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BACKGROUND INFORMATION DOCUMENT

ENVIRONMENTAL SCOPING ASSESSMENT (ESA) FOR THE PROPOSED EXPLORATION ACTIVITIES ON EXCLUSIVE PROSPECTING LICENSE (EPL) 7616, LOCATED NORTHWEST OF OKOMBAHE, ERONGO REGION.

Environmental Consultant: Excel Dynamic Solutions (Pty) Ltd

Proponent: Capstone Mining (Pty) Ltd

December 2023

1 INTRODUCTION

Excel Dynamic Solutions (Pty) Ltd (the consultant) has been appointed by Capstone Mining (Pty) Ltd (the proponent) to act on their behalf in obtaining an Environmental Clearance Certificate (ECC) for the proposed mineral exploration activities on Exclusive Prospecting License (EPL) 7616. The target commodities for the proposed exploration activities are **Base & Rare Metals, Dimension Stone, Industrial Minerals and Precious Metals**. The project area is located approximately 20 km Northwest of Okombahe in the Kunene Region (**Figure 1**) and is 13171.2497 ha in size. The proposed site is accessible via the C36 and D3714 roads, which traverses the EPL. The EPL covers Ohungu Conservancy, Tseiseb Conservancy and Okombahe Reserve (**Figure 2**).

2 PURPOSE OF THIS DOCUMENT

This is a non-technical document of the Environmental Scoping Assessment (ESA), which serves the purpose of informing Interested and Affected Parties (I&APs) / stakeholders of the following:

- Project location;
- Proposed activities of the project;
- Environmental Impact Assessment (EIA) process to be followed;
- How I&APs and/or stakeholders can be involved.

All I&APs and/or stakeholders are hereby encouraged to submit their comments/inputs/concerns on the proposed project activities, which can contribute significantly to the Environmental Scoping Report (ESR) and Environmental Management Plan (EMP). The EIA and EMP will be submitted to the Ministry of Environment, Forestry and Tourism (MEFT) and Ministry of Mines and Energy (MME) for decision-making.

3 ENVIRONMENTAL AUTHORISATION

In terms of the Environmental Management Act No.7 of 2007 and the EIA Regulations of 2012, the proposed project triggers listed activities that cannot be undertaken without an ECC. As such, an environmental clearance application will be submitted to the competent authorities (MEFT and MME) for decision-making before the commencement of the anticipated project activities.

The listed activities that trigger the proposed project are as follows:

MINING AND QUARRYING ACTIVITIES

3.1 The construction of facilities for any process or activities which requires a license, right, or other forms of authorization, and the renewal of a license, right, or any other form of

authorization in terms of Minerals (Prospecting and Mining Act), 1992.

3.2 *Other forms of mining or extraction of natural resources whether regulated by law or not.*

3.3 *Resource extraction, manipulation, conservation, and related activities.*

FORESTRY ACTIVITIES

4. *The clearance of forest areas, deforestation, afforestation, timber harvesting or any other related activity that requires authorization in terms of the Forest Act No. 12 of 2001 or any other law.*

- If required to access target sites, minimal vegetation clearing or thinning shall be conducted, but this will only be for dirt roads.

