

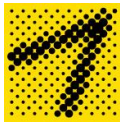
ECUADOR MINING ACT



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MINING ACT

Title I

FUNDAMENTAL PROVISIONS

Chapter I

GENERAL RULES

Art. 1. The purpose of Act. This Mining Act governs the exercise of the Ecuadorian State's sovereign rights to manage, regulate, control and govern the strategic mining sector in accordance with the principles of sustainability, precaution, prevention and efficiency. Oil and other hydrocarbons are excluded from this Act.

The State may delegate its participation in the mining sector to mining companies in which it is the majority shareholder, or to the private sector or public solidarity economy companies, in order to prospect, explore and exploit, or beneficiate, smelt and refine, as the case may be, as well as the internal or external sale of mineral substances.

Art. 2. Scope of application. In order to regulate the delegation referred to in the previous article, this Mining Act regulates the State's relationship with mining companies in which the State is the majority shareholder; and with individuals or corporate entities, whether domestic or foreign, public, private or those in which the State has a majority share, as well as the relationships between them, with regard to obtaining, conserving and the expiry of mining rights, together with the carrying out of mining activities.

Art. 3. Supplemental provisions. With regard to relationships between the State and individuals, as well as those between the latter, the following legislation is applicable, so far as it applies to the geological mining sector: Administrative, Litigious-Administrative; food sovereignty; tax; criminal; criminal procedure; public companies; corporate; civil; civil procedure; de-centralized autonomous governments; cultural heritage, and such other provisions of positive Ecuadorian law regarding the geological mining sector in so far as they apply and are not expressly regulated by this Act.

Chapter II

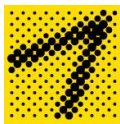
FORMULATION, IMPLEMENTATION AND ADMINISTRATION OF MINING POLICY

Art. 4. Definition and direction of mining policy. The definition and direction of the State's mining policy is the responsibility and duty of the President of the Republic.

In order to develop, implement and apply such policy, the State shall act through the Sectorial Ministry and the entities and bodies set out in this Act. The State shall be responsible for administrating, regulating, controlling and managing the development of the mining industry, prioritizing sustainable development and the promotion of social participation.

Art. 5. Institutional structure. The mining sector shall be structured as follows:

- a) The Sectorial Ministry;
- b) The Mining Regulation and Control Agency;



- c) The National Institute of Geological, Mining and Metallurgical Research;
- d) The National Mining Company; and
- e) Municipal governments within their corresponding spheres of competence.

Art. 6. The Sectorial Ministry. This Ministry, defined by the President of the Republic, is the governing and planning body of the mining sector. Said body is responsible for the implementation of policies, guidelines and plans within the corresponding areas applicable for the sector's development in accordance with the provisions of the Constitution and the Act, its regulations and those development plans established at a national level.

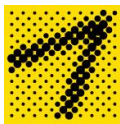
The State shall determine, pursuant to the provisions of Article 279 of the Constitution currently in force, and having regard to the principles of good living, as well as economic, environmental, social and cultural requirements, those areas eligible for mining exploration and exploitation, prioritizing the rational use of natural resources, the generation of new areas of development and the principle of regional equilibrium.

The aim of the National Mining Policy shall be to promote innovation, technology and research at all levels, thus permitting allowing the internal development of the sector. To this end, the Sectorial Ministry shall coordinate with higher education and scientific and technological institutions within the country.

The State shall establish technical assistance, promotional, training and financing mechanisms for the sustainable development of artisanal mining and small-scale mining. It shall also establish incentive systems to protect the environment and for the generation of more efficient production units.

Art. 7. Competence of the Sectorial Ministry. The Sectorial Ministry shall have the following responsibilities:

- a) Governance of public policies within geological-mining areas and the issuance of those agreements and administrative resolutions that require management by the Sectorial Ministry;
- b) To represent the State in mining policy matters;
- c) To assess policies, plans and projects for the development, administration, regulation and management of the mining sector;
- d) To implement, in a de-centralized manner, the public policy defined for the development of the sector,
- e) To promote, in coordination with public and/or private institutions, Universities and Polytechnic Schools, and scientific and technological research within the mining sector;
- f) To define, in coordination with the governing national planning body, the National Development Plan for the mining sector;
- g) To supervise compliance by individuals and public and/or private corporate entities with the aims, policies and goals defined for the sector;



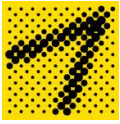
- h) To establish the parameters and indicators for the monitoring, supervision and evaluation of the management of public companies, and to report the results of such implementation and measuring to the Executive branch;
- i) To establish Consultation Councils that enable citizen participation when decisions are taken regarding mining policies;
- j) To grant, administer and extinguish mining rights; and,
- k) Any other responsibilities established in the laws and executive decrees currently in force, as well as in the Regulations of this Act.

Art. 8. Mining Regulation and Control Agency. The Mining Regulation and Control Agency is the technical/administrative body responsible for exercising the State's power to monitor, audit, intervene in, and control the mining activity phases carried out by the National Mining Company, mining companies in which the State has a majority interest, private initiatives, artisanal miners, small-scale miners and subsistence miners, in accordance with the provisions of this Act and its Regulations.

The Mining Regulation and Control Agency, as a public law institution and a legal entity, administratively, technically, economically and financially autonomous with its own patrimony, is attached to the Sectorial Ministry and is competent to supervise and adopt those administrative actions which contribute to the rational and technical use of mining resources, in exchange for the fair receipt of benefits pertaining to the State due to their exploitation, as well as compliance with social and environmental responsibility obligations assumed by mining rights holders.

Art. 9. Powers of the Mining Regulation and Control Agency. The Mining Regulation and Control Agency has the following powers:

- a. To ensure the correct implementation of this Act, its regulations and other legislation applicable to mining matters;
- b. To issue regulations and technical plans for the proper operation and development of the sector in accordance with this Act;
- c. To issue reports with regard to the procedures regarding the grant, conservation and extinction of mining concessions; authorizations for the installation and operation of beneficiation, smelting and refinery plants; and the signing of exploitation contracts by the Sectorial Ministry;
- d. To maintain a register and property register of mining concessions and publish them by way of information technology and electronic means;
- e. To hear and resolve those appeals and other such remedies against the resolutions of decentralized agencies brought before it;
- f. To hear, process and resolve matters within its administrative sphere;
- g. To inspect the mining activities carried out by holders of mining rights and titles;



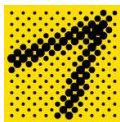
- h. To monitor that no children or adolescents are working for, or providing services to, any mining rights' holder as part of its mining activities, and to ensure compliance with article 43 of the Constitution of the Republic;
- i. If it is established that, as a result of the monitoring referred to in the preceding paragraph h), there are children and adolescents working, the mining rights' holders shall be sanctioned, in accordance with the provisions of this Act and its Regulations, and the breach of the relevant legislation in force shall be reported to the labor authorities and those authorities responsible for children and adolescents;
- j. To designate a Controller in those cases determined by the Act;
- k. To establish concession rights in the mining sector in accordance with the provisions of this Act and its regulations, as well as to collect those sums corresponding to fines and sanctions;
- l. To exercise technical control and apply penalties to ensure the correct application of the policies and regulations of the mining sector;
- m. To open, substantiate and resolve those proceedings regarding the imposition of penalties established in this Act;
- n. To monitor, evaluate and disseminate market behavior and statistics regarding the mining sector;
- o. To grant licenses for the sale of the mineral substances determined by this Act; and,
- p. Such other responsibilities as may be required under this Act and the applicable regulations.

The Mining Regulation and Control Agency Statute shall set out the responsibilities of the Regional Agencies to be created, within the framework of the powers contained in this Act.

Art. 10. The National Institute of Geological, Mining and Metallurgical Research. In accordance with the provisions of article 386 of the Constitution of the Republic of Ecuador, the National Institute of Geological, Mining and Metallurgical Research shall be a public institution created in order to carry out research, technological development and innovation activities within Geological, Mining and Metallurgical matters.

The National Institute of Geological, Mining and Metallurgical Research is a legal entity, with administrative, technical, economic and financial autonomy, together with its own equity. It is attached to the Sectorial Ministry and it is competent to generate, systemize, focus upon and manage geological information throughout the national territory in order to promote the sustainable development of mineral resources and prevent the occurrence of geological threats, as well as those caused by man, in support of land management.

The organization and operation of this Institute shall be in accordance with the provisions of this Act and its Regulations.



Article 11. Board of Directors at the Agency for the Regulation and Control of Mining.- The Agency for the Regulation and Control of Mining shall have a Board of Directors containing three members with no relationship of dependency with this organisation. It shall consist of:

- a) The Sector Minister or their permanent representative, who shall chair the board and have the casting vote;
- b) The Secretary for National Planning or their representative; and
- c) A representative of the President of the Republic.

The Board of Directors shall appoint an Executive Director and shall issue a ruling establishing the administrative and financial structure of the Agency for the Regulation and Control of Mining.

The Executive Director shall be responsible for meeting the terms of the rulings issued by the Board of Directors and shall act as legal representative of the Agency, enjoying all powers and authority assigned to the role by the governing body.

NOTE: Article modified by article 1 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013.

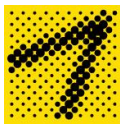
Art. 12. The National Mining Company. The National Mining Company is a public law company, a legal entity with its own equity, and budgetary, financial, economic and administrative autonomy, designed to manage mining activity for the sustainable use of the resources that are the subject matter of this Act, in accordance with the provisions herein and its Regulations. The Public Mining Company, subject to the specific regulations and controls set out in the Public Companies Act, must act in accordance with high quality standards and entrepreneurial, economic, social and environmental criteria.

To fulfill this purpose, the National Mining Company may incorporate *compañías de economía mixta* (companies in which the State is a majority shareholder), enter into associations, temporary associations, strategic alliances, and generally carry out any act or enter into any contract permitted by national legislation with individuals or corporate entities, public or private, be they domestic or foreign.

Art. 13. Administrative systems. Public servants who render their services to the entities and bodies created pursuant to this Act shall be subject to the Organic Civil Service and Administrative Career Act, and the unification and standardization of Public Sector remunerations, with the exception of the National Mining Company, which shall be governed by its own rules in accordance with the Constitution of the Republic of Ecuador.

Art. 14. Jurisdiction and competence. Individuals or corporate entities, be they domestic or foreign, that are mining rights' holders, or who carry out mining activities, shall be subject to the laws, judges and courts of the country. In the case of foreign individuals and corporate entities, they shall abide by the provisions of Article 422 of the Constitution of the Republic of Ecuador.

Art. 15. Public utility. Mining operations in any phases, whether within or outside of the mining concession, are of public utility. Thus, any easements deemed necessary may be created, within the



framework and limits established in this Act, taking into account the prohibition and exception set out in article 407 of the Constitution of the Republic of Ecuador.

Chapter III

OWNERSHIP BY THE STATE AND MINING RIGHTS

Art. 16.- State Ownership of mines and deposits.- The State has the inalienable right of ownership, which cannot expire, be encumbered or renounced over all non-renewable natural resources and, in general, underground products, minerals and any substances distinct in nature from the land, including those found in areas covered by territorial sea waters. The State's right of ownership over the subsoil shall be exercised independently from the right of ownership of the surface terrain covering mines and deposits.

The exploitation of natural resources and the exercising of mining rights shall adhere to the Plan for National Development, to the principles of sustainable development, protection and conservation of the environment, and social engagement and responsibility, and shall respect the natural and cultural heritage of the areas of exploitation. Rational exploration and exploitation shall be conducted according to national interests by natural or legal persons, public or private companies, private and publicly-owned companies, and domestic or foreign companies, who shall be granted mining rights according to this law.

Exploration and exploitation of mining resources shall be based on a strategy of public environmental sustainability. This strategy shall prioritise supervision, control and regulations, prevent pollution, provide measures to repair the environment, and encourage social engagement and public awareness.

NOTE: Article modified by article 2 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013.

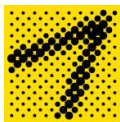
Art. 17. Mining rights. Mining rights shall mean those rights arising out of mining concession titles, mining exploitation contracts, licenses and permits, as well as authorizations to install and operate beneficiation, smelting and refinery plants, and commercialization licenses.

Chapter IV

PARTIES SUBJECT TO THE MINING ACT

Art. 18. Parties subject to mining law. Parties subject to mining legislation are legally capable individuals and corporate entities, be they domestic or foreign, public, private or those in which the State is a majority shareholder, community and self-managed entities whose corporate purpose and operations are in accordance with the legal provisions in force in the country.

Art. 19. Domicile of foreigners. In order to be a mining rights' holder, foreign individuals or corporate entities must be legally domiciled within the national territory. They shall receive the same treatment given to any other national individual or corporate entity.



Art. 20. Disqualified persons. The grant of mining concessions to the following is prohibited: any individual who has or has had conflicts of interest or could make use of privileged information; individuals or corporate entities linked to mining activity decision-making bodies, whether through direct participation or through their shareholders or blood relatives to the fourth degree or relatives by marriage to the second degree; or former officials of the ministry of natural resources, the ministry of energy and mines, the ministry of mines and oil or their blood relatives to the fourth degree or relatives by marriage to the second degree; and individuals or corporate entities linked to the decision-making institutions of the mining sector set out in Title IV “Contracts”, Chapter I “Capacity, Ineligibility or Nullity” of the Organic National System of Public Contracting Act, among others.

Chapter V

MINING OPERATIONS

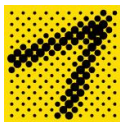
Art. 21. National mining operations. National mining activities may be carried out through public or private companies or those in which the State is a majority shareholder, community interest companies, associations and family companies, self-managed companies or by individuals, in accordance with this Act. The State performs its mining activities through the National Mining Company and may constitute *compañías de economía mixta* (companies in which the State is a majority shareholder). Mining activities carried out by public or community interest companies, self-managed, private corporate entities or those in which the State is a majority shareholder, or by individuals, shall all enjoy the same guarantees and are entitled to State protection, as provided for in the Constitution and this Act.

Art. 22. Legal Regime regarding the National Mining Company and private concessionaires. The mining rights obtained and exercised by the National Mining Company shall be subject to the legal regime established in this Act and in accordance with article 316 of the Constitution in force. Those private concessionaires in which the National Mining Company has an interest shall also be subject to the provisions of this Act, as well as the common legal rules applicable to domestic investments and the development of production activities in the country.

Art. 23. The controller of mining activities. The Mining Regulation and Control Agency shall appoint a Controller for mining activities, who shall not be under the control and surveillance of the administrative authority for corporate matters and cooperatives, when it is proven in a written complaint by an interested party or *ex officio*, that the mining rights’ holder has breached a provision of this Act or any others governing the mining sector, whose acts could cause detriment to partners, shareholders or third parties.

The Mining Regulation and Control Agency shall, in the same administrative act appointing the Controller, establish the operations and documents for which the signature and authorization of the Controller are required. In any event, the Controller shall act as a manager and his/her duties shall be: to maintain and produce in due course an accurate and duly documented record of the concessionaire’s products, machinery and expenses; to effectively supervise the works; and to monitor compliance by personnel with their duties, both administrative and in the field.

