

SEG Mail
Mail Processing
Section

MAY 15 2008



Washington, DC **CAPSTONE**
106 **MINING CORP.**

SUPPL



**CAPSTONE HIGHLIGHTS PRODUCTION AND SALES
FOR THE FOUR MONTHS ENDED DECEMBER 31, 2007**

Dated: January 10, 2008

TSX: CS

VANCOUVER, B.C. – Capstone Mining Corp. (“Capstone”) changed its fiscal year end from August 31 to December 31 and will be filing its audited four month stub period ending December 31, 2007 in March 2008. Capstone will not be reporting quarterly financials at November 30, 2007. Therefore, Capstone is pleased to report production and sales results for the four months ended December 31, 2007 from its Cozamin mine located in Zacatecas State, Mexico.

With the expansion from 1,000 tpd to 2,200 tpd completed, the Cozamin mine produced 260,378 tonnes during the four months ended December 31, 2007 compared with 461,933 for the entire fiscal year ended August 31, 2007. On an annualized basis this would result in 780,000 tonnes being produced (a target we expect to meet or exceed), a 69% increase over the previous year. Copper production during the four months ended December 31, 2007 was 9 million lbs compared with 13.9 million lbs for the entire fiscal year ended August 31, 2007. On an annualized basis this would result in 27 million lbs of copper being produced, a 94% increase over the previous year.

See table below for summarized results.

B **PROCESSED**

PRODUCTION AND SALES FOR THE FOUR MONTHS ENDED DECEMBER 31, 2007

MAY 21 2008

With comparative of previous fiscal year ended August 31, 2007
(all figures unaudited, unless noted)

THOMSON REUTERS

	Sept '07	Oct '07	Nov '07	Dec '07	Total 4 months	Sept '06 to Aug '07 (audited)
Milled tonnes	59,300	63,573	71,335	66,170	260,378	461,933
Copper Produced (lbs)	2.0M	1.9M	2.3M	2.8M	9.0M	13.9M
Copper Sales (lbs)	2.8M	3.2M	1.3M	1.3M	8.6M	11.8M
Zinc Produced (lbs)	0.6M	0.7M	0.7M	0.5M	2.5M	6.8M
Zinc Sales (lbs)	1.4M	Nil	Nil	Nil	1.4M	5.0M
Lead Produced (lbs)	0.3M	0.4M	0.5M	0.4M	1.6M	3.0M
Lead Sales (lbs)	0.6M	Nil	Nil	0.9M	1.5M	2.8M

Note: Audited results for the 4 months ended December 31, 2007 will be reported in March 2008.

NORMAL COURSE ISSUER BID

Further to the news release dated July 12, 2007 and October 11, 2007 Capstone has purchased an additional 815,500 common shares at an average price of \$2.76. The shares have been returned to the transfer agent and subsequently cancelled. Capstone has 81,442,515 shares outstanding after the cancellation of the above share purchases.

Dee 5/19

ABOUT CAPSTONE

Capstone is a Canadian based mining company currently operating the 100% owned Cozamin copper-silver-lead-zinc mine located in Zacatecas State, Mexico. Capstone has approximately 81.4 million shares outstanding and is well financed with no bank debt. More information is available online at: www.capstonemining.com.

For further information about the Company, please contact:

Chris Tomanik or Mark Patchett, Telephone: (604) 684-8894 / Facsimile: (604) 688-2180

Email: ctomanik@capstonemining.com, or mpatchett@capstonemining.com

This press release contains "forward-looking information" that is based on Capstone's current expectations, estimates, forecasts and projections. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause Capstone's actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information. Such factors include, but are not limited to: projected sales or production rates; uncertainties related to drilling results; the ability to raise sufficient capital to fund exploration; changes in economic conditions or financial markets; changes in prices for costs; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; technological or operational difficulties or inability to obtain permits encountered in connection with exploration activities; and labor relations matters.

This list is not exhaustive of the factors that may affect our forward-looking information. These and other factors should be considered carefully and readers should not place undue reliance on such forward-looking information. Capstone disclaims any intention or obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise.

SEC Mail
Mail Processing
Section

MAY 15 2008

Washington, DC
106

CAPSTONE PROVIDES 2008 EXPANSION AND EXPLORATION PLANS AND INCREASES PRODUCTION FORECASTS FOR 2008 AND 2009

Dated: January 17, 2008

TSX: CS

VANCOUVER, B.C. – Capstone Mining Corp. (“Capstone”) is pleased to report its 2008 expansion and exploration plans and budgets for the Cozamin mine located in Zacatecas State, Mexico. All dollar amounts are stated in U.S. dollars unless otherwise stated.

MINE EXPANSION

Capstone is pleased to report it has started the expansion of the Cozamin mine from the current rate of 2,200 tonnes per day (“tpd”) or 750,000 tonnes per year (“tpy”) to 3,000 tpd or approximately 1 million tpy, a 36% increase in production. This expansion is expected to be completed by September 2008 at a total budgeted cost of \$9.5 million (including a 15% contingency). The major areas of the expansion include the following; a new larger production ramp will be driven from surface down to the internal level 8 decline ramp within the mine (approximately 1,400m). The internal ramps from level 8 to 12 level will be enlarged and the underground crusher will be moved to a new dump pocket at level 11.5. This larger production ramp will provide the required additional ore haulage capacity and will compliment the 2,000 tpd shaft as well as allowing larger sized trucks to transport ore to surface. The cost of the ramp and equipment is estimated to be \$4.0 million. A new 115kV high tension power line and substation will be constructed to supply up to 7.5mW to the mine. A 1.5mW generator will also be added to provide additional power to the mine before power line completion and will be used as an emergency power supply in the future when power outages occur. The upgrade in power is estimated to cost \$3.6 million. Modifications within the plant include increasing belt sizes within the crushing area and larger floatation cells to handle the increase in concentrates. This is estimated to cost \$1.2 million. An additional 6m lift will be added to the tailings dam at a cost of \$700,000.

PRODUCTION FORECAST

As a result of the expansion to 3,000 tpd, Capstone is revising upward its 2008 and 2009 metal production forecast as follows;

	2008F	2009F
Tonnes milled	850,000	1,000,000
Copper (payable lbs)	30,000,000	40,000,000
Silver (payable ozs)	1,300,000	1,500,000
Zinc (payable lbs)	9,000,000	10,000,000
Lead (payable lbs)	5,100,000	5,000,000

EXPLORATION

A total of 18,000 m of underground drilling and 650 m of underground drifting are planned within the Cozamin mine. This drilling will be to upgrade existing inferred resources to the measured and indicated categories as well as to continue to explore to depth. This 2008 program is budgeted to cost \$2.5 million (including a 15% contingency).

An additional 6,500 m will be drilled from surface to explore the Mala Noche vein along strike and outside of the current resource area. The program is budgeted at \$1.7 million (including a 15% contingency).

Robert B. Barnes, P.Eng, Vice President of Operations for Capstone and a qualified person under NI 43-101, has reviewed and approved the contents of this news release.

ABOUT CAPSTONE

Capstone is a Canadian based mining company currently operating the 100% owned Cozamin copper-silver-lead-zinc mine located in Zacatecas State, Mexico. Capstone has approximately 81.4 million shares outstanding and is well financed with no bank debt. More information is available online at: www.capstonemining.com.

For further information about the Company, please contact:

Chris Tomanik or Mark Patchett, Telephone: (604) 684-8894 / Facsimile: (604) 688-2180

Email: ctomanik@capstonemining.com or mpatchett@capstonemining.com

This press release contains "forward-looking information" that is based on Capstone's current expectations, estimates, forecasts and projections. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause Capstone's actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information. Such factors include, but are not limited to: projected sales or production rates; uncertainties related to drilling results; the ability to raise sufficient capital to fund exploration; changes in economic conditions or financial markets; changes in prices for costs; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; technological or operational difficulties or inability to obtain permits encountered in connection with exploration activities; and labor relations matters.

This list is not exhaustive of the factors that may affect our forward-looking information. These and other factors should be considered carefully and readers should not place undue reliance on such forward-looking information. Capstone disclaims any intention or obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise.



**CAPSTONE TO RELEASE 4 MONTHS ENDED DECEMBER 31, 2007 RESULTS
ON THURSDAY FEBRUARY 28, 2008**

Dated: February 20, 2008

TSX: CS

Vancouver, BC – Capstone Mining Corp. (“Capstone”) will release its December 31, 2007 four month stub period results on Thursday February 28, 2008 before market open and will host a conference call on Friday February 29, 2008 at 8:00am PST (11:00am ET) to discuss these results. The conference call may be accessed by dialing 1.866.514.1894. Please ask for the Capstone Mining Corp. conference call.

The conference call will be archived for later playback until Friday, March 7, 2008 and can be accessed by dialing 1.866.501.5559 and the passcode is 21264082#.

ABOUT CAPSTONE

Capstone is a Canadian based mining company currently operating the Cozamin copper-silver-zinc-lead mine located in Zacatecas State, Mexico. Capstone has approximately 81.4 million shares outstanding and is well financed with no bank debt. More information is available online at: www.capstonemining.com.

For further information about the Company, please contact:

Chris Tomanik or Mark Patchett, Telephone: (604) 684-8894 / Facsimile: (604) 688-2180

Email: ctomanik@capstonemining.com or mpatchett@capstonemining.com

SEC Mail
Mail Processing
Section

MAY 15 2008

Washington, DC
105



CAPSTONE MINING DECEMBER 31, 2007 FOUR MONTH STUB PERIOD RESULTS

Dated: February 28, 2008

TSX: CS

Vancouver, B.C. – Capstone Mining Corp. (“Capstone”) announces its financial results for the four month stub period ending December 31, 2007 including production and sales for the Cozamin mine located in Zacatecas State, Mexico. All dollar amounts are stated in U.S. dollars unless otherwise indicated.

Overview and Highlights

For the four months ended December 31, 2007, Capstone's earnings, before future income tax allowance were \$16.8 million or \$0.21 per share (\$0.20 per share diluted), and earnings, after future income tax allowance, a non-cash item, were \$10.4 million or \$0.13 per share (\$0.12 per share diluted).

- Revenue for the four months ended December 31, 2007 was \$33.0 million. The average realized price for sales of copper, zinc, lead and silver in the four months was \$3.09/lb, \$1.07/lb, \$1.24/lb and \$8.40/oz respectively.
- Copper production during the four months ended December 31, 2007 was 9.0 million lbs compared with 13.9 million lbs for the 12 months ended August 31 2007 (65% of the previous 12 month period).
- At December 31, 2007, Capstone had working capital of \$51.7 million including \$25 million in cash, \$8.1 million in marketable securities, current receivables of \$14.9 and no bank debt, in addition the fair market value of Capstone's share ownership of Silverstone Resources Corp. as of today is approximately \$90 million, which is not included in working capital.
- Copper cash costs for the four months ended December 31, 2007 were \$0.96/lb of copper (net of by-product credits and including smelter, refining, transportation and all site costs).
- Total costs (the aggregate of cash costs, royalty, depletion and amortization and accretion) for the four months ended December 31, 2007 were \$1.16/lb.
- Capstone continued its share buyback plan and purchased an additional 815,500 common shares on the open market at an average price of CDN\$2.76. The shares have been returned to treasury and cancelled under its normal course issuer bid.
- During the four month stub period the Cozamin mine operated at its current designed throughput rate of 2,200 tpd.

	4 months ended December 31, 2007	Year ended August 31, 2007
Revenue	\$33.0M	\$55.3M
Copper	\$26.5M	\$37.7M
Zinc	\$1.5M	\$8.0M
Lead	\$1.9M	\$2.7M
Silver	\$3.1M	\$6.9M
Operating profit	\$16.8M	\$27.2M
Earnings (before future tax)	\$16.8M	\$25.2M
EPS - basic (before future tax)	\$0.21	\$0.31
Earnings (after future taxes)	\$10.4M	\$22.7M
EPS - basic	\$0.13	\$0.28

Cozamin Mine

4 Months Ended December 31, 2007 Production and Sales Highlights

- Capstone produced the following metals during the year.
 - 9.0 million pounds of copper
 - 2.5 million pounds of zinc
 - 1.6 million pounds of lead
 - 414,000 ounces of silver

- Concentrate sales for the period were dry metric tonnes ("DMT"), containing;
 - 8.6 million pounds of copper
 - 1.4 million pounds of zinc
 - 1.5 million pounds of lead
 - 377,000 ounces of silver

Concentrate inventory at December 31, 2007 was 9,793 DMT (containing 2.8 million pounds of copper, 2.9 million pounds of zinc and 0.5 million pounds of lead).

