

EVENT: Capstone Mining Corporate Q1 Conference Call
TIME: 8:00 AM Pacific Time
DATE: MAY 15, 2009
PREPARED BY: CNW Group

Operator: Good morning, ladies and gentlemen. Thank you for standing by. Welcome to the Capstone first-quarter conference call. At this time, all participants are in a listen only mode. Following the presentation, we will conduct a question and answer session. Instructions will be provided at that time for you to cue up for questions. If anyone has any difficulties during the conference, please press star, followed by zero for operator assistance at any time. I would like to remind everyone that this conference call is being recorded on Friday, May 15, 2009 at 11 AM Eastern time. I will now turn the conference over to Mr. Darren Pylot, vice chairman and chief executive officer. Please go ahead.

Darren Pylot: Thank you, operator, and good morning everyone, and thanks again for attending Capstone's first-quarter financial and operating results conference call. On the line with me today is our president and COO, Stephen Quin and our chief financial Officer Richard Godfrey. All the numbers quoted within the financial statements and the press release are quoted in US dollars, unless otherwise stated. Also we will be referring

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to some non-GAPP performance measures when talking. Please see your MD&A for March 31, 2009—it's filed on SEDAR—for additional information. During the call, and in our earnings press release, we don't compare the first-quarter numbers to the previous year's quarter, as we don't think this information is useful given it would only be compared after Sherwood's previous quarter numbers, and would not include the Cozamin mine numbers.

I'll now summarize the financial highlights for the quarter. A net loss of 16.2 million or \$.10 a share, which includes income from mining operations of \$19.6 million; a net loss of \$37.9 million on derivative instruments which comprises of a realized gain of \$18 million on copper positions settled during the period for cash; and an unrealized non-cash loss of \$53.5 million, as the value of the outstanding hedge positions was reduced over the period due to the increase in copper price from \$1.33 a pound at year end 2008 up to \$1.83 a pound on March 31, 2009. So it was just, obviously, the difference in the copper price valued against the hedge book. This is actually a good thing as we have more unhedged pounds of copper than we do hedged. So, obviously, a rising copper price is a positive for Capstone.

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Adjusted net earnings of \$30.7 million or \$.19 a share, after making adjustments for certain non-cash items which include that unrealized loss on outstanding derivative positions held at the end of the period, as I just stated.

Cash flow from mining operations of \$26.3 million. Working capital increased to \$77 million from \$35.4 million at year end. This amount excludes the proceeds of the bought deal financing of \$49.5 million completed in May, and the market value of the Silverstone shares valued at approximately \$46 million, and, obviously, any other operating cash flow since the quarter end.

We sold a total of 28.4 million pounds of copper at a realized price of \$1.75 per pound, not including any gains from hedging, 800,000 pounds of zinc, 1.7 million pounds of lead, 11,308 ounces of gold, and 496,209 ounces of silver during the quarter. We produced a total of 25.1 million pounds of payable copper at an estimated total cash cost of \$1.05 per pound payable copper. Total cash costs are net of byproduct credits and do include TCRCs and other off-site costs. However, byproduct credits include silver

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at \$3.90 an ounce and gold at \$300 an ounce. They don't have a big impact on operating costs.

We arranged a \$40 million corporate revolving term credit facility with the Bank of Nova Scotia to facilitate the repurchase of the Sherwood debentures, which we did in January, 2009; repurchasing 31.3 million of the debentures, leaving the total outstanding debentures reduced down to 3.7 million.

We also entered into a voting agreement with Silver Wheaton Corp. where we agreed to vote our shares in Silverstone in favor of the proposed plan of arrangement between Silverstone and Silver Wheaton, where Silver Wheaton will acquire all of the company's shares and special warrants in Silverstone at a ratio of .185 shares of Silver Wheaton per common share or special warrant of Silverstone held by Capstone. Capstone currently holds 24 million shares and 2.7 million special warrants of Silverstone.

