Financial statement
as of December 31, 2022
and the independent auditor's report

MINERAÇÃO MINAS BAHIA S.A.

(A free translation of the original in Portuguese)

Index

(A free translation of the original in Portuguese)

BAMIN

Management Report

DECEMBER 31, 2022

IN THOUSANDS OF BRAZILIAN REAIS

Operations

Mineração Minas Bahia S.A. ("Company") is a closely-held corporation. The Company was incorporated on March 3, 2005, and is engaged in the industry and trade of minerals in general, in the Brazilian territory, comprising research, mining, geological services, processing, import, export and trade of mineral, chemical and industrial products. The Company's head office is located at Rua Paraíba, 1000, 2nd floor, Funcionários, Belo Horizonte, Minas Gerais, Brazil.

Currently, the Company is in the research stage and is performing studies and surveys of deposits, and has invested funds in research, survey, economic assessment of the exploration project and pre-operation, which, according to initial estimates, should be absorbed by income from future operations.

The areas where the Company has its iron ore reserves are located in the North region of the State of Minas Gerais (near the border with the state of Bahia), in the city of Grão Mogol, where the Company's base of operations is being installed.

The Company has accumulated losses in the amount of R$217,157 (2021, R$ 223,561) and presented negative net working capital in the amount of R$ 233 (2021, negative R$ 1,695). 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.

Capital Stock

The authorized capital stock is represented by 296,866 (two hundred and ninety-six thousand and eight hundred sixty-six) shares, in the amount of R$1.00 each, whose paid-in amount corresponds to R$297.

Operational Continuity

Despite the financial year ending on December 31, 2022, being the third 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.

The Company's Management prepared its financial statements assuming the continuity of its operations and considers in its main action the financial support from its controlling shareholder to assure that liquidity is adequate and available to cover contractual obligations and to 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.

Management's Responsibilities

We confirm, to the best of our knowledge, that the financial statements of the Company were prepared and are presented following 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

The 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

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Independent Auditor's Report

To
Managers and Shareholders of
Mineração Minas Bahia S.A.
Belo Horizonte - MG

Qualified opinion

We have assessed the accounting statements of Mineração Minas Bahia S.A. ("Company") for the balances sheets as of December 31, 2022, the respective income statements for the whole period, the changes to the shareholders' equity and the cash flow for the fiscal year ended on said date as well as the corresponding explanatory notes, including the summary of the main accounting policies.

Except for the potential effects the matter described on the section below titled "Grounds for the qualified opinion", we understand that the above mentioned accounting statements properly and materially provide the Company's equity and financial position as of December 31, 2022, its operations performance and the cash flow for the fiscal year ended on said date, according to the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) from International Accounting Standards Board (IASB).

Basis for qualified opinion

As described in Note 8, during the year ended December 31, 2022, the Company wrote off the balance of intangible assets related to exploration rights in the amount of R$ 1,543 thousand. We did not obtain sufficient and appropriate audit evidence regarding this balance. Therefore, it was not possible to determine whether the write-off of the asset recorded by the Company in the year ended December 31, 2022 was properly recorded or should have been recorded in prior years, and the corresponding impact on the statement of changes in equity and the statement of cash flows for the year ended December 31, 2022.

We have conducted the audit according to the international and Brazilian auditing rules. Our auditing responsibilities based on said rules are described in the section below titled "Auditor's responsibilities for the audit of accounting statements". We work independently from the Company, according to the relevant ethical principles provided by the Accountant's Code of Professional Ethics and the professional rules issued by the Federal Council of Accounting and we have complied with any other ethical responsibilities set by those rules. We believe the audit evidence we obtained is adequate and will suffice as grounds for our qualified opinion.

Emphasis – uncertainties involving the Company's exploration activities

Reference is made to Note 7 to the financial statements which indicates that the Company has committed significant amounts of capital to property, plant and equipment, the recovery of which is dependent upon the success of its ongoing exploration campaigns. The investment of significant amounts in mineral exploration may not result in the discovery of economically viable reserves. The financial statements do not include adjustments that would be required if the investments do not produce the expected results, which depend on the success of its future operations. Management's plans with respect to its operating activities are described in Note 3(a). Our opinion does not contain any qualification in respect of this matter.

Building a better working world

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Other information related to the accounting statements and the auditor's report

The Company's Board of Executive Officers is responsible for any other information involving the management's report.

Our opinion about the accounting statements does not encompass the management's report and we have provided no audit conclusion about it.

About the audit of accounting statements, our responsibility solely involves reading the management's report and check if there are any material inconsistency with the accounting statements or with whatever we know based on our audit or that somehow materially distorts the audit findings.

If we conclude there is a material distortion to the management's report, then we must inform it to the Company. However, we have nothing to say about this matter herein.

Responsibilities of the board of executive officers and governance for the accounting statements

The board of directors is responsible for properly preparing and presenting the accounting statements according to the accounting practices adopted in Brazil and the IFRS issued by the IASB and any other internal controls it has set as necessary to avoid any material distortions in the accounting statements, regardless of caused by fraud or mistake.

