



Building a better  
working world

## **Unaudited Quarterly Financial Information**

### **Manabi S.A.**

June 30, 2013  
with Independent Auditor's Report on Review of Quarterly  
Financial Information

# **Manabi S.A.**

## **Unaudited quarterly financial information**

June 30, 2013

### **Contents**

Independent auditor's report on review of Quarterly Financial Information .....	1
Quarterly financial information	
Balance sheets (unaudited) .....	4
Unaudited Statements of Operations .....	5
Unaudited Statements of Comprehensive Income .....	7
Unaudited Statements of Changes in Equity .....	8
Unaudited Statements of Cash Flows .....	9
Unaudited Statements of Value Added .....	10
Notes to unaudited quarterly financial information .....	11



Building a better  
working world

Centro Empresarial PB 370  
Praia de Botafogo, 370  
5º ao 8º andares - Botafogo  
22250-040 - Rio de Janeiro, RJ, Brasil

Tel: +55 21 3263-7000  
Fax: +55 21 3263-7004  
ey.com.br

A free translation from Portuguese into English of independent auditor's report on review of quarterly financial information

---

## **Independent auditor's report on review of quarterly financial information**

The Shareholders, Board of Directors and Officers

**Manabi S.A.**

Rio de Janeiro - RJ

### **Introduction**

We have reviewed the accompanying individual and consolidated quarterly financial information of Manabi S.A., contained in the quarterly financial information form (ITR) as of June 30, 2013, which comprises the balance sheet as of June 30, 2013 and the related statements of operations for the three and six month period then ended, statements of comprehensive income, statement of changes in equity and cash flows for the six month period then ended, including explanatory notes.

Management is responsible for the preparation and presentation of the individual quarterly financial information in accordance with Accounting Pronouncement CPC 21 (R1) - Interim Financial Information ("CPC 21 (R1)"), issued by the Brazilian Accounting Standards Board (CPC), and the consolidated quarterly financial information in accordance with CPC 21 (R1) and International Accounting Standard IAS 34 - Interim Financial Reporting ("IAS 34"), issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Interim Financial Information (ITR). Our responsibility is to express a conclusion on this quarterly financial information based on our review.

### **Scope of review**

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, mainly to the professionals responsible for financial and accounting issues and the application of analytical and other review procedures. A review is significantly less in scope than an audit conducted in accordance with auditing standards and, accordingly, does not allow us to obtain assurance that we became aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Building a better  
working world

### **Conclusion on the individual quarterly financial information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual quarterly financial information included in the quarterly information referred to above was not prepared, in all material aspects, in accordance with CPC 21 (R1) applicable to the preparation of Quarterly Financial Information (ITR) and presented consistently with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

### **Conclusion on the consolidated quarterly financial information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial information referred to above was not prepared, in all material aspects, in accordance with CPC 21 (R1) and IAS34 applicable to the preparation of Interim Financial Information (ITR), and presented consistently with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

### **Emphasis paragraph**

Without qualifying our conclusion, we draw attention to Note 1, which indicates that the Company has no cash generating activities or sufficient funds to implement its investment plan, and thus depends on funds provided by shareholders or third parties for implementation of its business plan. These conditions indicate the existence of significant uncertainty which may cast significant doubt as to the Company's ability to continue as a going concern. The recoverability of amounts recorded in noncurrent assets is contingent upon the success of the future operations of the Company and its subsidiaries. The quarterly information has been prepared on the assumption of continuity of business operations.



Building a better  
working world

## Other matters

### Quarterly statements of value added

We have also conducted a review of the quarterly individual and consolidated quarterly statements of value added for the six-month period ended June 30, 2013, whose presentation in the quarterly financial information is required by the Brazilian Securities Commission (CVM) and is considered supplementary information under IFRS, which does not require the presentation of such statement of value added. These statements were submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that the quarterly statements of value added are not prepared, in all material aspects, consistently in relation to the overall accompanying individual and consolidated quarterly financial information.

Rio de Janeiro, August 7<sup>th</sup>, 2013.

ERNST & YOUNG TERCO  
Auditores Independentes S.S.  
CRC - 2SP 015.199/O-6 - F - RJ

  
Wilson J. O. Moraes  
Accountant CRC - 1RJ 107.211/O-1

  
Paulo José Machado  
Accountant CRC - 1RJ 061.469/O-4

## Manabi S.A.

### Balance sheets

June 30, 2013 (unaudited) and December 31, 2012

(In thousands of Reais)

	Note	Parent company		Consolidated	
		6/30/2013	12/31/2012	6/30/2013	12/31/2012
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	4	13	71,487	13	71,487
Marketable securities	4	622,500	617,663	622,500	617,663
Recoverable taxes		5,088	3,062	5,088	3,062
Other		791	643	805	655
<b>Total current assets</b>		<b>628,392</b>	<b>692,855</b>	<b>628,406</b>	<b>692,867</b>
<b>Non-current assets</b>					
Advances for future capital increase	5	10,389	27,505	-	-
Investments	5	104,678	75,130	-	-
Property, plant and equipment	6	4,322	3,061	47,626	37,967
Intangible assets	7	618,196	569,576	690,658	638,103
<b>Total non-current assets</b>		<b>737,585</b>	<b>675,272</b>	<b>738,284</b>	<b>676,070</b>
<b>Total assets</b>		<b>1,365,977</b>	<b>1,368,127</b>	<b>1,366,690</b>	<b>1,368,937</b>
<b>Liabilities and equity</b>					
<b>Current liabilities</b>					
Trade accounts payable	10	9,220	9,270	9,835	9,861
Employee-related accruals		2,839	1,882	2,839	1,882
Tax liabilities		705	1,203	821	1,422
Provision for losses on investments	5	18	-	-	-
Other		-	554	-	554
<b>Total current liabilities</b>		<b>12,782</b>	<b>12,909</b>	<b>13,495</b>	<b>13,719</b>
<b>Equity</b>					
Capital stock	11	1,381,666	1,381,666	1,381,666	1,381,666
Capital reserve		1	1	1	1
Share-based payment reserve	9	11,934	8,238	11,934	8,238
Accumulated losses		(40,406)	(34,687)	(40,406)	(34,687)
<b>Total equity</b>		<b>1,353,195</b>	<b>1,355,218</b>	<b>1,353,195</b>	<b>1,355,218</b>
<b>Total liabilities and equity</b>		<b>1,365,977</b>	<b>1,368,127</b>	<b>1,366,690</b>	<b>1,368,937</b>

