Audited Financial Statements of Manabi Holding S.A.

June 30, 2011

with Independent Auditors' Report on Financial Statements

A free translation from the original in Portuguese

Manabi Holding S.A.

Financial Statements

June 30, 2011

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Report of independent auditors on financial statements

To Shareholders, Board and Directors of

Manabi Holding S.A.

Rio de Janeiro - RJ

We have audited the individual and consolidated financial statements of Manabi Holding S.A. ("Company"), identified as Controlling Company and Consolidated, respectively, which comprise the balance sheet as of June 30, 2011 and the related statements of income, Statement of changes in stockholders' equity and statement of cash flow for the period from March 10, 2011 (date of the incorporation of the Company) to June 30, 2011, as well as a summary of significant accounting policies and other explanatory notes.

Management responsibility on the financial statements

The Company's Management is responsible for the preparation and fair presentation of individual financial statements in accordance with the accounting practices adopted in Brazil and the consolidated financial statements in accordance with the international financial reporting standards (IFRS) issued by the International Accounting Standards Board – IASB, and in accordance with the accounting practices adopted in Brazil, as well as for internal controls that it determines as necessary to permit preparation of these financial statements free of any material misstatement, whether due to fraud or error.

Responsibility of independent auditors

Our responsibility is to issue an opinion on these financial statements based on our audit conducted in accordance with the Brazilian and international standards of auditing. These standards require the compliance with ethical requirements by the auditors and that the audit is planned and performed with a view to obtaining reasonable assurance that the financial statements are free of material misstatement.

An audit involves performing procedures selected to obtain evidence about the amounts and disclosures presented in the financial statements. The procedures selected depend on the auditor's discretion, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In this risk assessment, the auditor considers the internal controls relevant to the preparation and fair presentation of the financial statements of the Company to plan the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these internal controls of the Company. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements taken as a whole.

We believe that the audit evidence obtained is sufficient and appropriate to base our opinion.

Opinion on individual financial statements

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of Manabi Holding S.A. as of June 30, 2011, the performance of its operations and its cash flows for the period from March 10, 2011 (date of incorporation of the Company) to June 30, 2011, in accordance with the accounting practices adopted in Brazil.

Opinion on consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Manabi Holding S.A. as of June 30, 2011, the consolidated performance of its operations and its consolidated cash flows for the period from March 10, 2011 (date of incorporation of the Company) to June 30, 2011, in accordance with the accounting practices adopted in Brazil, and in accordance with the international financial reporting standards (IFRS) issued by the International Accounting Standards Board – IASB.

Emphasis

As described in Note 2, the individual financial statements were prepared in accordance with the accounting practices adopted in Brazil. In the case of Manabi Holding S.A., these practices differ from the IFRS, applicable to separate financial statements, only in relation to the valuation of the investments in controlled companies by the equity method of accounting, whereas for purposes of IFRS it would be cost or fair value method.

As described in Note 1, the Company and its controlled companies will continue to develop business in the mining segment and the investments required to implement the business plan are significant. Currently, the Company has no cash generating activities or sufficient funds to implement its investment plan and, therefore, will depend on funds from shareholders or third parties to implement its business plan.

Other matters

Additional information – Statement of added value

We also reviewed the individual and consolidated statements of added value for the period from March 10, 2011 (date of incorporation of the Company) to June 30, 2011, the presentation of which is required by the Brazilian corporate law for publicly-held companies, and as supplementary information under the IFRS that do not require the presentation of statement of added value. These statements were subjected to the same audit procedures described above and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Rio de Janeiro, July 27, 2011

ERNST & YOUNG TERCO

Independent Auditors S.S.

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Wilson J. O. Moraes

Accountant CRC - 1RJ 107.211/O-1

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Accountant CRC - 1SP 133.169/O-0 - S - RJ

MANABI HOLDING S.A.

