SUSTAINABLE THINKING

Foundation for Growth
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This report, which covers the period from January 1 to December 31, 2021, has been prepared in accordance with GRI Standards: Core option, and the Sustainability Accounting Standard for Metals and Mining, with some exceptions that are stated in the GRI and SASB Index. It includes our management and performance on topics material to Capstone’s two operating mines in the US and Mexico, as well as our project in Chile, where relevant. Exploration activities have a lighter footprint than development or operations; accordingly, exploration data is only included where applicable.

The scope of this report consists of Capstone Mining’s performance during the 2021 calendar year and does not include the performance of Mantos Copper. We will continue to publish an annual report of Environmental, Social and Governance (ESG) disclosures. Our 2022 Sustainability Report will reflect the newly combined entity of Capstone Copper Corp.

The scope of this report includes the same entities as our annual financial statements. Consistent with our previous sustainability reports, the boundary for all topics for this report has been set to Capstone as an entity, except where disclosures specifically consider supplier impacts (e.g., electricity-related GHG emissions, procurement).

Site management, internal subject-matter experts and our employees played a significant role in data collection and compilation of site-specific information and perspectives for this report. We completed a detailed internal review of this report, including review by senior leadership. This report has not been externally assured.

ON THE COVER:
Comprised of copper, iron and sulphur, chalcopyrite is the main ore-mineral of copper found in most copper mines worldwide. Aptly named in 1725, when it was first discovered that this mineral generates sparks when struck with a hammer, chalcopyrite comes from the Greek words “chalkos,” which means copper, and “pyrites,” which means “strikes fire.” Natural weathering of this ore-mineral often leads to the formation of many other secondary copper minerals.
From the CEO

I am pleased to share our latest sustainability report for Capstone. While this report covers 2021, it is important to recognize the significant transformation of the company arising from the combination of Capstone Mining and Mantos Copper to form Capstone Copper in early 2022. The new entity will leverage its combined talent and operating experience to deliver on our sustainability goals. We expect that a significant portion of the power in our Chilean operations will shift to renewable resources in the coming years.

It has been exciting to see how environmental, social and governance (ESG) priorities have been embraced by the mining industry, and our stakeholders. There is truly a shared understanding that strong ESG performance is essential for maintaining the trust of our stakeholders, including employees, investors, communities and governments where we operate. Driven by evolving global standards and best practices, we are deepening the integration of ESG into our governance and management practices. Just as we worked to embed risk management into decision-making several years ago, we are now embedding ESG. I am proud to say that our entire Capstone Board, Senior Leadership Team and site management are aligned on the importance of continuous improvement in ESG performance.

Capstone is not a huge company, but we are committed to incorporating ESG in a way that’s right for us and our stakeholders. In 2021 we focused on strengthening operational management systems and practices, expanding and developing our team, and advancing our commitments. We also began developing our ESG strategy by looking at where we have the greatest impact. We identified the focus areas that will be critical for us in our new growth phase: tailings, land management, water, climate change, workforce development, responsible value chain and community impacts. The next step is to establish targets in these areas.

We already have a strong foundation in our focus areas, as demonstrated by our performance in 2021:

**Tailings and land management** We started converting Cozamin’s tailings storage to a paste backfill and dry-stack tailings facility which will have greater structural stability, a smaller land footprint and lower water demands. We believe this is the safest way to store tailings.

**Water** Pinto Valley scored a win for water conservation with new tailings thickening equipment that produces denser tailings and reduces evaporation loss. See page 41 for more on the centerwell replacement. For Capstone overall, we achieved 10% lower water withdrawals compared to 2020, even though production was 19% higher and mill throughput remained relatively consistent.

**Climate change** As we experience the impacts of climate change, all of us at our sites feel the urgency to decrease emissions. In the short term, trends in emissions (up 6% over 2020) followed energy use (up 8% over 2020), but well below the percentage increase in production (19%). This represents an impressive gain in efficiency, especially considering that in 2021 we had the added energy demand of fuel use related to large capital building projects.

**Workforce development** Our global workforce grew 30% compared to 2020, mainly due to major capital projects. 2021 was also a year for investing in training and leadership development, vitally important for our growth ambitions. Our workforce also needs more diversity, especially gender diversity. Women’s representation in our workforce held steady at 11% this year. We created a Diversity & Inclusion Committee which will work across sites to develop a strategy in 2022.

**Responsible value chain** Integrating sustainability into procurement decisions will help us manage social and environmental supply chain risks. Building on the development of our Supplier Code of Conduct in 2020, we engaged a third party to assess our sourcing practices this year. Their review will help us develop a responsible sourcing program in 2022.

**Community impacts** We take pride in our community connections and never forget that if the community doesn’t want us there, we can’t be successful. We win the trust of communities when they see us working to reduce our environmental footprint, and create good, safe job opportunities for their families. We also share the challenges of climate change with our communities. In 2021 Pinto Valley responded when extreme climate events – wildfires and flooding – threatened the nearby Tonto National Forest. See page 45 for more on stabilizing soils.
“We are empowering every person, regardless of their position, to feel confident calling out any unsafe situation they see, as we continue our push towards our goal of zero harm. Safety is top of mind and always ahead of production.”

In last year’s report I spoke of the tragic fatality that happened at Cozamin in early 2021. The loss continues to weigh heavily on me, as well as the whole Capstone family. This incident galvanized us to make a significant shift in our approach to safety. We now emphasize leading indicators over lagging ones. We are increasing inspections and proactively investing in safety equipment. See page 20 for more on Smart Lamp technology. We are also empowering every person, regardless of their position, to feel confident in calling out any unsafe situation they see, as we continue our push towards our goal of zero harm. Safety is top of mind and takes precedence over production.

Our renewed commitment to safety served us well as we navigated another year of the global COVID-19 pandemic. I saw employees coming together, learning to work even more safely around each other, and taking these practices home and into their communities. I believe this has further strengthened our ties to our local communities.

When I think about our global community, I’m proud that Capstone can play a role in helping the world achieve its decarbonization goals, as we produce the copper needed for the energy transition. As a combined company, with a greater presence in Chile, we have even more opportunity to contribute to this shift. All our sites will be pursuing decarbonization pathways in 2022. These are especially promising in Chile where solar energy is contributing an increasing proportion of the grid.

On behalf of our entire Board, Senior Leadership Team and site managers, I’d like to thank all our Capstone employees, who contributed to a successful year by living our values.

Darren Pylot, President & CEO of Capstone Mining at December 31, 2021
Executive Chair of Capstone Copper’s Board of Directors as of March 23, 2022

HIGHLIGHTS OF 2021

- Smart lamp technology that enhances mine safety, Cozamin
- Protecting rare lizards in the Atacama Desert, Santo Domingo
- Alignment of climate disclosures to the TCFD
- Working together to protect local lands and waters, Pinto Valley
- Recipient of the CONCAMIN Ethics & Values award, Cozamin
- Participation in Hiring our Heroes Corporate Fellowship Program, Pinto Valley
- Energy efficiency gains relative to production at all sites
- Saving water with denser tailings, Pinto Valley
- Expanded technical and leadership training programs

1 Task Force on Climate-related Financial Disclosures

READ MORE HERE

Health and Safety
Biodiversity
Climate Change
Community Impacts
Community Impacts
Employment
Energy
Water
Training and Education
Sustainable Thinking: Foundation for Growth is about how we are laying the groundwork for future growth by refining our practices, building our team and advancing our commitments. Our strong foundation positions us for responsible growth.

Capstone’s commitment to ethical and responsible mining is deeply rooted in our business philosophy. We continually evaluate our practices and management systems, and use leading international standards and frameworks to inform our approach.

Our sustainability commitment helps us attract the talent and business partners we need to help us achieve our goals. Our sustainability performance is important for maintaining the trust of local communities affected by our operations. Building on our sustainability foundation includes training and developing leaders at all levels and empowering our people to work safely.

2021 was a year of meaningful planning and disciplined progress toward our long-term goals. We initiated the development of Capstone’s environmental, social and governance (ESG) strategy and planned a Capstone-wide project to develop emissions targets. Our sites also advanced several key projects in tailings and water stewardship, which are important for mitigating environmental impacts.

Copper is the most cost-effective conductive material available.² This property makes it an indispensable metal for capturing, transporting and storing energy.

Renewable energy systems around the world – which generate power from solar, hydro, thermal and wind energy – rely on the efficient conductive properties of copper. Copper is also in demand for industrial and consumer low-carbon solutions. For example, electric vehicles require approximately four times as much copper than vehicles with conventional internal combustion engines. Copper is 100% recyclable without any loss in properties, and is one of the world’s most recycled metals.³ Recycling reduces the need for additional mineral extraction, which subsequently reduces associated emissions.

² Goldman Sachs Commodities Research, Green Metals: Copper is the New Oil, April 13, 2021
³ International Copper Study Group, Copper Alliance, The World Copper Fact Book, 2020
“In 2021 we identified the focus areas that will be critical for us in our new growth phase: tailings, land management, water, climate change, workforce development, responsible value chain and community impacts.”

### SUMMARY OF OUR KEY PERFORMANCE INDICATORS (KPIS)

<table>
<thead>
<tr>
<th>MATERIAL TOPIC</th>
<th>KPI</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and Safety</td>
<td>Lost Time Injury Frequency Rate (LTIFR)</td>
<td>0.35</td>
<td>0.12</td>
<td>0.05</td>
<td>0.22</td>
<td>19</td>
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<tr>
<td></td>
<td>Total Recordable Injury Frequency (TRIFR)</td>
<td>0.60</td>
<td>0.35</td>
<td>0.52</td>
<td>1.15</td>
<td>19</td>
</tr>
<tr>
<td>Air Quality</td>
<td>Total particulate matter (tonnes)</td>
<td>11,951</td>
<td>12,822</td>
<td>13,192</td>
<td>16,222</td>
<td>22</td>
</tr>
<tr>
<td>Biodiversity</td>
<td>Total species of concern in areas of operations</td>
<td>166</td>
<td>173</td>
<td>Not reported²</td>
<td>Not reported²</td>
<td>25</td>
</tr>
<tr>
<td>Energy</td>
<td>Total energy use (gigajoules)</td>
<td>3,128,506</td>
<td>2,885,852)</td>
<td>2,791,321</td>
<td>2,830,926</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td>Energy intensity (GJ/tonnes processed)</td>
<td>0.149</td>
<td>0.139</td>
<td>0.141</td>
<td>0.140</td>
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</tr>
<tr>
<td>Climate Change</td>
<td>Total Scope 1 and 2 GHG emissions (tonnes CO₂eT)</td>
<td>306,881</td>
<td>290,548</td>
<td>283,942</td>
<td>284,771</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>GHG emissions intensity (tonnes CO₂eT/tonnes processed)</td>
<td>0.015</td>
<td>0.014</td>
<td>0.014</td>
<td>0.014</td>
<td>32</td>
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<tr>
<td>Environmental Compliance</td>
<td>Number of non-reportable incidents</td>
<td>16</td>
<td>17</td>
<td>29</td>
<td>34</td>
<td>34</td>
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<tr>
<td></td>
<td>Number of reportable incidents</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>34</td>
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<tr>
<td>Waste</td>
<td>Total tailings (million tonnes)</td>
<td>20.3</td>
<td>20.3</td>
<td>19.6</td>
<td>20.0</td>
<td>37</td>
</tr>
<tr>
<td>Water</td>
<td>Total water withdrawal (m³)</td>
<td>10,629,664</td>
<td>11,777,421</td>
<td>11,942,413</td>
<td>10,883,854</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>Water intensity (m³/tonne processed)</td>
<td>0.51</td>
<td>0.57</td>
<td>0.60</td>
<td>0.54</td>
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<tr>
<td>Community Impacts</td>
<td>Number of significant community disputes</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>44</td>
</tr>
<tr>
<td>Economic Impacts</td>
<td>Total economic value distributed (Thousands USD)</td>
<td>424,327</td>
<td>332,490</td>
<td>341,302</td>
<td>324,050</td>
<td>47</td>
</tr>
<tr>
<td></td>
<td>Ore processed (million tonnes)</td>
<td>21.0</td>
<td>20.8</td>
<td>19.8</td>
<td>20.2</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>Copper produced (million pounds)</td>
<td>187.1</td>
<td>156.9</td>
<td>153.5</td>
<td>155.2</td>
<td>48</td>
</tr>
<tr>
<td>Employment</td>
<td>Total workforce</td>
<td>2,017</td>
<td>1,549</td>
<td>1,663</td>
<td>1,607</td>
<td>52</td>
</tr>
<tr>
<td>Anti-Corruption</td>
<td>Number of confirmed incidents of corruption</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>55</td>
</tr>
</tbody>
</table>

1  Pinto Valley only. Cozamin uses a monitoring system that does not produce annual totals.
2  Biodiversity was added as a material topic in 2020.
Our Response to COVID-19

Since the COVID-19 pandemic began, we have focused on implementing preventative measures to protect the health and safety of our workforce and local communities. In 2021 we continued to assess the potential health and business impacts across our operations and adjust our protocols based on evolving guidance from government authorities, the Centers for Disease Control and Prevention, and the World Health Organization.

Our dedicated COVID-19 response committees at each Capstone site and office ensure our protocols are suited to local conditions and take into account the concerns of our workforce and community stakeholders. We conduct employee surveys to gather feedback on Capstone’s pandemic response.

Across all locations, we allow remote work arrangements where possible. We strongly support vaccination efforts by facilitating access through on-site vaccine clinics, education campaigns, and in some locations, by offering incentives. Our site health clinics perform contact tracing for every positive case to manage close contacts and reduce any potential spread on site. We have not experienced any significant outbreaks up to the release of this report. We continue to work in close coordination with local authorities and partners to identify where our community contributions could be most impactful.

In 2021 we made donations of personal protective equipment (PPE) and other critical medical equipment, as well as food and household supplies designated for vulnerable populations. Our site medical staff also participated in local education and awareness campaigns about COVID-19 prevention.

Visit our website for more on COVID-19 safety protocols.
Capstone Mining Corp. 2021 Sustainability Report: Foundation for Growth

ABOUT CAPSTONE

Our Company

Capstone is a base-metals producer with two producing copper mines in 2021: Pinto Valley in Arizona and Cozamin in Mexico. We also have a fully permitted development project in Chile (Santo Domingo), as well as a portfolio of exploration properties.

Effective March 23, 2022, we officially became Capstone Copper Corp., following the business combination of Capstone Mining Corp. (Capstone) and Mantos Copper (Bermuda) Ltd. (Mantos). The scope of this report is Capstone’s performance during the 2021 calendar year and does not include the performance of Mantos.

At the end of 2021, Capstone’s workforce totaled more than 2,000 employees and contractors. Our head office is in Vancouver, Canada.

The primary markets for our copper concentrate in 2021 were smelters and refineries in China, Japan and Korea, and our copper cathode was sold to the domestic US market. Our products are transported by truck domestically in the US and to the ports of Guaymas, Manzanillo (Mexico) and Santo Domingo (Chile) for export. Magnetite iron concentrate produced at Santo Domingo will be delivered to port by pipeline. Our mines also produce base metal by-products of zinc, lead and molybdenum, as well as precious metal by-products of silver and gold. In 2021 we produced 187.1 million pounds of copper and generated revenues of $794.8 million, of which 94% came from sales of copper.

Our suppliers provide a broad range of products and services, which differ slightly at each operation. Supplies and services include fuel and energy, processing and extraction materials (e.g., explosives, reagents), heavy equipment and light vehicles, transportation, and where needed, contract mining. We also engage contractors with specialized expertise in design, engineering, exploration and operations as needed. There were no significant changes in our supply chain in 2021.

Capstone is listed on the Toronto Stock Exchange under trading symbol CS. Hadrian Capital Partners (formerly GRM Investments Ltd.) was Capstone’s largest shareholder with a 24.35% interest at the end of 2021. Our 2021 financial statements can be obtained through the Canadian Securities Administrators System for Electronic Document Analysis and Retrieval (SEDAR).

Mantos is privately owned by funds managed by Orion Resource Partners and Audley Mining Advisors Ltd. Mantos operates two mines in northern Chile: Mantos Blancos in Antofagasta (99.99% owned) and Mantoverde in Atacama (69.99% owned, with Mitsubishi Materials Corporation owning the remaining 30%). Through the business combination with Mantos, Capstone’s workforce will grow by approximately 2,500 employees and contractors.

New opportunities of this business combination:

• A larger portfolio of assets, all with growth potential. This creates an excellent platform for the replication of technologies and best practices.
• Significant growth potential with over 45% production growth by 2024. The future development of Santo Domingo adds a further 45% growth potential.
• Potential synergies between Mantoverde and Santo Domingo due to their proximity (e.g., shared infrastructure for water desalination and power transmission).
• The use of desalinated sea water. Mantoverde uses desalinated sea water and does not rely on freshwater for its operations.
• Close ties with local communities through local employment and support for community development.
Our Operations

As of December 31, 2021, Capstone comprised these entities.

- **Capstone Mining Corp. Head Office**
  Effective March 23, 2022, we officially became Capstone Copper Corp.
  Our head office is located in Vancouver, British Columbia, Canada.

- **Pinto Valley Mine**
  Owned and operated by Pinto Valley Mining Corp., a wholly owned US subsidiary
  Pinto Valley is a copper-molybdenum open pit mine and the only operating mine located in the historic Globe-Miami mining district of Arizona, one of the oldest and most productive mining districts in the US. Pinto Valley is currently the second-largest private employer in the district. Pinto Valley has a current life of mine plan that extends through 2039 but is being assessed for possible extension.
  - Type of mine: Open pit
  - Climate: Semi-arid
  - Workforce: 678
  - Closest communities: Miami, Globe, Greater Globe-Miami area, Claypool
  - Total population: 29,800

- **Cozamin Mine**
  Owned and operated by Capstone Gold, S.A. de C.V., a wholly owned Mexican subsidiary
  Cozamin is a copper-silver underground mine with a surface milling facility, located near the city of Zacatecas in the mineral-rich state of Zacatecas, Mexico. The mine currently has a life of mine plan that extends through 2031. However, brownfield exploration continues to extend its mine life.
  - Type of mine: Underground
  - Climate: Semi-arid
  - Workforce: 988
  - Closest communities: Hacienda Nueva, Zacatecas City, Morelos, Veta Grande, Guadalupe
  - Total population: 322,500

- **Santo Domingo Mining Development Project**
  Owned by Minera Santo Domingo SCM, a wholly owned Chilean subsidiary
  Santo Domingo is a copper-iron-gold project located near the town of Diego de Almagro in Region III, Chile. It is currently Chile’s only fully permitted greenfield mining project. Santo Domingo also has potential for producing cobalt, another metal with important technology applications.
  - Type of mine: Open pit
  - Climate: Arid desert
  - Workforce: 310
  - Closest communities:
    - Mine site: Diego de Almagro (7 km, pop. 15,200)
    - Road/pipeline: Chañaral (70 km, pop. 13,700)
    - Port: Caldera (42 km, pop. 17,500)

- **Exploration Projects**
  In 2021, brownfield exploration continued in Mexico. Capstone is earning an equity interest in Lara Exploration’s Planalto greenfield exploration project in Brazil.
  Exploration in Chile is performed by Capstone Mining Chile SpA, a wholly owned Chilean subsidiary.

Visit our website to learn more about our Operations.
Governance

Capstone and our Board of Directors (Board) believe in the importance of good corporate governance and the central role played by directors in the governance process. Capstone’s Corporate Governance Guideline guides the Board in exercising its duties.

We believe that strong governance mechanisms are essential for effective management of Environmental, Social and Governance (ESG) matters between the operations, senior leadership and the Board. In 2021 we adopted a Terms of Reference for Board Oversight of ESG. It outlines the Board’s responsibilities for overseeing Capstone’s ESG strategy, disclosures and communication with Capstone stakeholders, and for delegating ESG-related risks to the appropriate Board committees. Senior leadership reports quarterly to the Board on ESG matters.

Our corporate governance practices comply with all applicable securities regulatory requirements.

Our Board of Directors had six members in 2021 – five are independent and the sixth is our Chief Executive Officer (CEO). As part of our Diversity and Inclusion Policy, Capstone sets targets for gender diversity of the Board. We achieved our goal in 2021 of having one woman director. Our current target is 30% women on the Board by 2023. See page 60, Diversity and Equal Opportunity for more on our diversity targets.

Capstone’s Board is also responsible for overseeing Capstone’s Enterprise Risk Management (ERM) Framework and risk management activities. We empower our operations to identify and reduce risk. Management is responsible for identifying, evaluating, managing and mitigating Capstone’s exposure to risk. It is the Board’s responsibility to assess key risks facing Capstone and to review management’s strategies for risk mitigation.