I will now pass the floor to our president and COO, Mr. Stephen Quin, and he will give you an overview of the operational results for the Cozamin and Minto mines as well as Kutcho.

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Stephen Quin: Thank you very much, Darren. I'm going to be talking about the Cozamin mine first. During the first quarter we completed the phase 3 mill expansion for a nominal throughput capacity of 3000 tonnes a day; and that was primarily supported by getting access to wider, higher grade ore zones that are now in production. And in the zones vary from 7 meters in areas we are developing now, and are up to 20-30 meters wide. So these are very substantial underground, working, highly mechanized mines. And that is what gives us very low operating cost at that mine. Though we are sustaining production over 3000 tonnes a day since about the middle of February onward, this is the second expansion we have done at Cozamin in three years and it went very smoothly, thanks to the excellent work by our operating team down at Cozamin. We produced 9.8 million pounds of contained copper and concentrate along with some byproduct zinc, lead and silver. We did process about... just under 2800 tonnes a day of ore, grading about 2% copper, 0.8% zinc, 0.33% lead and 56 grams a tonne of silver. So the copper grades have gone up to just about 2% for the first time since the mine started production on a sustained basis, and that's driven by having access to those new areas I just mentioned where we have those wider areas. So we not only have wider

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widths to mine, but we have higher grade. It's also worth noting that the mill achieved a single day throughput record of 3787 tonnes a day, it's substantially in excess of the nominal 3000 tonnes a day capacity. And that does give us some encouragement for sustaining production levels higher than the nominal 3000 tonne a day level that we saw... or we designed it for.

We did produce copper concentrate of about 18,000 tonnes. And you will note in the numbers that the concentrate averaged 24% copper, which is higher than the 21 to 22% seen in the past and is the result of some modification work done by our operating team in Mexico, which not only improved the copper concentrate grade but also the recoveries which are now creeping up from the high 80s to the low 90s percent range. And sometimes on individual days we're even getting up into the 94s, you know, which rivals Minto's recoveries and Minto's had a very high recovery deposit. So this is great work by our operating team down in Mexico.

We have produced 9.4 million pounds of copper in the quarter, of payable copper, which had a total cash cost of \$1 a pound, which is right on track for our annualized target for the year.

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We did publish, as well, a new resource estimate for the Cozamin mine on February 18, which was based on over 100,000 meters of drilling, and that will form the basis of a new reserve estimate that we are working on at the moment.

Looking at the Cozamin mine going forward, we maintain our guidance at 35-40 million pounds of copper this year with byproduct lead, zinc and silver. And the total average cash cost should be around \$1 a pound net of byproduct credit.

As we previously announced, that we did have to cease operations for six days in early May in accordance with a presidential decree related to the flu epidemic. And though we did lose five days of production, our guys at the mine are very keen to meet their bonus and objectives for this year, so we do not expect that it will cause us to miss our targets for 2009.

The new mine plan based on that resource we put out in February is well in process, well down the road, and it should result in a significantly

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increased mineral reserve and a mine life, and you should expect that to come out shortly as we guided it would be out during this quarter.

Capital expenditures of 7.4 million, that's a little bit higher than what we previously guided. That comprises 7.1 million related to the remains of phase 3, but also doing some additional work on primarily development, including driving access to the new San Raphael resource area to gain access to that for future exploration and development, and improved ventilation, and also connection to a higher voltage transmission line that should reduce our costs and improve our reliability of access to power. There's only about \$.3 million assigned to exploration at present, and we are essentially using that work to do a comprehensive... or those funds to do a comprehensive evaluation of the exploration potential of the Cozamin mine property. The company has really been focused on drilling off resources and reserves for the last two or three years. However, there is a lot of additional potential for resource additions which are both in the largely unexplored remaining 4 kilometers of vein along the Mala Noche, which is where our current resource and reserves are; but also in parallel unexplored veins on the property that also have workings on them suggesting there is mineralization potential there. So that evaluation is

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well underway, and we hope to have some results and recommendations come out of that a bit later this year.