Balance sheet

June 30, 2011

(In thousands of Brazilian Reais)

	Note	Controlling Company	Consolidated
Assets			
Current assets			
Cash and cash equivalents	6	217.742	217.746
Advances to third parties		48	48
Total current assets		217.790	217.794
Non-current assets			
Deferred income tax and social contribution	9	1.306	1.306
Investments	7	585.343	-
Fixed assets		15	15
Intangible assets	8	-	585.339
Total non-current assets		586.664	586.660
Total assets		804.454	804.454
Liabilities and stockholders' equity			
Current liabilities			
Suppliers		18	18
Management fees	11	107	107
Tax liabilities		32	32
Accounts payable		41	41
Total current liabilities		198	198
Stockholders’ equity	12		
Capital		806.789	806.789
Capital reserve		1	1
Accumulated losses		(2.534)	(2.534)
Total stockholders’ equity		804.256	804.256
Total liabilities and stockholders’ equity		804.454	804.454

The accompanying notes are an integral part of the financial statements.

MANABI HOLDING S.A.

Statement of income

Period from March 10 (date of incorporation of the Company) to June 30, 2011

(In thousands of Brazilian Reais)

	Note	Controlling Company	Consolidated
Operating expenses			
Services provided		(2.180)	(2.180)
Management fees		(107)	(107)
General and administrative		(105)	(105)
Tax		(51)	(51)
Operating loss before financial results		(2.443)	(2.443)
Financial results			
Financial income		1.498	1.498
Financial expenses		(2.895)	(2.895)
		(1.397)	(1.397)
Loss for the period before income tax and social contribution		(3.840)	(3.840)
Income tax and social contribution	9	1.306	1.306
Loss for the period		(2.534)	(2.534)
Loss per share (basic and diluted)		3,17	

The accompanying notes are an integral part of the financial statements.

MANABI HOLDING S.A.

Statement of changes in stockholders' equity as of June 30, 2011

(In thousands of Brazilian Reais)

	Capital		Capital reserve – subscription bonus	Accumulated losses	Total
	Subscribed	Unpaid			
Articles of organization – March 10, 2011	1	(1)	-	-	-
Payment of capital previously subscribed	-	1	-	-	1
Increases in capital (Note 12)	806.788	-	-	-	806.788
Subscription bonus (Note 12)	-	-	1	-	1
Loss for the period	-	-	-	(2.534)	(2.534)
June 30, 2011	806.789	-	1	(2.534)	804.256

The accompanying notes are an integral part of the financial statements.

MANABI HOLDING S.A.

Statement of cash flow

Period from March 10 (date of incorporation of the Company) to June 30, 2011

(In thousands of Brazilian Reais)

	Controlling Company	Consolidated
Cash flow from operating activities		
Loss for the period before income tax and social contribution	(3.840)	(3.840)
Changes in assets and liabilities		
Advances to third parties	(48)	(48)
Suppliers	18	18
Management fees	107	107
Tax liabilities	32	32
Accounts payable	41	(38.422)
Net cash and cash equivalents used in operating activities	(3.690)	(42.153)
Cash flow from investing activities		
Acquisitions of fixed assets	(15)	(15)
Capital payment in controlled companies	(38.475)	(12)
Premium on acquisition of investments in controlled companies	(546.868)	(546.868)
Cash and cash equivalents used in investing activities	(585.358)	(546.895)
Cash flow from financing activities		
Increases in capital	806.789	806.789
Subscription bonus	1	1
Net cash and cash equivalents from financing activities	806.790	806.790
Net increase in cash and cash equivalents	217.742	217.742
Cash and cash equivalents for the beginning of the period	-	4
Cash and cash equivalents for the end of the period	217.742	217.746

The accompanying notes are an integral part of the financial statements.

MANABI HOLDING S.A.

Statement of added value

Period from March 10 (date of incorporation of the Company) to June 30, 2011

(In thousands of Brazilian Reais)

	Controlling company	Consolidated
Inputs purchased from third parties		
Services provided by third parties	(2.180)	(2.180)
Gross added value	(2.180)	(2.180)
Added value received in transfer		
Financial income	1.498	1.498
Deferred income tax and social contribution	1.306	1.306
Net added value produced by the entity	624	624
Distribution of added value		
General and administrative	105	105
Management fees	107	107
Taxes and contributions	51	51
Financial expenses	2.895	2.895
Loss for the period	(2.534)	(2.534)
Added value withheld	624	624

The accompanying notes are an integral part of the financial statements.

