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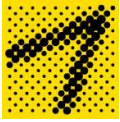
REGULATION TO THE MINING LAW OF ECUADOR



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GENERAL MINING REGULATIONS DECREE No. 119

**RAFAEL CORREA DELGADO
CONSTITUTIONAL PRESIDENT OF THE REPUBLIC**

WHEREAS

The Constitution of the Republic of Ecuador, approved by referendum on September 28, 2008, and published in Official Registry No. 449 on October 20, 2008, establishes in Article 408 that “Non-renewable resources, as well as underground products, minerals and hydrocarbon deposits, substances whose nature differs from that of the land, and including those found in areas covered by territorial sea water and maritime areas, in addition to the biodiversity and genetic heritage and the radio-electric spectrum, are inalienable and are not subject to the statutes of limitations or seizure”;

Non-renewable natural resources are considered to be a strategic sector, as established in Article 313 of the Constitution, and thus the State reserves the right to manage, regulate, control and govern them, applying the principles of environmental sustainability, precaution, prevention and efficiency, as well as the right to exceptionally delegate functions to private initiatives, as well as public solidarity economy companies, adhering to the provisions established in Article 316 of the Constitution of the Republic of Ecuador;

The Mining Law was enacted and published in the Supplement to Official Registry No. 517 on January 29, 2009, and in accordance with the provisions of the Fourth Transitional Provision, the General Regulations, among others, must also be enacted;

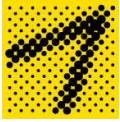
In accordance with the provisions of Article 319 of the Constitution of the Republic of Ecuador, diverse forms of production organizations are recognized in the economy, among which are “community interest companies, co-operatives, public and private enterprises, associations, whether they be family, domestic, autonomous or enterprises in which the State has a majority share”;

The municipal governments are empowered to regulate, authorize and control the exploitation of dry materials and rock found in riverbeds, lakes, sea beaches and quarries, in accordance with the provisions established in numeral 12 of Article 264 of the Constitution;

Excercising the authority granted by numeral 13 of Article 147 of the Constitution of the Republic, the following decree is issued:

DECREE:

The following GENERAL MINING REGULATIONS are issued.



Title I

FUNDAMENTAL PROVISIONS

Art. 1. The aim of the Regulations. The aim of these General Regulations is to establish the rules required for the application of the Mining Law.

Art. 2. Mining policy. The definition and management of the national mining policy shall be the responsibility of the President of the Republic. In order to develop, execute and apply this policy, the State shall act as an intermediary between the Sectorial Ministry and the entities and agencies specified in the Mining Law and these Regulations. The policy shall form part of the National Mining Development Plan, which in turn shall be part of the National Development Plan.

Sectorial Ministry shall have the authority, and shall be responsible for, the administration of the Sectorial Ministry as established in the Mining Law.

The national mining policy will promote innovation, technology and research on all levels to allow for the internal strengthening of the sector, prioritizing sustainable development, environmental protection and the development of social participation and good living.

Title II

MINING POLICY MANAGEMENT

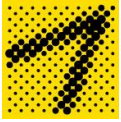
Chapter I

THE SECTORIAL MINISTRY

Art. 3. Functions of the Sectorial Ministry. In addition to those established in the Law, the following shall be the responsibilities of the Sectorial Ministry:

- a) Approve the annual and multi-annual management plans of the mining sector in coordination with the entity responsible for national planning;
- b) Prepare and implement the annual mining investment plan through the organizations that form part of the mining administration, subject always to the procedures and approvals established in the current legislation;
- c)
- d) Create, constitute and define administrative mechanisms for the consultation councils;
- e) Enter into, and maintain, coordination and cooperation agreements with public or private institutions, universities and polytechnics, whether national or foreign, to promote mining activities, technological innovation and research and such others as established in the Law; and,
- f) Issue all such technical instructions as may be required for the application of the Law and these Regulations.

Art. 4. Consultation Councils and Citizen Participation. The Sectorial Ministry shall create the consultation councils that allow for citizen participation when making decisions regarding the definition of mining policies, with the aim of promoting sustainable development in the sector during all of the mining activity phases through promotional mechanisms, technical assistance, training, financing, incentives for the



protection of the environment and the generation of more efficient production methods, and such others established in the Law.

The aim of citizen participation, when defining mining policies, is to consider and incorporate the criteria and opinions of the general population in the area of direct influence of the mining projects while adhering to the principles of legitimacy and representation.

To this end, citizen participation processes shall assist in the development of mining activity schedules, prepared in order to identify and implement sustainable projects, which may be financed by resources generated by royalties and profits specified in the Law.

Art. 5. Authority of the consultation councils. The consultation councils referred to in the previous Articles are authorized to establish citizen participation mechanisms, by carrying out public information proceedings, gathering criteria and observations from informative meetings, participatory workshops, public information centers, presentations or public gatherings, web pages, public forums, town councils and roundtable dialogues, among others, as established in the instructions issued by the Sectorial Ministry regarding their organization and operation.

Art. 6. Integration of the consultation councils. The integration of the consultation councils shall be in accordance with the structure of the mining sector as established in the Law. Consequently, they shall consist of one delegate from each of the following entities: the Sectorial Ministry, who shall preside over the council, the Mining Regulation and Control Agency, the National Institute of Geological, Mining, and Metallurgical Research, de-centralized autonomous governments and the representatives of the duly accredited civil society organizations in the area of direct influence of the mining project.

These consultation councils shall be created by a resolution issued by the Sectorial Ministry for that purpose.

These consultation councils shall meet at least twice a year when called by those who preside over the councils.

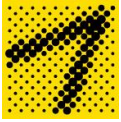
Chapter II

THE MINING REGULATION AND CONTROL AGENCY

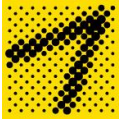
Art. 7. Objectives of the Mining Regulation and Control Agency. This technical-administrative organization is responsible for exercising state authority to monitor, inspect and audit, as well as investigate, intervene, control and penalize, during all the mining phases, in accordance with the provisions set out in the Mining Law and these Regulations.

Art. 8. Jurisdiction and competence. The Mining Regulation and Control Agency shall have jurisdiction throughout the national territory. As well as the functions established in the Law and its Statute, the Mining Regulation and Control Agency shall have the following responsibilities:

- a) Issue the Organic Functional Law regarding the creation, responsibilities and integration of the local, provincial or regional mining regulation and control agencies that, according to their territorial districts, merit creation in order to monitor, inspect, audit, intervene in, penalize and control mining activities;
- b)
- c) Issue administrative and technical provisions to allow for the implementation and application of the regulations and plans set out in the National Mining Development Plan and the Law, so far as it is within its competence;



- d) Submit to the Sectorial Ministry the reports necessary for the grant, conservation and expiration of mining concessions, as well as those required to authorize the construction and operation of smelting plants, treatment plants, foundries and refineries, and the reports required in order to sign exploitation contracts;
- e) Submit the mandatory preliminary reports regarding the exploitation of construction materials to the municipal governments that would allow them to issue authorizations for the use of these types of materials;
- f) Organize and manage the registers and the Mining Property Register in which the following documents signed by the Sectorial Ministry shall be registered: documents regarding the registration, grant, modification, management or expiration of mining rights, sanctions and any other acts and contracts regarding mining issues;
- g) Properly hear, process and resolve appeals and other remedies established in the Law that may be presented with respect to resolutions issued by the local or regional agencies, which are brought to their attention;
- h) Properly hear, process, resolve and present, in administrative protection proceedings, the measures and sanctions established in the Law;
- i) Designate inspectors in the cases established in the Law;
- j) Establish by resolution the rates for services and administrative proceedings, such as: rights, copies, certificates, registries, and changes in mining activity phase, as well as those established by the Board of Directors for each of such proceedings and sub-proceedings;
- k) Maintain statistical control over commercial activities involving mining materials;
- l) Facilitate proceedings to enable the National Mining Company to exercise the right of first refusal in accordance with the terms, conditions and time periods established in these Regulations;
- m) Hear, process and resolve, either *ex officio* or following a third party request, proceedings related to illegal mineral exploitation and properly impose the measures, sanctions and fines established in the Law;
- n) Properly impose sanctions with respect to the prohibition of hiring underage individuals; violations against the environment, the preservation of cultural heritage and human rights; and the unlawful use of water. In the event the provisions of the Law are breached, the corresponding public entities shall be notified so they may take the appropriate legal actions; and,
- o) Exercise any other responsibility related to regulating, auditing, monitoring and controlling matters as established in the Law.



Chapter III

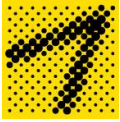
THE MINING REGISTER AND MINING PROPERTY REGISTER

Art. 9. Objective of the Mining Register. The Mining Register is the system to be used for information and the registration of titles, authorizations, mining contracts and all administrative or legal decisions that may be final and binding on the mining industry with respect to the granting, concession, modification, authorization and abolishment, of mining rights as established in the Law, as well as all the acts and contracts established in the Law that allow for their systematic and adequate control.

Art. 10. Objective of the Mining Property Register. The Mining Regulation and Control Agency shall keep the alphanumeric and graphic database in the National Mining Property Register consolidated and updated, which shall enable the entities stated in the Law and these Regulations to supervise and control this information so it may be appropriately used when planning and distributing the land. The technical reports to be issued regarding the location and limits of the mining rights shall be based upon the aforementioned property register, for the purposes established in the Law and these Regulations.

Art. 11. Content of the Register and Property Register. The Mining Register shall contain at least the following:

- a) Register of mining concession titles, amendments or modifications to such titles, transfers of ownership, establishment and expiration of easements, award of mining concessions following auctions and bids, contracts, reductions; oppositions; waivers; invasions, administrative protection and such other matters as may be required for the granting, management, conservation and expiration of mining rights, as well as such information related to the mining titles and rights that are deemed relevant;
- b) Register of declarations regarding special mining areas and the restoration of mining areas and projects to the State;
- c) Register of authorizations for free use for public works in areas with or without concessions;
- d) Register and record of condominiums, cooperatives and associations of mining concession holders;
- e) Register of trade licenses for metallic mineral substances and for exporters of metallic and non-metallic minerals;
- f) Register of administrative resolutions regarding the suspension of mining activities and the expiry or annulment of mining concessions;
- g) Register of authorizations for the installation and operation of smelting plants, foundries and refineries for metallic minerals and processing plants for non-metallic minerals and construction minerals;



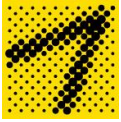
- h) Register, record and marginal notation of actual land possessions in the event rights are transferred due to inheritance in the event of death, for the purposes of the management of the concession;
- i) Register of universities or polytechnics, professionals and/or companies, that carry out audits and verify the reports presented by concessionaires and mining contractors; and,
- j) Register of small-scale and artisanal miners.

The Mining Property Register must include at least the following:

- a) Maps and information regarding special mining areas and protected mining areas, and those areas where mining activity is prohibited or restricted;
- b) The mining property register maps regarding mining rights, special mining areas and the areas where mining activity is prohibited restricted;
- c) Information, based upon a system of grids calculated according to UTM coordinates, for the granting of mining rights, mining deeds and mineral exploitation contracting, or in such form as may be required by the Board of Directors of the Mining Regulation and Control Agency;
- d) The updated alphanumeric and graphic database of the national mining property register, or in such form as may be required by the Board of Directors of the Mining Regulation and Control Agency;
- e) The technical-mining property register reports regarding the location and boundaries of the mining concessions;
- f) The mining property register information in order to determine the use of the territory, which shall include the location, canton, parish and province where the mining area is located; and,
- g) General information regarding the area: period, state, activity phase, concession code and such other information as may be considered necessary by the Mining Regulation and Control Agency.

The maps, copies, certificates, reports and sketches requested by the users shall be supplied following payment of the corresponding fee.

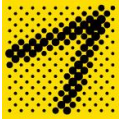
Notwithstanding the foregoing, the Mining Register and Mining Property Register must include any additional information that may be required by the Board of Directors of the Mining Regulation and Control Agency.



The Mining Register and Mining Property Register shall have digital tools to ensure that any documentation in such registers has such security measures as may be necessary to ensure their safe custody and protection. Every document, procedure or process entered into the Mining Register and Mining Property Register shall be classified in a sequential order, together with the date, time and alphanumeric code of registry or code assigned by the Board of Directors of the Agency.

