SUSTAINABLE THINKING:
BUILDING VALUE
About this Report

This report has been prepared in accordance with the GRI Standards: Core option. It covers January 1 to December 31, 2017 and includes our management and performance for topics material to Capstone’s three operating mines in the US, Mexico and Canada. It also includes data from our Santo Domingo Project in Chile, where relevant. Exploration activities have a lighter footprint than development or operations; accordingly, exploration data is only included where relevant.

The scope of this report includes the same entities as our annual financial statements:
- Pinto Valley Mining Corp., a wholly owned US subsidiary that owns and operates Pinto Valley Mine
- Capstone Gold, S.A. de C.V., a wholly owned Mexican subsidiary that owns and operates Cozamin Mine
- Minto Explorations Ltd., a wholly owned Canadian subsidiary that owns and operates Minto Mine
- Minera Santo Domingo SCM, a 70% owned Chilean subsidiary that holds the Santo Domingo Project
- Capstone Mining Chile SpA, a wholly owned Chilean subsidiary performing exploration in Chile

Our operations employees played a significant role in preparing this report, including data collection and compilation of site-specific information and perspectives. The site management teams participated in materiality assessment workshops. This 2017 report has not been externally assured. However, we completed a detailed internal review of the report, including review by operations managers and the senior management team. All dollar values are reported in US dollars unless otherwise specified.
**Sustainable Thinking: BUILDING VALUE** is our fourth sustainability report. This year’s theme describes how we create both internal and external value as an organization. This report evaluates our 2017 performance for our most material topics and where these topics matter in our value chain. Our goal is to communicate our sustainability improvements, challenges and performance to our stakeholders, most notably to our local communities, employees and shareholders.

### CAPSTONE MINING CORP. 2017 PERFORMANCE HIGHLIGHTS

<table>
<thead>
<tr>
<th>MATERIAL TOPIC</th>
<th>2017 OBJECTIVE</th>
<th>RESULTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and Safety *</td>
<td>15% reduction in Lost Time Incident Frequency Rate (LTIFR) &lt;0.47</td>
<td>🟢 0.77 LTIFR</td>
</tr>
<tr>
<td></td>
<td>15% reduction of 2016 Total Reportable Incident Frequency Rate (TRIFR) &lt;1.65</td>
<td>🟢 1.81 TRIFR</td>
</tr>
<tr>
<td></td>
<td>Execute site-level leading indicator programs</td>
<td>🟢 Programs successfully implemented at all sites</td>
</tr>
<tr>
<td>Environmental Compliance*</td>
<td>15% improvement in reportable incidents (&lt;4)</td>
<td>🟢 1 reportable incident</td>
</tr>
<tr>
<td></td>
<td>15% improvement in non-reportable incidents (&lt;90)</td>
<td>🟢 94 non-reportable incidents (10% improvement)</td>
</tr>
<tr>
<td>Mining Waste</td>
<td>Conduct internal audits of Pinto Valley and Minto tailings management systems</td>
<td>🟢 Completed internal audits at Pinto Valley and Minto</td>
</tr>
<tr>
<td></td>
<td>Conduct third-party reviews of all tailings facilities</td>
<td>🟢 Pinto Valley and Cozamin reviews completed in Q1 2018</td>
</tr>
<tr>
<td>Water</td>
<td>Develop site-specific water intensity metrics</td>
<td>🟢 See Water case study on page 27 for details</td>
</tr>
<tr>
<td>Energy</td>
<td>Conduct internal audit of Pinto Valley energy management system</td>
<td>🟢 Internal audit completed</td>
</tr>
<tr>
<td></td>
<td>Develop long term objectives for energy performance improvements</td>
<td>🟢 Energy management systems need to be more integrated with business planning. We have added energy-related objectives to 2018 scorecards.</td>
</tr>
<tr>
<td>Training and Development</td>
<td>Continue to evolve the Capstone Leader program</td>
<td>🟢 Launched company-wide Values in Action program</td>
</tr>
</tbody>
</table>

*Based on improvement over 2016 performance

[Achieved  ❌ Not Achieved]
INTRODUCTION

CEO Message

After three years of reporting on sustainable thinking, it seems appropriate to reflect on where we fit in our cyclical industry and in a dynamic global climate. It has become critical for us to continue to look at ways we can adapt to changing conditions within our local environments. “Building Value” is the foundation for our future, identifying ways to continuously create and preserve both internal and external value as an organization – for our employees, local communities, shareholders and society as a whole through the production of copper. At the heart of it, we realize value by truly living our core values in our daily operations.

We build value for our employees by working responsibly. We support the well-being of our people through fair compensation, development opportunities and empowerment to be visible Safety Leaders. Although our total reportable incident frequency rate for safety incidents has continued to decrease, we have seen no improvement in our lost time incident frequency rate. This resulted in us broadening our approach for measuring safety performance to include leading indicators that focus more on prevention. In an effort to initiate true culture change to make safety personal, we developed a one-day workshop titled Values in Action. The hands-on training exercises appeal to the heart and support the belief that zero harm is possible, demonstrating how each one of us has a personal responsibility for ensuring everyone goes home safe every day (see page 4 for more on Values in Action).

We build value for local communities and shareholders by delivering results. Maintaining strong operating performance is critical given the cyclical nature of our business, and helps us sustain the ongoing generation of economic value for stakeholders. Long-term operations allow us to continue building value in local communities by contributing revenue to governments, creating jobs, engaging regional business, collaborating with area partners on community initiatives, and working with shareholders by delivering on our investment proposition. Despite some operational challenges early in the year, Pinto Valley put a strong focus on mill optimization to finish the fourth quarter above expectations. The Cozamin team has proven a concept to process additional zinc that will take advantage of unutilized mill capacity, and is looking to extend mine life, with recent exploration success. Lastly, we announced the divestment of our Minto mine in a transaction, which we believe will benefit all stakeholders. The buyer has expressed a long-term view on investment at Minto.

We build value for society by producing copper with a standard for excellence. Copper is an essential input to products and services that form the foundation of our society. This includes telecommunications, construction or battery components for the renewable energy sector, which supports the drive toward a low carbon economy.

We preserve value in our operating environments by always being accountable. The nature of mining activity – extracting and processing ore to produce copper – impacts the natural environment and requires major inputs of energy and water. Through our operating model, we strive for transparency and continuous improvement, which is demonstrated in our approach to our material topics. This includes the way we measure and monitor energy and water use, manage risks associated with our tailings facilities, plan for closure and conduct progressive reclamation activities. Business is increasingly seen as having an active role in global sustainability. We have modified our materiality process to assess the impacts of our activities on environment, economy and society. Coupled with our expanded view into our value chain, we have a fuller picture of our external impacts.

In the year ahead we will continue to look for ways to build value into the foundation of our business. Leveraging our success and key learnings from last year, we have doubled the weighting for sustainable performance on our corporate scorecard from 5% to 10% for 2018. This decision was made to reinforce our commitment to building value through sustainable performance.

Yours truly,
Darren Pylot
President & CEO and Director
About Capstone

**Capstone Mining Corp.** is a Canadian base metals mining company headquartered in British Columbia, Canada, engaged in the production and development of and exploration for copper.

Throughout 2017 we operated three producing copper mines, each 100% owned: Pinto Valley Mine in Arizona, US; Cozamin Mine in Zacatecas, Mexico; and Minto Mine located in Yukon, Canada. Capstone has one development project in Region III, Chile; the Santo Domingo Project is 70% owned in partnership with Korea Resources Corporation (KORES). In 2017 we sold our Kutcho development project and in early 2018 announced the planned divestment of our Minto Mine. In addition to ongoing exploration at our existing operations, Capstone is conducting early stage base metal exploration activities, presently focused in the Americas.

Our primary product is copper, with base metal by-products of zinc, lead and molybdenum, as well as precious metal by-products of silver and gold. The primary markets for our copper concentrate are smelters and refineries in Asia and the US. At the end of 2017, Capstone had 1,855 employees and contractors located in Canada, the US, Mexico and Chile.

Capstone is a publicly traded company listed on the Toronto Stock Exchange. GRM Investments Ltd. is Capstone’s largest shareholder, holding a 15.3% interest at the end of 2017.

### 2017 FINANCIAL SUMMARY

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For the year ended December 31</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Copper sold (tonnes)</td>
<td>87,917</td>
<td>110,450</td>
<td>87,521</td>
</tr>
<tr>
<td>Realized copper price / lb (US$)</td>
<td>$2.86</td>
<td>$2.27</td>
<td>$2.35</td>
</tr>
<tr>
<td>Revenue (US$ millions)</td>
<td>$541.9</td>
<td>$529.4</td>
<td>$420.5</td>
</tr>
<tr>
<td><strong>As at December 31</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash (US$ millions)</td>
<td>$116.2</td>
<td>$130.4</td>
<td>$101.6</td>
</tr>
<tr>
<td>Long-term debt (US$ millions)</td>
<td>$270.7</td>
<td>$324.9</td>
<td>$342.9</td>
</tr>
<tr>
<td>Total equity (US$ millions)</td>
<td>$888.0</td>
<td>$818.6</td>
<td>$1,009.0</td>
</tr>
</tbody>
</table>

For financial information, please refer to the financial statements on our website: capstonemining.com/investors/financial-reporting/default.aspx

### 2017 COPPER PRODUCTION (TONNES)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pinto Valley</td>
<td>57,300</td>
<td>68,900</td>
<td>60,400</td>
</tr>
<tr>
<td>Cozamin</td>
<td>16,700</td>
<td>14,300</td>
<td>15,700</td>
</tr>
<tr>
<td>Minto</td>
<td>16,300</td>
<td>31,400</td>
<td>16,500</td>
</tr>
<tr>
<td><strong>Total copper production</strong></td>
<td>90,300</td>
<td>114,600</td>
<td>92,600</td>
</tr>
</tbody>
</table>

For financial information, please refer to the financial statements on our website: capstonemining.com/investors/financial-reporting/default.aspx
Zero Harm is Possible

While safe production is critical to our business success, the maturity of our safety culture depends on one important realization – that the real reward for working safely is the continued enjoyment of our health, and the people we value in our personal lives. While we are making progress to improve our safety performance each year, it is clear we need to be doing more to foster a shared belief that zero harm is possible.

Building on momentum created from the introduction of our annual Day of Reflection, and heightened focus on visible safety leadership, we developed a one-day workshop – titled Values in Action – designed for all employees and contractors. I had the privilege of participating in a similar training program earlier in my career. The realization that my values are directly reflected in my personal behaviours has been a powerful tool in keeping myself and others safe over the years. I wanted our people to have the same experience and make the powerful connection to safety on a personal level.

We went through an extensive process to train our own employees to facilitate Values in Action and help us build a foundation for change. At the end of the 2017, we had 39 trained facilitators, who led nearly 30% of our workforce through the program. We are on track to have all employees and contractors complete the workshop in 2018 as we continue to work toward our vision for zero harm. We are excited about what this culture shift can mean for all of us on a personal level and look forward to seeing a positive impact on our safety performance.

Gregg Bush
Senior Vice President and Chief Operating Officer

Values in Action at Capstone

In 2017 we took a significant step to foster a shared belief that zero harm is possible, developing a values-based training program called Values in Action, to drive change in our personal behaviours. This one-day training workshop was developed by our employees and is being delivered by our own trained in-house facilitators. The goal of this workshop is to illustrate the critical importance of everyone taking personal responsibility for safety – we cannot achieve zero harm without each one of us becoming Safety Leaders at Capstone.

Values in Action is not just another safety procedural training course. Through the program, we use team-based activities to demonstrate our natural tendency to forget about safety when we are focused on a task. The program also defines specific behaviours associated with our core values, to set an expectation and challenge the way we are currently living our values.

Role playing and videos are also used to draw out emotion and make safety personal, and powerful tools are introduced to initiate culture change. For example, a “STOP conversation” is simulated between participants to illustrate the critical importance of communication when it comes to looking out for each other. The workshop concludes with participants sharing what they will do differently and making a personal commitment to being a Safety Leader at Capstone.

A condensed refresher course for all employees and contractors will be delivered annually. In addition, we are implementing a follow-up workshop – titled Leadership in Action – for leaders across the company. Facilitators are scheduled to deliver the program at all sites by the end of 2018.

For a personal perspective from one of our facilitators, please see the Health and Safety section.
Our Approach to Sustainability

Our business strategy is our sustainability strategy. Our approach is rooted in the work we do every day: integrating the management and continuous improvement of our most material sustainability topics into our existing business processes. We start with a well-defined corporate strategy built on three strategic objectives:
1) Operational performance
2) Strategic initiatives
3) Sustainable performance

We define our commitment to sustainable performance through our Environment, Health, Safety and Sustainability (EHS&S) Policy. It is the basis for our decisions related to environmental, health and safety, and social performance. We use the Mining Association of Canada’s Towards Sustainable Mining protocols as best practice guidance for tailings and energy management, health and safety, and stakeholder engagement. Corporate-level commitments that consider industry best practice set the stage for our operations to integrate sustainability.

This process happens on the ground where our teams have the local expertise and perspective to focus on what delivers the most value. Our site-level strategic business plans (SBPs) cover all aspects integral to mine planning and operation from both an annual and five-year perspective and include considerations of risks and opportunities. As the SBPs cover key sustainability topics such as people, power and water requirements, and closure considerations, and also translate to team and individual objectives, they are the most direct link between sustainability objectives and performance. In 2017 we developed a process framework for setting site-level sustainable performance objectives based on our SBPs.

