



COPPER ROUTE

COLOMBIA'S
MINING POTENTIAL

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Strategic Mining Areas

*A milestone that will bring change
for the better for mining in Colombia.*



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WHAT ARE **STRATEGIC MINING AREAS (SMAs)?**

The **Strategic Mining Reserve Areas (SMAs)** are free areas with high potential for strategic minerals for the country. Once the SMAs have been delimited by the Mining Authority, it is not possible to receive new proposals or sign mining concession contracts in these areas, and they must be awarded through special exploration and exploitation contracts resulting from objective selection processes.

SMAs have been identified as an opportunity to achieve a greater flow of investments towards mining in Colombia. SMAs involve the allocation – through objective selection processes – of areas with high potential for the development of mining projects. This would lead to an increase in investments in exploration and exploitation, under a scheme that includes social investments and additional economic compensation for royalties. In turn, SMAs could provide significant resources for the Nation and the territories, contributing to the economic reactivation of the country and its regions.

SMA selection processes will enable ANM to Select the most favorable proposal (s)

for the award of Special Contracts for the Exploration and Exploitation of Minerals in Strategic Mining Reserve Areas, the purpose of which will be as follows: *“To grant the exploration and exploitation of minerals – at Contractor’s expense and risk – under the conditions and limitations set forth herein and in the Terms of Reference of the Objective Selection, in the Strategic Mining Reserve Area defined hereunder ¹.*



¹ Qualification resolution issued in January, 2020

SMAs: RESPONSIBLE **GROWTH AND DEVELOPMENT FOR ALL**

Legal and transparent mining, with high social, environmental, technical, legal and economic standards

BENEFITS:



Communities with territorial objectives and a long-term projection

- Possibility to establish income in addition to royalties, which could in turn be allocated for the territories.
- It allows to take advantage of resources in an orderly manner, contributing to social development, in keeping with the environment and the territory.
- Developing mining activities in the regions in a transparent, efficient and inclusive manner.
- Generation of employment, promotion of the economy and social transformation.



A vision-oriented, innovative, competitive country

- Due identification of the environmental characteristics of the territories, prior delimitation of an area.
- Certification of adoption and application of a duly accredited environmental management system.
- Development of mining projects in compliance with high technical and environmental standards.



Mining sector

- Obtaining information on potential for strategic minerals in the country.
- Key tool to promote the promotion of national and foreign investment.
- Promoting the objective selection process as an instrument that allows competitive conditions for mining exploration and exploitation between investors and the State.

LEGAL FRAMEWORK

Strategic Mining Areas (SMAs) were created in pursuance of **Act 1450/2011 – Article 108**, under the name Strategic Mining Reserves. **Act 1753/2015 – 20** subsequently modified the name to Strategic Mining Reserve Areas. The latter regulation remains in force by virtue of the provisions of **Article 336 – Act 1955/2019**.

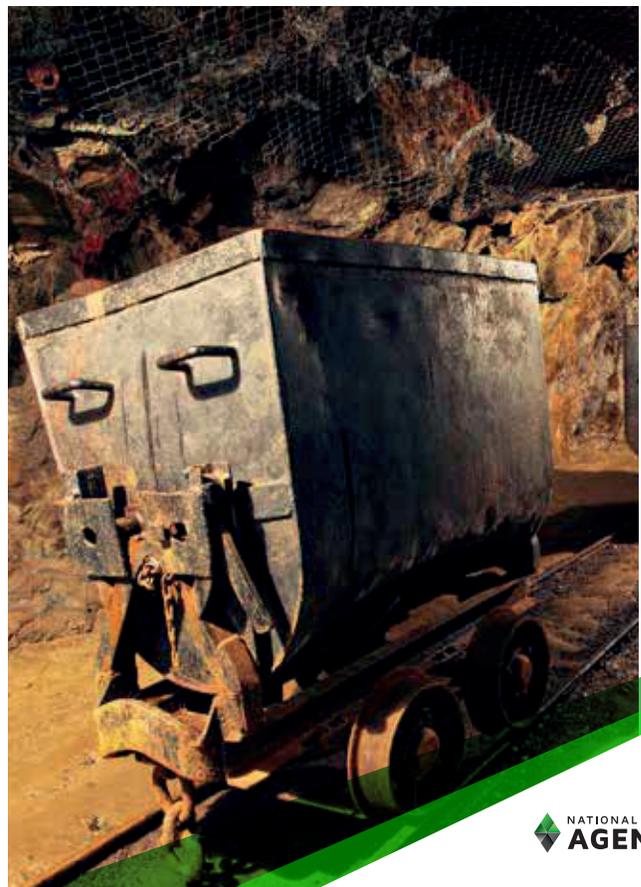
However, **Decree Law 4134/2011** designated the **National Mining Agency – ANM** (from its original Spanish language initials – Agencia Nacional de Minería) as being in charge of the reserve areas with mining potential (in addition to the role of Mining Authority and administrator of the State's mineral resources) in order to grant them under special exploration and exploitation contracts.

