

ECUADOR

MINING COUNTRY 

the opportunity is here

Ecuador... From Promise to Reality

Javier Córdova Unda
Minister of Mining



Ministerio
de Minería



With presidential
decree No.578
The Ministry of
Mining is created
13 Feb 2015

Inauguration
of the Mirador
Project
22 Dec 2015

Ecuador
attends PDAC
2016 as country
sponsor

Investment contract
signature FdN
Project
19 Dec 2016

Ecuador
attends PDAC
2017 as country
sponsor

Lundin Gold
raises USD 450
million to begin
construction

2015

2016

2017

Ecuador attends
PDAC 2015 as
country sponsor
for the first time

New concession
granting process
began
01 Mar 2016

Promulgation of the
National Mining
Development Plan
14 Jun 2016

Inauguration
of the Rio
Blanco Project

INV Metals signed
pre-agreement

Ecuador is positioned to become one of the world's most attractive new mining regions

1

Attractive investment environment

2

Projects underway

3

The future is bright

Promises fulfilled in 3 key areas have returned Ecuador to the world mining map

1

Attractive investment environment

- A. Competitive fiscal regime
- B. Competitive systemic advantages
- C. Reopen mining cadaster
- D. Strong social commitment

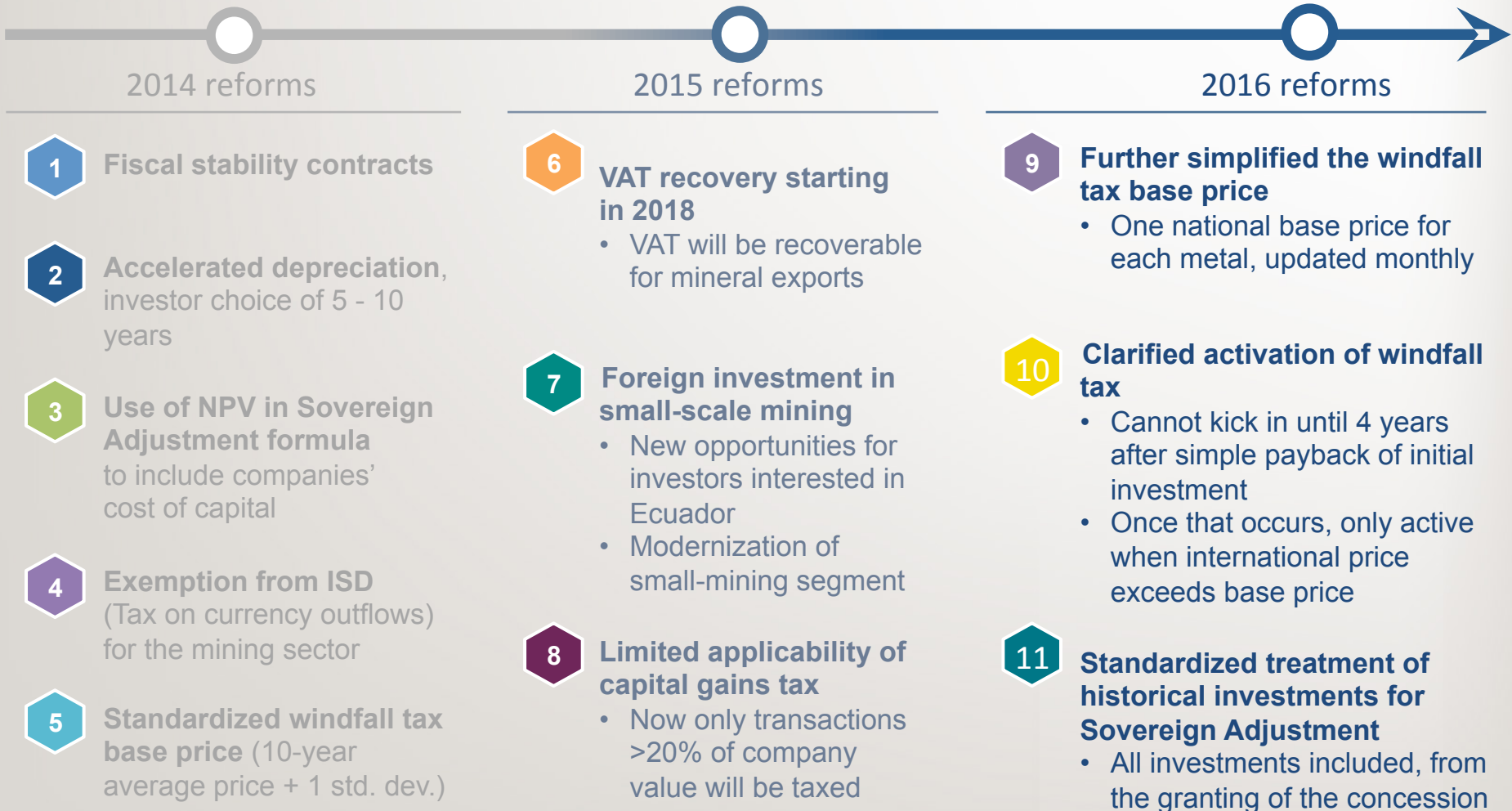
2

Projects underway

3

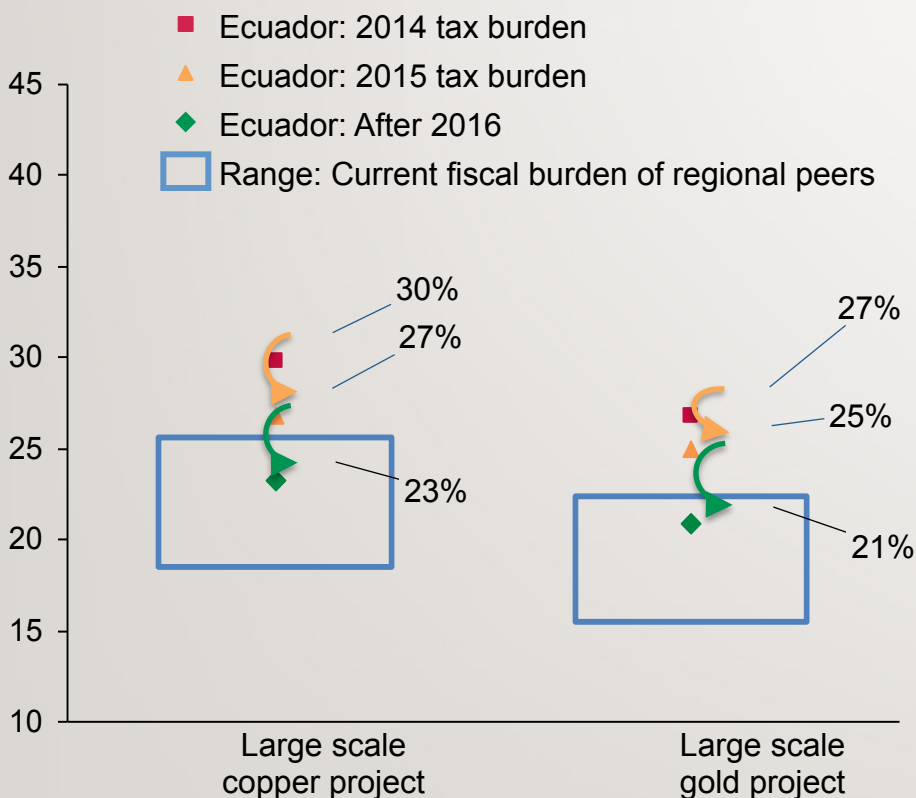
The future is bright

Additional fiscal and legal reforms were approved in 2016 to further enhance investment conditions



Fiscal burden compared to mining countries in the region

% of revenues¹



- **Competitive fiscal burden presented at PDAC 2016 is now officially implemented**
- **Improvements implemented during the last year include:**
 - Windfall tax cannot apply until after 4 years have passed since investment payback
