Financial Statements

Manabi S.A.

December 31, 2014
with Independent Auditor’s Report on the Financial Statements

Manabi S.A.

Audited financial statements

December 31, 2014

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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, 2014, 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 and consolidated financial statements in accordance with the accounting practices adopted in Brazil and in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), 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

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Manabi S.A. as at December 31, 2014, its individual and consolidated financial performance and its cash flows for the year then ended, in accordance with accounting the 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.

Other matters

Statements of value added

We have also audited the individual and consolidated statements of value added for the year ended December 31, 2014, 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 30, 2015.

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

Roberto Cesar Andrade dos Santos
Accountant CRC - 1RJ 093.771/O-9

Daniel de Araújo Peixoto
Accountant CRC – 1BA 025.348/O-9-S-RJ

A free translation from Portuguese into English of the Financial Statements

Manabi S.A.

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

	Note	Parent company		Consolidated	
		12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Assets					
Current assets					
Cash and cash equivalents		**24**	44	**26**	44
Marketable securities	**5**	**452,048**	546,901	**452,048**	546,901
Recoverable taxes		**8,542**	8,954	**8,542**	8,954
Other		**124**	377	**154**	470
Total current assets		**460,738**	556,276	**460,770**	556,369
Non-current assets					
Advances for future capital increase	**6**	**28,072**	23,434	**-**	-
Investments	**6**	**40,126**	34,738	**-**	-
Property, plant and equipment	**7**	**592**	5,329	**57,930**	64,261
Intangible assets	**8**	**99,664**	739,778	**99,664**	739,778
Total non-current assets		**168,454**	803,279	**157,594**	804,039
Total assets		**629,192**	1,359,555	**618,364**	1,360,408
Liabilities and equity					
Current liabilities					
Trade accounts payable	**11**	**4,964**	5,378	**6,289**	6,120
Employee-related accruals		**1,976**	2,069	**1,976**	2,069
Tax liabilities		**938**	1,346	**1,047**	1,563
Provision for losses on investments	**6**	**12,262**	106	**-**	-
Other		**425**	360	**425**	360
Total current liabilities		**20,565**	9,259	**9,737**	10,112
Equity	**14**				
Capital stock		**1,381,666**	1,381,666	**1,381,666**	1,381,666
Capital reserve		**1**	1	**1**	1
Share-based compensation reserve	**10**	**25,873**	17,136	**25,873**	17,136
Accumulated losses		**(798,913)**	(48,507)	**(798,913)**	(48,507)
Total equity		**608,627**	1,350,296	**608,627**	1,350,296
Total liabilities and equity		**629,192**	1,359,555	**618,364**	1,360,408

See accompanying notes

Manabi S.A.

Statements of operations
Years ended December 31, 2014 and 2013
(In thousands of Reais, except for loss per share, in Reais)

	Note	Parent company		Consolidated	
		12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Operating expenses					
Personnel		**(35,123)**	(33,652)	**(35,123)**	(33,652)
Services rendered		**(21,964)**	(17,030)	**(23,063)**	(17,837)
General and administrative		**(8,513)**	(8,074)	**(9,285)**	(8,261)
Depreciation and amortization		**(1,009)**	(753)	**(1,067)**	(762)
Taxes		**(226)**	(378)	**(272)**	(401)
		(66,835)	(59,887)	**(68,810)**	(60,913)
Other operating expenses					
Equity results in subsidiaries	**6**	**(34,068)**	(1,036)	**-**	-
Impairment of assets	**7, 8**	**(701,207)**	-	**(733,292)**	-
		(735,275)	(1,036)	**(733,292)**	-
Operating loss before financial results		**(802,110)**	(60,923)	**(802,102)**	(60,913)
Financial income and expenses					
Financial income	**15**	**51,866**	47,303	**51,868**	47,303
Financial expenses		**(162)**	(200)	**(172)**	(210)
		51,704	47,103	**51,696**	47,093
Loss before income tax and social contribution		**(750,406)**	(13,820)	**(750,406)**	(13,820)
Income tax and social contribution	**9**	**-**	-	**-**	-
Loss for the year		**(750,406)**	(13,820)	**(750,406)**	(13,820)
Loss per common and preferred share (basic and diluted)	**14**	**(721.54)**	(13.29)		

See accompanying notes.

Manabi S.A.

