



Climate Change Report – Phase 1

(June 1, 2021)

PREAMBLE

As a beneficiary of the Large Employer Emergency Financing Facility (“LEEFF”) program, Conuma Resources Limited (“Conuma” or “the Company”) produces, publishes, and provides annual climate change-related disclosure reports. These reports follow the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”) ([Link](#)) as well as the Final Report of the Expert Panel on Sustainable Finance ([Link](#)).

The first four climate disclosure reports are prepared in the form of a Phase 1 report as specified in the Expert Panel’s recommendations, with clear disclosures on Governance, Strategy, Risk Management, Metrics & Targets, and achieving Canada’s commitments to the Paris Agreement (see below).

1	Governance	<ul style="list-style-type: none"> Describe the board’s oversight of climate-related risks and opportunities. Describe management’s role in assessing and managing climate-related risks and opportunities.
2	Strategy	<ul style="list-style-type: none"> Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.
3	Risk Management	<ul style="list-style-type: none"> Describe the organization’s processes for identifying and assessing climate-related risks.
4	Metrics & Targets	<ul style="list-style-type: none"> Disclose Scope 1 and 2 GHG emissions and related risks, or an appropriate alternative metric.
5	Achieving commitments to the Paris Agreement	<ul style="list-style-type: none"> Report on how your corporate governance, strategies, policies, and practices contribute to achieving Canada’s commitments under the Paris Agreement

The fifth report will be in the form of a Phase II report as specified in the Expert Panel’s recommendations, with reporting on underlying assumptions, calculations, estimates and scenarios.

INTRODUCTION

At Conuma, we recognize that climate change is a critical global risk generated by human activity. This necessitates definitive action at all levels of society, from global cooperation and in-country measures to businesses, community, and individual contributions. If this does not happen, climate change impacts will cause significant and costly impacts on global ecosystems and society.

As a business, we are responsible for supporting global and Canadian initiatives by reducing greenhouse gas (“GHG”) emissions at our operations and sustainably producing our steelmaking coal products that are essential to the transition to a low-carbon economy. Our Board of Directors and Senior Management recognize their individual and collective responsibilities to assess climate-related risks and opportunities and to ensure that Conuma has built-in resilience to manage and mitigate these risks and take advantage of opportunities as they present. In alignment with our commitment to sustainability and transparency, we fully support the principles and standards embodied in the TCFD framework.

Beginning in November 2020, as a first phase, we set out to adopt best practices concerning climate change and progress the Company towards complete alignment with the recommendations in the TCFD framework. Ernst & Young were engaged, in December 2020, to conduct a “TCFD Readiness Assessment” for the Company, which was completed in March. Working in parallel, we set out to establish our climate-related Board and Senior Management governance principles, commence development of our climate-related strategy and risk management and complete our Scope 1 and 2 GHG emissions reporting for the 2020 calendar year. We also appointed one of our senior executives into the position of Chief Sustainability Officer to head, amongst other matters, our TCFD implementation.

We established a focused team to study literature and guidance material and learn from experts. That team then developed processes for identifying and assessing climate-related risks and opportunities that the Company might encounter, and it completed a preliminary report on those identified risks and opportunities. This report was presented to Senior Management and the Board of Directors, who debated and adopted the report, subject to amendments, in meetings held on May 13 and May 17, 2021, respectively.

The second phase of our TCFD journey commences in Q3 2021, and this will take the Company to full TCFD reporting status by the end of 2022. The focus for the second half of 2021 will be a detailed examination and prioritization of the risks and opportunities in different climate scenarios and the mitigations and response measures to be employed.

We have identified the business interfaces best placed to integrate climate-based assessment, including long-term planning and business development, annual planning and operational management, debt markets and material contracts. Furthermore, we have established a Climate Change Steering Committee, which reports directly to the Chief Sustainability Officer and Senior Management, consisting of climate and senior operational and financial leaders, to spearhead our efforts in climate-related matters.

We recognize that our mining operations generate material volumes of GHG emissions. We are making efforts to reduce our carbon intensity by improving energy efficiency and reducing the production of GHGs. We also recognize that the downstream production of steel, which uses our coal products, is a significant one-time source of GHGs. Steel is one of the most critical elements to a low carbon economy. The utilization of our steelmaking coal (through mining, transportation, and consumption) is low carbon intensity in this essential steelmaking process.

GOVERNANCE

Board of Director and Senior Management Responsibilities Concerning Managing Climate Change

We have built our approach to managing climate change around the four-pillar principle outlined by the TCFD. These pillars are governance, strategy, risk management and metrics and targets. This section addresses governance, the first of these pillars.

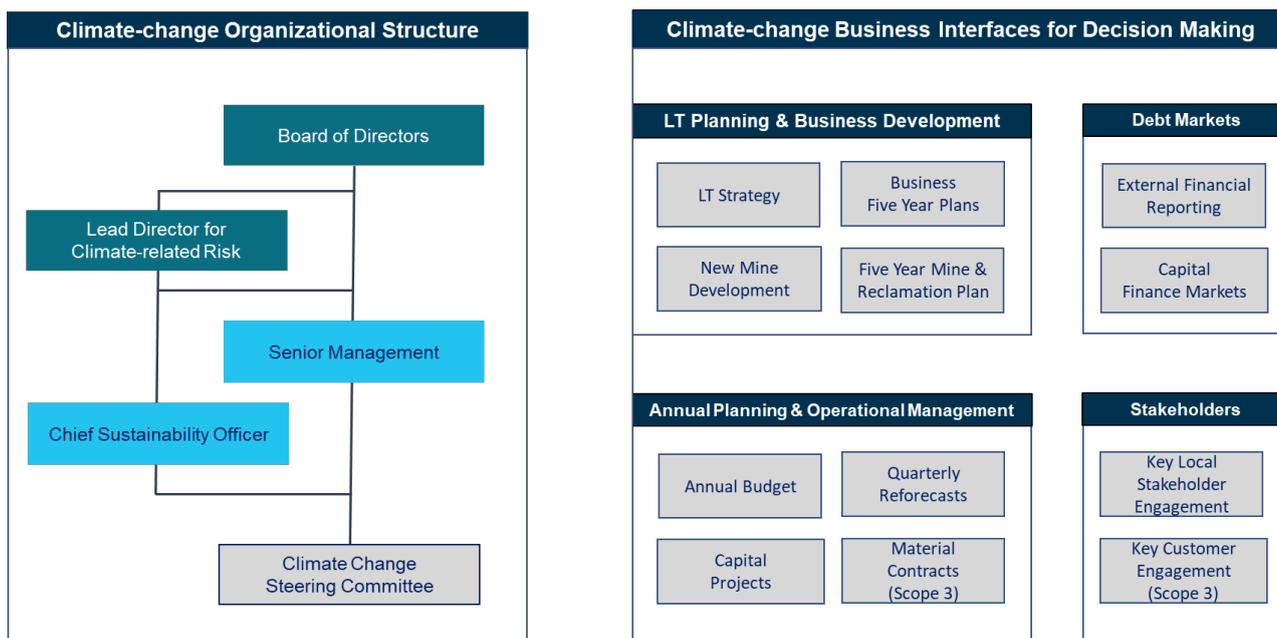
One of the Board of Directors' critical roles is to oversee the effective management of climate-related risks and opportunities. Climate change could have significant financial impacts on the Company within the mid- to long-term investment and planning horizons. Despite generally limited availability of climate-related information, Directors are aware that they remain accountable for identifying potential risks and opportunities related to climate change. They are also committed to using the best available climate-related information to make informed decisions that will leave the Company more resilient in the face of various policy and economic outcomes.

