

Brazil

Country Mining Outlook

Country Risk Rating **3**



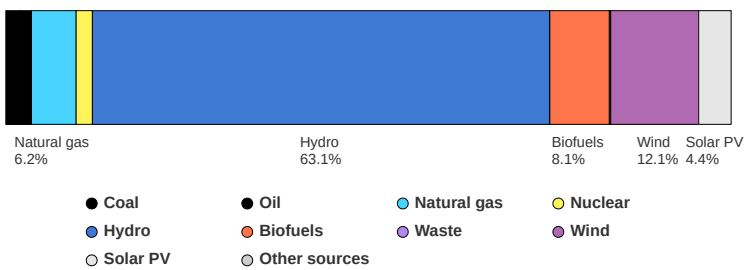
Mining outlook in Brazil

- Population: 203.062.512
- GDP Growth % 2023 (World Bank data): 2.9%.
- Political stability and absence of violence/Terrorism Percentile Rank (0-100): 33.96

- Contribution of mining to GDP % 2023: 2.4%.
- Ease of doing business (World Bank data): 59.1
- Main commodities mined: Iron ore, Bauxite, Gold, Niobium, Tantalite, Nickel, Copper, Lithium.

A Low-Emissions Electricity Mix

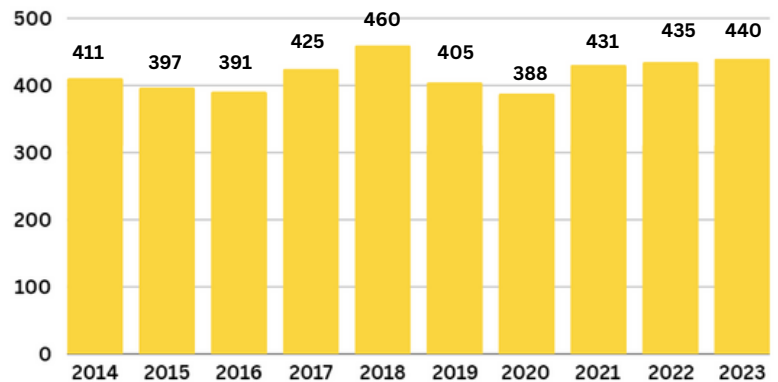
Electricity generation sources in Brazil - 2022



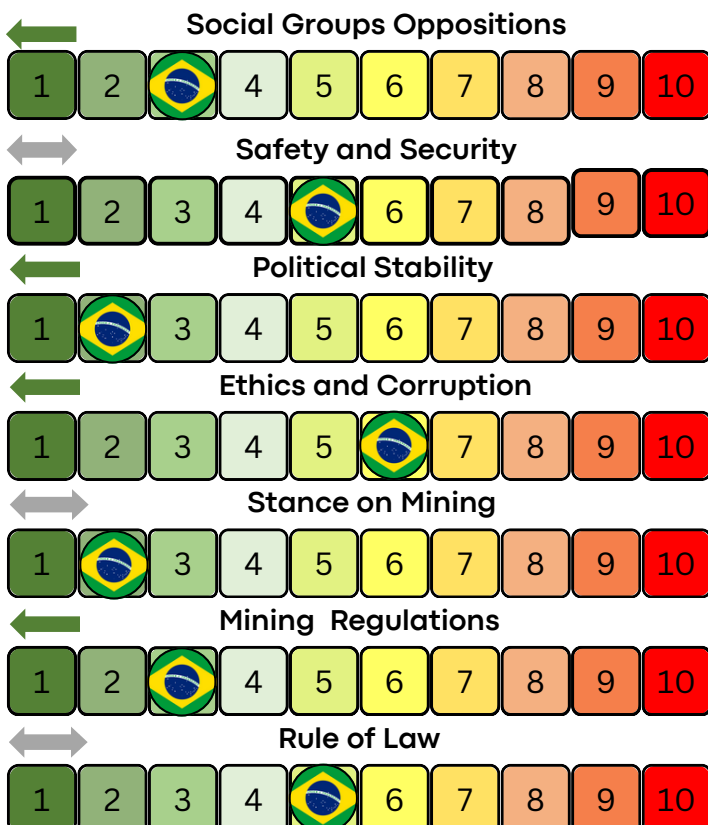
Source: IEA

An Iron Ore Giant

Iron Ore Production (Million Tons)



Risk Valuation (Categories) from 1 to 10¹



Our country risk rating for Brazil is low, with an average of 3/10.