MANABI HOLDING S.A.

Notes to the financial statements

June 30, 2011

(In thousands of Brazilian Reais, unless otherwise indicated)

1. Operational context

Manabi Holding S.A. (hereinafter referred to as "Manabi" or "Company"), incorporated on March 10, 2011, is a closely-held corporation, with head office in Rio de Janeiro, State of Rio de Janeiro, and has as business purpose the following activities, directly or indirectly through subsidiaries: (i) exploring, developing and negotiating business opportunities in exploration, economic exploitation, development, mining, extraction, production and sale of iron ore and other metal deposits in South America, as well as (ii) investing, holding equity interest and operating assets and companies in the sectors of exploration for deposits of iron ore and other metal deposits, including logistics, transportation, industrial facilities and other infrastructures related to such business opportunities, assets and companies.

As of June 30, 2011, the Company has full control of the companies Morro do Pilar Minerais S.A. ("Morro do Pilar") and Morro Escuro Minerais S.A. ("Morro Escuro"). These controlled companies were acquired on June 8, 2011, and are intended for (a) research, exploration, mining, processing and transportation of goods and mineral products; (b) provision of geological services; (c) provision of intermediation services and related to the activities and matters above; (d) equity holding in other companies in Brazil or abroad; (e) lease of vehicles, drills and equipment for drilling and mining; and (f) provision of drilling services for mining.

The Company was recently formed and therefore has no operating history and, thus, will face challenges and uncertainties in financial and operational planning to implement its business plans. However, considering the booming market in mining, logistics, transportation and infrastructure in general, the Company sees opportunities for raising funds for expansion and financing of its investments. The global supply of iron ore has grown to meet the resurgence in demand, driven by renewed growth worldwide, with China as the main force behind this demand. Management believes that the increasing urbanization and industrialization of China and other nations, especially in Asia, will continue to maintain a tight balance between supply and demand for commodities.

The capital-intensive nature of the industry object of the Company's investment will require high investment in its business and operations of exploration and production of iron ore reserves. Management believes that funds held in cash are sufficient for the next 12 months of operation. In the future, management will consider the various forms of capitalization of the Company, as per its needs.

According to the Company's current budget approved by its shareholders for the next 12 months, the Company intends to invest primarily in (i) research and exploration reports, drilling, characterization and modeling, (ii) own engineering, (iii) obtaining licenses needed to operate, (iv) logistics structure, (v) contract negotiations with potential buyers, and (vi) hiring of qualified personnel for the activities of the Company.

On May 5, 2011, the Company applied for registration as a publicly-held company with the CVM (Securities and Exchange Commission). This request is motivated by the intention to have, in the future, a public offering for primary distribution of shares of common stock issued by it pursuant to CVM Instruction No. 400 of December 29, 2003, as amended.

2. Basis of preparation and presentation of financial statements

The individual and consolidated financial statements have been prepared and are presented in accordance with the accounting practices adopted in Brazil, which include the provisions of the Corporations Law and accounting standards and procedures issued by the Securities and Exchange Commission - CVM and Accounting Pronouncements Committee - CPC.

Additionally, the Company's consolidated financial statements are in accordance with the international accounting standards issued by the International Accounting Standards Board - IASB, except only in regard to assessment, in the individual financial statements, of investments in controlled companies by the equity method, as required by ICPC 09, whereas for IFRS purposes, it should be cost or fair value.

These financial statements are presented in compliance with the requirements of the application for registration process for publicly-held company before CVM.

The Company's Management authorized the completion of these financial statements on July 27, 2011.

3. Summary of significant accounting practices

The following are the significant accounting policies used by the Company:

3.1. Consolidation

The consolidated financial statements as of June 30, 2011 include the financial information of the controlling company and of the controlled companies Morro do Pilar and Morro Escuro, on which the Company holds 100% interest.

