

Official correspondence from the negotiating team for the Ejido Carrizalillo

Subject: Invitation to directly take responsibility for negotiations between the Ejido Carrizalillo and the company Desarrollo Mineros San Luis S.A. de C.V., subsidiary of Goldcorp

Carrizalillo, Municipality of Eduardo Neri, Guerrero, April 10, 2014

HORACIO BRUNA ORCHARD

Senior Vice President of Goldcorp for Operations in Mexico

We are writing in response to your correspondence of April 9, 2014, we presume with regard to the continuation of negotiations with us, which we invited you to take on directly and without the involvement of your local directors, who have indicated their limitations to continue negotiating a better proposal on behalf of the company. This is what led to the process breaking down since April 1, 2014 and not since 2013 as you indicate in your letter. Honestly, we are very disappointed with the unfortunate content of your correspondence that does not leave us very optimistic about the continuation of this process because we believed that you would be an interlocutor with whom we could work, as was Mr. Salvador García in his time, who was receptive, attentive, and above all, with time and interest to hear what we had to say.

We are a community that IS OPEN TO NEGOTIATING OVER OUR LANDS and for this reason, you requested our complete proposal with approval from the general assembly. We presented this on Monday to a low-ranking company official because the higher ranking local officials couldn't be bothered to receive it, denying us even this basic diplomatic gesture of respect and recognition of our role as community authorities.

In the proposal that we sent, we included a letter in which we **CORDIALLY** requested your presence to directly take on responsibility for negotiations with us given the lack of capacity to advance with the local company representatives. However, in your letter, you responded without explicitly indicating that you would not come, adding "that our local directors have my complete support and are fully empowered and delegated to continue with the talks." Are you aware that your "fully empowered" local officials evaded their responsibility in front of the Municipal President of Eduardo Neri, Mr. Ignacio Basilio García, who participated out of solidarity in order to move this process along, and whom we thank for having done so, because his presence helps us do away with make-believe and lies.

For us, these negotiations are not an arm wrestling match, Mr. Vicepresident. We have given our lands and even our lives to your company, for which **WE DESERVE** dignified and respectful treatment because we have never shown disrespect toward you in the way that Environmental Department Manager Mr. Arnoldo García Pizarro in a derogatory, racist and discriminatory manner insulted us using adjectives that

out of decency we do not write here and that he will surely deny, but which many people in the assembly heard when he shouted them “at the top of his lungs.”

While you have refused to come, your letter also avoids speaking about our proposal. We suppose this is because it seems irrelevant to you or because you think we are ignorant and don't know it. We are very sorry that you have not made any effort to at least comment on the proposal. Instead, your letter refers to an old proposal, which for us is over and done, that your officials and now you yourself, without having been present, insist was approved by the negotiating team of the Ejido. The assembly did not approve this, but according to your letter, it “had the support of the majority of the assembly to be approved.” Again and again it attempts to ridicule our authorities suggesting that they deceived you. It is not acceptable that your officials lie to you and attempt to deceive you. If the negotiating team received a proposal from you and during the process the team provided input to make it better, this does not mean that there is an agreement in any way with the negotiating team to wrap up talks, much less that this - without the assembly being present - mean there is broad agreement. Regardless, it is necessary that you inform your representatives that in the agrarian law it clearly indicates that the maximum authority is the general assembly and, as such, as a negotiating team we are there to represent and in no way to impose either proposals, activities, nor anything that has to do with collective and collegial decision making, which corresponds solely to our general assembly. As such, it is impossible that there was majority support when the assembly had not met. We will not allow this kind of word game to persist in which it turns out now that you feel deceived and accuse us of being liars.

Your letter also states that your proposal represents an increase of 40% over the base pay and an increase of 11% with regard to the amount received in pesos in 2013. Given that you insist in making convenient reference to certain amounts, we will outline additional elements that your analysis does not include.

The 40% that you mention and that on first glance seems to be a disproportional “but just” increase for the ejido according to your own future projections, you do not indicate that this is derived on the basis of a fixed rent of 2.5 ounces [of gold], which at the current price represents a decrease of approximately 22%. To make up for the amount lost at the current price, there is an increase of 0.7 ounces for a total of 3.21 ounces. Above this amount to ensure “price recovery” - and not an increase -, you add a mere 0.29 ounces more for a proposed total of 3.5 ounces and that according to your own figures would be a “voluptuous 40%” increase. According to our calculations, this would be an increase of only 8.3%. To this, you propose to add a 4% annual increase over the course of a ten year contract. This annual increase adds up to something like 2,333 pesos per year [approx \$195 CDN], on which we would further consider the rate of inflation. This year, inflation was 3.5%, which means that you are offering an increase of only 0.5% because the other 3.5% is absorbed in order to make up for lost value. The real increase of 0.5% annually in pesos represents 299 per hectare [approx \$25 CDN], or an increase of \$0.80 per day over ten years. Tell us if you know a landlord in the world who would rent you their

house at the same price as last year because prices fell and because it would be economically prudent to continue paying the same amount, or to increase the rent by an inflated amount based on percentages and unadjusted values so that it would appear to be an attractive rate. If this landlord exists, we are not one of them.