Statements of Comprehensive Income
Years ended December 31, 2014 and 2013
(In thousands of Reais)

	Parent Company		Consolidated	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Loss for the year	**(750,406)**	(13,820)	**(750,406)**	(13,820)
Other comprehensive income	**-**	-	**-**	-
Comprehensive loss for the year	**(750,406)**	(13,820)	**(750,406)**	(13,820)

Statements of Changes in Equity
Years ended December 31, 2014 and 2013
(In thousands of Reais)

	Capital stock		Capital reserves			
	Subscribed	**Equity issuance costs**	**Subscription warrant**	**Share-based compensation reserve**	**Accumulated losses**	**Total**
At December 31, 2012	1,418,130	(36,464)	1	8,238	(34,687)	1,355,218
Stock options	-	-	-	8,898	-	8,898
Loss for the period	-	-	-	-	(13,820)	(13,820)
At December 31, 2013	1,418,130	(36,464)	1	17,136	(48,507)	1,350,296
Stock options (Note 10)	-	-	-	8,737	-	8,737
Loss for the year	-	-	-	-	**(750,406)**	**(750,406)**
At December 31, 2014	1,418,130	(36,464)	1	25,873	**(798,913)**	**608,627**

See accompanying notes.

Manabi S.A.

Statements of Cash Flows
Years ended December 31, 2014 and 2013
(In thousands of Reais)

	Parent company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Cash flows from operating activities				
Loss for the year	**(750,406)**	(13,820)	**(750,406)**	(13,820)
Adjustments to reconcile the loss for the period to cash from operating activities				
Depreciation and amortization	**1,009**	753	**1,067**	762
Stock options	**8,737**	8,898	**8,737**	8,898
Impairment of assets	**701,207**	-	**733,292**	-
Marketable securities income	**(51,319)**	(46,147)	**(51,319)**	(46,147)
Equity results in subsidiaries	**34,068**	1,036	**-**	-
Changes in assets and liabilities				
Recoverable taxes	**412**	(5,892)	**412**	(5,892)
Other assets	**252**	266	**315**	185
Trade accounts payable	**(542)**	460	**(460)**	535
Employee-related accruals	**(2,341)**	(1,461)	**(2,341)**	(1,461)
Tax liabilities	**(85)**	(393)	**(84)**	(607)
Other liabilities	**-**	(326)	**-**	(32)
Net cash used in operating activities	**(59,008)**	(56,626)	**(60,787)**	(57,579)
Cash flows from investing activities				
Advances for future capital increase	**(31,938)**	(29,092)	**-**	-
Acquisition of marketable securities	**-**	(1,250)	**-**	(1,250)
Redemption of marketable securities	**146,172**	118,159	**146,172**	118,159
Acquisition of property, plant and equipment	**(448)**	(2,770)	**(30,605)**	(26,321)
Additions to intangible assets	**(54,798)**	(97,717)	**(54,798)**	(102,305)
Net cash from (used in) investing activities	**58,988**	(12,670)	**60,769**	(11,717)
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	**(20)**	(71,443)	**(18)**	(71,443)
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	**24**	44	**26**	44

See accompanying notes.

Manabi S.A.

Statements of Added Value (supplementary information for IFRS purposes)
Years ended December 31, 2014 and 2013
(In thousands of Reais)

	Parent company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Inputs acquired from third parties				
General and administrative expenses	**(28,101)**	(22,907)	**(29,764)**	(23,804)
Expenses with stock options granted	**(8,737)**	(8,898)	**(8,737)**	(8,898)
Depreciation and amortization	**(1,009)**	(753)	**(1,067)**	(762)
Impairment of assets	**(701,207)**	-	**(733,292)**	-
Transferred added value received				
Net financial income	**51,704**	47,103	**51,696**	47,093
Equity results in subsidiaries	**(34,068)**	(1,036)	**-**	-
Total added value to be distributed	**(721,418)**	**13,509**	**(721,164)**	**13,629**
Distribution of added value				
Personnel				
Direct remuneration	**11,793**	11,143	**11,793**	11,143
Management fees	**7,493**	6,803	**7,493**	6,803
Benefits	**2,280**	1,812	**2,280**	1,812
Accrued severance indemnity (FGTS)	**953**	859	**953**	859
	22,519	20,617	**22,519**	20,617
Tax				
Federal	**4,053**	4,350	**4,098**	4,369
Municipal	**41**	167	**41**	167
Third-party capital remuneration				
Leases	**2,375**	2,195	**2,584**	2,296
Loss for the year	**(750,406)**	(13,820)	**(750,406)**	(13,820)
	(721,418)	13,509	**(721,164)**	13,629

See accompanying notes.