Our approach to sustainability also considers external trends and priorities to help us understand our key impacts and our role in addressing sustainability. Examining local and global sustainability context is part of our materiality assessment (see the Materiality section for more details). In 2017 we began to examine our material topics through the lens of the Sustainable Development Goals (SDGs). The SDGs represent a shared action plan for governments, business and society to address the most pressing global sustainability issues. The mining sector, through its interactions with the environment, economy and society, is positioned to use the SDGs to strategically realize opportunities to minimize negative impacts and enhance positive impacts. We have mapped the SDGs to our material topics to show which SDGs are most relevant to Capstone and illustrate how we are addressing them in our business practice.

### SDGs and Capstone Material Topics

<table>
<thead>
<tr>
<th>SDG</th>
<th>Link to Capstone Material Topic</th>
<th>Key Business Practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>#3</td>
<td>Good health and well-being Health and Safety</td>
<td>Actively managing health and safety of our workforce</td>
</tr>
<tr>
<td>#4</td>
<td>Quality education Training and Development</td>
<td>Delivering training opportunities to develop the skills of our workforce and partnering on training initiatives to build local capacity</td>
</tr>
<tr>
<td>#6</td>
<td>Clean water and sanitation Water</td>
<td>Actively managing water use and efficiency, monitoring water quality and preventing unplanned effluent discharge</td>
</tr>
<tr>
<td>#7</td>
<td>Affordable, clean energy Energy</td>
<td>Actively managing energy use to improve efficiency</td>
</tr>
<tr>
<td>#8</td>
<td>Decent work and economic growth Employment Economic Impacts Labour/Management Relations</td>
<td>Actively managing employment and communication with the workforce, focusing on local hiring Direct contributions to local economies through taxes, wages and community investment, focus on local procurement</td>
</tr>
<tr>
<td>#13</td>
<td>Climate action Energy</td>
<td>Actively managing energy use to improve efficiency which reduces emissions</td>
</tr>
<tr>
<td>#15</td>
<td>Life on land Biodiversity</td>
<td>Actively monitoring potential impacts of our activities on flora and fauna, conducting baseline studies and impact assessments in advance of project development or expansion</td>
</tr>
</tbody>
</table>

1. Our EHS&S Policy is available on the Responsibility section of our website: [http://capstonemining.com/responsibility/Overview/default.aspx](http://capstonemining.com/responsibility/Overview/default.aspx)
2. mining.ca/towards-sustainable-mining
Our Values and Ethics – Code of Conduct Policy ("Code of Conduct") sets the standard for business ethics, financial practice, health and safety, and environment. Our Code of Conduct outlines an official complaint procedure. We also have a Fraud Reporting and Investigation (Whistleblower) Policy in place to ensure there are multiple avenues for employees to raise concerns or report incidents. All new employees review and sign the Code of Conduct. It is signed off annually by directors, executives and employees and is available in English and Spanish. Our Anti-Bribery Policy complements our Code of Conduct with additional guidance on compliance with applicable anti-bribery and corruption laws and regulations.

Capstone’s Board of Directors has eight members – seven are independent and the eighth is our Chief Executive Officer (CEO). Through our Diversity Policy we recognize and champion diversity to acquire a broad range of perspectives, experience and expertise. The policy promotes diversity in our Board of Directors and senior management team and sets out objectives to promote diversity across Capstone. A total of 12.5% of our Board of Directors, and 50% of senior management direct reports to the CEO, are women.

Capstone’s Board committees include:

- Technical, Health, Environmental, Safety and Sustainability (THES&S) Committee
- Audit Committee
- Corporate Governance and Nominating Committee
- Human Resources and Compensation Committee

The THES&S Committee has oversight of Capstone’s EHS&S Policy and meets at least quarterly. Accountability for ensuring our operations comply with sustainability requirements rests with the Board of Directors.

Risk Management

Capstone follows an enterprise risk management framework based on ISO 31000 to identify, evaluate and manage risks. Risk management is a required business practice linked to strategy, business objectives and decision making. Risk activities are integrated across all operating sites, development projects and corporate activities.

We identify financial, operational, environmental, health and safety, and social risks, then evaluate the inherent risk of an activity and the mitigation required. In addition to traditional measures of likelihood and impact, we also include a third criteria, risk velocity, which considers how quickly a risk may affect the organization. Risk assessments are updated by operations and management and reported to the Board of Directors each quarter.

Our materiality process complements our risk practices as we assess the external impacts of our activities, recognizing there is a related business consequence to these impacts. This view of materiality can shine a light on emerging sustainability risks and opportunities.
Stakeholder Engagement

Stakeholder engagement underpins our approach to sustainable thinking. It provides valuable feedback to help us understand and address emerging concerns, areas of sensitivity, community perceptions and local traditions. Regular engagement is part of our daily activities and involves many different roles. We have an internal stakeholder engagement standard to support a consistent and systematic approach. Based on industry best practice, it considers project stage, local conditions and cultural context and includes the following components:

- Identify and analyze stakeholders to understand who may be interested in or affected by an operation or project, the level of interest and how to engage.
- Develop and execute an engagement plan.
- Establish a community response mechanism to receive, investigate and resolve concerns or complaints from external stakeholders.
- Conduct an annual review to ensure effectiveness of engagement activities.

Stakeholder input, gathered through a range of approaches, is also an important component of our sustainability reporting.

- 2015: We conducted a web-based forum and an employee survey on our corporate level materiality matrix.
- 2016: We performed local stakeholder interviews (Yukon, Zacatecas and Globe-Miami).
- 2017: We completed our second employee survey.
- 2018: We plan to seek external stakeholder input.

Our employees identified some of the ways they manage sustainability topics in their everyday work: by demonstrating safety leadership and safe practices, considering efficient use of energy, water and other materials, and maintaining emergency preparedness.

2017 Employee Survey: Key Findings

Our survey invited employee views on the relative priority of material topics from their stakeholder perspective as individuals and incorporated this feedback into our corporate level matrix. We also asked about their level of sustainability knowledge, their opinion on the importance of integrating sustainability topics into business planning and how they contribute to Capstone’s sustainability topics in their everyday work. The survey was voluntary, anonymous and conducted using a web-based survey program. We distributed the survey to employees with email addresses (490 of 1,209 employees) across our operations and head office and received a 29% response rate.

Employee views on the most significant topics were largely consistent with 2015 survey results. With the exception of Diversity and Equal Opportunity, the 10 topics rated highest by our employees were either a Material Topic or on our Watchlist.

We found that our approach to sustainability resonates with our employees, but communicating more information could serve to better integrate sustainability more in our day-to-day activities across the organization.

- 84% of respondents think it is either of high or very high importance to integrate sustainability topics into business planning.
- 48% of respondents have limited knowledge about Capstone’s sustainability topics and would like more information.

In 2018 we will identify ways to improve how we share information internally about our sustainability performance.

2017 Employee Survey

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Changes from 2015 to 2017 survey

- Health and Safety
- Emergency Preparedness
- Water
- Employment
- Training and Development
- Diversity and Equal Opportunity
- Compliance with Laws and Standards
- Anti-Corruption
- Mining Waste
- Air Quality

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CAPSTONE’S STAKEHOLDER GROUPS
As a baseline, we keep stakeholders informed of our activities through newsletters, phone and written correspondence, news releases and other corporate disclosures such as our Annual Information Form. More in-depth engagement practices provide insight into stakeholder interests or concerns.

<table>
<thead>
<tr>
<th>STAKEHOLDER GROUP</th>
<th>WHO THEY ARE</th>
<th>HOW WE ENGAGE</th>
<th>STAKEHOLDER INTERESTS OR CONCERNS</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 mechanism</td>
<td>• Local training, employment and procurement opportunities • Environmental management and mitigation measures • Community investment • Operational 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>Employee-supervisor meetings, team meetings, town halls, surveys and intranet</td>
<td>• Training and career opportunities • Working conditions, leadership, compensation, health benefits and job security related to operational longevity</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 consultations 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 between Minto senior management and SFN leadership, site tours, information presentations at community meetings, participation in community events, job fairs, information exchange in technical working groups</td>
<td>• Local employment and procurement opportunities • Environmental management and mitigation measures • Water quality • Closure • Socio-economic impacts</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 and Potential Investors</td>
<td>Individuals or entities with interest in Capstone’s financial and operational performance</td>
<td>Conference calls, one-on-one and group meetings with the board and management, annual general meeting</td>
<td>• Financial and operational performance • Corporate strategy • Future prospects • Areas of investment risk</td>
</tr>
<tr>
<td>Unions</td>
<td>Pinto Valley only</td>
<td>In-person meetings</td>
<td>• Negotiation of new collective agreement</td>
</tr>
<tr>
<td>Suppliers/Business Partners</td>
<td>Entities that provide an input into 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</td>
</tr>
<tr>
<td>Local/Public Institutions</td>
<td>Local entities that provide a community service: 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>
Capstone’s Value Chain

We are part of a chain of value creation that extends from upstream suppliers of inputs and services, and transportation providers, through our operations, and downstream to smelting and refining of copper concentrate, for use in the manufacturing of copper into useful products, and ultimate recovery of copper for new cycles of production.

We refer to all the activities outside our own operations as our “value chain”. There are impacts (positive or negative, potential or actual) on the economy, environment and society at all points in the copper production process. Our most direct impacts are felt locally at our operations, where we have the most control to manage them.

Capstone supplies a relatively small proportion (approximately 0.45%) of the global copper demand. Understanding where we fit helps us identify indirect impacts we may contribute to elsewhere in our value chain. While we may not have control over these impacts, there may be opportunities to influence positive change or identify potential risk. See the Materiality and 2017 Report on Performance sections for more on the boundary for each of the material topics in our value chain, and the scope of data collection and reporting within those topic boundaries.

UPSTREAM

Capstone’s supply chain, or upstream inputs, includes 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 for supplies and people, contract mining, and camp services at our remote Minto Mine. Where required, we engage contractors to provide us with specialized design, engineering and operating expertise.

CAPSTONE

Extracting and processing ore-containing rock are the primary activities at our mining operations. We produce an intermediate product (copper concentrate) and a final product (copper cathode at Pinto Valley).

DOWNSTREAM

Copper concentrate is transported to be further refined into cathode at smelters downstream. Cathode is transported to manufacturers as an input for products supplied to a wide range of other industries. This includes electrical wiring and piping for construction, fibre-optic wire for telecommunications and components for vehicles, computers, phones and batteries are just a few examples. Copper, in itself, is a reusable resource. It is fully recyclable for use in other products.

OUR MATERIAL TOPICS

Topics where impacts may occur upstream and downstream. More analysis is required.

A Health and Safety
B Environmental Compliance
C Mining Waste
D Community Impacts
E Water
F Economic Impacts
G Air Quality
H Employment
I Energy
J Closure Planning

Fully Recyclable

Manufactured Products

Smelters

TRANSPORT

EXTRACTING

Processing

Always Accountable

Execute with Excellence

Work Responsibly

Deliver Results
Materiality

As defined by GRI, material topics reflect an organization’s most significant economic, environmental and social impacts, or influence the assessments and decisions of stakeholders. In 2017 we made two key changes in our process to align with GRI’s clarification on materiality and topic boundary:

- We shifted the business perspective from how sustainability topics affect Capstone, to how our activities affect the environment, the economy and society (our “impacts”).
- We broadened our perspective to consider how we may contribute to impacts throughout our value chain.

As this is our first time extending topic boundaries to impacts beyond our operations, we are taking a gradual approach. For this report we relied on the expertise of our site managers and conversations with some specific business partners, and on published guidance on material topics associated with various industry sectors. Page 9 shows where sustainability impacts are likely to occur in Capstone’s value chain and what we have identified so far. This year we have limited our analysis to impacts associated with material topics only (see the Report on Performance section). Preliminary scoping shows us that further investigation is required to validate our findings. In 2018 we will continue our assessment of topic boundaries, with more engagement throughout our value chain.

We believe these changes enhance the value of our materiality assessments, as we get a broader, longer term view of impacts, and a better understanding of local sustainability risks and opportunities.

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8 We referenced the Exposure draft of the SASB Standards to support our assessment (https://www.sasb.org/exposure-drafts/).
MATERIALITY PROCESS
Our process evaluates two dimensions — stakeholder views and significance of our impacts. To prioritize stakeholder perspectives, we draw on outcomes of systematic stakeholder engagement, activities specific to our sustainability reporting and the direct experience of our management teams. We consider internal and external factors to determine significance of our impacts. These are a combination of quantitative and qualitative inputs – conditions of the economy, environment or society, the expertise of our management teams, our level of active management, risk assessments and related business consequences. We combine the results from these two perspectives in a visual matrix that shows the relative priority of all the sustainability topics considered for that year.

Site-level focus is a strength of our materiality process. Each year our local management teams review the previous year's matrix and adjust the rankings of topics to reflect current local conditions and stakeholder priorities. We consider significant regulatory or operational changes; significant shifts in the local economy, community or environment; or new information available to better define impacts. This results in a unique materiality matrix for each operation, which is then used in site-level business planning.

We consolidate site-level results and combine them with the previous year's corporate level matrix. This ensures the materiality matrix validated by our senior management team is linked to current conditions on the ground and maintains continuity with past assessments. At the corporate level, we consider risks, peer and industry priorities, and global trends.

