BAMIN

Individual and consolidated

financial statements as of December 31, 2022 and the independent auditor's report

BAHIA MINERAÇÃO S.A. AND ITS SUBSIDIARY

Index

Management Report

DECEMBER 31, 2022

IN THOUSANDS OF BRAZILIAN REAIS

Operations

Bahia Mineração S.A. and its controlled company ("BAMIN" or "Company") is a closely-held corporation, incorporated on July 28, 2005, engaged in the exploration and trade of minerals in general in the Brazilian territory, comprising research, mining and processing, provision of geological services, import, export and trade of mineral, chemical and industrial products, as well as through its controlled company, on an exclusive basis, subject to burden, the construction and provision of public cargo railway transportation services associated to the use of the railway infrastructure of section I of Ferrovia de Integração Oeste-Leste ("FIOL"). BAMIN may also hold an interest in the capital of other companies as a partner, quotaholder or shareholder. The Company's head office is located at Avenida Professor Magalhães Neto, 1752, 15th floor, Pituba, Salvador, Bahia, Brazil.

Currently, the BAMIN's primary focus is the development of the Pedra de Ferro ("PdF") Project, which consists of the extraction, processing and trade of iron ore from the deposit located in the city of Caetité, in the Center-South region of the state of Bahia, approximately 700 km from Salvador, capital of the state. The iron ore extracted will be processed at the Company's plant, installed in the same region as the mine. After the processing and enrichment of the tenor of ore, production will be flown through Ferrovia de Integração Oeste Leste to BAMIN's port terminal in Porto Sul, from where the production will be exported.

Mining

Pedra de Ferro is the most important iron ore project developed in Bahia. In the Pedra de Ferro Mine, located in Caetité, Bahia, BAMIN sustainably produces two kinds of ore — itabirite and hematite, highly sought in the international market because of their quality and capacity to reduce the use of inputs, which are important for more conscious, mature markets intending to actively do something because of the global discussions on climate change and other sustainability matters.

The Pedra de Ferro Mine is currently on Stage 1, producing 1 million tons a year of hematite, with an installed capacity of up to 2 million tons a year. The estimate for the current planning is that the operations will start in 2026 and the production capacity will reach 26 million tons by 2027. The State of Bahia is the 3rd largest producer of iron ore in Brazil.

Hematite has a premium quality due to its high purity (about 65% of iron content), allowing for a dry beneficiation process, reducing water consumption and generation of waste during production.

BAMIN will establish a waste processing plant with filtering and dry stacking for the Pedra de Ferro Mine in Caetité. Although the project provided for a tailings dam, BAMIN will use such a plant, making the state of Bahia the first one to adopt this technology. The project has been submitted to the regulatory bodies to assess, approve, and check if it complies with all the Brazilian Standards in force.

The main benefits of the project are:

• The communities and the environment will be safer: there will be no tailings dams in the area;

• Higher wastewater recovery: the project increased water reuse in the beneficiation process by 18%, reaching 90%, reducing the water impounding for the cycle to 560m³/h.

Railway

FIOL is one of the leading infrastructure projects in Brazil. There are three sections to be developed. Once all sections are connected, the 1,527 km railway will connect the cities of Ilhéus, in the State of Bahia, and Figueirópolis, in the State of Tocantins.

The 537 km Section 1 (FIOL 1) goes from Caetité to Ilhéus, crossing 19 cities in Bahia. BAMIN acquired the concession during a bid held in April 2021. The company will invest R$ 3.3 billion to finish the railway works and operate it for 35 years, of which five will be used for the works and the remaining 30 for operation.

FIOL 1 is essential to the integrated logistic project connecting the PdF Mine with Porto Sul to distribute the products to the international market. Out of the transportation capacity of 60 million tons a year, BAMIN will use 40%, with the remaining 60% for other cargoes.

Porto

The Porto Sul port terminal is being built in the district of Aritaguá, in Ilhéus, in Bahia state, and will be operated by BAMIN in a partnership with the state government of Bahia.

With a total investment of R$ 4 billion, the construction started in 2021 and has already reached the access works. The bridge over the Almada river, connecting the BA-001 road to the future industrial area of the port, was finished in 2021. We expect to have the port terminal operational until 2026, the same year BAMIN shall start to transport the first iron ore cargoes through FIOL 1.

From Porto Sul, BAMIN will export its products to the international market. There is also the possibility of providing about 60% of the total capacity of the port terminal — up to 42 million tons — for other cargoes, such as grains, fertilizers, fuels and other mineral assets. It will be the first port in the Northeastern region to receive ships capable of transporting up to 220 thousand tons.

Capital stock and earnings of the fiscal year

The authorized capital stock is represented by eleven million, five hundred and ninety-four thousand and nine hundred and sixty-nine (11,594,969) shares of R$1.00 each, whose paid-in amount corresponds to R$10,955 and remaining the unpaid amount of R$640.

For the fiscal year ended on December 31, 2022, the Company presented in the parent company and consolidated statements an accrued loss of R$ 1,643,549 (2021, R$ 1,681,341) and a negative net working capital of R$ 26,014 and a positive one of R$ 402,835 (2021, negative: R$ 27,727; positive: R$ 217,669). The Company relies on the intent of ERG S.á r.l Group (“ERG Group”), through the controlling shareholder Bahia Minerals B.V. (“BM BV”), to provide funds required for the continuity of its activities and projects.

Operational Continuity Continuidade operacional

Despite the financial year ending on December 31, 2022, being the second time the Company faced the Covid-19 pandemic, the Company maintained its health measures to protect the employees and prevent contagion in its administrative and operating areas, always according to the recommendations from WHO and the Ministry of Health. The Company understands there have been no impacts and/or events related to Covid-19 that impaired the preoperational phase of the Company as well as its operational future.

The Company’s Management prepared its financial statements assuming the continuity of its operations and considered the financial support from its controlling shareholder to ensure the necessary liquidity to cover any contractual obligations. The occurrence of these events in its entirety, in a reasonable period, is considered critical by the Company’s Management.

Management’s Responsibilities

We confirm, to the best of our knowledge, that the financial statements of the Company were prepared and are presented per the Brazilian accounting practices, including the pronouncements of the Committee of Accounting Pronouncements (CPC) and in conformity with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and fairly present, in all material respects, the financial position of the Company as of December 31, 2022, the results of operations and cash flows, together with the descriptions of the principal risks and uncertainties faced by the Company.

Executive Officers

Executive officers in office in the year 2022 and until the date of signing of the financial statements of 2022 are set forth below.

Eduardo Ledsham
Chief Executive Officer

Alexandre Aigner
Officer

Alberto Vieira
Officer

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Independent Auditor's Report

To the
Shareholders and Management of
Bahia Mineração S.A.
Salvador - Bahia

Opinion

We have audited the accompanying individual and consolidated financial statements of Bahia Mineração S.A. ("Company"), individual and consolidated, respectively, which comprise the balance sheet as at December 31, 2022, and the income statement, statement of comprehensive income (loss), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the individual and consolidated financial position of Bahia Mineração S.A. as at December 31, 2022, and 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 the 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and its subsidiary in accordance with the relevant ethical requirements in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council ("CFC"), 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 audit opinion.

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

The Company's Management is responsible for such other information comprising the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any conclusion on the audit of such report.

In connection with the audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and determine whether such report is consistent with the individual or consolidated financial statements or our knowledge obtained in the audit or otherwise includes material distortions.

If, based on the work performed, we have identified any material distortion in the Management Report, we shall report the matter. We do not have any comment in this regard.

Building a better working world

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Management's Responsibility for the Individual and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards ("IFRSs") 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 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 or to cease operations, or has no realistic alternative but to do so.

Those responsible for the Company's governance are those responsible for the oversight of the preparation of the financial statements.

Auditor's 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 auditor's 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 individual and consolidated 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 its subsidiary's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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- 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 subsidiary's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report.However, future events or conditions may cause the Company and its subsidiary to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the individual and consolidated 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.

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.

Salvador, October 24, 2023.

