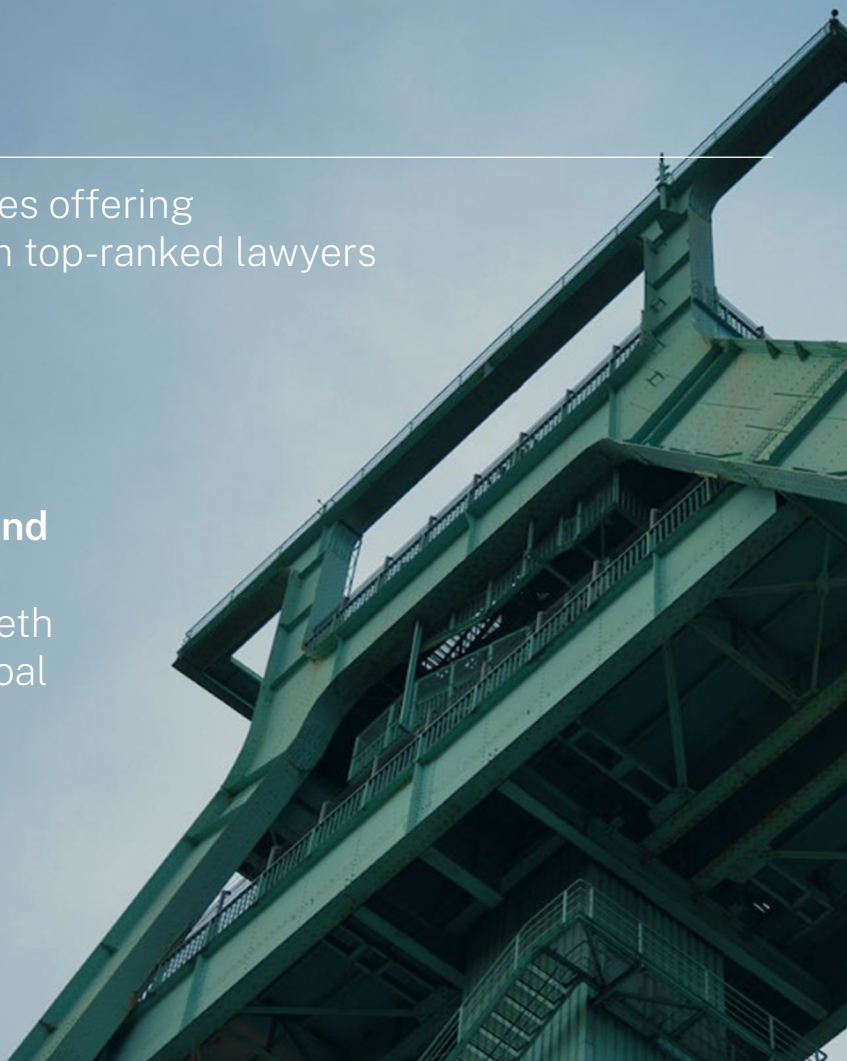

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Angola: Law & Practice and Trends & Developments

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VdA



ANGOLA

Law and Practice

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Contents

1. Mining Law: General Framework p.5

- 1.1 Main Features of the Mining Industry p.5
- 1.2 Legal System and Sources of Mining Law p.5
- 1.3 Ownership of Mineral Resources p.6
- 1.4 Role of the State in Mining Law and Regulations p.6
- 1.5 Nature of Mineral Rights p.6
- 1.6 Granting of Mineral Rights p.7
- 1.7 Mining: Security of Tenure p.7

2. Impact of Environmental Protection and Community Relations on Mining Projects p.9

- 2.1 Environmental Protection and Licensing of Mining Projects p.9
- 2.2 Impact of Environmentally Protected Areas on Mining p.10
- 2.3 Impact of Community Relations on Mining Projects p.10
- 2.4 Prior and Informed Consultation on Mining Projects p.10
- 2.5 Impact of Specially Protected Communities on Mining Projects p.11
- 2.6 Community Development Agreement for Mining Projects p.11
- 2.7 Environmental, Social and Governance (ESG) Guidelines and Regulations p.11
- 2.8 Illegal Mining p.11
- 2.9 Good and Bad Examples of Community Relations/Consultation Impacting Mining Projects p.12

3. Climate Change, Energy Transition and Sustainable Development in Mining p.12

- 3.1 Climate Change Effects p.12
- 3.2 Climate Change Legislation and Proposals Related to Mining p.12
- 3.3 Sustainable Development Initiatives Related to Mining p.13
- 3.4 Energy-Transition Minerals p.13

4. Taxation of Mining and Exploration p.14

- 4.1 Mining and Exploration Duties, Royalties and Taxes p.14
- 4.2 Tax Incentives for Mining Investors and Projects p.14
- 4.3 Transfer Tax and Capital Gains on the Sale of Mining Projects p.15

5. Mining Investment and Finance p.15

- 5.1 Attracting Investment for Mining p.15
- 5.2 Foreign Investment Restrictions and Approvals in the Exploration and Mining Sectors p.15
- 5.3 International Treaties Related to Exploration and Mining p.15
- 5.4 Sources of Finance for Exploration, Development and Mining p.16
- 5.5 Role of Domestic and International Securities Markets in the Financing of Exploration, Development and Mining p.16
- 5.6 Security over Mining Tenements and Related Assets p.16

6. Mining: Outlook and Trends p.16

- 6.1 Two-Year Forecast for the Mining Sector p.16

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1. Mining Law: General Framework

1.1 Main Features of the Mining Industry

Angola is one of the most mineral resource-rich countries in the world, with substantial deposits of diversified minerals, including diamonds, gold, iron ore, phosphates, copper, manganese and rare earths. Still, a very significant part of the country's mineral deposits remains unexplored, creating great opportunities for further investment.

