INVESTOR’S MANUAL ON THE MEXICAN MINING SECTOR
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* Please note that this institutions are formally called Ministries in english, however the head of the Ministry is called Secretary
Introduction

The Federal Government is aware that the mining and metallurgical industry is a strategic economy activity to boost the social and economic development of the country, having as one of its priorities the promotion of the rational exploitation of mining resources in our country. For this reason, it promotes the productive investment engaged with social responsibility, by offering security and certainty, followed by broad business opportunities.

The Ministry of Economy, through the Mining Undersecretary, has the responsibility to formulate and apply actions and strategies aimed at increasing the competitiveness of mining companies, generating new investments and consolidating the existing ones. Thus, the present “Investor’s Manual” has been prepared, a document intended to guide any party interested in investing in our country’s mining industry.

Mexico’s great mining potential is sustained on a rich and varied geology which has allowed the formation of great mineral deposits, as well as on its mining workers’ vocation, quality and professionalism, among many other advantages which are guaranteed return for investments. We invite you to know the existing opportunities in our country’s mining industry, as well as its advantages and processes.

Welcome to the Mexican mining industry.
Mexico is a country with a great and historic mining tradition; Aztec, Maya, Zapotec and Tarascan cultures developed mining and metallurgy, as well as jewelry and goldsmith; They worked on a small scale both metallic and non-metallic minerals.

During the Viceroyalty of New Spain, from the sixteenth century, mining was started on a large scale, giving rise to major population centers such as Guanajuato, Taxco and Zacatecas, to name a few; thus, thanks to the wealth of its deposits, our territory was positioned as the main source of silver worldwide.

Mining became dominated by the exploitation of precious metals and an export orientation, a key economic sector, contributing to the expansion of trade, the development of communications and regional growth.

In the late nineteenth century, Mexico has been constituted as an independent nation, and mining experienced a new boom with the development of industrialization, expanding into large-scale use of industrial metals such as copper, lead and zinc.

During the twentieth century, the Mexican mining reached a more comprehensive development; a more diversified sector was conformed, with stronger links to the domestic market through the use of a wide range of minerals: precious metals, non-ferrous industrial metals, steel minerals and non-metallic minerals. In addition, key government institutions in the sector are incorporated: the Mexican Geological Survey and the Mining Development Trust; in the private sector, the Mining Chamber of Mexico.

In the first decade of the XXI century, the Mexican mining boomed with record levels of investment and a significant number of new companies and projects. In later years a new system of governance, greater social responsibility, greater transparency and participation of all stakeholders involved in the activity was developed.

As a result of this historical development, the Mexican mining is today a modern and dynamic competitive sector offering wide business opportunities, legal certainty and great competitive advantages.
Mexico, General Information

<table>
<thead>
<tr>
<th>Official Name</th>
<th>United Mexican States.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>123.5 Million Inhabitants.</td>
</tr>
<tr>
<td>Surface</td>
<td>1,964,375 km².</td>
</tr>
<tr>
<td>Official Language</td>
<td>Spanish.</td>
</tr>
<tr>
<td>Currency</td>
<td>Peso.</td>
</tr>
<tr>
<td>Capital</td>
<td>Mexico City (CDMX).</td>
</tr>
<tr>
<td>Government</td>
<td>Democratic, Representative and Federal Republic.</td>
</tr>
<tr>
<td>Political Division</td>
<td>32 states.</td>
</tr>
<tr>
<td>Executive Power</td>
<td>Republic President.</td>
</tr>
<tr>
<td>Legislative Power</td>
<td>Congress of the Union.</td>
</tr>
<tr>
<td>Power of Attorney</td>
<td>Supreme Court of Justice of the Nation.</td>
</tr>
</tbody>
</table>

Nowadays, non-oil mining provides 1% of the gross domestic product, and reaches 4% if the mineral processing industries are considered. The mining-metallurgical sector employs over 374 thousand people and generates revenues of over 15,680 billion dollars.

In 2015, mining production value reached an amount of 26.0 billion dollars. Gold production represented 19.1% of the total, copper 12.4% and silver 11.4%; these three metals represented 42.9% of the production value, the production of basalt represented 14.1%.

Mining takes place in every state of the country, particularly the northern and center states, where the main mineral deposits are located.
Specifically, the states of Sonora, Chihuahua, Zacatecas, Jalisco, Campeche, Guanajuato, Coahuila and Durango stand out; these eight territories provide 65.7% of the value of domestic mining production. However, in recent years the mining entities in the south of the country, such as Guerrero and Oaxaca, have had significant growth.

In the year 2016, mining-metallurgical exports increased to 14.7 billion dollars, of which 49.4% corresponded to the United States, 12.5% to China and 8.2% to U.K.

Per mineral, the export of gold stands out with 31.2% of the total, followed by copper 17.6%, silver 15.4%, aluminum, lead 7.0% and zinc 7.2%

Imports reached a total of 7.9 billion dollars in the reporting year, of which 29.1% was for aluminum, 16.1% for iron, 10.6% for copper and 7.4% for coal. Per country, 48.8% was imported from the United States, 7.1% from Canada, 4.1% from India, 5.7% from Brazil and 4.6% from China.

The trade balance showed a surplus of 7.7 billion, highlighting an amount of 7.7 billion dollars in precious metals.

In recent years, mining has faced a decline in metals prices as a result of slower growth in consumption. This has affected the evolution of the variables of the sector, including investment. However, 19.9 billion dollars have been invested in the Mexican mining industry.
II. Advantages of investing in the Mexican mining industry.

Mexico is a great investment option due to the great competitive advantages it offers in mining development.

1. Mining Geological Potential

One of the most important advantages that Mexico has to offer is the great mineral richness of its territory.

The existence of high quality reservoirs favors the profitability of projects and it represents a great investment opportunity. The Mexican territory covers 1,964,375 Km², of which 70% (1,375,063 Km²) has potential for the development of mining projects because there is a favorable geological evolution.

Mexico is one of the most important countries worldwide in terms of mineral wealth, due to the quantity, quality and abundance of mineral species and the diversity of types of mineral deposits throughout its territory.

Therefore, Mexico ranks among the main producers of a large number of minerals, including the first place in silver, second in fluorite and third in bismuth, celestite and wollastonite.

The Mexican mining industry produces a total of 53 minerals, 11 metallic and 42 non-metallic minerals, and its geological wealth includes a greater number of substances that can be exploited.
### PARTICIPATION OF MEXICO IN THE WORLD PRODUCTION OF SELECTED MINERALS 2016

<table>
<thead>
<tr>
<th>Rank</th>
<th>Product</th>
<th>Mexico</th>
<th>World</th>
<th>Share.%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Silver (t)</td>
<td>5,408</td>
<td>21,208</td>
<td>25%</td>
</tr>
<tr>
<td>2</td>
<td>Fluorite (mt)</td>
<td>655</td>
<td>5,965</td>
<td>11%</td>
</tr>
<tr>
<td>3</td>
<td>Bismuth (t)</td>
<td>539</td>
<td>9,992</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>Celestite (t)</td>
<td>33,230</td>
<td>308,230</td>
<td>11%</td>
</tr>
<tr>
<td>5</td>
<td>Wollastonite (t)</td>
<td>63,683</td>
<td>689,683</td>
<td>9%</td>
</tr>
<tr>
<td>6</td>
<td>Molybdenum (t)</td>
<td>11,896</td>
<td>226,146</td>
<td>5%</td>
</tr>
<tr>
<td>7</td>
<td>Lead (mt)</td>
<td>241</td>
<td>4,640</td>
<td>5%</td>
</tr>
<tr>
<td>8</td>
<td>Zinc (mt)</td>
<td>661</td>
<td>10,251</td>
<td>6%</td>
</tr>
<tr>
<td>9</td>
<td>Cadmium (t)</td>
<td>1,244</td>
<td>21,614</td>
<td>6%</td>
</tr>
<tr>
<td>10</td>
<td>Diatomite (mt)</td>
<td>96</td>
<td>2,581</td>
<td>4%</td>
</tr>
<tr>
<td></td>
<td>Copper (mt)</td>
<td>766</td>
<td>15,766</td>
<td>5%</td>
</tr>
<tr>
<td>11</td>
<td>Gold (t)</td>
<td>132</td>
<td>2,212</td>
<td>6%</td>
</tr>
<tr>
<td>12</td>
<td>Salt (mt)</td>
<td>8,906</td>
<td>212,506</td>
<td>4%</td>
</tr>
<tr>
<td>13</td>
<td>Manganese (mt)</td>
<td>205</td>
<td>15,615</td>
<td>1%</td>
</tr>
<tr>
<td>14</td>
<td>Gypsum (mt)</td>
<td>5,402</td>
<td>247,402</td>
<td>2%</td>
</tr>
<tr>
<td>15</td>
<td>Barite (mt)</td>
<td>150</td>
<td>6,516</td>
<td>2%</td>
</tr>
</tbody>
</table>

* t = tons.
* mt = thousands of tons.

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**Non-metallic mineral reservoirs in Mexico**
2. Competitive Costs

Another of the great advantages of the Mexican mining is that it allows to work with great cost efficiency, in which many factors have influence, such as the deposit’s quality, the consumables’ prices workforce and productivity.

Taking the cash cost into consideration, most of the Mexican mines are amongst the lowest range levels covered by the different mining zones worldwide.

The operational cost with which most Mexican mines work nowadays is a warranty of the profitability and viability for any mining project developed in our country.

Also, Mexico has an important industrial sector which includes suppliers with great capacity to provide efficiently the different types of goods and services that a mining operation requires.

The most important costs in which the mining industry incurs are highly competitive in our country.

3. Productivity and efficiency

Mexico has a very experienced and highly capable workforce, able to develop the different tasks involved in the mining activity. Currently, there are 116,763 extraction mining workers, whilst in the metallurgical and mineral processing industries are 257,277 workers total.

There is an important number of educational institutions which train highly qualified professionals in Earth Sciences; 66% of the states in the country (22) have educational institutions that offer related careers: a total of 49 Universities and 16 technological institutes cater to over 15,000 students all around the country.

The educational offer in Earth Sciences covers 4 fields of study: Geology, Geophysics, Mines and Metallurgy, of which 18 professional disciplines are derived.

Additionally, the country has excellent infrastructure. In terms of roads, its extensive road network and railway system internally connects its territory and its northern and southern borders, forming connections with the United States, Guatemala and Belize; it also connects western and eastern coasts, outputting through its ports on both the Pacific Ocean and the Atlantic Ocean.

There are several internal distribution terminals communicated with major seaports, which can reduce costs and streamline the entry and exit of goods.

Mexico has 76 airports (64 international and 12 domestic, also serving national level); 117 ports (49 cabotage and 68 in deep sea and cabotage); 27 thousand kilometers of railways and 133,000 kilometers of paved roads.
4. Legal Certainty

The institutions and the regulatory framework guarantee the property rights, protect the operation of the productive activities and ensure transparency on obligations and procedures.

The article 27 of the United States of Mexico’s Political Constitution establishes the Nation’s domain over each and every natural resource found within its territory, including minerals.

It also establishes that the exploitation of such resources from particular beings or societies constituted according to Mexican laws can be done through concessions granted by the Federal Government, in accordance with the rules and conditions established by the law.

The Mining Law is a regulation from the article 27 of the Constitution in the matter of mining and its application corresponds to the Federal Government through the Ministry of Economy.

The main activity of the mining authority is the issuance of concession and assignment titles; according to the Mining Law, concessions may last up to 50 years, with the possibility of being extended.

The entitlement of a concession obligates the owner to a biannual payment of a levy over mining, according to the number of hectares given by the concession and its expiration date.

The legal certainty of the concessions is based in the Mining Public Registry, in which every act affecting the title is registered; from its issuance, the cession of rights up to its cancellation.

On its account, the land registry’s precision and update allows both natural persons and legal entities the certainty of the terrain’s localization and delimitation protected by their plots, from which they can start their activities of exploration, exploitation and benefit of minerals.

Obtaining a mining concession is one of the starting procedures to enable the exploitation of the mineral resources from a particular or an enterprise; other obligations must be fulfilled in accordance with the different laws that regulate the sector, among which are the Environmental impact Manifest according to the General Law of the Ecological Balance and the regulations of the environmental protection.

This way the investment finds certainty and confidence through the accomplishment of clear rules which guarantee the sector’s sustainable development.
5. Stability and growth

Due to the macroeconomic stability, size and strength of its domestic market, economic growth potential and capacity to generate high-tech products and its strategic geographical location, which makes it a global export platform, Mexico is one of the most competitive countries for productive investment worldwide.

Mexico is the fifteenth largest economy in the world with a gross domestic product of 1,046.0 billion dollars, and the second largest economy in Latin America. It ranks 15th worldwide and first in Latin America as an exporter with more than 373.9 billion dollars.

In the period 2010-2016 the Mexican economy grew at an annual average rate of 3.1% and the International Monetary Fund estimated a 2.4% annual growth between 2017 and 2022. In the last seven years the average inflation level was 3.6 percent, tending to the 3 percent objective of the monetary policy, while international reserves, are more than 174 billion dollars at June of year 2017.

6. Business climate and global positioning

Mexico is recognized worldwide as a country with great advantages when it comes to investing in the mining activity.

The Behre Dolbear report places Mexico as the 5th best destination for mining investment, evaluating aspects such as the economic and political systems, the financial stability, corruption, tax system, permit’s delays and social problems.

The Standard & Poor’s report on investments in the exploration for non-ferrous metals places Mexico as the 6th most important destination of the capital flows channeled with that purpose worldwide in 2016, with about 400 million dollars.

The Toronto Stock Exchange, the world’s most important mining financing resources stock market, places Mexico as the country with the third largest number of enterprises (122 in 2016) with capital financed through their market, just below the United States and Canada, and as the third country in importance in Latin America due to the resources amount (865 million dollars in 2016).

The Fraser Institute, in its 2016 poll, places Mexico in site 50 as an investment attractor from a total of 104 jurisdictions, evaluating both geological potential and mining policies.

The Mexican economy is placed 47 out of 190 in the Doing Business 2017 report from the World Bank.

The World Economic Forum, on its 2017 report, when evaluating competitiveness, places Mexico 51 in a total of 138 countries.
MINING:

- Strategic Economic Activity
- It promotes economic and social development
Mexico

Ranks worldwide among the top 10 producers of 16 different minerals:

Gold, Silver, Lead, Zinc, Copper, Bismuth, Fluorite, Celestite, Wollastonite, Cadmium, Diatomite, Molybdenum, Barite, Manganese, Salt and Gypsum.
III. Investment options in the Mexican mining industry

Mining Development Program 2013-2018

In order to promote the development of the domestic mining sector, the Federal Government made through the Ministry of Economy, the Mining Development Program 2013-2018 (PRODEMIN), which is the strategic instrument of the Mining Subsecretariat for planning and support of the industry and which has four main objectives:

1. Promote higher levels of investment and competitiveness in the mining industry.
2. Seek increased funding in the mining sector and its value chain.
3. Encourage the development of small and medium-sized mining, as well as social mining.
4. Modernize the institutional regulations and improve the attention to issuing processes.

The Mexican mining offers various investment options: establishment of an exploration project through direct concession request; acquisition of projects from the Federal Government through public tender; obtaining ownership of mining concessions by transmission of rights; purchase or partnership of projects at exploration or production stages and purchase of shares from companies on stock market.

It is recommended that anyone interested in investing in the Mexican mining approaches the Federal Government, in order to receive adequate guidance on the options that may be more convenient to their plans.

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- establishment of an exploration project through direct concession request;
- acquisition of projects from the Federal Government through public tender;
- obtaining ownership of mining concessions by transmission of rights;
- purchase or partnership of projects at exploration or production stages and purchase of shares from companies on stock market.

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The Mining Subsecretariat, attached to the Ministry of Economy*, is the area of the Federal Government responsible for the mining policy of the country and consists of four general directions.

*Please note that the terms Ministry and Secretariat are used indistinctly throughout this Manual

The Mines General Directorate (DGM) is responsible for issuing mining concession titles and procedures, and manage the procedures pertaining to the rights and obligations derived from such concessions, according to the provisions of the Mining Law and its regulations.

The Mining Development General Directorate (DGDM) is responsible for promoting investment and providing assistance and advice to investors, in addition to promoting the regional development of the mining activity.