The Board believes that Capstone’s governance system is effective and appropriate to its circumstances, and that there are appropriate structures and procedures in place to ensure the Board’s independence from management, which are outlined in Capstone’s Governance Guideline. In March 2022 some of our Board committee names and terms of reference were amended.

OUR CORE VALUES

In March 2022 we updated our values to reflect the Capstone Copper business combination. Everyone at Capstone must adhere to the same values, global policies and guiding principles for the conduct of our business and the behaviour of our employees. Our values provide a vital foundation for our decentralized operating model, in which individual sites make independent decisions on a day-to-day basis, based on their local geopolitical context, people, community and environmental factors. We reinforce our values through the statements and actions of our senior leadership, daily actions such as “safety shares” to start meetings, our Code of Conduct, and Values in Action safety and leadership training programs.

BOARD COMMITTEES AND AREAS OF RESPONSIBILITY IN 2021

<table>
<thead>
<tr>
<th>Committee Name</th>
<th>Area of Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Committee</td>
<td>Oversight responsibility for financial risks, including but not limited to the financial risks identified by management in Capstone’s corporate risk register and the financial risks disclosed in Capstone’s continuous and other public disclosure documents.</td>
</tr>
<tr>
<td>Human Resources and Compensation Committee</td>
<td>Oversight responsibility related to talent management and succession planning risks and the business risk implications of our compensation policies and programs, as well as the compensation for the Board of Directors.</td>
</tr>
<tr>
<td>Corporate Governance and Nominating Committee</td>
<td>Oversight responsibility for risks related to Board structure, membership and corporate governance compliance.</td>
</tr>
<tr>
<td>Technical, Health, Environmental, Safety and Sustainability (THES&amp;S) Committee</td>
<td>Oversight responsibility for technical and operational risks related to production and costs, tailings management, environmental protection, occupational health and safety, sustainability, climate change and social risks.</td>
</tr>
</tbody>
</table>
Our Approach to Sustainability and ESG

We approach sustainability as an opportunity to improve life for people and communities, and to contribute towards global priorities. As we enter into a new period of growth, we are taking steps to fortify our strong foundation of environmental stewardship, social responsibility and good governance. Accordingly, 2021 was characterized by steady improvement and deeper ESG integration.

This section describes our processes for integrating ESG risks, strengthening incentives, enhancing disclosures, developing strategies and working together. In subsequent chapters we report on related initiatives that strengthen our foundation, such as supply chain assessment, leadership training and safety programs.

We are also transitioning our language from sustainability to ESG, to reflect the increasing interest of investors and other stakeholders in our ESG performance.

Our governance mechanisms ensure visibility of ESG performance and risks at all levels. Social and environmental risks are documented and reported through our Enterprise Risk Management (ERM) framework. Site and corporate teams collaborate to identify and assess risks. Site-specific risks and performance in health, safety, environment, tailings and community relations are reported on a quarterly basis to the Board’s THES&S Committee, and progress on corporate ESG objectives is reported to the Board as a whole.

ESG performance is linked to compensation. In 2021 we increased the weighting of ESG objectives from 20% to 30% in our corporate scorecard, which affects executive compensation. This instills a sense of ownership for ESG objectives across Capstone. Our site scorecards also include ESG performance targets. Emphasis in 2021 was placed on safety performance, environmental incidents and achievement of site-specific projects related to ESG.

We are improving our ESG disclosures. We continue to use GRI Standards and we adopted the SASB Mining and Metals Standard for our 2021 sustainability report. We are also beginning to align our disclosures with the Taskforce on Climate-related Financial Disclosures (TCFD) in response to increasing expectations from stakeholders, including investors, regulators and communities.

We are developing Capstone’s ESG strategy. In 2022 we will complete our ESG strategy to focus on the areas that are critical to Capstone in our new growth phase: tailings, water, climate change, land management, responsible value chain, workforce development and community impacts. Our strategy will include actions and targets for these focus areas. Through our ESG strategy, we aim to further align Capstone with evolving international best practices and link our performance to the ambitions of the United Nations Sustainable Development Goals.

We leverage our team’s expertise through a cross-functional ESG Committee. This team is a catalyst for ESG opportunity identification and ESG risk awareness at both our operations and the corporate level. The ESG Committee is led by our Senior Vice President, Risk, ESG & General Counsel and is tasked with assisting management in leading ESG strategy and initiatives across Capstone. The ESG Committee identifies, assesses and determines the ESG topics that are material for Capstone. It also plays a role in ensuring that risk management and internal control systems are in place for managing ESG risks.
“There’s truly a shared understanding that strong ESG performance is essential for maintaining the trust of all our stakeholders, including employees, investors, communities and governments where we operate.”

Managing Our Impact

We have an effective suite of tools for managing environmental, social and economic impacts. These include a strong policy framework, our Enterprise Risk Management (ERM) system, operational management systems, standards and practices, and various collaboration initiatives. These tools ensure we take a precautionary approach to potential environmental or social impacts.

Policies

The foundation of our policy framework for ESG includes our Integrated Environmental, Health, Safety and Sustainability Policy (EHS&S Policy) and our Code of Conduct. Other key policies include our Diversity Policy, Human Rights Policy, Fraud Reporting and Investigation (Whistleblower) Policy and Supplier Code of Conduct. We describe these policies in relevant chapters of this report.

Risk Management

We apply risk-based decision-making to all activities. Detailed risk registers are developed for the operating sites, major projects and corporate activities. The site and project risk registers are assessed, evaluated and updated through regular workshops and meetings with the general managers and their respective management teams. Top risks at each site are regularly discussed during management meetings.

We also assess risk for all new suppliers and renewals of supplier contracts. In 2021 we completed a third-party review to benchmark our current procurement procedures against responsible sourcing best practices and to create an action plan to manage supply chain risks and monitor compliance with our Supplier Code of Conduct.

Operational Management Systems and Practices

We manage our most direct impacts on local environments, communities and economies at the operations level. To manage impacts, our sites use a combination of management systems, procedures and engineering controls, as well as employee education and training. We closely monitor stakeholder feedback and expectations, regulatory requirements and innovations in technology to continually improve our performance.

In 2022 we will reinforce our foundation by initiating the development of company-wide standards for health and safety, environmental management and social performance.

Industry and Community Collaboration

Capstone maintains memberships in industry associations that elevate industry standards, share best practices, and keep us up to date on regulatory requirements. In 2020 Capstone was a member of the European Copper Institute. We are committed to supporting performance-driven industry initiatives and we intend to pursue participation in the Copper Mark at all of our sites. Our sites also participate in trade associations and civic service organizations. See our website for details.


Stakeholder Engagement

Regular engagement with our stakeholders is part of our daily site and corporate activities and involves many different roles. We consider stakeholders to be individuals and groups who have an interest in, or who are affected by, Capstone’s operations or activities. We engage with our stakeholders, and keep them informed of our activities, through numerous channels. Refer to page 42, Community Impacts for information on site-level practices.

With the COVID-19 pandemic ongoing in 2021, we continued to leverage online forms of engagement, including a variety of social media. This sustainability report also serves as a tool for stakeholder engagement, by reflecting back on stakeholder concerns and providing accountability for our decisions and actions.
“It has been exciting to see how environmental, social and governance (ESG) priorities have been embraced by the mining industry, and our stakeholders.”

### SUMMARY OF KEY STAKEHOLDERS

<table>
<thead>
<tr>
<th>STAKEHOLDER GROUP</th>
<th>WHO THEY ARE</th>
<th>HOW WE ENGAGE</th>
<th>MAIN TOPICS IN 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Communities</td>
<td>Communities that may be economically, socially or environmentally impacted by our operations and projects</td>
<td>In-person meetings, site tours, participation in community events, job fairs, community response mechanisms, social media</td>
<td>Local training, employment and procurement opportunities, environmental management and mitigation measures, community investment, operation viability in low-market conditions, land use</td>
</tr>
<tr>
<td>Employees and Contractors</td>
<td>Hourly, salary, union and non-union employees and full-time contractors regularly on site performing core business functions</td>
<td>Individual and group meetings, town halls, surveys, intranet, materials mailed to homes, emails, social media</td>
<td>Health and safety, COVID-19 response, training and career development opportunities, working conditions, leadership, compensation, health benefits</td>
</tr>
<tr>
<td>Governments</td>
<td>Local, regional and national government bodies responsible for implementing related legislation or with mandated interest in our operations and projects</td>
<td>In-person meetings, site visits, regulatory inspections, participation in government consultation on relevant local issues</td>
<td>Environmental permits and compliance, health and safety practices and compliance, local economic development</td>
</tr>
<tr>
<td>Indigenous Groups</td>
<td>Self-determined and/or as identified by national or international legislation and standards</td>
<td>In-person meetings, site tours, information presentations at community meetings, participation in community events, job fairs, information exchange in technical groups</td>
<td>Protection of cultural resources, local employment and procurement opportunities, environmental management and mitigation measures, water quality, closure, socio-economic impacts</td>
</tr>
<tr>
<td>Industry and Professional Associations</td>
<td>Associations that regulate members or lobby on their behalf</td>
<td>Participation on association boards, committee meetings, conference calls, comments on proposed regulations</td>
<td>Climate change, COVID-19 workplace and workforce adaptations, regulatory revisions and reforms</td>
</tr>
<tr>
<td>Non-government Organizations</td>
<td>Local-level groups focused on community, health or environmental interests</td>
<td>Verbal and written correspondence, meetings</td>
<td>Advocacy for community, health or environmental interests</td>
</tr>
<tr>
<td>Shareholders, Potential Investors and ESG Research and Rating Agencies</td>
<td>Individuals or entities with interest in Capstone's financial, operational and ESG performance</td>
<td>Conference calls, one-on-one and group meetings with Board and management, annual general meeting, news releases, disclosure documents, presentations, site tours</td>
<td>Financial and operational performance, corporate strategy, climate change, future prospects, areas of investment risk</td>
</tr>
<tr>
<td>Unions</td>
<td>Collective bargaining agreements at Pinto Valley and Cozamin</td>
<td>In-person meetings, written and verbal correspondence</td>
<td>COVID-19 response plan, collective agreement</td>
</tr>
<tr>
<td>Suppliers, Business Partners and Customers</td>
<td>Entities that provide an input to Capstone's value chain either upstream or downstream of our operations</td>
<td>In-person meetings, written and verbal correspondence</td>
<td>Business opportunities, procurement practices, human rights performance</td>
</tr>
<tr>
<td>Local/Public Institutions</td>
<td>Local entities that provide a community service (e.g., emergency service providers, hospitals, colleges, universities)</td>
<td>In-person meetings, written and verbal correspondence, training programs and exercises</td>
<td>Training opportunities, emergency preparedness</td>
</tr>
</tbody>
</table>
“In 2021 we focused on strengthening operational management systems and practices, expanding our team, and advancing commitments. We also began developing our ESG strategy by looking at where we have the greatest impact. The next step is to establish targets in these areas.”

**Materiality**

We undertook a Capstone-wide materiality process in 2020 to update our understanding of the most significant topics to include in our Sustainability Report. Our materiality process in 2021 was limited to review by the senior leadership team, who confirmed that Material Topics were unchanged from 2020. We plan to re-evaluate our Material Topics in 2022.

Our 2020 process involved a desktop analysis by sustainability advisors to provide sustainability context, as well as a review by site and subject matter experts, the ESG Committee and an online workshop. Participants reviewed topics from the perspective of their impact on sustainability and from the perspective of stakeholders they engage with the most. Our topics are divided into two categories:

**MATERIAL TOPICS** are of greatest interest to our stakeholders or have potentially significant ESG impacts.

- Health and Safety
- Air Quality
- Biodiversity
- Energy
- Climate Change
- Environmental Compliance
- Waste
- Water
- Community Impacts
- Economic Impacts
- Employment
- Anti-Corruption

**WATCHLIST TOPICS** do not merit the same level of disclosure as material topics, but warrant continued attention as they may become material.

- Closure Planning
- Compliance with Laws and Standards
- Diversity and Equal Opportunity
- Human Rights Management
- Indigenous Relations
- Labour Management Relations
- Procurement Practices
- Training and Education
2021 Material Topics

Our 2021 Material Topics are of greatest interest to our stakeholders or have potentially significant ESG impacts.

- Health and Safety
- Air Quality
- Biodiversity
- Energy
- Climate Change
- Environmental Compliance
- Waste
- Water
- Community Impacts
- Economic Impacts
- Employment
- Anti-Corruption
Health and Safety

This topic covers the health and safety of our employees, contractors and communities. It includes occupational safety, health and wellness, and security. Performance data includes employees and contractors working at our operations, as well as development and exploration projects.

Why This Matters

Health and safety risks are inherent to mining operations. Ensuring the health and safety of our workforce is a central component of our business approach. Poor safety performance can be costly, and can result in lost productivity at our operations and potential fines for non-compliance with safety regulations. Most importantly, safety incidents can potentially cause long-term negative impacts on our workforce, their families and the communities where they live. Cozamin is located in Zacatecas, Mexico, a region that is experiencing an increase in criminal activity and violence, which can negatively affect our workforce.

How We Manage It

We continually reinforce our safety culture. Capstone’s goal is to achieve zero harm. This starts with our corporate values, and a commitment to health and safety from the highest level of our organization. All employees and leaders participate in Capstone’s Values in Action and Leadership in Action training programs on safety culture. This training provides skills and encourages a higher commitment to safety and one’s co-workers.

In 2021 Pinto Valley initiated Phase 1 of their Project Soteria program to reinforce strong safety performance and culture. Project Soteria has action plans for improvement in five areas: coaching and mentoring of leadership (supervisors and above), quality safety interactions, risk identification and assessment, contractor management, and site health and safety management system (SMS) enhancements. As a result of this work, communications between leadership and the workforce has improved, and workers are better able to assess risks in the field. Relevant best practices from Project Soteria will be shared with other sites.

---

### 2021 MATERIAL TOPICS: HEALTH AND SAFETY

#### Management Foundation

<table>
<thead>
<tr>
<th>APPROACH</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key policies</td>
<td>Capstone Values, Code of Conduct, Supplier Code of Conduct, EHS&amp;S Policy</td>
</tr>
<tr>
<td>Governance and oversight</td>
<td>THES&amp;S Committee</td>
</tr>
<tr>
<td>Regulations or standards</td>
<td>Safety regulations and standards in the jurisdictions where we operate, voluntary adoption of the Mexican government’s Program on Self Management of Health and Safety in the Workplace (PASST)</td>
</tr>
<tr>
<td>Evaluation</td>
<td>Performance against annual corporate and site objectives; tracking of incidents, corrective actions, and both lagging and leading indicators; workforce feedback from joint-management worker committees, surveys, supervisor input</td>
</tr>
</tbody>
</table>

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CAPSTONE MINING CORP. | 2021 SUSTAINABILITY REPORT: FOUNDATION FOR GROWTH
Our sites have dedicated health and safety teams. Health and safety professionals at our operations have specialized training in hazard identification and risk management. These teams lead incident investigations, conduct field audits, coordinate safety training and manage emergency response programs. They engage directly with our workforce, ensuring employees feel heard and valued in regards to safety matters.

We use health and safety management systems to continually improve our practices. Our sites continue to implement voluntary health and safety management systems (SMS). Pinto Valley and Cozamin use Capstone’s 9 Pillar company-wide SMS standard, and Santo Domingo will be adopting this standard in 2022. The SMS applies to all employees and contractors. In 2021 Cozamin created a central safety committee, with members responsible for implementing each SMS pillar and reviewing performance monthly.

Our systems are subject to internal audits, and 89% of our workforce is covered by an internally audited SMS. Our corporate office is covered by the 9 Pillar SMS but has not been internally audited. At Santo Domingo, a major contractor operates under its own SMS.

We empower our workforce. We train our employees and contractors to identify hazards, evaluate the risks associated with their tasks (prior to commencing work), and take responsibility for their own safety. This includes the completion of written hazard assessments, which are reviewed by supervisors. Employees and contractors are involved in required corrective actions. Any employee or contractor has the right to refuse work in an environment they consider unsafe. We also identify high-consequence risks that are most likely to result in serious injury or death. These include falls from height, confined spaces, rock falls, vehicle crashes and electrocution. In 2021 Capstone established Life Saving Rules and Critical Behaviours which focus on emphasizing skills and applying controls to prevent accidents resulting from high-consequence risks.

We believe every incident provides an opportunity to improve. We encourage employees to report all safety incidents, even minor ones. We review each incident by gathering evidence, calculating risk, investigating root causes, and implementing appropriate controls. As part of our follow-up process, we incorporate lessons learned into our SMS. Pinto Valley has a program to reward employee contributions, including reporting a near miss or “good catch”. See page 49, Employment. There were 2,100 good catches reported in 2021, which is a tenfold increase over 2020. The significant increase is attributed to a focused effort to train and encourage the identification of good catches, including Project Soteria activities.

We encourage our employees to actively participate. Capstone believes that employees will more readily take part in our SMS if they have a role in creating it. There are several ways employees can participate:
- Offer their views directly to their supervisor or the health and safety team
- Complete employee surveys on safety culture
- Help test new safety equipment to ensure suitability and buy-in before it is purchased

Pinto Valley and Cozamin have joint management worker safety committees responsible for conducting field audits, soliciting safety concerns and improvement ideas from the workforce, and reviewing high-potential incidents. They are empowered to implement strategies to address employee concerns.

We prioritize safety training and communication. New employees receive site induction training that covers basic site safety requirements. We train them to safely perform their tasks and identify, correct and report hazards. At Pinto Valley, employees have a peer mentor, who shares feedback and experiences. At Cozamin, all employees are trained and certified for their positions. Regular communication on safety includes daily shift meetings, supervisor interactions, safety campaigns and information tools such as bulletin boards and television monitors. In 2021 employees received an average of 15 hours of safety training and contractors received 8 hours.

We promote workforce health and well-being. Pinto Valley and Cozamin hire health care professionals as wellness resources for our workforce. Employees undergo mandatory annual health checks for regulatory-required safety topics (e.g., respirator fit tests). During these visits, employees can also raise any personal health issues. Our health teams may help them access company health benefits or public health programs so that employees can advocate for their own health.

Our health care teams are trained to handle sensitive information, and we schedule individual health visits to ensure confidentiality for our workforce. We also promote programs that address major non-work-related health risks, including weight loss, smoking cessation, high blood pressure and mental health. In 2021 we also focused on the importance of COVID-19 vaccinations and our sites continued to implement COVID-19 safety protocols as required by local jurisdictions. Our operations work with local public health agencies to offer services such as on-site flu vaccine clinics. The Mexican
government recently introduced a national standard for mental health. In response, Cozamin will train on-site doctors and leadership to recognize mental health issues.

**Security is a priority.** We maintain full-time security staff. There are gated entrances at our operations to ensure secure access, and only authorized personnel are granted entry to Capstone sites. Other security systems include cameras, patrols and use of GPS locators and security badges. Cozamin’s security program is set up to respond to criminal activity and violence in the region, which can directly impact our operation and supply chain. Cozamin’s security program is set up to respond to criminal activity and violence in the region, which can directly impact our operation and supply chain. Cozamin’s security program is set up to respond to criminal activity and violence in the region, which can directly impact our operation and supply chain.

**Managing health and safety extends to our supply chain.** Capstone's Supplier Code of Conduct formalizes the health and safety requirements for our supply chain. We thoroughly vet contractors based on their past health and safety performance to ensure they have appropriate health and safety standards in place. For product suppliers, we refer to material safety data sheets.

Once on site, contractors adhere to our 9 Pillar SMS. We provide training to orient them to our operations, coach their workforce on how to provide services in a safe manner, and ensure they have an internal contact to answer questions.

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### 2021 Capstone Safety Performance

<table>
<thead>
<tr>
<th>LAGGING INDICATOR</th>
<th>2021 TARGET</th>
<th>2020 PERFORMANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTIFR¹</td>
<td>0.21</td>
<td>0.35</td>
</tr>
<tr>
<td>TRIFR²</td>
<td>0.85</td>
<td>0.60</td>
</tr>
</tbody>
</table>

1. Lost Time Injury Frequency Rate is calculated by the number of Lost Time Incidents x 200,000 / number of hours worked.
2. Total Recordable Injury Frequency Rate is calculated by adding Medical Aid, Fatalities and Lost Time Incidents x 200,000 / number of hours worked.