See accompanying notes

## Manabi S.A.

### Unaudited statements of operations

Six month period ended June 30, 2013 and 2012

(In thousands of Reais, except for loss per share, in Reais)

	Note	Parent company		Consolidated	
		6/30/2013	6/30/2012	6/30/2013	6/30/2012
Operating expenses					
Personnel		(15,408)	(14,118)	(15,408)	(14,118)
Services rendered		(7,284)	(4,164)	(7,676)	(4,327)
General and administrative expenses		(3,613)	(3,050)	(3,678)	(3,079)
Depreciation		(283)	(160)	(283)	(160)
Taxes		(353)	(101)	(359)	(101)
		<u>(26,941)</u>	<u>(21,593)</u>	<u>(27,404)</u>	<u>(21,785)</u>
Other operating expenses					
Equity results and provision for losses on investments	5	(470)	(196)	-	-
		<u>(470)</u>	<u>(196)</u>	<u>-</u>	<u>-</u>
Operating losses before financial results		<u>(27,411)</u>	<u>(21,789)</u>	<u>(27,404)</u>	<u>(21,785)</u>
Financial income and expenses					
Financial income	12	21,782	8,120	21,782	8,120
Financial expenses		(90)	(67)	(97)	(71)
		<u>21,692</u>	<u>8,053</u>	<u>21,685</u>	<u>8,049</u>
Loss before income tax and social contribution		<u>(5,719)</u>	<u>(13,736)</u>	<u>(5,719)</u>	<u>(13,736)</u>
Income tax and social contribution	8	-	-	-	-
Loss for the period		<u>(5,719)</u>	<u>(13,736)</u>	<u>(5,719)</u>	<u>(13,736)</u>
Loss per common share (basic and diluted)	11	(5.50)	(17.17)		
Loss per preferred share (basic and diluted)	11	(5.50)	(17.17)		

See accompanying notes.

## Manabi S.A.

### Unaudited statements of operations

Three month period ended June 30, 2013 and 2012

(In thousands of Reais, except for loss per share, in Reais)

	Note	Parent company		Consolidated	
		4/1/2013 to 6/30/2013	4/1/2012 to 6/30/2012	4/1/2013 to 6/30/2013	4/1/2012 to 6/30/2012
Operating expenses					
Personnel		(8,474)	(7,308)	(8,474)	(7,308)
Services rendered		(2,294)	(2,988)	(2,430)	(3,125)
General and administrative expenses		(2,120)	(1,881)	(2,152)	(1,908)
Depreciation		(169)	(88)	(169)	(88)
Taxes		(31)	(29)	(36)	(29)
		<u>(13,088)</u>	<u>(12,294)</u>	<u>(13,261)</u>	<u>(12,458)</u>
Other operating expenses					
Equity results and provision for losses on investments	5	(180)	(166)	-	-
		<u>(180)</u>	<u>(166)</u>	<u>-</u>	<u>-</u>
Operating losses before financial results		<u>(13,268)</u>	<u>(12,460)</u>	<u>(13,261)</u>	<u>(12,458)</u>
Financial income and expenses					
Financial income	12	11,132	3,505	11,132	3,505
Financial expenses		(45)	(28)	(52)	(30)
		<u>11,087</u>	<u>3,477</u>	<u>11,080</u>	<u>3,475</u>
Loss before income tax and social contribution		<u>(2,181)</u>	<u>(8,983)</u>	<u>(2,181)</u>	<u>(8,983)</u>
Income tax and social contribution	8	-	-	-	-
Loss for the period		<u>(2,181)</u>	<u>(8,983)</u>	<u>(2,181)</u>	<u>(8,983)</u>
Loss per common share (basic and diluted)	11	(2.10)	(11.23)		
Loss per preferred share (basic and diluted)	11	(2.10)	(11.23)		

See accompanying notes.



## Manabi S.A.

### Unaudited Statements of Comprehensive Income Six month period ended June 30, 2013 and 2012 (In thousands of Reais)

	Parent Company		Consolidated	
	6/30/2013	6/30/2012	6/30/2013	6/30/2012
Loss for the period	(5,719)	(13,736)	(5,719)	(13,736)
Other comprehensive income	-	-	-	-
Comprehensive loss for the period	(5,719)	(13,736)	(5,719)	(13,736)

### Three month period ended June 30, 2013 and 2012 (In thousands of Reais)

	Parent Company		Consolidated	
	4/1/2013 to 6/30/2013	4/1/2012 to 6/30/2012	4/1/2013 to 6/30/2013	4/1/2012 to 6/30/2012
Loss for the period	(2,181)	(8,983)	(2,181)	(8,983)
Other comprehensive income	-	-	-	-
Comprehensive loss for the period	(2,181)	(8,983)	(2,181)	(8,983)

See accompanying notes.

## Manabi S.A.

### Unaudited Statements of Changes in Equity Six month period ended June 30, 2013 and 2012 (In thousands of Reais)

	Capital stock		Capital reserves			Total
	Subscribed	Equity issuance costs	Subscription warrant	Share-based payment reserve	Accumulated losses	
At December 31, 2011	806,790	(20,084)	1	939	(64)	787,582
Stock options (Note 9)	-	-	-	3,568	-	3,568
Loss for the period	-	-	-	-	(13,736)	(13,736)
At June 30, 2012	806,790	(20,084)	1	4,507	(13,800)	777,414
At December 31, 2012	1,418,130	(36,464)	1	8,238	(34,687)	1,355,218
Stock options (Note 9)	-	-	-	3,696	-	3,696
Loss for the period	-	-	-	-	(5,719)	(5,719)
At June 30, 2013	1,418,130	(36,464)	1	11,934	(40,406)	1,353,195

See accompanying notes.

