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ELIMINATION OF CHILD LABOUR IN THE COLOMBIAN COAL & GOLD MINING SECTORS

Date: June 30, 2010

BACKGROUND

The main formal and organized Colombian companies of coal, gold, nickel, salt, construction materials mining sectors are represented by **ASOMINEROS Chamber of ANDI's organization**. Emerald mining sector is represented by other associations.

ANDI is the National Business Association of Colombia. It was founded in september 11, 1944. It has more than a 1,100 colombian private companies of different industrial sectors that produce goods and services.

The ASOMINEROS Chamber as part of ANDI's Organization was born in may 2003, to encourage the growth of the mining sector in Colombia. It has 36 members. Our main purpose is to promote and maintain an optimum business environment, through participation with the public sector, for the sustainable development of Colombia's mining industry.

COLOMBIA MINING SECTOR.

In accordance with reports issued by INGEOMINAS (Spanish acronym for the Colombian Geology and Mining Institute), the number of mining titles granted by the Colombian State through December 2009 reached 8,623, which, altogether, span an area of close to 19,000 km², equivalent to 1,7% of the national territory.

Mining titles in the country, at present, are distributed approximately as follows: 29.6% for construction materials (7.9% of the total area granted under concession), 19.3% for coal (30% of the total area granted under concession), 18.8% for precious metals (38.8% of the total area granted under concession), 4.9% for emeralds (1.8% of the total area granted under concession) and 27.4% distributed among other minerals (22% of the total area granted under concession).

COAL MINING SECTOR DESCRIPTION.

Colombia, with an annual volume close to 70 million metric tonnes (MT) is ranked fourth among world coal exporters, after Australia (252 MT), Indonesia

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(203 MT), and Russia (101 MT). In steam coal, Indonesia ranks first, followed by Australia, Russia and Colombia¹.

Growth in coal mining production in Colombia has been associated with expansions in existing mines. Evolution of Colombian coal mining over the last 10 years has exhibited an interesting pattern: coal extraction increased from 38 MT in 2000 to 72.3 MT in 2009, with a 91.6% increase.

The following graph shows the coal production historical trend in Colombia.

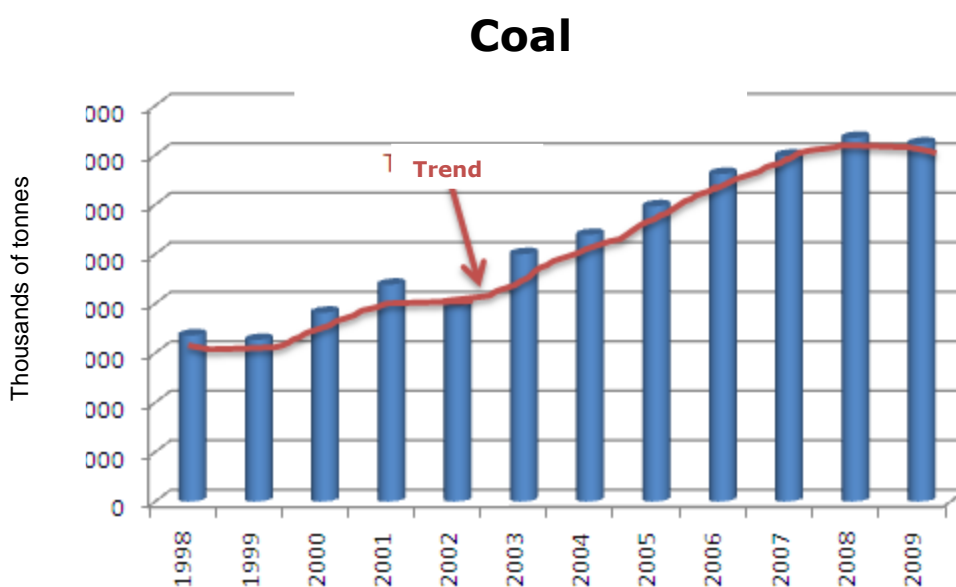


FIGURE 5 Production of Colombian coal in millions of tonnes


(Source: INGEOMINAS)

¹ The Australian Bureau of Agricultural and Resource Economics – ABARE. 2010. Australian Commodities, December quarter, Vol. 16. Number 4.
http://www.abare.gov.au/interactive/09ac_dec/htm/coal.htm

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The following table presents coal production in detail, by department and by project, for years 2008 and 2009, in accordance with official figures published by INGEOMINAS.