The process of consolidation of the balance sheet accounts and income of the controlled companies correspond to the horizontal sum of balances of assets, liabilities, revenues and expenses accounts, according to their nature, complemented with the following eliminations: (a) elimination of balances of assets and/or liabilities between the consolidated companies; (b) elimination of investments against the respective owners' equity of the controlled company; and (c) elimination of revenue and expenses from transactions between consolidated companies.

3.2. Business combinations

Business combinations are accounted by using the acquisition method. The cost of an acquisition is measured as the sum of the consideration transferred, whose assessment is based on the fair value on the acquisition date, and the value of the interest of any non-controlling parties in the acquiree. For each business combination, the acquiror should measure the interest of non-controlling parties in the acquiree at fair value or based on their interest in the net assets identified in the acquiree. Costs directly attributable to the acquisition are recorded as expense when incurred.

When acquiring a business, the Company evaluates the financial assets and liabilities assumed in order to classify them and allocate them according to the contractual terms, economic conditions and conditions relevant at the acquisition date, which includes segregation, by the acquiree, of existing embedded derivatives in host contracts in the acquiree. If the business combination is made in stages, the fair value at the date of acquisition of the equity interest previously held in the capital of the acquiree is revalued at fair value on the acquisition date, and the impacts are recognized in the income statement.

Any contingent consideration to be transferred by the acquiror will be recognized at fair value on the acquisition date. Subsequent changes in fair value of contingent consideration considered as an asset or a liability should be recognized in accordance with CPC 38 - Financial Instruments: Recognition and Measurement in the statement of income or in other comprehensive income. If the contingent consideration is classified as equity, it should not be revalued until it is finally settled.

Initially, premium is measured as the excess of consideration transferred in relation to the acquired net assets (acquired identifiable assets, net and liabilities assumed). If the consideration is less than the fair value of the net assets acquired, the difference should be recognized as a gain in the statement of income. After initial recognition, premium is measured at cost, less any accumulated losses of recoverable amount. For purposes of testing the recoverable amount, premium acquired in a business combination is, from the acquisition date, allocated to cash generating units expected to be benefited from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

When a premium is part of a cash-generating unit and a portion of that unit is disposed of, the premium associated with the portion sold must be included in the cost of the operation when determining the gain or loss on the disposal. The premium disposed of in such circumstances is determined based on the proportional value of the portion sold in relation to the cash-generating unit retained.

3.3. Financial instruments

Financial assets

Currently, the Company's financial assets are represented only by cash and cash equivalents, classified at fair value through profit or loss, and which ability to trade them occurs in a short time (e.g. 90 days).

A financial asset is classified at fair value through profit or loss if it is classified as held for trading and is designated as such upon initial recognition. Transaction costs, after initial recognition, are recognized in the statement of income as incurred.

Financial assets at fair value through profit or loss are presented in the balance sheet at fair value, with corresponding gains or losses recognized in the statement of income.

The classification depends on the purpose for which the financial assets were acquired and is determined at the time of initial recognition.

The financial assets are written off when the rights to receive cash flows from investments have expired or been transferred, and the Company has transferred substantially all risks and rights of ownership of these assets.

Financial liabilities

The financial liabilities are initially recognized on the trade date on which the Company becomes a party to the contractual provisions of the instrument. The Company writes off a financial liability when paid or when its contractual obligations are withdrawn, canceled or expired.

When an existing financial liability is replaced by another from the same lender with substantially different terms, or the terms of an existing liability are substantially modified, such replacement or modification is treated as a write-off of the original liability and recognition of a new liability, with the difference in the corresponding book values is recognized in the statement of income.

Financial liabilities are initially recognized at fair value plus any attributable transaction costs. After initial recognition, these liabilities are measured at amortized cost, adjusted based on monetary and exchange rates and include interest accrued to the balance sheet date, based on contractual terms. Gains and losses are recognized in the statement of income at the time of the write-off of liabilities, as well as during the process of ownership of the interest and adjustments for inflation.

Derivative financial instruments

Derivatives are initially recognized and subsequently measured at fair value, with changes in fair value recognized in the income or loss. The Company did not operate with derivatives in 2011.

