MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Quarter Ended

March 31, 2015

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INTRODUCTION

The following discussion of the financial condition and results of operations should be read in conjunction with the audited consolidated financial statements of Manabi S.A. and its subsidiaries for the year ended March 31, 2015 and the related notes included thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar figures are in U.S. dollars. The effective date of this MD&A is May 12, 2015.

FORWARD-LOOKING STATEMENTS AND RISK FACTORS

Certain statements in this MD&A constitute "forward-looking statements" or "forward-looking information" within the meaning of applicable securities laws. Such statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed0020or implied by such forward-looking statements or information. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indicators of whether or not such results will be achieved. We do not assume any obligation to update or revise the forward-looking statements contained herein to reflect events or circumstances occurring after the date of this MD&A.

This MD&A also contains references to estimates of mineral resources. The estimation of mineral resources is inherently uncertain and involves subjective judgments about many relevant factors. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The accuracy of any such estimates is a function of the quantity and quality of available data, and of the assumptions made and judgments used in engineering and geological interpretation (including estimated future production from our projects, the anticipated tonnages and grades that will be mined and the estimated level of recovery that will be realized), which may prove to be unreliable and depend, to a certain extent, upon the analysis of drilling results and statistical inferences that may ultimately prove to be inaccurate.

Technical information relating to the mineral exploration project at *Morro do Pilar* (the "Pilar Hill Project") and the mineral exploration project at *Morro Escuro* (the "Dark Hill Project") contained in this Report is derived from, and in some instances is extracted from, the Pilar Hill Technical Report (the "Pilar Hill Report") and the Dark Hill Technical Report (the "Dark Hill Report"), dated as of May 2014 and April 2012, respectively, prepared by SRK Consulting, an international leading consulting to the mining industry.

Statements in this MD&A, including statements related to the Company's financial results, outlook and future plans, are qualified in their entirety by more detailed information included in our Reference Form (*Formulário de Referência*), filed at CVM (Comissão de Valores Mobiliários – www.cvm.gov.br. The Reference Form includes a detailed description of risks that may affect the Company's future plans, results of operations and financial performance under Item 4, "Risk Factors" (*Fatores de Risco*). Please refer to this important information to understand more about underlying risks the Company faces, as well as the material factors and assumptions related to the forward-looking statements.

OVERVIEW

Manabi S.A. (the "Company" or "we", "us", "our" or "our company") is a publicly held company, incorporated on March 10, 2011, with its main office in Rio de Janeiro, Brazil. We are a pre-operational mining company focused on the exploitation of high grade iron ore in Brazil and integrated logistics for sale of iron ore, either directly or indirectly through our subsidiaries. We currently have no cash generating unit.

As of the date of this MD&A, we hold all of the outstanding equity capital of (i) Morro do Pilar Minerais S.A. ("Pilar Hill" or "MOPI"); (ii) Manabi Logística S.A. ("Manabi Logística"); and (iii) Dutovias do Brasil S.A. ("Dutovias").

SUMMARY OF 1Q2015 MAIN EVENTS

Given the challenging scenario for the Iron Ore industry marked by the sustained decline in the iron ore spot price since January 2014, from the range of US$130/t (for the 62% Fe CIF China) to approximately US$ 70/t by year end, Manabi´s Board of Directors has approved a reduced budget for 2015 that has led the Company to implement a significant downsizing, reducing its G&A and headcount, as other preoperational companies, with a view to preserving as much as possible its cash position going forward.

OVERALL PERFORMANCE

Pilar Hill Project

A. Mine and Plant

The company has been complying with the Condition Precedents ("CP") of the LP received in November 2014, for the mine and plant.

The Capex[1] related to mine and plant development reached R$201 million by March 31, 2015, with R$3 million being spent during first quarter, mostly on permitting and compensations to stakeholders or investments in affected municipalities.

B. Pipeline

The Company has the alternative to transport its iron ore from Pilar Hill to the North Port either through a 511km long pipeline (the "Long Pipeline") or through a 158km short pipeline (the "Short Pipeline") up to a filtering plant and stockyard in Naque, in the state of Minas Gerais, where the iron ore would be transhipped to the existing line of the EFVM Railway and taken to the North Port through a rail spur of 80km to be implemented.