MATERIALITY RESULTS
Our most material topics remained relatively consistent. The key change from 2016 is that Training & Development moved to the Watchlist. This is because we adjusted our definition to more closely align with GRI by removing a reference to training on safety requirements (addressed in Health and Safety). Transport and Materials Stewardship have been removed per the streamlined data requirements in the GRI Standards and is now covered by other topics.

We defined the thresholds for our 2017 material topics consistently with 2016. Coverage in this report reflects the degree of materiality – the Material Topics include our management approach and performance data, and the Watchlist describes our management approach only.

LOCAL HIGHLIGHTS
Certain topics are fundamental to mining operations and remain highly significant in terms of impact. They are also important to local stakeholders across our sites. Some examples include Health and Safety, Environmental Compliance, Economic Impacts and Mining Waste. There are some notable highlights that give more insight into our local operating context. At the site level, we consider our local stakeholders to be employees, contractors, unions, communities and governments.

Pinto Valley
After Health and Safety, Water is the most significant topic on the Pinto Valley matrix, followed by Labour-Management Relations, Community Impacts and Employment.

Cozamin
Cozamin’s relationship with the Ejido is a locally significant topic. Security Practices and Anti-Corruption are more significant for Cozamin than our other operations. Closure Planning is also relevant given Cozamin’s close proximity to neighbouring communities and former operating mines, and the relatively short mine life currently remaining. The impacts of Training and Development are more significant at Cozamin than other operations, because Cozamin is a certified training center and realizes a positive impact by assisting employees in developing transferable skills.

Minto
Indigenous Relations is one of the most significant topics and underscores many others. Interest in Closure Planning is significant, due to the relatively short mine life remaining. Water quality and the geotechnical stability of site infrastructure are locally relevant aspects of Mining Waste that are important considerations in Closure Planning. With the new view of impacts, Water (referring to quantity and withdrawal sources) decreased in significance because Minto relies on precipitation and surface run-off instead of drawing on groundwater or surface water sources.

We have shifted our business perspective to how our activities may affect the environment, the economy and society, and are considering how we may contribute to impacts throughout our value chain.
Our Operations and Projects

This section provides an overview of our operating mines and development project. Consolidated performance data for material sustainability topics is covered in the 2017 Report on Performance section.

2017 Operations Snapshot

Pinto Valley focused on overall mill optimization and business improvement activities aimed at realizing more value in existing processes (e.g. employee-led business improvement teams).

Cozamin delivered on long-term value with promising results from copper exploration and completion of the testing required to add additional zinc production to take advantage of underutilized mill capacity.

Minto completed mining of the Area 2 Stage 3 pit and made the decision to extend the mine life to at least mid-2021, cancelling plans to place the mine on temporary care and maintenance in early 2017.

Photo: Pinto Valley Mine, Arizona, US
Pinto Valley Mine, Arizona, US

**OPERATIONAL FACTS**

<table>
<thead>
<tr>
<th>Location</th>
<th>Arizona, US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of mine</td>
<td>Open pit</td>
</tr>
<tr>
<td>Mill throughput</td>
<td>53,850 tonnes/day</td>
</tr>
<tr>
<td>Product shipment</td>
<td>Truck transport for all copper domestically (all cathode/30% of copper concentrate) and to Port of Guaymas, Mexico for export</td>
</tr>
<tr>
<td>Mine life remaining</td>
<td>21 years</td>
</tr>
<tr>
<td>Workforce</td>
<td>651</td>
</tr>
<tr>
<td>Access</td>
<td>Accessible from a public highway; workforce commutes to site daily</td>
</tr>
<tr>
<td>Closest communities</td>
<td>Miami (10 km, pop. 1,800), Globe (18 km, pop. 7,500), Greater Globe-Miami area (pop. 19,000, many outside municipal limits), Claypool (12 km, pop. 1,500)</td>
</tr>
<tr>
<td>Climate</td>
<td>Semi-arid</td>
</tr>
</tbody>
</table>

**2017 Snapshot**

In addition to finding more value through process optimization in 2017, Pinto Valley entered into the permitting process for the PV3 mine plan, the next phase of mine life beyond 2026; see the Environmental Compliance section.

**Local Communities**

There is a long mining history in the Globe-Miami region, with several former and current operating mines in the area. Pinto Valley builds value in the local economy by engaging local suppliers and contractors, providing local job opportunities and supporting community infrastructure. In 2017, US$11 million in goods and services were procured from local businesses, and 39% of the workforce resided in local communities. Pinto Valley collaborates with a group of local businesses to support longer-term community development projects in the area.

Pinto Valley participates in the community by sponsoring local events and organizations. In addition to direct funding, Pinto Valley contributes time and resources to attend city council meetings, and participates as an active member of several organizations, including the United Fund of Globe-Miami and the Bullion Plaza Cultural Center and Museum. Community involvement also includes dialogue about mining and local issues. Conducting site tours for local government and organizations, and engaging local participation in the Tonto National Forest Plan revision process, are other ways they build relationships and raise awareness. Pinto Valley’s employees value giving back, donating more than US$45,000 (US$90,000 total with Capstone match) to the United Fund of Globe-Miami, supporting over 28 local organizations.

**BUILDING VALUE THROUGH IMPROVEMENT**

Pinto Valley adopted a business improvement approach called "Kaizen" that aims to eliminate activities that do not add value. Kaizen events are two- to five-day improvement efforts led by cross-functional teams, designed to transition a work process from the "current state" to an "improved future state". This aligns with Capstone’s culture of innovation, where motivated problem solvers team up to deliver meaningful change, based on ideas from the employees who do the work. Kaizen events have built efficiency gains (eliminating rework and over-processing) and problem-solving skills such as creativity and root cause analysis. All Kaizen events lead to specific actions and a follow-up calculation of value added or savings delivered.

Examples of successful Kaizen results include:

- Improved efficiency in short-range mine planning, from an inconsistent five-day approach to a structured three-day effort
- Reduction in the payroll process from 73 to 38 hours
- Increased life of cyclone feed pumps to reduce costs by at least US$85,000 per month
Cozamin Mine, Zacatecas, Mexico

2017 Snapshot
Cozamin took steps to add long-term value in 2017, completing testing for additional zinc production and delivering promising exploration results. The outcome of the exploration success will determine the potential to further extend Cozamin’s mine life.

Cozamin was recognized for the seventh consecutive year as a socially responsible company (Empresa Socialmente Responsable) by the Mexican Centre for Philanthropy. Cozamin also received the Clean Industry Certification from Mexico’s Federal Attorney for Environmental Protection (Procuraduría Federal de Protección al Ambiente or PROFEPA) for the fourth time in 2017.

Local Communities
The Zacatecas region has a strong mining tradition, positioning the Cozamin Mine within a community both knowledgeable and skilled in mining. This area has well-developed infrastructure including schools, hospitals, utilities, government agencies and major mining suppliers and contractors. Cozamin is very close to neighbouring communities and some mine infrastructure is located in the Hacienda Nueva and La Pimienta Ejidos. Regular meetings between Cozamin management and Ejidal leadership, and regular social initiatives to support the community, are key methods of communication.

Cozamin emphasizes training opportunities which help develop a variety of skills in the workforce, including some that are certified and transferable to other jobs or sectors. Cozamin also focuses on local hiring (84% of the workforce was from local communities in 2017) and engaging employees and their families through sports tournaments and traditional celebrations at the mine. This builds value by providing employees an option for working close to home and supports local family and cultural traditions that are important in Zacatecas.

Cozamin is an underground mine with a surface milling facility. Brownfield exploration is ongoing at the mine, targeting additional copper resources.

<table>
<thead>
<tr>
<th>OPERATIONAL FACTS</th>
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<tbody>
<tr>
<td><strong>Location</strong></td>
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<tr>
<td><strong>Type of mine</strong></td>
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<tr>
<td><strong>Mill throughput</strong></td>
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<tr>
<td><strong>Product shipment</strong></td>
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<tr>
<td><strong>Mine life remaining</strong></td>
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<tr>
<td><strong>Workforce</strong></td>
</tr>
<tr>
<td><strong>Access</strong></td>
</tr>
<tr>
<td><strong>Closest communities</strong></td>
</tr>
<tr>
<td><strong>Climate</strong></td>
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BUILDING VALUE THROUGH MENTORSHIP
Cozamin is a member of the Zacatecas Mining Cluster, a group of mining companies, suppliers and technical schools that collaborate on initiatives to strengthen the sector and ensure growth of the local mining industry.

Through the Cluster’s annual internship program with Instituto Politécnico Nacional (IPN), Cozamin welcomed 10 students into their metallurgical lab for training and mentorship in 2017. The students gain project experience alongside Cozamin employees, and provide new ideas to benefit the operation. Study projects this year focused on the mill process, and included optimizing flotation of copper oxides, and analyzing the flotation of pyrites to recover gold from San Rafael ore.

The training program also advanced some innovative projects, such as testing the generation of methane gas from a combination of food waste, biosolids and cactus, as an alternative energy source for mine equipment. A bench scale test completed in 2017 proved the concept is feasible.
**2017 Snapshot**

In early 2017, Minto cancelled plans to place the mine on temporary care and maintenance, and extended the mine life to 2021. Mining of Area 2 underground continued along with development work on ramp access to the Minto East deposit. Minto operates under a Quartz Mining Licence (QML) and a Water Use Licence10 which permit mining of the remaining reserves on the property, though specific QML approvals are required prior to mining each area. Extending the mine life until 2021 requires additional approvals beyond the currently permitted areas. This work continued through the year along with an ambitious progressive reclamation program (see the Closure Planning section).

**Local Communities**

Yukon has a long mining history and is one of the most sparsely populated jurisdictions in Canada. The mine is situated on land owned by Selkirk First Nation (SFN). Pelly Crossing, where SFN is based, is the closest community.

Minto and SFN have executed a Cooperation Agreement. Communication and information sharing is facilitated by meetings between SFN and Capstone leadership, community meetings, site tours and a community liaison based in Pelly Crossing. Minto provides cultural awareness training, including SFN’s role as land owner.

As the only operating mine in Yukon for the last several years, Minto has contributed value as an economic driver in the territory through royalties, employment, local procurement and indirect economic impacts. In 2017, 46% of the workforce was from Yukon and $US33 million of goods and services were sourced locally. Minto participates in local organizations and initiatives such as the Yukon Hospital Foundation, Yukon Women in Mining, the Centre for Northern Innovation in Mining and the Yukon Mining Research Consortium.

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10 Information on Minto permits is available in public registries maintained by Yukon Energy Mines and Resources (emr.gov.yk.ca) and the Yukon Water Board (yukonwaterboard.ca).
The Santo Domingo Project is a proposed open-pit development located in the Atacama region of Chile, which has a long mining tradition and is one of the most productive copper regions in Chile.

<table>
<thead>
<tr>
<th>Location</th>
<th>Atacama, Region III, Chile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed type of mine</td>
<td>Open pit</td>
</tr>
<tr>
<td>Proposed mill throughput</td>
<td>60,500 tonnes/day life-of-mine average</td>
</tr>
<tr>
<td>Proposed product shipment</td>
<td>Copper concentrate trucked to Santo Domingo port; magnetite iron concentrate transported to Santo Domingo port by pipeline</td>
</tr>
<tr>
<td>Estimated mine life</td>
<td>18.5 years</td>
</tr>
<tr>
<td>Estimated workforce</td>
<td>Average demand of 1,550 personnel and a maximum of 4,060 jobs during construction; average of 1,055 direct/indirect jobs (including contractors) during operations</td>
</tr>
<tr>
<td>Proposed access</td>
<td>Accessible by public highway</td>
</tr>
<tr>
<td>Closest communities</td>
<td>Mine site: Diego de Almagro (7 km, pop. 15,200) Road/pipeline infrastructure: Chañaral (70 km, pop. 13,700) Port: Caldera (42 km, pop. 17,500)</td>
</tr>
<tr>
<td>Climate</td>
<td>Arid desert</td>
</tr>
</tbody>
</table>

**2017 Snapshot**

The Santo Domingo Project Feasibility Study was completed in 2014. We received approval of the Environmental Impact Assessment in July 2015. The project was suspended in September 2015 because of low commodity prices. Ongoing field activities include air and water quality monitoring to collect long-term pre-development baseline data. The majority of applications for long-lead permits prepared prior to project suspension were submitted in 2017 and are going through the regulatory process. Santo Domingo is included in our 2017 materiality analysis.

**Local Communities**

Local communities are well informed and understand the mining industry. Diego de Almagro, Chañaral and Caldera are located in close proximity to proposed project infrastructure (mine site, transportation route and port facility). Santo Domingo actively engaged communities during the project design and environmental impact assessment phases to ensure concerns were identified and mitigated. There are currently local concerns about unemployment and potential economic impacts as mines and development projects in the region, including Santo Domingo, remain on hold.

**Exploration at Capstone**

Sustainability is built into our exploration practices via performance objectives for our health and safety and environmental performance, similar to our operations. Since 2014, there have been no reportable incidents at any of our greenfield exploration sites. There are typically permit and impact assessment requirements we must comply with before commencing work in any jurisdiction.

Ongoing brownfield exploration at our Cozamin Mine focuses on extending mine life. Capstone maintains a portfolio of early-stage base metals exploration projects in mining-friendly jurisdictions, focused in the Americas.

In addition to our own exploration properties, we have historically invested in partnerships with exploration-focused companies, and evaluate additional opportunities on a continuous basis.

