Dear Shareholders,

The Management of MLog S.A. ("MLog" or "Company"), jointly with its direct or indirect subsidiaries Morro do Pilar (Iron Ore Project), North Capixaba Development Company (Industrial District Project and Porto Multiplo in Linhares) , Asgaard Offshore (Offshore Shipping Company), CNA - Companhia de Navegação do Amazônia (Iland Shipping Company) and Marsil Mining EIRELI, in compliance with legal and statutory provisions, hereby submits a Management Report and its Consolidated Yearly Financial Statements, accompanied by the Independent Auditors' Report, all referring to the year ended December, 31, 2018. All figures mentioned in this report, related to the Company's Financial Statements, are presented in thousands of reais, unless otherwise indicated.

1. Message from the Management

Much has happened since the merger between Asgaard and Manabi that created MLog at the end of 2015. The changes occurred in both the macro and microeconomic environments, involving variables more or less controllable by the Company.

In the macro scenario, commodities in general were going through an significant moment of stress, with generalized price declines reaching 70%, if we take the main commodities related to our assets, iron ore and oil. More than just the downturns, market expectations for the future of these prices were also negative.

It was in this macro scenario that the Company defined, on the micro-economic side , its main post-merger challenges: (i) a significant reduction of costs and expenses of the combined structure, especially general and administrative; (ii) completion of the construction of the vessel Asgaard Sophia; (iii) transforming Asgaard from a pre-operational company to an excellence operational one; (iv) execution of Asgaard's business plan, which included the construction and operation of six PSVs 4500 vessels, contracted with Petrobras; and (iv) definition of a strategic solution for the Morro do Pilar Project, economically unfeasible at that time, taking into account the strategic plan and iron ore prices practiced in the international markets in 2015.

Starting from this initial worrying scenario, the Company advanced in its plan. Throughout 2016, MLog has dramatically reduced its structure. The costs and expenses of the Parent company with personnel, services rendered, general and administrative and tax expenses went from R$65,327 in 2015 to R$13,321 in 2016, an annual reduction of R$52,006, equivalent to the reduction of recurring cost from a level of 5.9% to 1.2% of the Company's Equity Capital.

In the first quarter of 2016, the OSRV Asgaard Sophia vessel was received by the Company, which been chartered to Petrobras since then. Initially under a short-term contract, Asgaard Sophia operates today under a long-term contract for the same customer. In operational terms, Asgaard finished 2018 as the best provider of maritime support service to Petrobras for the third consecutive year, according to the Petrobras Operational Excelence Program - PEOTRAM, surpassing in the most recent evaluation other 56 companies.

Throughout 2016 and 2017, the Company executed two other important decisions in the Shipping segment.

The first was the cancellation of the contracts for the construction and operation of 6 PSVs 4500 with Petrobras, which, although having good commercial conditions, would represent a risk of negative returns for the Company's shareholders. If on one hand this decision was correct from the point of view of capital allocation, it also meant a reduction in the size of the Asgaard, which now operates only one vessel. With this, the company is under the ideal minimum scale, which we believe is the joint operation of at least 3 to 5 vessels, and its results are directly affected by this.

In parallel came the second decision, aimed to compensate the first one: the acquisition of the Amazon Shipping Company ("CNA"), an inland shipping operator founded more than 75 years ago, and considered by the market one of the best shipping service providers for oil and oil products transport in the northern region of the country.

In the mining segment, the Morro do Pilar Project ("MOPI") underwent its main change. Innitially thought of as an integrated mine-pipeline-port model, MOPI Project was modified to considerits own mine production and the logistics alternatives through partnerships, taken advantage of the current availability of infrastructure in Brazil, with at least five major ports with idle loading capacity for iron ore within the logistic range of our mine.

This new strategy of the MOPI Project, coupled with strong increases in the price of iron ore since then, were fundamental to the progress made, including the most important of them, which was the resume of the Environmental Licensing activities of the project. Throughout 2018, the Company executed the studies and almost all activities related to the compliance of the conditions for the Preliminary License ("LP") of the Project, having opted for the filling of the Installation License ("LI") in 2019, taking advantage of the additional term granted by regulatory agencies.

Given these recent advances, as the implementation of the MOPI Project will require a substantial amount of additional capital, the Company hired the Bank of America Merrill Lynch as its advisor in the structuring of a fundraising specific to the Project.

Also, with the acquisition of Marsil in 2018, the Company became operational in the mining segment, although with a small size close to the volumes of the MOPI Project.

MLog actively seeks opportunities for organic and inorganic growth (mergers and acquisitions) for its assets.

In the shipping segment, the generation of AFRMM credits by CNA guarantees to our shipping companies organic and inorganic growth capacity, since these credits can be used not only for the construction of new vessels but also for the payment of interest and principal in loans used for the construction of Brazilian vessels.

We are also attentive to the additional opportunities in the mining sector, where the global macro-economic changes and the quality of the MOPI Project can be differentiators that sustain the company's vertical growth.

2. Operational Performance

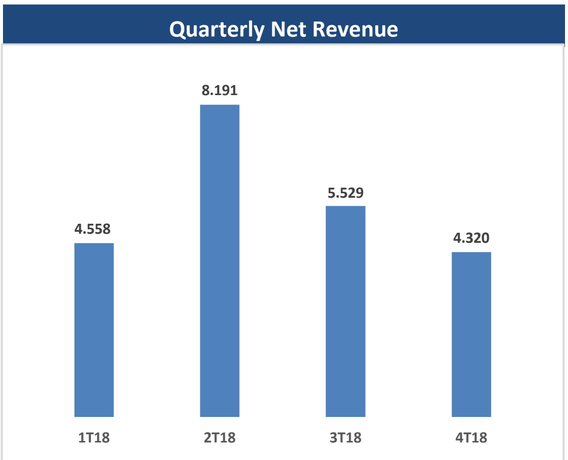
Below are the main operating indicators of our subsidiaries for the year ended.

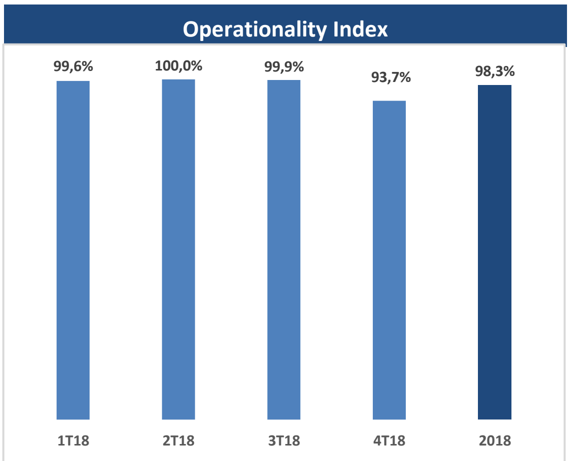
i. Asgaard Shipping

Operating since March 2016, OSRV Asgaard Sophia has been delivering positive operating rates, as shown in the charts below.

In the fourth quarter of 2018, the performance of the Asgaard Sophia was below the previous quarters, impacted by a planned maintenance and, mainly, for a delay in the crew change procedure, which we believe will not be recurring.

The Quarterly Net Revenue presented a reduction due to exchange rate fluctuations and operationality. As explained in previous quarterly reports, in the second quarter of 2018 Asgaard had a positive impact on its Net Revenue from the commercial operation with SBM executed in 2017.

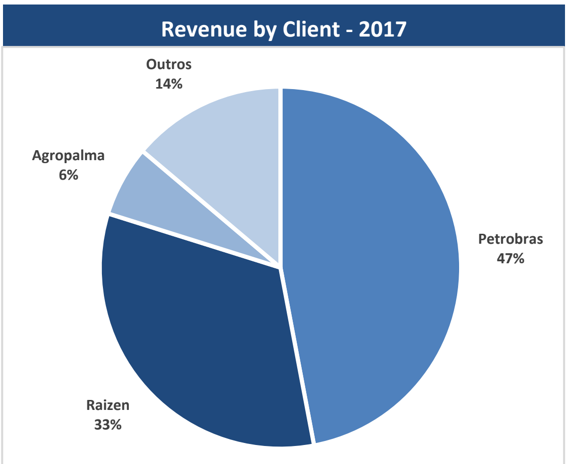


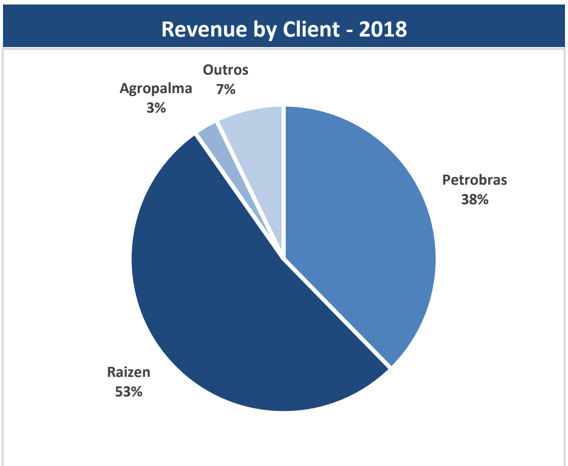


ii. CNA – Amazon Shipping Company

The CNA continues to operate its assets at levels close to the limit of its current fleet given current regional conditions, both climatic and storage infrastructure. CNA is studying the construction of new vessels to support its organic growth, as any significant growth in future revenue will depend on increased installed capacity.

In 2018, CNA recorded a slightly lower than expected Net Revenue, due to a combination of factors that we believe are not recurring, among them: (i) delay in signing a new contract with Petrobras for a specific route, which prevented servicing for more than 30 days, (ii) adjustments in the fuel import market due to storage capacity constraints and pricing policies of various industry participants. Some of these negative effects were partially offset by the increase in volume transported to Raízen.





An important part of the CNA result is the Merchant Marine Renewal Freight Additional ("AFRMM"), mainly governed by Law 10.893 of 2004. The AFRMM is a federal tax on maritime freight that aims to support the development of merchant marine and the Brazilian shipbuilding and repair industry, and is a basic source of the Merchant Marine Fund (FMM).

AFRMM rates vary depending on the type of product, transportation and region of origin or destination. In the fluvial transport activity of liquid bulk in the North, the AFRMM incident rate is 40% of the freight price. The additional freight generated by the services provided by CNA is subsequently credited to a linked account of the company with Banco do Brasil and may be used by the CNA, its affiliates or its parent company, mainly for:

i. The acquisition of new vessels, for own use, built in Brazilian shipyards;

ii. for intervention (jumborization, conversion, modernization, docking or repair) of own vessel in a Brazilian shipyard;

iii. for the payment of principal installment and financing charges granted with FMM funds.

The AFRMM accounting follows the rules of CPC 07 (IAS 20). When the freight service is finalized, the receivable amount of AFRMM is recognized simultaneously in long-term assets and non-current liabilities as deferred revenue, not impacting, at the initial moment, the result of the CNA. In an average term of approximately 30 months, this AFRMM loan is deposited in the linked account of CNA with Banco do Brasil. At this point the AFRMM becomes available for use as permitted.

When AFRMM is used, the non-current liability that was offset against its launch and the revenue are affected as follows:

If the company uses R$100 for the purchase of a vessel that will be depreciated in 20 years, its balance will now indicate in the fixed asset the initial value of R $ 100 and the liability will continue to present a value of R$100 as deferred AFRMM revenue.

After the first year of use of the vessel, property, plant and equipment will indicate R$95 (R$100 - R$5 depreciation). The liability will also be reduced by the same amount of depreciation, starting at R$95. As a counterpart to this reduction in liabilities, the amount of R$5 in Net Revenue will be posted to income.

That is, although the cash effect of the use of AFRMM occurs in approximately 30 months and its use does not generate a financial liability for the company, the release of the amounts of this economic benefit to the shareholders occurs in the accounting throughout the useful life of the asset.

iii. MOPI – Pilar Hill Mining

In the mining segment, in parallel with our strategy of developing alternative logistics that utilize existing installed capacity in the sector, we have restarted our efforts towards the filling for the Installation License ("LI") of the Morro do Pilar Project. Our efforts were divided into two main fronts: (i) extension of the validity of the MOPI Preliminary License ("LP"), and (ii) execution of studies and activities necessary to fulfill all the conditions of the Project LP.

On May 10, 2018, the Mining Activities Chamber (CMI) of the State Council for Environmental Policy (COPAM) of the State of Minas Gerais approved the extension of the Previous License of the MOPI Project for an additional year, until November, 6th 2019.

During the year 2018, the Company carried out the studies and almost all activities related to compliance with the requirements of the Project LP, but the Administration opted for the filling of the LI protocol within 2019, taking advantage of the additional term granted by the regulators.

Because of the accident with the Vale dam in Brumadinho, the regulation of the sector underwent important changes, all of them aimed at increasing operational safety. The consequences for the mining industry, especially in the state of Minas Gerais, will be felt over the next years and will probably mean a reduction in the production of iron ore in certain mines and/or producing regions, with the decrease of production volumes possibly being compensated by new projects in less dense regions and in reserves with natural characteristics that favor the lower use of dam and/or the use of safer structures.