The in-depth legislative reform promoted by the government in 2018–20 to attract investment in the industry to the benefit of investors, the state and the Angolan population has already shown signs of return by attracting major mining companies to reinvest in Angola.

Angola is now the sixth largest diamond producer in the world, with a production target of 10–15 million carats in 2023. The largest Angolan diamond found in the last 300 years, a pink diamond of 170 carats, was discovered in 2022 in an alluvial diamond project and named “Rosa do Lulo”.

Although most investment has been directed to diamonds, investors have also been showing interest in other minerals, such as gold, copper and rare earth minerals.

The government is also determined to promote local beneficiation. The launch of the Saurimo Diamond Development Pole set the cornerstone for this venture. With an initial investment of around USD77 million, the pole covers an area of more than 300,000 metres in the eastern province of Lunda Sul and includes diamond cutting facilities as well as training centres and shopping facilities.

1.2 Legal System and Sources of Mining Law

Angola has a civil law legal system.

The Mining Code, approved by means of Law 31/11, of 23 September 2011, contains most of the rules governing the mining industry and mineral operations, from exploration to processing and marketing of all types of minerals.

In addition to the Mining Code, there are other legal statutes governing the mining sector, notably the following:

- Law No 8/24, of 3 July, which is the Law to Combat Illegal Mining Activity;
- Presidential Decree No 51/24, of 6 February, which approves the Regulation on the Exercise of Activities for the Exploration of Mineral Resources, Oil and Gas in Conservation Areas;
- Presidential Order No 39/24, of 26 January, which creates the National Observatory to Combat Illegal Immigration, Exploitation and Illicit Trafficking of Strategic Mineral Resources;
- Angolan National Bank Order No 2/23, of 9 February, which approves the foreign exchange regime applicable to the mining sector;
- Joint Executive Decree 536/22, of 25 October, which approves the fees and charges applicable to the Mining Sector;
- Presidential Decree 161/20 of 5 June (as amended by Presidential Decree 6/22, of 12 January), which establishes the National Agency for Mineral Resources;
- Presidential Decree 143/20, of 26 May, which approves the Governance Model for the Mining Sector;
- Presidential Decree 85/19 of 21 March (as amended by Rectification 18/19, of 28 June),

which approves the regulations for semi-industrial mining of diamonds;

- Presidential Decree 35/19 of 31 January (as amended by Rectification 11/19, of 8 May 2019), which approves the technical regulations for the marketing of rough diamonds;
- Presidential Decree 175/18 of 27 July, which approves the new diamonds marketing policy;
- Executive Decree 346/17 of 14 July, which sets forth the criteria for delimitation of concession areas for exploitation of construction materials;
- Joint Executive Decree 316/17 of 27 June, which approves the list of equipment (for use in exploration and mining activities) exempted from customs duties and fees;
- Presidential Decree 231/16 of 8 December, which classifies rare metals and rare earth elements as strategic minerals;
- Presidential Decree 158/16 of 10 August, which sets forth administrative offences and relevant penalties; and
- Order 255/14 of 28 January, of the Ministry of Geology and Mines, on monitoring of posting of bonds and payments of surface fees and royalties under the Mining Code.

1.3 Ownership of Mineral Resources

Under the Angolan Constitution, natural resources are the property of the state. The rules for award and exercise of mineral rights are mainly governed under the Mining Code (approved by the Angolan National Assembly) which emphasises that all the mineral resources found in the soil, subsoil, territorial sea, continental shelf, exclusive economic zone and other areas of the territorial or maritime domain under the jurisdiction of the Republic of Angola are originally owned by the state.

Minerals and mining products mined and extracted in accordance with the rules of the Mining Code and ancillary legislation become the property of the holders of the relevant exploration and mining titles.

1.4 Role of the State in Mining Law and Regulations

The state is the original owner of mineral resources found in the Angolan territory. Yet, all mineral projects are developed by private entities or individuals under a mineral investment contract and/or licence.

The state has the right to participate in mineral projects through:

- a state-owned company with a participating interest of at least 10% in the company to be incorporated for the mining phase; and/or
- a participation in kind (minerals produced) in proportions to be defined throughout the production cycles, with the state participation increasing in line with the increase in the Internal Rate of Return (IRR).

1.5 Nature of Mineral Rights

Mineral rights are awarded by the state to private entities or individuals by means of a mineral investment contract and/or licence, depending on the industrial/semi-industrial/artisanal nature of the operations and the type of minerals to be explored. In most cases, a mineral investment contract must be entered into between the state and the investor to define the terms and conditions for award and exercise of mineral rights.

Mineral rights are autonomous and shall be treated as legally separate from other rights, including the right of ownership of the soil where they are exercised and of the assets existing thereat, and may only be pledged to secure credits con-

tracted by the relevant holder of mineral rights to finance the geological-mineral activities covered by the concession title.

1.6 Granting of Mineral Rights

Mineral rights can be awarded following a public tender procedure launched by the ministry responsible for the mining sector or voluntary application. The relevant awarding entity will be determined based on the type of mineral and the industrial, semi-industrial or artisanal nature of the mineral operations (Head of the Executive Branch or Minister of Mineral Resources, Petroleum and Gas).