The Company has secured more than 50% of the rights-of-way for the Short Pipeline (158km). The Short Pipeline corresponds to approximately 30% of the length of the Long Pipeline and is on the same route.

The total expenditure[1] in non-current assets related to the development of the pipeline reached R$29 million, with R$1 million being spent during first quarter 2015, mostly on right of way negotiation, permitting and engineering.

C. North Port

In February 2014, the Company's subsidiary Manabi Logística received the requisite regulatory authorization from the Presidency´s Port Secretariat (*SEP*) for the construction and operation of the North Port. Regarding the environmental permitting of the North Port (which is processed and reviewed jointly with the pipeline project), the Company has been in continuous dialogue with IBAMA, which is in charge of the review of the Environmental Impact Assessment ("EIA-RIMA"), filed in 2013. Following the successful completion of the required public hearings in January 2014 and the delivery of extensive supplementary studies and information, we currently believe that IBAMA will be in a position to issue the expected environmental permit in the course of 2H2015.

The total Capex[1] related to the North Port reached R$55 million, with R$2 million being spent during first quarter 2015, mostly on engineering and on the permitting process.

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[1] The Capex for all projects in this MD&A is presented on an accrual basis in R$ terms, in line with the Financial Statements.

D. Railway

Manabi entered into an investment agreement and a transportation agreement with Brazilian company Vale (concessionaire of the EFVM Railway) in August 2014, securing a new logistics option for its mining business. The option for connecting the North Port to the existing EFVM Railway opens the possibility of creating a new logistics corridor for inbound and outbound cargoes in the region, significantly leveraging the value of North Port as a new alternative for the export and import of bulk commodities.

The total expenditure[1] in non-current assets by March 31, 2015, related to the rail spur, reached R$13million, being R$2million spent during first quarter mostly on engineering.

Dark Hill Project

Activities related to the Dark Hill Project have been limited due to the priority granted by the Company to its flagship Pilar Hill Project. In this context, related investments totalled R$11 million since the inception of this project.

SELECTED QUARTERLY INFORMATION

The following financial information is derived from our Quarterly Financial Information for the three months period ended March 31, 2015 and 2014, prepared under IFRS.

	Manabi S.A.		**Consolidated**	
(in thousands of *reais*, except if otherwise specified)	**03/31/2015**	**03/31/2014**	**03/31/2015**	**03/31/2014**
Total Revenue	-	-	-	-
Operating losses before financial results	**(22,483)**	(19,189)	**(22,483)**	(19,187)
Operating losses before financial results per common share (basic and diluted) (in *reais*)	**(21.21)**	(18.12)	-	-
Operating losses before financial results per preferred share (basic and diluted) (in *reais*)	**(21.21)**	(18.12)	-	-
Financial income and expenses	**12,352**	13,116	**12,352**	13,114
Loss for the period	**(10,131)**	(6,073)	**(10,131)**	(6,073)
Loss per common share (basic and diluted)(in *reais*) *	**(9.74)**	(5.84)	-	-
Loss per preferred share (basic and diluted) (in *reais*) *	**(9.74)**	(5.84)	-	-

* figures related to the parent company. Total common shares: 250,000 / Total preferred shares: 790,000

Higher loss for 1Q2015 is due basically to higher personnel expenses reflecting mainly non-recurring compensation (management bonus plan) and layoff costs incurred in January and February, and to lower financial income compared to the same period for 2014.