The MOPI Project is located in one of the less densely populated areas of the Minas Gerais iron ore region, and the natural characteristics of the tailings from our production process favor the adoption of safer technological solutions at competitive costs. For these factors, we understand that the regulatory changes, although requires a greater investment in studies, are positive for the MOPI Project.

As the implementation of the MOPI Project will require a substantial amount of capital, the Company hired the Bank of America Merrill Lynch as its advisor in the structuring of a fundraising specific to the Project.

iv. Marsil Mining

The Marsil is a small mining company located in the region known as the Iron Quadrangle, near the municipality of Itabira, State of Minas Gerais.

After a scheduled shutdown to implement improvements, the company resumed operations in September 2018, and is still in the operational adjustment (ramp up) phase. We expect gradual volume growth in the coming quarters.

As shown in the Notes to these financial statements, the acquisition of Marsil was carried out in such a way that the company became part of the MLog group free of any liabilities, including the contingent ones, known or unknown. In the acquisition, the Bocaiuva Group undertakes responsibility for the payment of Marsil´s bank debt, totaling R$68,907 on December, 31 2018. The Company continues to await the completion of the renegotiation of Marsil's indebtedness by the Bocaiuva Group.

v. CDNC

The Company continues to analyze the opportunities and possibilities for a project development in its Linhares site.

3. Consolidated Financial Information

Result for the Period

The Company recorded a consolidated loss of R$18,953 in 2018. This result is impacted by financial income and expenses arising mainly from the debt with the acquisition of CNA, depreciation, CPC 07 (AFRMM accounting rules) and general and administrative, including the holding company and pre-operational ones of the MOPI Project.

With the acquisition of Marsil, the Company will report its activities in two business segments: Mining and Shipping.

The Shipping activity includes the operations of the investees CNA and Asgaard, while the Mining is composed of the activities of Marsil and the MOPI Project.

12M 2018	Shipping	Mining	Consolidated
Net Revenue	**61,868**	**4,726**	**66,594**
EBITDA	**18,070**	**-17,398**	**672**
Accounting Revenue with AFRMM Grant – IAS20	-12,040		**-12,040**
Non-Recurring Items	-3,050		**-3,050**
Adjusted EBITDA	**2,980**	**-17,398**	**-14,418**
Depreciation / Amortization	-10,878	-1,486	**-12,364**
Financial Expenses	9,954		**9,954**
Financial Revenue	-2,525	-27	**-2,552**
PVA + CNA Acquisition Financial Expenses	-13,867		**-13,867**
Accounting Revenue with AFRMM Grant – IAS20	12,040		**12,040**
Non-Recurring Items	3,050		**3,050**
Taxes	-796		**-796**
Net Income	**-42**	**-18,911**	**-18,953**
AFRMM Generated in Period	16,455		**16,455**
PVA + CNA Acquisition Financial Expenses	13,867		**13,867**
Non-Recurring Items	-3,050		**-3,050**
Depreciation/Revenue AFRMM Grant Adj. IAS20	-1,162	1,486	**324**
Economic Result	**26,068**	**-17,425**	**8,643**

Cash and cash equivalents

The Company closed the year 2018 with a consolidated cash position of R$11,289.

Current Assets and Liabilities

The Company closed the year 2018 with a consolidated volume of current assets greater than current liabilities. A significant portion of the Company's current assets, however, is represented by AFRMM, whose use is restricted. Additionally, the Mining activity has a significant portion of its assets still in the pre-operational stage (MOPI Project), which demand investments from MLog. The Company's ability to convert AFRMM into free cash and to access other capital channels may influence the speed and ability to execute its investment plan.

Bank loans

The Company ended the quarter with bank indebtedness of R$71,719. Most of this amount refers to Marsil's indebtedness. In the Marsil acquisition agreement, Bocaiuva Group assumes the responsibility for the payment of this debt. The Company's Management is attentive to the completion of the Marsil debt renegotiation process by the Bocaiuva Group, which has not yet been finalized, and will take appropriate action in case of non-compliance by Bocaiuva.

4. Social and Environmental Responsibility

As a way of reinforcing the Company's commitment to the best socio-environmental practices, MLog voluntarily adhered to the United Nations Global Compact. Among the guiding principles of this commitment are respect for human rights at work, respect for the environment, integrity and the fight against corruption.

5. Capital Markets and Corporate Governance

MLog is a publicly-held company registered with the Brazilian Securities and Exchange Commission (CVM). In the first quarter of 2017, the listing of the Company's shares on BM&FBovespa was not renewed.

The Company's Board of Directors, elected at the Annual Shareholders' Meeting held on April 27, 2018, is currently composed of five members, all with a mandate until the next Annual General Meeting, with re-election permitted. Current members of this Board are: Luiz Claudio Souza Alves, Chairman of the Board of Directors, Alvaro Piquet, Otavio Paiva, Patricia Tendrich Pires Coelho and Eduardo Borges. Former Board Members Gabriel Meira and Marcel Abe, elected on April 27, 2018, resigned their term on December 5, 2018.

On May 4, 2018, the Company's Board of Directors elected the Executive Officers for a term to be terminated after the Company's next Annual Shareholders' Meeting. On May 21, 2018, Patricia Tendrich Pires Coelho resigned as CEO, with Elias David Nigri elected to the position of Interim CEO on June 25, 2018. The current Executive Officers are Elias David Nigri (Interim CEO), Luiz Claudio Souza Alves (Deputy CEO), Julia Souza de Paiva (CFO), Sabrina Juhasz (General Counsel) and Gustavo Barbeito de Vasconcellos Lantimant Lacerda (CIO).

6. Commitment Clause

The Company, its shareholders, administrators and members of the Board of Directors are obliged to resolve, through arbitration, any dispute or controversy that may arise between them, related to, or arising from, in particular, the application, validity, effectiveness , interpretation, violation and its effects of the provisions contained in the Bylaws, shareholders' agreements filed at the Company's headquarters, Brazilian Corporate Law, standards issued by the National Monetary Council, the Central Bank of Brazil or CVM, of the CVM, in the BM&FBovespa regulations, in the other rules applicable to the operation of the capital market in general, in the Arbitration Clauses and in the Arbitration Rules of the Market Arbitration Chamber, conducted pursuant to the latter Regulation.

7. Independent Auditors

In compliance with CVM Instruction 381 of 2003, the Company informs that KPMG Auditores Independentes provides external audit services to the Company related to the examination of its financial statements.

Rio de Janeiro, March 29, 2019.

The Administration

Independent Auditor's Report on the Individual and Consolidated Financial Statements

(A free translation of the original report in Portuguese, as filed with the Brazilian Securities and Exchange Commission (CVM), prepared in accordance with the accounting practices adopted in Brazil, rules of the CVM and of the International Financial Reporting Standards - IFRS)

To
The Board of Directors and Shareholders of
MLog S.A.
Rio de Janeiro - RJ

Opinion

We have audited the individual and consolidated financial statements of MLog S.A. ("the Company"), respectively referred to as parent and consolidated, which comprise the statement of financial position as of December 31, 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of the MLog S.A as at December 31, 2018, and of its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and in the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade") and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the individual and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1 – Government Subsidy	
See Notes 3.1 (n) and 5 of its individual and consolidated financial statements	
Key audit matter	**Our audit aproach**
MLOG receives through its indirect subsidiary (Companhia de Navegação da Amazônia - CNA) funds from a government grant. The Adicional de Frete para Renovação da Marinha Mercante (AFRMM) is charged on the freight of the water transportation of the cargo of any nature discharged in the Brazilian port and is transferred in the form of a government grant. Due to the uncertainties related to the timing of the release and availability of AFRMM benefit resources, the characteristics related to the application of these resources as defined in Law 10.893 / 04 and the uncertainty regarding the moment of recognition of this governmental subsidy as income in the year's results, we consider this matter as significant for our audit.	We perform the following main audit procedures: • We assessed the design of key internal controls related to the identification, evaluation, measurement and disclosure of the government grant; • We evaluated the existence and measurement of the amounts considered as a subsidy and the adequacy of the measurement of AFRMM resources registered in restrict cash account for the Company, through external confirmations; • We assessed the reasonability between the use of AFRMM resources and the permitted in the respective AFRMM law (Law 10.893 / 04); • Recalculation of depreciation and test, by sampling, of proofs of expenses with repair, which are basis for the recognition of the subsidy revenue and comparison with record in the result of the year. • We assessed the adequacy of the related disclosures made in the financial statements. Based on the evidence obtained through the procedures summarized above, we consider that the balance of government grants as well as related disclosures are acceptable in the context of the individual and consolidated financial statements taken as a whole for the year ended December 31, 2018.

2 – Recoverable amount of property, plant and equipment and intangible assets	
See notes 3.1 (d), 3.1 (e), 9 and 10 of its individual and consolidated financials statements.	
Key audit matter	**Our audit aproach**
The Company evaluated the existing indicators of impairment in relation to its cash-generating units ("UGCs") and, for the calculation of the recoverable amount of each UGC, calculated the value in use through discounted cash flow method, based on economic-financial projections for each UGC. In addition, the Company is subject to impairment. Due to uncertainties inherent to projections of cash flow estimates to determine the value in use of property, plant and equipment and intangible assets, as well as to determine the discount rate to be used, which require a significant degree of judgment by the Company, we consider this matter as significant to our audit.	We perform the following main audit procedures: . With the assistance of our corporate finance specialists, we evaluated the assumptions and methodologies used in the preparation of the model and we compared them, where available, with data obtained from external sources, such as, the future price of ore, the future estimative of freight price and vessel rental, projected economic growth, cost inflation and discount rates, as well as evaluating sensitivity analyzes concerning such assumptions. . We evaluated the adequacy of the disclosures related to the recovery of assets recorded by the Company. Based on the evidence obtained through the procedures summarized above, we consider the balances of property, plant and equipment and intangible assets as well as related disclosures are acceptable in the context of the individual and consolidated financial statements taken as a whole for the year ended December 31, 2018.

3 – Business Combination – Acquisition of Mineração Marsil EIRELI(''Marsil'')	
See notes 1 of its individual and consolidated financials statements.	
Key audit matter	**Our audit aproach**
On April 23, 2018 was approved by the Board of Directors the acquisition of all shares of Mineração Marsil EIRELI. The accounting of such acquisition in the terms of technical pronouncement CPC 15 (IFRS 3) required the use of estimates and judgments by the Company with regard to measurement of the fair value of the transaction, identifiable assets acquired and the liabilities, the right in the business transaction and the determination of the information	We perform the following main audit procedures: . Reading of documents formalized the operation, such as contracts and minutes; . Obtaining a fair value report that determined the value of the transaction; . With the assistance of our specialists in corporate finance, we evaluated the methodology used the main assumptions used by the Company in the measurement of the assets acquired and liabilities assumed;

which should be disclosed in relation to this transaction. Due to the complexity and judgments involved in the evaluation of this business combination transaction, we consider this subject as for our audit.	. Based on our knowledge about the Company and industry in which operates, compared to external, where available and with information and circumstances existing on the date of acquisition; . With the assistance of our asset valuation specialists tangible assets, we evaluate the fair property, plant and equipment purchased, using market values; . We also analyzed the disclosures made in the financial statements related to business combination. Based on the evidence obtained through the procedures summarized above, we consider the balances of business combination as well as related disclosures are acceptable in the context of the individual and consolidated financial statements taken as a whole for the year ended December 31, 2018.

Other matters

Statements of value added

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2018, prepared under the responsibility of the Company's management, and presented herein as supplementary information for IFRS purposes, have been subject to audit procedures jointly performed with the audit of the Company's financial statements. In order to form our opinion, we assessed whether those statements are reconciled with the financial statements and accounting records, as applicable, and whether their format and contents are in accordance with criteria determined in the Technical Pronouncement 09 (CPC 09) - Statement of Value Added issued by the Committee for Accounting Pronouncements (CPC). In our opinion, the statements of value added have been fairly prepared, in all material respects, in accordance with the criteria determined by the aforementioned Technical Pronouncement, and are consistent with the overall individual and consolidated financial statements.

Other information accompanying the individual and consolidated financial statements and the auditor's report

Management is responsible for the other information comprising the management report.

Our opinion on the individual and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the individual and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Individual and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with Accounting Practices Adopted in Brazil and 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.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and subsidiaries or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and international standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit 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 and subsidiaries internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and subsidiaries to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with management with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards

From the matters communicated with those charged with management , we determine those matters that were of most significance in the audit of the individual and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Rio de Janeiro, March 29, 2019

KPMG Auditores Independentes
CRC SP-014428/O-6 F-RJ

Original report signed in Portugues by
Marcelo Nogueira de Andrade
Accountant CRC RJ-086312/0-6

Financial Statements

MLog S.A.

December 31, 2018

Audited financial statements

December 31, 2018 and 2017

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Independent auditor's report on the financial statements

Audited financial statements

A free translation from Portuguese into English of individual and consolidated financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB)

MLog S.A.

