Exploitation Stage

The exploitation stage is the set of mineral extraction operations taking place in the concession area, collection, benefit and closure and abandonment of the infrastructure.

When does the exploitation stage start?
The commercial exploitation stage of a concession contract officially starts when the Building and Assembly stage finishes. Concessionaires must inform in writing the mining and environmental authorities of the completion of the Building and Assembly stage. The commencement date will be taken into account as the contractual commencement date of the exploitation stage.

What is the duration of the exploitation stage?
The exploitation stage is the remaining time after the exploration and building and assembly stages are completed with their corresponding extensions. The official commencement date will be taken into account for all the purposes of the contract.

Is it possible to request extensions?
Yes. Before the exploitation stage ends, concessionaires may request the extension of their contracts for up to 30 years. This request will be studied and processed by the Mining Authority. Once the extension ends, concessionaires have the preferential right to contract the same area to continue with their exploitation activities. Activities will not be suspended until the new contract is legalized.

In case of extension, concessionaires must submit a new Construction and Works Plan (P.T.O., Spanish) for the time of the extension and meet the requirements of the law.

What are the requirements for an extension?
Concessionaires interested in an extension must submit a request including the following information related to the activities that have already been executed and the activities planned for the extension:

1. Activities yet to be finished that are part of the Exploratory Program and that must have been commenced at least three months before the completion of the corresponding Exploration Stage.
2. Demonstrate having carried out activities uninterruptedly through a technical report and the inspection visits reports conducted by the mining authority.
3. Provide technical reasons why it is reasonably estimated that the remaining time is not enough to complete the activities before the ongoing exploration stage ends.
4. Finally, provide an investment plan and the estimated amounts to be invested in the activities to be carried out during the extension term; such activities must match the activities planned for phases 11 and 111 of the exploration Terms of Reference.
5. Other requirements pursuant to current regulations.
What is the Mining-Environmental Exploitation Guide?
The Mining-Environmental Exploitation Guide is a conceptual and methodological consultation and guidance tool to improve the mining-environmental administration, management and performance. Its objective is to introduce concessionaires the relevant aspects dealing with the development of a mining project in a technical, sustainable and environmental way. Mining concessionaires must adopt the guidelines set forth in the captioned guide according to the specific characteristics and conditions of the area requested to be exploited.

The guide is a mandatory consultation tool that guides in a technical way the building & assembly, and the exploitation activities. In the same vein, it is useful during the planning, execution and monitoring of the environmental activities that must be carried out in compliance with the mining regulations.

Must the Mining Basic Form (FBM, Spanish) be submitted during the Exploitation stage?
Yes. The Mining Basic Form (FBM) is a document that collects all the necessary information related to mineral exploration and exploitation activities in the mining title. Therefore, the Mining Basic Forms are deemed as a contractual obligation present in all the 3 contractual stages of the mining title, and the mining rights holders must submit it in all the stages of the mining concession.

What are the legal requirements to be complied with during the Exploitation stage?
Concessionaires must submit the Environmental License granted by the competent environmental authority for the building, assembly, exploitation, benefit and internal transportation requested before the exploration stage finalized. Additionally, concessionaires must also submit their valid and in force mining-environmental policy.

Are there any restrictions regarding the commercialization of the minerals being exploited?
Concessionaires are free to dispose of the destination of the exploited minerals, and will establish the conditions for their disposal and commercialization.

The person that provides minerals exploited in Colombia for their use in works, industries and services must certify the legal origin of the minerals by identifying the mine the minerals come from through a certificate of origin issued by the beneficiary of the mining title or a certificate issued by Municipal Mayor’s Office for panning activities.

What are royalties?
The exploitation of a non-renewable natural resource will generate economic compensations to the State in the form of royalties. These are a fixed or variable percentage of the exploited gross product and its sub products, covered in the mining title, estimated or measured at the collar of the mine.
The value of the royalties and the system to pay them and readjust them is defined based on the validity term of the concession contract and, therefore, they will apply as long as the contract is in force. Any modifications adopted by the law, will only affect those contracts that are signed and legalized after such laws are promulgated.