### Safety Performance by Site

#### Lost Time Injury Frequency Rate (LTIFR)

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pinto Valley</td>
<td>0.70</td>
<td>0.13</td>
<td>0.13</td>
<td>0.14</td>
</tr>
<tr>
<td>Cozamin</td>
<td>0.10</td>
<td>0.11</td>
<td>0.00</td>
<td>0.28</td>
</tr>
<tr>
<td>Santo Domingo</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Capstone</td>
<td>0.35</td>
<td>0.12</td>
<td>0.05</td>
<td>0.22</td>
</tr>
</tbody>
</table>

#### Total Recordable Injury Frequency Rate (TRIFR)

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pinto Valley</td>
<td>1.28</td>
<td>0.52</td>
<td>0.94</td>
<td>1.92</td>
</tr>
<tr>
<td>Cozamin</td>
<td>0.10</td>
<td>0.22</td>
<td>0.27</td>
<td>0.66</td>
</tr>
<tr>
<td>Santo Domingo</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Capstone</td>
<td>0.60</td>
<td>0.35</td>
<td>0.52</td>
<td>1.15</td>
</tr>
</tbody>
</table>

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Our Safety Management System

**PLAN**
- Risk Management
- Incident Analysis
- Emergency Preparedness

**DO**
- Contractor Controls
- Training & Competence
- Operational Controls & Procedures

**CHECK**
- Performance Measurement & Assessment
- Health & Wellness

**ACT**
- Personal Commitment & Leadership

Nine pillars within our safety management system follow the Plan, Do, Check, Act cycle.
Results

In 2021 we were deeply saddened by the loss of a colleague at Cozamin. A fatal accident occurred underground when a contractor was pinned by a rockfall from the drill face. In response, we immediately implemented a corrective action to retrain all operators and helpers on standard operating procedures. We made significant changes to ground support protocols, and updated risk mitigation measures to prevent rockfall.

We did not meet our 2021 safety objectives. While we nominally met our TRIFR performance target, we are not satisfied because incident trends increased over 2020 and we experienced a fatality. During the year, in response to the increasing trend in incidents, we implemented initiatives to engage our workforce more directly on safety, and emphasize visible leadership in the field. This work included:

- Pinto Valley restructured the ‘Miners Helping Miners’ joint committee (with representatives from management and hourly workers) to include safety coordinators from each area of the operation. The safety coordinators were also converted to full-time positions. The coordinators can communicate directly with the mine management team and provide feedback at the floor level.
- The site also implemented a quality safety interaction approach, in which managers and leaders spent more time in the field with personnel to observe job tasks, provide suggestions for improvement and build trust. This initiative was a success: in 2021 they saw a 64% reduction in the number of MSHA (Mine Safety and Health Administration) complaints filed by workers (since 2019) because issues were resolved internally.
- Cozamin doubled the number of weekly leadership field inspections that focused on resolving actions items. This was an effective mechanism that improved follow through and timely completion of commitments in established action plans.

We also emphasized leading indicators (over LTIFR and TRIFR lagging indicators) to promote a more proactive approach to safety performance. Pinto Valley added leading indicators to the safety bonus program for hourly workers and increased the weighting of safety to 60% from 40%. Some of these indicators included good catches, quality safety interactions, and personal safety action plans. In 2022 Pinto Valley’s site scorecard will only include leading indicators. Cozamin exceeded their leading indicator targets for 2021. Some of these indicators included leadership field inspections, supervisor safety training and development, safe working procedure compliance audits, and near miss reporting.

We conducted internal audits of the 9 Pillar SMS at Pinto Valley and Cozamin to evaluate SMS implementation progress after the first year and identify gaps for improvement. The audit teams included safety professionals from all sites. A key benefit for Santo Domingo personnel was increased exposure to the system requirements. Pinto Valley’s progress was 80% and Cozamin’s was 82%.

Looking Forward

In 2022 we will:

- Implement the 9 Pillar SMS at Santo Domingo
- Improve effectiveness of the 9 Pillar SMS at Pinto Valley and Cozamin, determined through internal audits
- Initiate the development of Capstone-wide health and safety standards
“2021 galvanized us to make a significant shift in our approach to safety. We now emphasize leading indicators over lagging ones. We are increasing inspections and investing proactively in safety equipment.”

Smart Lamp Technology Enhances Mine Safety at Cozamin

The SmartFlow system at Cozamin provides real-time tracking of people and safety conditions in the underground mine. It works through a transmitter located in the mine lamp of a miner’s hardhat. It tracks the miner’s location by sending a signal back to a control center. In an emergency, the miner can activate an alarm button on the lamp. Warning alerts can also be sent from the control center to miners’ lamps. The system also detects safety risks through sensors, distributed throughout the mine, that monitor air quality and ventilation. An alert is immediately sent to miners’ lamps if unsafe conditions are occurring. This layer of safety is in addition to the portable carbon monoxide detectors carried by miners.

This system enables us to faster and more effectively respond to emergencies. This was demonstrated in simulated training exercises, in which our mine rescue brigade quickly pinpointed where an emergency was taking place and identified the safest evacuation route. In 2021 we reached our goal of 100% implementation of the system. This is one of the ways we are working to continually improve safety for our people.
Air Quality

This topic includes dust and non-greenhouse gas air emissions generated at our operations.

### Why This Matters

Capstone’s most significant local air emission is dust, also known as particulate matter (PM). Mining operations include the movement and storage of large amounts of rock and soil (i.e., drilling, blasting, stripping, mining transportation of rock on unpaved roads) and mill processes (e.g., crushing and conveyance) that have potential to generate large amounts of dust.

Dust is a concern for communities near mine sites. Dust can accumulate on vegetation which can be a public health concern. We also have to consider the way dust can affect the health and safety of employees working in and around active mine areas.

Our sites must operate within air quality standards defined by local regulations and permit requirements. In addition, Pinto Valley is located in a Non-Attainment area for particulate matter (PM10) in Arizona. In that region, regulatory limits are more stringent because background air quality levels do not meet national ambient air quality standards. Arizona is experiencing more wildfire activity and air quality can be significantly affected by wildfire smoke.

### How We Manage It

**We have a multi-layered approach to air quality.** Our approach is in line with the environmental protection requirements in Capstone’s EHS&S Policy. We manage air quality by using appropriate equipment and operational practices to minimize dust. We also monitor emissions to ensure we meet the mandatory threshold limits in our permits. To maintain equipment to a high standard, we ensure we dedicate sufficient resources, and provide appropriate training to our employees.

**We use equipment solutions to reduce dust.** Equipment solutions include wet scrubbers on conveyor belts and enclosures or covers on dust-prone areas such as conveyors, stockpiles and concentrate storage. In 2021 Pinto Valley began replacing old dust collectors with modern, efficient units. The new dust collectors do not require water, unlike the old wet scrubbers. Once all the units are replaced in 2022 we expect improvements in both dust levels and water use.

**We use dust suppressants for tailings and roads.** Water and environmentally benign chemical products can be used

### Management Foundation

<table>
<thead>
<tr>
<th>APPROACH</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key policies</td>
<td>EHS&amp;S Policy</td>
</tr>
<tr>
<td>Governance and oversight</td>
<td>THE&amp;S Committee</td>
</tr>
<tr>
<td>Regulations or standards</td>
<td>Site-level air quality regulations and permits</td>
</tr>
<tr>
<td>Evaluation</td>
<td>Visual monitoring, instrumentation, internal audits, regulatory inspections</td>
</tr>
</tbody>
</table>
to suppress dust. Both Pinto Valley and Cozamin apply dust suppressants to tailings areas, and all sites use dust suppressants for roads. Cozamin uses a chemical dust suppressant known as Envirotac II, as well as hydrated lime. Both of these have effectively mitigated dust impacts at the mine site. In 2021 Santo Domingo received authorization to use a chemical dust suppressant, bischofite, for watering of unpaved roads.

**Air quality monitoring is a critical aspect of our approach.** Our environment teams monitor weather and operational conditions (e.g., high winds, low humidity, drawdown of stockpiles) that can lead to dust emissions. Employees are trained on dust minimization work procedures, and on reporting of visual observations of dust. Visual observations are our most effective monitoring tools, as they provide immediate signs of a dust issue. We record observations and use them to activate contingency measures.

Pinto Valley monitors air emissions as required by permits and local air quality standards. We conduct annual stack testing to ensure dust control equipment is functioning as expected.

Cozamin uses instrumentation to monitor PM at five locations near the crusher, ventilation raises and tailings dam, and report levels every three months to ensure they are within permit requirements. An external laboratory conducts quarterly sampling to verify results. Cozamin also monitors air quality in the immediate operations area. We monitor silica and other particulates to ensure they do not exceed standards for occupational or public health.

**We report air quality results to regulators.** Our sites report air quality monitoring results to regulators, as required by permits. External environmental and health regulators also perform regular inspections. Pinto Valley submits an annual emissions inventory report to the Arizona Department of Environmental Quality. In addition to particulates, we are required to report nitrogen oxides (NOx) and sulphur oxides (SOx) from stationary sources, but not blasting or vehicles.

At Cozamin, results of PM monitoring are made public in the government’s Emission and Transfer of Contaminants Register. Air quality management is part of the criteria for maintaining Cozamin’s Clean Industry Certification. Cozamin is not required to report any other emission, except for greenhouse gas emissions. See page 30, *Climate Change*. Accordingly, SOx and NOx are not monitored at the source. While this type of monitoring is effective for permit compliance, it does not produce an annual inventory of emissions, such as we have for Pinto Valley.

Santo Domingo monitors particulates and carbon monoxide levels, as required by local regulations.

**Results**

Our results reflect the scope of our reporting requirements to regulators. Except for particulates, results do not include mobile sources, though these may be relatively significant for NOx, SOx and carbon monoxide. Inclusion of mobile sources would require estimates that could be inaccurate considering the variety of vehicles we use. We will consider future source testing and monitoring for specific types of mobile equipment, where the data could be used to drive targeted improvements.

Particulate matter is affected by precipitation levels. In 2021 Pinto Valley experienced twice as many days with measurable precipitation as they did in 2020 (84 days versus 42 days), leading to a significant decrease in particulate matter. The increase in NOx and SOx occurred as Pinto Valley restarted the diesel fired pit dewatering pumps in June 2021. Dust monitoring results at Cozamin in 2021 were consistently below the allowable threshold limit in the health and safety standard.4

**Looking Forward**

- We will initiate a process to develop a Capstone environmental standard for air quality.
- Pinto Valley will complete the replacement of dust scrubbers in the mill.
- Cozamin will complete the dry stack tailings facility in 2022. Once it is fully operational it may produce more dust that will need to be managed.

---

Pinto Valley Air Emissions1 (Tonnes)

<table>
<thead>
<tr>
<th>EMISSIONS</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
<th>% CHANGE 2020-2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Particulate Matter (&lt;2.5 microns)</td>
<td>360</td>
<td>440</td>
<td>469</td>
<td>560</td>
<td>-18%</td>
</tr>
<tr>
<td>Particulate Matter (&lt;10 microns)</td>
<td>2,970</td>
<td>3,692</td>
<td>3,821</td>
<td>4,679</td>
<td>-20%</td>
</tr>
<tr>
<td>Total Particulate Matter2</td>
<td>11,951</td>
<td>12,822</td>
<td>13,192</td>
<td>16,222</td>
<td>-7%</td>
</tr>
<tr>
<td>Nitrogen Oxides (NOx)</td>
<td>44</td>
<td>35</td>
<td>56</td>
<td>76</td>
<td>24%</td>
</tr>
<tr>
<td>Sulphur Oxides (SOx)</td>
<td>15</td>
<td>11</td>
<td>16</td>
<td>21</td>
<td>39%</td>
</tr>
<tr>
<td>Carbon Monoxide</td>
<td>242</td>
<td>Not reported</td>
<td>Not reported</td>
<td>Not reported</td>
<td></td>
</tr>
</tbody>
</table>

1 Pinto Valley calculates annual particulate emissions based on US Environmental Protection Agency AP-42 emissions factors and site-specific data as a permit requirement. Cozamin does not calculate the total quantity of dust emissions generated as this is not a permit requirement.
2 Total Particulate Matter: total airborne particles <100 microns suspended in air.
3 Pinto Valley does not generate Persistent Organic Pollutants (POP), mercury or lead.
4 Mexican Official Standard NOM-035-STPS-2018
Biodiversity

This topic covers the measures we have in place to protect the ecosystems and their plant and animal species, during operations and through post-mining remediation efforts.

Why This Matters

The construction and operation of mine sites typically result in changes to the landscape, which affect local plant and animal species. Responsible mining practices are critical for minimizing disruption to the land and ensuring preservation of ecosystems.

Pinto Valley is located in the Sonoran Desert, in the southwestern part of the US, where the ecosystem is fragile due to extreme weather conditions and human development of the land. Bordered by the Tonto National Forest, it is situated in the Pinto Creek watershed. The recent completion of an Environmental Impact Statement and approval of a Mine Plan of Operations for Pinto Valley’s expansion project will bring additional scrutiny.

Cozamin is located on shrubland on the outskirts of the city of Zacatecas, where biodiversity protection is mandated through the Change of Use of Soils in Forested Lands (CUSTF). Santo Domingo is located in the Atacama Desert in Chile, an extremely arid environment that is home to complex and fragile ecosystems.

How We Manage It

We manage biodiversity at the site level. Our EHS&S Policy guides us to “minimize the impact of [our] activities on the ecosystem, and respect the conditions of the natural environment.” Since these conditions are local in nature, our EHS&S Policy is implemented through site-specific policies, plans and procedures. This includes ensuring we have local biodiversity expertise. In 2021 Cozamin hired a biologist for their environmental team.

We operate within regulatory frameworks that protect biodiversity. Each of our sites comply with national and state-level regulations designed to protect species and habitats.

For Pinto Valley, the Endangered Species Act is administered by the US Fish and Wildlife Service, and lists species as endangered, threatened, candidate or exterminated. The first two categories roughly correspond to the critically endangered, endangered or vulnerable categories in the IUCN
2021 MATERIAL TOPICS: BIODIVERSITY

Reserves in or Near Sites with Protected Conservation Status or Endangered Species Habitat

<table>
<thead>
<tr>
<th>PROVEN OR PROBABLE RESERVES (MILLION TONNES)</th>
<th>PINTO VALLEY</th>
<th>COZAMIN</th>
<th>SANTO DOMINGO</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proven reserves</td>
<td>241.6</td>
<td>0.0</td>
<td>65.4</td>
<td>307.0</td>
</tr>
<tr>
<td>Probable reserves</td>
<td>139.4</td>
<td>14.0</td>
<td>326.9</td>
<td>480.3</td>
</tr>
<tr>
<td>Proven and probable reserves</td>
<td>381.0</td>
<td>14.0</td>
<td>392.3</td>
<td>787.3</td>
</tr>
<tr>
<td>Located in or near sites with protected conservation status</td>
<td>Site overlaps with National Forest System lands (Tonto National Forest)</td>
<td>No</td>
<td>No</td>
<td>0</td>
</tr>
</tbody>
</table>

| Located in or near endangered species habitat | No | One endangered species is in the area. | One endangered species is in the area. | 0 |

1 Grades are reported on the Operations pages of our website.
2 Based on IUCN Red List definitions. See table of listed species on page 25.
3 Reporting qualitative information for 2021. More detailed information will be disclosed in future reports.

(INTERNATIONAL UNION FOR CONSERVATION OF NATURE) RED LIST FRAMEWORK. SEE TABLE ON PAGE 25. IN 2021 THE MIGRATORY BIRD TREATY ACT OF 1919 (MBTA) REGULATIONS WERE TIGHTENED TO REQUIRE REPORTING OF ANY MIGRATORY BIRD KILLS. PINTO VALLEY HAD NONE TO REPORT FOR THE YEAR. AS PARTS OF OUR MINE SITE ARE ON OR ADJACENT TO NATIONAL FOREST SYSTEM LANDS, WE WORK WITH THE US FOREST SERVICE TO RECEIVE INPUT, AND TO ENSURE OUR EIS AND MONITORING PROGRAM REFLECTS THEIR INTERESTS.

COZAMIN IS SUBJECT TO THE MEXICAN OFFICIAL STANDARD, NOM-059-SEMARNAT-2010. THIS STANDARD CLASSIFIES SPECIES AS IN DANGER OF EXTINCTION, THREATENED OR SUBJECT TO SPECIAL PROTECTION, WHICH IS ROUGHLY EQUIVALENT TO THE IUCN RED LIST CATEGORIES OF CRITICALLY ENDANGERED, ENDANGERED OR VULNERABLE.

SANTO DOMINGO FOLLOWS THE IUCN CLASSIFICATION SYSTEM AS REQUIRED BY CHILE’S REGULATION FOR THE CLASSIFICATION OF WILD SPECIES.

WE DEVELOP REGULATORY AND VOLUNTARY PLANS FOR ALL STAGES OF OPERATIONS. ALL ACTIVITIES SUBJECT TO PERMITS, INCLUDING MINE OPERATING PLANS AND EXPANSION PLANS, MUST INCLUDE BIODIVERSITY ASSESSMENTS. IN SOME CASES, WE ENGAGE INDEPENDENT BIOLGISTS WITH SPECIALIZED KNOWLEDGE OF THE AREA. A BIODIVERSITY ASSESSMENT BEGINS WITH AN INVENTORY OF THE SPECIES IN OUR AREA, WITH A FOCUS ON ENDANGERED OR THREATENED SPECIES. WE ALSO ASSESS HOW OUR ACTIVITIES COULD AFFECT THESE SPECIES AND DEVELOP MEASURES TO MINIMIZE POTENTIAL IMPACTS. FOR EXAMPLE, THE MITIGATION MEASURES IN PINTO VALLEY’S RECENTLY APPROVED MINE PLAN OF OPERATIONS INCLUDE ADDITIONAL SURVEYING OF ENDANGERED OR THREATENED SPECIES.

PINTO VALLEY’S PLANNING TOOLS INCLUDE A NOXIOUS WEED CONTROL PLAN, WILDLIFE MANAGEMENT PLAN, AND BIOLOGICAL RESOURCES MONITORING AND MITIGATION PLAN.

COZAMIN FOLLOWS A SOCIAL RESPONSIBILITY POLICY AND STRATEGIC ENVIRONMENTAL PLAN, AS MANDATED BY THE CUSTF. THIS WORK INCLUDES PROCEDURES FOR MANAGING FLORA AND FAUNA, AS WELL AS REFORESTATION AND RESCUE OF NATIVE SPECIES. WE ALSO MANAGE OUR IMPACTS THROUGH THE PREPARATION OF FEASIBILITY STUDIES, ENVIRONMENTAL SURVEILLANCE PLANS AND ENVIRONMENTAL ASSESSMENTS.

SANTO DOMINGO COMPLIES WITH REGIONAL REGULATIONS TO PROTECT SPECIES AND HABITATS OF INTEREST. WE FOLLOW ALL ENVIRONMENTAL QUALIFICATION RESOLUTION (RCA) PROTOCOLS WHEN RESCUING, RELOCATING AND MAINTAINING ANY SPECIES AFFECTED BY MINE OPERATIONS.

WE MONITOR BIOLOGICAL RESOURCES DURING OPERATIONS. WE CHECK THE EFFECTIVENESS OF OUR PROGRAMS BY MONITORING WILDLIFE, VEGETATION AND WATER QUALITY. IF WE OBSERVE POTENTIAL IMPACTS TO ENDANGERED OR THREATENED FLORA OR FAUNA, WE MINIMIZE OR MITIGATE THOSE IMPACTS. IN 2021 NO ADDITIONAL MITIGATION MEASURES WERE REQUIRED, BEYOND CONTINUED MONITORING.

PINTO VALLEY COMPLETED A SURVEY OF MIGRATORY BIRDS AS PART OF OUR RE-ISSUED MINE PLAN OF OPERATIONS.

COZAMIN CONDUCTS ANNUAL BIODIVERSITY SURVEYS. NO NEW SPECIES OF CONCERN WERE DISCOVERED.

SANTO DOMINGO HAS CONTRACTED WITH A THIRD-PARTY PROVIDER THAT SPECIALIZES IN RESCUE AND RELOCATION OF BOTH FLORA AND FAUNA. IN 2021 THE PROJECT COMPLETED FLORA AND FAUNA RESCUE, AS WELL AS ARCHAEOLOGICAL MONITORING IN BOTH THE PORT FACILITY AREA AND CONSTRUCTION OF A BY-PASS ROAD. SANTO DOMINGO USES AN INTERNAL DIGITAL PLATFORM TO CONDUCT
monitoring and provide alerts, and takes follow-up actions to protect the species being monitored.

We consider biodiversity in our reclamation and closure plans. Reclamation activities for Pinto Valley’s mine closure (currently projected for 2039) will include landform regrading and contouring. It will also consist of revegetation with native plant species to return the topography to a natural appearance, offset impacts to plant and animal communities, and provide upland habitat for native wildlife. Cozamin’s Social Responsibility Policy and Strategic Environmental Plan also requires work to maintain the operation's reclamation and closure plans. See page 56, Closure Planning.