December 31, 2007 Production Results and Forecast for 2008 and 2009

	2008 (F)	2009 (F)
Total tons milled	850,000	1,000,000
Copper (payable lbs)	30,000,000	40,000,000
Silver (payable ounces)	1,300,000	1,500,000
Zinc (payable lbs)	9,000,000	10,000,000
Lead (payable lbs)	5,100,000	5,000,000

The following table is a summary of the actual operating statistics for the four months ended December 31, 2007 and the year ended August 31, 2007.

	4 months ended Dec 31, 2007	Year ended Aug 31, 2007
Total tons mined	251,716	484,641
Tons of ore milled	260,714	461,933
Copper grade (%)	1.79	1.59
Zinc grade (%)	1.24	1.47
Silver grade (g/t)	69	71
Lead grade (%)	0.52	0.6
Copper recovery (%)	87.1	86
Zinc recovery (%)	41.3	44.9
Silver recovery (%)	73.3	73
Lead recovery (%)	49.8	52.6
Copper production (million DMT lbs)	9.0	13.9
Zinc production (million DMT lbs)	2.5	6.8
Silver production ('000 ounces)	414	747
Lead production (million DMT lbs)	1.6	3.0

Note: Silver reports to all concentrates.

Stub Four Month Period Production Highlights

Copper

- Copper in concentrate produced during the four month period was 9.0 million pounds of copper, year ended August 31, 2007 was 13.9 million.
- Copper concentrate sales for the period were 18,277 dry metric tons ("DMT"), containing 8.6 million pounds of copper, year ended August 31, 2007 was 11.8 million.
- The average price for sales of copper in the period was \$3.09/lb.
- Copper concentrate inventory at December 31, 2007 was 5,631 DMT, an increase in inventory from the 5,447 DMT of concentrate on hand at August 31, 2007.
- Silver in the copper concentrate produced during the period totaled 335,000 ounces.

Zinc

- Zinc in concentrate produced during the four month period was 2.5 million pounds of zinc, year ended August 31, 2007 was 6.8 million.
- Zinc sales for the period were 1,799 DMT, containing 1.4 million pounds of zinc, year ended August 31, 2007 was 5.0 million.
- The average price for sales of zinc in the period was \$1.07/lb.
- Zinc concentrate inventory at December 31, 2007 was 3,804 DMT, an increase in inventory from the 2,413 DMT of concentrate on hand at August 31, 2007.
- Silver in the zinc concentrate produced during the period totaled 12,000 ounces.

Lead

- Lead in concentrate produced during the four month period was 1.6 million pounds of lead, year ended August 31, 2007 was 3.0 million.
- Lead concentrate sales for the period were 1,147 DMT, containing 1.5 million pounds of lead, year ended August 31, 2007 was 2.8 million.
- The average price for sales of lead in the period was \$1.24/lb.
- Lead concentrate inventory at December 31, 2007 was 358 DMT, an increase in inventory from the 290 DMT of concentrate on hand at August 31, 2007.
- Silver in the lead concentrate produced during the period totaled 67,000 ounces.

Mill Expansion Project

Tons mined and processed were higher in the four months ended December 31, 2007 compared to previous 2007 periods as expansion to the 2,200 tpd was completed in September. Capital expenditures are budgeted at \$10 million to further expand the facility to 3,000 tpd which is expected to be completed by the fourth quarter this year.

Labour

There were 4 minor lost time accidents during the period from both operations and construction. The number of personnel at the end of the period was 530, of which approximately 90 were contractors related to the expansion project.

Four Month Actual Sales

Actual sales and costs for the year are tabulated below.

	4 months ended Dec 31, 2007
Copper (million lbs)	8.6
Zinc (million lbs)	1.4
Lead (million lbs)	1.5
Silver ('000 ounces)	377
Copper production costs, net of by product credits, per lb of copper	\$0.55
Off property costs for transport, smelting and refining per lb of copper	\$0.41
Total cash costs of production per lb of copper	\$0.96

Copper production costs in the four months ended December 31, 2007 were \$0.21 above plan reflecting the impact of the company having sold less zinc and writing down a portion of the zinc with lower grade in the concentrate and the lower by product metal prices.

Financial Results

The information in this news release and the selected financial information contained in the following pages should be read in conjunction with the audited Consolidated Financial Statements and Management Discussion and Analysis for the four months ended December 31, 2007, which will be available at Capstone's website at www.capstonemining.com and at www.sedar.com.

The Company's earnings before future tax accruals for the four months ended December 31, 2007 were \$16.8 million or \$0.21 per share compared to earnings of \$25.2 million or \$0.31 per share for the year ended August 31, 2007. The Company's net earnings for December 31, 2007 were \$10.4 million or \$0.13 per share compared to \$22.7 million or \$0.28 per share for August 31, 2007 after future income tax allowance, a non-cash item.

The Company reported revenues for the four month period of \$33.0 million (year ended August 31, 2007 - \$55.3 million). Revenues consisted of copper concentrate sales of \$26.5 million, zinc concentrate sales of \$1.5 million, lead concentrate sales of \$1.9 million and silver in concentrate sales of \$3.1 million.

Cost of sales for the four month period was \$9.0 million (year ended August 31, 2007 - \$14.2 million), treatment and transportation charges were \$5.3 million (August 31, 2007 - \$10.1 million), royalty charges were \$0.6 million (August 31, 2007 - \$1.4 million) and depletion was \$0.9 million (August 31, 2007 - \$1.7 million).

For the four month period ended December 31, 2007, the Company recorded an unrealized gain related to mark-to-market on the outstanding derivative contracts in the amount of \$2,928,644 (August 31, 2007 - \$Nil).

A future income tax provision of \$6.3 million was recorded at December 31, 2007 compared to \$2.5 million at August 31, 2007. The increase in the income tax provision is mainly due to the reversal of the current future income tax asset set up at August 31, 2007 as well as an increase in the excess of book value of capital assets over tax values.

Glencore International AG and Trafigura Beheer B.V. purchases the concentrates produced by the Cozamin mine pursuant to the terms of a written contract.

Capstone Mining Corp.
Selected Financial Information

Consolidated Balance Sheets

	Dec 31, 2007	Aug 31, 2007
Cash	\$ 25,114,753	\$ 35,988,166
Marketable securities	8,097,348	-
Investment in Silverstone Resources Corp.	39,022,891	28,498,044
Property, plant and equipment	45,655,190	44,616,033
Other assets	27,090,014	24,888,492
Total assets	144,980,196	133,990,735
Deferred revenue	41,398,281	43,056,390
Other liabilities	17,833,194	15,561,814
Total liabilities	59,231,475	58,618,204
Shareholder's equity	85,748,721	75,372,531
Total liabilities and shareholders' equity	144,980,196	133,990,735

Consolidated Statements of Operations

	Four months ended Dec 31, 2007	Year ended Aug 31, 2007
Total revenues	\$ 32,975,274	\$ 55,335,647
Total cost of sales	(16,157,585)	(28,138,291)
Operating profit	16,817,689	27,197,356
G&A and other expenses	(3,437,958)	(3,773,660)
Other items	3,409,803	1,726,946
Earnings (loss) before income taxes	16,789,534	25,150,642
Future income tax	(6,333,610)	(2,479,593)
Earnings (loss) for the year	10,415,923	22,671,049
EPS – Basic	0.13	0.28
EPS – Diluted	0.12	0.27

Capstone will host a conference call on Friday, February 29 at 8:00 a.m. Pacific Time (11:00 AM Eastern Time) to discuss these results. The conference call may be accessed by dialing 1.866.514.1894 in North America or 1.480.248.5085 internationally, please ask for the Capstone Mining Corp. conference call. The conference call will be archived for later playback until March 7, 2008 and can be accessed by dialing 1.866.501.5559 and the passcode is 21264082#.

ABOUT CAPSTONE

Capstone is a Canadian based mining company currently operating the 100% owned Cozamin copper-silver-lead-zinc mine located in Zacatecas State, Mexico. Capstone has approximately 81.4 million shares outstanding and is well financed with no bank debt. More information is available online at: www.capstonemining.com.

For further information about the Company, please contact:

Chris Tomanik or Mark Patchett, Telephone: (604) 684-8894 / Facsimile: (604) 688-2180

Email: ctomanik@capstonemining.com or mpatchett@capstonemining.com

SEC Mail
Mail Processing
Section

MAY 15 2008

Washington, DC
106



**CAPSTONE ANNOUNCES PRODUCTION AND SALES
FOR THE FIRST QUARTER OF 2008**

Dated: April 16, 2008

TSX: CS

VANCOUVER, B.C. – Capstone Mining Corp. (“Capstone”) is pleased to report production and sales results for the first quarter of 2008 from its Cozamin mine located in Zacatecas State, Mexico. With the expansion from 2,200 tpd to 3,000 tpd underway, the Cozamin mine produced 202,656 tonnes during the first quarter of 2008.

Summarized results are shown below; there are no comparatives due to the change in year end to December 31.

OPERATING AND SALES RESULTS

(all figures unaudited)

	Total Q1 -2008
Ore milled (tonnes)	202,656
Copper production (lbs)*	6.0M
Copper grade (%)	1.59
Copper recovery (%)	84.2
Copper sales (lbs)	6.9M
Average Copper price***	\$3.59
Zinc production (lbs)	2.3M
Zinc grade (%)	1.35
Zinc recovery (%)	40.6
Zinc sales (lbs)**	0.7M
Average Zinc price***	\$1.21
Lead production (lbs)	1.7M
Lead grade (%)	0.65
Lead recovery (%)	60.2
Lead sales (lbs)	1.3M
Average Lead price***	\$1.33

* Copper production was lower in February and March due to lower grade material from the upper levels being fed through the mill as we are currently preparing infrastructure in the lower high grade levels of the mine due to the expansion.

** 2M lbs of Zinc sold in April 2008

*** Average prices used on provisional invoices during the quarter.

Note: First quarter financial results will be reported April 30, 2008.

ABOUT CAPSTONE

Capstone is a Canadian based mining company currently operating the 100% owned Cozamin copper-silver-lead-zinc mine located in Zacatecas State, Mexico. Capstone has approximately 81.9 million shares outstanding and is well financed with no bank debt. More information is available online at: www.capstonemining.com.

For further information about the Company, please contact:

Chris Tomanik or Mark Patchett, Telephone: (604) 684-8894 / Facsimile: (604) 688-2180

Email: ctomanik@capstonemining.com, or mpatchett@capstonemining.com

This press release contains "forward-looking information" that is based on Capstone's current expectations, estimates, forecasts and projections. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause Capstone's actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information. Such factors include, but are not limited to: projected sales or production rates; uncertainties related to drilling results; the ability to raise sufficient capital to fund exploration; changes in economic conditions or financial markets; changes in prices for costs; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; technological or operational difficulties or inability to obtain permits encountered in connection with exploration activities; and labor relations matters.

This list is not exhaustive of the factors that may affect our forward-looking information. These and other factors should be considered carefully and readers should not place undue reliance on such forward-looking information. Capstone disclaims any intention or obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise.



**CAPSTONE TO RELEASE FIRST QUARTER RESULTS
ON TUESDAY APRIL 29, 2008**

Dated: April 22, 2008

TSX: CS

Vancouver, BC – Capstone Mining Corp. will release first quarter results on Tuesday April 29, 2008 after market close and will host a conference call on Wednesday April 30, 2008 at 8:00am PST (11:00am ET) to discuss these results. The conference call may be accessed by dialing 1.866.365.1119 in North America and 1.416.849.7329 Internationally. Please ask for the Capstone Mining Corp. conference call.

