

Mining Code Revision - Brazil

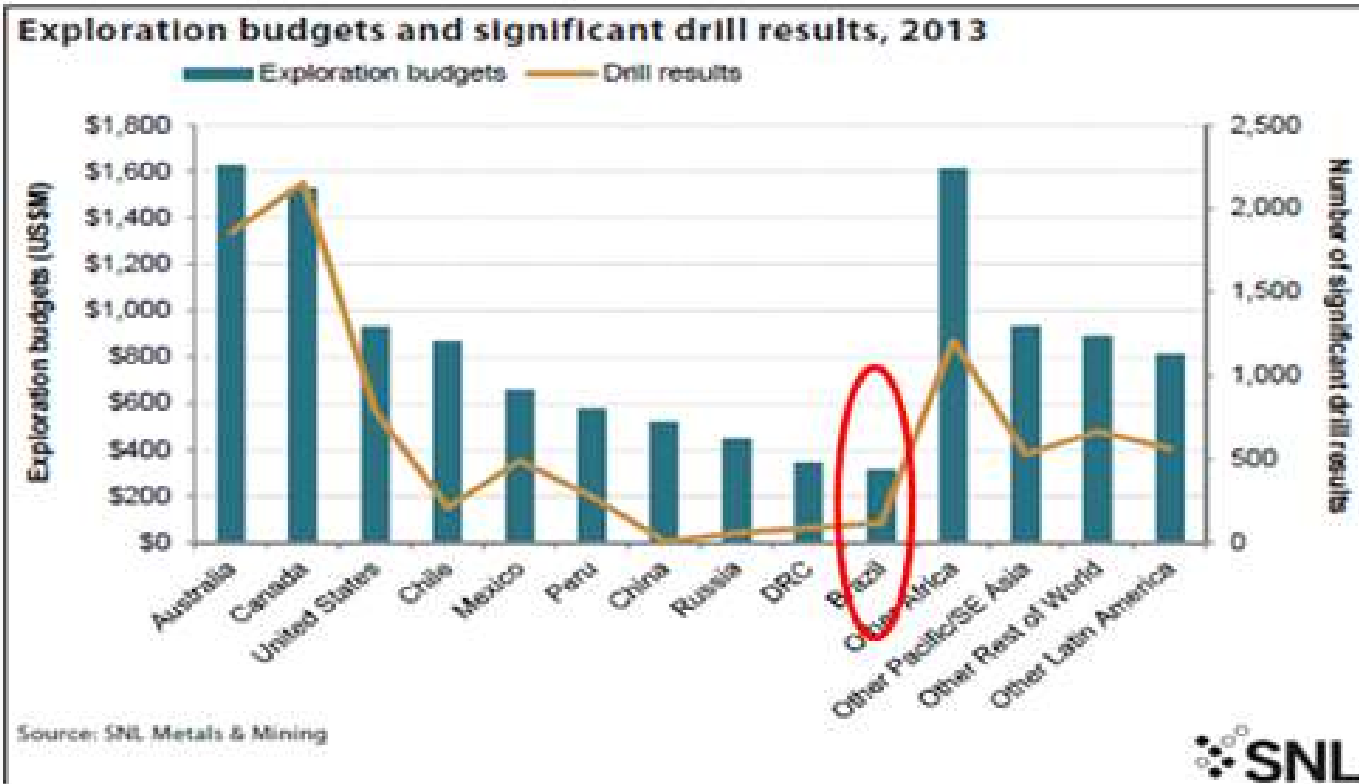
Revitalization Program of the Brazilian Mining Industry

Department of Sustainable Development in Mining
Secretariat of Geology, Mining and Mineral Transformation
Ministry of Mines and Energy



Indicators of Brazilian Mining Industry

- ✓ Brazil produces around 70 minerals, including metallic, no metallic and precious stones
- ✓ Mineral Production: US\$ 24 billion
- ✓ Minerals Exportation: US\$ 17,4 billion (9,4% of the total).
- ✓ Mineral trade balance: US\$ 12 billion.
- ✓ Around 8.400 active mines.
- ✓ Around 200.000 employers.
- ✓ Participation in the Gross Revenue: 4,2%
- ✓ Royalty: R\$ 1,8 billion



Juridical insecurity

Lack of transparency

Slowness in the release of mining processes

Situation that needed to change

Brazil, despite its immense geological potential, was unattractive to foreign investment in mineral exploration



Revitalization Program of Brazilian Mineral Industry

INSTITUTIONAL AND REGULATORY MODERNIZATION

*Why propose the
Revitalization
Program?*

- ✓ Legal instability due to the uncertainties related to the Mining Regulatory Framework.
- ✓ Understanding that the mineral legislation in force in Brazil is **solid** and has provided **ample growth since its publication**.
- ✓ **New economic situation** in relation to the market of mineral commodities.
- ✓ Evolution of society, accompanied by **new social and environmental demands**.
- ✓ Resumption of growth.