The Mexican Geological Survey is responsible of generating the basic geological information of the nation through the exploration of the national territory, in order to identify and quantify potential mineral resources.

Finally, the Mining Development Trust is oriented to provide training, technical assistance and financing for the mining sector and its value chain.
1. Geological-Mining Exploration and Mapping

Investment in exploration is a very promising alternative to carry out a mining project in national territory, since not only does it have great potential of mineral resources, but there is also valuable geological and mining information through the work of mapping carried out by the Mexican Geological Survey (SGM).

Mapping scale of 1:250,000 of the total area of the country is available since 2005, and the geological-mining mapping at 1:50,000 scale is currently under progress, focusing mainly on geological grounds with greater viability for the development of mining projects.

This mapping information allows the evaluation of the potential of mineral resources, as it carries out a field survey of mining and geological-geochemical data, aimed at the location of economically exploitable mineral reservoirs.

That is, the geological-mining mapping provides detailed information to find areas with higher geological and mining potential, becoming a basic input in exploration work, and it is freely available through the internet.

2. Project bidding

As a result of the work done by the Mexican Geological Survey in identifying mineral prospective areas, defining the exploration targets and evaluating mining assignments (mining concessions granted to SGM), mining projects likely to be subject to bidding are defined through the Mines General Directorate.

That is, it is projects made up of a considerable and rigorous work of exploration and evaluation, with studies presenting positive results and representing an investment guarantee.

The invitation to participate in the bidding for such projects is done openly and can attend all those who meet the requirements set out therein.

It is important to note that one of the obligations of the winners of biddings is paying a discovery premium to SGM once the project starts production.

For 2016 a total of 6 projects for metals such as copper, molybdenum, gold, silver, lead, zinc and manganese are scheduled.

<table>
<thead>
<tr>
<th>Nº</th>
<th>Project</th>
<th>State</th>
<th>Substance</th>
<th>Ha.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>La Soledad</td>
<td>Sin. y Dgo.</td>
<td>Cu, Mo</td>
<td>6,059</td>
</tr>
<tr>
<td>2</td>
<td>Delia</td>
<td>Son.</td>
<td>Au</td>
<td>15,170</td>
</tr>
<tr>
<td>3</td>
<td>El Trigo</td>
<td>Sin.</td>
<td>Ag, Pb, Zn</td>
<td>12,361</td>
</tr>
<tr>
<td>4</td>
<td>Chupaderos</td>
<td>N.L.</td>
<td>Au, Ag, Pb,Zn</td>
<td>16,032</td>
</tr>
<tr>
<td>5</td>
<td>Los Borregos</td>
<td>Chih.</td>
<td>Mn</td>
<td>4,100</td>
</tr>
<tr>
<td>6</td>
<td>Las Chinacas</td>
<td>Chih.</td>
<td>Au, Ag</td>
<td>10,564</td>
</tr>
</tbody>
</table>

SOURCE: SGM.

3. Mining Concessions

By the end of 2015 a total of 25,506 mining concessions were registered in the country, titles covering 23.1 million hectares.

This broad set of mining concession titles includes both those projects in exploration stage and mines already in operation.

According to Article 19 of the Mining Law, mining concessionaires are entitled to transfer ownership of concessions to persons or entities legally qualified to obtain them; for this to have legal standing must be registered in the Mining Public Registry.

There is therefore a potential market, especially among those concessions not yet covering producing mines which for various reasons have not yet reached the production stage.

It is very important that these operations be carried out in strict compliance with the Mining Law and its Regulations.

4. Projects in exploration and producing mines

There is currently a significant number of mining projects under prospecting and or exploration as well as producing mines, that require capitalization to continue to develop and grow according to their potential. This market offers investment opportunities through various partnership mechanisms.
As a reference, at the end of 2016 a total of 947 mining projects involving foreign investment in various stages of development were listed. This includes 635 exploration projects.

There is also a significant number of projects owned solely by Mexican capital, requiring resources to advance their development.

It should be noted that some of them are included in the Mining Projects Portfolio of the Mining Development General Directorate whose database is available on the Internet.

This Portfolio is an instrument that provides investors with technical information on mining prospects and provides owners of mining concessions the opportunity to promote in order to detect business options. Currently the portfolio is comprised of 69 projects.

5. Stock market

The purchase of stock options in Mexican mining companies is also an investment option in the sector.

This can be done through not only the Mexican Stock Exchange, in which, although in small numbers, the most important Mexican mining companies with a long history and tradition as well as a strong presence in the stock market, are listed.

It can also be done through markets in other countries such as the Toronto Stock Exchange and even the London Metal Exchange; in the latter case by the presence in that market of Fresnillo PLC Company, the leading producer of silver worldwide.

6. Service Suppliers

The case of the Canadian market is particularly relevant for the large presence of companies from that country in the national mining. At the end of 2015 a total of 267 mining companies with foreign capital participation were identified, of which 173 (65%) have Canadian capital. The large numbers of mining companies operating in the country are undoubtedly an important market for suppliers of specialized services.

This has been strengthened in recent years with the entry of a greater number of companies and projects in operation, and their growth potential is also significant, for both the country’s economy potential and the expandability capacity of the sector based on the wide wealth of existing resources.

In addition, the recent formation of mining clusters in national territory is stimulating the value chain integration and development of suppliers. Currently, four miners’ clusters exist in the states of Zacatecas, Chihuahua, Coahuila and Sonora.

They work together with companies, educational and research institutions and governmental authorities as well as services providers.

These organizational mechanisms for productivity, efficiency and technological development are working successfully and opening wide opportunities in business and investment.

Mining is a key link in the national economy.

An important generator of employment.
IV. How to set up a business in the Mexican Mining Sector.
Permits and licenses needed to open a Compañía Minera Sociedad Anónima de Capital Variable (S.A. de C.V.), Sociedad de Responsabilidad Limitada (S. de R.L.), Sociedad Anónima Promotora de Inversión de Capital Variable (S.A.P.I. de C.V.) and Sociedad Anónima Bursátil (S.A.B. de C.V).

In addition to the steps aforementioned for registration and permits, the Company will need to carry out the corresponding procedures before other authorities such as: i) Public Registry of Commerce, ii) Mexican Social Security Institute and the National Housing Fund for Workers (INFONAVIT); iii) Other Federal Government Off ces such as the Ministry of Economy (Foreign investment, export-import, programs and incentives), local and municipal off ces, accordingly to mining activities (The diagram does not remove the obligation to revise the applicable law and get expert advise).
1. How to create a Company in Mexico

In order to create a company in Mexico, one must go to a notary public to generate the articles of incorporation, in which all business data, such as: company name, capital stock, number of partners, share percentage, etc. will be specified.

The notary is a legal professional, vested with public faith by the State, which provides legal certainty and trust in the acts and facts which he attests, always maintaining a high level of professionalism, total impartiality and full autonomy in their decisions, which are limited only by the legal framework and the rule of law.

The Articles of Incorporation is a necessary and obligatory document for the legal formation of an organization or society, for commercial or business activities.

Further information can be referred on the National Register of Public Notaries and / or public brokers.¹

Having complied with the above one can go now to the Mines General Directorate to apply for a mining concession.

### Table: Where? For what purposes?

<table>
<thead>
<tr>
<th>Where?</th>
<th>For what purposes?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Taxpayers Registry (RFC), Ministry of Finance and Public Credit.</td>
<td>Comply with tax obligations, such as monthly and annual statement.</td>
</tr>
<tr>
<td>Mexican Institute of Social Security (IMSS).</td>
<td>Comply with employer obligations.</td>
</tr>
<tr>
<td>Institute of National Housing Fund for Workers (INFONAVIT).</td>
<td>Accounting and monitoring flows of foreign investment in our country.</td>
</tr>
<tr>
<td>National Registry of Foreign Investment (RNIE), Ministry of Economy.</td>
<td>Registering property used for the operation of your business.</td>
</tr>
<tr>
<td>Public Registry of Property and Commerce (RPPC).</td>
<td>Record any agreement or contract between individuals related to the mining sector and registration of companies.</td>
</tr>
<tr>
<td>Mining Public Registry (RPM), Mines General Directorate.</td>
<td></td>
</tr>
</tbody>
</table>

**Important:** If you need to bring in the country foreign staff, the corresponding visa must be processed at the National Institute of Migration of the Ministry of Foreign Affairs.

For more information: www.inm.gob.mx/

2. How to obtain a mining concession.

START

Applicant or stakeholder

Company registration before the Ministry of Health (SS) and Municipal Administrations of the Sanitary License and Sanitary Control Cards. The procedure must be performed the month following the notarization.

Check before the corresponding Mining Department if the surface area of land of interest is free.

The application is discarded

The land, area or surface is free.

YES

NO

Do you have the requirements?

The Mining Department shall inform the person concerned in order to remedy the missing requirement, if not satisfied properly the process is discarded.

Registration and validation by the Mining Agency.

Submit the concession request to the proper Mining Agency through the FSE-10-001 form, attaching the documents referred to in Articles 4 and 16 the Mining Law Regulations.

NO

YES

The mining Agency shall record in the request that it was accepted for review and processing, and shall extend the Certificate to the Applicant validly runs 60 working days so that the mining expert runs the valuation works on lot land.

Compiled and satisfied the requirements laid down by the Mining Law, the Mining Department shall give the opinion on the mining lot valuation works report and should be completed within 20 working days from the date of submission thereof.

¹www.sat.gob.mx/sitio_internet/sitio_aplicaciones/padron_fedatarios_notarios/notarios.html
3. Mining Regulatory Framework in Mexico

The Constitution of the United Mexican States provides in Article 27 that natural resources are the heritage of the nation and therefore is the Federal Government who sets the conditions for these resources to be exploited.

The mining legislation is derived from this article, however, there are many secondary laws complementing the regulatory framework for this activity.

The current rules and laws applicable to the mining activity in Mexico are:

- Political Constitution of the United Mexican States
- Mining Law and Regulations
- Regulatory Law of Constitutional Article 27 in Nuclear Topics
- Mexican Official Standards
- Federal Law for Administrative Procedure
- Federal Act for Administrative Litigious Procedure
- Commerce Code
- Foreign Investment Law
- General Law of Commercial Societies
- Tax Code of the Federation
- Federal Code of Civilian Procedures
- Federal Labor Act
- Federal Civilian Code
- Federal act on Metrology and Standardization
- Federal Act of Duties
- Nationality Law
- Ports Law
- Expropriation Law
- General Law of National Assets
- Agrarian Law
- National Waters Law
- General Law on Human Settlements
4. Process for the establishment of mining businesses per stage

To carry out exploration and exploitation one must have the mining concession and comply with Mexican Official Standards before the exploration. Perform exploration and exploitation works and activities within the mining lots covered thereby;

Dispose of the mineral products obtained in those lots on the occasion of the works and activities performed during their term;

Have the dumps within the area covered, unless they derive from another current mining concession;

Obtain the expropriation, temporary occupation or creation of easement needed of the land necessary to carry out the exploration, exploitation and processing works, as well as for the deposit of dumps, tailings, slag and grease containers, as well as build passage underground easements through mining lots, among other rights.

4.1 Access to surface

It’s worth mentioning that mining concessions give rights over the minerals obtained underground, not on the surface, so it is of great importance to conclude agreements with the entitled owners of such property, communities and others. In the particularities section detailed information is given. It is convenient in this stage to start procedures with SEMARNAT as well, in order to timely obtain the environmental authorization.

4.2 Exploration

It is the first stage of the mining cycle and it consists in the search and evaluation of mineral resources. The exploration objective is to find a new mineral reservoir which can be rationally exploited.

The exploration involves a high economical risk because the investment can only be recovered once the exploit has been established, in other words if the mining concession reaches the production stage.

In order to start the exploration works, the procedures before the Ministry of Environment and Natural Resources (SEMARNAT) must be previously processed, such as:

a) Environmental Impact
b) Land Use and Change
c) Works and/or Activities Carried Out in a Protected Area (NPA).
4.2.a Environmental impact previous to exploration

During this stage there are certain effects produced to the environment such as: access roads, camping sites, work yards, drilling templates, sinkholes, trenches, etc. For this reason, an Environmental Impact Statement Study or a Preventive Report must be done according to the activities, in order to reduce and avoid as much as possible the negative effects on the environment:

The Environmental Impact Statement (MIA). Document that discloses - based in studies - the significant and potential environmental impact that a certain work or activity will generate, and the ways and methods to avoid it or minimize its severity in case it is negative (detailed report).

Preventive Report. Works and activities will require this report to be presented, when Mexican Official Standards or some other regulations exist for emissions, discharges, exploitation of natural resources and in general every other relevant environmental impact that may be produced by any activity or work (General Report).

<table>
<thead>
<tr>
<th>Authorization</th>
<th>Submit Preventive Report</th>
<th>Submit Environment Impact Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEMARNAT</td>
<td>If the project complies with NOM-120-SEMARNAT-2011</td>
<td>If the works exceed the NOM-120-SEMARNAT-2011 or within an PNA.</td>
</tr>
<tr>
<td>NOM-120-SEMARNAT-2011</td>
<td>The specifications for environmental protection for direct mining exploration activities in agricultural, stockbreeding or uncultivated areas and in areas with dry and temperate climates where deserts and xeric shrublands, deciduous forest, coniferous forest or oak develops.</td>
<td></td>
</tr>
</tbody>
</table>

4.2.b Alternative Soil Use Authorization in Forestry

When it is intended to perform complete or partial removal of vegetation of forest land to be allocated to non-forest activities and the parameters established in the NOM 120-SEMARNAT -2011 are exceeded, a Technical Justification Study (TJS) must be submitted to change land use.

Resolution Criteria

- That the activity is not contrary to the decree for which the Protected Natural Area was stated where the activity is intended.
- That the activity is compatible with the provisions of the Management Program for the Protected Natural Area where the activity is intended.
- That the activity is consistent with the category of the Protected Natural Area where it is intended to perform the activity.
- Preferably there should be a background of the activity execution without having caused damage to existing ecosystems in the area.
- The validity of the authorization may not exceed the time necessary for the implementation of exploration works or mining exploitation.

4.2.c Authorization to perform works on Protected Natural Areas.

The procedure allows having an authorization to perform exploration and mining exploitation activities inside any Protected Natural Area*.

4.3 Mineral Exploitation and Benefit

These operations consist of the mining of a mineral reservoir and its treatment in the industrial facility (benefit plant). Mining operations can be underground or opencast. For this reason, there are specific regulations in this step which rule the mining activities and establish the operational conditions among which we can point:

- Explosives use and handling.
c) Hygiene and safety measures in mines.

d) Exporters’ Register sectors 8 (iron) and 9 (gold, copper and silver)

e) Environmental impact.*

f) Land use change.*

g) Works and/or activities in PNA.*

h) Mining Waste*

i) Emissions to the atmosphere*

j) Water Use*

4.3.b Environmental impact prior to the start of the exploitation and processing of minerals

During this stage exploitation of the mineral reservoir is carried out. Mining operations can be underground or open-cast and consist of four working sections, mainly: Areas of extraction, processing plant, sterile material storage areas (waste rock, tailings dam) and support services such as: repairer workshops, lab, camps, warehouses and offices.

Therefore one must have permits and licenses; among the most important we can mention the following:

Current mining concession, Environmental Impact Assessment (MIA), Water Use Authorization, Compliance with Official Standards (NOM), Technical Justification Study (land use and change).

Although mine closure (mineral depletion) is one of the last stages of the mining cycle from the beginning of the operation there should be a rehabilitation and post-closure plan established in NOM-141-SEMARNAT-2003, NOM-155-SEMARNAT-2007 and NOM-159-SEMARNAT-2011.

4.3.c For the metallurgical waste generation

In this process, a plan for the waste handling must be elaborated and presented to SEMARNAT, in order to determine the level of hazardousness according to NOM-157-SEMARNAT-2009, in which said institution will grant an authorization, as long as the regulations established in the standard are met.

4.3.d For Air Emissions

- The Multimedia Environmental License (LAU), an authorization based on the regulation for the operation and functioning of fixed sources under federal jurisdiction in the matter of atmosphere is requested. The Ministry of Environment and Natural Resources (SEMARNAT) established the mechanisms and procedures to obtain this license.

