

VEIRANO
ADVOGADOS

VEIRANO MINING OPPORTUNITY

LEGAL INTELLIGENCE FOR INVESTMENTS IN THE BRAZILIAN MINING SECTOR

2021

INTRODUCTION

Veirano Mining Opportunity (or simply "VMO") is a special publication prepared by the mining team of Veirano Advogados with the purpose of providing our clients and friends with information that may be relevant for exploring new investments and transactions in the Brazilian mining sector.

Please note that the information herein is mostly based on official announcements. Although our firm is frequently contacted by mining entrepreneurs and investors regarding private opportunities, this publication is mainly focused on public information. Access to our database of private opportunities is reserved to our clients and subject to the execution of Non-Disclosure Agreements with the relevant parties.

If you have any questions or need additional information concerning the information herein described, please do not hesitate to contact us.

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I – MINING AGENCY OFFERS THOUSANDS OF TENEMENTS IN PUBLIC TENDERS

The Brazilian Mining Agency (ANM) is offering a significant number of tenements deriving from proceedings previously held by third parties which have returned to ANM's portfolio (for different reasons, such as rejection of the exploration application, forfeiture of title, abandonment of the mineral deposit or mine, withdrawal or even waiver of mineral rights).

Such tenders are comprised of two consecutive stages (i) a preliminary public offering, in which bidders manifest their interest in the tenements being offered; and (ii) an electronic auction, in which the areas on which two or more bidders have indicated interest are sold on a purely financial bid (the highest financial offer wins).

As the former (and quite bureaucratic) tender proceedings have been suspended since 2016, it is estimated that there are more than 57 thousand areas in the ANM portfolio, totaling approximately 500 thousand km^2, with great opportunities for investments in the sector.

The participation of interested parties in tender of areas or blocks of areas is carried out exclusively on an electronic platform maintained by the ANM, called SOPLE (sople.anm.gov.br).

The mining projects linked to the ANM's rounds of tender of areas for 2021 and 2022 were qualified in the Investment Partnership Program ("PPI") by Decree No. 10.687, of April 26, 2021.

So far, the ANM has already carried out 3 rounds for tender of areas, and the notice of the fourth was published on June 17, 2021. For reference purposes, please find below a brief summary of the results of the three rounds of tenders held so far, as well as the details of the 4th round:

1st Round of Tenders

In the first public notice (used as a first test of the new proceeding), published in September 2020, about 500 exploration areas were made available to potential interested parties. The areas were focused on the exploitation of minerals used in construction, such as sand, clay, gravel and crushed stone.

The tender of areas was concentrated in the States of São Paulo, Rio de Janeiro, Minas Gerais, Rio Grande do Sul and Santa Catarina. As a result of the public offering stage, 74 areas had more than one manifestation of interest and advanced to the electronic auction stage, which resulted in a total of 65 areas receiving financial bids. In summary, the ANM raised about BRL1.9 million with the first public notice.

2nd Round of Tenders

For the second public notice, published in December 2020, about 6,700 areas were made available for exploration and 270 were made available for mining concessions, involving several types of mineral substances (including gold, manganese and kaolin).

The tender of areas for exploration activities was concentrated in the states of Bahia, Minas Gerais and Rio Grande do Sul. On the other hand, the tender of areas for mining concessions was concentrated in Santa Catarina, São Paulo, Goiás, Minas Gerais and Espírito Santo.

In this 2nd Round, 1,713 areas were acquired in the public offering and 2,415 areas passed to the electronic auction stage. The electronic auction resulted in a total of 1,985 areas receiving financial bids, i.e., 82% of the disputed areas, with a total of estimated revenue of BRL165 million.

3rd Round of Tenders

For the third public notice, published in March 2021, 2,762 areas were made available, being 99 for mining concessions and the others for exploration purposes, involving several types of mineral substances (including copper, iron and gold).

The tender of areas was concentrated in the Center-West region, followed by the Southeast, South, Northeast and North. The areas were distributed in all Brazilian states, except for Roraima and Maranhão.

In this 3rd Round, 571 areas were acquired in the public offering and 1,092 areas passed to the electronic auction stage. 100% of the areas offered for mining concessions had positive results, that is, they received at least 1 interested party in this stage.

