Main Deregulatory Reforms taken by the Correa government to promote mining

<table>
<thead>
<tr>
<th>Permitting/ Environmental</th>
<th>Concessions:</th>
<th>One single concessions gives the right to companies to Prospect, Explore, Exploit, Process, and refine minerals, for 25 years renewable</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FAST TRACKING</strong></td>
<td>Initial Exploration</td>
<td>No studies of any kind for Prospection. Now only for exploitation is an EIA required; .. For <strong>Initial exploration</strong>, a simple “ficha ambiental”, an environmental form that can be filled out by a non-professional suffices.</td>
</tr>
<tr>
<td><strong>Doing away with mandatory Environmental Impact Studies for all phases of mining</strong></td>
<td>Advanced Exploration</td>
<td>For Advance Exploration, a simple Declaratoria de Impacto Ambiental (Declaration of Environmental Impact) suffices, and <strong>Terms of Reference (ToR)</strong> is not required. The declarations should be done by an qualified expert recognized by the MIN.</td>
</tr>
<tr>
<td><strong>Reglamento Ambiental para Actividades Mineras en el Ecuador</strong></td>
<td>Exploitation</td>
<td>Both ToR and EIA’s are required, done by qualified expert(s) under guidance of the Min of the Environment. Only for those projects designated as highly impacting, will the services of a top-notch environmental Consultant be necessary to write up the documents.</td>
</tr>
<tr>
<td>Art. 21 Mining Law</td>
<td>One Study to Rule them All</td>
<td>One Term of Reference and one EIA can be done for exploitation, beneficiation, and refinery</td>
</tr>
<tr>
<td><strong>Reglamento Ambiental para Actividades Mineras en el Ecuador</strong></td>
<td>Mine suspension and closure</td>
<td>Based on Human Rights Violations; only by a court sentence (very difficult in governments like Ecuador without true judicial independence), plus expensive for most people</td>
</tr>
<tr>
<td>Mining Law</td>
<td>Based on Environmental damage</td>
<td>Min of the Environment has to classify the damage, can lead to closure, but after miner given a chance to respond</td>
</tr>
<tr>
<td>Art. 115 Mining Law</td>
<td><strong>Bosques protectores</strong></td>
<td>Concessions must have document from Min of the Environment certifying activities will not affect BP’s and other Protected areas; <strong>however</strong>, it can secure a environmental viability certificate from the Ministry of the Environment, and proceed</td>
</tr>
<tr>
<td>Art. 9 Reglamento Ambiental para actividades mineras en el Ecuador</td>
<td>Economic/Fiscal Incentives</td>
<td></td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th><strong>Tax/Fiscal Breaks</strong></th>
<th>No income tax on earnings for 10 years after the beginning of companies showing a profit in Mining, petrochemical, shipyard, and two other “Basic Industries” if in border Counties; the break is for 12 years; in economically depressed areas; 15 years</th>
<th>Presentation by Pro Ecuador, Berlin October 10 2017 INCENTIVES under the <strong>Organic Code of Production Commerce and Investment</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax/Fiscal Breaks (cont’d)</strong> * See image below for more details</td>
<td>Value Added Tax is refunded to mining companies</td>
<td>OCPCI / Presentation by Pro Ecuador, Berlin October 10 2017</td>
</tr>
<tr>
<td></td>
<td>Corporate income tax reduced from 25% to 22% for mining companies</td>
<td>OCPCI / Presentation by Pro Ecuador, Berlin October 10 2017</td>
</tr>
<tr>
<td></td>
<td>100% deduction for 5 years on things like travel expenses, training, and business promotion</td>
<td>OCPCI / Presentation by Pro Ecuador, Berlin October 10 2017</td>
</tr>
<tr>
<td></td>
<td>Tax burden reduced from 30% (2014) to 23% by 2016 Windfall tax reduced from 70% to practically nothing (only applicable under certain circumstances and only after 4 years of paying back loans to open and operate the mine Capital gains tax only applicable when transaction is over 20% of company’s value</td>
<td>Presentation by Pro Ecuador, Berlin October 10 2017, Min of Mines</td>
</tr>
<tr>
<td><strong>Investment Agreements</strong></td>
<td>Maintain tax rates for minimum 15 years, legal stability....</td>
<td>OCPCI / Presentation by Pro Ecuador, Berlin October 10 2017</td>
</tr>
<tr>
<td><strong>Environmental Bonds</strong> (guarantees)</td>
<td>Not required in case of State-Private enterprise projects (such as the Junin project in which the State-owned Enami partners with private firm..</td>
<td>OCPCI / Presentation by Pro Ecuador, Berlin October 10 2017</td>
</tr>
<tr>
<td><strong>Fiscal Paradises</strong></td>
<td>Mining law was changed to permit companies based in tax havens to operate in Ecuador—- However, it is prohibited for all politicians to have accounts in these</td>
<td>New Mining Law</td>
</tr>
<tr>
<td><strong>Private-Public enterprises</strong></td>
<td>No customs taxes on importation of equipment; 0 taxes for the first 10 years of operation; exoneration of currency outflow tax (5%) (ordinary citizens and companies pay this when sending money, or paying bills overseas)</td>
<td>OCPCI / Presentation by Pro Ecuador, Berlin October 10 2017</td>
</tr>
<tr>
<td><strong>MISCELLANEOUS</strong></td>
<td>Agreeable to international arbitration in case of controversy</td>
<td>OCPCI / Presentation by Pro Ecuador, Berlin October 10 2017</td>
</tr>
</tbody>
</table>

One of the consequences policies is a massive increase of mining concessions being processed and awarded (237 last two years) and the presence of 28 new mining companies (Oct 10 Berlin presentation by the Min of Mines)
Additional fiscal and legal reforms were approved in 2016 to further enhance investment conditions.

2014 reforms
1. Fiscal stability contracts
2. Accelerated depreciation, investor choice of 5 - 10 years
3. Use of NPV in Sovereign Adjustment formula to include companies’ cost of capital
4. Exemption from ISD (Tax on currency outflows) for the mining sector
5. Standardized windfall tax base price (10-year average price + 1 std. dev.)

2015 reforms
6. VAT recovery starting in 2018 • VAT will be recoverable for mineral exports
7. Foreign investment in small-scale mining • New opportunities for investors interested in Ecuador • Modernization of small-mining segment
8. Limited applicability of capital gains tax • Now only transactions >20% of company value will be taxed

2016 reforms
9. Further simplified the windfall tax base price • One national base price for each metal, updated monthly
10. Clarified activation of windfall tax • Cannot kick in until 4 years after simple payback of initial investment • Once that occurs, only active when international price exceeds base price
11. Standardized treatment of historical investments for Sovereign Adjustment • All investments included, from the granting of the concession

Source: Wood Mackenzie