CONSOLIDATED BALANCE SHEET

(in thousands of *Reais)*	**03/31/2015**	**12/31/2014**
Current Assets		
Cash and cash equivalents	8	26
Marketable securities	434,833	452,048
Other current assets	4,942	8,696
Non-current assets		
Property, plant and equipment	60,237	57,930
Intangible assets	104,035	99,664
Total Assets	604,055	618,364

Current Liabilities		
Trade accounts payable	4,635	6,289
Employee-related accruals	1,370	1,976
Other current liabilities	899	1,472
Non-current liabilities		
Equity		
Capital Stock	1,381,666	1,381,666
Capital Reserve	1	1
Share-based compensation reserve	24,528	25,873
Accumulated losses	(809,044)	(798,913)
Total Equity	597,151	608,627
Total Liabilities and Equity	604,055	618,364

Marketable securities are composed of (i) government bonds with yields indexed to the Selic rate and (ii) Certificate of Deposit of Caixa Econômica Federal- CEF (CD from Brazil´s Federal Saving and Loans institution) with yield indexed to the variation of the CDI (Interbank Deposit Certificate). These securities are held through the Company's exclusive investment fund and have generated an average return of 101% of the CDI during 1Q2015. The government bonds and CEF CD are highly liquid assets (can be sold at any time for use in the operations of the Company and its subsidiaries) and carry Brazil sovereign risk.

Other current assets refer primarily to withholding tax on financial income to be recovered.

Non-current assets are primarily composed by land, construction in progress of the port, pipeline projects and Intangible assets related to the Pilar Hill, Dark Hill and Rail spur projects. These amounts consider the impairment test recognized on December 31, 2014 as mentioned in the Quarterly Financial Information.

Trade accounts payables refer mainly to advisory in environmental studies, Financial, conceptual engineering and general and administrative services, with an average settlement period of 30 days, which are not subject to financial charges.

Capital stock is represented by 1,040,000 shares, of which 250,000 are common shares, 550,000 are class A preferred shares and 240,000 are class B preferred shares, with no par value.

SUMMARY OF QUARTERLY RESULTS

The following table highlights our consolidated quarterly results for the last five quarters.

	2015	2014			
	Mar 31	Mar 31	Jun 30	Sep 30	Dec 31
Revenue	-	-	-	-	-
Loss for the period (in thousands of *reais*)	(10,131)	(6,073)	(7,215)	(2,955)	(734,163)
Loss per common share (basic and diluted) (in *reais*)*	(9.74)	(5.84)	(6.94)	(2.84)	(705.92)
Loss per preferred share (basic and diluted)(in *reais*)*	(9.74)	(5.84)	(6.94)	(2.84)	(705.92)

*** figures related to the parent company**

REVIEW OF FINANCIAL RESULTS

The following discussion of our results of operations should be read together with our Quarterly Financial Information ended March 31, 2015 and 2014. The table below sets forth our results of operations for these three months periods.

	Manabi S.A.		Consolidated	
(in thousands of *reais*, except if otherwise specified)	03/31/2015	03/31/2014	03/31/2015	03/31/2014
Operating expenses				
Personnel	**(13,717)**	(9,028)	**(13,717)**	(9,028)
Services rendered	**(6,867)**	(7,105)	**(7,142)**	(7,273)
General and administrative expenses	**(1,138)**	(2,276)	**(1,267)**	(2,423)
Depreciation and amortization	**(253)**	(251)	**(269)**	(265)
Taxes	**(84)**	(190)	**(88)**	(198)
	(22,059)	(18,850)	**(22,483)**	(19,187)
Other operating expenses				
Equity results in subsidiaries	**(424)**	(339)	**-**	-
Operating losses before financial results	**(22,483)**	(19,189)	**(22,483)**	(19,187)
Financial income and expenses				
Financial income	**12,373**	13,183	**12,373**	13,183
Financial expenses	**(21)**	(67)	**(21)**	(69)
Loss before income tax and social contribution	**(10,131)**	(6,073)	**(10,131)**	(6,073)
Income tax and social contribution	**-**	-	**-**	-
Loss for the period	**(10,131)**	(6,073)	**(10,131)**	(6,073)
Loss per common share (basic and diluted)(in *reais*)	**(9.74)**	(5.84)	**-**	-
Loss per preferred share (basic and diluted) (in *reais*)	**(9.74)**	(5.84)	-	-

Operating expenses. We are currently in pre-operational phase of development and therefore have not generated operating revenue. We incurred operating expenses of R$22.5 million during the first quarter of 2015, representing an increase of R$3.3 million in relation to 2014, due basically to higher personnel expenses reflecting non-recurring compensation (management bonus plan) and layoff costs incurred in January and February.

