Financial Statements

Manabi S.A.

December 31, 2013
with Independent Auditor's Report on the Financial Statements

Manabi S.A.

Audited financial statements

December 31, 2013

Contents

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A free translation from Portuguese into English of independent auditor's report on the financial statements

Independent auditor's report on the financial statements

The Shareholders, Board of Directors and Officers
Manabi S.A.
Rio de Janeiro - RJ

We have audited the accompanying individual and consolidated financial statements of Manabi S.A. ("Company"), identified as Parent Company and Consolidated, respectively, which comprise the balance sheet as at December 31, 2013, and the related statements of operations, of comprehensive income, of changes in equity and cash flows for the year then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with accounting practices adopted in Brazil, and of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and in conformity with the accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the preparation and fair presentation of the Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Opinion on the individual financial statements

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of Manabi S.A. as at December 31, 2013, its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Opinion on the 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 S.A. as at December 31, 2013, its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Emphasis of a matter

As described in Note 1, the Company and its subsidiaries will continue to develop business in the mining sector and the required investments to implement the business plan are significant. Currently, the Company has no cash generating activities or sufficient funds to implement its investment plan, depending on the shareholders' and/or third parties' funds to implement the business plan. The recoverability of the assets depends upon the success of the future operations of the Company and its subsidiaries, and the lack of funds required for the implementation of the business plans could raise significant doubts as to the Company's ability to continue as a going concern. The financial statements were prepared on the assumption that the business will continue as a going concern. Management's plans with respect to operating activities are described in Note 1. Our opinion is not qualified in respect of this matter.

As mentioned in Note 2, the individual financial statements were prepared in accordance with the accounting practices adopted in Brazil. In the case of Manabi S.A., these practices differ from IFRS - applicable to the separate financial statements - solely with respect to the measurement of investments in subsidiaries, under the equity method, while such investments would be measured at cost or fair value for IFRS purposes. Our opinion is not qualified in respect of this matter.

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Other matters

Supplementary information - Statements of value added

We have also audited the individual and consolidated statements of value added for the year ended December 31, 2013, prepared under the Company's management responsibility, the presentation of which is required by Brazilian corporation law for publicly held companies, and as supplementary information under IFRS, whereby no statement of value added presentation is required. These statements have been subject to the same auditing procedures previously described and, in our opinion, are presented fairly, in all material respects, in relation to the overall financial statements.

Rio de Janeiro, March 13, 2014

ERNST & YOUNG
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
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Manabi S.A.

Balance sheets
December 31, 2013 and 2012
(In thousands of Reais)

	Note	Parent company		Consolidated	
		12/31/2013	12/31/2012	12/31/2013	12/31/2012
Assets					
Current assets					
Cash and cash equivalents	5	**44**	71,487	**44**	71,487
Marketable securities	5	**546,901**	617,663	**546,901**	617,663
Recoverable taxes		**8,954**	3,062	**8,954**	3,062
Other		**377**	643	**470**	655
Total current assets		**556,276**	692,855	**556,369**	692,867
Non-current assets					
Advances for future capital increase	6	**23,434**	27,505	**-**	-
Investments	6	**34,738**	75,130	**-**	-
Property, plant and equipment	7	**5,329**	3,061	**64,261**	37,967
Intangible assets	8	**739,778**	569,576	**739,778**	638,103
Total non-current assets		**803,279**	675,272	**804,039**	676,070
Total assets		**1,359,555**	1,368,127	**1,360,408**	1,368,937
Liabilities and equity					
Current liabilities					
Trade accounts payable	11	**5,378**	9,270	**6,120**	9,861
Employee-related accruals		**2,069**	1,882	**2,069**	1,882
Tax liabilities		**1,346**	1,203	**1,563**	1,422
Provision for losses on investments	6	**106**	-	**-**	-
Other		**360**	554	**360**	554
Total current liabilities		**9,259**	12,909	**10,112**	13,719
Equity	12				
Capital stock		**1,381,666**	1,381,666	**1,381,666**	1,381,666
Capital reserve		**1**	1	**1**	1
Share-based payment reserve	10	**17,136**	8,238	**17,136**	8,238
Accumulated losses		**(48,507)**	(34,687)	**(48,507)**	(34,687)
Total equity		**1,350,296**	1,355,218	**1,350,296**	1,355,218
Total liabilities and equity		**1,359,555**	1,368,127	**1,360,408**	1,368,937

See accompanying notes

Manabi S.A.