 - Equal base price applied for all projects
 - Sovereign adjustment officially includes all cash flows since the start of the concession
- **Additional incentives (2014 - 2015) improve predictability, stability, and competitiveness:**
 - Fiscal stability contracts
 - Accelerated depreciation
 - VAT refund
 - ISD tax exception for the mining sector
 - Base price by formula
 - Foreign investment for small scale mining

Source: Wood Mackenzie. Notes: (1) Fiscal burden calculated in present value terms; assumes long term Cu price of USD 3.50/lb, Au price USD 1,353/oz, (2) Regional peers: Chile, Peru, Colombia, Brazil, Mexico (blue box on graph)

Costs

- Advantages in 40% of mining operating costs¹
 - Some of the lowest electric costs in the region
 - Labor Cost
 - Fuel and Transport
- Most projects forecasted to be in the 1st or 2nd quartile

Infrastructure

- USD 40.5 billion invested in strategic sectors since 2007
- Ecuador doubled its electric generation capacity from 4 GW to almost 9 GW
- New port and airport infrastructure



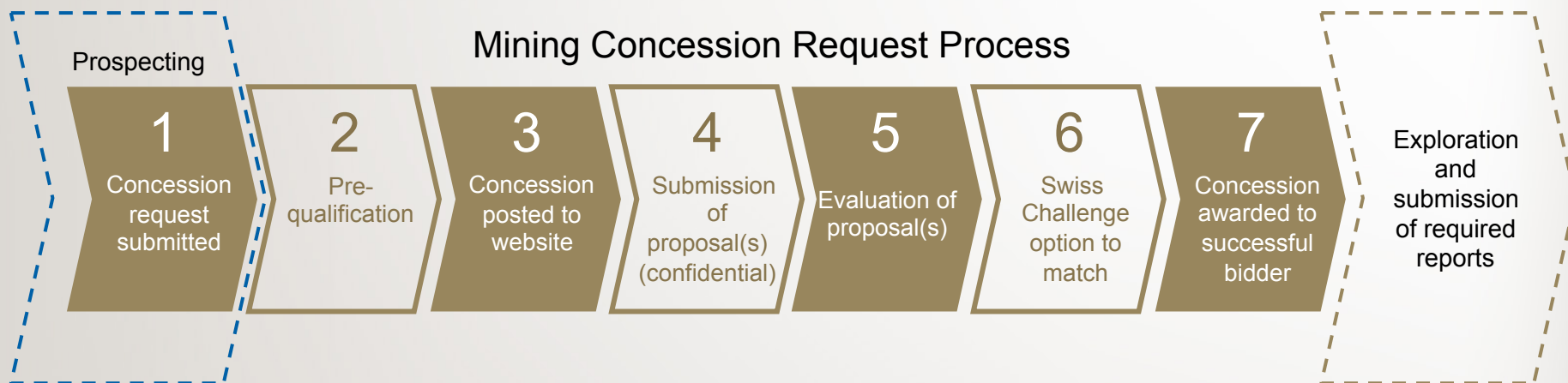
Excellent Geology

- Privileged location on the metal hotbed of the Andes
- Less than 10% of the territory has been explored
- World class gold project under development (Fruta del Norte)
- Potential world-class copper discovery (Cascabel)

Production Factors

- Accelerated Bacallaureate
 - Provides qualified labor force
- Training for heavy machinery certified workers
- Access to water

We successfully reopened the mining cadaster using an objective, fast and transparent process



Legend

Interested Party

Ministry of Mining

Process initiated by an interested party, and rapidly advanced by the Ministry of Mining