ERNST & YOUNG
Auditores Independentes S.S Ltda.
CRC SP-015.199/O

Daniel Peixoto

Daniel de Araujo Peixoto
Accountant CRC-1BA025.348/O

Balance sheets

DECEMBER 31

IN THOUSANDS OF BRAZILIAN REAIS

		Parent Company		Consolidated	
	Note	2022	2021	2022	2021
Asset					
Current					
Cash and cash equivalents	5	52,863	16,319	515,845	273,289
Trade receivables	6	38,045	15,295	38,045	15,295
Advances	7	3,183	7,481	3,293	7,481
Inventories	8	20,958	25,843	20,958	25,843
Recoverable taxes	9	28,885	7,930	28,885	7,930
Related parties	19	12,026	12,192	9,980	4,895
Other assets	10	935	1,084	3,523	3,551
		156,895	86,144	620,529	338,284
Non-current					
Long-term receivables					
Inventories	8	72,481	47,344	72,481	47,344
Related parties	19	17,676	21,667	17,676	21,667
Recoverable taxes	9	3,855	320	8,552	710
Other assets	10	366	354	494	354
		94,378	69,685	99,203	70,075
Investment in a controlled company	11	539,257	279,259	-	-
Fixed assets	12	1,747,488	1,372,115	1,821,507	1,372,858
Intangible assets	13	47,165	18,982	47,246	18,982
Right of use	14	-	-	31,483	32,730
		2,333,910	1,670,356	1,900,236	1,424,570
Total assets		2,585,183	1,826,185	2,619,968	1,832,929

IN THOUSANDS OF BRAZILIAN REAIS

	Note	Parent Company 2022	Parent Company 2021	Consolidated 2022	Consolidated 2021
Liabilities					
Current					
Trade payables	15	113,297	62,474	140,377	67,440
Tax and social obligations	16	35,515	24,574	43,220	26,352
Social-environmental commitments	17	24,010	12,746	24,010	12,746
Other trade payables	18	8,838	13,906	8,838	13,906
Other liabilities		1,249	171	1,249	171
		182,909	113,871	217,694	120,615
Non-current					
Borrowings	19	2,596,903	2,261,321	2,596,903	2,261,321
Social-environmental commitments	17	5,438	12,653	5,438	12,653
Environmental recovery	20	83,382	78,106	83,382	78,106
Provisions	21	6,932	9,478	6,932	9,478
Other liabilities		313	325	313	325
		2,692,968	2,361,883	2,692,968	2,361,883
Total liabilities		2,875,877	2,475,754	2,910,662	2,482,498
Negative net equity					
Capital stock	22	10,955	10,955	10,955	10,955
Capital contribution	22	1,341,900	1,020,817	1,341,900	1,020,817
Accumulated losses		(1,643,549)	(1,681,341)	(1,643,549)	(1,681,341)
		(290,694)	(649,569)	(290,694)	(649,569)
Total liabilities and Negative net equity		2,585,183	1,826,185	2,619,968	1,832,929

Income statements

YEARS ENDED DECEMBER 31

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

		Parent Company		Consolidated	
	Note	2022	2021	2022	2021
Revenues	23	321,394	359,626	321,394	359,626
Cost of products sold	24	(56.806)	(117,271)	(56,806)	(117,271)
Gross profit		264,588	242,355	264,588	242,355
Distribution expenses	25	(264,588)	(242,355)	(264,588)	(242,355)
General and administrative expenses	26	(147,969)	(99,019)	(222,673)	(125,247)
Other revenues, net	27	28,944	7,996	28,738	7,995
Equity accounting	11	(36,216)	(20,029)	-	-
Operational result		(419,829)	(353,407)	(458,523)	(359,607)
Financial revenues		331,879	168,399	370,642	174,608
Financial expenses		(138,846)	(276,814)	(138,915)	(276,823)
Financial result	28	193,033	(108,415)	231,727	(102,215)
Profit (loss) before the income tax and social contribution		37,792	(219,467)	37.792	(219,467)
Taxes on income		-	-	-	-
Profit (loss) for the fiscal year		37,792	(219,467)	37,792	(219,467)

Comprehensive income statements

YEARS ENDED DECEMBER 31

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

	Parent Company		Consolidated	
	2022	2021	2022	2021
Profit (loss) for the fiscal year	37,792	(219,467)	37,792	(219,467)
Other comprehensive income	-	-	-	-
Total comprehensive income from the fiscal year	37,792	(219,467)	37,792	(219,467)

Changes in the negative net equity statements

YEARS ENDED DECEMBER 31

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

	Note	Capital stock	Accumulated capital contribution	Accumulated losses	Total
On January 1, 2021		10,955	834,315	(1,461,874)	(616,604)
Capital contribution	22	-	186,502	-	186,502
Loss for the year		-	-	(219,467)	(219,467)
On December 31, 2021		10,955	1,020,817	(1,681,341)	(649,569)
Capital contribution	22	**-**	**321,083**	**-**	**321,083**
Profit for the year		**-**	**-**	**37,792**	**37,792**
On December 31, 2022		**10,955**	**1,341,900**	**(1,643,549)**	**(290,694)**

Cash flows statements

YEARS ENDED DECEMBER 31

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

		Parent Company		Consolidated	
	Note	2022	2021	2022	2021
Cash flow from operating activities					
Profit (loss) for the fiscal year		37,792	(219,467)	37,792	(219,467)
Adjustments for the fiscal year profit (loss) reconciliation					
Depreciation and amortization		5,764	4,237	5,861	4,237
Gains from intangible assets	13	(27,276)	-	(27,276)	-
Contingency provisions	27	(3,319)	(9,673)	(3,319)	(9,673)
Write-offs of contingency provisions	27	773	1,422	773	1,422
Recovery of general and administrative expenses		(4,373)	(415)	(4,373)	(415)
Equity interest	11	36,216	20,029	-	-
Interest and exchange rate variation, net of capitalization	28	(201,622)	113,870	(201,622)	113,870
Changes in working capital					
Inventories	9	(20,251)	(49,026)	(20,251)	(49,026)
Trade receivables	6	(22,750)	(12,910)	(22,750)	(12,910)
Related parties	18	(1,867)	(9,413)	(7,118)	(2,116)
Recoverable taxes	8	(24,489)	(6,912)	(28,796)	(7,302)
Other		5,481	(7,295)	2,133	(9,761)
Trade payables	15	55,214	36,493	77,328	41,459
Tax and social obligations	16	10,941	12,488	16,868	14,266
Other trade payables	18	(5,068)	13,906	(5,068)	13,906
Social-environmental commitments	17	11,159	10,041	11,159	10,041
Net cash used in operating activities		(147,675)	(102,625)	(168,659)	(111,469)

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

(continued)

		Parent Company		Consolidated	
	Note	2022	2021	2022	2021
Cash flow from investing activities					
Additions in investments	11	(296,215)	(299,287)	-	-
Acquisition of property, plant and equipment	12	(302,359)	(74,213)	(371,491)	(74,956)
Acquisition of intangible assets	13	(1,700)	(1,017)	(1,787)	(1,017)
Acquisition of rights to use	14	-	-	-	(32,730)
Net cash used in investing activities		(600,274)	(374,517)	(373,278)	(108,703)
Cash flow from financing activities					
Borrowings from related parties	19 (b)	463,410	301,646	463,410	301,646
Capital contributions from related parties	19 (b)	321,083	186,502	321,083	186,502
Net cash from financing activities		784,493	488,148	784,493	488,148
Increase in cash and cash equivalents		36,544	11,006	242,556	267,976
Cash and cash equivalents at the beginning of the year	5	16,319	5,313	273,289	5,313
Cash and cash equivalents at the end of the year	5	52,863	16,319	515,845	273,289

Management explanatory notes to financial statements

DECEMBER 31, 2022

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

1. Operations

Bahia Mineração S.A. ("BAMIN" or "Company") is a closely-held corporation, incorporated on July 28, 2005, engaged in the exploration and trade of minerals in general in the Brazilian territory, comprising research, mining and processing, provision of geological services, import, export and trade of mineral, chemical and industrial products, as well as through its controlled company, Bahia Ferrovias S.A. ("Bahia Ferrovias"), on an exclusive basis, subject to burden, the construction and provision of public cargo railway transportation services associated to the use of the railway infrastructure of section I of Ferrovia de Integração Oeste-Leste ("FIOL"). BAMIN may also hold an interest in the capital of other companies as a partner, quotaholder or shareholder. The Company's head office is located at Avenida Professor Magalhães Neto, 1752, 15th floor, Pituba, Salvador, Bahia, Brazil.

