

Colombia Extraction Report

General Facts

- 3rd most populous country in Latin America
- \$244 billion economy is the 5th largest in Latin America
- Rich in gold, uranium, emeralds, and oil
- Oil and gas production are surging
- Coffee production has fallen this year amid 'scarcity' that has buoyed prices.
- Since 2002, foreign direct investment has jumped from \$2 billion to \$10 billion, while GDP per capita has doubled, to \$5,700

The Colombian central bank predicted 4.5% growth as higher exports and more consumer spending are boosting the economy. Strong growth in the export sector and an increase in consumer and household spending were cited as evidence. Underlying economic growth, a young and increasingly urban population, the rise in disposable income and greater numbers of working women are key factors behind the forecast growth in Colombia's retail sales. Retail sub-sectors that are likely to see strong growth over the period include over-the-counter (OTC) pharmaceuticals.

Gold

Whenever the US dollar is down, the price of gold goes up (safer for traders) and Colombia is a current hot spot of gold production. Gold fever has spread across Colombia with record market prices: \$1,260 per ounce in June.

- Certified fair trade gold?

A group called "Oro Verde" is mining in Choco (Afro-Colombian region).

- 31 lbs of gold produced have reached 11 countries (Canada, Denmark, France, Germany, US, etc.)
- Gold sold for 2% higher than market price; jewelers pay a 13% premium to fund local development projects
- Workers cannot use toxic products like mercury, must not kill fish and other aquatic species, must restore any layer of soil that is removed and fill it so that it is suitable for replanting
- 194 families have adopted the program in the region; monthly revenue 250,000 pesos [US\$180]
- In 2009, Oro Verde won the international Seed prize for promoting sustainable development (sponsored by the UN and the International Union for Conservation of Nature)
- Project has been entered on the Fairtrade Foundation's international list of environmental labels; label will be launched first in Britain; aim is to capture 5% of gold jewelry market over 15 years (15 tons of gold per year)

Companies

Orofino Gold Inc is a precious metals acquisition, exploration, and development company that focuses its operations in Mexico and Colombia (2 of the most significant gold producing companies in the world). It has recently signed an option agreement to acquire several properties in Colombia. Results from samples taken from its Colombian projects than ran higher than expected in gold, silver and copper, give Orofino Gold Inc four very strong targets and two extremely rich structures to target for gold and copper. The company will now implement an airborne magnetometer program, as well as begin site preparation for the diamond drilling planned to take place in the 2nd quarter of 2010.

Bellhaven Copper & Gold Inc. is a Canadian-listed exploration company exploring for gold and copper in Panama and Colombia. Its principal assets include the La Mina porphyry gold-(copper) project in the Middle Cauca belt of Colombia, the high-sulphidation epithermal gold-(copper) and porphyry copper prospects located on the Azuero Peninsula in Panama, and the La Ventura prospect in the San Lucas gold belt in

northeastern Colombia. In addition, Bellhaven controls 100% of the Cerro Quema gold-(copper) project also located on the Azuero Peninsula in Panama.

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Antioquia Gold Inc. has about 5,600 hectares in the Antioquia Department, near Medellin. They're based in Calgary, but the overwhelming majority of the employees are based in Colombia. The centerpiece property is known as Cisneros. In 2009, they did about 4,000 meters of drilling. They're going to ramp that up in 2010 to 10,000 meters. The majority of the drilling has taken place at Cisneros, but they have another 30,000 hectares sitting in the pipeline.

Ventana Gold Corp. has been active in Colombia since 2006, and have mineral rights to about 4,500 hectares. They're located not too far from Antioquia, in the northeastern portion of the country.

Galway Resources Ltd., run by Rob Hinchcliffe, also operates in Colombia. Originally, the company started out with two or three properties that were molybdenum and tungsten. Galway has property that Ventana might want to have, and already is starting to get some great drill results there.

