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HOW WE MANAGE WATER

This fact sheet is one of a series describing Capstone's management approach to material topics. For information on recent developments in our management approach and current performance, see our <u>2024</u> <u>Sustainability Report</u>.

This topic covers the ways we source, use and reuse water in our operations, including quantity and quality. It also covers the effects of water use for mining on other water users and communities.

Impacts and Risks

We identify potential water-related impacts and risks through Environmental Impact Assessments (EIAs), permit conditions and additional studies, such as climate change analyzes. We are enhancing our understanding through updated site-wide and regional catchment-level water balance models.

Water is critical to the mining process. We require reliable sources to maintain our operations, and as our production increases, our water needs are likely to increase. All our sites are in water-stressed regions with the potential for water shortages. According to the World Resources Institute Aqueduct Country Rankings Tool, Arizona (Pinto Valley), Zacatecas (Cozamin), Antofagasta (Mantos Blancos) and Atacama (Mantoverde and Santo Domingo) all have extremely high baseline water stress. Climate change is increasingly threatening the availability and predictability of water sources, posing significant operational risks for sites that rely on surface and groundwater. In Arizona, for example, persistent extreme drought conditions have reduced water availability and contributed to throughput losses at Pinto Valley. In addition, climate change can create extreme precipitation events, which can damage infrastructure, flood sites, and disrupt production.

Water is a fundamental human right and essential for healthy ecosystems and social development. Our mining operations are located within shared watersheds, where we draw water from sources also used by other stakeholders. In water-stressed regions, multiple users competing for limited water resources can lead to cumulative impacts, potentially limiting or reducing the availability of freshwater at some of our sites.

While we aim to maximize closed loop recycling of water, some water is consumed in processing. It may be entrained in tailings, lost through evaporation from tailings ponds and reservoirs, or lost through natural ground seepage.

Seepage or runoff from stored waste rock and tailings could potentially enter surface or groundwater sources, affecting ecosystems and other water users. Brine discharges from our desalination plant, have the potential to affect marine ecosystems and fishing communities.



Overview of Site Water Withdrawal Sources

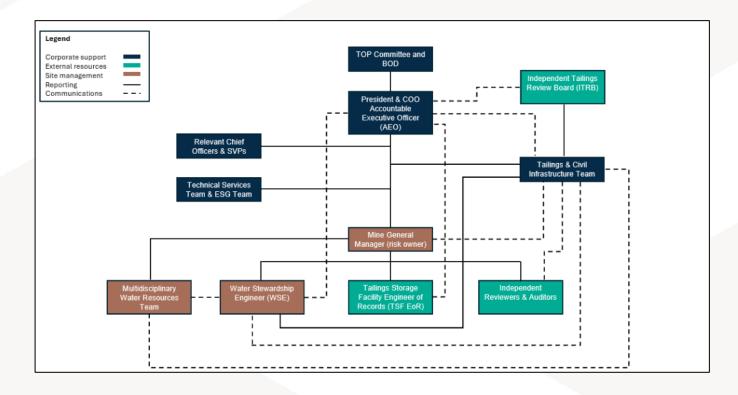
Site	Water Withdrawal Sources ¹	Considerations for Shared Use
Pinto Valley	 Groundwater wells on site (fresh and other water) Contacted water from a closed third-party mine Precipitation and runoff (mainly fresh water) 	The Pinto Creek watershed is under significant stress from prolonged drought and competing demands from community, recreational, and industrial activities. Pinto Valley's groundwater wells extract water from the regional groundwater system. To help avoid conflicts with other users, the mine maximizes water recirculation from tailings thickeners and reclaim ponds, with groundwater wells as a secondary source. In addition, third-party water sources are prioritized when available, and account for approximately 30% of the site's total water withdrawals.
Mantos Blancos	 Other Water,² supplied by a third party, from inland continental sources Freshwater, supplied by a third party, from inland continental sources 	The community of Antofagasta depends primarily on its desalination plant for potable water but also receives a portion of its supply from the same third-party water sources drawn from the same regional water system.
Mantoverde	Desalinated seawater from Capstone's desalination plant	As part of its environmental permit obligations, Mantoverde has built infrastructure for future delivery of desalinated water to the communities of Flamenco and Las Piscinas. See 'Stakeholder Engagement' below for more details.
Cozamin	 Groundwater pumped from the underground mine Treated wastewater from municipal water treatment plant Precipitation and runoff (fresh water) Drinking water from a third-party potable water plant 	Local farmers also rely on treated wastewater from the municipal water treatment plant. Cozamin's use of treated wastewater is governed by a contract stipulating capacity limits, and the site's water management strategy focuses on maximizing the reuse of process water.