- It is a single procedure, as well as the updating of information of pollutant emissions in the first quarter of each year, through an Annual Operation Certificate (COA).

- The Undersecretary of Management for Environmental Protection (SGPA) and its state delegations, in coordination with the National Water Commission (CNA), shall process the LAU request and shall receive the COA.

- Industrial establishments are required to request the LAU and to annually submit the COA.

* In case of high risk activities, an Environment Risk study and a Program for the Prevention of Accidents must be included.
4.3. e For water usage or exploitation during mine work

- To discharge wastewater into receiving bodies that are national property (NOM-001-SEMARNAT-1996)
- To meet the NOM for tailings dams and tailings dam operations (NOM-141-SEMARNAT-2003)
- To make surplus water available

For the exploitation of different waters coming from the mine work and any surface water, a concession from CONAGUA shall be requested.

4.3.f Explosives usage or handling

A general permit for purchase, storage and use of explosive material in the mining industry shall be requested before SEDENA through the SEDENA-02-039 form.

4.3.g Mine security

1. There are Mexican Official Standards valid throughout the national territory and apply to all workplaces where exploration and exploitation-related activities either underground or opencast mining operations are performed, to prevent risks to workers regardless of type activities and scale of the workplace concerned.
   - NOM-023-STPS-2012, Underground and opencast mines – Health and Safety Conditions at Work
   - NOM-032-STPS-2012, Underground Coal Mines Safety

2. Voluntary compliance through PASST (Self-Management Program for Safety and Health at Work) or through OP (Private Organizations).


5. Particularities related to the mining activity

5.1 Land Tenure

It would be impossible to make an overview of the legal system of property in Mexico in this section; so it is very important that the investor have specialized consultants and advisers. However, here is a summary of the main points to consider.

The land tenure is a way of regulating rights, access and control of land for the mutual benefit of its users and of the state and it is divided among others in the following categories:

a) Private: the rights of individuals or legal persons to obtain, possess, control, use, dispose of, bequeath land capital, among other things.

b) Communal: the land belongs to all members of a community and therefore the benefits of it are distributed among all.

c) Ejidal: another form of communal ownership in which a certain number of people forms an “Ejido” which is nothing more than a piece of land for agricultural and livestock production.

d) State: property rights are assigned to an authority of the public sector.

5.2 Ejido and its structure

The Ejido in Mexico has three organs, the Assembly, the Ejido Commission and the Supervisory Board.

a) The Ejidal Assembly is the supreme organ of the ejido, in which all the ejido members participate without any mediation involved. Generally it meets at least once every six months, but it can be called at any time at the request of the Ejido Commission or of the Supervisory Board; on its own initiative or at the request of at least 20 ejido members or 20% of total Ejido members. If the commissioner or council does not do so within 5 working days since the request, the same number of Ejido members may request the Agrarian Agency to convene the assembly.
b) The Ejido Commissariat is an executive body, consisting of a President, a Secretary and a Treasurer, each with a substitute. Under their charge is the execution of the determinations of the Assembly as well as the representation of the Ejido for legal purposes stipulated by the Land Law and the administration of the common property of the Ejido; they will have the authority a general attorney has for acts of administration, lawsuits and collections, but notice that never in domain; being this a collegial body, it should not be confused with some kind of commissioner, but for its functions it depends on the consensus of its three members.

c) The Supervisory Board is constituted by a President, a First Secretary and Second Secretary, each has a substitute. This auditing body shall scrutinize the actions of the Commissariat, making sure they comply with the provisions of the Land Law and the provisions of its internal rules or the assembly. They shall remain in office up to three years.

5.3 Agreements, Temporary Occupation and Easement Agreement

The agreement has been defined as a deal between two or more people to create, transfer, modify or extinguish obligations.

Under Article 1793 of the Federal Civil Code, the agreements producing or transferring obligations and rights, are named contracts, among which the main ones are as follows.

- Donation contract
- Assignment of rights contract
- Sales contract
- Leasing contract

The causes for the termination of contract are

- For the course of the time limit set in the contract
- Unilateral waiver by either party
- By mutual agreement
- By the total or partial breach of obligations
- By declaration of insolvency
- Death or declaration of death of the agent

Temporal Occupation

The Mining Law allows the holder of a mining concession, to enter private land and lay roads or places essential to carry out the works and exploration, exploitation and processing, as well as for the deposit of dumps, tailings, slag and grease containers, and construction of underground passage easements through mining lots, complying with the requirements of Article 50 of the Mining Law Regulations.

Easements

The Federal Civil Code in Article 1057 has defined easement as the real lien imposed on a property for the benefit of another property belonging to a different owner and it consists of not to do or tolerate.

In order for the servient property owner to require the execution of an event, it must be requested to state authority and meeting the requirements for that purpose provided in Article 50 of the Mining Law Regulations.

5.4 Gold, silver, copper and iron Mineral Export Sectoral Registry

There is an Exporter Sectoral Registry of Sector 8 for iron ore; the Ministry of Finance and Public Credit manages the procedure to be enrolled to this Register.

In the case of gold, silver and copper, the Ministry of Finance and Public Credit also established a procedures manual with corresponding tariff for enrollment in the Exporters Registry of Sector 9.

5.5 Cultural Aspects

Culture in Mexico is of great importance; in order to develop a mining project one has to take into account the existence of indigenous communities and archaeological sites in a concession or its surroundings. In order to have the proper development and understanding among the stakeholders involved it is important to keep the community and nearby villages informed.

The National Commission for the Development of Indigenous Peoples (CDI) is the government agency that can guide on the subject, for further information, visit: www.gob.mx/cdi

On the other hand, the existence of an archaeological site on the surface of a concession or near it, will force the mining concessionaire to apply for special permits for the operation of the mine or possibly the imposition of restrictions on the performance of some activities, such as the use of explosives.
The National Institute of Anthropology and History is the government agency responsible for safeguarding the archaeological areas of the country. If you require more information: www.inah.gob.mx/es/

5.6 Environmental Aspects

The mining legislation provides that regardless of the date the title was granted, all holders of mining concessions and assignments are required to abide by the rules applicable to the mining and metallurgical industry in the ecological balance and environmental protection provisions, in accordance with the law and regulations applicable in different subjects (environmental impact, land and water use, waste generation, air emissions, etc.)

For its part, the Mining Law Regulations provide, that the granting of mining concessions and assignments does not exempt the holder from the obligation to comply with the provisions on environment, labor, social welfare and use and handling of explosives contained in the applicable legislation. Emphasizing that the achievement of works or activities of exploration, exploitation and processing of minerals, concessionaires must comply with various federal and state laws that apply to the type of transaction in question.

The agency empowered to the generation, implementation, monitoring and enforcement of environmental regulations is the Ministry of Environment and Natural Resources (SEMARNAT). Among its most important institutions and entities linked to mining activities are the National Water Commission (CONAGUA), the National Commission of Natural Protected Areas (CONANP) and the Federal Attorney for Environmental Protection (PROFEPA).

5.7 Regulation and State and Municipal Procedures

To start operating their projects, mining companies need to obtain permits and the state and municipal authorizations required in each case. Given the freedom and sovereignty of each state, the steps may vary. As for the municipalities, there is also a variety of authorizations and licenses to apply for. The most common is the granting of the land use permit, required for any commercial and industrial activity.

5.8 Energy Reform

In the reform of the Mining Law Regulations, the Third Transitory Article stated that the Ministry of Economy and the Ministry of Energy may draw up rules so that current activities coexist with preferred activities without requiring the technical study to determine the coexistence of both, as referred to in Article 6 of the Mining Law.

Furthermore, Article 27 of the Hydrocarbons Law, determines that between existing mining concessions and preferred activities, the bidding process and the Contract for the Exploration and Extraction may be directly awarded to holders of mining concessions exclusively for exploration and extraction of natural gas activities contained in the vein of coal and produced by it.

6. Best practices in the Mexican mining sector

1. Understand the mining cycle and mining activities in Mexico.
2. Generate better opportunities for local people to get involved and participate in mining.
3. Promote opportunities for dialogue between communities, the mining industry and government levels as part of corporate social responsibility policies.
4. Identify the general legal requirements, laws, licenses, regulations and permits that apply during each stage of the mining industry.
5. Identify the potential impacts (positive and negative) on the environment (people and environment) during each stage of the mining-metallurgical industry.
6. Identify opportunities for community participation involved at each stage of the mining cycle.
7. Identify the different economic and business developments that may be available to local populations as a result of mining opportunities.
8. Record success stories, in which local communities and mining companies have managed to establish good communication and joint work during each stage of mining.
9. Projects and mining operations must be technically sound, environmentally safe, financially profitable and socially responsible.
10. It is the duty of the mining entrepreneur, to go beyond compliance with legal requirements to develop and maintain constructive relationships with stakeholders necessary to make the business sustainable and strive to maintain relationships based on honesty and mutual respect.

5.10 Voluntary Collaboration and Social Responsibility Agreements

The National Forestry Commission (CONAFOR) was created on April 4, 2001, to encourage and promote productive, conservation and restoration activities in forestry, as well as to participate in the formulation of plans and programs,
and in the implementation of sustainable forest development policy.

Mission

To promote and encourage sustainable forest development through public policy actions and the execution of programs aimed at increasing protection, production and productivity, thereby contributing to economic growth and social development.

Operational Areas

- General Coordination of Production and Productivity: Forestry Development; Development of Commercial Forest Plantations; Community Forestry; Market Chain and Forest Environmental Service Management.

- General Coordination of Conservation and Restoration: Soil, Reforestation, Health and Protection against Forest Fires.

- General Coordination of Planning and Information: Planning and Evaluation; Computing; Forest Inventory and Geomatics, and Forest Information.

National Forestry Program (PRONAFOR)

Supports owners and holders of forests, jungles, mangroves, wetlands and dry land areas, to care, improve and sustainably exploit forest resources present in these ecosystems; CONAFOR has promoted partnerships with the private sector to implement actions for conservation and restoration of ecosystems through payment for environmental services, in which mining companies are already currently participating in the country.

Since 2008 it has implemented and developed the Local Payment Mechanisms for Environmental Services (MLPSA), through matching funds where the Federal Government through the CONAFOR is associated with parties interested in maintaining environmental services, whether state and local governments, NGOs or private companies.

Through this voluntary scheme, a mining company can develop its objectives and goals of social and environmental responsibility. The resident people and areas where they operate can be supported and in this way care for the Environmental Services that benefit the entire society.

Offices

Periférico Poniente No. 5360
Col. San Juan de Ocotán,
Zapopan, Jalisco, ZIP 45019,
Ph. +52 (33) 3777•7000 / 01800 •737•0000

For further information refer to:
www.conafor.gob.mx/
www.conafor.gob.mx/ web/ apoyos/ pronafor/
Participation of Mexican women in mining
major mines and advanced projects

ONLY 30% OF THE COUNTRY HAS
El Limón-Los Guajes
Las Truchas
Santa Gertrudis
Parral Tailings
San Diego

Major mines and advanced projects

Alamos Gold Inc.
Pan American Silver Corp.
Alamos Gold
Agnico-Eagle Mines Limited
Minera Frisco
Sierra Metals Inc.
Pan American Silver Corp.
Goldcorp Inc.
Goldcorp Inc.
New Gold Inc.
Primero Mining/Goldcorp Inc.
Invecture Group
Grupo Frisco
Primero Mining Corp.
Fresnillo Plc.
Fresnillo Plc.
NWM Mining Corp.
First Majestic Silver Corp.
Agnico-Eagle Mines Ltd.
US Gold Corp
Fresnillo Plc.
Chesapeake Gold Corp
Grupo Bacis
Argonaut Gold
Primero Mining
Grupo México
Leagold Mining Corp.
Leagold Mining Corp.
Fresnillo Plc.
Pan American Gold Fields Ltd.
Minera Frisco
Torex Gold Resources Inc.
GoGold Resources Inc.
GoGold Resources Inc.
Pan American Silver Corp.
Coeur Mining Inc.
Grupo México
Sierra Metals Inc.
Endeavour Silver Corp.
Great Panther Resources
Excellon Resources Inc.
Avino Silver Ltd.
Pan American Silver Corp.
Fresnillo Plc.
First Majestic Silver Corp.
Primero Mining/Goldcorp Inc.
Endeavour Silver Corp.
Fortuna Silver Mines Inc.
Oremex Resources Inc.
First Majestic Silver Corp.
First Majestic Silver Corp.
Silver Standard Resources
Hecla Mining Company
Minera Tayahua
Pan American Silver Corp.
Neg. Santa María de la Paz y Anexas
Great Panther Resources
Aurcana Corp.
Grupo México
First Majestic Silver Corp.
Torex Gold Resources Inc.
GoGold Resources Inc.

La Perla Minas de Fierro, S.A. de C.V.
ArcelorMittal
ArcelorMittal
Minera del Norte, S.A. de C.V.
Grupo Acerero del Norte
Ternium/ArcelorMittal
Ternium
Ternium/ArcelorMittal

Grupo México
Korea Resources/ Baja Mining
Minera la Pampa (Peñoles)
Starcore International Mines Ltd.
Minera María (Frisco)
Buenavista (Cpo. Mexico)
Mexicanas del Cobre (Mex. Mexico)
Red Tiger Mining Inc.
Minera Alamos Inc.
Inventure Group
Minera Río Tinto
Jindian Group
Teck Resources
Primero Mining/Goldcorp Inc.
Catalyst Copper
Teléfonos Resources
Primero Mining Corp.
Minera María (Grupo Frisco)
Aura Minerals Inc.
Capstone Gold Corp.
Grupo México

Symbology

Copper

Lead/Zinc

Manganese

Sulfur

Fluorite

Salt

Gypsum

Beaten Explored

Source: Mining Undersecretariat
V. Federal Government agencies involved in the Mexican mining sector

<table>
<thead>
<tr>
<th>Federal Agency</th>
<th>Duty</th>
</tr>
</thead>
</table>
| Ministry of Finance and Public Credit (SHCP) | • Business tax registration.  
• Collection of taxes and duties. |
| Ministry of Economy (SE) | • Mining concession request.  
• Regulation and promotion of mining activities.  
• Temporary Occupation.  
• Easements or expropriation.  
• Entitlement and / or registration of companies with foreign direct investment. |
| Ministry of Energy (SENER) | • Authorization of mining activities coexistence with energy activities. |
| Ministry of Environment and Natural Resources (SEMARNAT) | • Environmental regulation.  
• Use of water with industrial purposes.  
• Promoting the protection, restoration and conservation of ecosystems and natural resources, goods and environmental services. |
| Ministry of Agricultural, Territorial and Urban Development (SEDATU) | • Regulation of access to surface.  
• Mining Funds. |
| Ministry of Health | • Social Security (IMSS). |
| Ministry of Labor and Social Welfare (STPS) | • Provide job security for workers.  
• INFONAVIT. |
| Ministry of National Defense (SEDENA) | • Authorize and monitor the use of explosives. |

Ministry of Finance and Public Credit (SHCP)

Duties

The Ministry of Finance and Public Credit (SHCP) mission is to propose, manage and control the economic policy of the Federal Government’s financial, taxation, spending, income and public debt, in order to consolidate a country with quality economic, equitable, inclusive and sustainable growth, to strengthen the welfare of Mexicans.

The SHCP through the Tax Administration Service (SAT) carries out the work of collecting taxes.
Responsibilities

• To apply the tax and customs legislation, in order that individuals and corporations contribute proportionately and equitably to public spending.

• To supervise taxpayers compliance with tax and customs regulations.

• To facilitate and encourage voluntary compliance.

• To generate and provide the information necessary for the design and evaluation of tax policy.

Offces

Av. Hidalgo No. 77 Col. Guerrero, ZIP 06300, Delegación Cuauhtémoc, Mexico City. Attention schedule: Mon thru Thu from 9:00 to 14:30 and from 16:00 to 17:30 hrs and Fridays from 9:00 to 14:30 hrs. Ph.: 01800•463•6728 (prior appointment).

• 67 Local Government Taxpayer Service (ALSC), located in various cities in Mexico.

• Tax services Modules (MST) and Rapid Business Start System Modules (SARE) installed in shopping centers and malls, chambers, associations, government centers, cultural centers or city halls.

• The SAT has tax services mobile units, designed to facilitate compliance with tax obligations through outreach services to taxpayers whose domicile is away from the Local Government Taxpayer Services.