## Manabi S.A.

### Unaudited Statements of Cash Flows Six month period ended June 30, 2013 and 2012 (In thousands of Reais)

	Parent Company		Consolidated	
	6/30/2013	6/30/2012	6/30/2013	6/30/2012
<b>Cash flows from operating activities</b>				
Loss before income tax and social contribution	(5,719)	(13,736)	(5,719)	(13,736)
Adjustments to reconcile the loss for the period to cash from operating activities				
Depreciation and amortization	283	160	283	160
Stock options	3,696	3,568	3,696	3,568
Marketable securities income	(20,627)	-	(20,627)	-
Equity results and provision for losses on investments	470	196	-	-
Changes in assets and liabilities				
Recoverable taxes	(2,026)	(515)	(2,026)	(515)
Prepaid expenses	-	(2,488)	-	(2,488)
Other assets	(148)	130	(149)	(265)
Trade accounts payable	570	(66)	602	483
Employee-related accruals	293	1,103	293	1,114
Tax liabilities	(811)	(176)	(1,028)	(193)
Other liabilities	(32)	-	(32)	-
Net cash used in operating activities	(24,051)	(11,824)	(24,707)	(11,872)
<b>Cash flows from investing activities</b>				
Advances for future capital increase	17,116	(16,426)	-	-
Acquisition of marketable securities	(1,250)	-	(1,250)	-
Redemption of marketable securities	17,040	-	17,040	-
Acquisition of property, plant & equipment	(905)	(388)	(9,401)	(17,973)
Additions to intangible assets	(47,277)	-	(51,009)	(16,412)
Capital increase in subsidiaries	(30,000)	(17,619)	-	-
Net cash used in investing activities	(45,276)	(34,433)	(44,620)	(34,385)
<b>Cash flows from financing activities</b>				
Equity issuance costs	(2,147)	-	(2,147)	-
Net cash used in financing activities	(2,147)	-	(2,147)	-
Decrease in cash and cash equivalents	(71,474)	(46,257)	(71,474)	(46,257)
Cash and cash equivalents at the beginning of the period	71,487	192,906	71,487	192,906
Cash and cash equivalents at the end of the period	13	146,649	13	146,649

See accompanying notes.

## Manabi S.A.

Unaudited Statements of Added Value (supplementary information for IFRS purposes)  
Six month period ended June 30, 2013 and 2012  
(In thousands of Reais)

	Parent company		Consolidated	
	6/30/2013	6/30/2012	6/30/2013	6/30/2012
Inputs acquired from third parties				
Services rendered by third parties	(7,284)	(4,164)	(7,676)	(4,327)
Gross added value	(7,284)	(4,164)	(7,676)	(4,327)
Depreciation and amortization	(283)	(160)	(283)	(160)
Net added value	(7,567)	(4,324)	(7,959)	(4,487)
Transferred added value received				
Equity results and provision for losses on investments	(470)	(196)	-	-
Financial income	21,782	8,120	21,782	8,120
Total added value to be distributed	13,745	3,600	13,823	3,633
Distribution of added value				
Personnel				
Direct remuneration	8,922	8,975	8,922	8,975
Benefits	762	489	762	489
Accrued severance indemnity (FGTS)	403	433	403	433
Management fees	3,328	2,274	3,328	2,274
	13,415	12,171	13,415	12,171
General and administrative expenses	3,613	3,050	3,678	3,079
Tax				
Federal	2,099	1,947	2,099	1,947
Municipal	247	101	253	101
	2,346	2,048	2,352	2,048
Financial expenses	90	67	97	71
Loss for the period	(5,719)	(13,736)	(5,719)	(13,736)
Added value distributed	13,745	3,600	13,823	3,633

See accompanying notes.

## **Manabi S.A.**

Notes to unaudited quarterly financial information

June 30, 2013

(In thousands of Reais, except when otherwise indicated)

### **1. Operations**

Manabi S.A. (“Manabi” or “Company”) is a publicly-held company, the corporate purpose of which is (i) exploration, development and negotiation of business opportunities in exploration, economic exploration, development, mining, extraction, production and sale of iron ore and other metal deposits in South America; (ii) investment, equity interests and operation of assets and companies in the sectors of exploration of iron ore deposits and other metal deposits, including logistics, transportation, industrial facilities and other infrastructure related to such business opportunities, assets and companies; (iii) research, exploration, extraction, processing, manufacturing, transportation, export and trading of the mineral assets and products listed in item (i) above; and (iv) render geological services.

As of June 30, 2013, Manabi fully controls companies Morro do Pilar Minerais S.A. (“MOPI”), Morro Escuro Minerais S.A. (“MOES”), Manabi Logística S.A. (“Manabi Log”), and Dutovias do Brasil S.A. (“Dutovias”).

The business purpose of subsidiaries MOPI and MOES is to: (a) research, explore, mine, process and transport mining goods and products; (b) render geological services; (c) render intermediation services related to the above described activities and subject; (d) hold equity interests in other companies, in Brazil or abroad; (e) lease vehicles, drills and equipment for drilling and mining; and (f) render drilling services for mining activities.

Manabi Log’s business purpose is to consolidate efficient port logistics for distribution of the iron ore production. Currently, Manabi Log is not operational and holds the area on which it intends to build the Porto Norte port terminal.

Dutovias was acquired on March 8, 2013 and its purpose is to consolidate the transportation of iron ore from Morro do Pilar to Porto Norte, using an iron ore pipeline to be constructed.

