



CAPSTONE GOLD CORP

CAPSTONE BEGINS UNDERGROUND DEVELOPMENT AT ITS COZAMIN DEPOSIT

Dated: October 26, 2004

TSX: CSG

VANCOUVER, B.C. – Capstone Gold Corp. (“Capstone”) is pleased to announce that positive drilling results from the recently completed Phase I drill program (20 drill holes) has encouraged Capstone to begin dewatering and underground development at its Cozamin mine located in Zacatecas State, Mexico. The Phase I drilling results were reported in the June 11, September 8 and September 24 press releases. A weighted average of the 17 mineralized intercepts produced a true width of 6.64 meters with grades of 2.61% copper, 1.38% zinc and 91.25 g/t silver.

Capstone has entered into a contract with Mincanmex, S.A. de C.V. (“Mincanmex”) of Zacatecas, Mexico, to provide mine rehabilitation services for the San Roberto Mine at Cozamin. Mincanmex has begun work to dewater the underground workings and rehabilitate the San Roberto hoist, headframe and shaft. This work is expected to be completed by the end of December 2004. After the dewatering and shaft rehabilitation have been completed, Mincanmex will begin underground development consisting of an initial 1,000 m of new drifts, crosscuts and openings for underground drill stations. Mincanmex will also complete the installation of a ramp from the existing level 9 to level 10 and deepen the San Roberto shaft from level 9 to level 11. The underground development is expected to be completed by the end of February 2005. The estimated cost to complete the contract is \$US 900,000. Capstone has the required funds to complete this contract.

In addition, Capstone has contracted SGS Lakefield Research Limited (“Lakefield”) of Lakefield, Ontario to design a program to support the start-up of the existing Cozamin mill. As part of the study, Lakefield will use samples of Capstone’s phase I and II drill core which will be used to do a quantitative mineralogical analysis to establish the pre-concentration potential, grinding requirements and the presence of mineralogy that may affect recovery. Also, batch flotation testing will be conducted to develop suitable copper, lead and zinc flotation circuits. The estimated cost to complete this study is \$78,000 and it is expected to be completed by December 15, 2004.

Capstone is currently completing a 7,000 m Phase II drill program distributed in up to 10 surface diamond drill holes at Cozamin. A Longyear 38 has completed 5 drill holes to test the Mala Noche vein along strike to the east, and down dip to the 2,150 masl level (400 m below surface). In addition, a Longyear 44 is being used to drill 5 holes at the 1,900 masl level (650 m below surface) directly below the recently completed Phase I drill pattern. The Longyear 44 will also drill two 1,000 m holes targeted on a large geophysical anomaly at a still deeper level. The Mala Noche vein remains open in all directions.

Assays for the Phase II drill holes will be reported when they are made available to Capstone from the laboratory.

Jack Marr, P.Geo, a director of Capstone and a qualified person under NI 43-101, has reviewed the contents of this news release.

ON BEHALF OF THE BOARD

“Darren M. Pylot”
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