Results

Assessment work in 2021 at Cozamin and Santo Domingo produced a net change of seven species in the total listed species for Capstone, primarily in the least concern category. There was no change in the numbers of listed species at Pinto Valley.

Pinto Valley has one species in the IUCN Red List Vulnerable classification—a bird known as the Chestnut-collared Longspur. Our surveys have not recorded any individuals on our property.

The USFWS5 list for the area includes two endangered species—the Ocelot and Arizona Hedgehog Cactus. Threatened species include the Yellow-billed Cuckoo and Northern Mexican Gartersnake. The Northern Mexican Gartersnake has not been seen in the vicinity of Pinto Valley.

In early 2021, two reaches of the Pinto Creek watershed near our mine were designated critical habitat for Western Yellow-billed Cuckoo. Capstone’s triennial surveys for this threatened bird species will add to a national database to establish mitigation strategies. Repeat surveys for the Arizona Hedgehog Cactus were conducted in areas of new disturbance on National Forest System land, but none were found.

Ocelots have historically been reported in the area but there are no recent records of sightings. The last reported sighting in the vicinity of the mine was a lone ocelot struck by an automobile in 2010; none have been observed since.

Cozamin completed its inventory update in 2021 and added two species to the IUCN list: Mammillaria Rettigiana cactus (endangered) and White-sided Jackrabbit (vulnerable).

Santo Domingo records only one endangered species from the IUCN Red List: an endemic lizard known as the Dragon of Torres. This species is identified in the Fauna Rescue and Relocation Plan. We are also monitoring a nationally protected cactus-like plant known as Copiapoa de Philippi. It will be rescued and relocated as necessary, as per the RCA permit.

Pinto Valley is our only operation exposed to the risk of acid rock drainage. Pinto Valley actively mitigates risks of potential acid rock drainage associated with surface water runoff by either encapsulating waste rock and tailings with inert materials or capturing and recycling surface water runoff that contacts these materials in a network of catchments, ponds and reservoirs. Groundwater quality is protected by the hydraulic capture zone created by the open pit, active pumping of downgradient water production wells and high evaporation rates on the surface of waste dumps and tailings impoundments.

Looking Forward

- Capstone will develop a company-wide framework for biodiversity management as part of an environmental standard that will be informed by IFC (International Finance Corporation) Performance Standards and the Towards Sustainable Mining (TSM) Protocols.
- Pinto Valley will commence triennial Yellow-billed Cuckoo surveys in 2022.
- In conjunction with the recently approved Mine Plan of Operations, Pinto Valley is implementing a Biological Resources Monitoring and Mitigation Plan.
- Santo Domingo will follow our Fauna Rescue and Relocation Plan as well as the Environmental Qualification Resolution.

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5 Obtained from Information for Planning and Consultation (IPaC) database for area within Pinto Valley property boundary.
Protecting Rare Lizards in Chile’s Atacama Desert

The Santo Domingo project is being developed in an arid, rocky environment that is not conducive to biodiversity. This makes it all the more important to conserve the few wildlife species that can eke out a living there. One of these, the Dragon of Torres, Liolaemus manueli, is not as intimidating as its English name suggests, being only about six centimetres long and given to hiding among stones.

This little lizard is classified as Endangered by the International Union for the Conservation of Nature (IUCN). So, when it was spotted during a biological survey of the mine area, Santo Domingo’s biodiversity experts rolled out their planned procedures for relocation. They donned gloves and began searching under rocks and plants. Once an individual was found, it was measured and tagged on an ankle, and its sex and features were logged. It was then secured in a transport cage and driven the same day more than 10 kilometres to an approved release location, far enough from the site to discourage its return. The biodiversity team makes regular monitoring visits to the relocation site, but so far the little dragon has stayed out of sight in its new home.
2021 MATERIAL TOPICS: ENERGY

Energy

Energy refers to the fuel or electricity we use for production, transportation or other uses. We track energy use for our two operating mines and our development project.

Why This Matters

Mines have large fuel and electricity requirements that account for a significant portion of operating costs. Access to reliable energy sources at stable prices is important for the long-term viability of our operations. Energy use on site, and throughout our value chain, produce greenhouse gas emissions (GHGs) that contribute to climate change. All of these factors create a strong incentive for us to be efficient with our use of electricity and fuel.

The mill grinding circuit uses the largest amount of electricity at our operations. The majority of our fuel use is diesel, to power haul trucks.

There has been an increase in regulatory attention on the sources of energy for our mines. For instance, Cozamin is required to obtain at least 20% of its energy from renewable sources. This is met by purchasing from renewable sources through Mexico’s Federal Electricity Commission (CFE).

How We Manage It

Our operations use grid power.
We have a responsibility to use energy efficiently, as it is a shared resource. Electrical grid power is derived from different sources in each jurisdiction where we operate. In Arizona, our electricity provider is forecasting a greater proportion of renewables in the future energy mix.

The Mexico Energy Reform of 2013 transitioned the federally owned electricity sector to a grid that has more participation from the private sector and increased renewable energy sources, though it is still primarily based on thermal power generation. We will closely watch for outcomes of a 2021 proposal aimed at reducing the private sector participation, which accounts for much of the renewable energy.

Grid power in the Santo Domingo area is largely derived from diesel and natural gas, with some solar and wind in the energy mix. In anticipation of
the operating stage, Santo Domingo has a power purchase agreement with Colbún S.A., which operates a coal facility and natural gas-fueled plants, as well as renewables, including solar, wind, hydro and biomass. In 2021 58% of Colbún’s electricity was thermally generated.

**We tailor our energy management to each operation.** Since each of our operations has a distinct energy mix and regulatory climate, our management of energy is tailored to site conditions. All operations have financial controls over diesel inventory and electricity billing, and standard energy management systems rooted in TSM (Towards Sustainable Mining) guidance.\(^6\) Notable aspects of the energy management systems include:

- Energy performance models to monitor energy use and adjust use in peak demand
- Voluntary targets
- Designated Energy Leaders and teams to focus on improvement
- Task-specific training for employees in significant energy use areas

**We emphasize energy conservation and efficiency.** Energy efficiency is a key criterion for upgrading equipment and securing funding for new capital projects on site. For instance, Pinto Valley purchased six pieces of fuel-efficient equipment with CAT engines that exceed US EPA Tier 4 regulations, and provide 20% fuel efficiency over previous models.

Projects in the underground mine at Cozamin are also driving efficiency. In 2021 a one-way ramp was completed, which decreased haul distance and the potential for idling due to traffic congestion. On-demand ventilation automation, targeted for 2022, will reduce energy requirements. Cozamin complies with the current regulatory push for energy conservation, including limits set by the CFE, which can trigger fines for overconsumption. In 2021 Cozamin received authorization for higher electricity consumption from the grid to support increased production in the mill.

**Results**

In 2021 Capstone’s total energy use and energy intensity increased by 8% and 7% respectively, mainly driven by fuel use. The increase in fuel is attributed to diesel requirements for longer-haul trips at Pinto Valley, as well as completion of capital projects at Cozamin such as shotcrete work and construction of the buttress and raises at the tailings facility. Cozamin also began supplying some contractors with diesel.

Pinto Valley’s electricity consumption decreased by 3% while production levels remained fairly steady. In 2021 Pinto Valley implemented predictive blast fragmentation technology. This technology uses smart drills that create selective blast plans based on rock hardness and other variables, which results in finer ore material being sent to the mill. Less energy is required to crush and grind the rock, leading to increased mill throughput and lower power consumption per tonne of ore.

Electricity at Cozamin increased by 15% while mill throughput increased by 26%. Several minor mill improvements jointly contributed to keeping the electricity increase below the rise in production.

**Looking Forward**

In 2022 we will:

- Identify opportunities to reduce energy use in our supply chain through our responsible sourcing program
- Assess costs of renewable energy alternatives in all jurisdictions, including both market-based instruments and on-site renewable power generation, to support Capstone’s emission reduction strategy

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\(^6\) The Mining Association of Canada, Towards Sustainable Mining

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**Sources of Grid Electricity for Operations**

**Pinto Valley 2021 Grid Electricity Mix**

- Natural Gas: 17%
- Nuclear: 6%
- Coal: 17%
- Renewables: 14%
- Hydroelectric: 3%
- Other: 43%

**Cozamin 2021 Grid Electricity Mix**

- Natural Gas + Diesel: 13%
- Nuclear: 3%
- Coal: 5%
- Renewables: 74%
- Hydroelectric: 5%

1 Includes natural gas and diesel  2 Renewable source
“Renewable energy systems around the world, which generate power from solar, hydro, thermal and wind energy, rely on the efficient conductive properties of copper – an indispensable metal for capturing, transporting and storing energy.”

### Energy Consumption and Energy Intensity

<table>
<thead>
<tr>
<th>ENERGY CONSUMPTION1 (GIGAJOULES)</th>
<th>PINTO VALLEY</th>
<th>COZAMIN</th>
<th>SANTO DOMINGO</th>
<th>TOTAL 2021</th>
<th>TOTAL 20202</th>
<th>TOTAL 2019</th>
<th>TOTAL 2018</th>
<th>% CHANGE 2020-2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel2</td>
<td>1,446,210</td>
<td>232,459</td>
<td>9,453</td>
<td>1,688,122</td>
<td>1,438,836</td>
<td>1,343,412</td>
<td>1,417,356</td>
<td>17%</td>
</tr>
<tr>
<td>Electricity</td>
<td>1,211,459</td>
<td>228,748</td>
<td>177</td>
<td>1,440,384</td>
<td>1,447,015</td>
<td>1,447,909</td>
<td>1,413,570</td>
<td>0%</td>
</tr>
<tr>
<td>Total Energy Consumption</td>
<td>2,657,669</td>
<td>461,207</td>
<td>9,630</td>
<td>3,128,506</td>
<td>2,885,852</td>
<td>2,791,321</td>
<td>2,830,926</td>
<td>8%</td>
</tr>
<tr>
<td>Energy Intensity (gigajoules/tonne processed)</td>
<td>0.136</td>
<td>0.339</td>
<td>n/a</td>
<td>0.149</td>
<td>0.139</td>
<td>0.141</td>
<td>0.140</td>
<td>7%</td>
</tr>
<tr>
<td>Grid Electricity (% of total electricity consumption)</td>
<td>100%</td>
<td>100%</td>
<td>0%</td>
<td>100%</td>
<td>Not reported</td>
<td>Not reported</td>
<td>Not reported</td>
<td>n/a</td>
</tr>
<tr>
<td>Renewable Energy (% of total electricity consumption)</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>8%</td>
<td>Not reported</td>
<td>Not reported</td>
<td>Not reported</td>
<td>n/a</td>
</tr>
</tbody>
</table>

1 Includes energy required to support all extraction processing and associated activities on site. Does not include fuel requirements for transport of employees, supplies or concentrate.
2 Fuel includes diesel, gasoline, propane and liquefied petroleum gas.
3 Santo Domingo energy use was measured and included for the first time in 2020, in conjunction with the start of site development activities. Santo Domingo is not included in 2018 or 2019 totals.
Climate Change

This topic covers the greenhouse gas emissions (GHGs) associated with energy use at our operations. We also address how we are assessing Capstone’s vulnerability to the impacts of climate change, and how we are responding to those risks.

Why This Matters

Climate change is an international and societal concern. In 2021 the UN Climate Change Conference (COP26) and the sixth assessment report released by the Intergovernmental Panel on Climate Change (IPCC)7 further raised the urgency for a global response. Our sites are in countries that are signatories to the Paris Agreement, a legally binding international treaty on climate change. Our efforts to address climate change are also increasingly important to our stakeholders, including our investors and employees.

Due to the energy-intensive nature of our industry, we view climate change and associated GHGs as a material topic for Capstone. We use GHG-producing fossil fuels in our vehicles. We also indirectly use fossil fuels through electricity purchased from electricity grids.

Our sites face vulnerabilities to climate change, due to potentially higher temperatures and changing precipitation patterns. In 2021 Arizona experienced wildfires, drought and water shortages, excess rain and flooding. In addition, as governments introduce measures to combat climate change, we may face additional regulations or costs.

How We Manage It

We work within the climate change frameworks of the countries where we operate. The regulatory framework for GHG emissions varies by jurisdiction, and our site-level management approaches vary accordingly.

Pinto Valley submits an annual emissions inventory report to the Arizona Department of Environmental Quality. Cozamin operates within the Mexican General Law on Climate Change, which mandates that we prepare an annual GHG inventory and have it independently verified. Santo Domingo will be subject to Chilean regulations, which are currently under development.

We take a risk-based approach to climate change. We respond to two main categories of climate risk: physical risks arising from actual climate changes such as extreme weather, and transitional risks that relate to the business impacts of governmental policy, such as carbon pricing.

Management Foundation

<table>
<thead>
<tr>
<th>APPROACH</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key policies</td>
<td>EHS&amp;S Policy</td>
</tr>
<tr>
<td>Governance and oversight</td>
<td>THES&amp;S Committee</td>
</tr>
<tr>
<td>Regulations or standards</td>
<td>Arizona Department of Environmental Quality regulations, Mexican General Law on Climate Change, Taskforce on Climate Related Financial Disclosures (TCFD)8</td>
</tr>
<tr>
<td>Evaluation</td>
<td>Emissions inventories</td>
</tr>
</tbody>
</table>

7 COP26, IPCC
8 Recommendations of the Task Force on Climate-related Financial Disclosures
We manage physical risks to our assets or people – such as effects of extreme weather, wildfire or drought – through our Enterprise Risk Management (ERM) framework. We are also developing climate adaptations that will allow Capstone to thrive across a spectrum of climate-related risk outcomes. For example, our Santo Domingo project will be built to address the threat of flooding in the region, as was experienced in 2015.

**We focus on improving energy efficiency.** Since our greatest exposure to transitional risks relates to our energy use, we concentrate on energy efficiency improvements, and researching alternative fuel and energy sources. See page 27, Energy.

**We recognize the impact of climate change on water resources.** We operate in water-scarce regions where water availability may also be affected by climate change. We are prioritizing investments in technology and improved operational practices to improve our water use efficiency, reduce our reliance on freshwater sources and make our operations more resilient. See page 38, Water.

**We collaborate with local agencies to respond to extreme events.** On numerous occasions in 2021, Pinto Valley provided assistance, including volunteers, equipment and financial resources, to the US Forest Service and other agencies. We provided rock material to help repair a section of highway damaged by flooding and collaborated in the Telegraph wildfire response. A volunteer crew from Pinto Valley also worked with the US Forest Service to prevent contaminated runoff (from a burn scar on an abandoned site) from entering Pinto Creek. See story page 45, Community Impacts.

**New TCFD Disclosures**

Capstone is in the process of developing a company-wide strategy for reducing emissions and managing climate-related risks and opportunities. We are aligning our disclosure practices with the Task Force on Climate-related Financial Disclosures (TCFD).

**Governance**

Capstone’s Board participates with management to ensure our long-term goals and strategic plan reflect the climate-related opportunities and risks of Capstone’s business. The Board’s oversight includes assessments of environmental and social impacts and related risks on Capstone’s strategy and operating model. The Board delegates oversight of climate-related risks and opportunities to the Technical, Health, Environmental, Safety and Sustainability (THES&S) Committee (renamed the

**Risk, Opportunities and Strategy**

Capstone conducted a qualitative assessment of climate-related risks and opportunities at the corporate level to understand the most material ways in which climate change may impact our business. In 2021 we also used the ERM Framework to identify where climate-related risks may accelerate.

<table>
<thead>
<tr>
<th>RISK</th>
<th>POTENTIAL IMPACTS</th>
<th>MANAGEMENT MEASURES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PHYSICAL RISKS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water stress and drought</td>
<td>Water shortages, caused by changes in precipitation patterns and prolonged drought conditions, may impact the productivity of our operations.</td>
<td>We have implemented strategies to conserve freshwater, such as maximizing reuse. We continually improve the accuracy of our site water balance models using climate trend data and drought cycle forecasting. Find out more about how we manage water risks in Water.</td>
</tr>
<tr>
<td>Extreme weather events</td>
<td>Increased severity and occurrence of extreme weather events such as floods, heat waves, drought and wildfires near our sites could lead to operational interruptions, health and safety risks to personnel, damage to public infrastructure and essential transport routes, and negative impacts to communities and livelihoods.</td>
<td>We engage directly with authorities and stakeholders on regional emergency preparedness and response. The effects of extreme weather events are considered in our site technical designs, stormwater management systems and mine closure plans.</td>
</tr>
<tr>
<td><strong>TRANSITION RISKS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulatory changes</td>
<td>Government policies and regulations aimed at mitigating or adapting to climate change could have financial implications for our operations. Carbon pricing policies may increase operating costs, including a higher cost of electricity and fuels, or costs linked to emissions produced. Increased regulatory and permitting requirements may require additional human resources and technology investments.</td>
<td>Currently, none of Capstone’s operations are covered by carbon pricing regimes. However, all of the countries in which we operate have made commitments toward decarbonization through Nationally Determined Contributions (NDC) as signatories to the Paris Agreement. We monitor evolving government policies related to carbon pricing. External auditors provide climate policy developments in quarterly reports to Capstone’s Audit Committee.</td>
</tr>
<tr>
<td>Increased cost of insurance</td>
<td>Exposure of our operations to physical climate risks could lead to increased insurance premiums.</td>
<td></td>
</tr>
<tr>
<td>Reputation</td>
<td>Capstone’s performance in managing climate change could impact our reputation with stakeholders, including investors, employees and governments. Poor performance could impact Capstone’s ability to secure project financing or regulatory approvals.</td>
<td></td>
</tr>
</tbody>
</table>
Technical and Operational Performance Committee in early 2022). In 2021 we introduced Board Terms of Reference for ESG oversight, including climate change.

Senior leadership reports on climate change and other ESG risks, identified through our Enterprise Risk Management (ERM) Framework, to the Board on a quarterly basis. Responsibility for managing risks is shared between the President and Chief Operating Officer; the Senior Vice President, Risk, ESG & General Counsel; and the Director, Technical Services.

Risk Management
We use our ERM Framework to identify, assess and monitor climate-related risks. Our ERM process produces a quarterly risk assessment of strategic, operational and financial risks for Capstone. We plan to align our ERM Framework with TCFD recommendations. We will also create a cross-functional committee to identify risks at the site and corporate level and use climate scenario analyses to better understand our exposure and resiliency to our most significant physical and transition risks.

Metrics and Targets
We are committed to reducing our GHG emissions and have been disclosing emissions in our sustainability reports since 2014. In 2022 we will produce updated and independently verified GHG inventories to establish a baseline year in line with industry best practices, develop company-wide target-setting and identify decarbonization pathways to achieve our targets.

As part of our work to align with TCFD, we will be developing additional quantitative metrics and targets to assess climate-related risks and opportunities, beyond emissions inventories.

Results
In 2021 Capstone’s GHG emissions increased by 6%. This is attributed to the increased use of diesel at both Pinto Valley and Cozamin, mainly for construction projects. Emissions are tied to our energy use and show a similar pattern to our energy consumption.

Cozamin is required to emit less than 100,000 tonnes of GHG emissions on an annual basis as per the Mexican Regulation to the Law on Climate Change. Cozamin consistently stays within that emission requirement.

Santo Domingo’s emissions are relatively low because the project has not gone into production yet.

Looking Forward
In 2022 we will continue developing our ability to manage and report on climate-related risks and opportunities. This work includes the following:

- Conduct climate risk assessments at each site to inform our overall strategy.
- Produce an updated and verified GHG inventory and establish the baseline year for the new Capstone Copper.
- Develop emissions targets.
- Review significant Scope 3 GHG emissions generated in our supply chain through our Responsible Sourcing Program.