The development and implementation of an integrated iron ore production and distribution project is capital intensive. In this context, Management believes that the funds held in cash are sufficient for, at least, the next 12 months of operation. Management continues to evaluate alternatives to raise additional funds that will enable the implementation of its business plan.

## **Manabi S.A.**

Notes to unaudited quarterly financial information (Continued)

June 30, 2013

(In thousands of Reais, except when otherwise indicated)

### **1. Operations (Continued)**

The Company intends to invest primarily in (i) deepening its knowledge of the mineral asset with reports on exploration and survey, drilling, characterization and modeling, (ii) engineering, (iii) obtaining licenses required for operation, (iv) logistics infrastructure, and (v) negotiating contracts with potential buyers.

The Company has engaged renowned companies to render drilling, chemical analysis of samples, preparation of environmental studies and development of conceptual engineering for the mine, pipeline and port terminal.

### **2. Basis for preparation and presentation of quarterly information**

The individual financial information has been prepared and are presented in accordance with CPC 21 (R1) - Interim Financial Statements, and applicable standards for quarterly information issued by the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários* - "CVM").

The consolidated financial information has been prepared in accordance with CPC 21 (R1) and international standard IAS 34 - Interim Financial Reporting, issued by the IASB, and applicable standards for interim information issued by the CVM.

The quarterly financial information should be read in conjunction with the financial statements as of December 31, 2012, which individual financial statements were prepared in accordance with accountings practices adopted in Brazil, including the provisions of the Brazilian Corporations' Law and accounting rules and procedures issued by the CVM and Accounting Pronouncements Committee and consolidated financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board (IASB), and in accordance with accounting practices adopted in Brazil.

The Company's Management authorized the conclusion of the preparation of this quarterly financial information on August 7<sup>th</sup>, 2013.

## **Manabi S.A.**

Notes to unaudited quarterly financial information (Continued)

June 30, 2013

(In thousands of Reais, except when otherwise indicated)

### **3. Summary of significant accounting practices**

The quarterly financial information is presented based on the same accounting policies described in the Note 3 of the audited financial statements of December 31, 2012.

The new accounting pronouncements issued by the International Accounting Standards Board (IASB), effective as of January 1, 2013, as described in the audited financial statements of December 31, 2012, did not affect the individual and consolidated quarterly financial information.

#### **Accounting judgment, estimates and assumptions**

The Company uses significant accounting judgments, estimates and assumptions to measure and recognize certain assets and liabilities in its financial statements. The determination of these estimates takes into account past and current events, assumptions relating to future events, as well as other objective and subjective factors.

Significant items subject to estimates, which were taken into consideration, or which will affect the Company after start-up, include: selection of the useful life of property, plant and equipment; the reserves estimate included used in determining depreciation based on the units of production method; the assessment of the recoverable amount of each cash generating unit; analyses of impairment of property, plant and equipment assets; deferred income tax and social contribution; provision for contingencies; among others.

The settlement of transactions involving such estimates may result in amounts different from those recorded in the financial statements due to the uncertainties inherent to the determination process. The Company reviews its estimates and assumptions at least annually.

## Manabi S.A.

Notes to unaudited quarterly financial information (Continued)

June 30, 2013

(In thousands of Reais, except when otherwise indicated)

### 4. Cash and cash equivalents and marketable securities

	Parent company		Consolidated	
	6/30/2013	12/31/2012	6/30/2013	12/31/2012
Cash and banks	13	11	13	11
Cash equivalents				
Bank Deposit Certificates (CDBs)	-	25,395	-	25,395
Debentures with repurchase clauses	-	46,081	-	46,081
	<b>13</b>	<b>71,487</b>	<b>13</b>	<b>71,487</b>
Marketable securities				
Government bonds	622,500	617,663	622,500	617,663
	<b>622,500</b>	<b>617,663</b>	<b>622,500</b>	<b>617,663</b>

The funds invested in Bank Deposit Certificates and immediate liquidity and low credit risk debentures were fully redeemed during the first semester to meet the Company's financial commitments. These funds were from the first private placement held by the Company and their income was linked to the variation of the Interbank Deposit Certificate (CDI), producing an average yield of 101.3% of the CDI, as well as a lower rate of withholding income tax.

Investments in CDBs and debentures with repurchase agreements were broken down as follows:

Investment	Bank	Beginning of operation	Maturity of operation	Index CDI	6/30/2013	12/31/2012
					Parent company and consolidated	Parent company and consolidated
CDB	Bradesco	3/26/2012	3/17/2014	100.0%	-	417
CDB	Itaú BBA	6/08/2011	5/29/2013	101.6%	-	13,423
CDB	Banco do Brasil	6/08/2011	5/29/2013	100.6%	-	11,554
Debêntures	Itaú BBA	12/21/2012	1/21/2013	80.0%	-	535
Debêntures	Bradesco	6/08/2011	5/29/2013	101.7%	-	45,547
					-	<b>71,476</b>



## Manabi S.A.

Notes to unaudited quarterly financial information (Continued)

June 30, 2013

(In thousands of Reais, except when otherwise indicated)

### 4. Cash and cash equivalents and marketable securities (Continued)

The breakdown of government bonds is as follows:

Security	Number	Beginning	Maturity	Index	6/30/2013	12/31/2012
					Parent company and consolidated	Parent company and consolidated
LFT	12,875	11/06/2012	09/07/2015	Selic	72,665	101,032
LFT	27,808	11/07/2012	09/07/2015	Selic	156,946	151,504
LFT	18,534	11/08/2012	09/07/2015	Selic	104,604	100,977
LFT	37,575	11/12/2012	09/07/2013	Selic	194,965	201,859
LFT	712	12/05/2012	03/07/2013	Selic	-	3,878
LFT	290	02/15/2013	03/07/2014	Selic	1,636	-
LFT	698	03/07/2013	09/07/2019	Selic	3,936	-
LFT	5,325	06/26/2013	09/07/2013	Selic	30,027	-
LFT	5	06/26/2013	09/07/2014	Selic	28	-
NTN-B	4,000	12/04/2012	08/15/2014	IPCA	9,615	9,735
NTN-B	10,000	12/04/2012	08/15/2014	IPCA	24,039	24,339
NTN-B	10,000	12/04/2012	08/15/2014	IPCA	24,039	24,339
					<b>622,500</b>	<b>617,663</b>

Government bonds are allocated to an exclusive investment fund with yields determined by the variation of the Selic rate (LFT) and by the variation of the IPCA + spread (NTN-B). These bonds have generated an average return of 97.70% of the CDI in the six month period ended June 30, 2013.