Senior Management, on its part, recognizes that climate change could have significant financial impacts on the Company, and that the effects and risks need to be defined as clearly as possible and managed effectively. Senior Management is committed to using the best available climate-related information to make informed decisions that will strengthen the Company in the face of various policy and economic outcomes.

The summarized responsibilities of Directors and Senior Management regarding climate change are set out in the table below. A detailed breakdown of their respective responsibilities can be found in the Appendix.

Board of Director Responsibilities	Senior Management Responsibilities
<ul style="list-style-type: none"> • Ensure Senior Management focuses on climate-related risk management • Ensure short, medium and long term focus • Ensure all critical planning and strategic processes integrate climate-related risk management 	<ul style="list-style-type: none"> • Ensure climate-related risk informs strategic and decision-making processes • Integrate climate-related risk into the budget and operating cycle planning – short, medium and long term • Develop procedures to consider climate-related risk in all business processes and systems
<ul style="list-style-type: none"> • Meet bi-annually specifically to review climate-related risk • Appoint one Director to take the lead on climate-related risk management matters 	<ul style="list-style-type: none"> • Meet bi-annually with the Board to specifically review climate-related risks and opportunities • Meet bi-monthly to review climate-related risks and opportunities • Establish a Climate Change Steering Committee
<ul style="list-style-type: none"> • Ensure Senior Management transparently and consistently reports climate-related risks and opportunities to investors and key stakeholders 	<ul style="list-style-type: none"> • Ensure that climate-related risks, opportunities and strategic decisions are consistently and transparently disclosed to Board and stakeholders • Include relevant climate-related risk disclosures in the annual MD&A filings
<ul style="list-style-type: none"> • Commit to education and staying current on climate-related risks 	<ul style="list-style-type: none"> • Commit to education and staying current on climate-related risk • Use best available information and expertise to manage climate-related risk • Recruit and retain sufficiently skilled senior climate-related risk management team

We have established the initial framework for integrating climate change into the organizational structure of our Business, as shown in the tables below:



Our Board of Directors held its first dedicated climate-related impact meeting on May 17, 2021, in which it supported and adopted, amongst other things, the following:

- a. The Company’s commitment to contributing to achieving Canada’s Climate Change Commitments
- b. The Board of Directors and Senior Management governance structures for managing climate change
- c. The appointment of a Director to take the lead role in managing climate change and the formation of the Climate Change Steering Committee, to be chaired by the Chief Sustainability Officer
- d. The Company’s Phase 1 climate-related impact report

STRATEGY

1. Climate-Related Risks and Opportunities

We completed initial work on identifying climate-related risks and opportunities (“R&Os”). The initial set of R&Os we identified has indicated that a modified and reprioritized approach is necessary for the way we undertake our planning, project development and stakeholder engagement. The initial R&O assessments have also informed the time frames in which we need to address the R&Os.

We will be undertaking a more comprehensive R&O assessment process in the second half of 2021, focusing on developing our risk reduction and mitigation measures to reduce GHG emissions, building our adaptation processes to ensure resilience, and establishing definitive steps to realize opportunities. Concurrently, we will be refining our strategies to understand better the R&O’s that climate change brings our Business.

We consider short-term to be under 12 months, medium-term to be between 12 months and five years, and long-term to be over five years. These time frames are consistent with the generally accepted industry standards and align with our business's internal functioning and planning. Current mining operations are forecast annually, using one- and five-year plans. Longer-term mine development is projected over the medium to long-term horizons.

For our initial risk assessment, we considered the following time horizons; Current (short-term), 2025 (medium-term) and 2030 (long-term). We will consider longer timelines once we better understand the R&Os presenting in these time horizons and have developed adaptation and mitigation measures.

2. Physical Risks

The TCFD identifies climate-related physical risks as either:

- a. *Acute* – increased severity of extreme weather events such as cyclones and floods; or
- b. *Chronic* - changes in precipitation patterns and extreme variability in weather patterns, rising mean temperatures and rising sea levels

We initially set out to identify broad, high-level physical risks, with the critical objective of informing our future work on scenario analysis. The following table sets out our initial set of major climate-related physical risks that could have a significant impact on our business:

Climate-related Physical Risks	Causation Factors	Potential Resulting Factors	Potential Impacts to the Business	Risk Category	Increased Risk		
					Current	2025	2030
Increased likelihood of storms and floods	<ul style="list-style-type: none"> Increased intensity of storms/rain Increased frequency of severe precipitation events 	<ul style="list-style-type: none"> Increased frequency of Q10 and Q200 events Flash flooding Water storage issues Damage to infrastructure, equipment, personnel Increased infiltration through waste dumps Increased geotechnical concerns 	<ul style="list-style-type: none"> Health and Safety Financial Environmental Reputational Legal 	Acute	No	Yes	Yes
Increased freeze/thaw transitions	<ul style="list-style-type: none"> Higher minimum temperatures. Fewer cold days and frost days Higher mean temperatures 	<ul style="list-style-type: none"> Avalanche potential within mountain passes of the rail network Increased geotechnical concerns with infrastructure, including high walls, dumps, tailings and water treatment facilities Increased safety hazards – slip, trips and falls Equipment damage 	<ul style="list-style-type: none"> Health and Safety Financial Environmental Reputational Legal 	Chronic	No	Yes	Yes
Rise of sea level	<ul style="list-style-type: none"> Increase in seawater temperature. Glacier and polar ice melt Higher mean temperatures 	<ul style="list-style-type: none"> Rising sea levels impacting Port and coastal railway systems, which could result in delivery delays Increased coastal flooding (particularly when combined with storm surge) 	<ul style="list-style-type: none"> Financial Environmental Reputational Legal 	Chronic	No	No	Yes
Drought	<ul style="list-style-type: none"> Decreased relative humidity. Decrease in precipitation. Higher maximum temperatures. Increased severity of droughts. Heatwaves and more sweltering days 	<ul style="list-style-type: none"> Reduced flows and reduced water balance which could result in regulatory non-compliances Increased competition for resources Oxidation of soils, reducing quality for reclamation 	<ul style="list-style-type: none"> Health and Safety Financial Environmental Legal 	Chronic	No	No	Yes
Increased likelihood of landslides	<ul style="list-style-type: none"> Increased intensity of storms/rain. More frequent severe precipitation events Increased freeze/thaw events 	<ul style="list-style-type: none"> Infrastructure and transport affected, impacting supply chain and distribution to market Encroachment on the environment with potentially detrimental effects on wildlife Geotechnical concerns with infrastructure, including high walls and dumps 	<ul style="list-style-type: none"> Health and Safety Financial Environmental Reputational Legal 	Acute	No	No	Yes
Increased likelihood of wildfires	<ul style="list-style-type: none"> Decreased relative humidity Decrease in precipitation. Higher maximum temperatures. Increased severity of droughts. Heatwaves and more sweltering days 	<ul style="list-style-type: none"> Reduced tree coverage and increased winds Increased mobilization of storm fronts Reduced wildlife habitat Increased wind erosion Damage to infrastructure and equipment 	<ul style="list-style-type: none"> Health and Safety Financial Environmental Legal 	Acute	No	No	Yes

3. Transition Risks

The TCFD identifies climate-related transition risks as:

- a. *Policy and legal* – increasing GHG taxes, emissions reporting, regulatory mandates or increased exposure to litigation due to increased regulatory non-compliance, shareholder activism or public interest litigation
- b. *Technology* – substitution of existing products and services with lower emission alternatives, costs and the likelihood of success in existing and new technologies
- c. *Market* – changing customer behaviour, uncertainty in markets and increased cost of raw materials
- d. *Reputation* – shifts in customer preferences, sector stigmatization, shareholder and stakeholder negativity, increased market expectations on climate change action and investor/shareholder activism

As with physical risks, we set out to identify broad, high-level transition risks, with the key objective that this would inform our future work on scenario analysis. The following table sets out our initial set of major climate-related transition risks that could have a significant impact on our business:

Climate-related Transition Risks	Causation Factors	Potential Resulting Factors	TCFD Category	Potential Impacts on the Business	Increased Risk		
					Current	2025	2030
Increasing Carbon Taxes	<ul style="list-style-type: none"> Changes in relative prices from increased prices of CO2 Inability to lower emissions 	<ul style="list-style-type: none"> Increase operating costs, either to mitigate or to pay additional taxes. 	Policy & Legal	<ul style="list-style-type: none"> Financial Reputational 	No	Yes	Yes
Inability to raise capital financing/refinancing due to inadequate climate change response measures	<ul style="list-style-type: none"> Lack of response to climate change. Reduction in credit rating Lower than expected return on investment and lower asset value 	<ul style="list-style-type: none"> Reduced investor and lender confidence Inability to raise new finance or to refinance existing debt 	Reputational	<ul style="list-style-type: none"> Financial Reputational Legal 	No	Yes	Yes
Policies and regulations changing to incorporate stricter legislation regarding climate change aimed at reducing GHGs	<ul style="list-style-type: none"> Changes in policy or regulations. Changes in relative prices from increased prices of CO2 	<ul style="list-style-type: none"> Reduced demand for our products Increased operating cost or financial security requirements Reduced investor confidence in coking coal Stricter regulatory conditions 	Policy & Legal	<ul style="list-style-type: none"> Financial Reputational Legal 	No	Yes	Yes
Increased scrutiny of regulatory applications, including 3rd party contesting applications	<ul style="list-style-type: none"> Inability to meet net-zero targets. Increased non-compliances 	<ul style="list-style-type: none"> Limit or delay future development of mining assets 	Policy & Legal	<ul style="list-style-type: none"> Financial Reputational Legal 	No	Yes	Yes
Key Customer Demands for Climate Action	<ul style="list-style-type: none"> Asset losing value. Inability to meet net-zero targets 	<ul style="list-style-type: none"> Potential loss of critical customers because Conuma is unable to reduce its carbon emissions to the levels required based on crucial customer ESG requirements 	Reputational	<ul style="list-style-type: none"> Financial Reputational 	No	Yes	Yes
Legislation on carbon emissions to meet Paris targets	<ul style="list-style-type: none"> Using outdated technology Inability to achieve legislated emission targets due to finances or achievable technology. 	<ul style="list-style-type: none"> Shutdown Declaration of Bankruptcy Loss of license to operate 	Technology	<ul style="list-style-type: none"> Financial Reputational Legal 	No	Yes	Yes
Strengthening view of coking coal as a significant contributor to global warming	<ul style="list-style-type: none"> Inability to reduce GHG emissions. Inability to meet GHG emissions targets 	<ul style="list-style-type: none"> Financial and reputational performance impacted 	Reputational	<ul style="list-style-type: none"> Financial Reputational 	No	Yes	Yes

4. Climate-change Opportunities

We identified the following climate-related opportunities in the preliminary assessment process. These opportunities all manifest in the short, medium and long terms and require focus through each of these periods.