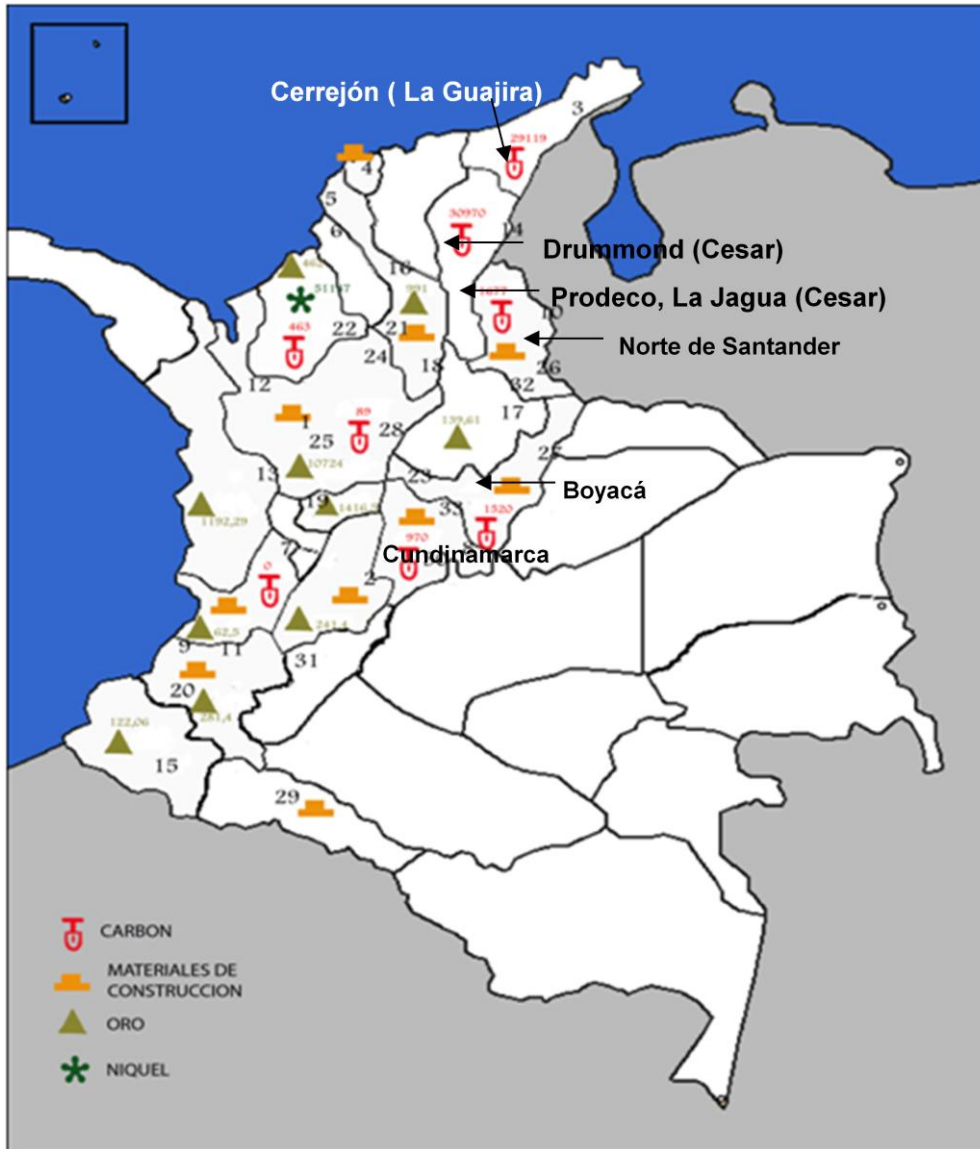
TABLE 2. Colombian coal production by departments (2008 – 2009)

