

Unaudited Quarterly Financial Information

Manabi S.A.

March 31, 2014
with Independent auditor's report on review of quarterly
financial information

Manabi S.A.

Unaudited quarterly financial information

March 31, 2014

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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 March 31, 2014, which comprises the balance sheet as of March 31, 2014 and the related statements of operations for the three month period then ended, statements of comprehensive income, statement of changes in equity and cash flows for the three 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.



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

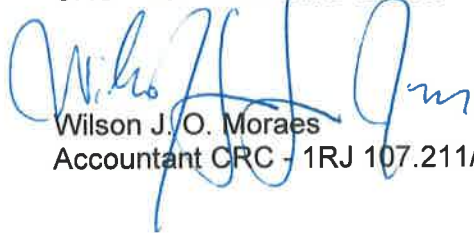
Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial information referred to above was not prepared, in all material aspects, in accordance with CPC 21 (R1) and IAS34 applicable to the preparation of Interim Financial Information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

Emphasis paragraph

As described in the 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' funds or third parties to implement the business plan. The recoverability of amounts recorded in noncurrent assets depends on 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 doubts as to the continuity of the Company and its subsidiaries. The quarterly information was 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 conclusion is not qualified in respect of this matter.

Rio de Janeiro, May 8, 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
Accountant CRC - 1RJ 061.469/O-4

Manabi S.A.

Balance sheets
 March 31, 2014 (unaudited) and December 31, 2013
 (In thousands of Reais)

	Note	Parent company		Consolidated	
		3/31/2014	12/31/2013	3/31/2014	12/31/2013
Assets					
Current assets					
Cash	4	30	44	31	44
Marketable securities	4	523,894	546,901	523,894	546,901
Recoverable taxes		8,117	8,954	8,117	8,954
Other		508	377	657	470
Total current assets		532,549	556,276	532,699	556,369
Non-current assets					
Advances for future capital increase	5	31,086	23,434	-	-
Investments	5	34,451	34,738	-	-
Property, plant and equipment	6	5,193	5,329	73,875	64,261
Intangible assets	7	750,516	739,778	750,516	739,778
Total non-current assets		821,246	803,279	824,391	804,039
Total assets		1,353,795	1,359,555	1,357,090	1,360,408
Liabilities and equity					
Current liabilities					
Trade accounts payable	10	2,933	5,378	6,173	6,120
Employee-related accruals		2,814	2,069	2,814	2,069
Tax liabilities		674	1,346	887	1,563
Provision for losses on investments	5	158	106	-	-
Other		360	360	360	360
Total current liabilities		6,939	9,259	10,234	10,112
Equity					
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	19,769	17,136	19,769	17,136
Accumulated losses		(54,580)	(48,507)	(54,580)	(48,507)
Total equity		1,346,856	1,350,296	1,346,856	1,350,296
Total liabilities and equity		1,353,795	1,359,555	1,357,090	1,360,408

See accompanying notes

Manabi S.A.

Unaudited statements of operations
 Three month period ended March 31, 2014 and 2013
 (In thousands of Reais, except for loss per share, in Reais)

	Note	Parent company		Consolidated	
		3/31/2014	3/31/2013	3/31/2014	3/31/2013
Operating expenses					
Personnel		(9,028)	(6,934)	(9,028)	(6,934)
Services rendered		(7,105)	(4,990)	(7,273)	(5,246)
General and administrative		(2,276)	(1,493)	(2,423)	(1,526)
Depreciation and amortization		(251)	(114)	(265)	(114)
Taxes		(190)	(322)	(198)	(323)
		<u>(18,850)</u>	<u>(13,853)</u>	<u>(19,187)</u>	<u>(14,143)</u>
Other operating expenses					
Equity results in subsidiaries	5	(339)	(290)	-	-
		<u>(339)</u>	<u>(290)</u>	<u>-</u>	<u>-</u>
Operating loss before financial results		<u>(19,189)</u>	<u>(14,143)</u>	<u>(19,187)</u>	<u>(14,143)</u>
Financial income and expenses					
Financial income	12	13,183	10,650	13,183	10,650
Financial expenses		(67)	(45)	(69)	(45)
		<u>13,116</u>	<u>10,605</u>	<u>13,114</u>	<u>10,605</u>
Loss before income tax and social contribution		<u>(6,073)</u>	<u>(3,538)</u>	<u>(6,073)</u>	<u>(3,538)</u>
Income tax and social contribution	8	-	-	-	-
Loss for the period		<u>(6,073)</u>	<u>(3,538)</u>	<u>(6,073)</u>	<u>(3,538)</u>
Loss per common share (basic and diluted)	11	(5.84)	(3.40)		
Loss per preferred share (basic and diluted)	11	(5.84)	(3.40)		

See accompanying notes

Manabi S.A.