Revitalization Program of the Brazilian Mining Industry

OBJECTIVES

Restore the **credibility** of the Brazilian mineral sector.

Attract new **investments** to the mineral sector.

Restore **regulatory stability** and legal certainty.

Resume **growth** of the Brazilian mining industry.



Actions to Meet the Objectives of the Brazilian Mineral Industry Revitalization Program

- Sent to the National Congress in 2017, three Proposals of Changes.
- Results Obtained in 2017/2018:

Law 13.575/2017

- Creation of the National Mining Agency - ANM

Law 13.540/2017

- Changes in calculation form, aliquot and distribution of the royalties (CFEM)

Decree 9.407/18

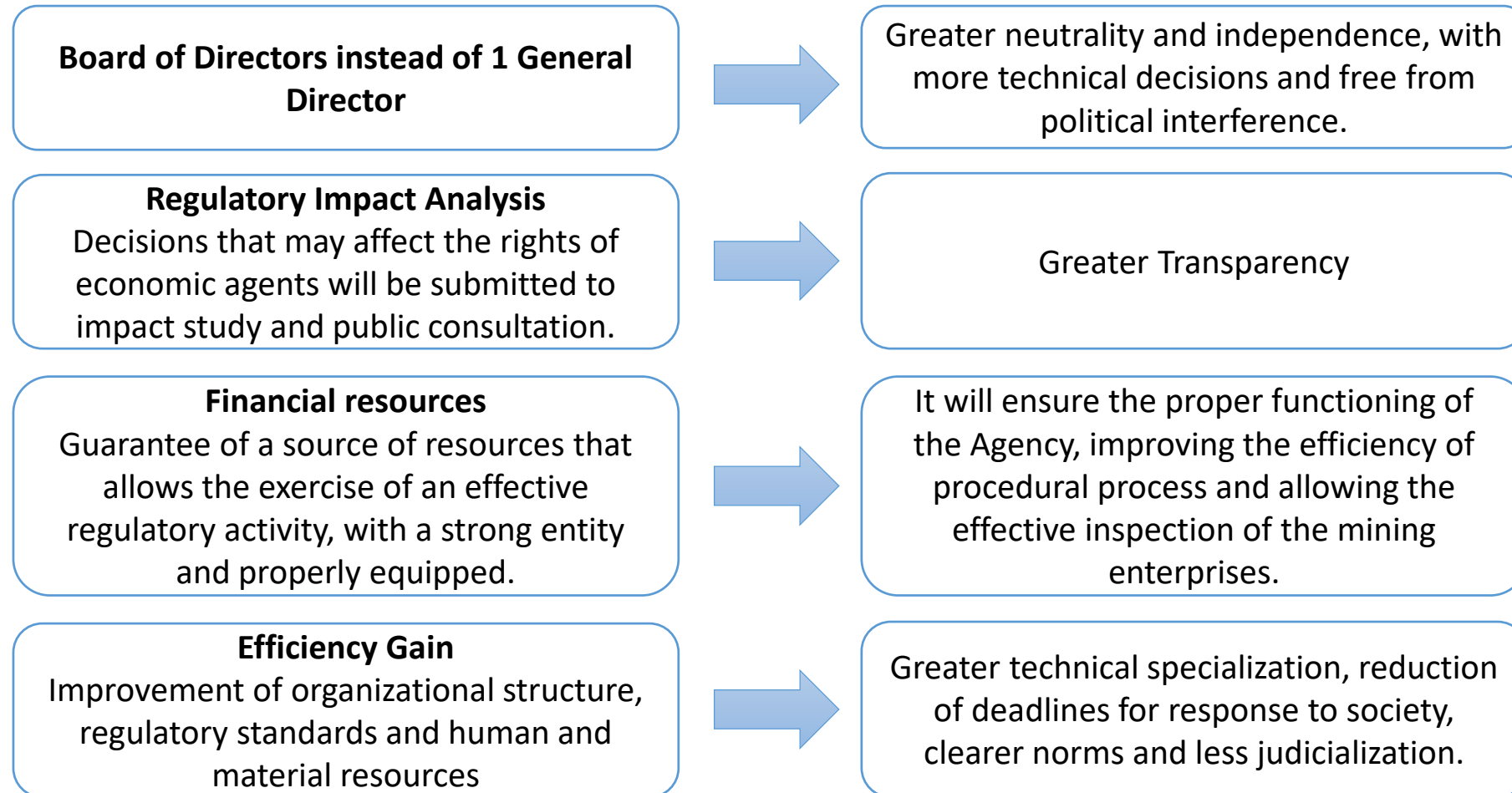
- Regulation of the Royalties Law (CFEM law)

