore will be stockpiled.
Year 1	Mining continues in Stage 1 and 2 of SDS/Iris. Open pit ore production is planned to be 15.3 Mt at a strip ratio of 5.8:1 (total waste mined 90 Mt). Processing of ore commence at 60% of maximum capacity. Mined head grade is 0.63% Cu.
Year 2	Stages 1 and 2 in SDS/Iris produce 81 Mt of waste for a 3.2:1 strip ratio. Average total mined grade is 0.63% Cu. Processing rate reaches maximum of 70 kt/d.
Year 3-5	Stage 1 of SDS/Iris is completed. Mining continues in Stage 2 and commences in Stage 3. Processing mill head copper grade averages 0.49% Cu at a constant throughput rate of 70 kt/d. Average total material mined is 288 kt/d at an average strip ratio of 3.1:1.
Year 6-10	Stage 2 of SDS/Iris pit is completed during this time frame, along with continued mining in Stage 3 and 4. Mining commences at Iris Norte with pre-stripping of Stage 1. A total of 122 Mt of plant feed mined in the period at an average copper grade of 0.27% Cu. Total waste tonnage is 399 Mt for an average strip ratio of 3.3:1.
Year 11-15	Stage 3 of SDS/Iris is completed with Stage 4 of SDS/Iris nearing completion. All stages in Iris Norte are active during this time period
Year 16-19	Mill feedhead grade averages 0.24% Cu. The strip ratio averages 2.8:1 with 322 Mt of waste mined. Mining completed in remaining Stage 4 of SDS/Iris and three stages in Iris Norte. 65 Mt of ore mined and mill head grade decreases to 0.15% Cu with a total of 98 Mt of waste mined.

Waste rock from the various open pits at Santo Domingo will be deposited in engineered waste rock facilities (“WRF”) adjacent to each of the deposits. In addition, a portion of waste rock from Iris Norte is proposed to be backfilled into the mined out Iris pit. The 31 Mt of oxide material will also be placed in these WRF to allow for potential future processing of this material.

The tailings storage system consists of a tailings storage facility (“TSF”) located north of the proposed mine. The TSF is designed to store approximately 353 Mt of conventional thickened tailings, enough for approximately 18 years of the project life. Storage of both fresh and seawater is proposed to be in lined ponds near the plant site. No other water storage reservoir is proposed. Water make-up is proposed to be untreated seawater. Based on the conventional thickened tailings disposal method, the estimated water make-up will be approximately 1,450 m³/h (~400 L/s). The TSF includes a starter dam for storing at least two years of thickened tailings. The starter dam crest will be raised in stages by the downstream method to contain the waste tailings within the current permitted boundary limits up to Year 18 of operations.

Basic layouts have been prepared based on an open-air concentrator design, with mobile crane maintenance access and minimal overhead crantage. This layout has taken account of the site topography and limits imposed by the preliminary locations of the pit, stockpiles, and waste dumps.

The land and territory investigations regarding the project’s current footprint, indicate there would be no impact on natural parks, biodiversity conservation priority sites, or indigenous development land in the Atacama Region. A series of baseline studies are still required for the project in order to achieve a proper characterization of the environmental components that should be included in the future Environmental Impact Study (EIS).

No direct marketing has been done for the potential Santo Domingo copper concentrates and therefore no off-take agreements beyond that with KORES exist.

The iron ore produced by the Santo Domingo Project will be suitable to be sold as a pellet feed. A series of assumptions can be made around which the specific price forecast can be based.

- Market: the product will be sold into China as a pellet feed, most likely to one of the new world scale coastal pellet plants operated by the larger steel companies.
- Logistics: as a large bulk shipment it can be presumed that a Chinese steel mill will use a 155,000 capesize vessel to transport the ore from Chile to a port in Northern China, most likely Qingdao, a distance of 10,376 nautical miles. In this instance it is almost certain that any price negotiations will be based upon the steel company using a ship under a time charter agreement; the reason for a COA or owning a ship is to give the steel mill a freight advantage, this will not be ceded in price negotiations.
- Pricing point: The large coastal pellet plants in China, which are most likely to purchase the ore from the project, will value it against pellet feed from the major supplier of imported material, in this case Brazil. Therefore, the correct benchmark price to be used will be Vale's MBR pellet feed price (fob Tubarao). The MBR pellet feed price is typically set at a 3% discount to sinter fines and this is unlikely to change in future. There is an argument to price directly against a Chinese concentrate price series, but the market for this type of product is small and in practise restricted to inland steel mills.

The total project capital cost estimate is summarized in in the table below and have $\pm 25\%$ accuracy as of July 2011. The estimate is based on a foreign exchange rate of 1 US\$ = 466 Chilean Pesos (CLP) and must be assessed against the study battery limits, exclusions and scope as detailed in the relevant sections of the Santo Domingo Report.

Summary of Capital Costs

Area	\$M
Mining equipment	172
Pre-strip	54
Process plant	283
Tailings	29
On-Site Infrastructure	27
Off-Site Infrastructure	
Site Power	6
Concentrate Pipeline	49
Seawater Pipeline	76
Concentrate Dewatering, Storage and Load Out	121
Off-Site Infrastructure (Total)	253
Total Direct Costs	818
Indirect Costs	186
Owners Cost	89
Total Indirect Costs	275
Contingency	149
Total Project Cost	<u>1,242</u>

The capital cost estimate was updated and on March 13, 2013 estimated to have escalated to \$1.5 to \$1.8 billion (see *Updated Capital Cost Estimate* below.)

The total project operating costs, excluding costs associated with concentrate sales, are summarized in the table below. The costs are presented as life-of-mine (LOM) averages per tonne of ore processed.