Art. 12. Documents subject to registration in the Mining Register. The following documents are subject to registration in the Mining Register:

- a) Mining concession titles, amendments or modifications to the same, such as the division or accumulation of mining areas and the award of mining concessions following auctions or bids;
- b) Declarations of special and protected mining areas and the restoration of mining areas to the State;
- c) Contracts for assigning and transferring mining rights; participation contracts; irrevocable promises to assign and transfer mining rights; contracts for the assignment of assets as security; association contracts; pledge contracts; mining credit contracts, operating contracts, guarantee contracts, preparatory contracts, appointments of condominium representatives; attorney in fact in the case of co-ownership; transactional contracts; and security negotiation contracts referred to in subsection three of Article 31 of the Mining Law, and such other acts and contractual forms may be deemed relevant;
- d) Resolutions regarding the establishment and extinguishment of mining easements; resolutions regarding reductions, oppositions and waivers; resolutions in the case of invasions and administrative protection; resolutions for the declaration of the termination or nullification of mining rights, and others that are established by the Mining Law regarding the grant, conservation and extinguishment of mining rights. The registration of these resolutions shall take place once there is a record that they have been formally registered in a government institution.
- e) Authorization for the assignment and transfer of mining rights; authorizations for the free use of construction materials for public works in concessioned and non-concessioned areas; authorizations for the installation and operation of smelting plants, foundries and refineries for metallic minerals and processing plants for non-metallic minerals and construction materials;
- f) Documents that evidence the existence of the condominiums, cooperatives and community interest associations, as well as the legal representation of the same;
- g) Licenses for the sale of metallic mineral substances and the exportation of metallic and non-metallic minerals;
- h) Resolutions that, whether by legal means or by way of a notary, grant effective possession of the mining rights of artisanal miners in the event mining rights are transferred when inherited following death; and,
- i) Any other responsibility established by the Law and these Regulations.



Art. 13. Cause for the cancellation of the registration of titles, acts and contracts in the National Mining Registry. The following shall be grounds for cancellation, as well as those established in the Law:

- a) When any of the grounds for expiration established in the Law arise and are duly proven, resolved and a final decision is made by the administrative entity;
- b) When any of the grounds for annulment established in the Law arise;
- c) Upon the expiry of the term granted for the concession; and,
- d) By legal resolution.

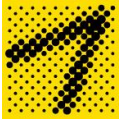
The National Mining Registry must observe the formalities and procedures established in the Registration Law as they apply in the case of registrations, variations or cancellations of the documents subject to registration in the Registry.

Chapter IV

THE REGISTRY OF SMALL-SCALE AND ARTISANAL MINERS

Art. 14. Registration of small-scale miners. In order to be registered in the small-scale mining register, applicants must present the following:

- a) Written application to the Sectorial Ministry on the corresponding form;
- b) Identification of the applicant, full names and surnames, business purpose or denomination;
- c) Specific information regarding the area where the activities established by the Law shall be carried out, demonstrating the name or denomination, geographic coordinates and UTM coordinates of the vertices. If it is not possible to establish the area using these parameters, the technical instructions issued by the Sectorial Ministry shall be applied;
- d) Number of hectares to be used for mining activities, and their respective geographical location, determining the location, parish, canton and province in which they are located;
- e) Daily exploitation capacity and/or smelting facilities of up to 300 metric tons per day;
- f) Capacity of production facilities of up to 800 cubic meters per day for non-metallic minerals and construction materials;
- g) Certificate of approval for special programs for technical assistance, environmental management, mining safety and training; and,
- h) Attendance at, and approval of, the training programs promoted by the National Institute of Geological, Mining, Metallic Research.



Following an analysis of the documentation presented and a prior favorable report from the Regulation and Control Agency, provided they are not considered ineligible by the Law, the Sectorial Ministry shall issue a certificate authorizing the applicant, be they a natural person or a legal entity, as a small-scale miner.

Art. 15. Registration of artisanal miners or subsistence miners. To be registered in the artisanal or subsistence miner register, the applicant must present:

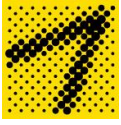
- a) Written application to the Sectorial Ministry on the corresponding form;
- b) Identification of the applicant, full names and surnames, business purpose or denomination where the applicant is a natural person, group or association;
- c) Specific information regarding the area where the activities established by the Law shall be carried out, including the name, geographic coordinates and UTM coordinates of the vertices. If it is not possible to establish the area using these parameters, the technical instructions issued by the Sectorial Ministry shall be applied;
- d) Number of hectares to be used for the mining activity and their respective geographical location, determining the location, parish, canton and province in which they are located;
- e) Details and identification of tools and the simple and portable machinery to be used for obtaining minerals;
- f) Amount of investment to be made or made, as the case may be; and,
- g) Certificate of approval of the special programs for technical assistance, environmental management, mining safety, training and professional training held by the Sectorial Ministry.

Following completion of the process and a prior favorable report from the Mining Regulation and Control Agency, provided the applicant is not considered ineligible by law, the petition shall be approved and the Sectorial Ministry shall issue a certificate authorizing the applicant, be they a natural person or legal entity, as an artisanal or subsistence miner.

Art. 16. Change of registry. As a result of the activities undertaken in the exploitation phase, as well as extraction and production volumes, artisanal or subsistence miners may become registered as small-scale miners, either upon their own request or following verification by the Mining Regulation and Control Agency, when the working conditions established in the Law are modified.

As a result of the activity developed in the exploitation phase, volume, investment and technological extraction and production conditions, the classification of small-scale miners may be changed either upon their own request or following verification by the Mining Regulation and Control Agency, when they surpass the parameters established in Article 138 of the Mining Law.

Art. 17. Prohibition. For the purposes of subsection two of the previous Article, the subdivision, assignment, transfer or any other legal or technical method used to divide the production capacity of exploitation and/or smelting facilities, or the production levels in order to avoid a change in categorization, is prohibited.



Chapter V

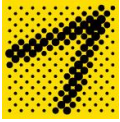
NATIONAL INSTITUTE OF GEOLOGICAL, MINING AND METALLURGICAL RESEARCH

Art. 18. Attributions of the National Institute of Geological, Mining and Metallurgical Research. The following are the responsibilities of the National Institute of Geological, Mining and Metallurgical Research (NIGMMR) as well as those established in the Law:

- a) Draft and publish the national geological map;
- b) Perform regional studies of applied geology and environmental geology;
- c) Compile, interpret and systemize environmental geological information to support the baseline environmental studies;
- d) Carry out studies related to geological, mining and metallurgical risks;
- e) Generate, systemize, focalize and manage geological information throughout the national territory;
- f) Promote sustainability and the sustainable development of mineral resources;
- g) Prevent the occurrence of geological and anthropological threats;
- h) Issue to the Sectorial Ministry reports that allow for the grant of mining rights, regarding mining areas of which they are aware;
- i) Contribute geological information in order to plan the use of the territory;
- j) Propose and hold training programs for small-scale and artisanal mining rights holders;
- k) Perform studies regarding innovative environmentally-friendly technology that promotes the complete recovery of mineral resources in metallurgical mining areas; and,
- l) Research and propose plans for the use of mineral substances of any type that exist on the seabed; and, any others established in the Law, its Statutes and Regulations.

Art. 19. The Executive Director of the National Institute of Geological, Mining, and Metallurgical Research. In addition to the provisions established in the Law, the Executive Director shall pass and approve the Legal, Organizational and Positional Statutes.

The responsibilities of the Executive Director shall be determined in the Statutes.



Title III

MINING RIGHTS

Chapter I

RIGHTS OF FIRST REFUSAL

Art. 20. Right of first refusal. The National Mining Company shall have the right of first refusal to request a concession over any available mining area from the Sectorial Ministry, according to the certificate issued by the Mining Regulation and Control Agency to this effect. Likewise, it shall have the right of first refusal to apply for a concession of areas whose rights have been extinguished due to expiration, extinction, annulment or that have been restored to the State.

With regard to special mining areas, in the four years that follow the termination of the protection period of a special mining area, the National Mining Company shall have a right of first refusal to apply for a mining concession in such areas.

Art. 21. Terms, conditions and periods regarding rights of first refusal. The Mining Regulation and Control Agency shall send a copy of all the geographical, geodesic, geological and technical information, together with the information considered to be relevant to the areas subject to tenders or public auctions, to the National Mining Company so that it may exercise its right of first refusal.

The National Mining Company, within one hundred and twenty-five days of being notified by the Mining Regulation and Control Agency, shall announce whether or not it is interested in a concession. This period may be extended in cases of acts of God or *force majeure* that are duly justified and accepted by the Sectorial Ministry. If a declaration is not made within the established time period, the Sectorial Ministry shall commence the auction or tender process, as the case may be.

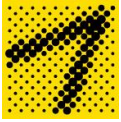
In the event it is determined that the National Mining Company has not made a declaration of preferential rights or rights of first refusal due to the negligence of a public official, the company shall not lose its right or option (without prejudice to the administrative, civil or criminal sanctions that may be imposed on the party responsible for these actions or omissions), and a new period of ninety days in which it may exercise its right shall be granted.

Chapter II

GENERAL CONDITIONS IN ORDER TO RECEIVE A MINING CONCESSION

Art. 22. Subjects of mining rights. The following are subjects of mining rights: the legally capable individuals; those established in the Organic Popular and Solidary Economy Law; and legal entities, whether national or foreign, public, mixed or private, community and self-regulating companies, whose corporate purpose includes performing mining activities in the phases referenced in the Mining Law and its regulations.

The performance of subjects of mining rights is based on the delegation that the State can confer in their favor through the Sectorial Ministry, after complying with the procedures established in the Mining Law and its Regulation, or the requirements for granting mining concessions in general or under special regimes; for



obtaining authorizations to setup and operate smelting, foundry or refining or processing plants; for commercialization licenses; for free use of construction materials authorizations; and, for permits to perform artisanal mining and the corresponding registration in the Mining Registry maintained by the Mining Regulation and Control Agency.

Art. 23. Registration. In order to register, the applicant must fulfill the following requirements:

- a) Be a subject of mining rights, as established in Article 18 of the Mining Law;
- b) In the case of foreign natural persons or corporate entities, they must have a legal domicile in the national territory in accordance with the provisions of Article 19 of the Mining Law;
- c) Not be subject to any of the grounds for ineligibility as detailed in Article 20 of the Mining Law;
- d) Not be subject to any prohibitions that would prevent them from contracting with the State, as established in the Law;
- e) Be registered in the Sole Register of Taxpayers (RUC); and,
- f) Confirmation of the legal domicile in order to receive notifications regarding all future acts relating to the rights and obligations of the mining concession.

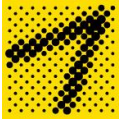
Art. 24. Prior administrative acts. The entity responsible for the sub-process of the reception and custody of documentation, shall accept the corresponding applications and verify that they comply with the documentation and requirements set out in the Law regarding their processing. Where necessary, the entity shall ask the applicant to clarify or complete the documentation within a term of 15 days. All complete applications shall be sent to the competent organizations and entities in order to initiate the mining concession process.

Chapter III

NON-METALLIC MINING ACTIVITY

Art. 25. Non-metallic mining activity. Non-metallic mining consists of the set of operations described in the Law (including processing operations), distinct from those operations of smelting and refining in metallic mining.

Art. 26. Non-metallic minerals. Non-metallic minerals are understood to be rocks and minerals that, due to their physical-chemical-mineralogical characteristics, lack the properties to transfer heat or electricity and constitute natural raw materials for industries and other economic activities, such as: barite, silica sand, quartz, limonite, clay, kaolin, feldspar, pozzolan, limestone, dolomite, travertine, zeolite, diatomite, diatom, evaporites (understood as gypsum deposits and saline deposits), fluorite; and those that are technically determined by the Sectorial Ministry following a prior report by the National Institute of Geological, Mining and Metallurgical Research.



