Methane Market
M2M

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Undersecretary of Mining and Energetics
Economic Development Department

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Coahuila, is one of the States in Mexico with greatest economic activity... It has become an international hub for investments
Our State has become a competitive international investment destination.
A region with constant flow of products, services and people

Access to global markets
international airports, bridges and sea ports

Access to Europe
Access to North America

Sea ports
International Bridges

Distance Table

Source: Ersys
MINING INDUSTRY

Coahuila is the first producer of
- Coal
- Coke
- Celestite
- Dolomite
- Sodium sulphate

and the second producer of:
- Barite
- Bentonite
- Iron
- Fluorite
- Marble
- Silica

Main Companies
- Peñoles
- MICARE
- Minera México

We have 95% of national coal reserves

Source: INEGI. Secretariat of Economic Development.
COAHUILA REGIONS

- Northern
- Carboniferous
- Central
- Laguna
- South-East

Map showing regions of Coahuila with major cities including Saltillo, Torreon, Piedras Negras, Sabinas, Acuña, Monclova, Torreon, and Saltillo.
Located in northern Coahuila, it is known for being the only place in México where coal is industrially extracted for the generation of electricity and steel production.

Carboniferous Region

Coal reserves are located in these States

<table>
<thead>
<tr>
<th>State</th>
<th>Reserves</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coahuila</td>
<td>3154 MT</td>
<td>95.0%</td>
</tr>
<tr>
<td>Sonora</td>
<td>83 MT</td>
<td>2.5%</td>
</tr>
<tr>
<td>Oaxaca</td>
<td>66 MT</td>
<td>2.0%</td>
</tr>
<tr>
<td>Chihuahua</td>
<td>17 MT</td>
<td>0.5%</td>
</tr>
<tr>
<td>Total</td>
<td>3,320 MT</td>
<td>100%</td>
</tr>
</tbody>
</table>

That's 15 million tons per year.

Source: Undersecretariat of Mining and Energetics of Coahuila.
Coal reserves areas
In Coahuila

3,154 million of metric tons
distributed in seven areas

- Sabinas
- Esperanzas
- Saltillito
- Adjuntas
- San Patricio
- Monclova
- Fuentes Río Escondido

Source: Undersecretariat of Mining and Energetics of Coahuila.
In Coahuila, more than 70 companies produce coal.

1. Large Company (Grupo Acerero del Norte)
   - 11.5 million metric tons

76.7%

10%

13.3%

65 small companies
2 million metric tons

7 Medium companies
1.5 million metric tons

Source: Undersecretariat of Mining and Energetics.
Mexico consumes 25 million tons of coal annually.

Mexican coal market
(Metric tons of coal, 2008)

- Domestic demand: 25 million tons
- Domestic production: 15 million tons
- Imports: 10 million tons

Source: Undersecretariat of Mining and Energetics of Coahuila.
Future demand will grow **36 million metric tons (MMT) of coal** each year, so we must increment the production by **20 MMT** yearly.

*Source: Undersecretariat of Mining and Energetics of Coahuila.*
The mining industry is the most important developed industry in the carboniferous region.

Carboniferous region economic structure ( % of GDP, 2004)

- Mining: 40%
- Manufacturing industry: 23%
- Commerce: 18%
- Services: 15%
- Agriculture: 2%
- Electricity: 1%
- Transportation: 2%
- Social services: 8%
- Electric industry: 2%
- Agriculture: 2%
- Construction: 8%
- Commerce and services: 28%
- Industry: 21%

Employment in the carboniferous region (March 2008)

<table>
<thead>
<tr>
<th>Activity</th>
<th>Employment</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>7,069</td>
<td>21%</td>
</tr>
<tr>
<td>Commerce and services</td>
<td>9,413</td>
<td>28%</td>
</tr>
<tr>
<td><strong>Mining</strong></td>
<td><strong>8,490</strong></td>
<td><strong>26%</strong></td>
</tr>
<tr>
<td>Construcción</td>
<td>2,442</td>
<td>8%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>659</td>
<td>2%</td>
</tr>
<tr>
<td>Electric industry</td>
<td>354</td>
<td>1%</td>
</tr>
<tr>
<td>Transportation</td>
<td>2,120</td>
<td>6%</td>
</tr>
<tr>
<td>Social services</td>
<td>2,639</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>33,186</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

In 2008 the economic trickledown for small and medium coal producers in a commercialization context was $2,100 million pesos ($182 million USD).

Source: SEFOMEC; INEGI; Undersecretariat of Mining and Energetics of Coahuila.
Methane gas associated to coal ...

... as a business opportunity
Methane gas associated to coal

Being the methane gas one of the most dangerous factors in the mines

- The undersecretariat of Mining incites the businessmen to develop projects of methane gas recovery and utilization.

- The above said, complying with the legal and technical aspects of the Mining legislation.
With the coal exploitation, an enormous possibility of using the gas is born, attracting investments and technologies interested in association to technify and increase the mine’s productivity, including the exploration to increase the reserves of:

- Coal producing companies
- PEMEX
The safety of the mining workers is of vital importance to the Coahuila State Government and for the mining companies.

A group of expert engineers was formed to dictate the new official norm NOM STPS-032-008 that entered into effect this past December 23rd.
Methane gas associated to coal

- Reduces explosion risks
- Reduces the negative impact to the environment
- Generates more wealth in the mining activities
We offer the following custom-made incentives in any location…

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll Tax</td>
<td>Twelve months exemption on each job created</td>
</tr>
<tr>
<td>Real Property Taxes</td>
<td>90% exemption for property registration (Real Property Taxes)</td>
</tr>
<tr>
<td>Training</td>
<td>Training scholarships up to 3 daily minimum salaries for each person, for a period of 90 days*</td>
</tr>
<tr>
<td>Public Services</td>
<td>Assistance with all permits and licenses required to construct, occupy and operate the plant</td>
</tr>
<tr>
<td>Legal Support</td>
<td>Support with the legal requirements to operate the plant</td>
</tr>
<tr>
<td>City Taxes Exemptions</td>
<td>Help negotiating the exemption for the following city taxes:</td>
</tr>
<tr>
<td></td>
<td>- Acquisition of Land</td>
</tr>
<tr>
<td></td>
<td>- Land taxes for the installation of the company (predial)</td>
</tr>
<tr>
<td></td>
<td>- Construction Licenses for building</td>
</tr>
</tbody>
</table>

*Note: Maximum allowed by Law. Source: Secretariat of Economic Development.
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