The conference call will be archived for later playback until Wednesday, May 7, 2008 and can be accessed by dialing 1.866.501.5559 and the passcode is 21270030#.

ABOUT CAPSTONE

Capstone is a Canadian based mining company currently operating the Cozamin copper-silver-zinc-lead mine located in Zacatecas State, Mexico. Capstone has approximately 81.9 million shares outstanding and is well financed with no bank debt. More information is available online at: www.capstonemining.com.

For further information about the Company, please contact:

Chris Tomanik or Mark Patchett, Telephone: (604) 684-8894 / Facsimile: (604) 688-2180

Email: ctomanik@capstonemining.com or mpatchett@capstonemining.com

SEC Mail
Mail Processing
Section

MAY 15 2008

Washington, DC
106



**CAPSTONE
MINING CORP.**

**CAPSTONE REPORTS RECORD OPERATING PROFIT OF \$15.9 MILLION
FOR THE FIRST QUARTER**

Dated: April 29, 2008

TSX: CS

Vancouver, B.C. – Capstone Mining Corp. (“Capstone”) announces its financial results for the first quarter of 2008 including production and sales for the Cozamin mine located in Zacatecas State, Mexico. All dollar amounts are stated in U.S. dollars unless otherwise indicated.

Overview and Highlights

- Record operating profit of \$15.9 million or \$0.20 per share
- Record revenue of \$29.5 million. The average realized price for sales of copper, zinc, lead and silver in the quarter was \$3.59/lb, \$1.21/lb, \$1.33/lb and \$8.40/oz respectively.
- Earnings of \$15.7 million or \$0.19 per share before recording an unrealized loss on derivative instrument of \$12.4 million (a non-cash item) related to our forward copper sales and before current and future income taxes of \$2.8 million. Forward copper sales average price through 2011 is \$3.18. Earnings after the above were \$0.5 million or \$0.01 per share.
- Copper production during the quarter was 6.0 million lbs compared with 2.8 million lbs for the three months ended February 28, 2007.
- At March 31, 2008, Capstone had working capital of \$56 million and no bank debt. In addition, the fair market value of Capstone’s share ownership of Silverstone Resources Corp. is approximately \$65 million, which is not included in working capital.
- Copper cash costs for the quarter were \$0.98/lb of copper (net of by-product credits and including smelter, refining, transportation and all site costs).
- Total costs (the aggregate of cash costs, royalty, depletion and amortization and accretion) for the quarter were \$1.18/lb.
- Capstone continued its share buyback plan and purchased an additional 219,900 common shares on the open market at an average price of CDN\$2.78. The shares have been returned to treasury and cancelled under its normal course issuer bid.

	Q1 - 2008	3 months ended February 28, 2007
Revenue	\$29.5M	\$9.1M
Copper	\$24.6M	\$5.9M
Zinc	\$0.6M	\$Nil
Lead	\$1.7M	\$1.0M
Silver	\$2.6M	\$2.2M
Operating profit	\$15.9M	\$3.9M
Earnings (before taxes)	\$3.3M	\$3.3M
EPS (before taxes)	\$0.04	\$0.04
Earnings (after taxes)	\$0.5M	\$3.3M
EPS	\$0.01	\$0.04

Cozamin Mine

Q1 - 2008 Production and Sales Highlights

- Capstone produced the following metals during the quarter.
 - 6.0 million pounds of copper
 - 2.3 million pounds of zinc
 - 1.7 million pounds of lead
 - 338,000 ounces of silver

- Concentrate sales for the quarter contained;
 - 6.9 million pounds of copper
 - 0.7 million pounds of zinc
 - 1.3 million pounds of lead
 - 306,000 ounces of silver

Concentrate inventory at March 31, 2008 was 8,856 DMT (containing 1.4 million pounds of copper, 4.0 million pounds of zinc and 0.8 million pounds of lead).

March 31, 2008 Production Results and Forecast for 2008 and 2009

	2008 (F)	2009 (F)
Total tons milled	850,000	1,000,000
Copper (payable lbs)	30,000,000	40,000,000
Silver (payable ounces)	1,300,000	1,500,000
Zinc (payable lbs)	9,000,000	10,000,000
Lead (payable lbs)	5,100,000	5,000,000

The following table is a summary of the actual operating statistics for the three months ended March 31, 2008 and the three months ended February 28, 2007.

	Q1 - 2008	3 months ended Feb 28, 2007
Total tons mined	195,530	100,620
Tons of ore milled	202,656	95,439
Copper grade (%)	1.59	1.58
Zinc grade (%)	1.35	1.45
Silver grade (g/t)	70.3	68
Lead grade (%)	0.65	0.53
Copper recovery (%)	84.2	84.5
Zinc recovery (%)	40.6	42.6
Silver recovery (%)	70.4	67.5
Lead recovery (%)	60.2	49
Copper production (million DMT lbs)	6.0	2.8
Zinc production (million DMT lbs)	2.3	1.2
Silver production ('000 ounces)	338	149
Lead production (million DMT lbs)	1.7	0.5

Note: Silver reports to all concentrates.

First Quarter 2008 Highlights

Copper

- Copper in concentrate produced during the quarter was 6.0 million pounds of copper, three months ended February 28, 2007 was 2.8 million.
- Copper concentrate sales for the quarter were 14,960 dry metric tons ("DMT"), containing 6.9 million pounds of copper, three months ended February 28, 2007 was 2.1 million.
- The average price for sales of copper in the period was \$3.59/lb.
- Copper concentrate inventory at March 31, 2008 was 2,919 DMT, a decrease in inventory from the 5,631 DMT of concentrate on hand at December 31, 2007.
- Silver in the copper concentrate produced during the period totaled 257,000 ounces.
- Copper production was lower in February and March as the Company was mining lower grade upper levels due to the expansion projects on the higher grade lower levels.

Zinc

- Zinc in concentrate produced during the quarter was 2.3 million pounds of zinc, three months ended February 28, 2007 was 1.2 million.
- Zinc sales for the period were 1,077 DMT, containing 0.7 million pounds of zinc, there were no sales during the three months ended February 28, 2007.

- The average price for sales of zinc in the period was \$1.21/lb.
- Zinc concentrate inventory at March 31, 2008 was 5,375 DMT, an increase in inventory from the 3,804 DMT of concentrate on hand at December 31, 2007.
- Silver in the zinc concentrate produced during the period totaled 16,000 ounces.

Lead

- Lead in concentrate produced during the quarter was 1.7 million pounds of lead, three months ended February 28, 2007 was 0.5 million.
- Lead concentrate sales for the period were 1,076 DMT, containing 1.3 million pounds of lead, three months ended February 28, 2007 was 1.4 million.
- The average price for sales of lead in the period was \$1.33/lb.
- Lead concentrate inventory at March 31, 2008 was 562 DMT, an increase in inventory from the 358 DMT of concentrate on hand at December 31, 2007.
- Silver in the lead concentrate produced during the period totaled 65,000 ounces.

Mill Expansion Project

Capital expenditures are budgeted at \$10 million to further expand the facility to 3,000 tpd which is expected to be completed by the fourth quarter this year.

Labour

There were 2 minor lost time accidents during the period from both operations and construction. The number of personnel at the end of the period was 600, of which approximately 80 were contractors related to the expansion project.

Q1 - Actual Sales and Costs

	Q1 – 2008	3 Months Ended Feb 28, 2007
Copper (million lbs)	6.9	2.1
Zinc (million lbs)	0.7	Nil
Lead (million lbs)	1.3	1.4
Silver ('000 ounces)	306	169
Copper production costs, net of by product credits, per lb of copper	\$0.58	(\$0.02)
Off property costs for transport, smelting and refining per lb of copper	\$0.40	\$0.41
Total cash costs of production per lb of copper	\$0.98	\$0.39

Financial Results

The information in this news release and the selected financial information contained in the following pages should be read in conjunction with the Interim Consolidated Financial Statements and Management Discussion and Analysis for the three months ended March 31, 2008, which will be available at Capstone's website at www.capstonemining.com and at www.sedar.com.

The Company's operating profit for the three months ended March 31, 2008 was \$15.9 million or \$0.20 per share compared to operating profit of \$3.9 million or \$0.05 per share for the three months ended February 28, 2007. The Company's net earnings for March 31, 2008 were \$0.5 million or \$0.01 per share compared to \$3.3 million or \$0.04 per share for February 28, 2007.

The Company reported revenues for the three month period of \$29.5 million (February 28, 2007 - \$9.1 million). Revenues consisted of copper concentrate sales of \$24.6 million, zinc concentrate sales of \$0.6 million, lead concentrate sales of \$1.7 million and silver concentrate sales of \$2.6 million.

Cost of sales for the three month period was \$7.5 million (February 28, 2007 - \$2.7 million), treatment and transportation charges were \$4.4 million (February 28, 2007 - \$1.3 million), royalty charges were \$0.6 million (February 28, 2007 - \$0.5 million) and depletion was \$0.8 million (February 28, 2007 - \$0.6 million).

For the three month period ended March 31, 2008, the Company recorded an unrealized loss related to mark-to-market on the outstanding derivative contracts in the amount of \$12.4 million (February 28, 2007 - \$Nil) related to our forward copper sales. Forward copper sales average price through 2011 is \$3.18.

Glencore International AG and Trafigura Beheer B.V. purchases the concentrates produced by the Cozamin mine pursuant to the terms of a written contract.

Capstone Mining Corp.
Selected Financial Information

Interim Consolidated Balance Sheets

	March 31, 2008	Dec 31, 2007
Cash	\$ 33,999,543	\$ 25,114,753
Marketable securities	1,466,496	8,097,348
Receivables	17,604,581	9,799,634
Investment in Silverstone Resources Corp.	40,006,497	39,022,891
Property, plant and equipment	47,408,699	45,655,190
Other assets	15,863,279	17,290,380
Total assets	156,349,095	144,980,196
Deferred revenue	40,051,609	41,398,281
Other liabilities	28,954,406	17,833,194
Total liabilities	69,006,015	59,231,475
Shareholder's equity	87,343,080	85,748,721
Total liabilities and shareholders' equity	156,349,095	144,980,196

Interim Consolidated Statements of Operations

	Three months ended March 31, 2008	Three months ended Feb 28, 2007
Total revenues	\$ 29,451,410	\$ 9,090,750
Total cost of sales	(13,525,555)	(5,173,055)
Operating profit	15,925,855	3,917,695
G&A and other expenses	(1,871,873)	(624,872)
Unrealized loss on derivative instrument	(12,443,884)	-
Other items	1,665,499	(1,873)
Earnings before income taxes	3,275,597	3,290,950
Current income tax	(1,565,655)	-
Future income tax	(1,220,363)	-
Earnings for the year	489,579	3,290,950
EPS – Basic	0.01	0.04
EPS – Diluted	0.01	0.04

Capstone will host a conference call on Wednesday, April 30 at 8:00 a.m. Pacific Time (11:00 AM Eastern Time) to discuss these results. The conference call may be accessed by dialing 1.866.365.1119 in North America or 1.416.849.7329 internationally, please ask for the Capstone Mining Corp. conference call. The conference call will be archived for later playback until May 7, 2008 and can be accessed by dialing 1.866.501.5559 and the passcode is 21270030#.

ABOUT CAPSTONE

Capstone is a Canadian based mining company currently operating the 100% owned Cozamin copper-silver-lead-zinc mine located in Zacatecas State, Mexico. Capstone has approximately 81.9 million shares outstanding and is well financed with no bank debt. More information is available online at: www.capstonemining.com.

For further information about the Company, please contact:

Chris Tomanik or Mark Patchett, Telephone: (604) 684-8894 / Facsimile: (604) 688-2180

Email: ctomanik@capstonemining.com or mpatchett@capstonemining.com

MAY 15 2008

Washington, DC
106

CAPSTONE MINING CORP.
FORM 51-102F1 – MANAGEMENT DISCUSSION & ANALYSIS
MARCH 31, 2008

1.1 Date of Report: April 28, 2008

The Management Discussion and Analysis (“MD&A”) should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended March 31, 2008, and the audited consolidated financial statements for the period ended December 31, 2007.