¹ Sources are listed in order of decreasing volume.

 $^{^2}$ Other Water is defined as water containing total dissolved solids above 1,000 mg/L.



Governance and Accountability



Capstone's water governance framework establishes clear roles, responsibilities, accountability, and oversight for water stewardship decisions at both the corporate and site levels. Water governance is integrated with tailings governance and has four lines of defence to facilitate robust decision-making and risk management related to water issues.

- 1. Site management. Site teams are responsible for managing site-level water risks and impacts. The mine General Manager is accountable to the Chief Operating Officer (COO) for water management at the site and appoints a Water Stewardship Engineer (WSE), to oversee implementation of procedures and programs that comply with EIA conditions and align with corporate water-related policies and standards.
- 2. Third-party review. Site-level Independent Tailings Review Boards (ITRBs) provide independent, expert review of the technical aspects of water management at each site, in addition to reviewing the design, construction, operation, and closure of tailings storage facilities. Each ITRB includes a water resources specialist who assesses site-specific water-related measures and performance. Expanding the Board's scope to include water stewardship, ensures that water-related practices meet high technical standards. The ITRBs hold annual site meetings and document findings in formal reports.
- 3. Corporate oversight and support. The COO is the senior executive accountable for matters related to water stewardship and risk management. The COO reports quarterly to the TOP Committee on water related matters. The Tailings and Civil Infrastructure team is responsible for developing water-related corporate policies, standards and guidelines and provides water stewardship subject matter expertise, strategic guidance, and technical capacity to the sites. The Tailings and Water Working Group (TW&WG) comprised of corporate and site representatives, meets quarterly to review progress on implementation of the Sustainable Development Strategy Water priority.



4. Board oversight. The Board of Directors delegates oversight of water-related risks and impacts to the Technical and Operational Performance (TOP) Committee which oversees policies, activities and results related to the sustainable use of all renewable and non-renewable resources including water.

Stakeholder Engagement

Stakeholder engagement on water takes place at the site level. Key stakeholders include permitting authorities and other government agencies, businesses, NGOs, and local communities. Sites adhere to conditions in Environmental Impact Assessments (EIAs), which consider the needs of other local water users and may mandate specific engagement.

Pinto Valley, for example, has a regulatory commitment to host and facilitate an annual meeting with stakeholders to discuss the health of the Pinto Creek watershed. The mine also works with the US Forest Service and other stakeholders to map and monitor wells, seeps and springs in the watershed, and funds the monitoring of US Geological Survey stream gauge stations along Pinto Creek.

Mantoverde monitors environmental effects of seawater suction and brine discharge from the desalination process, with the participation of local fishing union members. The site leads a desalination plant working group, also with the assistance of local fishing unions, to develop projects that benefit the local economy.

In 2023, Mantoverde signed an agreement with the Chile Drinking Water and Sewage Company (ECONSSA Chile) and the Regional Government of Atacama to provide desalinated water for coastal communities near the Mantoverde desalination plant (per Mantoverde Development Project environmental approval commitment). Mantoverde has met its commitments to build the infrastructure to deliver desalinated water to the company and is awaiting action from the government and company to complete the distribution network to the communities.

As part of its permit conditions, Santo Domingo has made an agreement to deliver potable water to the community of Diego de Almagro, once operations begin.

Policy Commitments

Our policy commitments guide our approach to responsible water stewardship.

Our <u>Integrated Health Safety Environment and Community Policy</u> commits us to proactively identifying and managing our impacts on the environment, people, and communities, and reducing the use of natural resources such as water. It also guides us to mitigate negative impacts we cause or contribute to through preventive or remedial actions, as required.

Our <u>Human Rights Policy</u> recognizes that access to water is a fundamental human right and emphasizes the importance of water as a shared resource and working collaboratively with stakeholders to address water challenges.