Summary of Average LOM Operating Costs

Cost Centre	\$M/a	\$/t ore
Mining	107	4.62
Process plant	101	4.37
Concentrate pipeline	2	0.09
Seawater pipeline	10	0.43
G&A	13	0.55
Port Facility	11	0.46
Total	244	10.52

The operating costs estimate was prepared with a base date of July 2011 to an accuracy level of $\pm 25\%$. Life of mine sustaining capital costs, estimated at \$495M over the 18 year mine life (including mine closure estimates) are not included in either the initial capital or operating cost figures above. The sustaining capital expenditure requirements have been included as part of the financial model.

The overall economic performance of the project (as measured by the IRR, NPV and payback period) on the capital estimate contained in the Santo Domingo Report is summarized in the table below.

Summary of PFS Economic Results

Parameter	Base	Spot
After Tax NPV 8% discount rate IRR, Payback	\$1.1 billion / 22% / 3.0 years	\$4.0 billion
Base Copper price, US\$/lb	2.50	4.00
Base Magnetite price, US\$/dmtu Fe ¹	1.00	2.00
Base gold price, US\$/oz	1,000	1,400
Base capital cost, US\$M	1,242	
Site Operating Cost, US\$M	4,403	
Sustaining capital cost, US\$M	495	
Realisation Costs*, US\$M	1,091	

Note 1: \$1.00/dmtu Fe is the equivalent of \$65/dmt of concentrate at 65.0% Fe and \$2.00/dmtu Fe is the equivalent of \$130/dmt of concentrate.

*Relate to treatment costs and selling costs

Note that the guidance for the capital cost was revised to \$1.5 to \$1.8 billion on March 13, 2013. The DFS, expected in mid-2014, will provide a complete update on the project economics.

The total cash production costs for copper over the life of the project were estimated at \$0.11 per pound of payable copper, including gold and iron production as credits and selling costs. The co-product total cash production costs were estimated at \$1.12 per pound of payable copper and \$30.46 per tonne of magnetite concentrate.

A project implementation schedule will be updated and included in the DFS.

Updated Capital Cost Estimate

AMEC, NCL and Capstone personnel completed an update to the PFS estimate of the development capital required to build the Santo Domingo Project on March 13, 2013. The capital cost at that time was estimated at between \$1.5 to \$1.8 billion. This estimate was dependent upon flow sheet variables and mine equipment lease/purchase options. This estimate includes all site infrastructure and indirect costs including the pipelines and port facility. With the exception of moving the port location, the overall project design has not changed materially from the PFS design; however, a more detailed estimate will be provided with the DFS in the second quarter.

Exploration and Development

Exploration on the property will focus on identifying untested or poorly tested geophysical targets for smaller lenses of potentially high grade material. Previous exploration has been focused on identifying and delineating the main ore body which is now complete. Additional small, near surface higher grade lenses could potentially improve the economics of the overall project.

ITEM 4 - RISK FACTORS

Capstone is subject to a number of significant risks due to the nature of its business and the present stage of its business development. Readers should carefully consider the risks and uncertainties described below before deciding whether to invest in Capstone common shares. Capstone's failure to successfully address the risks and uncertainties described below could have a material adverse effect on its business, financial condition and/or results of operations, and the trading price of its common shares may decline and investors may lose all or part of their investment. Capstone cannot give assurance that it will successfully address these risks or other unknown risks that may affect its business.

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

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

Changes in the market price of copper and other metals, which in the past have fluctuated widely, could negatively affect the profitability of the Company's operations and financial condition.

The commercial viability of the Company's properties and the Company's ability to sustain operations is dependent on, among other things, the market price of copper, lead, zinc, gold and silver. Depending on the price to be received for any minerals produced, the Company may determine that it is impractical to continue commercial production at the Pinto Valley Mine, the Cozamin Mine or the Minto Mine or to develop the Santo Domingo Project. A reduction in the market price of copper, lead, zinc, gold or silver may prevent the Company's properties from being economically mined or result in the write-off of assets whose value is impaired as a result of low metals prices. The market price of copper, lead, zinc, gold and silver is volatile and is impacted by numerous factors beyond the Company's control, including, among others:

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

- metal stock levels maintained by producers and others; and
- inventory carrying costs.

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

The sale of the Company's metals is subject to counterparty and market risks.

The Company has entered into concentrate off-take agreements whereby 100% of budgeted production of the concentrate produced from the Pinto Valley, Cozamin and Minto Mines have been committed to various external parties through calendar year 2014. Thereafter, approximately 50% is committed under multi-year contracts through 2016. The balance is not currently committed but various interested parties have requested intent to purchase this concentrate if available. 50% of the copper and iron concentrate to be produced from the Santo Domingo Project will be purchased by Kores under the terms of the Shareholders Agreement. The Company has also sold forward the gold and silver production from the Minto Mine and all of the silver production from the Cozamin Mine to Silver Wheaton. If any counterparty to any off-take or forward sales agreement does not honour such arrangement, or should any such counterparty become insolvent, the Company may incur losses on the production already shipped and/or be forced to sell a greater volume of the Company's production in the spot market, which is subject to market price fluctuations. In addition, there can be no assurance that the Company will be able to renew any of the Company's off-take or forward sales agreements on acceptable terms, or at all, or that the Company's production will meet the qualitative requirements under such agreements.

The Company may require substantial additional capital to accomplish the Company's exploration and development plans, and there can be no assurance that financing will be available on terms acceptable to the Company, or at all.