• For further information refer to: www.sat.gob.mx/Paginas/Inicio.aspx

Formalities

Enrollment in the Federal Taxpayers Registry (RFC), and obtaining of the RFC code to start the cycle as a taxpayer, to be performed within one month after the signing of the articles of incorporation. This procedure can be done online through the page: www.siat.sat.gob.mx/PTSC/.

Once registered in the RFC, tax liabilities are acquired, regardless of whether it is a natural person (private) or a legal person (company):

• Submission of monthly declaration of income, expenses and investments made during the period corresponding to the calendar months of the year.

• From January to March, legal persons present the annual statement. Income taxes and assets are mainly declared.

• Since July 1 2016, it is mandatory the use of electronic invoicing in foreign trade operations (A1 code final exports).

Federal Law of Duties Chapter XIII

Mining Duties

The Mining Law, Chapter IV, Article 27, Section II, mandates the compulsory payment of Mining duties “established by the law of the matter”. The articles 262 and 263 list the applicable quotas in accordance to their validity.

Refer to

www.siam.economia.gob.mx/work/models/siam/Resource/Avisos/Trip_pagodederechos.pdf

Article 263: All natural or legal holders of mining concessions and assignments are required to pay mining duties.

Article 264: They shall be payable semi-annually in January and July each year.

Special Duty on Mining (7.5%). The article pursuant to the Federal Law of Duties on the mining section, establishing tax obligations (Article 268).

Extraordinary Duty on Mining. It will be paid to SAT annually, at the rate of 0.5% applied to revenues from the sale of gold, silver and platinum, no later than the last business day of March. Article 270 (Concession and Assignment Holders).

Sustainable Regional Development of mining States and Municipalities

Article 27: The Fund for Sustainable Regional Development of Mining States and Municipalities shall be integrated with the mining duty referred to in Articles 268, 269 and 270. The Fund shall be used in physical investment with a positive social, environmental and urban development impact, caused by income from the disposal or sale of extraction activities.

• Enrollment to Iron Ore, Gold, Silver and Copper Exporters’ Sectoral Register

• Enrollment to the Sectoral Exporters’ Register

A “Request for Enrollment to Sectoral Exporters’ Register” shall be submitted and meet the requirements:

a) Only for enrollment to the Sectoral Exporters’ Register of Sector 8 (iron), the following must be attached:

1. A copy of the document to check the validation of the folio sheet granted by SEMARNAT, authorization of the MIA and authorization of land use change on forest land issued to the requesting natural person or legal entity.
2. A copy of the mining concession title granted by the Mines General Directorate, or the exploitation agreement, certifying its registration in the Mining Public Registry and being up-to-date in the payment of fees.

3. A copy of the existing Preliminary Export Permit issued by the Ministry of Economy (SE).

Tariff code for Sector 8

2601.11.01- Non-agglomerated only magnetite; hematite, magnetite and 2601.12.01- agglomerated only magnetite and hematite.

Enrollment in the Sectoral Registry 9: gold, silver and copper

b) For enrollment to the Sectoral Exporters’ Register of Sector 9, a statement signed under oath by the agent or legal representative of the legal entity shall be attached. This shall express the date, origin of the gold, silver or copper product and attaching, for appropriate action, the business name, the RFC of its top ten suppliers for the sale of the finished or semi-finished product to be exported.

The table below will let you know the tax system and obligations according to the activities that you carry out (Natural Person).

<table>
<thead>
<tr>
<th>Regime</th>
<th>Employees</th>
<th>Fees (professional services)</th>
<th>Property leasing</th>
<th>Business Activity</th>
<th>Fiscal Incorporation</th>
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<td>Monthly, Annual</td>
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<td>Informative</td>
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<td>✗</td>
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<tr>
<td>Other obligations</td>
<td>✗</td>
<td>✗</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

SOURCE: Tax Administration System

Obligations of a legal entity in a general regime

- Enrollment or registration before the Taxpayers Federal Register.
- Tax receipt issuance.
- Bookkeeping.
- Submit monthly declarations and payments, and annual statement.
- Submit information statement of operations with third parties; submit annual information statements.
- Other obligations.
- Keep the Taxpayers Federal Register information up to date.

For further information

www.sat.gob.mx/aduanas/tramites_autorizaciones/guia_padrones/Paginas/default.aspx
www.sat.gob.mx/informacion_fiscal/obligaciones_fiscales/Paginas/default.aspx
**Ministry of Economy (SE)**

**Duties**

The Secretariat of Economy is an agency of the Federal Executive Office, responsible for the boosting of productivity and competitiveness of the Mexican economy through innovative policy of industrial, commercial and service promotion, as well as the boosting of entrepreneurs and businesses of the social and private sectors. This is based on regulatory improvement, market competition and diversification of foreign trade, for the welfare of consumers, a better business environment by strengthening the domestic market and attracting domestic and foreign investment, to improve the living conditions the Mexican people.

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**Offices**

Torre Reforma Latino, Av. Paseo de la Reforma No. 296, Col. Juárez, Delegación. Cuauhtémoc, ZIP 06600, Mexico City.

For further information

www.gob.mx/se/

**A. Mining Undersecretary**

The Mining Undersecretary is the unit attached to the Ministry of Economy and it is responsible for:

- The supervision and coordination of activities in mining arising from Article 27 of the Constitution and the execution of the Mining Law, the Hydrocarbons Law, the Electricity Industry Law, and their respective regulations and other administrative provisions,
- The participation in national and international forums on issues relating to mining events and act as liaison with the private and academic sectors of the mining sector,
- The intervention in the formulation of law bills, regulations, decrees and agreements related to mining,
- The coordination of parastate agencies, the Mexican Geological Survey and Mining Development Trust, as well as the General Directorates of Mines and Mining Development, in order to organize and adjust their activities to the mining policy and the sectoral program in the field.

**ProMexico**

ProMexico is a decentralized office of the Ministry of Economy, responsible for promoting the attraction of foreign direct investment and exports of goods and services and the internationalization of Mexican companies to contribute to economic and social development, and strengthening the image of Mexico as a strategic partner to do business.

Among the ProMexico objectives are the following:

- Assist in conducting, coordinating and implementing actions in promoting foreign trade and attracting foreign direct investment made by agencies and entities of the federal public administration.
- Promote and support export activities and internationalization of Mexican companies through reordering, strengthening, improving and innovating the mechanisms to promote competitive export supply, mainly small and medium-sized companies.
- Disseminate and provide advice especially to small and medium-sized companies on the benefits contained in
trade international treaties or negotiations, promoting the placement of their products and services in the international market, directly or indirectly.

- Organize and support the participation of companies and producers in missions, fairs and trade shows that take place in other countries, to disseminate domestic products and promote the establishment of distribution centers of such products in other countries.

- Promote activities aimed at attracting foreign direct investment, carried out by the agencies of the federal government and the states governments.

Offices
Camino a Santa Teresa No. 1679, Col. Jardines del Pedregal, Delegación Álvaro Obregón, ZIP 01900, Mexico City. In the 45 representatives it has in Africa, America, Asia, Europe and Oceania, dial: +52 (55) 5447-7070

For further information
www.promexico.gob.mx

General Directorate of Foreign Investment

Duties
The General Directorate of Foreign Investment (DGIE) is the Administrative Unit, which belongs to the Competitiveness and Standardization Underministry of the Ministry of Economy in charge mainly of:

- Issuing administrative resolutions under the Foreign Investment Law,

- Managing and operating the National Registry of Foreign Investment (RNIE),

- Developing and publishing statistics on the behavior of foreign direct investment (FDI) in the country,

- Serving as Technical Secretary of the National Foreign Investment Commission,

- Representing Mexico in international investment forums,

- Assisting in promoting and attracting investment,

- Disseminating information and studies on the investment climate in the country and implement public policy guidelines on FDI

Formalities
If the company has foreign-origin investments, it must be registered with the National Registry of Foreign Investment (RNIE) www.rnie.economia.gob.mx/RNIE/faces/inicio.xhtml.

General Directorate of Foreign Trade

Duties
The General Directorate of Foreign Trade (DGCE) is the Administrative Unit, which belongs to the Undersecretariat of Industry and Trade of the Secretariat of Economy and which is responsible for:

- Designing, operating and evaluating specific support programs and export promotion negotiated in international treaties or agreements to streamline foreign trade,

- Promoting the use of information technologies in foreign trade in order to improve the services provided by public administration,

- Developing tools or information systems in foreign trade, in coordination with the General Directorate of Information Technology and Communications, to facilitate communication with the various actors in foreign trade, assess the development of foreign trade and support in decision making,

- Coordinating the participation of agencies of the Federal Public Administration involved in foreign trade in order to boost institutional strengthening,

- Coordinating the integration, production and dissemination of statistics and foreign trade regulating information, and update the Foreign Trade Information Integrated System (SIICEX).

Mexican Business Information System (SIEM)

An instrument of information, promotion and consultation that has specific information from companies integrating certain productive sectors or geographical areas.

It provides timely and reliable information on the location and characteristics of business establishments in the country, so that companies can identify and promote new business opportunities by having a system of public information, with national coverage and easily accessible.
The Mexican Business Information System has been integrated with INEGI’s* National Statistical Directory of Economic Units in order to identify and meet economic activity and active businesses size in the country.

Users can download free specific business information.

For further information

www3.inegi.org.mx/sistemas/mapa/denue/

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*INEGI- National Institute of Geography and Statistic

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Duties

The Ministry of Agricultural, Territorial and Urban Development is the institution of the Federal Public Administration whose purpose is to plan, coordinate, manage, build and run public territorial management policies, ensure decent housing, urban and rural development and provide legal certainty to agricultural centers. This is done in order to improve the quality of life of Mexicans, prevent settlements in risk areas and assist in natural phenomena for immediate attention as well as being in charge of the Committees for Regional Development for Mining Areas.

It is noteworthy that under the current regulatory framework in Mexico, a mining concession does not confer any right to its holder on the ground surface; only on subsoil resource. For this reason, to carry out its exploration or exploitation, the concessionaire must establish a private agreement with the surface rights owner, or, where applicable, previously request it and obtain from the Ministry of Economy (Mining Law Art. 7).

Offices

Av. Paseo de la Reforma No. 99, Col. Tabacalera, ZIP 06030, Del. Cuauhtémoc, Mexico City; y/o Av. H. Escuela Naval Militar No. 669, Col. Presidentes Ejidales, ZIP 04470, Delegación Coyoacán, Mexico City,
Tel: +52 (55) 5624*0000

For further information

www.sedatu.gob.mx/sraweb/
The National Agrarian Registry, the Agrarian Agency and the National Trust Fund for Ejido Development belong to this Ministry, and whose functions are complemented to achieve the corporate objective.

Formalities

The signing of Agreements with the owners of the surface, whether private or Ejido nuclei, and in order to carry out this duty the Ministry of Agricultural, Territorial and Urban Development gets support from the following decentralized body:

A. Agrarian Attorney’s Office (PA)

Duties

The Agrarian attorney’s Office is a decentralized body of the Federal Public Administration, with legal personality and its own assets, sectored in the Ministry of Agricultural, Territorial and Urban Development, dedicated to the defense of the rights of agrarian subjects, provides legal advisory services, agrarian arbitration and legal representation. It promotes the reconciliation of interests, regularization of rural property and strengthening legal security in the field. It also promotes basic agricultural organization for production and better use of their lands and natural resources, through actions that contribute to sustainable rural development and social welfare.

Offices

Motolinía No. 11 Centro Histórico, Delegación Cuauhtémoc C. P. 06000, Mexico City. Ph: +52 (55) 1500•3300 / +52 (55) 1500•3900. Attention Schedule: Monday through Friday: 9:00 to 18:00hrs.

For further information

www.pa.gob.mx/

Services

Services provided by this institution are:

- Attention to hearings.
- Legal Advice.
- Legal Representation.
- Complaints and Reports.
- Administrative Management.
- Conciliation.
- Arbitration.

- Expert disclosures, divided into four categories:
  - Expert Opinion.
  - Informative Survey Work.
  - Technical Opinion.
  - Accounting Audit.

- Opinion Issuance on the contribution of common use land to civil or commercial companies. Opinion Issuance of Ejido Regime Termination. As its name suggests, this service is divided into two categories:
  - Opinion Issuance on the contribution of common use land to civil or commercial companies.
  - Opinion Issuance of Ejido Regime Termination.

- Associative Figures.

- Agreements and Contracts.

- Consulting and participation in assemblies. The consulting service and participation in assemblies is divided into three modes:
  - Assemblies for the Promotion of Common Use Land Contribution of Ejidos and Communities to a civil or commercial association.
  - Consulting and Participation in Special Formalities Assemblies.
  - Advise the agrarian groups in meetings concerning sections I to VI and XV of Article 23, 24 and 40 of the Agrarian Law.

- Creation, modification or termination of social property, which is divided into nine types:
  - Consulting issued for the regularization of rights of national landholders.
  - Consulting issued for obtaining title or full ownership in agricultural and cattle colonies.
  - Consulting and support in prior occupation agreement and the process of land expropriation.
  - Consult and monitor compliance of the regulations applicable to the incorporation of Ejido regime lands.
  - Consulting, monitoring and formalization for the division of Ejidos.
  - Consulting, monitoring and formalization for the Ejidos merger.
- Consult and monitor compliance with the regulations applicable to the creation of new Ejidos.
- Consulting and support to agrarian subjects who feel affected by the assembly of delimitation, destination and allocation of land rights.
- Consulting and support to agrarian subjects who report surfaces over 5% or exceeding the limits of small property.

**• Strengthening internal organization of agrarian nuclei, which is divided into seven types:**
- Advise agricultural subjects in the preparation and storage of succession lists.
- Internal rules of the Ejido, colony or community status.
- Review of the ledger, implementation, and operation of management and accounting systems.
- Update representative bodies and surveillance of ejidos and communities.
- Logbook verification.
- Updating the register of Ejido members or co-proprietors.
- Plots with specific destination.

**• Promotion, consulting, management and support for sustainable development of agricultural nuclei, which is divided into two categories:**
- Access to government programs and services.
- Institutional Intervention for sustainable rural development.

**• Allegations of rural property surplus.**

**• Agricultural subjects training.**

**B. National Agrarian Registry (RAN)**

**Duties**

The National Agrarian Registry, a decentralized agency of the Ministry of Agricultural, Territorial and Urban Development, is responsible for monitoring tenure of the Ejido and communal land, and providing documentary legal certainty, resulting from the application of the Agrarian Law.

**Offices**

Av. 20 de Noviembre No. 195 P. B. Centro Histórico Delegación Cuauhtémoc ZIP 06080, Mexico City.
Ph. +52 (55) 5062•1400 and +52 (55) 5062•1500.

**For further information**

www.ran.gob.mx/ran/index.php

**Services**

- It controls and intervenes in the regulation of land tenure.
- It issues the certificates and titles referred to in the Agrarian Law.
- It bears the registry of the Ejido and communal lands, agricultural and cattle colonies, as well as national land and reported as vacant.
- It takes acknowledgment of communities formed according to the procedures stated in the Article 98 of the Agrarian Law.
- It bears the registry of the resolutions of the assembly of regime conversion from Ejido to communal.
- It bears the registry of expropriation decrees of Ejido and communal property.
- It bears the registry of the unions of ejidos or communities, rural associations of collective interest, rural production societies, unions of rural production societies and social solidarity societies.
- It has on deposit the succession lists submitted by the Ejido members.

It is important to mention that the mapping of the National Agrarian Registry is available at GEOINFOMEX, the digital consultation system of the Mexican Geological Survey and accessible to the public.

**Land Use Unit for Projects in Energy and Physical Investments of the Mining Funds (USBFOM)**

**Duties**

SEDATU dependent unit, derived from the reform made to articles 268, 269 and 270 of the Federal Law of Duties, establishing from January 1, 2014 the payment of special, additional and extraordinary duties to mining activities as follows:

- 7.5% on corporate profits.
• 0.5% on income in gold, silver and platinum.
• Duty on idle lots.

Similarly, the reform made to Articles 271 and 275, instructs the creation of a Fund for Sustainable Regional Development of Mining States and Municipalities, which seeks to raise the quality of life of the inhabitants of the areas where mining activities are carried out.