Financial income. Lower financial income for the 1Q2015 compared to 1Q2014 reflects higher volume of Marketable securities for the latter.

Income tax and social contribution. Management opted not to record deferred taxes assets at this stage of the project. Tax loss carry forward generated in Brazil do not expire and are offset with future taxable profit, limited to 30% of the taxable profit in each year. As of March 31, 2015, the Company's tax loss carry forward and negative social contribution basis amounted to R$ 79 million.

Loss for the period. Loss for the first quarter of 2015 was R$10.1 million, compared to a loss of R$6.1 million in the same period of 2014, primarily reflecting less financial income and higher operating expenses.

Cash Flows

The table below presents our cash flows as of March 31, 2015 and 2014:

	Manabi S.A.		Consolidated	
(in thousands of *reais)*	**03/31/2015**	**03/31/2014**	**03/31/2015**	**03/31/2014**
Net cash used in operating activities	(15,037)	(15,466)	(15,654)	(15,848)
Net cash from investing activities	15,020	15,452	15,636	15,835
Decrease in cash and cash equivalents	(17)	(14)	(18)	(13)
Cash and cash equivalents at the beginning of the period	24	44	26	44
Cash and cash equivalents at the end of the period	7	30	8	31

Net cash used in operating activities. Total consolidated figures for 1Q2015 remained practically the same as 2014.

Net cash from investing activities. The consolidated net cash from investing activities for 1Q2015 also remained practically the same as in the same period of 2014.

Decrease in cash and ***cash equivalents.*** As a result of the foregoing, during the three months ended March 31, 2015, the decrease in our cash and cash equivalents reached R$18 thousand.

CAPITAL STRUCTURE

As of March 31, 2015, the subscribed and paid-in capital is represented by 1,040,000 shares, of which 250,000 are registered common shares, 550,000 are preferred class "A" shares and 240,000 are preferred class "B" shares, of no par value.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2015, we have not incurred any material financial obligations and no long-term liabilities. Most of our liabilities at that date are related to contractual obligations to our service providers totaling an aggregate of R$1.8 million. We believe that we have sufficient financial resources to meet our financial obligations as we stand and plan our future raising of funds as disclosed below.

SOURCES OF FUNDS

Through the date of this MD&A, Manabi´s cash balance and marketable securities are from equity raises.

Given the challenging scenario for the Iron Ore industry marked by the sustained decline in the iron ore spot price since January 2014, the Company is reviewing potential funding and strategic opportunities and redefining priorities for the execution of its business plan and budget. The Company has engaged BNP Paribas Securities Corp. and CIBC World Markets plc (UK subsidiary) to assist management in identifying and structuring one or more strategic equity transactions.

INDEBTEDNESS AND CONTRACTUAL LIABILITIES

As of March 31, 2015, liabilities are primarily represented by balances with trade accounts payable.

The following table sets forth our contractual liabilities (deriving from accounts payable to suppliers, additions to non-current assets and administrative expenses) as of March 31, 2015 and March 31, 2014:

	As of March 31, 2015				
	< 1 year	**1-3 years**	**3-5 years**	**> 5 years**	**Total**
Type of liability			*(in R$ ´000)*		
Secured by real property	0	0	0	0	0
Floating	0	0	0	0	0
Unsecured	4,635	0	0	0	4,635
Total	**4,635**	**0**	**0**	**0**	**4,635**

	As of December 31, 2014				
	< 1 year	**1-3 years**	**3-5 years**	**> 5 years**	**Total**
Type of liability			*(in R$)*		
Secured by real property	0	0	0	0	0
Floating	0	0	0	0	0
Unsecured	6,289	0	0	0	6,289
Total	**6,289**	**0**	**0**	**0**	**6,289**

In addition, as of March 31, 2015 and December 31, 2014, our liability ratio (defined as our current and non-current liabilities divided by our net equity) was 1.16% and 1.60%, respectively.

OFF-BALANCE SHEET ARRANGEMENTS

We had no off-balance sheet arrangements for the periods under review.