(a) Covid-19 (Coronavirus) Impacts

Despite the financial year ending on December 31, 2022, being the second one the Company faced the impacts of the Covid-19 pandemic, the Company maintained its health measures to protect the employees and prevent contagion in its administrative and operating areas, always according to the recommendations from WHO and the Ministry of Health. The Company understands there have been no impacts and/or events related to Covid-19 that impaired the preoperational phase of the Company as well as its operational future.

(b) Approval of the financial statements

The Company's Executive Board approved these financial statements as of October 24, 2023.

2. Accounting policies

The principal accounting policies applied in preparing these financial statements are set out below. These policies were used consistently for every fiscal year presented.

2.1 Preparation Basis

The financial statements were prepared per the Brazilian accounting practices, including the standards issued by the Committee of Accounting Pronouncements (CPC) and the International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB) and evidence all relevant information of the financial statements, and only them, which are consistent with those used by the Management.

The financial statements were prepared considering the original cost as the base of value and adjusted to reflect losses or gains from the fair value of specific financial instruments.

Preparing the financial statements requires using certain critical accounting estimates and judgment by the Company's Management to apply its accounting policies. Note 3 discloses the areas that need a higher level of assessment or entail greater complexity and where assumptions and estimates are significant for the financial statements.

2.2 Basis of consolidation

The consolidated financial statements encompass the financial statements of both BAMIN and its controlled company as of December 31, 2022. The control obtained when the Company is exposed or entitled to variable returns based on how it engages with the vested company and its capacity to impact such returns given the power it exercises over the vested company.

Consolidating a controlled company starts when the Company obtains control over the controlled company, only ending when the Company no longer holds such control. The assets, liabilities and results from an acquired or disposed controlled company during the fiscal year are included in the consolidated financial statements as of the date the Company acquires the company and shall last until the Company no longer holds such control over the controlled company.

The Company's investments in its controlled company are reported in the individual financial statements based on the equity accounting method.

BAMIN's consolidation basis includes the financial statements of Bahia Ferrovias S.A. ("Bahia Ferrovias"), a closely-held corporation engaged with the exploration, on an exclusive basis and subject to the burden, of the construction and provision of public cargo railway transportation services associated to the use of the EF-334 railway network infrastructure of the 537 km section that goes from Caetité to Ilhéus, in the State of Bahia, ("FIOL 1"), pursuant to the terms and conditions set by the Sub Concession Agreement executed between the Company and the National Agency of Land Transportation ("ANTT"). The Company holds 100% of the capital stock of Bahia Ferrovias.

2.3 New standards, interpretations and revisions issued

In addition, IASB has also been working on issuing new pronouncements and reviewing those already existing, to come into force only by January 1, 2023, with the convergence of CPC pronouncements, as follows:

• CPC 50 / IFRS 17 – Insurance Agreement;

The Company's Management is assessing these items' actual impacts on the financial statements to the extent said standards are regulated.

2.4 Foreign currency translation

(a) Functional currency and presentation currency

The items in the financial statements are measured using the currency of the principal economic environment in which the Company operates ("functional currency"). The financial statements are presented in Reais ("R$"), the Company's functional currency.

(b) Transactions and balances

Operations in foreign currencies are translated into functional currency, using the exchange rates in effect on the dates of the transactions or assessment. Foreign exchange gains and losses incurred in this transaction and the conversion at year-end exchange rates related to the monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Exchange gains and losses related to borrowings and cash and cash equivalents are presented in the income statement as financial income or expense. The fiscal year income statement presents other exchange gains and losses as "other revenues, net."

2.5 Financial assets

The Company classifies, measures and recognizes its financial assets under the "measured at amortized cost" category. The financial assets are usually classified based on the business model adopted and on their characteristics of contractual cash flows.

(a) Recognition and derecognition

Regular purchases and sales of financial assets are recognized on the trading date when we agree to buy and sell the asset. The financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and when we have substantially transferred all the risks and benefits of the ownership.

(b) Measurement

Upon initial recognition, the Company measures a financial asset at fair value plus transaction costs directly attributable to the acquisition of the financial asset. Subsequently, they are measured at amortized cost based on the effective interest rate.

(c) Impairment

The Company has the following types of financial assets subject to expected credit loss established by IFRS 9 / CPC 48:

• Cash and cash equivalents;

• Trade receivables; and

• Loans granted to related parties.

On a prospective basis, the Company assesses expected credit losses associated with financial assets recorded at amortized cost. The impairment methodology applied depends on if there has been or has not been a significant increase in the credit risk.

2.6 Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits, other short-term investments of high liquidity, with original maturities of up to 3 months, which are promptly convertible into an available cash amount and subject to irrelevant risk of change of value.

2.7 Trade receivables

Trade receivables refer to receivables from the sale of iron ore of the Company and are recognized at fair value and subsequently measured at amortized cost.

The Company applies the simplified approach of IFRS 9 to measure expected credit losses, using a provision matrix based on anticipated losses for the total balance of trade receivables. However, the Company does not have a history of losses on trade receivables or indications of losses; therefore, it does not recognize them.

2.8 Inventories

Inventories are stated at the lower between cost and the net realizable value. The method of inventory assessment is the moving weighted average and includes all costs incurred in the ordinary course of operations to bring the products to the current location and condition.

The cost of finished products and products in the process comprises costs of production, extraction, direct labor, depreciation, other direct costs and the respective direct production expenses (based on the pre-operating capacity of the Company), excluding loan costs.

The net realizable value is the estimated sale price in the ordinary course of business, less estimated conclusion costs and estimated costs necessary to make the sale.

Since the Company is in the preoperational phase, the formation of inventories is aimed at the growth of the production process scale and presentation to an active market of iron ore commodities, the product generated by the Company. That is, to deliver high-quality iron ore under the best sustainability practices.

Inventories classified as asset currents are those that the Company expects to trade by the end of the subsequent year. The goods reported as non-current assets are those the Company expects to benefit from and trade after building and opening the PdF Mine processing plant. Most recent surveys show that the project will have a total production capacity at the end of 2027.

2.9 Taxes recoverable

Recoverable taxes are calculated based on the tax laws enacted or substantially passed on the balance sheet date of the country where the entity operates and generates taxable income.

2.10 Fixed assets

(a) Recognition and measurement

Lands, buildings, machinery and equipment, vehicles, peripheral computers, furniture and fixtures and premises (mainly offices) are stated at the original cost.

The original cost of property, plant and equipment includes expenditures directly attributable to the acquisition of items and, when applicable, it may also include loan costs, including interest on loans in foreign currency, qualifiable as financial charges of the operation, necessary to the formation of qualified assets.

The subsequent costs are included in the accounting value of the asset or recognized as a separate asset, as applicable, solely when future economic benefits associated with the item will probably be recorded and as regards those cases in which the cost of the item may be measured accurately. The book value of replaced items or parts is registered as an expense when the criteria of recognition of property, plant and equipment are not observed.

The assets' residual values and useful lives are revised and adjusted, if appropriate, at the end of each year.

Gains and losses on disposals are determined by comparing the proceeds with the book value and are recognized within "general and administrative expenses" in the income statement.

(b) Depreciation

Property, plant and equipment are depreciated according to the linear method in our income statement based on each component's estimated economic useful life. Leased assets are depreciated over the lesser of the asset's estimated useful life and the term of the agreement unless it is certain that we will have ownership of the asset at the end of the lease.

In addition, our property, plant and equipment are depreciated from the date they are installed and become available for use, or in the case of constructed assets, from the date the construction is completed and the asset is available for use.

Lands are not depreciated and the depreciation of other assets is calculated under the straight-line method to allocate their costs to their respective residual values over the estimated useful life, as follows:

• Buildings and facilities: from 10 to 60 years;

• Machinery and equipment: from 5 to 30 years; and

• Other assets: from 2 to 30 years.

(c) Right of use

In conformity with the CPC 06 (R2) / IFRS 16, the leases for which the Company assumes the risks and benefits inherent to ownership are classified as financial leases. During the initial recognition, the leased assets are calculated for an amount equal to the lower amounts calculated between their fair value and current minimum payments of capital leases. After the initial recognition, the asset is registered according to the accounting policy applicable to the assets.