Balance sheets - December 31, 2018 and 2017

(In thousands of Reais)

		Parent company		Consolidated	
	Note	2018	2017	2018	2017
Assets					
Current assets					
Cash and cash equivalents	4	2,061	21,324	11,289	34,440
AFRMM deposits in escrow account	5			13,689	29,638
Trade accounts receivable	6			6,545	17,317
Advances to suppliers		16	126	337	563
Inventories				1,440	328
AFRMM to be released	5			24,052	24,052
Related parties' loans	12	4,172	77	975	904
Anticipation of receivables	7	2,364	2,727	11,420	10,784
Recoverable taxes				818	
Prepaid expenses		92	109	605	543
Rights in the deal				79,354	1,684
Other		15	30	481	113
Total current assets		8,720	24,393	151,005	120,366
Non-current assets					
Advances for future capital increase	8	1,945	1,046		
Judicial deposits				2,340	468
Deferred income tax and social contribution	7		1,644	141	1,940
Recoverable taxes	5			20,608	8,734
AFRMM to be released		312	825	752	825
Judicial Deposit	8	216,755	205,554		
Investments	9	2,001	2,812	224,778	222,021
Property, plant and equipment	10	725,806	719,711	829,881	785,772
Intangible assets		946,819	931,592	1,078,500	1,019,760
Total non-current assets		955,539	955,985	1,229,505	1,140,126
Liabilities					
Current liabilities					
Trade accounts payable	13	720	237	7,392	15,812
Bank loans and financing	1			71,157	
Employee-related accruals		115	542	4,293	2,190
Tax liabilities		175	675	5,487	2,483
Related parties' loans	12	36,292	11,768		
Advances from customers				1,310	1,245
Provisions	17	918	20	3,727	1,662
Obligations on acquisition of investments	14	31,985	25,213	31,985	25,213
Other		1,678	1,419	3,586	2,992
Total current liabilities		71,883	39,874	128,937	51,597
Non-current liabilities					
Bank loans and financing				562	
Trade accounts payable	13			2,799	
Provision for losses on investments	8	1,648	43,818		
Refunds to clients	11			89	32
Deferred income tax and social contribution	18			5,875	5,875
Tax liabilities				503	363
Government subsidies to be appropriated- AFRMM	5			203,150	200,548
Other	14	61,039	75,962	61,039	75,962
Obligations on acquisition of investments				1,122	
Provisions	17	6,935	5,976	11,389	15,493
Total non-current liabilities		69,622	125,756	286,528	298,273
Equity	19				
Capital stock		1,161,678	1,111,835	1,161,678	1,111,835
Share-based compensation reserve		25,308	25,308	25,308	25,308
Accumulated losses		(372,952)	(353,876)	(372,952)	(353,876)
Cumulative translation adjustments			7,088		7,088
Equity attributable to controlling shareholders		814,034	790,355	814,034	790,355
Non-controlling shareholder interest				6	(99)
Total equity		814,034	790,355	814,040	790,256
Total liabilities and equity		955,539	955,985	1,229,505	1,140,126

See complementary notes.

MLog S.A.

Statements of operations
Years ended December 31, 2018 and 2017
(In thousands of Reais, except for loss per share, in Reais)

	Note	Parent company 2018	Parent company 2017	Consolidated 2018	Consolidated 2017
Net operating income	**20**			**66,594**	73,618
Cost of services	**20**			**(61,284)**	(68,406)
Gross profit				**5,310**	5,212
Operating expenses					
Personnel	**25**	**(7,273)**	(11,904)	**(20,133)**	(21,938)
Services rendered		**(3,277)**	(5,858)	**(4,063)**	(7,347)
General and administrative		**(1,973)**	(1,809)	**(6,216)**	(7,790)
Depreciation and amortization		**(857)**	(1,224)	**(1,122)**	(1,493)
Taxes		**(144)**	(444)	**(711)**	(2,067)
Other operating income (expenses)					
Equity results in subsidiaries	**8**	**9,415**	(9,295)		
Government subsidies - AFRMM	**5**			**12,040**	7,796
Charter					(2,880)
Other operating income (expenses)				**3,203**	(1,716)
		(4,109)	(30,534)	**(17,002)**	(37,435)
Operating loss before financial results		**(4,109)**	(30,534)	**(11,692)**	(32,223)
Financial income and expenses					
Financial income	**21**	**649**	1,931	**9,954**	6,004
Financial expenses	**22**	**(15,616)**	(17,051)	**(16,419)**	(19,323)
		(14,967)	(15,120)	**(6,465)**	(13,319)
Loss before income tax and social contribution		**(19,076)**	(45,654)	**(18,157)**	(45,542)
Income tax and social contribution	**11**				
Current				**(739)**	(512)
Deferred				**(57)**	403
Loss for the year		**(19,076)**	(45,654)	**(18,953)**	(45,651)
Loss attributable to:					
Shareholders of the Parent company				**(19,076)**	(45,654)
Non-controlling shareholder interest				**123**	3
Loss per share (basic and diluted))	**19**	**(6.58)**	(15.74)		

See accompanying notes.

MLog S.A.

Statements of comprehensive income
Years ended December 31, 2018 and 2017
(In thousands of Reais)

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Loss for the year	**(19,076)**	(45,654)	**(18,953)**	(45,651)
Other comprehensive income				
Cumulative translation adjustments	**(7,088)**	(795)	**(7,106)**	(797)
Comprehensive loss for the year	**(26,164)**	(46,449)	**(26,059)**	(46,448)
Comprehensive loss attributable to:				
Shareholders of the Parent company			**(26,164)**	(46,449)
Non-controlling shareholder interest			**105**	1

See accompanying notes.

MLog S.A.

Statements of changes in equity
Years ended December 31, 2018 and 2017
(In thousands of Reais)

	Capital stock								
	Subscribed	**To be paid**	**Capital reserve**	**(-) Equity issuance costs**	**Share-based compensation reserve**	**Accumulated losses**	**Cumulative translation adjustments**	**Non-controlling shareholder interest**	**Total**
At December 31, 2016	1,318,825	(170,526)		(36,464)	25,308	(308,222)	7,883	(100)	836,704
Cancelation of capital to be paid	(42,632)	42,632							
Translation adjustments							(795)	(2)	(797)
Loss for the year						(45,654)		3	(45,651)
At December 31, 2017	**1,276,193**	**(127,894)**	**-**	**(36,464)**	**25,308**	**(353,876)**	**7,088**	**(99)**	**790,256**
Capital Contribution		**42,632**	**7,211**						**49,843**
Translation adjustments							**(7,088)**	**(18)**	**(7,106)**
Loss for the year						**(19,076)**		**123**	**(18,953)**
At December 31, 2018	**1,276,193**	**(85,262)**	**7,211**	**(36,464)**	**25,308**	**(372,952)**	**-**	**6**	**814,040**

See accompanying notes.

MLog S.A.

Statements of Cash Flows
Years ended December 31, 2018 and 2017
(In thousands of Reais)

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Cash flows from operating activities				
Loss for the year	**(19,076)**	(45,654)	**(18,953)**	(45,651)
Adjustments to reconcile the loss for the year to cash from operating activities				
Depreciation and amortization	**857**	1,224	**12,045**	12,517
Fixed Assets sales	**102**	11	**319**	421
Government subsidies - AFRMM			**(12,040)**	(7,796)
Interest payable			**(7,884)**	(716)
Unrealized exchange variance	**(9,415)**	9,295		
Equity results in subsidiaries	**14,827**	16,357	**16,015**	16,883
Deferred income tax and social contribution			**57**	(403)
Changes in assets and liabilities				
Recoverable taxes	**2,007**	2,130	**1,517**	1,363
Inventories			**(1,112)**	16
Prepaid expenses	**17**	71	**(175)**	1,839
Other assets	**15**	(18)	**1,183**	634
Trade accounts receivable			**11,195**	(7,597)
Judicial deposits	**513**	(825)	**(1,359)**	(809)
Advances to suppliers	**110**	1,019	**192**	1,910
Receipt of AFRMM subsidies			**18,699**	96,787
Trade accounts payable	**(110)**	(403)	**(5,653)**	5,973
Employee-related accruals	**(427)**	(79)	**(212)**	(36)
Tax liabilities	**(539)**	488	**227**	430
Interest on loans with related parties	**286**	228	**(94)**	(129)
Transaction costs		(675)		(8,521)
Rights in the Deal			**(850)**	
Advances from customers			**(45)**	(3,361)
Other liabilities	**(1,003)**	(321)	**(754)**	(518)
Provisions	**898**	(120)	**(8,452)**	(156)
Net cash used in operating activities	**(10,938)**	(17,272)	**3,866**	63,080
Cash flows from investing activities				
Loans with related parties - granted	**(18,414)**	(506)	**(130)**	(510)
Anticipation of Receivables			**(818)**	
Acquisition of property, plant and equipment		(109)	**(2,481)**	(3,084)
Additions to intangible assets	**(4,344)**	(1,826)	**(4,371)**	(1,838)
Investment Acquisitions	**(50,000)**		**(50,000)**	
Advances for future capital increase and capital increase in subsidiaries	**(1,945)**	(1,027)		
Net cash from investing activities	**(74,703)**	(3,468)	**(57,800)**	(5,432)
Cash flows from financing activities				
Capital Contribution	**49,843**		**49,843**	
Bank loan			**3,000**	
Payment of Bank loan			**(197)**	(3,732)
Amortization in the acquisition of investment	**(22,018)**	(20,225)	**(22,018)**	(20,225)
Loans with related parties - received	**38,553**	62,270	**155**	550
Net cash from (used) in financing activities	**66,378**	42,045	**30,783**	(23,407)
Increase (decrease) in cash and cash equivalents	**(19,263)**	21,305	**(23,151)**	34,241
Cash and cash equivalents at the beginning of the year	**21,324**	19	**34,440**	199
Cash and cash equivalents at the end of the year	**2,061**	21,324	**11,289**	34,440

See accompanying notes.

MLog S.A.

Statements of value added (supplementary information for IFRS purposes)
Years ended December 31, 2018 and 2017
(In thousands of Reais)

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Operating income				
Services			**79,387**	88,373
Inputs acquired from third parties				
Cost of the services			**(42,665)**	(49,983)
General and administrative expenses	**(5,186)**	(7,539)	**(6,342)**	(17,717)
Other income				
Government subsidies - AFRMM			**12,040**	7,796
Depreciation and amortization	**(857)**	(1,224)	**(1,122)**	(1,493)
Transferred added value received				
Net financial income	**(14,967)**	(15,120)	**(6,465)**	(13,319)
Equity results in subsidiaries	**9,415**	(9,295)		
Total added value to be distributed	**(11,595)**	(33,178)	**34,833**	13,657
Distribution of added value				
Personnel				
Direct remuneration	**64**	671	**18,442**	20,585
Management fees	**5,562**	4,959	**6,813**	5,419
Benefits	**513**	4,214	**9,200**	10,767
Accrued severance indemnity (FGTS)	**6**	253	**1,844**	1,918
	6,145	10,097	**36,299**	38,689
Tax				
Federal	**1,258**	2,231	**11,371**	14,371
State			**4,602**	5,157
Municipal	**12**	18	**953**	530
Third-party capital remuneration				
Leases	**66**	130	**561**	561
Loss for the year attributable to:				
Shareholders of the Parent company	**(19,076)**	(45,654)	**(19,076)**	(45,654)
Non-controlling shareholder interest			**123**	3
	(11,595)	(33,178)	**34,833**	13,657

See supplementary notes.

1. Operations

MLog S.A. (“Company”) has full control of Morro do Pilar Minerais S.A., Companhia de Desenvolvimento do Norte Capixaba, Dutovias do Brasil S.A., Asgaard Navegação S.A. (“Asgaard”), indirectly by Asgaard Navegação S.A. 100% of Companhia de Navegação da Amazônia – CNA (“CNA”) and 99.75% of Asgaard Navigation LLP.

The subsidiary Companhia de Desenvolvimento do Norte Capixaba is not operational, and it owns a land in the municipality of Linhares, Espirito Santo. The subsidiaries Moro do Pilar Minerais S.A., Dutovias do Brasil and Mineração Marsil EIRELI operate in the mining segments. The subsidiaries Asgaard Navigation SA, Asgaard Navigation LLP and the subsidiary Companhia de Navegação do Amazonia - CNA operate in the shipping segment through chartering and operation of maritime support vessels for the oil and gas industry, as in the case of Asgaard, while CNA operates in the inland transport (crude oil, its by-products and biofuels).

On 03/21/2017, subsidiary Asgaard Navegação S.A. sold the vessel Asgaard Sophia to its subsidiary CNA, for R$106,303, resulting in release of funds from the Additional Freight for Renovation of Merchant Marine (“AFRMM”) that were in the linked account in the initial amount of R$79,345, an additional amount of R$15,000 that was credited in the linked account during 2017, and a remaining balance of R$11,958 to be settled at the end of a judicial process in which it is enrolled.

As part of the strategy of the transaction described above, immediately after the purchase and sale of the vessel Asgaard Sophia, subsidiaries Asgaard and CNA entered into a bareboat charter agreement related to such vessel, so that the vessel continues to be operated by Asgaard for the contract with Petrobras.