Offset of financial instruments

The assets and liabilities are offset and the net amount is shown on the balance sheet when, and only when, the Company has the legal right to offset the amounts and intends to settle on a net basis or realize the asset and settle the liability simultaneously.

3.4. Cash and cash equivalents

Cash equivalents are held with the purpose of meeting short-term commitments rather than for investment or other purposes. The Company considers cash equivalents a financial investment readily convertible into a known amount and subject to an insignificant risk of change in value. Therefore, an investment normally qualifies as a cash equivalent when it has short-term maturity, for example, three months or less from the date of procurement.

3.5. Investments in controlled companies

Investments in controlled companies are recorded by using the equity method in the financial statements of the controlling company, being eliminated for purposes of preparing the consolidated financial statements.

A controlled company is an entity in which the Company, directly or through other subsidiaries, owns rights of member that will ensure it, permanently, preponderance over the corporate resolutions and the power to elect a majority of directors.

Based on the equity method, investment in controlled companies is recorded on the balance sheet of the controlling company at cost, adding the changes following the acquisition of equity interest. The premium related to the controlled company is included in the book value of the investment, not being amortized.

3.6. Intangible assets

Intangible assets comprise mainly mining rights and are valued at acquisition cost and the amortization will be calculated considering the estimated period in which the corresponding benefits of the intangible assets are received and will begin to be realized at the time the asset it is linked to goes into operation. Intangible assets are recognized only if it is likely that they will generate economic benefits for the Company and that their respective value can be measured reliably.

Intangible assets acquired in a business combination are recorded for accounting purposes at fair value at acquisition date and are subsequently deducted from amortization and loss by impairment, if applicable.

The Management's initial estimate is that the mineral reserves are exhausted in about 20 years from the commencement of operations.

3.7. Provisions

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event, it is probable that economic benefits will be required to settle the obligation and a reliable estimate of the value of the obligation can be made. When the Company expects the value of a provision to be repaid, in whole or in part, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is recorded in the statement of income, net of any reimbursement.

Currently the Company and its subsidiaries are not part of judicial or administrative proceedings.

3.8. Other assets and liabilities

An asset is recognized in the balance when it is probable that future economic benefits will be generated in favor of the Company and its cost or value can be measured reliably.

The assets and liabilities are classified as current when their realization or settlement is likely to occur in the next twelve months. Otherwise, they are shown as noncurrent.

3.9. Determination of profit and loss

The operating income or loss is determined in accordance with the accrual basis accounting.

3.10. Income tax and social contribution

Income tax and social contribution in the controlling company and in the controlled companies are determined by the system of taxation based on taxable income. The calculation basis for the calculation of taxes considers additions and deductions provided by the law in force. Deferred income tax and social contribution are made up on the accumulated tax losses, negative basis of social contribution and temporary differences between amounts of assets and liabilities of the balance sheet and tax bases, net of provisions for losses, if applicable. These temporary differences will be used to reduce future taxable income. The Company measures the amount of deferred income tax and social contribution assets in relation to the projection of taxable income and, if necessary, reduces the values for the expected value of realization.

3.11. Judgments, estimates and accounting assumptions

The process of preparation of financial statements in conformity with the accounting practices adopted in Brazil requires that the Management make use of judgments, estimates and assumptions that affect the amounts of revenues, expenses, assets and liabilities reported in the financial statements and their accompanying notes. Significant items subject to such estimates and assumptions include the economic useful lives of fixed and intangible assets, recoverability of assets, provisions, fair value of financial instruments, among others. The use of estimates and judgments is complex and considers future projections and assumptions and, therefore, the settlement of transactions can result in significantly different estimates. The Company reviews its estimates and assumptions at least annually.

3.12. Functional currency and presentation

The items included in the financial statements are measured by using Brazilian real (R$), which is the currency of the primary economic environment in which the Company operates ("functional currency").

3.13. Statement of Cash Flow

The statements of cash flow have been prepared and presented in accordance with Technical Pronouncement CPC 03 - Statement of cash flow.

