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June 17, 2011

Capstone Completes Acquisition of Far West Mining and Transactions with Korea Resources Corporation

**VANCOUVER, BRITISH COLUMBIA** - Capstone Mining Corp. ("Capstone" or the "Company") (TSX: CS) has completed the previously announced arrangement (the "Arrangement") with Far West Mining Ltd. ("Far West") (formerly TSX: FWM) pursuant to which Capstone has acquired all of the issued and outstanding common shares of Far West. Far West is now held through a newly-formed subsidiary of Capstone, owned 70% by Capstone and 30% by Korea Resources Corporation ("KORES").

Capstone has also formed a long-term strategic partnership with KORES for the development of the Santo Domingo project. Concurrent with the completion of the Arrangement, KORES (through affiliated companies) (i) acquired a 30% interest in the entity that owns the Santo Domingo project for cash consideration of approximately C\$195 million to Capstone, and (ii) subscribed for approximately 40.2 million common shares of Capstone, representing an approximate 11% interest in Capstone, at a price of C\$4.35 per share, for aggregate cash consideration of approximately C\$175 million.

"We are extremely excited about the prospects for the new Capstone," said Darren Pylot, President and CEO of Capstone. "The acquisition of the Santo Domingo asset in Chile and agreement with KORES give us the opportunity to more than double our copper production in 2015. The development of Santo Domingo is fully funded, allowing us to advance the project rapidly to production."

"The existing cash flow from our two operating copper mines, combined with the growth opportunity afforded by the Santo Domingo project, provide us with an excellent growth platform, consistent with our strategy," continued Mr. Pylot.

**Transaction Highlights**

- Robust cash flow generation in a company with a strong balance sheet and a strategic partnership with KORES to fund a leading copper production growth profile. Estimated cash on hand at the close of the transaction is approximately US\$485 million.
- Transaction delivers fully-funded growth to Capstone from Santo Domingo.
- Santo Domingo is favourably located with access to nearby infrastructure, and ongoing studies continue to demonstrate the potential for significant copper and iron ore production.
- Consistent with Capstone's strategy of building a mid-tier copper producer focused in the Americas forming a combined portfolio of high quality operating mines and a strong pipeline of copper production growth in mining friendly jurisdictions.
- 200% growth in anticipated copper production from 2011 to 2016 and over 125% increase in measured and indicated copper contained in mineral resources to Capstone from its 70% share.
- Further asset diversification in a preferred mining geography.
- No future share dilution to fund Santo Domingo as Capstone expects to fund its portion of Santo Domingo capital requirements through balance sheet and ongoing cash flow from operations.

**Exchange of Far West Shares**

Far West Shareholders who elected to receive, in exchange for each Far West Share held, either:

Option (i) 1.825 Capstone Shares and C\$1.00 in cash (the "Full Proration Alternative"); or

Option (ii) 2.047 Capstone Shares and C\$0.001 in cash (the "Share Alternative");

will receive the Full Proration Alternative or Share Alternative, as the case may be.

The all cash alternative (the "Cash Alternative") was oversubscribed and subject to proration. Far West Shareholders who elected to receive, in exchange for each Far West Share held:

Option (iii) C\$9.19 in cash;

will receive C\$1.10 in cash and 1.802 Capstone shares.

In exchange for any Far West Shares for which no election was made by the election deadline of

June 9, 2011, those Far West Shareholders are deemed to have elected to receive the Full Proration Alternative as described above.

#### ***About Capstone Mining Corp.***

Capstone Mining Corp. is a TSX listed Canadian mining company with two producing copper mines in the Americas: the Cozamin copper-silver-zinc-lead mine located in Zacatecas State, Mexico and the Minto copper-gold-silver mine in Yukon, Canada.

Using its operations as a springboard, Capstone aims to grow organically and through acquisitions in politically stable, mining-friendly jurisdictions, with a focus in the Americas: organic growth through continued mineral resource and reserve expansions as well as expanding operations at its operating mines, development of its large 70% owned Santo Domingo copper-iron-gold project in Chile in partnership with Korea Resources Corporation, development of its Kutcho copper-zinc-gold-silver project in British Columbia and exploration at properties in Chile, British Columbia and Australia. Capstone's cash flow and strong balance sheet provide the platform to enhance that growth profile. Capstone is included in the S&P/TSX Composite Index and S&P/TSX Global Mining Index. Additional information is available at [www.capstonemining.com](http://www.capstonemining.com).

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#### ***Forward-Looking Statements***

This document may contain "forward-looking information" within the meaning of Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking statements"). These forward-looking statements are made as of the date of this document.

Forward-looking statements relate to future events or future performance and reflect Capstone management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the implementation of the proposed transactions and the integration of Capstone and Far West. Assumptions upon which such forward-looking statements are based include, but are not limited to, statements with respect to the integration of Capstone and Far West following the transaction, estimation of mineral reserves and mineral resources, availability of cash flow to fund capital requirements, the timing and amount of estimated future production, availability of project financing, and success of mining and development operations. Many of these assumptions are based on factors and events that are not within the control of Capstone and there is no assurance they will prove to be correct.

In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "potential", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "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 which may cause the actual results, performance or achievements of Capstone 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 actual results of current exploration and development activities; changes in project parameters as plans continue to be refined; future prices of metals; possible variations in mineral reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in Capstone's interim and annual financial statements and management's discussion and analysis of those statements, all of which are filed and available for review on SEDAR at [www.sedar.com](http://www.sedar.com). Although Capstone has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Capstone provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

Accordingly, readers should not place undue reliance on forward-looking statements.

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