



C A P S T O N E G O L D C O R P

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Capstone Closes \$8.5 Million Private Placement

Dated: December 16, 2004

TSX: CSG

VANCOUVER, B.C. – Capstone Gold Corp. (the “Company”) is pleased to announce the completion of the private placement announced on November 4, 2004 led by Pacific International Securities Inc., and including Haywood Securities Inc., and Canaccord Capital Corporation (the “Agents”). The Agents sold 10,068,206 units (the “Units”) at a price of \$0.85 per Unit for gross proceeds of \$8,557,975. Each Unit consists of one common share and one-half of a transferable common share purchase warrant (each full warrant a “Warrant”), with Warrant entitling the holder to purchase one common share of the Company for three years from the date of closing at a price of \$1.25.

The Company paid an agents’ fee of 7% cash on the gross proceeds of the Offering in a combination of cash and Units. Also, the Agents were granted 1,006,820 compensation options which will entitle the Agents to purchase, at an exercise price of \$0.90, one common share and one half of one non-transferable common share purchase warrant (each whole such purchase warrant, an “Agent Warrant”). Each whole Agent Warrant will be exercisable into one common share at an exercise price of \$1.30 for a period of three years following the closing date.

All securities issued in this financing will be subject to a four-month hold period that expires on April 16, 2005.

Proceeds from the private placement will be used towards funding further exploration and development costs on the Cozamin copper-silver-zinc project located in Zacatecas State, Mexico. Capstone has spent approximately US\$2,500,000 to date on the Cozamin project and will vest its 90% ownership interest when a total of US\$5,000,000 has been spent. With the proceeds of this financing, Capstone has the required funds in its treasury to exercise its option and has planned expenditures of the remaining US\$2,500,000 to be completed by February 2005.

ON BEHALF OF THE BOARD

“Darren M. Pylot”

President & CEO

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