We would appreciate that you do your addition, subtraction and multiplication including other significant aspects. For example, in 2009, you extracted 240,000 ounces of gold and from the following year through to 2013, increased your annual production by about 100,000 ounces, in other words 330,000 ounces annually. According to your own figures, you will sustain this rate of production until 2030. This means that in just 5 years, you have extracted more than 1,5 million ounces of gold, for an overall 135% increase. However, during this same period of time, our Ejido received a fixed rent of 2.5 ounces and nothing from this increased extraction. It is worth noting that we are not complaining. This was an agreement that we decided upon, signed and fulfilled. Neither are we asking for a retroactive change. However, we are starting to realize the tremendous asymmetry in the way of "doing business" between yourselves, ourselves and the market.

In this regard, our proposal has matured to a new level of increase, which would allow for a more stable relationship between the parties. Do you really think that it is too much for us to ask you for another 1.5 ounces per hectare for every 100,000 ounces extracted annually? We will put this another way in order to see if it makes the asymmetry clearer. For every 330,000 ounces extracted annually, as an Ejido we are asking for an "stratospheric" amount of 0.42% of your annual production...yes...the amount is zero point forty two percent increase, to which we add 4 ounces more for the fixed rent per hectare, for a grand total of 1.26% (one point twenty six percent). This is the big economic effort that we are requesting of you, combined with the rest of the clauses in our proposal, for which without mentioning them here, you have shown us disdain and arrogance.

It is also important to mention that shortly after concluding the meeting or permanent assembly, to which we opened the doors to Mr. Ballesteros so that he could present the company's proposal, Mr. Arnoldo called by phone. At this point, we were on the verge of reaching a negotiated contract for three years at 4 ounces per hectare and the 10% annual increase that we were requesting. The company had come close to our proposal, offering 4 ounces and a 6% annual increase. We don't understand how it is that being so close to a solution from day one, that this took on other dimensions. It seems to us that you have been receiving misinformation and that this has hardened these negotiations, such that the intentions of the proposal have been set aside and replaced with positions and personal antagonism.

In another paragraphs in your letter, you explicitly state that "it is striking to me that while in your correspondence you indicate to me that it is not your intention to block the company's work of mineral extraction," that together with other agrarian communities, we are impeding the freedom of movement. Mr. Bruna, it is important

that you come and see what is really going on, that you come and talk with your emergency team that is working in coordination with us in the area of the leaching pad, to avoid any mishap with the toxins that are there; that you come and talk with the diverse police groups whom we have asked to cordially accompany us in each inspection that we make, so that you can see that we are not undertaking inappropriate or incorrect actions. Do not make us out to be what we're not. Come and talk with the people here because it is clear that your representatives are distorting reality. We are not allowing work to take place in the areas that belong to the Ejido, which is fully within our rights and completely in accord with national law, which we are respecting. But to say that we are impeding that the members of the community of Mezcala go to work, is utter defamation, given how they decided to support our work stoppage in solidarity with us. But in no way have we blocked, put up barricades or had any confrontations or friction with them. In fact, we deeply appreciate the support that the people of Mezcala have shown to us for the first time. We really do thank them and without fear want them to know that they have complete freedom to continue working, if they so desire, and to exercise their right to fully enjoy and make use of their territory. We reiterate that the only pathways, access routes and sites that are closed are those that are on our territory, along with the machinery and equipment that is located on our lands that is not currently in use.

Mr. Bruna, we would also like to point out to you that in the last meeting we had with local company directors, Mr. Ballesteros accused us of being violators of the rights of workers and contractors, preventing them from taking equipment that they had left off of our lands. He asked us to allow contractors to leave, which obviously we turned down because we didn't consider it to be a coincidence that if you managed to move all of your machinery to somewhere away from our lands, did not have the sensitivity to – knowing that you were on the verge of an imminent shut down of operations – alert your contractors to take care of their own things, such that their machinery and equipment is trapped. It is a strange coincidence that the same director who did not advise them, would be so worried for the rights of the contractors trapped by “our dark intentions.” For your information, each contractor that has approached us as a negotiating team for the Ejido, has been allowed to remove their units, to freely and without delay take their equipment, trucks and things. If there are any who have not yet removed their units, we hope they will come and find us to take care of this.

This has also happened with workers, who we also thank deeply for their welcome, sincere, full and friendly gestures of solidarity, such that every day they are arriving with food, laughter, hugs and encouragement from the whole region and are a sign that our struggle is dignified, just and that we will not allow our rights to be violated. Mr. Bruna we are not sure of the following assertion, but it would appear that you are betting on or hoping for a confrontation between third parties. But we are neither stupid, nor are we crazy to fight with our neighbours and friends, least of all with the workers and the politicians and government of our state, who it is worth mentioning have also come to our encampment to investigate what's happening,

leaving here assured that our struggle is not violating the rights of others. In this way, we have made this known to the Governor of our state, through one of his spokespeople Mr. Tulio Ismael Estrada, delegate for the Secretary of the Environment and Natural Resources (SEMAREN) who brought us a message from Mr. Aguirre.