1. Operations

Manabi S.A. ("Manabi" or "Company") is a publicly-held company, with the corporate purpose of (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.

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.

On November 12th, 2014, the State Council for Environmental Policy ("COPAM") issued a Preliminary license ("PL"), which had been approved in a meeting held on November 6th, 2014, for the iron ore mine, processing plant and ancillary facilities of the Pilar Hill Iron Ore Project (the "Pilar Hill Project") located in the municipality of Morro do Pilar, State of Minas Gerais.

1. **Operations** (Continued)

The issuance of the PL proves the environmental and social feasibility of the Pilar Hill Project, which was obtained after an extensive and deep assessment conducted by the environmental authority that included public hearings with the local community and other stakeholders and consultations with various authorities at the federal, state and municipal level, and with other entities. The PL also sets forth the conditions precedent that the Company must fulfill in order to obtain the Construction license ("CL") and thus be authorized to start construction.

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.

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.

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.

On August 22, 2014, Manabi secured a rail logistics option through the Vitória-Minas Railway("EFVM") upon execution of an Investment Agreement and a Transportation Agreement with Vale S.A., as concessionaire in charge of operating the EFVM, which connects the States of Minas Gerais and Espírito Santo, where Manabi's Porto Norte Capixaba project is being developed.

The Investment Agreement sets forth the terms and conditions for development and implementation of a rail spur, of approximately 80km, connecting the EFVM to the area of the Port on the coast of Linhares, State of Espírito Santo, among other investments, subject to the applicable approvals and permits and in line with Resolution 3.694, issued on July 14, 2011 by the National Land Transportation Agency ("ANTT").

1. **Operations** (Continued)

The Transportation Agreement sets forth the terms and conditions for transportation on the EFVM of up to 25 million tons of iron ore per year to the Porto Norte Capixaba, for a period of 20 years, subject to completion of the investments contemplated under the Investment Agreement and certain conditions precedent, also in accordance with Resolution 3.694 above.

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.

As mentioned in Notes 7 and 8, as of December 31, 2014, in the context of the significant decline in the price of iron ore in the international market, Management conducted an impairment testing of the Company's Projects. Such tests, indicated that the carrying amounts of the assets associated to the Pilar Hill and Dark Hill Projects were greater than the present value of the respective discounted future cash flows, related to the estimated useful life periods for these Projects and, therefore, there was an impairment loss of R$733 million, recorded in the income statement as other operating expense, of which R$659 million refer to the Pilar Hill Project and R$74 million to the Dark Hill Project.

2. Basis for preparation and presentation of the financial statements

The consolidated financial statements of the Company were prepared based on international accounting standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), implemented in Brazil through the Accounting Pronouncements Committee ("CPC") and its technical interpretations ("ICPC") and guidelines ("OCPC"), approved by the Brazilian Securities and Exchange Commission ("CVM").

2. Basis for preparation and presentation of the financial statements (Continued)

The Parent Company's individual financial statements were prepared in accordance with accounting practices adopted in Brazil, which include the provisions of corporate law, set forth in Law 6,404/76 as amended by Law11,638/07 and Law 11,941/09, and the accounting pronouncements, interpretations and guidelines issued by the Accounting Pronouncements Committee (“CPC”), approved by the Brazilian Securities and Exchange Commission (“CVM”). As of December 31, 2013, these practices were different from IFRS, applicable to separate financial statements, only in relation to assessment of investments in subsidiaries, affiliates and companies controlled jointly based on the equity method, while for purposes of IFRS they would be evaluated based on cost or fair value. With the issuance of pronouncement IAS 27 (Separate Financial Statements) revised by IASB in 2014, the separate financial statements pursuant to IFRS rules started allowing the use of the equity method to assess investments in subsidiaries, affiliates and companies controlled jointly. In December 2014, the CVM issued Deliberation 733/2014, which approves the Document for Revision of Technical Pronouncements 07 related to Pronouncements CPC 18, CPC 35 and CPC 37 issued by the Accounting Pronouncements Committee, accepting the mentioned revision of IAS 27, and allowing adoption thereof starting in the fiscal years ended December 31, 2014. Thus, the individual financial statements of the Parent Company were in accordance with IFRS as of such fiscal year.

The financial statements were prepared on a going concern basis.
Management evaluates that the dependence on additional financial resources required for implementation of the investment plan, obtainment of the environmental licenses for construction of the projects, and the volatility of iron ore prices are risks that could result in uncertainty as to the continuity of the Company’s businesses.

