MINING

CLIENT ALERT

SEPTEMBER/2019

PALMEIRÓPOLIS/TO POLYMETALLIC PROJECT AUCTION WILL OCCUR ON OCTOBER 21ST, 2019

Considering the proximity of the date for rendering of the auction for granting of exploration rights related to Palmeirópolis/TO polymetallic project, in order to contribute and enable a better assessment of the conditions of the bidding process, we prepared the following report, highlighting the main aspects of the call notice.

Palmeirópolis/TO is one of the projects qualified under the Presidency of the Republic's Investment Partnership Program ("PPI"), through Decree No. 9,972/2019, and is therefore treated as a national priority.

I. Date and Location:

The public session will be held at 10 AM on October 21st, 2019, at the Mineral Resources Research Company ("CPRM")'s office located at Pasteur Avenue, No. 404, CPRM auditorium, Noble Hall, 2nd floor, Urca, Rio de Janeiro/RJ.

II. Auction Object:

Conclusion of a contract of pledge of assignment of mining rights, and, in case the conditions of the call notice and of the applicable legislation are fulfilled, subsequent definitive assignment to the bid winner of mining rights No. 811.686/1975, 811.689/1975, 811.702/1975, 800.744/1978, 860.310/1984 and 860.317/1984, totaling an area of 6,050 hectares, all with their respective final research reports already approved by the National Mining Agency ("ANM") ("Mining Rights").

The area is located in the Municipality of Palmeirópolis, State of Tocantins, and it is called a polymetallic project due to the associated presence of Pb-Zn-Cu-Cd-Ag-Au ores.

Brazilian or foreign legal entities, supplementary pension entities, and investment funds, in isolation or in consortium, may participate in the tender. However, the participation of a consortium member, its subsidiaries, parent company, or company under common control in more than one consortium is not permitted.

PRACTICE AREA
Mning

COORDINATION
Pedro Garcia

For further information, please send a message to **news@veirano.com.br**

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III. Project's Documentation:

Documentation regarding the project can be physically consulted at Doutor João Pinheiro Avenue, No. 140, Centro – Caeté/MG, Zip code No. 34.800-000; and digitally through the website http://www.cprm.gov.br/publique/Acesso-a-Informacao/Leilao-Palmeiropolis-%7C-Palmeiropolis-Auction-5566.html.

IV. Execution, Bidding Mode and Judgement Criterion:

The Tender will be executed on site, combining closed and open bidding modes. The judgement criterion will be the higher price offer (higher percentage of CPRM's Royalty).

V. Financial Holdings of CPRM:

The financial holdings of CPRM applicable to the bidding are:

a. *Signature bonus*, value of BRL 15,000,000.00, to be paid in three installments: (I) 10% to be paid prior to the signature of the Contract of Pledge of Assignment of Mining Rights; (II) 40% to be paid prior to the conclusion of the Instrument for the Assignment of Mining Rights (after completion of supplementary research phase); and (III) 50% to be paid in ten days counted from the publication in the Official Gazette of the first mining concession related to the Mining Rights; and

b. *Royalty*, calculated on monthly gross revenues from the mined ores, with a minimum bid percentage of 1.7%, to be paid quarterly and readjusted periodically in accordance with the terms of the contract.

VI. Tender Guarantee:

When presenting its proposal, the bidder must provide a tender guarantee, in the minimum value of R$300,000.00, by means of one of the following guarantee modes: (I) security deposit in cash or government securities, (II) insurance-judicial guarantee, or (III) bank bail.

The tender guarantee may be executed in the following hypotheses:

a. against the winning bidder that ceases to incorporate the Specific Purpose Company (SPE);

b. against the winning bidder that does not make the payment of the first installment of the Signature Bonus;

c. against the winning bidder that refuses to sign the Contract of Pledge of Assignment of Mining Rights;

d. against the winning bidder that does not maintain the qualification conditions until the signing of the Contract of Pledge of Assignment of Mining Rights; and

e. against the winning bidder that, after the closure of the public session, is disqualified by the Commission.

Our team shall continue to follow up on these developments and remain at disposal for any additional queries with respect to the bidding process.