Our new <u>Water Stewardship Policy</u> strengthens our water stewardship governance and provides strategic direction for our Sustainable Development Strategy. Specific policy commitments include:

- Adopting and implementing industry best practices in water management aligning with the ICMM Water Stewardship Framework
- Implementing efficient water use measures to enhance operational performance and reduce freshwater withdrawals
- Identifying, assessing, and responding to water-related risks and opportunities using a catchment-based approach
- Collaborating with communities and authorities to promote ethical and sustainable water use

These policies apply to all Capstone employees, subsidiaries, and suppliers (as defined in the Supplier Code of Conduct). We communicate all policies to new Board members, executives, and employees as part of the onboarding process. Annual training on the Code of Conduct (COC) and supporting policies is provided to all employees at both the corporate and site levels. In addition, Board members, executives, and employees are required to review the COC and supporting policies annually and formally acknowledge their commitment to uphold them. As new policies are introduced, we provide targeted training to relevant roles to facilitate effective implementation. Procurement teams are responsible for communicating the Supplier Code of Conduct requirements to suppliers, who agree to comply by signing our supplier agreement. All policies are available on Capstone's website.

Strategy

Our business strategy considers future water impacts and risks. As Capstone grows, we will require more water for our operations. Capstone's current business strategy accommodates future water scenarios and necessary increases in water usage. Our Tailings and Civil Infrastructure team works with site teams to identify opportunities for this future state. We are developing a multi-year Water Stewardship Roadmap to guide water-related actions and investments from 2025 onwards, aligned with our Sustainable Development Strategy. We are committed to engaging with external stakeholders as we update our water strategy and plans.

Water is a priority within Capstone's Sustainable Development Strategy. We practice good water stewardship – using water efficiently, reusing water whenever possible and avoiding impacts to water. We are currently reviewing our corporate water targets and strategy, with the intent of introducing differentiated, site-specific targets based on performance and risk that align with our long-term vision.

Water priority: Reduce freshwater withdrawals in water-stressed regions

Target	•	Reduce freshwater use intensity by 2030, compared to 2021 baseline year.	
	•	Increase low-quality or recycled water as a proportion of total water consumed, by 2030,	
		compared to 2021 baseline year.	
Strategy	•	Utilize the Mantoverde desalination plant to provide water for all projected growth in the	
		Mantoverde-Santo Domingo District.	
	•	Convert to filtered and dry-stack tailings to deliver an estimated 15% reduction in annual water use at Cozamin.	
	•	Optimize water reclaim rates from tailings thickening and continue applying evaporation prevention measures at Pinto Valley.	
	•	Study alternative, low-quality water sources at Mantos Blancos, such as desalinated or treated wastewater.	



We report on our Sustainable Development Strategy performance in our Annual Sustainability Report.

We pursue The Copper Mark as part of our strategy to embed sustainability across operations. The Copper Mark includes the Water Stewardship performance criterion. Mantos Blancos and Mantoverde were awarded The Copper Mark in 2023. In August 2025, Pinto Valley was awarded The Copper Mark and Cozamin signed a letter of commitment to participate in The Copper Mark Assurance Process.

Management of Impacts and Risks

We take an integrated approach to managing water and tailings. Water is a key consideration in our Tailings Management System Framework. Our Tailings and Water Working Group supports the implementation of the Sustainable Development Strategy Water and Tailings priorities and plays a key role in supporting the consistent evaluation and management of water risks across the organization.

We manage water-related risks at the site-level and report on them through our Enterprise Risk Management (ERM) Framework. Water risks are integrated into due diligence processes and are systematically considered during all technical evaluations. We have completed climate change impact assessments at both Pinto Valley and Cozamin, with similar studies currently underway at our remaining sites. In parallel, we are developing analytical tools to assess exposure to water risks and support scenario planning for future conditions. At present, water risks identified at the technical and operational levels are further evaluated, managed, and reported through the ERM process. Our Water Management Standard will establish requirements for identifying and managing water-related risks at each site, ensuring alignment with the ERM Framework.

We are developing a Corporate Water Management Standard. Given Capstone's decentralized structure, corporate standards help create a shared understanding of sustainability priorities, aligning site-level efforts with Capstone's broader goals and policy objectives. The Water Management Standard will establish minimum water management requirements for all sites, accounting for each mine's life cycle and geographic context.

