Projecto Media
ENERGIA & INDÚSTRIA EXTRACTIVA Moçambique
QUARTERLY
AUGUST, 2nd 2 0 1 2 - YEAR I
Bilingue (ENGLISH VERSION)
Nr. 15
Newsletter

Editorial

Dear reader, welcome to the 15th edition of the newsletter Energy & Extractive Industry Mozambique.The electronic journal that the takes to you the most exclusive News, thoughts and opinions about the sector of Energy and mining in Mozambique and the countries liable to influence the markets for oil and gas, among other natural resources that drive the economy.

This newsletter comes to you through a simple request sent to **status.energiamoz@status.co.mz**, *and then your name and address are added to our database for subsequent periods, the most comprehensive newsletter about industry highlighted. You can also follows us on facebook simply by looking for Facebook.com/energia.mocambique, and receive real-time news in the world's largest social network.*

In this edition, the concept of resource curse dominates the major focus of the moment reflections; talking about the topic of natural gas exploration and the need for transparency in tax regime, with emphasis in liquefied natural gas, a resource in which Mozambique has peculiar interests.

To keep our esteemed reader abreast of the most important concepts in the legal regime concerning the energy sector in Mozambique, as part of our editorial policy and in the expansion of access to the right to information, we insist in bringing to you the curiosities about the mining industry.

Happy Reading!

RESOURCE CURSE OR MISMANAGEMENT:

Is Mozambique immune to this phenomenon?!

The modern literature about development is vast and very rich in explanation about the disconnection between development and natural resource abundance. Economists, Political Scientists and other renowned scholars call this phenomenon as the "resource curse" or "paradox of abundance" to explain the failure or lack of success of particular countries and regions with abundant non-renewable resources such as oil, natural gas and minerals , in achieving better rates of economic growth, development and democratization – when compared to countries with few natural resources (Soros, 2007; Sachs, Stiglitz, Humphreys, 2007).

The idea of the resource curse, as opposed to the blessing, appears in the 80's through comparative studies carried out by various scientists and experts in development issues. The term "resource curse" was first used by Professor Richard Auty in 1993 to describe how countries rich in natural resources have not been able to use their abundant resources to boost economic growth and development.

This reasoning is usually supported by a mix of arguments of economic and political nature.

From the economic standpoint, the abundance of resources generates a curse from two important factors:

1. "Dutch disease", characterized by high exchange rates, currency appreciation resulting from resource revenues, the stagnation of other economic sectors and deindustrialization.
2. Volatility - the natural resource prices are volatile and difficult to manage due to fluctuating commodity prices, as argued by Stiglitz (2006).

In addition to these two factors widely studied by economists, Professor Joseph Stiglitz, in his essay entitled "The Resource Curse Revisited" (2006) adds a third factor. For Stiglitz, winner of the Nobel Prize in Economics in

Cont. pag. 2

2001, there is a tendency of governments in countries rich in natural resources, to work harder on getting a big slice of the pie (revenue from export of natural resources) than to create a bigger pie (increasing wealth by reinvesting in other sectors, encouraging diversification of the economy, economic growth and development). This aspect is also pointed as the genesis of past wars.

To support their positions advocates of resource curse thesis sought empirical evidence through comparative studies.

Stiglitz compared Indonesia to Nigeria, and Sierra Leone to Botswana.

The author states that 30 years ago, Indonesia and Nigeria, both oil-dependent, had similar per capita income. Today, Indonesia's per capita income is four times that of Nigeria. The pattern is similar to Sierra Leone and Botswana, both rich in diamonds. But Botswana has had an average annual economic growth equivalent to 8.7% in the last 30 years, while Sierra Leone plunged into decades of civil war fueled by "blood diamonds". The case of the countries of Middle East oil producers is highly symptomatic.

Professor Thorvaldur Gylfason, who worked as a consultant in the International Monetary Fund (IMF) and World Bank, noted in his study that between 1965 to 1998, the countries of the Organization of Petroleum Exporting Countries (OPEC), per capita growth declined on average 1.3%, while it grew averaged 2.2% in the developing countries. In the same stratum George Soros (2007) argues that the phenomenon of "resource curse" is more visible in Africa, because the abundance of resources has served to fuel civil wars in the Democratic Republic of Congo, Angola and Sudan, and endemic corruption in Nigeria.

