Main Deregulatory Reforms taken by the Correa government to promote mining

Permitting/ Environmental

Permitting/ Environmental		
Concessions:	One single concessions gives the right to companies to Prospect, Explore, Exploit, Process, and refine minerals, for 25 years renewable	
FAST TRACKING Doing away with mandatory Environmental Impact Studies for all phases of mining Initial Exploration	No studies of any kind for Prospection Now only for exploitation is an EIA required; For Initial exploration, a simple "ficha ambiental", an environmental form that can be filled out by a non-professional suffices.	Reglamento Ambiental para Actividades Mineras en el Ecuador Ministry of the Environment
Advanced Exploration	For Advance Exploration, a simple Declaratoria de Impacto Ambiental (Declaration of Environmental Impact) suffices, and Terms of Reference (ToR) is not required. The declarations should be done by an qualified expert recognized by the MIN.	Reglamento Ambiental para Actividades Mineras en el Ecuador Ministry of the Environment
Exploitation	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.	Reglamento Ambiental para Actividades Mineras en el Ecuador
One Study to Rule them All	One Term of Reference and one EIA can be done for exploitation, beneficiation, and refinery	Art. 21 Mining Law
Mine suspension and closure	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	Mining Law
Based on Environmental damage	Min of the Environment has to classify the damage, can lead to closure, but after miner given a chance to respond	Art. 115 Mining Law
Bosques protectores	Concessions must have document from Min of the Environment certifying activities will not affect BP's and other Protected areas; however, it can secure a environmental viability certificate from the Ministry of the Environment, and proceed	Art. 9 Reglamento Ambiental para actividades mineras en el Ecuador

Tax/Fiscal Breaks Tax/Fiscal Breaks (cont'd) * See image below for more details	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	Presentation by Pro Ecuador, Berlin October 10 2017 INCENTIVES under the Organic Code of Production Commerce and Investment
	Value Added Tax is refunded to mining companies	OCPCI / Presentation by Pro Ecuador, Berlin October 10 2017
	Corporate income tax reduced from 25% to 22% for mining companies	
	100% deduction for 5 years on things like travel expenses, training, and business promotion	OCPCI / Presentation by Pro Ecuador, Berlin October 10 2017
	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	Presentation by Pro Ecuador, Berlin October 10 2017, Min of Mines
Investment Agreements	Maintain tax rates for minimum 15 years, legal stability	OCPCI / Presentation by Pro Ecuador, Berlin October 10 2017
Environmental Bonds (guarantees)	Not required in case of State-Private enterprise projects	(such as the Junin project in which the State-owned Enami partners with private firm
Fiscal Paradises	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	New Mining Law
Private-Public enterprises	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)	OCPCI / Presentation by Pro Ecuador, Berlin October 10 2017
MISCELLANEOUS One of the consequence policies is	Agreeable to international arbitration in case of controversy	

One of the consequenes 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)



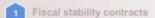
Additional fiscal and legal reforms were approved Additional fiscal and legal reforms were approved in 2016 to further enhance investment conditions

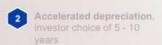






2016 reforms





- Use of NPV in Sovereign Adjustment formula
- Exemption from ISD (Tax on currency outflows) for the mining sector
- Standardized windfall tax base price (10-year average price + 1 std. dev.)

VAT recovery starting in 2018

· VAT will be recoverable for mineral exports

Foreign investment in small-scale mining

- · New opportunities for investors interested in Ecuador
- · Modernization of small-mining segment

Limited applicability of capital gains tax

· Now only transactions >20% of company value will be taxed

Further simplified the windfall tax base price

· One national base price for each metal, updated monthly

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
- Standardized treatment of historical investments for Sovereign Adjustment

· All investments included, from the granting of the concession