

## **TRANSLATION**

Letter to: The Investors of the mining company, Cornerstone

From the Parish Council of Cuellaje  
Canton of Cotacachi  
Province of Imbabura  
Ecuador  
South America

25<sup>th</sup> November, 2018

Dear Sir or Madam

Please receive our salutations on behalf of the autonomous decentralized government of Cuellaje, we wish you success in your business.

The purpose of this letter is to help you get the most out of the money which you have invested with the Canadian mining company, Cornerstone. We would like to notify you of some of the circumstances that surround the mining concessions that this company has acquired from the Ecuadorean government in the Intag zone. These concessions are called Playa Rica 1, 2 and 3 and Magdalena 1 and 2). (see map attached). We will attempt to explain briefly why you will never obtain a return on money invested in metal mining in these areas, since they are situated within an area of Ecuador that is populated, productive and incredibly biodiverse and whose climate and geo-topographical characteristics make it unfeasible (and immoral) any kind of mining exploitation. The company is currently wasting their time and money in explorations that would already have gained them public outrage had they been carried out, for example, in Canada.

We know that you don't have time to wade through a lengthy text, so we will summarize why Cornerstone has fallen into a trap laid for them by a debt-ridden central government in Ecuador, and leave it to you to investigate further and act to safeguard your financial interests.

As you know, metal mining is a highly skilled operation, and when carried out in an appropriate area, using best practices, is admirable. Examples of an appropriate area include the Cornerstone Miocene mine of northern Chile, where the desert conditions and relatively flat terrain of the Atacama Desert permit extraction of metal ores without greatly endangering human health or destroying valuable ecosystems and existing sustainable sources of income and prosperity.

Here is why the situation here in Intag Ecuador (1500 square kilometres, 7 parishes) is totally different.

1. The local people, in their majority, do not wish for metal mining. We are already prosperous with our agricultural production and our families are healthy and happy. There is little or no poverty or unemployment in our parish. We know that a large metallic mine here would cause severe and long-term pollution, destruction, illness and death. There is nothing to debate on this subject, the geotechnical and environmental problems are quite clearly prohibitive here in Intag. If Cornerstone has failed to inform investors of this situation, then you can draw your own conclusions about their competence and ethical standards, both towards their investors, and towards local people who live within the concessions. We have voted nearly unanimously against mining in two parish assemblies held during 2018. Local people have not been

consulted by the government over the mining proposals made by Cornerstone. Ecuador's Constitution guarantees Free and Previously Informed Consent with respect to mining, and so it is our opinion that Cornerstone is working illegally inside of our parish.

2. The concessions that Central government has provided to Cornerstone exist in areas of extraordinary bio-diversity. This is a cloud forest zone, part of the biological "hotspot" known as the Alto Choco, one of the naturally richest on the planet. Just to give you an example of the irresponsibility of Ecuadorean central government in this matter, a portion of the Cornerstone concessions fall within the Los Cedros protected area, a 15000 acre cloud forest reserve legally recognized since 1995. This 5900-hectare reserve contains more than 300 species of birds, and quantities of amphibians, mammals and plants, that are unique and endemic to this area. Exploration works by Cornerstone within this reserve are already causing damage to the eco-system.
3. The annual rainfall of our parish is in excess of 3000mm. This is a lot of rain. The Alto Choco zone is one of the wettest terrestrial zones on the planet, and our parish currently provides clean drinking water (and freshwater fish) for ourselves, and for communities downstream all the way to the Pacific Ocean. Here, even the construction of small roads (let alone huge mining excavations) leads to frequent landslides during the rainy season, as soils become saturated and unstable. We know from consultations with mining professionals, that responsible mining is not possible here due to these meteorological conditions.
4. Intag is an area which has steep slopes and cliffs, since it forms part of the Andean region. The only flat areas for containing the hundreds of millions of tons of toxic mining tailings and billions of tons of toxic over-burden produced by a metal mine are the river valleys. Can you imagine the human and environmental chaos of a mining operation under such circumstances? Without a doubt they would severely and inevitably pollute ground and surface water with heavy metals and acid mine drainage here in Intag and as far as the province of Esmeraldas. This is definitely not the Atacama Desert, it is a heavily sloped landscape within the Andean region.
5. All of the Cornerstone concessions within the Intag area are within a seismic zone. For example, there was an earth tremor during the night fifteen days ago, and in April this year, there was another which measured 5.2. This resulted in damages to the zone. Whether Cornerstone opts for Heap Leaching or Flotation tanks, they are inevitably going to run into severe cost-benefit difficulties due to these earth tremors and earth quakes which are common in the zone.

Can you imagine the practical difficulties, and the cost, of containing the tailings and over-burden under the circumstances mentioned above during the exploitation phase, and in the decades following closure of operations? In such an obviously doubtful case, feasibility and environmental impact studies should have been carried out BEFORE wasting your money on prospecting and exploration. In our opinion, it appears that Cornerstone has very little experience with climatological, geo-topographical, and seismic problems in Ecuador. They appear to think that, because they are operating in the southern hemisphere, such common sense and ethical considerations can safely be ignored. They are mistaken. We fully intend to exercise our rights and defend ourselves, if necessary, through national and international courts of law. We wonder why the Cornerstone information bulletins make no mention of

these crucial factors, and ask you whether you really wish to work with people who (unless we are very much mistaken) conceal these kinds of crucial information from investors.

One of two scenarios appears to have occurred as Cornerstone carries out exploratory works in our area, and seeks investment from you. Either they have not thought about the difficulties and long-term costs of waste management practices, and the constraints of local climate, topography and hydro-geology; or they have simply subordinated these factors to resource evaluation. In either case the outlook for investors, or those considering investing with this company, is far from promising. If the former scenario applies, then Cornerstone is simply incompetent; if the latter scenario applies then this implies they are not revealing everything to their investors.

We invite you to visit our beautiful parish, to see for yourselves just how unacceptable and absurd is the proposal to open a metal mine here. We ask you to question Cornerstone's board of directors about these concessions and insist that the company not to waste any more of your money here.

Thank you very much for your openness to read and consider opinions and information that obviously contradict the promotional material currently published by Cornerstone and its mining associates in this part of Ecuador. We recognize that at least 80% of the responsibility for the proposal to destroy and pollute one of the most beautiful, sustainably productive and bio-diverse areas on the planet surely rests with the central Government of Ecuador, who should of course pay compensation to Cornerstone and its investors for works carried out to date. The important thing is to stop this nonsense before any more money and time is wasted, and to insist that Cornerstone restrict its operations to areas where local residents WANT mining operations, and where climatic, topographical and hydro-geological conditions make it feasible to mine without causing an environmental and humanitarian disaster.

Yours sincerely,

(Signed)

Jose Garzon, President of the Parish Council of Cuellaje

(Signed)

Javier Ayala, Vice President of the Parish Council of Cuellaje

(Signed)

Graham Richards, President of the community of San Antonio

(Signed)

Manuel Ayala, President of the Community of Playa Rica

(Signed)

Manuel Buitron, President of the Community of Rosario

(Signed)

Blana Murilla, President of the Community of Magdalena

(signed)

Nelo Expinosa, President of the Community of Napoles

(Signed)

Giovanni Vasquez, President of the Community of San Joaquin

(Signed)

Manuel Garzon, President of the Community of San Alberto

(Signed)

Angel Flores, President of the Community of La Loma

*Letter translated from the Spanish version by Kirsten Francescone, Latin America Coordinator, of MiningWatch Canada.*

Please see the accompanying Spanish version, which was signed, without exception, by the presidents of the 8 communities that make up Cuellaje parish, and by the president and vice president of the parish council.