From the political point of view, resource abundance generates curse because politicians (government) often pursue their own interests to the detriment of general interest, interest of the people – ultimately the owners of natural resources. In these countries the strong tendency of governments is to want to remain at all costs in power contrasting with the countries where natural resources are scarce. They also foster corruption (bribes and exchange of favors), popular repression and privatization or state capture by private interests.

Read more in the next edition of the printed journal Energy & Extractive Industries Mozambique ...

Shell gives up from Cove Energy, but keeps interest on Mozambique Natural Gas

The oil giant Shell went back on its purchase intention for the participation of Cove Energy, the company which owned 8.5% of the gas from the Rovuma basin, announcing it would not participate in the auction to acquire the Irish company, leaving the way open to the PTT Exploration & Production PLC group, from Thailand.

However, the measure does not mean the complete abandonment of interest in the Mozambican natural gas; reliable sources of financial information agency Bloomberg reports that the Anglo-Dutch group has started negotiations to buy part or the entire stake of 36.5% of the U.S. group, Anadarko Petroleum oil block in Mozambique.

Quoting sources close to the process, the agency reported that the group Anadarko Petroleum is reluctant to sell before knowing the results of additional surveys which are being carried out in the block located in the Rovuma basin and formally known as the Rovuma-1.

If Anadarko Petroleum decides to sell, potential buyers will have to spend about 8 billion dollars as participation; 8.5% in the same block still held by the Irish company Cove Energy which has received an offer of 1.7 billion dollars from Royal Dutch

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Continued pag. 2

Shell and 1.9 billion dollars from PTT Exploration & Production group, Thailand.

The sources also report that although Royal Dutch Shell has given up the acquisition attempt of Cove Energy, the alleged business with Anadarko Petroleum has the added advantage of giving the prospective purchaser the block control and function also as the operator.

The other partners in this block, which already discovered natural gas reserves worldwide, are Japan's Mitsui & Co, 20%, Indian companies Bharat Petroleum Corp. Videocon Industries Ltd. and 10% each and the Mozambican state-owned National Hydrocarbons Company with 15%. *(Sources: Bloomberg, Macauhub)*

NIGERIA:

Shell urged to pay USD5 billion over oil spill in the south coast

Nigeria's oil regulator has stipulated industry giant Shell to pay $5bn for a spill off the country's southern coast last December. The disclosure was made during a parliamentary hearing on the matter. A leak at the Bonga field during a transfer of oil to a tanker led to 40,000 barrels spilling into the Atlantic Ocean. A Shell spokesperson said there was no need for a fine as everything had been done to prevent environmental damage.

The Bonga field, operated by Shell Nigeria Exploration and Production Company (Snepco), is approx. 120km (75 miles) offshore and produces 10% of Nigeria's oil exports. The spill was contained before it reached the shore.

The head of Nigeria's *National Oil Spill Detection and Response Agency* urged MPs on the House of Representatives's environment committee to approve his proposal. "Although adequate containment measures were put in place to combat the Bonga oil spill, it however posed a serious environmental threat to the offshore environments," Peter Idabor said. "The people could not fish after a long period after the spill," he later told the BBC's Focus on Africa programme. "So that's why we are looking at the damages. If the people said they will not pay, so be it. But we want to make it very clear that it's wrong for them to say they cannot pay. Are they denying that they spilled 40,000 barrels of crude oil into the waters?' he asked.

But Shell said it believed there was no "basis in law for such a fine". "Snepco responded to this incident with professionalism and acted with the consent of the necessary authorities at all times to prevent environmental impact as a result of the incident," a spokesperson for the Anglo-Dutch company said in a statement sent to the BBC.