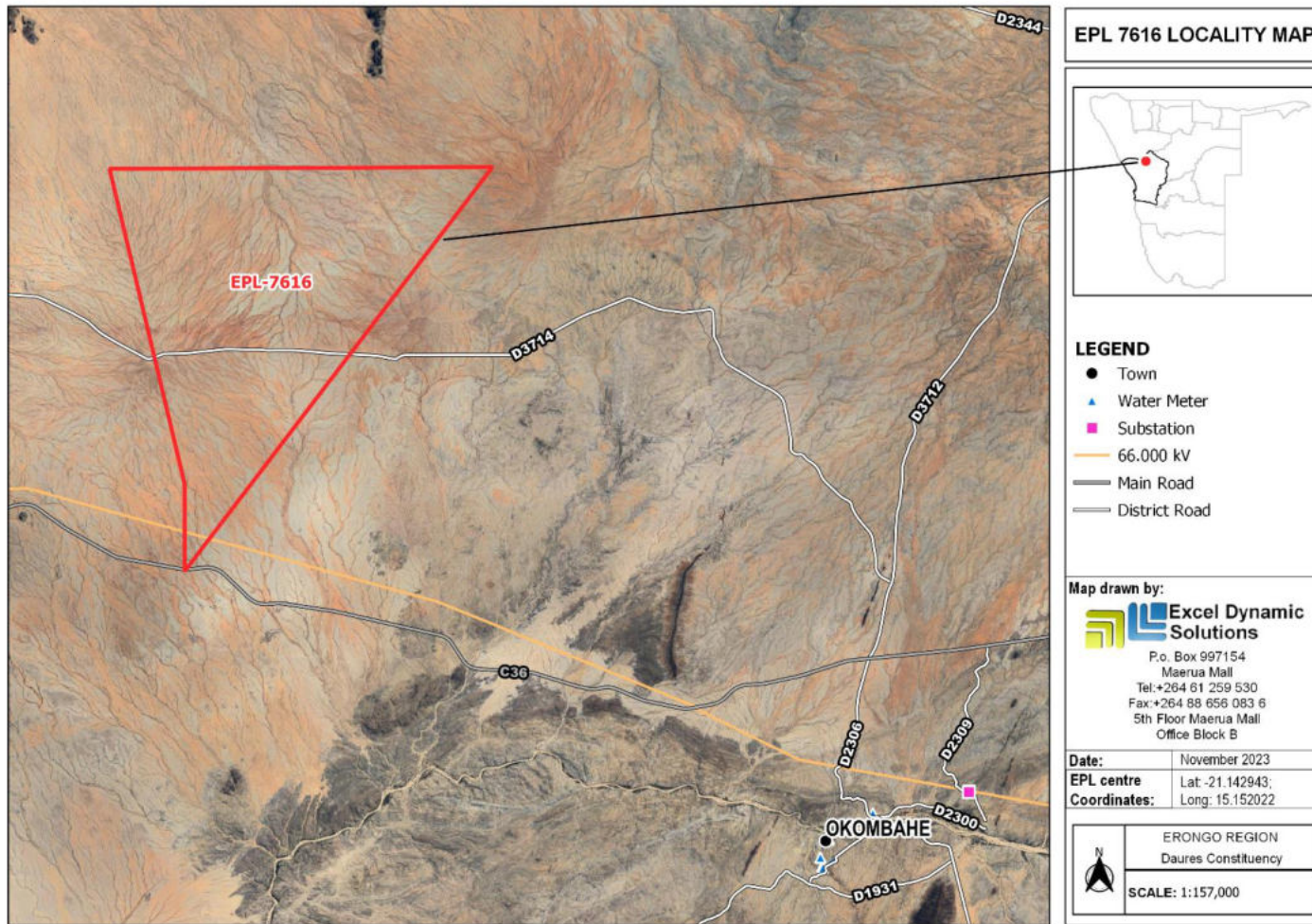


Figure 1: Locality Map - EPL 7616

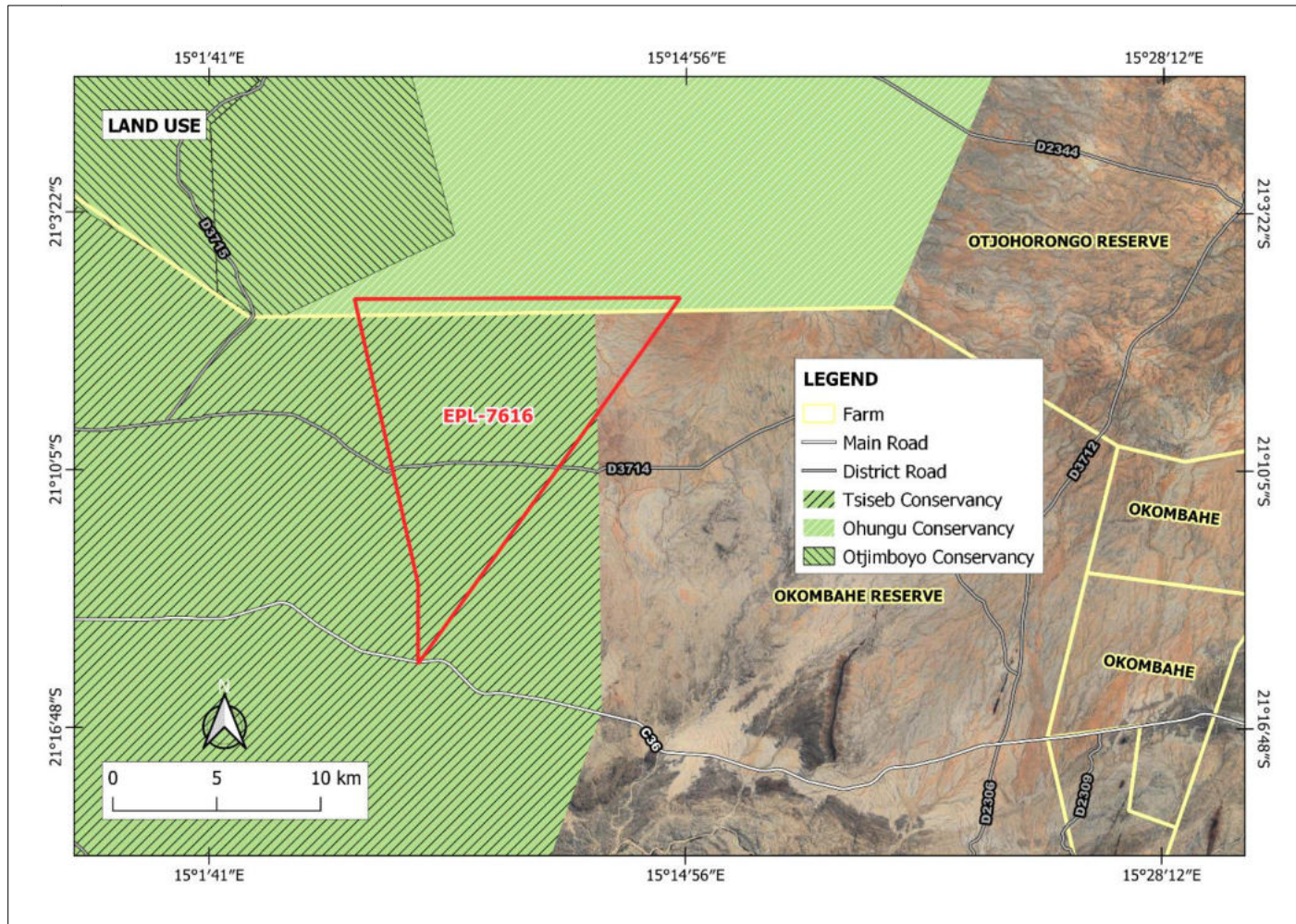


Figure 2: EPL 7616 Land Use Map

4 PROJECT DESCRIPTION

Exploration and mining activities contribute significantly to Namibia's economic sector, and have triggered an increase in recent exploration activities. The proponent intends to conduct exploration activities to delineate mineral deposits of the targeted commodities, as part of the resource development for mining purposes.

The duration of the exploration activities is anticipated to last for about three years or longer. However, this will entirely depend on various factors, such as turnaround time between exploration data analysis and the availability of financial resources.

Capstone Mining (Pty) Ltd is a private firm with interests in investing in commodities, and has identified an opportunity to explore for Base and Rare Metals, Dimension Stone, Industrial Minerals and Precious Metals on EPL 7616. The proposed project has the potential for local employment creation, as well as contributing to local, regional, national and international economic growth.

4.1 Project Plan and Activities

The proposed exploration activities methods are divided into two (2) categories:

- Phase 1: Non-invasive techniques e.g., mapping/surveys.
- Phase 2: Invasive techniques e.g., soil sampling, trenching and exploration drilling.