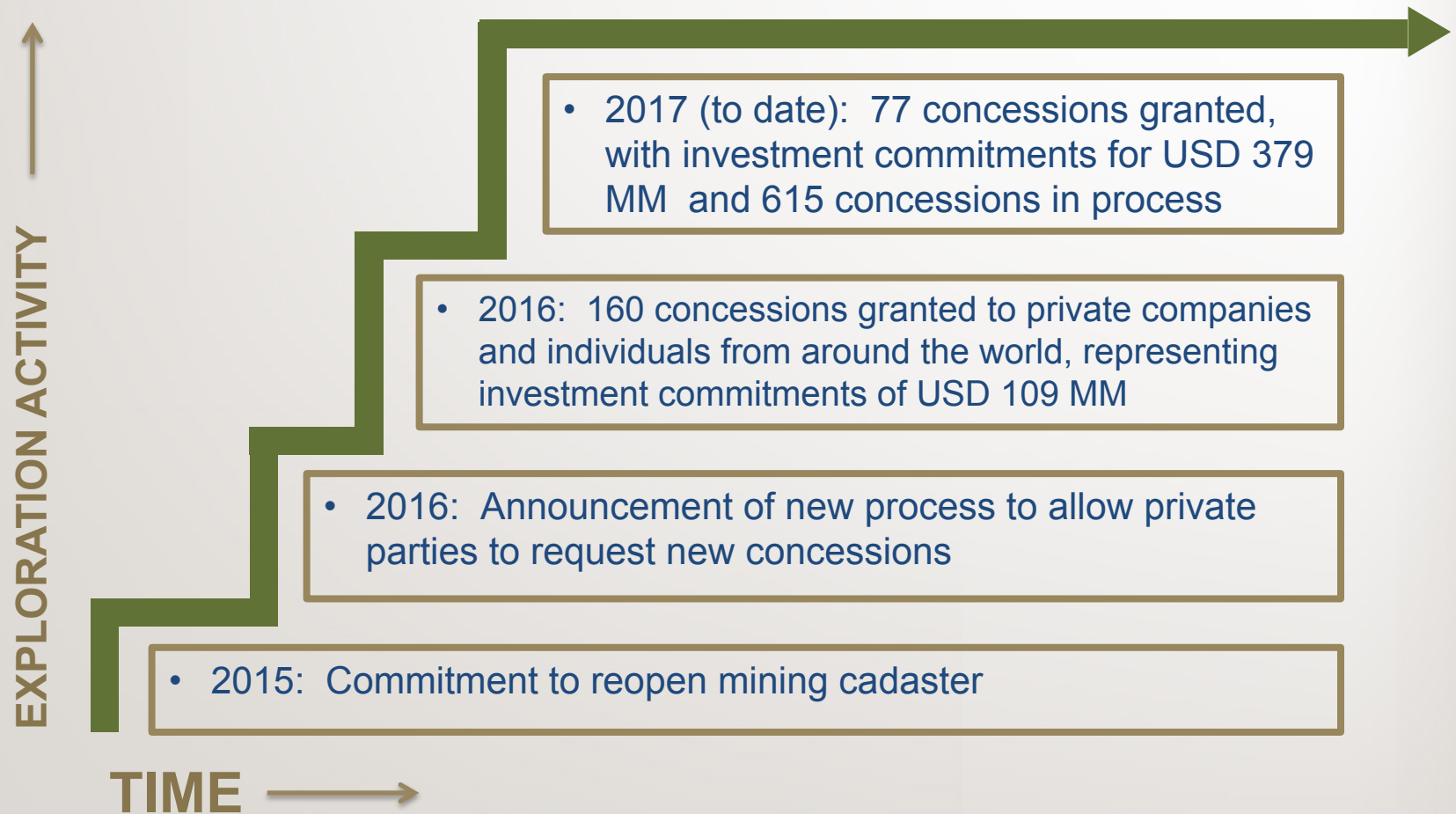
Scoring of bids

- Technical qualification (Y/N)
- Score is based on the value (amount) of the investment commitment

• Swiss Challenge rules:

- First bidder submits the concession request and a closed-envelope first bid
- Others may submit bids
- First bidder has option to match highest bid of another party (maximum bid increase = 100% of initial bid)

1C. The positive results are manifested by 852 requested mining concessions



Important investment commitments from international and domestic companies

Number of concessions granted by province

118 MM



0.6 MM



1.6 MM



20 MM



347 MM



Legend

● >25

● 10-24

● 5-9

● <4

COMPANY

- BHP Billiton PLC
- Lowell Copper
- Lundin Gold
- Ecuasolidus S.A.
- Black Sands Mining
- Comimoll Cía. Ltda.
- La Plata Minerales S.A.
- Fortescue Metals Group LTD.
- Monterra Resources S.A.
- SolGold PLC.
- Southern Copper Corp.

TOTAL CONCESSIONS

237

COMMITTED INVESTMENT (4 years)

USD 488 million

- **Improving communities influenced by strategic industries (USD 140.6 million invested in mining provinces) ¹**

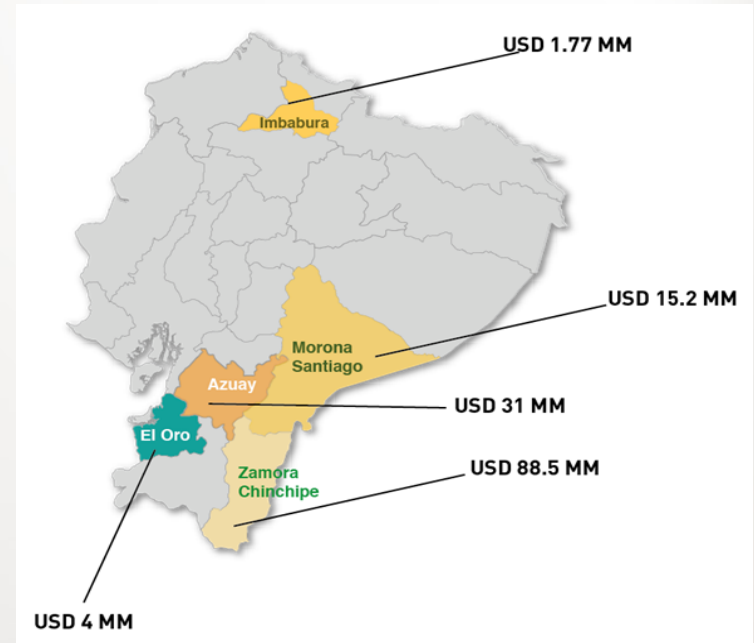
- **60%** of royalties required by law to go to social investment projects and regional development
 - Road infrastructure
 - Schools
 - Hospitals
 - Electricity
 - Water

- **Transition from Artisanal Mining to Small Mining**

- Association
- Training
- Support

- **Indirect Benefits of Mining Development**

- Catering Las Peñas (Fruta del Norte Project)
- APOSAE
- Ecolac: Milk production



Note:

The investments shown correspond to amounts invested in each province since 2012, when the state-owned Company Ecuador Estratégico was formed

Investment:

- USD 140.6 Million
- 269 social development projects

Ecuador's mining era is underway

1

Attractive investment environment

2

Projects underway

- A. Strategic projects
- B. Other important developments
- C. International recognition

3

The future is bright

2A Important advances in strategic projects

Strategic Projects

Río Blanco



庄胜矿产资源集团有限公司
JUNEFIELD MINERAL RESOURCES HOLDINGS LIMITED

- Project Inauguration 11 Aug 2016
- Start of production 2nd half of 2017

Mirador



Ecuacorriente S.A.