The fees received by the Controller shall be determined by the Mining Regulation and Control Agency, the payment of which shall be the responsibility of the mining rights’ holder, through this Regulatory Body.



If the complaint is clearly unfounded, the Mining Regulation and Control Agency shall reject it and impose upon the petitioners or complainants the administrative and civil penalties specified in this Act, without prejudice to any criminal penalties that may be determined by the respective legal body.

Chapter VI

SPECIAL MINING AREAS AND PRIOR FAVORABLE ADMINISTRATIVE ACTS

Art. 24. Special Mining Areas. The President of the Republic may, subject to article 407 of the Constitution, declare those areas which are not concessioned and where there is potential for mining development, as Special Mining Areas so that the Sectorial Ministry, through its attached entities, may prepare property registers, carry out geological-mining research and any other type of activities of scientific interest within their respective fields of competence. The Special Mining Area declaration shall expressly set out the term thereof, which shall not exceed four years; once expired, it shall be lifted without the need for any other declaratory provision. In any case, the declaration shall respect legally-established rights or any derived from them. No mining concessions shall be granted in such areas during the term.

During the four years following the expiry of the Special Mining Area term, the National Mining Company shall have a preferential right to apply for mining concessions in said area. Furthermore, if during the same four-year period referred to above, a third party applies for a mining concession that covers, in whole or in part, land comprised in that Special Mining Area, the National Mining Company shall have a right of first refusal to the grant of a mining concession in such area. The Mining Regulation and Control Agency shall process the procedure for the exercise of the right of first refusal in accordance with the terms and conditions established in the General Regulations of this Act.

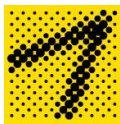
Mining areas and mining projects in which the Ecuadorian State has carried out geological investigations, made explorations or has conducted pre-feasibility or feasibility studies, shall be restored to the same.

Art. 25. Protected areas. The extraction of non-renewable resources in protected areas is prohibited. Said resources may be exploited in exceptional cases following a substantiated request from the President of the Republic, together with a prior declaration regarding national interest by the National Assembly, in accordance with the provisions of Article 407 of the Constitution of the Republic of Ecuador.

Art. 26.- Administrative Actions prior to the start of operations.- Relevant and substantiated Administrative Actions are required prior to engaging in any mining activities. These must be approved by the following institutions within the scope of their competence:

- a) The Ministry for the Environment must issue the relevant environmental licence, duly approved.
- b) The United Water Authority must issue information on the possible effect on surface and/or ground water bodies and confirmation of compliance with the order of priority relating to the right of access to the water.

In addition, the mining licence holder must present a sworn statement made before a Notary, to the Sector Ministry, in which they expressly declare that the mining activities shall not affect any of the following: paths, public infrastructure, authorised ports, sea beaches and sea-beds,



telecommunication networks, military installations, oil industry infrastructure, aeronautical installations, electrical networks and infrastructure, or archaeological, natural or cultural remains.

If false information is found to have been provided in the above declaration, penalties applicable to the crime of perjury shall be applicable.

If the highest authority in the mining sector is advised either officially or by other parties that the activities of the applicant may affect said assets or property, relevant authorisation from the competent authority must be requested. This body must issue a ruling within thirty days. If no ruling is issued within this period, it shall be understood that no opposition or impediment exists to prevent the start of mining activities, and the official responsible shall be replaced. The rules of administrative legal procedure of the Executive shall apply to the issuing of the reports relating to these administrative actions.

Municipal and City Councils must exercise their powers by issuing rulings to regulate, authorise and control the exploitation of dry and stony materials.

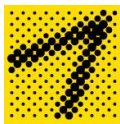
NOTE: Article modified by article 3 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013.

Chapter VII

MINING OPERATION PHASES

Art. 27. Mining operation phases. For the purposes of the application of this Act, the mining operation stages are classified as:

- a. Prospecting, which consists of searching for indications of mineralized areas;
- b. Exploration, which consists of determining the size and shape of the deposit, as well as the content and quality of the mineral therein. The exploration may be initial or advanced, and also includes the economic evaluation of the deposit, its technical feasibility and the plan for its exploitation;
- c. Exploitation, which together comprises those operations, mining works and labor required for the preparation and development of the deposit and the extraction and transportation of the minerals;
- d. Beneficiation, which consists of subjecting the exploited minerals to physical, chemical and/or metallurgical processes in order to increase their useful content or grade;
- e. Smelting, which consists of the process of melting minerals, concentrates or precipitates in order to separate the metallic products desired from the accompanying minerals;
- f. Refining, which consists of the process of converting metallic products into high-purity metals;
- g. Commercialization, which consists of the sale and purchase of minerals, or the signing of other contracts regarding the negotiation of any product resulting from mining activities; and,



- h. Mine Closure, which consists of the termination of mining activities and the subsequent dismantling of the facilities used in any of the above-mentioned phases, if they are not of public interest, as well as environmental remediation in accordance with the closure plan duly approved by the competent environmental authority.

The State shall facilitate the industrialization of the minerals the product of the exploitation activities, by promoting the efficient incorporation of added value, respecting the biophysical limits of nature.

The obligation repair and remediation the environment is implicit in all mining activity phases, in accordance with the Constitution of the Republic of Ecuador, the Act and its regulations.

Title II

MINING RIGHTS

Chapter I

PROSPECTING

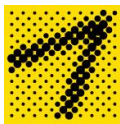
Art. 28. Freedom to prospect. Any individual or corporate entity, whether domestic or foreign, public, private or one in which the State is a majority shareholder, community companies, associations or family or self-managed companies, except for those prohibited by the Constitution of the Republic and this Act, is able to prospect freely in order to search for mineral substances, except in protected areas, those areas within the boundaries of mining concessions, in urban areas, villages, archeological areas, assets declared to be of public utility and in Special Mining Areas. Depending on the case, the prior favorable administrative acts referred to in article 26 of this Act must be obtained.

Chapter II

MINING CONCESSIONS

Art. 29. Auction and public tenders for the grant of mining concessions. The Sectorial Ministry shall convene a public auction for the grant of all metallic mining concessions. It shall also hold a public auction for the grant of mining concessions over expired concession areas or those, which have been returned, or have reverted, to the State. The applicants shall participate by presenting their respective offers in accordance with the procedure established in the General Regulations of this Act.

The granting of mining licences is exempt from the processes of auction or public auction mentioned in the previous paragraph, which, according to Article 31 of this Law, the State may implement through the Sectorial Ministry relating to areas under its control, by assigning licences to foreign state-owned companies or their subsidiaries, to private and publicly owned companies, or to consortiums in which private and publicly owned companies are majority shareholders. The State must maintain transparency throughout the adjudication process, and apply the constitutional laws and criteria previously established by law, the regulations contained therein, and any agreements preceding the granting of the licences.



The annual and multi-annual plans of the Sectorial Ministry must differentiate between areas eligible for the grant of metallic mining concessions for small-scale mining, artisanal mining and large-scale mining.

With regard to the public auction process for small-scale mining concessions, only those individuals or corporate entities listed in this category in accordance with the procedures and requirements set out in this Act and its General Regulations, may participate in the process.

Individuals and corporate entities included within the artisanal miners category, cannot in any case have partners or shareholders who are foreign companies.

The General Regulations of this Act shall establish the procedure for auctions and bids, as well as the requirements and conditions for participating in them.

NOTE: Article modified by article 4 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013 and by the sixth transitional provision of the Public and Private Alliances Act published in the supplement of the official gazette No. 652 on December 18, 2015.

Art. 30. Mining concessions. The State may exceptionally delegate its participation in the mining sector by way of concessions. A mining concession is an administrative act that grants a mining title, over which the owner shall have a personal right, and which may be transferred once the Sectorial Ministry has mandatorily assessed the suitability of the assignee of the mining rights. The mining title may be the subject of pledges, collateral assignments and those other guarantees envisaged in the laws in accordance with the provisions and requirements provided for in this Act and in its General Regulations.

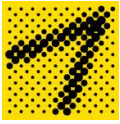
The Mining Regulation and Control Agency shall authorize the registration of the transfer of mining titles upon receipt of a notification from the concessionaire reporting the transfer of its mining rights, in accordance with the procedures and requirements established in the General Regulations of this Act. The said act shall be perfected once registered in the Mining Register, following payment of a registration fee equivalent to 1% of the value of the transaction.

The State, with the corresponding legal reports, shall authorize the transfer of a mining title when at least two from the date of its granting have elapsed.

The buildings, facilities and other objects permanently used for the investigation, extraction and beneficiation of minerals shall be considered to be fixtures of the concession.

The tax and corporate domicile of mining rights' holders shall be: in the area where the mining concession is located; in the case of concessionaires with mining titles in various provinces, the area in which the largest surface area of the sum of all of the concessions is located; or the area in which the principal exploitation or industrialization project is located. Compliance with this requirement must be proven when applying for the grant of a mining concession and cannot be altered without the prior express authorization of the Mining Regulation and Control Agency.

NOTE: Article modified by article 43 of the Organic Law of Production and Prevention of Tax Fraud, published in the supplement of the official gazette No. 405 on December 29th, 2014.



Art. 31. Grant of mining concessions. The State shall exceptionally grant mining concessions by way of an administrative act to individuals or corporate entities, whether domestic or foreign, public, private or those in which the State is a majority shareholder, community companies, associations or self-managed companies, in accordance with the provisions of the Constitution of the Republic, this Act and its General Regulations.

Without losing its personal nature, a mining title confers upon the holder the exclusive right to prospect, explore, exploit, beneficiate, smelt, refine, sell and transfer all mineral substances that may exist and be obtained within the area of said concession. The owner shall therefore receive the economic revenues obtained from these processes, within the limits established in this Act, and following compliance with its tax obligations. Mining concessionaires may only carry out the activities conferred by these mining titles following compliance with the requirements set out in article 26.

A mining title shall constitute security in accordance with the regulations to that effect issued by the Superintendence of Companies and the Superintendence of Banks, once the mining reserves contained in the concession are duly valued by the Mining Regulation and Control Agency in accordance with the terms of the respective Regulations for the Assessment of Mining Resources and Reserves.

The grant of non-metallic and construction material mining concessions shall not be subject to the public auction and bidding processes referred to in this Act. The General Regulations shall establish the procedures for this purpose, which shall explicitly set out the requirements regarding technical and financial solvency, investment amounts, locations, areas, terms for the development of exploration and exploitation activities, beneficiation, social responsibility and destinations.

The use of straw men shall be punished in accordance with the Penal Code in force.

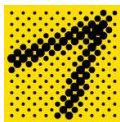
Art. 32. Unit of measurement. For the purposes of the application of this Act, the unit of measurement used for the grant of a mining title shall be referred to as a “mining hectare”. This unit of measurement consists of a volume in the shape of a pyramid, the apex of which is the center of the Earth and its outer limit is the surface of the ground, which planometrically corresponds to one hundred square meters each side, measured and oriented in accordance with the UTM coordinates system of the Transverse Mercator Projection, used for the National Topographical Map.

Concessions which are located next to international borders, protected areas and/or beach areas are excluded from these rules and the limit of the concession shall be the border or the sea beach, as the case may be.

Mining titles may be material divided or accumulated, subject to a minimum limit of one mining hectare and a maximum limit of five thousand mining hectares per concession.

Technical aspects regarding the shape, size, relation between the minimum and maximum size of concessions, orientation, boundaries, graphics, verification, positioning, measurements, property register systems and any other aspects required for the procedures for the grant, conservation and extinction of mining rights, shall be set out in the General Regulations of this Act.

Art. 33. Fees for Concession Application. Those interested in obtaining mining concessions shall pay for each mining concession application, together and a one-off fee equivalent to five basic



unified salaries. The value of this patent fee shall not be reimbursable and must be deposited in accordance with the provisions established in the General Regulations of this Act.

Applications that do not attach the respective payment receipt shall not be accepted.

Any other costs required by other prescribed administrative acts shall be set out in the General Regulations of this Act.

Art. 34. Concession patent conservation fee. Mining concessionaires must pay an annual conservation patent fee for each mining hectare by March in each year, which fee shall correspond to the current calendar year as at the date of the payment, in accordance with the scale set out in the following paragraph. In no event may the payment date be extended, either by administrative or judicial means.

The conservation patent fee from the date the concession is granted up until December 31 in the year the initial exploration period expires shall be equivalent to 2.5 percent of a unified basic salary for each concessioned mining hectare. This conservation patent fee shall increase to 5 percent of a unified basic salary for each concessioned mining hectare for the advanced exploration period and the period for the economic evaluation of the deposit. During the exploitation stage of the mining concession, concessionaires shall pay a conservation patent fee equivalent to 10 percent of a unified basic salary for each concessioned mining hectare.

The first payment of the conservation patent fee shall be made within a period of thirty days counted from the date the mining title is granted, and shall correspond to the period from the date the mining title is granted to December 31 in that year.

An annual conservation patent fee is to be established for exploration and exploitation activities conducted simultaneously under the special rules relating to small mines, equivalent to 2% of the unified monthly salary, per mining hectare.

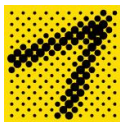
NOTE: Article modified by article 5 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013.

Art. 35. Dimension of the concession and excess. No mining concession may exceed five thousand contiguous mining hectares.

If there is a free space between two or more concessions that does not comprise a mining hectare, such free space shall be declared to be as excess that may be granted to the first adjacent concessionaire who applies for it.

The General Regulations of this Act shall establish the procedure for the application, and grant, of excess areas.

Art. 36. Term and mining concession stages. A mining concession shall be for a term of up to twenty-five years, which term may be renewed for equal periods provided that, prior to its expiration, the concessionaire has presented a written petition to the Sectorial Ministry to that end, and favorable reports have previously been obtained from the Mining Regulation and Control Agency and the Ministry of the Environment.



In the event the Sectorial Ministry does not issue the relevant resolution within a period of 90 days from the date the abovementioned application is filed, this shall be construed to be positive administrative silence, in which case the mining title shall be renewed for ten years, and the contract shall be objectively renegotiated as may be necessary. The officer(s) whose omission has resulted in the administrative silence shall be liable in any administrative, civil and criminal proceedings.

The mining concession shall be divided into an exploration stage and an exploitation stage. In turn, the exploration stage shall be divided into periods of initial exploration, advanced exploration and comprehensive the economic evaluation of the deposit. Which shall include main, secondary and other minerals of financial value.

NOTE: Article modified by article 6 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013.

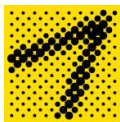
Art. 37. Exploration stage of the mining concession. Once a mining concession has been granted, the holder must carry out exploration works in the concession area for a period of up to four years, which shall constitute the initial exploration period.