All dollar figures stated herein are expressed in U.S. dollars, unless otherwise noted.

This discussion includes certain statements that may be deemed “forward-looking statements”. All statements in this discussion, other than statements of historical facts, that address future production, reserve potential, exploration drilling, exploitation activities and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

1.2 Overall Performance

Capstone Mining Corp. (“the Company”) is a mining company with a primary focus to operate, expand and explore the Company’s 100% owned Cozamin copper-silver-zinc-lead mine located in Zacatecas, Mexico. The Company’s shares are listed on the Toronto Stock Exchange (“TSX”) under the symbol CS.

The Company had an operating profit of \$15.9 million or \$0.20 per share and earnings of \$0.5 million or \$0.01 per share during the three months ended March 31, 2008 compared to operating profit of \$3.9 million or \$0.05 per share and earnings of \$3.3 million or \$0.04 per share in the three months ended February 28, 2007. For the three months ended March 31, 2008 the company recorded an unrealized loss related to mark-to-market on the outstanding derivative contracts in the amount of \$12.4 million or \$0.15 per share. The Company also recorded current income taxes related to operations in Mexico in the amount of \$1.6 million and recorded future income taxes of \$1.2 million

During the three months ended March 31, 2008, the Company realized revenues of \$24.6 million from sales of 6.9 million pounds of copper, \$0.6 million from sales of 0.7 million pounds of zinc, \$1.7 million from sales of 1.3 million pounds of lead and \$2.6 million from sales of 306,000 ounces of silver in concentrates. The average price for sales of copper, zinc, lead and silver during the period were \$3.59/lb, \$1.21/lb, \$1.33/lb and \$8.40/oz respectively.

The Company is continuing with the work required at the Cozamin mine to expand the current production rate of 2,200 tpd or 750,000 tpy to 3,000 tpd or approximately 1 million tpy. The production will be increased to 3,000 tpd in September 2008. The new larger production ramp will be completed in stages from surface down to level 12. The ramp to level 10 will be completed by September 2008. The internal ramps from level 10 to 12 level will be extended and enlarged and the underground crusher will be installed in a new dump pocket at level 11.5. This larger production ramp will provide the required additional ore haulage capacity with larger sized 20 tonne trucks and will compliment the 1,800 tpd shaft. The 1.5mW generator has been added to provide emergency power supply and the additional power needed to operate the mine at the expanded production rate prior to the completion of a new 115kV high tension power line and substation to supply up to 7.5mW to the mine. Modifications within the plant include increasing conveyor belt sizes in the crushing area, column cells, a regrind mill and density control in the grinding circuit. An additional 6m tailing dam lift will be completed in May 2008.

The Company continued its program of underground infill drilling to further expand and upgrade the inferred resources. Priority will be on inferred resources within established mining block areas.

The Company currently has four drill rigs working at Cozamin, three are drilling from surface and one from underground. We have increased the planned 6,500m of surface drilling by an additional 10,000m. To date, 9,000m in 48 holes have been drilled from surface.

The underground drilling program is currently planned at 18,000m of drilling which will require 650m of underground cross cuts for drill stations. To date, 6,935m in 23 drill holes have been drilled.

Cozamin Mine

First Quarter 2008 Highlights

Copper

- Copper in concentrate produced during the quarter was 6.0 million pounds of copper, three months ended February 28, 2007 was 2.8 million.
- Copper concentrate sales for the quarter were 14,960 dry metric tons (“DMT”), containing 6.9 million pounds of copper, three months ended February 28, 2007 was 2.1 million.
- The average price for sales of copper in the period was \$3.59/lb.
- Copper concentrate inventory at March 31, 2008 was 2,919 DMT, a decrease in inventory from the 5,631 DMT of concentrate on hand at December 31, 2007.
- Silver in the copper concentrate produced during the period totaled 257,000 ounces.
- Copper production was lower in February and March as the Company was mining lower grade upper levels due to the expansion projects on the higher grade lower levels.

Zinc

- Zinc in concentrate produced during the quarter was 2.3 million pounds of zinc, three months ended February 28, 2007 was 1.2 million.
- Zinc sales for the period were 1,077 DMT, containing 0.7 million pounds of zinc, there were no sales for three months ended February 28, 2007.
- The average price for sales of zinc in the period was \$1.21/lb.
- Zinc concentrate inventory at March 31, 2008 was 5,375 DMT, an increase in inventory from the 3,804 DMT of concentrate on hand at December 31, 2007.
- Silver in the zinc concentrate produced during the period totaled 16,000 ounces.

CAPSTONE MINING CORP.
FORM 51-102F1 – MANAGEMENT DISCUSSION & ANALYSIS
MARCH 31, 2008

Lead

- Lead in concentrate produced during the quarter was 1.7 million pounds of lead, three months ended February 28, 2007 was 0.5 million.
- Lead concentrate sales for the period were 1,076 DMT, containing 1.3 million pounds of lead, three months ended February 28, 2007 was 1.4 million.
- The average price for sales of lead in the period was \$1.33/lb.
- Lead concentrate inventory at March 31, 2008 was 562 DMT, an increase in inventory from the 358 DMT of concentrate on hand at December 31, 2007.
- Silver in the lead concentrate produced during the period totaled 65,000 ounces.

First Quarter Production Results

The following table is a summary of the operating statistics.

		Q1 - 2008	3 Months Ended Feb 28, 2007
Total tons mined		195,530	100,620
Tons of ore milled		202,656	95,439
Copper grade (%)		1.59	1.58
Zinc grade (%)		1.35	1.45
Silver grade (g/t)		70.3	68
Lead grade (%)		0.65	0.53
Copper recovery (%)		84.2	84.5
Zinc recovery (%)		40.6	42.6
Silver recovery (%)		70.4	67.5
Lead recovery (%)		60.2	49.0
Copper production (million DMT lbs)		6.0	2.8
Zinc production (million DMT lbs)		2.3	1.2
Silver production ('000 ounces)		338	149
Lead production (million DMT lbs)		1.7	0.5

Note: Silver reports to all concentrates.

Labour

There were 2 minor lost time accidents during the period. The number of personnel at the end of the quarter was 600 compared to 530 at the end of December, of which approximately 80 were contractors related to the construction project.

CAPSTONE MINING CORP.
FORM 51-102F1 – MANAGEMENT DISCUSSION & ANALYSIS
MARCH 31, 2008

First Quarter Actual Sales and Costs

	Q1 Sales	Three Months Ended Feb 28, 2007 Sales
Copper (million lbs)	6.9	2.1
Zinc (million lbs)	0.7	Nil
Lead (million lbs)	1.3	1.4
Silver ('000 ounces)	306	169
Copper production costs, net of by product credits, per lb of copper	\$0.58	(\$0.02)
Off property costs for transport, smelting and refining per lb of copper	\$0.40	\$0.41
Total cash costs of production per lb of copper	\$0.98	\$0.39

Market Trends

Copper prices have been increasing since late 2003. Copper prices averaged \$1.30/lb in 2004, \$1.67/lb in 2005, \$3.05/lb in 2006 and \$3.23/lb in 2007. Copper prices have increased in the first quarter of 2008, averaging \$3.51/lb.

Zinc prices had been increasing since 2003. Zinc prices averaged \$0.47/lb in 2004, \$0.63/lb in 2005, \$1.48/lb in 2006 and \$1.39/lb in 2007. Zinc prices have decreased in the first quarter of 2008, averaging \$1.12/lb.

Lead prices have been increasing since 2003, averaged \$0.40/lb in 2004, \$0.44/lb in 2005, \$0.58/lb in 2006 and \$1.18/lb in 2007. Lead prices have continued to increase in the first quarter of 2008, averaging \$1.31/lb.

1.3 Selected Annual Information

The following financial data is selected information for the Company for the most recently completed financial years:

	4 Months Ended Dec 31, 2007	Aug 31, 2007	Aug 31, 2006
Total revenues	\$ 32,975,274	\$ 55,335,647	\$ -
Operating profit	16,817,689	27,197,356	-
Earnings (loss) for the year	10,415,923	22,671,049	(2,624,601)
Basic earnings (loss) per common share	0.13	0.28	(0.04)
Diluted earnings (loss) per common share	0.12	0.27	(0.04)
Total assets	144,980,196	133,990,735	58,832,773

This financial information was prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and reported in U.S dollars.

CAPSTONE MINING CORP.
FORM 51-102F1 – MANAGEMENT DISCUSSION & ANALYSIS
MARCH 31, 2008

1.4 Results of Operations

The Company's operating profit for the three months ended March 31, 2008 was \$15.9 million or \$0.20 per share compared to operating profit of \$3.9 million or \$0.05 per share for the three months ended February 28, 2007. The Company's net earnings for March 31, 2008 were \$0.5 million or \$0.01 per share compared to \$3.3 million or \$0.04 per share for February 28, 2007.

The Company reported revenues for the three month period of \$29.5 million (February 28, 2007 - \$9.1 million). Revenues consisted of copper concentrate sales of \$24.6 million, zinc concentrate sales of \$0.6 million, lead concentrate sales of \$1.7 million and silver concentrate sales of \$2.6 million.

Cost of sales for the three month period was \$7.5 million (February 28, 2007 - \$2.7 million), treatment and transportation charges were \$4.4 million (February 28, 2007 - \$1.3 million), royalty charges were \$0.6 million (February 28, 2007 - \$0.5 million) and depletion was \$0.8 million (February 28, 2007 - \$0.6 million).

For the three month period ended March 31, 2008, the Company recorded an unrealized loss related to mark-to-market on the outstanding derivative contracts in the amount of \$12.4 million (February 28, 2007 - \$Nil).

Glencore International AG and Trafigura Beheer B.V. purchases the concentrates produced by the Cozamin mine pursuant to the terms of a written contract.

1.5 Summary of Quarterly Results

The following financial data is selected information for the Company for the eight most recently completed financial quarters:

	Mar 31, 2008 (US\$)	4 Months Ended Dec 31, 2007 (US\$)	Aug 31, 2007 (US\$)	May 31, 2007 (CDN\$)
Total revenues	\$ 29,451,410	\$ 32,975,274	\$ 17,997,785	\$ 16,695,086
Operating profit	15,925,855	16,817,689	9,935,746	7,754,309
Earnings before income taxes	3,275,597	16,789,534	10,718,283	5,808,500
Basic earnings per common share before future taxes	0.04	0.21	0.13	0.07
Diluted earnings per common share before future taxes	0.04	0.20	0.13	0.07
Earnings for the period	489,579	10,415,923	8,238,690	5,808,500
Basic earnings per common share	0.01	0.13	0.10	0.07
Diluted earnings per common share	0.01	0.12	0.09	0.07
Total assets	156,349,095	144,980,196	133,990,735	134,546,930

CAPSTONE MINING CORP.
FORM 51-102F1 – MANAGEMENT DISCUSSION & ANALYSIS
MARCH 31, 2008

	Feb 28, 2007 (CDN\$)	Nov 30, 2006 (CDN\$)	Aug 31, 2006 (CDN\$)	May 31, 2006 (CDN\$)
Total revenues	\$ 10,594,538	\$ 14,929,191	\$ -	\$ -
Operating profit	4,841,073	7,703,400	-	-
Earnings before income taxes	3,835,338	6,515,678	-	-
Basic earnings per common share before future taxes	0.05	0.08	-	-
Diluted earnings per common share before future taxes	0.05	0.08	-	-
Earnings (loss) for the period	3,835,338	6,515,678	(1,600,632)	(793,978)
Basic earnings (loss) per common share	0.05	0.08	(0.03)	(0.01)
Diluted earnings (loss) per common share	0.05	0.08	(0.03)	(0.01)
Total assets	78,400,485	73,783,574	66,161,151	68,877,045

This financial information was prepared in accordance with Canadian GAAP.