Statements of operations
Years ended December 31, 2013 and 2012
(In thousands of Reais, except for loss per share, in Reais)

	Note	Parent company		Consolidated	
		12/31/2013	12/31/2012	12/31/2013	12/31/2012
Operating expenses					
Personnel		**(33,652)**	(28,159)	**(33,652)**	(28,159)
Services rendered		**(17,030)**	(17,695)	**(17,837)**	(18,026)
General and administrative expenses		**(8,074)**	(6,491)	**(8,261)**	(6,566)
Depreciation and amortization		**(753)**	(345)	**(762)**	(345)
Taxes		**(378)**	(389)	**(401)**	(411)
		(59,887)	(53,079)	**(60,913)**	(53,507)
Other operating expenses					
Equity results in subsidiaries	6	**(1,036)**	(438)	-	-
		(1,036)	(438)	-	-
Operating losses before financial results		**(60,923)**	(53,517)	**(60,913)**	(53,507)
Financial income and expenses					
Financial income	13	**47,303**	19,035	**47,303**	19,035
Financial expenses		**(200)**	(141)	**(210)**	(151)
		47,103	18,894	**47,093**	18,884
Loss before income tax and social contribution		**(13,820)**	(34,623)	**(13,820)**	(34,623)
Income tax and social contribution	9	-	-	-	-
Loss for the year		**(13,820)**	(34,623)	**(13,820)**	(34,623)
Loss per common share (basic and diluted)	12	**(13.29)**	(41.18)		
Loss per preferred share (basic and diluted)	12	**(13.29)**	(41.18)		

See accompanying notes.

Manabi S.A.

Statements of Comprehensive Income
Years ended December 31, 2013 and 2012
(In thousands of Reais)

	Parent Company		Consolidated	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Loss for the year	**(13,820)**	(34,623)	**(13,820)**	(34,623)
Other comprehensive income	**-**	-	**-**	-
Comprehensive loss for the year	**(13,820)**	(34,623)	**(13,820)**	(34,623)

See accompanying notes.

Manabi S.A.

Statements of Changes in Equity
Years ended December 31, 2013 and 2012
(In thousands of Reais)

	Capital stock		Capital reserves			
	Subscribed	Equity issuance costs	Subscription warrant	Share-based payment reserve	Accumulated losses	Total
At December 31, 2011	806,790	(20,084)	1	939	(64)	787,582
Capital increases (Note 12)	611,340	(16,380)				594,960
Stock options (Note 10)				7,299		7,299
Loss for the year					(34,623)	(34,623)
At December 31, 2012	**1,418,130**	**(36,464)**	**1**	**8,238**	**(34,687)**	**1,355,218**
Stock options (Note 10)				**8,898**		**8,898**
Loss for the year					**(13,820)**	**(13,820)**
At December 31, 2013	**1,418,130**	**(36,464)**	**1**	**17,136**	**(48,507)**	**1,350,296**

See accompanying notes.

Manabi S.A.

Statements of Cash Flows
Years ended December 31, 2013 and 2012
(In thousands of Reais)

	Parent Company		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Cash flows from operating activities				
Loss for the year	**(13,820)**	(34,623)	**(13,820)**	(34,623)
Adjustments to reconcile the loss for the year to cash from operating activities				
Depreciation and amortization	**753**	345	**762**	345
Stock options	**8,898**	7,299	**8,898**	7,299
Marketable securities income	**(46,147)**	(6,323)	**(46,147)**	(6,323)
Equity results in subsidiaries	**1,036**	438	**-**	-
Changes in assets and liabilities				
Recoverable taxes	**(5,892)**	(2,630)	**(5,892)**	(2,630)
Other assets	**266**	(495)	**185**	(507)
Trade accounts payable	**460**	511	**535**	533
Employee-related accruals	**(1,461)**	1,061	**(1,461)**	1,061
Tax liabilities	**(393)**	660	**(607)**	631
Other liabilities	**(326)**	32	**(32)**	32
Net cash used in operating activities	**(56,626)**	(33,725)	**(57,579)**	(34,182)
Cash flows from investing activities				
Advances for future capital increase	**4,071**	(18,564)	**-**	-
Acquisition of marketable securities	**(1,250)**	(611,340)	**(1,250)**	(611,340)
Redemption of marketable securities	**118,159**	-	**118,159**	-
Acquisition of property, plant & equipment	**(2,770)**	(366)	**(26,321)**	(30,550)
Additions to intangible assets	**(97,717)**	(1,912)	**(102,305)**	(42,454)
Capital increase in subsidiaries	**(33,163)**	(52,619)	**-**	-
Net cash used in investing activities	**(12,670)**	(684,801)	**(11,717)**	(684,344)
Cash flows from financing activities				
Capital increase	**-**	611,340	**-**	611,340
Equity issuance costs	**(2,147)**	(14,233)	**(2,147)**	(14,233)
Net cash from (used in) financing activities	**(2,147)**	597,107	**(2,147)**	597,107
Decrease in cash and cash equivalents	**(71,443)**	(121,419)	**(71,443)**	(121,419)
Cash and cash equivalents at the beginning of the year	**71,487**	192,906	**71,487**	192,906
Cash and cash equivalents at the end of the year	**44**	71,487	**44**	71,487

See accompanying notes.

Manabi S.A.