Concluding the response to your letter, in another paragraph you allege that, come rainy season, we will share responsibility for any possible spills from your leaching pits, which would generate tremendous contamination on our lands, as well as on the lands and in the water supplies of downstream neighbours where such a spill could reach. This paragraph is angering, threatening and irresponsible for your part. It turns out now that you bring and apply cyanide without having undertaken preventative measures (meaning prior to now), to deposit and contain the use of toxic substances that you use, and for lack of preventative measures on your part, now make us partly responsible for a spill for your lack of capacity to finish your pits or for your hurry to extract gold before finishing the works to avoid such risks. Risks not just as a result of the rain, but also as a result of landslides, earthquakes, cyclones and other natural events that show us how small we are. We ask ourselves: what would happen if it wasn't rain, but an earthquake? Wouldn't one think that works should be undertaken based on future projections and up to code ahead of time, and not during, or just in time to avoid a disaster? The Federal Attorney for Environmental Protection (PROFEPA) should come and review in detail what is in your Environmental Impact Assessment (MIA) to see if it is up to standard and if it responds to the guidelines in the relevant legal framework because the more that we read, we do not see how the law will make us share responsibility for your actions. We have read in the law, however, if such a spill occurs that it could lead to a lawsuit for damage and contamination of our lands that are below your leaching pits, which are NOT leased, but which are at high risk for being contaminated. At this point, we do not doubt that it is possible that you even see us as culpable or with shared responsibility for the contaminated water we use for personal hygiene and cleaning, and that the project undertaken to provide us with clean water, which you signed off on and promised to us 9 or 10 months ago, hasn't been finished given that the health of our population matters little to you. Now, you are worried about the coming rains so that there isn't contamination from potentially large spills. But paradoxically, you are completely insensitive to the contamination that you cause such that when it comes to us and the project to ensure us clean water, which we greatly need, is not a priority for you. The environmental law is very clear in this respect, and to think that we don't know the law and that we cannot review it to understand it is to consider us incapable of this. No Mr. Bruna, don't threaten us and don't be mistaken about who is responsible for what.

We express our complete disagreement with you undertaking any operations of any sort on our territory, until you decide whether or not to continue negotiating or to close your business. Consider the social, political, environmental and financial costs, but do your math well. Review the political and media expense that you and we will have for an absurd, prolonged and nonsensical struggle, given the huge margin of

profits that you gain from our land and the ridiculous margin that we are trying to earn from it. Those of you in Canada should be receiving hundreds of emails, urgent actions, news articles, interviews, videos, and know that this conflict could put in jeopardy and risk the acquisition of a mine project there in Canada. All this, while as an Ejido we have not yet started our media, political and legal strategy. Even without that, we have received tremendous support from groups in Mexico, Mesoamerica, South America, the US, Canada, Switzerland, Spain, Germany and many other countries, as well as other international organizations that we know have considerable influence when they engage in these sorts of processes. We reiterate that we have not undertaken any effort to reach out to the mass media, but we would like you to know that we are not alone, we are not isolated, nor are we eager to accept hand-outs. Your local representatives miscalculated, believing that the community would not close down the mine operations. Once again, however, we are showing them that they were wrong. The current strike has engaged the whole community and we have received evidence of regional support, something that didn't even happen during the 83 day shut down in 2007.

The disdain that you have shown to our invitation to intervene directly in this conflict, at the same time not even making mention of our proposal, which we sent in a very cordial way to you, has made us lose our cordiality that normally characterizes us and is why we have changed our tone to start making demands with the costs that this implies.

We insist that you come to negotiate with us on Friday April 11th at the hour that you see fit. Failing that, we will take this as a negative from you to continue with this dialogue, and undertake the pertinent actions and be obliged to shut down talks, to find the way - which we will find - to meet your shareholders in Canada so that they hear our version and proposal directly.

We have a final opportunity to transcend this conflict and continue with the mining operation, reiterating that we are willing to negotiate without submission and without threats. If this doesn't happen, it is because you are paying no attention to our efforts. Your local representatives have decided for themselves not to participate in this process, and we are also no longer interested in working with them because we see through their comments that they are lying and deceptive. As such, the continuity of this process is in your hands and you already have our proposal and, on this basis, can reinitiate the dialogue and establish a negotiation so that both can benefit.

Please respond to this letter immediately.

Representatives of the Negotiating Team for the Ejido Carrizalillo

Signed:

Roberto Guzmán Montiel – President of the Commission

José Luis Rodríguez Saldaña – Secretary

Aaron Peña Celso – Treasurer
Julio Peña Celso – President of the Oversight Committee
Lucas Valdez Peña – 1st Secretary of the Oversight Committee
Armando Peña Martínez – 2nd Secretary of the Oversight Committee