Chapter IV

GRANT OF METALLIC MINING CONCESSIONS THROUGH PUBLIC AUCTIONS AND TENDERS

Art. 27. Public mining auctions and tenders. Public mining auctions and tenders consist of the following procedure: the Sectorial Ministry summons qualifying parties interested in obtaining mining rights to a process where they present offering bids for metallic mineral concessions, which would allow mineral exploration, determination of the size and shape of the deposit, economic evaluation of the deposit, its technical feasibility, the exploitation design and future phases of exploitation, beneficiation, smelting, refining, commercialization and closure of the mine.

The public mining auctions and tenders for the grant of mining concessions are only held in the areas established in the National Mining Development Plan.

Notwithstanding the aforementioned, any individual or legal entity, whether national or foreign, public or private, can request the inclusion of free mining areas in the public auction or sale from the Sectorial Ministry.

In the event that the National Mining Development Plan is not issued by March 31 of each year, the Sectorial Ministry will draft the list of areas subject to public auction and sale, which will include the free areas as defined by the Sectorial Ministry, as well as those that have been requested by third parties and accepted by the Sectorial Ministry

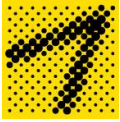
The public mining auctions and tenders, due to their special nature, do not affect the inalienable, imprescriptible and irrenunciabile ownership that, according to the Constitution of the Republic, the State maintains over non-renewable natural resources.

In public auction and tender procedures to obtain concession titles under the special small-scale mining system, bids may only and exclusively be presented by natural persons or corporate entities covered by the small-scale mining system, in accordance with the general rules of the Mining Law and the provisions of these Regulations, and in accordance with the provisions of the Law regarding the Promotion, Participation and Training for Small-Scale Miners and Artisanal Miners and its Regulations.

Art. 28. Procedures for the public mining auctions and bids. The public mining auction and bids of free areas will be called upon by the Sectorial Ministry, according to the process it defines.

Art. 29. The announcement. The instructions and bases issued by the Sectorial Ministry must contain:

- a) Details regarding the location, date and time when the public auction or bid shall be held and the bids shall be presented;
- b) Specific information regarding the area to be auctioned or subject to a bidding process, providing the name, geographical coordinates and the UTM coordinates of its vertices, the number of mining



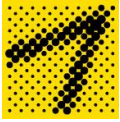
hectares and the geographical location determining the location, parish, canton and province where the area is located;

- c) Mining property register coordinates, whose numeric values shall always be multiples of one hundred, for both the X and Y points of origin and other vertices of the polygonal area, according to the provisions in Article 32 of the Mining Law. When it is not possible to establish the area using these parameters, the technical instructions issued by the Sectorial Ministry shall be applied;
- d) Technical, economic and environmental terms of reference with which the bidder must comply;
- e) Base value of the investment in the exploration and exploitation phases for the area to be auctioned or subject to a bidding process, which shall be set out in the technical specifications for each process;
- f) Conditions for the presentation of bids that shall also be established in the technical instructions and specifications issued by the Sectorial Ministry; and,
- g) Model contract to be signed, in the event it moves into the exploitation phase.

Art. 30. Classification and authorization of bidders. The Sectorial Ministry shall receive and analyze the applications presented by the bidders in order to evaluate if they qualify, provided the petitioner fulfills the following requirements:

- a) They are mining law subjects, in accordance with Article 18 of the Mining Law;
- b) In the case of foreign corporate entities or natural persons, they must be legally domiciled in the country, as stipulated in Article 19 of the Mining Law;
- c) Not be subject to any of the grounds for ineligibility as detailed in Article 20 of the Mining Law;
- d) Not be behind in complying with tax obligations;
- e) Demonstrate they are financially capable of meeting minimum investment requirements; and,
- f) Not be involved in activities prohibited to those holding a contract with the State.

Art. 31. Bids. The bids must be presented at the location, day and time indicated in a sealed envelope that contains the following requirements:



- a) Complete names, business purpose or denomination of the bidder;
- b) Appointment letter or power of attorney of the legal representative in the event the bidder is a legal entity;
- c) Technical proposal for the exploration and exploitation process; and,
- d) Given in the technical specifications of the process, issued by an institution of national financial system, or foreign financial system through its Ecuadorian correspondent. In the case of large-scale mining the institution issuing the guarantee must have a credit rating at least double AA or similar in cases where there is no such categorization, the same that will be guaranteed by the control bodies Ecuadorian financial system.

In the case of foreign branches or subsidiaries, financial and technical solvency shall be proven on the basis of the performance of the respective parent or controlling companies.

In the case of all bidders, the presentation of the Environmental Management Plan shall always be necessary when deemed relevant.

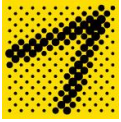
Art. 32. Bidding process. On the sixth working day following receipt of the bids, the approved and competent bidders shall be called to the bidding process, which shall include the obligatory evaluation of:

- a) The financial offer based upon the following criteria:
 - Company history and type
 - Investment plan and size of investment for the project
 - Economic/financial performance of the company
 - Economic capital and indices
- b) The technical offer based upon the following criteria:
 - Characteristics of the exploration campaign or plan
 - Type of operations the company currently has inside and outside of the country
 - Technical register of its operations
 - Assets that support their operations
 - Work safety and accident report or certificate

The auction must take place through mechanisms that are accessible to citizens.

Only approved bidders may participate in the bidding.

Art. 33. Award. The Sectorial Ministry will award the mining area subject to the public auction or sale to the best offer, according to the evaluation determined in the terms of reference issued by the Sectorial Ministry for this effect.



Art. 34. Award declaration. Within fifteen days, the Sectorial Ministry shall draft and sign the award declaration.

Art. 35. Grant of mining title. Within the same act, the Sectorial Ministry shall order the area to be mapped in the Mining Property Register, the respective mining title to be granted within a period of no more than five days, and the registration with a notary and the respective registration of the title with the Mining Registry within a period of thirty days, counted from the date of issue.

The concessionaire must submit a duly registered copy of the mining concession title to the Sectorial Ministry for the relevant legal purposes.

In all cases involving the grant of mining concession titles, if they are not registered with the Mining Registry within the time period specified in these Regulations, all of the rights shall be cancelled without the need for processing or for any additional requirements of any nature.

Art. 36. Auction or bidding with only one bidder. In the event that there is only one approved bidder in the prequalification phase, the Sectorial Ministry shall award and grant the mining title to this party when the technical, economic and environmental proposals and guarantees presented comply with the requirements established in the pre-contractual documents.

Art. 37. Declaration of abandonment or failed auction or bid. In the event none of the bidders comply with the prerequisite conditions, the Sectorial Ministry reserves the right to declare the public auction or bid as abandoned or failed.

In the event there are no bidders for a public auction or bidding process, the Sectorial Ministry shall begin a new auction and bidding process within three months.

The declaration of the abandonment or failure of an auction or bidding process shall not create rights in favor of the participants.

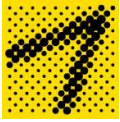
Art. 38. Independence of procedure. The public auctions and bidding processes shall take place separately and independently for large-scale and small-scale mining.

With regard to small-scale mining, the provisions established in the applicable legislation for small-scale mining shall apply.

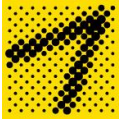
Art 39. Special Regime. Applications for limestone, clay, kaolin, feldspar and quartz mining concessions, to be used only and exclusively for the production of cement or ceramic, shall be presented to the Sectorial Ministry.

The application shall be presented by those duly registered parties as detailed in Article 18 of the Mining Law, attaching the following documents:

- a) Name or denomination of the area the subject of the application;



- b) Location of the area, indicating the location, parish, canton, province or territorial district;
- c) Number of mining hectares requested;
- d) Register coordinates whose numeric values shall always be multiples of one hundred, both for the X and Y points of origin and other vertices of the polygonal area, according to the provisions of Article 32 of the Mining Law. When it is not possible to establish the area using these parameters, the technical instructions issued by the Sectorial Ministry shall be applied;
- e) Express declaration to obtain the respective environmental license and fulfill the obligations established in such environmental license;
- f) Express declaration to fulfill the financial, technical and social obligations established in the Mining Law and these Regulations;
- g) Copies of the professional degrees of the technical adviser, geologist, geological engineer or mine engineer, as well as the applicant's sponsoring attorney;
- h) Where an application is submitted under the condominium, cooperative or associations regime, a public document verifying the appointment of a joint attorney must also accompany the application;
- i) In the case of natural persons, the full names and surnames, their identification number and their respective address shall be included, together with a copy of their identification card;
- j) Current copy of the RUC;
- k) In the case of corporate entities, the name of the company, business purpose or denomination, current copy of the RUC, appointment of a duly registered and current legal representative or attorney in fact, accompanied by a certified copy of the duly registered incorporation documents or the act that demonstrates its legal status and its reforms;
- l) Within the application, a sworn declaration stating that the applicant is not prohibited from signing contracts with the State, nor prohibited from obtaining mining rights according to the Law, and that the exploited mineral shall only and exclusively be used to create cement or ceramic;
- m) Proof of payment of administrative process;
- n) Specification of a location where the applicant can be notified; and,
- o) Signature of the applicant or their representative or attorney in fact, as the case may be, their technical advisor and sponsoring attorney.



Art. 40. Inobservance of requirements and rectifications. Applications that do not include all the information required by these Regulations shall not be accepted and, consequently, shall not be processed in the administrative system and mining information property register, and the map of the requested area shall be eliminated.

If the application meets the requirements referred to in the previous Article, and if it is proven, following verification in the mining property register, that the area partially or completely overlaps another concession or a previous application, the competent authority shall advise the applicant of the total or partial overlap or of the defects or omissions in the application and shall order the applicant to rectify the problem within ten days of the date of notification.

If, despite being legally notified, the applicant does not address this requirement within the given time limit, the Sectorial Ministry shall record the fact, archive the application and the map of the requested mining area shall be eliminated from the Mining Property Register, without any need for a resolution or notification to the applicant.

Art. 41. Competency document. In the event the application meets all the requirements or the observations referred to in the previous Article are corrected, the competent authority shall, within a period of thirty days, summon the applicant to sign the competency document for the concession area.

If, despite having been legally notified, the applicant does not sign the competency document within the aforementioned time limit, the designated official shall document the fact and the competent authority shall draft a resolution declaring the process has been abandoned, archive the application and the map of the requested mining area shall be eliminated from the land registry system.

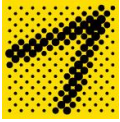
Art. 42. Report from the Regional Mining Regulation and Control Agency. Within a period of fifteen days from the date the report prepared by the Sectorial Ministry is submitted, the Regional Mining Regulation and Control Agency shall draft a report, specifying whether or not it is appropriate to grant the mining title.

Art. 43. Grant of mining title. In the event of a favorable report, within a period of fifteen days, the Sectorial Ministry shall grant the mining title, which must include: the geographical location with reference to the place, parish, canton, province or territorial district; denomination of the area; coordinates of the vertices of the concession; period; full names and surnames of the concessionaire if it is a natural person or the denomination of the legal entity, as the case may be.

The publicly notarized title must be registered in the Mining Regulation and Control Agency's Mining Property Register within a period of thirty days.

The concessionaire must present a copy of the duly registered mining concession title to the designated administrative entity in the Sectorial Ministry for the relevant legal purposes.

In all cases when granting mining concession titles, the non-registration of the title with the Mining Registry within the time period established in these Regulations shall result in the invalidation of all the rights, without the need for it to be processed or any other additional requirements of any nature.



Chapter V

CONSTRUCTION MATERIAL MINING CONCESSIONS

Art. 44. Responsibility of the municipal governments. Municipal governments are able to authorize, regulate and control the exploitation of dry and stony materials found in riverbeds, lakes, sea beaches and quarries, in accordance with the procedures, requirements and limitations that are established in the special regulations enacted by the Executive for such purposes.

For the grant of construction material concessions, applicants must fulfill the administrative acts previously set out in Article 26 of the Mining Law and in these General Regulations, as well as the requirements, technical specifications and other requirements set out in the respective ordinances of the municipal governments for the regulation, authorization and control of the exploitation of dry and stony materials and their environmental management, as well as the transportation and mobilization of such materials.

The expiration and annulment of construction material concessions are subject to the reasons set out in the Law.

