



Presentation at PDAC

Overview of Brazilian Business and Mining

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March 7, 2017

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PRIVATE AND CONFIDENTIAL

Time to take off again



- 1 Brazil is bouncing back.

- 2 Investment Opportunities

- 3 Mining opportunities

1 Is Brazil bouncing back?



Recession in the last two years

GDP Growth:

2015: - 3,8%

2016: - 3,2%

Unemployment:

2015: 8.5%

2016: 11.5%

Inflation:

2015: 10,6%

2016: 6,2%

Interest rates:

2015: 14,25%

2016: 13,75%

Political crisis

Impeachment

Car wash operation

Current exchange
devaluation

Very challenging economic
and political situation

Brazil Bouncing Back

Expected GDP Growth for 2017: 0,5% (2,4% for 2018)

Expected interest rate: 9%

Expected inflation for 2017: 4,5%

Currency appreciation

Approval of cap on public spending.

Proposal of social security reform

■ Government with strong support in the Congress and willing to implement economic reforms

Privatization (projeto Crescer)

Car wash operation

High unemployment (13%)

Fiscal crisis at state level

2

Investment opportunities Projeto Crescer



Project Crescer

Launched on May 12, 2016

Intends to attract local and international investors to acquire state-owned companies and to develop major infrastructure projects in Brazil.

34 projects and privatizations announced, including airports, power generation and distribution companies and railways, one lottery company, mining, oil and gas bid rounds, ports and water treatment companies.





Investment opportunities

Highway BR-101 RS (BR 101/290/386/448/SC/RS) Highway BR-101 RS (BR 101/290/386/448/SC/RS)	Highway	Common Concession
Florianópolis Airport Florianópolis Airport	Airport	Common Concession
Fortaleza Airport Fortaleza Airport	Airport	Common Concession
Porto Alegre Airport Porto Alegre Airport	Airport	Common Concession
Salvador Airport Salvador Airport	Airport	Common Concession
Amazonas Energy S.A Amazonas Energy S.A	Power Distribution	Privatization and Concession
Boa Vista Electricity Distribution Boa Vista Electricity Distribution	Power Distribution	Privatization and Concession
Electricity Distribution Company of the State of Goiás - CELG D Electricity Distribution Company of the State of Goiás - CELG D	Power Distribution	Privatization and Concession
Electricity Distribution Company of the State of Acre - Eletroacre Electricity Distribution Company of the State of Acre - Eletroacre	Power Distribution	Privatization and Concession
Energy Company of Piauí – CEPISA Energy Company of Piauí – CEPISA	Power Distribution	Privatization and Concession

Airports: concession of four airports.

Electric power:

Sale of several state owned distribution companies

Concession of transmission lines.

Sale of small hydro plants (PCH's)

Investment opportunities

Electricity Distribution Company of the State of Alagoas - CEAL Electricity Distribution Company of the State of Alagoas - CEAL	Power Distribution	Privatization and Concession
EF 151 – SP/MG/GP/TO – North-South Railroad EF 151 – SP/MG/GP/TO – North-South Railroad	Railroad	Subconcession
EF 170 – MT/PA - Ferrogrão Railroad EF 170 – MT/PA - Ferrogrão Railroad	Railroad	Common Concession
EF 334/BA - FIOL Railroad EF 334/BA - FIOL Railroad	Railroad	Subconcession
Loteria Instantânea - LOTEK (Lottery) Loteria Instantânea - LOTEK (Lottery)	Miscellaneous	Privatization
RDJ XX – Grain Terminal in Rio de Janeiro RDJ XX – Grain Terminal in Rio de Janeiro	Ports	Concession
Highway BR - 364/365 Highway BR - 364/365	Highway	Common Concession
STM 04 – Fuel Terminal in Santarém STM 04 – Fuel Terminal in Santarém	Ports	Concession
STM 05 – Fuel Terminal in Santarém STM 05 – Fuel Terminal in Santarém	Ports	Concession
Power Plants - UHE Power Plants - UHE	Hydropower Generation	Common Concession

Oil & Gas: bid rounds for 2017

2nd Bid Round for pre-salt areas

14th bid round for concession areas.

4th bid round for marginal fields.

Investment opportunities

Small Hydropower Plants - PCH Small Hydropower Plants - PCH	Hydropower Generation	Common Concession
Power Station of Rondônia S.A. - CERON Power Station of Rondônia S.A. - CERON	Power Distribution	Privatization and Concession
Oil and Natural Gas Oil and Natural Gas	Oil and Gas	Common Grant and Sharing
Mineral Rights of CPRM Mineral Rights of CPRM	Mining	Exploratory Concession right

Railroads: Concession of important lines for agrobusiness, such as “Ferrogrão” and “Norte-Sul”

