



II. EU-Latin America Dialogue on Raw Materials

What new direction is the
Brazilian mining industry
heading?

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Brazilian Mining Industry Overview

Economic Indicators (2015)

- Brazil produces about 80 different mineral substances.
- Mineral Production Value: US\$ 25,8 billion.
- Mineral Exports Value: US\$ 18,4 billion.
- Mineral Trade Balance: US\$ 11,5 billion.
- Aproximately 8.400 mines in activity.
- Aproximately 180.000 workers (considering only direct employment).
- Exports 77% of iron
- Imports 36% of potassium, and 35% of metalurgical coal
- Royalties (2016) US\$ 600 million

Investment in the mineral sector every 5 years

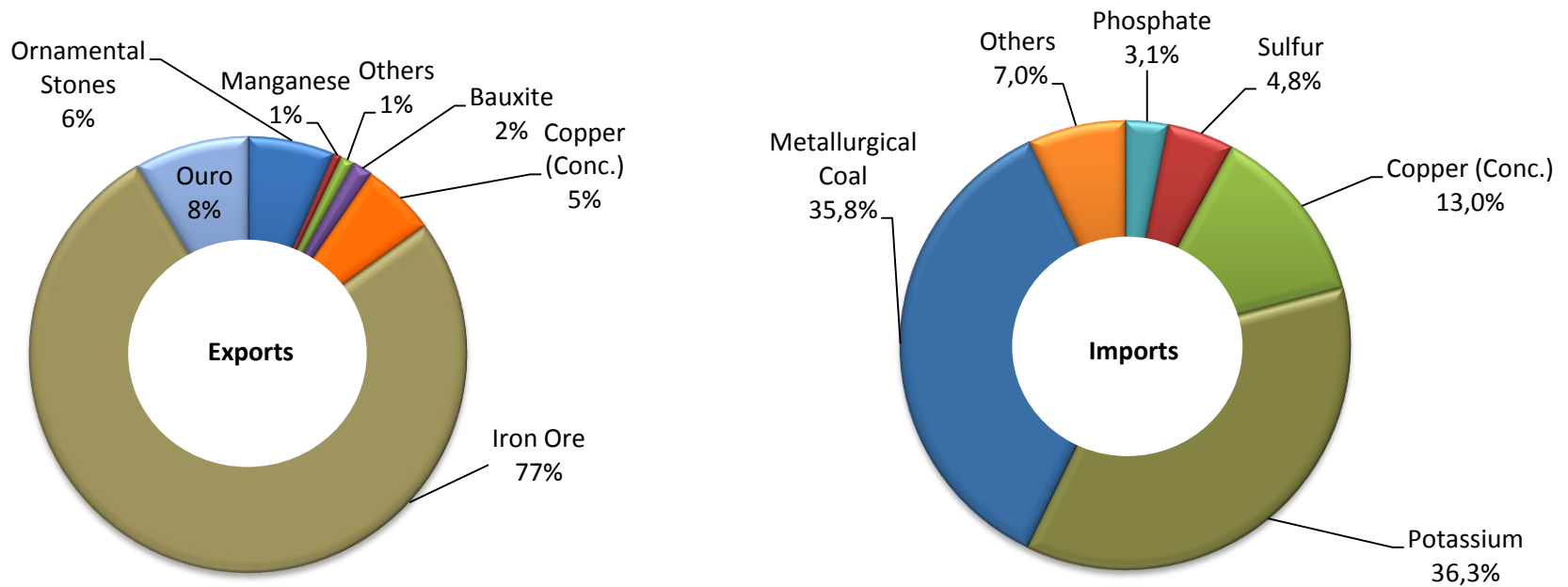


Given the expressiveness of the Brazilian mineral industry and its great potential, it is imperative to act for the resumption of investments.



The Strength of Brazilian Mining Industry

International Trade





A New Agenda for the Brazilian Mineral Sector

Challenges

- Re-establish the credibility of the Brazilian mineral sector.
- Attract new investment to the mining sector.
- Ensure regulatory stability and legal certainty.
- Increase the geological knowledge of the territory.
- Diversify Brazilian mineral matrix.
 - ✓ In recent years iron ore has been responsible for about 80% of Brazilian mineral production and 77% of national mineral exports.