1.6 Liquidity

At March 31, 2008, the Company's working capital was \$55.7 million compared to \$51.7 million at December 31, 2007. The increase in cash at March 31, 2008 was a result of the Company sales of concentrates and the sale of investments in marketable securities of \$7.5 million. The Company purchased an additional 219,900 of its own common shares on the open market for a total of \$0.6 million. The Company returned to treasury and cancelled the common shares acquired.

Revenue from sales of copper, silver, zinc and lead, along with current cash balances will provide sufficient working capital for the Company to cover its 2008 operating costs as well as carry out its day to day obligations. The Company had no long-term bank debt in either period.

The Company received \$220,265 in proceeds from the exercise of warrants, \$77,136 from the exercise of agent's options and \$206,214 from the exercise of stock options for the period ended March 31, 2008.

1.7 Capital Resources

The Company completed the spin-out of its Silver exploration properties (which are the Copala, Claudia, Promontorio, Montoros and Martha projects) last year. Silverstone Canada assumed all the rights and obligations relating to the option to purchase a 90% interest in the Silver exploration properties.

1.8 Off-balance Sheet Arrangements

There are no off-balance sheet arrangements.

1.9 Transactions with Related Parties

During the three months ended March 31, 2008, a management company controlled by Darren Pylot, President, CEO and a director of the Company, received CDN\$20,833 per month (February 28, 2007 - CDN\$15,833 per month) to perform the presidential and managing director duties on behalf of the Company. The Company sold silver of \$2,570,919 (February 28, 2007 - \$Nil) to a public company with directors in common. At March 31, 2008, the amount receivable relating to these silver sales was \$2,725,102 (February 28, 2007 - \$Nil). In addition the Company received from this public company exploration services and the amount owed related to this service was \$1,014,062 (February 28, 2007 - \$Nil)

1.10 First Quarter

During the three months ended March 31, 2008 the second expansion from 2,200 tpd to 3,000tpd continued as well as continued successful production at its **Cozamin** copper-silver-lead-zinc mine.

The Company continued a program of underground infill drilling at its **Cozamin** property targeting further to expand and upgrade the inferred resources.

1.11 Proposed Transactions

The Company has budgeted \$2.5 million for infill drilling programs at the **Cozamin** project in 2008 in order to upgrade inferred resources. The Company has also budgeted \$1.7 million for additional exploration along strike and down dip of the updated resources at the **Cozamin** project. The Company has the required funds in order to complete its exploration programs. At March 31, 2008 the Company has spent a total of \$1 million.

There are no proposed assets or business acquisitions or dispositions, other than those in the ordinary course, before the board of directors for consideration.

1.12 Critical Accounting Estimates

N/A

1.13 Changes in Accounting Policies

New Accounting Pronouncements

Effective January 1, 2008, the Company adopted the following accounting standards updates issued by the Canadian Institute of Chartered Accountants (“CICA”).

i. Assessing Going Concern (Section 1400)

The Accounting Standards Board (AcSB) amended the Section 1400, to include requirements for management to assess an entity’s ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the entity’s ability to continue as a going concern. The adoption of this standard did not have an impact on our financial statements.

ii. Capital Disclosures (Section 1535)

This new pronouncement establishes standards for disclosing information about an entity's capital and how it is managed. Section 1535 also requires the disclosure of any externally-imposed capital requirements, whether the entity has complied with them, and if not, the consequences.

iii. Inventories (Section 3031)

This section replaces the existing Section 3030 establishing more prescriptive standards for the measurement and disclosure of inventories. The adoption of this standard did not have an impact in our financial statements.

iv. Financial Instruments - Disclosure (Sections 3862) and Presentation (Section 3863)

These new standards require additional disclosures to enable users to evaluate the significance of financial instruments for an entity’s financial position and performance. In addition, qualitative and quantitative disclosures are provided to enable users to evaluate the nature and extent of risks arising from financial instruments.

v. Determining whether a contract is routinely denominated in a single currency

This new standard considers 1) how the term “routinely denominated” in Section 3855.A34(d) should be interpreted, and 2) what factors can be used to determine whether a contract for the purchase or sale of a non-financial item such as a commodity is routinely denominated in a particular currency in commercial transactions around the world. The adoption of this standard did not have an impact in our financial statements.

Effective January 1, 2009, the Company is required to adopt the following accounting standards updates issued by the CICA:

i. Goodwill and intangible assets (Section 3064)

In February 2008, the CICA issued Section 3064, “Goodwill and Intangible Assets”, which replaces Section 3062, “Goodwill and Other Intangible Assets”. This new standards provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the adoption of this standard, EIC 27, “Revenue and Expenditures in the Pre-operating Period”, will be withdrawn. We are currently assessing the impact of this new accounting standard on our consolidated financial statements.

1.14 Financial Instruments and Other Instruments

Financial Instrument Risk Exposure and Risk Management

The Company is exposed to a variety of financial risks, which include liquidity risk, credit risk, foreign exchange risk, interest rate risk and commodity price risk. From time to time, we may use commodity price contracts to manage exposure to fluctuations in metal prices. We do not have a practice of trading derivatives. Our use of derivatives is based on established practices and parameters, which are subject to the oversight of the Board of Directors.

i. Liquidity Risk

We manage liquidity risk by maintaining adequate cash balances in order to meet short and long term business requirements, after taking into account cash flows from operations. The Company believes that these sources will be sufficient to cover the likely short and long term cash requirements. The company's cash is invested in business accounts with quality financial institutions and which is available on demand for the Company's programs, and is not invested in any asset backed commercial paper.

ii. Credit Risk

The Company's credit risk is primarily attributable to its liquid financial assets, and which arises from the non-performance by counterparties of contractual financial obligations. The Company manages credit risk for trade and other receivables through established credit monitoring activities. We do not have significant concentration of credit risk with a single counterparty or group of counterparties. Our maximum exposure to credit risk at the reporting date is the carrying value of our receivables, and taxes receivable.

iii. Foreign Exchange Risk

The Company's operations are in Mexico and Canada, therefore foreign exchange risk exposures arise from transactions denominated in foreign currency. Our foreign exchange risk arises primarily with respect the US dollar. Our cash flows from Mexican operations are exposed to foreign exchange risk as commodity sales, royalties, treatment and transportation charges are substantially denominated in US dollars, whereas the majority of all other operating expenses are in Mexican Peso. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

iv. Interest Rate Risk

In respect to our financial assets, our interest rate risk mainly arises from the interest rate impact on our cash. Cash receives interest based on market interest rates. The Notes Receivable (Note 7) carry fixed interest rates of 8% and 9.5% per annum, and are not subject to fluctuations in interest rates. In respect to our financial liabilities, the Equipment Lease Obligations (Note 12) carry fixed interest rates of 6.5%, 7.83%, 8% and 12% per annum, and are not subject to fluctuations in interest rates.

v. Commodity price risk

The Company is subject to price risk from fluctuations in market prices of zinc and lead and has elected not to actively manage our exposure to these commodities price risks. The Company has forward sold all silver produced for a ten year period as disclosed in Note 11 and therefore is not subject to price risk from fluctuations in silver. The Company has also forward sold some of their copper production for a four year period as disclosed and is recording the mark-to-market movement for these contracts every quarter. The remaining copper production is subject to price risk fluctuations.

Copper, zinc and lead prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors.

The profitability of the Company's operations is highly correlated to the market price of copper, zinc and lead. If metal prices decline for a prolonged period below the cost of production of the Company's mine, it may not be feasible to continue production.

CAPSTONE MINING CORP.
FORM 51-102F1 – MANAGEMENT DISCUSSION & ANALYSIS
MARCH 31, 2008

1.15 Other MD&A Requirements

Disclosure of Outstanding Share Data:

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited common shares, without par value			
Issued			
Balance, December 31, 2007	81,442,515	\$ 63,944,202	\$ 898,263
Issued for warrants exercised	160,082	220,265	-
Agent's options exercised	75,629	102,284	(25,148)
Issued for stock options	190,000	264,847	(58,633)
Issued for wages	214,500	484,550	-
Shares returned to treasury and cancelled	(219,900)	(220,538)	-
Stock-based compensation	-	-	175,291
Balance, March 31, 2008	81,862,826	\$ 64,795,610	\$ 989,773

The following stock options were outstanding at March 31, 2008:

Number of Options	Exercise Price (CDN\$)	Expiry Date
25,000	\$ 0.45	September 15, 2008
75,000	0.75	March 22, 2009
100,000	0.75	June 11, 2009
120,000	0.95	January 12, 2010
200,000	1.05	March 1, 2010
100,000	0.95	April 20, 2010
30,000	1.10	January 23, 2011
1,074,500	1.57	March 9, 2011
10,000	1.40	June 14, 2011
560,000	1.88	March 14, 2012
50,000	2.32	May 23, 2012
25,000	2.35	August 21, 2012
1,249,000	3.16	March 20, 2013
3,618,500		

CAPSTONE MINING CORP.
FORM 51-102F1 – MANAGEMENT DISCUSSION & ANALYSIS
MARCH 31, 2008

At March 31, 2008, the following share purchase warrants were outstanding:

Number of Shares	Exercise Price (CDN\$)	Expiry Date
3,675,904	\$ 1.40	December 21, 2008

1.16 Internal Disclosure Controls and Procedures

We have evaluated the effectiveness of our disclosure controls and procedures and have concluded based on our evaluation that they are sufficiently effective to provide reasonable assurance that material information relating to the Company is made known to management and disclosed in accordance with applicable securities regulations.

Other information

Additional information relating to the Company, including the Company's AIF is on SEDAR at www.sedar.com.



INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)

MARCH 31, 2008

(Expressed in U.S. Dollars)

CAPSTONE MINING CORP.
INTERIM CONSOLIDATED BALANCE SHEETS
(Unaudited – prepared by management)
(Expressed in U.S. dollars)

	March 31, 2008	Dec 31, 2007 (Audited)
ASSETS		
Current		
Cash	\$ 33,999,543	\$ 25,114,753
Marketable securities (Note 8)	1,466,496	8,097,348
Receivables	17,604,581	9,799,634
Notes receivable (Note 6)	466,473	340,560
Taxes receivable	6,593,435	4,769,610
Inventory (Note 3)	5,056,103	5,428,842
Future income taxes (Note 17)	113,339	328,341
Prepaid and advances	625,187	607,301
Derivative instrument asset (Note 8)	-	2,646,318
	65,925,157	57,132,707
Investment in Silverstone Resources Corp. (Note 4)	40,006,497	39,022,891
Property, plant and equipment (Note 5)	47,408,699	45,655,190
Notes receivable (Note 6)	549,969	347,901
Taxes receivable	1,478,639	1,450,797
Future income taxes (Note 17)	947,281	1,042,830
Mineral properties (Note 7)	32,853	10,044
Derivative instrument asset (Note 8)	-	317,836
	\$ 156,349,095	\$ 144,980,196
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 3,879,936	\$ 4,546,425
Current income tax	1,565,655	40,001
Equipment lease obligations (Note 11)	554,343	826,551
Derivative instrument liability (Note 8)	4,226,587	-
	10,226,521	5,412,977
Deferred revenue (Note 10)	40,051,609	41,398,281
Equipment lease obligations (Note 11)	443,212	565,584
Future income taxes (Note 17)	10,815,174	9,905,362
Asset retirement obligation (Note 12)	2,073,798	1,949,271
Derivative instrument liability (Note 8)	5,395,701	-
	69,006,015	59,231,475
Shareholders' equity		
Capital stock (Note 13)	64,795,610	63,944,202
Contributed surplus (Note 13)	989,773	898,263
Other comprehensive income	3,871,376	3,324,009
Retained earnings	17,686,321	17,582,247
	87,343,080	85,748,721
	\$ 156,349,095	\$ 144,980,196

On behalf of the Board:

"Darren M. Pylot"

Director

"Tony Chan"

Director

The accompanying notes are an integral part of these interim consolidated financial statements.