Government bonds are highly liquid, have low credit risk (sovereign risk) and are available for use in the operations of the Company and of its subsidiaries.

The funds invested in government bonds derive from the second private placement carried out by the Company in the second half of 2012.

## Manabi S.A.

Notes to unaudited quarterly financial information (Continued)

June 30, 2013

(In thousands of Reais, except when otherwise indicated)

### 5. Investments in subsidiaries (Parent company)

Changes in investments during the period are as follows:

	12/31/2012	Capital increase	Equity results	6/30/2013
Investments				
MOPI	4,104	2,500	(134)	6,470
MOES	9,133	5,000	(76)	14,057
Manabi Log	6,452	22,500	(242)	28,710
Excess paid on acquisition of investment		-		
MOES	55,441		-	55,441
	<u>75,130</u>	<u>30,000</u>	<u>(452)</u>	<u>104,678</u>
Provision for losses on investments				
Dutovias (*)	-	-	(18)	(18)
Equity results and provision for losses on investments			<u>(470)</u>	

(\*) As previously mentioned, Dutovias was acquired on March 8, 2013 with the purpose of being used to consolidate the transportation of iron ore by means of a pipeline to be constructed.

The advances for future capital increase are remitted to the subsidiaries for acquisition of land, surveys, environmental studies, research, registration, appraisal, negotiation and documentation of the project areas. The capitalization of these balances occurs within a period not greater than one year.

As set forth in the bylaws of the subsidiaries, on April 30, 2012, the capital of the subsidiaries was increased by R\$ 30,000, by means of capitalization of part of the advances for future capital increase. On June 30, 2013, the balance of funds remitted by the Company to its subsidiaries MOPI, MOES, Manabi Log, and Dutovias, totaled R\$ 632, R\$ 2,568, R\$ 5,354, and R\$ 1,835, respectively.

Other investment information - June 30, 2013

	MOPI	MOES	Manabi Log	Dutovias
Total common shares	6,531,860	5,782,820	23,159,600	900
Company's interest	100%	100%	100%	100%
Equity	6,470	14,057	28,710	(18)
Share price (in reais)	0.99	2.43	1.24	(20.00)

## Manabi S.A.

Notes to unaudited quarterly financial information (Continued)

June 30, 2013

(In thousands of Reais, except when otherwise indicated)

### 6. Property, plant and equipment

#### Parent company balances

	Parent company					
	6/30/2013			12/31/2012		
	Cost	Depreciation	Net amount	Cost	Depreciation	Net amount
Buildings	285	(8)	277	285	(2)	283
Construction in progress	511	-	511	1,174	-	1,174
Machinery and equipment	119	(8)	111	73	(3)	70
Furniture and fixtures	1,076	(120)	956	767	(74)	693
IT equipment	521	(94)	427	290	(53)	237
Communication equipment	131	(28)	103	87	(16)	71
Leasehold improvements	2,199	(262)	1,937	688	(155)	533
	<u>4,842</u>	<u>(520)</u>	<u>4,322</u>	<u>3,364</u>	<u>(303)</u>	<u>3,061</u>

#### Changes in the Parent company in the period

	Depreciation rate	12/31/2012	Acquisitions	Transfers	Write-off	Depreciation	6/30/2013
Buildings	4%	283	-	-	-	(6)	277
Construction in progress	-	1,174	775	(1,438)	-	-	511
Machinery and equipment	10%	70	46	-	-	(5)	111
Furniture and fixtures	10%	693	309	-	-	(46)	956
IT equipment	20%	237	231	-	-	(41)	427
Communication equipment	20%	71	46	-	(2)	(12)	103
Leasehold improvements	22%	533	73	1,438	-	(107)	1,937
		<u>3,061</u>	<u>1,480</u>	<u>-</u>	<u>(2)</u>	<u>(217)</u>	<u>4,322</u>

#### Consolidated balances

	Consolidated					
	6/30/2013			12/31/2012		
	Cost	Depreciation	Net amount	Cost	Depreciation	Net amount
Land	28,273	-	28,273	28,203	-	28,203
Buildings	285	(8)	277	285	(2)	283
Construction in progress	15,540	-	15,540	7,874	-	7,874
Machinery and equipment	119	(8)	111	73	(3)	70
Furniture and fixtures	1,078	(120)	958	770	(74)	696
IT equipment	521	(94)	427	290	(53)	237
Communication equipment	131	(28)	103	87	(16)	71
Leasehold improvements	2,199	(262)	1,937	688	(155)	533
	<u>48,146</u>	<u>(520)</u>	<u>47,626</u>	<u>38,270</u>	<u>(303)</u>	<u>37,967</u>

## Manabi S.A.

Notes to unaudited quarterly financial information (Continued)

June 30, 2013

(In thousands of Reais, except when otherwise indicated)

### 6. Property, plant and equipment (Continued)

#### Changes in the consolidated balances in the period

	Depreciation rate	12/31/2012	Acquisitions	Transfers	Write-off	Depreciation	6/30/2013
Land	-	28,203	70	-	-	-	28,273
Buildings	4%	283	-	-	-	(6)	277
Construction in progress	-	7,874	9,103	(1,438)	-	-	15,539
Machinery and equipment	10%	70	46	-	-	(5)	111
Furniture and fixtures	10%	696	309	-	-	(46)	959
IT equipment	20%	237	231	-	-	(41)	427
Communication equipment	20%	71	46	-	(2)	(12)	103
Leasehold improvements	22%	533	73	1,438	-	(107)	1,937
		37,967	9,878	-	(2)	(217)	47,626

In November 2011, construction of the port terminal was started. Costs incurred up to June 30, 2013 were R\$ 13,178, related to the environmental licensing process, oceanographic studies and start of the port's conceptual engineering project which were fully recorded as property, plant and equipment.