On 04/17/2017, Asgaard entered into a four years contract with Petrobras for the operation of the Asgaard Sophia vessel, renewable for the same period, continuing its operation for the same client that existed since March 2016 through short-term contract.

As regards the iron ore project, called Pilar Hill Project, the Company continues to work on meeting the conditions of the preliminary license (“PL”) obtained in November 2014, also running the planning to obtain the investment license (LI) as mentioned in note 16.

The company showed in this financial statements, accumulated losses of R$372,952 (R$ 353,876 in 2017).

The Company’s Management understands that the recoverability of the values recorded in non-current assets is subject to its ability to execute its long-term business plan for the mining, logistics and shipping activities.

The Company closed the year 2018 with a consolidated volume of current assets greater than current liabilities. A significant portion of the Company's current assets, however, is represented by AFRMM, whose use is restricted. Additionally, Mining activity has a significant portion of its assets still in the pre-operational stage (Morro do Pilar Project), which require investments.

The Company's ability to convert AFRMM into free money, the subscription of subscribed capital of R $ 85,262, foreseen for the 2019 fiscal year according to subscription bulletins and resolutions at Shareholders' Meetings, and access to other capital channels contribute to the plans in the short term and may influence the speed and ability to execute its investment plan.

On 05/01/2017, the listing of the Company's shares on BM&F Bovespa was not renewed. Management is attentive to the opportunities to increase the liquidity of its shares.

On June 21, 2018, the Company's Board of Directors approved the request for resignation of the CEO, Patricia Tendrich Pires Coelho, according to a letter sent on 05/21/2018, and elected Elias David Nigri as director of the Company to accumulate, on an interim basis, the position of chief executive officer for the fulfillment of the current mandate.

Business combination - acquisition of the Amazon Shipping Company ("CNA").

As mentioned in the Material Facts disclosed by the Company on April 25 and 27, 2018, the Company acquired all the shares issued by Mineração Marsil EIRELI. This acquisition was approved at a meeting of the Board of Directors held on April 23, 2018.

In the acquisition of Marsil, Grupo Bocaiuva contractually assumed responsibility for MLog not only for the payment of the entire bank loans of the acquiree, which amounted to approximately R $ 68,907 in restated amounts, but also for other miscellaneous liabilities existing in Marsil to date of its acquisition.

Marsil, a company founded 46 years ago and operating in the District of Hematita, Municipality of Antonio Dias, in the State of Minas Gerais, is a mining company with a history of annual production of about 200,000 tons of iron ore with a content of 64.5 % Fe. Marsil has a team composed of 98 professionals, responsible for the operation of its mine and beneficiation plant.

This transaction is in line with the Company's Business Plan and its signature was approved by the Company's Board of Directors, pursuant to Article 18 (p) of its Bylaws.

MLog S.A.

Notes to financial statements
December 31, 2018
(In thousands of Reais, except where otherwise stated)

The Company, following the completion of this operation, follows the commitment made to its shareholders and Board of Directors to seek cash-generating assets to compose its business portfolio.

The acquisition price recognized at fair value, including contingent consideration, was R$ 50,000 paid on demand.
The acquisition price of R$ 50,000 was outspread, in line with current legislation and accounting pronouncements, as follows:

• R$ 3,803: Book value at the date of acquisition
• R$ 8,033: Goodwill arising from the fair value of the net assets of the investee (provisionally assessed as set forth in CPC 15 - Business Combination)
• R$38,164: Intangible assets related to the Mining Rights belonging to the Company (assessed as set forth in CPC 15 - Business Combination)

The Company studies the potential tax benefits arising from the business combination arising from the fair value of identifiable assets acquired and liabilities assumed, to the extent that they may generate a temporary deductible or taxable difference.

As of 09/30/2018, the acquisition price above, duly restated, totaled R $ 50,000.
The fair value of the net assets of the investee, assessed as set forth in CPC 15 (Business Combination), is as follows:

Base Acquisition date, April 25th, 2018

ASSETS	Accounting value	Fair value
Current		
Accounts receivables	454	454
Advance to suppliers	56	56
Recoverable taxes	57	57
Judicial deposits	440	440
Rights in the deal [1]	67,180	67,180
Other	30	30
	68,217	**68,217**
Non-current		
Related parties loans	694	694
Property, plant and equipment	4,294	12,327
Intangible		38,164
	4,988	**51,185**
LIABILITIES		
Current		
Supplier	371	371
Loans and financing [1]	62,651	62,651
Payroll and related taxes	1,827	1,827
Tax obligations	2,538	2,538
Labor provision	341	341
Customer down payment	110	110
	67,838	**67,838**

(In thousands of Reais, except where otherwise stated)

Non-current		
Tax obligations	442	442
Other payables	1,122	1,122
	1,564	**1,564**
Net Asset	**3,803**	**50,000**

[1] Update of the amounts reflected for 12/31/2018 in the consolidated balance sheet.

As explained above and in Explanatory Note 23, in the Private Instrument of Assignment and Definitive Transfer of Corporate Shares executed between MLog and Bocaiuva, Bocaiuva was responsible for the debts of Marsil, as well as of any and all contingencies, whether accounted for, prior to the date of acquisition.

On 12/31/2018, Marsil's total bank indebtedness, liabilities and contingencies totaled approximately R$ 68,907.

MLog has not paid and will not effect any payment of bank indebtedness, and the Company's management will act in a way to guarantee the rights of the Company in case there is any violation of the obligations assumed by Bocaiuva in the Private Instrument of Assignment and Definitive Transfer of Corporate Shares.

2. Basis of preparation and presentation of the financial statements

The Company’s individual and consolidated financial statements, 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 guidance (“OCPC”), approved by the Brazilian Securities and Exchange Commission (“CVM”) which are in accordance with accounting practices adopted in Brazil.

The financial statements were prepared on a going concern basis.

These financial statements were prepared based on historical cost, except for certain financial instruments measured at fair value, and investments are accounted for under equity method as described in the accounting practices.

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

Management evidences all relevant information in the financial statements, which corresponds to those used by Company in the course of its management.

The Company Management authorized the conclusion of the preparation of these financial statements on 03/29/2018.

3. Summary of significant accounting practices

Below is a description of the main accounting practices used by the Company in its individual financial statements and in subsidiaries included in the consolidated financial statements:

a. Financial instruments

CPC 48 establishes, among others, new requirements for: classification and measurement of financial assets, measurement and recognition of impairment of financial assets, changes in the terms of financial assets and liabilities and disclosure.

In accordance with the transitional provisions set forth by CPC 48, the Company did not restate its financial statements for prior periods in relation to new requirements related to: classification and measurement of financial assets, impairment of financial assets and changes in the terms of financial assets and liabilities. In these cases, the Company did not find any differences in the carrying amounts of financial assets and financial liabilities.

i. Classification and measurement of financial assets

CPC 48 establishes three categories for the classification of financial assets: measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification is based on the characteristics of contractual cash flows and the business model for managing the asset. CPC 48 eliminated the following categories established by CPC 38: held to maturity, loans and accounts receivable and available for sale.

ii. Modification of contractual cash flow of financial liabilities

CPC 48 establishes that the accounting balances of financial liabilities measured at amortized cost, whose contractual terms were not substantially modified, should reflect the present value of their cash flows under the new terms, using the original effective interest rate. The difference between the book balance of the instrument remeasured when a substantial change in its terms and its book balance immediately prior to such modification shall be recognized as gain or loss in the period result.

The Company does not carry out hedging, swap or any other operations involving derivative financial instruments.

b. Cash and cash equivalents

Cash equivalents are short-term investments that are readily convertible into a known amount, being 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.

c. 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.

d. Property, plant and equipment

Property, plant and equipment is recorded at acquisition cost, minus accumulated depreciation and, when applicable, impairment.

e. Intangible assets

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, when applicable, accumulated amortization and impairment.

f. Impairment of assets

The carrying amount of the assets is, for impairment purposes, tested annually or when there is a potential indication that assets are considered not recoverable.

g. Provisions

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation may be made.

h. Recognition of assets

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

i. Income tax and social contribution

Income tax and Social contribution are calculate based on taxable profit. The basis for calculation takes into account additions and exclusions provided for in applicable legislation.

Management only records deferred income tax and social contribution assets, arising from tax losses, when there is evidence of use in future taxable income.

j. Accounting judgments, estimates and assumptions

Preparation of the financial statements in accordance with IFRS and CPC standards requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the informed amounts of assets, liabilities, revenues and expenses. The settlement of transactions involving such estimates may result in amounts different from those recorded. Estimates and assumptions are revised continuously.

Revisions related to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

k. Statements of value added

The presentation of statements of value added is required by the Brazilian Corporation Law applicable to publicly-held corporations and is presented as supplementary information for purposes of IFRS.

l. Profit (loss) per share

Basic profit (loss) per share is calculated by dividing profit (loss) for the year attributed to the holders of common shares of the Parent company by the weighted average number of shares available in the year.

Diluted profit (loss) per share is calculated by dividing the profit (loss) for the year attributable to holders of common shares of the Parent company, by the average number of shares outstanding during the year, plus the weighted average number of common shares that would be issued on conversion of all potential common shares, diluted into common shares.

m. Share based compensation

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 P&L 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 on which the executive acquires full right to the bonus (vesting date). Accumulated expenses recognized up to the date of acquisition reflect the extension to which the vesting period has expired and the Company's best estimate as to the number of shares to be acquired.

n. Additional Freight for Renovation of Merchant Marine - AFRMM

Subsidiary Companhia de Navegação da Amazônia (“CNA”), mentioned in Note 1, is the beneficiary, in accordance with Law 10,893/2004, of 100% of the AFRMM generated by its river navigation activities. Use of these funds, which extends to CNA’s affiliates, subsidiaries or parent company, is subject to acquisition of new vessels, jumboizing, conversion, modernization, docking or repair of self-owned vessels, settlement of interest or amortization of loans related to the uses above.

The balancing entry of the benefit to be used recorded in assets is recognized as deferred revenue in liabilities. Recognition of this liability in profit or loss occurs in the proportion of the recognition of the amounts used above in profit or loss, via depreciation and repair cost or upon amortization of the loans or settlement of interest. The right to use the benefit is extinguished within three years as of the date of deposit of the relevant AFRMM in an escrow account in the name of CNA.

Pursuant to article 30 of Law 12,973/2014, subsidies recognized in profit or loss, up to the limit to the year’s net profit, are not subject to taxation, provided they are kept in a profit reserve account (reserve for tax incentives), and use of such reserve is limited exclusively to offsetting of losses or capital increase.

The balance of the subsidies recognized in profit or loss not transferred to the mentioned profit reserve, as result of the limitation on net profit, shall be transferred upon occurrence of enough profits in subsequent years.

o. Revenue from services

Revenues from charter of vessels, freight transport and offshore support are measured by fair value of the amount received, net of trade discounts and sales taxes on these services.

p. Information by segment

Segment results that are reported to the Company's Management include items directly attributable to the segment, as well as those that can be allocated on a reasonable basis.

3.2 New pronouncements and interpretations

The standards, changes in standards and interpretations that came into effect for the first time for the year beginning on January 1, 2018, IFRS 9 (CPC 48) and IFRS 15 (CPC 47) had no material impact on the Group.

It is expected to continue to measure at fair value all financial assets currently held at fair value. Loans as well as trade accounts receivable are held to collect contractual cash flows and should give rise to cash flows that represent exclusively principal and interest payments. The Company expects that these will continue to be measured at amortized cost under IFRS 9 / CPC 48. The Company analyzed the contractual cash flow characteristics of these instruments in more detail and concluded that all these instruments meet the criteria for cost measurement amortized according to IFRS 9 / CPC 48. Management has no expectation of losses with customers and commercial agreements for 12 months, regardless of the securities being overdue. The provision amount was measured based on item 5 of CPC 48.

Management has evaluated all its client contracts and has not identified changes in the method of recognizing its revenues with the adoption of IFRS 15 / CPC 47, the standard of transfer of Group services is homogeneous, since the service is provided based on in the rates defined in the contract. There is a consistent pattern of transfer of services during the contract period. The transaction price must be recognized monthly according to the provision of the services.

The following new standards were issued by the IASB, but are not in force for the year 2018. Early adoption of standards, although encouraged by the IASB, is not permitted in Brazil by the Accounting Pronouncements Committee (CPC).

IFRS 16 - "Leasing Operations" - under this new standard, lessees will have to recognize the liability for future payments and the right to use the leased asset for practically all leases, including certain short-term or small-value contracts out of the scope of this new rule. The criteria for recognizing and measuring leases in the lessors' financial statements are substantially maintained. IFRS 16 is effective for annual periods beginning on or after 1st. of January 2019 and replaces IAS 17 - "Leasing Operations" and corresponding interpretations. Management has assessed the impacts of its adoption, but understands that the new IFRS 16 guidelines have not materially impacted its financial statements

Management is evaluating the impacts of its adoption, understands that the new IFRS 16 guidelines will not have a significant impact on its financial statements.

There are no other IFRS or IFRIC interpretations that have not yet come into effect that could have a material impact on the Group's financial statements.