Nonetheless, prior to the expiry of said initial exploration period, the mining concessionaire shall be entitled to apply to the Sectorial Ministry for another period of up to four years in order to proceed with the advanced exploration period. In this case, the application shall expressly waive part of the total surface area of the concession originally granted.

The Sectorial Ministry shall process this application, provided the mining concessionaire has complied with the minimum operational and investment requirements within the mining concession area during the initial exploration period. Once the aforementioned application in the terms set out above has been filed, the Sectorial Ministry shall issue an administrative resolution declaring the commencement of the advanced exploration period. However, in the event the Sectorial Ministry does not issue the relevant resolution within a period of 60 days, counted from the date the application is filed, this shall be construed as positive administrative silence. Any officer(s) whose omission has resulted in such administrative silence shall be held liable in any administrative, civil and criminal proceedings.

Once the initial exploration period or the advanced exploration period, as the case may be, has expired, the mining concessionaire shall have a period of up to two years within which to carry out the economic evaluation of the deposit and to request, prior to its expiration, the commencement of the exploitation stage and the corresponding signing of the Mining Exploitation Contract, in the terms provided for in this Act. The mining concessionaire shall be entitled to apply for an extension of the period of the economic evaluation of the deposit from the Sectorial Ministry for a period of up to two years, counted as from the date of the administrative act accepting such application, provided the concessionaire pays the annual conservation patent fee for the period of the economic evaluation of the deposit, plus 50 per cent.

In the event a mining concessionaire does not apply for the commencement of the exploitation stage in the terms set out above, the Sectorial Ministry shall declare the extinguishment of the mining concession.



Art. 38. Filing of exploration reports. By March 31 in each year and throughout the duration of the exploration stage of the mining concession, concessionaires must file with the Sectorial Ministry an annual report regarding the exploration activities and investments made in the mining concession area during the previous year, together with an investment plan for the current year. The reports to be filed must be duly audited by a professional certified by the Mining Regulation and Control Agency in accordance with the terms set out in the Assessment of Mining Resources and Reserves Regulations.

In the event a concessionaire does not comply with the investment plan referred to above, the expiration of the mining concession may be avoided by paying a financial compensation equivalent to the amount of the investments not made, provided always investments equivalent to 80 percent of such minimum investment have been made. Evidence of payment of this compensation shall be included in the annual report of exploration activities and investments referred to in this article. These amounts shall also be reflected on the balance sheet and income tax returns filed with the Internal Revenue Service.

Payment of the compensation provided for in the previous paragraph does not exempt the concessionaire from the requirement to file the report referred to in this article.

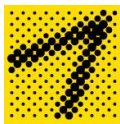
Art. 39. Exploitation stage of the mining concession. Mining concessionaires shall be entitled to apply to the Sectorial Ministry, during the period of the economic evaluation of the deposit, to pass into the exploitation stage and for the subsequent signing of the Mining Exploitation Contract or the Supply of Services Contract, as the case may be. This shall enable the mining concessionaire to exercise the rights inherent in the preparation and development of the deposit, as well as to extract, transport, beneficiate and sell the minerals.

No mining concessionaire may have one or more titles that together comprise an area of more than five thousand mining hectares as from the commencement of the exploitation stage. Notwithstanding the foregoing, the General Regulations of this Act shall set out the technical criteria for the establishment of protection areas for mining projects in the exploitation stage.

The application referred to above shall contain the minimum requirements provided for in this Act and its General Regulations. It must be accompanied by a report duly audited by a professional certified in accordance with the terms of the relevant Regulations. This report must account for the payment of the corresponding administrative procedure fees and the corresponding conservation patent fees, as well as the minimum exploration operations and investments required by this Act.

The Sectorial Ministry may ask the mining concessionaire, within a period of 30 days, to expand upon or supplement the information provided in its application. Any information provided by the mining concessionaire shall be confidential and shall not be used or disclosed to third parties, except where the owner gives its prior written consent.

Upon receipt of the abovementioned application in the terms referred to above, the Sectorial Ministry shall issue an administrative resolution declaring the commencement of the exploitation stage. However, in the event the Sectorial Ministry does not issue the relevant resolution within a term of 60 days as from the date the abovementioned application is presented, or within a term of 30 days counted from the date the documentation expanding upon, or supplementing, the information presented is filed, this shall be construed as positive administrative silence. Any



officer(s) whose omission has resulted in such administrative silence shall be held liable in any administrative, civil and criminal proceedings.

In this case, the mining concessionaire may move directly into the exploitation stage in accordance with the model Contract referred to in article 40 or 41 of this Act, where in which terms of the contractual relationship shall be agreed.

Notwithstanding the foregoing, in the event that, as a result of the economic evaluation of the deposit, a mining concessionaire decides not to initiate its construction and assembly, the mining concessionaire shall be entitled to apply for the suspension of the commencement of the exploitation stage. This suspension shall not last for more than two years, counted as from the date of the administrative act accepting said application, and the State shall have the right to receive financial compensation equivalent to an annual unified basic salary for each concessioned mining hectare during the term of the suspension.

In the event a mining concessionaire does not apply to commence the exploitation stage or for a suspension in the terms referred to above, the mining concession shall be extinguished.

Chapter III

TYPES OF CONTRACTS

Art. 40. Contract for the Supply of Services. The State may execute, acting through the Sectorial Ministry, a Supply of Services Contract on the terms and conditions established by the Sectorial Ministry and those offered by providers at the time of the award.

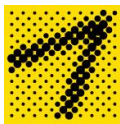
The Supply of Services Contract shall contain terms regarding remuneration, as well the mining supplier's obligations regarding environmental management, presentation of guarantees, community relationships and activities related to the partial or total closure of the mine. The model of this contract shall be approved by the Sectorial Ministry by way of a Ministerial Agreement.

In this case, suppliers shall not be required to pay the royalties established in this Act or the taxes derived from windfall profits. However, notwithstanding the foregoing, the Government shall allocate funds equivalent to 3% of the sales of the exploited minerals to sustainable local development projects, acting through the municipal governments and parish councils, and, if applicable, to indigenous community governing bodies. The corresponding regulations for this purpose shall be issued.

In addition, suppliers shall have the same rights and obligations as those set out in the mining exploitation contract set out below in the following article.

Contracts for the supply of services between the State, with the Sector Ministry as its intermediary, and foreign state-owned companies, or consortiums in which foreign state-owned companies have a majority shareholding, may be prepared directly, on the basis of previous agreements signed between the parties.

NOTE: Article modified by article 7 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013.



Art. 41. Mining Exploitation Contract. Within a term of six months counted from the resolution declaring the commencement of the exploitation stage, the mining concessionaire must sign a Mining Exploitation Contract with the State, acting through the Sectorial Ministry, which shall contain the terms, conditions and time periods for the construction and assembly phases, the extraction phase, the transportation phase and the phase to sell the minerals obtained within the boundaries of the mining concession.

The model of this contract shall be approved by the Sectorial Ministry by way of a Ministerial Agreement.

The contracts must also contain the mining concessionaire's obligations regarding environmental management, presentation of guarantees, community relationships, payment of royalties and activities related to the partial or total closure of the mine, including paying for all environmental liabilities corresponding to a period equivalent to that of the mining concession.

The Mining Exploitation Contract must set out the Base Price for the application of the provisions set out in the tax legislation currently in force.

The contract shall establish the mining concessionaire's right to suspend mining activities, subject to payment of financial compensation to the State, in the event technical or market conditions prevent it from complying with the time periods established for the activities as indicated above.

A mining concession holder cannot carry out exploitation works without having first signed the respective contract. Nevertheless, the concessionaire shall own any minerals it eventually obtains as a result of exploration activities.

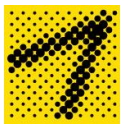
When carrying out operations during the exploitation stage, the mining concessionaire must comply with the environmental legislation in force and cannot carry out said activities without the corresponding Environmental License. Disputes arising out of these contracts may only be submitted to the courts of the Ecuadorian Judicial Branch or an arbitration tribunal in Latin America.

The State may make agreements with the mining licence holders relating to the payment of income and royalties generated from the exploitation of metallic minerals, with the refined product resulting from this exploitation, according to the terms of the present law.

NOTE: Article modified by article 8 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013.

Art. 42. Biannual production report. From the exploitation of the deposit, mining concession holders must submit to the Sectorial Ministry, on a biannual basis, prior to January 15 and July 15 of each year, audited production reports regarding the preceding six months, in accordance with the technical guides prepared by the Mining Regulation and Control Agency. These reports shall be signed by the mining concessionaire (or its legal representative) and its technical advisor, who must prove his/her professional expertise within the fields of geology and/or mining.

The audit and technical verification of such reports shall be carried out either by Universities or Polytechnic Schools that have Geology, Mining and Earth and/or Environmental Science schools or



faculties with sufficient technical capacity to prepare the report, evaluation or verification or by professionals and/or companies certified by the Mining Regulation and Control Agency.

The costs of the entities carrying out the evaluations shall be exclusively borne by the concessionaire.

Art. 43. Mining/Metallurgical Residues. Mining/metallurgical residues constitute discarded ore or rock, waste rock dumps, tailings, waste, sweepings and slag resulting from any mining/metallurgical activities.

Mining/metallurgical residues form part of the concession and the beneficiation or smelting plant from which they came, even though such residues may be located outside of them. Concession holders may use them freely.

Art. 44. Abandoned residues concessions. The right to beneficiate, smelt, refine or sell any abandoned mining/metallurgical residues shall be granted jointly with the rights granted to the mining concession holder over any other mineral substances that may exist within the boundaries of the concession requested, in accordance with the provisions of this Act.

Mineral/metallurgical residues are considered to be abandoned when:

- a. They originate from an expired mining concession;
- b. They originate from a beneficiation or smelting plant, the authorization for which has expired, or which has not been in operation for a period of two years, except in the case of force majeure or acts of God that have been proven prior to the expiry of the term; and,
- c. When it is not possible to determine their ownership.

Prior to the grant of the mining concession requested, the Mining Regulation and Control Agency must determine whether one or more of the above-mentioned situations exists.

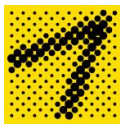
Chapter IV

BENEFICIATION, SMELTING AND REFINERY PLANTS

Art. 45. Authorization for the installation and operation of plants. The Sectorial Ministry shall authorize the installation and operation of beneficiation, smelting or refinery plants by any individual or corporate entity, whether domestic or foreign, public, private or those of which the State is the majority shareholder, community interest companies, associations or self-managed companies, who make such a request in accordance with the provisions of this Act and its General Regulations. It is not necessary to be a mining concession holder in order to present said application.

For small-scale mining, the State shall authorize the operation of mineral beneficiation plants, constituted solely for crushing and grinding purposes, with installed capacity of 10 tons per day, and beneficiation plants that include crushing, grinding, flotation and/or cyanidation capabilities with a minimum installed capacity of 50 tons per day.

Individuals or corporate entities that apply for authorization to install and operate beneficiation, smelting or refinery plants must have the respective Environmental License, even if they are concessionaires.



The requirements to be met in order to obtain such authorization are set out in the environmental legislation currently in force and the General Regulations of this Act.

Owners of beneficiation plants processing minerals from other mining operations, which generate tailings containing mineral products, must pay a 3% royalty on the transfer of ownership of any kind of mineral products obtained from tailings when these are recovered.

NOTE: Article modified by article 9 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013.

Art. 46. Rights of mining concessionaires to install plants. Mining concession holders may install and operate beneficiation, smelting and refinery plants by virtue of their concessions, without the need to apply for the authorization referred to in the previous article, provided always said plants are only intended to process minerals from the concession. Treatment of minerals from outside of the concession shall require the respective authorization.

Art. 47. Biannual reports. Owners of beneficiation, smelting and refinery plants must present to the Sectorial Ministry biannual reports regarding their operations, setting out the information required by the competent authority, together with a summary of the works and investments made, the production obtained and the technical results of operations.

Art. 48. Rights and obligations. Owners of beneficiation, smelting and refinery plants shall enjoy the rights referred to in Title III, Chapters I and II, and shall be subject to the requirement to comply with the obligations established in Title IV of this Act, as applicable.

Chapter V

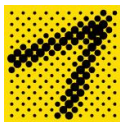
SALE OF MINERAL SUBSTANCES

Art. 49. Right to market freely.- The holders of mining licences can market their production freely, either within the country or abroad. Gold from legally authorised, small-scale mining, however, shall be marketed by the Central Bank of Ecuador, either directly, or through financial institutions duly authorised by the Central Bank to act as intermediaries.

NOTE: Article modified by article 10 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013 and by the Twentieth four Reformatory Provision, letter a) of the Monetary and Finance Organic Code, published in the Official Gazzete, second supplement No.332 on 12th September, 2014.

Art. 50. Trading license. Individuals or corporate entities, even if they are not mining concession holders, engaged in the commercialization or export of metallic minerals, or the exportation of non-metallic minerals, must obtain the corresponding license from the Sectorial Ministry in accordance with the provisions of the General Regulations of this Act. A similar license must also be obtained by concessionaires who sell metallic minerals or export non-metallic minerals originating from areas outside of their own concession.

Those individuals or corporate entities engaged in the domestic commercialization of non-metallic minerals, as well as artisanal jewelry, do not require this license.



Art. 51. Duration of license and renewal. Trade licenses granted to those individuals or corporate entities referred to in the preceding article shall be valid for a period of three years. These licenses are non-transferable and may be renewed for equal periods in accordance with the provisions of the General Regulations of this Act.

Art. 52. Register of traders. The Mining Regulation and Control Agency shall keep a Register of Traders of metallic minerals and of exporters of metallic and non-metallic minerals in order to keep a statistical record of internal trading activities and of the exportation of these minerals, as a means of verifying and ensuring compliance with the obligations established in this Act.

Art. 53. Obligations of Traders. Those legally authorized to commercialize mineral substances must:

- a. Become withholding agents and comply with the tax legislation in force;
- b. Prepare detailed statements, recording all of the retentions and deductions made; and,
- c. Send monthly reports to the Sectorial Ministry regarding the origin, volume and value of their purchases; the destination, volume and value of the sales; the retentions made, and any other statistical information that may be required by the Sectorial Ministry. Such reports shall be submitted on simplified forms prepared by the Mining Regulation and Control Agency.

Art. 54. Cancellation of the license. Any breach of the obligations referred to in the preceding article shall result in the cancellation of the license to commercialize, without prejudice to any corresponding responsibilities.

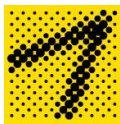
Art. 55. Illegal mineral substance trade. The following shall be considered to be illegal mineral substances trade:

- a. Mining concession holders who trade metallic minerals domestically, or export metallic or non-metallic minerals originating from other concessions, without the license required in article 50;
- b. Mining producers who sell metallic minerals to individuals or entities not authorized to commercialize them.

Art. 56. Illegal exploitation of minerals. Those who carry out mining operations, activities or works in any phase without a title, or without the corresponding legal permit, shall be considered to be illegally exploiting mineral substances.

