

PRINCIPAL TERMS OF THE ENAMI – CESA EXPLORATION ALLIANCE

In a **First Phase**, Cornerstone Ecuador S.A. (“CESA”) will identify, at its own cost and risk, geologically prospective areas in parts of Ecuador (“Areas of Interest” or “AOIs”). CESA, employing its project generator business model, and a funding partner who will earn a majority interest in the projects (collectively, “CESA & Partner”), the exact percentage to be negotiated with CESA, can spend up to 18 months prospecting to identify the most prospective parts of such areas (“Areas of Specific Interest” or “ASIs”). Once an Area of Specific Interest has been identified, ENAMI and CESA & Partner will form a specific purpose corporation (the “SPC”), ENAMI will submit an application to the Ministry of Mining (“MM”) for the granting to ENAMI of an exploration concession over the ASI (which concession will be granted based on the plans, policies and guidelines of MM for the mining sector), and then the subsequent transfer of the concession to the SPC as a capital contribution of ENAMI, in return for a 16% shareholding in the SPC, while CESA & Partner will have a collective 84% shareholding. Although ENAMI is a state enterprise, the granting of mineral concessions in Ecuador is within the exclusive jurisdiction of MM, which sets its own policies with regard to the timing of opening certain areas of the country to exploration and to whom mineral concessions will be granted, as a result of which there is no guarantee that concessions requested by ENAMI for joint exploration with CESA & Partner will be granted. And while an exploration project may be composed of several concessions, pursuant to the Mining Law and the General Mining Regulations the maximum surface extension of any single mineral concession in Ecuador is 5,000 hectares.

The First Phase will be subdivided into:

- (i) **Prospecting** (up to 18 months), with committed expenditures of \$5 per hectare within the AOI (e.g., \$100,000 per 20,000 hectares), which may be prorated in the event CESA identifies an ASI and makes a request for a concession or concessions and the prospecting period ends prior to the end of the 18-month period due to early entry into Initial Exploration.
- (ii) **Initial Exploration** (up to 4 years), with optional expenditures of an additional \$600,000;
- (iii) **Advanced Exploration, including drilling** (up to 4 years), with optional expenditures of an additional \$4.3 million.

Expenditures may be accelerated, amounts in excess in any period will be credited to the next succeeding periods, and shortfalls may be paid in cash to maintain the option in good standing. CESA & Partner may abandon their option at any time, except during the prospecting portion of the First Phase where the \$5 per hectare expenditures are committed, delivering all technical information to ENAMI and arranging for a re-conveyance of the respective concessions to ENAMI from the SPC. ENAMI will have a “free” carried interest through to completion of a Bankable Feasibility Study, or “BFS”.

In a **Second Phase**, CESA & Partner will fund the SPC to commence Economic Evaluation (e.g., scoping, pre-feasibility and/or feasibility studies) (up to 2 years, renewable for up to an additional 2 years), incurring optional expenditures of an additional \$10 million. Total expenditures on each concession (which can by law cover an area up to 5,000 hectares) through completion of a BFS could total a minimum of \$15 million - i.e., \$100,000 or more in

prospecting (assuming an AOI of 20,000 hectares), \$600,000 in Initial Exploration, \$4.3 million in Advanced Exploration, plus \$10 million during Economic Evaluation.

In the event CESA & Partner make a Production Decision to construct a mine/mill and related infrastructure, ENAMI will have the option of financing the totality of its own participating interest, or electing to have CESA & Partner finance the totality of ENAMI's interest (including sustaining capital after commercial production is achieved) at cost of funds plus an agreed financing arrangement fee.