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.

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 30, 2015.

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.

3.2. 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.

3. Summary of significant accounting practices (Continued)

3.2. Financial instruments (Continued)

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.

3.3. 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.

3.4. 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.

3. Summary of significant accounting practices (Continued)

3.4. Investments in subsidiaries (Continued)

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.

3.5. 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 impairment losses, 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.

3.6. Intangible assets

The intangible assets consist mainly of mining rights, expenses with exploration and assessment of mineral resources, obtainment of licenses, and are valued at acquisition cost minus accumulated amortization (when operational) and minus impairment losses, when applicable.

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. Summary of significant accounting practices (Continued)

3.7. Impairment of assets

The carrying amount of the Company's assets is, for impairment purposes, adjusted annually or when there is a potential indication of impairment loss.

The recoverable value of an asset or cash generating unit is the higher of the value in use and the fair value. When assessing the value in use, the estimated future cash flows are deducted at their present value at the discount rate, before taxes, that reflects current market conditions as regards the impairment period of the capital and the specific risks of the asset.

A loss by impairment is recognized in the income statement if the carrying amount of an asset or cash generating unit exceeds its estimated recoverable amount.

Impairment losses recognized in prior years are assessed at the end of each reporting period for any potential indications that the loss has increased, decreased or no longer exists.

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.

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. 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.

3.11. 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.

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.

3.12. 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.

3.13. 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. Summary of significant accounting practices (Continued)

3.14. 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.

3.15. Share based compensation (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

There are no pronouncements and interpretations issued by the Accounting Pronouncements Committee and IASB, effective as of the 2015 fiscal year, which could impact the Company's financial statements.

(In thousands of Reais, except when otherwise indicated)

5. Marketable securities

	Parent company and consolidated	
	12/31/2014	12/31/2013
Government bonds	**388,954**	546,901
Bank Deposit Certificates (CDBs)	**63,094**	-
	452,048	546,901

Government bonds are broken down as follows:

				Parent company and consolidated			
				12/31/2014		12/31/2013	
Security	Beginning	Maturity	Index	Number	Value	Number	Value
LFT	11/06/2012	09/07/2015	Selic	**20,571**	**134,474**	12,255	72,261
LFT	11/07/2012	09/07/2015	Selic	**-**	**-**	27,808	163,968
LFT	11/08/2012	09/07/2015	Selic	**18,534**	**121,157**	18,534	109,285
LFT	09/09/2013	09/07/2014	Selic	**-**	**-**	24,244	142,926
LFT	04/25/2014	09/07/2015	Selic	**4,935**	**32,260**	-	-
LFT	05/21/2014	09/07/2015	Selic	**4,901**	**32,038**	-	-
LFT	06/30/2014	09/07/2017	Selic	**2,657**	**17,370**	-	-
LFT	01/11/2013	09/01/2018	Selic	**2,894**	**18,918**	-	-
LFT	06/18/2014	09/07/2015	Selic	**2,896**	**18,931**	-	-
LFT	08/13/2014	09/01/2018	Selic	**2,112**	**13,806**	-	-
NTN-B	12/04/2012	08/15/2014	IPCA	**-**	**-**	4,000	9,743
NTN-B	12/04/2012	08/15/2014	IPCA	**-**	**-**	10,000	24,359
NTN-B	12/04/2012	08/15/2014	IPCA	**-**	**-**	10,000	24,359
					388,954		546,901

Bank Deposit Certificates are broken down as follows:

					Parent company and consolidated	
Investment	Bank	Beginning of operation	Maturity of operation	Index CDI	12/31/2014	12/31/2013
CDB	CEF	08/15/2014	08/12/2016	101.0%	**63,094**	**-**

(In thousands of Reais, except when otherwise indicated)

5. Marketable securities (Continued)

The government bonds are allocated in an exclusive investment fund and earnings are based on the Selic rate. These securities have generated an average yield of 100.4% of CDI (Interbank Deposit Certificate) in 2014. The bonds have high liquidity, low credit risk (sovereign risk) and may be negotiated for use in transactions of the Company and its subsidiaries.

The funds invested in NTN-B's matured in August and the remaining balance was fully invested in CDBs issued by *Caixa Econômica Federal* with immediate liquidity, low credit risk and earnings based on the variation of the CDI, with a yield of 101% of the CDI and, like the LFT's, is fully allocated to the Company's exclusive investment fund.