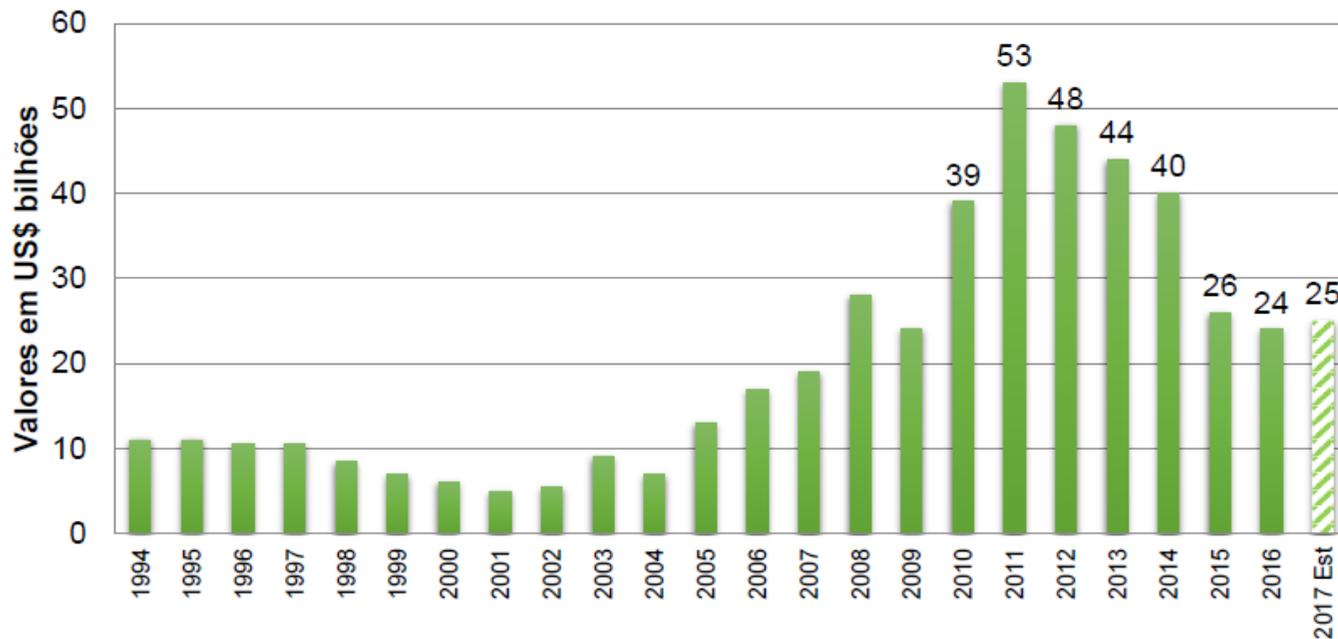
Highways: concession of several important highways.

Sanitation: sale of state owned companies, including CEDAE (Rio de Janeiro).

3 Mining



Brazilian Mining Production



Valores Exclusivos da Indústria Extrativa Mineral, Não inclui Petróleo e Gás.
A PMB é a soma de todos os bens minerais produzidos no país calculados em bilhões de dólares, metodologia IBRAM.

Fonte: IBRAM

Divulgação: Fev/2017

8% of Brazilian GDP

US\$21B of exports

US\$13B of iron exports

US\$16B in trade surplus

1/3 of Brazilian trade surplus

Other relevant exports:
Gold, copper, ornamental stones

New Brazilian Mining Code - Status

- Bill of Laws No **37/2011** and No **5807/2013**: proposal of a New Brazilian Mining Code.
- The Bill of Law is still pending on voting in the House of Representatives. A special commission was formed in the House of Representatives to analyze the Bill of Law.
- In December 2015 the Reporter of the Bill of Law issued a new version of the opinion (*parecer*) on the Bill of Law, contemplating changes resulting from the environmental accident occurred in the City of Mariana, Minas Gerais State.
- In February 2016 Leonardo Quintão (PMDB-RJ), former Reporter of such Bill of Law in the House of Representative, was replaced by Laudívio Carvalho (PMDB-MG) as Reporter of the Bill of Law, due to political disputes with the former Chairman of the House of Representatives, Eduardo Cunha.

New Brazilian Mining Code - Status

- The government intends to reopen in 2017 the discussions over the approval of a new Brazilian Mining Code in Congress. As an effort to move forward with the approval of the Bill of Law, the intention is to divide the project in two parts, prioritizing the issues in which there is consensus (e.g. increase in mining royalty calculation basis) and leaving the controversial issues for further discussion by the congressmen.



New Brazilian Mining Code - Main Changes

Bidding Process

- The concession of mining rights will be preceded by a bidding process or public call

Granting Instruments

- The research and mining activities may be granted under a single instrument: concession agreement, except for certain minerals to be subject to Exploration Authorization

Regulatory Agency

- Creation of the National Mining Regulatory Agency (ANM) to replace DNPM - and National Council for Mineral Policy (CNPM)

Royalties

- Increase in percentage of royalties up to 4% of gross sales, against the current 3-0.2% of net sales

Mandatory Insurance

- Mandatory environmental insurance (included after environmental accident in Mariana)



MINING CODE IN FORCE

NEW MINING CODE

FORM OF OBTAINING MINING RIGHTS

First come, first served.

Bidding process or public call. Government to determine the areas in which the concession will be preceded of bidding procedure.

Exception: minerals to be explored under authorization.

GRANTING INSTRUMENT

Exploration Authorization (Autorização de Pesquisa) and Mining Concession (Concessão de Lavra).

The research and mining activities may be granted under a single instrument: concession agreement, except for certain minerals to be subject to Exploration Authorization.

GOVERNMENTAL AUTHORITY IN THE MINING SECTOR

National Department of Mineral Production (DNPM) - federal autarchy.

National Mining Regulatory Agency (ANM) and National Council for Mineral Policy (CNPM).

ROYALTIES

up to 3% of net sales (eg., Aluminum 3%, iron ore 2%, gold 1%).

up to 4% of gross sales.



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