- Project inauguration 21 Dec 2015
- Start of production in 2019

Loma Larga

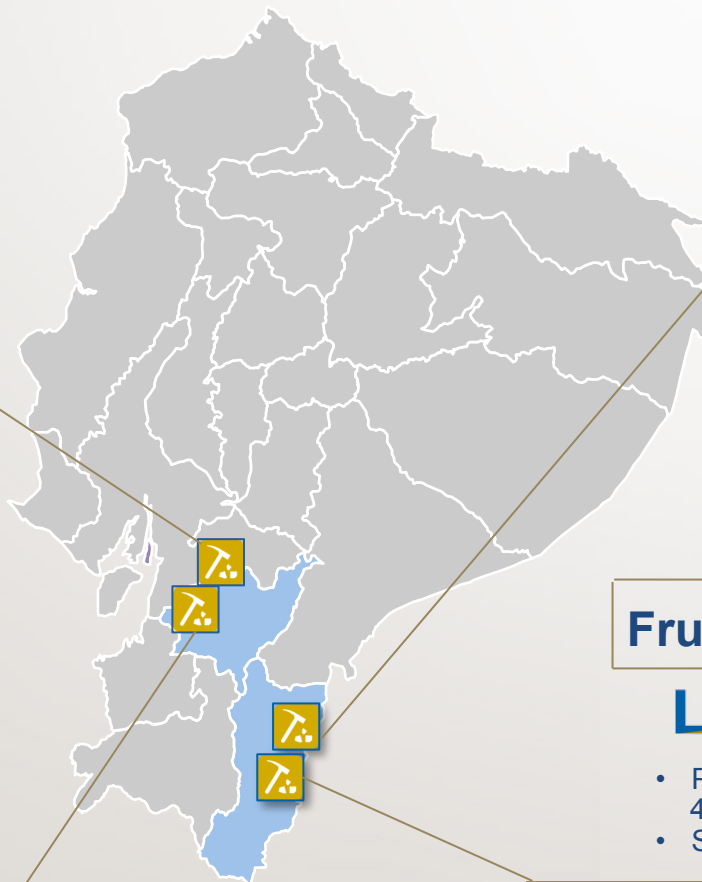
INVTM METALS

- Pre-agreement negotiations began 2 March 2017
- Pre-agreement signed in 2017

Fruta del Norte

LUNDINGOLD

- Project finance package of USD 450 million
- Start of production in 2020





LUNDINGOLD



Ministerio
de Minería

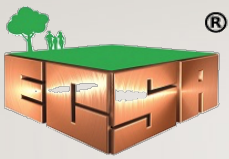
Fruta del Norte Project



No se puede mostrar la imagen. Puede que su equipo no tenga suficiente memoria para abrir la imagen o que ésta esté dañada. Reinicie el equipo y, a continuación, abra el archivo de nuevo. Si sigue apareciendo la x roja, puede que tenga que borrar la imagen e insertarla de nuevo.



Sources: Office of the Vice-president of Ecuador, Agencia Andes, The Northern Miner



Mirador Project

Exploitation contract signature
05 Mar 12

Subscription of investment contract
10 Apr 2013

Construction commenced on the concentrator

Emission of the license update for 60,000 tpd
18 Dec 2015

Project inauguration
21 Dec 2015

Environmental license for the concentrator

Start of production

2012

2013

2015

2016

2019



No se puede mostrar la imagen. Puede que su equipo no tenga suficiente memoria para abrir la imagen o que ésta esté dañada. Reinicie el equipo y, a continuación, abra el archivo de nuevo. Si sigue apareciendo la x roja, puede que tenga que borrar la imagen e insertarla de nuevo.





Rio Blanco Project

Feasibility
study
upgrade
16 Jan 2014

Categorization of
the project under
medium mining
regime
23 Jul 2015

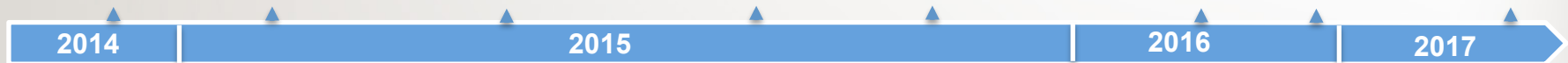
Environmental
license granted
for exploitation
phase
6 Nov 2015

Start of
exploitation
phase
11 Nov 2015

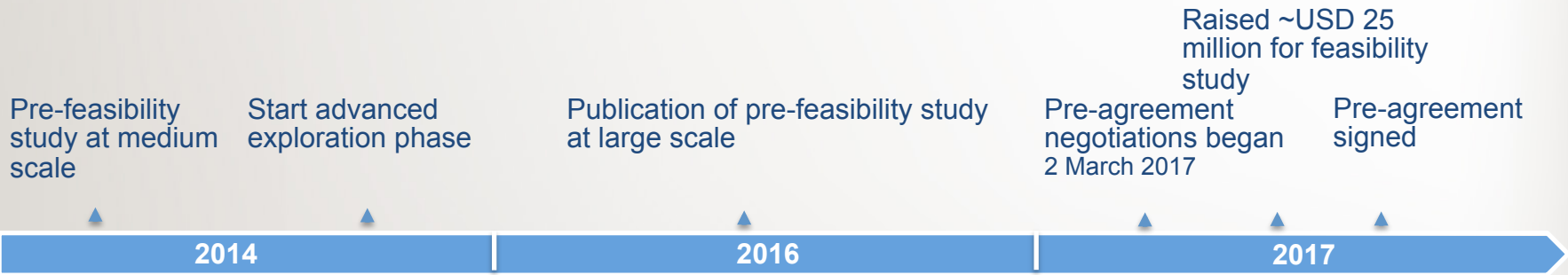
Development
proposal, mining
investment plan
presentation
23 Dec 2015

Project
Inauguration
11 Aug 2016

Construction
Start of
production
Q4 2017



Loma Larga Project



There are important advances in other projects

Cascabel



- New Investors: Newcrest 15%, Maxit Capital 5%, Guyana Goldfields 6%

La Plata



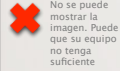
- Capital raise up to USD 4 million for drilling
- Drilling program installed