Art. 45. Construction materials. Construction materials are understood to be rocks or rock derivatives of an igneous, sedimentary or metamorphic nature, such as: andesite, basalt, dacite, rhyolite, granite, volcanic ash, pumice, calcareous material, surface clay, river or sea sand, gravel; all alluvial and colluvial flow deposits and lahars and, in general, all materials whose processing does not involve any industrial process other than crushing and/or granulometric classification, or, in some cases, cutting and polishing processes, between their exploitation and final use, and any other processes that have been technically established by the Sectorial Ministry following a report from the National Institute of Geological, Mining and Metallurgical Research.

For the purposes of these Regulations, quarries are understood to be deposits of construction materials that may be exploited and are directly employed, mainly in the construction industry. Exploitation volumes of construction materials shall be specified in the respective authorization.

Art. 46. Location of the area. Applications for authorization to exploit construction materials shall be presented to the corresponding municipal government, depending upon the location of the requested area.

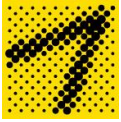
Art. 47. Special mining areas. Authorization for the exploitation of construction materials may not be granted in areas declared to be protected or special mining areas by the President of the Republic, except in the exceptional case specified in Article 25 of the Mining Law.

Chapter VI

FREE USE OF CONSTRUCTION MATERIALS FOR PUBLIC WORKS

Art. 48. Exploitation of construction materials for public works. State entities and institutions, either directly or through contractors, may use construction materials for public works in free areas, concessions and those areas authorized by the municipal governments.

Art. 49. Authorization. The Sectorial Ministry may authorize, by resolution, the temporary free use of construction materials for public works, provided a report from the land registry and a technical report from



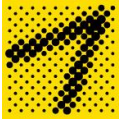
the Mining Regulation and Control Agency is submitted. The resolution shall establish: the name of the entity or institution, the names and surnames or business purpose of the contractor and, if any, their obligations and responsibilities in accordance with the provisions of Article 144 of the Mining Law; the time period of the free use, the public works the materials are to be used for, and the location where the materials shall be used, together with their volume, hectares and UTM coordinates. When it is not possible to define the area using these parameters, authorization for free use shall be given using the technical instructions issued by the Sectorial Ministry.

All resolutions regarding the free use of materials must also state that they may only and exclusively be used for the public works for which the material is required. If they are used for other means, this shall constitute illegal exploitation and commercialization and the machinery used shall be seized in accordance with the provisions of the law.

The free use of construction materials shall also be subject to the provisions of the Environmental Regulations for Mining Activities in the Republic of Ecuador and the Mining Safety Regulations.

Art. 50. Requirements of the application. The application for the free use of construction materials must include, or be accompanied by, the following information, in addition to the requirements established in Article 26 of the Mining Law:

- a) Name of the State institution that is applying for the request, as well as the name of the titleholder or legal representative and their letter of appointment;
- b) Location of the area to be exploited, indicating the place, parish, canton and province;
- c) Number of mining hectares requested and the duration of the exploitation;
- d) Land registry coordinates;
- e) Map of the area applied for, including a topographical map with a scale of 1:50,000, signed by the legal representative of the institution;
- f) Certified copy of the contract of the work that requires the free use. In the event the contract is in the pre-contract phase, the object of the contract and other relevant provisions shall be provided so that the exploitation area and the conditions of such exploitation under the free use regime may be established;
- g) Daily and total volume of extraction, machinery, equipment and exploitation methods to be used; and,



- h) Any other requirements established in the Mining Law and these Regulations.

Once the free use has been granted, the respective municipal government shall be notified.

Art. 51. Free use in mining concessions. In the event authorizations are granted for the free use of materials in existing mining concessions where mining activities are carried out, the beneficiaries of these authorizations must comply with the conditions established in the technical report issued by the Mining Regulation and Control Agency.

The report shall specify the system for the exploitation of the free use material, which must be compatible with the approved mining activities in the concession titleholder's Environmental Impact Study.

The beneficiaries of these authorizations shall be responsible for any environmental damage resulting from their activities.

Chapter VII

SPECIAL MINING AREAS

Art. 52. Prior reports. Prior to submitting the declaration of special mining areas to the President of the Republic for consideration, the Sectorial Ministry shall obtain land registry and technical reports from the Mining Regulation and Control Agency and the National Institute of Geological, Mining and Metallurgical Research in support of the declaration.

Art. 53. Right of first refusal of the National Mining Company. The National Mining Company shall have the right of first refusal to request mining concessions in these areas, according to the provisions of Article 24 of the Mining Law and these Regulations.

Art. 54. Restoration of mining areas and projects. The mining areas and projects where the Ecuadorian State has carried out geological research, exploration or pre-feasibility or feasibility studies, shall be returned to the State, through the National Mining Company.

Title IV

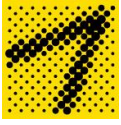
CONTRACTUAL TYPES

Art. 55. Economic evaluation phase. Once the initial or advanced exploration phase has concluded, the mining concessionaire shall have a period of up to two years to conduct an economic evaluation of the deposit and request, before the expiration of this period, the start of the exploitation phase.

Chapter I

SUPPLY OF SERVICES CONTRACT

Art. 56. Supply of services contract. The Sectorial Ministry may enter into and sign contracts for the supply of services, according to the terms and conditions established in Article 40 of the Mining Law and those set out in this Article, in respect of the work required for the preparation and development of the deposits, as well as the extraction and transportation of minerals, using the model contract approved by a Ministerial



Decree. The contract shall specify the manner and amount of the remuneration to be paid to the mining services provider.

Without prejudice to any other clauses, contracts for the supply of services must at least cover the following specific aspects:

- a) Remuneration of the mining services provider;
- b) Obligations regarding social and environmental management, according to the time periods established in the Mining Law;
- c) Terms, conditions and periods for the construction and assembly phase;
- d) Terms, conditions and periods for the extraction phase;
- e) Terms and conditions for transportation;
- f) Terms and conditions for commercialization;
- g) Presentation of guarantees;
- h) Community relations;
- i) Profits report; and,
- j) Partial or total closure of the mine.

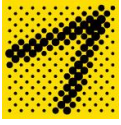
According to the provisions set out in the final subsection of Article 6, and Articles 137 and 139 of the Mining Law, in accordance with the special administration for small-scale mining, the model contracts referred to above shall be applied.

Chapter II

THE MINERAL EXPLOITATION CONTRACT

Art. 57. Mineral Exploitation Contract. The model contract, together with the general and particular conditions for each type of contract, shall be included in the ministerial agreements enacted by the Sectorial Ministry, in accordance with the provisions of Article 41 of the Mining Law.

Art. ... Exceptions. Both the mining concessionaires subject to the special small-scale mining regime and those of the medium-scale mining regime are exempt from signing the exploitation contracts or services contracts referenced in Article 41 of the Mining Law.



Chapter III

ASSIGNMENTS OR TRANSFERS AND THE ASSIGNMENT OF ASSETS AS SECURITY

Art. 58. Authorization for the assignment or transfer of mining rights and the assignment of assets as security. The Sectorial Ministry, following a prior report by the Mining Regulation and Control Agency, shall authorize the assignment or transfer of mining rights in accordance with the provisions of Articles 30 and 125 of the Mining Law, whenever the titleholder submits an application for authorization for an assignment or transfer. This application must contain the following requirements:

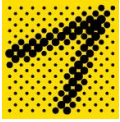
- a) Exact description of the mining right to be transferred or assigned, name or denomination of the mining concession, area, location and the date the mining title was granted and registered;
- b) Exact description of the natural person or legal entity to whom the mining right shall be assigned or transferred;
- c) Certificate granted by the Mining Registry, specifying the validity of the mining concession title, the liens, limitations or prohibitions that exist regarding the same, as well as the existence of other mining contracts or administrative acts that are included in the aforementioned Registry that could affect the concession;
- d) Certificate of payment of conservation patents and/or royalties; and,
- e) Declaration from the assignee, in the same application, to agree to fulfill the economic, technical, environmental and social obligations that the assignor of the mining rights committed to fulfill.

The model contract, together with the general and particular conditions, shall be included in the ministerial agreements enacted by the Sectorial Ministry, in accordance with the provisions of Article 41 of the Mining Law.

Once the request has been presented to the Sectorial Ministry, the Sectorial Ministry will submit the request to the Mining Regulation and Control Agency, which will issue its report within a maximum term of thirty days. With said report, the Sectorial Ministry will issue and notify of the corresponding resolution within a maximum term of sixty days as of the request date. If no resolution is issued within the determined term the requested assignment or transfer will be understood as authorized.

A contract for the assignment or transfer of mining rights can only be signed with those that are capable of performing mining activities.

Art. ... Regarding authorization of collateral assignment. The Sectorial Ministry, after the issuance of a report from the Mining Regulation and Control Agency, can authorize the collateral assignment of mining rights, in accordance with Article 128 of the Mining Law, provided there is a request for the authorization of the collateral assignment from the mining title holder, which must contain and meet the following requirements:



- a) Determination of the mining right subject to collateral assignment, name or denomination of the mining concession, area, location, and date of granting and registration of the mining title;
- b) Determination of the proposed individual or legal entity to benefit from the collateral assignment of the mining rights;
- c) Reasons for the collateral assignment;

Once the request is presented to the Sectorial Ministry it will pass the request on to the Mining Regulation and Control Agency, which will issue its report within a maximum term of thirty days. With said report, the Respective Ministry will issue and notify of the corresponding Resolution within a maximum term of sixty days as of the request. If no Resolution is issued within the determined period, the requested assignment will be understood as authorized.

Art. 59. Signing a contract for the assignment or transfer of mining rights or the assignment of assets as security and its registration in the Mining Registry. Once the mining titleholder has obtained a favorable report authorizing the assignment or transfer of mining rights or as a result of positive administrative silence, the respective assignment and transfer contract shall be signed by way of a public deed, which must attach the following documents:

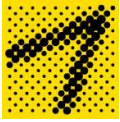
- a) Favorable report authorizing the assignment or transfer issued by the institutions referred to in the previous Article.

The deed of assignment or transfer of mining rights shall be registered in the Mining Register and Mining Property Register within thirty days of its signing. The non-registration of the deed in the Mining Register shall constitute grounds for the annulment of the contracts and the expiration of the title, the concession shall revert to the State and the area shall be free.

Title ... MEDIUM-SCALE MINING

Art. ... Medium-scale mining. Medium-scale mining will be considered as mining that, based on the size of the deposits, the type of metallic or non-metallic minerals, or economic or market conditions, allows for exploitation in volumes greater than those established for the special small-scale mining regime, and up to the volume established in the law.

Any subject of mining rights that wishes to apply said regime may opt for medium-scale mining, for which it must present the information to the Sectorial Ministry that supports the investment amount, exploitation volume, smelting or processing capacity setup, and technological conditions that adhere to said regime; allowing for direct exploitation, notwithstanding previous exploration activities.



The Sectorial Ministry, with the technical and economic report of the Mining Regulation and Control Agency, can adopt the necessary administrative acts with regards to the modification of the large-scale or small-scale mining regime to the Medium-Scale Mining regime, when required by the interested party, provided that the investment amount, exploitation volume, smelting or processing capacity setup, and technological conditions adhere to said regime.

The concessionaires subject to this regime will be exempt from signing the mining exploitation and services contracts referenced in Articles 40 and 41 of the Mining Law, but will be obligated to present production manifests to the Sectorial Ministry, in accordance with the terms set forth in this law.

The national or foreign investment made for medium-scale mining activities will also be subject to the provisions of the Organic Production, Trade and Investment Code, with the request for signing an investment contract being the responsibility of the mining concessionaire.

The payment of the annual conservation patent for medium-scale mining will be made in accordance with Article 34 of this law, at the rate established for initial exploration, without taking into consideration the final paragraph, which is applicable to the special small-scale mining regime.

TITLE V

ARTISANAL MINING

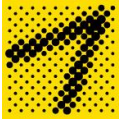
Art. 60. Permits for artisanal mining. Permits for artisanal mining or subsistence mining activities shall be issued by the Sectorial Ministry following verification that the provisions of the Law and these Regulations have been fulfilled.