Art. 57.- Sanctions relating to illegal mining activity.- Illegal mining activity conducted by natural or legal persons, or groups of persons, whether nationals of this country or foreigners, without the required ownership titles, authorisations, permits or licences, shall be penalised according to the terms of this article, notwithstanding any environmental, fiscal or criminal penalties which may apply.

Assets, machinery, equipment, supplies and vehicles used in illegal or unauthorised exploitation, beneficiation or processing activities, or smelting, refining or clandestine marketing of mineral substances shall be subject to the following measures: special embargo, seizure, immobilisation, destruction, demolition, withdrawal from use, or neutralisation, as appropriate, and as implemented



by the Agency for the Regulation and Control of Mining, with the support of the National Police, or alternatively the Armed Forces. Anyone considered responsible for said activities or to be owners of these assets, shall receive a penalty from the above-mentioned Agency, of between two hundred to five hundred units of the basic unified salary, depending on the seriousness of the breach of the regulations, notwithstanding payment of a sum equal to the total amount of illegally extracted minerals, restoration of the ecosystem to its former state, and payment of compensation to the people and communities affected.

The fines referred to in this Law shall be paid to the Agency for the Regulation and Control of Mining, within five days of the date the Ruling takes effect. If the party receiving the administrative penalty does not comply with the payment obligation, said Agency shall recover the payment by debt recovery measures contained in this Law.

Fines collected by the Agency for the Regulation and Control of Mining shall be assigned for purposes within its area of competence.

Environmental effects and damage to the ecosystem and biodiversity as a result of illegal exploitation or encroachment shall be considered aggravating factors when rulings are passed under the auspices of administrative protection.

Procedures to implement these measures shall be specified in the General Regulations of this Law.

Art.... Penalties for licence holders who allow illegal mining activity in their areas.- Notwithstanding the revocation of the licence assigned by the State by means of a declaration of termination of the licence, authorisation, or permit, the same fines specified in the above article shall be applied to the holders of mining rights granted by the State of Ecuador, who allow illegal mining activity to be conducted by third parties without the legal authorisation to do so, or without the relevant environmental licence for mining work in their respective areas or operating sites.

NOTE: Article modified by article 11 and 12 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013.

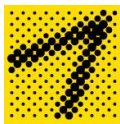
Title III

RIGHTS OF MINING CONCESSION HOLDERS

Chapter I

RIGHTS IN GENERAL

Art. 58. Continuity of works. Mining operations may be suspended in the event of invasions, or as may be required in order to protect the health and lives of the mining workers or the communities located within the perimeter of the area where the mining operations are being carried out, in accordance with the provisions of the General Regulations of this Act; when required by Civil Defense, or when the competent environmental authority verifies a breach of the Environmental License. In any case, the suspension of mining activities may only be ordered by the Sectorial Ministry by way of a substantiated resolution.



Mining concessionaires who are prevented from carrying out their regular mining activities due to duly proven event of force majeure or Acts of God, may apply to the Sectorial Ministry for the suspension of the concession term for the period of duration of the impediment. The Sectorial Ministry shall either accept or deny said request by issuing a substantiated resolution.

Art. 59. Complementary buildings and installations. Mining concession holders may, within their concession, construct and install beneficiation, smelting and refinery plants, accumulated residue deposits, buildings, camps, storage areas, pipelines, pumping stations or power plants, pipes, workshops, electric power lines, ponds, communication systems, roads, railroads and any other local transportation systems, as well as channels, docks and other shipment facilities, as well as carrying out any other activities that may be necessary in order to develop their operations and facilities, subject to the provisions in this Act, the environmental legislation in force and all the corresponding legal provisions, either with the prior agreement of the surface land owner or upon the grant of the relevant easements, in accordance with the provisions of the Constitution of the Republic, this Act and its General Regulations.

Art. 60. Use of water and creation of easements. In order to carry out mining activities in general and to obtain the authorization for the installation of beneficiation, smelting and refinery plants, authorization from the sole water authority for the economic use of water is required. Those easements deemed necessary may be requested in accordance with the procedures established in the Act regulating water resources.

Art. 61. Authorization for the use of water. Mining concessionaires that obtain permission for such use from the sole water authority shall present to the Sectorial Ministry a technical study that justifies that the works to be carried out are suitable and have been approved by the competent water authority.

Water discovered during mining works may be used by the mining concessionaire, with the prior authorization of the sole water authority, with the obligation to discharge it in accordance with the requirements, permissible limits and technical parameters established in the applicable environmental legislation.

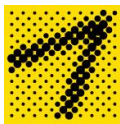
Chapter II

TRESPASSING, ADMINISTRATIVE PROTECTION, INVASION OF MINING AREAS AND OPPOSITIONS

Art. 62. Trespassing complaint. Mining concession holders or holders of permits to carry out artisanal mining are prohibited from trespassing upon other concessions with their workings. Complaints regarding the trespassing of the works shall be filed with the Agency for the Regulation and Control of Mining, together with the concession title and an up-to-date certificate of payment of patent fees. The Regulations of this Act shall set out the procedure for these proceedings.

NOTE: Article modified by article 13 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013.

Art. 63. Administrative protection. A mining right titleholder, or the lawful holder of such rights, may, through the Mining Regulation and Control Agency, apply for the illegal mining activities, the



de facto occupation, or any other imminent disturbance against the right provided for in this chapter, to be impeded.

The State, acting through the Mining Regulation and Control Agency, shall grant administrative protection to mining rights' holders with complaints regarding trespassing, dispossession, invasion, or any other form of disturbance which hinders the exercise of its mining activities.

Art. 64. Order for abandonment and eviction. The Mining Regulation and Control Agency shall, based upon the resolution granting protection and the complainant's request, issue a resolution ordering the illegal occupier to abandon the area that is the subject of the administrative complaint within a maximum period of three days, under the threat of eviction in the event of non-compliance.

If, notwithstanding the warning referred to above, the illegal occupant does not abandon the area, the Mining Regulation and Control Agency shall, upon a party's request, issue an eviction order, which shall be implemented by the competent police authority in the province.

Art. 65. Sanctions for invaders of mining areas. Those who, for personal gain or for that of third parties, individually or collectively invade special or concessioned mining areas, or those areas with artisanal permits, thus infringing the rights of the State or of mining rights' holders, shall be punished with a fine equivalent to two hundred unified basic salaries, the confiscation of tools, equipment and any production obtained, without prejudice to the administrative complaint and any penal sanctions that may be applicable in the case.

Art. 66. Filing of oppositions. Mining concession holders may file oppositions, alleging an overlap, whenever requests for concessions which overlap their own concessions are filed.

Title IV

OBLIGATIONS OF MINING HOLDERS

Chapter I

OBLIGATIONS IN GENERAL

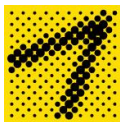
Art. 67. Labor obligations. Any labor obligations agreed between mining rights' holders and their workers shall be their exclusive responsibility and shall in no way extend to the State.

Workers engaged in mining activities shall receive 3% of the profits and the remaining 12% shall be paid to the State and Decentralized Autonomous Governments, which shall designate these funds for social investment and development projects in those area where the mining project is located. Said projects must be in harmony with the National Development Plan.

In the case of workers involved in small-scale mining, they shall receive 10% of the profits and the remaining 5% shall be paid to the State and Decentralized Autonomous Governments, which shall designate these funds for social investment and development projects in those areas where the mining project is located.

Investments made by Decentralized Autonomous Governments must be channeled through the State Bank so that it may make the corresponding payments.

NOTE: Article modified by the Second Reformatory Provision of Legal Decree S/N, published in the Supplement to the Official Gazette No. 583 on November 24, 2011.



Art. 68. Mining Health and Safety. Mining rights' holders have an obligation to protect the mental and physical health and the life of their technical personnel and workers, applying the mining/industrial health and safety standards envisaged in the relevant legal and regulatory provisions, providing them with health services and constant care, as well as hygienic and comfortable living conditions in stable work camps, in accordance with the plans and specifications approved by the Mining Regulation and Control Agency and the Labor and Employment Ministry.

Mining concessionaires must have approved and current internal Occupational Mining Health and Safety Regulations, and shall be subject to the provisions of the Mining Safety Regulations and any other relevant Regulations issued for that purpose by the corresponding institutions.

NOTE: By Execute Decree No. 10, published in the Official Registry No. 10 on August 24, 2009 SENRES merge with the Labor and Employment Ministry creating the Ministry of Labour Relations.

Art. 69. Prohibition on child labor. It is prohibited to have children or adolescents working in any capacity in any mining activity, in accordance with the provisions of article 46 numeral 2 of the Constitution of the Republic. A breach of this provision shall be considered to be a serious infringement and shall be punishable with a one-off fine as set out in the Regulations of this Act. In the event of repetition, the Sectorial Ministry shall cancel the concession and terminate the contract or artisanal permit. Female laborers shall receive special treatment in accordance with the Regulations of this Act.

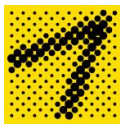
Art. 70. Compensation for damages. Mining concession holders are required to carry out their works using methods and techniques that minimize damage to soil, the environment, natural or cultural heritage, adjacent concessions and third parties., In any event, mining concession holders must compensate any damage or harm they may have caused during the course of their works.

Failure to observe the methods and techniques referred to in the preceding paragraph shall be considered as grounds for the suspension of mining activities, in addition to the corresponding penalties.

Art. 71. Preservation of demarcation landmarks. Mining concession holders and permit holders must preserve the demarcation landmarks, under penalty of a fine to be established by the Agency for the Regulation and Control of Mining in accordance with the provisions contained in the General Regulations of this Act.

NOTE: Article modified by article 13 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013.

Art. 72. Alteration of demarcation landmarks. Mining concession holders and permit holders may not alter or move the landmarks denoting the boundaries of their concessions; failure to comply shall result in the Agency for the Regulation and Control of Mining imposing a fine equivalent to one hundred unified basic salaries, in accordance with the provisions contained in the General Regulations of this Act, without prejudice to any criminal liability there may if they have acted maliciously pursuant to the Penal Code, which penalties shall also be imposed upon those who demolish, alter or move mining concession demarcation landmarks.



NOTE: Article modified by article 13 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013.

Art. 73. Maintenance and access to registers. Mining rights holders must:

- a. Maintain accounting, financial, technical and employment records, as well as production statistics, work progress reports, records regarding the consumption of materials, energy, water, and any others which adequately reflect the progress of their operations; and,
- b. Facilitate access by officers duly authorized by the Sectorial Ministry and its related entities to the books and registers referred to in the preceding paragraph so they may evaluate the mining activity being carried out.

Once this information has been delivered to the Sectorial Ministry, it shall be considered to be public within the framework established by the legislation in force.

Art. 74. Inspection of facilities. Mining rights' holders are required to allow officers duly authorized by the Sectorial Ministry, the Ministry of the Environment and their related entities to inspect their facilities and operations. Such inspections shall not in any way interfere with the normal operation of the mining works. Failure to allow an inspection, or obstruction of the same, shall be reported by the inspector to the Sectorial Ministry in the respective jurisdiction, which may suspend the mining activities.

Art. 75. Employment of national personnel. Mining rights' holders are required, for the development of their mining work, to employ Ecuadorian personnel in a proportion of not less than 80%. As for the remaining percentage, specialized Ecuadorian technical personnel must be preferred; in the event there are none, foreign personnel may be contracted, who must comply with the Ecuadorian legislation in force.

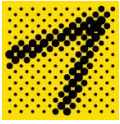
Art. 76. Training of personnel. Mining rights' holders are required to maintain ongoing training and education programs and processes for their personnel at all levels. Such programs must periodically be communicated to the Sectorial Ministry.

Art. 77. Support for local employment and training of technicians and professionals. Mining concessionaires shall preferably engage workers resident in the locations and areas near to their mining projects, and shall have human resources and social welfare policies which integrate the workers' families.

In addition, in their operation plans and in coordination with the Mining Regulation and Control Agency, mining concessionaires shall include secondary and post-secondary students in their mining works so that they may conduct practices and internships within the mining field and related disciplines, providing them with such facilities as may be required.

Chapter II

PRESERVATION OF THE ENVIRONMENT



Art. 78. Prior to the start of mining activity, the holders of mining rights must draw up and present environmental studies or documents to prevent, lessen, control and repair the environmental and social impacts of their activities. These studies or documents must be approved by the competent Environmental Authority, who shall grant the relevant Environmental Licence. Environmental Regulations for Mining Activity shall be issued by the Ministry responsible to establish the requirements and procedures for the application of this article.

The process for the presentation and approval of environmental studies, environmental management plans and granting of environmental licences, shall adhere to the limits permitted and technical parameters established in the applicable mining regulations.

Mining activities conducted prior to obtaining the relevant environmental administrative authorisation shall require specific financial guarantees to be presented as specified in environmental regulations applicable to mining.

A year after the Environmental Licence has been issued, holders of mining rights are required to present an environmental audit of compliance, which allows the controlling body to monitor, oversee and check compliance with environmental management plans and applicable environmental regulations. Thereafter, Environmental Compliance Audits shall be presented every two years, although environmental guarantees must be updated each year.

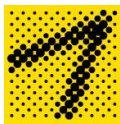
The rules relating to artisanal mining shall require the approval of environmental records. In small-scale mines the environmental licence must be granted for simultaneous operations of exploration and exploitation, requiring specific and simplified environmental studies.

In medium-size and large mines, the approval of environmental records shall be required for the initial period of exploration. An environmental declaration shall be required for advanced exploration, whilst exploitation and later stages require environmental studies, which must be amended and updated with the results obtained. The relevant environmental licences shall be granted on the basis of these instruments.

Once the holders of mining rights have satisfactorily met the requirements established in the applicable regulations, approval of documents, studies and environmental licences must be granted within the maximum period of six months from the date these were presented. If this is not completed within this period, it shall be understood that no opposition or impediment exists to prevent the start of mining activities. The official responsible for a failure of duty leading to this administrative omission shall be replaced.

NOTE: Article modified by article 14 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013.

Art. 79. Water treatment. Mining rights' holders and artisanal miners who, with the prior authorization of the sole water authority, use water in their works and processes, shall return such water to the original river channel or lagoon or lake basin from which it was taken, free of contamination or otherwise in accordance with the permissible limits established in the environmental and water legislation in force, so as not to affect the constitutionally recognized rights of people and nature.



The treatment to be given to water, in order to guarantee its quality and compliance with the relevant environmental quality parameters, shall be provided for in the respective environmental management system, pursuant to the provisions of the relevant acts and their regulations.

The re-utilization of water through re-circulation systems is an ongoing obligation for concessionaires.

Depending on the extent of the failure to comply with this provision, mining activities may be temporarily or permanently suspended. The suspension shall follow the procedure established in this Law and general regulations.

NOTE: Article modified by article 15 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013.

Art. 80. Revegetation and reforestation. If the mining operations require works necessitating the removal or felling of trees, the mining rights' holder shall be required to revegetate and reforest said area, preferably with native species, in accordance with the environmental legislation and the environmental management plan.