Previous oil spills in Nigeria, one of the world's biggest oil producers, have been onshore. Many have been caused by sabotage or militant attacks. Last year, a UN report into spills in Ogoniland found that the region could take 30 years to recover. In March, lawyers representing a fishing community in Ogoniland began a case against Shell in a London court over recent oil spills. *(source: BBC)*

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Website: www.energiamocambique.co.mz Newsletter nr. 15 - AUGUST, 2nd.2012
ENERGIA & INDÚSTRIA EXTRACTIVA

Exploration of Natural Gas and Fiscal Transparency

Natural gas is becoming an increasingly important energy source worldwide. It is an attractive option in terms of environment, and although the forecasts for demand are huge, they seem well supported by the forecasted available supply, in excess for decades. However, its development faces outstanding difficulties, which differ from those seen in projections of crude, mainly due to its strong dependence on an expensive transport infrastructure and the lack of a formed market price widely established.

These characteristics create unique difficulties for the establishment of a transparent fiscal regime. Natural gas, which may or may not be linked to crude oil deposits, is transported either by pipeline or as liquefied natural gas (LNG) by sea-tankers.

The use of GTL technology (gas to liquid) is gaining acceptance as a viable alternative to LNG for processing gas from remote locations. LNG contracts raise different considerations from the pipeline transported gas contracts, which often involve multilateral negotiations over transit rights.

Moreover, the chain of LNG contracts (production, liquefaction, shipping and terminal reception) can be split into independent segments, allowing the provision of funding in modules.

In the context of developed market economies of North America and Europe, deregulation aimed at encouraging competition in each segment of the chain of gas contracts, combined with increased marketing of the product seems to have been relatively successful, resulting in price generally lower but also less volatile.

Much of the world reserves of natural gas are considered unusable because of their remote location, high transport costs and often high surrounding political risks, which hamper their commercial exploration. However, the prospects for commercial exploration of these “unusable” resources, improve with the rising of gas prices and technological advances which gradually lowers the cost of production units of LNG and GTL.

The geographical factor, combined and concentrated to the indivisible nature of investments and the interdependence of segments of the chain of contracts (for example, with the exception of the larger companies, a production contract cannot be finalized until it has secured transport by ship tank), tends to create an environment favoring negotiated agreements, rather than open bidding.

When domestic consumption is an important element of natural gas projects, gas prices to the consumer shall be based at least on full cost recovery, and preferably in international prices. Otherwise, the quasi-fiscal subsidies for internal use natural gas will undersize government activities, also distorting the demand for energy and limiting the resources attraction for investors of the private sector. *(From Okogu (2002)*.

BRIEFS

Market: Vale produces 2.5 million tons of coal in the 2nd quarter

Coal production by Brazilian mining company Vale was 2.5 million tonnes in the second quarter (up 5% from the previous quarter), but nickel disappointed projections, remaining at 3.6% below the first quarter, with 61 000 tonnes.

The company said the development of new operations in Moatize (Mozambique), Oman and Bayóvar was key to the record in the production of metallurgical coal and phosphate rock. *(Folha de SP - Denise Luna)*

Ecuador breaks sanctions and buys oil from Iran

Ecuador announced that it intends to break the economic embargo imposed on Iran by Western countries, following an oil purchase from Iranian valued at about USD 400 million.

“***Ecuador is a sovereign nation and can maintain relations with any country in the world,***” said Pedro Delgado, the president of the Central Bank of Ecuador. *(Value Economic Area - International)*

MINING:

Can oil producing countries in Africa avoid the “Resource Curse”?

When Equatorial Guinea discovered oil in the 1990s, the country was transformed forever from a sleepy former Spanish colony into an oil state. The country’s Gross Domestic Product growth was a staggering 71 percent in 1997, according to the International Monetary Fund, almost entirely on the back of oil revenues. By 2009, the country was earning more than $8 billion a year from the commodity.

But the wealth has only further enriched and entrenched Equatorial Guinea’s authoritarian president Teodoro Obiang Nguema Mbasogo, who’s held power for more than 30 years, while doing little to improve the lives of 685,000 citizens.

The country ranked 136 out of 187 countries last year on the United Nations Human Development Index. Other oil-producing countries, including Angola, Sudan and the Democratic Republic of Congo, rank even lower.