The Company may require substantial additional financing to accomplish the Company's exploration and development plans for the Santo Domingo Project and to advance the Pinto Valley Mine, the Cozamin Mine and the Minto Mine to achieve designed production rates. These financing requirements could adversely affect the Company's credit ratings and the Company's ability to access the capital markets in the future. Failure to obtain sufficient financing, or financing on terms acceptable to the Company, may result in a delay or indefinite postponement of exploration, development or production at one or more of the Company's properties. Additional financing may not be available when needed and the terms of any agreement could impose restrictions on the operation of the Company's business. Failure to raise financing when needed could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

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

Fluctuations in the Canadian dollar or Mexican peso relative to the US dollar could significantly affect the Company's business, financial condition, results of operations and prospects. Exchange rate movements can have a significant impact on the Company as all of the Company's revenue is received in US dollars but much of the Company's operating and capital costs are incurred in Canadian dollars and Mexican pesos. Also, as a result of the Company's acquisition of Far West, the Company is exposed to currency fluctuations in the Chilean peso relating to expenditures for the Santo Domingo Project. As a result, a strengthening of these currencies relative to the US dollar will reduce the profitability of the Company's projects and affect the Company's ability to continue to finance the Company's operations. The Company does not currently, and does not expect to, enter into foreign currency contracts to hedge against currency risk.

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

The Company's calculations of mineral resources and mineral reserves are estimates and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be inaccurate.

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

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

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

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

- a global credit/liquidity issue could impact the cost and availability of financing and the Company's overall liquidity;
- volatility of prices for copper, lead, zinc, gold and/or silver prices may impact the Company's future revenues, profits and cash flows;
- recessionary pressures could adversely impact demand for the Company's production;
- volatile energy prices, commodity and consumables prices and currency exchange rates could negatively impact potential production costs; and
- devaluation and volatility of global stock markets could impact the valuation of the Company's securities, which may impact the Company's ability to raise funds through future issuances of equity.

These factors could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

There are uncertainties and risks related to the potential development of the Santo Domingo Project and if the construction and development of this project is not completed, it could adversely affect the Company's business, financial condition, results of operations and prospects.

As part of the Company's strategy, the Company will continue the Company's efforts to develop new mineral projects, including, if advisable, the Santo Domingo Project. Development of the Santo Domingo Project will require obtaining permits and financing, and the construction and operation of mines, processing plants and related infrastructure. As a result, if the Company proceeds to development it will be subject to all of the risks associated with establishing new mining operations, including:

- the timing and cost, which can be considerable, of the construction of mining and processing facilities and related infrastructure;
- the availability and cost of skilled labour, mining equipment and principal supplies needed for operations, including explosives, fuels, chemical reagents, water, power, equipment parts and lubricants;

- the availability and cost of appropriate smelting and refining arrangements;
- the need to obtain necessary environmental and other governmental approvals and permits and the timing of the receipt of those approvals and permits;
- the availability of funds to finance construction and development activities;
- industrial accidents;
- mine failures, shaft failures or equipment failures;
- natural phenomena such as inclement weather conditions, floods, droughts, rock slides and seismic activity;
- unusual or unexpected geological and metallurgic conditions;
- exchange rate and commodity price fluctuations;
- potential opposition from non-governmental organizations, environmental groups or local groups, which may delay or prevent development activities; and
- restrictions or regulations imposed by governmental or regulatory authorities.

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

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

High metal prices in recent years have encouraged increased mineral exploration, development and production activity, which has increased demand for, and cost of, exploration, development and construction services and equipment.

Notwithstanding short term market fluctuations, high metal prices in recent years have encouraged increases in mineral exploration, development and production activities, which has resulted in increased demand for, and cost of, exploration, development and construction services and equipment. There has also been a shortage of skilled workers in the mining industry in recent years, particularly with respect to experienced mine construction and mine management personnel. In addition, employee turnover rates in the mining industry have increased as participants in the minerals industry compete for skilled personnel. Increased demand for services and equipment could result in delays if services or equipment cannot be obtained in a timely manner due to inadequate availability, and may cause scheduling difficulties due to the need to coordinate the availability of services or equipment, any of which could materially increase the Company's project exploration and any development and/or construction costs. Increases in both operating and capital costs must be factored into economic assessments of existing and proposed mining projects. These increases may increase the financing requirements for such projects or render such projects uneconomic.

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

Title to the Company's properties may be challenged or impugned. The Company's property interests may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. Surveys have not been carried out on the majority of the Company's properties and, therefore, in accordance with the laws of the jurisdiction in which such properties are situated, their existence and area could be in doubt.

A claim by a third party asserting prior unregistered agreements or transfer on any of the Company's properties, especially where mineral reserves have been located, could result in the Company losing a commercially viable property. Even if a claim is unsuccessful, it may potentially affect the Company's current operations due to the high costs of defending against the claim and its impact on the Company's senior management's time. Title insurance is generally not available for mineral properties and the Company's ability to ensure that the Company has obtained a

secure claim to individual mineral properties or mining concessions may be severely constrained. The Company relies on title information and/or representations and warranties provided by the Company's grantors. If the Company loses a commercially viable property, such a loss could lower the Company's future revenues or cause the Company to cease operations if the property represented all or a significant portion of the Company's mineral reserves at the time of the loss.

The Company faces added risks and uncertainties as a result of operating in foreign jurisdictions including changes in regulation.