What is the goal of the fund?

To generate physical investment with positive impact on environmental and urban development, in the regions where the exploitation and production of mineral substances is carried out.

How can the fund be used?

In accordance with article 271 of the Federal Law of Duties, the fund can be used for:

• Construction, renovation and equipping of schools.
• Paving and maintenance of local streets and roads, as well as installation and maintenance of street lighting.
• Landfills, water treatment plants, installation and maintenance of public drainage works, solid waste management, and air quality improvement.
• Works to preserve natural areas, such as reforestation and rescue or rehabilitation of rivers and other water bodies.
• Works with positive impact on urban mobility, including suburban trains systems, metro cable transport or equivalent.

How is the fund managed?

The fund resources are applied through a committee of regional development for the mining areas, which is a collegial body composed of members of the public sector, the private sector and the social sector.

1. It is presided by the Head of the Ministry of Agrarian, Land and Urban Development or his representative.
2. A representative of the federal entity.
3. A representative of the municipalities with mining activities.
4. A representative of the mining companies operating in the state.
5. A representative of indigenous communities or agricultural centers.
6. A recording secretary appointed by SEDATU (with voice but no vote).

Committees operation:

• Ordinary meetings held every three months.
• The meeting can be held with the majority of the membership but the attendance of the President is mandatory.
• The resolutions are issued by a majority vote of the members present.

Powers of the Committees

This body, in charge of SEDATU, approves the implementation of resources taking into consideration the following:

a) The type and cost of the proposed project and its social impact on the region.
b) The current situation surrounding the project.
c) Detailed description of the problem or situation to be solved by the project.
d) The estimate of the population benefited from the project.
e) Level of social backwardness of the beneficiary population.
f) Allocation scheme.
g) Any other information conclusively demonstrating the positive impact of the project in the State, Municipality or Demarcation concerned.
h) The Committee shall provide the state with information on the allocation of resources.
Duties

The Ministry of Environment and Natural Resources (SEMARNAT) is the federal government agency responsible for promoting the protection, conservation and restoration of ecosystems and natural resources of Mexico, including environmental goods and services, in order to promote their sustainable use.

Like any economic activity, mining generates impacts on the environment. To mitigate these impacts, environmental legislation establishes various instruments that aim to prevent the impacts arising from the use of natural resources, including mineral resources.

The General Law of Ecological Balance and Environmental Protection (LGEEPA) provides that the exploration, exploitation and processing of minerals and substances reserved to the Federation in terms of the Mining Law, are subject to environmental impact assessment (prior to their implementation). The environmental impact assessment is the process through which SEMARNAT establishes the terms
and conditions to which the performance of works and mining activities are subjected, in order to avoid or minimize the negative effects on the environment.

Importantly, the environmental impact assessment is not applied in isolation; on the contrary, it is linked to other environmental policy instruments such as the Ecological Settlement of the Territory and various official Mexican environmental standards. Currently, there are five Official Mexican Standards on environmental issues specifically applied to the mining sector. They establish environmental protection specifications for direct mining exploration activities (NOM-120-SEMARNAT-2011); for the design, construction, operation and closure of tailings dams and gold, silver and copper leaching systems (NOM-141-SEMARNAT-2003, NOM-155-SEMARNAT-2007 and NOM-159-SEMARNAT-2011, respectively) as well as the elements and procedures to implement the management plans of mining waste (NOM-157-SEMARNAT-2009).

It must be considered as well that exploration, exploitation and processing of minerals works involve partial or total removal of vegetation of forestland in terms of the provisions of the General Law on Sustainable Forestry Development and its Regulations. In this case, it will be necessary to obtain from SEMARNAT and prior to any activity, the authorization of soil change in forestland.

On the other hand, when exploration and exploitation works intended to be performed are wholly or partially located within the polygon of a Federal Natural Protected Area, an authorization from the National Commission of Natural Protected Areas must be requested prior to the completion of any work or mining activities, through a CNANP-00-003 authorization procedure.

The formality resolution will take into consideration that:

- The activity is not contrary to the Protected Natural Area Decree.
- The activity is compatible with the provisions of the Area Management Program.
- The activity is consistent with the category of the area.
- The authorization issued by the CONANP is independent of the authorization granted by SEMARNAT in environmental impact.

Obtaining environmental authorizations and permits regarding issues such as environmental impact, change of land use on forest land, managing of mining waste, reporting and controlling air emissions and wastewater discharges into national waters and goods, are a mandatory step before the commencement of works in a mining project, and compliance with the terms and conditions imposed on those permits and authorizations must be observed throughout the life span of the project, including its closure.

Compliance with the environmental regulatory framework provides certainty for investment, it gives economic, social and environmental viability in the short, medium and long term, and promotes a sustainable development of the mining sector.

**Offces**

Av. Ejército Nacional No. 223, Col. Anáhuac, Delegación Miguel Hidalgo, Cuidad de México, ZIP 11320 Ph. +52 (55) 5490-0900.

**For further information**

www.tramites.semarnat.gob.mx/index.php/tramites-y-requisitos; and / or the “Guide to the main environmental permitting procedures in various stages of the mining process”, located in the Environmental Development Portal on SEMARNAT website.

**Formalities**

Depending on the stage in which the project is, the following steps shall be performed:

1. **Prospection**
   - **Environmental Impact**

   Gravimetric, geological surface, geoelectric, magnetotelluric, magnetic susceptibility and density prospecting works are not subject to the environmental impact assessment procedure, so authorization from SEMARNAT is not required.

2. **Exploration**

   Before starting any work and / or exploration activity, authorization from SEMARNAT must be obtained. At this stage, authorizations on environmental impact, land use change of forestland and works and / or activities in protected natural areas may be required.

   **Environmental Impact**

   Works and / or activities related to the exploration of minerals and substances reserved to the Federation are subject to the procedure of environmental impact assessment and, therefore, the proper authorization must be requested.

   To request the authorization of an exploration project, the presentation of a Preventive Report (IP*) or an Environmental Impact Statement (MIA*) is required, which is subject to the characteristics of each project. An IP can be presented if the project conforms to the specific cations in the Official Mexican Standard NOM-120-SEMARNAT-2011; the foregoing without prejudice to the SEMARNAT, once analyzed the report, determines that the submission of a MIA is required with respect to the project.
The NOM-120-SEMARNAT-2011 (Published in the Official Gazette on March 13, 2012), establishes the specifications of environmental protection for direct mining exploration activities in agricultural, livestock or wastelands areas and in areas with dry and temperate climates where deserts and xeric shrublands, tropical deciduous forest, coniferous or oak forests develop.

The MIA is the document by which it is disclosed, based on studies, the environmental impact, significant and potential that an activity or work would generate, and how to avoid or mitigate it if it is negative.

It is important to note the following:

• If the works are carried out in sites or conditions different from those mentioned in the standard or they exceed the parameters and criteria established in the same, a MIA must be submitted.

• A project development or mining activities are not allowed within a Protected Natural Area (ANP*), unless the statement of this area allows to do so; if this is the case, a MIA must be submitted.

• If due to the implementation of activities or site preparation it is necessary to change land use of forest, jungles or arid areas, the corresponding MIA must be submitted.

Land use change on forest land

An exploration or mining exploitation project requires authorization in terms of land use change on forest land (CUSTF) when it is necessary to carry out a partial or total removal of vegetation of forest land to be allocated to non-forest activities.

It is therefore necessary to determine whether the land is forest or not, for which it must be analyzed if its features and biological attributes coincide with different definitions such as forest land, forest vegetation, forest, jungle, forest vegetation in arid areas, among others.

To apply for this authorization certain requirements must be met, among which are the presentation of the legal document proving ownership, possession or right to make that change in land use and the presentation of a supporting technical study. This study must show that biodiversity is not compromised, nor soil erosion will cause the deterioration of water quality or decrease in uptake and that the proposed alternative land use is more productive in the long term.

3. Mining exploration and exploitation works within protected natural areas

If the mining lot is totally or partially located within a Protected Natural Area (ANP), prior to the execution of mining exploration and exploitation works/activities, there should be an authorization from the Conmission of Protected Natural Areas (CONANP).

Where there is no ANP Directorate, the authorization request will be processed at the Regional Directorate of the CONANP to which the ANP concerned is circumscribed.

Mineral exploitation and benefits

The results of the mining exploration will be used for the preparation of a feasibility study and economic evaluation for exploitation purposes to determine mineral reserves, mining methods that could be applied, the volume of the minable, the cost of extraction, alternatives and process costs. In addition, a first estimate of environmental remediation costs and potential benefits of commercialization will be determined. If the final analysis of reserves indicates that the project is favorable, before starting with the stage of exploitation and profit, authorizations and/or permits shall be obtained in areas such as:

• Environmental Impact

• Land use change in forestlands.

• Works and/or activities in protected natural areas.

• Mining waste.

• Air emissions.

• Water.

Environmental Impact

Before the start of any work and/or activity for the exploitation and benefit of minerals and substances reserved to the Federation, including its supporting infrastructure, and for the disposal of their waste in tailings dams, it is necessary that the party concerned gets the environmental impact authorization by SEMARNAT for which an Environmental Impact Statement (MIA) must be submitted.

If the activities undertaken are considered highly risky, the MIA should include an Environmental Risk Study (ERA).

Once the ERA is evaluated, the Program for the Prevention of Accidents must be submitted for approval. This document describes the measures and preventive actions against the risks analyzed in the ERA.

Highly hazardous activities

An activity is highly hazardous if it involves the use of any of the substances referred to in the lists published by SEMARNAT, in amounts equal or greater to those listed therein.
• First highly hazardous activities list (toxic substances handling), published on March 28, 1990.

• Second list (flammable and explosive substances handling), published on May 4, 1992.

• The activities considered highly hazardous are required to develop an ERA, whose complexity depends on the activity to be carried out in the facilities.

When changes are tried to be made to a project that already has an environmental impact authorization, amendment to this authorization should be requested through the corresponding procedure.

If it is required to carry out works and / or complementary activities in an area other than the authorized, an authorization for environmental impact should be requested for said works and / or activities.

The environmental impact assessment process is initiated through the presentation of a Preventive Report [IP], if it is intended to carry out works such as gold, silver or copper leaching systems, as well as a tailings dam and if such works stick to the provisions in the corresponding Official Mexican Standard:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Mexican Official Standard</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold and silver leaching systems.</td>
<td>NOM-155-SEMARNAT-2007</td>
<td>Establishes the environmental protection requirements for leaching systems of gold and silver ores.</td>
</tr>
<tr>
<td>Copper leaching systems.</td>
<td>NOM-159-SEMARNAT-2011</td>
<td>Establishes requirements for environmental protection for copper leaching systems.</td>
</tr>
<tr>
<td>Final disposal of mining waste in a tailings dam.</td>
<td>NOM-141-SEMARNAT-2003</td>
<td>Establishes the procedure to characterize the tailings, as well as specifications and criteria for the characterization and preparation of site, project, construction, operation and post-operation of tailings dams.</td>
</tr>
</tbody>
</table>

It is important to note that if the works and / or activities involving exploitation or benefit imply the removal of vegetation, that is, the change of land use of forest, jungle or arid areas, the corresponding MIA must be processed.

Mining Waste

The mining industry must observe the provisions concerning the generation of any of the types of waste established by the General Law for the Prevention and Management of Waste (LGPGIR): mining-metallurgical, hazardous, special handling and urban solids.

Waste from the mining industry, produced by the mining and metallurgical processing of minerals such as tailings, waste from abandoned leaching yards and metallurgical from smelting, refining and metals transformation processes are of federal regulation and competence.

The mining and metallurgical industry waste generators are subject to the preparation and presentation before SEMARNAT of the Management Plans (PM), established by the LGPGIR.

A PM is an instrument that aims to minimize the generation of waste and maximize the value of those generated, under criteria of environmental, technological, economic and social efficiency. For the preparation of the PM of mining waste, the provisions of the Off cial Mexican Standard NOM-157-SEMARNAT-2009 must be observed.

Mining waste may or may not be hazardous.

The determination of hazardousness is performed according to the NOM-157-SEMARNAT-2009 or from the test methods set out in the specific Mexican Official Standards.

It is important to note that waste from the mining and metallurgical industry may be finally disposed at the site of its generation, meaning both the premises where the processes giving rise to waste are developed, and the one where the facilities are located, in accordance with the provisions of the aforementioned NOM.

Air Emissions

Multimedia Environmental License (LAU)

The Multimedia Environmental License (LAU) is the authorization granted by the SEMARNAT for the operation and functioning of industrial establishments considered fixed sources under federal jurisdiction, for the prevention and control of air pollution.

Any natural person or legal entity who operates or wishes to operate a fixed source of federal jurisdiction must obtain the LAU.

Among the industrial sectors of federal jurisdiction that must process the LAU is the metallurgical industry.

The LAU features are:

• Granted per industrial establishment

• It is mandatory for establishments under federal jurisdiction in terms of atmosphere, new or to be regularized.

• It can be requested voluntarily via re-licensing when the industrial establishment has an Operating License.

• It is issued only once.
• It must be renewed by change of line of business or location.

• Update is required in case of change of business name, authorized production increase, process changes, expansion of facilities or manifestation of a new hazardous waste.

The process is decentralized to the metallurgical sector, which can be processed in the SEMARNAT branch in the corresponding state.

Annual Operation Certificate

The Annual Operation Certificate (COA) is a monitoring tool for industrial control, through an annual report on releases and transfers of pollutants and substances into the air, wastewater discharges, soil and hazardous waste that occurred in the previous calendar year. It is presented during the first quarter of each year (January 1 to April 30).

To this end, the following are subject to report:

• Responsible for fixed sources under federal jurisdiction having the LAU or operating license granted by SEMARNAT.

• Large generators of hazardous waste.

• Service providers of hazardous waste handling.

• Those who discharge wastewater into receiving water bodies of national waters or goods status.

Through the COA, SEMARNAT collects information on releases and transfers of pollutants and substances into the air, water, soil, generation and handling of hazardous waste and, with this, inventories of Chemicals, Hazardous Waste, Greenhouse Effect Gasses (GEI), Pollutant Criteria, and Emission and Pollutant Transfer Register (RETC) are integrated.

The following Mexican Official Standard specifically and directly applies to the mining operation:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Official Mexican Standard</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Material crushing and transport</td>
<td>NOM-043-SEMARNAT-1993</td>
<td>Maximum permissible levels of emission to the atmosphere of solid particles from fixed sources.</td>
</tr>
</tbody>
</table>

4. Closure and remediation

Closure

Upon completion of a mining operation, its closure becomes a planning and programming strategic issue. Today, the best practices require that the closure be designed from the start with the vision of reinstating the used land or property to its natural or urban environment.

From the beginning of the operation, during it and, in particular, towards the end of the productive life of the mine, various actions are taken to address the environmental impact of mining activities. Prior and during closure (cessation of mining activities and removal of equipment) remediation work should be performed, while in the post-closure activities are mainly environmental monitoring and maintenance.

Environmental Impact

The guide for the presentation of the Mining Environmental Impact Statement, particular mode, which is available on the SEMARNAT website, mentions that for the post-operation or abandonment stage of the site, a description of a tentative program in which emphasis is made on rehabilitation measures, compensation and restitution must be submitted.

Facilities closure

If, for whatever reason, hazardous waste is not produced anymore or facilities where it is generated are closed, written notice shall be given to SEMARNAT through the corresponding procedure. The information provided will be reviewed by the SEMARNAT, who may order the physical inspection of the facilities and the site in order to verify that the dispositions have been observed.

Remediación de Sitios Contaminados

The responsibility for pollution and remediation of a site is determined according to the following:

- Those responsible for the contamination of a site as a result of an administrative procedure or judicial resolution in terms of the Federal Law on Environmental Responsibility.
- Those responsible for activities related to the generation and handling of hazardous materials and waste that has caused contamination of a site with these activities.
- The owners or possessors of land of private domain and holders of concession areas where soils are contaminated will be jointly responsible for carrying out remedial actions as may be necessary.

Remedial actions

When a site is contaminated, because of an environmental emergency or when there is an environmental liability, a remediation program should be formulated, which will be evaluated and, if deemed appropriate, approved by the SEMARNAT.