Statements of Added Value (supplementary information for IFRS purposes)
Years ended December 31, 2013 and 2012
(In thousands of Reais)

	Parent company		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Inputs acquired from third parties				
Services rendered by third parties	**(17,030)**	(17,695)	**(17,837)**	(18,026)
Gross added value	**(17,030)**	(17,695)	**(17,837)**	(18,026)
Depreciation and amortization	**(753)**	(345)	**(762)**	(345)
Net added value	**(17,783)**	(18,040)	**(18,599)**	(18,371)
Transferred added value received				
Equity results and provision for losses on investments	**(1,036)**	(438)	-	-
Financial income	**47,303**	19,035	**47,303**	19,035
Total added value to be distributed	**28,484**	557	**28,704**	664
Distribution of added value				
Personnel				
Direct remuneration	**20,041**	17,772	**20,041**	17,772
Benefits	**1,812**	1,026	**1,812**	1,026
Accrued severance indemnity (FGTS)	**859**	829	**859**	829
Management fees	**6,803**	4,730	**6,803**	4,730
	29,515	24,357	**29,515**	24,357
General and administrative expenses	**8,074**	6,491	**8,261**	6,566
Tax				
Federal	**4,250**	4,026	**4,250**	4,026
Municipal	**265**	165	**288**	187
	4,515	4,191	**4,538**	4,213
Financial expenses	**200**	141	**210**	151
Loss for the year	**(13,820)**	(34,623)	**(13,820)**	(34,623)
Added value distributed	**28,484**	557	**28,704**	664

See accompanying notes.

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 December 31, 2013, Manabi fully controls companies Morro do Pilar Minerais S.A. ("MOPI"), Manabi Logística S.A. ("Manabi Log"), and Dutovias do Brasil S.A. ("Dutovias").

The Extraordinary Shareholders' Meeting held on September 17th, 2013 approved, pursuant to the terms of the Protocol and Justification, the merger of subsidiary Morro Escuro Minerais S.A. ("MOES") into the Company. The purpose of the transaction was both to simplify the group's corporate and operating structure and to better utilize the resources of the companies involved.

MOPI's business purpose 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 its port terminal called Porto Norte Capixaba.

To make the port terminal feasible within the policies and guidelines for development of the Brazilian port industry, Manabi Log submitted the required technical documentation and bid security valid for one year from September 6th, 2013 corresponding to 1% of the estimated investment value to the National Water Transportation Agency (*Agência Nacional de Transportes Aquaviários* - ANTAQ) in order to meet the requirements to obtain the license for implementation of the project.

1. **Operations** (Continued)

Dutovias was acquired on March 8, 2013 and its purpose is to consolidate the transportation of iron ore from MOPI project to Porto Norte Capixaba, 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 the short term activities. Management continues to evaluate alternatives to raise additional funds that will enable the implementation of its business plan.

The Company continues 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, and (iv) logistics infrastructure.

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

As mentioned in Note 8, a new Technical Report was issued on February, 24 2014 by the independent consulting company SRK Consulting. The Technical Report contains a technical analysis and review of engineering work done for each of the key components of the Pilar Hill Project, including beneficiation plant, pipeline, filtering plant and port terminal, as well as an updated resource statement pursuant to CIM Guidelines (National Instrument 43-101) certifying 1.33 billion tons of measured and indicated resources (M&I) and 312 million tons of inferred resources in the exploration area of the Pilar Hill Project. The Technical Report also confirms the metallurgy data of the Pilar Hill Project: 80% metallurgical recovery and a process design able to consistently produce a 68.0% to 68.5% Fe premium product with low impurities. An announcement to the shareholders and to the market related to this Technical Report was made on February 24, 2014.

The SRK TR uses mineralized material including measured, indicated, and inferred resources, as well as, exploration potential material in the mine plan. For this reason the TR does not meet reporting guidelines under CIM and JORC. The use of exploration potential is not allowed under either CIM or JORC guidelines for economic studies.

2. Basis for preparation and presentation of the financial statements

The individual financial statements were prepared and are presented in accordance with the accounting practices adopted in Brazil, which include the provisions of the Brazilian Corporation's Law and accounting rules and procedures issued by the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários – CVM) and by the Accounting Pronouncements Committee (Comitê de Pronunciamentos Contábeis - CPC). These accounting practices differ from the International Financial Reporting Standards (IFRS) applicable to the separate financial statements, solely with respect to the measurement of investments in subsidiaries under the equity method, as required by ICPC 09, while for IFRS purposes such investments would be measured at cost or fair value.

The consolidated financial statements were prepared in accordance with IFRS, as issued by the International Accounting Standards Board (IASB), and in accordance with accounting practices adopted in Brazil.

These financial statements were prepared based on historical cost, except for certain financial instruments measured at fair value, as described in the accounting practices below and in Note 14.

The financial statements are presented in Reais (R$), which is the currency used in the economic environment in which the Company operates ("functional currency").

The Company's Management authorized the conclusion of the preparation of these financial statements on March 13, 2014.

3. Summary of significant accounting practices

Below is a summary of the main accounting practices used by the Company:

3.1. Consolidation

The consolidated financial statements include the financial information of wholly-owned subsidiaries MOPI, Manabi Log and Dutovias.

The process of consolidating the balance sheet and statement accounts of the subsidiaries corresponds to the sum of the assets, liabilities, revenues and expenses accounts, according to their nature, with the following eliminations: (a) elimination of asset and/or liability balances between the consolidated companies; (b) elimination of investments against the related equity of the subsidiary; and (c) elimination of revenues and expenses from transactions between the consolidated companies.