RELATED PARTY TRANSACTIONS

We had no related party transactions for the periods under review, other than the (i) compensation of board members and officers; and (ii) the granting of stock options to officers and employees under our stock option plan.

CHANGES TO CORPORATE MANAGEMENT AND BOARD OF DIRECTORS

On January 21, 2015, the majority of the shareholders through the Extraordinary Shareholders´ Meeting decided to dismiss all of the board members and elect a new Board of Directors. The new slate of directors unanimously approved by the attending shareholders is composed of: Aleksander Migon; Álvaro Piquet; Andrey Zhmurovsky; Charles Putz; Guy Bentinck; Josh Shores; Mathew Goldsmith; Michael Vitton; and Ouk (Brian) Choi.

On January 30, 2015, the Board of Directors elected Mr. Charles Putz as new chairman of the Board. Mr. Putz has been an independent director of Manabi S.A. since January 6, 2012. During his term, he has served in each of the three advisory committees of the board of directors: the audit and finance committee, the governance, compensation and nominating committee and the technical committee. Mr. Putz is an accomplished professional with significant expertise in the mining space in Brazil and an advocate of best practices of corporate governance.

On February 5, 2015, the Board of Directors appointed independent Director Guy Bentinck as vice-chairman of the Board. Mr. Bentinck serves as chair of the audit and finance committee and member of the governance, compensation and nominating committee. On the same date the Board of Directors

appointed independent Director Álvaro Piquet Pessôa to the Governance, Compensation and Nominating Committee. Mr. Piquet Pessôa is an attorney with significant expertise of best corporate governance practices in Brazil and abroad.

On April 13, 2015, board member Aleksander Migon resigned from his position as board member of the Company.

On April 30, 2015, the majority of the shareholders through the Ordinary Shareholders´ Meeting decided to elect or re-elect the following board members: Álvaro Piquet; Andrey Zhmurovsky; Charles Putz; Guy Bentinck; Josh Shores; Mathew Goldsmith, Michael Vitton, Ricardo Antunes and Jay Huh.

We had no changes to our Board of Executive Officers.

CRITICAL ACCOUNTING POLICIES

Certain judgments, estimates and assumptions are inherent in the measurement and recognition of certain assets and liabilities in our financial statements. These estimates take into account past and present experiences, assumptions concerning future events and other objective and subjective factors.

Significant items subject to estimation that we considered, or that will affect us once production has begun, include: (1) the determination of the useful lives of property, plant and equipment; (2) estimates of reserves used to calculate depreciation by the unit production method; (3) the recoverable amount of each cash-generating unit; (4) the impairment of property, plant and equipment; (5) deferred income tax and social contribution; and (6) provisions for contingencies, among others.

The settlement of transactions involving these estimates could result in values different from those presented in our financial statements given the inherent imprecision in determining the estimates. We revise our estimates and assumptions at least annually.

In addition, we have identified the following critical accounting policies: (1) consolidation of the financial statements; (2) financial instruments; (3) cash and cash equivalents and marketable securities; (4) investments in subsidiaries and (5) intangible assets.

Consolidation of the financial statements

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

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

Financial Instruments

Our financial assets are currently represented by cash balances, bank accounts balances and marketable securities, classified at fair value through profit or loss. A financial asset is classified at fair value through profit or loss when it is held for trading and is designated as such upon initial recognition. After initial recognition, transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are presented in the balance sheet at fair value and the corresponding gain or losses recognized in the income statement.

Classification depends on the purpose for which the financial assets were acquired and is determined upon initial recognition. Financial assets are written off when the right to receive cash flows from the investments have expired or have been transferred, and the Company has transferred substantially all ownership risks and rights related to those assets.

Currently, the Company's only relevant financial liability refers to trade and accounts payable. Financial liabilities are recognized initially on the negotiation date on which the Company becomes a party to the provisions of the contract. The Company writes off a financial liability when it is paid or when its contractual obligations are canceled. Financial liabilities are initially recognized at fair value, plus any applicable transaction costs. After initial recognition, such financial liabilities are measured at amortized cost, adjusted based on monetary variations and foreign exchange rates, including interest incurred up to the balance sheet date, based on contractual terms. Gains and losses are recognized in the income statement upon write off of the liabilities, as well as during the process of interest accrual and monetary indexation.