In 2017 Capstone exited the option agreement with Sociedad Quimica y Minera Chile S.A. for the Providencia Exploration Project in Region II, Chile. Exploration results indicated four technical discoveries, including two deposits; however, they were not of a size meaningful to Capstone.
Our 2017 report on performance is divided into two sections: 1) our Material Topics and 2) our Watchlist.

For our Material Topics (see list on page 10), we describe how we are managing them and how we performed in 2017, including performance data. We focused our data collection where we have the most impact — at our operating mines. However, where applicable or meaningful, we have included data on the Santo Domingo Project, exploration and corporate activities.

We have expanded our management approach descriptions to identify where impacts are or could be material, either as a direct result of our activities or throughout our value chain as a result of our business relationship with other entities. We completed a preliminary assessment of topic boundaries in 2017. However, at this early stage it has not resulted in any changes to our management approach or data collection. As this is our first year reviewing value chain impacts, we believe there is more we can learn going forward through dialogue with our business partners.

The second section addresses the topics on our Watchlist (see list on page 10). These are topics we are monitoring that may become material. For these topics, we describe our management approach only.
Health and Safety

WHY THIS MATTERS

Health and safety is an issue that affects workers around the globe. The United Nations (UN) International Labour Organization recognizes the principle that workers should be protected from sickness, disease and injury, and provides standards to guide governments, industry and workers in developing preventive safety culture and practices. Health and safety is also recognized as a global priority by UN Sustainable Development Goal (SDG) #3 Good Health and Well-being.

Health and safety risks are inherent to mining operations, and the mining industry has developed best practice at international and national levels. One example is the Towards Sustainable Mining Health and Safety Protocol from the Mining Association of Canada. Potential hazards at mines include working around heavy equipment, explosives, or areas of exposed rock faces either on surface or underground. Health and safety also includes industrial hygiene, which refers to diseases or injury resulting from exposure to certain physical elements (e.g. noise, dust).

Ensuring the health and safety of our employees and contractors is a central component of our business approach. Poor safety performance can be costly in terms of lost productivity and potential fines for non-compliance. Most importantly, safety incidents can potentially result in long-term negative impacts on our workers, their families and in the communities where they live. Our performance data includes all personnel working at our operations, development and exploration projects.

HOW WE MANAGE IT

It’s part of our culture. “Work Responsibly” is one of our core values. Our management approach starts with a commitment from the highest level of our organization to safeguard the health and safety of people with our Code of Conduct, EHS&S Policy and performance oversight from the THES&S Board Committee. Our Capstone Safety Leadership Team (comprised of senior management, Mine General Managers, and Health and Safety Managers) meets monthly to review high-potential incidents and develop initiatives to encourage a behaviour-based safety culture.

Each of our operations has a dedicated health and safety team. Our health and safety teams have the critical mandate of supporting our workforce to identify, eliminate or control workplace hazards. They support incident investigations and monitor completion of corrective actions. These teams coordinate training on general safety awareness, as well as task and specific hazard training, and lead the emergency response programs.

We empower our workforce to take responsibility for their own safety. We train our employees and contractors to evaluate the risks associated with their tasks prior to commencing work, and to understand how to safely perform their tasks. Any employee or contractor has the right to refuse work in an environment they consider unsafe. In 2017 we implemented our Values In Action program as a mandatory component of our health and safety training program for all employees and contractors.

We focus improvements on critical risk areas and audit the results. Our operations are advancing standardized Loss Control Management Systems that support a systematic approach to incident reduction. The systems include a critical risk inventory to identify the top 20% of high-risk activities (e.g. locking out equipment before maintenance, confined space entry, working near heavy equipment). This helps us focus on evaluating and improving the most critical areas of health and safety.

We measure our health and safety performance. Setting annual corporate and site objectives for continuous reduction in the number of health and safety incidents, striving towards zero harm, is a component of annual performance evaluation. Our health and safety teams measure performance by tracking incidents and corrective actions, and evaluating several lagging and leading indicators. The introduction of leading indicators in 2017 strengthened our approach by allowing us to proactively monitor and measure conditions to support preventative action before incidents occur, in addition to evaluating causes after an incident has taken place. A well-established suite of leading indicators will help us understand drivers for our performance. We communicate results across the workforce on a regular basis.
HOW WE PERFORMED

We did not achieve our 2017 lagging indicator objectives for reducing Total Reportable Incident Frequency Rate (TRIFR) and Lost time Incident Frequency Rate (LTIFR). Our goal was to reduce them both by 15% from 2016. While we did see a continued decrease in our overall TRIFR, the downward trend is not sharp enough. There were some notable performance highlights related to Lost Time Incidents (LTI) in 2017 – there were no LTIs at Cozamin and Minto completed five years of underground operation LTIFR-free (2017 LTIs were in other areas of the mine). However, the consolidated LTIFR is showing a continued upward trend, indicating that while there are fewer reportable health and safety incidents at our operations, there are more that are serious enough to result in time off the job. Our strong desire to realize more improvement in safety performance was the driver to change our safety culture through the implementation of our Values in Action program.

WHAT’S NEXT

Our 2018 health and safety objectives are:

- 15% reduction in rolling 12-month LTIFR (<0.66)
- 15% reduction from 2017 TRIFR (<1.55)
- 85% compliance target with 2018 leading indicators program
- Continued implementation of our Values in Action program
Values in Action: Facilitating our Future

A view from Joe Kalkus, one of our Values in Action Facilitators at Pinto Valley

"Since becoming a Values in Action facilitator, I constantly assess how my behaviours reflect my values. I no longer drive distracted, whether that means looking at my phone or taking an important call while driving. I also make a point to recognize individuals for good safety habits. When I finished the workshop myself, I made a personal commitment to look out for the safety of my co-workers, stop rushing myself and start using the 'stop' conversation. I am really excited about the program because I know it's a positive step for developing the Capstone safety culture and giving our workforce a common language.

It meant a lot to me to be selected as a facilitator because it shows that anyone in this organization can grow and develop in ways they never thought possible. I never thought of myself as a facilitator or even knew what a facilitator was for that matter – now I am doing it and helping shape the future of this organization. I am driven to be the most effective facilitator I can be. Since Capstone has made a commitment to develop its most valuable asset (the people) on such a large scale I want to make the day they spend in class hit home so they understand it is everyone's responsibility to make a difference every day, and that their contributions will shape our future in making this a safe, productive and fun place to work.

We are already seeing the results from our efforts. I have seen a supervisor in a 35-person meeting have a meaningful conversation about safety with the crew, followed by peer recognition of an individual's efforts the previous day, which was then recognized with a round of applause. What happened next was the best part: the supervisor asked the group to identify which of our values had been demonstrated, and the group called all four of them. This really told me the message is sticking."
Environmental Compliance

**WHY THIS MATTERS**
Mining activities affect the natural environment during the mine life cycle. Environmental permits set the performance standard that we are measured against to ensure we are operating in a manner that does not significantly affect the local environment. A consistent track record of permitting compliance demonstrates our commitment to sound environmental performance. Incidents of non-compliance can also be costly and affect our ability to obtain future permits. Our local stakeholders expect us to maintain compliance and demonstrate transparency in our practices.

**HOW WE MANAGE IT**
It's a key component of our business approach. Our EHS&S Policy defines our commitment to continuously improve our environmental performance, establish environmental programs and operate in compliance with applicable legislation as minimum requirements.

We communicate compliance requirements to workers who have direct responsibilities for permit requirements, then we track those requirements to completion.

We focus on prevention and treat any incident as a learning opportunity. Our spill prevention approach emphasizes training and preventive maintenance on equipment. We require all workers to report any spill, no matter how small, so that we can learn from it. Each operation has spill management procedures in place. Environment teams also conduct inspections to ensure appropriate spill prevention practices are in place. Corrective action following an incident may include additional training, revision of standard operating procedures or repairing/replacing equipment. Remediation of spills may include collecting and managing impacted material.

**IMPACTS IN OUR VALUE CHAIN**
While upstream and downstream business partners may have their own environmental compliance requirements and these may be the subject of future dialogue, the nature of mining activity suggests we are likely to address the most significant impacts by focusing on our own operations.
PV3 Permitting Process

In 2016 Pinto Valley submitted a Mine Plan of Operations for PV3 – the mine plan that extends Pinto Valley’s mine life to 2039. The expansion was designed to maximize use of previously disturbed areas, while a portion of the open pit and tailings facility (TSF4) will extend onto public land administered by the US Forest Service. Submitting the plan was the first step of the permitting process which requires the publication of an Environmental Impact Statement (EIS). As part of this process, a Scoping Phase was initiated in January 2017, and included two public meetings in Miami and Superior to collect input from local stakeholders and the general public.

Results identified key issues to be analyzed in the EIS:

- Air quality related to project emissions and dust
- Biological resources
- Long-term landscape productivity
- Cultural resources
- Public health and safety
- Recreational access
- Social and economic conditions
- Potential risks from geotechnical or stability issues related to tailings and the open pit
- Groundwater and surface water

The next steps will consist of an effects analysis, drafting phase and a second opportunity for public input on the draft EIS in 2019. We will consider the EIS results as an input to our materiality assessment next year, as many of these issues are aligned with material topics we are actively managing.
Mining Waste

WHY THIS MATTERS

Mines generate large quantities of waste materials, such as tailings and waste rock, and may also need to discharge process water (effluent). All mine waste must be managed to minimize long-term environmental impacts.

In addition to potential risks and impacts to the local environment, communities and public safety, the monetary and reputational costs from incidents related to the improper functioning of a tailings facility can impact the long-term viability of an operation. In response to recent tailings failures in Canada and Brazil, both industry and the public are paying closer attention to management of tailings facilities, from design and construction to responsible operation and closure. Industry has responded by considering the outcome of these incident investigations to strengthen best practice standards and tailings management commitments. For example, the International Council on Mining and Metals commissioned a global review of how to effectively maintain safety and issued a position statement on tailings governance in late 2016. The TSM Tailings Management Protocol was updated in 2017 following a multi-stakeholder review.

For Capstone as a whole, domestic waste (e.g. food, packaging) is insignificant compared to mining waste and has not been included.

HOW WE MANAGE IT

Tailings and waste rock

Waste rock is uneconomic rock material removed to access ore, which is rock material that contains copper. Tailings are the by-product of processing ore through the mill to extract the copper. Mine plans determine how much of each will be produced, handled and stored. The mine plan is presented to regulatory agencies, who issue permits with requirements for design, operation, monitoring and closure of facilities to store tailings and waste rock.

Pinto Valley and Cozamin operate tailings dam facilities, while Minto currently stores tailings in open pits that have been mined out. See our 2014 Sustainability Report Case Study for more on site-specific tailings facilities. Pinto Valley and Minto build waste rock storage dumps on surface, and Cozamin backfills waste rock in mined-out underground voids, to provide ground support.

Capstone has an internal Tailings Management Standard that requires tailings management systems at each site to address all design aspects and critical controls. These systems document accountability, training, risk evaluation, and monitoring requirements, including instrumentation and regular inspections. They set a standard for annual review and improvement. Professionally qualified, independent Engineers of Record work closely with our teams to oversee facility design.

Our cross-operational approach to internal tailings management system audits strengthens our stewardship practices and shares experience amongst our teams.

IMPACTS IN OUR VALUE CHAIN

Upstream Impacts could result from hazardous materials or from spills during transport of goods to sites.

Downstream Impacts could relate to spills during transport of concentrate and process effluent at smelters.
and operation. Each site has an Operations, Maintenance and Surveillance Manual in place and conducts third-party reviews of our tailings facilities every two years. This regular, external oversight ensures the evolving standard and state of practice for tailings facilities is incorporated into our management approach.

If there is metal leaching or acid rock drainage (ML/ARD) potential, the mine plan considers this as well. ML/ARD are naturally occurring processes that present a risk associated with long-term storage of tailings and waste rock. We routinely test material for ML/ARD potential during a project’s feasibility and operations phases. Some waste rock and overburden material is stockpiled for closure and construction of other site facilities, if it is confirmed as non-acid generating.

**Effluent** The need to discharge process water, or effluent, is largely dependent on site-specific conditions such as climate and local hydrology. If there is excess water that cannot be safely stored on site, it must be discharged. Minto is our only operation with permit conditions related to discharging mine effluent. Before Minto discharges effluent (to Minto Creek, upstream from the Yukon River), the effluent is treated and tested to ensure it meets the water quality standards of the water licence. Water quality in Minto Creek related to potential impacts on fish is a concern of Selkirk First Nation.

Our operations conduct routine sampling at locations designated in permits to ensure water quality criteria are met. See the Water section for more about how we manage water quantity.

**Sludges and other hazardous waste** Reagents or other consumables required for mining processes may generate waste that requires special disposal. Our sites are registered, as required by local legislation, as hazardous waste generators. These materials are tracked and reported when they are picked up by a certified transport company and delivered to a certified disposal facility.

### HOW WE PERFORMED

The variation in the amount of overburden, waste rock and tailings generated reflects our current mine plans and mill throughput. In 2017 Pinto Valley continued pit expansion and Minto commenced mining activities in the Area 2 Stage 3 (A2S3) pit and continued Area 2 underground development. The significant amount of overburden material removed from the Minto A2S3 pit was used for progressive reclamation activities (see the Closure Planning section).