3. Summary of significant accounting practices (Continued)

3.2. Business combinations

Business combinations are recorded under the acquisition method. The acquisition cost is measured by adding the consideration transferred, which is assessed based on fair value on the date of acquisition, and the value of any non-controlling interest in the acquired company. For each business combination, the acquirer shall measure the non-controlling interest either at fair value or based on its participation in the identifiable net assets. Costs directly attributable to the acquisition are expensed when incurred.

Upon acquiring a business, the Company assesses the assets acquired and liabilities assumed in order to classify and allocate them according to contractual terms, economic circumstances and pertinent conditions as of the date of acquisition. For business combinations achieved in stages, the fair value at the date of acquisition of the equity interest previously held in the acquiree is reassessed at fair value on the date of acquisition and the effects, if any, are recorded in profit or loss.

Any contingent payment to be transferred by the acquirer shall be recognized at fair value on the date of acquisition. Subsequent changes to the fair value of contingent consideration which is deemed to be an asset or liability will be recorded in accordance with CPC 38 (IAS 39) - Financial Instruments: Recognition and Measurement, in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be reassessed until it has been settled in full.

Goodwill, if any, is initially measured as the difference between the consideration transferred and the net assets acquired (identifiable net assets acquired and liabilities assumed). If the consideration is lower than the fair value of the net assets acquired, the difference must be recognized as gain in the income statement. After initial recognition, goodwill is measured at cost, net of any accumulated impairment losses. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash generating units that are expected to benefit from the synergies resulting from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

3. Summary of significant accounting practices (Continued)

3.3. Financial instruments

Financial assets

The Company's financial assets are currently represented by cash balances, bank account balances, and marketable securities, classified at fair value through profit or loss.

A financial asset is classified at fair value through profit or loss when it is held for trading and is designated as such upon initial recognition. After initial recognition, transaction costs are recognized in profit or loss as incurred.

Financial assets at fair value through profit or loss are presented in the balance sheet at fair value and the corresponding gain or losses recognized in the income statement.

Classification depends on the purpose for which the financial assets were acquired and is determined upon initial recognition.

Financial assets are written off when the right to receive cash flows from the investments have expired or have been transferred, and the Company has transferred substantially all ownership risks and rights related to those assets.

Financial liabilities

Currently, the Company's only relevant financial liability refers to trade accounts payable. Financial liabilities are recognized initially on the date of negotiation. The Company writes off a financial liability when it is paid or when the related obligations are canceled.

Financial liabilities are initially recognized at fair value, plus any attributable transaction costs. After initial recognition, such financial liabilities are measured at amortized cost, adjusted based on monetary variations and foreign exchange rates, including interest incurred up to the balance sheet date, based on contractual terms. Gains and losses are recognized in the income statement upon write off of the liabilities, as well as during the process of interest accrual and monetary indexation.

3. Summary of significant accounting practices (Continued)

3.4. Cash and cash equivalents and marketable securities

Cash equivalents are held in order to meet short-term commitments and not for investment or other purposes. The Company considers cash equivalents to be short-term financial investments, readily convertible into a known amount, subject to an insignificant risk of change in value. An investment usually qualifies as short-term when it matures within three months from the date of acquisition.

Marketable securities are also short-term investments which are highly liquid and are measured at fair value through profit or loss and gains or losses from changes in fair value are recognized in the income statement.

3.5. Investments in subsidiaries

Investments in subsidiaries are recorded by the equity method in the parent company's financial statements and are eliminated for purposes of preparation of the consolidated financial statements.

A subsidiary is an entity in which the Company holds, directly or through other subsidiaries, interests that permanently entitle it to approve resolutions in the Company's shareholders' meetings and to elect the majority of management members.

Based on the equity method, investments in subsidiaries are recorded at cost in the parent company's balance sheet, plus any changes after acquisition of the shareholding interest.

3.6. Property, plant and equipment

Property, plant and equipment is recorded at acquisition cost, minus accumulated depreciation according to the straight-line method or according to the produced units method for mining assets (when operational) and minus provision for impairment, when applicable.

Rates of depreciation are reevaluated annually based on the estimated remaining useful life of the assets. Land is not depreciated and improvements in third-party properties are amortized based on the lesser of the term of the lease agreement or the expected useful life of the property.

3. Summary of significant accounting practices (Continued)

3.7. Intangible assets

Intangible assets comprise mainly mining rights and expenses with exploration and assessment of mineral resources, and are recorded at the cost of acquisition. Amortization is calculated taking into account the estimated period in which the corresponding benefits of the intangible assets are earned and will begin to be calculated when the related asset starts operating. Intangible assets are recognized only if it is probable that they will generate economic benefits for the Company and that their respective value can be measured reliably.

Management's initial estimate is that mining reserves will be depleted in approximately 20 years from the beginning of the operations.

3.8. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation may be made. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The value relating to any provision is usually recorded in the income statement net of any reimbursement. The Company and its subsidiaries are currently not party to any judicial or administrative proceedings.