(d) Assets under construction

Include mineral assets, expenditures incurred at the phase of exploration and assessment, as well as expenditures related to infrastructure development of PdF Mine in Caetité and Porto Sul in Ilhéus, which will subsequently be recognized in the asset ready for use at the time the mine and the port will start to produce and operate following the purpose intended by the Company's Management.

The Company capitalizes expenditures related to the infrastructure development of PdF Mine and Porto Sul; these expenditures comprise basically: prospection, geology, topography, survey, salaries and charges, consulting firm and accessories, technical studies and other ancillary expenditures.

Expenses with the Company's production capacity development using a net margin equal to zero also comprise the assets under construction as the Company's development activities contribute to the development of the PdF Project infrastructure.

The capitalization of expenditures related to the infrastructure development of PdF Mine and Porto Sul also includes loan costs. That is, interest on loan operations between related parties, in foreign currency, qualifiable as financial charges of the operations, are part of the formation of assets under construction of the Company.

2.11 Intangible assets

(a) Software

Software licenses are capitalized based on the costs incurred to acquire and render the software ready for use. These costs are amortized during the estimated working life of the software of between three to ten years.

Costs associated with software maintenance are recognized as expenses incurred.

(b) Mining rights

Mining rights are stated at acquisition cost and subject to recovery tests (impairment). The amortization of mining rights will be calculated over the estimated useful life of the mine based on the ratio obtained between actual production and the total amount of proved reserves.

2.12 Non-financial asset impairment losses

Assets subject to amortization or depreciation are assessed for impairment at any time events or changes in circumstances suggest the book value may not be recoverable.

An impairment loss is recognized at the amount at which the asset's book value exceeds its recoverable value. The latter is the higher of the asset's fair value less its sale costs and value in use.

For assets related to mineral exploration, the estimates used to determine impairment are reviewed based on the economic feasibility study, known as Bankable Feasibility Study ("BFS"), in connection with Pedra de Ferro Project, and which meets the requirements of impairment assessment set forth in CPC 01/IAS 36.

• Production capacity estimates for the project's iron ore;

• Future iron ore production levels;

• Future estimates of the iron ore price quotation in the active market; and

• Future production costs, expenditures with investments in the mine, expenditures with the restoration of the area to be explored, and expenditures with environmental damages.

Management assessed possible impairment losses on its assets and did not identify impacts on the years presented.

2.13 Trade payables

Trade payables are obligations for assets or services acquired in the ordinary course of business, classified as current liabilities if the payment is due in a period of up to 12 months from the balance sheet date. Otherwise, accounts payable are recorded as non-current liabilities.

Obligations payable are initially recognized at fair value and, subsequently, measured at amortized cost, under the effective interest rate method.

2.14 Borrowings

Borrowings are contracted with related parties and are presented in foreign currency values, translated into Reais on the balance sheet date. These borrowings are initially recognized at fair value, and there were no transaction costs upon acquisition, and they are subsequently stated at amortized cost.

Borrowings are initially recognized at fair value, less transaction costs, and, subsequently, measured at amortized cost. The expense of interest on borrowings is recognized in the result under the effective interest rate method.

Borrowings costs directly attributable to the acquisition, construction or production of an eligible asset that necessarily requires a significant effort to be ready for its intended use or sale are capitalized as part of the cost of the corresponding asset. All other loan costs are spent in the period they are incurred. Costs of borrowings include interest and other costs incurred by the Company in connection with the loan.

The Company is a party to Profit Participating Loans (“PPL”) agreements with its controlling shareholder and its subsidiaries. The funds received under the PPL agreements represent loans and capital contributions. The difference between the number of loans initially recognized at fair value and the amount received under the PPL agreements is recognized as capital contribution in the shareholders’ equity.

2.15 Provisions

The provisions are recognized whenever the Company has a current or constructive obligation resulting from past events. However, an outflow may be required to settle the obligation and calculate the amount with certainty. Provisions are not recognized in connection with future operating losses.

When there is a series of similar obligations, the probability of the Company settling them is determined by considering the class of obligations as a whole. A provision is recognized even when the likelihood of settlement related to any item in the same class of obligations is low.

Provisions are measured at the present value of expenditures required to settle the obligation, using a rate before tax, which reflects the current market assessments of the time value of money and specific risks of the obligation. Any increase in the provision over time is recognized as interest expense.

2.16 Income tax and social contribution, current and deferred

The Company is in the preoperational phase and has no revenues or income subject to income tax or social contribution.

Deferred income taxes and social contributions may be calculated on income tax losses, negative social contributions and the temporary differences between the tax calculation bases of assets and liabilities and the respective book values in the financial statements. These tax rates, currently defined to determine these deferred credits, are 25% for income tax and 9% for social contribution.

The Company benefits from a 75% income tax relief that started in 2022 and shall end in 2031 from the SUDENE (Superintendency for the Development of the Northeastern Region), according to the institutional report No. 0122/2021.

Deferred income and social contribution tax assets are recognized only to the extent future taxable income is available and against which temporary differences may be used.

The Company decided not to acknowledge the deferred tax assets during its development stage and because it has no history of taxable profits.

2.17 Capital stock

Common and preferred shares are classified in the shareholders' equity.

2.18 Recognition of revenue

(a) Revenue from the sale of iron ore during the development stage

Revenue is recognized when the control over the product is transferred to the customer.

Usually, a few commodities delivered to customers are provisionally priced when revenue is recognized. Revenue adjustments are treated per CPC 48 / IFRS 9 "Financial Instruments" and are not treated under CPC 47 / IFRS 15 "Revenue from the agreement with customers"; therefore, CPC 47 / IFRS 15 rules on revenue from the agreement with customers with variable payment do not apply. These adjustments, therefore, represent revenues from other sources that are not agreements with customers.

The Company recognizes the revenue from the sales at an estimated fair value for the total consideration to receive. The provisional pricing provided in these goods sales agreements is registered as a derivative. This way, the fair value of the final sales price adjustment is continuously assessed and the fair value variations are recognized as sales revenue in the fiscal year income statement.

All the Company's sales revenues date from the PdF Project development stage. The Company uses an accounting approach to recognize logistics costs and expenses equivalent to the sales revenue during the PdF Project development stage (note 2.19). To apply such an approach, the Company's sales revenue is recognized in the fiscal year result.

(b) Financial revenue

Financial revenue is recognized on the accrual basis of accounting using the effective interest rate method.

Interest revenue from financial assets at amortized cost calculated using the effective interest rate method is recognized in the income statement as part of interest financial revenue.

Financial revenue is calculated using the effective interest rate at the gross book value of a financial asset, except for financial assets that are subsequently subject to credit loss. For financial assets subject to credit loss, the effective interest rate is applied to the net book value of a financial asset (after the deduction of provision for losses).

2.19 Costs of products sold

The cost of inventories sold before the PdF Mine is ready for use as intended by management is recognized in the income statement in accordance with CPC 16 / IAS 2. However, since the costs related to the use of the PdF

Mine asset are not reflected in the production of inventory items and the sales revenues are derived from the development phase of the PdF Project, the Company applies an accounting approach to recognize logistical costs and expenses equivalent to the sales revenues from the development phase of the PdF Project, which are recognized in the income statement for the year, as part of the expenses (or deductions from expenses) arising from the development of the PdF Project infrastructure.

2.20 Distribution expenses

The logistics expenses concern the Company's distribution effort to sell iron ore goods, i.e., when those goods are in the proper physical and chemical conditions for sale to the end customer. Given the level of distribution expenses, the Company presents the recognition of the distribution expenses in a specific line of its income statement.

3. Critical accounting estimates and judgments

The accounting estimates and judgments are reviewed continuously and based on historical experience and other relevant factors.

Based on the assumptions, we estimate our future. By definition, the resulting accounting estimates will seldom equal the related actual amounts. The estimates and assumptions that have a significant risk, likely to cause a substantial adjustment in book values of assets for the next financial year, are included below:

(a) Operating continuity

The Company's Management prepared its financial statements assuming the continuity of its operations and considered the financial support from its controlling shareholder to ensure that liquidity is adequate and available to cover contractual obligations and obtain additional funds when necessary. The occurrence of these events in its entirety, in a reasonable period, is considered critical by the Company's Management.