Unaudited statements of comprehensive income
Three month period ended March 31, 2014 and 2013
(In thousands of Reais)

	Parent Company		Consolidated	
	3/31/2014	3/31/2013	3/31/2014	3/31/2013
Loss for the period	(6,073)	(3,538)	(6,073)	(3,538)
Other comprehensive income		-		-
Comprehensive loss for the period	(6,073)	(3,538)	(6,073)	(3,538)

See accompanying notes

Manabi S.A.

Unaudited statements of changes in equity
Three month period ended March 31, 2014 and 2013
(In thousands of Reais)

	Capital stock		Capital reserves			Total
	Subscribed	Equity issuance costs	Subscription warrant	Share-based payment reserve	Accumulated losses	
At December 31, 2012	1,418,130	(36,464)	1	8,238	(34,687)	1,355,218
Stock options	-	-	-	1,871	-	1,871
Loss for the period	-	-	-	-	(3,538)	(3,538)
At March 31, 2013	1,418,130	(36,464)	1	10,109	(38,225)	1,353,551
At December 31, 2013	1,418,130	(36,464)	1	17,136	(48,507)	1,350,296
Stock options (Note 9)	-	-	-	2,633	-	2,633
Loss for the period	-	-	-	-	(6,073)	(6,073)
At March 31, 2014	1,418,130	(36,464)	1	19,769	(54,580)	1,346,856

See accompanying notes

Manabi S.A.

Unaudited statements of cash flows
 Three month period ended March 31, 2014 and 2013
 (In thousands of Reais)

	Parent company		Consolidated	
	3/31/2014	3/31/2013	3/31/2014	3/31/2013
Cash flows from operating activities				
Loss for the period	(6,073)	(3,538)	(6,073)	(3,538)
Adjustments to reconcile the loss for the period to cash from operating activities				
Depreciation and amortization	251	114	265	114
Stock options	2,633	1,871	2,633	1,871
Marketable securities income	(12,968)	(9,775)	(12,968)	(9,775)
Equity results in subsidiaries	339	290	-	-
Changes in assets and liabilities				
Recoverable taxes	837	(585)	837	(585)
Other assets	(131)	101	(187)	99
Trade accounts payable	(21)	799	(26)	804
Employee-related accruals	(53)	(294)	(53)	(294)
Tax liabilities	(280)	(802)	(276)	(976)
Other liabilities	-	(32)	-	(32)
Net cash used in operating activities	(15,466)	(11,851)	(15,848)	(12,312)
Cash flows from investing activities				
Advances for future capital increase	(7,652)	(3,732)	-	-
Redemption of marketable securities	35,975	-	35,975	-
Acquisition of property, plant and equipment	(163)	(540)	(7,432)	(2,711)
Additions to intangible assets	(12,708)	(18,805)	(12,708)	(19,905)
Net cash from (used in) investing activities	15,452	(23,077)	15,835	(22,616)
Cash flows from financing activities				
Equity issuance costs	-	(2,147)	-	(2,147)
Net cash used in financing activities	-	(2,147)	-	(2,147)
Decrease in cash and cash equivalents	(14)	(37,075)	(13)	(37,075)
Cash and cash equivalents at the beginning of the period	44	71,487	44	71,487
Cash and cash equivalents at the end of the period	30	34,412	31	34,412

See accompanying notes

Manabi S.A.

Unaudited statements of added value (supplementary information for IFRS purposes)
 Three month period ended March 31, 2014 and 2013
 (In thousands of Reais)