 Department / Project		2008 (Kt)	2009 (Kt)	Var %
LA GUAJIRA	CERREJON ZONA NORTE	17,982.9	15,881.7	-11.7
	CONSORCIO CERREJON - AREA PATILLA	4,535.5	5,287.9	16.6
	CARBONES COLOMBIANOS DEL CERREJON - AREA LA COMUNIDAD	1,095.5	1,178.2	7.6
	CARBONES DEL CERREJON - AREA LA COMUNIDAD	4,161.3	4,404.9	5.9
	CARBONES DEL CERREJON - AREA OREGANAL	4,164.6	4,678.2	12.3
TOTAL LA GUAJIRA	31,939.9	31,430.9	-1.6	
CESAR	DRUMMOND LTD - AREA LA LOMA	21,396.5	18,431.5	-13.9
	DRUMMOND LTD - EL DESCANSO	-	2,157.8	
	CARBONES EL TESORO S.A.	1,849.5	1,078.5	-41.7
	CARBONES DE LA JAGUA	2,517.1	2,667.5	6.0
	CONSORCIO MINERO UNIDO S.A.	0.0	801.3	
	C.I. PRODECO S.A.	4,697.7	5,700.1	21.3
	COMPAÑÍA CARBONES DEL CESAR S.A.	1,299.2	806.7	-37.9
	NORCARBON S.A. - AREA LA DIVISA	356.0	306.7	-13.9
EMCARBON S.A.- DIAMOND LTDA	1,560.1	1,622.2	4.0	
TOTAL CESAR	33,676.2	33,572.3	-0.3	
CORDOBA	CARBONES DEL CARIBE - AREA LA GUACAMAYA Y MINA BIJAO	493.2	392.3	-20.4
ANTIOQUIA		403.9	655.8	62.4
BOYACA		2,230.9	2,276.2	2.0
CASANARE		0.1	0.6	829.8
CUNDINAMARCA		2,405.6	1,941.6	-19.3
SANTANDER		178.1	116.5	-34.6
NORTE DE SANTANDER		2,085.2	1,938.4	-7.0
VALLE DEL CAUCA		79.0	0.0	-100.0
CAUCA		9.9	4.9	-50.4
TOTAL COLOMBIA		73,502.1	72,329.6	-1.6

Source: INGEOMINAS, for data on the collection of royalties.

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The location of main mine producers is presented in the following graph.



Cerrejón, Drummond, La Jagua, and Prodeco are located in the Northern Region, which comprises the departments of La Guajira, and Cesar. The other producers are smaller and they are located in the central part of the country, which comprises the departments of Antioquia, Boyacá, Cundinamarca, Norte de Santander and others.

The value of Colombian coal exports increased in 2009 to US\$ 5416 million, from US\$5043 million, increasing its share of total Colombian exports from

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13.4% to 16.5%, consolidating itself as the second export product in the country, second to oil.

During 2009, there was an increase in coal sales to rather non-traditional destinations such as The Netherlands (from US\$ 534 million in 2008 to US\$ 1138 million in 2009), Turkey (US\$ 168 million to US\$ 303 million) and India (US\$ 85.4 million in 2009).

According to INGEOMINAS data, coal is the main contributor to national royalty collections, with an 85% share of total royalties. In 2009, royalties reached US\$ 597 million, registering 26% growth with respect to 2008.

GOLD MINING SECTOR DESCRIPTION.

Colombian production of gold, silver and platinum during 2009 reached 59.6 tonnes (1.95 million ounces), registering a 32.9% growth with respect to production in 2008.