We achieved our goal of completing internal audits\(^1\) of the Pinto Valley and Minto tailings management systems, with participation from our tailings managers at all three sites. Not only are audits an essential tool for continual improvement, but our cross-operational approach strengthens our stewardship practices by calibrating implementation of our systems and sharing experience amongst our teams.

Third-party technical reviews of our tailings facilities by external parties were not completed in the 2017 calendar year, but were conducted at Pinto Valley and Cozamin in early 2018. The Minto review was delayed by winter conditions.

### WHAT’S NEXT

We will maintain our continuous improvement process around tailings management at all sites by incorporating recommendations from internal and third-party audits.

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\(^1\) Our internal audit program for Capstone’s tailings and energy management systems is based on the ISO 19011 standard for Management System Audits.
Water

WHY THIS MATTERS

Globally, fresh water is an increasingly scarce resource. This is recognized by SDG #6: Clean Water and Sanitation, focused on ensuring availability and sustainable water management. Water is a finite resource significant to society and our local communities, and its use is highly regulated in jurisdictions where we operate. Water is critical to the mining process and a reliable source is required for us to operate. Proactive water management is also required to minimize the risk of surplus water (e.g. ensuring capacity to manage excess water from large precipitation events).

Pinto Valley and Cozamin are in semi-arid regions with the potential for water shortages, in relatively close proximity to local communities. There are cumulative impacts on local water resources from different industry users competing for water in these areas. A monetary cost is attached to water use, which is a business consideration.

Conversely, Minto is in a remote location that experiences heavy spring runoff and typically has a surplus of water. Minto needs sufficient storage capacity on site to accommodate water from higher precipitation years and large storm events. Minto typically discharges water each year to ensure the right storage capacity is available. Conditions for discharge to Minto Creek are set by the water licence. See the Mining Waste section for how Minto manages water quality.

Our water performance data includes the quantity of water used by our operations.

HOW WE MANAGE IT

We secure a continuous source of water. Where water supplies are limited, we secure water rights or drill additional wells and minimize water use from shared sources. Pinto Valley does not share any water sources with local communities; however, the groundwater wells we rely on are a component of the regional water regime. At Cozamin, the only water we use from the Zacatecas municipal supply is for domestic use. Cozamin’s process water comes from groundwater (underground mine dewatering and wells), precipitation stored on site, and a municipal water treatment plant to recycle waste water as a water source for the mine.

We model the balance of water. In development and during operations, we model the site “water balance” – the balance of water inputs (e.g. precipitation, surface water, groundwater, runoff), and outputs (e.g. evaporation, discharge). This helps us understand the amount of water available, the amount required for operations and how much will be stored on site or discharged to the environment (if required).

We actively monitor water use. We meter water use in key areas, continually update the water balance and report results internally to guide decisions. Other monitoring includes regular inspection and maintenance of storage catchments, pumps, pipes and wells, and surveying of water levels in water storage ponds and tailings facilities. At Pinto Valley, the computerized control system used to manage mill and water infrastructure operation is monitored to help identify possible leaks.

Water is critical to the mining process, and a reliable source is required for us to operate. Proactive water management is also required to minimize the risk of surplus water.
We implement best practices to conserve and maximize efficiency. Maximizing the amount of water recycled from the tailings facility and/or stormwater catchments back to the mill is a key management practice for Pinto Valley and Cozamin. We hold regular meetings on water supply and water conservation. At Pinto Valley other water conservation strategies include the use of an alternative, environmentally friendly product for dust suppression on roads instead of water. Equipment maintenance is also important to ensure that sensors, pumps, generators, valves and water lines are operating as expected.

We “keep clean water clean.” This is Minto’s water management philosophy. A network of ditches, detention structures and pipelines divert “clean” water around the property to a water storage pond, to minimize water that needs to be treated. “Impacted” water, which comes in contact with the disturbed area of the mine site, is conveyed to two storage ponds that provide a continuous water supply for the mill. Tailings are pumped from the mill to a mined-out pit for storage, and water is recycled back to the mill. Minto develops an annual water inventory based on the water balance, operational needs, water treatment rate and required storage capacity to determine the amount of excess impacted water to be treated and discharged. Minto only uses groundwater for camp services.

### HOW WE PERFORMED

Early in the year Pinto Valley was affected by considerable rain, resulting in excess water in the pit bottom, which negatively impacted mine production. We successfully responded to this event: stormwater catchments and conveyances performed as designed, and contained 100% of the stormwater on the property, and back-up diesel generators for water pumps kicked in when grid power was not available due to planned site-wide maintenance that required lock-out of all electricity. As part of continual improvement in our practices, we are developing a contingency plan that defines options for emergency water storage, if required, during future significant rain events.

We achieved our 2017 goal of developing site-specific water intensity metrics (see page 27 for more details).

### WHAT’S NEXT

We added water-related objectives to our 2018 site scorecards to raise the priority of water efficiency in planning and performance.

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**WATER WITHDRAWAL BY SOURCE**

<table>
<thead>
<tr>
<th>Volume (m³)</th>
<th>PINTO VALLEY</th>
<th>COZAMIN</th>
<th>MINTO</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>% Change 2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surface water</td>
<td>0</td>
<td>0</td>
<td>310²</td>
<td>310</td>
<td>500</td>
<td>0</td>
<td>-38%</td>
</tr>
<tr>
<td>Groundwater</td>
<td>10,083,324</td>
<td>551,783</td>
<td>13,286</td>
<td>10,648,393</td>
<td>10,305,049</td>
<td>10,088,535</td>
<td>3%</td>
</tr>
<tr>
<td>Precipitation¹</td>
<td>596,882</td>
<td>34,286</td>
<td>1,772,377</td>
<td>2,403,545</td>
<td>2,783,671</td>
<td>2,918,177</td>
<td>-14%</td>
</tr>
<tr>
<td>External waste water</td>
<td>0</td>
<td>37,357</td>
<td>0</td>
<td>37,357</td>
<td>0</td>
<td>65,840</td>
<td>&gt;100%</td>
</tr>
<tr>
<td>Municipal or utility supply</td>
<td>0</td>
<td>12,207</td>
<td>0</td>
<td>12,207</td>
<td>16,972</td>
<td>22,622</td>
<td>-28%</td>
</tr>
<tr>
<td>Total water withdrawal</td>
<td>10,680,206</td>
<td>635,633</td>
<td>1,785,973</td>
<td>13,101,812</td>
<td>13,106,192</td>
<td>13,095,174</td>
<td>-0.03%</td>
</tr>
</tbody>
</table>

1. Data based on flow meters, meteorological stations, water level surveys and water balance modelling.
2. Includes permitted water use from the Yukon River for dust suppression on the mine access road.
3. Includes rainfall and surface run-off collected and stored on site.
CASE STUDY:
A Closer Look at Water Management

Pinto Valley and Cozamin are located in semi-arid regions where efficient water use is critical. Water is an essential input to the mill process. Recycling as much water as possible through the system helps reduce the amount of new water we need to withdraw.

There are similarities between the water management systems at each mine. Both collect and store precipitation, and use groundwater for their main water source. Pinto Valley sends new water directly to the mill, or to the Cottonwood Reservoir. Cottonwood may also receive recycled water for storage. Cozamin sends new water directly to the TSF.

Tailings thickeners maximize water recovery back to the mill, then tailings slurry is pumped from the thickeners to the TSF. There is water loss from the TSF through evaporation, entrainment in tailings and seepage. Available water is recycled from the TSF back to the mill.

Managing the amount and location of water stored in the TSF is also a critical part of how we handle risk associated with tailings.

We developed water intensity metrics to measure our performance. This represents the ratio of new water (excluding precipitation) per tonne of ore processed through the mill.
Energy

WHY THIS MATTERS

Mines have large energy requirements that account for a significant portion of operating costs. Our energy needs are driven by our mine plans. We expect energy requirements to vary over time, especially as pit and underground production is deeper and haul distances are longer. Reliable and cost-effective energy is critical for project viability; our efficient use of energy in processes and equipment is a key way to preserve value for both the environment and our profitability.

We operate in jurisdictions with high or competing demand for energy. The importance of energy globally is recognized by SDG #7 Affordable and Clean Energy, and focused on ensuring access to reliable and modern energy. The mining industry has responded by developing tools and initiatives that support energy management (e.g. the Mining Association of Canada’s TSM protocol for Energy and Greenhouse Gas Management Protocol).

Depending on the source, energy use can result in air emissions, including greenhouse gas emissions. Globally, there is increasing focus on climate change and proactively managing and reducing GHG emissions. SDG #13 Climate Action is directed at raising global action to address climate change. Regulatory trends towards government use of carbon pricing, or other tools to support transition to low carbon economies, could result in additional costs to our operations. Our GHG emissions are primarily a result of electricity or fuel consumption to power our operations and we deal with them by managing our energy use.

Our performance data includes energy used on site to support extraction, processing and associated activities, and the associated Scope 1 and Scope 2 GHG emissions. Our data does not include energy use by entities in our value chain that we do not control (e.g. suppliers, contractors, customers, transportation providers) or the related Scope 3 GHG emissions. Our preliminary scoping suggest that energy and emissions related to transportation would not be material compared to the energy we used for extraction and processing. We do not have access to data on energy use and emissions by other entities in our value chain, and do not anticipate including this in our reporting.

HOW WE MANAGE IT

All our operations use grid power. Grid power is derived from different sources in each jurisdiction. In Arizona, grid electricity is generated from a combination of nuclear, coal, natural gas and renewables such as hydro, biomass, solar and wind. Mexican energy reform is transitioning the federally owned electricity sector, based primarily on thermal power generation, to one with more private sector participation and an increasing mix of renewable energy sources. In Yukon, grid energy is primarily from hydro, supplemented by diesel and liquefied natural gas generation in winter or during drought conditions.

We closely monitor energy. Energy consumption is monitored primarily as a cost driver through monthly electricity billing and metering, and monitoring of diesel inventory. We monitor

Mines have large energy requirements that vary over time; efficient energy use in processes and equipment is a key way to preserve value for both the environment and our profitability.
ENERGY CONSUMPTION WITHIN CAPSTONE AND ASSOCIATED GHG EMISSIONS

<table>
<thead>
<tr>
<th>ENERGY USE (GIGAJOULES)</th>
<th>PINTO VALLEY</th>
<th>COZAMIN</th>
<th>MINTO</th>
<th>2017</th>
<th>2016(^6)</th>
<th>2015(^6)</th>
<th>% CHANGE 2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel(^1)</td>
<td>1,250,336</td>
<td>113,557</td>
<td>395,069</td>
<td>1,758,962</td>
<td>1,715,487</td>
<td>1,487,226</td>
<td>3%</td>
</tr>
<tr>
<td>Electricity</td>
<td>1,253,838</td>
<td>165,552</td>
<td>155,373</td>
<td>1,574,763</td>
<td>1,598,284</td>
<td>1,520,411</td>
<td>-1%</td>
</tr>
<tr>
<td>Total energy consumption</td>
<td>2,504,174</td>
<td>279,109</td>
<td>550,442</td>
<td>3,333,725</td>
<td>3,313,771</td>
<td>3,007,637</td>
<td>&lt;1%</td>
</tr>
</tbody>
</table>

Energy-related GHG emissions (CO2eT)\(^2\)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016(^6)</th>
<th>2015(^6)</th>
<th>% CHANGE 2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct GHG emissions(^3)</td>
<td>87,386</td>
<td>8,497</td>
<td>27,171</td>
<td>3%</td>
</tr>
<tr>
<td>Indirect GHG emissions(^4) - location-based(^5)</td>
<td>165,688</td>
<td>20,878</td>
<td>2,158</td>
<td>-3%</td>
</tr>
<tr>
<td>Total GHG emissions</td>
<td>253,074</td>
<td>29,375</td>
<td>29,329</td>
<td>-1%</td>
</tr>
</tbody>
</table>

---

electricity use during peak demand periods and adjust our energy use during these times. The mill grinding circuit is the largest electricity user at our operations. The majority of fuel we use is diesel, typically consumed by haul trucks transporting ore and waste rock from the mine to the mill or storage dumps.

**We use energy management systems.** Our operations have energy management policies and systems.\(^{12}\) Our General Managers designate Energy Leaders to guide our energy management teams, comprised of representatives from various departments. This shared responsibility brings different perspectives from around the operations. We have identified significant energy uses (SEU) to focus our improvement efforts – typically hauling in the mine and grinding in the mill. Employees with SEU-related duties receive task-specific training on how their actions contribute to optimal energy performance (e.g. ensuring appropriate maintenance on equipment). We maintain energy performance models to more accurately monitor energy use and provide general awareness training on energy use and efficiency. We continue to identify improvement projects and gather ideas from our workforce, our best resource for improvement opportunities.

**HOW WE PERFORMED**

In 2017, total energy consumption increased by less than 1% while mill throughput decreased by 5% over 2016. Energy intensity represents the energy consumed per tonne of ore processed, and differs at each of our operations depending on factors such as the type of operation (open pit vs. underground), mine depth and hauling profile, the rate of mill throughput and the amount of mine development. Energy and GHG intensity increased across Capstone in 2017, primarily related to diesel use for continued open pit and underground development.

We completed an internal audit of the Pinto Valley energy management system (a 2017 objective) to determine compliance with system requirements and improvement opportunities. Our employee survey results showed practicing energy efficiency on a daily basis is a way that employees can integrate sustainability into their daily roles, including efficient use of lights, monitors and office heating or air conditioning, as well as equipment maintenance and new project ideas.

