

Brazilian Mining Day 2016

Overview of Mining Regulation in Brazil

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Toronto, Canada

Summary

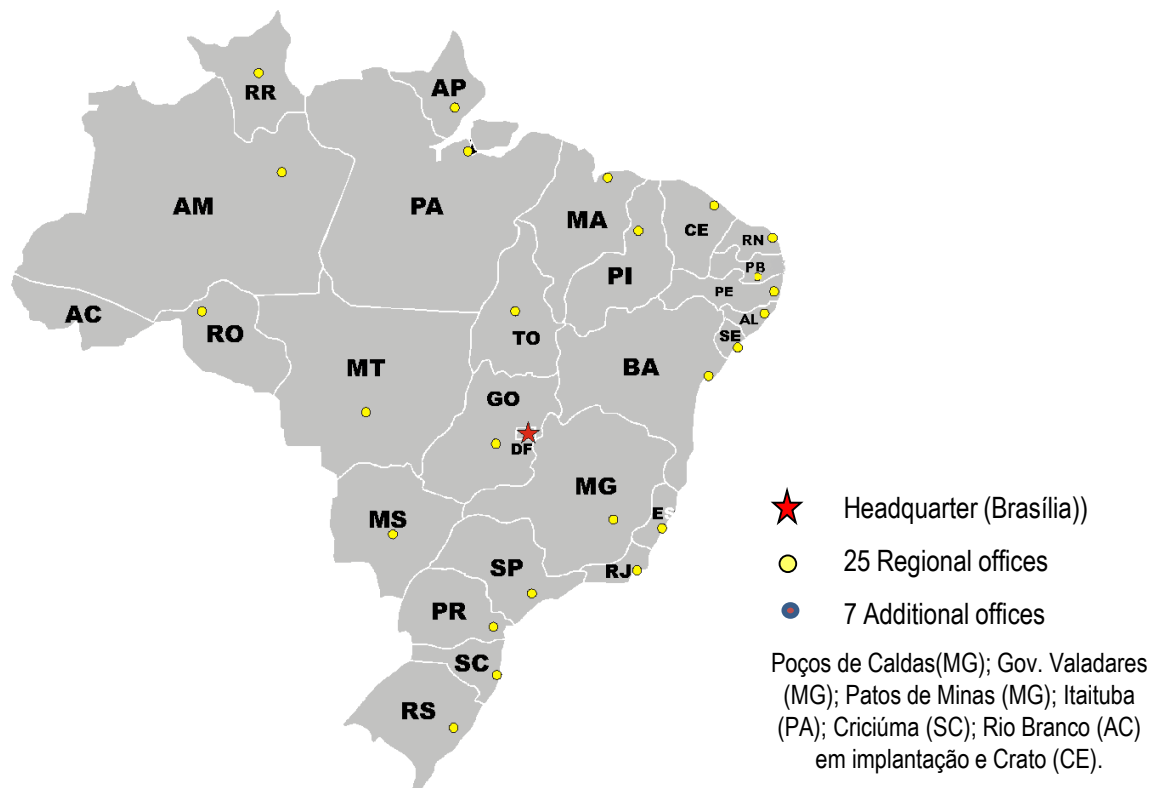
- DNPM and mining regulation in Brazil
- Mining 1967 Act and its characteristics
- Responsible authorities for environmental and mineral rights

NATIONAL DEPARTMENT OF MINERAL PRODUCTION

Managing the Brazilian mineral resources using regulatory tools for the benefit of society

