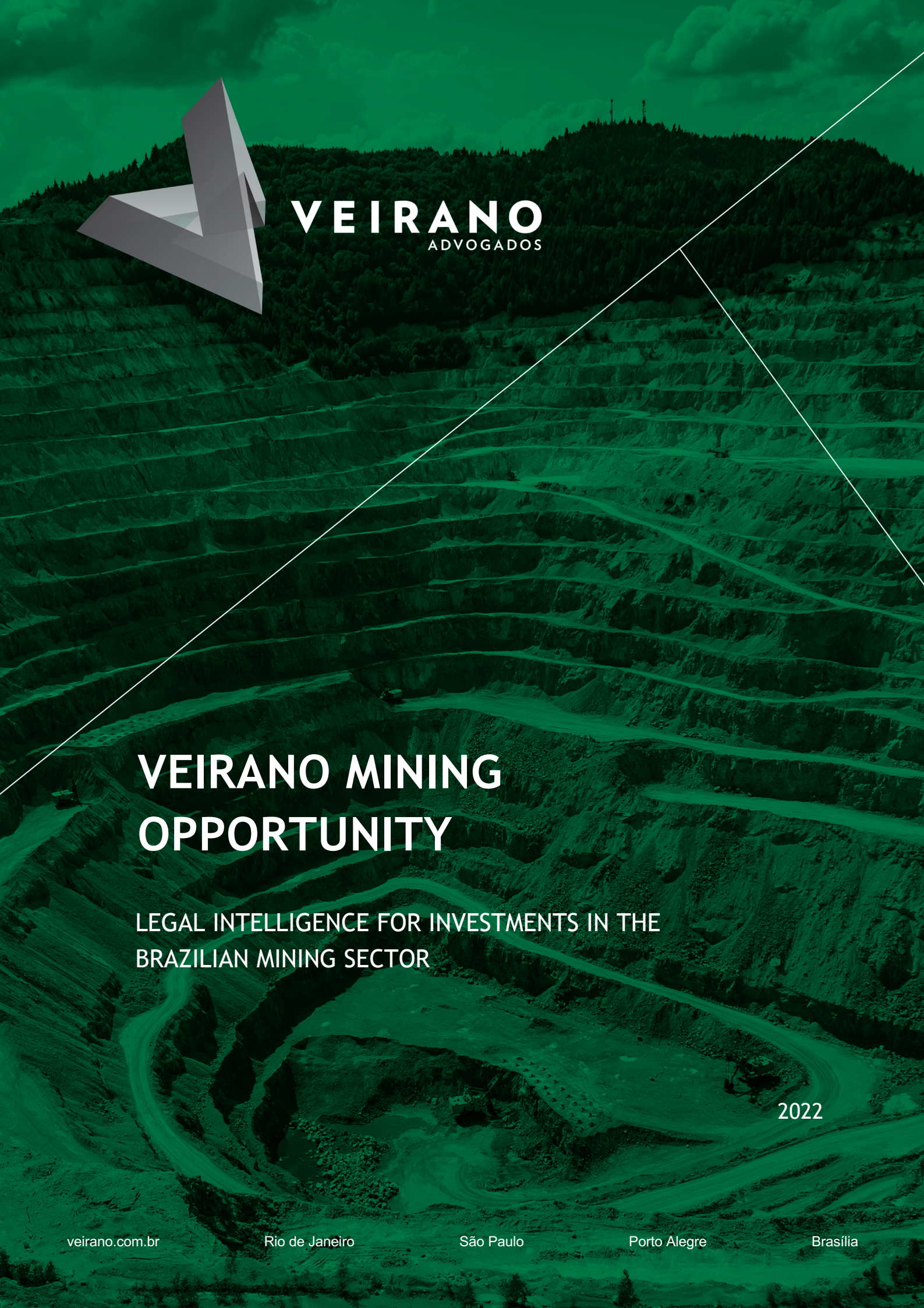


VEIRANO
ADVOGADOS

VEIRANO MINING OPPORTUNITY

LEGAL INTELLIGENCE FOR INVESTMENTS IN THE BRAZILIAN MINING SECTOR

2022

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VEIRANO ADVOGADOS

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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 while exploring new investments and transactions in the Brazilian mining sector.

Please note that the information herein is based on official announcements. Although our firm frequently receives contacts of mining entrepreneurs and investors on 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).

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 5 rounds for tender of areas, and the result of the electronic auction regarding the fifth was published on December 30, 2021. For reference purposes, please find below a brief summary of the results of the five rounds of tenders held so far:

1st Round of Tenders Areas

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 BRL 1.9 million with the first public notice.

2nd Round of Tenders Areas

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 BRL 165 million.

3rd Round of Tenders Areas

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 Areas

For the forth public notice, published on June 17, 2021, 1,641 areas were made available for exploration activities, involving various types of mineral substances (including gold ore, iron ore and sand) in all Brazilian States, except for Roraima.

In this 4th Round, 389 areas were acquired in the public offering and 696 areas passed to the electronic auction stage. Of the 696 areas that went up for electronic auction, 475 were acquired, representing an amount of BRL 34 million.