Opportunity	Category	Commentary
1. Demand for steel in a low-carbon economy	Markets	<ul style="list-style-type: none"> • Demand for steelmaking coal looks robust under all climate settings, supporting high steelmaking coal prices, which typically follow strong steel demand. • This creates the short to medium-term opportunity for the Company to maximize steelmaking coal sales into this market
2. Expand and strengthen Company's brand and product demand	Markets	<ul style="list-style-type: none"> • With the Company's high-quality products, lower-emitting GHG potential (PCI) and increased supplier sensitivity, there is an opportunity to increase sales and premium pricing on its products
3. Electrification and energy resources	Energy Source	<ul style="list-style-type: none"> • Investing in more fuel-efficient trucks, electrical equipment or alternative technologies to mine overburden material and haul ore • Using lower-emission sources of energy • Adopting new and emerging efficient technologies • Participating in the carbon markets through carbon credits and carbon offsets
4. Proactive resilience	Resilience	<ul style="list-style-type: none"> • Participating in renewable energy programs • Adopting energy efficiency measures • Partnering with First Nations and local communities on carbon capture projects
5. Recycling	Energy Source	<ul style="list-style-type: none"> • Reducing water usage and consumption – adopting and investing in sustainable and resilient water infrastructure to reuse contact water • Increasing recycling of materials
6. Services	Products / Service	<ul style="list-style-type: none"> • Engaging in Research and Development (R&D) and innovation activities • Collaborating with and investing, together with business partners that are on the leading edge of creating eco-friendly products and those that reduce carbon emission

RISK MANAGEMENT

1. Climate-Related Risk Identification Process

As a business, we have established a process for identifying climate-related risks, and we are in the early stages of developing processes for monitoring and mitigation activities. Responsibility for identifying, monitoring, and mitigating climate-related risks for the Company resides with the Climate Change Steering Committee, which we formed on May 18, 2021. The Chief Sustainability Officer chairs this committee, including key management members of the environmental, operational and financial teams.

We will further develop our risk identification, monitoring and mitigation processes over the second half of 2021, including ongoing processes for monitoring how climate change impacts our business and the emergence of new risks and opportunities. As our risk management processes mature, we will develop a program for tracking key climate risks and opportunities and quantifiable metrics and targets.

2. Physical Risks

The TCFD identifies climate-related physical risks as either:

- a. *Acute* – increased severity of extreme weather events such as cyclones and floods; or
- b. *Chronic* - changes in precipitation patterns and extreme variability in weather patterns, rising mean temperatures and rising sea levels

Financial impacts from physical risks include:

- a. Reduced revenue from decreased production capacity, lower sales demand or negative impacts on workforce
- b. Write-offs and early retirement of existing assets
- c. Increased operating and capital costs
- d. Increased insurance premiums and potential for reduced availability of insurance on assets in “high-risk” locations

3. Transition Risks

The TCFD identifies climate-related transition risks as:

- a. *Policy and legal* – increasing GHG taxes, emissions reporting, regulatory mandates or increased exposure to litigation due to increased regulatory non-compliance, shareholder activism or public interest litigation
- b. *Technology* – substitution of existing products and services with lower emission alternatives, costs and the likelihood of success in existing and new technologies
- c. *Market* – changing customer behaviour, uncertainty in markets and increased cost of raw materials
- d. *Reputation* – shifts in customer preferences, sector stigmatization, shareholder and stakeholder negativity, increased market expectations on climate change action and investor/shareholder activism

Financial impacts from transition risks include:

- a. Reduced revenue from lower sales demand from a shift in customer preferences or steelmaking technology
- b. Write-offs and early retirement of existing assets
- c. Increased operating and capital costs due to higher carbon taxes and or other transition risk impacts
- d. Increased insurance premiums and potential for reduced availability of insurance on assets due to the nature of the industry

4. Processes utilized for identifying Physical and Transition Risks

In developing our processes to identify Physical and Transition Risks, we reviewed relevant literature, including:

- Intergovernmental Panel on Climate Change (“IPCC”)
- Pacific Climate Impacts Consortium (“PCIC”)
 - Climate Explorer
 - Plan2Adapt
- Climate Data Canada
- TCFD Knowledge Hub Physical Risk Framework
- Publicly available reports from peers in the mining industry
- Various articles on TCFD risk identification

We combined these sources with our in-house knowledge and experience in the industry and our local geography, geology and ecology expertise.

Concerning climate variables, we reviewed national and provincial programs to identify climate change impacts in Conuma’s tenured Peace River region of North East British Columbia (NEBC). To complete preliminary assessments of Physical and Transition Risks, we limited our work to two scenarios (2.0° and 4.0° temperature increase scenarios) in the current, 2025 and 2030 timeframes.

In the second half of 2021, we will complete an in-depth review of climate change scenarios and their impacts on our tenured locations in the Peace River region of NEBC and our logistical route to Ridley Terminals in Prince Rupert. We will also extend the timeline out to 2050 to consider the impacts over a longer time frame. The climate change scenarios will also be studied with Transition Risks to ensure business resiliency and identify focus areas and opportunities for GHG mitigation.

In assessing the physical risks, we reviewed potential impacts to our sites and environs, utilizing previously compiled environmental studies as well as previously prepared geotechnical and geochemical reports. The initial evaluation of the risks was considered based on the current Company severity and likelihood matrix and utilizing “bowtie analysis”¹. Impacts to our operations were conceptualized, captured and initially reviewed with senior management to rank the most applicable risks. We also reviewed existing controls and mitigations in calculating the risk severities and likelihoods.

¹ « Bowtie Analysis is an advanced risk analysis technique that gives users the ability to not only evaluate the probability and severity of risks, but also document risk causes, quantify potential risk impacts, assign and monitor risk controls, and systematically evaluate the full spectrum of factors that contribute to an organization’s overall risk exposure. » <https://www.ehs.com/2020/04/bowtie-analysis-connecting-the-dots-between-risks-root-causes-and-impacts/>. Accessed May 31, 2021.

We assessed and analyzed the Transition Risks identified through the lenses of strategic, financial and operational continuity. Our initial evaluation of the risks' materiality was based on our current Company severity and likelihood matrix and by utilizing Bowtie Analysis. We also considered our existing controls and mitigations to understand the severities and likelihoods.

5. Processes utilized for identifying Opportunities

To identify our climate-related opportunities, we considered similar literature to that studied in the risk identification process. We combined these sources with published reports and Government statements on carbon tax and our in-house knowledge and experience in the global steel industry. We also considered our key stakeholders, including local and regional government and First Nations and local communities.