1,200 officials

Over **4,600** inspections by year

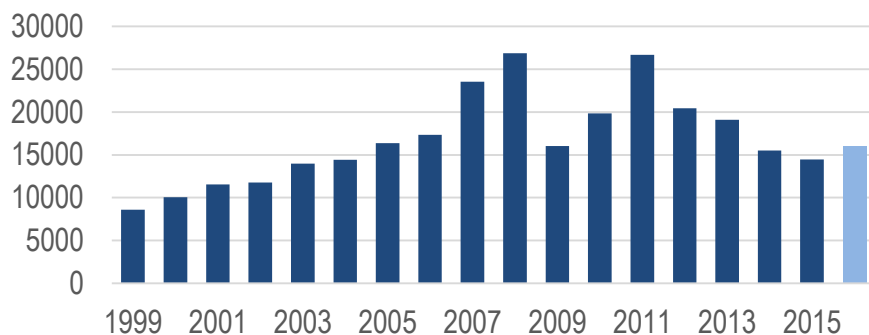


NATIONAL DEPARTMENT OF MINERAL PRODUCTION

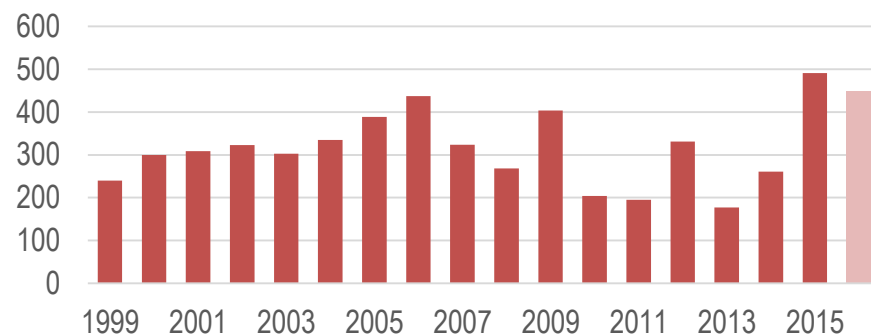
The mining rights managed by DNPM:

- **9.565** mining concessions
- Over **15.000** exploration licenses by year
- **2.000** artisanal mining permits by year

New exploration claims by year



New mining concessions by year



*2016: estimated

Brazilian mining Act and regulation

Regulation, administration and technical procedures relating to mineral exploration and mining in Brazil are dealt with by the *Mining Act of 1967* and regulations.

In brief these:

- Provide that all minerals (onshore and offshore) are the property of the Brazilian State
- Provide for the issue of mineral tenements that give rights with respect to mineral exploration and production
- Establish landholder and licensee rights with regard to access to land and provides for compensation for any resulting damage
- Provide for the regulation of operations within tenements
- Provide for the royalties on production; plus a range of fees for required approvals, annual tenement fees and penalties for breaches of the legislation
- Provide for the appointment of inspectors and authorized persons to have access to tenements
- Provide specific definitions of minerals, prospecting, exploration and mining