<table>
<thead>
<tr>
<th>Royalties</th>
<th>1-12% of the production value</th>
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<tbody>
<tr>
<td>Gold and Silver</td>
<td>4% 6% will apply on alluvium under concession contracts</td>
</tr>
<tr>
<td>Platinum</td>
<td>5%</td>
</tr>
<tr>
<td>Emeralds</td>
<td>1,5%</td>
</tr>
<tr>
<td>Coal</td>
<td>10% For exploitations above million tons per year</td>
</tr>
<tr>
<td></td>
<td>5% For exploitations below 3 million tons per year</td>
</tr>
<tr>
<td>Nickel</td>
<td>12% Based on FOB prices minus 75% of the costs</td>
</tr>
<tr>
<td>Limestone, gypsum, clay, gravel and construction material</td>
<td>1%</td>
</tr>
<tr>
<td>Other metallic minerals</td>
<td>5%</td>
</tr>
<tr>
<td>Other non-metallic minerals</td>
<td>3%</td>
</tr>
<tr>
<td>Salt</td>
<td>12%</td>
</tr>
<tr>
<td>Radioactive materials</td>
<td>10%</td>
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</tbody>
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Note: Royalties and their modifying norms are ruled by Act 141 of 1994, 756 of 2002 and 1530 of 2002. The mineral prices change every quarter. The amounts included herein must be deemed as estimates.

Payment of royalties in Colombia is ruled by the resolutions issued by the Mining – Energy Planning Unit –UPME, Spanish- which can be reviewed at www.upme.gov.co. Take into account that those prices are used to establish the value of the royalties and shall not be used as a reference for any commercial transaction between individuals.

**What are the modalities to terminate a concession contract?**
A concession contract can be terminated in any of its three stages, due to the following reasons:

- Relinquishment – The concessionaire relinquishes the concession and withdraws the goods and equipment they built or installed in the concession area to execute the contract and exercise servitudes.
• Mutual Agreement – The concession contract terminates by mutual agreement between the parties. To do so, all the aspects related to the withdrawal or abandonment of the concessionaires’ goods or equipment will be agreed, as well as the environmental retrofit and substitution of the area.

• Expiration of Terms – It is the termination of the contract due to its expiration, including its extensions. The concessionaire must deliver the contracted area in good conditions in terms of usable work faces, servitudes and environmental conservation, mitigation and retrofit.

• Death of the concessionaire – The concession contract terminates if the concessionaire dies. However, within the following two years of the death of the concessionaire, the heirs and legatees of the concessionaire may request the transfer of the rights derived from the concession.

• Caducity – In case of any breaching of the obligations of the contractor, the National Agency of Mining will terminate the concession contract and will order its liquidation independently of the stage it is.

When the contract terminates, the concessionaire will deliver the area in the proper conditions in terms of usable work faces, servitudes and environmental conservation, mitigation and retrofit.

What is meant by ‘free-of-charge return of goods’?
When the concession contract finishes, the free-of-charge return of the goods will proceed in favor of the State. Such return falls upon the immovable property and the fixed and permanent facilities constructed and aimed at the transporting and embarking of minerals, as well as those facilities in the deposits and entries that cannot be uninstalled without causing damages.

What has to be considered in a mine closure plan?
A Mine Closure Plan, as established in the Construction and Works Plan, must take into account the conditions of the area before, during and after the exploitation stage (Environmental Baselines) as well as the use of the area after the mine closes. Such Plan must also consider the positive and negative impacts and the response of the area to the natural processes of the surrounding areas to the mining activities during the exploitation stage. These impacts must be duly recorded in the corresponding Management Plan.

The mine closure and abandonment activities will be taken into account from the very proposal and during the execution of the mining project.

Legal References
Mining Code – Act 685 of 15th August 2001
Act 99 of December 1993
Decree 0943 of 14th May 2013.
Decree No. 145 of 1995
Decree No. 600 of 1996.
Civil Code, Articles 1010 and 1011