METRICS AND TARGETS

We conducted a preliminary overview of significant climate-change drivers and the resultant transition and physical risks and opportunities they present to our business. The mining industry, in general, and Conuma in particular, has an essential role in addressing climate change. This role includes reducing GHG emissions at the Company level and advocating for policies that will support the industry's transition to a low-carbon economy. Our strategy to combat climate change includes reducing GHG emissions, collaborating with other stakeholders, producing steelmaking coal efficiently and adopting low carbon economy strategies in our operations and product distribution.

1. Scope 1 and Scope 2 GHG Emissions

To support our management of regulatory risks, we proactively monitor and assess Canada and British Columbia ("B.C.") regulatory environments. Canada has already ratified the Paris Agreement, which establishes a framework for countries to reduce GHG emissions (thereby helping limit global temperature increases) and report on their GHG inventories.

Under the Paris Agreement, Canada has committed to reducing its GHG emissions by 30% below 2005 levels by 2030 and to achieving a net-zero emissions future by 2050. To meet long-term legislated emissions reductions, the province of B.C. has committed to reducing its GHG emissions by 40% below its 2007 levels by 2030. As part of its commitment, B.C. implemented a carbon tax in 2008. In April 2019, the tax increased from \$35 to \$40 per tonne of CO₂e emitted. However, in December 2020, the Government of Canada announced a new climate plan that includes a minimum carbon tax of \$170 per tonne of CO₂ by 2030. We monitor these trends and events through our regular risk assessments and business planning activities as we recognize the impact that new regulation may have on our operations.

To ensure we meet regulatory compliance and stakeholder expectations, we have processes in place at our operating sites to track and report our GHG emissions. Conuma reports Scope 1 and Scope 2 GHG emissions as per the BC Greenhouse Gas Industrial Reporting and Control Act (“GGIRCA”) and Environment and Climate Change Canada requirements.

Scope 1 emissions are direct GHG emissions from operations we own and manage. These emissions are primarily from diesel consumed by operating mining equipment at our mine sites. Scope 2 emissions are indirect emissions from the generation of purchased energy consumed by the Company (e.g., emissions from electricity the Company purchases from the grid for use at our mine sites). We utilize a third party to verify our GHG emission reports.

We used the following standards and guidelines to develop our 2020 GHG emissions inventory:

- IPCC Guidelines for National Greenhouse Gas Inventories, 2006
- The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)
- BC Greenhouse Gas Reporting Regulations

In the first half of 2021, we commenced the development of a Company-wide climate change strategy. The strategy will outline short and long-term initiatives to manage Conuma’s Scope 1 and Scope 2 GHG emissions, and it aligns with the recommendations of the TCFD.

2. Collaboration

Climate change is a global challenge that requires collaboration between stakeholders, industry, and governments to develop appropriate policies. We identified key community stakeholders and groups through both formal and informal mapping exercises. Stakeholder identification processes are undertaken during the Environmental-Social Impact Assessment processes, the development of impact benefit agreements (IBAs), and stakeholder consultations.

We continue to keep ourselves accountable to our stakeholders for their concerns, issues, and expectations. We continually listen, learn, share, and receive constructive feedback and comments regarding our mining activities. We manage community-related feedback and potential risks before they become grievances and lead to operational disruptions. Our stakeholder engagement processes ensure that stakeholders and project impacted First Nations are informed about our current activities and plans.

Our environmental, regulatory and permitting teams lead our stakeholder engagement efforts. Our stakeholders were identified from the inception of our business in 2016. We remain committed to retaining high and consistent levels of engagement through to mine closure.

We consult with stakeholders to ensure that:

- Issues are identified as early as possible to allow for proactive management
- Community investment activities are aligned with the needs, plans and actions undertaken by First Nations, local organizations and municipalities
- Meaningful input on Conuma activities and projects is made possible
- Collaborative solutions to climate-related risks are identified and implemented
- Feedback on proposed and implemented activities is received within a practical timeframe and used to enhance and modify our actions to reduce our carbon footprint
- First Nations provide support to Conuma on regulatory and permitting needs

In addition to formal engagement opportunities, we regularly organize mine site visits for First Nations and local communities.

3. Energy Efficiency

Our operating sites utilize energy for multiple activities: fuel (for both mobile vehicles and stationary combustion), electricity (for processing and beneficiation operations) and explosives (for blasting). Across our operations, our processing plants are the most electricity-intensive operations, consuming more than 80% of the electricity we utilize. Our truck fleets and mine equipment also consume significant energy at our sites, representing greater than 90% of our fuel usage.

There is active collaboration between the sites' environmental and operations teams to evaluate energy-related solutions, delivery mechanisms and alternative technologies to achieve energy efficiency. We have commenced energy efficiency studies, and further projects are anticipated to occur in the second half of 2021. Where feasible, we are planning to switch from diesel generators to grid electricity for such uses as dewatering pumps and other equipment. To manage our truck fleet energy consumption, we are transitioning to electric-drive haul trucks for new equipment purchases. We have also implemented a program to reduce engine idling on parked vehicles. The recent installation of the new Wenco fleet management system has provided us with additional tools to optimize mining efficiency and, in doing, to reduce the production of GHGs.

We are also exploring additional energy conservation measures, such as installing low wattage, high-efficiency lighting systems, better insulation in site buildings, and encouraging employee behavioural changes through continued education and awareness sessions.

4. Renewable Energy

Conuma's operating sites utilize significant amounts of renewable power generation for their electricity consumption, thereby lowering Conuma's GHG emissions from electricity use. B.C. Hydro, a crown corporation responsible for generating, purchasing, distributing, and selling electricity, generates nearly 98% of its electricity from renewable sources. At our operating sites, most of our electric power comes from B.C. Hydro. Our use of renewable hydropower allows us to lower our carbon footprint and mitigates our exposure to high energy costs and increasing utility prices.

We also use generators to power stationary equipment in our operations, such as light towers, and as backups in case of grid disruptions. As such, we are researching and meeting with potential partners and suppliers to assess potential renewable energy sources to reduce or eliminate the use of fossil fuels to generate electricity.

5. Waste and Hazardous Materials

All of our operating sites categorize different waste streams by classification according to criteria based on internationally accepted regulations, guidelines, and methodologies. This process ensures that we maintain strict control of procedures to mitigate any harm to the environment or our employees.