3.9. Current and noncurrent assets and liabilities

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

Assets and liabilities are classified as current when these items are likely to be settled or realized within 12 months. Otherwise, such items are classified as non-current.

3. Summary of significant accounting practices (Continued)

3.10. Determination of profit or loss

Revenues and expenses are recorded on an accrual basis.

3.11. Income tax and social contribution

Income tax and social contribution are calculated based on taxable profit. The tax calculation basis takes into account additions and exclusions provided for in applicable legislation. At this stage of research and development of resources, Management does not record deferred income tax and social contribution assets on tax losses, negative social contribution basis, and temporary differences.

3.12. Significant 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; 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.

3.13. Statements of cash flows

The statements of cash flows were prepared and presented in accordance with Accounting Pronouncement CPC 03 (R2) – Statements of Cash Flow.

3. Summary of significant accounting practices (Continued)

3.14. Statements of added value

The statements of added value were prepared and are presented in accordance with Accounting Pronouncement CPC 09 – Statements of Added Value. The presentation of statements of added value is required by the Brazilian Corporate Law applicable to publicly-held corporations and is presented as supplementary information for purposes of IFRS.

3.15. Loss per share

Basic loss per share are calculated by dividing loss for the year attributed to the holders of common and preferred shares of the parent company by the weighted average number of common and preferred shares available in the year.

Dilutive earnings per share are calculated by dividing the loss for the period attributable to holders of common and preferred shares of the parent company, by the average number of common and preferred shares outstanding during the period plus the weighted average number of common and preferred shares that would be issued on conversion of all the diluted potential common and preferred shares into common and preferred shares.

3.16. Segment information

Definition of the operating segments is carried out in line with the analysis by the person responsible for allocating funds and assessing the performance of the operating segments, and has been identified as the Chief Executive Officer. Currently, the Company has a mining segment, still in the stage of research and development of resources.

3.17. Share based payment (Stock Options)

The executives' share-based compensation is measured and recognized at fair value at the date on which the options were granted, under a specific equity and income statement account, as the contractual conditions are met. The cost of transactions settled with equity instruments is recognized throughout the period in which the performance and/or conditions of service are met, with conclusion on the date in which the employee acquires full right to the bonus (acquisition date).
Accumulated expenses recognized up to the date of acquisition reflect the extension to which the acquisition period has expired and the Company's best estimate as to the number of equity securities to be acquired.

4. New accounting pronouncements and interpretations

The following new standards were issued by the IASB but are not in effect for the 2013 fiscal year.

- CPC 39 – Financial instruments: presentation (IAS 32) – These revisions clarify the meaning of "currently has a legally enforceable right to offset the recognized amounts" and the criteria which would cause the non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These revisions shall be effective for fiscal years starting on or after January 1st, 2014. The Company does not expect these revisions to be material to its financial statements.

- CPC 32 – Taxes on profit (IFRIC 21) – Clarifies when an entity should recognize a liability for a tax when the event that gives rise to payment occurs. For a tax that requires payment thereof to originate as a result of reaching a certain threshold, the interpretation indicates that no liability should be recognized until such threshold is reached. IFRIC 21 will be effective for fiscal years ending on or after January 1st, 2014. The company does not expect any impact on its financial statements.

There are no other pronouncements or interpretations that have yet to become effective that could impact the Company's financial statements.

(In thousands of Reais, except when otherwise indicated)

5. Cash and cash equivalents and marketable securities

	Parent company and consolidated	
	12/31/2013	12/31/2012
Cash and banks	44	11
Cash equivalents		
Bank Deposit Certificates (CDBs)	-	25,395
Debentures with repurchase clauses	-	46,081
	44	71,487
Marketable securities		
Government bonds	546,901	617,663
	546,901	617,663

The funds invested in Bank Deposit Certificates and debentures were fully redeemed during the first semester to meet the Company's commitments. These funds were from the first private placement held by the Company.

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

Investment	Bank	Beginning of operation	Maturity of operation	Index CDI	12/31/2013 Parent company and consolidated	12/31/2012 Parent company and consolidated
CDB	Bradesco	03/26/2012	03/17/2014	100.0%	-	417
CDB	Itaú BBA	06/08/2011	05/29/2013	101.6%	-	13,423
CDB	Banco do Brasil	06/08/2011	05/29/2013	100.6%	-	11,554
Debentures	Itaú BBA	12/21/2012	01/21/2013	80.0%	-	535
Debentures	Bradesco	06/08/2011	05/29/2013	101.7%	-	45,547
					-	71,476

(In thousands of Reais, except when otherwise indicated)

5. Cash and cash equivalents and marketable securities (Continued)

The breakdown of government bonds is as follows:

				12/31/2013		12/31/2012	
				Parent company and consolidated		Parent company and consolidated	
Security	Beginning	Maturity	Index	Number	Value	Number	Value
LFT	11/06/2012	09/07/2015	Selic	12,255	72,261	18,544	101,032
LFT	11/07/2012	09/07/2015	Selic	27,808	163,968	27,808	151,504
LFT	11/08/2012	09/07/2015	Selic	18,534	109,285	18,534	100,977
LFT	11/12/2012	09/07/2013	Selic	-	-	37,055	201,859
LFT	12/05/2012	03/07/2013	Selic	-	-	712	3,878
LFT	09/09/2013	09/07/2014	Selic	24,244	142,926	-	-
NTN-B	12/04/2012	08/15/2014	IPCA	4,000	9,743	4,000	9,795
NTN-B	12/04/2012	08/15/2014	IPCA	10,000	24,359	10,000	24,339
NTN-B	12/04/2012	08/15/2014	IPCA	10,000	24,359	10,000	24,339
				106,841	546,901	126,653	617,663

Government bonds are allocated to an exclusive investment fund with yields determined by the Selic rate (LFT) and by the variation of the IPCA + spread (NTN-B). As of the end of 2013, these bonds had generated an average return of 98.7% of the CDI.