The Company's business operates in a number of foreign countries where there are added risks and uncertainties due to the different economic, cultural and political environments. The Company's mineral exploration and mining activities may be adversely affected by political instability and changes to government regulation relating to the mining industry. Other risks of foreign operations include political unrest, labour disputes and unrest, invalidation of governmental orders and permits, corruption, war, civil disturbances and terrorist actions, arbitrary changes in law or policies of particular countries (including nationalization of mines), foreign taxation, price controls, delays in obtaining or renewing or the inability to obtain or renew necessary environmental permits, opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on mineral exports and increased financing costs. For example, recent changes in the Mexican tax laws, including the imposition of a royalty, have had an impact on the Company's results and there is no certainty further changes will not be imposed. Local economic conditions, including higher incidences of criminal activity and violence in areas of Mexico can also adversely affect the security of the Company's operations and the availability of supplies. In addition, risks of operations in Mexico include extreme fluctuations in currency exchange rates, high rates of inflation, hostage taking and expropriation. These risks may limit or disrupt the Company's projects, restrict the movement of funds or result in the deprivation of contract rights or the taking of property by nationalization or expropriation without fair compensation. There can be no assurance that changes in the government or laws or changes in the regulatory environment for mining companies or for non-domiciled companies will not be made that would adversely affect the Company's business, financial condition, results of operation and prospects.

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

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

The Company's operations are subject to significant governmental regulation, which could significantly limit the Company's exploration and production activities.

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

In addition, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail the Company's exploration, development or production. Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or the more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in the Company's exploration expenses, capital expenditures or production costs or a reduction in the levels of production at the Company's producing properties or require abandonment or delays in exploring or developing the Company's properties.

The Company is dependent on key management personnel.

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

The Company's operations are subject to stringent environmental laws and regulations that could significantly limit the Company's ability to conduct the Company's business.

The Company's operations are subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labour standards, occupational health, waste disposal, safety and other matters. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain of the Company's operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in the direction of stricter standards and enforcement, higher fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors, officers and employees. Compliance with changing environmental laws and regulations may require significant capital outlays, including obtaining additional permits, and may cause material changes or delays in, or the cancellation of, the Company's exploration programs or current operations.

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

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

Permit terms and conditions can also impose restrictions on how the Company conducts the Company's operations and limit the Company's flexibility in developing the Company's mineral properties. Many of the Company's permits are subject to renewal from time to time, and renewed permits may contain more restrictive conditions than the Company's existing permits. In addition, the Company may be required to obtain new permits to expand the Company's operations, and the grant of such permits may be subject to an expansive governmental review of the Company's operations. Alternatively, the Company may not be successful in obtaining such permits, which could prevent the Company from commencing or expanding operations or otherwise adversely affect the Company's business, financial condition, results of operation and prospects. For instance, although the Minto Mine is currently permitted to conduct operations under its Quartz Mining Licence and two Water Use Licences, amendments to these licences are required in order to implement the Company's planned mine expansion. These amendments may not be

granted by the Yukon regulatory authorities. Further, renewal of the Company's existing permits or obtaining new permits may be more difficult if the Company is not able to comply with the Company's existing permits. Applications for permits, permit area expansions and permit renewals may be subject to challenge by interested parties, which can delay or prevent receipt of needed permits. The permitting process can also vary by jurisdiction in terms of its complexity and likely outcomes.

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

Climatic conditions can affect the Company's operations at the Pinto Valley, Cozamin and Minto Mines.

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

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

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

The Company's directors and officers may have interests that conflict with the Company's interests.

Certain of the Company's directors and officers also serve as directors or officers, or have significant shareholdings in, other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. To the extent that such other companies may participate in ventures which the Company may participate in, or in ventures which the Company may seek to participate in, the Company's directors and officers may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In all cases where the Company's directors and officers have an interest in other companies, such other companies may also compete with the Company for the acquisition of mineral property investments. As a result of these conflicts of interest, the Company may not have an opportunity to participate in certain transactions, which may have a material adverse effect on the Company's business, financial condition, results of operation and prospects.

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

The nature and extent of First Nations rights and title remains the subject of active debate, claims and litigation in Canada, including in British Columbia and Yukon. The Minto Mine lies on Category A land in Yukon where the Selkirk First Nation own both surface and subsurface rights. The Kutcho Project in British Columbia lies within an area claimed as traditional territory by both the Tahltan First Nation and the Kaska First Nation. There is a risk that any land claim settlement with the Tahltan or the Kaska may adversely affect the Company's rights to the Kutcho Project.

There can be no guarantee that the unsettled nature of the land claims in British Columbia and Yukon will not create delays in project approval or unexpected interruptions in project progress, or result in additional costs to advance the Company's projects. In many cases, environmental assessment, subsequent permitting, development and operation of proposed projects is only possible with the support of the local First Nations group. In order to secure such support, the Company may have to take measures to limit the adverse impact to, and ensure that some of the economic benefits of the construction and mining activity will be enjoyed by, the local First Nations group. There is a risk that the First Nations may publicly oppose the proposed project at any stage and this potential opposition may adversely affect the project or the Company's public image. Further, Canadian law related to aboriginal rights, including aboriginal title rights, is in a period of change. There is a risk that future changes to the law may adversely affect the Company's rights to the Minto Mine,.

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

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

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

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

The Company's operations will be adversely affected if the Company fails to maintain satisfactory labour relations.

As of December 31, 2013, the Company had approximately 1,307 employees and approximately 626 contractors.

The company's workforce is not unionized with the exception of approximately 354 of the hourly employees at the Pinto Valley Mine which are members of six unions, governed by one collective bargaining agreement negotiated by the United Steelworkers Union.

The Company cannot predict at this time whether the Company will be able to reach new agreements with the Company's unionized workforce without a work stoppage or other labour unrest, and any such new agreements may not be on terms favourable to the Company. Additional groups of non-union employees may seek union representation in the future. Further, relations with employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities in jurisdictions where the Company conducts business. Changes in such legislation or otherwise in the Company's relationship with the Company's employees may result in higher ongoing labour costs, employee turnover, strikes, lockouts or other work stoppages, any of which could have a material adverse effect on the Company's business, results of operations and financial condition.