Public tender is mandatory when, in light of studies conducted or approved by the body responsible for geology, the area is considered to be of great geological potential. It is also mandatory for the awarding of mineral rights for strategic minerals. Minerals are classified as “strategic” if warranted by their economic importance, use for strategic purposes, or specific technical mining aspects. The mineral’s rarity, relevant impact on economic growth, high demand on the international market, significant job creation, importance for state-of-the-art technology, positive influence on the balance of payments or importance to the military industry are deemed as fundamental factors to be weighted by the executive branch when classifying a mineral as strategic. Diamonds, gold and radioactive minerals are expressly defined as strategic minerals in the Mining Code and rare metals and rare earth elements were also defined as strategic minerals in Presidential Decree 231/16 of 8 December 2016.

If no public tender is required, mineral rights shall be awarded on a first come, first served basis, provided the applicant has the technical and financial qualifications required to carry out

the mineral activities applied for and commits to observe the environmental requirements established by law.

The award of mineral rights at an industrial scale is subject to the negotiation of a mineral investment contract to be negotiated between the National Agency for Mineral Resources and the investor on a case-by-case basis with detailed operational, economic, and fiscal terms and conditions (from exploration to mining and marketing). Semi-industrial and artisanal projects are awarded by means of simplified application procedures.

The award of mineral rights must be published in the Angolan Official Gazette.

1.7 Mining: Security of Tenure Investor Rights

Pursuant to the Mining Code, holders of mineral rights have the following statutory rights (among others):

- to obtain the geological-mineral information available on the concession area, or to consult such information;
- to obtain the collaboration of the administrative authorities for the execution of field work and for the creation of rights of way, under the terms of the law;
- to use surface and underground waters in the vicinity of the concession area, which are not exploited or covered by any other specific mining title, without prejudice to the rights of third parties and in compliance at all times with the mineral legislation;
- to build and set up the infrastructures and facilities needed for execution of the geological-mineral activities;
- to use, under the conditions imposed by the applicable laws and regulations, the land

- demarcated for the installation of mineral facilities, buildings and equipment;
- to alter, in accordance with the work plans and programmes approved and to the extent required for the carrying out of mineral operations, the natural lie of the areas covered by the concession;
- to carry out the geological-mineral activities necessary for execution of the approved work plans, without limitations other than those deriving from the legal rules, the concession contract or the order of the body responsible for the mining sector;
- to extract, transport and dress the mineral resources covered by the contract, under the law;
- to dispose of the mineral resources extracted and to market the same, under the terms of the law;
- to recover from the mining proceeds the investment expenses incurred during the reconnaissance, exploration, evaluation and appraisal stage; and
- to receive compensation for such losses as may result from any actions limiting the exercise of mineral rights, under the terms of the law or the concession contract.

Rights to Progress From Exploration to Mining

The Mining Code enshrines a single-contract regime pursuant to which mineral rights are awarded for all stages of the operations. However, to progress from exploration to mining stage, holders of mineral rights are required to prepare and submit a technical, economic and financial feasibility study for review and approval by the state.

Minerals Rights' Duration

Exploration, evaluation and reconnaissance rights may be awarded for an initial period of up

to five years extendable for successive one-year periods up to a maximum seven years. If the seven-year period proves insufficient to prepare or complete the feasibility study, the holder of the mineral rights may apply for and be granted an exceptional one-year extension. Mining and marketing rights are awarded for a period of up to 35 years (including the exploration and appraisal stage) extendable by one or more ten-year periods.

Different rules apply to semi-industrial and artisanal mining and the exploration and mining of construction materials and mineral waters.

Suspension and Termination of Mineral Rights

Mineral rights can be suspended by order of the Ministry responsible for the mining sector in the event of serious risk to the life and health of the populations, to the safety of the mines, to healthy conditions in the workplace, to the environment, wildlife and flora, or as a penalty provided for in the Code or ancillary legislation.

Termination of mineral rights can occur upon agreement between the state and the investor, expiry of the relevant term, redemption or termination of the mineral investment contract or revocation of exploration/mining titles. In addition to the other termination events that may be established in the mineral investment contracts (where applicable), mineral investment contracts or exploration/mining titles may be terminated in the following instances:

- a termination or withdrawal is triggered under specific contractual clauses;
- the project becomes technically or economically unviable;

- a breach of legal obligations, contractual obligations or obligations arising from the concession title;
- the abandonment, suspension or reduction of the mineral operations, except as provided for in the Mining Code, the title or the contracts;
- the suspension of mineral operations owing to force majeure events, as defined in the contract or concession title;
- the concession holder is convicted of a crime of aggravated contempt because it failed to perform acts provided for in the Mining Code or ordered by the relevant authority;
- the reconnaissance, exploration, evaluation and appraisal or mining of mineral resources not included in the contract or concession title; and
- the performance of the contractual obligations is not possible.

Assignment of Rights

Assignment of rights is subject to government approval and shall only be conceded if the assignee satisfies the technical and financial qualification requirements established by the government for award of mineral rights.

Dispute Resolution

The Mining Code is silent on the proper venue to resolve disputes, leaving it up to the dispute resolution clauses of mineral investment contracts. Contracting parties tend to include arbitration clauses in their agreements; however, disputes arising from the termination of the concession contract or withdrawal of the concession title, overlapping areas, or compensations due to landowners or possessors by the holders of mineral rights must be resolved by national courts, and disputes on the significance or insignificance of minerals extracted during the reconnaissance, exploration, evaluation and appraisal stage for the purpose of assessment of the relevant tax

should be settled by the Ministry responsible for the mining sector.