**WHAT’S NEXT**

We broadened our approach by adding energy-related objectives to our 2018 site scorecards.

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1 Fuel includes diesel, gasoline, propane and liquefied petroleum gas.
2 Emissions are calculated in carbon equivalent tonnes (CO2eT). Source for global warming potential factors is International Panel for Climate Change (IPCC) 5th Assessment Report.
4 Indirect (Scope 2) GHG emissions are related to electricity purchased from other organizations. Sources for electricity emissions factors are: National Inventory Report 1990-2016, Environment and Climate Change Canada (Yukon); electric System Tables 2016, US EPA; and Mexican Secretariat of Environment and Natural Resources (SEMARNAT).
5 Market-based factors are not applicable in Yukon. For Arizona and Mexico, available data did not meet GHG Protocol Scope 2 quality criteria.
6 Indirect emissions for 2014 through 2016 have been recalculated to reflect updated emissions factors.
Driving Everyday Efficiency

Efficiency is built into daily operations at the Pinto Valley open pit by optimizing how we haul ore and waste material. While we can’t change the location of the ore body, we can manage design and operational variables to maximize resources – ensuring our haul truck fleet moves as much material as possible each day.

**Design** Our engineers optimize the design and location of the haul road to minimize the grade and find the shortest route. Other efficiency considerations include minimizing switchbacks, reducing one-way roads and including drainage to keep the road dry.

**Operational Variables** After a haul road is designed, efficiency is determined by operators, maintenance workers and dispatch teams. Road maintenance teams are trained to keep the roads smooth and dry, with adequate berms, allowing haul truck operators to drive at optimal speed and gearing, and trucks are serviced regularly to maximize productivity. Haul trucks are also equipped with GPS-based software called MineStar™, which dispatch uses to direct the fleet through the hauling cycle to optimize traffic flow and ensure trucks are not idling longer than necessary.

One metric of maximizing our hauling resources is tire life, which has been steadily improving from below 5,000 hours per tire to over 7,000 hours. Another metric is the continued focus on minimizing our haul cycle delay times such as blast delays, and waiting time at loading units and the primary crusher.
Community Impacts

WHY THIS MATTERS

Mining has the potential to impact communities, both positively (we see these as benefits) and negatively. We want to create and sustain community benefits wherever we operate.

The best ways for us to build value in local communities are through employment, training and community investment. In this section, we address how we understand and manage potential negative impacts.

In the regions where we operate, there are long traditions of mining, and many of the neighbouring communities were established to support mining. While communities are familiar with the challenges and operational requirements of mining, it is still important for us to work together to identify, understand and mitigate potential concerns and impacts. The proximity of local communities to our operations increases the potential for environmental or socio-economic impacts (which we call changes to community life). Changes to community life include population changes, increased pressure on infrastructure or community services, and changes to traditional pursuits and community or cultural well-being.

HOW WE MANAGE IT

We consider the potential for impacts on communities during various phases of the project life cycle. Exploration is our first opportunity to build local relationships. Potential impacts on communities may also be considered in regulatory processes for permits prior to exploration activities commencing.

Stakeholder engagement helps us learn about potential impacts and how to manage them. Each operation establishes and maintains relationships with local communities and other stakeholders. We engage communities in project development through direct consultation. For example, Minto and Selkirk First Nation (SFN) collaborate through a bilateral technical working group to incorporate SFN feedback into closure design concepts. Regulatory processes also have opportunities for public input and participation. For instance, in 2017 the scoping phase of the Pinto Valley PV3 EIS, led by the US Forest Service, gathered input at public meetings in Miami and Superior.

We mitigate environmental impacts by actively managing and improving operational practices. Changes in community life are addressed by understanding local conditions and working with communities to implement appropriate measures and commitments. A 2013 socio-economic baseline study was completed to evaluate potential impacts and identify mitigation during Minto’s operation, decommissioning and closure phases. For example, Minto addresses a potentially negative influence of employment on SFN cultural well-being by offering SFN employees the opportunity to take leave during cultural and traditional activities, as well as government gatherings. The Minto Mine Tri-Partite Working Group, comprised of SFN, the Government of Yukon and Minto, conducts a socio-economic monitoring program to confirm mitigation measures are effective and to adapt measures if required.

The best ways for us to build value in local communities are through employment, training and community investment.
HOW WE PERFORMED

With respect to mitigating environmental impacts, we continued to proactively manage water use and dust control (see Water and Air Quality sections).

Pinto Valley received two complaints related to dust suppressant applied to a shared-use road adjacent to the mine. The suppressant caused minor damage to two private vehicles that were using the road. Pinto Valley effectively resolved these issues by using the mine’s community response procedure. This procedure sets out requirements for responding to and investigating complaints (no matter how small), and includes follow-up to communicate outcomes.

In 2017, Ejido Hacienda Nueva raised a list of concerns related to Cozamin’s use of some Ejido lands for project infrastructure. Cozamin and Ejido Hacienda Nueva established a schedule of regular meetings between the site management team and Ejidal leadership to maintain dialogue on outstanding issues.

Mining has the potential to impact communities, both positively and negatively. We want to create and sustain community benefits wherever we operate.

<table>
<thead>
<tr>
<th>OPERATION</th>
<th>COMMUNITY CHARACTERISTICS</th>
<th>NEAREST COMMUNITY (KM)</th>
<th>IMPACTS REQUIRING MITIGATION</th>
</tr>
</thead>
</table>
| Pinto Valley | Established with a long history of mining. Other economic activity in the area. | 10 | • Water quality in Pinto Creek  
• Water quantity in surrounding area  
• Dust |
| Cozamin | Established with a long history of mining. Other economic activity in the area. | 3 | • Dust  
• Water quantity in surrounding area |
| Minto | Remote community. Minto is the first major mine in the area. Long history of mining in Yukon. | 35 | • Dust  
• Water quality in Minto Creek  
• Changes to community life |

1 The Santo Domingo environmental assessment statement was granted in July 2015, outlining mitigation measures and commitments to manage potential impacts, which we categorized in our 2014 Sustainability Report as water, dust and changes to community life. Extensive community consultation was part of this process. Active community engagement for incorporating mitigation into design considerations continued until the project was suspended in September 2015.

2 The impacts correspond to stakeholder concerns our operations have identified. The Pinto Valley PV3 EIS is underway and results of the impact assessment will be considered in determining community impacts. At Cozamin, where regulatory processes have not resulted in a formal impact assessment, we have identified the impacts our operation is managing. Regulatory processes for Minto required environmental and socio-economic impact assessments that provided the basis for understanding and mitigating impacts. See Water and Air Quality sections for information on how we manage these impacts.
Employment

WHY THIS MATTERS

In 2017 we had 1,855 employees and contractors globally. They are the heart of our operations and give us perspective for doing the right thing. Developing a skilled and engaged workforce is critical to our business success. Employment is recognized by SDG #13 Decent Work and Economic Growth as an important factor in sustained and inclusive global economic growth. Local employment opportunities are a key benefit of mining operations, especially in remote areas. Employment develops skills of local people and provides wages that increase opportunities for local spending.

HOW WE MANAGE IT

Our key objectives are attraction, retention and development. Our workforce strategies include:

- Prioritizing local recruitment
- Championing diversity by identifying a diverse pool of applicants in our recruitment process
- Training and professional development
- Industry-competitive compensation and benefits
- Annual performance reviews and objective setting
- Succession planning to identify successors and high-potential employees
- Programs to communicate our principles for equitable treatment and employees’ rights

We measure and reward performance.

Our performance management program objectively measures and rewards performance at the individual, team, operation and corporate levels. Our senior management team sets annual corporate objectives approved by the Board of Directors, which cascade to each of our operations. Our results are communicated and linked to compensation of our employees. This program gives our employees a sense of ownership and contribution towards our success as a company.

We monitor workforce trends and engagement across the organization.

We regularly evaluate several key indicators including turnover rate, point of hire, demographics and results of exit interviews. In 2017, as part of Values in Action training, we gained insight into our workforce culture by gathering employee feedback. This information helps us identify and respond to any challenges.

Our goal is to maximize local employment.

We use a number of strategies for local recruitment and retention. Pinto Valley focuses on training as a retention tool. Cozamin works towards achievement of certifications to attract workers in a competitive local environment. Cozamin has been consistently recognized for leading employment practices, training standards and commitment to the environment.

Local employment opportunities are a key benefit of mining operations. We develop skills of local people, while wages increase opportunities for local spending.
The increasing trend in the new hire rate for employees under 25 is related to Cozamin’s focus on hiring new graduates. The turnover rate for this age group is attributable to students and interns returning to school and the location of our operations outside of major urban areas.

HOW WE PERFORMED

The 8% increase in our total workforce (employees and contractors) is attributed to the recall of Minto’s surface mining contractor following the decision to defer temporary care and maintenance. The proportion of hiring from our local communities increased slightly in 2017, but competition with other local mines for hiring remains a factor in attracting local employees.

Employee demographics, such as age and gender diversity, are important factors in building inclusive and productive teams through a mix of experience and talents. The age demographic of our employees is fairly diversified across age groups, with the majority our employees aged 45 or younger.

The increasing trend in the new hire rate for employees under 25 is related to Cozamin’s focus on hiring new graduates for long-term development. The turnover rate for this age group is attributable to students and interns returning to school and the location of our operations outside of major urban areas.

In 2017 Capstone’s employee gender split was 14% female; this is comparable across the mining industry and is a driver for more inclusion of women in mining. In our efforts to promote gender diversity, we review the proportion of men and women across different job categories at Capstone. This information allows us to identify areas where we can focus our efforts to encourage more participation from women in our workforce.

Pinto Valley is our only operation with a collective bargaining agreement that covers approximately 394 employees. The collective agreement expired in June 2014 and negotiations have been ongoing since that time.
In 2017 Capstone’s employee gender split was 14% female; this is comparable across the mining industry. We review the proportion of women and men across job categories to identify areas where we can encourage more participation from women in our workforce.
Economic Impacts

WHY THIS MATTERS

Economic impacts are defined by how our activities generate, distribute and build value in the communities and regions where we operate. Strong financial performance ensures we can continue operating and contributing to communities through tax revenues, direct investments, employment and indirect economic benefits. Economic development is an important component of global sustainability captured by SDG #8 Decent Work and Economic Growth. Our 2016 stakeholder interviews identified this as an important topic, related to local job and education opportunities, as well as partnering on community initiatives that improve quality of life.

HOW WE MANAGE IT

We use local suppliers and contractors as much as possible. At Pinto Valley, this means working with local suppliers in the Globe-Miami area. In addition to engaging local suppliers, Cozamin is a member of the Zacatecas Mining Cluster, a committee of local mining companies, suppliers, and government and educational institutions that promotes growth in the local mining industry. Minto’s surface mining contractor, one of our largest suppliers in 2017, is a Yukon-based company.

Direct community investment is part our strategy to support the communities where we live and work. Through our operations, we determine how funds are best distributed locally; this is done in consultation with our stakeholders and community partners.

HOW WE PERFORMED

We have not quantified our indirect economic impacts, but as employment is one of our main direct impacts, spending by our workers, sometimes in remote areas, is an important indirect benefit. We use considerable energy, materials and equipment which have a ripple effect on the regional economies where we procure these supplies. For example, the Arizona mining industry has created almost 32,000 indirect jobs and purchased almost US$2.8 billion of goods and services from Arizona suppliers.¹³

We define ‘local’ as communities close enough to be directly affected by our operations (see the Operations and Projects section). The proportion of our total spending on local products and services in 2017 was 6% (US$11 million) by Pinto Valley, 25% (US$14 million) by Cozamin and 38% (US$33 million) by Minto. Cozamin took steps to source more local procurement by switching to local suppliers for underground explosives and ramp maintenance, and hiring a local bolting services contractor for work previously conducted by a state agency.

¹³ L. William Seidman Research Institute, W.P. Carey School of Business at Arizona State University, The Economic Impact of the Mining Industry on the State of Arizona

<table>
<thead>
<tr>
<th>IMPACTS IN OUR VALUE CHAIN</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Upstream Impacts</strong> may be related to our demand for goods and services which generates jobs and economic activity.</td>
</tr>
<tr>
<td><strong>Downstream Impacts</strong> may be related to our requirements for road transport and handling of concentrate at port facilities, and indirectly at smelters, which generate jobs and economic activity.</td>
</tr>
</tbody>
</table>

### ECONOMIC VALUE GENERATED AND DISTRIBUTED BY REGION (IN THOUSANDS US$)

<table>
<thead>
<tr>
<th></th>
<th>CANADA</th>
<th>US</th>
<th>MEXICO</th>
<th>CHILE</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct economic value generated</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>111,521</td>
<td>322,032</td>
<td>108,468</td>
<td>–</td>
<td>542,021</td>
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<td>Operating costs</td>
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<td>Employee wages and benefits</td>
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<td>14,082</td>
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<tr>
<td><strong>Total economic value distributed</strong></td>
<td>126,990</td>
<td>217,091</td>
<td>62,756</td>
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<td>(15,469)</td>
<td>(104,941)</td>
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<td>(6,027)</td>
<td>129,157</td>
<td>140,262</td>
<td>60,748</td>
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</table>

1 Taxes and other payments to governments reported above and payments to public bodies reported under the Canadian Extractive Measures Transparency Act (ESTMA), are prepared under different standards (GRI vs. ESTMA). Key differences are cash reporting under ESTMA vs. accrual basis reporting under GRI and licence fees and royalties are considered production costs under GRI.
Building Long-term Value

Capstone’s 2017 community contributions supported a variety of local initiatives. Where possible, we sponsored community projects that build long-term value.