A New Agenda for Brazilian Mineral Sector

Main Actions and Policies

- Increasing the number of areas available accessible by the private sector.
 - More than 20.000 areas (mineral rights) are waiting to be evaluated and offered.
 - Bidding exploration permits currently held by Brazilian Geological Survey.
 - Revocation of the Decree that created the Copper and Associated Elements National Reserve.
- Develop an investment friendly environment, with attractiveness for venture capital.
- Increase Brazilian mineral production, increasing the sector's share of GDP from 4% to 6%.
- Promote market access to areas where processes are paralyzed (more than 20,000 areas in availability and sale of CPRM assets) and areas with legal restrictions.
- Reduce the liability of about 90,000 processes, giving agility to the concessions.



Areas to be available

- Joint technical analysis with the CPRM of areas in availability.
- It is the evaluation of the mineral potential and selection of priority areas for supply, with the objective of motivating the mineral industry to implement new exploratory programs.
- In the first stage, more than 20,000 processes were analyzed, with the selection of 1,000 areas of greater potentiality.

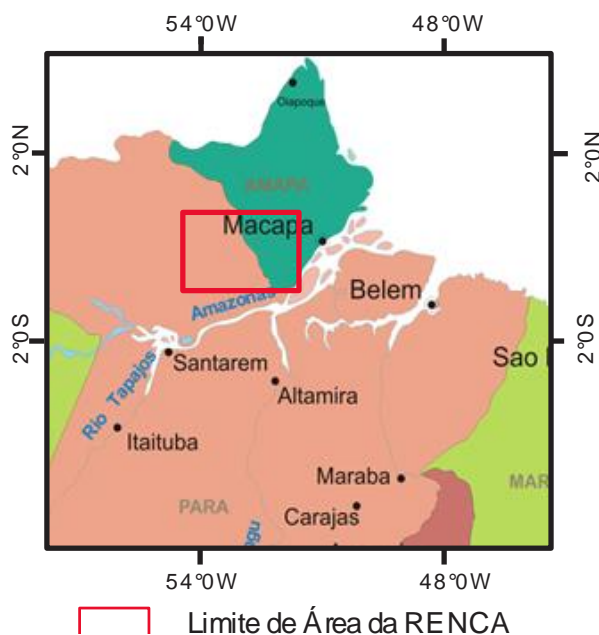
Situation to be
achieved



- Areas will be valued by including CPRM geological data.
- Areas will be selected / valued according to the geological potential.
- Areas will be offered at an electronic auction, with geological information.
- Online process of evaluating proposals / definition of winner.

Extinction of the Copper National Reserve

Reserve created by Decree No. 89,404 / 1984 which made it unavailable for the development of mining activities 46,000km² of the national territory.



✓ Mineral Potential:

Potential range with 200 x 20 km;
High potential for gold and base metals (copper, nickel);
Two known deposits of large phosphate.