3.14. Statement of added value

The Statements of added value have been prepared and presented in accordance with Technical Pronouncement CPC 09 – Statement of added value. The presentation of the statement of added value is required by the Brazilian Corporate Law for publicly-held companies and is presented as supplementary information for IFRS purposes.

3.15. Loss per share

Loss per share is calculated by dividing the loss for the period by the number of shares available during the period. To date there has been no dilution factors.

3.16. Information per segment

The definition of operating segments is performed in line with the analysis of operations by the main operating decision maker of the Company who is responsible for allocating funds and evaluating the performance of operating segments, and has been identified as the CEO. The Company currently has only the mining sector, not yet operational.

4. New pronouncements and interpretations of IFRS

Some new accounting procedures of IASB were published and/or revised and shall be issued by the Accounting Pronouncements Committee and approved by the CVM, of which the main ones applicable to the Company are the following:

► IFRS 9 Financial Instruments – introduces new requirements for the classification, measurement and write-off of financial assets and liabilities. States that all recognized financial assets that are inserted in the scope of IAS 39 - Financial Instrument: Recognition and Measurement (equivalent to CPC 38) are subsequently measured at amortized cost or fair value. This pronouncement shall be effective from January 1, 2013.

► IFRS 10 Consolidated Financial Statements - this standard includes new definition of control in determining which entities will be included in the consolidated statements of a group. IFRS 10 partly replaces IAS 27 (CPC 36). This pronouncement shall be effective from January 1, 2013.

► IFRS 12 Disclosure of interests in other entities - determines the disclosure requirements for controlled companies, jointly controlled companies and/or joint ventures, affiliates and special purpose companies. IFRS 12 replaces requirements previously included in IAS 27 (CPC 35), IAS 31 (CPC 19) and IAS 28 (CPC 18). This pronouncement shall be effective from January 1, 2013.

► IFRS 13 Fair value assessment - this rule does not introduce new requirements, provides more precise definitions on the measurement and application of fair value. This pronouncement shall be effective from January 1, 2013.

► Amendments to IAS 12 – this rule changes some definitions of tax base, temporary differences, uncertain tax positions and new concepts about measurement of deferred tax relating to an asset depending on whether the entity expects to recover the book value of the asset through use or sale. This pronouncement shall be effective from January 1, 2012.

The Company believes that these pronouncements do not create impacts on financial statements presented herein.

5. Business combination

On June 8, 2011 the Company acquired all the shares of the companies Morro do Pilar and Morro Escuro, which are holders of certain mining rights and have been conducting studies and researches in the exploration of iron ore.

The summary of acquisitions can be shown below:

		Morro do Pilar	Morro Escuro
Net assets acquired at book value		8	4
Surplus paid, allocated to intangible assets acquired	(a)	491.427	55.441
Consideration transferred	(b)	491.435	55.445

(a) The intangible assets acquired are represented by the prospecting rights and mineral reserves existing in the acquired entities. The measurement of fair values was done by a specialist using estimated discounted cash flows related to mineral reserves. The acquired companies had on their balance sheets the amount of R$ 38.471 for the rights to prospect and expenses capitalized and, according to assessments of the Management, the total fair value of intangible assets was R$ 585.339 (see Note 8). Thus, the entire surplus paid was allocated to intangible assets, as shown above.

(b) The consideration transferred was fully made in cash on the date of acquisition on June 8, 2011.

6. Cash and cash equivalents

	Controlling company	Consolidated
Cash and banks	207	211
Financial investments		
Bank Certificate of Deposit (CDBs)	95.403	95.403
Debentures	122.132	122.132
	217.535	217.535
	217.742	217.746

The financial investments have their income tied to the variation of the Interbank Certificate of Deposit (CDI), generating a return that ranges from 101.00% to 101.70% of CDI, having as characteristic high liquidity (redeemable within 90 days), low risk of credit, and are available for use in the operations of the Company and of its controlled companies.

