MINING

CLIENT ALERT

FEBRUARY/2019

SIGNIFICATIVE CHANGES ON TAILINGS DAMS

On February 18, 2019, the National Mining Agency ("ANM") issued Resolution No. 4 ("Resolution"), adopting precautionary regulatory measures to ensure the stability of tailings dams, especially those built or heightened by the upstream method or declared "unknown".

It is important to note in advance that, despite of the fact that the Resolution is already in force, the ANM will reassess by May 1, 2019 the regulatory measures of said Resolution and may make the appropriate adjustments considering the contributions and suggestions put forward in a public consultation. We recommend therefore that any interested parties submit their suggestions within the period of 30 days established in the Resolution. Any comments and suggestions should be submitted to the electronic address segurancadebarragens@anm.gov.br or filled directly at one of ANM's branches.

Among the main provisions of the Resolution, we should highlight the following:

1. The definitive prohibition of the upstream method for the construction or heightening of tailings dams throughout the national territory, and the decommissioning or de-characterization of dams constructed or heightened upstream or by an unknown method until August 15, 2021.

2. The technical project for the decommissioning or de-characterization of structures and dam reinforcement works shall be completed by August 15, 2019 and February 15, 2020, respectively. The dams that were in operation on February 18, 2019 are allowed to be decommissioned or de-characterized, exceptionally, until August 15, 2023, as long as they follow the conditions established in the Resolution.

3. The prohibition on the construction or maintenance of any facilities, works and services in the Self-Rescue Zone ("ZAS") that include human presence, as well as deposits for the storage of liquid effluents immediately downstream of mining dams included in the National Policy of Dam Safety ("PNSB"), regardless of their method of construction. The ZAS is defined as the region downstream of the dam where it is considered that the warning of the population is the responsibility of the

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entrepreneur, because there would be insufficient time for intervention by the competent authorities in emergency situations, corresponding to a time of tailings flood equal to thirty minutes or 10 km.

4. The installations, works, services and deposits in the ZAS shall be definitively deactivated and decommissioned or de-characterized until August 15, 2019 (installations, works and services) and August 15, 2020 (barrages), respectively. In addition, the dams included in the PNSB must have automated siren actuation systems in the ZAS, installed in a safe location and provided with a failure mode in case of rupture of the structure.

5. Mining companies shall submit to ANM, by August 15, 2019, new plan of economic development, considering the studies and technical projects, as well as the security measures mentioned above.

6. The expansion of the need to implement a full-time monitoring system. Formerly limited to the hypotheses framed in art. 7, paragraph 2 of DNPM Ordinance No. 70,389/2017, the Resolution determines the implementation of the system for all dams included in the PNSB with high Associated Potential Damage ("DPA") until February 15, 2020.

Failure to meet, within the established deadlines, the determinations set forth in the Resolution may result in the adoption of measures such as the suspension of part or all of the operations, as well as the imposition of appropriate administrative sanctions.

Veirano's mining team is available to provide further clarification on the foregoing.

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