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

Mining operations and facilities are intensive users of electricity and carbon-based fuels. Energy prices can be affected

by numerous factors beyond the Company's control, including global and regional supply and demand, political and economic conditions, and applicable regulatory regimes. The prices of various sources of energy may increase significantly from current levels. An increase in energy prices for which the Company is not hedged could materially adversely affect the Company's results of operations and financial condition.

The Company may be unable to compete successfully with other mining companies.

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

The Company may experience difficulties with the Company's strategic partners.

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

The Company may experience problems integrating new acquisitions into the Company's existing operations.

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

ITEM 5 - DIVIDENDS AND DISTRIBUTIONS

The Company has neither declared nor paid any dividends or distributions on its common shares in the last three financial years and has no present intention of paying dividends or distributions on its common shares, as it

anticipates that all available funds will be invested to finance the growth of its business.

ITEM 6 - DESCRIPTION OF CAPITAL STRUCTURE

6.1 General Description of Capital Structure

The Company has an authorized capital of an unlimited number of common shares without par value, 379,853,023 of which were issued and outstanding as of December 31, 2013.

Common Shares

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

Incentive Stock Option and Bonus Share Plan

The Company has an Incentive Stock Option and Bonus Share Plan in place which provides for the issuance of stock options to acquire at any time up to a maximum of 10% of the Company's issued and outstanding common shares (subject to standard anti-dilution adjustments). The plan further allows for the issuance of up to 500,000 bonus shares in any one calendar year to employees or directors of the Company. Any bonus shares that are issued are not counted in determining the number of options available to be granted under the plan.

Deferred Share Units ("DSUs")

The Company has a DSU Plan which aligns the interests of non-executive directors with those of the shareholders of the Company and provides a compensation system for eligible directors that, together with the other director compensation mechanisms of the Company, is reflective of the responsibility, commitment and risk accompanying Board membership and the performance of the duties required of the various committees of the Board. Directors will be able to redeem their DSUs only after they cease to be directors of the Company.

Performance Share Units ("PSUs") and Restricted Share Units ("RSUs")

The Company also has long-term incentive plans designed to align management's interests with those of shareholders through grants of PSUs and RSUs. The value of earned share units fluctuates with the value of the Company's shares. PSUs vest only when certain three-year performance-based criteria are achieved, while RSUs vest at the end of a three-year term based on the executive's continued employment.

ITEM 7 - MARKET FOR SECURITIES

Common Shares - Trading Price and Volume

The Company's shares are listed for trading through the facilities of the Toronto Stock Exchange under the symbol "CS". During the 12 months ended December 31, 2013 and up to the date of this Annual Information Form, the Company's common shares traded as follows:

Month	Volume	High (C\$)	Low (C\$)
March 2014*	30,551,400	3.03	2.48
February 2014	31,589,900	3.15	2.75
January 2014	34,770,100	3.35	2.83
December 2013	19,253,600	3.00	2.58

Month	Volume	High (C\$)	Low (C\$)
November 2013	20,260,600	2.82	2.60
October 2013	40,989,200	2.94	2.37
September 2013	28,226,100	2.64	2.14
August 2013	25,440,000	2.38	1.89
July 2013	12,734,700	2.13	1.78
June 2013	23,689,900	2.36	1.68
May 2013	35,766,600	2.39	1.95
April 2013	42,444,500	2.37	1.84
March 2013	14,360,100	2.55	2.24
February 2013	37,372,800	2.65	2.34
January 2013	36,144,304	3.71	2.86

* includes data from March 1 to March 14, inclusive.

Prior Sales

During the financial year ended December 31, 2013, the Company granted 4,917,710 stock options as follows:

Date of Grant	Options Granted	Exercise Price
January 9	100,000	\$2.54
January 31	250,000	\$2.49
March 25	3,897,162	\$2.33
March 27	76,084	\$2.30
June 3	129,646	\$2.29
July 15	251,052	\$1.90
August 23	213,766	\$2.27

ITEM 8 -DIRECTORS AND OFFICERS

8.1 Name, Occupation and Security Holding

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

Name and Address	Office or Position Held	Service as a Director ⁽⁶⁾	Principal Occupation during past five years
Lawrence I. Bell ⁽²⁾⁽³⁾⁽⁴⁾ British Columbia, Canada	Director	Since November 24, 2008	Businessman; a director of Silver Wheaton Corp.; previously Chair of Canada Line Rapid Transit Project and Chair of BC Hydro.
George L. Brack ⁽²⁾⁽³⁾ British Columbia, Canada	Chairman and Director	Since May 19, 2009	Businessman; currently the Chairman of Capstone, Alexco Resource Corp. and Geologix Explorations Inc.; a director of Newstrike Capital Inc. and Silver Wheaton Corp.
Chantal Gosselin ⁽¹⁾⁽³⁾ Ontario, Canada	Director	Since July 26, 2010	Previously Vice President and Portfolio Manager at Goodman Investment Counsel; formerly a senior mining analyst at Sun Valley Gold LLP; currently a director of Avala Resources Ltd. and Silver Wheaton Corp.