Our operating sites haul domestic and inert industrial refuse, such as wood and plywood, rubber, nonrecyclable scrap metal, building construction debris and plastic, to permitted offsite landfill and recycling facilities. Due to the remote location of our mines, limiting wildlife attractants is a focus. For this reason, we store domestic food waste in locked containers before shipping it offsite to a landfill. Additionally, Conuma sorts and transports all recyclable beverage containers to collection facilities.

For all hazardous waste materials (such as used oils and lubricants), we have engaged contractors who work closely with our environmental staff to facilitate proper waste management and disposal of hazardous materials offsite per the B.C. Hazardous Waste Regulation ("HWR") and federal Transportation of Dangerous Goods ("TDG") regulations.

Reclamation

At Conuma, we have an excellent record of successfully reclaiming mined lands because we plan the reclamation of mined areas before any disturbance is commenced. Reclamation considerations are an integral part of our operational strategies, and each operating site develops and maintains reclamation plans according to pre-determined objectives. In many cases, reclamation is done concurrently with extraction to expedite the process. After mining concludes, we will reclaim or continue to reclaim the site and monitor the land. In addition, site operations continue to partner with First Nations in the reclamation process, particularly in civil works and reseeded.

Reclamation planning includes:

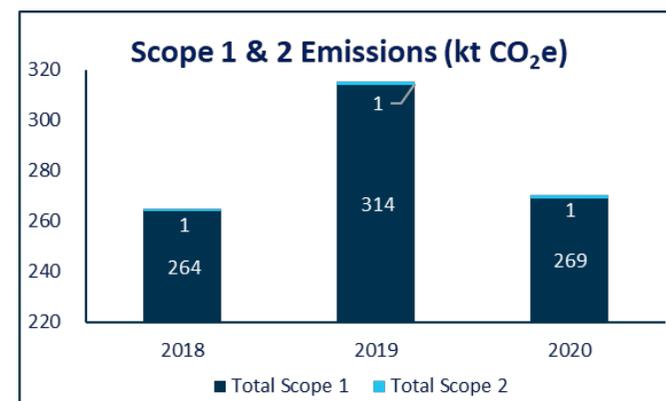
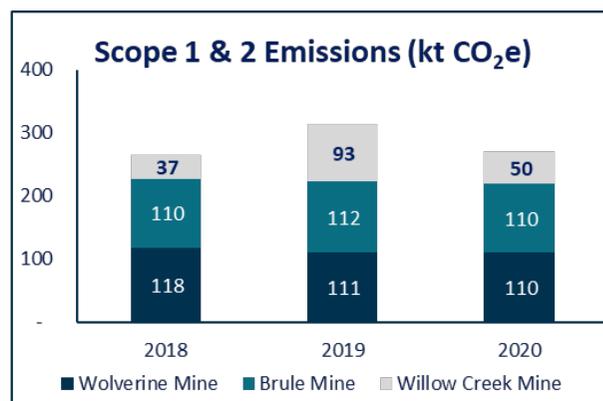
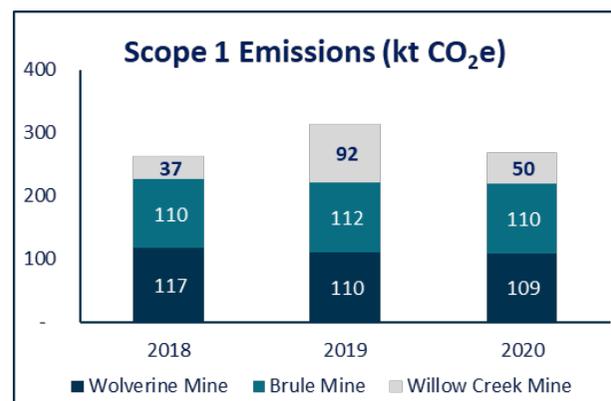
- Progressive reclamation and long-term vegetation monitoring across sites to achieve ecosystem succession to meet reference trajectories;
- Investigating reclamation vegetation prescriptions to factor in the potential impacts of climate change; and
- Investigating the use and implementation of Canadian Carbon Budget Models to quantify carbon stocks (above and below ground) and potential for carbon-offsetting

All of our operating sites have closure plans and frameworks in place, aligned with current stages of operations. We adopt a strict regime for mine closure, including annual mine cost updates. We also review our conceptual closure plans regularly to include both environmental and social impacts of the closure.

Scope 1 and Scope 2 Emissions

Consumption of diesel makes up 64% of our CO₂ emissions, while fugitive methane from mining operations makes up 35%. Diesel is consumed principally in removing overburden material and ore extraction and transportation to the beneficiation plants. Electricity is consumed principally in the beneficiation plants and workshops and, as per the B.C. Hydro guidelines is 98% sourced from renewable sources.

Metric	Wolverine Mine			Willow Creek			Brule Mine			Total		
Year	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
CO ₂ (kt/year)	72.8	70.9	64.9	25.3	60.0	33.4	52.3	53.5	69.0	150.3	184.4	167.3
Diesel Consumed (Ml)	27.3	26.4	24.3	9.5	22.5	12.3	19.2	19.7	25.2	55.9	68.5	61.8
CH ₄ (kt/year)	1.6	1.4	1.7	0.4	1.2	0.6	2.2	2.2	1.5	4.3	4.9	3.8
Total Scope 1 CO₂e (kt)	117.1	110.3	109.2	36.8	92	49.5	109.9	111.7	110.3	263.8	313.9	269.1
Energy Consumption (GWh)	20.8	18.3	20.4	9.7	20.3	19	3.1	3.6	3.9	33.5	42.2	43.2
Scope 2 CO ₂ e (kt)	0.6	0.5	0.6	0.3	0.6	0.6	0.1	0.1	0.1	1.0	1.3	1.3
Scopes 1 & 2 CO₂e (kt)	117.7	110.8	109.8	37.1	92.6	50.1	109.9	111.8	110.4	264.8	315.2	270.3



APPENDIX

GOVERNANCE

Board of Director Responsibilities Concerning Managing Climate Change

The Company's approach to managing climate change is built around the four-pillar principle outlined by the TCFD. These pillars are governance, strategy, risk management and metrics and targets. This section addresses governance, the first of these pillars.