6. Investments in subsidiaries (Parent company)

Changes in investments during the period are as follows:

	12/31/2013	Capital increase	Equity results	12/31/2014
Investments				
MOPI	6,344	**1,300**	**(7,939)**	[1] **(295)**
Manabi Log	28,394	**13,000**	**(1,268)**	**40,126**
Dutovias	[1] (106)	**13,000**	**(24,861)**	[1] **(11,967)**
	34,632	**27,300**	**(34,068)**	**27,864**

[1] These amounts are shown within liability as provision for losses on investments.

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

The changes of these remittances during the period are as follows:

Advances for future capital increase	**MOPI**	**LOG**	**Dutovias**
Balances as of 12/31/2013	1,274	12,567	9,593
Funds remitted	1,350	12,048	18,540
	2,624	**24,615**	**28,133**
Capital increase on 04/29/2014	(1,300)	(13,000)	(13,000)
Balances as of 12/31/2014 [1]	**1,324**	**11,615**	**15,133**

[1] The capitalization of these balances occurs within a period not greater than one year.

(In thousands of Reais, except when otherwise indicated)

7. Property, plant and equipment

Parent company balances

	12/31/2014				12/31/2013		
	Cost	Depreciation	Impairment of assets	Net amount	Cost	Depreciation	Net amount
Buildings	**285**	**(25)**	**(228)**	**32**	285	(13)	272
Construction in progress	**-**	**-**	**-**	**-**	1,465	-	1,465
Machinery and equipment	**1,784**	**(102)**	**(1,472)**	**210**	119	(14)	105
Furniture and fixtures	**1,259**	**(306)**	**(834)**	**119**	1,233	(179)	1,054
IT equipment	**809**	**(317)**	**(431)**	**61**	752	(159)	593
Comunication equipment	**181**	**(78)**	**(90)**	**13**	161	(43)	118
Leasehold improvements	**2,221**	**(966)**	**(1,098)**	**157**	2,217	(495)	1,722
	6,539	**(1,794)**	**(4,153)**	**592**	6,232	(903)	5,329

Changes in the Parent company in the year

	Depreciation rate	12/31/2013	Acquisitions	Impairment of assets	Transfers	Depreciation	12/31/2014
Buildings	**4%**	272	**-**	**(228)**	**-**	**(12)**	**32**
Construction in progress	**-**	1,465	**-**	**-**	**(1,465)**	**-**	**-**
Machinery and equipment	**10%**	105	**200**	**(1,472)**	**1,465**	**(88)**	**210**
Furniture and fixtures	**10%**	1,054	**27**	**(834)**	**-**	**(128)**	**119**
IT equipment	**20%**	593	**59**	**(431)**	**(3)**	**(157)**	**61**
Comunication equipment	**20%**	118	**20**	**(90)**	**-**	**(35)**	**13**
Leasehold improvements	**22%**	1,722	**4**	**(1,098)**	**-**	**(471)**	**157**
		5,329	**310**	**(4,153)**	**(3)**	**(891)**	**592**

Consolidated balances

	12/31/2014				12/31/2013		
	Cost	Depreciation	Impairment of assets	Net amount	Cost	Depreciation	Net amount
Land	**29,661**	**-**	**(7,452)**	**22,209**	28,779	-	28,779
Buildings	**285**	**(25)**	**(228)**	**32**	285	(13)	272
Construction in progress	**59,635**	**-**	**(24,633)**	**35,002**	31,505	-	31,505
Machinery and equipment	**1,784**	**(102)**	**(1,472)**	**210**	119	(14)	105
Furniture and fixtures	**1,322**	**(312)**	**(834)**	**176**	1,253	(180)	1,073
IT equipment	**819**	**(318)**	**(431)**	**70**	752	(159)	593
Comunication equipment	**201**	**(79)**	**(90)**	**32**	161	(43)	118
Leasehold improvements	**2,322**	**(1,025)**	**(1,098)**	**199**	2,319	(503)	1,816
	96,029	**(1,861)**	**(36,238)**	**57,930**	65,173	(912)	64,261