Name and Address	Office or Position Held	Service as a Director ⁽⁶⁾	Principal Occupation during past five years
GookHo (GH) Lee ⁽⁵⁾ Ontario, Canada	Director	Since October 23, 2012	Executive Advisor with Korea Resources Corporation since 2011; previously Senior Executive Vice President, Overseas Business Development Division, Raw Materials Procurement Division at LS-Nikko Cooper Inc. from 2004 to 2010.
Kalidas Madhavpeddi ⁽¹⁾⁽⁴⁾⁽⁵⁾ Arizona, USA	Director	Since June 1, 2012	President, Azteca Consulting LLC from 2006; Overseas CEO, China Molybdenum Co. Ltd. from 2008; ; currently a director of Namibia Rare Earths Inc., NovaCopper Inc. and NovaGold Resources Inc.
Dale C. Peniuk ⁽¹⁾⁽²⁾⁽³⁾ British Columbia, Canada	Director	Since May 19, 2009	Chartered Accountant and corporate director; a director of Argonaut Gold Inc. and Lundin Mining Corporation; previously a Partner with KPMG LLP Chartered Accountants.
Darren M. Pylot British Columbia, Canada	President and CEO and Director	Director since October 23, 2003	President and CEO of the Company and a director of the Company since October 2003; currently a director of Zena Mining Corp.
Richard N. Zimmer ⁽⁴⁾⁽⁵⁾ British Columbia, Canada	Director	Since June 20, 2011	A director of Alexco Resource Corp. and Stellar Mining Corp.; former President and Chief Executive Officer of Far West Mining Ltd., which was acquired by Capstone in 2011.
Robert S. Blusson British Columbia, Canada	Vice President, Finance	N/A	Vice President, Finance of the Company since March 2013; Corporate Controller of the Company from December 2008 to March 2013.
Cindy L. Burnett British Columbia, Canada	Vice President, Investor Relations and Communications	N/A	Vice President, Investor Relations and Communications since September 2012 and Vice President, Investor Relations from March 2011 to September 2012; previously Vice President, Investor Relations for Western Lithium Corp. from August 2009 to February 2011 and Investor Relations Consultant from February 2009 to August 2009.
Gregg B. Bush British Columbia, Canada	Senior Vice President and Chief Operating Officer	N/A	Senior Vice President and Chief Operating Officer of the Company since May 2010; previously Chief Operating Officer of Minefinders Corporation from May 2008 to May 2010.
Peter T. Hemstead British Columbia, Canada	Vice President, Marketing and Treasurer	N/A	Vice President, Marketing and Treasurer of the Company since November 2008.
Jason P. Howe British Columbia, Canada	Vice President, Business Development	N/A	Vice President, Business Development of the Company since March 2009; President & CEO of Zena Mining since 2008.
John J. Kim British Columbia, Canada	Corporate Secretary	N/A	Corporate Secretary of the Company since June 2010; previously, Assistant Corporate Secretary of Silver Standard Resources Inc. from September 2007 to May 2008 and October 2009 to June 2010 and Corporate Secretary from May 2008 to October 2009.

Name and Address	Office or Position Held	Service as a Director⁽⁶⁾	Principal Occupation during past five years
Wendy A. King British Columbia, Canada	Vice-President, Legal, Risk and Governance	N/A	Vice President, Legal Governance and Risk for the Company since February 2014; previously Senior Vice President Government Relations, General Counsel, Chief Compliance Officer and Corporate Secretary for Central 1 Credit Union from May 2012 to February 2014; Senior Legal Counsel for Weyerhaeuser Company Limited from 2001 to 2012.
Guy R. Le Bel Quebec, Canada	Vice President, Evaluations	N/A	Vice President, Evaluations for the Company since 2013; previously Vice President, Business Development for Quadra Mining Ltd. from 2004 to 2012.
Gillian A. McCombie British Columbia, Canada	Vice President, Human Resources	N/A	Vice President, Human Resources of the Company since March 2013; previously, Director of Human Resources from December 2011 to March 2013; Director, Human Resources with Telus Corporation from July 2007 to December 2011.
Brad J. Mercer Alberta, Canada	Senior Vice President, Exploration	N/A	Senior Vice President, Exploration of the Company since March 2013, Vice President, Exploration for the Company from November 2008 to March 2013.
Brad E. Skeeles British Columbia, Canada	Vice President, North American Operations	N/A	Vice President, North American Operations for the Company since August 2013; previously General Manager for Newmont's Hope Bay Project, General Manager at Thompson (Inco) and Tintaya Peru(BHP).
David M. Sinitsin British Columbia, Canada	Vice President, Technical Services	N/A	Vice President, Technical Services for the Company since February 2013; previously Vice President, Project Development for Canaco Resources Inc. from October 2011 to February 2013; Director, Project Development for Silver Standard Resources Inc. from 2009 to 2011.
D. James Slattery British Columbia, Canada	Senior Vice President and Chief Financial Officer	N/A	Senior Vice President and Chief Financial Officer of the Company since July 2013; previously Vice President and Chief Financial Officer of Inmet Mining Corporation.

(1) Denotes members of the Audit Committee.

(2) Denotes members of the Human Resources & Compensation Committee.

(3) Denotes members of the Corporate Governance & Nominating Committee.

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

(5) Denotes members of the Technical Committee.

(6) Each director and officer is appointed for a term of one year which expires on the date of the annual meeting of shareholders of the Company following his or her appointment.

Control of Securities

As at March 14, 2014, the directors and executive officers of the Company as a group beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of 1,461,426 common shares of the Company, representing approximately [0.38%] of the issued and outstanding common shares of the Company. In addition, the directors and executive officers of the Company as a group held incentive stock options for the purchase of an aggregate of 12,947,821 common shares in the capital of the Company, which options are exercisable between C\$1.30 and C\$4.48 per common share and expire between April 15, 2014 and March 22, 2020.

Committees of the Board of Directors

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

Audit Committee

The members of the Company's Audit Committee are Dale C. Peniuk (Chair), Chantal Gosselin and Kalidas Madhavpeddi.

Human Resources & Compensation Committee

The members of the Company's Human Resources & Compensation Committee are Lawrence I. Bell (Chair), George L. Brack, and Dale C. Peniuk.

Corporate Governance & Nominating Committee

The members of the Company's Corporate Governance & Nominating Committee are George L. Brack (Chair), Lawrence I. Bell, Chantal Gosselin and Dale C. Peniuk.