The head of the Africa Program at Chatham House in London, Alex Vines, says citizens lose out when African governments misuse oil revenues for consumption, rather than development.

“Prestige buildings, luxury goods, these have been really the kind of caricature of how countries have used this,” he says. “Gabon, for example, had the highest consumption of champagne in the world for a while, all funded by oil.”

DILEMMA OF EXPECTATIONS MANAGEMENT…

A growing gap between rich and poor, rampant corruption and the tightening grip of authoritarian leadership are all symptoms of the so-called “resource curse,” when a discovery that should benefit the population ends up doing more harm than good.

“The thing about oil and minerals is that very quickly, huge, fast flows of money come from these natural resources and the ability to manage that in a way that benefits citizens isn’t always in place,” says Brendan O’Donnell of the natural resources monitoring group Global Witness.

New oil finds in Kenya and the Ivory Coast and natural gas off the coast of Tanzania have generated a lot of excitement in recent months, with countries touting the discoveries as a point of pride.

“I think it’s a bit like in the old days when each country wanted its own airlines,” says Vines of Chatham House. “Certainly reading some of the Kenyan press, some of the euphoria about Kenya now having oil was a bit worrying I think.”

Even countries that are relatively new to the oil game have shown some disconcerting behavior.

Uganda discovered oil in 2006 and is due to begin production in three to five years. But a lack of transparency in oil contracts is raising concerns the government is not acting in the people’s best interests.

“There was a lot of talk and expectations last time, and the information available on the oil sector is not enough,” says Lawrence Bategeka, senior researcher at the Economic Policy Research Center in Kampala. “Not enough information is being released to the public.”

Uganda’s parliament has been seeking to force the government to disclose the details of oil contracts signed with international companies.

Bategeka says citizens are unhappy with the government’s reluctance to cooperate.

“But of course government has an explanation,” he says. “When asked ‘Why conceal information?’ They allude to security concerns, but the public out there does not accept that as a good explanation.”

WINDOW OF OPPORTUNITY…

Discovering oil is not like winning the lottery. The industry is sensitive to the whims of the international markets and demand from Europe, Asia and North America.

Chief economist and Vice President of the African Development Bank Mthuli Ncube says with current oil prices relatively high, oil-producing countries in Africa have done well in recent years, and recovered from losses suffered during the global financial crisis three years ago.

“But going forward,” he says, “with the softening of oil price, maybe even the slowdown of economic growth in China, that obviously could affect the growth prospects of the countries.”

In Angola, where the oil industry accounts for 90 percent of economic output, the government accumulated some $9 billion in contractor arrears during the peak of the financial crisis in 2009.

NCUBE’S FIRST WORD OF ADVICE IS TO DIVERSIFY.

He says economies must not become reliant on one commodity, noting progress in Nigeria, Africa’s biggest oil exporter.

“[Nigeria’s] been diversifying slowly but surely,” he says. “In the IT sector, services sector and agricultural sector, they’re competing with the oil sector in terms of size and contribution.”

O’Donnell with Global Witness says resources management safeguards are not just about promoting social benefits, but also about making the most of an economic opportunity.

“These resources have a lifespan, they will run out at some point,” he says. “If your country misses the opportunity of benefiting from the resources, you can’t get that back. You’ve lost that moment.” *(VOA adapted)*

"A new era of oil is on the way", says Italian researcher

In a survey entitled "Oil: The New Revolution", an Italian researcher at Harvard University in the United States, named Leonardo Maugeri, makes bold predictions and contradict the theory that the fossil fuel era is near the end.

A recently published study on the volume of oil reserves and new discoveries in the sea, rocks and sands is causing uproar in the academic world. A reasearch by Italian researcher, Leonardo Maugeri, categorically states that not only the end of the oil era is far, but increased production capacity will reach almost 20% over the next eight years, a growth rate unseen since the 80s!

This means, in the maths of the researcher, the world will produce 110.7 million barrels of oil per day in 2020. Maugeri wrote the report during the sabbatical year he took to study at Harvard University. Until then, the Italian was one of the top executives of the oil company ENI, the largest sector in your country.