During the preparation of the accounting statements, the board of executive officers is responsible for assessing if the Company can keep operating. Whenever applicable, the board of executive officers shall inform any matters regarding its operations and must disclose this accounting basis in the accounting statements unless the said board intends to liquidate the company or stop its operations or if there is no realistic alternate possibility of avoiding its operations from ending.

Those in charge of the Company's governance hold the responsibility for overseeing the preparation of the accounting statements.

Auditor's responsibilities for the audit of accounting statements

We intend to reasonably ensure that the accounting statements as a whole are free of any material distortions, regardless of being caused by fraud or mistake, and prepare an audit report with our opinion about it. Reasonable guarantee is a high level of commitment, but it does not mean that the audit will always detect any existing material distortions, regardless of being made according to the Brazilian and international audit rules. The distortions may result from fraud or mistake and will be considered as material whenever they solely or jointly are capable of influencing economic decisions from users taken based on said accounting statements if reasonably demonstrated.

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As part of the audit undertaken according to the Brazilian and international audit rules, we maintain our professionalism and remain professionally skeptical throughout the audit. Besides:

- We identified and assessed the risks of material distortion to the accounting statements, regardless of resulting from fraud or mistake, and we have planned and executed audit procedures to face such risks as well as obtained proper audit evidence to support our opinion. The risk of not finding a material distortion resulting from fraud is higher than the risk of a mistake because the fraud may involve evading the internal controls, collusion, forgery, omission or international misrepresentation;

- The material internal controls provided us with understanding to plan the adequate audit procedures given the circumstances, not to provide us with material to issue an opinion on the effectiveness of the Company's internal controls;

- We assessed the adequacy of the accounting policies used and the reasonability of the accounting estimates and respective disclosures made by the board of executive officers;

- Concerning the board of executive officers' use of the accounting basis of operational continuity and based on audit evidence, we have discussed if is there is any material uncertainty about events or conditions that could give rise to wonder if the Company can keep its operations. Our conclusion is that if there is material uncertainty on this matter, then we must inform the respective disclosures in the accounting statements or include changes to them in our audit report if they are inadequate. Our conclusions are based on audit evidence obtained up to the date of our report. However, future events or conditions may impair the Company's capacity of remaining operational;

- We have assessed the general presentation, structure and content of the accounting statements. Including the disclosures, and if the accounting statements represent the corresponding transactions and if the events are property informed in the presentation as intended.

We have exchanged communications with those in charge of the Company's governance about the extent and time the audit works planned were performed and the material audit findings, among other things. We have also discussed about significant issues with the internal controls that we have found out during our work.

Salvador, October 26, 2023.

ERNST & YOUNG
Auditores Independentes S.S. Ltda.
CRC SP-015199/O

Daniel Peixoto

Daniel de Araujo Peixoto
Accountant CRC-BA-025348/O

Balance sheet

DECEMBER 31, 2022

IN THOUSANDS OF BRAZILIAN REAIS

	Note	2022	2021
Asset			
Current			
Cash and cash equivalents	5	829	2,141
Recoverable taxes		75	24
Other assets		5	19
		909	2,184
Non-current			
Long-term receivables			
Restricted funds	6	863	736
Recoverable taxes		368	368
		1,231	1,104
Fixed asset	7	2,451	2,578
Intangible asset	8	-	1,543
		2,451	4,121
Total asset		4,591	7,409

IN THOUSANDS OF BRAZILIAN REAIS

(continued)

	Note	2022	2021
Liabilities			
Current			
Trade payables		446	91
Related parties		628	370
Tax and social obligations		61	-
Other liabilities		7	28
		1,142	489
Non-current			
Borrowings	9	160,206	171,413
Provisions for labor risks	10	386	343
Environmental recovery	11	1,908	619
		162,500	172,375
Total liabilities		163,642	172,864

	Note	2022	2021
Negative net equity			
Capital Stock	12 (a)	297	297
Capital contributions	12 (b)	57,809	57,809
Accumulated losses		(217,157)	(223,561)
		(159,051)	(165,455)
Total liabilities and negative net equity		4,591	7,409

Income statement

YEARS ENDED ON DECEMBER 31

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

	Note	2022	2021
General and administrative expenses	13	(2,173)	(816)
Other expenses, net	14	(2,875)	(254)
Operational result		(5,048)	(1,070)
Financial revenue		22,593	12,090
Financial expenses		(11,141)	(23,824)
Financial result	15	11,452	(11,734)
Profit (loss) before the income tax and social contribution		6,404	(12,804)
Taxes on income		-	-
Profit (loss) for the Fiscal Year		6,404	(12,804)

Comprehensive income statement

YEARS ENDED ON DECEMBER 31

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

	2022	2021
Profit (loss) for the Fiscal Year	6,404	(12,804)
Other Comprehensive Income	-	-
Total of the comprehensive income of the fiscal year	6,404	(12,804)