**Pinto Valley** Through participation in the Copper Circle Sustainability Consortium, Pinto Valley supported the installation of lighting at the Bullion Plaza Cultural Center and Museum in Miami. This project created a suitable venue for hosting night-time sporting events and festival activities.

**Cozamin** In addition to mining tax payments (7.5% of earnings) that are directed towards community improvements, Cozamin has an annual program that provides scholarships and in-kind donations, such as computers for local schools and garden boxes for local families.

**Minto** Minto’s operation generates royalties for Selkirk First Nation, which provides an important long-term benefit for the community. Minto also supports the Yukon Hospital Foundation and local sports initiatives, and provides graduation bursaries to Pelly Crossing students.

**BC and Yukon** 2017 marked the completion of the Capstone Mining Oncology, Hematology and Bone Marrow Transplant Outpatient Clinic at the new Teck Acute Care Centre at British Columbia (BC) Children’s Hospital, providing treatment to children throughout BC and the Yukon. This was a C$3 million multi-year funding commitment with final contributions scheduled in 2018.

Direct community investment is part of our strategy to support the communities where we live and work. Through our operations, we determine how funds are best distributed locally; this is done in consultation with our stakeholders and community partners.
Air Quality

WHY THIS MATTERS

The primary air quality concern is dust, also known as particulate matter (PM). Mining operations include movement and storage of large amounts of rock and soil (stripping, blasting, and maintaining unpaved haul and access roads) and mill processes (crushing) that typically generate large amounts of dust. The main source of dust are crushers, conveyor belts, roads, tailings, material handling and stockpiles.

Dust is a concern to communities near mine sites as it relates to public health and deposition of dust on vegetation. Dust is also a concern for the health and safety of employees working in and around active mine areas. It is our most significant local air emission. Pinto Valley is located in a Non-attainment area for particulate matter (PM10) in Arizona, where regulatory limits are more stringent because levels in background air quality do not meet national ambient air quality standards.

Our performance data includes particulate matter only. We monitor other air emissions at our operations to meet permit requirements or local air quality standards, but they are much less significant than dust.

HOW WE MANAGE IT

We use equipment and operational practices to minimize dust. Employees are trained on work procedures and reporting of visual observations of dust. Equipment solutions include wet scrubbers on conveyor belts, and enclosing or covering dust-prone areas such as conveyors, stockpiles and concentrate storage. Minto installed a chute on the crusher extending to their stockpile, to minimize the drop distance and reduce dust when ore is deposited.

A key operational practice is applying water and other dust suppressants to roads, depending on the site and season. Dust suppressant products are selected and applied to minimize potential environmental impact. Minto has a unique challenge in that some dust suppressants are not as effective in extreme cold temperatures; they have tested different dust suppressants. Pinto Valley’s practices for tailings-related dust include minimizing exposed beach areas. In 2017 Pinto Valley initiated an Air Quality Committee with representatives from different areas to identify improvement projects.

We monitor dust emissions. Our environment teams monitor weather and operational conditions that can lead to dust emissions (e.g. high winds, low humidity, drawdown of stockpiles). Visual observations are the immediate cue of a dust issue and our most effective monitoring tool. We record observations and use them to activate contingency measures. Pinto Valley conducts annual stack testing to ensure dust control equipment is functioning as expected. Cozamin uses instrumentation to continuously monitor total suspended particles at six locations around the mine near the crusher, ventilation raises and the tailings dam, to ensure levels within permit requirements. An external laboratory conducts quarterly sampling to verify results.

We monitor air quality in the immediate operations area for silica and other particulates to ensure they meet standards for occupational or public health.

Dust is our most significant local air emission. The main source of dust are crushers, conveyor belts, roads, tailings, material handling and stockpiles.

Pinto Valley Mine, Arizona, US
Improving Dust Control

Pinto Valley initiated two major projects to increase dust control at the TSF4 tailings facility. Crushed limestone rock was applied on both the main road and the berm on the dam crest, to reduce dust generated by moving equipment, trucks and wind events.

The limestone-capped roadway was then treated with a dust control product to create a pavement-like surface. The active slopes above the road on the TSF4 dam face and other hard-to-reach slopes on the face were also treated to create a surface crust and prevent dust emissions.
Closure Planning

WHY THIS MATTERS
Closure planning is key to mitigating long-term environmental impacts from mining activities once operations are finished. Closure is a significant project cost that requires design and operational considerations right from the start of mining, and involves input from local government and communities. Closure planning is an important factor in assuring local stakeholders that we have the financial resources and technical ability to close our operations in a responsible manner aligned with local values. This is especially relevant in Canada and the US where multiple historic mine closures have fallen to government and taxpayers.

HOW WE MANAGE IT
We maintain closure plans and understand the costs. Planning for closure starts with project design and is then integrated into mine planning. People, materials and costs are considered from the beginning to ensure the closure approach is environmentally and financially feasible. These plans establish reclamation objectives and cover all activities and associated costs to restore the area and leave it safe once mining is complete. This may include physical contouring of the land, surface and groundwater management, revegetation and long-term monitoring. Closure plans may also consider a temporary closure scenario where the project is put into care and maintenance. Yukon and Arizona regulations require us to guarantee funds to the government for closure obligations. Understanding the interests and values of our stakeholders as we advance helps ensure our closure plans are targeting the right reclamation objectives (e.g. working with Selkirk First Nation on closure water quality objectives at Minto).

We conduct progressive reclamation and monitor the results. Some closure activities – such as storing waste materials in accordance with approved mine plans, ensuring adequate revegetation, capturing affected water and removing obsolete infrastructure – can be completed in mined-out areas while operations continue. By monitoring the results of these activities, we can see if our closure plan is effective and adjust during operations as needed. Progressive reclamation is a responsible and cost-effective practice that reduces long-term closure costs and liability.

HOW WE PERFORMED
All our operations have closure plans with cost estimates that are updated regularly.

Cozamin advanced the first phase of progressive reclamation at the historic Chiripa tailings facility located on the Cozamin property. Cozamin has submitted a plan for the next phase of remediation; this work is considered under Cozamin’s closure and reclamation cost estimate. Minto completed significant progressive reclamation on closed or closing facilities, including cover placement on the Dry Stack Tailings Storage Facility, Main Waste Dump and Southwest Dump, and contouring and stockpiling overburden from the Area 2 Stage 3 pit on the Southwest Dump. A2S3 overburden was also used to backfill the 118 pit.
Our Watchlist

The following topics are moderately important in our materiality process, and we monitor them for indications that they may become more material. While we do not present performance data for these topics, our approach is to describe how we manage them. In this section we show how these topics also connect to our ability to build and preserve value.

Labour/Management Relations

WHY THIS MATTERS

Building and maintaining a productive relationship with our people is an investment in our human and social capital. Healthy labour/management relations is essential to productivity and employee engagement. For Capstone, this includes union and non-union employees. Pinto Valley is our only operation with a collective bargaining agreement, which covers approximately 394 employees.

HOW WE MANAGE IT

We proactively communicate information about Capstone and our major activities. We encourage an open and honest management style at each of our offices and operations. We regularly communicate company and site-level objectives to the workforce as part of our performance management program.

We communicate information and collect employee feedback through a variety of mechanisms across the organization, including “town hall” meetings with large groups, site newsletters and magazines, mass email communication, direct communication with supervisors, and the installation of bulletin boards and television monitors throughout the organization to display important information.

We use our intranet site to facilitate collaboration and share information across the organization. Our management team uses a blog to regularly communicate with the workforce and foster more timely communication and personal connections.

Training and Development

WHY THIS MATTERS

Training and development builds value both for Capstone and our local stakeholders. It is important for attracting and retaining skilled people, and supporting our capacity for continuous improvement. Local community members are also interested in developing skills, especially skills that help secure work in mining. Our 2016 stakeholder interviews indicated that training offers a way for operations to partner with communities for mutual benefit.

Following our 2017 materiality assessment, this topic moved from a Material Topic to the Watchlist; we redefined this topic to remove the emphasis on health and safety training (covered under Health and Safety).

HOW WE MANAGE IT

Development programs are an important attraction and retention tool. Employees receive task-specific training to ensure competency in their roles. Direct feedback and performance reviews with team leaders are key mechanisms for individual improvement and career development. We also support professional development opportunities to enhance the skills of our employees, such as formal designation programs.

Our operations work with local training agencies to identify opportunities to deliver training programs based on local needs. For example, Minto has partnered with Yukon College to develop a mineral processing training program; a steering committee was formed in late 2017 with representatives from industry and the college. Minto supplies reagents for use in the lab, has employees provide instruction, and is developing mineral processing modules for use in the program, which is targeted to be offered in the fall of 2018.
Emergency Preparedness

WHY THIS MATTERS

The inherent risks and hazards associated with mining may result in accidents or emergency situations that can affect our workforce, local communities or the environment. When emergencies happen at mines, especially in remote locations, impacts on people and the surrounding environment can be serious. We prepare for worst-case scenarios through risk assessment, and ensure sufficient training and resources are readily available. Our emergency preparedness practices consider a wide range of emergency situations that may arise at our operations, including major natural disasters, mine accidents and spills.

HOW WE MANAGE IT

While the full workforce is included in general training, there are designated mine rescue teams at each site that receive frequent, specialized training. Minto is in a remote location where emergency support is not immediately available, so it is especially critical to build and test internal expertise. At Pinto Valley and Cozamin, where local communities are in close proximity, the mines work with local emergency services as part of routine training and preparedness. For example, Pinto Valley completed a simulation exercise in 2017 that involved the Gila County Sheriff’s Office, the US Forest Service and a local air ambulance contractor to help stage a helicopter evacuation as part of the training scenario.

Compliance with Laws and Standards

WHY THIS MATTERS

Our employees, local communities, regulators, shareholders and the public expect us to operate in compliance with the law, and our Code of Conduct requires it. Compliance with the Code of Conduct is a condition of employment at Capstone. Strong compliance processes also preserve value by reducing risk.

Compliance with environmental laws is covered in the Environmental Compliance section. This section covers compliance with non-environmental laws and regulations at both the corporate and site levels, such as securities laws, financial reporting, resource reporting, health and safety, and human resources.

HOW WE MANAGE IT

We monitor changes and audit compliance. We also engage legal advisors and maintain memberships in local mining and professional associations to stay informed of changes in key regulations.

We have governance and review processes in place. Our Board Audit Committee provides oversight on financial reporting, ensures effective internal financial controls are in place, and reviews compliance with these systems. We conduct regular financial audits and reviews to ensure compliance with applicable securities laws and key regulatory instruments.

There were no fines or sanctions related to non-compliance with non-environmental legislation issued to our corporate entity, Cozamin or Minto. Pinto Valley received 99 citations for non-compliance with mandatory Mine Safety and Health Administration (MSHA) standards, compared to 84 in 2016. All citations were addressed to the inspectors’ satisfaction.

Under MSHA regulations, operators have the right to contest citations once the final inspection assessment has been issued by MSHA. Pinto Valley successfully contested some citations for a decrease in severity; in one case, the citation was vacated. As a result, the combined sum of penalties decreased. The MSHA public registry of citations, including amount of penalties, is adjusted with the results of the review process. In 2017, we paid US$76,352 in penalties.

At Pinto Valley and Cozamin, where local communities are in close proximity, we work with local emergency service providers as part of routine training and preparedness.
Our biodiversity programs vary from site to site, but generally include wildlife awareness training for employees and contractors, as well as conservation and management plans, and careful selection of vegetation for reclaimed areas.

Anti-Corruption

WHY THIS MATTERS

Corruption is the misuse of power by government officials or others for illegitimate private gain. Anti-Corruption refers to measures to avoid incidents of bribery or fraud. Similar to operating in compliance with all aspects of the law, our stakeholders expect us to operate in an honest and ethical manner. Potential consequences of corruption include fines or penalties, as well as reputational damage. Local communities may also be impacted when project benefits are not fairly distributed. This is a global concern for the mining industry. An increasing number of jurisdictions are implementing legislation for increased transparency in foreign business transactions. We are required to annually disclose payments made to public bodies in Canada and abroad under the Canadian Extractive Measures Transparency Act (ESTMA).

HOW WE MANAGE IT

We manage Anti-Corruption by embedding it as a fundamental value in our work culture. Our Code of Conduct addresses requirements for ethical business and anti-bribery practices. Our employees are required to review the Code of Conduct annually and abide by it. Our Fraud Reporting and Investigation (Whistleblower) Policy is in place as a mechanism for reporting incidents of corruption or bribery.

We have an Anti-Bribery Policy that applies to Capstone employees and third parties, including business partners, consultants and contractors interacting with government officials on our behalf. It addresses procedures for ensuring any payments, as well as political and charitable contributions, are made in the appropriate manner. We require all contractors to comply with our policies, including our Code of Conduct and the Anti-Bribery Policy.