Zaruma



Purchased by
Goldgroup on 2016

Llurimagua



- Constitution of new joint venture in 2017 90,000 m of drilling until 2018

Cangrejos



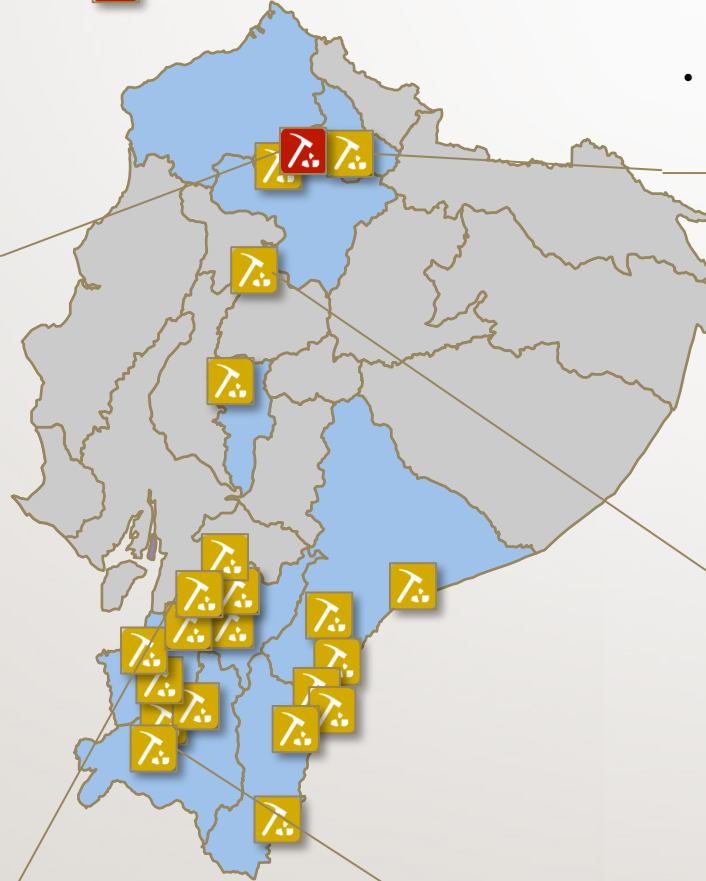
- Completed acquisition of Cangrejos lands Oct 2015
- Announcement of 4 million ounce Inferred Gold Resource



Privately Owned



ENAMI (National Mining Company)



Cascabel Project

Granting of
4-year
environmental
license for
drilling

Increased
ownership to 85%

Increasingly
attractive drill
results

New investors:
Newcrest 10%,
Maxit Capital 5%,
Guyana
Goldfields 6%

18,400 m of
drilling,
resource
taking shape

USD 30 million
in investment for
the exploration
program

Newcrest
increased its
participation
to 15%

2013

2014

2015

2016

2017

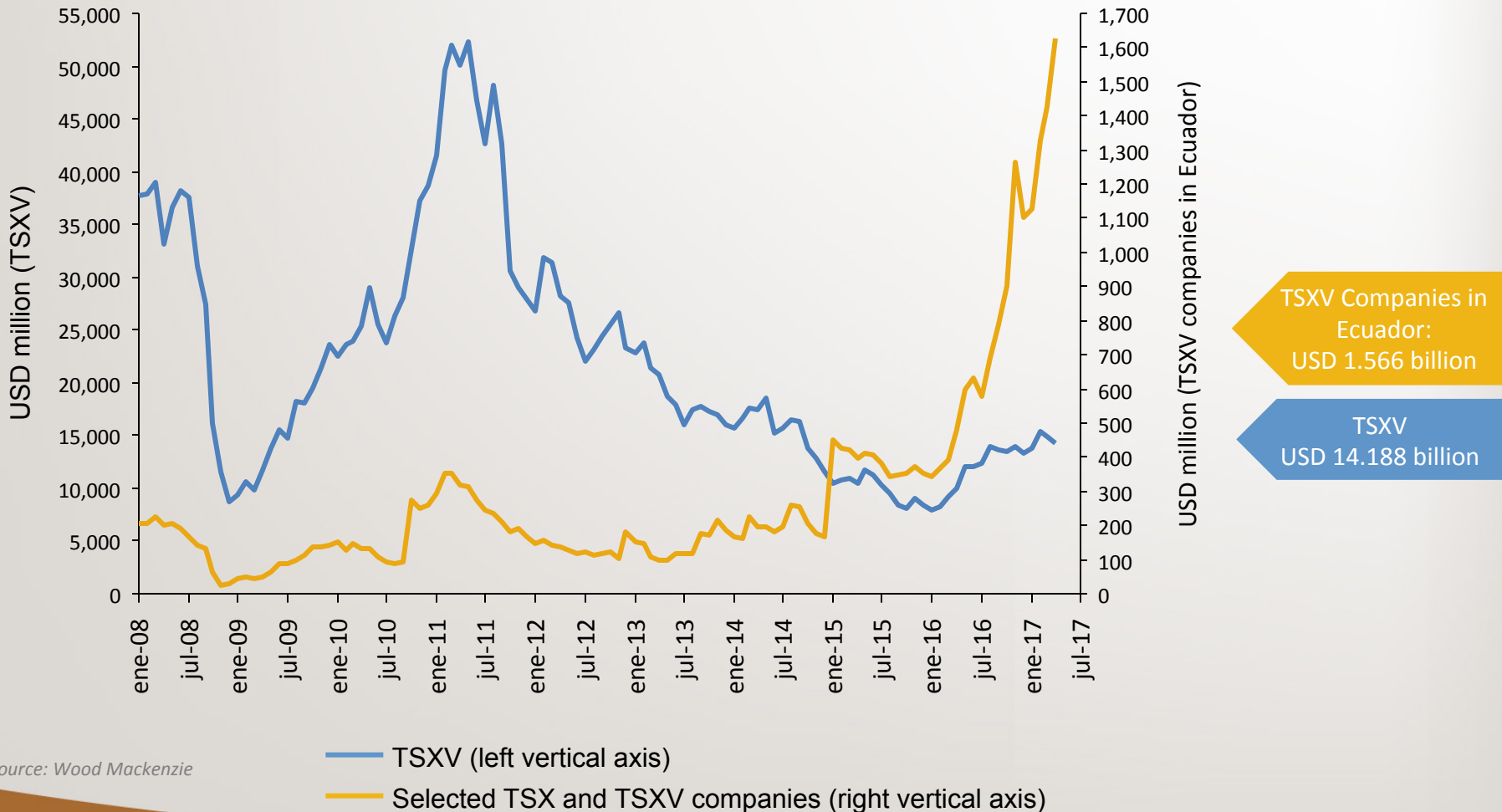


6 of the 30 best drill holes for copper porphyry in history (Paradigm Capital)