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4. Cash and cash equivalents

	Parent Company		Consolidated	
	2018	**2017**	**2018**	**2017**
Cash	**2,048**	58	**10,050**	1,228
Cash equivalents	**13**	21,266	**1,239**	33,212
	2,061	21,324	**11,289**	34,440

On 12/31/2018, the balance of cash equivalents refers to investments in Certificates of Deposit - CDBs, with daily liquidity and return tied to the Interbank Deposit Certificate – CDI.

5. Additional Freight for Renovation of Merchant Marine (“AFRMM”)

The table below shows the changes in the accounts related to AFRMM in the consolidated balance sheet during the 12-month period ended 12/31/2018.

	Asset accounts			Liability account
	Current		Non-current	Non-current
	AFRMM deposits in escrow account	**AFRMM to be released**	**AFRMM to be released**	**Government subsidies to be appropriated - AFRMM**
Adjusted balance as of 12/31/2016	90,581	22,978	21,788	[1] 188,621
AFRMM generated			17,744	17,346
Deposits in escrow account	32,467	(32,456)		
Release of frozen assets	1,000			
Revenue from escrow account	2,377			2,377
Use of the subside	(96,787)			
Recognition in profit and loss				(7,796)
Transfer from long-term to short-term		32,456	(32,682)	
Adjust - as per its evaluation report [3]		1,074	1,884	
Balance as of 12/31/2017	29,638	24,052	8,734	[1] 200,548
AFRMM generated			**15,873**	**15,873**
Deposits in escrow account	**3,999**	**(3,999)**		
Escrow Account Interest Received	**582**			**582**
Use of the subside	**(18,699)**			
Recognition in profit and loss				**(12,040)**
Receivables from Parent	**(1,831)**			**(1,813)**
Transfer from long-term to short-term		**3,999**	**(3,999)**	
Balance as of 12/31/2018	**13,689**	**24,052**	**20,608**	**203,150**

[1] Despite the existence of this amount in long-term liabilities, use of the AFRMM within its legal purpose does

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not entail financial liabilities or obligation with any effect for the Company, which can at any time, cease to operate such asset and/or carry out sale thereof.

[2] The initial balance does not contemplate the adjustment of loss related to observation [1] above

For purposes of comparison, the table below shows the changes in the AFRMM-related items in the consolidated balance sheet for the 12-month period ended 12/31/2017:

	Asset accounts			Liability account
	Current		Non-current	Non-current
	AFRMM deposits in escrow account	AFRMM to be released [3]	AFRMM to be released [3]	Government subsidies to be appropriated - AFRMM
Balance as of 12/31/2016	**90,581**	**22,978**	**21,788**	**[1] 188,621**
AFRMM generated			17,744	17,346
Deposits in escrow account	32,467	(32,456)		
Release of judicial block	1,000			
Revenue from escrow account	2,377			2,377
Use of the subside	(96,787)			
Recognition in profit and loss				(7,796)
Transfer from long-term to short-term		32,456	(32,682)	
Adjust - as per its evaluation report [3]		1,074	1,884	
Balance as of 12/31/2017	**29,638**	**24,052**	**8,734**	**[1] 200,548**

6. Trade accounts receivable

As of 12/31/2017, a significant part of the amount receivable from customers, refers to the subsidiary Asgaard, mainly to the service agreement of the SBM Installer, started in December 2016 and ended in March 2017, in the amount of R$ 13,407, settled in May 2018. As of 12/31/2018, the amounts of R$ 3,659, R$ 1,818 and R$ 1,068 refer to the regular business of the subsidiaries CNA, Asgaard and Marsil respectively.

	Consolidated	
	2018	2017
Trade accounts receivable	**6,676**	17,598
Doubtful debt	**(131)**	(281)
	6,545	17,317

(In thousands of Reais, except where otherwise stated)

	2018	2017
Amounts to mature	**4,934**	16,711
Amounts due:		
Within 30 days	**1,293**	
From 31 to 90 days	**318**	606
From 91 to 180 days		
From 91 to 180 days	**2**	281
From 91 to 180 days	**129**	
	6,676	17,598

The average term of receipt for recurring operations, as of the invoicing, is 20 days at Asgaard Navigation S.A., 29 days at the Navigation Company of the Amazon and 30 days at Marsil.

7. Recoverable income tax, contributions and other taxes

	Current	
	2018	2017
	Parent Company	
Withheld at source		
Income tax on financial income	**2,364**	2,724
Credits		
Others		3
	2,364	2,727
	Parent Company	
Withheld at source		
Income tax on financial income	**47**	487
Income tax on services rendered	**1,297**	885
Social contributions (PIS and COFINS) on services rendered	**419**	346
Social contribution (CSLL) on services rendered	**488**	184
Social security (INSS) on services rendered	**245**	48
Refund claim		
PIS and COFINS	**3,524**	3,653
Credits		
PIS and COFINS on inputs	**1,438**	1,490
PIS and COFINS on vessel acquisitions		
Others	**133**	84
	Companhia de Navegação da Amazônia	
Refund claim		
Income tax on services rendered		29
PIS and COFINS on services rendered	**91**	90
CSLL on services rendered	**25**	25
Credits		
PIS e COFINS over vessel acquisitions	**155**	155
Recover of IRPJ and CSLL	**620**	581
	Mineração Marsil Eireli	
Refund claim		
Income tax on services rendered	**60**	
PIS and COFINS on services rendered	**274**	
ICMS To Offset	**240**	
	Consolidated	
	11,420	10,784

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	Non-current	
	Parent Company	
Withheld at source		
Income tax on financial income		1,644
	Companhia de Navegação da Amazônia	
Credits		
PIS and COFINS on vessel acquisition	**141**	296
	Consolidated	
	141	1,940

The PIS and COFINS credits on the Sophia vessel were, as a result of the sale of Asgaard Navegação S.A. to Companhia de Navegação da Amazônia, mentioned in Note 1, reallocated to plant, property and equipment due to non-recoverability thereof in the acquirer, according to applicable legislation

8. Investments in subsidiaries (Parent company)

Changes in investments during the year are as follows:

Investments	Interest	2017	Business deal with Marsil	Capital increase	Equity results	Shareholders transaction	Cumulative translation adjustments	2018
Cia de Desenvolvimento do Norte Capixaba	100%	20,863		296	(35)			21,124
Morro do Pilar Minerais SA,	100%	7,659		735	(1,083)			7,311
Asgaard Navegação SA,	100%	177,032			5,701	(42,760)		139,973
Mineração Marsil Eireli	100%		50,000		(1,653)			48,347
Investment Balance		**205,554**	**50,000**	**1,031**	**(2,930)**	**(42,760)**		**216,755**
Asgaard Navigation LLP	99.75%	(42,162)			6,490	42,760	(7,088)	-
Dutovias do Brasil SA,	100%	(1,656)		13	(5)			(1,648)
Balance of the provision for uncovered liability[1]		**(43,818)**		**13**	**6,485**	**42,760**	**(7,088)**	**(1,648)**
		161,736	**50,000**	**1,044**	**9,415**	**-**	**(7,088)**	**215,107**

[1] Recognition of this liability is due to the fact that the Company is jointly liable for the debts of its subsidiaries.

For purposes of comparison, mainly for the equity method, we present below the changes in investments in the same year of the previous year,

Investments	Stake	2016	Capital increase	Equity results	Cumulative translation adjustments	2017
Cia de Desenvolvimento do Norte Capixaba	100%	20,684	450	(271)		20,863
Morro do Pilar Minerais SA,	100%	8,505	15	(861)		7,659
Asgaard Navegação SA,	100%	185,989		(8,957)		177,032
Investment Balance		**215,178**	**465**	**(10,089)**		**205,554**
Asgaard Navigation LLP	99.75%	(42,165)		798	(795)	(42,162)
Dutovias do Brasil SA,	100%	(1,877)	225	(4)		(1,656)
Balance of the provision for uncovered liability[1]		**(44,042)**	**225**	**794**	**(795)**	**(43,818)**
		171,136	**690**	**(9,295)**	**(795)**	**161,736**

[1] Recognition of this liability is due to the fact that the Company is jointly liable for the debts of its subsidiaries.

(In thousands of Reais, except where otherwise stated)

The movement of the advances for future capital increases in the year is shown below:

	Morro do Pilar Minerais S.A.	Cia de Desenvolvimento do Norte Capixaba	Dutovias do Brasil S.A.	Mineração Marsil Eireli	Total
Balances as of 2017[1]	736	296	14		**1,046**
Funds remitted	1,100	21	4	818	**1,943**
Capital increase	(735)	(296)	(13)		**(1,044)**
Balances as of 2018 [1]	**1,101**	**21**	**5**	**818**	**1,945**

For purposes of comparison, we present below the movement of the advances for future capital increases in the same year of the previous year:

	Morro do Pilar Minerais S.A,	Cia de Desenvolvimento do Norte Capixaba	Dutovias do Brasil S.A,	Total
Balances as of 2016	11	468	230	**709**
Funds remitted	740	278	9	**1,027**
Capital increase	(15)	(450)	(225)	**(690)**
Balances as of 2017*	**736**	**296**	**14**	**1,046**

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

9. Property, plant and equipment

Parent company balances

	2018			2017		
	Cost	**Depreciation**	**Net amount**	Cost	Depreciation	Net amount
Buildings	**289**	**(56)**	**233**	289	(43)	246
Machinery and equipment	**1,782**	**(545)**	**1,237**	1,782	(367)	1,415
Furniture and fixtures	**842**	**(433)**	**409**	842	(359)	483
IT equipment	**526**	**(433)**	**93**	541	(352)	189
Communication equipment	**144**	**(125)**	**19**	144	(108)	36
Vehicles				87	(12)	75
Leasehold improvements	**1,431**	**(1,421)**	**10**	1,431	(1,063)	368
	5,014	**(3,013)**	**2,001**	5,116	(2,304)	2,812

(In thousands of Reais, except where otherwise stated)

Changes in the Parent company balances

	Depreciation Rate	2017	Transfer	Depreciation	2018
Buildings	**4%**	246		**(13)**	**233**
Machinery and equipment	**10%**	1,415	**(15)**	**(163)**	**1,237**
Furniture and fixtures	**10%**	483	**10**	**(84)**	**409**
IT equipment	**20%**	189	**(10)**	**(86)**	**93**
Communication equipment	**20%**	36		**(17)**	**19**
Vehicles	**20%**	75	**(87)**	**12**	
Leasehold improvements	**22%**	368		**(358)**	**10**
		2,812	**(102)**	**(709)**	**2,001**

Consolidated balances

	2018				2017		
	Cost	**Depreciation**	**More value**	**Net amount**	**Cost**	**Depreciation**	**Net amount**
Land	**30,611**		**2,439**	**33,050**	30,480		30,480
Buildings	**1,476**	**(119)**	**839**	**2,196**	289	(43)	246
Vessel in construction	**1,138**			**1,138**	212		212
Machinery and equipment	**6,472**	**(1,180)**	**4,481**	**9,773**	2,299	(435)	1,864
Furniture and fixtures	**1,202**	**(534)**	**17**	**685**	1,197	(441)	756
IT equipment	**709**	**(539)**	**(6)**	**164**	682	(422)	260
Communication equipment	**657**	**(189)**		**468**	612	(165)	447
Vessels	**203,340**	**(28,107)**		**175,233**	203,222	(17,755)	185,467
Vehicles	**91**	**(35)**	**263**	**319**	257	(78)	179
Works of art	**97**			**97**	97		97
Properties	**1,645**			**1,645**	1,645		1,645
Leasehold improvements	**1,431**	**(1,421)**		**10**	1,431	(1,063)	368
	248,869	**(32,124)**	**8,033**	**224,778**	242,423	(20,402)	222,021

[1] This write-up amount refers to the purchase price allocation arising from the acquisition of Companhia de Navegação da Amazônia, mentioned in Note 1

Changes in consolidated balances for the year

	Depreciation rate	**2017**	**Acquisition in the negotiation transaction**	**Acquisition**	**Transfer e write-offs**	**Depreciation**	**More Value**	**2018**
Land		**30,480**	**131**				**2,439**	**33,050**
Buildings	**4%**	**246**	**1,187**			**(76)**	**839**	**2,196**
Vessel in construction		**212**		**1,138**	**(212)**			**1,138**
Machinery and equipment	**10%**	**1,864**	**2,930**	**1,184**	**(15)**	**(671)**	**4,481**	**9,773**
Furniture and fixtures	**10%**	**756**	**21**	**29**	**(5)**	**(133)**	**17**	**685**
IT equipment	**20%**	**260**	**21**	**13**	**(3)**	**(121)**	**(6)**	**164**
Communication equipment	**20%**	**447**		**108**	**(14)**	**(73)**		**468**
Vessels	**5%**	**185,467**			**18**	**(10,252)**		**175,233**
Vehicles	**20%**	**179**	**4**	**(1)**	**(88)**	**(38)**	**263**	**319**
Works of art		**97**						**97**
Properties		**1,645**						**1,645**
Leasehold improvements	**22%**	**368**				**(358)**		**10**
		222,021	**4,294**	**2,471**	**(319)**	**(11,722)**	**8,033**	**224,778**

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Changes in consolidated balances in the period 12/31/2017

	Depreciation rate	2016	Acquisition	Adjustment [1]	Acquisition	Taxes recoverable	Depreciation	More Value	2017
Land		30,480							**30,480**
Buildings	**4%**	252					**(6)**		**246**
Vessel in construction		2,453	**212**		**(2,453)**				**212**
Machinery and equipment	**10%**	1,996	**102**				**(234)**		**1,864**
Furniture and fixtures	**10%**	932	**32**		**(72)**		**(136)**		**756**
IT equipment	**20%**	361	**48**		**(1)**		**(148)**		**260**
Communication equipment	**20%**	363	**170**		**(3)**		**(83)**		**447**
Vessels	**5%**	189,262	**3,229**	**8,967**	**2,108**	**(866)**	**(10,880)**	**(6,353)**	**185,467**
Vehicles	**20%**	92	**146**				**(59)**		**179**
Works of art		97							**97**
Properties		1,645							**1,645**
Leasehold improvements	**22%**	747					**(379)**		**368**
		228,680	**3,939**	**8,967**	**(421)**	**(866)**	**(11,925)**	**(6,353)**	**222,021**

[1] The PIS and COFINS credits on the Sophia vessel were, as a result of the sale of Asgaard to CNA, mentioned in Note 1, reallocated to plant, property and equipment due to non-recoverability thereof in the acquirer, according to applicable legislation.