Government bonds are highly liquid, have low credit risk (sovereign risk) and can be sold on the open market (Selic system) to meet the cash needs 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.

(In thousands of Reais, except when otherwise indicated)

6. Investments in subsidiaries (Parent company)

Changes in investments during the period are as follows:

	12/31/2012	Capital Increase	Equity results	Merger (a)	12/31/2013
Investments					
MOPI	4,104	2,500	(260)	-	6,344
MOES	9,133	8,163	(112)	(17,184)	-
Manabi Log	6,452	22,500	(558)	-	28,394
Excess paid on acquisition of investments					
MOES	55,441	-	-	(55,441)	-
	75,130	33,163	(930)	(72,625)	34,738
Provision for losses on investments					
Dutovias	-	-	(106)	-	(106)
Equity results and provision for losses			(1,036)		

(a) As mentioned in Note 1, on December 17th, 2013 the shareholders approved the merger of subsidiary MOES into the Company. The purpose of the transaction was both to simplify the group's corporate and operating structure and to better utilize the resources of the companies involved.

Due to this merger, the goodwill paid upon acquisition of MOES in the amount of R$ 55,441, previously recorded in investments in the individual financial statements and allocated to intangible assets in the consolidated financial statements, will now be recorded directly in the parent company's intangible assets.

The advances for future capital increase are remitted to the subsidiaries for acquisition of land, environmental studies, research, registration, appraisal, negotiation and documentation of the project areas.

On December 31, 2013, the balance of funds remitted by the Company to its subsidiaries MOPI, Manabi Log, and Dutovias, totaled R$1,274, R$12,567 and R$9,593 respectively. The capitalization of these balances occurs within a period not greater than one year.

Other investment information - December 31, 2013 and 2012

2013	MOPI	MOES	Manabi Log	Dutovias
Total common shares	6,531,860	-	23,159,600	900
Company's interest	100%	-	100%	100%
Equity	6,344	-	28,394	(106)
2012				
Total common shares	4,031,860	782,820	659,600	-
Company's interest	100%	100%	100%	-
Equity	4,104	9,133	6,452	-

(In thousands of Reais, except when otherwise indicated)

7. Property, plant and equipment

Parent company balances

	Parent company					
	12/31/2013			12/31/2012		
	Cost	Depreciation	Net amount	Cost	Depreciation	Net amount
Buildings	285	(13)	272	285	(2)	283
Construction in progress	1,465	-	1,465	1,174	-	1,174
Machinery and equipment	119	(14)	105	73	(3)	70
Furniture and fixtures	1,233	(179)	1,054	767	(74)	693
IT equipment	752	(159)	593	290	(53)	237
Communication equipment	161	(43)	118	87	(16)	71
Leasehold improvements	2,217	(495)	1,722	688	(155)	533
	6,232	(903)	5,329	3,364	(303)	3,061

Changes in the Parent company in the period

	Depreciation rate	12/31/2012	Acquisitions	Transfers	Depreciation	12/31/2013
Buildings	4%	283	-	-	(11)	272
Construction in progress	-	1,174	1,748	(1,457)	-	1,465
Machinery and equipment	10%	70	46	-	(11)	105
Furniture and fixtures	10%	693	463	2	(105)	1,053
IT equipment	20%	237	462	-	(106)	593
Communication equipment	20%	71	76	(2)	(27)	118
Leasehold improvements	22%	533	73	1,457	(340)	1,723
		3,061	2,868	-	(600)	5,329

Consolidated balances

	Consolidated					
	12/31/2013			12/31/2012		
	Cost	Depreciation	Net amount	Cost	Depreciation	Net amount
Land	28,779	-	28,779	28,203	-	28,203
Buildings	285	(13)	272	285	(2)	283
Construction in progress	31,505	-	31,505	7,874	-	7,874
Machinery and equipment	119	(14)	105	73	(3)	70
Furniture and fixtures	1,253	(180)	1,073	770	(74)	696
IT equipment	752	(159)	593	290	(53)	237
Communication equipment	161	(43)	118	87	(16)	71
Leasehold improvements	2,319	(503)	1,816	688	(155)	533
	65,173	(912)	64,261	38,270	(303)	37,967