CAPSTONE MINING CORP.**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)**

(Unaudited – prepared by management)

(Expressed in U.S. dollars)

	Three months ended March 31, 2008	Three months ended February 28, 2007
Revenue		
Copper	\$ 24,638,511	\$ 5,917,017
Zinc	570,851	-
Lead	1,671,129	1,029,977
Silver	2,570,919	2,143,756
	29,451,410	9,090,750
Cost of sales	(7,507,220)	(2,651,416)
Treatment and transportation	(4,394,867)	(1,251,708)
Royalty	(554,470)	(453,127)
Depletion	(804,271)	(580,568)
Amortization and accretion	(264,727)	(236,236)
Operating profit	15,925,855	3,917,695
General and administrative expenses	1,190,742	682,572
Foreign exchange loss (gain)	478,048	(114,845)
Interest expense	27,792	28,359
Stock-based compensation (Note 13)	175,291	28,786
	(1,871,873)	(624,872)
Other items		
Equity income (Note 4)	983,606	-
Realized gain on derivative instrument (Note 8)	136,096	-
Unrealized loss on derivative instrument (Note 8)	(12,443,884)	-
Realized gain on marketable securities	497,076	-
Write-off of mineral properties (Note 7)	(28,378)	-
Other	77,099	(1,873)
	(10,778,385)	(1,873)
Earnings before income taxes	3,275,597	3,290,950
Current income tax (Note 17)	(1,565,655)	-
Future income tax (Note 17)	(1,220,363)	-
Earnings for the period	\$ 489,579	\$ 3,290,950
Earnings per share		
Earnings per common share – basic	\$ 0.01	\$ 0.04
Earnings per common share – diluted	\$ 0.01	\$ 0.04
Weighted average number of common shares outstanding		
Basic	81,469,034	80,901,131
Diluted	84,789,961	82,446,528
Retained earnings (deficit), beginning of period	\$ 17,582,247	\$ (8,847,773)
Share cancellation adjustment (Note 13)	(385,505)	-
Earnings for the period	489,579	3,290,950
Retained earnings (deficit), end of period	\$ 17,686,321	\$ (5,556,823)

The accompanying notes are an integral part of these interim consolidated financial statements.

CAPSTONE MINING CORP.**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME AND
OTHER COMPREHENSIVE INCOME**

(Unaudited – prepared by management)

(Expressed in U.S. dollars)

	Three months ended March 31, 2008	Three months ended Feb 28, 2007
Earnings for the period	\$ 489,579	\$ -
Other comprehensive income:		
Unrealized gain on available-for-sale securities	178,272	-
Reclassification of cumulative translation adjustment	-	-
Unrealized gain on foreign currency translations	112,106	-
Comprehensive income for the periods	\$ 779,957	\$ -
Other comprehensive income (loss) on available for sale securities		
Balance beginning of the period	\$ (279,061)	\$ -
Unrealized gain on available for sale securities	178,272	-
Reclassification to income statement of loss realized on available-for-sale securities	256,989	-
Balance end of the period	156,200	-
Other comprehensive income on foreign currency translations		
Balance beginning of the period	3,603,070	-
Unrealized gain on foreign currency translations	112,106	-
Balance end of the period	\$ 3,715,176	\$ -
Total other comprehensive income	\$ 3,871,376	\$ -

The accompanying notes are an integral part of these interim consolidated financial statements.

CAPSTONE MINING CORP.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – prepared by management)
(Expressed in U.S. dollars)

	Three months ended March 31, 2008	Three months ended February 28, 2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Earnings for the period	\$ 489,579	\$ 3,290,950
Items not affecting cash:		
Future income tax	1,220,363	-
Cost of sales	113,019	36,714
Amortization and accretion	264,727	236,236
Accrued interest income	-	(59,270)
Foreign exchange	-	65,080
Depletion	804,271	580,568
Shares issued for bonuses	484,550	-
Gain on disposition of equipment and materials	(62,149)	1,873
Write-off of mineral properties	28,378	-
Stock-based compensation	175,291	28,786
Unrealized loss on derivative instrument	12,443,884	-
Equity income	(983,606)	-
Recognition of deferred revenue	(1,346,672)	-
Realized gain on marketable securities	(497,076)	-
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(7,627,206)	5,022,067
Increase in taxes receivable	(1,670,407)	(1,408,136)
Decrease (increase) in inventory	832,022	(1,859,659)
(Increase) decrease in prepaid and advances	(34,352)	43,938
(Decrease) increase in accounts payable and accrued liabilities	(1,642,773)	426,605
Increase in current income tax	1,545,211	-
Decrease in asset retirement cost	(4,750)	-
Cash flows provided by operating activities	4,532,304	6,405,752
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock	283,350	24,884
Purchase of shares	(606,043)	-
Proceeds for warrants exercised	220,265	-
Equipment lease obligations	(394,580)	(292,691)
Cash flows used in financing activities	(497,008)	(267,807)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of marketable securities	(676,794)	-
Marketable securities	7,913,515	-
Proceeds on sale of property, plant and equipment	-	(3,158,870)
Property, plant and equipment	(2,503,394)	-
Mineral properties	(51,592)	(700,023)
Cash flows provided by (used in) investing activities	4,681,735	(3,858,893)
Effect of rate changes on cash and equivalents	167,759	(359,828)
Change in cash during the period	8,884,790	1,919,224
Cash, beginning of period	25,114,753	15,861,315
Cash, end of period	\$ 33,999,543	\$ 17,780,539

Supplemental disclosure with respect to cash flows (Note 16)

The accompanying notes are an integral part of these interim consolidated financial statements.

CAPSTONE MINING CORP.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008
(Unaudited – prepared by management)
(Expressed in U.S. dollars)

1. BASIS OF OPERATIONS

These unaudited interim consolidated financial statements include the accounts of Capstone Mining Corp. and its subsidiaries (“the Company”). All significant intercompany balances and transactions have been eliminated. These unaudited interim consolidated statements have been prepared in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted. These unaudited interim consolidated statements should be read together with the audited financial statements and the accompanying notes included in the Company's latest annual report. In the opinion of the Company, its unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented. Certain comparative figures have been reclassified to conform to the presentation adopted for the current period.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

Effective January 1, 2008, the Company adopted the following accounting standards updates issued by the Canadian Institute of Chartered Accountants (“CICA”).

i. Assessing Going Concern (Section 1400)

The Accounting Standards Board (AcSB) amended the Section 1400, to include requirements for management to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the entity's ability to continue as a going concern. The adoption of this standard did not have an impact on our financial statements.

ii. Capital Disclosures (Section 1535)

This new pronouncement establishes standards for disclosing information about an entity's capital and how it is managed. Section 1535 also requires the disclosure of any externally-imposed capital requirements, whether the entity has complied with them, and if not, the consequences.

iii. Inventories (Section 3031)

This section replaces the existing Section 3030 establishing more prescriptive standards for the measurement and disclosure of inventories. The adoption of this standard did not have an impact in our financial statements.

iv. Financial Instruments - Disclosure (Sections 3862) and Presentation (Section 3863)

These new standards require additional disclosures to enable users to evaluate the significance of financial instruments for an entity's financial position and performance. In addition, qualitative and quantitative disclosures are provided to enable users to evaluate the nature and extent of risks arising from financial instruments.

v. Determining whether a contract is routinely denominated in a single currency

This new standard considers 1) how the term “routinely denominated” in Section 3855.A34(d) should be interpreted, and 2) what factors can be used to determine whether a contract for the purchase or sale of a non-financial item such as a commodity is routinely denominated in a particular currency in commercial transactions around the world. The adoption of this standard did not have an impact in our financial statements.

CAPSTONE MINING CORP.**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

MARCH 31, 2008

(Unaudited – prepared by management)

(Expressed in U.S. dollars)

2. ADOPTION OF NEW ACCOUNTING STANDARDS (cont'd...)

Effective January 1, 2009, the Company is required to adopt the following accounting standards updates issued by the CICA:

i. Goodwill and intangible assets (Section 3064)

In February 2008, the CICA issued Section 3064, “Goodwill and Intangible Assets”, which replaces Section 3062, “Goodwill and Other Intangible Assets”. This new standards provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the adoption of this standard, EIC 27, “Revenue and Expenditures in the Pre-operating Period”, will be withdrawn. We are currently assessing the impact of this new accounting standard on our consolidated financial statements.

3. INVENTORY

	March 31, 2008	Dec 31, 2007
Concentrate inventory	\$ 2,958,164	\$ 3,278,145
Supplies inventory	1,896,649	1,744,319
Ore stock piles	201,290	406,378
	\$ 5,056,103	\$ 5,428,842

4. INVESTMENT IN SILVERSTONE RESOURCES CORP.

	March 31, 2008		Dec 31, 2007	
	Shares	Amount	Shares	Amount
Investment in common shares				
Balance, beginning of period	24,042,340	\$ 35,557,263	12,464,670	\$ 15,032,416
Conversion of special warrants	-	-	8,000,000	10,000,000
Equity income	-	983,606	-	254,394
Purchase of common shares	-	-	3,577,670	10,270,453
Balance, end of period	24,042,340	36,540,869	24,042,340	35,557,263
Special warrants				
Balance, beginning of the period	2,747,428	3,465,628	10,747,428	13,465,628
Converted to common shares	-	-	(8,000,000)	(10,000,000)
Balance, end of period	2,747,428	3,465,628	2,747,428	3,465,628
Total investment		\$ 40,006,497		\$ 39,022,891

CAPSTONE MINING CORP.**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

MARCH 31, 2008

(Unaudited – prepared by management)

(Expressed in U.S. dollars)

4. INVESTMENT IN SILVERSTONE RESOURCES CORP. (cont'd...)

As outlined in Note 10, the Company received 19,155,310 special warrants of Silverstone with a value of \$24,000,000 as part of the upfront payment for the sale of its silver production. These special warrants are convertible into common shares of Silverstone at no additional cost. In September 2007 the Company converted 8,000,000 special warrants with a value of \$10,000,000 in exchange for 8,000,000 common shares of Silverstone. In November 2007, the Company purchased 3,557,670 common shares to maintain their 19.9% holding in Silverstone. As at March 31, 2008, the Company held approximately 19.65% of the issued and outstanding shares.

5. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2008			December 31, 2007		
	Cost	Accumulated Amortization & Depletion	Net Book Value	Cost	Accumulated Amortization & Depletion	Net Book Value
Cozamin, Mexico property	\$ 44,027,740	\$ 3,792,103	\$ 40,235,637	\$ 41,623,706	\$ 2,619,373	\$ 39,004,333
Mine equipment	2,108,425	269,852	1,838,573	2,060,717	207,823	1,852,894
Mine equip. under lease	2,649,272	609,333	2,039,939	3,069,272	529,855	2,539,417
Vehicles	507,284	177,646	329,638	506,138	145,972	360,166
Office equipment	646,193	330,281	315,912	654,498	318,910	335,588
Leasehold improvements	108,830	39,941	68,889	113,402	38,090	75,312
Asset retirement obligation	1,739,156	173,107	1,566,049	1,633,387	145,907	1,487,480
Deferred exploration	1,014,062	-	1,014,062	-	-	-
	\$ 52,800,962	\$ 5,392,263	\$ 47,408,699	\$ 49,661,120	\$ 4,005,930	\$ 45,655,190

6. NOTES RECEIVABLE

The Company entered into agreements with a contractor, whereby the contractor agreed to purchase mining equipment which the Company holds under lease for a total purchase price including IVA tax of \$1,645,823. The Company's lease obligations are disclosed in Note 11. The contractor is required to pay over a period of three years \$29,513 and \$14,127 per month, which includes interest at 8% and 9.5% respectively per annum. Additionally the contractor agreed to purchase vehicles owned by the Company for a total purchase price including IVA tax of \$37,225 payable in one year which includes interest at 8% per annum.