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Coal

U.S. coal miner **Drummond Co** said it hired Bank of America Merrill Lynch to advise them on the process of taking on a partner for its Colombian operations. It is the 2nd largest coal exporter in Colombia, which ranks fifth in coal exporting countries globally. **Its assets there include the open pit Pribbenow coal mine, the El Descanso mine, the Dupela project, a deepwater ocean port on the Caribbean Sea, and the coal transportation and handling facilities.**

The family-run company expects its coal exports from Colombia to reach 24 million tons in 2010. It plans to grow El Descanso mine from its current production capacity of 3 million tons a year to 25 million tons per year over the next three years.

Drummond has been in Colombia since the late 1980's. Outside of Colombia, Drummond is a merchant coke producer in the United States and owns the Shoal Creek mine in Alabama.

Drummond has created an ecological bio-hazard with open-pit coal mining tactics that have covered the local residential districts with choking dust. Only 5% of its profits remain in Colombia and attempts of labor to unionize have been met with unabated violence and terror. **The Colombian Federation of Mine Workers is suing Drummond for refusing to stop the murders of three union organizers.**

Oil

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Colombia exports about half of its oil production, with much of it going to the US.

In December 2009, Colombia opened the process of awarding oil-exploration and production rights at 168 sites across the country, known as Open Round Colombia 2010. The government also offered preliminary contracts to carry out technical evaluation in 63 "frontier" zones about which geological information is scarce, areas in deep-sea and areas that were difficult to access in the past because of guerrilla presence. The auction is part of Uribe's strategy of trying to attract foreign and local oil and mining companies to Colombia by creating a favorable tax and regulatory environment. The increase in foreign investment in the oil industry in recent years, combined with a rise in crude prices and a reduction of guerrilla attacks on oil infrastructure, allowed Colombia's oil production to end its downward trend in 2005. Output started to rise significantly in 2008 and in October it reached levels not seen since 2000. Investors say Colombia is more open to foreign capital than many other Latin American governments: "If you compare Colombia and Mexico, Colombia's policy is to attract money and intellectual capital, while Mexico treats their oil as a sacred commodity for their country only." Colombia in the past few years has let private companies thrive without interference – unlike oil-rich Venezuela and Ecuador, whose governments have seized assets without always paying fair compensation.

Occidental Petroleum

In December 1998, 17 civilians were killed by the Colombian Air Force dropping a cluster bomb after AirScan, Occidental's security contractor, from a private aircraft, incorrectly identified it as a hostile guerrilla target. FARC and the ELN were active in the area. 3 employees

of AirScan were flying the Skymaster plane from which they provided the Colombian military with the coordinates to drop the bombs. The operation had been planned by the CAF and AirScan at the Occidental's complex in Cano Limon. A lawsuit was attempted in April 2003 against Occidental by Luis Alberto Galvis Mujica, a witness and survivor of the accident.

Occidental met with substantial resistance from 1992 to 2001 when it tried to drill for oil in the territory of the U'wa people in northeast Colombia. After years of shareholder resolutions, legal battles, protests, and a failed test well, the company abandoned the project. Repsol YPF took over the project and continues to work on it.

In August 2005, Occidental was accused of 42 legal violations in Ecuador, including environmental destruction and espionage. The Ecuadorean government subsequently refused to renew a contract for oil field exploration.

In May 2007, 25 indigenous Achuar Peruvians filed suit against Occidental, demanding clean-up and reparations for environmental damages allegedly caused by Occidental over 30 years.

Agricultural

Illegal deforestation is a problem in El Choco.

Uribe increased productive capacity of Colombia with production of bio-fuels including palm oil, sugar cane, and corn. The Colombia FTA includes special incentives towards the development of these industries.

African palm production requires massive infrastructure projects, probably adding to already big issue of displacement among Afro-Colombian community since paramilitary activity is heaviest in areas high in natural resources.

This is related to oil extraction because of the petroleum-based products like fertilizer and of course, the transport of products internationally.