	Parent company		Consolidated	
	3/31/2014	3/31/2013	3/31/2014	3/31/2013
Inputs acquired from third parties				
Services rendered by third parties	(7,105)	(4,990)	(7,273)	(5,246)
Gross added value	(7,105)	(4,990)	(7,273)	(5,246)
Depreciation and amortization	(251)	(114)	(265)	(114)
Net added value	(7,356)	(5,104)	(7,538)	(5,360)
Transferred added value received				
Equity results and provision for losses on investments	(339)	(290)	-	-
Financial income	13,183	10,650	13,183	10,650
Total added value to be distributed	5,488	5,256	5,645	5,290
Distribution of added value				
Personnel				
Direct remuneration	5,333	3,916	5,333	3,916
Benefits	590	331	590	331
Accrued severance indemnity (FGTS)	213	167	213	167
Management fees	1,871	1,652	1,871	1,652
	8,007	6,066	8,007	6,066
General and administrative expenses	2,276	1,493	2,423	1,526
Tax				
Federal	1,120	971	1,120	971
Municipal	91	219	99	220
	1,211	1,190	1,219	1,191
Financial expenses	67	45	69	45
Loss for the period	(6,073)	(3,538)	(6,073)	(3,538)
Added value distributed	5,488	5,256	5,645	5,290

See accompanying notes

Manabi S.A.

Notes to unaudited quarterly financial information

March 31, 2014

(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; (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.

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

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 owns the area on which it intends to build its port terminal called Porto Norte Capixaba.

On February 14, 2014, Manabi Log entered into an adhesion contract with the Secretariat of Ports of the Brazilian Presidency (SEP/PR), on behalf of the Federal Government, as granting authority, and with the intervenience of the National Water Transports Agency (ANTAQ), formalizing the authorization for construction and exploration of the Port Norte Capixaba in the municipality of Linhares, State of Espírito Santo, as a private use port terminal, for purposes of handling and storage of cargo, valid for a period of 25 years renewable for successive periods. A notice of material fact regarding this event was disclosed to the shareholders and to the market in general on February 28, 2014.

Construction of the Port Norte Capixaba is subject to issuance of the applicable environmental and construction licenses and completion of the project's financing plan.

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Notes to unaudited quarterly financial information (Continued)

March 31, 2014

(In thousands of Reais, except when otherwise indicated)

1. Operations (Continued)

Dutovias' business purpose is to focus on the transportation of iron ore from MOPI project through the use of a slurry pipeline, still to be developed.

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 7, 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.

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.

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Notes to unaudited quarterly financial information (Continued)

March 31, 2014

(In thousands of Reais, except when otherwise indicated)

2. Basis for preparation and presentation of quarterly information (Continued)

The quarterly financial information should be read in conjunction with the financial statements as of December 31, 2013, which individual financial statements were prepared in accordance with accounting 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 May 8, 2014.

3. Summary of significant accounting practices

The quarterly financial information is presented based on the same accounting policies described in Note 3 of the audited financial statements of December 31, 2013.

The new accounting pronouncements issued by the IASB, effective as of January 1, 2014, as described in the audited financial statements of December 31, 2013, did not affect the individual and consolidated quarterly financial information.

3.1. 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; 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.

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Notes to unaudited quarterly financial information (Continued)

March 31, 2014

(In thousands of Reais, except when otherwise indicated)

4. Cash and marketable securities

	Parent company		Consolidated	
	3/31/2014	12/31/2013	3/31/2014	12/31/2013
Cash and banks	30	44	31	44
Marketable securities				
Government bonds	523,894	546,901	523,894	546,901

The breakdown of government bonds is as follows:

Security	Beginning	Maturity	Index	Parent company and consolidated			
				3/31/2014		12/31/2013	
				Number	Value	Number	Value
LFT	11/06/2012	09/07/2015	Selic	12,255	74,009	12,255	72,261
LFT	11/07/2012	09/07/2015	Selic	27,808	167,935	27,808	163,968
LFT	11/08/2012	09/07/2015	Selic	18,534	111,928	18,534	109,285
LFT	09/09/2013	09/07/2014	Selic	18,387	111,021	24,244	142,926
LFT	02/17/2014	03/07/2015	Selic	95	573	-	-
NTN-B	12/04/2012	08/15/2014	IPCA	4,000	9,738	4,000	9,743
NTN-B	12/04/2012	08/15/2014	IPCA	10,000	24,345	10,000	24,359
NTN-B	12/04/2012	08/15/2014	IPCA	10,000	24,345	10,000	24,359
				101,079	523,894	106,841	546,901

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). These bonds have generated an average return of 102.3% of the CDI (Interbank Deposit Certificate) in the three month period ended March 31, 2014. 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.