A remediation program consists of a series of measures that contaminated sites will be subjected to, in order to eliminate or reduce contaminants to a level safe for health and the environment.

In that sense, the remedial actions to be undertaken will be aimed at achieving the remediation of the site to the levels of cleaning expected in the corresponding Official Mexican Standards. In the absence of these, remediation levels can be determined based on a study of environmental risk assessment.

Some of the Mexican Official Rules to be observed are:

- NOM-147-SEMARNAT / SSA1-2004, which establishes the criteria for determining the remedial concentrations of soil contaminated by arsenic, barium, beryllium, cadmium, hexavalent chromium, mercury, nickel, silver, lead, selenium, thallium and/or vanadium.

The environmental emergency is the only case where remedial actions can be initiated; however, a proposal of parallel remediation to the implementation thereof must be submitted to the SEMARNAT.

When in a fixed facility material or hazardous waste is spilled, infiltrated, discharged or poured, not exceeding one cubic meter, the following actions must be performed:

a) Minimize or limit its spread.

b) Remove the material or waste.

c) Conduct site cleanup.

d) Record the incident in the logbook.

This does not apply in case of spills, leaks, discharges or accidental spills during transportation of hazardous materials or waste. In those instances the following procedure must be met:

When by accident or force majeure materials or hazardous waste is spilled, infiltrated, discharged or poured in quantities larger than a cubic meter, the responsible party or generator must perform the following actions:

1. Contain materials or waste released, minimize or limit its spread, remove them and clean up the site.

2. Immediately report the accident to the Federal Agency for Environmental Protection (PROFEPA) and the competent authorities.

3. Run the measures the authorities would have imposed.

4. Start characterization jobs of the contaminated site and if necessary perform appropriate remedial action.

Notice to PROFEPA

Notice must be given through the corresponding form, which can be found on the PROFEPA website, within three business days following the day the accident occurred.

This notice must include:

- Name and address of the person who gives notice.

- Location and characteristics of the site where the accident occurred.

- Causes that led to the spill, infiltration, discharge or accidental spillage.
• A precise description of the physicochemical and toxico-logical characteristics and amount of hazardous mate-
rials spilled, dumped, infiltrated, discharged or poured.

• Measures taken for containment.

Prohibitions in case of an Environmental Emergency

When in an emergency containment measures of hazardous waste materials released are applied, it is not allowed:

a) Soil washing on the site by means of hydraulic devices without control or storage devices and treatment of leachate and water currents generated.

b) The mixture of soil contaminated with uncontami-
nated soils for dilution purposes.

c) Extraction or removal of contaminated soil and hazardous waste contained in them without controlling dust emissions

d) Application of chemical oxidants in site

Agencies affiliated to SEMARNAT

National Water Commission (CONAGUA)

The National Water Commission is the agency affiliated to the Ministry of Environment and Natural Resources, which is responsible for preserving national waters and their inherent public goods for their sustainable management and ensuring water security with the responsibility of government orders and society in general.

Among its objectives are:

1. Promote integrated and sustainable water management in watersheds and aquifers.

2. Improve the technical, administrative and financial development of the water sector.

3. Consolidate the participation of users and organized society in water management and promote the culture of its good use

4. Prevent risks related to meteorological and hydro-meteorological events and attend to their effects.

5. Assess the effects of climate change on the hydrological cycle.

6. Create a cooperation and compliance culture with the National Water Law in administrative matters.

The activity of water use is subject to the National Water Law, regulating the Article 27 of the Constitution; the Federal Law of Duties and the assessment regarding the environmental impact statement, by the Ministry of Environment and Natural Resources.

Water is used in different processes during mining activities so it is necessary to have the corresponding concessions and permits granted by the National Water Commission (CONAGUA).

Exploitation, use or enjoyment of national waters in activities such as mining, should be made prior to concession granted by the CONAGUA.

In accordance with the Mining Law, mining concessions confer the right to use the waters deriving from the works of exploration or exploitation and beneficiation of minerals or substances obtained and the domestic use of personnel employed thereat. To this end, the following must be done:

Obtain permission of wastewater discharge into receiving bodies that are national property. NOM-001-SEMARNAT-1996, which establishes the maximum permissible limits of contaminants in wastewater discharges into national waters and property.

Comply with Mexican Official Standard for tailings dams. NOM-141-SEMARNAT-2003, which establishes the procedure to characterize the tailings, as well as specifications and criteria for the characterization and site preparation, design, construction, operation and post-operation tailings dams.

Make available to the Conagua available water or excess after use or exploitation being conducted, based on the rights granted by such concessions.

For the use of water other than from the works in mines, as well as on the surface waters covered within the mining lot covered by the concession, the provisions of the National Water Law must be complied.

Offices

Insurgentes Sur No. 2416, Col, Copilco, El Bajo, Delegación Coyoacan, ZIP 04340, Mexico City. Ph. +52 (55) 5174-4000.

For further information

www.conagua.gob.mx
In addition, it monitors when spills, infiltrations, discharges or leaks of materials or hazardous waste larger than a cubic meter occur, the one responsible meet the following requirements:

1. Run immediate measures to contain released materials or waste, minimize or limit its spread or pick them up and cleaning up the site;

2. Report immediately to the Agency and to the competent authorities that spillages, infiltration, discharge or disposal of hazardous materials or hazardous waste occurred;

3. Implement the measures that the competent authorities would have imposed, as provided for in Article 72 of the Law;

4. If applicable, begin characterization work of contaminated site and perform proper remediation actions.

Monitor that the notice refered to in Section II is formalized within three working days following the day on which the events occurred, and using for both cases Spills, Leaks, Discharges or Pouring Notice Format of hazardous materials or hazardous waste, published in the Official Gazette on August 30, 2011:

- Immediate Notice (PROFEPA-03-017-A)
- Notice Formalizing (PROFEPA-03-017-B)
- Both forms are available on the PROFEPA Website.

PROFEPA is integrated by:

- Attorney
- Environmental Audit Deputy Agency
- Industrial Inspection Deputy Agency
- Natural Resources Deputy Agency
- Legal Deputy Attorney
National Commission of Protected Natural Areas (CONANP)

The National Commission of Protected Natural Areas is a decentralized body attached to the Ministry of Environment and Natural Resources (SEMARNAT), having an administrative autonomy but not legal personality nor its own assets. It is responsible for preserving the most representative ecosystems of Mexico and its biodiversity through protected natural areas and other forms of conservation, fostering a culture of conservation and sustainable development of the communities settled around them.

Its goal is to maintain the representativeness of the Mexican ecosystems and biodiversity, ensuring the provision of environmental services through conservation and sustainable management, and promoting the development of productive activities, with criteria for inclusion and equity, contributing to job creation and reducing poverty in communities living within the ANP and their areas of influence.

This goal will be pursued through a series of strategic objectives related to the following areas:

- Integrated landscape management.
- Conservation and management of biodiversity.
- Attention to the effects of climate change and reducing emissions of greenhouse gases (GEI).
- Economics of conservation.
- Strengthening of intra-sector strategic coordination (Comprehensiveness).
- Strengthening of inter-sector coordination (Transversality).
- Legal framework for the conservation of natural heritage.
- Institutional strengthening.
- Communication, education, culture and social participation for conservation.

National Program for Protected Natural Areas 2014-2018

www.entorno.conanp.gob.mx/documentos/PNANP.pdf

Offices

Av. Ejército Nacional Número 223, Col Anáhuac 1 Sección Delegación Miguel Hidalgo, ZIP 11320. Mexico City. Ph. +52 (55) 5449•7000
Responsibilities

The Ministry of Energy (SENER) aims to establish and lead the country's energy policy, within the constitutional framework, monitor compliance with priority on energy security and diversification, ensure a competitive, sufficient, high quality, economically viable and environmentally sustainable energy supply the development of national life requires.

Offices

Av. de los Insurgentes Sur No. 890, Col. Del Valle, Delegación Benito Juárez, ZIP 03100, Mexico City. Ph. +52 (55) 5000•6000.

For further information

www.gob.mx/ sener

Formalities

The Transitory Seventh Article of the Hydrocarbons Law stipulates that holders of mining concessions at the entry into force of this Act, and who have permission for the recovery and use of natural gas associated with coal deposits, may continue the activities authorized in the permit. This will be applicable as long as the mining concession is currently in production and prove that they have the technical, administrative and financial capacity to carry out the exploration and extraction of hydrocarbons.

Requirements to be included by the concession holder in the application for direct award of a contract for the exploration and extraction of natural gas contained in the vein of coal and produced by the mining concession:

- The required documentation must be attached to the application, in print and backed up in digital files, in text, charts or statistics format.
- Prove the ownership rights of the concession in force through the corresponding title.
- Present the document issued by the Ministry of Economy, attesting compliance with the obligations for the mining concession title concerned, including payment obligations in terms of the Duties Federal Law issued during the 6 months prior to the application, and the document issued by the Mining Public Registry to certify that the holder of the mining concession has no preventive notes by judicial authority to limit their rights, issued within 6 months prior to the request.
- Prove the existence of natural gas resources for each mine where extraction of coal activities are carried out or are going to be carried out. Applicants must attach their application with the study proving the existence of natural gas resources.
- Demonstrate the activities for the extraction of coal will be carried out in terms of Article 51, Section III of the Hydrocarbons Law Regulations.
- Accredit economic solvency, financial, technical and administrative capacity for each mine where coal extraction activities are carried out or are going to be carried out.
- Applicants must comply with applicable regulations on industrial and environment safety.
Energy Reform

The Ministry of Economy and the Secretary of Energy may draw up rules so that the mining activities coexist with the exploration and extraction of oil and other hydrocarbons at the entry into force of the Decree through which the Hydrocarbons Law is issued, in accordance with the provisions of Article Third Transitory of the Mining Law Regulations in force.

The Article 27 of the Hydrocarbons Law provides that no bidding process will be required to be carried out, and the contract for exploration and extraction may be directly awarded to holders of mining concessions, exclusively for the exploration and extraction of natural gas contained in coal veins.

The exploration and extraction of natural gas associated with coal made without exploiting coal, as well as the exploration and extraction of hydrocarbons existing in the area of a mining concession and which are not associated with coal, will only be carried out through a contract for exploration and extraction awarded by the National Hydrocarbons Commission through a tender or through an assignment.

Procedure in case of affectation to the rights of a mining concession due to a preferential activity of exploration and extraction of gas and hydrocarbons:

The mining concessionaire, contractor or assignee will have a period of 90 days to conduct negotiations and reach an agreement that allows the project development by the contractor or assignee.

- Negotiations with the mining concessionaire shall be notified by the Contractor or Assignee before the National Hydrocarbons Commission.
- If the parties fail to reach an agreement within the prescribed period, the National Hydrocarbons Commission will determine if both extractive activities can coexist and whether or not an affectation to the rights of the mining concession exists.
- If the National Hydrocarbons Commission determines that there is an affectation to the rights of the mining concession and there is no agreement between the parties, the Commission will determine the amount and terms to cover compensation for the mining concessionaire.

The mining concessionaire making the exploration or extraction of hydrocarbons without the corresponding contract for exploration and extraction, shall be punished with the cancellation of the mining concession.

Coexistence between mining activities and activities of transmission and distribution of electricity utilities.

Article 72 of the Law of the Electricity Industry finds that mining concessionaires, holders of assignments, permits or contracts may not oppose the installation of any infrastructure for the transmission and distribution of electricity in the area covered by the concession, assignment, permit or contract in question, whenever technically feasible.

The consideration, the terms and conditions for the use, enjoyment or affectation of land, assets or rights needed for the occupation or superficial affectation or the creation of easements necessary to provide the transmission and distribution of electricity utilities will be negotiated and agreed between the owners or holders of the land. In case of being a private land, it may be agreed on acquisition.

If within 180 calendar days after receipt of the statement of negotiation, there is no agreement between the parties, the applicant may:

a) Promote before a District Judge in civil matters or the Agrarian Tribunal the establishment of the legal servitude; or

b) Request the Ministry of Agrarian, Land and Urban Development (SEDATU), a mediation that will focus on ways and modalities of acquisition, use, enjoyment or affectation of land, property or rights, and the corresponding consideration.

In the latter case, if within 30 calendar days from the suggestion of consideration, the parties cannot agree, the SEDATU may propose to the Federal Executive the establishment of a legal easement through administrative channels.
OFFICIAL NOTIFICATIONS ON EXPLORATION AND EXPLOITATION WORKS AND ACTIVITIES IN OIL ASSIGNMENTS

Mapping Department
Concessions Department
Concessionaire
Concessions Department
General Directorate of Exploitation and Exploration of Hydrocarbons (SENER)
Mapping and Mining Concessions Department

Checks whether the lot is located in oil assignment.

Notification reporting the concessionaire on the location of his lot and ordering him to submit a "Request to carry out works and activities in oil allocations"
Art. 20 of M.L. Art. 41 of M.L.R.

Enters request to perform coal exploration and exploitation works and activities on lands covered by oil assignments (FSE-10-006 form)
Art. 20 of the M.L. Art. 41 of the M.L.R.

Is there a SENER opinion within the term?

With official notification to the M.E., a copy of the request is sent for the opinion, within 20 days, on the theoretical conditions to which they must adhere.
Art. 20 of the M.L. Art. 41 of the M.L.R.

If after the deadline no opinion has been issued, the application shall be issued without objection and the M.E. shall resolve as appropriate.
Art. 41 of M.L.R.

If the Ministry of Energy does not notify the stakeholder the resolution within the 25 days following the date of the request, it shall be considered as approved.
Art. 41 of M.L.R.

With official notification to the M.E., a copy of the request is sent for the opinion, within 20 days, on the theoretical conditions to which they must adhere.
Art. 20 of the M.L. Art. 41 of the M.L.R.

If after the deadline no opinion has been issued, the application shall be issued without objection and the M.E. shall resolve as appropriate.
Art. 41 of M.L.R.

If the Ministry of Energy does not notify the stakeholder the resolution within the 25 days following the date of the request, it shall be considered as approved.
Art. 41 of M.L.R.

The applicant must state in writing the intention to continue the process of mining concession (15 working days) only where there is coexistence compatibility.

Replies in 15 working days?
Continue process.

Is partial coexistence possible?
Request is discarded.

Is partial coexistence possible?
Issue an opinion on partial works.

STUDIES ON PREFERRED ACTIVITIES AND COEXISTENCE OF MINING CONCESSIONS (SENER)

Mining Department
Concessionaire
General Directorate of Hydrocarbons, Exploration and Exploitation (SENER)
Mining Regulation Department

Request information to SENER and see if the lot is located in a place where there are preferred activities (SENER has 10 working days to reply)

Are there preferred activities?

YES
A technical study is done with SENER (90 working days to determine coexistence)

NO
Is coexistence possible?

YES
The request is discarded.

NO
Is partial coexistence possible?

YES
Issue an opinion on partial works.

NO

Receives title proposal validates, cartographic information and decides on the granting of title.
The Ministry of Health is the agency of the Federal Government responsible primarily for disease prevention and health promotion of the population.

Its mission is to establish state policies for people to exercise their right to health protection.

**Mexican Social Security Institute (IMSS)**

**Functions**

The Mexican Social Security Institute is the institution with the largest presence in health care and social protection of Mexicans since its founding in 1943. To this end, the IMSS combines research and medical practice, management of resources for the retirement of its insured workers, to provide them and their families with tranquility and stability before any of the risks specified in the Social Security Act. Today, more than half of the Mexican population has something to do with the Institute, so far the largest of its kind in Latin America.

**Offices**

Paseo de la Reforma No. 476, Col. Juárez, Delegación Cuauhtémoc, ZIP 06600, Mexico City, Ph. 01800•623•2323.

**For further information**

www.imss.gob.mx

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**Formalities**

a) Employer Registration and Enrollment in the Work Risk Insurance

It is the first step that must be done before the IMSS in case of being a legal entity that hires workers to its service, and to do this, the Institute will assign an Employer Registration Number to meet applicable payments. This procedure can be done in person or online through the following link: www.imss.gob.mx/tramites/imss02001c

To carry out this formality the following should be considered:

- The maximum resolution period of the process is 21 calendar days in case of the Social Security 1973 Act, and 30 days in case of the Social Security Act 1997 Act.

- To comply with the provisions of the law, the proceeding must be presented within 5 business days after hiring a worker.