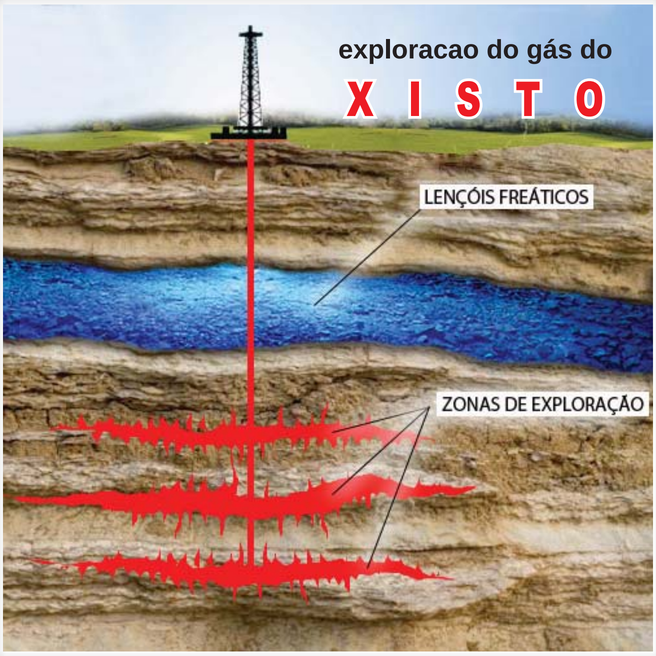
"Contrary to what most people believe, the ability of oil supplies worldwide is growing at unprecedented rates, and it may even exceed consumption," says Maugeri in his study.

The Italian researcher's argument is centered on two points that are interconnected: The first is the discovery of new reserves in the western world, not only conventional oil, such as that found in Brazilian pre-salt, but also depleted gas shale rock in the United States, and tar sands in Canada. All of them are new forms of oil found in nature and which differ from the black and viscous liquid that flows from the ground.

Such reserves are the so-called unconventional sources of fossil fuels, which require advanced technology and chemical processes for extraction. This leads to the second point made by the researcher: that the emergence of non-conventional sources will cause the West become the new "center of gravity" of production and global oil exploration, reducing dependence on supplies from the Middle East. According to the researcher, it is estimated that there are in the planet 9 trillion barrels of unconventional fossil fuel. The world has the capacity to produce currently 93 million barrels per day or 34 billion barrels/year.

Maugeri does not suggest that Iraq or Saudi Arabia will fall in its production capacity. Quite the contrary. The outlook for both countries are an additional 6 million barrels/day of oil by 2020. However, thanks to advances in supply in the West, the researcher argues that the world will be less subject to price volatility of the barrel brought by geopolitical issues affecting the Arab countries.

"This will make Asia the reference market for Arab oil and China to become the protagonist in the new politics of the region," said the researcher.



ALTERNATIVE ENERGY:

Shale gas can affect renewable energy expansion

Among the range of environmental impacts that Gas Shale exploitation raises, one is particularly difficult to answer: Will this new energy source affect investments in renewable energy needed to fight climate change?

The promise of cheap and plentiful natural gas erupted in the global energy scene and exactly at the time when renewable energy reached levels some thought was impossible. Investments in clean energies reached a record USD260 billion last year, compared to less than USD60 billion in 2004. More capacity for solar power generation was installed in 2011 than in the entire planet until 2009.

Solar, wind, geothermal and other renewable forms of energy are still small, producing only 3% of the electricity consumed in the world, according to the International Energy Agency (IEA), the body that monitors the sector worldwide (the hydroelectric energy accounts for another 16%). So far there is little evidence that this affects the renewables growth.

Note that since 2005, when production of shale gas began to take off, the generation of electricity from gas increased 270 terawatt/hours in the United States, while the generation from coal fell 250 terawatt/hour, according to Laszlo Varro, director of the division of markets for gas, coal and electricity at IEA. However, over the same period, electricity generated by non-hydroelectric renewable means such as solar and wind power increased by 100 terawatt/hour. *(Source: Financial Times/Valor Económico).*

NATURAL RESOURCES:

One planet is not enough...