2. Impact of Environmental Protection and Community Relations on Mining Projects

2.1 Environmental Protection and Licensing of Mining Projects

The main requirements for environmental protection can be found in the Mining Code and are usually detailed under the mineral investment contract, including provisions on environmental impact, preservation, recovery and rehabilitation. In addition to the Mining Code, holders of mineral rights must comply with the general environmental statutes, including:

- the General Environmental Law;
- the General Regulations for Environmental Impact Assessment and Environmental Licensing Procedure;
- the Decree on Environmental Audits;
- the plans for the use of water; and
- the waste management plan and control of hazardous substances.

National and regional sector strategy and programmes in the fields of environment and sustainable development, as well as the international instruments to which Angola has committed, for example, the Rio Convention on Biodiversity 1992, the Montreal Cartagena Protocol on Biosafety to the Convention on Biological Diversity 2003, the Agenda 21, and the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal 1989.

Projects which, by their nature, scale or location, affect the environmental and social balance and

harmony must be subject to an environmental impact assessment (EIA).

Holders of mineral rights are especially required:

- to comply with the obligations deriving from the environmental impact study and the environmental management plan, on the terms established therein;
- to take the measures necessary to reduce the formation and propagation of dust, waste and radiation in mining areas and surrounding areas to prevent or eliminate the contamination of waters and soil, using appropriate means to that end;
- not to reduce or in any other way prejudice the normal water supply to populations;
- to carry out mineral operations so as to minimise damage to the soil;
- to reduce the impact of noise and vibrations to acceptable levels as determined by the relevant authorities, when using explosives in the vicinity of settlements.
- not to discharge in the sea, water currents and lagoons contaminant waste which is harmful to human health, wildlife and flora; and
- to inform the authorities of any occurrence that has caused or may cause environmental damage.

2.2 Impact of Environmentally Protected Areas on Mining

The government may exclude or restrict the carrying out of geological-mineral activities within certain areas to ensure the harmonious development of the national economy and protect the national security, wildlife, flora and the environment. To date, the government has not made use of such prerogative.

2.3 Impact of Community Relations on Mining Projects

The Mining Code expressly sets forth that mining policies must always consider the traditions of local communities and contribute to their sustainable economic and social development. Expressions of such principle of protection of local communities are found in several provisions of the Mining Code, including:

- holders of mineral rights having a duty to always take into account the traditions of the communities in the areas where mineral activities are carried out;
- creating consultation procedures allowing the local communities affected by mineral projects to take an active part in decisions relating to protection of their rights;
- having the right of relocation whenever the communities lose their houses as a result of mineral activities; and
- ensuring the employment and training of Angolan technicians and workers, with preference being given to those residing in the areas of the mineral concession.

There are also protective local content provisions in the Mining Code aimed at protecting local entrepreneurs and promoting local businesses, benefiting from a statutory preferential right in procurement procedures for the provision of goods and services to the mining industry.

2.4 Prior and Informed Consultation on Mining Projects

Local communities must be consulted during the preparation of the EIA and before any decision is taken that may affect their living conditions or rights. This consultation is mandatory for projects that can potentially destroy or damage assets or cultural or historical heritage belonging to the local community. Holders of mineral

rights must relocate, at their expense, any local community that is displaced as a result of mining operations, and all traditions and practices of local communities must be considered in the resettlement process.

Without prejudice to the above, in planning the mineral activities, the Executive shall provide for effective measures for sustainable economic development and protection of the lawful rights and interests of the local communities, as well as the development of national human resources.

2.5 Impact of Specially Protected Communities on Mining Projects

There are no specially protected communities with respect to mining projects under Angolan law. The local content rules found in the Mining Code are aimed at protecting local communities at large and shall apply to all Angolan nationals, entities or populations residing in the concession area (as applicable).

2.6 Community Development Agreement for Mining Projects

Community development agreements for mining projects are not mandatory by law nor are they a common practice in Angola.

2.7 Environmental, Social and Governance (ESG) Guidelines and Regulations

ESG guidelines and regulations are scattered in different provisions of the Mining Code, ancillary industry-specific legislation and general laws and regulations. ESG provisions can also be found in mineral investment contracts, which usually include guidelines and principles on environment protection/preservation, human resources and business ethics.

The ESG concerns are made clear by the requirements for holders of mineral rights to conduct mineral activities under strict environment regulations, comply with the applicable local content policies on recruitment and training Angolan nationals, procure local goods and services, ensure the involvement of local communities, abide by local laws and regulations, combat corruption and adopt the best business ethics practices.

2.8 Illegal Mining

In Angola, illegal mining is a significant issue that has a considerable impact on legal industrial mineral production. Unregulated and clandestine mining practices not only harm the environment but also destabilise the economy and undermine the efforts of companies that operate according to established regulations.

Disruption Caused by Illegal Mining *Economic and environmental impact*

Illegal mining often involves uncontrolled extraction practices that lead to severe environmental degradation, including deforestation, water pollution, and habitat destruction. These activities seriously compromise the sustainability of natural resources and have long-lasting adverse effects.

Unfair competition

Illegal mining operations typically do not pay taxes or comply with safety and environmental regulations, allowing them to sell minerals at significantly lower prices. This creates unfair competition for legally established companies that adhere to all regulatory standards.

Safety risks

Illegal mining frequently involves hazardous working conditions and labour exploitation, including child labour, and may be associated

with organised criminal networks, putting worker safety and health at considerable risk.