Investments in debentures are stated as follows:

Issuer	Start of operation	Maturity of operation	CDI Index	Controlling company and Consolidated
Itaú BBA	06/08/2011	05/29/2013	101.0%	80.551
Itaú BBA	06/21/2011	06/11/2013	101.0%	1.304
Bradesco	06/08/2011	05/29/2013	101.7%	40.277
				122.132

Although maturities are in 2013, banks guarantee the repurchase of the securities without any loss of value at any time the Management wishes.

7. Investments

Investments in the controlled companies Morro do Pilar and Morro Escuro were acquired on June 8, 2011, as detailed in Note 5. On the same date, the Company increased the capital of invested companies by R$ 30.653 and R$ 7.811, respectively, and the funds were fully used to pay debts of equal value.

On June 30, 2011, investments are composed as follows:

Book value of owners' equity of the controlled companies on June 30, 2011	
Morro do Pilar Minerais S.A.	30.661
Morro Escuro Minerais S.A.	7.814
	38.475
Surplus paid in the acquisition of investments	
Morro do Pilar Minerais S.A.	491.427
Morro Escuro Minerais S.A.	55.441
	546.868
	585.343

Other investment information

Composition of capital	Morro do Pilar	Morro Escuro
Number of shares		
Total shares of common stock	3.066.060.942	781.455.405
Held by Manabi Holding S.A.		
Total shares of common stock	3.066.060.942	781.455.405
Ownership interest	100%	100%

8. Intangible assets

As previously mentioned, the intangible asset was acquired through a business combination occurred on June 8, 2011 and consists of existing prospecting rights and mineral reserves of the companies Morro do Pilar and Morro Escuro, amounting to R$ 522.084 and R$ 63.255, respectively.

The intangible assets are represented by 67 mining rights and their reserves, located in the State of Minas Gerais, which are basically at the stages of research permit, application for authorization for research or under availability process. The Company is taking necessary steps for the total transfer of ownership of such mining rights with the regulator.

9. Income tax and social contribution

On June 30, 2011, the accumulated amount of tax loss and negative base of social contribution was R$ 3.840 on the controlling company, on which were recorded deferred income tax and social contribution asset, amounting to R$ 1.306, based on projections of taxable income of the Company. In the controlled companies there is no tax loss or negative base for social contribution.

Management estimates that these credits will be used in one year after the start of operations.

Tax losses carryforward generated in Brazil do not expire and are offset against future taxable income, limited, however, to 30% every financial year.

10. Term of option to buy property

On June 21, 2011, the Company signed an option to purchase a rural property, with an approximate area of 380 hectares.

The Company paid R$ 20 for the option premium which is due in 90 days and may be extended for another 270 days, in which case, the premium is increased by R$ 180. The purchase price of the property, depending on the term of purchase option, is R$ 5.320, fixed and non-adjustable.

The acquisition of this property is related to the possible construction of a private port terminal for export of iron ore. Management is analyzing the economic feasibility of the project to determine whether to exercise its purchase option. There is no relevant exposure related to this option since the Company's maximum exposure is only the premium paid, if the purchase option is not exercised.

11. Transactions with related parties

The Company is in exploration phase and currently there are no operating transactions with related parties.

Compensation of key management personnel

The Company considers all current executive officers and key management personnel. Until June 30, 2011, the compensation of these executive officers was R$ 107, related to wages, salaries and social charges. The executive officers' fees were set in the Shareholders' Meeting for a total amount of up to R$ 3.480 for the year 2011.

Share-based payments (stock option)

The Company's shareholders approved at the Shareholders' Meeting of July 21, 2011, the adoption of a compensation plan for executive officers, directors and employees through stock option (stock option plan). The plan will be managed by the Board of Directors, which will select the eligible professionals and the terms. For now, there is no adherence to the plan.

Other transactions

The Company used a loan in the amount of R$ 134, from the shareholder Ricardo Antunes, to pay its expenses at the beginning of activities while lacked the funds to do so. The loan was adjusted at 100% of CDI and fully paid in May 2011.

Additionally, the Company paid the shareholder Fabrica Holding S.A. R$ 128 of fees for consulting services.