Turning to the Minto mine, again, we completed the phase 3 mine expansion to a nominal rate of 3200 tonnes per day. That was achieved towards the end of the quarter, during March. And that's obviously supported by increases in mine production. This is, again, the second mill expansion that's completed in just two years since Minto commenced production, and full marks to the Minto team for achieving that, all those expansion successfully in such a short period of time.

We did produce about 16 million pounds of copper in contained and concentrate, along with 7 1/2 thousand ounces of gold and 100,000 ounces of silver as byproducts. We did process an average of about 2600 tonnes a day of ore for the period, even though the mill expansion was only completed towards the end of that period. The grade average 3.4% copper, with 1.4 grams gold and 16 grams silver. And the mill did achieve a single day record of 3611 tonnes in April, which is, again, illustrative of potential to push more tonnes through our mills than is currently planned. For the expansion completed at the end of the quarter, we do look forward

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to seeing throughput creep up over the current quarter. And we'll see how far we can take this, particularly in light of the record over 3600 tonnes. As we also note, the grades are high. Since we essentially mine and stockpile all our ore. We campaign the pit and stockpile all the ore by grade in different stockpiles, and then we process the highest grade first. So you end up with a, you know, a saw-toothed grade throughput through the mill, but your highest grade's coming through first, and then the grade gradually declines over a period. We just completed one of those push backs at the end of last year/beginning of this year. And over the next few months we would expect the grades to decline as we work our way through the stockpiles from the highest grade to the lowest grade. And that will continue until we complete the next push back and access the next block of high-grade later this year. All of this declining grade should be partially offset by the higher throughput in this period.

We produced 17,000 tonnes of copper concentrate, and the concentrate grade averaged 42.6% copper with no penalties, which is a really outstanding product. We produced 15.7 billion pounds of payable copper. Total cash costs were \$1.09 a pound. The costs are higher than guided for the average of the year since he only achieved the ramp-up towards

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the end of the first quarter, and we should see production costs fall as we complete... or see that ramp up to full production level take effect.

Obviously one of the most exciting things to happen in the quarter as well was discovering the new high-grade Minto north deposit, about 600 meters north-west of the current open pit mining area. This discovery and the spectacular grades are, you know, obviously a real credit to our exploration team. It's a completely blind discovery, and it's the fifth new discovery in less than three years. After quarter end we did announce some spectacular grades from Minto north, the best intercept ever drilled in 35 years of exploration on the property. I can't help myself but repeat them: We had 10.8% copper and 10.4 grams gold over 13.4 meters, which included 15% copper and 15.7 grams gold over 8 meters. A pretty spectacular intercept. The second hole has 7.8% copper and 3 grams gold over 23.9 meters, and that included 13.9% copper and 1.8 grams over 7.1 meters. It's probably some of the best copper intercepts drilled outside of the copper belt anywhere in the world over the recent period.

Somewhat overshadowed by Minto north, but we did also announce some assay results for exploration elsewhere during the quarter and

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subsequently, and that included several high-grade intercepts developed in a new area southeast of Ridgetop, which is an area not previously known for high-grade. Ridgetop's typically a thicker zone of more moderate grade material. We did intercept, for example, 2.7% copper and 7.8 grams gold over 8 meters, which included 4% copper and 15 grams gold over 4 meters, and that's just 72 meters down in that southeast Ridgetop area. So there's pretty spectacular exploration results this year.

The outlook for the Minto mine is very strong, with a potential for significant organic growth in resources, reserves and production. We are maintaining our guidance. The production is 60 to 65 million pounds of copper with byproduct gold and silver, and total cash costs of approximately \$1 a pound, that is a byproduct credit. We are nearing completion of an updated mineral resource estimate which was originally only going to include drilling up to the end of 2008. But since assay results have been coming in so fast after the drilling, it will include all the 2009 drilling completed to date. So it will be slightly later than originally planned but be right up to date, and it will be published before the end of this quarter, as previously guided. The updated mineral resource will provide the basis for an independent prefeasibility study which will have two objectives: one, to

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convert a significant portion of these new mineral resources to mineral reserves; and secondly, to incorporate a further phase 4 expansion of the mill and throughput... mine rates and throughput to somewhere in the range of 4 to 5000 tonnes a day. And that phase 4 study should be completed later this year.