Mining Act 1967

Responsible authorities for environmental and mineral rights

Exploration

**National
Department of
Mineral
Production
(DNPM)**

Mining

**Ministry of Mines
and Energy of
Brazil
(MME)**

Environmental

**States
Municipalities**

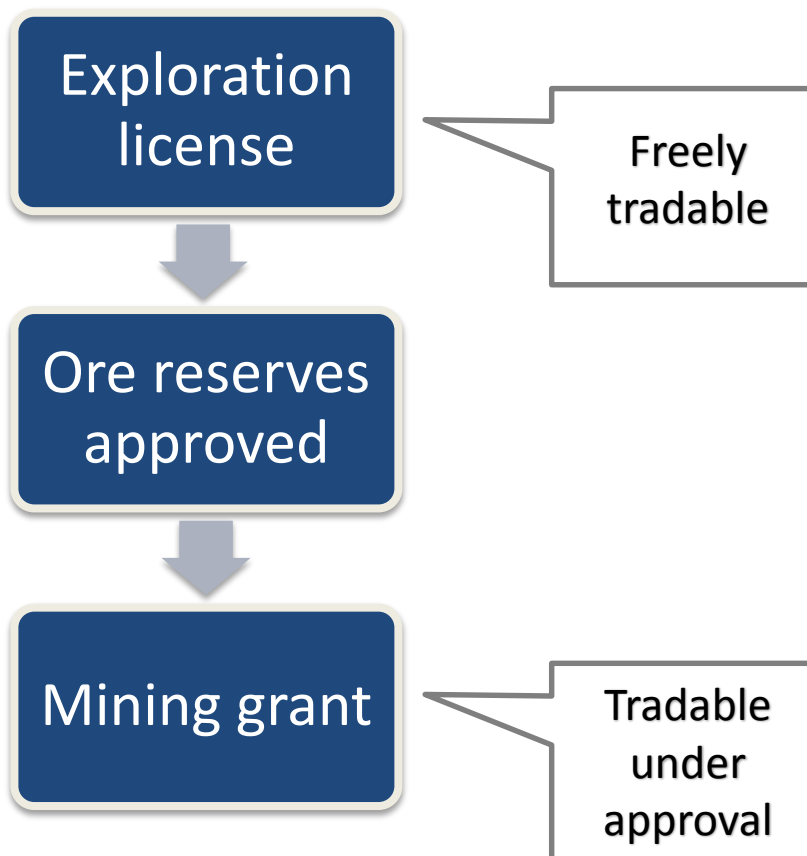
Mining Act 1967

Sequencing and characteristics of mining rights

National
Department of
Mineral Production



Ministry of
Mines and
Energy



Mining Act 1967

- **Exploration license basis:** ‘First Come, First Served’
- **Application for exploration license:** Brazilian citizen or legally authorized companies
- **Term:** 1-3 years (may be extended by equal period)
- **Maximum area per claim:** 50 to 10,000 hectares, depending on the mineral type and location
- **Entitled obligations:**
 - Mineral exploration activities according approved plan
 - Payment of the annual fee
 - Payment of the landowner’s revenue and compensation

Mining Act 1967

- **Mining grant:** order by the Minister of Mines and Energy
 - Depends of evidence of technical and economical feasibility
 - There is no expiration date
 - Exception: nuclear minerals (State monopoly)
- **Requirements:**
 - Approval of exploitation project by regulation authority
 - Environmental license
- **Landholders:** have no right of veto over mineral development on their property
 - revenue: 50% of royalties

Mining and exploration along the Brazilian Border

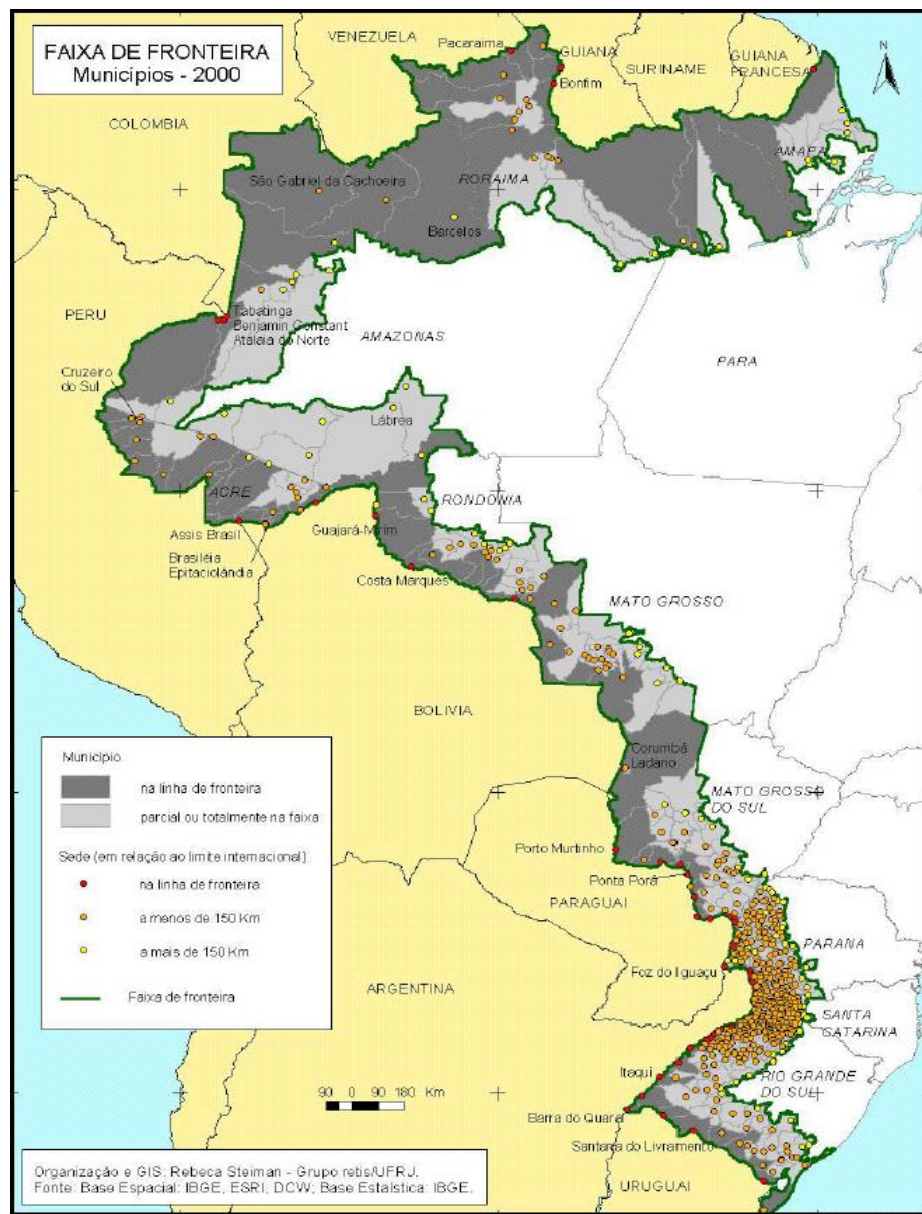
- 150 Km wide along 15,719 Km border
- Brazil has borders with 10 countries