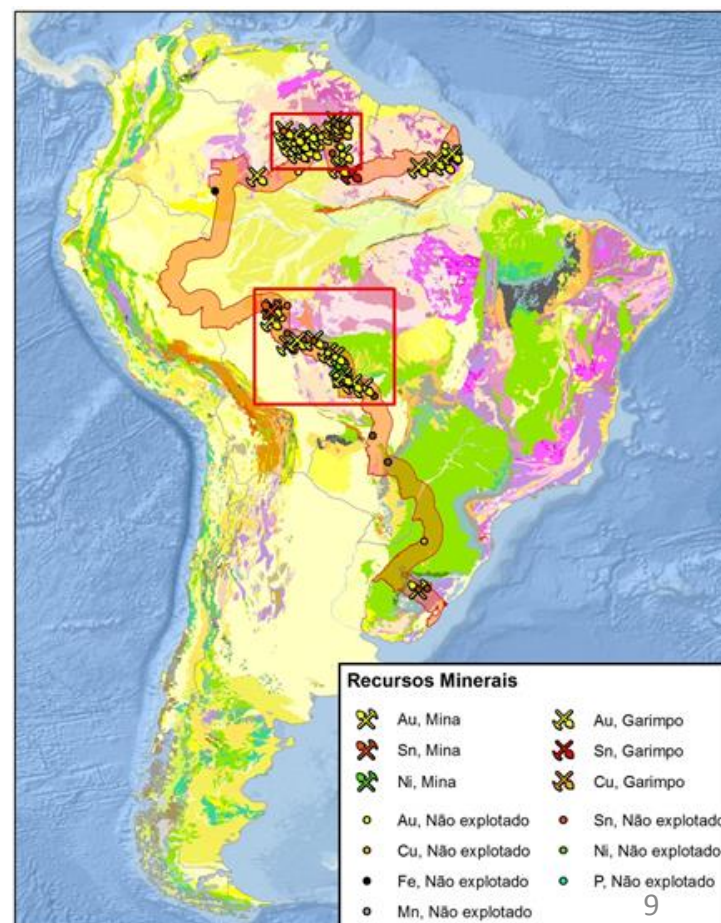
✓ The Brazilian Geological Survey has carried out research in the area, which were able to identify the occurrence of deposits of some substances. However, its transformation into a public company in 1994 restricted its activity in the sector.



Border range

Draft Law for Mining in the Border Range.

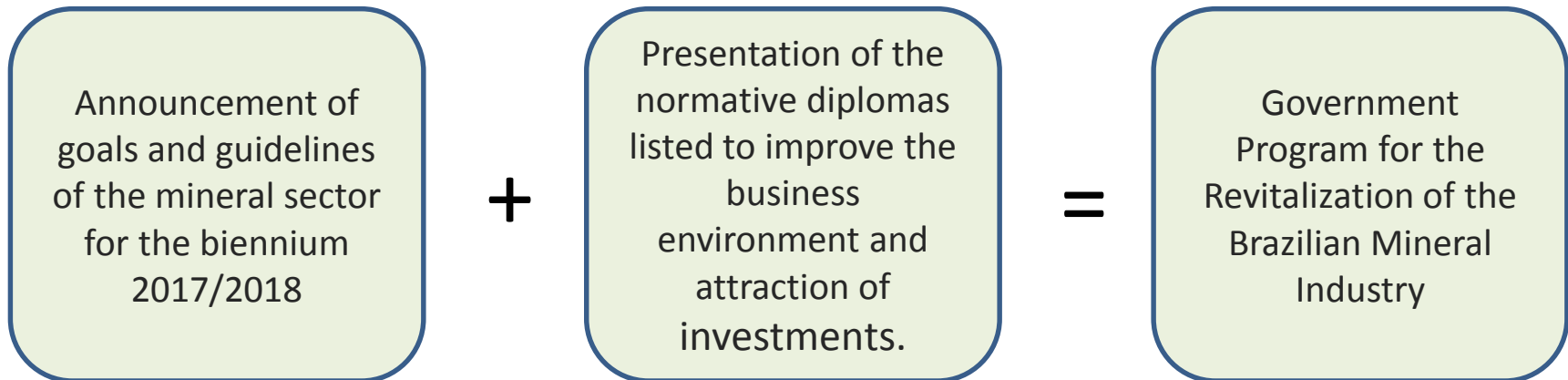
- ✓ The area inserted in the border range corresponds to 27% of the national territory (2.5 million of km²).
- ✓ It aims at ending restrictions on the participation of foreign capital in the mining activity in the border area.
- ✓ We understand that the current restriction on foreign capital is outdated and should be replaced by incentives for the sustainable development of the border region and its orderly and sustainable occupation in order to guarantee national security.
- ✓ Potential for gold, copper, nickel, iron, manganese and tin, among others.
- ✓ The goal is to remove borderline mining from police pages and put it on economic pages.





Program for the Revitalization of the Brazilian Mineral Industry

Proposal: withdrawal of the Law Project from the Chamber of Deputies and presentation of new texts and new referral proposals.