Changes in the consolidated balances in the period

	Depreciation rate	12/31/2012	Acquisitions	Transfers	Depreciation	12/31/2013
Land	-	28,203	576	-	-	28,779
Buildings	4%	283	-	-	(11)	272
Construction in progress	-	7,874	25,102	(1,471)	-	31,505
Machinery and equipment	10%	70	46	-	(11)	105
Furniture and fixtures	10%	696	483	-	(106)	1,073
IT equipment	20%	237	462	-	(106)	593
Communication equipment	20%	71	74	-	(27)	118
Leasehold improvements	22%	533	160	1,471	(348)	1,816
		37,967	26,903	-	(609)	64,261

7. Property, plant and equipment (Continued)

Construction in progress includes expenditures related to: (i) environmental licensing process, oceanographic studies, and start of the port's conceptual engineering project; (ii) environmental licensing, conceptual engineering project, licensing and negotiation of the pipeline's easement areas.

8. Intangible assets

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

Intangible assets are represented by 91 mining rights related to the MOPI and MOES projects, their respective mineral resources and exploration expenditures, located in the State of Minas Gerais, of which 5 are in application for research stage, 62 in research permit stage, 16 in application for mining stage, 5 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.

From April 2012 until December 31, 2013, 338 additional drill holes were completed, increasing the length encompassed to 92 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.

(In thousands of Reais, except when otherwise indicated)

8. Intangible assets - (Continued)

The intangible assets were broken down as follows:

	Amortization rate	12/31/2012	Additions	Amortization	12/31/2013
Expenditures related to exploration/valuation of mineral resources and prospecting rights		90,853	**101,330**	**-**	**192,183**
Intangible assets acquired in business combination (MOPI and MOES)		546,868	**-**	**-**	**546,868**
Software	20%	382	**498**	**(153)**	**727**
		638,103	**101,828**	**(153)**	**739,778**

9. Income tax and social contribution

As of December 31, 2013, the Company's tax loss carryforward and negative social contribution basis amounted to R$65,078 (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.

On November 12, 2013, the Government published Provisional Measure 627, which revokes the transitional tax regime established by Law 11,941 of 2009 and brings other relevant changes to federal tax legislation. This Provisional Measure becomes effective as of 2015 and early adoption in 2014 is permitted.

The Company's management performed studies and concluded that, due to the current phase of the project, the provisions of such Provisional Measure will not impact the financial statements and the Company is awaiting evolution of the amendments to the final text to decide on the best moment for adoption.

10. 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 fiscal year ended December 31, 2013, the compensation of these officers and board members was R$5,883 and R$2,085 (R$4,631 and R$1,714 as of December 31, 2012) including salaries, fees and social charges. These values do not include the amount of R$2,885 related to share based payment (stock options) to the officers which was recorded for the year 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 December 31, 2013, a total of 29,880 (twenty-nine thousand, eight hundred and eighty) 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.

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. Share-based compensation was measured and recognized at fair value, using the Merton (1973) model, which is as extension of the Black & Scholes model.

(In thousands of Reais, except when otherwise indicated)

10. Transactions with related parties (Continued)

Share based payment (stock options) (Continued)

The table below shows the result of the fair value measurement of the stock options at the date of this 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	10/15/2012	10/15/2018	4,550	39.47%	11.35%	98.82%	4,387
2011.1	10/15/2011	10/15/2012	10/15/2019	4,550	38.95%	11.34%	98.23%	4,629
Amendments	01/02/2012	10/15/2012	10/15/2017	500	40.86%	11.00%	99.24%	442
Amendments	01/02/2012	10/15/2012	10/15/2018	500	39.58%	11.04%	98.33%	469
Amendments	01/02/2012	10/15/2012	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	10/15/2012	10/15/2018	500	39.58%	11.04%	98.33%	469
2012.1	01/02/2012	10/15/2012	10/15/2019	500	38.98%	11.06%	97.44%	494
2012.2	01/02/2012	12/01/2012	12/01/2017	300	40.67%	10.99%	99.20%	267
2012.2	01/02/2012	12/01/2012	12/01/2018	300	39.51%	11.05%	98.30%	284
2012.2	01/02/2012	12/01/2012	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	01/15/2013	01/15/2019	1,000	39.47%	11.19%	98.18%	951
2012.3	02/01/2012	01/15/2013	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	01/13/2013	01/13/2019	100	39.41%	11.31%	98.28%	96
2012.4	01/13/2012	01/13/2013	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	08/20/2013	08/20/2019	180	38.74%	9.78%	98.11%	164
2012.5	08/20/2012	08/20/2013	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	11/19/2013	11/19/2019	200	38.72%	9.20%	97.97%	288
2012.6	11/19/2012	11/19/2013	11/19/2020	200	38.04%	9.39%	97.80%	307
Total 12/31/2012				21,990				21,286
2013.1	05/02/2013	05/02/2014	05/02/2019	780	39.96%	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
2013.2	07/01/2013	07/01/2014	07/01/2019	550	40.16%	11.23%	98.48%	793
2013.2	07/01/2013	07/01/2015	07/01/2020	550	39.05%	11.27%	97.68%	843
2013.2	07/01/2013	07/01/2016	07/01/2021	550	38.26%	11.31%	97.53%	893
2013.3	08/15/2013	08/15/2014	08/15/2019	450	40.00%	11.71%	98.44%	656
2013.3	08/15/2013	08/15/2015	08/15/2020	450	38.88%	11.77%	97.60%	698
2013.3	08/15/2013	08/15/2016	08/15/2021	450	38.00%	11.82%	97.40%	738
2013.4	10/01/2013	10/01/2014	10/01/2019	850	39.58%	11.73%	98.38%	1,235
2013.4	10/01/2013	10/01/2015	10/01/2020	850	38.81%	11.79%	97.46%	1,316
2013.4	10/01/2013	10/01/2016	10/01/2021	850	38.01%	11.84%	97.21%	1,394
Total for the year				7,890				11,943
Total 12/31/2013				29,880				33,229