In the valuation of recoverability of assets, the Company used the value in use per Cash Generating Unit (CGU) based on projections approved by Management and assumptions consistent with the analysis performed on 12/31/2018, which consider:

- Review of the scenarios for each CGU according to business plans;

- Country macroeconomic scenario;

- Period of cash flow compatible with proven mineral reserves, without perpetuity, since the Company is in the initial stage of its operations, including assets with long maturation periods;

- Discount rate in constant dollars of 12.5%, based on the weighted average cost of capital ("WACC").

10. Intangible assets

This item, in line with IFRS 6 Exploration for and Evaluation of Mineral Rights, refers to the exploration and evaluation expenses of the Morro do Pilar Iron Ore Project, as well as the mining rights resulting from the acquisition of Marsil Mineração EIRELI.

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Changes in intangible assets in the year are as follows:

	2017	Additions	Amortization	More value	2018
Expenditures related to exploration and valuation of mineral resources and prospecting rights	240,289	**6,241**			**246,530**
Expenditures related to licensing phase	6,404				**6,404**
Mining rights *				**38,164**	**38,164**
Management system (ERP)	293	**4**	**(164)**		**133**
Software	227	**23**	**(159)**		**91**
Intangible assets acquired in business combination	472,791				**472,791**
Goodwill on CNA acquisition (Note 1)	65,768				**65,768**
	785,772	**6,268**	**(323)**	**38,164**	**829,881**

The movement of intangible assets in 2017 is shown below:

	2016	Transfer	Additions	Amortization	Goodwill	2017
Expenditures related to exploration and valuation of mineral resources and prospecting rights	218,427	**18,636**	**3,226**			**240,289**
Expenditures related to licensing phase	6,404					**6,404**
Management system (ERP	439	**22**	**12**	**(180)**		**293**
Software	662	**(23)**		**(412)**		**227**
Intangible assets acquired in business combination	491,427	**(18,636)**				**472,791**
Goodwill on CNA acquisition (Note 1)	62,375	**1**			**3,392**	**65,768**
	779,734		**3,238**	**(592)**	**3,392**	**785,772**

11. Income tax and Social contribution

As of 12/31/2018, the amount of tax losses and negative basis of social contribution of the Company is of the order of R$ 179 million (R$ 152 million as of 12/31/2017), over which, in view of the lack of expectation of future profitability, does not record deferred income tax and social contribution assets.

The net amount of R$ 89, included in Deferred tax liabilities, in relation to the subsidiary Companhia de Navegação da Amazônia, is composed of:

• Temporary difference in income tax and social contribution, in amount of R$ 1,321, between the tax base and deemed cost recorded under ICPC 10.

• Deferred income tax asset, in amount of R$ 1,232, on tax loss carryforwards.

(In thousands of Reais, except where otherwise stated)

The net expense of R$ 796, included in the Income Tax and Social Contribution item of the income statement, is comprised of a positive deferred portion of R$ 57 and a negative current portion of R$ 739.

The reconciliation between the nominal and effective rates is shown below:

	Parent Company		Consolidated	
	2018	2017	2018	2017
Profit (loss) before income tax and social contribution	**(19,076)**	**(45,654)**	**(18.953)**	**(45,542)**
Income tax and social contribution calculated at a rate of 34%	**6,486**	**15,522**	**6,444**	**5,484**
Effects of additions and exclusions				
Equity results in subsidiaries	**3,201**	**(3,160)**		
Reversal of impairment of assets				
Temporary differences	(**306)**		**3,985**	**(2,476)**
Permanent differences		**(1,312)**	**1,795**	**1,282**
	9,381	**11,050**	**12,224**	**14,291**
Non-constitution of deferred assets due to lack of expectation of future profitability	**(9,381)**	**(11,050)**	**(13,020)**	**(14,400)**
Income tax and social contribution			**(796)**	**(109)**
Effective rate			**-4.20%**	**-0.24%**

(In thousands of Reais, except where otherwise stated)

12. Related parties' transactions

Loans and transactions between related parties

The balances involving related parties' transactions at the date of this financial information are listed below:

Creditor	Debtor	2018	2017
[1] Current assets in the Parent Company			
MLog S.A.	Patrícia Tendrich Pires Coelho	**216**	77
Current assets in the consolidated			
Asgaard Navegação S.A.	Maverick Holding S.A.,	**671**	749
Asgaard Navegação S.A.	Patrícia Tendrich Pires Coelho	**88**	78
		975	904
Values Eliminated on Consolidation			
Asgaard Navegação S.A.	MLog S.A.	**29,044**	11,768
Asgaard Navegação S.A.	Companhia de Navegação da Amazônia	**115**	20,998
MLog S.A.	Mineração Marsil	**3,956**	
Companhia de Navegação da Amazônia	MLog S.A.	**7,248**	
Asgaard Navegação S.A.	Asgaard Navigation LLP		37,696
Asgaard Navegação S.A.	Asgaard Navigation LLP		1,628
Asgaard Navegação S.A.	Asgaard Navigation LLP		2,934

The loan between MLog S.A. and Patrícia Tendrich Pires Coelho (Previous Chief Executive Officer of the Company) in the amount of R$ 216 is adjusted at the CDI rate plus 5% per annum.

The loan between Asgaard Navegação S.A. and Maverick Holding S.A. (shareholder of MLog S.A) in amount of R$ 671, is adjusted at the CDI rate plus 5% per annum.

The loan agreement between Asgaard Navegação S.A. and Patrícia Tendrich Pires Coelho (Previous Chief Executive Officer of the Company) in the amount of R$ 88 is adjusted at the CDI rate plus 5% per annum.

As of 12/31/2018, the loan between the subsidiaries Asgaard Navegação S.A. and Asgaard Navigation LLP had the following conditions:

(i) The loan in amount of R$ 37,696 is in Reais, does not bear interest.
(ii) The loan in amount of R$ 1,628 is in Reais, with no interest and no maturity date.
(iii) The loan in amount of R$ 2,934 corresponds to US $887, no interest and no maturity date.

On December 31, 2018, the balance of loans with Asgaard Navigation LLP, in the amount of R$ 42,258, was fully written off against the result of the year, due to the liquidation of this company (see Note 26).

In addition to the above items, but not involving loans, Management highlights the following related party events:

The Company's parent company, Maverick Holding S.A., is the guarantor of the total debt related to the acquisition of the above-mentioned Amazônia Navigation Company. The existence of this guarantee was fundamental for the conclusion of the transaction and Maverick Holding S.A. chose not to charge the Company for this guarantee.

The company had an agreement with Rio Grande Investimentos Ltda.,related to provision of services related to strategic planning, mergers and acquisitions , capital market (equity and debt), and structured transactions, the purpose of which was temporary expansion of the capacity of demand, analysis, and negotiation of the Company's merger and acquisition and strategic plan As part of these services, Rio Grande Investimentos Ltda. actively participated in the Company's organizational restructuring, in the strategic realignment of the mining and navigation assets, also in the acquisition of Companhia de Navegação da Amazônia. Rio Grande Investimentos Ltda.'s managing partner, Luiz Claudio de Souza Alves, was elected as a member of the Company' Board of Directors in the Extraordinary Shareholders' Meeting held on 01/26/2017 and the other managing partner, Gustavo Barbeito de Vasconcellos Lantimant Lacerda, was elected as the Company's strategic planning and investor relations officer in the Extraordinary. Shareholders' Meeting held on 03/03/2017. This agreement terminated on 04/30/2017 and, in the period between when these managing partners became part of the Company's Management and the date of termination of such agreement, there were, pursuant to the terms of the agreement, payments totaling R$1,917, all duly approved by the Company's board of directors. This payment represents part of the variation that occurred in the year in the line of Services provided in the Income Statements

Compensation of key management personnel

The Company considers all current officers and board members to be key management personnel. For the twelve-month period of 2018, the compensation of these officers and board members was R$6,230 and R$2,426, respectively (R$ 9,241and R$ 2,682 in 2017). The overall management compensation for the period from 05/01/2018 to 04/30/2019, up to R$13,650, was approved in the Annual General Meeting held on 04/28/2018.

(In thousands of Reais, except where otherwise stated)

Share based compensation (stock options)

In the Annual Shareholders' Meeting held on 07/21/2011, 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 12/31/2018, a total of 10,140 (ten thousand one hundred and forty) 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 08/20/2012 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.

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

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	Strike Price	Annual volatility	Risk free rate	Dilution factor	Fair value options
2011,1	10/15/2011	10/15/2014	10/15/2019	4,050	1,576.00	38.95%	11.34%	98.23%	4,121
Amendments	01/02/2012	10/15/2014	10/15/2019	450	1,576.00	38.98%	11.06%	97.44%	446
2012,1	01/02/2012	10/15/2014	10/15/2019	100	1,576.00	38.98%	11.06%	97.44%	99
2012,2	01/02/2012	12/01/2014	12/01/2019	300	1,576.00	38.95%	11.06%	97.41%	299
2012,3	02/01/2012	01/15/2014	01/15/2019	1,000	1,576.00	39.47%	11.19%	98.18%	951
2012,3	02/01/2012	01/15/2015	01/15/2020	1,000	1,576.00	38.80%	11.23%	97.29%	1,001
2012,4	01/13/2012	01/13/2014	01/13/2019	100	1,576.00	39.41%	11.31%	98.28%	96
2012,4	01/13/2012	01/13/2015	01/13/2020	100	1,576.00	38.88%	11.32%	97.37%	101
2012,5	08/20/2012	08/20/2014	08/20/2019	180	1,576.00	38.74%	9.78%	98.11%	164
2012,5	08/20/2012	08/20/2015	08/20/2020	180	1,576.00	38.05%	9.97%	97.19%	173
2013,1	05/02/2013	05/02/2014	05/02/2019	780	2,547.25	39.96%	9.10%	98.54%	1,055
2013,1	05/02/2013	05/02/2015	05/02/2020	400	2,547.25	38.98%	9.24%	97.78%	577
2013,2	07/01/2013	07/01/2014	07/01/2019	550	2,547.25	40.16%	11.23%	98.48%	793
2013,3	08/15/2013	08/15/2014	08/15/2019	250	2,547.25	40.00%	11.71%	98.44%	365

(In thousands of Reais, except where otherwise stated)

2013,4	10/01/2013	10/01/2014	10/01/2019	550	2,547.25	39.58%	11.73%	98.38%	799
2013,4	10/01/2013	10/01/2015	10/01/2020	150	2,547.25	38.81%	11.79%	97.46%	232
Total as of 12/31/2018				**10,140**					**11,272**

The monetary effects of share-based compensation for purchase of shares recorded in equity and in P&L are as follows:

Programs	2011	2012	2013	2014	2015	2016	2017	Total
1º		495	2,670	956				**4,121**
2º		377	728	(80)	(181)			**844**
3º		610	677	665				**1,952**
4º		65	67	65				**197**
5º		60	143	112	22			**337**
6º		33	19		(52)			
7º			749	1,124	(147)	(94)		**1,632**
8º			422	449	(78)			**793**
9º			263	270	(168)			**365**
10º			328	878	(183)	8		**1,031**
		1,640	6,066	4,439	(787)	(86)		**11,272**
Options expired [1]	939	5,659	2,832	4,298	308			
Recorded in income statement	939	7,299	8,898	8,737	(479)	(86)		
Accumulated amount in equity	939	8,238	17,136	25,873	25,394	25,308	**25,308**	

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

In the event the beneficiary resigns from his position, the options not yet exercisable expire without any indemnity or compensation and the exercisable options may be exercised within ninety days. To date of these financial statements, 8,580 (eight thousand, five hundred and eighty) shares expired due to non-exercise of the option, corresponding to R$8,198, measured upon granting of the options and recognized in P&L and equity during the vesting period.