### 7. Intangible assets (consolidated)

Intangible assets are comprised of existing prospecting rights and mineral resources in subsidiary MOES and in the Company.

Intangible assets are represented by over 80 mining rights, their respective mineral resources and exploration expenditures, located in the State of Minas Gerais, of which 5 are in application for research stage, 18 in research permit stage, 48 in application for mining stage, 6 are qualifications in edicts of areas considered available by the DNPM, and 3 relate to licensing requests.

The certification report, pursuant to standards of disclosure for mineral projects ("NI 43-101"), prepared by a leading international mining consultant in April 2012 for MOPI project based on 147 drill holes, including a span of 16 thousand linear meters, certified 1.2 Bt of resources: 1,166 Mt of which were categorized as inferred and 30 Mt as indicated. In addition, the mentioned study included an additional exploration potential of 750 Mt to 1,800 Mt.

## Manabi S.A.

Notes to unaudited quarterly financial information (Continued)

June 30, 2013

(In thousands of Reais, except when otherwise indicated)

### 7. Intangible assets (consolidated) (Continued)

From April 2012 until June 30, 2013, 300 additional drill holes were completed, increasing the length encompassed to 70 thousand linear meters. The new set of data collected in the on-going drilling campaign will substantiate a new resource report which is expected to confirm a significant upgrade of the inferred mineral resources of Pilar Hill into the measured and indicated (M&I) category.

The MOES project's certification report, also prepared by the same external company in April 2012, included approximately 389 Mt in resources categorized as Inferred and additional exploration potential of 250 to 450 Mt.

The intangible assets were broken down as follows:

	<u>Amortization rate</u>	<u>12/31/2012</u>	<u>Additions</u>	<u>Amortization</u>	<u>6/30/2013</u>
Expenditures related to exploration/valuation of mineral resources and prospecting rights	-	90,853	52,252	-	143,105
Intangible assets acquired in business combination (MOPI and MOES)	-	546,868	-	-	546,868
Software	20%	382	369	(66)	685
		<u>638,103</u>	<u>52,621</u>	<u>(66)</u>	<u>690,658</u>

### 8. Income tax and social contribution

As of June 30, 2013, the Company's accumulated tax loss carryforward and negative social contribution basis amounted to R\$ 62,988 (R\$ 59,537 as of December 31, 2012), in relation to which Management opted not to record deferred tax assets in this stage of the project. Tax loss carryforwards generated in Brazil do not expire and are offset with future taxable profit, limited to 30% of the taxable profit in each year.

## **Manabi S.A.**

Notes to unaudited quarterly financial information (Continued)

June 30, 2013

(In thousands of Reais, except when otherwise indicated)

### **9. Transactions with related parties**

The Company is currently in the prospection phase and has no operational transactions with related parties.

#### **Compensation of key management personnel**

The Company considers all current officers and board members to be key management personnel. For the six month period ended June 30, 2013, the compensation of these officers and board members was R\$ 2,853 and R\$ 1,070, including salaries, fees and social charges. These values do not include the amount of R\$ 1,430 related to share based payment (stock options) to the officers which was recorded for the six month period in statement of operations. Compensation for the officers and board members for the year 2013 at an aggregate amount of R\$ 6,600 and R\$ 3,240 respectively, were approved in the Annual General Meeting held on April 30, 2013.

#### **Share based payment (stock options)**

In the Annual Shareholders' Meeting held on July 21, 2011, the Company's shareholders approved a stock option plan for officers, members of the Board of Directors, and employees. The stock options issued by the Company under the plan are primary and, therefore, involve the issuance of new shares.

On June 30, 2013, a total of 24,730 (twenty-four thousand, seven hundred and thirty) options had been granted, by means of individual agreements between the Company and each beneficiary. As a condition for entitlement to the stock purchase option, the beneficiary must complete three years of service (vesting period). These options, in the proportion of one third of the total number of shares available for the plan, are exercisable in three annual tranches. The first tranche can be exercised in 12 months from the grant date and the following tranches, pursuant to the same conditions, can be exercised in 24 and 36 months from the grant date. The participants have a maximum term of sixty months from the maturity date to exercise the options.

## Manabi S.A.

Notes to unaudited quarterly financial information (Continued)

June 30, 2013

(In thousands of Reais, except when otherwise indicated)

### 9. Transactions with related parties (Continued)

#### Share based payment (stock options) (Continued)

The exercise price of the options granted until August 20, 2012 is R\$ 1,576.00 (one thousand, five hundred and seventy six reais) per share and, after such date, R\$ 2,547.25 (two thousand, five hundred and forty-seven reais and twenty-five cents), which shall remain unchanged until the effective exercise date of the option, subject to adjustment in the event of share grouping or share split. As the Company has not paid dividends to date, the valuation of these options assumes no payment of dividends for the duration of the stock option program.

The stock options were measured and recognized at fair value using the Merton model (1973).