Cash and Cash Equivalents and Marketable Securities

Cash and cash equivalents are held to meet short-term cash commitments and not for investment or other purposes. We consider investments that are immediately redeemable at a known amount and that are subject to an insignificant risk of change in value to be cash and cash equivalents. Therefore, an investment usually qualifies as cash equivalents only when it has short-term maturity, e.g., three months or less, from the date of acquisition.

Marketable securities are short-term investments held for the purpose of being actively traded. Such investments are measured at fair value through profit or loss, and gains or losses from changes in fair value are recognized in the income statement (refer to comments on the Financial Statements).

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 financial statements. Based on the equity method, investments in subsidiaries are recorded at cost in the parent company’s balance sheet, plus any changes after acquisition of the shareholding interest. A subsidiary is an entity in which the Company holds, directly or through other subsidiaries, interests that permanently entitle it to approve resolutions in the Company's shareholders’ meetings and to elect the majority of management members.

Intangible Assets

Intangible assets comprise mainly mining rights and expenses with exploration and assessment of mineral resources, and are recorded at the cost of acquisition. Amortization is calculated taking into account the estimated period in which the corresponding benefits of the intangible assets are earned and will begin to be calculated when the related asset starts operating. Intangible assets are recognized only if it is probable that they will generate economic benefits for the Company and that their respective value can be measured reliably. Management’s initial estimate is that mining reserves will be depleted in approximately 20 years from the beginning of the operations.

FINANCIAL INSTRUMENTS - HEDGING TRANSACTIONS

We have not operated with derivatives since the inception of the Company. Nonetheless, we may enter into hedging transactions. Our instruments will be managed through operating strategies and internal controls, seeking liquidity and asset security in accordance with our treasury and hedging policy, which includes the management of risks for financial instruments. We will not enter into derivative transactions for speculative purposes. Rather, we will enter into these transactions to reduce the risks associated with currency or interest rate mismatches, or any other source of exposure we identify. Our Board of Directors approved a hedging policy intended to guide management´s adequate use of financial hedging instruments to mitigate our risk exposure and any imminent expenses that our management seeks to hedge. Individual hedging strategies will be formulated utilizing the guidelines established and approved by our Board of Directors and monitored by our Audit and Finance Committee.

INTERNAL CONTROLS

We believe that the accounting systems and internal controls that we have adopted are adequate for our current activities and the volume of our transactions, and that all of the transactions conducted in the periods covered by our financial statements were duly registered in our accounting books.

Our Audit and Finance Committee currently in operation advises and makes recommendations to our Board of Directors with relation to (1) analysis of our annual and quarterly reports and our financial statements, and (2) assessments of corporate and financial risks and related policies and our internal financial control systems. Our board of directors resolved that the independent auditors that we engaged should report directly to the Audit and Finance Committee and not to our Board of Executive Officers.

QUALITATIVE DISCLOSURE ON MARKET RISK

With regard to operating results, we did not generate operating revenues through March 31, 2015. Our principal operating costs include personnel, services rendered, and management and administrative costs, and we anticipate that the impact of inflation could increase our operational expenditures once the lease for our headquarters in Rio de Janeiro and the leases for our subsidiary in Belo Horizonte are indexed to the IGP-M. The impact of changes in the price of our principal raw materials and products and in exchange and interest rates should not materially increase our operating costs based upon the obligations we have incurred through this date.

Brazilian and World Economic Environment

The performance of the Brazilian economy and global economic conditions may significantly affect our operating results.

We anticipate that our costs, including labor, will be subject to inflation adjustments and that the inflation rates provided for in our agreements will be revised annually to reflect increases or decreases in certain Brazilian inflation indices.

The availability of financing in local credit markets could have a significant impact on our business, financial condition and results of operation given that we intend to secure part of our financing locally to implement our business plan. In the past few years, the Central Bank has developed policies designed to, among other effects, increase access to credit and control the increase in inflation, which has historically been volatile in Brazil.