From the beginning of adoption of the plan up to the date of this annual information, no stock options were exercised.

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

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 this case, the non-exercisable options expire without any indemnity or compensation

No stock options were exercised in the twelve months of 2018

(In thousands of Reais, except where otherwise stated)

13. Trade accounts payable

The consolidated balance of R$ 10,191 on 12/31/2018 (R$ 15,812 on 12/31/2017) mainly refers to the agreement with Citigroup, ending the contingency that in 2017 was included in noncurrent liabilities under the caption provisions, in the amount of R$ 8,138 (Note 17). A significant portion of the balance as of 12/31/2017, in the amount of R$ 12,414, was fully compensated, as mentioned in Note 6, on the occasion of the final settlement of the service agreement of the SBM Installer, started in December 2016 and ended in March 2017.

14. Obligations on acquisition of investments

This item refers to the acquisition of all of the shares of Companhia de Navegação da Amazônia - CNA, as described in Note 1.

The table below shows the changes in the debt at the date of these financial statements:

						Payment term	
Composition of acquisition price	**Balances on 2017**	**Interest**	**Unwinding of discount**	**Payments**	**Balances on 2018**	**Current**	**Non-current**
Initial installment	49,918	**4,190**		**(12,561)**	**41,547**	**21,146**	**20,401**
Additional installment	36,834	**2,750**	**5,174**	**(9,457)**	**35,301**	**10,839**	**24,462**
Earn out installment			**1,753**		**16,176**		**16,176**
	101,175	**6,940**	**6,927**	**(22,018)**	**93,024**	**31,985**	**61,039**

For purposes of comparison, we present below the table with the debt transaction for the year 2017:

							Payment term	
Composition of acquisition price	**Balances on 2016**	**Adjustment of previous calculations**	**Interest**	**Unwinding of discount**	**Payments**	**Balances on 2017**	**Current**	**Non-current**
Initial installment	58,763		**7,005**		**(15,850)**	**49,918**	**16,639**	**33,279**
Additional installment	34,324	**182**	**2,284**	**4,419**	**(4,375)**	**36,834**	**8,574**	**28,260**
Earn out installment				**1,507**		**14,423**		**14,423**
	106,003	**182**	**9,289**	**5,926**	**(20,225)**	**101,175**	**25,213**	**75,962**

(In thousands of Reais, except where otherwise stated)

15. Litigation

On 12/31/2018, the Company, together with its subsidiaries Asgaard and CNA, are parties to lawsuits. The lawsuits classified as probable losses are recorded in the balance sheet and basically refer, as mentioned in Note 19, to the civil and labor lawsuits owed by the subsidiary Companhia de Navegação da Amazônia – CNA.

Management highlights the main lawsuits involving the Company and its subsidiaries, whose chances of loss is classified as possible by the law firms involved.

No. Procedure	Type	Author	Nature	Value of the cause	Chances of loosing	Management Comments
0020199-78.2014.8.13.0175	Ação Civil Publica	MPE de Minas Gerais	Environmental	1.000	Possible	Management's expectation is that such action will lose its purpose and will be terminated
0071643-11.2014.4.01.3800 e 0078416-72.2014.4.01.3800	Ação Cautelar Inominada e Ação Civil Pública	Ministério Público Federal	Environmental	5.000	Possible	Management's expectation is that the loss of such action could significantly impact the Morro do Pilar Project
1125178-74.2016.8.26.0100	Ação de Execução	Banco BNP Paribas Brasil SA	Civil	4.703	Possible	Management's expectation is that the loss of said share will not have a continuing impact on the Company.
1024094-93.2017.8.26.0100	Ação de Execução	Kinea Renda Imobiliária Fundo de Investimento Imobiliário	Civil	641	Possible	Management's expectation is that the loss of said share will not have a continuing impact on the Company.
1045114-48.2014.8.26.0100	Ação de Rescisão Contratual cc Ação de Cobrança	BancoBNP Paribas Brasil SA	Civil	1.849	Possible	Management's expectation is that the loss of said share will not have a continuing impact on the Company.
011465-98.2017.5.03.0002	Reclamação Trabalhista	Udo AugustoGebrath Junior	Labor	172	Possible	Management's expectation is that the loss of said share will not have a continuing impact on the Company.

The subsidiaries CAN and Marsil are also parties to actions in a variety of areas such as civil, labor, environmental, tax and other matters. Any convictions in said cases, as well as in labor claims, as well as their respective legal fees, will be subject to reimbursement by the former controlling shareholders of CNA and Marsil as established in the purchase and sale agreement of the shares signed with the Libra Group and with Bocaiuva respectively.

(In thousands of Reais, except where otherwise stated)

No. Procedure	Type	Author	Nature	Value of the cause	Chances of loosing	Management Comments
6042591-38.2015.8.13.0024	Ação de Execução	Itaú Unibanco SA	Civil	1.730	Possible	Management's expectation is that the loss of said share will not have a continuing impact on the Company.
10283.721485/2012-45	Processo Administrativo	Delegacia da Receita Federal do Brasil em Manaus - AM/DRF/AM	Administrative	1.661	Possible	Management's expectation is that the loss of said share will not have a continuing impact on the Company
10283.720968/2013-11	Processo Administrativo	Delegacia da Receita Federal do Brasil em Manaus - AM/DRF/AM	Administrative	7.861	Possible	Management's expectation is that the loss of said share will not have a continuing impact on the Company.
0011394-80.2016.4.01.3200	Ação Civil Pública de Improbidade Administrativa	Ministério Público Federal	Civil	1.000	Possible	Management's expectation is that the loss of said share will not have a continuing impact on the Company.
0011345-39.2016.4.01.3200	Ação Civil Pública de Improbidade Administrativa	Ministério Público Federal	Civil	400	Possible	Management's expectation is that the loss of said share will not have a continuing impact on the Company.
704.3168-48.2017.8.22.0001	Ação Ordinária	Protege	Civil	197	Possible	Management's expectation is that the loss of said share will not have a continuing impact on the Company.
6042603-52.2015.8.13.0024	Ação de Execução	Itaú Unibanco AS	Civil	2.398	Possible	Management's expectation is that the loss of said share will not have a continuing impact on the Company.
5116994-24.2017.8.13.0024	Ação de Execução	Bradesco AS	Civil	548	Possible	Management's expectation is that the loss of said share will not have a continuing impact on the Company.
1056227-91.2017.8.26.0100	Ação de Execução	Santander SA	Civil	21.274	Possible	Management's expectation is that the loss of said share will not have a continuing impact on the Company.
1055551-46.2017.8.26.0100	Ação de Execução	Santander	Civil	15.547	Possible	Management's expectation is that the loss of said share will not have a continuing impact on the Company.
24.40732-63.2010.8.13.0024	Ação Civil Publica	MPE de Minas Gerais	Environmental	1.000	Possible	Management's expectation is that the loss of said share will not have a continuing impact on the Company.
1015146-91.2015.8.26.0114	Ação de Execução	Lauro Viana de Oliveira Junior	Civil	7.250	Possible	Management's expectation is that the loss of said share will not have a continuing impact on the Company.

16. Commitments

As the result of the Preliminary License granted by the Regional Superintendence for Environmental Regulation (SUPRAM) on 11/06/14, the following conditions shall meet in order to the Construction License, until November of 2019, for the Pilar Hill Project be granted.

The Company has already made a significant part of the expenditures and studies related to the conditions of its LP and to the programs of environmental control and compliance with the clauses defined by the Minas Gerais Public Prosecutor's Office required by the LI application protocol. After said protocol and prior to the effective granting of the Installation License - LI, the Company will incur additional expenses and investments such as land purchase, environmental compensation and others, whose final values will depend on negotiations between the Company and third parties.

Regarding the compensation referred to in article 36 of Law 9.985 / 2000 (National System of Nature Conservation Units - SNUC), the amount of resources to be destined by the entrepreneur for this purpose is limited to 0.5% cent) of the total costs foreseen for the implementation of the project. In this way, the final value to be paid, is linked to the total investments in the implementation of the mine, depending on the intended project arrangement by the company in relation to the estimated annual gross production. Once the compensation has been defined, the amount must be paid in up to 4 monthly installments, the first being up to 30 days after the granting of the Deployment License, according to State Decree No. 45.175 / 2009.

17. Provisions (Consolidated)

The amounts provided for in the short-term refer to: (i) the second installment of pipeline concession easement agreements, in the amount of R$ 1,642 (R$ 1,642 as of 12/31/2017), due to the regularization of the property by real estate owners and (ii) recovery of squares and accesses of geological survey in the region of the Morro do Pilar Project in the amount of R$ 30 (R$ 20 as of 12/31/2017).

(i) R$ 1,167 due to Marsil as a result of lawsuits and administrative (R$ 118) and labor claims (R$ 1,049).

The long-term value refers to:

(ii) On November 30, 2018, the Company entered into an agreement with Citigroup, closing the contingency that in 2017 was recorded in noncurrent liabilities under the caption provisions, in the amount of R$ 8,138. Under this agreement, the Company will pay the total amount of R$ 7,000 in twenty monthly and consecutive installments, the first of which will expire in January 2019.
(iii) R$ 6,935 owed by the Company, as a result of a judicial proceeding categorized as possible, related to the Extraordinary Tax Appeal Action filed by BNP Paribas Brasil SA ("BNP") against the Company in the amount of R$ 4,703, in a private instrument for confession of debt and other covenants, where the Company recognizes and

(In thousands of Reais, except where otherwise stated)

acknowledges the obligation of R$ 7,249, referring to the financial advisory services rendered by BNP, in addition to R$ 79 related to the expenses incurred by BNP. The Company paid in 2015, in accordance with the agreement entered into with BNP, the amount of R$ 3,624, remaining the amount of R$ 4,703 (restated up to the date of filing of the share). The Company indicated well to the attachment and opposed Execution Embargoes. On 02/14/2017 the court partially rejected the requests made in the Execution Appeals. In light of this sentence, the Company opposed Embargoes of Declaration, which were not accepted. On 06/23/2017, the Company filed an Appeal. (R$ 5,976 as of 12/31/2017). We are provisioning for being a legal contractual obligation (as per CPC 25), despite possible risk.
(iv) R$ 4,454 owed by the subsidiary Companhia de Navegação da Amazônia as a result of civil and labor lawsuits, classified as probable (R$ 1,379 at 12/31/2017).

18. Transaction costs

Refers to the reimbursement of taxes collected over the temporary importation of foreign vessels, whose amount of R$ 5,875 (R$ 5,812 as of 12/31/2017), when received by the subsidiary Asgaad, must be passed on to the customer that borrowed the service. This obligation is adjusted based on the Selic interest rate (Special settlement and custody system).

19. Equity

Capital

On 12/31/2018, the Company's subscribed capital stock is represented by 2,899,712 common shares as detailed below:

	2018		2017	
Shareholders	**Common shares**	**%**	**Common shares**	**%**
Maverick Holding S.A.	**1,539,186**	**53.08**	1,539,186	53.08
Korea Investment Corporation	**244,909**	**8.45**	244,909	8.45
EIG - Global Energy Partners	**536,737**	**18.51**	188,969	6.52
Fábrica Holding S.A.	**154,072**	**5.31**	154,072	5.31
Outros	**424,808**	**14.65**	772,576	26.64
	2,899,712	**100.00**	2,899,712	100.00

On December 12, 1818, it was announced to the market that EIG and Rio Sul Investments LLC ("Rio Sul"), all of whose shares are held by Luiz Claudio de Souza Alves, an indirect co-controller and manager of MLog, entered into a definitive contract of purchase and sale of 449,746 common shares of the Company, representing 15.51% of its capital stock.
Once the transfer of the shares has been formalized, pursuant to applicable regulations, Rio Sul will become a shareholder of the Company and EIG will no longer have any shares in the Company.

This number of shares includes the reduction of capital occurred at the Extraordinary General Meeting held on 12/8/2016, effectively on 02/10/2017, pursuant to article 174 of Law 6,404 / 76, after the expiration of the 60-day period following the publication of the aforementioned AGE.

The capital reduction was of the order of R $ 42,632, implying in the cancellation of 152,788 shares subscribed and not yet paid by the shareholder Maverick Holding S.A., with no cash outflow from the Company

Pursuant to the amendment to the Bylaws, approved at the Extraordinary Shareholders' Meeting held on August 26, 2015, the Company's capital stock may be increased by resolution adopted by the Board of Directors, regardless of changes to the Bylaws, until it reaches 6,000,000 (six million) of common shares. The Board of Directors may stipulate the number of shares to be issued, the issue price and the conditions of subscription, payment and issuance.

On 04/26/2018, the shareholder Maverick Holding S.A., paid a non-paid-in portion of the Company's capital stock, whose term had matured on 12/12/2017, for a total amount of R $ 49,843 including the accrued moratoriums. Of this total amount, R $ 42,632 refers to the paid-up portion of the capital and R $ 7,211, related to the late payments, were recorded in a capital reserve account, in accordance with the provisions of Article 182, paragraph 1, a), of Law 6,404 / 1976.