Art. 81. Accumulation of residues and prohibition against discharge of waste. In order to stockpile mining/metallurgical residues, mining rights' holders and artisanal miners, during all phases, including the mine closure stage, must take strict precautions in order to avoid contaminating the soil, water, air and/or biota in the locations where the residues are deposited, by building facilities such as waste rock dumps, waste landfills, tailings impoundments or ponds or such other technically designed infrastructures built to guarantee their safe and long-term management.

The discharge of waste rock, tailings or other untreated waste from any form of mining operations in rivers, streams, lakes or other sites where there is a risk of contamination is prohibited.

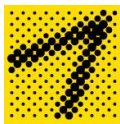
A breach of this provision shall occasion penalties that may result in the expiration of the concession or permit.

Art. 82. Conservation of flora and fauna. Environmental impact studies and environmental management plans must contain information regarding the flora and fauna species existing in the area. Likewise, mining concessionaires shall conduct monitoring studies and take the respective measures to mitigate any impact on them.

Art. 83. Waste management. Management of waste, solid and liquid residues and gaseous emissions produced by mining operations within the national territory must comply with the provisions set out in the Constitution and the environmental legislation in force.

Art. 84. Protection of the ecosystem. Mining operations, in all phases, must have in place measures to protect the ecosystem, subject to the provisions of the Constitution and the environmental legislation in force.

Art. 85. - Closure of Mining Operations.- Owners of mining operations, and beneficiation, smelting and refinery plants must include planning for the shut-down of their activities in their Studies of Environmental Impact. These must cover the mining, beneficiation, smelting and refining



activities included in the Environmental Management Plan, and provide the relevant guarantee. This planning must begin at the pre-feasibility stage of the project, and continue throughout the operational life of the activities, until the final closure and shut-down.

The shut-down plan for mining operations shall be reviewed and updated periodically in annual Environmental Programs and Estimates and in Environmental Compliance Audits, and shall include information on sums invested or an estimate of the cost of closure. It shall also provide information on the activities required for the partial or total shut-down of operations, as well as the regeneration of the area affected by mining, beneficiation, smelting and refinery activities.

In addition, no later than two years before the expected shut-down of the mining, beneficiation, smelting or refinery project, the mining licence holder must present the Plan for Final Shut-down of Operations to the National Environment Authority for its approval. This plan must include activities for the regeneration of the sector or area, the method for checking compliance with this plan, an assessment of the social impacts and compensation plan, and updated guarantees, as indicated in the relevant environmental regulations. It must also include a plan for incorporating new forms of sustainable development.

NOTE: Article modified by article 16 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013.

Art. 86. Environmental damages. With regard to any legal effects that may arise out of the application of the provisions of this article and the environmental legislation in force, the legal authority shall be the Ministry of the Environment.

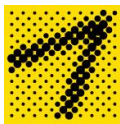
The provisions of the Constitution of the Republic of Ecuador and the civil and penal legislation in force shall apply in the case of environmental crimes against cultural heritage and damage to third parties.

Breach of the obligations contained in this Chapter shall give rise to administrative penalties for the mining rights' holders and holders of the respective permits by the Sectorial Ministry, without prejudice to any civil and penal actions that may arise. Administrative penalties may include the suspension of the mining activities that form part of the mining project, or expiration.

The procedure and requirements required in order to apply said sanctions shall be contained in the General Regulations of this Act.

Art...Ban on the use of mercury in mining operations. - Notwithstanding applicable environmental mining regulations, the use of mercury is banned in this country in mining activities, in accordance with the mechanisms introduced by the national environmental authority to that effect, and in conjunction with the institutions with legal powers over such matters.

Failure to observe this ban shall lead to the revoking of mining rights, notwithstanding any criminal penalties which may apply.



NOTE: Article modified by article 17 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013.

Chapter III

SOCIAL MANAGEMENT AND COMMUNITY PARTICIPATION

Art. 87. Right to information, participation and consultation. The State is responsible for implementing the social participation and consultation processes, acting through the corresponding public institutions, in accordance with constitutional principles and the legislation in force. Said responsibility cannot be delegated to any private entity.

These processes are intended to promote the sustainable development of mining activities, protecting the rational utilization of mining resources, respect for the environment, social participation in environmental matters and the development of towns located within the areas of influence of a mining project.

In the event, following a consultation process, there is a majority opposition within the respective community, the decision regarding whether or not to develop the project shall be taken by the Sectorial Ministry by way of a substantiated resolution.

All mining concessionaires must respect the right of individuals to have access to information and to the participation and consultation processes regarding the environmental management of mining activities.

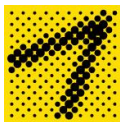
For all consultation processes, the ministry of finance shall allocate the respective budget, acting through the Sectorial Ministry.

Art. 88. Information Processes. As from the date the mining concession is granted and throughout all of its stages, concessionaires, by way of the State, must properly report to competent authorities, autonomous de-centralized governments, communities and entities that represent social, environmental or trade union interests, about the potential impacts, both positive and negative, of the mining activity.

The environmental authority shall allow free access to environmental and social studies, when formally requested, as well as to technical reports and resolutions issued by competent authorities, in the manner determined in the Act.

Art. 89. Participation and consultation processes. Citizenship participation is a process aimed at considering and incorporating the community's criteria into the social and environmental management of mining projects. The said process shall be conducted in all phases of the mining activity, within the framework of procedures and mechanisms established in the Constitution and the Act.

Art. 90. Special Procedure for Consultation of the People. The citizen participation or consultation processes shall follow a particular special mandatory process for those communities, people and nationalities, based upon the principles of legitimacy and representativeness, acting through their institutions, in those cases in which the mining exploration or exploitation is being



carried out within their ancestral lands and territories and said works could affect their interests, in accordance with Article 398 of the Constitution of the Republic.

Art. 91. Complaints regarding Social and Environmental Threats or Damages. Popular actions to complain about mining activities which cause social, cultural or environmental impacts may be filed with the Ministry of the Environment by any individual or corporate entity, subject to first complying with the requirements and formalities for such complaint, such as recognition of signatures and rubrics.

The Ministry of the Environment shall take appropriate measures in order to prevent environmental damage, when it is scientifically certain that it exists, resulting from mining activities.

In of the event there is doubt regarding whether or not there is environmental damage resulting from any action or omission, the Ministry of the Environment, in coordination with the Mining Regulation and Control Agency, shall adopt effective and appropriate protective measures and shall concurrently and in the same resolution order those actions required to prove the damage be carried out.

Chapter IV

PAYMENT OF ROYALTIES

Art. 92. Mining activity royalties. The State, as the owner of non-renewable natural resources, shall be entitled to receive a royalty from mining concessionaires carrying out exploitation works, in consideration of the provisions of this Chapter.

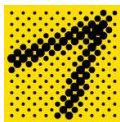
Royalties paid by mining concessionaires shall be set based upon a percentage of the sale of the primary mineral and secondary minerals and shall be paid on a biannual basis in the months of March and September of each year. The sums paid as royalties shall be duly reflected in the biannual production reports and declarations filed with the Internal Revenue Services.

Art. 93.- Royalties for the exploitation of minerals.- Financial benefits to the State shall be subject to the terms of Article 408 of the Constitution of the Republic. This means that the State shall share in the profits obtained from these resources for a sum no less than that gained by the holder of the rights to exploit these resources.

To this effect, the holder of the mining rights must pay a royalty equivalent to a percentage of the sales of the main mineral and secondary minerals. This shall be no less than 5% of sales, and in the case of gold, copper or silver, not more than 8%, to be paid in addition to income tax, the percentage payable for the use of State utilities according to this law, the tax on extraordinary income, and value added tax specified in current taxation legislation.

Any avoidance of royalty payments shall be grounds for termination, notwithstanding any civil or criminal penalties which may apply.

60% of the royalty shall be allocated to the National Government or Decentralised Autonomous Governments, for social investment programmes, which shall prioritise outstanding basic needs and the development of the land or means of production. Investment by Decentralised Autonomous Governments must be channelled through the State Bank for the issuing of payments.



Where necessary, 50% of this percentage shall be assigned to government agencies for indigenous communities and/or territorial areas. Distribution of these resources shall prioritise the needs of communities in the areas directly affected by mining activity.

Holders of mining rights for small mines shall pay 3% in royalties from the sale of the main mineral and secondary minerals, taking international market standards as a reference.

The royalty percentage for the exploitation of non-metallic minerals and construction materials shall be calculated based on the cost of production.

The total of all royalties from dry, stony materials shall be assigned to autonomous, decentralised municipal and city governments where they are generated.

The regulations contained in this law and the Contract of Mining Activity shall establish the parameters in which the royalty payments shall be applied, as well as the requirements for the distribution of these payments.

The General Regulations in this Law shall contain the provisions required to apply Article 408 of the Constitution of the Republic of Ecuador.

NOTE: Article modified by article 18 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013.

Title V

RELATIONSHIPS BETWEEN MINING RIGHTS' HOLDERS AND WITH LANDOWNERS

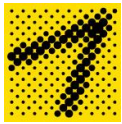
Chapter I

PERMITS AND EMERGENCY OPERATIONS

Art. 94. Permission for Neighbors. Mining concession holders, land owners and holders of beneficiation, smelting and refinery plants, shall grant owners of neighboring land, or neighboring holders, access to their facilities, drifts or tunnels in the following circumstances:

- a. When there is a well-founded danger that the works being carried out could cause damage to an adjacent miner;
- b. When landslides or deterioration of the drifts, tunnels and other facilities could be repaired more easily and quickly from the neighboring drifts, tunnels or facilities, even if the opening of temporary means of access is required. In any case, the costs shall be exclusively borne by the beneficiary; and,
- c. When trespassing is suspected.

Should this permission be denied, the interested party may go to the Agency for the Regulation and Control of Mining in order to obtain it.



NOTE: Article modified by article 13 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013.

Art. 95. Damage due to accumulation of water. When damage is caused as result of the accumulation of water used in the mining works in a neighboring or adjacent concession, the injured party shall, in writing, require that the party which caused the damage, within a period of 48 hours, fully drains the accumulation, without prejudice to any compensation for damages.

The cost of the drainage shall be borne exclusively by whomever caused the damage, although the injured party may cover the costs, with a right to be reimbursed.

The injured party may go to the Agency for the Regulation and Control of Mining in order to enforce compliance with the measures established in this article, and may also report the same to the National Water Secretariat.

NOTE: Article modified by article 13 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013.

Art. 96. Use of underground water in neighboring concessions. Mining rights' holders may use underground waters discovered within their mining concession, or in an adjacent mining concession once the discoverer has ceased to use them, in accordance with the provisions of the Act regulating water resources and control of environmental management.

Chapter II

TRESPASSING

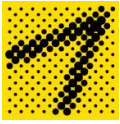
Art. 97. Prohibition against trespassing. Mining concession holders are forbidden from intruding upon another concession with their works without the neighbor's permission. In the event of unauthorized trespassing, the intruding party must stop work and pay a sum equivalent to the value of the minerals extracted, net of extraction costs, and compensation for any damages caused.

Art. 98. Suspension of works. In the event of a complaint regarding the trespassing of works, the administrative complaint must be filed with the competent authority of the Mining Regulation and Control Agency, which, following an investigation, shall order the suspension of works in the area of dispute and shall issue a resolution appropriate to the dispute.

Art. 99. Willful trespassing. Trespassing of more than 20 meters, measured from the concession boundary, shall be presumed to be willful. Similarly, if the works are continued after the Mining Regulation and Control Agency has ordered the suspension of the works, such trespassing shall be considered to be a willful trespassing. In such cases, a sum equivalent to the minerals extracted, or their restitution, shall be made without any deduction and without prejudice to any criminal liability of the trespasser who commits the crime of misappropriation.

Chapter III

EASEMENTS



Art. 100. Types of easements. From the moment a mining concession is constituted, or the installation of a beneficiation, smelting and refinery plant is authorized, the surface land shall be subject to the following easements:

- a. To the extent required for the mining activity facilities and buildings. Mining concessionaires must pay the landowner a monetary sum for the use and enjoyment of the easement, as well as a corresponding payment for any damages caused. In the absence of agreement, the Mining Regulation and Control Agency shall determine the sum.
- b. Those required for transit, water, railroads, airfields, ferry cables, ramps, conveyor belts and any other transportation and communication systems;
- c. Those established in the Electricity Sector Regime Act, in the case of electricity service installations; and
- d. Any others necessary in order to develop the mining operations.

Art. 101. Voluntary easements and agreements. Mining rights' holders may agree with landowners the grant of easements over those tracts of land required for the proper exercise of their mining rights, whether in the exploration or exploitation phases, as well as required for the facilities and buildings to be used exclusively for mining activities.

In the case of Cultural Heritage areas, authorization from the National Institute of Cultural Heritage shall be required for the grant of easements, which shall be granted on the conditions set out in the administrative act issued by such Institute.

Art. 102. Easements over neighboring concessions. Easements over adjacent concessions or free areas may be granted in order to give or provide ventilation, drainage or access to other mining concessions or beneficiation, smelting or refinery plants.

Art. 103. Establishment and extinction of easements. An easement granted over land, free areas or concessions is essentially temporary; it shall be granted by way of a public deed and, in the event it is ordered by a resolution of the Mining Regulation and Control Agency, it shall be notarized by a notary public. These documents shall be registered in the Mining Register.

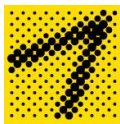
These easements shall expire with the mining rights and cannot be used for any purposes other than those relating to the respective concession or plant; they may be extended or limited according to the operations or requirements of the concession or plant.

Art. 104. Compensation for damages. Easements shall be created once the amount of compensation to be paid in the event of any damage caused to the property owner or the holder of the servient concession is agreed. The easement cannot be used until said sum is deposited.

Art. 105. Expenses for the establishment of easements. The expenses to be paid for the establishment of these easements shall be exclusively borne by the beneficiary concessionaire or plant owner.

Title VI

EXTINGUISHMENT OF MINING RIGHTS



Chapter I

EXPIRATION OF THE TERM OF CONCESSION AND PERMITS

Art. 106. Expiration of term. The mining concessions and permits shall be extinguished upon the expiry of the term originally granted or any extension thereof.

The Mining Regulation and Control Agency shall order the cancellation of the respective registrations upon the expiration of the term of the mining concession, or when mining concessionaires do not apply to commence the exploitation phase or to renew the concession term within the framework of a Mining Exploitation Contract, in accordance with the provisions of this Act.

Chapter II

REDUCTION AND RELINQUISHMENT OF CONCESSIONS

Art. 107. Authority of concessionaires. Mining concession holders may at any time during the term of their mining concessions reduce or totally relinquish their concessions in accordance with the procedures established in this Act and its General Regulations, provided such relinquishment or reduction does not affect the rights of third parties.

Such relinquishment shall result in the cancellation of the registration of the title in the respective registers, rendering the area covered by such mining concession free. In the event of a reduction, the remaining area held by the mining concessionaire shall be recorded by an annotation in the margin of the register.