Article 17 – section 5, of the abovementioned law (modified by **Article 4 of Decree 1681/December the 17th, 2020**) designated the Vice Presidency of Promotion and Development to define areas with mining potential, in coordination with the Colombian Geological Service (SGC), prioritizing research on geological knowledge, reserving areas with mining potential and declaring and delimiting Strategic Mining Areas, in accordance with the law and the guidelines defined by the Board of Directors at ANM.

In turn, **Article 20 – 1753/2015** provides that the Mining Authority must determine the minerals of strategic interest for the Country with respect to which it can delimit areas found free upon the basis of the geoscientific information available.

In addition, it was arranged that these areas be subject to evaluation of their mining potential, for which geological-mining studies must be carried out by the SGC and / or by third parties hired by the National Mining Authority. Based on said evaluation, the authority must select the areas with high mining potential to grant them through objective selection processes.

For purposes of the declaration and delimitation **of Strategic Mining Areas**, it is necessary to have free areas with high potential for strategic minerals and to accredit the fulfillment of the requirements with respect to these areas as demanded by the Constitutional Court – including the performance of coordination activities and concurrence with the territory. Additionally, prior consultations are required in events where there is a presence of ethnic communities in the **SMA**.



HOW ARE **STRATEGIC?**

Stages in the sma process

ANM has enabled the following stages for the declaration and delimitation of Strategic Areas with high mineral potential:

- ◆ ANM receives the report from the Colombian Geological Service SGC (from its original Spanish language initials – Servicio Geológico Colombiano) on potential for strategic minerals.

◆ ANM analyzes the information:

 - Spatial analysis: areas likely to be excluded from mining activities, areas with restriction for mining, permits and applications etc.
 - Technical analysis of the mineral potential.
- ◆ Free areas with potential for strategic minerals are reserved through an administrative act upon the basis of said technical analysis, and said information is loaded onto the Anna Minería Geographic Information System.
- ◆ ANM requests the Ministry of the Interior to verify and certify the presence of ethnic communities in the reserved areas:

 - In case of having the presence of communities, prior consultation is carried out to obtain the prior, free and informed consent of said communities.
- ◆ ANM carries out coordination and concurrence activities with the local authorities that have jurisdiction in the areas of interest for the declaration of Strategic Mining Areas.

◆ As an added value, ANM carries out a comprehensive diagnosis, called territorial characterization of the areas of interest for the declaration of AEM (characterization files).
- ◆ The ANM generates the administrative act of declaration and delimitation of Strategic Mining Areas. After the publication of the administrative act in the Official Gazette, the abovementioned are loaded and updated on Anna Minería.

SO THE **SMA IS DELIMITED...** *what comes next?*

STAGES IN THE OBJECTIVE SELECTION PROCESS

Through the objective selection process, ANM seeks to award the Strategic Mining Areas by selecting the most favorable offer to award special contracts for the exploration and exploitation of strategic minerals.

The objective selection process is made up of **three key moments:**



→ **Qualification of participants:**

Corresponds to the presentation of the minimum requirements that participants must meet to qualify, proving capabilities regarding requirements of legal, financial, technical, environmental and corporate social responsibility.



→ **Selection process:**

Submittal of offers and counteroffers as defined in the Terms of Reference (ToRs) for each mineral in the different SMAs.



→ **Perfecting the contract:**

The successful bidder signs the Minute of the contract that contains the terms and conditions of the special contract for exploration and exploitation of minerals of the SMA awarded.

The objective
selection process
for the interested parties
operates thus

Stages in the process:



→ **Opening the process**

Availability of the areas on *AnnA Minería* and publication of the Terms of Reference (ToRs) for the objective selection process.



→ **Submittal of the first offer:**

Availability of the areas on *AnnA Minería* and publication of the ToRs for the objective selection process.



→ **Competition for the best offer:**

In the event that the first offer is valid and meets all the requirements demanded in the selection process, ANM will publish the evaluation report of the first offer. The process is then opened for the presentation of counteroffers, from which the best one will be chosen according to the evaluation criteria. The first bidder will have the opportunity to improve the counteroffer, as a prerogative for having submitted the first offer. Thus, SMA will be awarded to the best offer, or the best counter offer.



→ **Award of the contract**

Publication of the final report with the evaluation of the first offer, the counteroffers and the improved counteroffer (if any).



→ **Perfecting and registering the special contract**

* **Mining Business Round:** it will be the first offer of SMA blocks aimed at developing projects for the exploration and exploitation of copper and polymetallic minerals, minerals in which the National Government largely supports the diversification policies of the energy matrix and the support to the development of alternative energies for allowing diversification and balance of the country's mineral production and that constitute inputs for the development of cleaner energy generation technologies.



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