Changes in the consolidated balances in the year

	Depreciation rate	12/31/2013	Acquisitions	Impairment of assets	Transfers	Depreciation	12/31/2014
Land		28,779	**882**	**(7,452)**	**-**	**-**	**22,209**
Buildings	**4%**	272	**-**	**(228)**	**-**	**(12)**	**32**
Construction in progress		31,505	**29,595**	**(24,633)**	**(1,465)**	**-**	**35,002**
Machinery and equipment	**10%**	105	**200**	**(1,472)**	**1,465**	**(88)**	**210**
Furniture and fixtures	**10%**	1,073	**69**	**(834)**	**-**	**(132)**	**176**
IT equipment	**20%**	593	**69**	**(431)**	**(3)**	**(158)**	**70**
Comunication equipment	**20%**	118	**40**	**(90)**	**-**	**(36)**	**32**
Leasehold improvements	**22%**	1,816	**4**	**(1,098)**	**-**	**(523)**	**199**
		64,261	**30,859**	**(36,238)**	**(3)**	**(949)**	**57,930**

7. Property, plant and equipment (Continued)

As mentioned in Note 8, on December 31, 2014, Management conducted impairment testing of the Company's Projects. As a result of such tests, it was verified that the carrying amounts recorded in plant, property and equipment related to the projects mentioned in Note 8 exceeded in R$ 36 million the current amount of the respective discounted future cash flows. This impairment was recorded in the income statement as impairment of assets.

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

8. Intangible assets

Intangible assets include exploration expenditures with prospecting rights and mineral resources represented by 88 mining rights related to the MOPI and MOES projects, located in the State of Minas Gerais, of which 5 are in application for research stage, 68 in research permit stage, 9 in application for mining stage and 6 are qualifications in edicts of areas considered available by the DNPM (National Department of Mineral Production).

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.

This report was updated on May 23, 2014. Among the results of the additional works performed by SRK, the updated report showed a reduction in the mine's operating cost and in operating expenses (OPEX), in the investment (CAPEX) and in the environmental impact of the Pilar Hill Project, due to the revision of the mining plan, pursuant to the material fact issued on June 11, 2014.

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)

As of December 31, 2014, in the context of the significant decline in the price of iron ore in the international market, Management conducted an impairment testing of the Company's Projects. Such tests, indicated that the carrying amounts associated to the Pilar Hill and Dark Hill Projects, recorded in intangible assets, were greater than the present value of the respective discounted future cash flows, related to the estimated useful life periods for these Projects and, therefore, there was an impairment loss of R$697 million, recorded in the income statement as impairment of assets, of which R$623 million refer to the Pilar Hill Project and R$74 million to the Dark Hill Project.

The cash flows were prepared based on (i) estimated expenditures for the implementation phase of the projects, (ii) certification of resources and reserves by independent companies, (iii) long term iron ore (62% Fe CIF China) prices in line with estimates by institutions that cover the mining industry, (iv) estimates of operating costs developed by experts and (v) discount rate related to Company's projected capital structure and country risk (CAPM – Capital Asset Pricing Model methodology).

The changes in intangible assets during the period are as follows:

	Amortization rate	12/31/2013	Additions	Impairment of assets	Amortization	12/31/2014
• Expenditures related to exploration and valuation of mineral resources and prospecting rights		192,183	**40,012**	**(206,106)**	**-**	**26,089**
• Expenditures related to licensing phase		-	**6,224**	**(5,525)**	**-**	**699**
• Intangible assets acquired in business combination		546,868	**-**	**(485,423)**	**-**	**61,445**
• Rail spur		-	**10,831**	**-**	**-**	**10,831**
• Software	**20%**	727	**66**	**-**	**(193)**	**600**
		739,778	**57,133**	**(697,054)**	**(193)**	**99,664**

9. Income tax and social contribution

As of December 31, 2014, the Company's tax loss carryforward and negative social contribution basis amounted to R$70,528 (R$65,078 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 May 14, 2014, Law 12,973 was published as a result of the conversion of Provisional Measure 627 of November 2013, which revokes the transitional tax regime

9. Income tax and social contribution - (Continued)

set forth by Law 11,941 of 2009 and brings other relevant changes to federal tax rules. The Company's Management conducted studies and concluded, based on the current phase of the project, that the provisions of the relevant law have no impact on the financial statements and, thus, did not opt for early adoption as permitted by the relevant Law.

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 year ended December 31, 2014, the compensation of these officers and board members was R$5,742 and R$1,751 respectively. These values do not include the amount of R$2,885 related to share based payment (stock options) to the officers which was recorded in the statement of operations. The annual fees of the officers and board members for the period from May 1, 2014 to April 30, 2015 in the aggregate amount of up to R$ 7,062 and R$ 3,240, respectively, were approved in the Annual General Meeting held on April 29, 2014.

Share based compensation (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.

