



Business Updates | 2019

March 18, 2019

The El Capitan Board of Directors posts this Apology and Correction of the Record regarding New Mexico Metal Refiners Group and J. Duncan Reid

The ECPN Board of Directors published a *Business Update* on August 8, 2018, indicating, among other things, that it was turning over certain information, including data from certain samples of concentrates and related information and documents, to the Company's legal team for further analysis and recommended actions.

Based on the report of the Company's legal team and on information the Company has learned since that *Business Update* was published, the Company issues this *Business Update* to correct and apologize for any unintended or erroneous inferences from that *Business Update* and other communications indicated below regarding New Mexico Metal Refiners Group, LLC and/or its Principal, J. Duncan Reid.

On April 13, 2018, the Company published a *Business Update* entitled "El Capitan Precious Metals Reports Breach of Contract by Buyer of Concentrates." The "Buyer" referred to in this *Update* was New Mexico Metal Refiners Group, LLC (NMMRG) and its principal, J. Duncan Reid. ***Based on its ongoing investigation, which is continuing in other directions, the Company has no documentation or information that NMMRG or Mr. Reid has breached the referenced Agreement with the Company, and to the extent the Business Update so suggests it is hereby withdrawn.***

On April 18, 2018, attorney Blair Dunn sent a letter, purportedly on behalf of the Company, to counsel for NMMRG, alleging that NMMRG and Mr. Reid breached NMMRG's contract with the Company and engaged in improper or illegal activities. As noted above and **based on the information from the Company's ongoing investigation, that letter was incorrect.** Unfortunately, this letter was, or may have been, sent to various third parties. ***The Company wishes to, and hereby does, make it clear that Mr. Dunn was not authorized by the Board to send this letter, and the Company hereby disavows and retracts that letter in its entirety. The Board regrets that that letter was sent and apologizes to Mr. Reid for the letter and for its transmission to any third parties.***

On July 2, 2018, the Company published a *Business Update* entitled "Return of Concentrates from Canada." That *Update* stated, in part, that the materials sent to Canada for testing were being returned, and that "ECPN and J Duncan Reid of [New] Mexico Metal Refiners Group, LLC (NMMRG), with assistance of counsel, developed a Protocol that maintained the chain of custody whereby neither party could infringe on the integrity of the material." That *Business Update* was accurate in its description of the Protocol, and the Company confirms that the Protocol's provisions and protections were in fact followed fully and completely by all parties and contractors involved with the custody, sampling, and return of those materials.

With respect to the previously-referenced *Business Update* published on August 9, 2018, the “Management Note” section stated that “[t]he samples returned from Canada and tested were a totally different material than the concentrates that were delivered to Canada for precious metal refining.” ***The Company has no information to suggest—and does not believe—that Mr. Reid or NMMRG returned anything, including those samples, concentrates or materials, to the Company other than what they received from the Company, or that Mr. Reid or NMMRG have acted in any manner inconsistent with the Protocol. Mr. Reid and NMMRG at all times have acted professionally and properly with respect to the samples, concentrates, and related materials and shipments, and in their dealings with the Company generally.***

Mr. Reid, through counsel, has advised the Company that as a result of these public statements, Mr. Dunn’s letter, and other information that may have been attributed to the Company by others based on or in reliance on some or all of the foregoing documents and communications, Mr. Reid’s reputation and his credibility as a mining professional have been adversely affected. The Company sincerely regrets and apologizes for any such adverse effects on Mr. Reid and his business interests that the Company or these publications may have caused.

This *Business Update* has been unanimously approved by the Company’s Board of Directors.