Scope 1 and 2 Emissions and Emissions Intensity

<table>
<thead>
<tr>
<th>ENERGY-RELATED GHG EMISSIONS (TONNES CO2E)1,2</th>
<th>PINTO VALLEY</th>
<th>COZAMIN</th>
<th>SANTO DOMINGO</th>
<th>TOTAL 2021</th>
<th>TOTAL 2020</th>
<th>TOTAL 2019</th>
<th>TOTAL 2018</th>
<th>% CHANGE 2020-2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct GHG Emissions3</td>
<td>101,098</td>
<td>16,170</td>
<td>658</td>
<td>117,925</td>
<td>100,531</td>
<td>93,840</td>
<td>99,033</td>
<td>17%</td>
</tr>
<tr>
<td>Indirect GHG Emissions4</td>
<td>160,088</td>
<td>28,848</td>
<td>21</td>
<td>188,956</td>
<td>190,017</td>
<td>190,102</td>
<td>185,738</td>
<td>-1%</td>
</tr>
<tr>
<td>Total GHG Emissions</td>
<td>261,185</td>
<td>45,017</td>
<td>678</td>
<td>306,881</td>
<td>290,548</td>
<td>283,942</td>
<td>284,771</td>
<td>6%</td>
</tr>
<tr>
<td>GHG Emissions Intensity (CO2e/Tonnes processed)</td>
<td>0.013</td>
<td>0.033</td>
<td>n/a</td>
<td>0.015</td>
<td>0.014</td>
<td>0.014</td>
<td>0.014</td>
<td>5%</td>
</tr>
<tr>
<td>Emissions covered under emissions-limiting regulations (%)</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>Not reported</td>
<td>Not reported</td>
<td>Not reported</td>
<td>n/a</td>
</tr>
</tbody>
</table>

1. Includes emissions associated with energy required to support all extraction processing and associated activities on site.
2. Emissions are calculated in carbon equivalent tonnes (CO2e) and include CO2, CH4, (methane) and N2O (nitrous oxide). Source for global warming potential factors is the Intergovernmental Panel on Climate Change (IPCC) Emission Factor Database.
4. Indirect (Scope 2) GHG emissions are related to electricity purchased from other organizations. Sources for electricity emissions factors are: eGRID Summary Tables 2018, US EPA; Mexican Secretariat of Environment and Natural Resources (SEMARNAT); Chilean Ministry of Energy 2018 SEN factor; Sustentabilidad – Energía Atiende, Comisión Nacional de Energía. Capstone uses only location-based emission factors because available data for Arizona and Mexico did not meet GHG Protocol Scope 2 quality criteria for market-based emissions factors.
Environmental Compliance

This topic covers Capstone’s compliance with environmental permits and regulations, as well as improvements in our environmental performance.

Why This Matters
Throughout the project life cycle, mining activities affect land, air and water. All jurisdictions in which we operate have environmental laws and regulations that govern our operations. Our environmental permits set the performance standards we must meet to ensure we are operating in a manner that protects the environment. Capstone’s stakeholders, especially local communities, expect us to maintain environmental compliance and transparently report on our performance.

Environmental legislation is evolving with stricter standards and enforcement, higher fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a higher degree of responsibility for companies and their directors, officers and employees. Incidents of environmental non-compliance can be costly and affect our ability to continue operating or obtain future permits.

How We Manage It

Our mine plans are comprehensive. We plan for 20 to 30 years into the future, taking into consideration multiple environmental aspects and stakeholders.

In 2021 Pinto Valley continued with planning efforts related to mine expansion. This included expansion of a waste rock dump that will require permitting. The US Forest Service approved Pinto Valley’s Mine Plan of Operations, a development that was years in the making.

Cozamin completed a significant planning process with the opening of their one-way haul ramp in 2021. Santo Domingo implemented plans for the road bypass and camp development.

We have dedicated environmental personnel at each operation. In 2021 we added skilled professionals to grow the environment teams at all sites. Pinto Valley hired another environmental specialist and a mine engineer. Cozamin
promoted their superintendent of environment and hired a biologist. Santo Domingo hired a superintendent of environment. We also added a manager for environment, social and governance (ESG) at the corporate level. These additions will strengthen our capacity to manage environmental performance as Capstone grows.

**We set annual environmental objectives.** These are recorded and tracked on corporate and site-level scorecards. This drives continuous improvement in our environmental performance and links to our organization-wide compensation program.

Our key metric is preventing environmental incidents, the bulk of which are small spills of fuel or lubricants. To achieve this, we empower and motivate individuals to take an active role in our environmental performance through their daily activities and observations. Environmental incidents are reported internally as soon as they happen. We implement corrective actions such as changes to standard operating procedures or equipment repairs. Corrective action also includes training, such as root cause analysis (RCA), which contributes to improved awareness and fewer incidents. RCA at Pinto Valley influenced the decision to replace wet scrubbers with more effective models.

There are also regulatory requirements for our sites to report spills or releases of certain types and quantities of materials to government authorities. We categorize these spills as “reportable.” Our company-wide objective continues to be zero reportable spills.

**We participate in a voluntary audit program.** Under the Mexican National Environmental Auditing Program (PNAA), Cozamin voluntarily undergoes an independent audit every two years to earn a Clean Industry Certification. The audit covers federal and local environmental laws and regulations as well as the Mexican Official Standards (NOMs) on the environment. The most recent audit year was 2020; Cozamin renewed their certification until 2022.

**Results**

In 2021 there were no environmental fines or non-monetary sanctions issued to Capstone.

Pinto Valley continued its trend of declining non-reportable incidents. However, we missed our 2021 objective of zero reportable incidents due to one incident at Pinto Valley. There were no reportable incidents at other sites.

In 2021 Pinto Valley had one exceedance under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA, also known as Superfund), related to a leak of pregnant leach solution (PLS) from a pipe. We performed a root cause analysis and corrected a defective remote shut-off system that was designed to minimize spills from this pipeline.

For Capstone overall, the number of non-reportable incidents is falling year over year, as shown in the table below.

**Looking Forward**

- Capstone’s company-wide 2022 objective for reportable spills continues to be 0.

### Environmental Incidents

<table>
<thead>
<tr>
<th>ENVIRONMENTAL INCIDENTS</th>
<th>PINTO VALLEY</th>
<th>COZAMIN</th>
<th>SANTO DOMINGO</th>
<th>TOTAL 2021</th>
<th>TOTAL 2020</th>
<th>TOTAL 2019</th>
<th>TOTAL 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-reportable Incidents</td>
<td>14</td>
<td>2</td>
<td>0</td>
<td>16</td>
<td>17</td>
<td>29</td>
<td>34</td>
</tr>
<tr>
<td>Reportable Incidents</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Volume of Reportable Spills (litres)</td>
<td>499,501</td>
<td>0</td>
<td>0</td>
<td>499,501</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
Management Foundation

<table>
<thead>
<tr>
<th>APPROACH</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key policies</td>
<td>EHS&amp;S Policy, Tailings Management Policy</td>
</tr>
<tr>
<td>Governance and oversight</td>
<td>THES&amp;S Committee, Tailings Working Group, Independent Tailings Reviews</td>
</tr>
<tr>
<td>Regulations or standards</td>
<td>Site-specific environmental regulations and permits, waste management plans, Tailings Management System, GISTM, Toward Sustainable Mining (TSM) Tailings Management Protocol, Canadian Dam Association (CDA) Dam Safety Guidelines</td>
</tr>
<tr>
<td>Evaluation</td>
<td>Engineer of Record reviews, internal audits of the Tailings Management System, Independent Tailings Reviews</td>
</tr>
</tbody>
</table>

Waste

This topic covers tailings management, waste rock and other waste materials generated at our operations.

Why This Matters

Mines typically generate large quantities of tailings (the byproduct of processing ore) and waste rock (the rock removed to get to the valuable ore). Responsible management of waste is critical for minimizing the environmental and social impacts of a mining operation. Inadequate performance of a tailings or waste rock storage facility can result in environmental and property damage, and present a risk to the safety of mine employees and the public. Potential environmental damage can include impacts to local flora and fauna, surface water and groundwater. Excessive dust emissions from tailings storage facilities can affect air quality.

In addition to potential environmental and social risks, the monetary and reputational risks of inadequate tailings or waste rock management can impact the long-term viability of an operation. Recent high-profile tailings dam failures in Canada and Brazil have heightened global attention on mine management of tailings, from design and construction to responsible operation and closure. The mining industry has responded by strengthening best practice standards, including the Global Industry Standard on Tailings Management (GISTM).9

Mines also generate hazardous and non-hazardous waste through materials used for mineral processing and other operational activities. Waste that is not properly managed or disposed of can result in negative impacts on human health and the environment, including air, soil or water contamination, as well as GHGs. Non-compliance with hazardous waste management regulations in the jurisdictions where we operate can result in fines. Efforts to reduce, reuse or recycle can decrease the amount of non-hazardous waste that is landfilled, extend the life cycle of materials, and reduce the natural resources needed to make new products.

How We Manage It

We actively manage tailings and waste rock in all stages of mining. Pinto Valley manages five tailings storage facilities (TSF): two active, two inactive and one closed. Pinto Valley also stores waste rock in dumps on surface. Cozamin manages one active

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and two inactive tailings facilities. The majority of waste rock produced at Cozamin is used in the underground to backfill mine openings, while a small amount of waste rock is temporarily stored at surface. The Santo Domingo project includes one proposed tailings storage facility and a number of waste rock dumps.

**We have high-level oversight of tailings and waste.** Responsible tailings stewardship is a commitment in Capstone’s EHS&S Policy, as outlined in our Tailings Management Policy. At the corporate level, Capstone’s President and Chief Operating Officer is accountable for tailings management, and reports to the THES&S Committee at least quarterly. Our corporate Director of Technical Services oversees tailings management across the operations and leads Capstone’s Tailings Working Group. This working group aims to ensure that tailings risks are adequately mitigated and managed. It includes representatives from all of our sites, as well as tailings experts from engineering consulting firms. Our Mine General Managers have site-level responsibility for tailings, with the support of a Responsible Tailings Facility Engineer.

**Planning for waste starts with the end in mind.** Capstone’s mining engineers develop mine plans that specify the volume of tailings and waste rock that will be produced by the mine. They work with expert consultants to determine how these materials will be safely and responsibly transported and stored. These waste management plans are evaluated by regulatory agencies that issue permits for tailings and waste rock storage, including requirements for their design, operation, monitoring and closure. We continually review and update these plans throughout the life of the mine.

**We follow industry best practices.** Each operation has a Tailings Management System (TMS) that is developed using guidance from the Mining Association of Canada and the GISTM. This ensures that tailings storage facilities are appropriately designed, constructed, operated and closed. Key TMS components include:

- Close collaboration with a qualified Engineer of Record (EOR)
- Risk assessment and risk management processes
- Emergency preparedness and response planning
- An Operations, Maintenance and Surveillance Manual (OMS)
- Operator training programs
- Regular monitoring and inspection of tailings facilities
- Regular review of tailings management performance by independent experts

Each site has dedicated personnel and procedures to carry out regular geotechnical and environmental data collection, inspection and analysis to ensure the facilities are performing as intended in their permitted design.

**We review performance and practice continuous improvement.** We monitor our plans and facilities to ensure the storage facilities are performing adequately, meeting the expectations of regulators and other stakeholders, and meeting the requirements of the mine. We improve our tailings management practices through regular EOR reviews, annual internal audits of each site’s TMS, and Independent Tailings Reviews by external experts. To ensure an adequate and timely response, we track all review and audit findings and recommendations through to completion.

**We manage sludges, hazardous waste and other materials.** Some processes, and reagents or consumables required for mining processes, may generate hazardous waste that requires specialized disposal. Pinto Valley responsibly disposes of hazardous waste through a licenced and reputable waste disposal company. Other potentially hazardous materials are recycled whenever possible to recover valuable metals, including the recycling of sulphur extraction and electrowinning (SX/EW) sludge to a lead smelter. In the US, lighting ballasts require special disposal. Pinto Valley and Cozamin
### Waste Production (Material in million tonnes)

<table>
<thead>
<tr>
<th>WASTE</th>
<th>PINTO VALLEY</th>
<th>COZAMIN</th>
<th>TOTAL 2021</th>
<th>TOTAL 2020</th>
<th>TOTAL 2019</th>
<th>TOTAL 2018</th>
<th>% CHANGE 2020-2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste Rock(^2)</td>
<td>25.8</td>
<td>0</td>
<td>25.8</td>
<td>27.3</td>
<td>30.1</td>
<td>27.7</td>
<td>-6%</td>
</tr>
<tr>
<td>Tailings</td>
<td>19.0</td>
<td>1.3</td>
<td>20.3</td>
<td>20.3</td>
<td>19.6</td>
<td>20.0</td>
<td>0%</td>
</tr>
<tr>
<td>Sludge(^1)(tonnes)</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>-20%</td>
</tr>
<tr>
<td>Tailings Recycled (%)</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>Not reported</td>
<td>Not reported</td>
<td>Not reported</td>
<td>n/a</td>
</tr>
</tbody>
</table>

\(^1\) Overburden mined at Pinto Valley is minimal and is included in waste rock figures. Cozamin is an underground operation and does not mine overburden.

\(^2\) Waste rock produced at Cozamin is used as backfill material for ground support, and only a small amount of waste rock is permanently stored at surface. For this reason, this material is not considered waste by Capstone’s definition, and is not included in these figures.

Sludge is generated by the Pinto Valley SX/EW plant and annually shipped off site to a lead smelter for recycling, as it is considered hazardous. The annual variation is due to scheduling of shipment off site rather than a change in site practices of production. 100% of sludge generated in 2021 was recycled.

### MSHA Hazard Potential for Tailings Impoundments\(^1\)

<table>
<thead>
<tr>
<th>Number of Tailings Impoundments – High Hazard Potential</th>
<th>PINTO VALLEY</th>
<th>COZAMIN</th>
<th>TOTAL 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>1</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of Tailings Impoundments - Significant Hazard Potential</th>
<th>PINTO VALLEY</th>
<th>COZAMIN</th>
<th>TOTAL 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of Tailings Impoundments – Low Hazard Potential</th>
<th>PINTO VALLEY</th>
<th>COZAMIN</th>
<th>TOTAL 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) MSHA definitions included as SASB disclosure. Capstone uses Canadian Dam Association and GISTM hazard classifications to determine hazard potential for operational purposes.

Both recycle used oil through licenced contractors. Mexico classifies used oil as hazardous waste while the US does not. Cozamin does not produce sludge.

Pinto Valley and Cozamin recycle scrap metal from equipment that has worn out or been replaced; since this is the most significant category of non-hazardous waste. Pinto Valley works with a partner that makes troughs of repurposed tires for agriculture and ranching needs. This significantly reduces the amount of material sent to landfills. The sites also have initiatives to reduce the amount of trash sent off site, such as paper and aluminum separation for recycling.

### Results

Results refer to quantities of mining waste in the Pinto Valley and Cozamin facilities only, as Santo Domingo is not yet producing any mining waste. In 2021 there were no significant changes to the amounts of tailings and waste rock generated relative to throughput at Pinto Valley and Cozamin.

In 2021 we continued to improve and align tailings management with industry best practices. Pinto Valley installed an automated data acquisition system (ADAS) to remotely transmit pore pressure data from piezometers. The system provides near real-time measurement to allow for more immediate response to unexpected conditions compared to manually measuring piezometers in the field.

Pinto Valley also formed an Independent Tailings Review Board (ITRB), a key requirement of the GISTM. The ITRB consists of external third-party technical experts who have not been directly involved with the design or operations of Pinto Valley’s tailings facilities. The ITRB convened for the first time in 2021, and will meet regularly to review tailings performance. Review outcomes will be evaluated and tracked by Pinto Valley, and summaries will be provided to Tonto National Forest. Cozamin has plans to form its own ITRB.

Cozamin commenced work on the tailings filtration and paste backfill plant that is scheduled for completion in 2022. Design of the dry stack tailing storage facility was advanced to the detail design stage.

In 2021 we developed our baseline for tracking waste generation across Capstone.

### Looking Forward

- In 2022 Pinto Valley will continue to implement the recommendations of the ITRB.
- We will establish an Independent Tailings Review Board at Cozamin.
- Cozamin will complete the construction of the filtering and paste backfill plant, and start placement of filtered tailings in the dry stack TSF.
- Cozamin will reclaim and close the historic Chiripa TSF.

Building on our waste generation baseline developed in 2021, we will improve waste tracking and data collection to better understand the inputs, activities and outputs that lead to our most significant waste-related impacts associated with non-mineral waste.
Water

Water refers to the ways we source and use water in our operations. This topic also covers the effects of mining water use on other users and communities.

Why This Matters

Globally, freshwater is an increasingly scarce resource that is further threatened by climate change. Water is critical to the mining process: we require a reliable source to maintain our operations. Water is also essential to society and our local communities, and we must responsibly share the water resource with those around us. Water use is highly regulated in jurisdictions where we operate.

Pinto Valley, Cozamin and Santo Domingo are in water-stressed regions with the potential for water shortages. There are cumulative impacts on local water resources resulting from different users competing for water in these areas. In particular, Arizona has experienced extreme drought conditions over the last several years, leading to increased attention on water use.

How We Manage It

We recognize the shared value of water. Capstone’s Human Rights Policy recognizes that access to clean water is a fundamental human right and we must use it responsibly. Accordingly, we treat water as a scarce resource and only use what we need. Our strategy is to practice good water stewardship – using water efficiently, reusing water whenever possible, and avoiding impacts to water. Water is a high priority topic for Capstone, and we report to the Board of Directors quarterly on water management and risks.

We understand where our water comes from and prioritize low-quality water wherever possible. Pinto Valley’s main water sources consist of reclaimed water from closed open-pit mines owned by a third party, process water reclaimed from tailings, and groundwater wells around our mine site. The groundwater wells we utilize are part of the regional water system, and we monitor our withdrawals. We also use captured rainwater when available.

Cozamin’s main water sources consist of processed water reclaimed from tailings and water that is removed from the underground mine.

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10 Aqueduct Water Risk Atlas, World Resources Institute
We obtain additional water from rainwater stored on site and wastewater from a municipal water treatment plant.

Santo Domingo will use desalinated seawater for processing as per our EIS and Environmental Qualification Resolution (RCA). During the current phase of site preparation activities, Santo Domingo is purchasing water from municipal sources for camp purposes and potable uses.

We reuse process water. As we operate in areas of water scarcity, both of our mines essentially operate as closed-loop systems. We avoid withdrawal of new water by maximizing use of reclaimed process water. Cozamin occasionally uses reprocessed municipal wastewater.

We model our water balance to find opportunities for water savings. Pinto Valley and Cozamin maintain water balance models that incorporate climate modelling to account for the monthly input (precipitation and water withdrawal), usage and output (evaporation) of water. Based on this information, we identify strategies to improve our water use efficiency.

We avoid impacts to water. Our sites segregate clean rainwater from potentially contaminated stormwater and safely direct it offsite. We also maintain permits for emergency discharge of unimpacted stormwater. In 2021 there were no incidents of non-compliance resulting in formal enforcement action associated with water quality permits, standards and regulations. However, at Pinto Valley, some of the water discharged offsite did not meet the surface water quality standards for water impacted by tailings. The site reported the technical exceedances to the Arizona Department of Environmental Quality (ADEQ) as required. See page 33, Environmental Compliance.

**Water Withdrawal**

<table>
<thead>
<tr>
<th>Water Withdrawal by Source (m³)</th>
<th>PINTO VALLEY²</th>
<th>COZAMIN²</th>
<th>TOTAL 2021</th>
<th>TOTAL 2020</th>
<th>TOTAL 2019</th>
<th>TOTAL 2016</th>
<th>% CHANGE 2020-2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surface Water³</td>
<td>631,118</td>
<td>0</td>
<td>82,831</td>
<td>0</td>
<td>713,949</td>
<td>0</td>
<td>365,878</td>
</tr>
<tr>
<td>Groundwater</td>
<td>5,571,340</td>
<td>881,690</td>
<td>505,335</td>
<td>0</td>
<td>6,076,675</td>
<td>881,690</td>
<td>6,958,365</td>
</tr>
<tr>
<td>Seawater</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Third-party Water⁴</td>
<td>0</td>
<td>2,680,739</td>
<td>276,611</td>
<td>0</td>
<td>2,957,350</td>
<td>4,881,920</td>
<td>3,274,892</td>
</tr>
<tr>
<td><strong>Total Water Withdrawal</strong></td>
<td>9,764,887</td>
<td>864,777</td>
<td>10,629,664</td>
<td>11,777,421</td>
<td>11,942,413</td>
<td>10,883,854</td>
<td>-10%</td>
</tr>
<tr>
<td>% of Water Withdrawn that is Freshwater</td>
<td>64%</td>
<td>100%</td>
<td>66%</td>
<td>Not reported</td>
<td>Not reported</td>
<td>Not reported</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Water Intensity (m³/tonnes processed)</strong></td>
<td>0.50</td>
<td>0.64</td>
<td>0.51</td>
<td>0.57</td>
<td>0.60</td>
<td>0.54</td>
<td>-11%</td>
</tr>
</tbody>
</table>

1 Water withdrawal and water consumed are considered the same. Data is based on flow meters, meteorological stations and water balance modeling.
2 Our sites are in water-stressed areas. The World Resources Institute Aqueduct tool classifies Arizona (Pinto Valley) with High baseline water stress, and Zacatecas (Cozamin) and Atacama (Santo Domingo) with Extremely High baseline water stress.
3 Freshwater is defined as water containing total dissolved solids equal to or below 1,000 mg/L.
4 Low Quality or Other water is defined as water containing total dissolved solids above 1,000 mg/L. Pinto Valley’s other groundwater includes water pumped from its open-pit mine.
5 Surface water includes precipitation.
6 Pinto Valley third-party water includes water pumped from closed open-pit mines owned by third parties. Cozamin third-party water is primarily wastewater from a local water treatment plant.