Environmental, Health, Safety & Sustainability Committee

The members of the Company's Environmental, Health, Safety & Sustainability Committee are Kalidas Madhavpeddi (Chair), Lawrence I. Bell and Richard N. Zimmer.

Technical Committee

The members of the Company's Technical Committee are Richard N. Zimmer (Chair), GookHo Lee and Kalidas Madhavpeddi.

8.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

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

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

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

- any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder;
- (c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
 - (d) has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

8.3 Conflicts of Interest

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

ITEM 9 - AUDIT COMMITTEE INFORMATION

9.1 Audit Committee Charter

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

9.2 Composition of the Audit Committee

The following are the members of the Audit Committee:

Dale C. Peniuk (Chair)	Independent ⁽¹⁾	Financially literate ⁽¹⁾
Chantal Gosselin	Independent ⁽¹⁾	Financially literate ⁽¹⁾
Kalidas Madhavpeddi	Independent ⁽¹⁾	Financially literate ⁽¹⁾

(1) As defined by National Instrument 52-110 - *Audit Committees* ("NI 52-110").

9.3 Relevant Education and Experience

Dale C. Peniuk

Mr. Peniuk is a chartered accountant and corporate director. In addition to the Company, Mr. Peniuk currently serves on the Board and as Audit Committee Chair of Lundin Mining Corporation and Argonaut Gold Inc. Mr. Peniuk obtained a B.Comm from the University of British Columbia in 1982 and his Chartered Accountant designation from the Institute of Chartered Accountants of British Columbia in 1986, and spent more than 20 years with KPMG LLP, Chartered Accountants and predecessor firms, the last 10 of which as an assurance partner.

Chantal Gosselin

Ms. Gosselin was formerly Vice President and Portfolio Manager at Goodman Investment Counsel. She previously held the position of senior mining analyst, at Sun Valley Gold LLP, a precious metals focused investment fund. From May 2006 to March 2008, Ms. Gosselin was a senior mining analyst and partner of Genuity Capital Markets. Prior to joining Genuity, she held positions as a mining analyst with Haywood Securities Inc. and Dundee Securities Corporation. Between 1992 and 2000, she held various management positions in North, Central and South America for Blackhawk Mining Inc., Pan American Silver Corporation, Dynatec Mining Corporation and Aur Resources Inc. She holds a MBA in business administration from Concordia University, a Chartered Investment Manager accreditation and a BSc. in mining engineering from Laval University.

Kalidas Madhavpeddi

Mr. Madhavpeddi is President of Azteca Consulting LLC and Overseas CEO for China Molybdenum Inc., a former Senior Vice President of Business Development at Phelps Dodge Corporation, former President of Phelps Dodge Wire and Cable and Senior Vice President of Phelps Dodge Sales Company and other various technical and engineering positions. He holds a M.S., Industrial Management and Engineering from the University of Iowa, and a B.S., Civil Engineering from the Indian Institute of Technology in Madras, India and completed the advanced management program at Harvard Business School.

9.4 Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on an exemption in Section 2.4 of NI 52-110 (De Minimis Non-audit Services), Section 3.2 of NI 52-110 (Initial Public Offerings), Section 3.3(2) of NI 52-110 (Controlled Companies), Section 3.4 of NI 52-110 (Events Outside Control of Member), Section 3.5 of NI 52-110 (Death, Disability or Resignation of Audit Committee Member) or Section 3.6 of NI 52-110 (Temporary Exemption for Limited and Exceptional Circumstances), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110 (Exemptions) or on Section 3.8 of NI 52-110 (Acquisition of Financial Literacy).

9.5 Audit Committee Oversight

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

9.6 Pre-Approval Policies and Procedures

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

9.7 External Auditors Service Fees (By Category)

The aggregate fees billed by the Company's external auditors in the last two fiscal years ended December 31, 2013 and 2012 are as follows:

Financial Year Ending	Audit Fees⁽¹⁾	Audit Related Fees⁽²⁾	Tax Fees⁽³⁾	All Other Fees
December 31, 2013	C\$839,000	C\$533,000	C\$42,000	C\$86,000
December 31, 2012	C\$504,000	C\$129,000	C\$108,000	C\$28,000

(1) The aggregate audit fees billed for the audit of the financial statements for the financial year indicated, including with respect to the Company's internal control over financial reporting.

(2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements which are not included under the heading "Audit Fees".

(3) The aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning. The work performed in each year was assistance in the preparation and review of Capstone's tax returns.

ITEM 10 - LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

The Company is not subject to any legal proceedings as of December 31, 2013, and was not subject to any proceedings throughout the recently completed financial year.

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

Regulatory Actions

As of December 31, 2013, the Company is not subject to:

- any penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the financial year ended December 31, 2013; or
- any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; or
- settlement agreements the Company entered into before a court relating to securities legislation or with a securities regulatory authority during the financial year ended December 31, 2013.

ITEM 11 - INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

ITEM 12 - TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Computershare Investor Services Inc., 3rd Floor, 510 Burrard Street, Vancouver, British Columbia V6C 3B9. The Company has appointed Computershare Investor Services Inc., 11th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1 as its co-transfer agent and registrar.

ITEM 13 - MATERIAL CONTRACTS

Contracts of the Company, other than contracts entered into in the ordinary course of business, that are material to the Company and that were entered into by the Company between January 1, 2013 and December 31, 2013, or before that time, but that are still in effect are listed below:

1. Shareholders' Agreement between the Company, KORES, Korea Chile Mining Corporation and 0908113 BC Ltd. dated June 17, 2011 with respect to the ownership of the Santo Domingo Project.
2. Second Amended and Restated Credit Agreement between Capstone, The Bank of Nova Scotia, Bank of Montreal, Canadian Imperial Bank of Commerce, HSBC Bank Canada, Citibank, N.A., Wells Fargo Bank, N.A., Canadian Branch, JP Morgan Chase Bank, N.A., Export Development Canada, Mizulo Bank, Ltd. and the several lenders from time to time party thereto, dated April 4, 2013. For further information see the section entitled "General Development of the Business - Three Year History".
3. Purchase Agreement between the Company, Capstone US Acquisition Corp and BHP Mining Corp. dated April 28, 2013 with respect to the acquisition of the Pinto Valley Mine.