Humans consume, each year, an amount of natural resources 50% higher than the earth can produce in a sustainable manner for the same period, and the earth takes a year and a half to restore resources consumed annually, the data are from the World Wildlife Forum (WWF).

Population Pressure: Up to 2050 the world population will grow to 9 billion people.

According to the Living Planet Report, the Earth takes a year and a half to restore all the resources that the world population consumes each year. For many environmentalists, the Rio +20 Summit, held in Brazil in June, was an opportunity for countries to propose improvements to protect nature and our future.

In the past four decades, humanity has witnessed a growth and unprecedented prosperity. However, the global economy has tripled and the population grew up to 7 billion. This evolution was accompanied by increased pollution, growth of greenhouse gas emissions and natural resource degradation.

But the current growth model and mismanagement of natural resources can ultimately undermine the development and that's why: Something has to change!

The OECD Environmental Outlook report for 2050 raises the question: "What will happen in the next four decades?" Based on the OECD model sets and the Netherlands Environmental Assessment Agency, this approach takes a look up to 2050 to find out what the expected evolution of demography and the economy may pose to the environment if the world does not adopt more ambitious green policies.

By 2050, it is expected that the Earth's population will top 9 billion and that the world economy to grow nearly four times. So, of course, demand for energy and natural resources will be increasing accordingly.

The projections show nearly 70% of the world's population living in urban areas by 2050, increasing threats such as air pollution, traffic congestion and poor management of waste.

Projections indicate a slowdown in average growth rates of GDP in China and India. But Africa may see even higher rates between 2030 and 2050.

In OECD countries it is expected that by 2050, the population over 65 years old will rise from the current 15% to more than 25%. China and India will also witness ageing demography, while other parts of the world will get younger, including Africa.

These demographic changes, together with higher living standards, imply greater consumption and demand for resources, which will have significant consequences for the environment. A world economy four times higher than the current will consume 80% more energy in 2050. Without more effective policies, the share of fossil fuels as the main energy basis will remain at about 85%.

The emerging economies of Brazil, Russia, India, Indonesia, China and South Africa (the "BRICS") are the primary users of energy. To feed growing populations, allocation of land to agriculture activity is expected to grow, although at a slowing pace.

In the Reference scenario of the OECD study, the pressures on the environment driven by population growth and rising living standards, will outweigh the progress in reducing pollution and efficient resource management. Therefore continuous degradation of the natural environment is expected until 2050, with the risk of irreversible changes occurring that could force mankind revert back two centuries in standards and quality of life.

Acting now is environmentally and economically rational and imperative. So the OECD report suggests that if countries act now, there is a probability – though increasingly slim- that global emissions of greenhouse gases would reach a peak in 2020, limiting the increase of the average global temperature to 2°C. It also advises setting stringent global carbon prices, which could drive down emissions by nearly 70% by 2050. This would slow annual economic growth by 0.2 percentage points, on average, with approximate costs of 5.5% of GDP in 2050.

The price will be irrelevant if we compare the costs of inactivity which some predict to reach as high as 14% of world average per capita consumption. The best thing for humanity is to start changing right now. Days before the Summit in Rio, the European Commissioner for Climate Connie Hedegaard suggested, "may we use the next Rio +20 Summit as a kick-off for the global transition to a sustainable growth model in the twenty-first century that the world needs so much"; but the summit chaired by the first president of Brazil may not have achieved the objectives pursued by many countries, NGOs, environmental groups, scientists, among others, at least in its fullness. *By: Jose Miguel Dentinho, JN.*

Photo Legend
Status Consultores de Comunicação, Lda. won the International Quality Summit Award in New York in the presence of business leaders and representatives from 76 countries. At the International Quality Summit Convention, Inguila Sevene, Administrator of Status Consultores de Comunicação, Lda. proudly received the distinction symbolizing quality and innovation from the President and C.E.O. of Business Initiative Directions, Jose E. Prieto. From the left to the right Norman Ingle, President of the Quality Mix, Inguila Sevene, Jose E. Prieto and Craig Miller, President of the QC100.