The states with the highest number of areas acquired in this 4th Round are Minas Gerais (55 areas acquired), Rio Grande do Sul (38 areas acquired), and Goiás (33 areas acquired).

5th Round of Tenders Areas

For the fifth public notice, published on August 30, 2021, 4,500 areas were made available, including all the federative units, with 4,461 areas for research and 39 areas for mining.

In this 5th Round, 1,123 areas were acquired in the public offering and 1,459 areas passed to the electronic auction stage. In the auction stage, 1,098 areas were acquired, registering a sum of approximately BRL 122 million. 5th

The states with the highest number of areas acquired in this 5th Round are Minas Gerais (252 areas acquired), Goiás (140 areas acquired), and Ceará (80 areas acquired).

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/5a-rodada-de-disponibilidade-de-areas

II – PROCEDURES FOR THE USE OF MINING TAILINGS

ANM published Resolution No. 85, of December 2, 2021 ("ANM Resolution No. 85/21"), providing on procedures for the use of waste rocks and tailings.

The new Resolution establishes rules for the economic reuse of tailings (material discarded during and/or after the beneficiation process) and waste rocks (raw material directly discarded in the mining operation before beneficiation) produced in mining projects, with the objective of making ore extraction activities more sustainable.

Amongst the modifications brought by such resolution, we highlight that even if the mining tailings are located outside the polygonal of the title area (and even if mining is suspended), the tailings and waste rocks are considered an integral part of the mine where they were generated. In order to be bound to the mining title, the tailings and waste rocks deposited outside the area encumbered by the title must have been subject to a mining easement.

In addition, the use of mining tailings will not require a new mineral grant in cases where both are linked to the mine where they were generated and provided that the use is exercised by the holder of the original mining right. For this, as a general rule, it will be sufficient to make the request by means of (i) an update to the Economic Utilization Plan ("*Plano de Aproveitamento Econômico*" or "PAE"), Mining Plan or similar technical document and (ii) a communication in the Annual Mining Report ("*Relatório Anual de Lavra*" or "RAL").

ANM Resolution No. 85/21 also regulated the possibility of a 50% reduction in the Financial Compensation for Mineral Exploration ("CFEM") tax rate, provided by Law No. 7.990/1989. To be entitled to the benefit, the interested party must inform the production chain to which the substance is destined.

III - MINING RIGHTS AS COLLATERAL FOR FINANCING

On December 24, 2021, the ANM published Resolution No. 90 ("ANM Resolution No. 90/21"), which establishes the hypotheses for granting mining rights as collateral in fundraising operations for the financing of mining, as well as the requirements and conditions for transferring ownership of such rights.

The collaterals may be constituted by public or private instruments, which must be registered before the ANM, and must contain the following minimum information: the value of the credit, its estimate or maximum value; the term fixed for payment; the interest rate, if any; the mining right given as guarantee, with an indication of the administrative mining process number to which it is linked; and the purpose of the financing operation.

The Resolution also establishes, as a form of protection to creditors, the fact that while the contract of constitution of the collateral remains in force, the holder cannot waive the mining right given as guarantee. In addition, any leasing agreement, total or partial, of the mining right will only be registered if there is express consent from the lender. It is also allowed, exceptionally, the practice of procedural acts by the financing institution that aim to avoid the perishing of the mining right that is the object of the collateral.

Moreover, it is also important to note that if there is a seizure of collateral, whether judicial or extrajudicial, the actual transfer of ownership of the mining right will only occur upon consent and registration of the disposal with the ANM.

IV - USE OF AREAS IN INCRA'S SETTLEMENT PROJECTS FOR MINING

The National Institute of Colonization and Agrarian Reform ("INCRA") published, on December 23, 2021, Normative Ruling No. 112, which provides procedures for consent of use of areas in INCRA's settlement projects, for mining, energy and infrastructure activities or enterprises.

The enactment of such normative ruling represents a step forward by the government on the regulation of the use of properties that are destined to settlement and also could be destined to undertakings of public utility and national interest.

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 Brazil 2021*
  Leading firm in 25 practice areas
  38 leading individual recognitions

- *Legal 500 Latin America 2022*
  Recommended firm in 29 practice areas
  7 leading lawyer recognitions
  96 lawyer recommendations

- *LACCA Approved 2022*
  Recommended firm with 20 recognitions in 9 practice areas

- *Who's Who Legal Brazil 2021*
  27 lawyers recognized
  38 recognitions

- *Latin Lawyer 250 2021*
  16 practice areas highlighted
  50 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 - 2021
  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 – 2021
  Recommended Firm in Mining & Metals

The LEGAL 500

- *Covering the entire spectrum of mining matters, Veirano Advogados particularly excels in regulatory issues pertaining to the sector, and transactional work ranging from project financing to the acquisition of mining companies and mineral rights. Litigation, administrative proceedings and environmental matters are other areas of activity for the team, which is also noted for its experience in cross-border mining projects. Based in Rio de Janeiro, the department is under the leadership of Pedro Garcia, who has a wealth of experience in mining law. Antonio Albani Siqueira is another practitioner to note for mandates related to the structuring of mining projects.*

  LEGAL 500 LATIN AMERICA - 2022
  Recommended Firm (Tier 1) in Mining

CONTACT

VEIRANO ADVOGADOS

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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