Chapter III

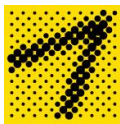
EXPIRATION OF CONCESSIONS AND PERMITS

Art. 108.- Termination of mining rights.- The Sector Ministry may exercise its legal authority and competence and declare the mining rights terminated in cases where the licence holders have rendered themselves liable to such termination, for the reasons laid down in Articles 69, 79, 81, 93 and 125, in this Chapter, and other provisions of this Law.

Throughout any termination procedure, the right to due process shall be guaranteed. This includes the basic guarantees enshrined in Article 76 of the Constitution of the Republic of Ecuador. The process of declaring termination may be officially instigated by the Sector Ministry, or be initiated in response to a complaint by a third party which has been duly investigated by the Sector Ministry, or be initiated at the request of other Ministries with a connection to the mining activity. The administrative procedure shall be subject to the terms of this Law and its General Regulations.

The technical report on the bases in fact which may be used to support the declaration of termination shall be completed by the Agency for Mining Regulation and Control.

The Sector Ministry shall be responsible for providing the licence holder with the technical report from the Agency for the Control and Regulation of Mining. The licence holder must prove that he has complied with the obligations contained therein or present the depositions and evidence for his defence within 45 days.



If the Sector Ministry finds no grounds to continue with the termination process or if the licence owner responds satisfactorily to the reasons for this procedure within the said period, the Ministry shall declare the procedure at an end, and proceed to file the case. On the other hand, if obligations remain unfulfilled, the Ministry shall issue a substantiated ruling ordering the Licence owner to take the appropriate steps to comply with these obligations within 60 days. The Sector Ministry can ask for substantiated statements from other state agencies as part of this termination declaration process.

If the Licence holder fails to comply within the established period, the Sector Ministry shall issue a substantiated ruling of termination of the mining rights.

Only terminations relating to grounds specified in Article 117 of this Law shall require a prior executory court judgement.

The licence holder may present administrative and legal appeals according to the laws of Ecuador.

Once a procedure to declare termination has been instigated, the mining licence holder cannot renounce the mining licence.

NOTE: Article modified by article 19 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013.

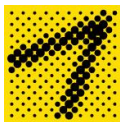
Art. 109. - The effect of termination.- Termination extinguishes the mining rights granted by the State, through licences, authorisations, permits or any other form specified in the present Law. The final declaration of termination of the mining rights shall have the following effect:

a) The exceptional permission granted by the State to carry out mining activity shall be revoked, and the area concerned shall be returned to the State. The ex-holder of the mining rights shall have no right to payment or compensation of any kind. This includes all assets, accessories and other effects, including any used for mining activities by the licence holder in all stages of the mining process. The Agency for the Regulation and Control of Mining shall have the authority to issue a substantiated order to the licence holder for the removal, at his expense, of all assets not considered relevant to mining activity. Notwithstanding the above, the State shall exercise its power to intervene in relation to said mining rights, permits, licences and other mining rights, in accordance with the current law and general regulations, throughout the termination process.

b) Termination of the mining activities contract relating to a terminated licence, if a signed contract exists.

Notwithstanding the effects indicated in the previous paragraph, in the event of a declaration of termination, the ex-mining rights holder shall remain responsible for environmental damages, which means that he shall be required to restore eco-systems and compensate people and communities, if necessary.

NOTE: Article modified by article 20 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013.



Art. 110. Expiration for non-payment. Mining concessions shall expire when owners do not pay patent fees, royalties or any other fees or taxes set out in this Act.

Art. 111. Expiration for failure to present exploration reports or for failure to prove minimum operations and investments. Failure to file an annual report regarding exploration operations and investments made in the mining concession area with the Sectorial Ministry shall constitute grounds for expiration.

Art. 112. Expiration for failure to present production reports. A mining concession shall expire in the event its holder does not file audited production reports within the period established in article 42 of this Act.

Art. 113. Expiration due to unauthorized exploitation and for presentation of false information. In the event a mining concessionaire carries out exploitation works, either directly or indirectly, prior to signing the corresponding Mining Exploitation Contract, the mining concession shall expire.

Similarly, a mining concession shall expire in the event the reports referred to in this Act contain false information or information that fraudulently modifies its technical and financial conclusions.

The technical and legal evaluation of the facts which would form the serve as a basis for the expiration declaration shall be drafted by the Mining Regulation and Control Agency.

Art. 114. Expiration for malicious alteration of landmarks. The duly proven malicious alteration of demarcation landmarks shall constitute grounds for the expiration of the mining concession.

Art. 115. Expiration due to a declaration of environmental damage. The Sectorial Ministry may declare the expiration of a mining concession in the event environmental damage has been caused, without prejudice to the concessionaires' obligation to remedy any environmental damage caused.

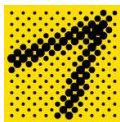
The evaluation of environmental damage, including the technical as well as the legal aspects, shall be carried out by the Ministry of the Environment by way of a substantiated resolution in accordance with article 78 of this Act. When water resources have been affected as a result of mining activities, the environmental damage evaluation must take into account the sole water authority's opinion.

The procedure and requirements for the declaration of environmental damage shall be contained in the General Regulations of the environmental legislation in force.

Art. 116. Expiration due to damage to Cultural Heritage of the State. The Sectorial Ministry shall, following a technical report by the National Cultural Heritage Institute, declare the expiration of a mining concession in the event its activities have produced serious, permanent or irreparable damage to State cultural heritage, in accordance with the provisions of the Constitution of the Republic and the Cultural Heritage Act.

The procedures and requirements for the declaration of damage to cultural heritage shall be contained in the Regulations issued to that effect.

Art. 117. Expiration due to breach of human rights. The Sectorial Ministry shall declare the expiration of a mining concession where a breach of human rights has occurred, whether it be by the concessionaire or its representatives, as well as its contractors, especially security companies



acting on behalf of the concessionaire or whoever is acting as such. A prior final sentence issued by a competent judge declaring that there is a breach of human rights is required.

Art. 118. Ineligibility to apply for mining concessions. Individuals or corporate entities who have lost their mining concessionaire status due to a breach of one or more legal or contractual obligations arising out of the mining concession cannot obtain a concession again either wholly or partially over those areas covered by the original concession, nor over another mining area, for a period of three years from the date of the relevant administrative act declaring the expiration of said concession.

Art. 119. Responsibilities and penalties. Any individual who exercises public functions and who does not comply with one or more of the legal obligations established in this Act shall be held liable in any administrative, civil and criminal proceedings.

Professionals responsible for delivering legal, technical, economic or environmental information to the competent authorities shall be held civilly and criminally liable for filing false or fraudulent information.

Chapter IV

NULLITY OF MINING RIGHTS

Art. 120. Nullity of concessions. Any mining rights title granted in breach of the provisions of this Act shall be null. Similarly, any concession granted over another legally valid and registered concession shall be null to the extent it overlaps the other concession, provided always this does not create grounds for expiration.

Art. 121. Declaration of nullity. The Sectorial Ministry is the competent authority to hear and resolve upon the nullity of mining concessions reported by subjects of mining rights or other prejudiced third parties. In the event of nullification, the mining area shall be returned to the mining concessionaire with preferential rights, or to the State, thus rendering it free.

Art. 122. Right of Ownership over mining assets.- Except under the provisions of Article 109 of this Law regarding the termination of licences, the cancellation of mining rights does not mean the loss of the right of ownership over buildings, machinery, installations and other working elements belonging to the ex-holder of said licence. These may be withdrawn, at his own expense, subject to authorisation from the Sector Ministry.

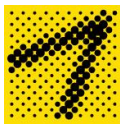
NOTE: Article modified by article 21 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013.

Title VII

MINING CONTRACTS

Chapter I

APPLICABLE RULES AND REQUIREMENTS FOR CONTRACTS



Art. 123. Applicable provisions. Contracts between concessionaires, or between concessionaires and third parties, regarding mining rights and activities are governed by the provisions of article 125 of this Act and by the provisions of private law, insofar as the latter do not contradict the provisions of this Act.

Art. 124. Requirements. To be valid, mining contracts must be signed as a public deed and registered in the Mining Register kept by the Mining Regulation and Control Agency. They must also comply with all the requirements set out in this Act. All contracts shall be published on the Mining Register websites.

Chapter II

ASSIGNMENT OR TRANSFER AND IRREVOCABLE PROMISE

Art. 125. Transferable rights. Generally, mining rights may be assigned or transferred with the prior authorization of the Mining Regulation and Control Agency or, freely in the event of death. Such transfers are perfected upon their registration in the corresponding volume of the Mining Register kept by the Mining Regulation and Control Agency. The registration fees shall be set in the General Regulations of this Act.

The assignment and transfer of rights arising out of a mining concession shall be null and of no value if there is no prior authorization by the Mining Regulation and Control Agency, without prejudice to an expiration declaration as provided for in this Act.

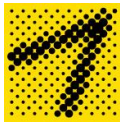
Art. 126. Irrevocable promise. Contracts of irrevocable promise regarding the assignment or transfer of rights and shares in a mining concession or, generally, in relation to any other mining rights, may be entered into if the same requirements and obligations set out in the previous article are met.

In this type of contract, the promisee can choose whether or not to execute the final contract, although it is obligatory for the promisor to execute the said final contract.

Art. 127. Contracts not subject to rescission due to lesion beyond moiety. Contracts for the assignment, transfer or exchange of rights and shares in mining concessions and other mining rights may not be rescinded on grounds of lesion beyond moiety.

Art. ... Transfer of stocks or shares.- The direct or indirect transfer of stocks or shares or any other rights of an analogous nature in the capital stock of the mining concessionaires, and which altogether represent more than 10% of the stocks or shares or other rights of an analogous nature with voting rights, must be registered in the Mining Register. To this end, the legal representatives of the concessionary companies, within 30 days after the registration of the transfers into the corresponding company books, shall inform the Sectoral Ministry of any transfers that have been performed by the shareholders or partners that represent more than 10% of the stocks or shares with the right to vote, for which purpose they must enter the data listed in the form that said Ministry created.

Transactions for which the percentage of rights indicated in the previous paragraph on a mining concession are transferred indirectly on the Ecuadoran Stock Exchange or a foreign stock exchange will also be subject to the aforementioned registration.



If there is doubt regarding the value of the transaction, the concessionaire shall present to the Sectoral Ministry the documents relating to the respective legal business so that the latter may determine the amount of the registration fee. If the transaction involves mining projects in multiple jurisdictions, the Sectoral Ministry will only take into consideration those projects and mining activities that are in Ecuador.

NOTE: Article modified by article 22 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013 and by article 44 of the Organic Code of Incentives to Production and Prevention of Tax Fraud, published in the Supplement of the Official Gazzete No.405 on December 29, 2014.

Chapter III

COLLATERAL ASSIGNMENTS OF PROPERTY AND PLEDGES

Art. 128. Collateral assignment of property by way of security. Property such as buildings; beneficiation, smelting and refinery plants; or the rights arising out of mining titles existing within the concessions, may be the subject of collateral assignments.

The contracts over the properties referred to above shall be granted by way of a public deed and registered in the Mining Register kept by the Mining Regulation and Control Agency.

Art. 129. Pledges. Movable property to be used in the operation of the concession and the mineral substances extracted from the deposit may constitute a pledge.

Pledge agreements shall be registered by an annotation in the margin of the mining concession register in the Mining Register kept by the Mining Regulation and Control Agency.

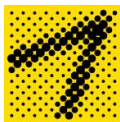
Art. 130. Legal actions. In the cases referred to in articles 128 and 129 above, the creditor may take legal actions, including the auctioning of the encumbered property. The judicial authority cannot order that the mining works are interrupted.

Title VIII

CONDOMINIUMS, COOPERATIVES AND ASSOCIATIONS ENGAGED IN MINING ACTIVITIES

Sole Chapter

CONDOMINIUMS, COOPERATIVES AND ASSOCIATIONS



Art. 131. Establishment of a mining condominium. A condominium over a mining concession shall be established when the State grants a mining title to several individuals who have made a single application, subject to the relevant provisions of this Act.

Art. 132. Responsibility of joint owners. Condominiums do not require the existence of a legally incorporated company. The owners are jointly and severally liable for the obligations arising out of the mining title.

The owners shall appoint a single attorney by way of a public deed, registered in the Mining Register. If not, service of notice on one of them shall legally constitute service on them all.

Art. 133. Rights and obligations of cooperatives, associations, condominiums and small businesses. Cooperatives, associations, condominiums and small businesses engaged in mining activities enjoy the same rights and have the same obligations as those established in this Act for mining rights holders. They may therefore become partners, and enter into all forms of mining contracts with individuals or corporate entities, whether domestic or foreign.

TITLE...
ON MEDIUM- TO LARGE-SCALE MINING - CHAPTER I –
On medium-scale mining

Article... On medium-scale mining.- Medium-scale mining is considered any mining that, based on the size of the fields depending on the type of metallic and non-metallic minerals, has been found to amount to reserves that allow for exploitation greater than the processing volume established for the special regimen of small-scale mining and up to the volume established in the following articles.

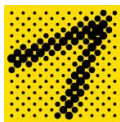
Those who started their operations under the regimen of small-scale mining may opt for the medium-scale mining method if, in the development of their simultaneous tasks of exploration and exploitation, they have arrived at a reckoning of mining resources and reserves that allows for the increase in production.

Notwithstanding the provisions in the previous paragraph, the Sectoral Ministry, with the technical and economic report of the Mining Regulation and Control Agency, will adopt any administrative actions that are necessary regarding the modification of the small-scale mining regimen by the Medium-Scale mining regimen, thereby preserving the interests of the State and stimulating the development of this sector.

As for the characteristics and conditions mentioned in the first paragraph of this article, those which correspond to the amount of investment, volume of exploitation, installed capacity for profit or processing, and technological conditions, are inherent, according to the provisions of the Regulation of this Law.

Holders of concessions under this regimen will be exempt from entering into exploitation contracts to which Article 41 of the Mining Law refers, but are required to present to the Sectoral Ministry any production manifests in terms equal to those established in this Law.

Domestic or foreign investment that is carried out in medium-scale mining activities shall be subject to the provisions of the Fundamental Code on Production, Commerce, and Investment.



The payment of the annual conservation fee for the medium-scale mining method shall be done subject to the provisions established in Article 34 of this Law, except for its final paragraph, applicable to the special regimen for small-scale mining.

Article ... State participation - The mining concessionaire in the form of medium-scale mining shall pay a royalty equal to one-fourth (1/4) percent on the sale of the principal mineral and secondary minerals, in addition to the payment corresponding to income tax and VAT.

In the case of workers linked to mining activity, they will receive 5% of the percentage of profits and the remaining 10% will be paid to the State, which will devote it solely and exclusively to local development projects.