Art. 61. Procedure for granting a permit for artisanal mining activities. Before obtaining the permit referred to in the previous Article, the artisanal miner must present the following documentation:

- a) Written request to the Sectorial Ministry, indicating the location, the coordinates of the area and the method of exploitation, in the corresponding form;
- b) In the same application, a sworn declaration regarding the materials to be exploited, investment amounts, volumes and additional information that verifies their classification as an artisanal miner;
- c) Identification of the beneficiation plant, foundry and refinery where the exploited materials shall be processed, as the case may be; and,
- d) Sole Register of Taxpayers (RUC) and certificate of compliance with tax obligations.

The beneficiaries of the same shall also be required to comply with the obligations established in the Law, these Regulations and, when applicable, the special provisions for artisanal mining.

Art. 62. Rights of artisanal miners who obtain exploitation permits. Artisanal miners who can demonstrate that they have performed mining activities in a specific area for at least two years prior to the date of the enactment of the Law shall regularize their situation, provided it does not include areas over which concessions have already been granted and there is a report from the competent environmental authority.



The permits shall be granted to natural persons, family groups, low income and popular solidarity economy groups, self-managed groups and others as established in the Law, and shall be granted for a period of ten years, provided the relevant requirements are fulfilled.

The beneficiaries of artisanal permits may only have one permit at a time and for only one determined location.

Art. 63. Mining operation contracts. Mining concessionaires who wish to authorize the carrying out of artisanal mining work in their concession area must sign mining operation contracts with the artisanal miners according to the instructions issued by the Sectorial Ministry for this purpose.

In the operation contracts, as well as any agreements reached by both parties, they must specifically state that the contractors shall comply with the environmental and mining rules that apply to the concessionaire. These contracts must be signed as a public document and registered in the Mining Register.

The non-registration of an operation contract in the Mining Register within thirty days shall be cause for the invalidation of all the rights, without any need for it to be processed or for any other additional requirements of any nature.

Due to their special nature, no authorization from the Sectorial Ministry in order to sign a contract is necessary, although a favorable report from the Mining Regulation and Control Agency is required.

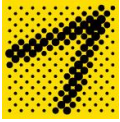
Title VI

PROCEDURE FOR THE RELINQUISHMENT AND REDUCTION OF MINING RIGHTS

Art. 64. Competent authority. The Sectorial Ministry shall be the competent authority to hear, process and decide upon applications for the relinquishment and reduction of mining rights.

Art. 65. Application for relinquishment or reduction. The reduction or relinquishment application, artisanal mining permits or free use for public works, must include the requirements detailed in the following points and must be accompanied by the documents indicated below:

- a) Title of the concession or permit;
- b) Certificate of payment of the conservation patents and royalties, as the case may be, or a certified copy of the respective receipts;
- c) Certificate granted by the Mining Registry specifying the mining concession title is valid, any liens, limitations or prohibitions over the title, as well as the existence of any other mining contracts or administrative acts included in the aforementioned Registry that could affect the concession;



- d) Document evidencing that the environmental audit with respect to the area to be reduced or relinquished has been approved by the competent environmental authority, except in cases of resignation regarding initial phase to advanced exploration, where the presentation of the document is not required;
- e) Details regarding the number of mining hectares to be relinquished or reduced;
- f) Determination of the UTM coordinates of the new polygon of the reduced mining concession.

If the documentation presented is incomplete, the Sectorial Ministry will require that the requesting party complete the documentation within a term of ten (10) days, after which, if the requested information is not provided, it will be deemed as not presented, notwithstanding the fact that the mining concessionaire presents a new petition prior to the expiration of the initial exploration period. Once the documentation is received, the Sectorial Ministry will request a technical report from the Mining Regulation and Control Agency, ARCOM, which will report on compliance with the activities and minimum investments that correspond to the initial exploration period; with a fifteen (15) day period granted for its issuance. The Sectorial Ministry, within a period of sixty (60) days as of the presentation of the request or presentation of the documents that support the information provided, will issue an administrative resolution declaring the start of the advanced exploration period, notwithstanding the responsibilities that the concessionaire must take on in the event of environmental liabilities in the waived or reduced area. Failure to issue an administrative resolution declaring the start of the advanced exploration period within the established term will result in positive administrative silence, in which case the mining concessionaire is authorized to begin the advanced exploration activities.

Title VII

INSPECTORS, BIANNUAL REPORTS AND AUDITORS

Chapter I

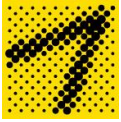
INSPECTORS

Art. 66. Appointment of inspectors. The inspectors appointed in accordance with Article 23 of the Mining Law must be qualified and be previously registered in the Mining Regulation and Control Agency's Register.

Art. 67. Registration of inspectors and qualification requirements. The Mining Regulation and Control Agency shall maintain a Register of Inspectors in written and digital form, which records in chronological order the professionals who are accredited by the Agency.

In order to be registered in the Register of Inspectors, interested parties must:

- a) Submit a request to the Mining Regulation and Control Agency, either in writing or in other previously agreed upon electronic means.
- b) State their full names and surnames, citizenship or identification number and address, with copies of the supporting documentation;



- c) Present a postgraduate or higher academic degree in administration, finance, environmental law or similar branches;
- d) Be registered in the Sole Register of Taxpayers (RUC); and,
- e) Sworn declaration of assets, sworn before a Public Notary, which must be presented when the duties have been completed.

In order to be accredited as an inspector, the applicant must also have previously successfully completed a training course provided by the Mining Regulation and Control Agency through a higher education institute accredited by CONESUP, lasting at least one hundred and twenty academic hours.

Within five days of submitting the request, the Agency shall verify whether or not it fulfills the requirements established in this Article. With these results, it may qualify the inspector, allowing for their registration in the Register of Inspectors.

All registered inspectors are required to inform the Mining Regulation and Control Agency of any change or modification to the information provided when requesting registration.

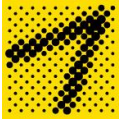
Art. 68. Prohibitions. Natural persons who have been employed by the State may not carry out activities as inspectors in this field of work.

Art. 69. Ground for ineligibility. Those who cannot be inspectors include:

- a) Mining rights holders;
- b) Spouses of, or those who have common law relationships with, managers of mining concessions; and,
- c) Blood relations up to the fourth degree and/or those related up to the second degree with managers, employees, partners or shareholders, co-owners, community members, association members, members of cooperatives, members of the board of directors, representatives and former representatives of the concessionaire and of the Sectorial Ministry.

Art. 70. Causes for the disqualification of inspectors. Inspectors registered in the Register may be disqualified for:

- a) Any failure in the performance of their duties;
- b) The proven provision of false information while acting as an inspector, notwithstanding any civil and criminal actions that could be brought in respect of the falsification; and,



- c) Being legally declared insolvent.

An inspector whose registration is cancelled may not re-register in the Mining Register of Inspectors.

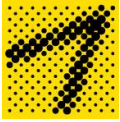
Art. 71. Designation of inspectors. An inspector shall be chosen publicly by way of a draw from those who are duly qualified and registered. In the event the designated inspector is prohibited from being an inspector or is ineligible according to the terms of this Chapter, a new draw shall be held to designate an inspector.

Chapter II

BIANNUAL PRODUCTION REPORTS

Art. 72. Biannual production report. The biannual production report shall be prepared using the form issued by the Mining Regulation and Control Agency via a resolution. This form must contain at least the following data:

- a) Production volume and cut-off grade, concentration factor, sequential and total, and any other technical aspects that may be considered necessary;
- b) Updated mining activities;
- c) Updated drifts topography;
- d) Costs incurred, both direct and indirect.
- e) The progress and fulfillment of the programs for annual investment plans approved by the Sectorial Ministry, which should include the certification of the status of construction projects, facilities and mining equipment which must have the characteristics, dimensions and specifications included in the annual investment plans;
- f) Description of the construction projects, the acquisition of mining machinery and equipment, including access roads and facilities for exploitation;
- g) Environmental Management Plan and Remediation Plan for any environmental damage caused by exploration and exploitation activities, in the event that they occur, notwithstanding the fact that this information is also set out in the requirements of the Ministry of the Environment;
- h) Report regarding compliance with the health and safety regulations, including any work accidents that may have occurred;
- i) Financial report setting out the amount of sales made and the payment of royalties; and,
- j) Technical reports regarding any work accident the personnel may have had, detailing the causes, consequences and corrective measures taken by the concessionaire.



Chapter III

AUDITORS

Art. 73. Audit reports. Audit reports shall be issued in accordance with the technical instructions issued to that effect by the Sectorial Ministry.

In the event the audit covers other issues, multi-disciplinary teams shall prepare the audit.

Art. 74. Auditors for the technical verification of biannual production reports. For the purposes of Article 42 of the Mining Law, auditors may be natural persons and corporate entities that meet the requirements of these Regulations.

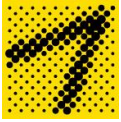
Art. 75. Registry of technical auditors. The Mining Regulation and Control Agency shall keep a Register of Technical Auditors in written and digital form that shall record in chronological order the professionals accredited by the Agency.

In order to be registered in the Register of Auditors, the interested parties must:

- a) Submit a request to the Mining Regulation and Control Agency, either in writing or through other previously agreed upon electronic means.
- b) State their full names and surnames, citizenship or identification card numbers and addresses, with copies of the documentation for support;
- c) Present their professional degree in a branch of geology, mining or earth sciences;
- d) Be registered in the Sole Register of Taxpayers (RUC);
- e) In the case of natural persons, they must have at least five years of experience;
- f) In the case of corporate entities, they must attach their incorporation charter and their by-laws; provide the name of the legal representative and attach the duly registered appointment letter; and have at least five years of experience in advisory or mining management activities. The legal entity's experience must be related to auditing techniques; and,
- g) In the case of universities and polytechnics, they must be accredited and registered with the National Council for Higher Education and their Geology, Mining or Earth Sciences schools must have a syllabus and experience of at least ten years in related materials or studies and research.

Within fifteen days of receiving the request, the Agency shall verify whether or not the requirements established in this Article are fulfilled. With these results, it may qualify the applicant, allowing for their registration in the Register of Mining Auditors.

All registered auditors are required to inform the Mining Regulation and Control Agency of any change or modification to the information provided when requesting registration.



Art. 76. Prohibitions. Natural persons who have been employed by the State may not act as technical auditors in this field of work.

Art. 77. Grounds for ineligibility. Those who cannot be auditors include:

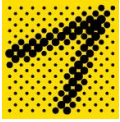
- a) Mining rights holders;
- b) Spouses of, or those that have common law relationships with, managers of mining concessions;
- c) Blood relations up to the fourth degree and/or those related up to the second degree with managers, employees, partners or shareholders, co-owners, community members, association members, members of the board of directors, representatives and former representatives of the concessionaire and of the Sectorial Ministry; and,
- d) Natural persons or corporate entities that have rendered services or are rendering services to the mining concession to be audited.

Art. 78. Causes for the disqualification of auditors. Auditors registered in the Register may be disqualified for:

- a) Basing their application for registration on false information;
- b) The proven provision of false information while acting as an inspector, notwithstanding any civil and criminal actions that could be brought in respect of the falsification;
- c) Being involved in cases regarding insolvency or bankruptcy declared by a judge; and
- d) Any failure in the performance of their duties.

An auditor whose registration is cancelled cannot re-register in the Mining Register of Auditors.

Art. 79. Universities and polytechnics. Universities and polytechnics that are interested in carrying out mining audits must be registered with the Mining Regulation and Control Agency.



The biannual production reports the mining concession holders are required to present to the Sectorial Ministry may be audited and verified by those universities and polytechnic schools that have Geology, Mining and Earth Sciences and/or environmental faculties or schools and sufficient technical capacity and experience.

The Sectorial Ministry, through the Mining Regulation and Control Agency, shall sign the agreements required for this purpose. The costs of the professionals and entities conducting the audits shall be exclusively borne by the concessionaire and in no event shall they exceed the current market rate for such services.

Title VIII

PAYMENT OF PATENTS, ROYALTIES AND OTHER TAX OBLIGATIONS

Art. 80. Payment of patents. The Internal Revenue Service is the organization responsible for collecting the sums corresponding to the patents established in the Law and these Regulations, according to the information in the respective registry and property registers, in addition to the information provided by the competent authorities. For this purpose, the Internal Revenue Service shall issue such general resolutions as shall be necessary.