Decree Nº 9.406/2018

- Changes in the Regulation of the Mining Code.



CREATION OF THE NATIONAL MINING AGENCY





Main Changes in the Royalties

- **Basis of calculation: Gross sales revenue, as expressed in invoice, less sales taxes, simplifying the collection.**
- **Local or regional market price, whether national or international, or in the absence thereof, on the reference price, to be defined by the ANM: in the hypothesis of consumption of the mineral good.**
- **Rates sensitive to iron ore price fluctuation: flexibility for companies to face periods of low demand.**
- **Prediction of sanctions for cases of default: increasing the efficiency of collection.**
- **Aliquots: reduction for mineral aggregates for civil construction, ornamental rocks, thermal waters potassium, phosphate and other mineral goods used as soil correctives for agriculture.**
- **Revenue sharing: 10% union, 15% States; 60% Municipalities; 15% affected municipalities**



Changes in the Regulation of the Mining Code

- Express prediction of mining as of national interest and public utility;
- Mineral's rights as financial guarantee;
- Internationalization of the concepts of Resources and Reserves;
- Adoption of a new system to offered to the investors thousands of areas, currently retained in the Mining Agency: electronic auction (preceded or not by public offering);
- It imposes important issues from the social and environmental point of view:
 - Mandatory submission of a Mine Closure Plan;
 - Compulsory recovery of the mined area;
 - Compliance with legislation on Dams Safety;
 - Simplified procedure forecast for the use of waste and waste



OTHER ACTIONS CARRIED OUT AND IN PROGRESS THAT FAVOR INVESTMENTS IN THE COUNTRY

- Bidding of Geological Survey (CPRM) áreas - 4 blocks of areas:
 - Phosphate from Miriri (Pernambuco and Paraíba)
 - Copper, Lead and Zindo de Palmeirópolis (Tocantins)
 - Coal of Candiota (Rio Grande do Sul)
 - Copper of Bom Jardim de Goiás (Goiás).
- Availability and free access to the CPRM database.
 - 460,000 geochemical samples;
 - Geophysical surveys in 90% of the national territory;
 - Various geological, geophysical and geochemical maps.
- Social and Economic and Environmental Diagnosis of Small Scale Mining (possibility of appropriate public policies for the segment): Project finalized in August 2018 (08 products available on the MME / SGM website).
- Structuring of public policies focused on the area of mineral technology (in progress)



Actions aimed the improvement of mining and society relationship: • Program “Mapping the Sustainable Development Goals in the Brazilian Mining.

- 1st Product of the Program - Seminar held on 26/09/2018, in the Ministry of Mines and Energy:
 - Presentation of 28 actions related to the SDG, carried out by 14 mineral producers, where:
 - 07 are large scale, 06 medium scale and 1 small scale producers.
 - The 28 case studies cover the 17 SDG, with the exception of SDG 14, Life on Water (marine environment, where mineral activity is incipient).



28 convergent actions for SDG

14 mining companies:
7 large size;
6 medium-sized;
1 small scale

Coverage of all SDG by companies except:
SDG 1: contribution of the sector as a whole
SDG 14: mining at sea is still incipient



Concerning the Promotion of Gender Equality



- “Lessons and directives must come from home!”
- At the Secretariat of Geology, Mining and Mineral Transformation:
 - 04 Departments/Board of directors:
 - Director of Geology and Mineral Processes: Lilia Mascarenhas Sant’Agostino;
 - Director of Policy and Management: Patrícia Pêgo;
 - Director of Mineral Technology: Vânia Lucia Lima Andrade;
 - Director of Development Sustainable in Mining: Maria Jose Salum



THANK YOU!

*Dione Macedo
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