Brazil has a longstanding tradition of bipartisan support to the mining industry, and the government is aligned with the private sector in developing a mining strategy for the next decades. With its large reserves of critical minerals, Brazil is well positioned to become a regional and global leader in the energy transition, by leveraging its low-carbon energy grid and infrastructure.

The country's regulatory framework is improving, with the mining catastrophes of Mariana and Brumadinho prompting stringent legislative changes for tailings management. The fiscal overhaul and support to infrastructure and mining investments should prove beneficial for the sector.

Environmental challenges in the country are significant, especially in areas with high biodiversity such as the Amazon or the Atlantic forest, and climate-related events such as the floods in southern Brazil can lead to major disruptions.

Politically, Brazil experienced a polarization of opinions, but institutions remain strong and centrist parties still have a lot of power, thus making it among the most stables in Latin America.

1. The risk assessment scale is based on Embellie Advisory's proprietary methodology.

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World-leading Tailings Regulation

After the Mariana accident in 2015, the collapse of the Brumadinho tailings dam in 2019 marked a turning point in the national industry. Since then, the state has implemented stricter regulations, such as Law 14.066/2020, aiming to reduce the risk of dam failures and their associated impacts on communities and the environment. This law introduced a new set of safety standards, including periodic inspections and the publication of dam safety information, the prohibition of upstream tailings infrastructure, and outlined specific penalties for non-compliance.

Environmental and Land Rights

The main challenges faced by miners in Brazil are related to reputational aspects regarding their environmental impacts. The country does not have the same degree of social conflict as its Peruvian or Colombian neighbors, but at the same time presents serious problems involving deforestation caused by illegal mining in the Amazon, and a high level of informality in the extraction of gold, which has been controlled by various criminal groups. Adding to this, the judicial, legislative and executive power are all involved in a complex struggle around indigenous lands' demarcation, ownership and the activities in and around them.

Minas Gerais and Pará: Old and New Mining Hubs

Mining in Brazil was initially concentrated in the state of Minas Gerais, starting with the gold rush of the colonial era and evolving into an iron-ore powerhouse, especially in the Iron Quadrangle, a region located south-east of the city of Belo Horizonte. If Minas remains a major mining hub, representing over 40% of national production, the activity has grown extensively in other states, especially in Pará and the Carajas region where bauxite, copper, iron and gold are mined extensively. Pará is set to overtake Minas Gerais in years to come, gathering over 30% of mining investment over the next 4 years, but other states like Bahia, Goiás or Mato Grosso have also seen significant projects come to life and increased investments in exploration. The country has large reserves of many minerals and remains under-explored, with less than half of the territory being explored and mapped.

Why Invest in Brazil's Mining Industry?

With its mix of hydro, wind and solar, the country's energy grid is the cleanest of the G20 and is a central argument for Brazil to lead the dialogue on the energy transition. The Brazilian government wants to position the country as a key player in the market to supply the global demand of critical minerals, which are abundant in Brazil, as the country possesses large reserves of lithium, nickel copper and manganese. This should be translated into several policies to foster investment in the sector, and different instruments to support projects related to the transition are being implemented. For example, the BNDES and the MME recently announced the creation of a \$US250M fund for energy transition projects, while a decree was recently promulgated, creating a framework for infrastructure and mining investment projects to be considered priorities and thus be able to issue incentivized and infrastructure debentures with tax benefits.

Contact Details

If your organization is interested in investing in Brazil, or if you want to have a deeper understanding of our risk valuation and how this can affect your investments in Latin America please get in touch at: damien.romet@embellieadvisory.com



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