Reaction of the Government and Mining Companies

Enforcement and legislation

The Angolan government has strengthened enforcement and the application of rigorous laws, such as Law No 8/24 of 3 July. This law establishes severe penalties for illegal mining activities, including:

- prison sentences – penalties range from two to eight years' imprisonment, depending on the severity of the crime;
- fines – these are established based on fractions of the value specified in Article 111, paragraph 2 of the Mining Code, for example, fines of one sixth, one third, or one tenth of the specified value, depending on the specific infraction; and
- increased penalties – in specific cases, penalties are increased by one third of the minimum limit for crimes involving public authorities, impacting state projects, using violence, child labour, association with criminal organisations, fraud, obstructing authorities, significant environmental damage, or activities in protected areas.

Partnerships and collaborative actions

Legally operating mining companies often collaborate with government authorities and regulatory bodies to combat illegal mining. These partnerships may include the use of monitoring technologies and reporting of suspicious activities.

Corporate social responsibility programmes

Many mining companies have invested in corporate social responsibility programmes to educate local communities about the negative impacts

of illegal mining, offering sustainable economic alternatives and promoting good environmental practices.

Public awareness campaigns

Public awareness campaigns are conducted to highlight the dangers and adverse impacts of illegal mining on both the environment and local communities, emphasising the importance of legal and sustainable mining practices.

2.9 Good and Bad Examples of Community Relations/Consultation Impacting Mining Projects

Examples of the positive impact of mineral activities in local communities are social projects implemented by the holders of mineral rights in the villages around the mines (eg, building of infrastructure and roads, and water and electricity supply structures, to the benefit of the local communities) and the increase in jobs available to local communities.

Examples of negative impacts are those linked with reportedly unsatisfactory working conditions, human rights violations or damage to the environment.

3. Climate Change, Energy Transition and Sustainable Development in Mining

3.1 Climate Change Effects

Climate change is on the agenda of the Angolan government but has not yet (directly) impacted the mining industry.

3.2 Climate Change Legislation and Proposals Related to Mining

Angola has not yet passed specific climate change legislation related to mining. There is,

however, growing concern surrounding climate change which has led to the ratification of several international climate change conventions, namely the United Nations Climate Change Convention (UNFCCC) in 2000 and the Kyoto Protocol in 2007, reaffirming Angola's commitment to the implementation of measures and programmes to stabilise greenhouse gas (GHG) emissions. In May 2000, Angola ratified the Montreal Protocol to the Vienna Convention. Angola is also a signatory to the Paris Agreement, the United Nations Convention on Combating Drought and Desertification (UNCCD), the Convention on the Conservation of Wild Migratory Species (CMS), the Convention on Biological Diversity (CBD) and the Stockholm Convention on Persistent Organic Pollutants (POPs). Angola is also part of the Law of the Sea Convention. Most of the conventions continue to be implemented by Angola, through the Ministry of Culture, Tourism and Environment (MCTA), within the scope of the commitments assumed at international level to contribute to the protection of life on planet earth.

Although Angola does not yet have specific legislation on climate change concerning mining, there are environmental legislative provisions that may indirectly contribute to climate change mitigation. For example, Articles 12 and 19 of Law 8/24 (Law on Combating Illegal Mining Activities) include some environmental provisions, and Article 5 of Presidential Decree 51/24 (Regulations on the Exercise of Mineral, Oil and Gas Exploration Activities in Conservation Areas) imposes various obligations on operators. These obligations include the construction of infrastructure, responsible use of water resources, financial contributions to conservation programmes, biodiversity protection, and the conduct of environmental audits. Although these do not specifically mention climate change, some of the obligations, such as environmental miti-

gation, ecosystem protection, and fire prevention, may indirectly contribute to efforts against climate change.

The Angolan National Commission on Climate Change and Biodiversity (CNACB) was recently established with a specific mandate for climate change. The CNACB is composed of several entities, including the ministries of petroleum, transport, higher education, science and technology, health, and agriculture and fisheries, under the co-ordination of the ministerial department responsible for the environment, and was in charge of preparing Angola's participation in COP 28.

3.3 Sustainable Development Initiatives Related to Mining

There are no relevant sustainable development initiatives related to mining in Angola. There is, nevertheless, a clear constitutional and statutory principle of sustainable exploitation of mineral resources in strict compliance with the rules on safety, economic use of the soil, rights of the local communities and the protection of the environment, to the benefit of the national economy, local communities and future generations, which was publicly reinforced during the course of 2023.

3.4 Energy-Transition Minerals

As global priorities shift and new technologies such as electric vehicles (EVs), battery storage and green energy take preference, rare earth minerals found in countries such as Angola are expected to play a critical role. The Angolan government is focused on the strategic positioning of the country as one of the major mineral resource-producing countries and a key player in the global energy transition.

In 2016, the government classified rare metals and rare earth elements as “strategic minerals” along with diamonds, gold and radioactive minerals. However, apart from such classification, the government has not yet introduced new legislative initiatives to promote investment in energy-transition minerals.

4. Taxation of Mining and Exploration

4.1 Mining and Exploration Duties, Royalties and Taxes

The mining sector is subject to a special tax regime established in the Mining Code (applicable to all national and foreign investors), as follows.

Industrial Tax (Income Tax on Mineral Activities)

The tax rate currently in force is 25%.

For the purposes of determining taxable income, the following are among the factors considered as tax deductions in addition to those provided for in the general tax law:

- costs of exploration;
- evaluation and reconnaissance; and
- contributions to the Mining Development Fund.

Royalty (Tax on the Value of Mineral Resources)

The tax rates currently in force are as follows:

- strategic minerals (including industrial diamonds) and precious metals and stones – 5%;
- semi-precious stones – 4%;

- metallic minerals, semi-industrial and artisanal diamonds – 3%; and
- construction materials of mining origin and other minerals – 2%.