- On the other hand, if unable to attend on the date and time indicated in the appointment, there is a maximum period of 10 days after sending the request to conclude the procedure.

- Before capturing data, it is recommended to review the Article 196, of the Regulations of the Social Security Act on Enrollment Company Classification, Collection and Control, to identify the Class and Work Risk Insurance Section corresponding to the work activity that will be performed.

- If you already have at least one Employer Registration Number, you can request to the corresponding Office according to the official address, the allocation of new employer records.
• At the end of the process, you will receive your Employer Identification Card and your Notice of Employer Registration for Legal Entities.

The documents required for this procedure are:

<table>
<thead>
<tr>
<th>PERSON</th>
<th>DOCUMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work Center</td>
<td>• Proof of address.</td>
</tr>
<tr>
<td></td>
<td>• Sketches of address location.</td>
</tr>
<tr>
<td></td>
<td>• Public deed or articles of incorporation bearing the seal of the Public Registry of Property and Commerce.</td>
</tr>
<tr>
<td>IN ADDITION, IF YOU ARE...</td>
<td>DOCUMENTS</td>
</tr>
<tr>
<td>Legal Entity</td>
<td>• Federal Taxpayers Registry (R.F.C.).</td>
</tr>
<tr>
<td></td>
<td>• Official identification with photo and signature such as: AM-SRT form, only when resuming activities.</td>
</tr>
<tr>
<td>Legal Representative</td>
<td>• Power of Attorney for acts of ownership, management or special power to perform all sorts of procedures and sign documents before the IMSS.</td>
</tr>
<tr>
<td></td>
<td>• CURP or official identification with photo and signature such as: voting card, passport, professional certificate.</td>
</tr>
<tr>
<td></td>
<td>• AM-SRT form, only when resuming activities.</td>
</tr>
</tbody>
</table>

**AFIL-02 Form.**

b) Worker Affiliation Movement Notice

Notices presented by the employer to the Institute for worker’s registration, wage modification and termination. This procedure can be done in person or online via the following link:

www.imss.gob.mx/tramites/imss02009

To carry out this formality the following should be considered:

• As an employer, it is required to file this process within the 5 working days after the movement and if agricultural employer, the deadline for submission is 7 days.

• It is compulsory to submit wage changes caused by Work Collective Contract Review before the Institute, within 30 calendar days following the conclusion of an agreement, through a magnetic device in the Employer Registration Control Office.

• It will be grounds for rejection if documents and forms lack signature as employer or legal representative, as well as the data needed for proper process.

• When presenting affiliation movements through electronic means, you have 3 business days after the delivery of the certificate of acceptance issued by the Institute, there is a term of 3 days for any clarifications. After this period it shall be deemed as accepted.

<table>
<thead>
<tr>
<th>MEANS</th>
<th>DOCUMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet</td>
<td>Through this means documentation is not required, only enter the web portal (IDSE) using any of the following data:</td>
</tr>
<tr>
<td></td>
<td>• Advanced Electronic Signature (e.SRT) or Electronic Employer Identification Number and Digital Certificate.</td>
</tr>
<tr>
<td></td>
<td>Affiliations movements can be sent by:</td>
</tr>
<tr>
<td></td>
<td>• File load with the structure established by the IMSS or generated through the DispMag application (30Mb)&gt;.</td>
</tr>
<tr>
<td>In person</td>
<td>At the Employer Registration Control Department:</td>
</tr>
<tr>
<td></td>
<td>• Employer’s Card Identification, in all cases.</td>
</tr>
<tr>
<td></td>
<td>• File with the structure established by the IMSS and through DispMag application (30Mb)&gt;.</td>
</tr>
<tr>
<td></td>
<td>• SAIA-01 form.</td>
</tr>
<tr>
<td></td>
<td>When not exceeding 5 affiliation notices, the following can be submitted directly at the Department:</td>
</tr>
<tr>
<td></td>
<td>• Worker Registration Notice (AFIL-02).</td>
</tr>
<tr>
<td></td>
<td>• Wage Modification Notice (AFIL-03).</td>
</tr>
<tr>
<td></td>
<td>• Worker or Insured Termination (AFIL-04).</td>
</tr>
</tbody>
</table>

c) Company Closure

Procedures for notice of modification to the employer registration

It is the notice to be presented as registered employer before the IMSS when suspending or terminating activities at the workplace corresponding to the employer registration. This procedure shall be carried out in person.

For further information

www.imss.gob.mx/tramites/imss02002k

The procedure must be carried out within 5 business days after the suspension or termination of activities occur.

• The employer registration shall be currently effective, without notice of strike.

• In case of Single Employer Registration, this must be cancelled before submitting the notice.
• In case of an Employer Registration associated with a Single Employer Registration, notice of change of address must be presented in the Office controlling the Associated Employer Registry.

• In case of an Employer Registration by Class, the procedure will take in the Tax Address and a Notice of Registration Employer or Modification of Registry must be submitted for each Employer Registration by Class assigned.

• After making the change to employer registration, the cancellation of the Electronic Identification Employer Number and Digital Certificate and the replacement of the latter with the modification must be requested in person or through a liable party or legal representative.

The documents required for this procedure are:

• Copy of the notice presented before the Tax Administration Service (SAT).

• Original Employer Identification Card.

• AFIL 01 form.

• If the case may be, the AFIL-04 Worker or Insured Termination Form, one for each worker.
Investor’s Manual on the Mexican Mining Sector

Ministry of Labor and Social Welfare (STPS)

Duties

The Ministry of Labor and Social Welfare, as an agency of the Federal Executive Office, is responsible for the exercise of the powers conferred upon it by the Organic Law of the Federal Public Administration, the Federal Labor Law, other laws and treaties as well as regulations, decrees, agreements and orders from the President of the Republic.

It is the unit responsible for strengthening the labor policy of formal and quality employment with benefits and full rights for all Mexicans, through the democratization of productivity, the full protection of their rights, in addition to guaranteeing their access to labor justice.

It is responsible for the compliance and implementation of the provisions contained in Article 123 and others of the Federal Constitution, the Federal Labor Act and its regulations.

I. Seek the balance between the factors of production, in accordance with the legal provisions.

II. Intervene in the employment contracts of nationals who are providing their services abroad, in cooperation with the Ministries of Interior, Economy and Foreign Affairs.

III. Coordinate the formulation and promulgation of industry labor agreements in coordination with the Ministry of Public Education.
Promote the increase of labor productivity.

Promote the development of qualification and training in and for the work, and conduct research, provide advisory services and training courses that increase productivity at work required by the productive sectors of the country, in coordination with the Ministry of Public Education.

Establish and direct the National Employment Service and monitor its operation.

Coordinate the integration and establishment of the Federal Conciliation Board, the Federal Conciliation and Arbitration Law and of the commissions formed to regulate employer-employee relations that are under federal jurisdiction and monitor their operation.

Carry out the registration of workers, employers and professionals associations of federal jurisdiction.

Promote the organization of all kinds of cooperative associations and other forms of labor social organization, in coordination with the competent agencies, as well as resolve, process and register their incorporation, dissolution and liquidation.

Study and order safety and industrial hygiene measures for protection of workers and monitor compliance.

Direct and coordinate the Federal Office of Labor Defense.

Organize and sponsor labor and social welfare exhibitions and museums.

Participate in international conferences and meetings, in accordance with the Ministry of Foreign Affairs.

Carry the general statistics related to labor, in accordance with the provisions established by the Ministry of Finance and Public Credit.

Establish policies and coordinate the social security of the Federal Public Administration, and intervene in matters related to social security under the terms of the law.

Study and project plans to boost employment in the country.

Promote culture and recreation among workers and their families.

Formalities applicable to the mining industry

**MEXICAN OFFICIAL STANDARDS**

<table>
<thead>
<tr>
<th>Name</th>
<th>Applies</th>
<th>Link</th>
</tr>
</thead>
</table>

- If the company employees had an accident, this should be notified within 72 hours before the Labor Inspectorate, the Board of Conciliation and Arbitration and the Ministry of Labor and Social Welfare (STPS). To facilitate the process, the STPS offers the liable parties the Work Accident Notice System (www.siaat.stps.gob.mx), which aims to facilitate the notification of work-related accidents and deaths resulting from accidents or work-related illnesses.

- Voluntary compliance with regulations on safety and health at work can be done through the registration of companies to the Safety and Health at Work Self-Management program, which is a promotional action from the Ministry of Labor and Social Welfare to encourage self-management of workplace safety and health at work.

- On the other hand, employers can also opt for voluntary compliance with their obligations regarding safety and health at work contained in the official Mexican Standards issued by the Ministry of Labor and Social Welfare, through the participation of private organizations accredited and approved in terms of the provisions of the Federal Law on Metrology and Standardization, to assess compliance with Mexican official standards.

- It is noteworthy the momentum that the Ministry of Labor and Social Welfare (STPS) gives the National Program of Emotional Wellbeing and Human Development (PRONABET) as a public policy focused on creating a new culture of occupational health in Mexico, which encourages the care for emotions at

Offices

Avenida Paseo de la Reforma No. 93, Col. Tabacalera, Delegación Cuauhtémoc, ZIP 06030, Mexico City.

For further information

www.gob.mx/stps
Institute of National Housing Fund for Workers
(INFONAVIT)

Duties

The Institute of National Housing Fund for Workers (INFONAVIT) is an institute created to generate value for workers, their families and communities, through solutions allowing them to increase their assets and quality of life in a sustainable way, throughout their working lives and in retirement, based on tripartism and autonomy. Once the company is duly registered before the labor authorities, registry before the INFONAVIT is compulsory, so that workers can gain access to the benefits provided by the Institute.

Infonavit operates under the following regulatory framework:

• Article 123 of the Constitution, Fraction XII, Section A states that everyone has the right to have comfortable and hygienic housing.

• The Federal Labor Law, Article 136 states that companies are required to provide their workers with comfortable and sanitary housing and to make monetary contributions to that end.


Services

Workers’ mortgage loans for real estate purchase and remodeling

Offices

INFONAVIT is headquartered in Barranca del Muerto No. 280, Col Guadalupe Inn, Delegación Álvaro Obregón, ZIP 01029, Mexico City. Ph. +52 (55) 9171•5050 & 01800•008•3900.

For further information


www.empresarios.infonavit.org.mx/wps/portal/patrones/miportalempresarial/registro

www.portal.infonavit.org.mx/wps/wcm/connect/infonavit/inicio
**General Directorate of Registration of Firearms and Explosives Control**

**Duties**

**General Directorate of the Federal Register of Firearms and Explosives Control** is an agency of the Federal Public Administration dependent upon the Ministry of National Defense. Its mission is to regulate the activities under the Federal Law on Firearms and Explosives and its Regulations on the control and monitoring of industrial and commercial activities and operations carried out with weapons, munitions, explosives, devices and chemicals.

**Offices**

Boulevard Manuel Ávila Camacho S/N. Esq. Av. Industria Militar, Col. Lomas de Sotelo, Delegación Miguel Hidalgo, ZIP 11640, Mexico City. Ph. +52 (55) 5626•5911. Toll free 01800•832•7453 with the following extensions:

- Explosives Section (Mining Subsection): 5719
- Fax +52 (55) 5626•5911, ext. 5903.

For further information

www.sedena.gob.mx

**Formalities**

Before the General Directorate of the Federal Registry of Firearms and Explosives Control the various general, ordinary and extraordinary permits are processed for the use and handling of explosives in the mining industry in the area of purchase, storage and use of explosive material.

The requirements to apply for a general permit for the purchase, storage and use of explosives in the mining industry (SEDENA-02-039) are available at the following electronic address:

www.gob.mx/ sedena/ acciones-y-programas/ direccion-general.del.registro-federal-de-armas-de-fuego-y-control-de-explosivos
The attached forms can be downloaded from the following link:


The fee for the issuance of the general permit for the year 2016 for the purchase, storage and use of explosive material in the mining industry is $12,990.00 MN. The form ES Help Sheet for electronic payment with the reference code and payment chain is available at the link:


For the amendment of the general permit, the below listed procedures must be requested directly to the General Directorate of the Federal Registry of Firearms and Explosives Control:

- Purchase increase, storage and use of explosive material.
- Registry of explosive material storage sites.
- Rearrangement of explosive material in storage sites.
- Registry of mining lot(s) where explosive material shall be used.
- Change of tax address.
- Change of corporate name.
- Revalidation.
- Legal representative registration.
- Ordinary import and export of explosive material permits.
- Modification of ordinary import/ export of explosive material permits.
- Ordinary permits for the relocation of explosive material.

In addition to the documents that are produced in this Office, the Military Zones located throughout the national territory, carry out the following:

- Quarterly permits for the purchase and use of explosive material consistent with the corresponding General Permission.
- Extraordinary, one time only permits for the purchase, storage and use of explosive material based on Article 58 of the Regulations of the Federal Law on Firearms and Explosives.

For any questions or information clarification, call the numbers listed above or send an email to: rfafyce@sedena.gob.mx
Mining
An industry engaged with communities and the environment.
Organizational structure of the government mining sector

Ministry of Economy (SE) Mission

To promote the productivity and competitiveness of the Mexican economy through innovative policy of industrial, commercial and services promotion, as well as the impulse to entrepreneurs and companies in the social and private sectors. This is based on regulatory reform, market competition and diversification of foreign trade, for the welfare of consumers, a better business environment reinforcement of the domestic market and the attraction of domestic and foreign investment, to improve the living conditions of the Mexican people.

Ministry of Economy Vision

To be an agency that contributes to the economic conditions to support Mexico in its full potential, in close relation with the people, open and transparent, with entrepreneurs that encourage an innovative culture, with adherence to formality and productive and competitive companies, involved in efficient markets with strengthened consumers.
VI. Mining

Undersecretary

Mission

To contribute to the development of the national mining sector, encouraging and promoting its competitiveness, aimed at the attraction of investment, consolidation of existing ones and employment creation, through the formulation and monitoring of policies, strategies and actions of the Federal Government, in the quest of a better utilization of mineral resources. This will be possible by promoting regional development of mining activities and contributing to the sustainable growth of the sector in the long term.

Goal

To develop and monitor the implementation of policies, strategies and actions aimed at increasing the competitiveness of mining companies, generate new investment and consolidate existing ones, increase the utilization of mining-metallurgical nontraditional products, increase exports, promote regional development of mining activities to contribute to the sustainable growth of the sector in the long term.

Functions

- To establish collaborative links and guide the activities of the Mexican Geological Survey and the Mining Development Trust, as well as the General Directorates of Mines and Mining Development.
- To participate in national and international mining forums.
- To act as liaison with the private and academic sectors.
- To elaborate proposals or drafts of laws, regulations, decrees and agreements related to mining.
- To establish with the Federal Delegations General Coordination, the collaborative and coordination links with the Delegations and Sub-delegations of the Ministry for the development of its duties.
- To perform such other duties and functions conferred upon other regulations.

Offices

Puente de Tecamachalco No. 26, Edificio Anexo, 4° piso, Col, Lomas de Chapultepec, Delegación Miguel Hidalgo, ZIP 11000, Mexico City. Ph.: +52 (55) 5729•9100.

For further information

www.gob.mx/se/acciones-y-programas/mineria?idiom=es
The DGM aims to ensure legal certainty of the mining activity through transparent and timely implementation of mining regulations, as well as the supervision of its compliance, in order to promote growth and employment creation.

**Goals**

a) To apply the provisions contained in the Mining Law and its complementary regulatory provisions, to ensure free competition of individuals in the exploration and exploitation of mineral resources of the Nation.

b) To grant investors the legal certainty needed to ensure investment in the mining sector.

**Main responsibilities**

- Issue concession titles or mining assignments
- Hold contests for granting mining concessions covered by allocations or areas of national mining reserves.
- Carry the Public Registry of Mining of mining experts.
- To formulate land freedom statements and annulments thereof.
- To gather information on national mining-metallurgical production
- Process requests of expropriation, temporary occupation or easement submitted by mining concessionaires.
- Exercise verification powers conferred by the Mining Law and its Regulations.
- To participate in the development of Mexican official standards for the mining industry in safety, health and environment.
- To update the Mining Mapping of the territory.
- Carry out the administration of mining concessions whose titles are granted by the Federal Executive Office through the Ministry of Economy.