The capital expenditures are 8.9 million at Minto, which primarily is exploration: \$4.1 million; and the balance is split about 50-50 between just sustaining capital of a couple of a million dollars and some process plant improvements, such as we are putting in a gravity gold plant. We are seeing visible gold in a number of these areas, and we do want to be able to recover that free gold. And we are also improving our floatation cell mechanisms and a variety of smaller things like that—so for a total of \$8.9 million this year.

We are continuing exploration. We have announced an expanded drill program that will start up sometime in June or early July, that will focus on infill drilling the Minto north discovery to reserve standards, but also stepping out and looking for more such deposits in this northern area which has really seen very little exploration in the last 35 years.

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So overall we are maintaining our guidance for production of 95 to 105 million pounds of copper, with a total cash cost of \$1 a pound net byproduct credit.

Last year the Kutcho project, our other potential avenue for organic growth, we did report a robust, high-grade resource in February. And we have been working on internal evaluations of optimal... development options for the development of a smaller tonnage, higher grade operation likely focused as an underground mine. And that should get as much... or we are looking forward to getting much more robust economics than previously reported. And we expect to have something around the middle of the year or into Q3.

So with that I will turn it back to Darren to wrap up.

Darren Pylot: Thanks, Stephen, and, again, a great job from Stephen and all of the operations team and exploration team with grades increasing, throughput increasing, expansions have been complete and an exciting new discovery with Minto north, it's just been a great quarter operation and

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exploration wise. So again, a big thanks and a great job by Stephen and all of the operations and exploration guys.

Up to the March 31st, we closed the bought deal financing for the sale of 31,155,000 common shares at a price of \$1.85, the gross proceeds of \$49 1/2 million dollars. The proceeds will be used for future acquisition opportunities, debt repayment and general working capital purposes. We repaid an additional \$13.4 million of the Macquarie project loan facility, 5.5 million of which was scheduled and the balance were early payments made by the company... at the company's election using restricted restrictive reserve funds that were locked up inside Minto accounts. These payments reduced the balance owing under the project loan to \$16.5 million, which is scheduled to be fully repaid by December 31st, 2009, so the end of this year. We also repaid the \$40 million facility with the Bank of Nova Scotia from the proceeds of the equity financing. The \$40 million facility can be redrawn at any time over the next three years. So there was no point in continuing to pay interest until we need the funds, but we can draw on those funds for anything that we feel we need it for at any time over the next three years. If we take the funds down and draw the facility, it's subject to an \$8 million reduction each six months starting January

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2010. So as of May 12, after the financings and debt repayments just discussed, plus operating cash flow, the company had approximately 60 million in cash, 29.3 million of long-term debt and 40 million in undrawn Scotia facility. Our Silverstone holding had a market value of approximately \$45.9 million.

So that wraps it up for us. At this time I will open the floor to any questions anybody would have. Go ahead, please.

Operator: Thank you. Ladies and gentlemen, we will now conduct the question-and-answer session. If you have a question, please press the star followed by the one on your touch tone phone. You will hear a tone acknowledging your request. Your questions will be pulled in the order they are received. Please ensure you lift the handset if you are using a speakerphone before pressing any keys. Our first question comes from George Topping from Blackmont Capital. Please go ahead.

Q&A Portion:

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George Topping: Thank you. Hello everyone. Just on the slippages that you've been having in the walls at the pit, how serious is that and do you have an up-to-date assessment of it?