The following exploration activities are anticipated:

- Desktop review of existing data to identify potential prospecting targets;
- Geological mapping;
- Electromagnetic and geophysical surveys;
- Soil and rock sampling;
- Reverse Circulation (RC) and/or diamond (core)drilling;
- If required, some vegetation may be cleared or thinned to create tracks to allow access to the targeted sites of interest, however, existing tracks will be used as far as reasonably practical;
- Decommissioning, final rehabilitation.

4.2 Resources, Services and Infrastructure

The exploration activities will require the following services and infrastructure to progress smoothly:

Human resources and accommodation: It is anticipated that about ten (10) people, including skilled and unskilled employees, will be employed during the exploration phase and will be accommodated in Okombahe or tented camps on site, if possible.

Water supply: Approximately 500 litres of water will be required for the exploration activities per day. If required or deemed necessary, or the proponent finds good groundwater during the exploration activity, the borehole may be used as a water source, with the permission of the land owner, and appropriate abstraction permit obtained from the competent authority.

Fuel supply for machinery and equipment: Diesel will be used to power the machinery, equipment and generator when required.

Accessibility and transport: The proposed project site is easily accessible via C36 national road and D3714 district road, approximately 20 km Northwest of Okombahe. If required for project purposes, additional access roads might be created.

Sewage: A mobile ablution facility will be provided on-site and wastewater will be removed and transported to the nearest approved disposal facility.

Solid waste: Sufficient jackal-proof waste bins will be provided across the exploration sites and they will be emptied – and disposed of at the nearest approved waste facility.

Hazardous waste: Hazardous waste such as fuel/oils will be appropriately stored in a standardized bunded container for disposal at an approved facility.

Health and safety: Adequate and appropriate Personal Protective Equipment (PPE) will be provided to project personnel – with at least a first aid kit available onsite.

Accidental fire outbreaks: firefighting equipment, including extinguishers, will be readily available in vehicles as well as at the appropriate sites.

Equipment, material, machinery and vehicles: at least two (2) 4WD vehicles will be required, a drilling supporting truck, excavator/front-end loader, a dozer, air compressor, drilling fluids stored in manufacturers approved containers, and a generator for power supply, among other equipment, will be required for the proposed project.

5 ENVIRONMENTAL ASSESSMENT

The ESA and EMP methodology applied for this project takes into account the provisions of the the Environmental Management Act No. 7 of 2007, and the EIA Regulations, 2012. The overall objective of the ESA is to identify potential negative impacts associated with the proposed project that shall be assessed and provide potential effective mitigation measures for implementation.

The main objectives of this ESA are, but are not limited to:

- Identification of potential impacts associated with the proposed project.
- Consultation with the I&APs and relevant authorities and provide them with an opportunity to participate throughout the ESA process.
- Assess the significance of issues and concerns raised.
- Compile the ESA report addressing all potential identified issues and impacts.
- Draft an EMP that includes impact management and mitigation measures.

5.1 Potential Impacts

The following potential socioeconomic and environment impacts are anticipated during exploration activities:

Positive impact:

- Employment creation and skills transfer
- Investment opportunities/infrastructure-related development benefits
- Increase in local, regional and economic development
- Improved support for local businesses through the procurement of locally available goods and services.

Negative impacts:

- Communal grazing disturbance
- Physical land or soil disturbance
- Impact on fauna and flora through habitat disturbance and possible poaching
- Minor noise and vibration pollution associated with drilling
- Minor air pollution through dust generation
- Possible occupational community health and safety risks/hazards
- Minor waste pollution
- Possible impact on archaeological or cultural heritage
- Potential social nuisance and land use conflicts

Other potential impacts may be identified as the ESA process progresses. All impacts and public concerns/comments will be incorporated and addressed in the ESA and EMP reports.

5.2 Public Consultation Process

Public participation is an important part of the EIA process, which ensures that sufficient information is gathered from and/or shared transparently with all I&APs and stakeholders, including the findings of the reports, during the specified comment periods.

I&APs are hereby invited to comment on environmental, social, and economic issues relating to the proposed project.

To comment or receive further information on the proposed project, please register with Excel Dynamic Solutions (Pty) Ltd as an I&AP at the address below.

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