ITEM 14 - INTERESTS OF EXPERTS

Deloitte LLP, Chartered Accountants, have prepared an auditor's report dated February 20, 2014, on the Company's annual comparative consolidated financial statements as of and for the year ended December 31, 2013 which have been filed on SEDAR. Deloitte LLP have confirmed they are independent with respect to the Company within the

meaning of the rules of professional conduct of the Institute of Chartered Accountants of British Columbia.

Names of Experts

The following is a list of the persons or companies named as having prepared or certified a statement, report or valuation in this Annual Information Form, either directly or in a document incorporated by reference, and whose profession or business gives authority to the statement, report or valuation made by the person or company: Jeffrey L. Woods, CP, Jenna Hardy, P.Geo., Robert C. Sim, P.Geo., Gordon Doerksen, P.Eng., Wayne Barnett, PhD, Pr.Sci.Nat, Michael Levy, PE, Dino Pilotto, P.Eng., David Brimage, MAusIMM, Iouri Iakovlev, P.Eng., Marek Nowak, P.Eng., Scott Carlisle, P.Eng., Cameron C. Scott, P.Eng., Garth Kirkham, P.Geo., Michael Makarenko, P.Eng., Ali Sheykholeslami, P.Eng., Hoe Teh, P.Eng., Guangwen (Gordon) Zhang, P.Eng., Carlos Chaparro, P.Eng., Daniel Jarratt, P.Eng., David Archibald, R.P.Bio (BC), Frank Palkovits, P.Eng., Brad J. Mercer, P.Geol., Robert B. Barnes, P.Eng., John Sagman, P.Eng., David W. Rennie, P.Eng., John Nilsson, P.Eng., Art Winkers, P.Eng., Michael Davies, P.Eng., John Eggert, P.Eng., Bill Hodgson, P.Eng., George Darling P.Eng., Lane Maxemiuk, P.Eng., Ali Shahkar, P. Eng., Pooya Mohseni, MBA, MASC, P.Eng., Bruce Andrew Murphy, FSAIMM, Colleen Roche, P.Eng., Mel Lawson, QP, Sebastien Tolgyesi, P.Eng. and John Wright, P.Eng.

Interests of Experts

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

Brad J. Mercer, P.Geol., is the Senior Vice President, Exploration of the Company and, as of the date hereof, held 62,339 common shares of the Company and 718,666 stock options exercisable into common shares of the Company.

Colleen Roche, M. Eng., P.Eng., is the Manager of Sustainability and Environmental Affairs of the Company and, as of the date hereof, held 3,126 common shares of the Company and 179,023 stock options exercisable into common shares of the Company.

Sebastien Tolgyesi, P.Eng., is the Minto Mine Manager for Minto Explorations Ltd., a wholly owned subsidiary of the Company and, as of the date hereof, held no common shares of the Company and 54,470 stock options exercisable into common shares of the Company.

Pooya Mohseni, MBA, MASC, P.Eng., is the Chief Engineer for Minto Explorations Ltd., a wholly owned subsidiary of the Company and, as of the date hereof, held no common shares of the Company and 8,047 stock options exercisable into common shares of the Company.

John Wright, P.Eng., is the Business Development Manager of the Company and, as of the date hereof, held 98,750 common shares of the Company and 405,340 stock options exercisable into common shares of the Company.

ITEM 15 - ADDITIONAL INFORMATION

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

Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of the Company’s securities, and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Company’s Information Circular for its most recent annual general meeting of security holders that involved the election of directors. Additional financial information is provided in the Company’s consolidated financial statements and management’s discussion and analysis for the year ended December 31, 2013.

SCHEDULE "A"
CAPSTONE MINING CORP.
(the "Company")

AUDIT COMMITTEE CHARTER

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

16. Review with the external auditors that perform an audit: (a) all critical accounting policies and practices used by the Company; and (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Management of the Company, the ramifications of each alternative and the treatment preferred by the Company.
17. Review all material written communications between the external auditors and the Management.
18. Review with the Management and the external auditors: (a) the Company's annual financial statements and related footnotes; (b) the external auditors' audit of the financial statements and their report thereon; (c) the external auditors' judgments about the quality, not just the acceptability, of the Company's accounting principles as applied in its financial reporting; (d) any significant changes required in the external auditors' audit plan; and (e) any serious difficulties or disputes with the Management encountered during the audit.
19. Periodically review the Company's code of conduct to ensure that it is adequate and up-to-date.
20. Review the procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters that may be submitted by any party internal or external to the organization. Review any complaints that might have been received, current status, and resolution if one has been reached.
21. Review procedures for the confidential, anonymous submission by employees of the organization of concerns regarding questionable accounting or auditing matters. Review any submissions that have been received, the current status, and resolution if one has been reached.
22. Review and approve hiring policies for employees or former employees of the past and present external auditors.
23. Receive a report annually from the external auditors confirming their independence and actively engage in a dialogue with the external auditors as to any disclosed relationships or services that may impact their independence. Ensure the external auditors are not engaged to provide non-audit services for which the applicable securities legislation prohibits them from providing.
24. The Committee will perform such other functions as assigned by law, the Company's articles, or the Board of Directors.