(In thousands of Reais, except when otherwise indicated)

10. 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 are as follows:

Programs	2011	2012	2013	2014	2015	2016	Total
1º	904	4,407	4,375	3,453	-	-	13,139
2º	-	1,346	1,251	1,063	-	-	3,660
3º	-	880	962	962	40	-	2,844
4º	-	92	96	95	4	-	287
5º	-	60	163	163	105	-	491
6º	-	33	289	288	255	-	865
7º	-	-	749	1,124	1,125	379	3,377
8º	-	-	422	843	842	422	2,529
9º	-	-	263	697	697	435	2,092
10º	-	-	328	1,313	1,314	990	3,945
	904	6,818	8,898	10,001	4,382	2,226	33,229
Expired options	35	481	-				
Recorded in statement of operations	939	7,299	8,898				
Recorded in equity	939	8,238	17,136				

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, 580 (five hundred and eighty) shares expired due to non-exercise of the option, corresponding to R$516, amount measured in the moment that the options were granted and recognized in statement of operations and equity during the vesting period.

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

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.

(In thousands of Reais, except when otherwise indicated)

11. Trade accounts payable

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

	Parent company		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Domestic	**5,016**	9,219	**5,758**	9,810
Foreign	**362**	51	**362**	51
	5,378	9,270	**6,120**	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.

12. Equity

a) Capital stock

As of December 31, 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:

	Number of shares				
Shareholders	Common	Class "A" preferred	Class "B" preferred	Total	%
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%
	250,000	550,000	240,000	1,040,000	100.00%

The Company is authorized to increase its capital up to the additional limit of R$3,000,000,000.00 (three billion reais), upon decision of the Board of Directors regardless of amendment to the Bylaws, which shall establish the number and type of shares to be issued, the issue price, and the conditions for subscription, payment and issuance.

12. Equity (Continued)

a) Capital stock (Continued)

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.

In the Special Shareholders' Meeting held on September 10, 2012, the shareholders and the Board of Directors approved a capital increase in the amount of R$611,340 by means of private placement, with an issuance of 240,000 new class "B" preferred shares, of which R$305,670 was contributed by EIG Manabi Holdings S.à.r.l. (on behalf of funds administered by EIG Global Energy Partners, "EIG"), a North-American global institutional investor in the energy, mining and infrastructure sectors. The remaining amount was contributed by the Company's existing shareholders. This capital increase was approved by means of creation of new class "B" preferred shares and current preferred shares were reclassified as class "A" preferred shares. Class "B" preferred shares shall have similar characteristics, as provided for in 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.

The mentioned Execution Events had not occurred by December 31, 2013 and these events are outside the control of the option holders. Therefore, these options did not have any impact on the financial statements.

(In thousands of Reais, except when otherwise indicated)

12. Equity (Continued)

c) Loss per share

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

	12/31/2013			
	Common	Class "A" preferred	Class "B" preferred	Total
Loss attributable to the equity holders	**(3,322)**	**(7,309)**	**(3,189)**	**(13,820)**
Number of outstanding shares	**250,000**	**550,000**	**240,000**	**1,040,000**
Loss per share - basic and diluted (*) in Reais	**(13.29)**	**(13.29)**	**(13.29)**	

	12/31/2012			
	Common	Class "A" Preferred	Class "B" Preferred	Total
Loss attributable to the equity holders	(10,295)	(22,649)	(1,679)	(34,623)
Number of outstanding shares	250,000	550,000	40,767	840,767
Loss per share - basic and diluted (*) in Reais	(41.18)	(41.18)	(41.18)	

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

13. Financial income

The financial income is comprised of:

	Consolidated	
	12/31/2013	12/31/2012
Bank deposit certificates (CDBs)	**449**	6,816
Debentures with repurchase agreements	**599**	5,412
Government bonds	**46,147**	6,778
Other financial revenues	**108**	29
	47,303	19,035

14. Financial instruments

Financial assets as of December 31, 2013 are represented by cash, funds in bank accounts, 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.

15. Insurance coverage

On July 4, 2013, the liability insurance for directors and officers was renewed in the insured amount of up to R$50,000. The renewal was carried out with Itaú Seguros S.A., which kept the same coverage of the previous policy and granted more favorable commercial conditions to the Company.

Ricardo Antunes Carneiro
CEO

Antonio Borges Leal Castello Branco
CFO