- 1 Thanks to the work of the mining sector, there was an improvement in the Fraser index, with an increase of 20 points from 2014 to 2016
- 2 Third consecutive year of Ecuador's participation in PDAC, as country sponsor
- 3 Entry of 28 new foreign mining companies domiciled in Ecuador
- 4 LUNDIN GOLD assured a financing package of ~USD 450 millions from Orion Mine Finance Group (United States) and Blackstone Tactical Opportunities (United States)

The market capitalization of companies with projects in Ecuador has increased

Market Capitalization of Mining Companies in the Toronto Stock Exchange



Ecuador's mining industry is news in national and international media.

MINING JOURNAL 07/03/17



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Home > Central/South America > Ecuador tax rate competitive

Ecuador tax rate competitive

Incremental reforms through 2015 and 2016 mean Ecuador's net tax take is in line with other countries in the region, Patrick Barnes of Wood Mackenzie, the architects of Ecuador's fiscal overhaul, told delegates at the 'Ecuador Day' event at the PDAC Convention in Toronto, Canada.

By Paul Harris in Toronto, Canada | 07 Mar 2017 | 5:59 | Feature





A former mining asset sold because of fiscal uncertainty, state oil revenue is being built by Lantana Gold

"Since 2014, the tax burden has come down mainly due to changes to the sovereign adjustment, accelerated depreciation, currency transfer tax and recoverable VAT. Ecuador is now lower than Mexico," he said.

In 2016, the government clarified how the windfall and sovereign adjustment taxes would be levied with the net result that there is little probability that they will ever be activated," he said.

The windfall tax will now be levied after the simple payback of initial capital invested with no discount rate plus four years with the base price clarified for each metal. After four years, it will only kick in if there is a price increase of more than one standard deviation higher than the average over the previous 10 years.

In the current price environment, this would mean a copper price of US\$4.10 per pound and gold price of \$1,600 per ounce.

For the sovereign adjustment, all project cash flows will be taken into account, including project expenses leading up to the moment when an exploitation contract with the government is signed.

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- Trump's tax points

TOPICS (select for more information):

Tax reform Ecuador

NEW YORK TIMES 17/06/17





Business Day
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SolGold Boosts Budget to Explore for Copper, Gold All Over Ecuador





By REUTERS
JUNE 16, 2017

LONDON — Copper and gold explorer SolGold on Friday said it was raising \$41.2 million (32.25 million pounds), on top of more than \$30 million announced in October, as it widens its search for resources in Ecuador after already finding one world class asset.

Ecuador has been increasing its profile as a country open to foreign mining and has shifted its resource focus from oil and gas as its reserves dwindle and oil prices <LCOc1> stagnate, analysts say.

The world's biggest miner BHP rated SolGold's mineral exploration prospects sufficiently highly to seek a deal but SolGold rebuffed it in favour of an agreement with Australian gold miner Newcrest Mining.

According to a share placement announced on Friday, Newcrest will pay a further \$40 million to increase the size of its stake to 14.54 percent as part of a placing to raise a total of \$41.2 million.

That adds to last October's agreement that Newcrest would spend \$22.86 million buying new shares equivalent to 10 percent of SolGold, while private investment firm Maxit got 4.43 percent of the company for \$10.1 million.

CEO Nick Mather said the new placement at a 15.5 percent premium to Thursday's closing price and a discount to SolGold's peak share price of 46.75 pence in May this year was a vote of confidence.

The share price rose nearly 10 percent on Friday and has climbed more than 64 percent this year.

Mather said Ecuador was underexplored, especially compared with Chile, the world's biggest copper producer, where miners have been complaining about dwindling ore quality and rising costs.

Abundant reserves of gold found in association with copper add to the appeal of mining in a more northerly country.

"The great thing about the North Andean copper belt is it gets increasingly gold-rich," Mather said.

"The copper miners will say the gold will pay for the cost of producing copper and the gold miners will look at it vice versa."

SolGold's flagship project in Ecuador is named Cascabel and exploration so far implies it is a major new high-grade copper and gold find to rival some of the largest existing mines, such as Grasberg in Indonesia, controlled by Freeport McMoran Inc, and Oyu Tolgoi in Mongolia, controlled by Rio Tinto.

With a market capitalisation of more than 500 million pounds (\$639 million) on AIM, London's market for growing companies, SolGold is seeking to move to a standard listing on the London Stock Exchange.

It is also seeking a listing in Toronto, which will be considered by the Toronto Stock Exchange on June 21.

(additional reporting by Alexandra Valencia in Quito; Editing by Elaine Hardcastle)

PAYDIRT JUNE 2017

LATIN AMERICA DOWN UNDER REVIEW

Solgold helps build
Ecuador momentum

Leading Ecuadorian economics expert Walter Spurrier suggested investors should not be concerned about a return to a harsher investment climate under newly elected president Lenin Moreno.

Moreno was sworn in as Ecuador's President on May 19 following a recount in April and will succeed outgoing President Rafael Correa who belongs to the same PAIS Alliance coalition.

"The new President was handpicked by President Correa, who also drew the new Government's plan," Spurrier said. "It is a safe bet to say there will be continuity in mining policy."

Spurrier's comments would have been welcomed by the international mining community which has steadily increased investment in the equatorial nation over the last 15 years.

Correa was part of the widespread leftist movement which washed across Latin America in the early 2000s and created investment policies which eventually led to the sale of world-class assets such as

the Fruta del Norte gold project and the Mirador and Panatza-San Carlos copper deposits.

The Ecuadorian Government instead relied on oil revenues but the oil price crash of 2014 sent the economy into a tailspin, forcing Correa to seek more business-friendly legislation.

A new ministry of mining was established and under the lead of undersecretary Minister Javier Cordova – who visited Latin America Down Under in 2015 – a new regulatory and tax structure made mining investment more attractive.