We monitor water use and impacts. Mining activities, including storage of waste rock and tailings, can impact local surface and groundwater resources if not appropriately managed. We view compliance with water-related permit requirements as a necessary first step in mitigating negative impacts. To accomplish this, we monitor surface water quality, conduct daily team surveillance, and
“Pinto Valley scored a win for water conservation with new tailings thickening equipment that produces denser tailings and reduces the losses to evaporation. For Capstone overall, we achieved 10% lower water withdrawals compared to 2020, even while production was 19% higher and mill throughput remained relatively consistent.”

In 2021 we experienced extreme rainfall events in both Arizona and Mexico, which led to a rise in surface water availability. At Pinto Valley, we withdrew substantially less water from the third-party closed open-pit mine due to drought conditions, so we increased groundwater withdrawal and dewatered the on-site open pit. Cozamin increased use of treated municipal wastewater to support the increase in production.

In 2021 our sites implemented the following water-saving strategies:
- Pinto Valley deployed surface covers and products to reduce evaporation at water storage reservoirs.
- Pinto Valley replaced the tailings thickener centerwells to reduce the amount of water sent to tailings and increase water recovery to the mill.
- Pinto Valley expanded the use of chemical dust suppressants to reduce the water used for dust control on tailings and haul roads.
- Cozamin thickened the tailings to increase the amount of process water reclaimed by the mill.

Our approach was successful. Capstone’s overall water withdrawal decreased by 10% and overall water intensity decreased by 11% over 2020. Pinto Valley maintained a similar level of production from 2020 to 2021, while water intensity decreased by 11%. At Cozamin, production increased by 26% while water intensity decreased by 10%.

Looking Forward
In 2022, we will continue our focus on implementing initiatives to improve water use efficiency:
- Pinto Valley will increase tailings densities, as this represents the best opportunity to save water in the short term.
- Pinto Valley will replace wet scrubbers with dry filter cartridge dust collectors.
- Pinto Valley will make further upgrades to its remote pump operation system to prevent incidents that exceed surface water quality standards.
- Cozamin commenced construction on the dry stack tailings facility in 2021. It is expected to significantly reduce water retained in tailings once it begins operation in 2022.
“Pinto Valley is piloting technologies that will reduce water lost to evaporation from tailings ponds. These include hexagonal floating discs – a wind-resistant, insulating cover system – and a biodegradable polymer additive that forms a film on water surface. In 2021, these technologies were deployed at reservoirs and tailings reclamation ponds.”

Saving Water with Denser Tailings at Pinto Valley

The Arizona climate is experiencing drought conditions that haven’t been seen for 1,200 years. In 2021 the combination of reduced rainfall and higher temperatures led Pinto Valley to briefly curtail production when the water supply for the concentrator became constrained. Since the mining process is so dependent on water supply, the team at Pinto Valley is continually looking at ways to conserve this precious resource. The site already uses mostly recycled water for the mill, so a key opportunity is to reduce losses to evaporation.

Using the site’s integrated water management tool, the team pinpointed the water in tailings. Tailings are a slurry of waste rock and process water, which are put through a thickener to extract the water. The team realized they could reduce evaporation if they could make the tailings even denser, and recover more water for recycling at the same time. They invested in new centerwells for the tailings thickener and the results were positive. The team’s calculations showed that the replacement of centerwells produced savings of at least 567,000 cubic metres of water on an annual basis – approximately 227 Olympic-sized swimming pools! As the team is working to achieve even greater tailings density, further savings are expected.

11 Science, “Anthropogenic megadrought,” April 17, 2020
Community Impacts

Community impacts refer to the ways in which we nurture positive community relationships, and manage the potential negative effects of mining on local communities.

Why This Matters

Mining has the potential to impact communities – both positively and negatively – during the various phases of the mining life cycle.

Positive impacts include employment, community investment and economic development. Read more on page 49, Employment and on page 46, Economic Impacts. Negative community impacts include the human costs of environmental impacts and nuisances, such as noise and traffic, which can potentially disrupt communities and undermine their support of our operations.

Capstone operates in regions that have long mining traditions. Communities were often established to support mining, and residents are familiar with mining’s challenges and operational requirements. The proximity of our operations to local communities increases the potential for environmental or socio-economic impacts. It is important for us to work together to identify and mitigate potential concerns, and to leverage opportunities to deliver local benefits.

How We Manage It

Capstone respects the communities that host our operations. We work tirelessly to grow the trust and respect of our communities. Our corporate values and robust policy framework are the foundation of our local relationships. These guide us to minimize the short- and long-term

Management Foundation

<table>
<thead>
<tr>
<th>APPROACH</th>
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<tbody>
<tr>
<td>Key policies</td>
<td>Capstone Values, EHS&amp;S Policy, Human Rights Policy</td>
</tr>
<tr>
<td>Governance and oversight</td>
<td>THES&amp;S Committee</td>
</tr>
<tr>
<td>Regulations or standards</td>
<td>Regulatory requirements for public input on environmental permits, environmental quality regulations in each jurisdiction (see page 33, Environmental Compliance)</td>
</tr>
<tr>
<td>Evaluation</td>
<td>Stakeholder engagement activities, complaints received through internal mechanisms (e.g., Whistleblower hotline, Santo Domingo grievance reporting system, other site systems), issues reported to regulatory agencies</td>
</tr>
</tbody>
</table>

Throughout Mexico, including the regions where we operate, there has been an increase in violence between drug cartels, human trafficking organizations and other criminal enterprises, including violence towards the authorities. Capstone’s Cozamin mine operates in Zacatecas, Mexico, a region that is experiencing an increasing rate of criminal activity and violence. Impacts are most likely to occur in the surrounding communities, which can affect our employees, contractors and visitors. See page 16, Health and Safety to learn more about how we ensure the security of our employees and contractors, and on page 61, Human Rights Management to find out how we balance security needs with the rights of local people.
effects of mining, and maintain transparent communication with our stakeholders. Capstone’s Human Rights Policy, adopted in 2020, formalizes our requirement to integrate stakeholder engagement into project planning and operations, with an emphasis on the rights of vulnerable groups impacted by our activities. We apply our policy and governance framework to all projects, operations and contractors. In 2021, to ensure we retain community trust throughout our growth, we included human rights and environmental matters in our due diligence for the merger with Mantos Copper.

We develop an understanding of communities’ rights and interests. Members of neighbouring communities have economic, social, cultural and environmental rights and interests that may be impacted by, or intersect with, our activities. We recognize these rights and interests through our policy framework, as well as regulatory processes and international frameworks. See page 42, Community Impacts. We are not yet in complete alignment with the International Finance Corporation’s (IFC) Performance Standards on Environmental and Social Sustainability (2012), but these standards have substantially informed our approach. In particular, we have processes for identifying and managing environmental and social risks and impacts, as envisioned by IFC PS1 Assessment and Management of Environmental and Social Risks and Impacts. These processes are in place at all stages of the mining cycle, from pre-bid, development and operation, to eventual closure.

We build our understanding of these rights and interests through ongoing interactions with community members, many of whom are also our employees. We also seek out and listen to feedback, and ensure our operations are responsive to concerns. Our stakeholder mapping and engagement registers are the foundation for managing rights and interests.

At Pinto Valley, community interests are being addressed as a follow-up to the Environmental Impact Statement (EIS) regulatory process that concluded in 2021. Impacts of concern include air quality, land ownership, noise, public health and safety, recreation and wilderness, socioeconomic conditions, Indigenous interests, traffic and water resources.

In 2021 Cozamin developed a community impacts register to improve action tracking related to impacts and community commitments.

Santo Domingo defined its project area of influence and project-affected communities in relation to the mine area, port facility and new highway construction.

Our sites are active community members. We stay abreast of local interests and concerns by being involved in our communities. We partner with civil society organizations and local or state agencies to sponsor local projects through volunteer time and donations at all our sites. Throughout the global pandemic we focused our community support on health-related efforts (e.g., supplying masks), in cooperation with local governments or service organizations. Pinto Valley is a member of several community groups, including the United Fund of Globe-Miami and the Bullion Plaza Cultural Center and Museum. Cozamin holds a Socially Responsible Business distinction, awarded annually by the Mexican Center for Philanthropy for sustainability practices in the local community.

We listen and respond to feedback and concerns. Our operations have mechanisms that stakeholders can use to submit concerns or suggestions. At Pinto Valley, any complaints are typically raised with regulators who forward them to the site for resolution. When a complaint is received, Pinto Valley contacts the complainant to understand the concern, implements a solution and follows up to confirm the issue has been adequately resolved.

At Cozamin, complaints can be made anonymously using mailboxes located around the site. The management team reviews all submissions monthly, and responses are published in the quarterly newsletter. Community concerns about environmental matters are most often sent directly to regulatory authorities, who typically initiate an inspection or inquiry. If potential impacts are identified, we respond by monitoring, managing and improving operational practices or implementing appropriate measures. In 2021 we responded to concerns...
about the potential impact of blasting on neighbouring property. Community members are also interested in how Capstone can financially support their local traditions and festivals.

At Santo Domingo, where the project is in its early stages, site personnel are engaging with local communities to address anticipated concerns. These include the possibility of environmental impacts in the port area, where seaweed harvesting is a local livelihood. See page 61, Human Rights. Santo Domingo developed a formal grievance mechanism in 2021 and will implement it in 2022.

**We manage security risks for the safety of our communities.** We take security risks very seriously at all our sites. During 2021 the security situation in Zacatecas, Mexico worsened significantly, due to a rise in criminal activity. On the whole, our presence positively impacts security by providing a legitimate source of income for families and social supports through our community investments. We do not attract the type of criminal activity that can occur at gold-producing properties. Nevertheless, we adopt a vigilant approach and take measures to protect our employees and sites. We train our employees on how to reduce their personal security risks in all aspects of their lives. We have also worked with local authorities to provide patrols in the area and are engaging with newly elected state government authorities to continue this initiative.

**Results**

In 2021 there were no significant impacts on local communities and no significant disputes related to land or rights of local communities or Indigenous Peoples. There were no non-technical delays due to permits, community issues, protest or armed conflict. There were also no complaints reported through our Whistleblower hotline. Pinto Valley and Santo Domingo’s potential impacts and mitigation requirements have been identified through regulatory environment impact assessments. In Mexico, regulatory processes do not result in formal impact assessments. We have identified the potential impacts Cozamin is managing based on the requirements of operational permits.

Our 2021 community investments focused on the following areas:
- Community health and social welfare
- Youth programs and sports
- Education and training
- Environmental initiatives
- Local emergency planning and response

Cozamin worked with local health services to contribute additional hospital beds and medical personal protective equipment. Certified training staff from Cozamin participated in COVID-19 prevention training and awareness initiatives in communities, together with local health professionals. The site also supported local community organizations that work with vulnerable youth and children, and continued its monthly food hamper program through various charitable organizations.

Cozamin was a 2021 recipient of the prestigious Ethics & Values award by the Mexican Confederation of Industrial Chambers of Commerce (CONCAMIN). CONCAMIN is a large umbrella organization with thousands of companies and major chambers of commerce across Mexico. The award recognizes companies that demonstrate strong corporate social responsibility practices in areas of economic, social and environmental performance, respect for people, ethical values, and positive community impact.

In 2021 Pinto Valley made significant contributions towards disaster management response during major wildfire and flooding events. They participated in the Gila County Local Emergency Planning Committee Conference, aimed at building partnerships for local response to emergency events, as well as Fire & Flood Recovery public meetings to assess lessons learned. Additionally, Pinto Valley stepped up to support the acute emergency response in the following ways:
- Conducted soil stabilization and erosion control project at a previously reclaimed abandoned mine site in the headwaters on Tonto National Forest. See story on page 45
- Donated materials for sand bagging operations in preparation of localized flooding from the Telegraph Fire burn scar
- Performed emergency repair to a segment of US Highway 60 severely undercut by flood waters, by sourcing and loading over 300 tons of boulders, in collaboration with the Arizona Department of Transportation
- Donated pallets of bottled water and 400 watering bowls to Gila County Animal Control for temporary shelters for displaced animals and livestock during the Telegraph Fire
- Donated $50,000 to the Post-Fire Long Term Flood Recovery Fund

Pinto Valley also encourages employee volunteering. Over the course of 2021, Pinto Valley supplied equipment for monthly community clean-up projects. They also provided volunteer support, including a clean-up of four sites in Tonto National Forest.

**Looking Forward**

In 2022:
- We will analyze gaps in our alignment to IFC Performance Standards.
- Pinto Valley will develop a formal community grievance procedure.
- With stakeholder input, Cozamin will update its community investment strategy.
- Santo Domingo will implement their community grievance procedure.
Working Together to Protect Local Lands and Waters

The summer of 2021 unleashed multiple hazards in Arizona. The Telegraph wildfire burned through more than 73,000 hectares from June 4 to July 3. This was followed by intense rainstorms that caused flash floods over the scarred land. The US Forest Service was concerned that their reclamation work on a historical mine site would be undone by further rain. This could release contaminated runoff water into Pinto Creek, harming the waterway, wildlife and recreation values in the area. Pinto Creek eventually flows north past the Pinto Valley mine site, making the risk personal to Pinto Valley employees.

Pinto Valley quickly assembled a team for a soil stabilization project on an area identified by the US Forest Service. Over two days, they rebuilt an access road, taking care to keep water channels open, and trucked in loads of straw wattles - like thick ropes of straw - to slow the runoff and prevent further erosion. Then, on their day off, 13 volunteers pitched in to place and secure the wattles. Pinto Valley’s Senior Mine Coordinator Dave Grove, a third-generation miner, was one of them.

Dave explained how it felt to work hand in hand with the US Forest Service to protect the local environment. “People may not realize that historically mines around here didn’t take such good care of the land. So, you can make yourself proud as a miner when you see yourself as a steward of the environment. People here like to go out in the hills for recreation. It was a big sense of accomplishment to protect that and to see the US Forest Service so pleased with how we did the job.”
Economic Impacts

This topic includes Capstone’s direct inputs to local and regional economies through spending on goods and services, payment of wages and salaries, payments to governments and community investments. Indirect economic activity includes the ripple effect of this spending. Economic impacts also include development of the economy through innovation and investment, and the production of crucial mineral resources for the green economy.

Why This Matters

Mining can make a significant contribution to local economies through tax revenues, employment, procurement and community investments. Mining can also create jobs and generate economic activity throughout the value chain: both upstream through the demand for goods and services, and downstream with requirements for road transport and handling of concentrate products at port facilities.

It is important to our employees and stakeholders that Capstone sites prioritize local procurement and make investments that directly support community needs. By planning with long-term responsible growth in mind, we can expand our demand for services in local and regional economies. For example, we are investigating alternative energy sources for our sites. As ocean freight becomes more expensive due to increasing inflation, we are looking at domestic opportunities for concentrate sales.

Copper is a vital resource for the technologies that are powering the transition to a low-carbon future. With the growing global need for copper in a wide range of applications, we consider this to be an important economic contribution.

How We Manage It

**We have resilient operations and deliver strong financial performance.** This ensures we can continue building economic value in the communities and regions where we operate, through tax revenues and employment. We also look to the future by investigating exploration opportunities that can extend the mine life of our operations.

**We emphasize local content in our supply chains.** We make efforts to source goods and services locally, which stimulates local economic activity. At Pinto Valley, this means working with local suppliers and contractors from the Globe-Miami area. Cozamin is a member of the Zacatecas Mining Cluster, a committee...
of local mining companies, suppliers, and both government and educational institutions, that promotes growth in the local mining industry. Working with suppliers near our sites can also make our supply chains more reliable and cost effective.

We invest in technology, innovation and modernization. This helps our mines remain efficient and competitive while improving sustainability best practices. For instance, in 2021 Pinto Valley completed a PV3 Optimization program, a two-year project that included improvements to the fine crushing plant, ball mill and tailings infrastructure. This improved average mill throughput from 51,000 tonnes per day (tpd) in 2019 to 58,000 tpd as of the end of 2021.

Cozamin progressed work on the dry stack tailings facility and paste backfill plant, and advanced the Impact23 Project, a set of initiatives aimed at extending mine life, improving sustainability performance and increasing operational efficiency by 2023. See page 35, Waste. In 2021 the first tests on new ore sorting technology were completed and had positive results.

Santo Domingo initiated engineering work on a cobalt feasibility study to evaluate the recovery of cobalt from tailings. Cobalt is a key input to green technologies such as batteries, and recovering it from the waste stream will create value for the operation. The study concludes that Santo Domingo could be one of the largest and lowest-cost cobalt producers in the world.

We invest in the communities where we live and work. Our operations manage community investments on a local level, including both funding and employee volunteer hours. Our aim is to maximize our impact by working collaboratively with local partners and civil society organizations in support of local development priorities See page 42, Community Impacts.

Results

Capstone had a very successful year in 2021, driven by increases in production of copper concentrate and the rising price of copper. Much of the economic benefit flowed to employees in the form of wages and benefits; to suppliers for energy, equipment, materials and services; and to governments through taxes and resource payments. We paid off a large portion of long-term debt in early 2021, which reduced interest payments. Community investments, which spiked during the early waves of the COVID-19 pandemic, fell below budget in 2021, as some community events could not take place due to public health measures. We invested $358,000 in local community initiatives and programs in 2021. Pinto Valley made a substantial contribution to the United Fund of Globe-Miami, which supports many local non-profit organizations. Cozamin supported health, education and youth programs in their community. We report more information on community investments in Community Impacts.

Our main indirect economic impacts included the ripple effect of Capstone’s
payment of wages to our workforce and the purchase of energy, equipment and materials from our suppliers.

Consolidated production increased by 19%, from 156.9 million pounds of copper in 2020 to 187.1 million pounds in 2021. Pinto Valley had 5 of the top 10 highest-producing months on record for copper production. This was mainly due to higher-grade ore processed at both mines and the completion of Cozamin’s one-way haul ramp. The ramp improved the mine’s daily production by 30%. Refer to 2021 Consolidated Financial Statements and Management’s Discussion and Analysis for details.

Pinto Valley entered into an 18-month access agreement with BHP Copper Inc. and initiated a drill program at their Copper Cities project, located 10 km from the mine. The exploration of additional copper resources at this brownfield site presents a significant development opportunity that has a lower environmental impact than greenfield exploration and development.

In 2021 the total spending on local goods and services increased at both Pinto Valley and Cozamin. At Pinto Valley, the percentage of spending on local suppliers was consistent with 2020. At Cozamin, while the absolute amount of local spending doubled, the local share of total spending dropped.

Capstone announced the business combination with Mantos Copper in Chile in late 2021. We began a Mantoverde-Santo Domingo synergies study to identify opportunities for sharing resources between the projects (which are situated 35 km apart), such as power, water, pipelines and port infrastructure, as well as concentrate transport, construction camps and personnel.

**Looking Forward**

- Through its access agreement with BHP, Pinto Valley will explore district-scale opportunities to conduct drill and metallurgical test work at the neighbouring Copper Cities Project.
- Cozamin will continue to invest in the Impact23 growth projects.
- Santo Domingo will continue the Synergies study with the Mantoverde operation, following the business combination with Mantos Copper.
### Employment

This topic includes Capstone’s performance as an employer, including the composition of our workforce, employee attraction, retention and engagement, local hiring and conditions of work.

#### Why This Matters

Employment is recognized as an important factor in sustained and inclusive global economic growth. Employment is a key benefit of mining operations, especially in rural or remote areas. It develops the skills of local people and provides wages that increase opportunities for local spending.

By developing a skilled and engaged workforce, we create the foundation essential for our future growth. Capstone, along with the rest of the mining industry, is facing a talent shortage due to factors such as an aging workforce and a deficit of skilled tradespeople. In the US, the COVID-19 pandemic triggered a wave of resignations in 2021. In Mexico and Chile, there is growing competition for new hires as more projects come online. Failure to attract and retain qualified employees can increase costs or delay projects, and affect our ability to achieve our long-term goals for responsible growth.

#### How We Manage It

- **Our employment approach is rooted in strong governance practices.** Capstone’s Human Resources & Compensation Committee has oversight of company-wide compensation policies and programs to attract and develop employees. Our Capstone values, key policies and local employment regulations set the minimum standard for our practices.