The table below shows the result of the fair value measurement of the stock options at the date of this quarterly financial information:

Plan	Grant date	Initial maturity date	Vesting date	Number of shares	Annual volatility	Risk free rate	Dilution factor	Fair value options
2011.1	10/15/2011	10/15/2012	10/15/2017	4,550	40.41%	11.35%	99.41%	4,122
2011.1	10/15/2011	10/15/2013	10/15/2018	4,550	39.47%	11.35%	98.82%	4,387
2011.1	10/15/2011	10/15/2014	10/15/2019	4,550	38.95%	11.34%	98.23%	4,629
Aditivos	01/02/2012	10/15/2012	10/15/2017	500	40.86%	11.00%	99.24%	442
Aditivos	01/02/2012	10/15/2013	10/15/2018	500	39.58%	11.04%	98.33%	469
Aditivos	01/02/2012	10/15/2014	10/15/2019	500	38.98%	11.06%	97.44%	495
2012.1	01/02/2012	10/15/2012	10/15/2017	500	40.86%	11.00%	99.24%	442
2012.1	01/02/2012	10/15/2013	10/15/2018	500	39.58%	11.04%	98.33%	469
2012.1	01/02/2012	10/15/2014	10/15/2019	500	38.98%	11.06%	97.44%	494
2012.1	01/02/2012	10/15/2012	09/16/2013	400	40.86%	11.00%	99.24%	353
2012.2	01/02/2012	12/01/2012	12/01/2017	300	40.67%	10.99%	99.20%	267
2012.2	01/02/2012	12/01/2013	12/01/2018	300	39.51%	11.05%	98.30%	284
2012.2	01/02/2012	12/01/2014	12/01/2019	300	38.95%	11.06%	97.41%	299
2012.3	02/01/2012	01/15/2013	01/15/2018	1,000	40.55%	11.04%	99.08%	892
2012.3	02/01/2012	01/15/2014	01/15/2019	1,000	39.47%	11.19%	98.18%	951
2012.3	02/01/2012	01/15/2015	01/15/2020	1,000	38.80%	11.23%	97.29%	1,001
2012.4	01/13/2012	01/13/2013	01/13/2018	100	40.47%	11.23%	99.20%	90
2012.4	01/13/2012	01/13/2014	01/13/2019	100	39.41%	11.31%	98.28%	96
2012.4	01/13/2012	01/13/2015	01/13/2020	100	38.88%	11.32%	97.37%	101
2012.5	08/20/2012	08/20/2013	08/20/2018	180	39.99%	9.65%	99.05%	154
2012.5	08/20/2012	08/20/2014	08/20/2019	180	38.74%	9.78%	98.11%	164
2012.5	08/20/2012	08/20/2015	08/20/2020	180	38.05%	9.97%	97.19%	173
2012.6	11/19/2012	11/19/2013	11/19/2018	200	39.90%	9.06%	98.68%	270
2012.6	11/19/2012	11/19/2014	11/19/2019	200	38.72%	9.20%	97.97%	288
2012.6	11/19/2012	11/19/2015	11/19/2020	200	38.04%	9.39%	97.80%	307
2013.1	05/02/2013	05/02/2014	05/02/2019	780	39.98%	9.10%	98.54%	1,055
2013.1	05/02/2013	05/02/2015	05/02/2020	780	38.98%	9.24%	97.78%	1,126
2013.1	05/02/2013	05/02/2016	05/02/2021	780	38.13%	9.39%	97.68%	1,196
Total 06/30/2013				24,730				25,016

## Manabi S.A.

Notes to unaudited quarterly financial information (Continued)

June 30, 2013

(In thousands of Reais, except when otherwise indicated)

### 9. Transactions with related parties (Continued)

#### Share based payment (stock options) (Continued)

The effects of the stock options granted and outstanding recorded in equity and in the income statement for the period are as follows:

	1 <sup>st</sup> program	2 <sup>nd</sup> program	3 <sup>rd</sup> program	4 <sup>th</sup> program	5 <sup>th</sup> program	6 <sup>th</sup> program	Recorded in statement of operations	Total recorded in equity
2011	939	-	-	-	-	-	939	939
2012	4,535	2,579	92	60	33	-	7,299	8,238
2013	4,293	2,259	96	163	289	749	3,696	11,934
2014	3,372	1,986	95	163	288	1,124	-	-
2015	-	33	4	105	255	1,125	-	-
2016	-	-	-	-	-	379	-	-
Options expired	163	-	-	-	-	-	-	-
	<u>13,302</u>	<u>6,857</u>	<u>287</u>	<u>491</u>	<u>865</u>	<u>3,377</u>		

In the event the beneficiary resigns from his position, the non-mature options expire without any indemnity or compensation and the mature options may be exercised within ninety days. To date, 180 shares expired due to non-exercise of the option, corresponding to R\$ 163 already recognized in statement of operations and equity.

In the event the beneficiary's employment contract is terminated for cause, all rights expire automatically, regardless of notice or indemnification.

Pursuant to an amendment to the plan approved by the shareholders in the Extraordinary and Ordinary Shareholders' Meeting held on April 30, 2013, in the event the beneficiary is dismissed from his position without breach of duties and privileges, the specific rights that may be exercised in accordance with the relevant option on the date of issue may be exercised within the remaining exercise period available to such beneficiary.



## Manabi S.A.

Notes to unaudited quarterly financial information (Continued)

June 30, 2013

(In thousands of Reais, except when otherwise indicated)

### 10. Trade accounts payable

Trade accounts payable as of June 30, 2013 and December 31, 2012 are as follows:

	<b>Parent company</b>		<b>Consolidated</b>	
	<b>6/30/2013</b>	<b>12/31/2012</b>	<b>6/30/2013</b>	<b>12/31/2012</b>
Domestic	<b>9,220</b>	9,219	<b>9,835</b>	9,810
Foreign	-	51	-	51
	<b>9,220</b>	9,270	<b>9,835</b>	9,861

These balances refer mainly to survey services, environmental studies, and development of conceptual engineering, with an average settlement period of 30 days that are not subject to charges.

