

## INTRODUCTION

Tailings storage involves a variety of significant socio-environmental and economic risks, and tailings management plays an increasingly important role in maintaining a mine's license to operate. Capstone Mining Corp. ("Capstone" or "the company") owns and manages active and inactive tailings storage facilities ("TSFs") at its mines in the USA and Mexico and is in the process of planning a number of new TSFs for construction at its operations in Mexico and the USA and its mine development project in Chile. Capstone's Board of Directors ("BOD") oversees tailings management as an Enterprise Risk, and believes that an appropriate tailings management process is necessary to identify, monitor and mitigate tailings-related risks.

## PURPOSE

This Policy is designed to complement and expand on Capstone's Integrated Environmental, Health, Safety and Sustainability Policy, dated November 7, 2014 (the "EHSS Policy"). The Tailings Management Policy forms the foundation for Capstone's tailings management efforts, and presents Capstone's commitments to appropriate tailings management, aimed at identifying, monitoring and mitigating tailings-related risks at all of the company's mines and projects.

## DEFINITIONS

**Communities of Interest (COI)** – All individuals and groups who have an interest in, or believe they may be affected by, decisions respecting Capstone's tailings management practices. They include, but are not restricted to employees, contractors, community members, environmental organizations, governments, the financial community and shareholders.

**Best Available Technology (BAT)** – The site-specific combination of technologies and techniques that is economically achievable and that most effectively reduces the physical, geochemical, ecological, social, financial and reputational risks associated with tailings management to an acceptable level during all phases of the mining life cycle, and supports and environmentally and economically viable mining operation.

**Best Available Practice (BAP)** – Management systems, operational procedures, techniques and methodologies that, through experience and demonstrated application, have proven to reliably manage risk and achieve performance objectives in a technically sound and economically efficient manner.

**Accountable Executive Officer** – An executive-level person (e.g. CEO, Senior Vice President or Vice President) designated by the Board of Directors, who is accountable for tailings management, and the development and implementation of the systems needed for responsible tailings management. This accountability cannot be delegated. This Officer has a direct reporting relationship to the Board or a Board Committee and:

- needs to be aware of key outcomes of tailings risk assessments and how these risks are being managed;
- has accountability and responsibility for putting in place an appropriate management structure;
- delegates responsibility and authority for tailings management and defines the personnel responsibilities, authority, and reporting relationships to implement the system needed for responsible tailings management through all phases in the facility life cycle; and
- demonstrates to the Board of Directors whether tailings are managed responsibly.

**Responsible Person (RP)** – A site-based person with clearly defined, delegated responsibility for tailings management at their operation. The RP identifies the scope of work and budget requirements for all



aspects of tailings management, including the Engineer of Record, and delegates specific tasks and responsibilities for aspects of tailings management to qualified personnel.

## SCOPE

This policy applies to all employees, contractors and consultants of Capstone and all subsidiaries.

## COMMITMENTS

As detailed in Capstone’s EHSS Policy, the company shall safeguard the health and safety of people, minimize the impact of its activities on the ecosystem, and respect the conditions of the natural environment and communities in which it operates, while safeguarding the assets of the company. As part of achieving these objectives, Capstone is committed to:

- Establish clearly defined accountability, responsibility and authority for all decisions related to tailings management, including, but not limited to, an Accountable Executive Officer and a Responsible Person at each operation.
- Design, construct, operate and ultimately reclaim its TSFs in a manner that reduces long-term impacts, risks and liability to COI, the ecosystem and the natural environment.
- Regularly conduct Independent Tailings Reviews to evaluate all aspects of tailings planning, design, construction, operation and maintenance at each operation.
- Comply with all applicable legal requirements, and conform with generally accepted, reasonable and prudent tailings engineering practice.
- Engage with COI, taking into account their considerations in relation to tailings management.
- Manage TSFs commensurate with the risks they pose, through implementation of BAAT and BAP, with the goal of minimizing harm and meeting performance, corporate governance, and socio-environmental requirements and objectives.
- Implement a company-wide Tailings Management System (TMS) to guide how these commitments are to be met; and allocate appropriate human and financial resources to support all aspects of this TMS.

## QUESTIONS

Any questions regarding this policy should be directed to Capstone’s Director of Technical Services.

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