(b) Interest rate on borrowings

Loan transactions, required to settle the Company's pre-operating obligations, do not provide for interest levy. Accordingly, the fair value recognized by the Company seeks to reflect the funding cost in an environment of free competition, where the discount rate used should reflect the current market assessments of the time value of money and specific risks of the transactions.

(c) Subconcession of FIOL

Bahia Ferrovias, a BAMIN-controlled company, must fulfill certain conditions provided in the announcement for privatization tender and the subconcession agreements for the railway network. The assets acquired under the scope of CPC 27 / IAS 16- "Property, Plant, and Equipment," CPC (R1) / IAS 38 – "Intangible assets" and OCPC Orientation 05 – "Concession Agreements."

The use right asset is initially measured at cost, which includes the value of the initial measurement of the lease liability, adjusted based on the lease payments performed through the initial date, plus any direct initial costs incurred by the lessee and the estimated costs to be incurred by the lessee in the disassembly and removal of the underlying asset, by recovering the place where the asset is located or recovering the underlying holdings to the condition defined by the lease terms and conditions, less any lease incentives received.

The subconcession agreement will be extinguished upon termination of the contractual term, expropriation, forfeiture, cancellation, annulment and bankruptcy or dissolution of the concessionaire.

In case of extinguishment of the subconcession, all the assets will be reverted to VALEC (a public company controlled by the Federal Government through the Brazilian Ministry of Infrastructure), free and clear of any liens or charges, with the Company no longer holding the rights arising from the subconcession agreement.

At the end of the Subconcession Agreement, the assets owned by the Subconcessionaire and those resulting from investments made by it becoming leased assets required to continue with the rendering of railway transportation services bound to the Subconcession may become the property of the Federal Government upon reversion and indemnification of the investments made by the Granting Authority according to the Subconcession Agreement.

(d) Impairment of the intangible asset

The Company's intangible assets represented by mining rights and easement agreements are annually reviewed to determine if there are indications of impairment or, more frequently, if events or changes in the circumstances indicate a possible impairment. The difference between the book value of the exceeding asset and the recoverable value will recognize an impairment loss.

The mining rights of the Company correspond to processes of research and mineral study granted by the Brazilian Mining Agency ("ANM"), composed of the original cost of research, technical consulting firms and surveys, whose amortization will begin upon the start of the mineral production and in terms that will correspond to the estimated useful life of PdF Mine.

(e) Provisionally priced sales revenue

The Company recognizes the revenue from the sales at an estimated fair value for the total consideration to receive. The provisional pricing provided in these goods sales agreements is registered as a derivative. This way, the fair value of the final sales price adjustment is continuously assessed and the fair value variations are recognized as sales revenue in the final year income statement.

4. Financial risk management

The Company's activities expose it to many financial risks: market risk, credit risk and liquidity risk. The Company's risk management program focuses on the financial market's uncertainty and seeks to minimize potential adverse effects on the Company's financial performance.

Management identifies, assesses, and protects the Company against financial risks.

(a) Currency risk

Financial instruments may be subject to fair-value variations due to fluctuations in exchange rates. Sensitivity analyses of non-derivative financial instruments to this variable are as follows:

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

(I) RISK SELECTION

The Company selected the market risk that may most affect the value of financial instruments held by it, which is the US dollar-Real exchange rate.

For the purposes of the risk sensitivity analysis, the Company presents the exposures to currencies as if they were independent, that is, without reflecting in the exposure to a foreign exchange rate, the risks of the variation in other foreign exchange rates that could be indirectly influenced by it.

(II) SCENARIO SELECTION

The Company considers three scenarios in the sensitivity analysis. In addition to a reasonable variation, two other scenarios could represent adverse effects on the Company. In preparing the adverse scenarios, the Company considered only the impact of the variables on financial instruments. The global impact on the pre-operating activities of the Company was not considered.

The reasonable scenario considered was the same US Dollar-Real percentage variation. It was considered an appreciation of the US dollar-Real exchange rate of 25% and 50% for additional adverse scenarios, of the US dollar value concerning the US dollar closing rate for the year ended December 31, 2022.

The sensitivity figures in the following table are variations in the value of financial instruments in each scenario.

(III) SENSITIVITY TO DOLLAR-REAL EXCHANGE RATE

The sensitivity of each financial instrument to the US dollar-real exchange rate variation is as follows:

	Fair value in US$	Exchange rate Dec 31, 2022	Reasonable scenario	Adverse scenario I (25%)	Adverse scenario II (50%)
Borrowings with related parties (liabilities)	544,939	5,2177	2,596,903	3,246,129	3,895,355
Impact over the period result (expenses)			-	(649,226)	(1,298,452)

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

(b) Credit risk

The credit risk is managed corporately. The credit risk derives substantially from cash and cash equivalents, deposits in banks and financial institutions, as well as from credit exposures to accounts receivable from related parties.

The credit limit was not exceeded during the years, and management does not expect any default loss from these counterparties.

(c) Liquidity risk

Management continuously monitors the Company's liquidity needs to ensure that it has sufficient cash to cover the needs of its preoperating activities. This condition is obtained, essentially, with financial funds from its controlling shareholder.

(d) Financial instruments by category

The main Company's financial instruments are cash and cash equivalents, trade receivables, related parties, trade payables, other trade payables and borrowings.

		Parent Company		Consolidated	
		2022	2021	2022	2021
Assets	**Category**				
Cash and cash equivalents	At amortized cost	52,863	16,319	515,845	273,288
Trade receivables	At amortized cost	38,045	15,295	38,045	15,295
Related parties	At amortized cost	29,703	33,859	27,657	26,562
		120,611	65,473	581,547	315,145
Liabilities	**Category**				
Borrowings	At amortized cost	2,596,903	2,261,321	2,594,857	2,261,321
Trade payables	At amortized cost	113,297	62,474	140,377	67,440
Other trade payables	At amortized cost	8,838	13,906	8,838	13,906
		2,719,038	2,337,701	2,744,072	2,342,667

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

The fair value of the financial assets and liabilities is included in the value whereby the instrument could be exchanged in the current transaction between the parties interested in the trading and not forced sale or settlement. As of December 31, 2022 and 2021, there was no material difference between book values and market values for the Company's financial instruments.

5. Cash and cash equivalents

	Parent Company		Consolidated	
	2022	2021	2022	2021
Short-term investments	52,649	15,245	515,585	268,155
Bank deposits	193	1,051	236	5,110
Cash funds	21	23	24	24
	52,863	16,319	515,845	273,289

The financial investments with low credit risk mainly concern those investments in Commitment Transactions, Bank Deposit Certificates (CDB-DI), with daily liquidity (available for withdrawals and transfers), and with profitability related to Interbank Deposit Certificates ("CDI").

6. Trade receivables

	Parent Company		Consolidated	
	2022	2021	2022	2021
Internal market	-	10,981	-	10,981
External market	38,045	4,314	38,045	4,314
	38,045	15,295	38,045	15,295

According to notes 2.18 (a) and 3 (e), the goods sales agreements are subject to provisional pricing.

The Company has no history of losses on trade receivables or indications of losses. Therefore, it does not recognize losses on trade receivables.

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

7. Advances

	Parent Company		Consolidated	
	2022	2021	2022	2021
Suppliers	2,723	7,255	2,723	7,255
Employees	460	226	570	226
	3,183	7,481	3,293	7,481

8.Inventories

	Parent Company		Consolidated	
	2022	2021	2022	2021
Raw ore	72,481	47,649	72,481	47,649
Processed product	17,115	23,484	17,115	23,484
Product under processing	3,843	2,054	3,843	2,054
	93,439	73,187	93,439	73,187
(-) Current	(20,958)	(25,843)	(20,958)	(25,843)
Non-current	72,481	47,344	72,481	47,344

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

9. Recoverable taxes

	Parent Company		Consolidated	
	2022	2021	2022	2021
Non-cumulative PIS[1] and COFINS[2] (i)	26,633	6,048	26,633	6,048
CFEM[3] to recover	3,278	-	3,278	-
ISS[4] to recover	1,178	262	1,178	262
IRRF[5] on financial investments	1,058	362	5,755	752
ICMS[6] to recover	493	1,573	493	1,573
Other taxes to recover	100	5	100	5
	32,740	8,250	37,437	8,640
(-) Current	(28,885)	(7,930)	(28,885)	(7,930)
Non-current	3,855	320	8,552	710

(i) Tax credits arising mainly from the progress of the infrastructure construction work at Porto Sul and the development activities at the PdF Mine.