Art. ... The conservation patent for the concession areas granted to the National Mining Company will be taxed at zero

Art. 81. Calculation of royalties for non-metallic mining activities. According to the provisions of subsection six of Article 93 of the Mining Law, the titleholder of a non-metallic mining concession in the exploitation phase must pay the State royalties equivalent to a percentage of the mineral production costs based upon the following parameters:

For limestone, the following royalties shall be payable:

From 1 to 500,000 metric tons of production per year, 10%;

From 500,001 to 1,500,000 metric tons of production per year, 20%;

From 1,500,001 to 2,000,000 metric tons of production per year, 40%; and,

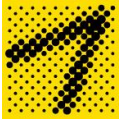
For 2,000,001 or more metric tons of production per year, 100%

For all other non-metallic minerals, the following royalties shall be payable:

From 1 to 250,000 metric tons of production per year, 5%;

From 250,001 to 500,000 metric tons of production per year, 10%;

From 500,001 to 750,000 metric tons of production per year, 15%;



From 750,001 to 1,000,000 metric tons of production per year, 20%;

From 1,000,001 to 2,000,000 metric tons of production per year, 25%; and,

For 2,000,001 or more metric tons of production per year, 100%

The titleholders of small-scale non-metallic mining rights shall pay royalties equivalent to 3% of the cost of mineral production.

It is understood that production costs are all the direct and indirect costs incurred in the mineral exploitation phase up until the border of the concession, in accordance with paragraph c) of Article 27 of the Mining Act.

The royalties shall be paid twice per year. The payments regarding the first six-month period shall be made before September, and the payments regarding the second six-month period shall be made before March, in accordance with the production audit report, which shall state the type of non-metallic mineral that has been exploited, production costs and the volume exploited.

When calculating royalties, the amounts paid as royalties shall not be considered to be costs.

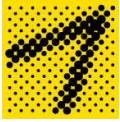
Art. 82. Calculation of royalties for metallic mining activities. The parameters for applying the payment of royalties will be the following:

The mining concessionaire must pay a royalty according to the percentages established in the Mining Law or those that are established in its concession contract. Said percentage will be calculated based on the net earnings effectively received by the mining concessionaires for sales of the primary mineral and the secondary minerals.

For this effect, the net earnings effectively received by said concessionaires will be determined by deducting from the gross earnings the expenses established by the Sectorial Ministry for this effect through the respective instructive and that which will refer to the expenses incurred during the smelting, refining and transportation phases for the small- and medium-scale mining, and only and exclusively the expenses incurred during the refining and transportation processes for large-scale mining.

Advance payment of royalties agreements may be agreed upon in the exploration or exploitation contracts.

Taxpayers shall settle, declare and pay royalties every six months in September and March each year, according to the ninth digit of the Taxpayer Identification Number (RUC), on the dates indicated in the following table, using the forms prepared by the Internal Revenue Service:



Ninth digit of the RUC	Due date for the first six-month period that runs from January to June (up to the day)	Due date for the second six-month period that runs from July to December (up to the day)
1	September 10	March 10
2	September 12	March 12
3	September 14	March 14
4	September 16	March 16
5	September 18	March 18
6	September 20	March 20
7	September 22	March 22
8	September 24	March 24
9	September 26	March 26
0	September 28	March 28

For the calculation of the royalties, the information reflected in the tax declarations and information presented to the Internal Revenue Service must be considered, as well as the content of the biannual production reports presented to the Mining Regulation and Control Agency. To this end, the Internal Revenue Service shall issue the necessary resolutions.

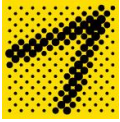
Evading the payment of royalties shall be cause for the expiration of the mining titles, regardless of any tax, civil and criminal responsibilities this may give rise to.

In the event the declaration, settlement and payment of the royalties is not done within the period established by the Internal Revenue Service, interest for late payments shall be calculated, settled and paid in accordance with the provisions of the Tax Code.

Art. 83. Royalties on construction materials. The royalties payable for the exploitation of construction materials shall be paid directly to the municipal governments.

Art. 84. Collected funds. The Internal Revenue Service shall transfer the sums collected to the National Unique Treasury Account in accordance with the Law and these Regulations.

Art. 85. Accelerated depreciation of fixed assets. In application of Article 147 of the Mining Law, and in order to authorize the accelerated depreciation established in the aforementioned law, the Mining Regulation



and Control Agency shall issue the report referred to in the Mining Law, in accordance with the biannual reports presented by the concessionaire, and these goods shall be included in the Resolution issued jointly by the Sectorial Ministry and the Internal Revenue Service.

Art. 86. Parameters for the distribution of profits and royalties. 60% of the royalties shall be used for productive projects and for local sustainable development by the municipal governments, parish councils and, accordingly, 50% of this percentage shall go to the governments of the indigenous communities and/or territorial districts.

12% and 5% of the profits established in Article 67 of the Mining Law for large-scale, medium-scale as well as small-scale mining projects respectively, shall be paid to the State for the central government and the autonomous governments used to social investment projects and territorial development in the areas of influence where the mining project is located, according with the law and regulations.

The investments because of utilities or royalties, made by autonomous governments should be channeled through the State Bank to make disbursements.

Art. 86.1 Extraordinary income Tax. The base of the extraordinary income tax consists of all the extraordinary income, constituting the difference between the selling price and the base price established in the contract, multiplied by the number of units sold, which makes this reference price.

In determining the base price of the contract mining, which will serve to calculate the taxable income to extraordinary income, should apply the following formula:

$$\text{Base Price} = PM + 1$$

Where:

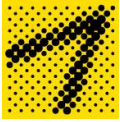
Base price = Contract Base Price

PM = Average daily price of the last 10 years of the relevant metal

1o = A standard deviation of the normal distribution curve prices relevant metal in the last 10 years

In the case of copper, the Official Cash Settlement Price for copper Grade A expressed in dollars of the United States published by the London Metal Exchange – LME.

In the case of gold, the average AM / PN fixing in dollars of the United States published by London Bullion Market Association –LBMA.



In the case of silver, the fixing in dollars of the United States published by London Bullion Market Association –LBMA.

In the case of other metals will be payable according to the established by order of the Mining Regulation and Control Agency ARCOM, by special report of the Internal Revenue Service, which observe public prices for wallets and similar prices aimed at the market transparent.

Art. 86.2 ... Sovereign Adjustment. To fulfill the provisions of Article 408 of the Constitution of the Republic, will be considered for the calculation basis, analysis of inspection, audit or control Sovereign Set, the entire period of the mining contract and not just the base of each fiscal year.

Art. 86.3 ... State Benefits. Benefits of the Ecuadorian State in the Present Calculation Year, provided they are actually paid by the mining concessionaire shall be computed cumulatively based on revenue annual State updated the present value Present Calculation Year, in accordance with the following formula:

n

$$CBE_n = \sum_{i=1}^n [BE_i \times (1 - r)^{n-i}]$$

$i=1$

Where:

n = Present Year of Calculation

i = Years after the contract was executed

CBE_n = Accumulated benefits of State restated to value of year n

BE_i = State Benefits in each year i

r = Applicable rate

The benefits of the Ecuadorian State in each year of the term of the contract mining include the following items:

$$BE_i = IIE_i + IR_i + IVA_i + U_i + R_i + AS_i$$

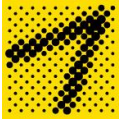
Where:

BE_i = State Benefits in each year

IIE_i = Extraordinary Income Tax in each year i

IR_i = Income Tax in each year i

IVA_i = Value Added Tax in each year i , paid on acquisition



Art. 86.4 Mining Concessionaire Benefits. Mining Concessionaire Benefits in the Present Year of calculation will be computed cumulatively based on annual cash flows of mining concessionaire after payment of all obligations inherent in the mining contract, including payment of Sovereign Adjustment by the mining concessionaire in previous years, updated to current value of the Present Year of calculation, in accordance with the following formula:

$$CBC_n = \sum_{i=1}^n [BC_i \times (1+r)^{n-i}]$$

Where:

n = Present Year of Calculation

i = Years after the contract was executed

CBC_n = Accumulated Benefits of Mining Concessionaire, restated to value of year n

BC_i = Mining Concessionaire Benefits in each year i

r = Applicable rate

The Mining Concessionaire benefits in each year of the term of the mining contract include the following items:

$$BC_i = FCL_i$$

Where:

FCL_i = Free Cash Flows of the mining concession in each year i , including Sovereign Set previous payments.

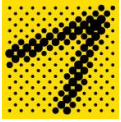
Art. 86.5. Application of Sovereign Adjustment. To determine the source of payment Sovereign Set by the mining concession in the Present Year Calculation, the following rule shall apply:

$$\text{Si } CBE_n < [50\% CBT_n]$$

If the State has received benefits from the use of the mining concession in less amount than the holder who exploits, shall proceed the computation and payment of the Sovereign Adjust until March 31 of each fiscal year, in accordance with the following formula:

$$\text{Pago del Ajuste Soberano } _n = [50\% + CBT_n] - CBE_n$$

Where:



n = Present Year Calculation

CBT_n = Total Accumulated Benefits restated to value of year n

CBE_n = Accumulated Benefits of State restated to value of year n

The total accumulated benefits of the mining concessionaire consist the sum of accumulated State benefits, plus accumulated mining concessionaire benefits, restated to value of year calculation.

$$CBT_n = CBC_n + CBE_n$$

Where:

n = Present Year Calculation

CBT_n = Total Accumulated Benefits restated to value of year n

CBE_n = Accumulated Benefits of State restated to value of year n

CBC_n = Accumulated Mining Concessionaire Benefits restated to value of year n

Art. 86.6 Calculating of Applicable rate. Upon the signing of the Mining Contract, the applicable rate shall be determined to update the revenues and annual cash flows to value of present year calculation, which shall be the same for both State benefits to Mining Concessionaire Benefits. This rate may be reviewed by the State, ex officio or upon request of the mining concessionaire, every three years, if the conditions of project financing vary substantially.

For the calculation of the Applicable Rate of Sovereign Set, the following formula is used:

$$(1 + \text{Tasa Aplicable}) = \frac{(1 + \text{Tasa de Descuento Nominal})}{(1 + \text{Tasa de Inflacion})}$$

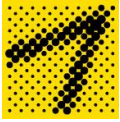
To determine the rate of inflation, the average official rate of inflation last year must be upheld, which is published by the National Statistics and Census Institute of Ecuador.

For its part, the nominal discount rate is calculated using the model of weighted average cost of capital, through the following formula:

$$\text{Costo Medio Ponderado del Capital} = \frac{k_E \times E + (k_D \times D)(1 - T)(1 - U)}{(E + D)}$$

Where:

k_E = Cost of equity of the project



kD = Weighted cost of debt the project can not exceed the maximum benchmark interest rate set by the Central Bank of Ecuador Directorate

E = Value of the equity of the project in accordance with the audited financial statements of the company

D = Value of the project debt in accordance with the audited financial statements of the company

T = Income Tax Rate

U = Rate of labour utilities attributable to the State

Valuing financial assets model shall be used to calculate the cost of equity, according to the following formula:

$$k_E = r_f + \beta \times r_{mkt}$$

Where:

kE = Cost of equity of the project

r = Rate of Return to Maturity of Long-Term Sovereign Bonds

$B\alpha$ = Industry Risk in Relation to the Market

Tm = Market Risk Margin

Art. 86.7 Sovereign Adjustment Collection. The Internal Revenue Service is responsible for determining, collecting and monitoring the value of the mining concessionaire must pay the state on account of Sovereign Set, each year.

Title IX

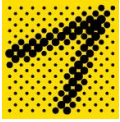
PROCEDURES AND SANCTIONS

Chapter I

GENERAL PROVISIONS

Art. 87. Procedures, claims and remedies. According to Article 3 of the Mining Law, administrative and contentious administrative rules supplement this Law. Therefore, anything related to procedures that do not have any special treatment in the Mining Law or in these Regulations, and claims and administrative remedies to challenge the mining authorities' administrative proceedings, shall be governed by the Legal Administrative Regime Statute of the Executive Branch.