Answer: Essentially it's the south southern wall of the pit between Minto north... sorry, between Minto and area 2 is all basically a valley still a semi-frozen, permafrost material, and that material has been... has a much lower pitch slope designed for its overall life of mine. However, on the interim pits we've been pushing relatively steeper pit walls to minimize the amount of stripping until we need to take it out. We are seeing... we have a bit of a general movement to that area, somewhere in a range of about a million cubic meters, which would be a couple of million tonnes of material. It's kind of generally just slid a bit towards the pit. And it happened during freshet, which is when you've got a lot of water inflowing into the ground as everything melts. So the question is is whether it's just a temporary water flow lubricating that slippage or not. It's not accelerating, which would be a sign of an imminent failure. So there's no sense of an imminent failure. We are not mining in the pit right now because we are in freshet, so we use the pit as a temporary storage pond for runoff water. And we are running off stockpiles, which was the plan. So we get to monitor that for

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the next six weeks, a couple of months kind of thing, until we get back into the bottom of the pit and see what happens; whether it stabilizes now the water levels are not flowing as much. But the alternatives are to address it as we can unload the back end of it, which would be the end that pushing, not unlike a glacier, where we would unload the back end so there's not as much weight to push it down. Or we can simply switch our mine plan around and mine the south end first before we mine the north end. And economically it was more favorable to go to the north end because there are very high precious metal values there. However, given the deal with Silverstone, you know, there is less incentive to go after the precious metals than there was. The copper grade from our copper perspectives are about even. So we have that option. If we see continued slippage, we can just go and mine the south end first and switch the pit order around, and we have mine plans looking at both alternatives.

George Topping: I see. Tell me of the mine plan, the pre-feasibility study, could you give a rough estimate of when you expect that to be released after the...

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Answer: I would hope somewhere probably late Q3, that kind of timing. It is later than originally planned, but that's because we've decided to include all the 2009 drillings into that assessment because the high grade of Ridgetop and the discovery of Minto north will change the order of mining. There is no point in completing of prefeasibility study which you know is going to be not followed, because this prefeasibility is going to be used as the basis for our permit amendments. So we want it right up-to-date with everything in it. And given the materiality of the discovery of Minto north, and to some extent the very high grade of Ridgetop which will probably drive the pit in a different direction, we're incorporating all of those. But we are working in parallel on those activities and we shouldn't lose too much time. But until we have the final resource out, I can't give you a hard number.

George Topping: OK, fair enough. Just lastly, and I'll hand it over, in the January press release, the one just on the hedge book, the Q1 deliveries were 12.3 million pounds. But working backwards from that in the Q1 statements I see it looks like there's an extra 4 million pounds on top of that that was delivered in Q1. Was that sort of to close some of the book out or just additional sales or what happened there?

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Answer: It's primarily driven by the timing of shipments. Like when we did our bank loan, we essentially put in even sales month by month because you couldn't predict exactly when the ship was going to go and how much production there was going to be. But because our ships go out on different timing than, you know, we don't have a ship every month. We have maybe two in a month and then none for two months because of breakup in shipping times and so on, what we do is move production back-and-forth. So we did pull some from production Q2 into Q1 or some more sales from Q2 into Q1. But because of no access now, there isn't going to be a ship... you know, there is no road access after mid April until sometime in June. So we won't have a ship till late in June. But that happens every quarter. They never match what we put out because we move them back and forth to match with our shipping dates.

George Topping: OK, I was just checking it wasn't closed out. So I should just reduce the amount of hedging in Q2?

Answer: We just closed it out early, we just delivered it against the production that we had in that period. So you know the same thing might

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happen again in Q2. We might move some Q3 into Q2 or the other way around. It just depends on when the ships come in.

George Topping: OK, I got it. Thank you.

Operator: Our next question comes from Genuity Capital Markets. Please go ahead.

Question: I think most of my operating questions have been answered, but I just was thinking if we can just spend a couple of seconds on the \$.19 a share adjusted EPS you provided. I was just trying to back calculate that number out. Obviously there's some tax implications on some of these non-cash items. I'm just wondering whether you could work that back for us? What's in that number?