**Major mining procedures**

- Request of Mining Concession or Assignment and reductions, divisions and unifications of concession titles.
- Request of Registration of Bidding Applicant for a concession granting.
- Request for ownership waiver of Mining Concessions or Assignments, and pending applications or promotions.
- Application to register acts, contracts or agreements related to the transfer of ownership of Mining Concessions or rights derived therefrom.
- Notice on commencement of processing of concessible minerals or substances.
- Obtainment of temporary occupancy or creation of land easement needed to carry out the works and exploration, exploitation and processing of minerals.
- Information and verification of the implementation of exploration or exploitation works in mining areas.
- Application for revocation, suspension or annulment of rights on mining lots.
The Article 20 of the Mining Act states that the coal exploration and exploitation works in all its varieties, in terms of the Hydrocarbons Law, may only be performed with authorization from the Ministry, whom will request the opinion of the Ministry of Energy.

**Documentary Control Directorate and strategic indicators**

- Attend to statistical and documentary requirements.
- Integration of national statistical mining and metallurgical information.
- Supervision of the operation of the archive.

**Mapping and Mining Concessions Directorate**

- Establishes the starting point position of a mining concession or allotment.
- Information related to mining cartography and maps issuance.
- Technical review of Temporary Occupation, Easement and Expropriations Applications.
- Making of Concession titles and mining assignments.

**Mining Public Registry and Mining Rights Directorate**

- Registry of mining concessions and any acts, contracts and agreements related to them.
- Registry of resolutions concerning invalidity proceedings of mining concessions and assignments.
- Registry of expropriation resolutions, temporary occupation or easement.
- Register the enforceable judgment executory issued in a writ of amparo and annulment procedure.

**Obligations Review Directorate**

- Monitor compliance with the obligations of the mining concessionaires.
- Decide on applications to withdraw from the ownership of mining concessions and assignments.
- Cancellation of mining concessions and assignments.
- Grouping, incorporation or separation of mining concessions.
- Make inspection visits.

**Subdivisions of Mining Departments**

**Offices**

Acueducto No. 4 Esq. Calle 14 Bis Col. Reforma Social, Delegación Miguel Hidalgo ZIP 11650, Mexico City.

For further information

www.siam.economia.gob.mx/

<table>
<thead>
<tr>
<th>State</th>
<th>Mining Departments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chihuahua</td>
<td>Chihuahua</td>
</tr>
<tr>
<td>Hermosillo</td>
<td>Sonora Baja California Baja California Sur</td>
</tr>
<tr>
<td>Saltillo</td>
<td>Coahuila Nuevo León Tamaulipas</td>
</tr>
<tr>
<td>Zacatecas</td>
<td>Zacatecas Aguascalientes San Luis Potosí</td>
</tr>
<tr>
<td>Guadalajara</td>
<td>Jalisco Nayarit Colima</td>
</tr>
<tr>
<td>Querétaro</td>
<td>Querétaro Guanajuato Michoacán</td>
</tr>
<tr>
<td>Durango</td>
<td>Durango Sinaloa</td>
</tr>
<tr>
<td>Puebla</td>
<td>Hidalgo Estado de México Veracruz Ciudad de México Morelos Guerrero Puebla Tlaxcala Oaxaca Tabasco Chiapas Campeche Yucatán Quintana Roo</td>
</tr>
</tbody>
</table>
Investor’s Manual on the Mexican Mining Sector

Mining Development General Directorate (DGDM)

Responsible for promoting the development of the Mexican mining sector and identifying business opportunities, to formalize investments in the country, facilitating business networks and promoting public policies implemented for the benefit of the mining industry through:

- Attracting domestic and foreign investment through the promotion and linkage with companies.
- Consolidation of the existing investment.
- Linking the three levels of government, the education sector and stakeholders in the mining and metallurgical sector.
- Promoting activity focused on sustainability.
- Development of Mining Districts with geological potential.

The General Directorate of Mining Development offers the following services to investors and/or interested parties in business opportunities:

- Promotion of the Mining Sector and Mining Project Portfolio.
- Linking among companies looking for investment opportunities and project-owning concessionaires to encourage investment attraction.
- Technical orientation to small and medium-sized mining companies.
- Creating synergies between companies and authorities to promote investment and realize business opportunities.
- Promotion for the creation of mining state councils in the States.
- Directory of providers of specialized services for the mining industry.
- Generation of economic information on the sector’s performance.
- Linking with state governments, foreign governments, chambers, associations, professional associations and educational sector.
- Mining Clusters integration.
- Concessionaire Orientation.
- Attention to general information consultation and relevant issues in mining-related issues.

It contributes to the development of the mining industry and encourages domestic and foreign investment through:

- Mining Projects Portfolio.
- Promotion of the mining industry in national and international forums.
- Technical orientation and training for small mining.

Domestic and foreign investors orientation through:

- Directory of mining companies.
- Directory of suppliers of specialized Goods and Services.
- Linking with business chambers and associations of the mining sector.
- Installation of Mining State Councils.
- Links with academic institutions.
- Integration of the national directory of government officials related to the mining sector.
- Educational Institutions in geosciences brochure.
- Elaboration of studies and market profiles of minerals.
- Elaboration of studies of mineral production chains.
- Coordinate the participation of agencies of the federal public administration in the comprehensive care of thematic issues of the mining industry.
As part of the Mexican financial system, the Mining Development Trust (FIFOMI) is a trust created by the Federal Government to encourage and promote the development of mining through credit, technical assistance and training. Its background is the Mining Development Commission (COFOMI), founded in 1934 to provide credits and technical assistance to national mining, in that time inaccessible to small and medium miners.

Goals

• Financing. The financing is done through two business lines which are: credit discount, which is done through banking and specialized financial intermediaries, who are the ones giving credit to the final customer; and first floor credits, which is directly granted by FIFOMI to applicants, without the involvement of intermediary financial institutions.

• Training. Training courses are promoted and organized on specialized technical and administrative issues in the mining sector and its supply chain areas. In order to optimize human and material resources, collaboration with universities, organizations, governments and companies is established.

• Technical assistance to small and medium-sized mining companies on topics related to the management and operation of their projects; it is done by specialized analysts with a geological, mining or metallurgical profile.

The presence of the Mining Development Trust in all states is facilitated by the regional coverage of its 14 offices located in the cities with great mining tradition and connection with its value chain.

Mexico has the infrastructure to develop mining projects.

For consultation and information

dgdm@economia.gob.mx

Tels: +52 (55) 5729-9100, ext. 46200
+52 (55) 5729-9492 & 93
It supports with credit, technical assistance and training to 110 activities in the sector. These activities are grouped according to their priority levels:

1. Mineral Producers (33 Activities)
   - Exploitation and / or benefit of metal ores, stone aggregates, dimensional rocks.
   - Marketing of metal ores.

2. Services to Mining Industry (7 Activities)
   - Metallurgical Mining Industry Suppliers.
   - Distribution of equipment for mining.
   - Repair and Maintenance of mine and plant equipment.
   - Transport of unrefined ore.

3A. Mineral Primary Consumers (11 Activities)
   - Gypsum-based products manufacturing.
   - Manufacture of glass and ceramics.
   - Manufacture of lime, mortar and derivatives.
   - Ore primary smelting.

3B. Processed Minerals Consumers (55 Activities)

4. Distributors (4 Activities)
The prospects request a feasibility study on the project, that includes legal, financial and technical analysis.

The origination and credit management attends to the provisions of the strategic objectives of FIFOMI 2014-2018:

• To increase funding to mining companies and their value chain.
• To promote procurement of the mining sector.
• To provide training and technical assistance to small and medium-sized mining companies.
• To promote high-impact projects.
• To support collection centers and marketing of minerals.
• To promote financing for environmental preservation projects.

**FIFOMI credit features.**

The Trust does not receive resources from the Federation, it operates with its own assets, the financing is no subsidy or support, it is not part of the Expenditure Budget of the Federation and does not have a temporary character, but permanent, since it corresponds to the main FIFOMI purposes, so it is not considered within the programs registers.

• General provisions applicable to development agencies and development entities, issued by the National Banking and Securities Commission:

The FIFOMI can participate in syndicated loans designed for the distribution of risk in financing operations, having common interests between different entities and trust the management of credit granted jointly to an agent bank.

**Direct Credit (First Floor)**

It aims to provide funding directly to the mining sector and its value chain.

<table>
<thead>
<tr>
<th>Condition</th>
<th>% of Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating company.</td>
<td>Based on the financial structure, up to 100% of the investment program can be financed, exceeding VAT and not exceed 100% of stockholders equity of the same</td>
</tr>
</tbody>
</table>

**Financing Amounts**

<table>
<thead>
<tr>
<th>Type of Credit</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>All types of credits.</td>
<td>The FIFOMI will finance up to 25.0 million dollars or its equivalent in national currency, by company or group of companies.</td>
</tr>
</tbody>
</table>

1 Amounts above this must be submitted to the approval of the Technical Committee of the Trust.

The funding amounts are determined based on the capacity of payment, FIFOMI credit policies and the availability of resources.

The recipient of the credit must provide a guarantee in favor of the Mining Development Trust, in adherence to sound banking practices, alone or in combination thereof that enables to reach the adequate support of the amount of credit granted.

**Discount with Financial Intermediaries (Second Floor)**

The discount credit with Financial Intermediaries is the legal figure used by FIFOMI to channel financial resources to companies legally incorporated through its Financial Banking and Specialized Financial intermediaries, who retain their authorized representatives of the credits, taking responsibility before the FIFOMI of recovery of granted resources according to the Discount Global Line held with FIFOMI and Certificates of Deposit of Securities Administration issued, for the discount credit operations according to the provisions of the General Law on Securities and Credit Transactions.
Financial Intermediaries that can be enabled within the FIFOMI are classified as:

<table>
<thead>
<tr>
<th>Classification</th>
<th>Amount</th>
</tr>
</thead>
</table>
| Financial Banking Intermediary (FBI). | • Commercial Bank.  
| | • Auxiliary Organizations of Credit\(^2\) backed by Financial Group, through Responsibilities Agreements. |
| Financial Banking Intermediary (FBI). | • Credit Unions (UC).  
| | • Bonded Warehouses (AGD).  
| | • Financial Companies of Multiple Objective (SOFOMER) and (E.N.R.)  
| | • State Development Funds (FFE).  
| | • Saving and Loan Cooperative Societies (SCAP).  
| | • The Credit Auxiliary Organizations which other laws considered as such.\(^3\) |

\(^2\) In accordance with the Law on Institutions and Auxiliary Organizations.
\(^3\) Article 3, Section VI, of the Law on Institutions and Auxiliary Organizations of Credit.

• The amount of the Global Line Discount will be determined based on the application submitted by the intermediary.

<table>
<thead>
<tr>
<th>Financial Intermediary</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commercial Banks</strong></td>
<td>Up to an equivalent in national currency of 95.0 million UDI’s.</td>
</tr>
<tr>
<td><strong>UC, AGD, SOMOF</strong></td>
<td>Up to one equity, with an equivalent limit in national currency of 85 million UDI’s.</td>
</tr>
<tr>
<td><strong>FFE</strong></td>
<td>It will depend on the capital committed in the Trust liquid collateral, up to the equivalent in national currency to 45 million UDI’s.</td>
</tr>
<tr>
<td><strong>SOFIPO’S</strong></td>
<td>Up to one equity, with an equivalent limit in national currency to 11.0 million UDI’s.</td>
</tr>
<tr>
<td><strong>SCAP</strong></td>
<td>Up to one equity, with an equivalent limit in national currency of 10.0 million UDI’s.</td>
</tr>
</tbody>
</table>

For further information
www.fifomi.gob.mx / Ph. 01800•823•6017

### Mexican Geological Survey (SGM)

As established in the Mining Law amended and published in the Official Gazette on 11 August 2014, the Mexican Geological Survey (SGM) is a public agency of the Federal Government and has legal personality and assets.

It aims to “promote better utilization of mineral resources and generate the basic geological information of the Nation”.

It is coordinated by the Ministry of Economy, through the Mining Subsecretariat and its functions are established in the Mining Law and the Regulatory Law of Article 27 of the Constitution on Mining Matters.

Likewise, programs and institutional strategies are aligned to the National Development Plan 2013-2018, to support their activities to the success of the National Goal “Mexico Prospero” (Prosperous Mexico). It boosts the strategic sectors of the country, setting the objective of consolidating the generation of an infrastructure on geological information, through the application of advanced technologies, standing out the public information database in geosciences called GeoInfoMex, which fosters interest in investment for exploration of mining projects, translating them into economic and social benefits for the country, generating new mining exploitations, and placing “Geology at the Service of Mexico”.

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Its operation is integrated into the following topics: 1) Cartography; 2) Mineral resources; 3) Exploration of energy minerals; 4) Nonmetallic Industrial and Non-Concessible Minerals; 5) Inventories of mineral resources; 6) Digital Geosciences; 7) Applied research; 8) Environmental Geology; 9) Geohydrology and 10) Experimental Centers.

SGM activities expand, improve and give certainty to the knowledge on both the geological and geophysical qualities of the national territory and the potential of its mineral resources, simultaneously providing basic support and technical advice on: applied research, civil works, geothermal, hydrocarbons, land management, risk prevention; natural and anthropogenic phenomena; updated knowledge of groundwater basins, among others.

It contributes to energy efficiency and the development of science and technology to meet the social demand for scientific and technical public information in the field of earth sciences, with the link to the management and use of natural resources oriented to sustainable development of the country.

Because of the importance and quality of its activities, the ongoing exchange of information, experience and technologies through collaboration agreements with universities and institutions of national and international research related organizations around the world and departments and agencies of government has been promoted at all three levels.

**Brief Guide of the Mining Assignment Process and Mining Prospects Explored by the SGM, and proposals for bidding**

According to Article 10 of the Mining Act in force, the Mexican Geological Survey will carry out the exploration of the national territory in order to identify and quantify potential mineral resources and detect mineral prospective areas in order to define exploration banks, whose geological characteristics indicate to be likely to contain a mineral deposit of economic performance.

Once identified the bank, it is requested to the Ministry to be licensed under a Mining Assignment, which is a title that is issued only to the SGM and published in the Official Gazette (DOF).

Once the project evaluation is concluded, and whose studies were positive, it is proposed to the Internal Committee for the Incorporation and Waiver of Assignments and Mineral Reserves, for the approval of its submission to the Assignment Cancellation and Mining Bidding Process Committee, as a new mining project to be subjected to one or more bidding processes. After both committees approve the proposal, the SGM requests the DGM the waiver, provides technical information and the value of remuneration and discovery premium calculated for each project.

The bidding process starts with the publication of the relevant notice in the Official Gazette (DOF). The bidding process consists of two phases, the first includes the Registration of Participants and the second is “the presentation of the economic proposal” and selection of the winner of the bidding process, which is performed by multiple rounds.

The winner has a deadline stipulated in the bidding process rules, to cover the economic remuneration of the project and comply with the submission of the respective guarantees, so that the DGM issues the rights force in their favor, where the percentage of Discovery Premium (PPD) is stated, to be paid to the SGM once the project comes into operation.

Finally, when the interested party meets the law requirements, the project is granted under a Mining Concession. From this moment the company can begin the exploration, mining and exploitation works.

**Offices**

Blvd. Felipe Ángeles km. 93.50-4, Col. Venta Prieta, ZIP 42083, Pachuca, Hgo. México  Ph. +52 (771) 711-4266.
Investor's Manual on the Mexican Mining Sector

Presence of SGM
Exportadora de Sal is a joint venture between the Ministry of Economy and Mitsubishi Corporation. It is one of the leading producers and suppliers of salt for the chlor-alkali industry in the Pacific Basin, also participating in the de-icing salt, water softeners and food industry markets in North America.

It is located in Guerrero Negro, Baja California Sur, the world’s largest salt mine, with a production capacity above 8.0 million tons per year.

The Company also operates the ship loading facilities in Isla de Cedros, Baja California, with capacity to receive and load ships up to 180,000 tons.
MAJOR MINING PROJECTS IN MEXICO
Legal Notice

This Handbook is a reference document and does not exempt from the obligation to know and comply with current applicable legislation in federal, state and municipal levels, which could result in additional obligations and procedures referred to herein.

URLs, references to websites, phone numbers and other contact details are subject to change without notice.