[1] Contribution to the Social Integration Program.

[2] Financial Contributions for Social Security.

[3] Financial Compensation for Mining Exploration.

[4] Tax on Services.

[5] Income Tax Withheld at Source.

[6] State Value-Added Tax.

10. Other assets

	Parent Company		Consolidated	
	2022	2021	2022	2021
Insurances to recognize	384	811	2,945	3,277
Appeal deposits	366	295	493	295
Credits with third parties	551	273	578	273
Contractual guarantees	-	59	1	60
	1,301	1,438	4,017	3,905
(-) Current	(935)	(1,084)	(3,523)	(3,551)
Non-current	366	354	494	354

11. Investments in subsidiaries

The main information about Bahia Ferrovias, a BAMIN-controlled company, is presented as follows:

(a) Interest in controlled company

Investee	Main Activity	Control	Interest		Parent Company		Consolidated	
			2022	2021	2022	2021	2022	2021
Bahia Ferrovias S.A.	Logistics	Subsidiary	100%	100%	539,257	279,259	-	-

(b) Subsidiary's financial position

Subsidiary	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Net loss
Bahia Ferrovias S.A.	465,680	105,584	36,831	-	539,257	56,245

(c) Changes in interest in subsidiary

		Equity accounting			
Subsidiary	Balance in Dec 2021	Loss for the year	Comprehensive income (loss)	Additions in equity	Balance in Dec 2022
Bahia Ferrovias S.A.	279,259	(36,216)	-	296,215	539,257

12. Fixed assets

	Parent Company					
	Lands	Buildings and premises	Equipment	Assets under construction (note 2.10 (d))	Others	Total
Cost						
January 1, 2021	44,617	13,055	16,533	1,143,993	9,688	1,227,886
Additions	11,867	9,650	1,762	92,368	1,466	117,113
Borrowing costs	-	-	-	51,801	-	51,801
December 31, 2021	56,484	22,705	18,295	1,288,162	11,154	1,396,800
Accumulated depreciation						
January 1, 2021	-	(3,141)	(8,656)	-	(6,893)	(18,690)
Depreciation	-	(4,450)	(864)	-	(681)	(5,995)
December 31, 2021	-	(7,591)	(9,520)	-	(7,574)	(24,685)
Accounting balance on December 31, 2021						
Total cost	56,484	22,705	18,295	1,288,162	11,154	1,396,800
Accumulated depreciation	-	(7,591)	(9,520)	-	(7,574)	(24,685)
	56,484	15,114	8,775	1,288,162	3,580	1,372,115

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

(continued)

	Parent Company					
	Lands	Buildings and premises	Equipment	Assets under construction (note 2.10 (d))	Others	Total
Cost						
January 1, 2022	56,484	22,705	18,295	1,288,162	11,154	1,396,800
Additions	2,407	8,348	2,464	272,976	6,048	292,243
Borrowing costs	-	-	-	88,100	-	88,100
December 31, 2022	58,891	31,053	20,759	1,649,238	17,202	1,777,143
Accumulated depreciation						
January 1, 2022	-	(7,591)	(9,520)	-	(7,574)	(24,685)
Depreciation	-	(2,828)	(1,058)	-	(1,084)	(4,970)
December 31, 2022	-	(10,419)	(10,578)	-	(8,658)	(29,655)
Balance on December 31, 2022						
Total cost	58,891	31,053	20,759	1,649,238	17,202	1,777,143
Accumulated depreciation	-	(10,419)	(10,578)	-	(8,658)	(29,655)
	58,891	20,634	10,181	1,649,238	8,544	1,747,488

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

(continued)

	Consolidated					
	Lands	Buildings and premises	Equipment	Assets under construction (note 2.10 (d))	Others	Total
Cost						
January 1, 2021	44,617	13,055	16,533	1,143,993	9,688	1,227,886
Additions	11,867	9,650	1,762	92,368	2,209	117,856
Borrowing costs	-	-	-	51,801	-	51,801
December 31, 2021	56,484	22,705	18,295	1,288,162	11,897	1,397,543
Accumulated depreciation						
January 1, 2021	-	(3,141)	(8,656)	-	(6,893)	(18,690)
Depreciation	-	(4,450)	(864)	-	(681)	(5,995)
December 31, 2021	-	(7,591)	(9,520)	-	(7,574)	(24,685)
Balance on December 31, 2021						
Total cost	56,484	22,705	18,295	1,288,162	11,897	1,397,543
Accumulated depreciation	-	(7,591)	(9,520)	-	(7,574)	(24,685)
	56,484	15,114	8,775	1,288,162	4,323	1,372,858

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

(continued)

	Consolidated					
	Lands	Buildings and premises	Equipment	Assets under construction (note 2.10 (d))	Others	Total
Cost						
January 1, 2022	56,484	22,705	18,295	1,288,162	11,897	1,397,543
Additions	2,407	10,352	2,668	342,957	7,227	365,611
Borrowing costs	-	-	-	88,100	-	88,100
December 31, 2022	58,891	33,057	20,963	1,719,219	19,124	1,851,254
Accumulated depreciation						
January 1, 2022	-	(7,591)	(9,520)	-	(7,574)	(24,685)
Depreciation	-	(2,829)	(1,066)	-	(1,167)	(5,062)
December 31, 2022	-	(10,420)	(10,586)	-	(8,741)	(29,747)
Balance on December 31, 2022						
Total cost	58,891	33,057	20,963	1,719,219	19,124	1,851,254
Accumulated depreciation	-	(10,420)	(10,586)	-	(8,741)	(29,747)
	58,891	22,637	10,377	1,719,219	10,383	1,821,507

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

13. Intangible assets

	Parent Company				
	Corporate brands	Mining rights	Software	Easement agreements	Total
Cost					
January 1, 2021	5	11,430	8,397	5,472	25,304
Additions	-	-	884	81	965
December 31, 2021	5	11,430	9,281	5,553	26,269
Accumulated amortization					
January 1, 2021	-	-	(6,702)	(10)	(6,712)
Amortizations	-	-	(554)	(21)	(575)
December 31, 2021	-	-	(7,256)	(31)	(7,287)
Balance on December 31, 2021					
Total cost	5	11.430	9.281	5.553	26.269
Accumulated amortization	-	-	(7.256)	(31)	(7.287)
	5	11.430	2.025	5.522	18.982

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

	Parent Company				
	Corporate brands	Mining rights	Software	Easement agreements	Total
Cost					
January 1, 2022	5	11,430	9,281	5,553	26,269
Additions (i)	-	28,371	582	24	28,977
December 31, 2022	5	39,801	9,863	5,577	55,246
Accumulated amortization					
January 1, 2022	-	-	(7,256)	(31)	(7,287)
Amortizations	-	-	(743)	(51)	(794)
December 31, 2022	-	-	(7,999)	(82)	(8,081)
Balance on December 31, 2022					
Total cost	5	39,801	9,863	5,577	55,246
Accumulated amortization	-	-	(7,999)	(82)	(8,081)
	5	39,801	1,864	5,495	47,165

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

(continued)

	Parent Company				
	Corporate brands	Mining rights	Software	Easement agreements	Total
Cost					
January 1, 2021	5	11,430	8,397	5,472	25,304
Additions	-	-	884	81	965
December 31, 2021	5	11,430	9,281	5,553	26,269
Accumulated amortization					
January 1, 2021	-	-	(6,702)	(10)	(6,712)
Amortizations	-	-	(554)	(21)	(575)
December 31, 2021	-	-	(7,256)	(31)	(7,287)
Balance on December 31, 2021	5	11,430	9,281	5,553	26,269
Total cost	-	-	(7,256)	(31)	(7,287)
Accumulated amortization	5	11,430	2.025	5,522	18,982

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

(continued)

	Parent Company				
	Corporate brands	Mining rights	Software	Easement agreements	Total
Cost					
January 1, 2022	5	11,430	9,281	5,553	26,269
Additions	-	28,371	668	24	29,063
December 31, 2022	5	39,801	9,949	5,577	55,332
Accumulated amortization					
January 1, 2022	-	-	(7,256)	(31)	(7.287)
Amortizations	-	-	(748)	(51)	(799)
December 31, 2022	-	-	(8,004)	(82)	(8,086)
Balance on December 31, 2022					
Total cost	5	39,801	9,949	5,577	55,332
Accumulated amortization	-	-	(8.004)	(82)	(8,086)
	5	39,801	1,945	5,495	47,246

(i) The amount of R$ 28,371 corresponds to: (a) mining rights acquired through a non-onerous assignment in the amount of R$ 27,276 between the Company and the related party Pedra Cinza; and (b) mining rights acquired through a sale and purchase agreement in the amount of R$ 1,095 between the Company and a private entity not related to the Company.