CONDITIONS FOR MINING GRANT

I - a minimum of 51% of the capital must be held directly and indirectly by Brazilian citizens

II - at least 2/3 of the mine's workers must be Brazilian citizens

III - the administrative functions or management must be undertaken by Brazilian predominantly



Minerals Royalties

Basis: net commercialized value

- **3%** - aluminum ore, manganese, rock salt and potassium
- **2%** - iron ore, fertilizer, coal and other substances
- **0,2%** - precious stones, colored gemstones, carbonates and noble metals
- **1%** - gold

Income distribution:

- Brazilian State: 12%
- States (territories): 23%
- Municipality: 65%

Supervision of mining tailings dams

- Act 12.334 / 2010 establishing the National Dam Safety Policy and creates the National System of Dam Safety Information
- CNRH Resolution No. 143/2012: establishes general criteria for risk category by dams classification, potential damage associated and the volume of the reservoir
- CNRH Resolution No. 144/2012: establishes guidelines for implementation of the National Dam Safety Policy, the application of its instruments and operation of the National System of Dam Safety Information, in compliance with art. 20 of Law 12.334 / 2010, which amended art. 35 of Law 9.433, of January 8, 1997
- DNPM Administrative Order No. 416/2012: provides for the Security Plan, Security Periodic Review, Inspections Regular and Special Mining Dams of security and creates the National Registry of Mining Dams
- DNPM Administrative Order No. 526/2013: provides for the Emergency Action Plan of Mining Dams

Supervision of mining tailings dams

Federal Act 12.334/2010

- The miner is legally responsible for dam safety, and is responsible for the development of actions to guarantee it, forcing it to:
 - provide the necessary resources for dam safety assurance
 - provide for new projects, the development of the final project as built
 - organize and maintain in good condition the information and documentation relating to the design, construction, operation, maintenance, safety and, where appropriate, to the decommissioning of the dam
 - perform the safety inspections provided for by law
 - to prepare periodic safety reviews

Review of Mining Act 1967

A review of the Mining Act has commenced, with all areas of the current legislation being examined. Major subjects of review are the number and types of mining title, royalties, institutional competencies, mining council establishment, the extractive areas rehabilitation directives, entitled assessments and more.

Objectives:

- Enlargement of the regulatory procedures
- Improved exploitation of mineral deposits, prevention of healthy and safety in mines, and environmental control until the mine closure
- Further investments in the mining sector and promote the competitiveness of the mining industry
- Encourage value added mining and mineral processing activities
- Contribution to sustainable development

Useful Links



Mineral Business – Investor's Guide in Brazil

<http://www.dnpm.gov.br/assets/minebusiness/pdf/livro.pdf>



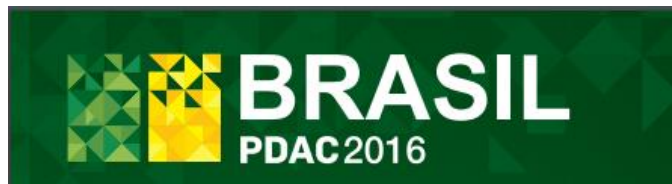
Mining Information – National Department of Mineral Production (DNPM)

<http://www.dnpm.gov.br/enportal/conteudo.asp?IDSecao=170>



Geological Survey of Brazil (Companhia de Pesquisa de Recursos Minerais – CPRM)

http://www.cprm.gov.br/publique/cgi/cgilua.exe/sys/start.htm?UserActiveTemplate=cprm_layout_EN&tpl=home



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