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Notes to unaudited quarterly financial information (Continued)
March 31, 2014
(In thousands of Reais, except when otherwise indicated)

5. Investments in subsidiaries (Parent company)

Changes in investments during the period are as follows:

	12/31/2013	Equity results	3/31/2014
Investments			
MOPI	6,344	(63)	6,281
Manabi Log	28,394	(224)	28,170
	<u>34,738</u>	<u>(287)</u>	<u>34,451</u>
Provision for losses on investments			
Dutovias	(106)	(52)	(158)
Equity results and provision for losses		<u>(339)</u>	

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

On March 31, 2014, the balance of funds remitted by the Company to its subsidiaries MOPI, Manabi Log, and Dutovias, totaled R\$1,352, R\$14,936 and R\$14,798 respectively. The capitalization of these balances occurs within a period not greater than one year.

Other investment information

March 31, 2014	MOPI	Manabi Log	Dutovias
Total common shares	6,531,860	23,159,600	900
Company's interest	100%	100%	100%
Equity	6,281	28,170	(158)

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Notes to unaudited quarterly financial information (Continued)
March 31, 2014

(In thousands of Reais, except when otherwise indicated)

6. Property, plant and equipment

Parent company balances

	3/31/2014			12/31/2013		
	Cost	Depreciation	Net amount	Cost	Depreciation	Net amount
Buildings	285	(16)	269	285	(13)	272
Construction in progress	4	-	4	1,465	-	1,465
Machinery and equipment	1,584	(29)	1,555	119	(14)	105
Furniture and fixtures	1,249	(210)	1,039	1,233	(179)	1,054
IT equipment	797	(198)	599	752	(159)	593
Communication equipment	174	(51)	123	161	(43)	118
Leasehold improvements	2,217	(613)	1,604	2,217	(495)	1,722
	<u>6,310</u>	<u>(1,117)</u>	<u>5,193</u>	<u>6,232</u>	<u>(903)</u>	<u>5,329</u>

Changes in the Parent company in the period

	Depreciation rate	12/31/2013	Acquisitions	Transfers	Depreciation	3/31/2014
Buildings	4%	272	-	-	(3)	269
Construction in progress	-	1,465	4	(1,465)	-	4
Machinery and equipment	10%	105	-	1,465	(15)	1,555
Furniture and fixtures	10%	1,053	16	-	(31)	1,038
IT equipment	20%	593	45	-	(39)	599
Communication equipment	20%	118	13	-	(8)	123
Leasehold improvements	22%	1,723	-	-	(118)	1,605
		<u>5,329</u>	<u>78</u>	<u>-</u>	<u>(214)</u>	<u>5,193</u>

Consolidated balances

	3/31/2014			12/31/2013		
	Cost	Depreciation	Net amount	Cost	Depreciation	Net amount
Land	28,779	-	28,779	28,779	-	28,779
Buildings	285	(16)	269	285	(13)	272
Construction in progress	39,762	-	39,762	31,505	-	31,505
Machinery and equipment	1,584	(29)	1,555	119	(14)	105
Furniture and fixtures	1,308	(212)	1,096	1,253	(180)	1,073
IT equipment	804	(198)	606	752	(159)	593
Communication equipment	174	(51)	123	161	(43)	118
Leasehold improvements	2,319	(634)	1,685	2,319	(503)	1,816
	<u>75,015</u>	<u>(1,140)</u>	<u>73,875</u>	<u>65,173</u>	<u>(912)</u>	<u>64,261</u>

Manabi S.A.

Notes to unaudited quarterly financial information (Continued)
March 31, 2014

(In thousands of Reais, except when otherwise indicated)

6. Property, plant and equipment (Continued)

Changes in the consolidated balances in the period

	Depreciation rate	12/31/2013	Acquisitions	Transfers	Depreciation	3/31/2014
Land		28,779	-	-	-	28,779
Buildings	4%	272	-	-	(3)	269
Construction in progress		31,505	9,722	(1,465)	-	39,762
Machinery and equipment	10%	105	-	1,465	(15)	1,555
Furniture and fixtures	10%	1,073	55	-	(32)	1,096
IT equipment	20%	593	52	-	(39)	606
Communication equipment	20%	118	13	-	(8)	123
Leasehold improvements	22%	1,816	-	-	(131)	1,685
		<u>64,261</u>	<u>9,842</u>	<u>-</u>	<u>(228)</u>	<u>73,875</u>

Construction in progress (consolidated) includes expenditures with development of the port and pipeline projects related to: (i) environmental licensing, additional environmental and engineering studies, stakeholder management; (ii) basic engineering project; and (iii) licencing and negotiation of the pipeline's easement areas.

7. Intangible assets

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

Intangible assets are represented by 93 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, 18 in application for mining stage, 5 are qualifications in edicts of areas considered available by the DNPM (National Department of Mineral Production), and 3 relate to licensing requests.