	March 31, 2008	Dec 31, 2007
Total notes receivable	\$ 1,016,442	\$ 688,461
Current portion due within one year	(466,473)	(340,560)
Net long term portion	\$ 549,969	\$ 347,901

CAPSTONE MINING CORP.**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

MARCH 31, 2008

(Unaudited – prepared by management)

(Expressed in U.S. dollars)

7. MINERAL PROPERTIES

	March 31, 2008	Dec 31, 2007
Balance, beginning of the period	\$ 10,044	\$ 48,785
Additions	51,187	34,505
Written-off	(28,378)	(73,246)
Balance, end of the period	\$ 32,853	\$ 10,044

8. FINANCIAL INSTRUMENTS**Financial Instrument Risk Exposure and Risk Management**

The Company is exposed to a variety of financial risks, which include liquidity risk, credit risk, foreign exchange risk, interest rate risk and commodity price risk. From time to time, we may use commodity price contracts to manage exposure to fluctuations in metal prices. We do not have a practice of trading derivatives. Our use of derivatives is based on established practices and parameters, which are subject to the oversight of the Board of Directors.

i. Liquidity Risk

We manage liquidity risk by maintaining adequate cash balances in order to meet short and long term business requirements, after taking into account cash flows from operations. The Company believes that these sources will be sufficient to cover the likely short and long term cash requirements. The company's cash is invested in business accounts with quality financial institutions and which is available on demand for the Company's programs, and is not invested in any asset backed commercial paper.

ii. Credit Risk

The Company's credit risk is primarily attributable to its liquid financial assets, and which arises from the non-performance by counterparties of contractual financial obligations. The Company manages credit risk for trade and other receivables through established credit monitoring activities. We do not have significant concentration of credit risk with a single counterparty or group of counterparties. Our maximum exposure to credit risk at the reporting date is the carrying value of our receivables, and taxes receivable.

iii. Foreign Exchange Risk

The Company's operations are in Mexico and Canada, therefore foreign exchange risk exposures arise from transactions denominated in foreign currency. Our foreign exchange risk arises primarily with respect the US dollar. Our cash flows from Mexican operations are exposed to foreign exchange risk as commodity sales, royalties, treatment and transportation charges are substantially denominated in US dollars, whereas the majority of all other operating expenses are in Mexican Peso. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

iv. Interest Rate Risk

In respect to our financial assets, our interest rate risk mainly arises from the interest rate impact on our cash. Cash receives interest based on market interest rates. The Notes Receivable (Note 6) carry fixed interest rates of 8% and 9.5% per annum, and are not subject to fluctuations in interest rates. In respect to our financial liabilities, the Equipment Lease Obligations (Note 11) carry fixed interest rates of 6.5%, 7.83%, 8% and 12% per annum, and are not subject to fluctuations in interest rates.

CAPSTONE MINING CORP.**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

MARCH 31, 2008

(Unaudited – prepared by management)

(Expressed in U.S. dollars)

8. FINANCIAL INSTRUMENTS (cont'd...)**v. Commodity Price Risk**

The Company is subject to price risk from fluctuations in market prices of zinc and lead and has elected not to actively manage our exposure to these commodities price risks. The Company has forward sold all silver produced for a ten year period as disclosed in Note 10 and therefore is not subject to price risk from fluctuations in silver. The Company has also forward sold some of their copper production for a four year period as disclosed and is recording the mark-to-market movement for these contracts every quarter. The remaining copper production is subject to price risk fluctuations.

Copper, zinc and lead prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors.

The profitability of the Company's operations is highly correlated to the market price of copper, zinc and lead. If metal prices decline for a prolonged period below the cost of production of the Company's mine, it may not be feasible to continue production.

Financial Assets

The following table sets out the movement of the Company's financial assets instruments, which are accounted for as "available for sale", "at fair value through profit or loss", "held to maturity" or "loans and receivables", as defined by CICA 3855, Financial Instruments - Recognition and Measurement. No items were classified as "at fair value through profit or loss" or "loans and receivables" during the period.

	Held to Maturity	Available for Sale Securities	Total
At December 31, 2007	\$ 688,461	\$ 8,097,348	\$ 8,785,809
Movements in fair value	-	457,333	457,333
Additions	507,150	676,794	1,183,944
Disposals	-	(7,764,979)	(7,764,979)
Payments received	(179,169)		(179,169)
At March 31, 2008	\$ 1,016,442	\$ 1,466,496	\$ 2,482,938

The estimated fair value of financial assets is equal to their carrying values. The fair value of marketable securities and notes receivable represents the market value of quoted investments and discounted future payments of interest and principal at the effective interest rates.

CAPSTONE MINING CORP.**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

MARCH 31, 2008

(Unaudited – prepared by management)

(Expressed in U.S. dollars)

8. FINANCIAL INSTRUMENTS (cont'd...)

The exposure of the Company's financial assets to interest rates and currency risk as at March 31, 2008 is as follows:

	US	CDN	MXP	Total
Floating rate financial assets	\$ 23,768,239	\$ 9,818,544	\$ 412,760	\$ 33,999,543
Fixed rate financial assets	1,016,442	55,759	8,016,315	9,088,516
Subtotal	24,784,681	9,874,303	8,429,075	43,088,059
Weighted average effective interest rate	1.69%	2.98%	3.87%	-
Weighted average period for which the rate is fixed in years	2.43	-	-	-
Weighted average period until maturity in years	1.72	-	-	-
Equity investments	-	41,472,993	-	41,472,993
Receivables	17,380,120	128,483	95,978	17,604,581
Total	\$ 42,164,801	\$ 51,475,779	\$ 8,525,053	\$ 102,165,633

Financial Liabilities

The estimated fair value of financial liabilities is equal to their carrying values. The fair value of the derivative instruments has been determined by mark-to-market valuations of the outstanding derivative contracts at every quarter against an independent source, the London Metal Exchange.

The exposure of the Company's financial liabilities to interest rate and currency risk at March 31, 2008 is as follows:

	US	CDN	MXP	Total
Fixed rate debt	\$ 997,555	\$ -	\$ -	\$ 997,555
Weighted average effective interest rate	8.31%	-	-	-
Weighted average period for which the rate is fixed in years	2.50	-	-	-
Weighted average period until maturity in years	1.29	-	-	-
Non-interest bearing debt	9,622,288	-	-	9,622,288
Payables	1,935,685	430,682	1,513,569	3,879,936
Total	\$ 12,555,528	\$ 430,682	\$ 1,513,569	\$ 14,499,779

CAPSTONE MINING CORP.**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

MARCH 31, 2008

(Unaudited – prepared by management)

(Expressed in U.S. dollars)

8. FINANCIAL INSTRUMENTS (cont'd...)**Derivative Instruments**

At March 31, 2008, the outstanding derivative contracts are summarized as follows

	2008	2009	2010	2011	Total
Copper					
Forward sales (tonnes)	3,100	3,600	2,700	1,200	10,600
Average price	\$ 7,450	\$ 6,910	\$ 6,840	\$ 6,650	\$ 7,020

The total derivative liability of all the outstanding derivative as at March 31, 2008 was \$9,622,288 (December 31, 2007 - asset \$2,964,154). For the three month period ended March 31, 2008, the Company recorded a realized gain of \$136,096 and an unrealized loss of \$12,443,884 (December 31, 2007 - gain of \$2,928,644).

	March 31, 2008	Dec 31, 2007
Derivative (liability) asset	\$ (9,622,288)	\$ 2,964,154
Current portion of derivative liability (asset)	4,226,587	(2,646,318)
Net non-current portion of derivative (liability) asset	\$ (5,395,701)	\$ 317,836

9. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- Paid or accrued management fees and bonuses of \$289,370 (February 28, 2007 - \$40,758) to a management company controlled by the president and director of the Company.
- The Company sold silver of \$2,570,919 to a public company with directors in common (February 28, 2007 - \$Nil). At March 31, 2008, the amount receivable relating to these silver sales was \$2,725,102 (February 28, 2007 - \$Nil). In addition the Company received from this public company exploration services and the amount owed related to this service was \$1,014,062 (February 28, 2007 - \$Nil).

The transactions with related parties were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the parties, which are non-interest bearing, with no fixed terms of repayment.

CAPSTONE MINING CORP.**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

MARCH 31, 2008

(Unaudited – prepared by management)

(Expressed in U.S. dollars)

10. DEFERRED REVENUE

In April 2007, the Company sold all of its silver production from the Cozamin mine in Mexico over a 10 year period to Silverstone in consideration for an upfront payment of \$44,000,000 comprised of \$20,000,000 in cash and 19,155,310 special warrants in Silverstone with a value of \$24,000,000 which are convertible into common shares of Silverstone at no additional cost.

	March 31, 2008	Dec 31, 2007
Deferred revenue on sale	\$ 41,398,281	\$ 43,056,390
Deferred revenue recognized	(1,346,672)	(1,658,109)
Deferred revenue, ending balance	\$ 40,051,609	\$ 41,398,281

In addition to the upfront fee, Silverstone agreed to pay for each ounce of refined silver from the mine the lesser of \$4.00 per ounce of silver and the prevailing market price per ounce of silver. The Company agreed to deliver a minimum of 10,000,000 ounces of silver to Silverstone over a 10 year period. If at the end of ten years, the Company has not delivered the agreed 10,000,000 ounces of silver, then it has agreed to pay Silverstone \$1.00 per ounce of silver not delivered.

11. EQUIPMENT LEASE OBLIGATIONS

The Company leased to purchase certain mining equipment for lease terms that range for a period of one to three years. One lease bears interest at 6.5% per annum and is repayable at \$95,469 per month, which includes interest. The second lease bears interest at 8% per annum and is repayable for the first quarter at \$45,802 (paid) and each quarter thereafter at \$38,889, which includes interest. The third lease bears interest at 7.83% per annum and is repayable for the first quarter at \$41,619 (paid) and each quarter thereafter at \$41,909, which includes interest. The fourth lease bears interest at 9.5% per annum and is repayable at \$17,741 per month which includes interest.

The annual lease commitments under the leases are as follows:

	March 31, 2008	Dec 31, 2007
2008	\$ 479,715	\$ 913,199
2009	497,198	497,198
2010	101,559	101,559
Total minimum lease payments	1,078,472	1,511,956
Less: amount representing interest and taxes	(80,917)	(119,821)
Lease obligation	997,555	1,392,135
Current portion due within one year	(554,343)	(826,551)
Long term portion	\$ 443,212	\$ 565,584

CAPSTONE MINING CORP.**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

MARCH 31, 2008

(Unaudited – prepared by management)

(Expressed in U.S. dollars)

12. ASSET RETIREMENT OBLIGATION

	March 31, 2008	Dec 31, 2007
Asset retirement obligation – beginning balance	\$ 1,949,271	\$ 1,921,062
Reclamation provision	145,978	20,889
Expenses incurred	(39,158)	(15,629)
Accretion expense	17,707	22,949
Asset retirement obligation – ending balance	\$ 2,073,798	\$ 1,949,271

The total undiscounted amount of estimated cash flows required to settle the obligations is \$2,437,070, which was adjusted for inflation at the rate of 2.20% and then discounted at 4.47%. Certain minimum amounts of asset retirement obligations will occur each year with the significant amounts to be paid on closure of the mine.

13. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited common shares, without par value			
Issued			
Balance, August 31, 2007	81,732,351	\$ 64,031,170	\$ 861,002
Issued for warrants exercised	496,539	656,549	
Agent's options exercised	6,625	6,093	
Issued for stock options	20,000	35,114	(9,970)
Issued for wages	2,500	5,051	-
Shares returned to treasury and cancelled	(815,500)	(789,775)	-
Stock-based compensation	-	-	47,231
Balance, December 31, 2007	81,442,515	63,944,202	898,263
Issued for warrants exercised	160,082	220,265	
Agent's options exercised	75,629	102,284	(25,148)
Issued for stock options	190,000	264,847	(58,633)
Issued for wages	214,500	484,550	-
Shares returned to treasury and cancelled	(219,900)	(220,538)	-
Stock-based compensation	-	-	175,291
Balance, March 31, 2008	81,862,826	\$ 64,795,610	\$ 989,773

CAPSTONE MINING CORP.**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

MARCH 31, 2008

(Unaudited – prepared by management)

(Expressed in U.S. dollars)

13. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**March 31, 2008**

A total of 160,082 warrants were exercised at CDN\$1.40 per warrant and a total of 75,629 agent's options were exercised at CDN\$1.02 per option. A total of 190,000 stock options were exercised, 180,000 at CDN\$1.05 and 10,000 at CDN\$1.65 per option and the Company issued 214,500 shares to its employees as wages for a total value of \$484,550.