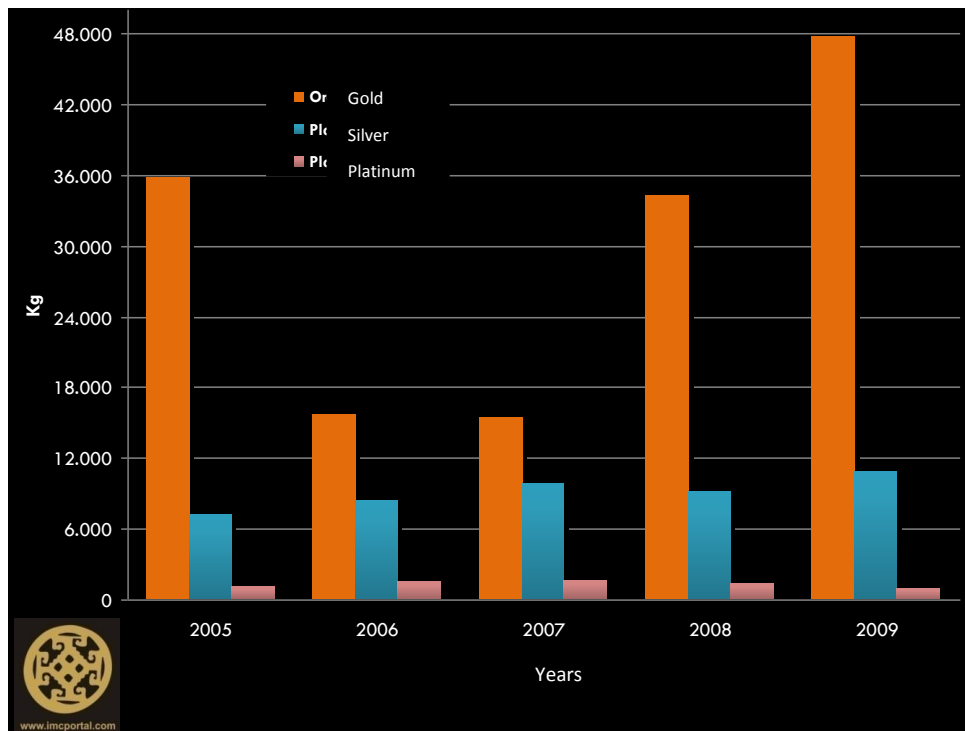


FIGURE 1. Colombian production of precious metals in kilograms

(Source: INGEOMINAS. Calculations: IMCPortal)

The country's gold production increased 39.4%, going from 34.3 tonnes (1.12 million ounces) in 2008 to 47.84 tonnes (1.56 million ounces), the contributions of the departments of Antioquia and Chocó representing 95.1%.

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Silver production, with an 18.2% growth, went from 9.2 tonnes (300,000 ounces) in 2008 to 10.8 tonnes (354,000 ounces) in 2009, and platinum production went from 1.37 tonnes (45,000 ounces) to 0.93 tonnes (30,000 ounces) in 2009, that is to say, a 32.2% decrease in comparison with production in 2008.

Consistent with international gold price quotations (US\$ 973 per ounce on average for 2009), Colombian gold exports reached a historical maximum of US\$ 1,537.2 million in 2009, US\$ 645.9 million more than in 2008. The main destination markets were the United States and Switzerland.