The certification report for the MOPI project, issued on February 24, 2014, was conducted by one of the world's leaders in independent certification of mineral resources based on 449 drill holes, including an extension of 100 thousand linear meters, and certified 1.33 billion tons of measured and indicated (M&I) resources and 312 million tons of inferred resources. In addition, the report noted an additional exploration potential between 500 Mt and 1.200 Mt.

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Notes to unaudited quarterly financial information (Continued)

March 31, 2014

(In thousands of Reais, except when otherwise indicated)

7. Intangible assets (Continued)

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:

	Amortization rate	12/31/2013	Additions	Amortization	3/31/2014
Expenditures related to exploration/valuation of mineral resources and prospecting rights	-	192,183	10,752	-	202,935
Intangible assets acquired in business combination (MOPI and MOES)	-	546,868	-	-	546,868
Software	20%	727	35	(49)	713
		<u>739,778</u>	<u>10,787</u>	<u>(49)</u>	<u>750,516</u>

8. Income tax and social contribution

As of March 31, 2014, the Company's tax loss carryforward and negative social contribution basis amounted to R\$68,207 (R\$65,207 as of December 31, 2013), 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 quarterly financial and the Company is awaiting the final text to be converted into Law to decide on the best moment for adoption.

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Notes to unaudited quarterly financial information (Continued)

March 31, 2014

(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 three month period ended March 31, 2014, the compensation of these officers and board members was R\$1,734 and R\$ 471 including salaries, fees and social charges. These values do not include the amount of R\$ 711 related to share based payment (stock options) to the officers which was recorded in statement of operations.

The fees of the officers and directors for the year of 2014, in the aggregate amount of up to R\$ 7,062 and R\$ 3,240, respectively, were recommended in the Minutes of the Meeting of the Board of Directors, held on February 13, 2014, for approval by the 2014 Ordinary Shareholders' Meeting.

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 March 31, 2014, a total of 29,730 (twenty-nine 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.

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 an extension of the Black & Scholes model.

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Notes to unaudited quarterly financial information (Continued)

March 31, 2014

(In thousands of Reais, except when otherwise indicated)

9. 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 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	1/02/2012	10/15/2012	10/15/2017	500	40.86%	11.00%	99.24%	442
Aditivos	1/02/2012	10/15/2013	10/15/2018	500	39.58%	11.04%	98.33%	469
Aditivos	1/02/2012	10/15/2014	10/15/2019	500	38.98%	11.06%	97.44%	495
2012.1	1/02/2012	10/15/2012	10/15/2017	500	40.86%	11.00%	99.24%	442
2012.1	1/02/2012	10/15/2013	10/15/2018	500	39.58%	11.04%	98.33%	469
2012.1	1/02/2012	10/15/2014	10/15/2019	350	38.98%	11.06%	97.44%	346
2012.2	1/02/2012	12/01/2012	12/01/2017	300	40.67%	10.99%	99.20%	267
2012.2	1/02/2012	12/01/2013	12/01/2018	300	39.51%	11.05%	98.30%	284
2012.2	1/02/2012	12/01/2014	12/01/2019	300	38.95%	11.06%	97.41%	299
2012.3	2/01/2012	1/15/2013	1/15/2018	1,000	40.55%	11.04%	99.08%	892
2012.3	2/01/2012	1/15/2014	1/15/2019	1,000	39.47%	11.19%	98.18%	951
2012.3	2/01/2012	1/15/2015	1/15/2020	1,000	38.80%	11.23%	97.29%	1,001
2012.4	1/13/2012	1/13/2013	1/13/2018	100	40.47%	11.23%	99.20%	90
2012.4	1/13/2012	1/13/2014	1/13/2019	100	39.41%	11.31%	98.28%	96
2012.4	1/13/2012	1/13/2015	1/13/2020	100	38.88%	11.32%	97.37%	101
2012.5	8/20/2012	8/20/2013	8/20/2018	180	39.99%	9.65%	99.05%	154
2012.5	8/20/2012	8/20/2014	8/20/2019	180	38.74%	9.78%	98.11%	164
2012.5	8/20/2012	8/20/2015	8/20/2020	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	5/02/2013	5/02/2014	5/02/2019	780	39.96%	9.10%	98.54%	1,055
2013.1	5/02/2013	5/02/2015	5/02/2020	780	38.98%	9.24%	97.78%	1,126
2013.1	5/02/2013	5/02/2016	5/02/2021	780	38.13%	9.39%	97.68%	1,196
2013.2	7/01/2013	7/01/2014	7/01/2019	550	40.16%	11.23%	98.48%	793
2013.2	7/01/2013	7/01/2015	7/01/2020	550	39.05%	11.27%	97.68%	843
2013.2	7/01/2013	7/01/2016	7/01/2021	550	38.26%	11.31%	97.53%	893
2013.3	8/15/2013	8/15/2014	8/15/2019	450	40.00%	11.71%	98.44%	656
2013.3	8/15/2013	8/15/2015	8/15/2020	450	38.88%	11.77%	97.60%	698
2013.3	8/15/2013	8/15/2016	8/15/2021	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 3/31/2014				29,730				33,081