- **We are responsive to labour dynamics and employee needs.** With our strong foundation, we can effectively respond to both changes in the labour market and the needs of our employees. In 2021 Pinto Valley adjusted their hiring requirements to broaden the talent pool (e.g., creating more flexible schedules for certain positions). Pinto Valley also provided additional COVID-19 paid sick leave to salaried employees and offered it to hourly employees (who currently are not eligible for sick days).
**We create a rewarding environment.**
Capstone offers industry-competitive compensation and benefits, as well as professional development opportunities. Through our performance management program, we objectively measure and reward performance at individual, team, operation and corporate levels. Our Board of Directors approves annual corporate objectives set by the Senior Leadership Team, which cascade to our operations and are linked to employee compensation. This gives our employees a sense of ownership, enables them to share in Capstone’s success, and builds awareness and support for implementing Capstone’s ESG strategy and goals. In 2021 ESG-specific metrics were incorporated into the corporate scorecard. Strategic ESG objectives had a weighting of 10%, and were tied to executive compensation. Operational health, safety and environment performance received a weighting of 20% in the 2021 corporate scorecard.

**We celebrate our employees.**
Acknowledging employee performance creates a culture of appreciation and increased levels of engagement.

Pinto Valley’s Creating A Rewarding Environment (C.A.R.E.) program rewards five types of employee contributions and shares the news via email and TV monitors.

Employee rewards include:
- **Kudos** - Recognizes everyday actions that align with our Capstone values
- **Service awards** – Honours years of service
- **Good catches** - Incentivizes reporting of safety near misses
- **Community champions** – Celebrates good work in communities
- **Spot awards** - Rewards exceptional performance

Cozamin also has reward programs for employees, which celebrate safety awareness, service and education:
- **Safe miner rewards** – Recognizes employees and contractors for safety performance
- **Service awards** – Honours years of service
- **Values in action** – Celebrates best practices aligned with Capstone values
- **Perfect attendance** - Incentivizes good attendance
- **Capstone scholarships** – Supports both employees and their children who are pursuing studies

**Training is an integral part of our employment efforts.** Our sites focus on training to develop and retain a skilled workforce. Pinto Valley develops training plans for each employee, which identify skills required to advance to the next level. Cozamin offers skill certifications to attract employees in a competitive local environment. In 2021 we focused on leadership and technical training certifications See page 66, Training and Education.

**Local communities are an important source of talent.** We mainly operate in communities with a long tradition of mining, which gives us access to talented people with knowledge of the industry. Our sites aim to be an employer of choice for these valued recruits. Pinto Valley builds a local presence by participating in community events and fostering relationships with colleges and agencies that help place individuals with local employers. Pinto Valley also has an employee referral program and conducts “stay interviews” to learn why people choose to work at the mine. Cozamin has built a strong reputation through community and employee engagement, with local employees comprising over 80% of its total workforce. Santo Domingo increased local employment by 33% over 2020 due to local hiring opportunities with large contractors working for the project.

**Capstone’s commitment extends to our contractors and suppliers.** Capstone is committed to fair labour practices, respect of workers’ rights, and a safe, inclusive and diverse work environment. Through our Supplier Code of Conduct, we extend these performance standards to all employees, contractors and workers in our supply chain. See page 65, Procurement Practices.
Results

With 2,017 employees and contractors and a 30% increase over 2020, 2021 was a growth year for Capstone’s global workforce. We started building the foundation for our future with major site projects. Our global contractor team grew by 81%, which is attributed to Cozamin’s production returning to pre-pandemic levels and commencement of work on the tailings filtration plant, as well as Santo Domingo’s addition of nearly 200 contractors to support site preparation activities.

Capstone’s employee base grew by 8%. Notably, Pinto Valley’s employee new hire rate increased by nearly 10% over 2020. The increase was partly due to Pinto Valley’s conversion of contractors to full-time employees, to bring on knowledgeable and qualified people. The site saw hiring success through additional recruitment initiatives. The employee referral program received 112 referrals, resulting in 52 new hires. Pinto Valley’s 2021 summer internship program had 15 interns, the largest group in recent history. Three of the interns were hired in full-time roles and three more were brought on as contractors while they finish school. Capstone’s global new hire rate is highest among the 25 and younger age group, which is driven by Pinto Valley’s increased hiring from this age group. In addition to hiring summer interns, the site relaxed hiring requirements for some roles. A high school diploma is no longer required, but candidates must pass a site-administered test on basic skills required to safely perform the job.

Santo Domingo saw a significant increase in the new hire rate as the employee workforce grew to support project development and permitting. While Capstone’s global turnover rate for other age groups remained static or decreased slightly, the rate for the 26-35 age group increased from 13% to 20% in 2021. This is attributed to summer interns leaving to return to their studies following internship completion.

Capstone’s global employee age and gender demographics, which are important indicators in understanding our workforce and diversity, remained relatively consistent. In 2021 11% of Capstone’s employees were women. Both the new hire and turnover rates for women increased in 2021.

Looking Forward

- In 2022 Cozamin will restart the Seed Program – a training initiative that provides work opportunities for the Ejidos, our community neighbours.
- Pinto Valley will develop outreach programs for underserved populations, including veterans, Native Americans and women.
### Capstone Employment by Region\(^1\)

<table>
<thead>
<tr>
<th></th>
<th>PINTO VALLEY</th>
<th>COZAMIN</th>
<th>SANTO DOMINGO</th>
<th>CORPORATE(^2)</th>
<th>TOTAL 2021</th>
<th>TOTAL 2020</th>
<th>TOTAL 2019</th>
<th>TOTAL 2018</th>
<th>% CHANGE 2020-2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-time Permanent Employees</td>
<td>524</td>
<td>76</td>
<td>466</td>
<td>24</td>
<td>1,027</td>
<td>124</td>
<td>952</td>
<td>127</td>
<td>8%</td>
</tr>
<tr>
<td>Part-time and Temporary Employees(^3)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>3 n/a 200%</td>
</tr>
<tr>
<td>Total Employees by Gender</td>
<td>524</td>
<td>76</td>
<td>466</td>
<td>24</td>
<td>1,033</td>
<td>127</td>
<td>952</td>
<td>129</td>
<td>93%</td>
</tr>
<tr>
<td>Total Employees</td>
<td>600</td>
<td>490</td>
<td>29</td>
<td>41</td>
<td>1,160</td>
<td>1,075</td>
<td>1,049</td>
<td>1,080</td>
<td>30%</td>
</tr>
<tr>
<td>Full-time Contractors(^4)</td>
<td>74</td>
<td>4</td>
<td>491</td>
<td>7</td>
<td>829</td>
<td>28</td>
<td>457</td>
<td>17</td>
<td>81%</td>
</tr>
<tr>
<td>Total Workforce by Gender</td>
<td>598</td>
<td>80</td>
<td>957</td>
<td>31</td>
<td>1,862</td>
<td>155</td>
<td>1,409</td>
<td>140</td>
<td>32%</td>
</tr>
<tr>
<td>Total Workforce</td>
<td>678</td>
<td>988</td>
<td>310</td>
<td>41</td>
<td>2,017</td>
<td>1,549</td>
<td>1,663</td>
<td>1,607</td>
<td>30%</td>
</tr>
<tr>
<td>Contractors as a % of Workforce</td>
<td>12%</td>
<td>50%</td>
<td>91%</td>
<td>0%</td>
<td>42%</td>
<td>31%</td>
<td>37%</td>
<td>33%</td>
<td>12%</td>
</tr>
<tr>
<td>Workforce(^5) from Local Community(^6)</td>
<td>35%</td>
<td>86%</td>
<td>33%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior Management(^7) from Local Community</td>
<td>0%</td>
<td>73%</td>
<td>50%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manager-level Employees(^8) from Local Community</td>
<td>19%</td>
<td>100%</td>
<td>0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

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1. Includes full-time salaried and hourly employees (by headcount) who are employees of Capstone Mining Corp. or one of its subsidiaries.
2. Includes employees of greenfield exploration.
3. Includes part-time permanent and employees with finite employment contracts.
4. Includes contractors who are regularly on site performing core business functions (e.g., surface and underground mining, blasting, security).
5. Total workforce at significant areas of operation (excluding corporate office).
6. Local is defined as communities that are directly impacted economically, socially or environmentally by our operations. Local communities at Pinto Valley include Miami, Globe and Claypool. Many employees choose to live in Phoenix which is not included in our definition of local. Cozamin communities include Hacienda Nueva, Zacatecas City, Morelos, Wits Gerden, Guadalupe and Cuales. Santo Domingo includes Diego de Almagro (mine site), Chahual (transportation route) and Calera (port facility).
7. Senior management includes direct reports to mine general managers.
8. Includes employees in the manager salary level band.
Hiring Our Heroes

Pinto Valley is proud to be the first mining company to earn the Arizona Veteran Supportive Employer badge from the Arizona Coalition for Military Families. This was due to our ongoing participation in the Hire Our Heroes (HOH) Fellowship Program, which provides veterans with meaningful career paths after their military service, and the opportunity to build on transferrable skills as they transition to the private sector.

In 2021 we hired Doug Middleton (pictured left), our first fellow from the HOH program, into a full-time role as Senior Operational Excellence Advisor I. Doug was mentored by Jason Green (pictured right), veteran and Senior Operational Excellence Advisor II. Pinto Valley is proud to be a partner in the HOH program, which exemplifies the power of mentorship.

“I am fortunate to have Jason as a mentor and I’m grateful to him for helping bring me into the mining industry. I’ve seen several friends leave military service with a desire to continue to serve and contribute to a cause. Some veterans find that in corporate settings and I am finding it in the mining industry. Mining draws on so many parallels with military service but what excites me the most is that copper holds a strategic value around the globe. Copper is a critical component in the devices that make up our everyday lives and, to me, being part of the production of copper is being a part of the service to the nation. Like military operations, the mining operations at Pinto Valley are continuous. Several of the skills and attributes I’ve developed through military service have allowed me to have a smoother transition into the mining industry than I ever would have imagined.”
Anti-Corruption

This topic covers the measures we have in place to avoid incidents of bribery, fraud and extortion involving any Capstone employee, director, supplier or any other third party acting on our behalf.

Why This Matters

The potential for corruption is a global concern for the mining industry. Corruption impedes development, undermines the market economy, and leads to a loss of confidence in institutions. Local communities may also be affected when project benefits are not fairly distributed. For Capstone, non-compliance with anti-corruption measures could threaten our reputation and expose Capstone and our directors, officers and employees to the risk of prosecution, fines and imprisonment in the jurisdictions where we operate. For these reasons, we have prioritized anti-corruption as a material topic, distinct from other compliance measures.

How We Manage It

Anti-corruption is a fundamental value in our work culture. Capstone respects and follows anti-corruption laws. Capstone employees, directors and suppliers conduct business in an honest and ethical manner when dealing with government officials and any other parties. Anti-corruption is part of the global risk-based decision-making processes we apply to all business activities. For example, anti-corruption was assessed as part of our due diligence in the business combination with Mantos Copper. Our shared values and culture around anti-corruption were factors in the final decision.

We have comprehensive anti-corruption policies. Anti-corruption governance starts with Capstone’s Code of Conduct and is supplemented by an Anti-Bribery Policy. All employees and directors are required to annually confirm in writing that they have read, understood and agree to comply with the policy, and to complete training on the policy and our Code of Conduct.

Anti-corruption extends to our suppliers. We implement anti-corruption in procurement practices, through our Supplier Code of Conduct.

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<tr>
<td>Regulations or standards</td>
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“Integrating sustainability into procurement decisions will help us manage social and environmental supply chain risks. Building on the development of our Supplier Code of Conduct, in 2021 we engaged a third party to assess our sourcing practices to help us develop a responsible sourcing program in 2022.”

and our Anti-Bribery Policy. Suppliers can access these documents through the Supplier Hub on Capstone’s website. As needed, we also include anti-corruption in contractual requirements. In our 2021 baseline review of procurement practices, we assessed how effectively we monitor compliance with the Supplier Code of Conduct. See page 65, Procurement Practices to find out how we are improving our monitoring practices.

The Board and Senior Leadership Team oversee our anti-corruption efforts. The Board has appointed Capstone’s SVP, Risk, ESG and General Counsel to oversee administration of the Anti-Bribery Policy. This senior officer reports directly to the Board. Every quarter, our sites must report any legal violations, including anti-bribery breaches, to the Senior Leadership Team. Significant risks and violations are reported to the Corporate Governance and Nominating Committee on a quarterly basis. Any incidents of corruption or bribery reported through Capstone’s Whistleblower hotline are reported directly to the Board.

We annually disclose payments made to public bodies in Canada and abroad as required by the Canadian Extractive Measures Transparency Act (ESTMA).

Results
We have assessed all Capstone sites for risks related to corruption, including Pinto Valley, Cozamin and Santo Domingo, and no significant risks have been identified. In 2021 there were no significant corruption incidents reported at any of our sites. Minor instances were investigated and resolved, and no indications of corruption were found.

Looking Forward
In 2022 we will further strengthen our anti-corruption foundation, with the following actions:

- Harmonize anti-corruption policies and mechanisms across the expanded company
- Develop procedures for evaluating supplier and significant business partner compliance with Capstone anti-corruption requirements
- Expand training on the Supplier Code of Conduct
- Consider voluntary participation in Mexico’s Extractive Industries Transparency Initiative (EITI) process
Watchlist Topics do not merit the same level of disclosure as our material topics, but warrant continued attention as they may become material.

- Closure Planning
- Compliance with Laws and Standards
- Diversity and Equal Opportunity
- Human Rights Management
- Indigenous Relations
- Labour Management Relations
- Procurement Practices
- Training and Education
Why This Matters

Mining inherently places a significant burden on the land. Closure planning minimizes the potential long-term impacts of mining activities once operations have ceased. Successful reclamation of disturbed areas must consider social, environmental and financial obligations. Closure planning is also a regulatory requirement. It assures stakeholders that we have the financial resources and technical ability to close our operations in a responsible manner. This is especially relevant in the US, where multiple mine closures have historically fallen to government and taxpayers. Closure planning also addresses the potential for a temporary closure scenario if the project is put into a care and maintenance phase.

Closure planning costs and considerations are substantial for any mining operation. Pinto Valley has a long operating history and has significant reclamation obligations. Cozamin has a relatively small surface footprint but has inherited historic mining operations on the property that require remediation. Santo Domingo developed a closure plan as part of project design and permitting.

How We Manage It

We integrate closure planning into our mine planning and project design processes. Closure plans include the activities, materials and costs required to restore the area and leave it safe once mining activities cease. These include:

- Physical contouring of the land to re-slope surfaces and ensure long-term stability
- Surface and groundwater management
- Soil and rock covers or revegetation with native seeds on mine facilities (e.g., tailings, waste rock dumps)
- Long-term monitoring to ensure reclamation activities are performing as planned
- Personnel requirements to retain a skilled workforce and perform the tasks required
Pinto Valley's closure obligations are governed by multiple state-administered programs. Our Mining Plan of Operations is also subject to US Forest Service approval. In the future, final closure plans will be subject to a regulatory review that includes stakeholder consultation.

In Mexico, there are currently no formal mine reclamation and closure standards, but closure plans are required for land use permits. Santo Domingo’s Mine Closure Plan was approved in 2019.

**We make financial provisions for closure costs.** As part of Capstone’s financial diligence, we annually review the reclamation and closure cost obligations of each site. Financial provisions for closure of Capstone operations are available in our annual financial statements. Arizona and US Forest Service regulations require us to guarantee funds to the government for Pinto Valley’s closure obligations. In 2021 Pinto Valley increased its closure bond by $44 million in relation to disturbance on National Forest Service land. Cozamin’s closure costs also increased by 15% after the Chiripa tailings remediation project plan was finalized. Santo Domingo must provide a closure bond to the government during the first year of operation. Bonds can be released once closure work is done.

**We conduct concurrent reclamation and monitor the results.** Some closure activities can be completed during operations. This concurrent reclamation includes the following processes: reclaiming waste materials in accordance with approved mine plans, ensuring adequate revegetation, capturing affected water, and removing obsolete infrastructure. By monitoring the results of these activities, we can confirm our closure plans are effective and adjust them as needed. Concurrent reclamation is a responsible and cost-effective practice that reduces long-term closure costs and liability. For example, Pinto Valley will regrade a closed tailings facility and waste rock dump as part of its 2021 Mining Plan of Operations. In 2021 we conducted topographic surveys as the first step of this work.

**We remediate historic mining impacts, where they exist.** Cozamin is remediating the Chiripa tailings area, which had historic contamination when Capstone acquired the property. In 2021 we acquired a permit to finalize the project scope and requirements. Building on work completed since 2017, key steps include construction of a tailings cover, containment and covering of contaminated soil and diversion of non-contact water away from the area. The project is expected to take two and a half years. As closure planning is not regulated in Mexico, this collaboration with regulators sets a leading example for remediation of other historic mining areas near the Zacatecas municipality.

**Looking Forward**

We will update closure plans as required by regulatory requirements or changes in mine plans. Cozamin’s closure plan will be updated after the paste backfill plant (started in 2021) is complete. Phase 1 of the Chiripa remediation project at Cozamin will commence in 2022.

Pinto Valley has three separate closure and reclamation plans:

1. **Closure and Post-Closure Strategy (2019)** with the ADEQ (Arizona Department of Environmental Quality) for facilities authorized under the Aquifer Protection Permit.

2. **Mined Land Reclamation Plan (2016)** for safety, security and reclamation required by the Arizona State Mine Inspector.

Compliance with Laws and Standards

This topic covers compliance with non-environmental laws and regulations at both the corporate and site levels. It includes laws and regulations relating to securities, financial reporting, mineral resource reporting, health and safety, labour and human rights.

Why This Matters

Regulation helps ensure the benefits of mining can be enjoyed by society, without incurring significant adverse impacts. At Capstone, it is of paramount importance that we comply with all applicable legal and regulatory requirements. This helps maintain business continuity, protects workforce health and safety, minimizes potential impacts on people and communities, and builds trust with our stakeholders and society. Strong compliance processes also preserve value by reducing business risk. Non-compliance can also result in monetary fines, operational disruption and reputational damage.

How We Manage It

Compliance is embedded in our culture. Compliance with laws and standards is a requirement for all Capstone employees, and is embedded in our Code of Conduct and our core value of Working Responsibly. Our Supplier Code of Conduct ensures our suppliers comply with our expectations for conduct, and operate in compliance with applicable laws and standards.

We have a rigorous compliance process. We monitor legal and regulatory changes, as well as stakeholder expectations. We use a standardized framework to develop and implement corporate policies. This framework is reviewed on a regular basis to ensure it aligns with corporate expectations. To remain informed of new developments, we also engage legal and technical advisors, and participate in local mining and professional associations.

We adhere to robust governance standards. We have governance processes in place to regularly evaluate financial compliance. Our Audit Committee of the Board oversees financial reporting, ensures internal financial controls are effective, and reviews compliance with these systems. The Committee also assists the Board with oversight of ESG matters and enterprise risk management related to financial risks affecting Capstone. We conduct regular internal and third-party financial audits to ensure compliance with applicable securities laws and regulatory instruments. As part of our internal controls, we also utilize third-party consultants to review non-financial processes (e.g., adherence to our policy framework, meeting training commitments for employees).

In 2021, Capstone had no legal fines, regulatory fines, settlements or controversies associated with violations of bribery, corruption or anti-competitive standards, labour standards or human rights.

Looking Forward

In 2022 we will focus on integrating the compliance standards and practices of Capstone and Mantos Copper. Capstone is also pursuing participation in Copper Mark, which verifies responsible copper production, including practices for legal compliance and business integrity.
2021 WATCHLIST TOPICS: DIVERSITY AND EQUAL OPPORTUNITY

Diversity and Equal Opportunity

This topic covers the fair treatment of our workforce through equal opportunities and non-discrimination, as well as efforts to increase the diversity of our workforce.

Why This Matters

Society has growing expectations for businesses to prioritize and normalize workforce diversity and inclusion, as evidenced by global social movements against racism and discrimination. There is an opportunity for the mining industry to hire, develop and promote a greater diversity of employees, especially women. By improving diversity and giving each person the opportunity to contribute their skills, experience and perspectives, we believe we can deliver the most sustainable value for Capstone and our stakeholders. It creates a greater sense of belonging and respect, improves decision-making and promotes innovation. Workforce diversity also demonstrates equal opportunity, which improves employee attraction and retention.

How We Manage It

Diversity and inclusion begin with good governance. The Board now sets annual targets for gender diversity of the Board of Directors. In 2021 we met our Diversity and Inclusion Policy target to have one woman director on our Board, representing 20% of independent directors. We have set a new Board gender diversity target of 30% by 2023.