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

14. Right of use

	Parent Company		Consolidated	
	Subconcession granted (i)	Total	Subconcession granted (i)	Total
Cost				
Additions	-	-	32,730	32,730
December 31, 2021	-	-	32,730	32,730
Accounting balance on December 31, 2021				
Total cost	-	-	32,730	32,730
	-	-	32,730	32,730
Cost				
January 1, 2022	-	-	32,730	32,730
December 31, 2022	-	-	32,730	32,730
Accumulated amortization				
January 1, 2022	-	-	-	-
Amortizations	-	-	(1,247)	(1,247)
December 31, 2022	-	-	(1,247)	(1,247)
Balance on December 31, 2022				
Total cost	-	-	32,730	32,730
Accumulated amortization	-	-	(1,247)	(1,247)
	-	-	31,483	31,483

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

(i) The controlled company Bahia Ferrovias' FIOL Sub Concession Agreement provides that the subconcession granting represents the incremental cost from obtaining the subconcession that would not be incurred unless the subconcession occurred. Therefore, granting the subconcession represents an asset of the right of use of the railway network. Bahia Ferrovias has five years as of the assumption of the agreement to start the operations. So, the term for the amortization of said assets is thirty years, with the agreement ending on September 3, 2055.

15. Trade payables

	Parent Company		Consolidated	
	2022	2021	2022	2021
Constructions, equipment and maintenance	46,146	19,838	51,205	19,838
Technical advisory	36,784	17,395	52,840	18,702
Services of operation and maintenance	19,825	15,399	19,825	15,399
Lands	5,000	5,000	5,000	5,000
Other	5,542	4,842	11,507	8,501
	113,297	62,474	140,377	67,440

Evolution of trade payables refers mainly to evolution of infrastructure construction work at Porto Sul and development activities at PdF Mine.

16. Tax and social obligations

	Parent Company		Consolidated	
	2022	2021	2022	2021
Profit sharing program	19,530	10,215	23,536	11,111
Accrued vacation	6,594	4,111	7,784	4,345
Labor taxes	3,638	2,106	4,327	2,411
Taxes on sales	1,983	3,214	1,983	3,214
Taxes on services	3,770	4,805	5,339	5,148
Other	-	123	251	123
	35,515	24,574	43,220	26,352

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

17. Social-environmental commitment

	Parent Company		Consolidated	
	2022	2021	2022	2021
Social and environmental obligations	35,190	35,190	35,190	35,190
(+) Fair value and accumulated inflation	11,142	7,093	11,142	7,093
(-) Accumulated total payments	(16,884)	(16,884)	(16,884)	(16,884)
	29,448	25,399	29,448	25,399
(-) Current	(24,010)	(12,746)	(24,010)	(12,746)
Non-current	5,438	12,653	5,438	12,653

The Federal Public Prosecution Office, Public Prosecution Office of the State of Bahia, State of Bahia (through the Civil Office and the Environment Secretariat ("SEMA")), Institute of Environment and Water Resources ("INEMA"), City of Ilhéus, jointly with the Company, decided to enter into the Social and Environmental Commitment Term ("TCSA").

The agreement seeks predictability and consensus between the parties in connection with social and environmental compensations to be implemented in the region where the future premises of Porto Sul, aiming at sustainable development, environmental integrity, and maintenance of the ecological functions and ecosystemic services, through comprehensive actions to prevent, at the landscape scale, avoidable environmental damages and mitigate unavoidable impacts.

18. Other trade payables

	Parent Company		Consolidated	
	2022	2021	2022	2021
Provisional price sales	8,838	13,906	8,838	13,906

Sales of goods for provisional prices in the invoicing are subject to adjustments using the price quotation for the said commodity, iron ore, during the period informed in the sales agreement. However, the Company understands that the selling price of such goods can be calculated every period in a trustable manner once the price is quoted in an active market of iron ore commodities.

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

19. Related parties

(a) Transactions and balances

Balances with related parties have the following composition:

	Parent Company				Consolidated	
	2022		2021		2022	2021
	Controlled Company	Other related parties	Controlled Company	Other related parties	Other related parties	Other related parties
Current assets						
Cost-Sharing Agreement	2,046	9,980	7,297	4,895	9,980	4,895
Non-current assets						
Loan agreements	-	17,676	-	21,667	17,676	21,667
Non-current liabilities						
Borrowings	-	2,596,903	-	2,261,321	2,596,903	2,261,321
Unsecured liabilities						
Capital contribution	-	1,341,900	-	1,020,817	1,341,900	1,020,817
Financial result						
Financial revenues	-	323,128	-	159,854	324,659	159,854
Financial expenses	-	(121,506)	-	(273,079)	(123,065)	(273,079)
	-	201,622	-	(113,225)	201,594	(113,225)

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

The Company signed an administrative expenses agreement ("cost sharing") with Bahia Ferrovias S.A., Mineração Minas Bahias S.A. and Pedra Cinza Mineração Ltda. The cost-sharing agreements adjust the amounts using an inflation index that calculates it until the payment date.

The loan agreements between BAMIN and the companies Mineração Minas Bahia S.A. and Pedra Cinza Mineração Ltda. as well as the Profit Participating Loans (nota 2.14) agreements between the companies Bahia Minerals, ERG and ERG Brazil had a discount rate of 9.25% (2021, 9.25%).

The loan costs for Profit Participating Loans amounted to R$ 193,796 (2021, R$ 165,653), with a capitalization of R$ 80,100 (2021, R$ 51,801) for the asset under construction, as a significant part of the PPL loans is granted to develop the PdF Mine infrastructure and the Company's Porto Sul. The PPL loans are expected to be paid by 2026 when the Company's production capacity reaches its full potential and starts.

(b) Transactions

Balances with related parties have the following composition:

	Parent Company		Consolidated	
	2022	2021	2022	2021
Balance on January 1st	2,227,462	1,769,557	2,227,462	1,769,557
Funds raised	784,493	488,148	784,493	488,148
Funds allocated	(1,867)	(8,768)	(1,867)	(8,768)
Interest and exchange rate variation, net	55,394	323,420	55,394	323,420
Capital contribution	(321,083)	(186,502)	(321,083)	(186,502)
Fair value adjustment (note 28)	(177,198)	(158,393)	(177,198)	(158,393)
Balance on December 31st	2,567,201	2,227,462	2,567,201	2,227,462

(c) Compensation of key management

The Management's key personnel includes the statutory officers and other executive officers. The compensation paid or payable for employee services, mainly salaries and charges, totaled R$ 16,266 in 2022 (2021, R$ 7,598).

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

20. Environmental recovery

	Parent Company		Consolidated	
	2022	2021	2022	2021
Environmental recovery	83,382	78,106	83,382	78,106

BAMIN recognizes a provision for probable environment recovery and disassembling the structures in place up to the current date as part of the obligations concerning the recovery of degraded areas, especially because of the implementation of any enterprises by the Company. The accrued amount was measured at market values for hiring specialized labor, lease of machinery and equipment, removal of piles, disassembly of machines, buildings, recovery and reforestation of affected areas.