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Notes to unaudited quarterly financial information (Continued)

March 31, 2014

(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 are as follows:

Programs	2011	2012	2013	2014	2015	2016	Total
1 st	904	4,407	4,375	3,453	-	-	13,139
2 nd	-	1,346	1,251	915	-	-	3,512
3 rd	-	880	962	962	40	-	2,844
4 th	-	92	96	95	4	-	287
5 th	-	60	163	163	105	-	491
6 th	-	33	289	288	255	-	865
7 th	-	-	749	1,124	1,125	379	3,377
8 th	-	-	422	843	842	422	2,529
9 th	-	-	263	697	697	435	2,092
10 th	-	-	328	1,313	1,314	990	3,945
	<u>904</u>	<u>6,818</u>	<u>8,898</u>	<u>9,853</u>	<u>4,382</u>	<u>2,226</u>	<u>33,081</u>
Options expired	<u>35</u>	<u>481</u>	<u>-</u>	<u>-</u>			
Recorded in statement of operations	<u>939</u>	<u>7,299</u>	<u>8,898</u>	<u>2,633</u>			
Accumulated amount recorded in equity	<u>939</u>	<u>8,238</u>	<u>17,136</u>	<u>19,769</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, 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.

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Notes to unaudited quarterly financial information (Continued)

March 31, 2014

(In thousands of Reais, except when otherwise indicated)

10. Trade accounts payable

Trade accounts payable as of March 31, 2014 and December 31, 2013 are as follows:

	Parent company		Consolidated	
	3/31/2014 Unaudited	12/31/2013 Audited	3/31/2014 Unaudited	12/31/2013 Audited
Domestic	2,933	5,016	6,173	5,758
Foreign	-	362	-	362
	<u>2,933</u>	<u>5,378</u>	<u>6,173</u>	<u>6,120</u>

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

11. Equity

Capital stock

As of March 31, 2014, 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	Preferred			
		Class "A"	Class "B"		
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>

The Company is authorized to increase its capital up to the additional limit of R\$3,000,000 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.

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Notes to unaudited quarterly financial information (Continued)

March 31, 2014

(In thousands of Reais, except when otherwise indicated)

11. Equity (Continued)

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.

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 March 31, 2014 and these events are outside the control of the option holders. Therefore, these options did not have any impact on the quarterly financial information.

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Notes to unaudited quarterly financial information (Continued)

March 31, 2014

(In thousands of Reais, except when otherwise indicated)

11. Equity (Continued)

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 March 31, 2014			
	Common	Preferred		Total
		class "A"	class "B"	
Loss attributable to the equity holders	(1,460)	(3,212)	(1,401)	(6,073)
Number of outstanding shares	250,000	550,000	240,000	1,040,000
Loss per share - basic and diluted (*) in Reais	(5.84)	(5.84)	(5.84)	

	Three-month period ended March 31, 2013			
	Common	Preferred		Total
		class "A"	class "B"	
Loss attributable to the equity holders	(850)	(1,871)	(817)	(3,538)
Number of outstanding shares	250,000	550,000	240,000	1,040,000
Loss per share - basic and diluted (*) in Reais	(3.40)	(3.40)	(3.40)	

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

12. Financial income

The financial income in the three month period is comprised of:

	Parent company and Consolidated	
	3/31/2014	3/31/2013
Bank deposit certificates (CDBs)	-	303
Debentures with repurchase agreements	-	518
Government bonds	12,968	9,775
Other financial revenues	215	54
	13,183	10,650

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Notes to unaudited quarterly financial information (Continued)
March 31, 2014
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13. Financial instruments

Financial assets as of March 31, 2014 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.

14. 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


António Borges Leal Castello Branco
CFO