Answer: There's actually a reconciliation at the backside of the MD&A.

Question: Oh, sorry, I must've missed that. OK. I'll refer to that. Then maybe since I have your attention, maybe you can spend a couple of

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minutes talking to us about how you view particular acquisitions, and with a stronger balance sheet, how is that on your priority list?

Answer: Well, it's obviously high on our priority list. I mean we do have a lot of things that we're very excited about internally being the new discovery at Minto north. We're obviously going to put more exploration dollars at that because we want to see that go further. We have expansion plans at Minto. We are working on the internal study at Kutcho, and we're excited about Kutcho. So we do have a lot of things in house to look forward to, but we have the balance sheet, obviously, to go ahead and make some acquisitions outside of what we have going on internally. So we are working as hard on that as we are in our internal plans. But I wouldn't say we're focusing all of our energy on acquisitions, you know, we're looking at both at the same time. We're quite happy with what we've got to work with internally. But at the same time we're looking out there to possibly do another acquisition if it fits with what we're comfortable with being what we're working on inside.

Question: OK, and I guess from past discussions, you stated that copper is still a focus and you'd be looking at things that generally would be below

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the \$1 per pound range on the operating cost side. Is that still the main focus or are there other commodities that are in your sights?

Answer: Yeah, we've looked at... we will look at other... we consider ourselves a base metal company. Yes, we're 85% of our revenue does come from copper. So we are a copper company. But we would look at other base metals, as long as it was... it fit our target of, you know, lower tonnage, higher grade in relatively safe places like the Americas, to mine. We definitely look at other... we have looked and will look at other stuff as well.

Question: OK, great. Thank you so much.

Answer: Thank you.

Operator: Our next question comes from John Kiernan from PI Financial. Please go ahead.

John Kiernan: Hi, Darren and Stephen. Congratulations on your continued success here. I just wanted to ask about the Minto north sort of

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deposit shaping up there. Do you have any ballpark idea of what the tonnes and grades are there currently?

Answer: Aren't you a PGO or something? We're not allowed to talk about those things under 43-101, but we did put out—to make life easier for people—we did put out the rough dimensions of the deposit. And you can take a weighted average, grade and thickness, and I'm sure you can work out a number.

John Kiernan: What's the FG?

Answer: Then you're getting really specific. It'll be higher than average, obviously, because of grade and quite a bit of magnesite's in it. But, you know, our deposits have typically averaged from sort of 2.7 to, you know, just a bit over 3.

John Kiernan: Well, looking at what you have there it looks to me like it's still open to the east. Do you have any feedback there?

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Answer: Yeah, that's correct. I mean as we mentioned in the last news release, the deposit appears to be cut off or limited to the north and to the west, probably by a fault. We have hit some faults, whether they are the controlling faults we're not sure yet. And just from an exploration perspective that's interesting because Minto's main deposit is cut off by fault on the north and the west as well. And in those deposits we see the highest grade in that northwest corner between the two faults. So is that some kind of genetic association there? That's definitely an exploration model that we are using. One of the reasons we went to Minto north was because we saw the structures and the magnetic anomaly in that corner. But it is open to the east, to some extent to the south, more to the southeast. And again just like the Minto main deposit it seems to fade to the east as opposed to being cut off from what we see to date. The structure is still there to the east, we just see lower and lower grade as you go to the east, which is exactly what happened to the main deposit. So there is still drilling to be done there to define the limit of the deposit. And as we mentioned earlier, we're going to go in and grid drill it off to reserve standards.

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John Kiernan: So in terms of the drilling you're going to do sort of outside of what you have there, is it going to be closer checking just to make sure that is the limit of it or there's no fold or something there? Or is it looking for another new deposit further away?