Biodiversity

WHY THIS MATTERS

Biodiversity (biological diversity) refers to the variety of species and ecosystems and the ecological processes they support. Mining impacts on habitat, wetlands and water quality could affect plants, fish or wildlife. Biodiversity is important for our stakeholders, especially those who live nearby or value the surrounding lands and natural resources, and is a prominent factor in many regulatory requirements. The scope is limited to areas immediately impacted by the physical extent of our operations. While we focus on preserving biodiversity, there may be some cases (e.g. closure planning) when there are opportunities to enhance it.

HOW WE MANAGE IT

Our first step in biodiversity protection is to develop an understanding of the biodiversity in areas that could be affected by our operations. We conduct environmental baseline studies for the ecosystems that could be affected. These studies are required as part of the permitting process for planned expansions at our existing operations and proposed new development.

Results of studies determine how we minimize, monitor and manage impacts on plants, wildlife and their habitat. Our biodiversity programs vary from site to site, but generally include wildlife awareness training for employees and contractors, as well as conservation and management plans, and careful selection of vegetation for reclaimed areas. We check the effectiveness of our programs by monitoring wildlife, vegetation and water quality.
**Glossary**

**Ambient air quality**
The quality of outdoor air in the immediate surrounding environment.

**Base metals**
Metals that are not considered precious, such as copper and zinc.

**Bench scale test**
Testing of materials, methods or chemicals processes on a small scale, such as a laboratory.

**Brownfield exploration**
Exploration that takes place at or near an existing mine.

**Copper cathode**
Copper that can be produced from a solvent extraction and electrowinning plant. The resulting, nearly pure copper, is an excellent conductor and is often used in electrical wiring.

**Copper concentrate**
The product resulting from ore that has been concentrated through the milling process. It is composed of copper and minerals from the host rock, which has been mined and undergone primary processing. Most copper concentrate is sold directly to smelting/refining companies that process it into refined copper.

**Effluent**
Waste or process water that is discharged to the environment.

**Ejido**
In Mexico, lands held in the traditional system of land tenure of communal ownership with individual use.

**Entrainment**
Water that is trapped in the void spaces between tailings particles during deposition in the tailings storage facility. This is considered a water loss because this water is no longer available to circulate through the system.

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

**Heap leach**
A process to extract precious metals, copper and uranium from ore, by placing them on a pad (a base) in a heap and sprinkling a leaching solvent, such as acids, over the heap. This process dissolves the metals, which collect at the bottom of the pad. The solution is then sent to a solvent extraction and electrowinning plant to process the copper in cathode.

**A International Labour Organization (ILO)**
A specialized agency of the United Nations that sets international labour standards (including occupational health and safety); they also promote right and decent work opportunities. The ILO promotes dialogue between governments, industry and workers’ representatives (ilo.org).

**Lagging indicators**
Past health and safety incident statistics, including the number of reported incidents and the frequency and severity of injuries.

**Leading indicators**
A measure intended to drive activities that prevent injuries (e.g. quality of employee observations, number of training hours, number of equipment inspections).

**Metal leaching/acid rock drainage**
Acid rock drainage refers to the acidic water that is created when sulphide minerals are exposed to air and water and, through a natural chemical reaction, produce sulphuric acid. Elevated metal leaching is associated with acidic drainage due to high metal solubility and sulphide weathering rates under acidic conditions.

**Overburden**
Rock or soil lying over a mineral deposit.

**Particulate matter**
A complex mixture of solid particles and liquid droplets suspended in air. Particles differ in size, composition and origin, and are typically described based on diameter or particle size.

**Reagents**
Substances or mixtures for use in chemical analysis or other reactions, such as those that occur in milling or water treatment.

**Risk Velocity**
Measure of the speed that a scenario moves from initial cause to the point where impacts are felt.

**Sludge**
The thick, soft, wet mud or a similar viscous mixture of liquids and solids resulting from an industrial or refining process, such as water treatment.

**Solvent extraction and electrowinning plant (SX/EW)**
A facility where a two-stage process takes place on solution produced from a heap leach. First, copper ions are extracted from low-grade leach solutions into a solvent containing a chemical that selectively binds to copper. An electrolytic procedure is then used to deposit pure copper onto cathodes.

**Total particulate matter**
Total airborne particles or aerosols less than 100 microns in diameter.

**Total suspended particles**
The total amount of airborne particles or aerosols of various sizes.

**Waste rock**
Non-economic rock that must be fractured and removed to gain access to ore.
<table>
<thead>
<tr>
<th>GRI STANDARDS &amp; DISCLOSURES1</th>
<th>DESCRIPTION</th>
<th>NOTES / OMISSION</th>
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<td>Name of the organization</td>
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<td>GRI 102-2</td>
<td>Activities, brands, products and services</td>
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<td>GRI 102-3</td>
<td>Location of headquarters</td>
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<tr>
<td>GRI 102-4</td>
<td>Location of operations</td>
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<td>GRI 102-5</td>
<td>Ownership and legal form</td>
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<td>GRI 102-6</td>
<td>Markets served</td>
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<td>GRI 102-8</td>
<td>Information on employees and other workers</td>
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<td>Precautionary principle or approach</td>
<td>Capstone does not explicitly address the precautionary principle. To learn more about the precautionary principle, see The Rio Declaration on Environment and Development, Principle 15, United Nations (UN), 1992.</td>
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<td>GRI 102-12</td>
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<td>GRI 102-13</td>
<td>Memberships of associations</td>
<td>Capstone does not maintain any membership in organizations in which it holds a position on the governance body, participates in projects or committees, or provides substantive funding beyond routine membership dues.</td>
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<tr>
<td>GRI 102-14</td>
<td>Statement from senior decision-maker</td>
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<td>GRI 102-16</td>
<td>Values, principles, standards, and norms of behaviour</td>
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<td>GRI 102-18</td>
<td>Governance structure</td>
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<td>GRI 102-40</td>
<td>List of stakeholder groups</td>
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<td>GRI 102-41</td>
<td>Collective bargaining agreements</td>
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<td>34, 41</td>
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<td>GRI 102-42</td>
<td>Identifying and selecting stakeholders</td>
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<td>GRI 102-43</td>
<td>Approach to stakeholder engagement</td>
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<td>Key topics and concerns raised</td>
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<td>GRI 102-45</td>
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<td>See Capstone’s 2017 Financial Statements (capstonemining.com/investors/financial-reporting/default.aspx), Note 1</td>
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1 The publication year of all GRI Standards is 2016
## GRI STANDARDS & DISCLOSURES

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<td>Defining report content and topic boundaries</td>
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<td>List of material topics</td>
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<td>No restatements in this report.</td>
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<td>GRI 102-49</td>
<td>Changes in reporting</td>
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## MATERIAL TOPICS

### Capstone Topic: Economic Impacts – GRI 201: Economic Performance
(Note: This topic includes GRI 201: Economic Performance, 203: Indirect Economic Impacts, and 204: Procurement Practices. GRI 202-2: Market Presence is included under “Employment”)

<table>
<thead>
<tr>
<th>GRI 103</th>
<th>Management Approach</th>
<th>36</th>
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<tbody>
<tr>
<td>GRI 201-1</td>
<td>Direct economic value generated and distributed</td>
<td>In 2017 Mexico started to implement the Extractive Industries Transparency Initiative (EITI) Standard.</td>
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<tr>
<td>GRI 203-2</td>
<td>Significant indirect economic impacts</td>
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<td>GRI 204-1</td>
<td>Proportion of spending on local suppliers</td>
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### Capstone Topic: Energy – GRI 302: Energy
(Note: Our “Energy” topic includes energy-related GHG emissions per GRI 305: Emissions)

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<tr>
<th>GRI 103</th>
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<td>Direct (Scope 1) Greenhouse Gas (GHG) Emissions</td>
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<td>GRI 305-2</td>
<td>Energy Indirect (Scope 2) GHG Emissions</td>
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<td>GRI 305-4</td>
<td>GHG Emissions Intensity</td>
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<td>GRI STANDARDS &amp; DISCLOSURES¹</td>
<td>DESCRIPTION</td>
<td>NOTES / OMISSION</td>
</tr>
<tr>
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</tr>
<tr>
<td><strong>Capstone Topic: Water – GRI 303: Water</strong></td>
<td>GRI 103</td>
<td>Management Approach</td>
</tr>
<tr>
<td>GRI 303-1</td>
<td>Water withdrawal by source</td>
<td></td>
</tr>
<tr>
<td><strong>Capstone Topic: Air Quality – GRI 305: Emissions</strong></td>
<td>GRI 103</td>
<td>Management Approach</td>
</tr>
<tr>
<td>GRI 305-7</td>
<td>Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions</td>
<td>Dust (particulate emissions) are our most material air emission, so are the only air emissions reported under this disclosure.</td>
</tr>
<tr>
<td><strong>Capstone Topic: Mining Waste – GRI 306 Effluents and Waste</strong> (Note: GRI 306-3 Significant Spills is included under &quot;Environmental Compliance&quot;)</td>
<td>GRI 103</td>
<td>Management Approach</td>
</tr>
<tr>
<td>GRI 306-3</td>
<td>Significant spills</td>
<td></td>
</tr>
<tr>
<td>GRI G4 Metals and Mining Disclosure: MM3</td>
<td>Total amounts of overburden, rock, tailings and sludges and their associated risks</td>
<td></td>
</tr>
<tr>
<td><strong>Capstone Topic: Environmental Compliance – GRI 307 Environmental Compliance</strong></td>
<td>GRI 103</td>
<td>Management Approach</td>
</tr>
<tr>
<td>GRI 307-1</td>
<td>Non-compliance with environmental laws and regulations</td>
<td></td>
</tr>
<tr>
<td><strong>Capstone Topic: Employment – GRI 401: Employment</strong></td>
<td>GRI 103</td>
<td>Management Approach</td>
</tr>
<tr>
<td>GRI 202-2</td>
<td>Proportion of senior management hired from the local community</td>
<td></td>
</tr>
<tr>
<td>GRI 401-1</td>
<td>New employee hires and employee turnover</td>
<td></td>
</tr>
<tr>
<td><strong>Capstone Topic: Health and Safety – GRI 403: Occupational Health and Safety</strong></td>
<td>GRI 103</td>
<td>Management Approach</td>
</tr>
<tr>
<td>GRI 403-2</td>
<td>Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities</td>
<td>We do not track absenteeism, occupational disease rate or data by gender.</td>
</tr>
<tr>
<td>GRI STANDARDS &amp; DISCLOSURES</td>
<td>DESCRIPTION</td>
<td>NOTES / OMISSION</td>
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<tr>
<td>Capstone Topic: Community Impacts - GRI 413: Local Communities</td>
<td>GRI 103 Management Approach</td>
<td></td>
</tr>
<tr>
<td>GRI 413-2 Operations with significant actual and potential negative impacts on local communities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI G4 Mining and Metals: MM6 Number and description of significant disputes relating to land use, customary rights of local communities and indigenous peoples</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capstone Topic: Closure Planning - GRI G4 Mining and Metals Sector: Closure Planning</td>
<td>GRI 103 Management Approach</td>
<td></td>
</tr>
<tr>
<td>MM-10 Number and percentage of operations with closure plans</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>WATCHLIST</strong></td>
<td></td>
<td></td>
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<tr>
<td>Capstone Topic: Training and Development - GRI 404: Training and Education</td>
<td>GRI 103 Management Approach</td>
<td></td>
</tr>
<tr>
<td>MM-10 Number and percentage of operations with closure plans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capstone Topic: Biodiversity - GRI 304: Biodiversity</td>
<td>GRI 103 Management Approach</td>
<td></td>
</tr>
<tr>
<td>Capstone Topic: Labour/Management Relations - GRI 402: Labor/Management Relations</td>
<td>GRI 103 Management Approach</td>
<td></td>
</tr>
<tr>
<td>Capstone Topic: Compliance with Laws and Standards - GRI 419: Socio-economic Compliance</td>
<td>GRI 103 Management Approach</td>
<td></td>
</tr>
<tr>
<td>GRI 419-1 Non-compliance with laws and regulations in the social and economic area</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capstone Topic: Anti-Corruption - GRI 205: Anti-corruption</td>
<td>GRI 103 Management Approach</td>
<td></td>
</tr>
</tbody>
</table>
CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements in the report constitute “forward-looking information” within the meaning of Canadian securities legislation and “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, “forward-looking statements”). These forward-looking statements are made as of the date of this document and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation.

Forward looking statements in this report include, but are not limited to, statements relating to our sustainability goals and plans and our expectations regarding those goals and plans, as well as statements regarding the life of certain operations. Forward-looking statements relate to future events or future performance and reflect Company management’s expectations or beliefs regarding future events that management believe to be reasonable, though inherently uncertain and difficult to predict. Some forward looking statements can be identified by the use of words such as “plans,” “expects” or “does not expect,” “is expected,” “outlook,” “guidance,” “budget,” “scheduled,” “estimates,” “forecasts,” “intends,” “anticipates” or “does not anticipate,” or “believes,” or variations of such words and phrases or statements that certain actions, events or results “may,” “could,” “would,” “might” or “will be taken,” “occur” or “be achieved” or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including “may,” “future,” “expected,” “intends” and “estimates”. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to operational problems, regulatory action, changes in law or regulations, natural disaster or adverse weather conditions, accidents, changes in commodity prices, general business and economic conditions, and future operation and financial performance of the company generally and other risks of the mining industry as well as those factors detailed from time to time in the Company’s interim and annual financial statements and management’s discussion and analysis of those statements and the Company’s Annual Information Form, all of which are filed and available for review under the Company’s profile on SEDAR at www.sedar.com. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.