Interest Rate in Brazil is reported by the Central Bank of Brazil (Banco Central do Brasil) and decisions on it are taken by the Central Bank of Brazil´s Monetary Policy Committee (COPOM). The official interest rate is the Special System of Clearance and Custody rate (SELIC) which is the overnight lending rate.

The table below sets forth certain Brazilian economic indicators considering the last 12 months, as of the end of the periods indicated, unless stated otherwise:

Economic indicator	03/31/15(6)	12/31/14(6)	12/31/13(6)	12/31/12(6)
GDP growth [1]	N.A.[7]	0.1%	2.5%	1.0%
Inflation (IGP-M) [2]	3.1%	3.7%	5.5%	7.8%
Inflation (IPCA) [1]	8.1%	6.4%	5.9%	5.8%
Interbank rate – CDI (average) [3]	11.2%	10.8%	8.1%	8.4%
Long-term interest rates (average) [4]	5.5%	5.0%	5.0%	5.8%
Exchange rate at the end of the period per US$1.00	R$3.19	R$2.66	R$2.34	R$2.04
Average exchange rate per US$1.00	R$2.48	R$2.36	R$2.16	R$1.95
Appreciation of the U.S. dollar against the R$ [5]	19.9%	13.7%	14.7%	8.5%

(1) *Source*: Brazilian Central Bank.
(2) IGP-M refers to the General Market Price Index measured by FGV, São Paulo.
(3) CDI refers to the average overnight interbank loan rates in Brazil.
(4) The Brazilian long-term interest rate (*taxa de juros de longo prazo*), or TJLP, is the rate applicable to long-term loans by BNDES. The rate is valid for a 3 months period. *Source*: Brazilian Central Bank.
(5) Comparing the PTAX exchange rate (the rate calculated by the Brazilian Central Bank) at the end of the period's last day with the period's first day. PTAX is the exchange rate calculated at the end of each day by the Central Bank of Brazil. It is the average rate of all business conducted in U.S. dollars on the determined date in the interbank exchange market.
(6) 12 month period ended on each date, unless otherwise stated.
(7) GDP for the first quarter of 2015 has not been released as of today.

KEY FACTORS AFFECTING OUR FUTURE RESULTS OF OPERATIONS

Please refer to our Reference Form (*Formulário de Referência*), filed at CVM (*Comissão de Valores Mobiliários* – www.cvm.gov.br, for a detailed description of factors and risks that may affect the Company's future plans, results of operations and financial performance included in Item 4, "Risk Factors" (*Fatores de Risco*). Please refer to this important information to understand more about underlying risks that the Company faces, as well as the material factors and assumptions related to any forward-looking statements.

Demand for Iron Ore

The demand for iron ore fluctuates according to global demand for steel, which in turn is strongly influenced by global economic activity. A decrease in global economic activity may reduce demand for our pellet feed.

Industrialization in Asia, as well as in other regions of the world such as India and the Middle East, has driven a strong increase in global demand for commodities, particularly iron ore. In 2014, China imported approximately 870Mt of iron ore, representing approximately 65% of total transoceanic market in iron ore. CRU Group estimates that China will increase its imports given its growing industrialization, a reduction in Chinese reserves and the low quality of Chinese iron ore. According to the CRU Group, and in light of the above, there will be a substantial increase in transoceanic global demand for iron ore, which could reach up to 2.4 billion tons in 2027. This analysis is predicated upon the assumption that the high-cost Chinese production will exit the market. However, this production has been slow to exit the market despite substantially reduced iron ore prices experienced to-date in 2014. In addition, some market commentators are projecting a decline in Chinese steel intensity as early as this decade. To the extent that demand for iron ore does not increase to the levels predicted, or to the extent demand decreases, or supply increases beyond the levels currently predicted, our operating results and demand for our products may be adversely affected.

Iron Ore Production Capacity

According to our studies, our Pilar Hill project shall produce approximately 25 Mt of premium pellet feed per year for at least 20 years. Any change in production capacity may influence our revenues and there can be no guarantee that we will achieve our anticipated production.