Without prejudice to the aforementioned, the authorities' administrative resolutions may be directly challenged in courts, in the administrative contentious jurisdiction, without the need to exhaust administrative channels.



Art. 88. Domicile, citations and notifications. The authorities that have administrative responsibilities in mining shall inform the managers of the decisions and resolutions they make, regardless of whether they are in process or final. Thus, in all administrative procedures, those parties interested in obtaining mining rights and titles of these rights must designate a location where they can receive notifications, which shall correspond to the legal post office box of their sponsoring attorney.

In the case of formal court notices, a court clerk shall sign all of the measures, resolutions and other proceedings during the processes.

Applicants and mining rights holders are required to notify both the Sectorial Ministry and the Mining Regulation and Control Agency of any change to their legal post office box. If not, all notifications shall continue to be sent to the post office box indicated in the documents provided in the process to obtain the title.

Art. 89. Sanctions. The Mining Regulation and Control Agency may apply for, or request, the application of sanctions when, either officially or as a consequence of the process of an administrative proceedings, the facts or omissions merit sanctions.

Chapter II

DECLARATION OF NULLITY OF MINING RIGHTS

Art. 90. Declaration of nullity. Concessions may be declared null *ex officio* in accordance with Article 120 of the Mining Law by a resolution setting out the legal grounds for such nullification from the Sectorial Ministry.

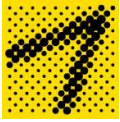
When the annulment referred to in the Mining Law is as a result of a third party claim, the claim must be presented to the Sectorial Ministry, which shall process it once the signature and official seal of the claimant(s) have been authenticated and the claim has been officially signed, sealed and received. The claim must include the claimant's address for future notifications, as well as the defendant's address, which shall be the place or domicile of the mining concession area specified during the process for the granting the mining title.

Art. 91. Processing of claim. Once the claim has been filed, the Sectorial Ministry shall immediately serve notice on the defendant so they can prepare their defense.

The mining rights holder subject to the charges shall have thirty days from the date the citation was received from the Sectorial Ministry to present their case and any corresponding evidence.

Art. 92. Resolution. If the claim is proven, the Sectorial Ministry shall issue, within a period of no more than fifteen days, a resolution declaring the nullification of the mining title, notwithstanding any obligations the former mining rights holder may have in respect of environmental liabilities.

If the claim is not accepted, the Sectorial Ministry shall reject it by a resolution, ordering the claimant(s) to pay a fine in accordance with the provisions of these Regulations.



Art. 93. Nullification *ex officio*. In all cases of *ex officio* declarations, the nullification shall be subject to the provisions of the Legal Administrative Regime Statute of the Executive Branch.

Chapter III

EXPIRATION, EXTINGUISHMENT, SUSPENSION AND TERMINATION OF THE MINING CONCESSION PERIOD AND MINING PERMITS

Art. 94. Expiration, extinguishment and termination of the period. The Sectorial Ministry has the authority to cancel mining concessions and permits if the titleholders have become involved in activities that are expressly prohibited by the Law and if they have not complied with the provisions of the respective contract. The process may be initiated *ex officio* or following a request from a State institution that is connected to mining, or following a third party claim, following the authentication of the claimant's signature.

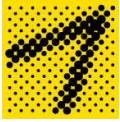
The Mining Regulation and Control Agency, within a term of fifteen days, shall prepare the technical and legal information regarding the alleged acts, which shall then be notified to the interested party so that it may request and present any evidence that may be considered relevant for the defense of its interests.

Based on the Mining Regulation and Control Agency's pronouncement, if it is determined that there is cause, the Sectorial Ministry shall initiate the expiration proceedings; if the pronouncement states that there is no cause, the Ministry shall refrain from investigating further, stop the proceedings and archive the charge or petition, as the case may be.

Once the proceedings have begun, the concessionaire shall be notified of the reason for the expiration so that, within a period of 30 days, the concessionaire may either challenge the reason for the expiration or comply with the outstanding obligation. This period may be extended where duly justified before the administration and for the period granted. The right to rectify such non-compliance that is the reason for the expiration shall not apply in the cases referred to in Articles 115, 116 and 117 of the Mining Law.

Art. 95. Suspension. Mining concessions, permits and activities may be suspended by the Sectorial Ministry in the following cases:

- a) For invasion;
- b) When necessary to protect the health and life of the miners or the communities located within the perimeter of the mining area, in which case the suspension shall only last until the causes or risks that triggered the suspension have ceased;
- c) For breaching the terms of the Environmental License, when the competent environmental authority has ordered its suspension, as well as for non-compliance with the methods and techniques contemplated in the approved Environmental Management Plan, as provided for in Article 70 of the Mining Law;



- d) For hindering the inspection of facilities or obstructing the inspection of the facilities or operations in the mining concession by the duly authorized representatives of the Mining ministries and the Ministry of the Environment and their appointed entities; and,
- e) For any other reasons set out in the law.

The suspension must be reasonable and proportional to the alleged offense and should be ordered in exceptional cases, taking into consideration the public interest in the continuation of the mining activities. It may only apply until the reason for the suspension has been rectified, following an inspection, and submission of the respective report, by the competent authorities of the Sectorial Ministry, expressly certifying that the reasons for the suspension have been remedied. This shall be without prejudice to the inspection by the Mining Regulation and Control Agency and the corresponding resolution of the Sectorial Ministry.

The actions specified in this Chapter shall be applied without prejudice to any others set out in the Law and these Regulations.

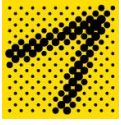
Chapter IV

FINES

Art. 96. Competence. The Mining Regulation and Control Agency shall hear, process and issue resolutions, either *ex officio* or following a third party request, regarding the infringements stipulated in the Law and impose the corresponding sanctions. It may also adopt such precautionary measures as may be necessary to impede the continuation of the unlawful activity, without prejudice to the expiration of the concession or damages in respect of such activity or environmental damages.

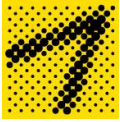
Art. 97. Fines. Fines shall be imposed according to the gravity of the damage caused by the responsible party and shall be established by the authority responsible for the imposition of the sanction. The fine, depending upon the infraction, shall be:

- a) Those who, for personal gain or for the benefit of third parties, whether individually or collectively, invade special mining areas, concessions and those areas subject to artisanal mining permits, threatening the rights of the State or those of the mining rights holders, shall be sanctioned with a fine equivalent to up to two hundred basic unified salaries and the confiscation of their tools, equipment and any production that may have been obtained. These items, following their valuation, shall be auctioned off and the funds shall be deposited into the National Unique Treasury Account.
- b) Those who employ children or adolescents to carry out mining activities in mining concession areas shall be fined with a one-off fine equivalent to five hundred basic unified salaries. If the offence is repeated, the Sectorial Ministry shall cancel the concession, terminate the contract or the artisanal mining permits and archive the area, without prejudice to any authority the Ministry of Labor may have in respect of the matter, as well as any other child and adolescent protection organizations.
- c) Holders of mining concessions and permits who alter or move the boundary markers of their concessions or authorizations shall be sanctioned with a fine equivalent to one hundred basic unified salaries, which shall be imposed regardless of any criminal responsibilities.



- d) State contractors who, whilst they have free use of construction materials for public works, exploit or sell them for uses other than the public works for which they were contracted, shall be sanctioned with a fine equivalent to two hundred basic unified salaries and, in the event of recurrence, their public works contract shall be terminated.
- e) Those who file unfounded claims regarding the breach of provisions in the Mining Law shall be sanctioned with a fine equivalent to up to fifty basic unified salaries. In the event of recurrence, the claimants may be charged with criminal defamation.
- f) The illegal exploitation or clandestine sale of mineral substances shall be sanctioned by the seizure of the mineral, machinery, equipment and exploited products, and a fine equivalent to the total value of the illegally mined minerals shall be payable, which shall be valued in advance by an expert whose fees shall be paid by the offender. The machinery, equipment and the illegally obtained products, following their valuation, shall be auctioned and the funds obtained shall be deposited into National Unique Treasury Account.
- g) Any breach of the provisions established in the Mining Law which do not constitute cause for the termination of mining rights shall be punishable by the Mining Regulation and Control Agency, in accordance with the framework of their responsibilities, with a fine equivalent to no less than twenty, and no more than five hundred, basic unified salaries, plus 0.1% of the investment, depending upon the gravity of the offense, regardless of any civil and criminal responsibilities the perpetrators may have.
- h) If the mining titleholders and artisanal miners do not return the water used in the mining activities to its original source free of contamination, they shall be sanctioned with the expiration of the mining concession and the authorization granted by the Sectorial Ministry, following a report from the sole water authority.
- i) The accumulation of mining-metallurgical waste, in breach of the stringent precautions to prevent the contamination of the soil, water, air and/or biota of the areas where they are deposited, during any mining phase, including the closure phase, as well as the disposal of waste debris, tailings or other untreated waste produced by any mining activity, into the rivers, streams, lakes or other areas where there is a risk of contamination, shall be sanctioned the first time by a fine equivalent to up to five hundred basic unified salaries of a general worker. In the case of recurrence, and following an inquiry by the National Regulation and Control Agency, the Sectorial Ministry may cancel the concession.

Art. 98. Coercive action by the Internal Revenue Service. To ensure the funds generated by fines and compensations imposed by the Sectorial Ministry and the National Mining Regulation and Control Agency are collected, the Internal Revenue Service must be notified by way of a resolution so they may initiate the respective legal action. The document that empowers the Internal Revenue Service to issue the order shall be the resolution issued by the Mining Regulation and Control Agency.



Chapter V

ILLEGAL EXPLOITATION

Art. 99. Illegal exploitation, seizure and auction. The Mining Regulation and Control Agency, either *ex officio* or following receipt of a claim, shall initiate proceedings if, at the time of the inspection, there is illegal exploitation. The Agency shall immediately proceed to suspend the activities and seize the machinery used to commit the offense, as well as the exploited minerals, which shall remain in the custody of a depositary designated by the authority or the National Police, depending upon the terms of the respective act.

If the offense is proven, the perpetrators, accomplices and associates shall be sanctioned by way of a resolution, in accordance with the provisions of Article 57 of the Mining Law.

With respect to the seized items, they shall be auctioned in accordance with the rules issued by the Mining Regulation and Control Agency for that purpose.

Chapter VI

ADMINISTRATIVE PROTECTION

Art. 100. Administrative protection. The State, through the Mining Regulation and Control Agency, shall grant administrative protection to mining rights holders for claims regarding disruption, deprivation, invasion or any other disturbance that impedes or threatens the normal and safe execution of their mining activities.

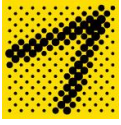
Without prejudice to such provisions, the National Mining Regulation and Control Agency may initiate *ex officio* administrative protection proceedings if it considers there is an environmental impact.

The Mining Regulation and Control Agency, in the order agreeing to process the administrative protection claim, if appropriate, shall order the suspension of the illegal mining activities, as well as the seizure of the machinery, equipment or tools used in the disturbance that prevented the exercise of the holder's mining activities.

Within 24 hours of the implementation of the aforementioned procedures, the confiscated objects shall be placed under the District Attorney's control so an investigation may be initiated, as the case may be. For this purpose, the Mining Regulation and Control Agency shall issue its report and claim, independent of any claim that may be filed by the affected party

Art. 101. Application for protection. Mining rights holders who wish to be covered by the administrative protection as established in the Mining Law, must present their claim and written petition to the Mining Regulation and Control Agency. The petitioner must satisfy the requirements set out in the following list and the petition must be accompanied by the following documents:

- a) Names and surnames of the claimant and a photocopy of their citizenship or identification card;
- b) A detailed account of the facts, indicating the names and surnames of the persons responsible for the invasion, deprivation or other disturbance;



- c) Photocopy of the mining title and current receipt evidencing payment of the conservation patent; and
- d) Indication of the legal post office box where the claimant can receive notifications.

Art. 102. Administrative summons and inspection. After accepting to process the request, the Mining Regulation and Control Agency shall immediately, and as a priority, serve notice of the contents of the petition on the alleged offenders at the site of the disruption, invasion, deprivation or disturbance.