As at December 31, 2014, a total of 28,030 (twenty-eight thousand 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.

10. Transactions with related parties – (Continued)

Share based compensation (stock options) – (Continued)

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

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

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**
Amendments	01/02/2012	10/15/2012	10/15/2017	450	40.86%	11.00%	99.24%	**398**
Amendments	01/02/2012	10/15/2013	10/15/2018	450	39.58%	11.04%	98.33%	**422**
Amendments	01/02/2012	10/15/2014	10/15/2019	450	38.98%	11.06%	97.44%	**446**
2012.1	01/02/2012	10/15/2012	10/15/2017	400	40.86%	11.00%	99.24%	**354**
2012.1	01/02/2012	10/15/2013	10/15/2018	400	39.58%	11.04%	98.33%	**375**
2012.1	01/02/2012	10/15/2014	10/15/2019	100	38.98%	11.06%	97.44%	**99**
2012.2	01/02/2012	12/01/2012	12/01/2017	300	40.67%	10.99%	99.20%	**267**
2012.2	01/02/2012	12/01/2013	12/01/2018	300	39.51%	11.05%	98.30%	**284**
2012.2	01/02/2012	12/01/2014	12/01/2019	300	38.95%	11.06%	97.41%	**299**
2012.3	02/01/2012	01/15/2013	01/15/2018	1,000	40.55%	11.04%	99.08%	**892**
2012.3	02/01/2012	01/15/2014	01/15/2019	1,000	39.47%	11.19%	98.18%	**951**
2012.3	02/01/2012	01/15/2015	01/15/2020	1,000	38.80%	11.23%	97.29%	**1,001**
2012.4	01/13/2012	01/13/2013	01/13/2018	100	40.47%	11.23%	99.20%	**90**
2012.4	01/13/2012	01/13/2014	01/13/2019	100	39.41%	11.31%	98.28%	**96**
2012.4	01/13/2012	01/13/2015	01/13/2020	100	38.88%	11.32%	97.37%	**101**
2012.5	08/20/2012	08/20/2013	08/20/2018	180	39.99%	9.65%	99.05%	**154**
2012.5	08/20/2012	08/20/2014	08/20/2019	180	38.74%	9.78%	98.11%	**164**
2012.5	08/20/2012	08/20/2015	08/20/2020	180	38.05%	9.97%	97.19%	**173**
2012.6	11/19/2012	11/19/2013	11/19/2018	200	39.90%	9.06%	98.68%	**270**
2012.6	11/19/2012	11/19/2014	11/19/2019	200	38.72%	9.20%	97.97%	**288**
2012.6	11/19/2012	11/19/2015	11/19/2020	200	38.04%	9.39%	97.80%	**307**
2013.1	05/02/2013	05/02/2014	05/02/2019	780	39.96%	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	300	39.05%	11.27%	97.68%	**460**
2013.2	07/01/2013	07/01/2016	07/01/2021	300	38.26%	11.31%	97.53%	**487**
2013.3	08/15/2013	08/15/2014	08/15/2019	250	40.00%	11.71%	98.44%	**365**
2013.3	08/15/2013	08/15/2015	08/15/2020	250	38.88%	11.77%	97.60%	**388**
2013.3	08/15/2013	08/15/2016	08/15/2021	250	38.00%	11.82%	97.40%	**410**
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%	**1,393**
Total 12/31/2014				**28,030**				**30,793**

(In thousands of Reais, except when otherwise indicated)

10.Transactions with related parties (Continued)

Share based compensation (stock options) (Continued)

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

Programs	2011	2012	2013	2014	2015	2016	Total
1st	904	4,407	4,375	3,452			13,138
2nd		1,193	1,131	620			2,944
3rd		880	962	962	40		2,844
4th		92	96	95	4		287
5th		60	163	163	105		491
6th		33	289	288	255		865
7th			749	1,124	1,125	379	3,377
8th			422	449	579	290	1,740
9th			263	270	388	242	1,163
10th			328	1,314	1,313	989	3,944
	904	6,665	8,778	8,737	3,809	1,900	30,793

	2011	2012	2013	2014
Options expired [1]	35	634	120	
Recorded in statement of operations	939	7,299	8,898	8,737
Accumulated amount recorded in equity	939	8,238	17,136	25,873

[1] In accordance with accounting standards, the options expired due to failure to exercise the rights, previously recorded in statement of operation, are not subject to reversal.

