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Capstone Mining Corp.

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CS-T: C\$1.29

TARGET: **C\$1.90**

RECOMMENDATION: **BUY**

RISK RATING: **ABOVE AVERAGE**

Higher grade intercepts at Minto

C\$ Price (02/13/2009)	1.29
Shares O/S basic (m)	165
Shares O/S diluted (m)	179
Market cap (C\$m)	234
Fiscal year end	Dec-31

EPS (diluted, US\$)	
2008E	0.09
2009E	0.24
2010E	0.23

EBITDA (US\$m)	
2008E	41
2009E	92
2010E	88

Adj. NAV (C\$/sh)	2.01
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Event

- Capstone announced further positive exploration results from the Minto mine.
- The newly discovered "Minto North" target is located northwest of the Main open pit, in an area previously believed not to contain mineralization. The mineralization in the area is relatively shallow (i.e., starting 60m below surface), and the intercepts are high grade (above 2% copper and 0.59 to over 1 g/t gold).

Impact

- While the results are early stage (i.e., only three drill holes), the grades appear similar to the Main Minto orebody, and are generally higher than the results from Area 2 and Area 118.
- We believe that brownfield exploration will continue to be a key catalyst for Capstone, and today's results highlight the potential for higher grade exploration targets at Minto.
- We continue to rate Capstone Mining with a BUY recommendation and we retain our C\$1.90 target price.

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NV – non-voting shares RS – restricted voting shares SV – subordinate voting shares UN – units

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