The Company purchased 219,900 common shares on the open market for a total of \$606,043. The Company returned to treasury and cancelled the common shares acquired and allocated \$220,538 to capital stock and \$385,505 to retained earnings.

December 31, 2007

A total of 496,539 warrants were exercised, 187,334 at CDN\$1.25, 63,205 at CDN\$1.30, and 246,000 at CDN\$1.40 per warrant and a total of 6,625 agent's options were exercised at CDN\$0.90 per option. A total of 20,000 stock options were exercised, 10,000 at CDN\$1.10 and 10,000 at CDN\$1.40 per option and the Company issued 2,500 shares to its employees as wages for a total value of \$5,051.

The Company purchased 815,500 common shares on the open market for a total of \$2,287,154. The Company returned to treasury and cancelled the common shares acquired and allocated \$789,775 to capital stock and \$1,497,379 to retained earnings.

Stock options

The Company has an incentive stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants. The Company has implemented a rolling plan, whereby it has reserved 10% of the issued shares for issuance under the plan. Options granted under the plan have a term not to exceed 5 years and are subject to vesting provisions as follows: 25% on date of grant and 25% every 3 months for a period of 9 months.

Stock options transactions and the number of stock options outstanding are summarized as follows:

	March 31, 2008		December 31, 2007	
	Number of Options	Weighted Average Exercise Price (CDN\$)	Number of Options	Weighted Average Exercise Price (CDN\$)
Outstanding, beginning of period	2,562,000	\$ 1.45	2,582,000	\$ 1.45
Cancelled	(2,500)	1.05	-	-
Granted	1,249,000	3.16	-	-
Exercised	(190,000)	1.08	(20,000)	1.25
Outstanding, end of period	3,618,500	\$ 2.06	2,562,000	\$ 1.45
Options exercisable, end of period	2,628,625	\$ 1.65	2,537,000	\$ 1.45
Weighted average fair value of options granted during three months ended March 31, 2008 and four months ended December 31, 2007		\$ 0.64		\$ -

CAPSTONE MINING CORP.**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

MARCH 31, 2008

(Unaudited – prepared by management)

(Expressed in U.S. dollars)

13. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

The following stock options were outstanding at March 31, 2008:

	Number of Options	Exercise Price (CDN\$)	Expiry Date
	25,000	\$ 0.45	September 15, 2008
	75,000	0.75	March 22, 2009
	100,000	0.75	June 11, 2009
	120,000	0.95	January 12, 2010
	200,000	1.05	March 1, 2010
	100,000	0.95	April 20, 2010
	30,000	1.10	January 23, 2011
	1,074,500	1.57	March 9, 2011
	10,000	1.40	June 14, 2011
	560,000	1.88	March 14, 2012
	50,000	2.32	May 23, 2012
	25,000	2.35	August 21, 2012
	1,249,000	3.16	March 20, 2013
	3,618,500		

Stock-based compensation

The total stock-based compensation expense recognized during the period ended March 31, 2008 under the fair value method was \$790,571 (February 28, 2007 - \$5,312). The Company expensed \$175,291 (February 28, 2007 - \$28,786) leaving an amortized balance of \$615,280 (February 28, 2007 - 2,377).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the three month period ended March 31, 2008 and the four month period ended February 28, 2007:

	March 31, 2008	February 28, 2007
Risk-free interest rate	2.65%	3.94%
Expected life of options	1.7 years	2 years
Annualized volatility	36.26%	64.10%
Dividend rate	0.00%	0.00%

CAPSTONE MINING CORP.**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

MARCH 31, 2008

(Unaudited – prepared by management)

(Expressed in U.S. dollars)

13. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**Warrants**

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price (CDN\$)
Balance, August 31, 2007	4,332,463	\$ 1.39
Warrants issued	3,312	1.30
Warrants exercised	(496,539)	1.33
Warrants expired	(3,250)	1.30
Balance, December 31, 2007	3,835,986	\$ 1.40
Warrants exercised	(160,082)	1.40
Warrants expired	-	-
Balance, March 31, 2008	3,675,904	\$ 1.40

At March 31, 2008, the following share purchase warrants were outstanding:

Number of warrants	Exercise Price (CDN\$)	Expiry Date
3,675,904	\$ 1.40	December 21, 2008

14. CAPITAL RISK MANAGEMENT

Our objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders.

The Company considers the items included in the shareholder's equity as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new share through private placements, sell assets, incur in debt, or return capital to shareholders. As of March 31, 2008 the Company does not have any debt and is not subject to externally imposed capital requirements.

CAPSTONE MINING CORP.**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

MARCH 31, 2008

(Unaudited – prepared by management)

(Expressed in U.S. dollars)

15. SEGMENTED INFORMATION

The Company operates in two business segments, being the operation of the Cozamin mine and the exploration of mineral properties.

	Mexico	Canada	Total
March 31, 2008			
Revenue	\$ 29,451,410	\$ -	\$ 29,451,410
Inter-segmented revenue	(600,000)	600,000	-
Depletion	(779,842)	(24,429)	(804,271)
Amortization and accretion	(249,136)	(15,591)	(264,727)
Interest expense	(27,792)	-	(27,792)
Future income tax expense	(1,089,017)	(131,346)	(1,220,363)
Current income tax expense	(1,565,655)	-	(1,565,655)
Earnings (loss) for the period	11,713,404	(11,223,825)	489,579
Property, plant and equipment	45,954,458	1,454,241	47,408,699
Segment assets	101,905,882	54,443,213	156,349,095
December 31, 2007			
Revenue	\$ 32,975,274	\$ -	\$ 32,975,274
Inter-segmented revenue	(857,563)	857,563	-
Depletion	(853,518)	(30,027)	(883,545)
Amortization and accretion	(314,487)	(28,313)	(342,800)
Interest expense	(27,929)	-	(27,929)
Future income tax expense	(5,118,249)	(1,215,361)	(6,333,610)
Current income tax expense	(40,001)	-	(40,001)
Earnings (loss) for the period	10,715,081	(299,158)	10,415,923
Property, plant and equipment	44,098,897	1,556,293	45,655,190
Segment assets	89,949,809	55,030,387	144,980,196

CAPSTONE MINING CORP.**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

MARCH 31, 2008

(Unaudited – prepared by management)

(Expressed in U.S. dollars)

15. SEGMENTED INFORMATION (cont'd...)

	Mining Operations	Exploration	Corporate	Total
March 31, 2008				
Revenue	\$ 29,451,410	\$ -	\$ -	\$ 29,451,410
Depletion	(804,271)	-	-	(804,271)
Amortization and accretion	(249,136)	-	(15,591)	(264,727)
Interest expense	(27,792)	-	-	(27,792)
Future income tax expense	(1,089,017)	-	(131,346)	(1,220,363)
Current income tax expense	(1,565,655)	-	-	(1,565,655)
Earnings (loss) for the period	11,688,975	(28,378)	(11,171,018)	489,579
Property, plant and equipment	45,954,458	-	1,454,241	47,408,699
Segment assets	101,905,882	32,853	54,410,360	156,349,095

During the three months ended March 31, 2008 sales to the two largest customers were 60% and 31% of the company's total revenue.

	Mining Operations	Exploration	Corporate	Total
December 31, 2007				
Revenue	\$ 32,975,274	\$ -	\$ -	\$ 32,975,274
Depletion	(883,545)	-	-	(883,545)
Amortization and accretion	(314,487)	-	(28,313)	(342,800)
Interest expense	(27,929)	-	-	(27,929)
Future income tax expense	(5,118,249)	-	(1,215,361)	(6,333,610)
Current income tax expense	(40,001)	-	-	(40,001)
Earnings (loss) for the period	10,685,054	(73,246)	(195,885)	10,415,923
Property, plant and equipment	44,098,897	-	1,556,293	45,655,190
Segment assets	89,939,765	10,044	55,030,387	144,980,196

CAPSTONE MINING CORP.**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

MARCH 31, 2008

(Unaudited – prepared by management)

(Expressed in U.S. dollars)

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Three months ended March 31, 2008	Three months ended February 28, 2007
Cash paid during the period for income taxes	\$ 20,544	\$ -
Cash paid during the period for interest	\$ 27,792	\$ 28,359

Significant non-cash transactions during the three months ended March 31, 2008 were as follows:

- a) The Company recorded the fair value of \$175,291 for stock options vested during the period in contributed surplus. In addition the Company recorded \$25,148 for agent's options exercised during the year in capital stock and contributed surplus.
- b) The Company recorded \$58,633 for stock options exercised during the year in capital stock and contributed surplus.
- c) Included in inventory is \$325,280 which relates to depletion.
- d) The Company recorded the sale of a mine equipment of \$420,000 from property, plant and equipment to note receivable. Included in property, plant and equipment is \$1,169,417, which relates to accounts payable and accrued liabilities and \$105,769, which relates to asset retirement obligation.

Significant non-cash transactions during the three months ended February 28, 2007 were as follows:

- a) The Company issued 679,080 common shares with a value of \$1,017,830 pursuant to the Basis project agreement.
- b) Included in inventory is \$526,655, which relates to depletion.
- c) The Company recorded the fair value of \$28,786 for stock options vested during the period in contributed surplus. In addition the Company recorded \$8,124 for agent's options exercised during the period in capital stock and contributed surplus.
- d) The company reclassified taxes receivable of \$1,129,604 from current assets to long-term assets.
- e) Included in property, plant and equipment is \$920,727 which relates to accounts payable and accrued liabilities.
- f) Included in mineral properties is \$43,512 which relates to accounts payable and accrued liabilities.

CAPSTONE MINING CORP.**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

MARCH 31, 2008

(Unaudited – prepared by management)

(Expressed in U.S. dollars)

17. INCOME TAXES

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes (recovery) is as follows:

	March 31, 2008	Dec 31, 2007
Earnings before income taxes	\$ 3,275,597	\$ 16,789,534
Expected income tax expense at statutory rates	\$ 1,015,436	\$ 5,288,704
Difference in foreign tax rates	(463,193)	(525,552)
Non-deductible items	4,291,576	3,777,325
Deductible items	(2,455,888)	(2,928,617)
Recognized benefits of non-capital losses	(511,725)	-
Realization of future tax liabilities not previously recognized	909,812	761,751
Income tax expense for the year	\$ 2,786,018	\$ 6,373,611
Presented as:		
Current income tax expense	\$ 1,565,655	\$ 40,001
Future income tax expense	1,220,363	6,333,610
	\$ 2,786,018	\$ 6,373,611

The tax effect of each type of temporary difference that gives rise to the Company's future income tax assets and liabilities have been determined and are set out in the table below:

	March 31, 2008	Dec 31, 2007
Mineral properties	\$ 164,469	\$ 180,046
Excess of tax value of capital assets over book value	(271)	2,926
Share issuance costs	195,970	241,326
Other	16,441	47,238
Capital losses	570,672	600,425
Non-capital loss carry forward	113,339	299,210
Total future income tax assets	1,060,620	1,371,171
Less: valuation allowance	-	-
Net future income tax assets	1,060,620	1,371,171
Excess of book value of capital assets over tax value	(10,815,174)	(9,905,362)
Net future income tax liability	\$ (9,754,554)	\$ (8,534,191)

CAPSTONE MINING CORP.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2008

(Unaudited – prepared by management)

(Expressed in U.S. dollars)

17. INCOME TAXES (cont'd...)

Presented on the Consolidated Balance Sheet as:

	March 31, 2008	Dec 31, 2007
Current future income tax assets	\$ 113,339	\$ 328,341
Long-term future income tax assets	947,281	1,042,830
Long-term future income tax liabilities	(10,815,174)	(9,905,362)
Net future income tax liability	\$ (9,754,554)	\$ (8,534,191)

The Company has non-capital losses for Canadian income tax purposes of approximately \$366,000 and for Mexican income tax purposes \$Nil which can be carried forward to reduce taxable income in future years. Unless utilized, these losses will expire for Canada through 2027.

END