## Manabi S.A.

Notes to unaudited quarterly financial information (Continued)

June 30, 2013

(In thousands of Reais, except when otherwise indicated)

### 11. Equity

#### a) Capital stock

As of June 30, 2013, the subscribed and paid-in capital is represented by 1,040,000 shares, of which 250,000 are registered common shares, 550,000 are preferred class "A" shares and 240,000 are preferred class "B" shares, of no par value, as detailed below:

Shareholders	Number of shares			Total	%
	Common	Class "A" preferred	Class "B" preferred		
Fábrica Holding S.A.	150,000	3,000	320	153,320	14.74%
Ontario Teachers' Pension Plan	-	165,000	19,904	184,904	17.78%
Korea Investment Corporation	-	100,000	80,000	180,000	17.31%
EIG - Global Energy Partners	-	-	120,000	120,000	11.54%
Southeastern Asset Management	-	100,000	800	100,800	9.69%
Michael Stephen Vitton	50,000	11,000	360	61,360	5.90%
Mathew Todd Goldsmith	50,000	6,000	160	56,160	5.40%
Other	-	165,000	18,456	183,456	17.64%
	<u>250,000</u>	<u>550,000</u>	<u>240,000</u>	<u>1,040,000</u>	<u>100.00%</u>

Each common share entitles its holder to 1(one) vote in the Shareholders' Meetings, whereas each preferred share entitles its holder to the number of votes in Shareholders' Meetings based on the number of common shares into which each preferred share is convertible, as applicable, according and subject to the Shareholders' Agreement.

#### b) Capital reserves

Capital reserves are composed of subscription warrants and stock options granted.

On June 8, 2011, the Company issued subscription warrants to shareholders (i) Fábrica Holding S.A., (ii) Mathew Todd Goldsmith and (iii) Michael Stephen Vitton. These warrants entitle the holders to an option to subscribe a maximum of 44,854 common shares for R\$ 0.01 (one cent), in accordance with the terms and conditions set forth in the Subscription Warrant Certificate, as amended at the Special Shareholders' Meeting held on September 10, 2012, exercisable, in whole or in part, at the holder's discretion, upon occurrence of the events defined ("Execution Events").

Shareholder Fábrica Holding S.A. has the right to subscribe 60% of such shares the other two shareholders may subscribe 20% each.

## Manabi S.A.

Notes to unaudited quarterly financial information (Continued)

June 30, 2013

(In thousands of Reais, except when otherwise indicated)

### 11. Equity (Continued)

#### b) Capital reserves (Continued)

The mentioned Execution Events had not occurred by June 30, 2013 and these events are outside the control of the option holders. Therefore, these options did not have any impact on the financial statements.

#### c) Loss per share

The table below presents the results and share data used in determining the basic and dilutive loss per share:

	Three-month period ended June 30, 2013			Total
	Common	Class "A" preferred	Class "B" preferred	
Loss attributable to the equity holders	(524)	(1,154)	(503)	(2,181)
Number of outstanding shares	250,000	550,000	240,000	1,040,000
Loss per share - basic and diluted (*) in Reais	(2.10)	(2.10)	(2.10)	

	Three-month period ended June 30, 2012		
	Common	Preferred	Total
Loss attributable to the equity holders	(2,807)	(6,176)	(8,983)
Number of outstanding shares	250,000	550,000	800,000
Loss per share - basic and diluted (*) in Reais	(11.23)	(11.23)	

	Six-month period ended June 30, 2013			Total
	Common	Class "A" preferred	Class "B" preferred	
Loss attributable to the equity holders	(1,375)	(3,024)	(1,320)	(5,719)
Number of outstanding shares	250,000	550,000	240,000	1,040,000
Loss per share - basic and diluted (*) in Reais	(5.50)	(5.50)	(5.50)	

	Six-month period ended June 30, 2012		
	Common	Preferred	Total
Loss attributable to the equity holders	(4,292)	(9,444)	(13,736)
Number of outstanding shares	250,000	550,000	800,000
Loss per share - basic and diluted (*) in Reais	(17.17)	(17.17)	

(\*) The loss in the period is antidilutive for the holders of stock options and subscription warrants.

## Manabi S.A.

Notes to unaudited quarterly financial information (Continued)

June 30, 2013

(In thousands of Reais, except when otherwise indicated)

### 12. Financial income

The financial income in the period is comprised of:

	Consolidated			
	Six-Month Period		Three-Month Period	
	6/30/2013	6/30/2012	6/30/2013	6/30/2012
Bank deposit certificates (CDBs)	449	4,461	144	2,063
Debentures with repurchase agreements	599	3,636	82	1,435
Government bonds	20,627	-	10,852	-
Interest on Withholding Income Tax from investments	107	23	54	7
	<b>21,782</b>	<b>8,120</b>	<b>11,132</b>	<b>3,505</b>

### 13. Financial instruments

Financial instruments as of June 30, 2013 are represented by cash and cash equivalents and marketable securities, classified and measured at fair value through profit or loss.

Financial liabilities are represented by trade accounts payable, recorded at amortized cost. The average maturity period of trade accounts payable is 30 days and there are no relevant differences between carrying amounts and fair values.

The Company does not carry out hedge, swap or any other transactions that involve derivative financial instruments.

The Company holds its cash and cash equivalents with various highly liquid financial institutions and, as a policy, limits exposure to each institution.

## **Manabi S.A.**

Notes to unaudited quarterly financial information (Continued)

June 30, 2013

(In thousands of Reais, except when otherwise indicated)

### **14. Insurance coverage**

The Meeting of the Board of Directors held on June 28, 2011, approved the Management's proposal based on a proposal submitted by insurance company Chartis Seguros Brasil S.A., for an insurance policy covering Directors' and Officers' civil liability at an insured amount of US\$ 25,000,000 (twenty five million dollars).

The policy was renewed on July 4, 2012 in the total insured amount of R\$ 50,000. The purpose of the insurance is to pay for losses due to third parties as a result of a claim.

The Board may review the coverage of this policy from time to time and upon the occurrence a major event.

  
Ricardo Antunes Carneiro  
CEO  
Antonio Borges Leal Castello Branco  
CFO