21. Provisions

	Parent Company		Consolidated	
	2022	2021	2022	2021
Labor (i)	3,579	6,264	3,579	6,264
Tax (ii)	3,353	3,190	3,353	3,190
Civil	-	24	-	24
	6,932	9,478	6,932	9,478

(i) The Company has exclusively dedicated consultants who receive salaries through legal entities. Based on a joint assessment made by its legal advisors, the Company decided to recognize a provision for contingencies to cover potential losses with lawsuits in case the Company hires the consultants. Labor lawsuits were also recognized and classified as presenting a probability of loss.

(ii) The Company has a tax provision for labor fees and to collect social security contributions not calculated from 2009 to 2011. The mandatory collection is suspended because of the discussion between our legal advisors and the legal authorities regarding the case files and levy of taxes under dispute.

RISKS OF LOSSES DEEMED POSSIBLE AND THEREFORE NOT PROVISIONED.

In 2022, contingent liabilities were identified as resulting from labor lawsuits, achieving the amount of R$ 2.684 (2021, R$ 1.269). However, civil lawsuits represented a contingent liability of R$ 2.464 (2021, R$ 2.309). Our legal advisors are discussing and monitoring these litigations, who classified them as possible loss; these amounts have not been accrued. Therefore, these amounts are not provisioned. No relevant lawsuits are classified as potential losses; they are all well dispersed.

As informed by the legal advisors, no other lawsuits against the Company could impact its financial statements and require recognition of provisions in addition to those already recognized.

According to the current legislation, the Company's operations are subject to review by the tax authorities for periods that vary because of the nature of the taxes. Consequently, contingencies that may arise from inspections cannot be determined presently.

22. Negative net equity

(a) Capital stock

The authorized capital stock is represented by eleven million, five hundred and ninety-four thousand and nine hundred and sixty-nine (11,594,969) shares of R$ 1.00 each, whose paid-in amount corresponds to R$ 10,955 and remaining the unpaid amount of R$640. The shares are distributed into eleven million, five hundred and ninety-four thousand and nine hundred and sixty-eight (11,594,968) shares, which Bahia Minerals B.V. holds, and one (1) share held by Mineração Minas Bahia S.A.

(b) Capital contribution

Capital contributions are represented by the accumulated amount of R$ 1.341.900 (2021, R$ 1,020.817), and R$ 321,083 was recognized in 2022 (2021, R$ 186,502).

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

23. Revenues from ore sales initially capitalized

	Parent Company		Consolidated	
	2022	2021	2022	2021
Gross revenue from sales	330,205	489,535	330,205	489,535
(+) Gross revenue additions				
Additions and price variation	26,115	-	26,115	-
(-) Gross revenue deductions				
Rebates and price variation	(22,288)	(77,133)	(22,288)	(77,133)
ICMS	(2,459)	(21,971)	(2,459)	(21,971)
CFEM	(8,513)	(15,902)	(8,513)	(15,902)
COFINS	(1,369)	(12,245)	(1,369)	(12,245)
PIS	(297)	(2,658)	(297)	(2,658)
	321,394	359,626	321,394	359,626

In 2021, the Company started developing the Pedra de Ferro Project with a production of up to 1 million tons of ore per year to achieve the total production capacity of PdF Mine and introduced the Company's goods to an active market of iron ore commodities. Despite still being in the development stage of the Pedra de Ferro Project, the Company's production capacity increase also resulted in more goods sold and a consequent rise in the Company's revenue.

The rebates and price variations result from the revenue recognized at the estimated fair value of the total consideration to receive. The provisional pricing provided in these agreements is registered as a derivative. This way, the fair value of the final sales price adjustment is continuously assessed and the fair value variations are recognized as sales revenue in the income statement.

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

24. Cost of sold products

	Parent Company		Consolidated	
	2022	2021	2022	2021
Payroll, services and materials (i)	56,806	20,225	56,806	20,225
Cost initially capitalized (ii)	-	97,046	-	97,046
	56,806	117,271	56,806	117,271

(i) Costs primarily related to the development of the PdF Mine.

(ii) The net margin, according to the accounting approach of recognizing logistics costs and expenses, equivalent to sales revenue from the development phase of the PdF Project, is obtained as follows:

	Parent Company		Consolidated	
	2022	2021	2022	2021
Net sales revenue	296,445	359,626	296,445	359,626
Revenue and cost initially capitalized	24,949	(97,046)	24,949	(97,046)
Payroll, services and materials	(56,806)	(20,225)	(56,806)	(20,225)
Distribution expenses	(264,588)	(242,355)	(264,588)	(242,355)
Net margin	-	-	-	-

25. Distribution expenses

	Parent Company		Consolidated	
	2022	2021	2022	2021
Road, railway and maritime freight	155,714	142,422	155,714	142,422
Logistic services	92,228	79,506	92,228	79,506
Maintenance (materials and services)	10,999	9,640	10,999	9,640
Taxes on logistics	40	3,636	40	3,636
Other	5,607	7,151	5,607	7,151
	264,588	242,355	264,588	242,355

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

26. General and administrative expenses

	Parent Company		Consolidated	
	2022	2021	2022	2021
Services	77,672	52,276	112,549	59,953
Payroll	39,692	25,064	70,866	34,782
Corporate events	9,510	407	10,400	3.728
Travels and lodging	5,049	2,984	8,690	3.004
Taxes	3,572	3,015	6,070	3,040
Short-Term leasing	3,465	4,000	5,590	7,269
Depreciation and amortization	2,255	3,444	2,352	3,444
Materials	1,684	1,480	2,109	1,811
Insurance	489	910	489	2,143
Other	4,581	5,439	3,558	6,073
	147,969	99,019	222,673	125,247

27. Other revenues, net

	Parent Company		Consolidated	
	2022	2021	2022	2021
Reversal of contingencies	3,319	9,673	3,319	9,673
Provisions of contingencies	(773)	(1,422)	(733)	(1,422)
Indemnities	(927)	(382)	(1,133)	(382)
Gains intangible assets (note 13 (i))	27,276	-	27,276	-
Other	49	127	49	126
	28,944	7,996	28,738	7,995

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

28. Financial result

	Parent Company		Consolidated	
	2022	2021	2022	2021
Financial revenues				
Exchange rate variation on borrowings	145,662	-	145,662	-
Revenue from financial investments	3,144	-	41,906	-
Fair value adjustment (i)	177,198	158,393	177,198	158,393
Other financial revenues	5,875	10,006	5,876	16,215
	331,879	168,399	370,642	174,608
Financial expenses				
Exchange rate variation on borrowings	-	(159,972)	-	(159,972)
Interest on borrowings	(121,237)	(113,974)	(121,237)	(113,974)
Other financial expenses	(17,609)	(2,868)	(17,678)	(2,877)
	(138,846)	(276,814)	(138,915)	(276,823)
	193,033	(108,415)	231,727	(102,215)

(i) Fair value gains on borrowings are the result of changes in the estimated term of future borrowings repayments.

29. Subsequent Events

In April 2023, the ERG Group and BahiaBAMIN Ferrovias announced that the TCR-10 Consortium, comprised of the Brazilian company Tiise and the Chinese one, CREC-10, will be in charge of the railway infrastructure and superstructure works for the 1F lot in stretch 1 of FIOL. The 1F lot encompasses 126.4 km and crosses the cities of Ilhéus, Uruçuca, Ubaitaba, Gongogi, Itagiba, Aurelino Leal and Aiquara, in the state of Bahia. The works are expected to start 60 days after the agreement is signed. The agreement lasts for 36 months and concerns an investment amount of R$ 1.1 billion.

In April 2023, the ERG Group and BAMIN signed an exclusivity agreement for the sale of high-quality iron ore to Anglo American, with the iron ore comprised of an average grade of 65.5-66%. Therefore, Anglo American will acquire all the export volumes from BAMIN's Pedra de Ferro Mine in 2023.

In September 2023, the ERG Group, through the controlling shareholder Bahia Minerals B.V. ("BM BV"), paid in R$ 640,000 as share capital in accordance with the Company's by-laws.

Composition of Executive Officers and General Financial Management

DECEMBER 31, 2022

Executive Officers

Eduardo Ledsham
Chief Executive Officer

Alexandre Aigner
Officer

Alberto Vieira
Officer

General Financial Management

Pedro Machado
Finance General Manager

Rilson Cruz
Accountant
CRC BA 036891/O-5

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