Surface Fee (Fee Levied on the Concession Area Awarded, Payable During the Exploration Phase)

The surface fee value varies according to the size of the concession area, the type of mineral explored and the exploration year in question and can range from USD2 to USD40 per square kilometre. These amounts are doubled in the event of an extension of the exploration period.

Holders of mineral rights are subject to other taxes or charges payable by law in respect of activities that are supplemental or incidental to the activities (eg, employment tax).

4.2 Tax Incentives for Mining Investors and Projects

Holders of mineral rights can apply for tax incentives in the form of (industrial tax) deductible costs, investment premiums (uplift), grace periods for the payment of income tax and any other type of tax incentive provided for in the law. The application for tax exemptions is discussed and negotiated during the contractual stage of the investment procedure with the Negotiations Committee (in this case, the Negotiations Committee must have a member from the Ministry of Finance).

Incentives may be granted for projects with impacts on the Angolan economy, namely acquisition of supplemental goods and services on the local market, carrying out of mineral activities in remote areas, contribution to the training and development of local human resources, carrying out research and development activities in cooperation with Angolan academic and scientific

institutions, local processing and dressing of minerals, or significant contributions to increase exports.

The government may also authorise special tax and customs exemptions for Angolan companies exclusively engaged in the processing, dressing and cutting of minerals extracted in the country.

Investors often seek tax stabilisation under their mineral investment contracts. However, tax stabilisation is seldom granted.

4.3 Transfer Tax and Capital Gains on the Sale of Mining Projects

Direct and indirect transfers or sales of mineral rights/mining assets (including by means of M&A operations in and/or outside the country) may trigger the assessment of capital gains under the general rules of the Investment Income Tax Code.

5. Mining Investment and Finance

5.1 Attracting Investment for Mining

Over the past six years, the Angolan government has made several political, economic and legal reforms to facilitate and attract investment in the country. Particularly in the mining sector, the government has undertaken several initiatives to enhance the sector's performance, competitiveness and transparency with the establishment of a new governance model, new policies and regulations for the marketing of rough diamonds and a new foreign exchange regime applicable to the sector.

The opportunity to negotiate special tax incentives and benefits, the details of the data available to the investors – as a result of the works

of the National Geology Plan (PLANAGEO) for mineral-geological investigation – and the variety and quality of the Angolan portfolio of minerals with significant potential for economic return attract investors from all over the world.

5.2 Foreign Investment Restrictions and Approvals in the Exploration and Mining Sectors

Investment in the mining sector is subject to the special investment regime established in the Mining Code. There are no limitations on foreign investment, although additional formalities must be complied with by foreign investors in the import of investment capital and the export of dividends and profits. Such additional formalities have, nonetheless, been eased with the approval of the new foreign exchange regime applicable to the sector.

The exceptions to the above principle are diamond artisanal production, which may only be granted to Angolan citizens, and diamond semi-industrial mining, civil construction or mining rights of mineral-rich waters, which may only be granted to companies organised under Angolan law in which Angolan citizens hold at least two thirds of the capital.

5.3 International Treaties Related to Exploration and Mining

Angola has signed bilateral investments treaties or memorandums of understanding for commercial co-operation with a number of countries, including Brazil, Cape Verde, Congo, Cuba, France, Germany, Guinea Bissau, Italy, Japan, Mozambique, Namibia, Portugal, the Russian Federation, São Tomé e Príncipe, Spain, South Africa, Switzerland, Turkey, United Arab Emirates, and the United Kingdom (not all of these treaties are yet in force).

In addition to the above, bilateral co-operation treaties for the mining sector have been entered into with Cuba, the Democratic Republic of the Congo, Mozambique, Portugal, South Africa, Russia and the United States of America.

Additionally, in 2024, Angola approved for ratification the Protocol on Mining in the Southern African Development Community (SADC).

5.4 Sources of Finance for Exploration, Development and Mining

Holders of mineral rights (or relevant shareholders) generally fund their mining activities in Angola with private equity, shareholders' loans or direct loans from foreign banks. The implementation of alternative funding mechanisms (streaming and royalty agreements) is still significantly impaired by the existing foreign exchange and marketing regulations.

5.5 Role of Domestic and International Securities Markets in the Financing of Exploration, Development and Mining

Angola's securities market is finally ramping up with significant operations successfully completed in 2023. Nevertheless, investors usually raise funds overseas through private equity or in international security markets to invest in mineral exploration and mining projects.

5.6 Security over Mining Tenements and Related Assets

Mineral rights may only be pledged to secure credits contracted by the holder of mineral rights to finance mineral activities covered by a mineral investment contract or exploration/mining title. For this reason, the pledgee must be provided with an authentic copy of the title and the mineral investment contract.

In pledging its mineral rights, the holder of mineral rights shall forfeit neither the possession nor the exercise of the mineral rights pledged, being likewise bound to comply with all legal and contractual obligations. The mineral rights pledged shall not be transferred by the relevant holder, nor encumbered again, without the prior express authorisation of the pledgee.

Enforcement of the pledge (transfer of the mineral rights in the event of default) is subject to government approval.