Answer: We will drill define to the nth degree, as we always do, at the edges of this deposit so we know exactly where it is. But we will also be out drilling a number of other targets in the area of Minto north, or in the region of Minto north. North of the main pit there's been virtually no exploration done, or I should say very sporadic exploration done since the 70s with not a single ore grade intersect prior to the discovery of Minto north, north of the main pit. So this opens up a whole new terrain clearly with the highest grade drill holes ever found in this new... you know, in this untested area. There's a lot of potential to go find more of these. And there's over probably a dozen magnetic anomalies, geophysical anomalies that look somewhat similar to Minto north and the Minto main. So there is, you know, good potential to go find more. So we're going to go look for them.

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John Kiernan: Yeah, it looks like it's... to me it's got a good potential of sort of a grade sweetener. You could blend it into some of the stuff coming from the south.

Answer: That's correct, and one of the points we try to make in the news release is that, you know, maybe it adds whatever, a couple of years of production, if you put it through the whole, you know, all at once. But it's a question of timing and that's really the important thing or the value of Minto north. You know, this is something we're going to add in year 10. This is something we'll try and add right up front. And as you say, we'll probably blend it in with some other material, you know, maybe from Ridgetop, for example—which also has a low strip ratio—and end up with a blended grade, a very attractive number still; and sustain as our objective is at 60 to 70 million pounds of copper production a year from Minto.

John Kiernan: Yeah, it sounds good. Just a question about the financials. We're just wondering about, there's an increase in receivables from the year-end from 12.7 to the quarter end at 29.4 million, and is this just to do with timing of shipments from Minto or is it related to the price... copper price rise on sort of provisional pricing?

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Answer: The two biggest items there is that at the end of the year we didn't have any concentrate receivables because of the drop in the price at year-end, we actually... on final settlements we actually owed money on shipments. But that changed in the Q1 where we've actually got receivables from off takers now. And the other large component in there is related to the settlement of hedges where we settle over the average of the month and get paid within a couple of days at the month end. So we settled some hedges in March, which were recorded as a receivable and then paid, I think, on the April 5th or 4th or something like that. That was about \$8 million just on the hedge settlement.

John Kiernan: OK. That's good. And just one other question related to the shutdown at Cozamin. I was wondering, did you take advantage of it to do any planned maintenance, you know, how you shut down a mill occasionally to take care of things? Were you able to do anything like that?

Answer: It was pretty tough, John. We had to... the rule was to get everybody to get home and stay inside and off-site so that they could try to

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get this flu thing under control. So, you know, we had to keep the guys pumping the water. We did a bit of work but, you know, not... other than just sort of regular maintenance, care and maintenance, you couldn't really do anything else.

John Kiernan: OK, so nothing major was done that you had planned for a month or two down the road? OK.

Answer: No, but we went off to a great start the first day, I think, after everybody was back, we had 3600 tonnes a day or something on the first day we when started up. The bins were full, that's for sure.

John Kiernan: Yeah, OK, thanks very much.

Answer: Thanks.

Operator: Our next question comes from Ian Parkinson from CIBC World Markets. Please go ahead.

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Ian Parkinson: Thanks, guys. Actually my question's been answered. Congratulations on a good quarter.

Answer: You faded out there, Ian.

Operator: The gentleman said his question was answered.

Answer: OK.

Operator: Our next question comes from Ragu Guream, a private investor. Please go ahead.

Ragu: Yes, thanks. Congratulations on your recent exploration success. I am really pleased. I haven't seen these kind of results anywhere in the last decade, I would say. However, my question is regarding a recent bought deal. I am trying to understand the rationale behind this because it is causing, you know, lot of dilution to existing shareholders. This is really troubling because the company's cash flow positive and it's... where the production costs are very low and we have cash in the bank. Why we needed to go for the bought deal at this low price when the stock is already

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trading very low? This is really a concern to me. Any comments, I'd really appreciate it. Thank you.

