

# MINING

## 1 – General

Mozambique is well endowed with mineral resources and, with a total area of 801.000 km<sup>2</sup>, is very prospective for the discovery of metals and minerals.

The main mineral resources currently being produced at large scale are: natural gas (120 million GJ/yr), coal (two projects are being developed to produce 20 million tons/yr for export, starting in 2011) and titanium products from heavy sands (a capacity of 800.000 tons/yr).

Mozambique produces also tantalum, marble, bauxite and graphite.

Gold, precious and semiprecious stones are being produced, mainly at the level of small scale and artisinal mining.

Mozambique is very active in exploration, and there are more than 700 prospecting and exploration licenses currently granted to nationals and foreigners. Coal, limestone ( for cement production), gold and base metals are key targets for exploration.

The contribution of the mineral resources is the entity of the government responsible for geology, mining and petroleum upstream.

Mozambique is now submitting the documents to become a candidate to the “Extractive Industries Transparency Initiative (EITI)”. A Coordination Committee, with representatives from the government, the civil society and the private sector, was already established.

## 2 - Legal framework. General

The mining Law n° 14/2002 from 2002, and it's regulation, approved by the Decree n° 62/2006 apply to all mining (excluding petroleum ) in Mozambique, namely the prospecting, exploration, development and production of mineral products.

The following mining titles can be granted under the Law:

- a) Recognizance license;
- b) Prospecting and Exploration license;
- c) Mining certificate; and
- d) Mining concession.

The mining certificate, granted for a period of two years exclusively to Mozambicans, applies to the small scale mining activities.

The National Directorate of Mines under the Ministry of Mineral resources, as the regulator, is responsible for the monitoring of the mining activities. All the mining title

holders have the obligation to submit regularly reports about its activities. Inspectors from the Government also make periodical inspections to the mining activities to check if the same are carried out in accordance with the legal framework applicable to mining, labor, health, safety and environment.

The participation of the State in the mining ventures is presently very limited. It will have a 5% participation of the company that is now developing a project to mine in the near future 10 million tons/yr of coal in Moatize and it will also hold 5 to 10% in a company being established to produce graphite in the north of Mozambique.

In year 2007 new legislation has been approved in respect of the fiscal regime applicable to mining. Surface taxes and royalty are specific for mining and general income tax rate of 32% applies also to the sector.

### 3. Artisanal Mining

The artisanal mining is widespread in the country and it is estimated that 100.00 people are involved in this activity, particularly in the mining of gold, semiprecious and precious stones.

In accordance with the mining Law and its Regulations only the nationals are authorized to carry out artisanal mining in certain areas designated by the Government for that purpose. The authorization is granted, through the issue of a mining pass, only to the persons belonging to the communities in the area.

Under the environmental legislation the artisanal mining is classified as level 1 activity and the Basic Rules and Directives for Environmental Management approved by the Ministry of Mineral resources are applicable.

The designation of areas for artisanal mining, currently 55, facilitates the monitoring of such activities, the provision of technical assistance and training to the miners. This assistance is provided by a foundation under the Ministry of Mineral Resources, the “Fundo de Fomento Mineiro”.

### 4. Environmental Legislation

The Environmental Law n ° 20/97 and its Regulations establish the guidelines and rules applicable to all sectors of activity.

These are complemented by the “Environmental Regulations for Mining Activities” approved by the Decree n° 26/2004.

For the purpose of these Regulations, the mining activities are classified in three levels, from 1 to 3, according to the magnitude of the impact on the environment.

The prospecting and exploration activities, the production of the building materials and pilot projects are normally classified as activities of level 2. The large scale mining is normally classified as activity of level 3.

The activities of level 2 require previous approval of an Environmental Management Plan.

The activities of level 3 require an EIA, an Environmental Management Plan, which is periodically updated.

Under the EIA the concessionaire has to submit “program for the control of risk situations and emergencies”.

#### 5. Health and Safety. Risk assessment

The Labor Law and its regulations contemplate provisions and rules, of general application, dealing with health and safety.

These are complements by the “Regulations on technical safety and health for geological and mining activities” approved by the Decree n° 61/2006.

The article 297 of these Regulations provides guidelines for risk assessment to assure the safety of workers and equipment. Companies, miners associations and the workers shall be involved in the discussion of the risk analysis.

#### 6. Public Consultation

The decisions below require the previous public consultation of the communities from the areas where the mining activities are a carried out:

- . The granting to the concessionaire the right to use of the land for mining;
- . The Environmental Impact Assessment;
- . The Mine Closure Plan.

The title holder has the obligation to compensate third parties for any damage or loss caused by the exploration or mining activities.

7. Closure and reclamation phase obligations. The mining concessionaire shall for its exploration license (s) and mining concession (s) in the contract area comply with all reclamation and closure obligations for exploration licenses and mining concessions specified in the Mining Law, the Environmental Mining Regulations, Environmental Impact Assessment Regulations and any Environmental Management Plans approved under regulations.

Reclamation of Exploration License area. In accordance with the Basic Rules and Directives for Environmental Management for level 1 activities as provided for under

Ministerial Diploma 189/2006 and with the approved Environmental Management Plan for Level 2 activities carried out in exploration licenses areas, the mining concessionaire shall, in a continuous fashion, reclaim area disturbed by the operations under an exploration license during and before the expiry of the term of the exploration license to a condition reasonably similar to that condition which existed prior to the issuance of the exploration license.

Reclamation of Mining Concession area. The mining concessionaire shall, in a continuous fashion, reclaim area disturbed by the operations under a mining concession in accordance with the Mine Plan and the Environmental Management Plan during the term and before the expiry of that mining concession.

Financial guarantees. The Mining Concession is obligated to provide and maintain an insurance policy or bank guarantee as a financial guarantee in the amount approved in the Environmental Management Plan.

## 8. Mine Closure

Declaration of Closure. The mining concessionaire shall notify the Ministry of Mineral Resources 6 months before permanently closing a mine and such notice shall include the reasons for the decision to close the mine.

Duty to make safe. The mining concessionaire shall make safe disturbed by the operations under its mining concession before the expiry of that mining concession so as to insure the long-term safety of the public and future users and occupiers of land. This obligation includes but is not limited to:

- a) all shafts and adits, including those for access and ventilation, if any, shall be sealed in a permanent manner
- b) all power distribution lines used solely by the mining concessionaire shall be removed
- c) all steep – sloped pits and artificial precipices shall be contoured to make their boundaries safe from inadvertent falls, and where necessary, fenced and permanent signs posted warning of danger;
- d) all dams whether for water, tailings or spoils shall be made safe to withstand collapse.

Mine Closure Plan. The Mining Concessionaire shall develop and update from time to time as part of any required Environmental Management Plan, in consultation with the community and local authorities, a Mine Closure plan that seeks to prepare the community for the eventual closure of the mining concessionaire's operations.

## 9. Corporate Social Responsibility

Two major mining projects have been recently developed in Mozambique:

. A heavy sands projects at Moma that started producing in 2007 ilmenite, rutile and zircon. The total investment was US\$ 460 million and the capacity is for 800,000 tons/yr of products.

. A coal project with the capacity to produce 10 million tons/yr of cooking coal and stem project for export. The total investment is estimated in US\$1,300 million and the production will start in 2010.

During their development phases the Concessionaires invested in several social projects, including housing, schools, hospitals, orphanages, waster supply and others. The total investment in the last 4 years was around US 10 million.

The communities and local authorities participate in the definition of the scope of the social projects.

The investment in social projects by the concessionaires is not compulsory by law.