4th Round of Tenders (forthcoming)

On June 17, 2021, the ANM published the notice regarding the 4th round of tender of areas, offering 1,641 areas for exploration activities, involving various types of mineral substances (including gold ore, iron ore and sand) in all Brazilian States, except for Roraima.

Parties interested in acquiring these tenements should manifest their interest in the areas until August 17, 2021. In case there are two or more interested parties in the same area, an electronic auction will take place, and the offer with the highest value wins. This second stage is scheduled to take place between August 25th and September 8th.

For more information on this specific round (including geological data), please access the link below and let us know should you have any questions.

https://www.gov.br/anm/pt-br/acesso-a-informacao/disponibilidade-de-areas/rodadas/4a-rodada-de-disponibilidade-de-areas

II. INVESTMENT PARTNERSHIP PROGRAM (PPI)

The Brazilian Government created the Investment Partnership Program ("PPI") by Law No. 13.334/2016, with the purpose of expanding and strengthening the interaction between the State and private sector through the execution of partnership agreements and other privatization measures.

Such law also created two structures in Federal Administration: the PPI Council and the PPI Secretariat. The Council is the body which assesses and recommends to the President of Republic the projects which will integrate the PPI, also deciding on issues related to the execution of partnership and privatization agreements. The Secretariat, linked to the Ministry of Economy, works in supporting the Ministries and Regulatory Agencies for the execution of the program's activities. Once projects are qualified for PPI, they are treated as a national priority. The bodies and entities involved shall act so that the proceedings and acts necessary for structuring, authorizing and developing the project occur efficiently and economically.

PPI has the following mining projects qualified to be awarded to private sector:

a) Gypsum Project of Cupari River, located near to Brasília Legal Village, in the Municipality of Aveiro, State of Pará;

b) Limestone Project in Aveiro, also located in the Municipality of Aveiro, State of Pará;

c) Kaolim Project of Capim River, involving mineral rights of the lot named Caulim Rio Capim, State of Pará;

d) Copper Project of Bom Jardim de Goiás, located in south part of Municipality of Bom Jardim de Goiás, in the extreme west of the State of Goiás;

e) Phosphate Project of Miriri, located in south part of the Municipality of João Pessoa, covering the Municipalities of Alhandra and Pedra do Fogo, in Paraíba, and Goiana, in Pernambuco;

f) Diamond Project of Santo Inácio, located in the central-northwest portion of the State of Bahia, in the district of Santo Inácio, Municipality of Gentio do Ouro; and

g) Coal Project of Candiota, which involves 4 blocks of areas to be tendered separately, namely Estância da Glória, Arroio Pitangueira, Seival II and Arroio dos Vimes, in the State of Rio Grande do Sul.

III – FINANCING & CAPITAL RAISING

The ANM held Public Consultation No. 3/2020 in order to obtain contributions for the forthcoming Resolution on the creation of securities over mineral rights (as provided in articles 43 and 44 of Decree No. 9.406/2018). The purpose of the Resolution is essentially to regularize the hypothesis of creation of liens over mineral rights, as well as their offer as securities within mining financing transactions.

Amongst the modifications brought by such resolution, we highlight the possibility of creation of liens over mineral rights other than mining concessions (exploration licenses, license registries and alluvial mining registries) and the granting of access, to the lender, of information regarding the encumbered mineral right.

In addition, foreclosure and liquidation procedures are clearly explained in the resolution, ensuring greater legal security for investors in the Brazilian mining sector.

56 contributions to the Resolution (including Veirano's mining team) have already been analyzed and it is expected to be enacted soon by the ANM.

The ANM is also considering the creation of a new Registrar of mining agreements, which could enhance legal certainty for investors on streaming, royalty, offtakes and joint venture transactions.

IV – USE OF MINING TAILINGS

The ANM has also held Public Consultation No. 4/2020 in order to obtain contributions to the Resolution proposed by the ANM with respect to “use of waste rocks and tailings”. The purpose of the new regulation is to provide legal certainty and encourage the use of waste and tailings, contributing to greater sustainability in Brazilian mining.

There are considerable volumes of wastes and tailings of which access and use are hampered by divergences with respect to the ownership and by the existence of slow and outdated procedures in the Agency for their regularization. The resolution proposed by the ANM intends to resolve the asymmetry of information between private and public entities and society regarding the quantity, quality, disposal and productive flow of tailings and waste generated by mining activity.