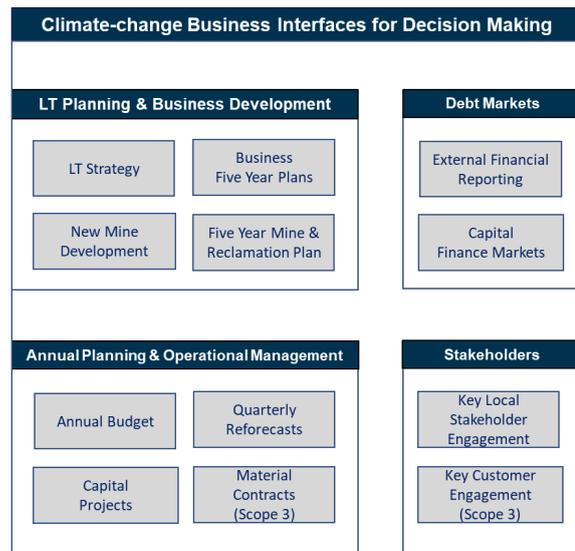
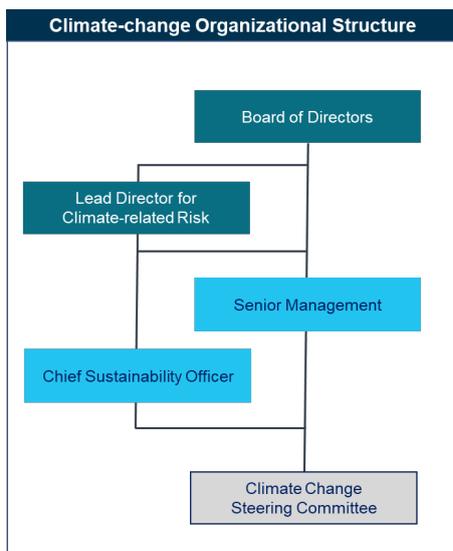
One of the Board of directors' critical roles is to oversee the effective management of climate-related risks and opportunities. Climate change could have significant financial impacts on the Company within the mid- to long-term investment and planning horizons. Despite limited available climate-related information, Directors are aware that they remain accountable for identifying potential risks and opportunities related to climate change. They are also committed to using the best available climate-related information to make informed decisions that will leave the Company more resilient in the face of various policy and economic outcomes.

As part of this ongoing responsibility, Directors will:

1. Ensure that the Company's senior management utilizes the best available information on climate risks and opportunities to make the most informed recommendations and decisions. At any time, the Directors may request Senior Management to seek external expertise on any climate-related matter or have external experts audit the climate-risk capability within the organization.
2. Ensure that all Directors, individually and collectively, retain sufficient knowledge and current education to effectively debate and take decisions informed by an awareness and understanding of climate-related threats and opportunities. Where necessary, Directors will also seek the advice of external experts.
3. Ensure that Senior Management assesses the short-, medium- and long-term materiality of climate-related risks and opportunities for the Company on an ongoing basis.
4. Ensure that the business's actions and responses to climate change are proportional to the assessment of materiality to the Company.
5. Ensure that Senior Management integrates climate-related materiality assessments into the budget and five-year operating plans.
6. Ensure that climate change systemically informs strategic investment planning, decision-making processes, risk management and opportunity assessment across the organization.
7. Ensure that senior management incentives are aligned to promote the Company's long-term prosperity and that climate-related targets and indicators form part of executive incentive schemes, where appropriate.
8. Ensure that material climate-related risks, opportunities and strategic decisions are consistently and transparently disclosed to all owners, critical stakeholders and regulators. Such disclosures will be made annually and will be subject to similar rigour as financial reporting.
9. Maintain regular exchanges and dialogues with peers, policymakers, and other stakeholders to encourage sharing methodologies and stay informed about the latest climate-relevant risks and regulatory requirements.

A. Board Framework for Managing Climate Change

1. The Board will meet on at least a bi-annual basis to review with Senior Management progress and compliance with the TCFD Framework.
2. The meetings, for which Senior Management will record minutes and actions, will cover updates on climate risk assessment and will review planned and completed action plans in the six to the twenty-four-month horizon to mitigate identified climate risks and opportunities.
3. Per the Company's TCFD framework, the Board will require and receive climate-related impact analysis on submissions for Board review and approval. These will include but not limited be to annual strategic and five-year plans, new mine development, annual budgets and quarterly forecasts, major capital expenditure and material contracts.
4. As there is no formal board-level ESG Committee, given the number of Directors is less than five, the Board will nominate one Director to take the lead role, from the Board perspective, in focusing on climate-related matters. This Director will engage with Senior Management quarterly. In each of these meetings, they will review risk mitigation and opportunity development.
5. At each bi-annual meeting, Senior Management will present, and the Board will consider the processes, resources and outside expertise by which Senior Management and the Board are staying informed on current and emerging climate-related issues.
6. The following chart illustrates how climate change has been integrated into the organizational structure of the business



B. Board Training and Development on Climate-related Risks and TCFD

1. To ensure they, individually and collectively, retain sufficient knowledge and current education on climate-related threats and opportunities, Directors will commit to proactively remain abreast of TCFD developments and emerging climate-related science and reporting.
2. For initial framework learning purposes, Directors must register on the <https://learn.tcfhub.org> website for TCFD and TCFD governance training. Directors must also complete the “Governance of climate-related risks and opportunities section” of the training (takes approximately one hour) utilizing the following link <https://learn.tcfhub.org/course/view.php?id=6>
3. There is additional TCFD training on the <https://learn.tcfhub.org> website that directors are encouraged to take advantage of, such as the following:
 - Introduction to climate-related disclosures – starting the climate journey. <https://learn.tcfhub.org/course/view.php?id=3>
 - Understanding the recommendations of the TCFD. <https://learn.tcfhub.org/enrol/index.php?id=2>
 - An introduction to managing the financial risks from climate change. <https://learn.tcfhub.org/enrol/index.php?id=7>
4. There is an ever-increasing number of books and articles published on climate impact and TCFD reporting in particular. Directors are encouraged to read these where possible to increase their knowledge on the subject and stay abreast of climate news and science as these evolve. Senior Management will advise of new and recommended reading material at each bi-annual meeting.

