



TERMS OF REFERENCE

Terms of reference for Compliance Investigation of IFC

CAO Compliance Ref: C-I-R9-Y12-F172

July 26, 2013

Eco Oro Minerals Corp: Colombia

Complaint from

Comité por la Defensa del Agua y el Páramo de Santurbán

About CAO

CAO (Office of the Compliance Advisor/Ombudsman) is an independent office that reports directly to the president of the World Bank Group. CAO reviews complaints from communities affected by development projects undertaken by the two private sector lending arms of the World Bank Group: the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA).

If CAO concludes that the parties are not willing or able to reach a facilitated solution, the case is transferred to the compliance arm of CAO, to appraise whether the concerns raised in the complaint merit a Compliance Investigation of IFC/MIGA.

CAO's compliance mandate is to undertake a Compliance Investigation of IFC, and how IFC assured itself of the environmental and social performance of its investments. The focus of this process is thus on IFC's appraisal and supervision of an investment, and whether or not IFC complied with its own policy provisions. CAO does not undertake a Compliance Investigation of IFC's client.

CAO discloses the findings of its Compliance Investigation in an Investigation Report to inform the President and Boards of the World Bank Group, senior management of IFC/MIGA, and the public about its decision.

For more information about CAO, please see www.cao-ombudsman.org

Background to the investment

Eco Oro Minerals Corp (formerly Greystar Resources Ltd) (the Company) is a publicly listed junior mining company headquartered in Canada. Eco Oro owns the Angostura gold and silver exploration project, 55 kilometers north of Bucaramanga, in the Santander region of Colombia. The Company has acquired concessions covering approximately 30,000 hectares over a 15-year timeline, and the results of an intensive drilling program show large undeveloped gold resources. The exploration remains at the pre-feasibility stage.

In March 2009, the IFC Board approved an equity investment of up to US\$20m in the Company to fund completion of a Bankable Feasibility Study, an Environmental and Social Impact Assessment (ESIA) and other ground works to prepare for project development. Following this decision, in March 2009, IFC made an initial equity investment of approximately US\$12.1m. IFC also received warrants to purchase additional shares. In January 2010, IFC exercised half of its warrants to purchase shares in the Company for an additional US\$6.1m. IFC continues to hold warrants from the initial investment and may purchase additional shares in the future.

The Equity and Warranty Subscription Agreement between the Company and IFC dated 16 March 2009 noted that the Company's intention was to raise equity to fund its studies and other associated work in preparation for raising financing for the development of its Angostura deposit. The studies to be completed included the bankable feasibility study and environmental and social impact assessments, focused in part on the mine design and planning, metallurgical process, and site infrastructure.

IFC's Environmental and Social Review Summary notes that this is a Category B project based on expected social and environmental impacts. The rationale for this categorization is discussed further below.

In 2009, the Company requested a separate IFC Advisory Services project to help the local governments of California, Vetás and Surata municipalities (all within the area of influence of the Angostura project) to prepare for the management of royalties from the mine. In the context of social opposition in Bucaramanga (the capital of Santander), and a new Colombian law which reduces the flow of royalties going directly to municipalities where extractive industries are to be located, in 2012 the Advisory Services Project was amended to incorporate a Stakeholder Engagement component. This Advisory Services project is ongoing.

Scope of the Compliance Investigation

The focus of Compliance Investigations is on IFC, and how IFC assured itself of project environmental and social performance at appraisal and during supervision. In the Appraisal report, CAO found that a review of certain aspects of this Project which relate to its nature as an early equity mining investment might better inform the application of policies (or other Compliance Investigation criteria) to future projects.

The approach to the Compliance Investigation is described in the CAO Operational Guidelines (March 2013), and states that the working definition of Compliance Investigations adopted by CAO Compliance is as follows:

CAO terms of reference for Compliance Investigation of IFC



An investigation is a systematic, documented verification process of objectively obtaining and evaluating evidence to determine whether environmental and social activities, conditions, management systems, or related information are in conformance with the compliance investigation criteria.

As set out in CAO's Appraisal report, CAO will conduct a Compliance Investigation into IFC's investment in Eco Oro. As the possibility for a discussion of outcomes is limited by the current stage of development of the Project, the CAO compliance process will necessarily focus on IFC's approach to E&S review and supervision. Questions which arise in this context include whether IFC's approach to the definition of the Project and the assessment of its E&S risks and impacts was adequate in the context of IFC's E&S policies, standards and procedures. This is a central question as the assessment of risk and impact at appraisal guides IFC's approach to E&S categorization, the level of E&S review required, as well as the extent of community consultation which the client must undertake. CAO will also investigate whether the structure of this investment and the approach taken to its supervision paid sufficient regard to the potential long-term E&S impacts of the investment, and the way in which its risk profile was likely to change over time.

The scope of the Compliance Investigation also includes developing an understanding of the immediate and underlying causes for any non-compliance identified by the CAO.

Compliance Investigation Process and Preliminary Timeline

The preliminary time schedule is for CAO to have a draft Compliance Investigation report ready by December 2013.

A draft Investigation Report will be circulated to IFC/MIGA senior management and all relevant IFC/MIGA departments for factual review and comment. IFC/MIGA comments should be submitted in writing to CAO within 20 working days of receipt by IFC/MIGA.

Upon receiving comments from IFC/MIGA on the consultation draft, CAO Compliance will finalize the report. The final report will be submitted to IFC/MIGA senior management for official response. A notification will be posted on CAO's website. IFC/MIGA has/have 20 working days to submit a written response to CAO. CAO will forward the Investigation Report and the IFC/MIGA response to the President. The President has no editorial input as to the content of the compliance Investigation Report, but may take the opportunity to discuss the investigation findings with CAO.

Once the President is satisfied with the response by IFC/MIGA senior management, the President will provide clearance for the Investigation Report and the response. The President retains discretion over clearance. After clearance, CAO will disclose the Investigation Report and the IFC/MIGA response to the Board. CAO will also alert relevant stakeholders of the disclosure of both documents on CAO's website, and in cases where the investigation was initiated by a complaint, share the documents with the complainant.

As per its established practice CAO will engage one or more external experts to work with it on this task. For this Compliance Investigation, CAO considers the following as necessary for the Compliance Investigation panel;



- Significant expertise in relation to issues of environmental and social risks and impacts in the context of international finance, including in relation to extractive industries.
- Knowledge of IFC's E&S policies, standards and procedures.
- Experience and knowledge relevant to the conduct of compliance investigations.
- Demonstrated ability to analyze policies and practices and develop proposals for reform in complex institutional contexts.