The results have been almost immediate with Fruta del Norte and others back on the development table.

Spurrier said the exercise had convinced the Government there was no turning back.

"Ecuador comes from trying during a full decade to attract investment in mining in terms extremely favourable to governments, and found there were no takers," he said. "The authorities are now convinced that current terms are the best they can get. Therefore, no reversal of legal framework or policies should be expected."

A question remained whether new exploration projects would be worked. The answer came in mid-2016 when Brisbane-based, AIM-listed Solgold plc sparked a bidding war between Newcrest Mining Ltd and BHP Ltd following a series of stunning intercepts from its Casacabel copper-gold porphyry project south of Quito.

"After just 22 holes assayed, this project has some of the world's best porphyry intersections," Solgold business development manager Pru Maclean said. "It is a phenomenal achievement to have intersections averaging 1% copper equivalent. It has taken a while to develop jungle exploration techniques but we think we may have found the next Escondida."

The intercepts – which have so far included 1,312m @ 0.67% copper and 0.83 g/t gold, 1,050m @ 0.68% copper and 0.92 g/t gold, 772m @ 0.8% copper and 1.19 g/t gold and 1,089m @ 0.66% copper and 0.89 g/t gold – enticed both



Walter Spurrier

Newcrest and BHP, with the former eventually securing a 10% stake in Solgold. Maclean said the company would have 10 rigs drilling over \$6,000m at Casacabel over the next two years.

The drilling would test the extents of the 15 porphyry centres identified at Casacabel before defining a maiden resource at the priority Alpala prospect, Maclean said.

Spurrier said Solgold's discovery had preceded a surge of interest in Ecuador's mineral prospectivity.

When the Government opened the bid process for new concessions in May 2016, there were 300 applications and when it reviewed requests for concessions in the northern region of the country, it granted 22 deeds including to Australian iron ore miner Fortescue Metals Group Ltd which was awarded 32 concessions covering 14,000sq km of ground.

Maclean said Fortescue's entry and the interest of Newcrest and BHP was proof Ecuador was heading in the right direction.

"You are seeing FMG come in and I have heard First Quantum [Minerals Ltd] and BHP are hunting around as well," she said.

– Dominic Piper



**LATIN
AMERICA
DOWNUNDER**
Perth, Australia

Pru Maclean

EL UNIVERSO 18/06/2017

EL UNIVERSO

Se vienen los australianos



Se vienen los australianos



Walter Spurrier Baquerizo

En 2016, una pequeña minera australiana, SolGold, buscaba afanosamente un socio para su concesión minera Cascabel en Imbabura, donde hace esquina con Esmeraldas y Carchi. Imbabura es una provincia minera; 65 kilómetros al sur está Llurimagua, un importante yacimiento cuprífero aún no debidamente explorado, y que la empresa estatal Enami explorará y explotará con la estatal chilena Codelco.

Para SolGold fue una sorpresa el interés que suscitó su búsqueda de socio minoritario. Tuvo una estupenda propuesta de la minera más grande del mundo, la también australiana BHP-Billinton. Pero BHP quería control; SolGold la rechazó y en cambio aceptó la propuesta de Newcrest, otra minera australiana, de entrar como socia minoritaria.

Las perforaciones realizadas con estos fondos frescos arrojaron resultados que superaron con creces las expectativas más optimistas de SolGold. Cascabel es una mina de cobre porfídico, con presencia de oro, de primerísimo orden a nivel mundial. Según ejecutivos de SolGold, sería más importante que Fruta del Norte, apreciación que comparte el ministro de Minería, Javier Córdova.

Córdova es el único ministro de Minería desde que se creó el cargo; su ratificación por el presidente Moreno es un acierto. El proceso de apertura iniciado el año pasado no se interrumpe. Las mineras australianas, atraídas por el hallazgo de

Córdova es el único ministro de Minería desde que se creó el cargo; su ratificación por el presidente Moreno es un acierto. El proceso de apertura iniciado el año pasado no se interrumpe. Las mineras australianas, atraídas por el hallazgo de Cascabel, vienen en tropel al Ecuador para invertir en exploración. BHP habría propuesto a Codelco entrar como socia en Llurimagua.

Australia tiene las mineras más grandes del mundo, así como Canadá es donde se constituyen las empresas exploradoras que levantan capital de riesgo a través de la Bolsa de Toronto.

Ecuador ha sido el gran ausente en el auge minero de los países andinos. En parte se debe a que los Andes ecuatorianos son frondosos, con espesa capa vegetal sobre las rocas, y por lo tanto solo perforando se sabe si hay minerales metálicos. En Chile y el sur del Perú, en cambio, el ojo de un geólogo descubre las vetas expuestas.

El otro motivo es que hemos tenido un marco legal que ahuyenta a los inversionistas. La excepción fue durante el gobierno de Gustavo Noboa, cuya ley abrió el país a la minería. Mineras canadienses descubrieron cinco yacimientos: Fruta del Norte (oro), Mirador y Panantza-San Carlos (cobre), tres grandes yacimientos en la Cordillera del Cóndor. Además, dos proyectos medianos en Azuay.

Pero luego vino Alianza PAIS, que dictó el mandato minero, cerrando nuevamente el país a la minería; posteriormente, el presidente Correa dictó una nueva ley de minería que creaba un impuesto a las ganancias extraordinarias, como el que introdujo para petróleo, y que no existe en ninguna otra legislación minera del mundo.

Como en el cuento de la bella durmiente, el bosque quedó dormido hasta que la caída en el precio del petróleo obligó al presidente Correa a permitir la reactivación minera. Creó el Ministerio de Minería y mediante reformas legales y reglamentarias debilitó el impuesto a las utilidades extraordinarias.

El resultado: los cinco yacimientos comenzaron a desarrollarse, la exploración se acelera en Cascabel y Llurimagua, y las mineras australianas desembarcan en Ecuador en pos de nuevos descubrimientos.