On 06/29/2018, the Company sent a notice to the market, informing that it received, on the same date, correspondence from the shareholder EIG Manabi Holdings S.À.R.L. (EIG), whereby it reported that it had purchased 347,768 ordinary shares in private negotiation from the Longleaf Partners International Fund, Longleaf Partners Unit Trust (members of "Others" above) and Ontario Teaches' Pension Plan representing 11, 99% of the Company's capital stock. As a result of this acquisition, the EIG now holds 536,737 common shares representing 18.51% of the Company's capital stock.

On December 12, 1818, it was announced to the market that EIG and Rio Sul Investments LLC ("Rio Sul"), all of whose shares are held by Luiz Claudio de Souza Alves, an indirect co-controller and manager of MLog, entered into a definitive contract of purchase and sale of 449,746 common shares of the Company, representing 15.51% of its capital stock.

Once the transfer of shares has been formalized, pursuant to applicable regulations, Rio Sul will become a shareholder of the Company and EIG will no longer have any Company.

The parties clarify that the operation does not aim or change the composition of the control or the administrative structure of the Company and that are taking the necessary measures to the formal transfer of the shares to the registrar, Banco Itaú S.A.

(In thousands of Reais, except where otherwise stated)

Profit (loss) per share

The table below presents the results and share data used in determining the basic and diluted profit (loss) per share:

	2018	2017
Loss attributable to the equity holders	**(19,076)**	(45,654)
Outstanding Shares	**2,899,712**	2,899,712
(Loss) per share - basic and diluted in Reais *	**(6.58)**	(15.74)

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

Cumulative translation adjustments

The cumulative translation adjustments result from the difference between exchange rates in the conversion of the financial statements of subsidiary Asgaard Navigation LLP from Dollars to Reais, considering the following procedures:

(i) The assets and liabilities are converted using the closing rate on the date of the conversions, except for non-monetary items, which are converted based on the rate of the date of the transaction;
(ii) The balances of the changes in equity are converted based on the historic exchange rates of the respective transactions;
(iii) The items contained in the income statements are converted based on the average rate for the period.

20. Net operating income and costs of services

The revenues and corresponding costs incurred by the subsidiary Asgaard relating to the vessel Asgaard Sophia, by the subsidiary CNA and from 2018, also by the Marsil are shown below:

(In thousands of Reais, except where otherwise stated)

	2018	2017
Revenue		
Charter	**22,687**	39,170
Freight	**45,472**	35,250
Maritime support	**6,129**	13,953
Sale of products	**5,099**	
Taxes on sales		
Social contributions (PIS and COFINS)	**(5,697)**	(7,193)
Social security contribution	**(1,572)**	(1,409)
Tax on services (ISSQN)	**(403)**	(848)
Value-Added Tax (ICMS)	**(4,599)**	(5,085)
Other	**(522)**	(220)
Net revenue	**66,594**	73,618
Cost of services		
Payroll and related charges	**(18,382)**	(18,071)
Charter	**(1,582)**	(10,290)
Depreciation	**(10,923)**	(10,524)
Rentals	**(783)**	(154)
Materials	**(20,495)**	(17,583)
Insurances	**(2,223)**	(2,133)
Services	**(5,445)**	(5,375)
Other	**(1,451)**	(4,276)
	(61,284)	(68,406)
Gross profit	**5,310**	5,212

21. Financial income

	Parent company		Consolidated	
	2018	2017	2018	2017
Earnings from financial investment	**443**	878	**934**	3,442
Earnings from recovery taxes	**158**	500	**230**	500
Trade discounts	**33**	69	**104**	586
Interest on loans with related parties	**15**	484	**16**	703
Exchange variation[1]			**8,669**	773
Other			**1**	
	649	1,931	**9,954**	6,004

[1] The value of the exchange variation is basically due to the effect of the extinction of Asgaard Navigation LLP.

MLog S.A.

Notes to financial statements
December 31, 2018
(In thousands of Reais, except where otherwise stated)

22. Financial expenses

	Parent company		Consolidated	
	2018	2017	2018	2017
Interest on bank loans			**9**	432
Interest on acquisition of investment (CNA- Note 14)	**13,867**	15,397	**13,867**	15,397
Exchange variation			**1,102**	1,043
Bank charges	**26**	31	**217**	439
Interest on arrears	**1,379**	1,480	**880**	1,798
Other	**344**	143	**344**	214
	15,616	17,051	**16,419**	19,323

23. Financial instruments

Financial instruments categories

On 12/31//2018, the Company and its subsidiaries did not have any financial assets classified under the Measurement at fair value through profit or loss category.

When measuring the fair value of an asset or a liability, the Company uses observable market data as much as possible. The interest values are classified at different levels in a hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs, except quoted prices included in Level 1, which are observable for the asset or liability, directly (price) or indirectly (derived from price).
- Level 3: inputs, for the asset or liability, which are not based on observable market data (unobservable inputs).

The main financial instruments of the Company as of December 31, 2018 and 2017 are listed below:

(In thousands of Reais, except where otherwise stated)

Financial assets and liabilities	2018 Book value	2018 Fair value	2017 Book value	2017 Fair value	Hierarchy
Assets					
Cash and cash equivalents	**11,289**	**11,289**	34,440	34,440	Level 1
AFRMM deposits in escrow account	**13,689**	**13,689**	29,638	29,638	
Trade accounts receivable	**6,545**	**6,545**	17,317	17,317	Level 2
Related parties loans	**975**	**975**	904	904	Level 2
Rights in the deal [1]	**79,354**	**79,354**	1,684	1,684	Level 2
Other credits	**481**	**481**	113	113	Level 2
Liabilities					
Trade accounts payable	**10,191**	**10,191**	15,812	15,812	Level 2
Bank loans [1]	**71,719**	**71,719**			
Obligations on acquisition of investments	**93,024**	**93,024**	101,175	101,175	Level 3

[1] Approximately R$ 68,907 in restated amounts are the responsibility of the Bocaiuva Group, contracted to MLog when the acquisition of Marsil, related to the bank loans of the acquiree to the financial institutions (Santander R$ 43,995, Itaú R$ 17,625, Bradesco R$ 7,287) In addition to the loans of Marsil we understand that they are recorded at their fair value but any change in the fair value of them will not imply to the benefit of Mlog since they are the responsibility of Bocaiuva.

The Company's assessment on financial instruments did not identify significant difference between measured value and fair value of its financial assets and liabilities.

Risk management

The financial transactions of the Company and its subsidiaries are carried out by the financial department in accordance with the conservative strategy, seeking safety, reliability and liquidity, in line with the Company's treasury and cash management Policy. The policy establishes criteria for protection against financial risks resulting from undertaking of obligations, whether in foreign or local currency, in order to manage the exposure risks associated with foreign exchange and interest rate.

The main market risk factors that may affect the business of the Company and its subsidiaries are:

Credit risk

Financial instruments subject to credit risks refer to the cash equivalents and receivables. All transactions are carried out with institutions with recognized liquidity and in line with the Company's treasury and cash management Policy.

Interest rate risk

This risk results from the possibility of incurring losses due to interest rate fluctuations that increase financial expenses arising primarily from loans. The inherent risk arises from the possibility of significant fluctuations in the CDI.

(In thousands of Reais, except where otherwise stated)

Liquidity risk

Represents the risk of shortage and difficulty for the Company to honor its debts. The Company and its subsidiaries seek to align the maturity of its debts with the cash generation period to avoid discrepancies and the need for greater leverage.

The table below details the maturity period of the key financial liabilities of the Company and its subsidiaries:

	Consolidated			
	Up to one year	**From one to three years**	**Over three years**	**Total**
Bank loans	2,250	562		**2,812**
Trade accounts payable	7,392	2,799		**10,191**
Obligations on acquisition of investments	31,985	39,185	21,854	**93,024**
	41,627	**42,546**	**21,854**	**106,027**

As explained above and also in Explanatory Note 1, in the Private Instrument of Assignment and Definitive Transfer of Corporate Shares executed between MLog and Bocaiuva, Bocaiuva was responsible for the debts of Marsil, as well as of any and all contingencies, whether or not accounted for, preceding the date of the Acquisition.

On 12/31/2018, Marsil's total bank indebtedness, liabilities and contingencies totaled approximately R$ 68,907.

MLog has not paid and will not effect any payment of bank indebtedness, and the Company's management will act in a way to guarantee the rights of the Company in case there is any violation of the obligations assumed by Bocaiuva in the Private Instrument of Assignment and Definitive Transfer of Corporate Shares.

24. Insurance coverage

The Company and its subsidiaries have several insurance policies in order to protect their operation and assets.

In the navigation activities, the subsidiaries Asgaard and CNA contract insurance of their vessels (hull insurance), as well as protection and indemnification (P & I) coverage

(In thousands of Reais, except where otherwise stated)

The main coverages are:

Hull Insurance:

- CNA: Full coverage of R$101,000
- Asgaard: Full coverage of US$50,000

Protection and Indemnity Insurance (P&I):

- CNA: limited coverage to US$8,2,000,000 by event and occurrence.
- Asgaard: limited coverage to US$8,2,000,000 by event and occurrence.

In the mining activity, the subsidiary Marsil hired on 03/12/2018, business insurance - RNO - Named Risks with Maximum Warranty Limit: R$ 53 million.

The liability insurance of directors and administrators (D & O), of the parent company and its subsidiaries, was renewed on July 4, 2011, in the insured amount of up to R$ 50 million.

25. Operating expenses with personnel

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Remuneration & Charges	**5,646**	5,883	**15,146**	13,054
Social Security Charges	**1,113**	1,808	**3,191**	3,249
Benefits	**514**	4,213	**1,786**	5,582
Other			**10**	53
	7,273	11,904	**20,133**	21,938

26. Subsequent event

On 19/02/2019, the Companies House (UK), granted the dissolution of Asgaard Navigation LLP.

27. Information by Business Segment

Segment information shall be prepared in accordance with CPC 22 (Segment Information), equivalent to IFRS 8, and shall be presented in relation to the business of the Company, its subsidiaries and jointly-owned subsidiaries, identified based on its management structure and internal management information.
MLog uses segments, as described below, that correspond to its strategic business units, which offer different services and products and are managed separately. The following summary describes the operations in each of the reportable segments.

• **Mining**

It covers the mining activities of iron ore in Minas Gerais, consolidating all the operations related to the studies and researches of the works required for the Installation License ("LI") of the Morro do Pilar Project ("MOPI Project"), as well as the implementation of the MOPI Project. In 2018 the group acquired a new company, Marsil that already produces and markets high quality iron ore.
The subsidiaries Dutovias do Brasil S.A, Companhia de Desenvolvimento do Norte Capixaba also has scope related to the logistics segment, linked to mining, although both are in a pre-operational stage.

• **Navigation**

The navigation segment consolidates the operations of Asgaard and CNA. Asgaard has been operating in the maritime support sector since March 2016, serving with OSRV Asgaard Sophia vessel to Petrobras. CNA transports oil and derivatives in the northern region of Brazil, operating its assets at levels close to the limit given the current regional conditions, both climatic and storage infrastructure.

Statements of operations - Segments
Years ended December 31, 2018 and 2017
(In thousands of Reais)

	Mining	Navigation	Consolidated
Net operating income	4,726	61,868	66,594
Cost of services	(2,647)	(58,637)	(61,284)
Gross profit	**2,079**	**3,231**	**5,310**
Operating expenses			
Personnel	(13,740)	(6,393)	(20,133)
Services rendered	(3,293)	(770)	(4,063)
General and administrative	(2,866)	(3,350)	(6,216)
Depreciation and amortization	(871)	(251)	(1,122)
Taxes	(201)	(510)	(711)
Other operating income (expenses)			
Government subsidies - AFRMM		12,040	12,040
Other operating income	8	3,195	3,203
	(20,963)	**3,961**	**(17,002)**

(In thousands of Reais, except where otherwise stated)

Operating loss before financial results	**(18,884)**	**7,192**	**(11,692)**
Financial income and expenses			
Financial income		10,957	9,954
Financial expenses	(27)	(17,395)	(16,419)
	(27)	**(6,438)**	**(6,465)**
Loss before income tax and social contribution	**(18,911)**	**754**	**(18,157)**
Income tax and social contribution			
Current		(739)	(739)
Deferred		(57)	(57)
Loss for the year	**(18,911)**	**(42)**	**(18,953)**

Segment Information

Assets and Liabilities

(In Thousand of Reais)

	Mining	Navigation	Consolidated
ASSETS			
AFRMM	-	58.349	58.349
Rights in the negotiation transaction	74.596	4.758	79.354
PPE	44.618	180.160	224.778
Intangible	763.987	65.894	829.881
	883.201	309.161	1.192.362
LIABILITY			
Providers	862	9.329	10.191
Bank Loans	68.907	2.812	71.719
Provisions	10.662	4.454	15.116
Obligation in the Investments acquisition	-	93.024	93.024
AFRMM	-	203.150	203.150
	80.431	312.769	393.200

Elias David Nigri
Chief Executive Officer

Julia Souza de Paiva
Chief Administrative and Financial Officer

José Eduardo Pereira Gonçalves
Contador CRC RJ 063543/O-2

Luiz Felipe Perdigão
Controller