Program for the Revitalization of the Brazilian Mineral Industry

- Reduction of divergences between affected segments, which prevented conclusive appraisal of the proposal.
- New economic situation in relation to the market of mineral commodities.
- Restoration of the credibility of the Brazilian mineral sector.
- Attracting new investments to the mineral sector.
- Return of regulatory stability and legal certainty.
- Resumption of the growth of the Brazilian mineral industry.



Program for the Revitalization of the Brazilian Mineral Industry

Main proposals

Draft Law

Creation of
the National
Mining
Agency

Law Projects

- Alteration of the Mining Code
- CFEM (Royalties)
- Border Range
- Incentives for investments in the mineral industry

Decrees

- Regulation of the Mining Code
- Extinction of the Copper National Reserve



National Mining Agency (ANM)

Creation of the ANM by Provisional Measure and consequent extinction of the Bureau of Mines

The subject has been analyzed and debated in the government for almost two decades, without solution.

There is no resistance within the industry.

The basic requirements of relevance and urgency are present.

Main expected improvements:

- Greater neutrality and independence of the regulatory body;
- More balanced, democratic, transparent and legitimate decisions;
- More valued technical staff, stimulated and trained;
- Greater technical expertise; and
- Clarity of norms and less judicialization.



Mining Code

Main changes (punctual changes):

- Introduction of the technical concepts of resources and mineral reserves, in the way that is defined in the other mining countries of the world;
- Amendment of the term of validity of the authorization of research, between 2 and 4 years, allowed an extension.
- Possibility of successive extension of the deadline for research in the hypotheses of impeding access to the area or not obtaining an environmental permit.
- Possibility of continuing the research work after the presentation of the Final Report;
- The deadline for appeal against rejection of a search authorization request is now 30 days;
- Deadline availability area increases from 60 to 120 days;
- A loss of time to comply with the requirement will result in a fine, not a refusal;
- Inclusion of the need for a Mine Closure Plan;
- Adequacy of fees and fines.



Financial Compensation for the Exploration of Mineral Resources – CFEM (Royalties)

Modification in the current legislation dealing with CFEM

Assumptions:

Simplification and Clarity: reducing administrative costs for DNPM and mining companies;

Aliquots sensitive to iron ore price fluctuation: flexibility for mining companies to cope with periods of low demand;

Incorporation of pacified legal theses: reduction of legal disputes;

Prediction of sanctions for cases of default: increasing the efficiency of collection.

Maintaining revenue sharing

Main Changes:

Basis of calculation: Gross sales revenue, as expressed in invoice, less sales taxes, simplifying the collection.

Reference price: incidence on the reference price, to be defined by DNPM, in the hypotheses of consumption of the mineral good and for the substance mineral water. It should reflect the value of the good when transacted under market conditions.

Rates: the definition remains in law.



MINING DAM

Implementation of the Mining Management Information System SIGBM

Modernization of monitoring



- ✓ From the information recorded in the system, it will automatically calculate the risk and associated potential damage.
- ✓ Mandatory presentation of the dam construction project.
- ✓ Need for periodic review by external auditors.
- ✓ Requirement of persons qualified to issue stability declaration, inspection statements and other documents related to dam safety.



Investment Partnership Program

- The Investment Partnership Program (Programa de Parcerias de Investimentos – PPI) was recently created by the Brazilian Government in order to strengthen the relationship between state and private sector.
- It includes several strategic sectors of the Brazilian economy. The contracts will be focused on infrastructure projects.
- The expectations are: expanding opportunities for investment and employment, stimulating technological and industrial development, increasing the quality of public infrastructure, promoting competition and ensuring legal certainty of contracts.



The Future of Mining

The Future We Want for Brazil's Mining Industry

- Sustainable development
- Economic, social and environmental responsibility
- Increased production and diversified mineral matrix
- Discoveries
- Technological development and innovation
- Competitiveness
- Regulatory stability



Ministry of Mines and Energy of Brazil

Thank You!

Contacts

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