The opportunity is here and has a promising future

1

Attractive investment environment

2

Projects underway

3

The future is bright

- A. Investment and employment
- B. Taxes and exports
- C. GDP

3A All these advances are carrying investment and employment to a new level

Total of the Period :

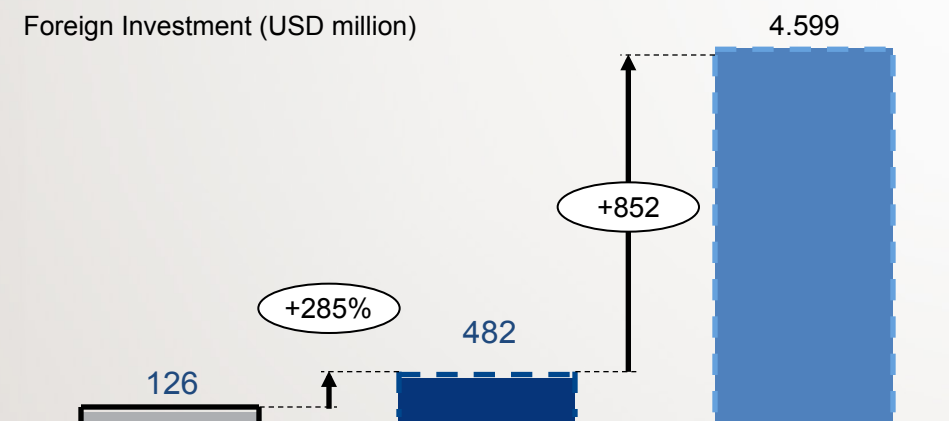
2011-2013

2014-2016¹

2017-2021¹

Investment

Foreign Investment (USD million)

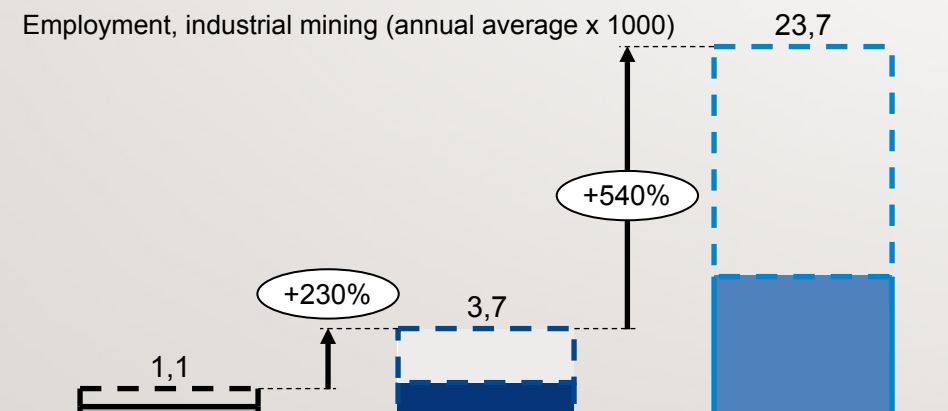


- Potential to receive ~USD 4.6 billion in the next 4 years due to direct foreign investment.

Employment

Employment, industrial mining (annual average x 1000)

Indirect
Direct



- Projected creation of ~25,000 (19,600 indirect and 4,100 direct) new jobs in the next 4 years

Source: (1) Values as of 2016 and 2017-2021 are Wood Mackenzie projections

Source: ARCOM, SRI, Banco Central, Wood Mackenzie analysis. Tax values include anticipated royalties and profit sharing (state portion)

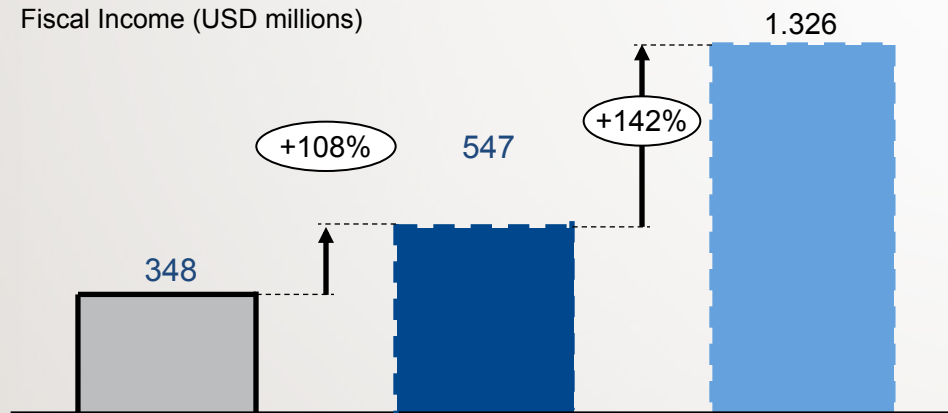
Total of the Period:

2011-2013

2014-2016¹2017-2021¹

Taxes

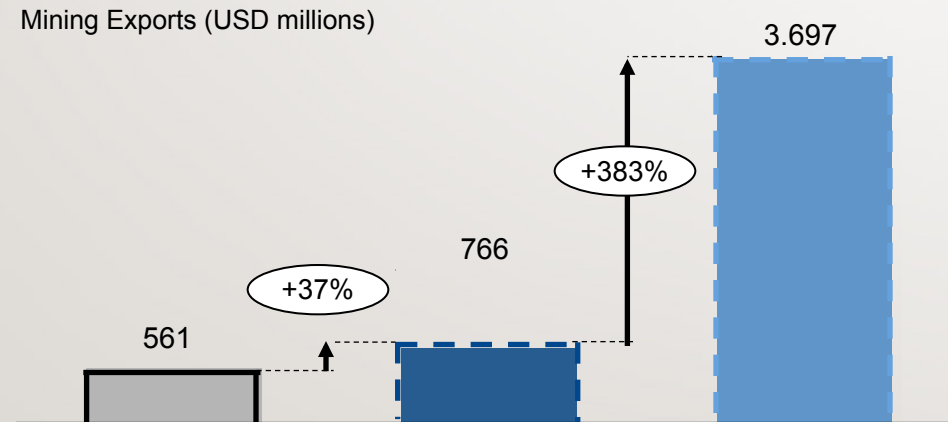
Fiscal Income (USD millions)



- With the start of production of mining projects, fiscal incomes will increase

Exports

Mining Exports (USD millions)



- The contribution of mining to exports will be greater than traditional goods such as shrimp, flowers and tuna, in the next 4 years

Source: (1) Values as of 2016 and 2017-2021 are Wood Mackenzie projections

Source: ARCOM, SRI, Banco Central, Wood Mackenzie analysis. Tax values include anticipated royalties and profit sharing (state portion)

The evolution of Ecuador's mining GDP has experienced important growth



Source: CEPAL



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