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, 880 (eight hundred and eighty) shares expired due to non-exercise of the option, corresponding to R$789, 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

	Parent company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Domestic	4,964	5,016	6,289	5,758
Foreign	-	362	-	362
	4,964	5,378	6,289	6,120

The 2014 balances refer primarily to advisory in environmental studies, conceptual engineering and general and administrative services, with an average settlement period of 30 days, which are not subject to financial charges.

12. Litigation

As of December 31, 2014, the Company is part of the lawsuits listed below, which, based on the concept of assessment adopted for judicial liabilities, were all classified as possible losses.

Public Civil Action, filed on 10/28/14 by the State Attorney's Office, questioning the validity of the Statement of Conformity with the municipal laws related to use and occupation of municipal land, which is issued by the Municipality of Morro do Pilar, for purposes of implementation of the MOPI Project. Management believes that, even if an injunction or an unfavorable decision is granted against the Company, this would not impact the project since the Municipality of Morro do Pilar is in the process of altering its legislation for the use and occupation of the land in order to conform it to federal law requirements, with which the MOPI Project is compliant. With the change in legislation by the Municipality, the lawsuit would lose its purpose and be dismissed.

Public Civil Action by the State Attorney's Office and Injunction by the Federal Attorney's Office, filed on 11/5/14, alleging the existence of traditional communities in the area of the MOPI Project and absence of due legal treatment of these communities. Management believes that the claim of the Attorney's Office will be weakened due to the non-existence of the "self-declaration" condition for the relevant communities.

12. Litigation (Continued)

Injunction, filed on 11/5/14 by the State Attorney's Office, alleging a water crisis in the basin of the Santo Antônio river due to high water consumption by the MOPI Project, putting at risk the availability of water for the community. Management believes that the granting of the right to use water resources is in accordance with legal doctrine and within limits that would not lead to water scarcity, and that there is no legal basis for the claim by the Attorney's Office.

Action for Maintenance of Possession and Petitory Action filed, respectively, on 10/18/13 and 08/15/2014, alleging that the Company invaded part of the property that, allegedly, is owned by the Claimants, requiring maintenance of possession and demanding ownership of the land. Management believes that these claims do not result in significant risks for the project, since, even if the Court accepts the claims, the project would not be at risk.

13. Commitments

As a result of the Preliminary License granted by the Regional Superintendence for Environmental Regulation (SUPRAM) on 11/6/14, the following conditions shall be met in order for the Construction License for the MOPI Project to be granted:

The Company is expected to acquire approximately 4,000 hectares of land for implementation of the project, 2,400 hectares for the implementation of an environmental compensation area and incur related reallocation expenses of land owners. The acquisition of such land and reallocation expenses were estimated at R$ 98 million.

The Company estimates to pay R$ 20 million related to environmental compensation contribution set forth under article 36 of Law 9,985/2000 (National nature conservation units system (SNUC)

In order to meet several other ancillary conditions primarily related to environmental studies, the Company estimates an expenditure of R$ 9 million.

In addition to the mentioned conditions, the Company estimates R$59 million in expenses related to social and environmental compensations to Municipalities directly impacted or under direct influence of the mine and pipeline projects.

(In thousands of Reais, except when otherwise indicated)

14. Equity

Capital stock

As of December 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:

	Number of shares				
		Preferred			
Shareholders	Common	Class “A”	Class “B”	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.

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 thousands of Reais, except when otherwise indicated)

14. **Equity** (Continued)

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

Loss per share

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

	12/31/2014			
		Preferred		
	Common	class "A"	class "B"	Total
Loss attributable to the equity holders	**(180,386)**	**(396,849)**	**(173,171)**	**(750,406)**
Number of outstanding shares	**250,000**	**550,000**	**240,000**	**1,040,000**
Loss per share - basic and diluted (*) in Reais	**(721.54)**	**(721.54)**	**(721.54)**	

	12/31/2013			
		Preferred		
	Common	class "A"	class "B"	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)	

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

(In thousands of Reais, except when otherwise indicated)

15. Financial income

	Consolidated	
	12/31/2014	12/31/2013
Bank deposit certificates (CDBs)	**2,512**	449
Debentures with repurchase agreements	**-**	599
Goverment bonds	**48,807**	46,147
Other financial revenues	**549**	108
	51,868	47,303

16. Financial instruments

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

17. Insurance coverage

On July 4, 2014, 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 granted more favorable commercial conditions to the Company.

Ricardo Antunes Carneiro
CEO

Antonio Borges Leal Castello Branco
CFO