Answer: Sure, no problem. I appreciate the concern. We did the bought deal financing, one, to pay off that corporate credit facility, which is now an undrawn facility. But without the financing it was fully drawn at \$40 million. So we did the financing for a couple of reasons: one, we have three different banks in our system at different levels, and we looked to consolidate that into some sort of a corporate facility to make it easier for us to sort of do things in the future. And without some internal cash coming in it would have been... it would have taken much longer to do that. So that was one of the reasons. Two, we see some opportunities out there in the acquisitions front. So we are looking at a number of those acquisitions and feel we have a better chance at those acquisitions with the line of credit that we have in reserve and our cash position being what it is. So those are the main reasons for doing it, and we do obviously think of shareholder value first, and so we understand there is dilution. But we feel that we can overcome the dilution by building a bigger and better and stronger company with the funds that we have taken in from the financing.

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Ragu: OK, thank you.

Answer: Thank you.

Operator: Our next question comes from Orest Wowkodaw from Canaccord Adams. Please go ahead.

Orest Wowkodaw: Hi, good morning. Orest Wowkodaw from Canaccord. Just a clarification on your liquidity. Are you able to... do you liquidate the Silver Wheaton position once that deal closes or is there a hold on that?

Answer: No, there is no hold and so, you know, management will decide what they want to do with that when and if that deal closes, which it's scheduled to close next week. But those shares are all free trading. We own much less than... I think we own... we'll own about 1 1/2% % of Silver Wheaton. So there's no reporting requirements. We can sell as and when we feel we would want to do that.

Orest Wowkodaw: OK, and in regards to your hedge book, I mean given that you're a very low cost producer, are you considering perhaps closing

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out that hedge book and putting that cash on your balance sheet? Or would you consider doing that, you know, as part of an M&A transaction?

Answer: Yeah, I mean it's, you know, we are looking at that all the time. I mean the hedge position is still above where copper's trading at, so it is making us money. You know, we've looked at... if we look to consolidate our banking syndicate, we may look to do something with the hedge then. But, you know, we've always maintained that if copper prices are high we will hedge a bit of copper against our operating costs. So we'll continue along those lines, and we feel comfortable doing that.

Orest Wowkodaw: Does the Scotia credit line require the hedging in place or, you know, do you lose the credit line if you close the hedges?

Answer: No, nothing to do with the hedges on the Scotia line at all.

Orest Wowkodaw: OK, thanks very much. Great quarter, guys.

Answer: Thank you.

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Operator: Ladies and gentlemen, if there are any additional questions at this time please press the star followed by the one. As a reminder, if you're using a speakerphone please lift the handset before pressing the keys. Our next question comes from Steven Rottridge from Nesbitt Burns. Please go ahead.

Steven: Yeah, hello, congratulations. Just a question on your costs for producing at Minto—now you are connected to the Yukon grid—compared to generating your own power, how much has that reduced the cost per pound?

Answer: The only number we put out was when we did the technical last June, I think it was, 2008, is that it was worth about \$4 million a year based on June prices, which I think were around \$85... or \$.85 a liter diesel type of number.

Steven: OK.

Answer: So that works out at that time to about \$.10 a pound. But, you know, it's important to note that in that study costs without the power were

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going to go up over time because of lower grade. So essentially the power, bringing the power in, you know, reduced the cost below what was forecast. So essentially that's part of the reason we can sustain the \$1 a pound, we've got a reduction below a dollar a pound that's already built into that forecast.

Steven: OK, OK, yeah. I was just curious. Thank you.

Answer: Yeah.

Operator: There are no further questions at this time. Please continue.

Darren Pylot: Well, thank you everyone for attending the conference call of Capstone's financial statements for the first quarter are the first non-complicated by the accounting treatment of the merger with Sherwood. We had an excellent quarter with record production and cash flow. We've considerably strengthened our balance sheet and maintain a robust copper hedge position well above the current price of copper. This puts Capstone in an excellent position to continue to provide increased shareholder value and also to continue its performance and organic growth in 2009, as long

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as our balance sheet gives us opportunities to look at external growth as well. On that note, have a great long weekend, everybody, and thanks again for attending the call. Bye-bye.

Operator: Ladies and gentlemen, this concludes the conference call for today. Thank you for participating. Please disconnect your line.

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