6. Mining: Outlook and Trends

6.1 Two-Year Forecast for the Mining Sector

Angola is committed to implementing a diversification strategy aimed at reducing the country's dependence on oil, while developing gas and renewable energy, building on its current strength in diamond production and exploring the country's rare earth and other energy transition minerals' potential. As an example, a new foreign exchange regime applicable to the mining sector was enacted in 2023, inter alia allowing external investing entities – in which Angolan SPVs are included – to open and operate bank accounts abroad, including escrow accounts, without previous authorisation from the Angolan National Bank. The creation of a Diamond Bourse is also expected to take place soon, determining significant changes to the current diamond marketing regime.

The political stability resulting from the re-election of the president in August 2022, the increasing demand for minerals in the international market for energy transition and De Beers, Anglo American, Rio Tinto and Pensana Rare Earth Metals' recent investments in the country are all

expected to continue to attract a variety of other companies, which may finally look to Angola as a reliable and transparent jurisdiction for investment.

Trends and Developments

Contributed by:

João Afonso Fialho, Marizeth Vicente and Lukeny Pascoal
VdA

VdA is a leading international law firm with more than 40 years of history. Recognised for its impressive track record and innovative approach in corporate legal services, VdA offers robust solutions grounded in its renowned ethical and professional standards. The high quality of the firm's work is recognised by clients and stakeholders, and is acknowledged by leading pro-

fessional associations, legal publications and academic entities. VdA advises its clients in the development of their projects across the entire value chain of the mining industry. Through the VdA Legal Partners network, clients have access to seven jurisdictions, with broad sectoral coverage in all Portuguese-speaking African countries, as well as Timor-Leste.

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Preliminary Remarks

Angola has a strategic geographical location and is currently the second-largest African producer, and the fourth-largest global producer, of diamonds, despite the fact that most of the country's interior has not yet been explored. As regulatory reforms take effect, however, more mining companies are investing in Angola. Throughout 2022 and 2023, investments such as the De Beers, Anglo American, Rio Tinto, and Pensana Rare Earth Metals projects boosted the mining sector and its reputation as a reliable and transparent jurisdiction for investment, in which the country's recent admission to the international Extractive Industries Transparency Initiative (EITI) should also play a role.

Industry Trends

The Angolan mining industry is expected to continue to be dominated by diamond exploration and production in the coming years, which accounts for about 90% of total mining revenues, and is expected to encourage the creation of "level one" mines, according to the Angolan government. With the ongoing demand for strategic minerals, non-ferrous metals and rare earths expected to increase dramatically due to the global energy transition and the use of stra-

tegic minerals in lithium-ion batteries, this sector is expected to significantly increase its contribution to the country's gross domestic product (GDP) growth.

In October 2024, the country hosted the AIDC 2024 (Angola International Diamond Conference 2024), which analysed several important topics related to:

- geological mining research;
- diamond exploration in Angola;
- diamond cutting;
- technological innovation; and
- logistics in the industrial and semi-industrial sector.

The AMC 2025 (Angola Mining Conference 2025) is expected to happen in February 2025.

Developments – Investments and Governance

Investments

Pensana Rare Earth's Longonjo project is also worth noting. The Longonjo project is set to become the first large-scale NdPr (neodymium and praseodymium) rare earth mine in Africa, with a production target of 56,000 tonnes per

year. The Angolan government is confident that long-term investments in diversified minerals will attract a variety of other major and junior companies to invest in the country. In fact, it is expected that, with the Longonjo mine in full operation, the country will be able to fulfil 5% of the world's needs concerning rare earths, a market where demand currently exceeds the existing supply, with China remaining the world's biggest supplier.

Angola is also focused on developing the country's minerals-processing industry. The Saurimo Diamond Development Hub, inaugurated in August 2021 and focused on the convergence of the entire national diamond value chain, is an example and has been promoted by the Angolan government as being the country's final step in its quest to become a global diamond producer. Located on the road to the large Catoca diamond mine, the Saurimo Development Hub aims to significantly enhance the country's diamond production capacity, enabling the processing and polishing of resources in addition to rough diamond exports, while ensuring that all the necessary infrastructure for such purpose can be found in loco (such as banks, insurers, private practices, employee accommodation, restaurants, a factory school for polishers, and a technical and professional school run by ENDIAMA, Angola's state-owned diamond company, ready to provide training programmes to young people in a wide range of areas).

The Saurimo Diamond Development Hub is divided into three main areas: commercial, industrial and one reserved for the hybrid power plant. According to recent information disclosed by Angolan executive consultants, there are lots still open to investors who intend to install manufacturing units within this infrastructure, and Angola is keen on stimulating the creation

of processing facilities, as the country is "...producing around nine million carats/year, most of which is exported raw". Therefore, it would be "a victory for the country" if Angola could have the capacity to hone 20% of its local extraction (considering that 20% of production may be sold to cutters pursuant to Angolan law).

ENDIAMA has provisionally released a list of 15 diamond projects being promoted, in a map of six provinces that includes, for the first time, Cuanza Sul, although the major diamond-producing regions will continue to be Lunda Sul and Lunda Norte, given their potential and already confirmed reserves. Cuanza Sul appears with the Quitúbia project, a primary deposit (kimberlite), available to investors, whether national (provided they have the financial capacity) or foreign. There are a total of 43,674 square kilometres to be concessioned, more than several countries the size of Switzerland. According to the diamond company, this map could be updated soon, taking into account the data collected as part of PLANAGEO (the National Geology Plan), which has given the national authorities a more realistic perception of Angola's mining potential, especially for diamonds. According to the map, four of the diamond projects are in the province of Bié, corresponding to a total of 15,481 square kilometres, equivalent to around 30% of the total area available for diamond prospecting. In this first phase, according to a source at ENDIAMA, only 1,000 square kilometres of the Cuango mining project are in the mining phase – in other words, they have already received investment.