We are aligning with industry best practices. Our Water Stewardship Policy and Corporate Water Management Standard adopt a catchment-level approach to water stewardship and management. In addition, we are moving to align our practices with ICMM's Water Stewardship Framework.

We reduce the need for water withdrawals through reuse and recycling. Because we operate in water-scarce regions, our mines function largely as closed-loop systems, reducing the need for water withdrawals. Sites maximize the use of reclaimed process water. For example, Mantos Blancos uses treated water from its water treatment plant for irrigation and dust control. Mantoverde uses tailings thickeners and a drainage system to recover water from the tailings storage facility, improving water efficiency and minimizing groundwater infiltration. Cozamin's new dry stack tailings facility has greatly improved water recovery from tailings, reducing demands on other water sources. Pinto Valley reuses process water reclaimed from its tailings storage facility ponds, thickeners, and reservoir.

We minimize losses to evaporation. Pinto Valley reduces evaporation from its TSF through the timing and location of tailings deposition in summer-time. The site also deploys physical and chemical barriers on the storage pond surface. Mantos Blancos has installed evaporation control barriers in its main process pond to reduce water loss. Mantoverde minimizes evaporation by optimizing the overall size of its TSF pond. Sites also use chemical dust suppressants such as magnesium chloride in lieu of straight water for dust suppression on roads.



We are updating our water balance models to improve our water planning capability. Our sites maintain water balance models compliant with local regulations. The models track all water sources and uses, and we use this information to identify strategies to improve our water use efficiency. As part of our Water Stewardship Roadmap, we are currently updating our water balance models. New dynamic site-wide and regional catchment-level water balance models will allow us to model long-term projections of freshwater demand considering life-of-mine and process forecasts, future climate scenarios, and potential impacts to stakeholders.

We protect receiving environments from water discharge. Mantoverde regularly discharges brine water from its desalination process. Discharges are monitored so they do not exceed the salinity of natural seawater, as required by Chile's Norma de Emision DS 90 emission standards for liquid waste discharge to marine and inland surface waters. Our Santo Domingo project will have its own desalination plant with brine discharges, similar to Mantoverde. Our other sites do not have discharges to the environment except for groundwater seepage.

While precipitation is infrequent, we prepare for stormwater events and maintain permits for emergency stormwater discharge. Seepage and stormwater are effectively managed through collection systems, upgraded ponds, and a network of wells, ensuring regulatory compliance. We segregate stormwater that contacts mine waste from clean water, which is directed off site.

We follow emergency response plans in the event of a significant spill. Upon discovery of a spill potentially affecting water quality, sites activate their emergency response plan, notify local authorities, and take appropriate action.

We consider water as a component of mine closure planning. All jurisdictions in which we operate require mine closure plans that consider future water management. Each site's closure plan complies with local regulations and includes measures to manage water and related infrastructure during closure and post-closure phases. Water-related costs and financial liabilities are included in our Asset Retirement Obligations, which are updated annually in line with financial accounting requirements.

Monitoring and Continuous Improvement

We monitor our water impacts and assess the effectiveness of our management system. Our ESG teams monitor surface water and groundwater quality downstream of tailings storage facilities, conduct field inspections and regular surveillance of water infrastructure, and report results to regulators. Water balances measure site-level water use and discharge quantities.

We are improving our water reporting systems. We have developed and implemented a corporate water data reporting model based on the ICMM Water Reporting Good Practice Guide, to facilitate consistent and transparent reporting across all sites. We are improving data quality by standardizing definitions, classifications and measurement methods to enhance accuracy and comparability and enhance confidence in Capstone's water disclosures.

We have processes for responding to stakeholder concerns. Stakeholders can report concerns through our Whistleblower Hotline or site-level grievance procedures and seek remedy for negative impacts.

Our Tailings and Water Group functions as a vehicle for continuous improvement. Site and corporate participants share status updates and operational experiences, which facilitates knowledge transfer across operations. The group meets quarterly and monitors progress on the Communities priority of our Sustainable Development Strategy.



We track and report our performance on an annual basis. Please refer to our <u>2024 Sustainability Report</u> and <u>Data Book</u> for water performance data.

Metrics

Water indicators reported at the site and consolidated levels include:

- Water withdrawal and discharge by quality and source
- Water intensity by quality