We are developing a diversity baseline. In 2021 we drafted the Terms of Reference for a Diversity & Inclusion (D&I) Committee with a mandate to create a D&I strategy and goals. We also took first steps in understanding our diversity baseline. We compared Pinto Valley employee demographics to local communities, based on self-identification in hiring documents. For Pinto Valley, we aligned with the Equal Employment Opportunity Commission’s diversity categories on gender, age, race and veteran status. We found that our employment profile was reasonably close on age and race, but not gender. To collect information from our Cozamin and Santo Domingo workforce, we reviewed the most commonly used diversity categories in Mexico and Chile to identify those most applicable to our operations.

Looking Forward

Following completion of the Capstone and Mantos combination in early 2022, we added a second woman to the Board of Directors to reach 25%. Our target for 2023 is 30% gender diversity on the Board.

In 2022 we will establish the Diversity & Inclusion (D&I) Committee with representation from corporate and sites.

Manage Foundation

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Comprehensive policies guide our diversity and inclusion efforts. Capstone’s global policies apply to all our workplaces and include:
- Capstone’s Code of Conduct requires people to be treated with respect, provided with equal opportunity based on merit, and kept free of discrimination.
- Our Diversity and Inclusion Policy has requirements for female representation on the Board, and commitments to promote an inclusive culture and to build diversity at all levels of the organization.
- Our Respectful Workplace Policy requires everyone at Capstone to ensure a safe and respectful workplace that is free from bullying and harassment. It applies to off-site activities and assignments.

We have feedback mechanisms to manage concerns about diversity or equal opportunity. Employees can raise concerns directly with their leader, Human Resources, or through our confidential Whistleblower hotline, which has service in English and Spanish. Cozamin also has site-level mechanisms available, including a local hotline, ensuring complaints can be made anonymously.
Human Rights Management

This topic covers the responsibility to recognize and respect human rights in Capstone and our supply chain, and mitigate any impacts.

Why This Matters

Human rights are basic rights that are inherent to all human beings. The respect of human rights is a fundamental corporate responsibility for all businesses, including the mining industry. There is increasing awareness that human rights can be affected by mining processes involving water use, mining wastes and security practices. At Capstone, we take responsibility for avoiding or mitigating any adverse human rights impacts related to our activities. We recognize every person’s worth, and their right to be treated with dignity.

Our Human Rights Policy guides our work. Our global Human Rights Policy broadens and deepens the human rights commitment in our Code of Conduct. It defines our principles and expectations with respect to human rights and applies to all employees, directors and contractors. The policy is part of Capstone’s annual policy sign-off by employees.

We actively monitor trends or events that may increase risk. We evaluate human rights risks and identify appropriate mitigation actions during our annual strategic planning process. Human rights management is a permanent item in Capstone’s enterprise risk management (ERM) framework and discussed at annual risk workshops for every site.

Looking Forward

In 2022, we will:
- Initiate work on an internal social performance standard that includes human rights.
- Develop a tool to assess human rights risks in our supply chain, as part of the responsible sourcing program.
- Implement security and human rights training with our security employees and contractors at Cozamin.
2021 WATCHLIST TOPICS: INDIGENOUS RELATIONS

Indigenous Relations

This topic covers Indigenous rights, impacts on Indigenous communities, and opportunities for Indigenous Peoples and communities.

Why This Matters

Mining companies have the ability to provide long-term value to local communities in which they operate, including Indigenous communities. However, through exploration, development and operations, mining may also have adverse impacts on land that is important to Indigenous communities, affecting Indigenous Peoples and their culture. The rights of Indigenous Peoples are internationally recognized in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). In Chile, after not being recognized by the existing constitution, Indigenous representatives are now involved in a constitutional reform process that commenced in 2021.

Capstone does not have any operations or development projects in, or directly adjacent to, Indigenous Peoples’ territories. The closest Native American community to our Pinto Valley mine is the San Carlos Reservation, which is 30 km away. While the Santo Domingo mine site will not be near Indigenous territory, the port area that will service the mine is home to a group that is in the process of being recognized as Indigenous by the Chilean government.

We have recognized Indigenous relations as a Watchlist topic mainly due to the potential presence of cultural artifacts at our operations or projects.

How We Manage It

Our Human Rights Policy formalizes our commitments. Capstone recognizes and respects the cultural values, beliefs and traditions of people in the countries and regions where we operate, and the rights of Indigenous Peoples. These commitments are also guided by our core values and the formal consultation processes required by local legislation.

We also adhere to our Human Rights Policy during our exploration activities, including those with joint venture and other partners. We address our responsibilities through our due diligence on potential projects.
Community engagement is the foundation of our efforts. We build relationships by sharing information, listening and establishing dialogue. See page 42, Community Impacts. Our opportunities for meaningful, long-term contributions most often arise through collaboration with Indigenous communities in our regions.

We protect cultural resources. At Pinto Valley, Capstone engages with Indigenous communities and local stakeholders to protect cultural resource sites that could be affected by current operations or our planned expansion. The expansion plans at Pinto Valley were subject to the National Environmental Policy Act (NEPA) and required an Environmental Impact Statement (EIS).

Over a five-year period, Pinto Valley participated in a consultation process led by the US Forest Service Archeologist, beginning with eleven federally recognized tribes and the State Historic Preservation Office. The consultation process focused on the execution of a Memorandum of Agreement and a Native American Graves Protection and Repatriation Act permit.

The Final EIS Record of Decision was released in August 2021. Mitigation measures to protect cultural resources include the implementation of an Historic Properties Treatment Plan that sets out protective measures and data recovery strategies for cultural sites, and invitations to tribal monitors from the Hopi and Zuni tribes to participate in data recovery efforts.

Pinto Valley began implementing the plan in 2021. Fourteen sites require excavation for data recovery and fourteen require protective measures (e.g., installation of boulder barriers and protective signage) to prevent future disturbance. Three tribal monitors are participating in the data recovery work.

There is also potential for the presence of cultural artifacts at our Santo Domingo project. In the event of archaeological findings, the project commits to protecting the sites, regularly training staff on site protection, and conducting archaeological monitoring during earthwork activities. The project will require development of port infrastructure approximately 40 km from the mine site. In 2021 we conducted a permit-related Environmental Baseline Study to review potential impacts to flora, fauna and archaeological resources in the port area. No impacts were identified.

We preserve local livelihoods. Coastal residents near the Santo Domingo port area depend on the harvesting of seaweed and mollusks for their livelihoods. We are actively consulting with the residents, some of whom self-identify as Indigenous, and do not anticipate any interruptions to their harvesting activities. The Santo Domingo project may also offer new opportunities for employment. Our port partner, Puerto Ventanas, was selected partially due to their track record of developing positive community support and initiating community enterprises in the form of locally owned co-operatives.

Looking Forward

Pinto Valley will develop fieldwork reports for excavated cultural sites as required by the Historic Properties Treatment Plan.

Santo Domingo will conduct an Environmental Baseline Study of the mine area to review potential impacts to cultural heritage and archaeological resources.

“The rights of Indigenous Peoples are internationally recognized in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). In Chile, after not being recognized by the existing constitution, Indigenous representatives are now involved in a constitutional reform process that commenced in 2021.”
2021 WATCHLIST TOPICS: LABOUR MANAGEMENT RELATIONS

Labour Management Relations

This topic covers the relationship between management and Capstone’s workforce (including union and non-union employees). It includes the methods we use to communicate information across the organization and engage our workforce on significant operational changes.

Why This Matters

We believe that healthy labour management relations are a critical foundation for growth, underpinning our efforts to recruit new employees and ensure continued high levels of productivity and engagement in our workforce. Good relations also enable us to make progress in areas of shared interest such as our pandemic response.

Capstone respects workers’ rights to freedom of association, freedom of speech and collective bargaining. Pinto Valley’s Collective Bargaining Agreement covered 399 employees (67%) as of December 31, 2021 and is in effect until May 2022. At Cozamin, 367 employees (75%) were covered by a collective bargaining agreement in 2021 that is subject to annual renewal.

How We Manage It

We encourage an open and honest communication style. Across Capstone, we communicate information through a variety of mechanisms including emails, “town hall” meetings with large groups and direct engagement with front-line supervisors and their crews. Site-level communication methods include local newsletters and magazines, bulletin boards, kiosks and television monitors. Throughout 2020 and 2021, our communications emphasized awareness and implementation of COVID-19 safety protocols. At Pinto Valley, we have a quality safety interaction program, in which leaders engage and spend time in the field with crews. We have found this to be an effective feedback mechanism that helps resolve safety concerns and builds trust. See page 16, Health and Safety.

We work closely with labour representatives. Union relations at Pinto Valley are managed by the site and are governed by the requirements of the collective bargaining agreement. This includes protocols for regular meetings, timely communications and grievance management. We consider the ability to resolve grievances as a leading indicator for healthy management-employee relations and reducing work stoppages. Since 2019 we have seen a positive trend in the grievance resolution rate. All grievances filed in 2021 were resolved by year-end.

We encourage and act on feedback. We collect employee feedback through surveys, employee focus groups and roundtables, as well as stay and exit interviews. Employees can raise concerns to their leader, Human Resources or Capstone’s Whistleblower hotline. Employees covered under the Pinto Valley Collective Bargaining Agreement can also raise concerns directly with their union. Pinto Valley has a safety hotline and rewards employees for making a “good catch” that highlights a potential safety concern. Cozamin employees can submit concerns through a local hotline or via mailboxes located on site. Cozamin’s Ethical and Moral Committee reviews and resolves complaints on a monthly basis, with the support of Human Resources.

In 2021 Cozamin expanded its annual workforce survey to include 90% of employees and contractors. It included a biannual survey of psychosocial risk factors, a requirement of recent Mexican legislation. The results showed a high level of satisfaction with Cozamin’s work environment including positive views on manager-employee relationships, communication efforts by the company, compensation and training opportunities.

Capstone did not experience any work stoppages in 2021.

Looking Forward

In 2022 Pinto Valley will commence collective bargaining agreement negotiations. Cozamin will continue to renew its collective bargaining agreement on an annual basis.
Procurement Practices refer to activities that govern the selection of suppliers, fair treatment of suppliers and monitoring of the supplier relationship. Suppliers includes consultants, vendors, contractors and agents that provide goods or services to or on behalf of Capstone.

Why This Matters
Capstone globally procures a broad range of goods and services that may have social or environmental impacts. Procurement practices are increasingly important to our stakeholders, particularly our investors. Sustainable procurement enables us to extend social and environmental compliance into our supply chain. Our formalized and standardized procurement process ensures fair treatment of our suppliers and their workers. It also reduces enterprise risk for Capstone.

How We Manage It
We take a global approach to procurement. This ensures consistent expectations and fair treatment of suppliers at all Capstone sites. Many of Capstone’s policies apply to suppliers. In addition, each operation maintains site-specific policies that are applicable to their suppliers.

We have a Supplier Code of Conduct. Our Supplier Code, implemented in 2020, applies to all suppliers. It sets our minimum expectations of suppliers with respect to Capstone’s governance, social and environmental standards, and core values. It also requires supplier compliance with applicable laws and industry standards, Capstone’s Code of Conduct, and the policies outlined above. We provide suppliers with access to Capstone’s policies and requirements through the Supplier Hub on our website. In 2021 we provided Supplier Code training to employees across the company.

Suppliers can report their concerns. If a supplier believes there is a violation of the Supplier Code of Conduct or any other Capstone policy, they can report their concerns using our Whistleblower process. There were no reported violations in 2021.

Our next steps are informed by best practice. In 2021 we completed a third-party review to benchmark our current procedures against responsible sourcing best practices and create a baseline to measure our progress. Review areas included policy, procurement processes and procedures, supplier engagement and opportunities to prioritize specific products or services for responsible sourcing. We used the review recommendations to develop our responsible sourcing action plan. The action plan includes engagement with our customers as well as others downstream in our value chain where we have influence.

Looking Forward
In 2022 we will implement a responsible sourcing program, including the following actions:

- Develop a Responsible Sourcing Policy.
- Identify strategic procurement opportunities to pilot new responsible sourcing procedures and principles.
- Develop site-specific procedures to monitor supplier compliance with the Supplier Code of Conduct.
Training and Education

This topic covers training initiatives to upgrade employee skills, opportunities for employee professional development, and training opportunities for local communities.

Why This Matters

Training and education are foundational for Capstone. We need employees with strong leadership and technical skills to keep us at the leading edge of innovation in mining and propel our future growth. Training and education are also highly valued by our employees and communities. By offering opportunities for development, we are better able to attract and retain our employees and build a pool of skilled workers close to our sites.

How We Manage It

We support career development for our employees and contractors. Our approach to training and development is mainly site driven, with some common elements. Employees receive task-specific training to develop competency in their roles. Team leaders provide direct feedback and performance reviews, helping employees improve and develop in their careers. Capstone also financially supports or subsidizes external professional development opportunities for employees.

In 2021 Pinto Valley increased awareness of our Tuition Reimbursement Policy to encourage professional development. Employees may choose a program that aligns with their career goals and Pinto Valley’s needs. Some participants may enroll in one course while others pursue degree programs. The awareness-raising was successful, as participation in the program was four times higher than it was in 2020.

Pinto Valley also dramatically increased development opportunities through promotions, 90-day temporary assignments to higher-capacity roles (for training and exposure), and transfers to lateral roles in other areas (to gain experience and take on new challenges).

Technical training builds the strength of our team. Cozamin continued to be an industry leader in training through their accreditation as a Labour Competencies Evaluation Centre, in partnership with the Technological University of Zacatecas State. This collaboration provides employees and contractors with nationally recognized certifications in job-specific technical skills such as underground mine equipment operations, equipment maintenance and blasting.

In 2021 all workers and relevant contractors at Cozamin (more than 800 people) were certified or recertified in their job functions.

We invest in future leaders. Pinto Valley’s Leadership Academy training program develops leaders from within the organization by building their leadership competencies and subject matter expertise. We accelerated this program in 2021 as part of succession planning. The number of candidates completing the program increased nearly 20%, and included all Pinto Valley line leaders. The success of this program is also reflected in the increased number of promotions to supervisor and superintendent levels.

Cozamin’s leadership development program resumed after being postponed due to the COVID-19 pandemic. All managers and superintendents completed the curriculum on topics such as effective communication and conflict resolution.

We create opportunities for students. Internships and collaborations with local partners provide a path to employment for recent graduates and help build a local pool of skilled workers. In 2021 Pinto Valley expanded its summer internship program with 16 students, compared to 4 in 2020. Pinto Valley also initiated a collaboration with Eastern Arizona College’s Electrical and Instrumentation Technician Certificate program to align the curriculum with technical skill requirements for entry-level electrical jobs.

Cozamin has internship programs with the University of Zacatecas and the Zacatecas Mining Cluster. Since 2018 Cozamin has hosted 142 students in different areas of the mine.

Looking Forward

We will continue leadership development and training at all of our sites in 2022.

- Pinto Valley will expand the Leadership Academy training program to crew leads.
- Cozamin will expand the leadership development program from managers and superintendents, to everyone in leadership positions.
- Santo Domingo will engage colleges to help develop a training and development program.

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<td>GRI G4 Mining and Metals Sector Disclosures</td>
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<td>Number and percentage of operations with closure plans</td>
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Glossary

**Brownfield**
Exploration or mining that takes place in an area near or adjacent to an existing mining operation.

**Buttress**
A rock construction to reinforce a dam wall and improve slope stability and safety of tailings storage facilities.

**Centerwell**
A designed cylinder in the center of the thickener that receives the process slurry and serves to minimize turbulence and direct the flow into the thickener.

**Dry stack tailings**
A tailings storage method that involves removing water from the tailings then placing and compacting the tailings in a storage facility.

**Energy, emissions or water intensity**
A measure to assess energy, emissions or water efficiency; refers to the amount of energy, emissions or water required per unit output or activity.

**Greenfield**
Exploration or mining that takes place in an area where there has been no previous activity.

**Independent Tailings Review Board (ITRB)**
A board that provides independent technical review of the design, construction, operation, closure and management of tailings facilities. The independent reviewers are third parties who have not been directly involved with the design or operation of the particular tailings facility.

**NOx and SOx**
The common abbreviations for nitrogen oxide and sulphur oxide emissions which are produced when fuel is burned at high temperatures; negatively impacts air quality.

**Particulate matter (PM)**
A complex mixture of solid and liquid particles; the main air pollutant in mining.

**Paste backfill**
Tailings with enough water content removed to create a paste consistency that is mixed with a binder, such as cement, then pumped underground into mined-out voids to provide ground support.

**Piezometers**
An instrument often characterized as a “straw” that is sunk into the top of a tailings dam and measures water levels in tailings.

**Scenario analysis**
A process that allows a company to develop an understanding of how the physical and transition risks of climate change may impact its businesses, strategies and performance under different hypothetical future conditions.

**SX/EW**
Stands for solvent extraction-electrowinning technology, a process that leaches copper from rock.

**Shotcrete**
A method of applying concrete to a vertical or overhead surface.

**Sludge**
Liquid waste produced by mining activities.

**Slurry tailings deposition system**
A disposal method characterized by pumping watery tailings to a designated tailings dam.

**Tailings**
Waste materials left after the target mineral is extracted from ore; consist mainly of crushed rock and water.

**Waste rock**
Mined native bedrock that is not processed for extraction of minerals or mineral product.

**Wet scrubbers**
Devices that use a scrubbing solution to help eliminate PM and other pollutants.
Cautionary Note Regarding Forward-looking Statements

Capstone Mining Corp. (the “Company”) cautions readers regarding forward-looking statements found in this report (including the documents incorporated by reference herein) and in any other statement made by, or on the behalf of the Company.

Except for statements of historical fact, information contained in this report and the documents incorporated by reference herein, constitutes “forward-looking information” within the meaning of Canadian securities legislation and “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, “forward-looking statements”).

Forward-looking information and forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “planned”, “expect”, “project”, “predict”, “potential”, “targeting”, “intends”, “believe”, and similar expressions, or describes a “goal”, or variation of such words and phrases or states that certain actions, events or results “may”, “should”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

Forward-looking statements in this report include, but are not limited to: statements relating to our sustainability strategy; short-term and long-term sustainability goals; strategic priorities and our goals, targets, commitments and plans and our expectations regarding those goals, targets, commitments and plans, including but not limited to our water policy goals and energy goals; expected timing of progress of water conservation projects; the timing and success of the underground paste backfill system study and tailings filtration project at Cozamin, the timing and success of the Impact23 exploration and other growth projects at Cozamin, the timing and success of the Copper Cities project, the timing and results of the Mantoverde-Santo Domingo district integrated plan, the success of the synergies related to the Mantoverde-Santo Domingo district integrated plan, the timing and success of the implementation of an independent tailings review board at Cozamin, estimated timing and spending to achieve our goals; and expectations regarding the conduct of our suppliers and contractors.

The forward-looking statements in this report are based on a number of estimates, projections, beliefs and assumptions the management team believed to be reasonable as of the date of this report, though inherently uncertain and difficult to predict, including but not limited to expectations and assumptions concerning: the development and performance of technology; our ability to attract and retain skilled employees; environmental compliance costs generally; and assumptions regarding the development of our business generally. Risks and uncertainties that could influence actual results include, but are not limited to: risks associated with the consequence of climate-change; uncertainties and risks related to the development of projects at Cozamin, risks associated with permitting and development of our properties; risks related to our operations and development projects, suppliers and other essential resources and what effect those impacts, if they occur, would have on our business, including our ability to access goods and supplies, the ability to transport our products and impacts on employee productivity; regulatory action; environmental compliance challenges; changes in laws and governmental regulations including without limitation changes in regulatory requirements and policy related to climate change and greenhouse gas (“GHG”) emissions; costs of compliance with environmental and other laws and regulation; risks relating to the development and use of new technology or lack of appropriate technologies needed to advance our goals; our ability to integrate new acquisitions and new technology in our operations; cybersecurity threats; natural disasters and adverse weather conditions, changes in commodity prices; geotechnical challenges; global crises and pandemics; changes in carrying values of our assets; dependence on the availability of water; operations in foreign countries; maintaining ongoing social license to operate; corruption and anti-bribery; the impact of COVID-19 on our workforce; labour relations; general business and economic conditions and the future operation and financial performance of the company generally.

We caution you that the foregoing list of important factors and assumptions is not exhaustive. Other events or circumstances could cause our actual results to differ materially from those estimated or projected and expressed in this report including without limitation, those referred to in the Company’s Annual Information Form and in the Company’s interim and annual financial statements and MD&A, all of which are filed and available for review under the Company’s profile on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause our actual results, performance or achievements to differ materially from those described in our forward-looking statements, there may be other factors that could cause our actual results, performance or achievements not to be as anticipated, estimated or intended. There can be no assurance that our forward-looking statements will prove to be accurate, as our actual results, performance or achievements could differ materially from those anticipated in such statements. Accordingly, readers and investors should not place undue reliance on forward-looking statements. The Company does not intend to update forward-looking statements, except as required by law).