The Angolan regulatory framework for investment in the mining sector is robust and investor-friendly, attracting major players like De Beers, Rio Tinto, and Anglo American. As mentioned, the Longonjo project by Pensana Rare Earth is set to be Africa's first large-scale NdPr rare earth

mine, expected to meet 5% of global rare earth needs. Angola is also developing its mineral processing industry, exemplified by the Sauro Diamond Development Hub, which aims to boost diamond production and processing, offering comprehensive infrastructure. In November 2023, Angola inaugurated the Luele mine, the country's largest diamond project, expected to produce 628 million carats over 60 years. Additionally, plans for an Ornamental Stone Development Centre in Namibe province are under way.

Regarding ferrous metals, the implementation of the mining component of the Kassinga Mining-Steel Project in Huila province, the Kassala Kitungo iron ore project in Cuanza Norte, and the inauguration of the first pig iron production plant by the Cuchi Steel Company in Cuando Cubango province, which has completed its first export, is ongoing.

As for copper and other non-ferrous metals, the groundbreaking ceremony for the construction of the Mavoio-Tetelo Copper Exploration Project in Uíge province and the signing of investment contracts granting mining rights for copper prospecting in Moxico and Cuando Cubango provinces should be highlighted. Under the Programme for the Promotion of Agro-Minerals in Angola, phosphate exploration and the production of granulated phosphate rock fertilisers are under way in Cabinda, while projects for limestone prospecting and exploration have also been licensed in the province.

The Lobito Corridor Railway Project, in Benguela province, is a strategic project that ultimately aims to connect the Atlantic Ocean to the Indian Ocean, up to the ports of Dar es Salaam, in Tanzania, and Cidade da Beira, in Mozambique. This project crosses several areas where mineral

operations take place, and is therefore regarded as being of fundamental importance for the sector, and essential for exports and mineral supplies (internal and external) of goods and equipment to the mining industry. It was the main reason for outgoing US President Joe Biden's trip to Angola at the end of 2024.

Angola has established a partnership with the Africa Finance Corporation (AFC) in this transformative project, which will deepen Angola's role as a regional logistics hub and boost trade not only with Zambia but with the rest of the world.

The concession agreements for the financing, construction, ownership and operation of this mega railway project include the construction of an entirely new railway line, approximately 800km long, to connect the Benguela railway in Luacano, Angola, to the existing Zambia railway line in Chingola. The link between Angola and Zambia is considered one of the most important in southern Africa in terms of commerce, as it creates a trade corridor to facilitate the efficient movement of goods and promotes investments in agriculture, electricity, mining, healthcare and digital infrastructure. It represents the shortest route for exports and imports, connecting major mining regions, agricultural hubs and businesses in Zambia and the DRC to the port of Lobito, establishing it as a strategic route for exports from these two countries.

Governance

Angola's admission as an implementing country to the EITI, a voluntary international initiative that works to increase revenue transparency through the verification and disclosure of revenues paid to members of the government by extractive companies, is significant. According to the Angolan president, the government joined

the EITI to reduce corruption, support transparency and accountability reforms, improve the investment climate, and better mobilise domestic resources. The move aims to attract investors by demonstrating Angola's commitment to transparency and gaining foreign investor confidence. This initiative is part of broader efforts by the Angolan government to fight corruption and establish the country as a transparent, reliable and investor-friendly jurisdiction.

The launch of the new diamond bourse, initially scheduled to take place on an experimental basis, with the Ministry of Finance in charge of supervising the sector's tax regime, auditing, tax collection and tax revenues, has been postponed a number of times. The diamond bourse will be the first infrastructure to be established in the country for the open trade of diamonds and other valuable gemstones, which could add value to diamonds and gemstones produced within national territory. In a second phase, the authorities plan to implement the diamond bourse in permanent facilities at the Lunda Sul Diamond Development Hub, where construction work on the mega-project to host all services is under way.

The creation of the bourse and the increase in diamond production will reduce illegal production and enhance the bargaining power of Angolan gemstones, further developing the precious stone cutting industry, which is expected to reach 20% of total diamond production. To establish the bourse, Angola may co-operate with the Antwerp World Diamond Centre (AWDC) in the field of diamond trading.

Finally, it is worth noting that, although the country appears to remain committed to decar-

bonisation, there are currently no specific deadlines in this regard, because, according to the Angolan Executive, a reasonable balance must be achieved – on the one hand, climate change represents a global concern that must be addressed by all countries; on the other hand, however, Angola remains heavily dependent on the exploration and production of mineral resources (since 90% of the country's revenues come from oil, natural gas, and diamonds). The Angolan government thus intends to progressively improve its decarbonisation process, while maintaining the exploration and production of natural resources throughout their useful life. According to a senior official from Angola's Ministry of Environment, the country is committed to transitioning to a less petroleum-dependent economy while ensuring that this transition does not harm its communities.

Angola “is a country that is highly engaged in the decarbonization process and in a just transition, because the largest contributor to the GDP (Gross Domestic Product) comes from oil exploitation,” stated the head of the Mitigation and Adaptation Directorate of Angola's Ministry of Environment at COP29 on 22 November 2024 in Baku, the capital of Azerbaijan.

Recognising that “the process of a just transition is very necessary,” the official affirmed that the country “is committed to transitioning to an economy that does not rely so heavily on oil” and to implementing measures that have already resulted in 60% of electricity production coming from renewable, hydro and solar sources. She also argued that the transition should be done “at the pace of the countries and without harming their communities.”