Article ... Production volumes - Production volumes in the medium-scale mining method will be subject to the following ranges:

- a) For metallic minerals: From 301 to 1000 tonnes per day in underground mining; from 1001 to 2000 tonnes per day in open-pit mining; and from 1501 to 3000 cubic metres per day in alluvial mining;
- b) For non-metallic minerals: From 1001 to 3000 tonnes per day; and,
- c) For construction materials: From 801 to 2000 cubic metres for mining in alluvial terraces; and from 501 to 1000 metric tonnes in open-pit mining in hard rock (quarry).

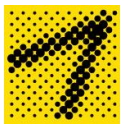
Article ... Large-scale mining.- Large-scale mining is considered that which exceeds the maximum volumes established for the medium-scale mining method.

NOTE: Article modified by article 23 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013.

Title IX SPECIAL REGIMES CHAPTER I ARTISANAL MINING AND SUBSISTENCE MINING

Art 134. Artisanal mining.- For the purposes of applying this Law and in accordance with the provisions of the Fundamental Law of the Popular and Joint Economy and the Law of the Popular and Joint Financial Sector, the term "artisanal mining" comprises and is applied to the popular economic units, sole-proprietorship ventures, family businesses, and domestic enterprises that perform tasks in free areas.

Artisanal mining activities are characterised by the use of machines and equipment with limited loading and production capacities in accordance with the instruction approved by the board of directors of the Mining Regulation and Control Agency for the procurement of minerals, whose marketing in general meets the needs of the community and of the people or family group who perform those tasks, solely within the territorial jurisdiction for which the corresponding permit had been obtained.



By their nature, artisanal mining activities are not subject to royalty or fee payments, but are subject to the tax regime to ensure the income that corresponds to the State.

The Sectoral Ministry may issue permits for a period of up to 10 years for artisanal mining labours, renewable for equal periods provided that there be a written request prior to their maturity and that there be a favourable report from the Mining Regulation and Control Agency and the Environmental Ministry. The artisanal mining permits cannot affect the rights of a mining concessionaire with a current title; despite the foregoing, the mining concessionaires may authorise the performance of artisanal mining work in the area of of their concession by entering into operating contracts regulated by the Sectoral Ministry.

In the event that, in the exercise of the State's authority to regulate, control, and manage the strategic mining sector, the Sectoral Ministry, should it deem so appropriate and necessary, will grant the permits referred to in the preceding paragraph in concession areas, with the exception of those subject to the special scheme for small-scale mining, after a favourable report from the Mining Regulation and Control Agency. In these cases, the fulfilment of the obligations of environmental, mining safety, labour, social, tax, and other natures that are listed in the Regulation the of Special Scheme for Small-Scale Mining and Artisanal Mining will be the sole responsibility of the beneficiaries, unless they can impute them to the effects of their non-compliance to the holders of mining concessions.

The permits that are granted for underground artisanal mining jobs may not exceed 4 mining hectares or 6 acres for open-pit jobs. The granting of more than one permit to the same person for artisanal mining activities is expressly prohibited, as is the performance of tasks directly or through intermediaries outside the localities in which such work was performed.

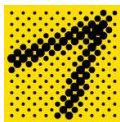
The administrative formalities that must be carried out in the Sectoral Ministry and its appointed bodies, for the granting, administration, termination, and registration, must be simplified and carried out at no cost to the petitioner in all cases. Similarly, and for the purposes of notarisation, any permits that are conferred for artisanal mining shall be held for an unspecified amount.

For purposes of control and suitable environmental management, permits for artisanal mining granted for the exploitation of metallic minerals, except for the exploitation of alluvial deposits, shall be limited to removal work. Its processing must be done in plants that have the proper authorisation for its installation and operation, in addition to having the environmental license required.

NOTE: Article modified by article 24 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013.

Art ... Production and processing capacity.- In consideration of the different nature and concentration of minerals and based on the distribution of mineralisation, as well as on the methods of exploitation and/or processing technically chosen for their rational usage, the following production capacities are established under the regimen of artisanal mining of mineralised material:

a) For metallic minerals: Up to 10 tonnes per day for underground mining and 120 cubic metres per day in alluvial mining;



- b) For non-metallic minerals: Up to 50 tonnes per day;
- c) For construction materials: Up to 100 cubic metres per day for alluvial mining or unconsolidated materials; and 50 metric tonnes per day for open-pit mining in hard rock.

Article...Exercise of State power.- In exercise of the State's authority to administrate, regulate, control, and manage the strategic mining sector, the Sectoral Ministry, with the technical and economic report of the Mining Regulation and Control Agency, shall adopt any administrative actions that may be necessary regarding the granting, maintenance, and termination of the rights granted under the regimen of artisanal mining, including in these the rights to modify the regimen of permits and opt for the concessions method provided for small-scale mining, preserving the State's interests and promoting the development of this sector. In this case, the accumulation of mining areas granted may be done under the methods of permits for artisanal mining, unless the Sectoral Ministry, in application of the provisions of Articles 313 and 316 of the Constitution of the Republic of Ecuador, by decree, can redefine the areas subject to the granting of concessions, conferring concessions titles in replacement of permits for artisanal mining.

In exercise of that power, the accumulation of mining areas for small-, medium- and large-scale mining will also proceed within the limits of the size of the concessions provided in this Law.

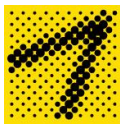
NOTE: Article modified by article 25 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013.

Art. 135. Extinguishment of artisanal mining rights. Permits granted to artisanal miners shall be extinguished in the manner and on the conditions established in Title VI, Chapters I and III of this Act.

Art. 136. The Sectoral Ministry shall promote special technical assistance, environmental management, mining safety and education, and professional training programs for artisanal mining, for which it may enlist the support of universities and polytechnic schools specializing in the corresponding areas.

Chapter II SMALL-SCALE MINING

Art. 137. Incentive for national mining production. In order to promote full employment, eliminate under-employment and unemployment, and in order to foster productivity and competitiveness and the accumulation of scientific and technological knowledge, the State shall, by delegating to private initiatives, co-operatives and popular solidarity economy associations, promote the development of national mining under a special small-scale mining regime and shall guarantee



the right to carry out such activities, either individually or collectively, in accordance with the principles of solidarity and social responsibility.

Art. 138. Small-scale mining.- Small-scale mining is that which, because of the geological characteristics and conditions of mining fields of metallic and non-metallic mineral substances and construction material, as well as their technical and economic parameters, their direct rational exploitation is viable, regardless of what may precede the exploration work or that the exploration and exploitation works are performed simultaneously.

For the features and conditions of the geological/mining fields mentioned in the preceding paragraph which are suitable for the development of small-scale mining work, and as opposed to larger-scale mining activities, those which correspond to the area of the concessions, to the amount of investment, volume of exploitation, installed capacity for profit or processing, and technological conditions, are inherent, according to the Provisions of the Special Regulation on Small-Scale Mining and Artisanal Mining

NOTE: Article modified by article 26 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013 and by the Seventh Transitory Reform Of the Organic and Integral Criminal Code, published in the supplement of the Official Gazzete No.180 on February 10th, 2014.

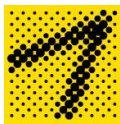
Art. ... Production capacity under the regimen of small-scale mining.- Depending on the degree of concentration of minerals in the fields and depending on how the mineralisation is distributed, as well as the methods of exploitation and/or processing technically selected for its rational use, the following production ranges are established for each operator:

- a) For metallic minerals: up to 300 tonnes per day in underground mining; up to 1000 tonnes per day in open-pit mining; and up to 1500 cubic metres per day in alluvial mining;
- b) For non-metallic minerals: up to 1000 tonnes per day; and
- c) For construction materials: up to 800 cubic metres for mining in alluvial terraces; and 500 metric tonnes per day in open-pit mining in hard rock (quarry).

Within this regimen, each mining area can perform one or more mining operations by its owner or its operators legally empowered to do so, as long as the technical characteristics or conditions of the exploitation of the deposits justify such.

NOTE: Article modified by article 27 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013.

Article...Production manifests and reports.- Holders of concessions in small-scale mining will be exempt from entering into the exploitation contracts referred to in Article 41 of the Mining Law, but are required to submit to the Sectoral Ministry production manifests and reports by legal declarations made before a notary public in which the number of mining hectares for exploration and exploitation, respectively, will be indicated. The annual reports shall be submitted duly audited production by 31 March each year the Sectoral Ministry, in accordance with the technical guidelines



developed for the purpose by the Agency of Mining Regulation and Control. Any proven falsity in the declaration of the above reference will be punished in accordance with the penalties applicable to the crime of perjury.

The failure to submit the production manifests or their updates shall be punished with the temporary suspension of activities until the submission of such manifests is fulfilled. Any delay in the presentation of the indicated documents cannot exceed the period of ninety days, beyond which the definitive suspension of activities will occur.

Production manifests and other statements by the holders of mining rights made by a legal declaration before a notary public must state in the text of the requests, petitions, and other procedural or processing documents.

For all purposes, including those of a fiscal and tax nature, the Mining Regulation and Control Agency shall establish the quantities of extraction, processing, and exporting of minerals and their contents or law. The Regulation of this Law shall define the general, technical, and statistical parameters for the exercise of this power.

NOTE: Article modified by article 27 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013 and by the Seventh Transitory Reform Of the Organic and Integral Criminal Code, published in the supplement of the Official Gazzete No.180 on February 10th, 2014.

Art. 139. Mining concessions for small-scale mining. The State shall grant Small-Scale Mining Concessions to individuals and corporate entities in accordance with the provisions of this Act and its General Regulations, which shall establish a special regime.

Small-scale mining concessions shall be granted by the Sectorial Ministry in accordance with the procedure established in the Regulations and shall confer on its holder the exclusive right to prospect, explore, exploit, beneficiate, smelt, refine and commercialize all mineral substances that may exist and be obtained in said concession area, without any limitation other than those specified in this Act.

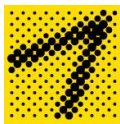
Art. 140. Registration. In order to have access to the rights and benefits conferred upon mining rights' holders by this chapter, they must be registered as small-scale miners with the relevant mining administrative authority of the Sectorial Ministry. The registration procedures and requirements shall be established in the Regulations of this Act.

Art. 141. Obligations. Mining concessionaires carrying out small-scale mining activities shall comply with the obligations of mining concessionaires contained in Title IV of this Act.

Holders of small-scale mining rights shall be required to comply with the environmental legislation in force, and must attend and pass training programs promoted by the National Geological Research Institute.

Chapter III

CONSTRUCTION MATERIALS



Art. 142. Construction material concessions. The State, acting through the Sectorial Ministry, shall grant concessions for the use of surface clays, sand, rocks and other materials directly used in the construction industry, although river beds, lakes, sea beaches and quarries are excepted, and shall be governed by the limitation established in the General Regulations of this Act, which shall also define what are construction materials and their exploitation volumes.

Within the framework of article 264 of the Constitution in force, each Municipal Government shall be competent to regulate, authorize and control the exploitation of dry and stony materials found in river beds, lakes, sea beaches and quarries, in accordance with the Special Regulations that shall establish the requirements, restrictions and procedures for that purpose. The exercise of such power shall be limited to the principles, rights and obligations contemplated by the Municipal Directives issued for that purpose. They shall not establish conditions and obligations other than those established in this Act and its Regulations.

Art. 143. Rights and obligations of construction material concessionaires. Concessionaires shall be empowered to explore said materials without the need to sign a Contract; they may be exploited following the signing of the respective contract and may establish any easements required for the proper exercise of the rights arising out of the concession.

Notwithstanding the foregoing, landowners shall have a preferential right to apply for a concession of the area of which they are owners. Should the landowners freely and voluntarily, by way of a public deed, grant authorization for the use of their land as a concession, this authorization shall imply a waiver of the preferential right for the grant of a concession over such land.

Additionally, construction material concessionaires must comply with the obligations stemming from articles 38, 41 and 42, Chapter I of Title III and Chapters I, II and III of Title IV of this Act. Similarly, they must comply with the requirement to pay royalties established in this Act for small-scale mining.

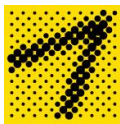
Art. 144. Free use of construction materials for public works. The State, either directly or through contractors, may freely use any construction materials for public works in concessionated or non-concessionated areas.

This shall be authorized by the Sectorial Ministry, taking into consideration both the social and public aims of such free use. The term and exploitation volumes shall be regulated and may only and exclusively be extended due to the technical production requirements and the duration of the execution of the public works.

Such material may only and exclusively be used for those public works for which the free use was required. Use for other purposes shall constitute illegal exploitation, which shall be subject to the provisions established in this act for that purpose.

The State's contractor cannot include within its costs sums corresponding to the construction materials freely used. In the event free use exploitation for other purposes is proven, it shall be punished with a fine equivalent to two hundred basic unified salaries and, in the event of repetition, by the termination of the contract for such public works.

Authorization for free use shall be subject to compliance with all the provisions of this law, especially those regarding environmental matters.



Contractors who exploit the free uses must comply with the Environmental Management Plan.

Chapter IV

NON-METALLIC MINERALS

Art. 145. Exploitation of non-metallic minerals. The exploration and exploitation of non-metallic minerals is subject to the general provisions applicable to mining concessions in the terms set out in this Act and its General Regulations, including the payment of royalties.

The General Regulations of this Act shall define what are non-metallic mineral substances and the form of the State's participation in the benefits in accordance with the provisions of the second paragraph of article 408 of the Constitution of Ecuador.

State interest shall be taken into consideration with regard to the use of such non-metallic minerals in the construction of infrastructure works of national interest.

Chapter V

MINING ACTIVITIES ON THE SEABED

Art. 146. Research and operation on seabeds. The exploitation of mineral substances of any kind in the seabed shall be the responsibility of the National Geological, Mining and Metallurgical Research Institute and the National Mining Company, which may sign research agreements and supply of services contracts, respectively, with domestic or foreign individuals or corporate entities, subject to the requirements and conditions established in the Special Regulations issued for that purpose by the President of the Republic.

Title X

TAX AND ECONOMIC PROVISIONS

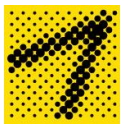
Art. 147. Accelerated depreciation. Mining rights' holders who have signed a Mining Exploitation Contract may apply to the Internal Revenue Service for special accelerated depreciation treatment for those fixed assets that have a shorter useful life as a result of the increased wear and tear caused as a result of the operation of a mining project. The Internal Revenue Service, following a report from the Mining Regulation and Control Agency, shall accept or dismiss the application.

The General Regulations of this Act shall list those goods eligible for accelerated depreciation.

Art. 148. Simplified Tax Regime for artisanal miners. Artisanal miners may use the Simplified Tax Regime for income tax and value added tax purposes, as per the conditions, terms and requirements provided for in the Internal Tax Regime Act.

Art. 149. Purchases of gold.- Purchases of gold by the Central Bank of Ecuador directly or indirectly, as well as the purchases made by economic public or private agents duly authorized by the Bank, will be taxed at zero VAT.

NOTE: Article modified by article 28 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013 and by the twentieth four



Reformatory disposition, letter b) of the Monetary and Financial Code, published in the second supplement of the Official Gazette on September 12, 2014.