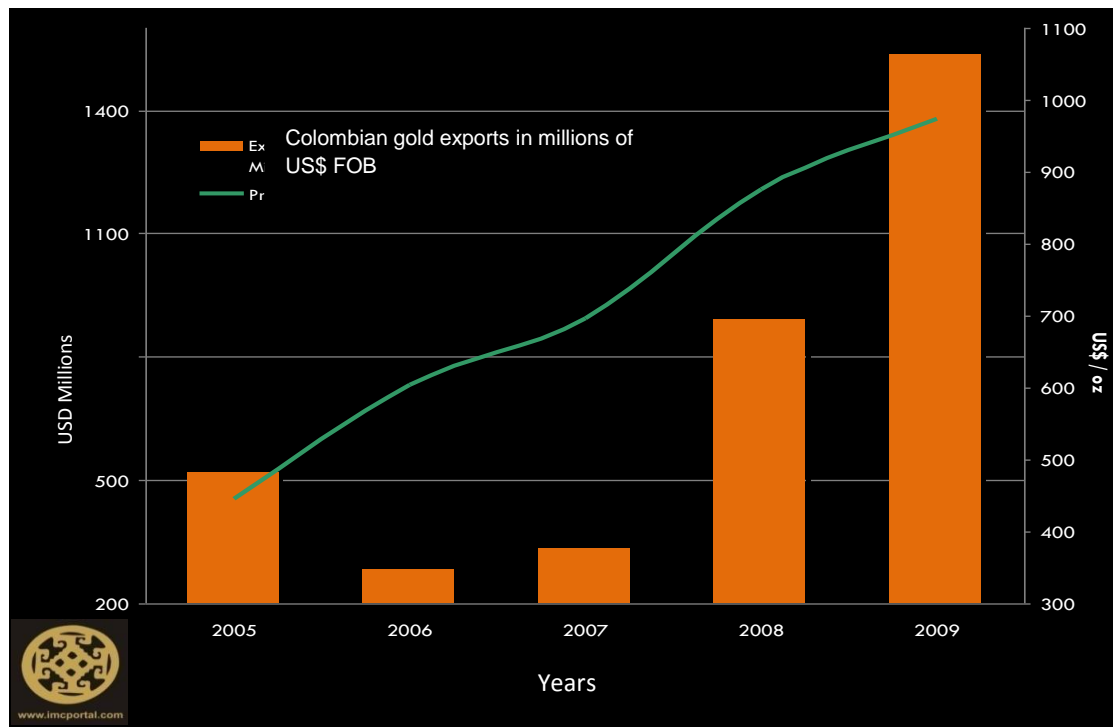


FIGURE 2. Colombian gold exports and international gold prices

(Source: DANE. International Prices, IMF. Calculations: IMCPortal)

During 2009, the precious metals industry paid US\$ 43 million on account of royalties, increasing royalty collections by 62% with respect to 2008, reaching a 6% participation in total royalties paid by the mining industry.

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THE EMPLOYED WORK FORCE AND PREVENTION OF CHILD UTILIZATION IN FORMAL COAL & GOLD MINE OPERATIONS.

Formal coal and gold mining is regulated by the Colombian laws and the corresponding mining authority. Additionally its workforce is covered by the current Labor Code.

Around 90% of coal production mining in the country is obtained from organized open pit coal mine operations located in the northern region, and 100% of this production is exported and they do not use child workforce. All companies exporting coal from open pit and underground mines are members of ANDI's ASOMINEROS Chamber.

Around 50% of gold production mining in the country is obtained from organized gold mine operations, and 100% of this production is exported and they do not use child workforce. All companies exporting gold from alluvial and underground mines are members of ANDI's ASOMINEROS Chamber.

Company members of ANDI's ASOMINEROS Chamber, (in compliance with the guidelines established for members of the ANDI and for the Colombian Ministry of Social Protection through the Department of Labour Protection, and the commitments of the Resolutions 138 and 182 of ILO, ratified by Colombia, related to preventing, discouraging and progressive elimination of child labor) include within their labor policies the prohibition of the use of child labor under 15 years old.

Additionally, ANDI's ASOMINEROS Chamber, is an active member of the international organization "International Council of Mining and Metals – ICMM", which has 10 principles for sustainable development of the mining. In the third principle, declares Uphold fundamental human rights and respect cultures, customs and values dealing with employees and others who are affected by our activities. The initial paragraph of this principle states "Ensure fair remuneration and work conditions for all employees and do not use forced, compulsory or child labour".

The Chamber also has a Code of Conduct and Ethics, which has the contribution for eradication of child labour in mining sector as one of its main principles.