BID: THE POWER OF QUALITY

Status Consultores de Comunicação, Lda., from Mozambique winner of the BID International Quality Summit Award in New York

The American magazine IdeiasB2B in one of its IMARPRESS publications recently reported an article regarding the award of the Status Consultores de Comunicação Lda, owner of the Energy Mozambique Media Project. The report analyzes the media coverage that has won the BID International Prize for Quality New York. New York hosted the Inernational Quality Summit Award to reward highly-qualified professionals currently involved in big projects, whose decisions affect millions of people around the world and whose work meets the criteria of the ISO 9000 and the QC100 TQM model.

The magazine says that Inguila Sevene of Status Consultores de Comunicação, Lda., a leading company in its sector and in Mozambique, proudly accepted the BID International Quality Summit Award at the International Quality convention in New York. B.I.D. chose the most important city economically and culturally in the world. New York is the reference point for international businesses. With a population of over 8 million inhabitants within an area of 1,214 square kilometers, it is distinguished among other cosmopolitan cities as the location of the United Nations and with its stock market as the center of the global economy. It is also a cultural and entertainment center with a wealth of monuments of great historical value: the Statue of Liberty, Rockefeller Center, the Empire State Building, its museums, most notably the Museum of Modern Art (MOMA), the center of theatrical productions (Broadway) and the location of the world's most visited media enclave- Times Square, all of which have made it the perfect city to present the B.I.D. International Quality Awards.

According to the IdeasB2B, the main focus of the QC100 Total Quality Management Model's is a commitment to quality and innovation, characteristics possessed by all of the winning companies in New York in 2012 who serve as examples for other companies that wish to progress in the ever-changing and challenging economic, technological and business environments. The companies awarded by BID are not only successful but also serve as motivation for the rest of the global business community by contributing to the economies of their countries and developing technology that changes the world.

The magazine explains that the key example can be seen within Status Consultores de Comunicação, Lda. who provides a spirit of innovation and positive growth, exactly what we need to overcome the current global economic situation.

In details, the magazine refers Inguila Sevene proudly stood before the international community present at the 2012 International Quality convention in New York, sharing the achievements of Status Consultores de Comunicação, Lda., as well as the company's future plans and goals. Instead of yielding to negative situations or the pressures of the current global economy, Status Consultores de Comunicação, Lda. spends every day excelling in quality and creating a competitive edge; a clear indication of their affirmative role as a leader. For this reason, Status Consultores de Comunicação, Lda. was named a winner of the 2012 BID International Quality Summit Award in New York; a trophy which BID presents to those companies from around the world that best adhere to excellence and innovation in their practices, putting quality first. ■

Mining concession — It is any mining concession issued to a certain company under and subject to the mining law and the terms and conditions of this contract in relation to the mining concession area.

Mining Contract — It is the contract with all its annexes and such other modifications and amendments made from time to time pursuant to this contract.

Mineral Data — It is all borehole logs, maps including drill sections, air photos and satellite imagery, magnetic tapes, core samples and sample duplicates as well as all other geological, geochemical, geophysical information and all other data including interpretations and analysis prepared by or for or obtained by or for that company in the course of carrying out exploration operations, development and mining operations.

Mining Law — It is the law n.14/2007 of 26th June..

Exploration License or LPP — It is an exploration license subject to the Mining Law and that very same contract.

Applicable Law — It is the Mining Law and other laws, regulations, and directives, and any other legislative instruments including decrees, orders, rules, regulations, statutory regulatory orders, resolutions, ordinances, notices or other similar directives or standards where compliance is mandatory, and that have been officially gazetted, made available for public distribution and have the force of law.

Resource - It is any solid or gaseous substance formed on the crust of the land by geological phenomenon, but excluding crude oil, natural gas or other hydrocarbons, as defined in and subject to the provisions of Law 03/2001 of 21 February produced or susceptible to be produced from crude oil or natural gas, sedimentary or bituminous soils.

Mineral product - It is coal extracted from a certain contract area that is crushed and washed or otherwise in a saleable form, and which is subject to payment of royalty.