Title XI

ADMINISTRATIVE, LITIGIOUS-ADMINISTRATIVE AND LEGAL JURISDICTION

Art. 150. Jurisdiction and competence. The Mining Regulation and Control Agency shall have regulatory jurisdiction, competence and control regarding mining matters, together with the duties and powers provided for in this Act and its General Regulations.

Any disputes that may arise between those subject to mining legislation and administrative authorities in mining matters shall be resolved by the Litigious-Administrative District Tribunals.

In any case, the provisions regarding jurisdictional guarantees, protective actions, access to public information and other protection rights contemplated in the Constitution of the Republic must be respected.

Any procedures for granting, administration, and termination of mineral rights must be stated in the preliminary technical report of the Mining Regulation and Control Agency, which must be issued within a period no greater than thirty (30) days, from the date on which the petition or request is received. In the event that it is not issued within the aforementioned period, the Sectoral Ministry shall adopt the reasoned decision that the case requires.

NOTE: Article modified by article 29 of the Organic Law amending the Mining Law, the reforming law for tax equity in Ecuador and the Organic Law to the internal tax regime, published in the second supplement of the official gazette No. 037 on July 16th, 2013.

Art. 151. Coactive jurisdiction. The Internal Revenue Service shall have coactive jurisdiction collect royalties, patents, taxes, default interest, fines, financial compensation on behalf of the State and other charges such as court fees generated by its implementation.

Title XII

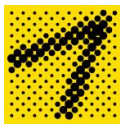
PROCEDURE FOR THE RELINQUISHMENT OF MINING RIGHTS

Art. 152. Relinquishment of mining hectares. One or more mining hectares within an established mining concession may be relinquished, provided third party rights are not prejudiced. Whole or partial relinquishments shall be subject to the provisions of the General Regulations.

Art. 153. Voluntary or contentious jurisdiction. Relinquishment constitutes a voluntary procedure, which may become litigious should any injured third party contest such relinquishment.

Art. 154. Relinquishment application. The relinquishment application shall be filed with the competent department of the Sectoral Ministry and, within the same, an express application shall be made requesting that the cancellation or modification of the respective entries be ordered, depending upon whether the relinquishment is whole or partial. The General Regulations shall establish the requirements and procedures to be complied with for it to be processed and resolved.

Art. 155. Form and perfection. Once the relinquishment is approved, this act of approval shall be registered as a public deed with a notary public and shall be registered in the Mining Register kept by the Mining Regulation and Control Agency.



Art. 156. Third party rights. If it appears from the background information that the relinquishment affects or could affect the rights of third parties, the Sectorial Ministry authority competent to hear the procedure shall order the relinquishing party to provide a public deed evidencing the consent of such parties to the relinquishment.

If there is no evidence of such consent, the competent authority of the Sectorial Ministry shall order such third parties to be notified and summoned, by way of a single publication in a newspaper of national and/or local circulation.

Art. 157. Opposition. The following constitute grounds of opposition: the existence of preparatory contracts, pledges, financing contracts, leases, exploitation contracts, mineral sale contracts and seizures regarding the concession covering the mining hectares to be relinquished.

For an opposition claim to be administratively processed, it must be brought before the competent department of the Sectorial Ministry. Its resolution may be appealed up to the highest instance within a term of five days counted from the date the parties are notified.

Art. 158. Approval of relinquishment. Once the resolution approving the relinquishment is made and is perfected by registration in the Mining Register, the applicant shall deliver a certified copy of such acts to the competent office of the Sectorial Ministry for registry purposes.

GENERAL PROVISIONS

FIRST. If, as a result of the activities referred to in this Act, radioactive minerals or substances are discovered in economically exploitable concentrations, the mining rights holder shall immediately report the discovery to the Sectorial Ministry.

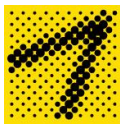
SECOND. Breaches of the provisions of this Act, which do not constitute grounds for the extinguishment of the mining rights, shall be punished by the Sectorial Ministry or its related agencies within the framework of their competence by a fine equivalent to no less than twenty, and no more than five hundred, basic unified salaries, plus 0.1% of the investment, depending upon the seriousness of the breach, without prejudice of any civil or penal sanctions that may be applicable.

The right to due process shall be respected in all cases. Fines shall be deposited with agencies legally authorized to collect such taxes.

THIRD: The State is the owner of the royalties, patents, and labour profits attributable to the State in the corresponding percentage in accordance with this Law and any adjustments that are required to comply with Article 408 of the Constitution, the same which will be levied through the Internal Revenue Service, which for these purposes is vested with all of the powers and authority granted by the current tax regulation and this Law.

FOURTH: Any administrative acts regarding the extinguishment or expiration of mining concessions due to Mandate N° 6 have been enforced.

FIFTH: Any environmental damage creates a strict responsibility.



SIXTH: All forms of mining activity within areas declared to be ancestral territories of people in voluntary isolation is prohibited, in accordance with the provisions of the Constitution of the Republic.

SEVENTH. In the event the corresponding administrative acts are not issued in accordance with the terms established in the articles of this Act, this shall be construed as administrative silence, which must be established by way of a resolution by the competent judicial court.

EIGHTH: Permits for the free use of construction materials shall solely and exclusively be authorized in the province of the Galapagos.

TRANSITIONAL PROVISIONS

FIRST. Mining concession holders who kept their mining concessions by virtue of the provisions of article 8 of Constitutional Mandate N° 6 shall keep their mining rights and may recommence their activities. Within a term of 120 days, as from the date the respective regulations come into force, their processes must be regularized and harmonized with this legislation.

In the case of owners of beneficiation plants currently in operation, they shall have a term of one year within which to adapt to this legislation, counted as from the date this Act comes into force.

Breaches of this provision shall result in the extinguishment of the mining title and, therefore, the expiration of mining concessions or permits to operate a beneficiation plant granted before this Act comes into force.

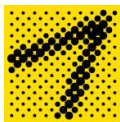
SECOND. Once this Act is enacted as a result of its publication in the Official Gazette, the President of the Republic of Ecuador, by way of an executive decree, shall stipulate the issuance of the administrative acts required for the integration, organization, regulation and control of the bodies created hereby. Until then, the National Mining Bureau, the Regional Mining Bureaus and the Mining Environmental Protection Bureau shall, on a transitional basis, exercise the powers and functions of the Mining Regulation and Control Agency; and the National Geological Bureau the duties of the National Geological, Mining and Metallurgical Research Institute, provided the same do not contradict the rules of this Act.

THIRD: The Property Registrars, within a term of 90 days counted from the date this Act comes into force, shall submit to the Mining Regulation and Control Agency all original information and files regarding registered mining concessions and any other procedures regarding mining activities. All acts and proceedings to be included in the Mining Register shall be subject to the rules of the Registration Act, so far as may be applicable.

FOURTH.

FIFTH. Within a term of 90 days counted from the date this Act comes into force, the Sectorial Ministry shall issue the Ministerial Agreement containing the terms, conditions and periods according to which the mining areas and mining projects referred to in the final paragraph of article 24 must be returned.

SIXTH. Within a period of 180 days counted from the date this Act comes into force, the Executive branch shall submit to the National Assembly the Promotion, Participation and Training for Small-Scale and Artisanal Mining Bill.



SEVENTH. Within a period of 180 days, the Executive branch shall issue the special regulations to protect the life, health and environment of the Josefina, Portovelo and Nambija areas.

EIGHTH. Within a period of 180 days counted from the date this Act comes into force, the Sectorial Ministry shall carry out a census of those artisanal miners who do not have authorization to carry out mining activities but can prove they have worked for at least two years prior to the census referred to, so their situation may be regularized.

NINTH. Those beneficiation plants which, at the date this Act comes into force, have a permit, are in operation and would have a capacity less than that referred to above, may continue to operate once the environmental license in the terms determined by this Act and the Regulations is obtained.

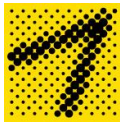
FINAL PROVISIONS

FIRST. Repeals. The following acts are hereby repealed: Mining Act 126, published in the Supplement to the Official Gazette N° 695, on May 31, 1991 and its regulations; and Decree Act 2000 – Act regarding the Promotion of Investment and Citizenship Participation, published in Official Gazette N° 690, on August 18, 2000, insofar as it amends the abovementioned Mining Act, and any other legal and regulatory provisions that conflict with this Act.

SECOND. Effective date. This Act shall come into force upon its publication in the Official Gazette. Its provisions shall prevail over other acts and may only be amended or repealed by an express provision in another act expressly passed for such purpose. Thus, any acts or decrees that contradict in any way this provision or any others established in the Constitution shall not be applicable.

SOURCES OF CURRENT EDITION OF MINING ACT:

1. Mining Act, Supplement to Official Gazette No. 517 of January 29, 2009.
2. Legal Decree, Supplement to Official Gazette No. 583 of November 24, 2011.
3. Act, Second Supplement to the Official Gazette 037 of July 16, 2013.
4. Organic and Integral Criminal Code, Supplement to Official Gazette 180 of February 10, 2014.
5. Monetary and Financial Code, Second Supplement to Official Gazette 332 of September 12, 2014.
6. Organic Law of Production and Prevention of Tax Fraud, Official Gazette No. 405 of December 29, 2014.
7. Public and Private Alliances Act, Official Gazette No. 652 of December 18, 2015.



ORGANIC LAW AMENDING THE MINING LAW, THE AMENDMENT TO THE LAW OF TAXATION EQUITY IN ECUADOR, AND THE ORGANIC LAW OF INTERNAL TAXATION REVENUE

GENERAL PROVISIONS.

FIRST. Holders of mining concessions, in the event of invoking the provisions of Article 46 of the Mining Law and opting for the installation of the plants mentioned, must include in their environmental studies and environmental management plans, reference to the installation and operation of these plants.

SECOND. The Ecuadorian State may choose to delegate participation in the strategic mining sector to private initiative and the popular and joint economy, in observance of the provisions contained in the second paragraph of Article 316 of the Constitution of the Republic of Ecuador by granting rights in the manner listed in this law, any other method not foreseen or recognised therein or in its regulations being prohibited. A likewise Prohibition is established for the registration of mining titles in the Mining Registry, under the supervision of the Mining Regulation and Control Agency, which, having no origin from the exceptional delegation under the administrative concession method, are not found to be registered in the aforementioned Mining Registry.

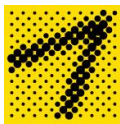
THIRD. In order to preserve the interests of the State, in all cases in which there is evidence of the existence of gold in the beds of rivers, lakes, lagoons, beaches, and quarries and concession titles had been granted for non-metallic minerals or building materials, the Ministry of Non-Renewable Natural Resources, with the report from the Mining Regulation and Control Agency and the National Institute of Geological, Mining, and Metallurgical Research, by decree, shall proceed to decree the reformation of the concession title or change the object of the concession method that allows for the use of resources.

FOURTH. Losses suffered in a mining concession shall not be compensated or consolidated with the earnings obtained from other mining concessions granted to the same holder. Likewise, these gains or losses may not be compensated by those obtained in the performance of other economic activities other than mining ones conducted by that holder.

FIFTH. The suspension of mining activities established in this Law and its regulations shall be decreed only by the Sectoral Ministry via a reasoned decision. Notwithstanding the foregoing, suspensions based on environmental issues such as preventive and/or corrective measures, with regards to legal or illegal mining activities, must be executed by the National Environmental Authority under the provisions established in Art. 396 of the Constitution of the Republic of Ecuador.

SIXTH. The processes of qualification or registration under the special regimen for small-scale and artisanal mining are subject to the pre-existence of mining rights.

SEVENTH. No mineral rights will be recognised for natural or legal persons, domestic or foreign, that have partners, shareholders, or participants who are directly or indirectly linked to companies with registered address, incorporation, or location in a tax haven.



EIGHT. The State, through the Sectoral Ministry, the National Institute of Geological, Mining, and Metallurgy Research, and the Environmental Ministry, will develop training and technical assistance programmes aimed at artisanal and small-scale mining, which will be performed periodically.

Likewise, the State, through public banks, will seek to create financial products for the acquisition of modern, environmentally-friendly technology

TEMPORARY PROVISIONS

FIRST. The provisions applicable to mining regarding the procedures and processes for granting, maintaining, and terminating mineral rights, as well as those pertaining to internments, administrative injunctions, oppositions, invasions, easements, forfeitures, annulments, precautionary actions, temporary suspensions or decommissioning of activities, fines, increases in production volumes, revocation of permits, process formalisation, changes in concessionary methods, under the administrative competence and jurisdiction of the Sectoral Ministry and the Mining Regulation and Control Agency, will be stated in the General Regulation of this Law and the regulations established by the Agency.

SECOND. Six months after the enforcement of this Act, the Board of Directors of the Central Bank of Ecuador will issue regulations under its competence which are necessary for the marketing of the gold, in particular those required to offer logistical and operational facilitation to the mining titleholders that the said marketing may require.

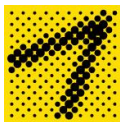
THIRD. To eliminate the use of mercury in mining activities, natural or legal persons, whether domestic or foreign, who are holders of mining rights, from the effective date of this Act and for a period of two years, must apply alternative methods that make it possible to eliminate the said substance progressively in the mineral recovery processes.

FOURTH. In the event that the persons identified in the Seventh General Provision of this law are currently included in the conditions indicated therein, they must change their address within a period of one year from the effective date of this Law, being exempt from transfer fees in accordance with the current tax regulations.

FIFTH. Mining activities that are developed in areas in which their holders may have carried out work in accordance with the provisions of Articles 37 and 38 of the Mining Law and who likewise may have put forth before the Sectoral Ministry their interest in negotiating and entering into mining exploitation contracts in accordance with Articles 39 and 41 of the said law, cannot avail of the special regimen of small- or medium-scale mining.

SIXTH. In the case of persons who perform artisanal mining labour, identified in the Mining Census of 2010 and who, until the date of the enactment of this Law, are not legalised, the Sectoral Ministry, will conclude their legalisation in accordance with the regulations of the Mining Law and this reform, within a maximum period of 180 days.

SEVENTH. The Sectoral Ministry, through the fulfilment of the powers granted to it by this law, will prevent situations of monopolies or concentration from occurring in the concessions regimen. To that end, the regulations that prevent monopolies and concentrations will be established in the General Regulations of this Law.



FINAL PROVISION

This Law will enter into effect upon its publication in the Official Registry.

Issued and signed at the headquarters of the National Assembly, located in the Metropolitan District of Quito, province of Pichincha, on the ninth day of July two thousand and thirteen.

SOURCES OF CURRENT EDITION OF MINING ACT:

1. Mining Act, Supplement to Official Gazette No. 517 of January 29, 2009.
2. Legal Decree, Supplement to Official Gazette No. 583 of November 24, 2011.
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6. Organic Law of Production and Prevention of Tax Fraud, Official Gazette No. 405 of December 29, 2014.
7. Public and Private Alliances Act, Official Gazette No. 652 of December 18, 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.