12. Stockholders' equity

a) Capital

On June 30, 2011, the subscribed capital is represented by 800.000 shares, 250.000 common shares and 550.000 preferred shares, without par value, as detailed below:

	Number of shares			
Shareholders	Ordinary	Preferred	Total	%
IronCo LLC	99.994	519.758	619.752	77,4690%
Fábrica Holding Ltda.	150.000	3.000	153.000	19,1250%
Ingo Gustav Wender	-	20.000	20.000	2,5000%
Gerhard Walter Schultz	-	5.000	5.000	0,6250%
Ricardo Pinho Lara	-	1.570	1.570	0,1963%
TRB Industries LLC	-	672	672	0,0840%
Marcos de Campos Ludwig	1	-	1	0,0001%
Ines Correa de Souza	1	-	1	0,0001%
John Christopher Sheedy	1	-	1	0,0001%
Mathew Todd Goldsmith	1	-	1	0,0001%
Michael Stephen Vitton	1	-	1	0,0001%
Ricardo Antunes Carneiro Neto	1	-	1	0,0001%
	250.000	550.000	800.000	100%

Each common and preferred share confers on its holder the right to one vote at the resolutions of the Shareholders' Meetings.

On June 8, 2011, at an Extraordinary Shareholders' Meeting, the following was approved:

► Increase of capital by the amount of R$ 759.114, going from R$ 1 to R$ 759.115, with the issuance of 99.500 registered shares of common stock, with no par value, and of 519.258 registered shares of preferred stock, with no par value, by the issue price of R$ 1,3 determined in accordance with section 170, § 1, item I, of the Corporations Law. The payment of this capital was made by shareholder IronCo LLC, through funds from foreign exchange contracts; and

► Additional increase of capital by the amount of R$ 47.673, going from R$ 759.115 to R$ 806.789, with the issuance of 30.242 registered shares of preferred stock, with no par value, which was paid up in national currency, at the issue price of R$ 1,6, determined, also, in accordance with section 170, § 1, item I, of the Corporate Law.

b) Capital reserve – Bonus Subscription

On June 8, 2011 the Company issued subscription bonuses for the benefit of shareholders (i) Fábrica Holding Ltda., (ii) Mathew Todd Goldsmith and (iii) Michael Stephen Vitton. These subscription bonuses give their holders the right to subscribe shares in accordance with the terms and conditions contained in the certificate of subscription bonus, which will be exercisable, in whole or in part, at the sole discretion of the holder, upon the occurrence of events defined in the contract. The value and amount of shares of common stock to be issued by the Company, in the case of option exercise by the holders of the subscription bonuses are determined contractually.

c) Legal reserve

It will be made annually with allocation of 5% of net profit at year-end, and may not exceed 20% of the capital, is intended to ensure the integrity of the capital and may only be used to offset losses or increase capital.

d) Dividends

According to the statutory provisions, the minimum mandatory dividend is 0,001% of adjusted net profit at year-end under the corporate law, limited to the amount of the net profit at year-end that has been realized, which should be submitted for deliberation and approval at Shareholders' Meeting.

13. Financial instruments

Financial assets, as of June 30, 2011, are represented by cash and cash equivalents and are classified and measured at fair value through profit or loss. Financial liabilities are represented by the balances of suppliers and accounts payable and are recorded at amortized cost. On June 30, 2011, there were no differences between the book values and fair values of financial instruments.

The Company does not perform hedging transactions, swap or other transactions involving derivative financial instruments.

The Company maintains its funds in different institutions, all of recognized liquidity and, as a policy, limits exposure in each institution.

14. Insurance

At a meeting of the Board of Directors of June 28, 2011, the Board reviewed and approved the proposal submitted by the management based on a business offer of insurer Chartis Seguros Brasil S.A., of an insurance policy for Liability Insurance for Executive Officers and Directors for the total insured value of R$ 25.000 and an annual premium of approximately R$ 116. The insurance contracted by the Company includes (i) indemnification of executive officers and directors, and (ii) reimbursement to the Company. In due time, the Board may discuss the expansion of coverage in this policy and/or increase of the total amount insured.