Notes for the Record

The Board of Directors met on Monday, May 17, 2021, at 8.00 am PST to review the proposed TCFD framework for the Company. In the meeting, Directors endorsed the following:

1. The Company’s commitment to contributing to achieving Canada’s Climate Change Commitments
2. Board of Director governance model for managing climate change
3. The Senior Management governance structure for managing climate change
4. The appointment of Nimesh Patel to take a lead Director role in managing climate change
5. The formation of the Climate Change Steering Committee, to be chaired by the Chief Sustainability Officer
6. The Company’s draft first-phase climate report to be submitted to Canada Enterprise Emergency Funding Corporation (“CEEFC”) and published on the Company’s website by June 1, 2021

Management Responsibilities Concerning Managing Climate Change

Senior Management recognizes that climate change could have significant financial impacts on the Company, and that the effects and risks need to be defined as clearly as possible and managed effectively. Senior Management is committed to using the best available climate-related information to make informed decisions that will strengthen the Company in the face of various policy and economic outcomes.

As part of this ongoing responsibility, Senior Management will:

- Utilize the best available information and relevant experts on climate risks and opportunities to make the most informed recommendations and decisions.
- Have external experts audit, from time to time, the organization's climate-risk capability.
- Ensure that they, individually and collectively, retain sufficient knowledge and current education to effectively debate and take decisions informed by an awareness and understanding of climate-related risks and opportunities.
- Recruit and retain sufficiently skilled senior management that can effectively manage climate-related risks and impacts.
- On an ongoing basis, assess the short-, medium- and long-term materiality of climate-related risks and the Company's opportunities.
- Ensure that the business's actions and responses to climate are proportional to the Company's materiality.
- Integrate climate-related materiality assessments into the budget and operating cycle planning.
- Ensure that climate systemically informs strategic investment planning, decision-making processes and risk management and opportunities across the organization.
- Commit to performance incentives that align with the Company's long-term prosperity, as impacted by climate-related changes.
- Ensure that material climate-related risks, opportunities and strategic decisions are consistently and transparently disclosed to the Board, all shareholders, key stakeholders and regulators. Such disclosures will be made bi-annually to Directors and annually to other stakeholders and be subject to similar rigour as financial reporting.
- Maintain regular exchanges and dialogues with peers, policymakers, and other stakeholders to encourage sharing methodologies and stay informed about the latest climate-relevant risks and regulatory requirements.
- Formally review with Directors on a bi-annual basis, progress and compliance with this framework.
- Develop processes and systems that look specifically at the financial impacts of climate risk and its impact on revenues, expenditures, assets, liabilities, and financial capital. Integrate climate risk into enterprise-level risk management frameworks and systems.
- Establish a Climate Change Steering Committee, which will include management representatives from sustainability, operations and finance.
- Ensure that they consider all material business and project assessments under at least two different climate scenarios.
- Use similar quality assurance and compliance approaches for climate-related financial information as for finance, management, and governance disclosures.

- Include relevant climate-related risk disclosures in the annual Management and Discussion and Analysis (“MD&A”) report provided to our lenders and Bond investors together with the yearly financial statements.
 - Publish the TCFD report on the Company’s website and as part of future sustainability reports to be published
- **Management Framework for Managing Climate Change**
 - Senior Management will meet at least bi-monthly to review the progress and compliance with the TCFD Framework.
 - The meetings, for which Senior Management will record minutes and actions, will cover updates on climate risk assessment and will review, with the ESG team, planned and completed action plans in the six to 24-month horizon to mitigate identified climate risks.
 - Per the Company’s TCFD framework, the Board will require and receive climate-related impact analysis on submissions for Board review and approval. These will include but not limited be to annual strategic and five-year plans, new mine development, annual budgets and quarterly forecasts, major capital expenditure and material contracts.
 - The Chief Sustainability Officer (“CSO”), with the support of Senior Management, will be responsible for managing all matters relating to the climate-related risk and the TCFD Framework, including:
 - Utilizing internal and external expertise to help Senior Management make the most informed assessments of climate-related risks, develop responses and make recommendations to the Board.
 - Retaining sufficiently skilled and knowledgeable employees concerning climate change within the business, thus ensuring the Company remains suitably resourced to address climate-related risk.
 - On an ongoing basis, assessing the short-, medium- and long-term materiality of climate-related risks and opportunities the business is facing.
 - Ensuring that climate systemically informs strategic investment planning, decision-making processes and risk management and opportunities across the organization.
 - Integrating climate-related materiality assessments into the budget and five-year operating plans.
- **Management Training and Development on Climate-related Risks and TCFD**
 1. To ensure they, individually and collectively, retain sufficient knowledge and current education on climate-related threats and opportunities, Senior Management of the business will commit to proactively remain abreast of TCFD developments and emerging climate-related science and reporting.
 2. For initial learning framework purposes, Senior Managers must register on the <https://learn.tcfidhub.org> website for online training relating to TCFD, in general, and TCFD governance.

Senior Managers are required to complete the following online training on the site:

- i. Governance of climate-related risks and opportunities section of the training (approximately one hour) with the following link
<https://learn.tcfhub.org/course/view.php?id=6>
 - ii. Understanding the recommendations of the TCFD utilizing the following link
<https://learn.tcfhub.org/enrol/index.php?id=2>
 - iii. An introduction to managing the financial risks from climate change
<https://learn.tcfhub.org/enrol/index.php?id=7>
3. There is an increasing number of books and articles published on climate impacts and TCFD reporting in particular. Senior managers must read these where possible to increase their knowledge on the subject and stay abreast of climate news and science as these evolve. The CSO will advise of new and recommended reading material from time to time.

Notes for the Record

Senior Management met on Thursday, May 13, 2021, at 8:00 am PST, and again with the Board of Directors on Monday, May 17, 2021, at 8.00 am PST to review the proposed TCFD framework for the Company. In the two meetings, Directors and Senior Management endorsed the following:

1. The Company's commitment to contributing to achieving Canada's Climate Change Commitments
2. The Board of director governance model for managing climate change
3. The Senior Management governance structure for managing climate change
4. The appointment of Nimesh Patel to take a lead director role in managing climate change
5. The formation of the Climate Change Steering Committee, to be chaired by the Chief Sustainability Officer
6. The Company's draft first-phase climate report to be submitted to CEEFC and published by June 1, 2021.