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Ficha Técnica

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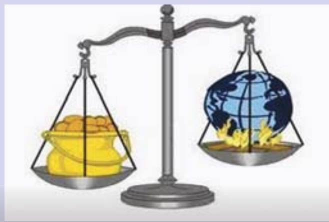
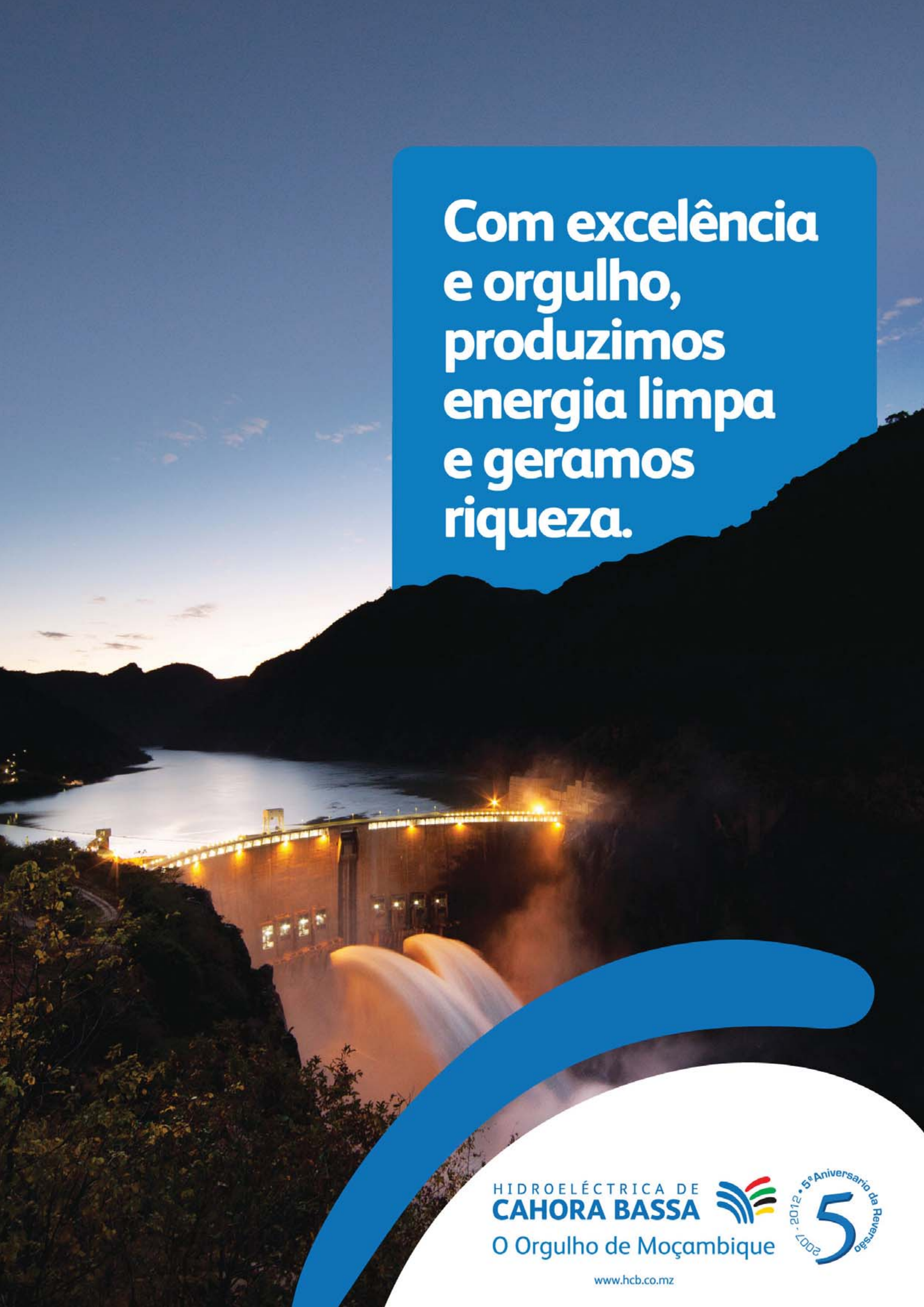


Curiosities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