V – EXTRACTION PERMIT (GU)

The ANM published Resolution No. 37, of June 4, 2020, changing the procedure for issuing extraction permits (“GUs”), which are an extraordinary license for the exploitation of mineral substances, in a titled area, before the mining concession.

The new resolution (i) authorizes the inclusion of two or more mineral substances in the same GU, (ii) ratifies the GU as a bonding administrative act, (iii) separates the granting of the GU from the process of environmental licensing and (iv) implements the tacit extension for renewal of the GU; among other relevant provisions.

VI - SUPPORT POLICY FOR ENVIRONMENTAL LICENSING

On March 24, 2021, the Brazilian Government enacted Decree No. 10.657/2021, which creates the Support Policy for Environmental Licensing of Investment Projects for the Production of Strategic Minerals - Strategic Pro-Minerals (Política de Apoio ao Licenciamento Ambiental de Projetos de Investimentos para a Produção de Minerais Estratégicos - Pró-Minerais Estratégicos), establishes its qualification within the PPI, and establishes the Interministerial Committee for Analysis of Strategic Mineral Projects (Comitê Interministerial de Análise de Projetos de Minerais Estratégicos).

The creation and qualification of the Strategic Pro-Minerals policy aims to select projects of production of strategic minerals for the development of the country and to foster coordination between government agencies in order to make efforts to implement such priority projects. Once approved by the Committee, the qualified projects will receive government support for the purposes of environmental licensing, following all current environmental standards and guidelines.

VII – MINERALS IN INDIGENOUS LANDS

Another measure with great potential to impact the mineral sector is the inclusion of Bill No. 191/2020 in the list of priority Government projects submitted to the National Congress on February 3, 2021. Bill No. 191/2020 aims to regulate the exploitation of mineral, water and organic resources in indigenous lands. We are following this closely and will certainly update the matter on the next VMO.

RECOGNITIONS & AWARDS

VEIRANO ADVOGADOS

As the first Brazilian firm to receive the Chambers Client Service Law Firm of the Year award, our continuous dedication to clients is consistently recognized by leading industry publications, in particular:

- *Chambers Global 2021*
  Leading firm in 14 practice areas
  23 leading individual recognitions
- *Chambers Latin America 2021*
  Leading firm in 21 practice areas
  35 leading individual recognitions
- *Legal 500 Latin America 2021*
  Recommended firm in 28 practice areas
  5 leading lawyer recognitions
  102 lawyer recommendations
- *LACCA Approved 2021*
  Recommended firm with 21 recognitions in 10 practice areas
- *Who's Who Legal Brazil 2020*
  29 lawyers recognized
  39 recognitions
- *Latin Lawyer 250 2019*
  19 practice areas highlighted
  58 individuals mentioned

MINING RECOGNITIONS – RANKED #1

Chambers AND PARTNERS

- *"Powerhouse firm boasting distinguished expertise in advising prominent market players on sensitive mining matters. Acclaimed for its impressive acumen handling M&A transactions, the financing of mining projects and administrative proceedings before the regulatory bodies. Additional strength assisting with sector-related environmental issues and litigation cases."*
  CHAMBERS GLOBAL
  Leading Firm (Band 1) in Mining

- *"Leading national and foreign mining corporations and investment funds operating in the sector benefit from its support. Actively assists with the mining aspects arising from environmental disasters and the financing of projects. Also represents clients in the negotiation of sector-related contracts and disputes before regulatory bodies."*
  CHAMBERS LATIN AMERICA
  Leading Firm (Band 1) in Mining

LATIN LAWYER

- *"The wealth of talent contained within Veirano's mining practice has long positioned the department among the very best in the country. Careful attention to developing the area and some well-considered lateral hires have given the department a potent combination of strength in breadth and depth of knowledge few other firms can match."*
  LATIN LAWYER 250
  Recommended Firm in Mining & Metals

The LEGAL 500

- *"Veirano Advogados' mining team leverages the wider firm's expertise in project finance and real estate to pack a punch in project development. The group also handles a varied mix of corporate finance, regulatory and environmental matters, including litigation."*
  LEGAL 500 LATIN AMERICA
  Recommended Firm (Tier 1) in Mining

CONTACT

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For further information regarding Veirano Advogados, please visit our website or contract us at any time so that we may address your legal advisory needs.

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