

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION



0273

CAUSE NO: FSD OF 2010-

IN THE MATTER OF THE COMPANIES LAW (AS AMENDED)

AND IN THE MATTER OF THE REDUCTION OF SHARE CAPITAL OF CIC RESOURCES INC.

PETITION



TO THE GRAND COURT

THE HUMBLE PETITION OF CIC RESOURCES INC. whose registered office is at Walkers Corporate Services Limited, Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9005, Cayman Islands, **SHOWS THAT:**

1. Your Petitioner, CIC Resources Inc. (the "**Company**"), was incorporated on 30 March 2006 under the Companies Law (as amended) as an exempted Company limited by shares.
2. The registered office of the Company is situated at Walkers Corporate Services Limited, Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9005, Cayman Islands.
3. The objects for which the Company was formed are unrestricted and the Company has full power and authority to carry out any object not prohibited by the Companies Law. After its incorporation, the Company commenced business and has since continued to carry on business.
4. The authorised share capital of the Company at the date of its incorporation was US\$50,000 divided into 50,000 shares of no nominal or par value. As at 21 June 2006, one share was issued to David E. DeWitt ("**DDW**").
5. Since the Company's incorporation, its share capital has been amended three times as follows.

- (a) on 17 July 2006, by written resolution of the sole shareholder of the Company (DDW), the authorised share capital of the Company was increased from US\$50,000 divided into 50,000 shares with no nominal or par value each to US\$100,000 divided into 100,000 shares of no nominal or par value each (the "**July 2006 Capital Increase**"). At the same time as the July 2006 Capital Increase, the Company passed a special resolution to amend and restate its memorandum and articles of association (the "**Articles of Association**")
- (b) on 31 August 2006, by written resolution of the shareholders of the Company, the authorised share capital of the Company was increased from US\$100,000 divided into 100,000 shares with no nominal or par value each to US\$5,000,000 divided into 5,000,000 shares of no nominal or par value each (the "**August 2006 Capital Increase**"). At the same time as the August 2006 Capital Increase, the Company passed a special resolution to amend and restate its Articles of Association; and
- (c) on 5 November 2007, by written resolution of the shareholders of the Company, the authorised share capital of the Company was increased from US\$5,000,000 divided into 5,000,000 shares with no nominal or par value each to US\$25,000,000 divided into 25,000,000 shares of no nominal or par value each (the "**2007 Capital Increase**"). At the same time as the 2007 Capital Increase, the Company passed a special resolution to amend and restate its Articles of Association.
6. As of the date of this Petition, the authorised share capital of the Company is US\$25,000,000 divided into 25,000,000 shares of no nominal or par value each. 1,553,079 shares are issued and credited as fully paid. As of the date of this Petition, 23,446,921 shares remain unissued.
7. The Articles of Association of the Company, inter alia, provide as follows:
- "38. The Company may from time to time by Ordinary Resolution increase the share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe.
39. The Company may by Ordinary Resolution:-

- (a) *consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;*
- (b) *convert all or any of its paid up shares into stock and reconvert that stock into paid up shares of any denomination;*
- (c) *subdivide its existing shares, or any of them into shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived; and*
- (d) *cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.*

40. *The Company may by Special Resolution reduce its share capital and any capital redemption reserve in any manner authorised by law."*

8. Article 1 of the Articles of Association of the Company defines special resolution as being a resolution:

- "(a) passed by a majority of not less than two-thirds of such Members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of the Company of which notice specifying the intention to propose the resolution as a Special Resolution has been duly given and where a poll is taken regard shall be had in computing a majority to the number of votes to which each Members is entitled; or*
- (b) approved in writing by all of the Members entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Members and the effective date of the Special Resolution so adopted shall be the date on which the instrument or the last of such instruments, if more than one, is executed."*