Likewise, the initial ruling shall indicate the location, date and time when an administrative inspection shall be carried out regarding the facts referred to in the request, which shall be carried out within a maximum of five days. In these proceedings, the parties may also intervene, receive testimonies or have expert tests carried out. These matters, as well as any observations, shall be documented in the respective record.

Art. 103. Precautionary measures. The mining rights holder may ask the Mining Regulation and Control Agency to adopt timely and efficient precautionary measures, such as an order requiring the offenders to vacate, the seizure of machinery, equipment and extracted minerals, if this is the case, in order to impede the commencement or prosecution of the disruption, actual occupation, deprivation, invasion or any other disturbance that affects their rights.

These measures shall be applied when the application is accepted, in the event there is sufficient evidence to support the charges.

Art. 104. Resolution. Within three days of completing the administrative inspection, the record, the technical report and other supporting documentation shall be submitted to the Mining Regulation and Control Agency.

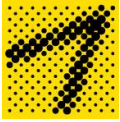
The Mining Regulation and Control Agency, within a period of three days from the date the documents referred to above are received, shall issue the corresponding resolution, either granting or denying the administrative protection requested.

Regarding the resolution issued by the Mining Regulation and Control Agency, only the substitution recourse may be presented to this Agency, and the extraordinary revision recourse may be presented to the Sectorial Ministry.

If the resolution states that there has been illegal exploitation or invasion, the administrative act shall also include such other measures and sanctions as established in Articles 57, 64 and 65 of the Mining Law as may be appropriate.

The eviction order shall be enforced by the competent police authority in the province.

Art. 105. Protection inappropriate. If the defendant does not have a valid mining title for the area in which the protection is sought, the Mining Regulation and Control Agency shall refuse any such administrative protection. The parties who have the right to execute the activities shall be free to continue to do so.



Title X

RADIOACTIVE MINERALS

Art. 106. Discovery and notification. The discovery of radioactive minerals or other nuclear minerals shall be reported in writing to the Sectorial Ministry by the mining rights holder or the professional responsible for the technical side of the operations within a maximum period of 10 days from the date of the discovery. This discovery shall in turn be reported to the competent public institutions within the following 72 hours.

The exploitation of these minerals by the concessionaire, mining rights holder or third parties shall be considered to be unauthorized exploitation in accordance with Article 113 of the Mining Law and shall be cause for the expiration of the concession, without prejudice to any criminal sanctions that may apply.

GENERAL PROVISIONS

FIRST. Repealed provision.

SECOND. Administrative acts, prior to any collection, may only be challenged before the authority that issued the acts.

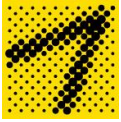
THIRD. Every administrative procedure the petitioner or the mining concessionaire files with the Sectorial Ministry, the Mining Regulation and Control Agency or the Geological, Mining and Metallurgical Research Institute, must attach a receipt evidencing that the process fees have been paid.

FOURTH. The Sectorial Ministry, the Board of Directors of the Mining Regulation and Control Agency and its Executive Director are authorized to issue such resolutions as may be necessary in order to implement these Regulations.

FIFTH. The payment of windfall taxes specified in the current tax rules shall be subject to the provisions set out in the corresponding regulations.

SIXTH. Environmental management plans, dissemination of information, environmental mitigation plans and environmental remediation plans shall be the sole and exclusive responsibility of the Ministry of the Environment, as well as the imposition of sanctions and/or fines for environmental damage.

SEVENTH. The Ministry of Labor and the Ministry of the Environment shall respectively set up a specific register regarding compliance with, or breach of, labor and environmental requirements by natural persons and corporate entities who hold mining rights.



EIGHTH. The Mining Regulation and Control Agency shall issue Instructions governing how the reports required by the Mining Law shall be presented and approved.

NINTH. Upon completing each of the phases established by the Mining Law, mining rights holders are required to present a technical report in accordance with the instructions issued by the Mining Regulation and Control Agency for this purpose.

TENTH. The Sectorial Ministry, in accordance with the technical rules regarding the matter, shall issue the regulations established in Article 116 of the Mining Law.

TRANSITIONAL PROVISIONS

FIRST. Within a period of one year from the date these Regulations are published in the Official Registry, the Mining Regulation and Control Agency must digitalize all the information contained in the Mining Register and the Mining Property Register for mining areas and add such computer safeguards as may be necessary to ensure the information is protected.

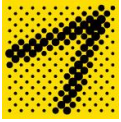
SECOND. Within a maximum period of one year, the Multi-Purpose Mining Property Register shall be created.

THIRD. Mining concessions that are valid as at the date these Regulations come into force shall be subject to the provisions established in the Mining Law and these Regulations. The royalties established in Article 93 of the Mining Law shall be negotiated when exploitation contracts are signed during the economic evaluation phase, which may not be less than 5% of the sales in accordance with the provisions established in the previous Article.

FOURTH. In accordance with the provisions of the First Transitional Provision of the Mining Law, the current mining concessions, within a period of 120 days from the publication of these Regulations in the Official Registry, must regularize and harmonize their procedures with the Mining Law and these Regulations and sign the respective contracts if this is the case.

FIFTH. Pursuant to the First Transitional Provision of the Mining Law, mining concession holders may resume their activities on the basis of approved environmental impact studies or, as the case may be, once the updated environmental management plan is approved, provided always the activities are solely and exclusively resumed in the same phase as when the activities were suspended. In the event activities are resumed in a different phase, the respective environmental license is required.

SIXTH. Within a period of 120 days as from the publication of these Regulations, mining titles issued under the previous law must be replaced with new mining titles that shall be subject to the current law, prior to updating the information, and for a period equivalent to the time remaining on the title.



The substitution of mining concession titles that were in the exploration phase shall entail the following effects:

The new term of the concession shall consist of the number of years remaining as from the date the mining title was granted to the expiry date established in the same. It shall be understood that all mining rights holders are in the initial exploration phase, regardless of whether or not, following the substitution, the concessionaire subsequently applies to change the phase to one of advanced exploration, economic evaluation of the project or exploitation, in accordance with the terms established in the Mining Law and these Regulations.

Conservation patents as established in the Mining Law shall be payable as from the date the substituted exploration concession expires. The holders must pay to the State any difference that has not previously been paid by March 31, 2009, in accordance with the previous Law.

In the case of exploitation concession titles, patents must be paid before the date the substitution request is presented, in the form established in the Mining Law.

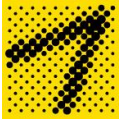
Breach of this provision shall result in the extinguishment of the mining title and, consequently, the expiration of any mining concession granted before the date the current Law came into force.

SEVENTH. Within a period of 120 days as from the publication of these Regulations in the Official Registry, the National Secretariat for Planning and Development (SENPLADES), and the Sectorial Ministry shall identify the areas to be subject to auctions and tenders in accordance with the National Mining Development Plan.

EIGHTH. In order to transfer the responsibilities granted to the municipal governments by Article 264, numeral 12, of the Constitution of the Republic of Ecuador, the Sectorial Ministry shall carry out the transfer process and provide such training as may be required.

Within a period of 180 days, the municipal governments must issue the ordinances referred to in these Regulations. While the aforementioned rules are approved, the regional undersecretaries shall have the authority to grant construction material concessions in those jurisdictions where there are no municipal regulations.

NINTH. In pursuance of the Eighth Transitional Provision of the Mining Law, the Sectorial Ministry, together with the support of its appointed institutions, shall perform the mining census in respect of those persons who perform activities which could be considered to be artisanal mining, who do not have authorization to perform such mining activities but can justify having worked on the same, with the aim of regulating this activity.



The mining census shall include an analysis of social, economic, technical and operational variables, and shall have an initial purpose of identifying those who are capable and competent of obtaining artisanal mining rights.

The list of names resulting from the census shall determine whether or not it is possible to issue temporary permits for artisanal mining activities, which would allow these activities to continue until the formal process is completed. This process shall be supported by the government, which shall assist those who demonstrate they are willing and committed to do so and meet the technical and socio-environmental requirements, enabling them to obtain the definitive permits, without being required to pay royalties as established in the Mining Law.

TENTH. The Sectorial Ministry, once it has received the information provided by the National Institute of Statistics and Census (INEC), arising out of the Mining Census established by the Eighth Transitional Provision of the Mining Law, shall grant provisional permits to artisanal miners to develop their activities who must, within a period of 120 days, regularize and comply with the administrative acts established in the Mining Law.

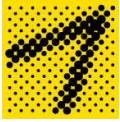
Contempt for, or a lack of interest in, the process to formalize artisanal mining activities, as well as the continuation of these activities without obtaining the respective permit, shall constitute illegal mineral exploitation in accordance with the provisions of Article 56 of the Mining Law.

ELEVENTH. Mining rights holders who, at the date the Mining Law was issued, had signed operation contracts, must restructure the contracts within a period of ninety days as from the date these Regulations came into force (in accordance with the instructions issued by the Sectorial Ministry for this purpose) and must register the contracts in the Mining Register.

If this is not done within the period established in this transitional provision, the Sectorial Ministry, by a resolution, may extinguish the concession and archive the concession area.

TWELFTH. For the purposes of presenting the declaration regarding the royalties corresponding to the first and second semesters of 2009, the Internal Revenue Service shall issue a resolution specifying the respective form, method and deadlines. The deadlines established in these Regulations shall apply when the declaration regarding the first semester of 2010 is issued.

THIRTEENTH. With regard to the payment of royalties in respect of non-metallic mining activities in the exploration phase, the parameters set out in Article 81 of these Regulations shall be applied as from the date the Mining Law is published in the Official Registry. The Internal Revenue Service shall implement such measures as may be necessary in this regard.



FINAL PROVISIONS

FIRST. These Regulations shall come into force once they are published in the Official Registry.

SECOND. The Sectorial Ministry and the Ministry of Finance shall be responsible for the implementation of these Regulations.

Given in Zaruma, on November 4, 2009.

SOURCES OF CURRENT EDITION OF GENERAL MINING REGULATIONS:

1. Decree No. 119, Supplement of Official Gazette No. 67 of November 16, 2009.
2. Decree No. 782, Official Gazette No. 457 of May 26, 2011.
3. Decree No. 797, Official Gazette No. 482 of July 1, 2011.
4. Decree No. 1135, Supplement of Official Gazette No. 699 of May 9, 2012.
5. Decree No. 1207, Supplement of Official Gazette No. 740 of July 6, 2012.
6. Decree No.475, Supplement of the Official Gazette No.385 of 28 November, 2014
7. Errata, Supplement of Official Gazette No. 385 of November 28, 2014.
8. Decree No. 823, Second Supplement of Official Gazette No. 635 of November 25, 2015.

The Spanish text of the Mining Law printed in this publication is the text that appeared in the Official Gazette N° 517 on January 29, 2009 and in the further amendments of the Act introduced by the Official Gazette Supplement N° 583 on September 24, 2012, the Official Gazette Second Supplement N° 037 on July 16, 2012, the Official Gazette Supplement N° 180 on February 10, 2014, the Official Gazette Second Supplement N° 332 on September 12, 2014, the Official Gazette N° 405 of December 29, 2014 and the Official Gazette N° 652 of December 18, 2015. Similarly, the Spanish text of the General Mining Regulations, printed herein, were published in the Official Gazette No. 67 on November 16, 2009 and in the further amendments of the Regulations introduced by the Official Gazette N° 457 on May 26, 2011, the Official Gazette No. 482 on July 1, 2011, the Official Gazette Supplement N° 699 on May 9, 2012, the Official Gazette Supplement N° 740 on July 6, 2012, the Official Gazette N° 385 on 28 November, 2014, the Official Gazette Supplement N° 385 on November 28, 2014 and the Official Gazette Second Supplement N° 635 on November 25, 2015. The English translations have been made in good faith as it is hoped that they may be useful to readers. However, no representation is made by Tobar ZVS Spingarn® regarding the completeness or accuracy of the information contained within. In particular, please note that this translation may be incomplete or inaccurate due to the complexity of translating the technical and legal terms contained in the legislation into English. In case of doubt or contradiction, the Spanish version shall always prevail.