Prices

We expect that we will export most of our pellet feed pursuant to long-term contracts and that these contracts will provide for annual price adjustments. Cyclical changes in global demand for steel products affect sales volumes of iron ore globally. Different factors, including the iron present in specific mineral deposits, the various processing and concentration processes required for the production of the desired final product, the size of the particles, the moisture content and the type and concentration of contaminating agents in the ore affect the price of the iron ore. We expect to negotiate prices annually using as our reference the results of the negotiations of important producers in the iron ore industry.

On the North Port, we expect to possibly generate cash flow from third party import and export products. These activities should also be affected for the variation in prices of such products.

Success and Timing of Permitting Process

The activities we plan to develop are highly regulated in Brazil and require permits, concessions and authorizations of many governmental entities, such as the National Department of Mineral Production (*DNPM*), the Brazilian Institute of Environmental and Renewable Natural Resources (*IBAMA*), State Environmental Agencies of Minas Gerais and Espírito Santo States, the National Terrestrial Transportation Agency (*ANTT*), the National Waterways Transportation Agency (*ANTAQ*), the Presidency´s Port Secretariat (*SEP*), the Presidency's Secretariat for Federal Property (*SPU*), among others. Our pre-operational activities depend on obtaining or maintaining the permits, authorizations and concessions that we should need. We cannot be certain that we will be capable to obtain or maintain all such required regulatory requirements. The failure to obtain or the delay in obtaining such requirements or even disputes related thereto may have an adverse effect in the timing of our project, our start date, in our operational results and in our financial condition.

Currency volatility

We estimate that a significant part of our revenues will be denominated in U.S. dollars, while most of our costs will be denominated in Brazilian *reais*. As a result, a relatively strong *real* against the U.S. dollar will negatively affect our reported operating results and vice versa. On the other hand, we expect that a substantial part of our debt will be denominated in U.S. dollars. Consequently, a decrease in the value of the *real* against the U.S. dollar will likely result in foreign exchange rate losses.

Inflation rates in Brazil

Based on the IPCA index, the inflation rate in Brazil was 6.5% in 2011, 5.8% in 2012, 5.9% in 2013 and 6.4% in 2014. Most of our costs will be incurred in Brazil in *reais*, while most of our revenues will be obtained outside of Brazil in U.S. dollars. An increase in inflation will have a negative impact on operating margins, in spite of the fact that inflation may be compensated for by any devaluation of the *real* against the dollar.

Brazilian Taxes

Once we begin production, we will be subject to various Brazilian taxes. A description of the two main taxes is set forth below:

- State value-added tax and Tax on revenues. Our gross revenues will comprise the total revenue from pellet feed sales, less discounts, returns and allowances, in addition to State value-added tax amounts payable. Our net operating revenues will comprise revenues less State value-added tax payable to Brazilian states. We will also pay other taxes on our revenues related to mandatory contribution to social programs (the program for social integration contribution – PIS - and a contribution for the financing of social security - COFINS). Currently, exports are not subject to State value-added tax and social programs above, and we intend to export most of our pellet feed.

- Income tax and Social Contribution. We will pay income tax and social contribution on taxable profit. The current rate for social contribution on net income is 9%, while the current rate for income tax is approximately 25%, totaling 34%.

Changes in Brazilian tax legislation and regulation, which may be frequent, may have a material impact on our results of operations.

As of right now, there is proposed legislation ("New Mining Code") still subject to discussion and approval in Congress and afterwards to final sanction by the President of Brazil. Amongst other proposals, this New Mining Code may change the existing mining royalties (financial compensation for the exploration of mineral resources) to a maximum rate of 4% on the gross sales of the mining product. As of right now, the mining royalties are 2% on the net income, i.e., deducted by transactional taxes levied upon mineral sales (State value-added state tax and social programs) as well as freight and insurance expenses. Due to delays in Congress analysis in 2014 since it is an election year, analysis of the bill by Congress is now expected for 2015. If passed, we will update our feasibility study accordingly. Nonetheless, our financial model already considers the proposed 4% mining royalties.