9. The Company currently has assets in excess of its needs and in order to maximise shareholder value, the Directors of the Company have determined that the Warintza Project, held by Lowell Mineral Exploration Ecuador S.A. ("LME") a wholly owned subsidiary of the Company, and the Paraguay Project, held by another subsidiary of the Company, should be separated. Separate ownership of the Warintza Project and the Paraguay Project will allow for greater flexibility in moving each of the assets forward.
10. The Directors of the Company intend to spin off the Warintza Project into a new Canadian company ("Canco") in order to address the Ecuadorian government's concern about assets being held in tax havens. The Ecuador government prefers Canadian ownership over tax havens and there is a Canada-Ecuador tax treaty. Canada has good relations with Ecuador and is also potentially a favourable jurisdiction to publicly list Canco given the presence of the TSX Venture Exchange ("TSX-V"). The proposed spin-off will not include the Paraguay Project, which will remain in the Company.
11. The Company intends to take (or procure the taking of) the following steps (together the "Restructuring"):
 - (a) the Company will incorporate Canco;
 - (b) the Company will obtain an independent valuation report to determine the fair market value of LME;
 - (c) LME will transfer its debt payable from CIC Resources (Peru) Inc. to the Company;
 - (d) the Company intends to transfer the shares of LME, its ending debt receivable from LME, and US\$200,000 cash to Canco in exchange for shares in Canco with an equal fair market value (the "Canco Shares"); and
 - (e) the Company intends to distribute the Canco Shares to the shareholders of the Company by way of a return of capital (the "Capital Return"). The authorised share capital of the Company will be reduced by an amount equivalent to the value of the Canco Shares, however the number of shares held by each shareholder will remain the same. Each shareholder's interest in the value attributable to the Company will be reduced pro rata as a result of the Capital Reduction (as defined below).

12. Based on the reasons set out above in paragraph 9 and 10, it is now proposed to reduce the authorised share capital of the Company from US\$25,000,000 divided into 25,000,000 shares of no nominal or par value to US\$19,700,000 divided into 19,700,000 shares of no nominal or par value (the "**Capital Reduction**").
13. Immediately after the Capital Reduction taking effect:
 - (a) the capital of the Company will be effectively reduced by US\$5,300,000;
 - (b) the authorised share capital of the Company will be reduced by an amount equivalent to the value of the Canco Shares;
 - (c) the number of shares held by each shareholder will remain the same;
 - (d) each shareholder's interest in the value attributable to the Company will be reduced pro rata as a result of the Capital Reduction; and
 - (e) the rights and interests in respect of the shares will be identical to those shares previously held immediately prior to the Capital Reduction.
14. Consent as to the proposed Capital Reduction was given in writing and in accordance with Article 40 of the Articles of Association of the Company and Section 14 of the Companies Law (as amended), it was resolved on 2 December 2010 that:

"the authorised capital of the Company be decreased...:

FROM: US\$25,000,000 divided into 25,000,000 shares of no nominal or par value;

TO: US\$19,700,000 divided into 19,700,000 shares of no nominal or par value."
15. The proposed Capital Reduction does not involve an alteration or variation to the rights attached to any shares.
16. The proposed Capital Reduction does not involve the diminution of any liability in respect of issued but unpaid Share Capital.
17. The form of Minute proposed to be registered is as follows:


"The authorised share capital of CIC Resources Inc. ("the Company") was by virtue of a Special Resolution of the Company and with the sanction of an Order of the Grand Court dated [] 2011 reduced from US\$25,000,000 divided into 25,000,000 shares of no nominal or par value to US\$19,700,000 divided into 19,700,000 shares of no nominal or par value. As at the date of registration of this minute, 1,553,079 of the said shares have been issued and fully paid up."

Your Petitioner therefore humbly prays as follows:

1. That the Capital Reduction of the Company proposed to be effected by the Special Resolution set forth in paragraph 14 of this Petition may be confirmed and the above mentioned Minute set forth in paragraph 17 of this Petition be approved by the Court;
2. That to this end all necessary inquiries and directions may be made and given;
3. Or that such other Order may be made in the premises as the Court shall deem fit.

AND your Petitioner will ever pray etc.

DATED the 9th day of December, 2010



WALKERS
Attorneys at Law for the Petitioner

NOTE: It is not intended to serve this Petition on any person.

This Petition is presented by Walkers, Attorneys at Law, Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9001, for the Petitioner whose address for service is care of its said Attorneys at Law.

ENDORSEMENT

This petition, having been presented to the Grand Court of the Cayman Islands on the day of 2011 will be heard at the Grand Court of the Cayman Islands on:

Date:

Time:

(or as soon thereafter as the petition can be heard).

This Petition is presented by Waikers, Attorneys at Law, Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9001, for the Petitioner whose address for service is care of its said Attorneys at Law.