

Quito, 12 July 2007

Dr. Francisco Veintimilla

General Manager

Ascendant Copper S.A.

City.

SAD # 14564-14964

Mister General Manager:

On March 20 of this year, the company you represent signed a memorandum of commitment with the Governor's Office of Imbabura Province and the Under-Secretariat of Environmental Protection, pursuant to which Ascendant Copper S.A. was bound to reduce the number of farm workers, environmental monitors and health promoters it maintained in the zone, despite the express suspension of activities.

According to official letter # 0592-GI-2007 of this last June 5th, the Governor of the Province of Imbabura informed the Minister of the Interior and Police regarding the "constant and recurring non-observance by Ascendant Copper of the agreement signed in the Governor's Office of Imbabura on 20 March of this year". Among other violations incurred by the company that you represent, the Governor highlights the following:

- On April 20, financing a protest march in Ibarra with the presence of people supporting activities related to Ascendant Copper mining company, involving the Vice President of Operations, Mr. James Stonehouse, in which vandalism occurred. At the time, this illegal activity was denounced by the Minister of Energy and Mining, who called on the company to provide explanations, through official letter # 0343-DM of May 3rd.
- Activities continue in the Intag zone related to promotion and community relations, despite the express suspension of activities.
- On June 2nd, the Ascendant company mobilized, in its own trucks, members of different communities to the coliseum of the parish of García Moreno; arbitrarily they held a supposed ceremony to pay tribute to children, expressly prohibited because it was a community relations and promotional activity.
- The local police authority receives countless complaints involving people related to Ascendant Copper when people oppose these illegitimate activities. The next day, drunken people harass members of the National Police.

Moreover, on May 28, 2007, the citizens' oversight commission, formed in March at the initiative of the Governor of Imbabura, in a communication sent to the ministers of the Interior and Police, of Energy and Mining, of Foreign Affairs and of Labor and Employment, denouncing that Ascendant Copper:

- Maintains a number of workers greater than the number authorized and with a different list of persons than the roster delivered to the Governor's Office.
- In its commitment to reduce staff, Ascendant dismissed its workers, but there has been no report that the company has complied with its obligations pursuant to labor laws.
- It continues providing donations and similar offerings to social programs of the government: fertilizer and livestock; 5x5x5 loans; housing bonuses.
- The circulation of vehicles with company employees around the area continues.
- People from outside the zone continue to be introduced into the parish of García Moreno.
- People related to the company have threatened to kill anti-mining leaders.

These facts as denounced show once again the non-compliance with governmental orders for the Ascendant Copper company to suspend its activities in the Intag zone and, in particular, those corresponding to the memorandum of commitment of March 20. This repeated failure to comply is undoubtedly provoking the reactivation of the serious social conflict that the zone experienced at the end of last year.

With the above antecedents, the Ministry of Mining and Petroleum hereby demands for concessionaire Ascendant Copper to fully comply with the memorandum of commitment, and to immediately suspend all activities intended to divide the community and disturb the citizenry's peaceful life, such as community relations and promotion activities that the company is pursuing, including those of an agricultural nature in the concession area.

Sincerely,

[signed] Jorge Albán-Gómez

MINISTER OF MINING AND PETROLEUM (acting)

Cc: Dr. Gustavo Larrea-Cabrera, Minister of the Interior and Police

Mr. Diego García-Pozo, Governor of the Province of Imbabura

Dr. María Fernanda Espinosa, Minister of Foreign Affairs and Integration

Dr. Antonio Gagliardo, Minister of Labor and Employment

Mr. Carlos P. Vasco-C., National Director of Civil Defense and Citizen Security

Ministry of Energy and Mining

Republic of Ecuador

Official Letter 134-SPA-2007 710161

13 JULY 2007

Mr. Polivio Pérez

PRESIDENT OF THE COUNCIL OF COMMUNITIES OF GARCÍA MORENO

By hand.

Dear Sir:

In response to your letter, personally delivered to my office, on July 12, 2007, in which you request information about the activities of community relations carried out by the Ascendant Copper company in the Intag zone, I would like to mention the following antecedents for your consideration:

- On June 16, 2006, the Under-Secretariat of Environmental Protection accepted the Terms of Reference for the Environmental Impact study for advanced exploration.
- On December 08, 2006, the Environmental Impact Study was declared not processable.

In conclusion, the Ascendant Copper company has NO authorization from this Under-Secretariat of Environmental Protection to carry out any sort of community relations activities. At this time, it has no Terms of Reference approved, nor the status of an environmental impact study pending, nor have they complied with Article 88 of the National Constitution. The company's current activities are generating division in the community and contributing to generating a climate of instability and insecurity, the effects of which on the population may become unbearable.

Accordingly, this Under-Secretariat for Environmental Protection calls upon the Minister of Energy and Mining to require the Ascendant Copper company to comply with the Memorandum of Commitment of March 20, which is seriously violated by the community relations practices that Ascendant Copper is pursuing in the zone.

Sincerely,

Lucía Ruiz-M.

UNDER-SECRETARY FOR ENVIRONMENTAL PROTECTION