Changes in the negative net equity statement

YEARS ENDED ON DECEMBER 31

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

	Note	Capital stock	Accumulated losses	Total
January 1, 2021	297	57,809	capital contribution	**(152,651)**
Loss for the fiscal year	-	-	(12,804)	(12,804)
December 31, 2021	297	57,809	(223,561)	**(165,455)**
Loss for the fiscal year	-	-	6,404	6,404
December 31, 2022	297	57,809	(217,157)	(159,051)

Cash flow statement

YEARS ENDED ON DECEMBER 31

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

	Note	2022	2021
Operating activities			
Profit (loss) for the Fiscal Year		6,404	(12,804)
Adjustments for reconciliation of profit (loss) for the fiscal year			
Depreciation and amortization	7 and 8	127	133
Provisions and write-offs, net	14	1,332	237
Losses from the write-off of intangible assets	8 and 14	1,543	-
Fair value adjustment with borrowings	15	(11,313)	(11,974)
Interest and Exchange variation	15	129	23,822
Changes in current capital			
Recoverable taxes		(51)	(19)
Restricted funds	6	(127)	(30)
Trade payables		355	60
Related parties		235	45
Tax and social obligations		61	-
Other assets and liabilities		(7)	31
Net cash used in operating activities		(1,312)	(499)
Decrease in cash and cash equivalents		(1,312)	(499)
Cash and cash equivalents at the beginning of the year		2,141	2,640
Cash and cash equivalents at the end of the year		829	2,141

Management explanatory notes to financial statements

DECEMBER 31, 2022

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

1. Operational Context

Mineração Minas Bahia S.A. ("Company") is a closely-held corporation. The Company was incorporated on March 3, 2005, and is engaged in the industry and trade of minerals in general, in the Brazilian territory, comprising research, mining, geological services, processing, import, export and trade of mineral, chemical and industrial products. The Company's head office is located at Rua Paraíba, 1.000, 2nd floor, Funcionários, Belo Horizonte, Minas Gerais, Brazil.

(a) covid-19 (Coronavirus) Impacts

Despite the financial year ending on December 31, 2022, being the third 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 26, 2023.

2. Accounting Policies

The principal accounting policies applied in preparing these financial statements are set out below. These policies were applied on a consistent basis for every fiscal year presented.

2.1 Preparation Basis

The financial statements were prepared following the Brazilian accounting practices, including the standards issued by the Committee of Accounting Pronouncements (CPC) and the International Financial Reporting Standards (IFRS), issued 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 Management in its 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, in the process of applying its accounting policies. Note 3 discloses the areas that need a higher level of appraisal or entail greater complexity and where assumptions and estimates are significant for the financial statements.

2.2 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 has assessed and concluded that these items did not have a practical impact on its accounting statements to the extent of regulation of the mentioned standards.

2.3 Foreign currency translation

(a) Functional currency and presentation currency

The items included 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 loans and cash and cash equivalents are presented in the income statement as financial income or expense.

2.4 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.

2.5 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 of financial assets

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

• Cash and cash equivalents; and

• Restricted Funds.

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 Restricted funds

Refer to financial guarantee agreements that require payment for reimbursement of the secured party for losses incurred by it when the Company fails to make the payment due, according to the terms of the corresponding debt instrument. During the contracted period, these amounts remain unavailable. Restricted funds are financial investments initially recognized at fair value and, subsequently, at amortized cost.

2.7 Taxes recoverable

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

2.8 Fixed Asset

(a) Recognition and measurement

Buildings, machinery and equipment, vehicles, peripheral computers, furniture and fixtures 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 recorded 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

Fixed asset items 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, fixed asset items 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: from 10 to 60 years;
- Machinery and equipment: from 5 to 30 years;
- Furniture and fixtures: from 2 to 30 years; and
- Other assets: from 2 to 30 years.

2.9 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 five 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 proven reserves.

2.10 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 will be reviewed based on the economic feasibility study, which meets the impairment assessment requirements set forth in CPC 01/IAS 36. Cash flows are based on the following:

• 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.

Intangible assets with indefinite useful life, that are not yet amortized, are tested concerning loss on impairment annually on December 31, individually or at the level of the cash-generating unit, as the case may be, or when the circumstances indicate loss on impairment of the book value.

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

2.11 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.

2.12 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 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 borrowings costs are expenses in the period they are incurred. Costs of borrowings include interest and other costs incurred by the Company in connection with the borrowings.

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.

2.13 Provisions

Provisions are recognized when the Company has a present or no formal obligation (constructive obligation) due to past events. Funds will probably be required to settle the obligation and the reasonably estimated amount. 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 probability of settlement related to any item included 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.

2.14 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 are 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.

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 recognize deferred tax assets, as it is in the research phase.

2.15 Capital stock

Common shares are classified in the shareholders' equity.

2.16 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).

3. Critical accounting estimates and judgments

The accounting estimates and judgments are reviewed on an ongoing basis and based on historical experience and other factors considered relevant in the circumstances.

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) Operational Continuity

The Company's Management prepared its financial statements assuming the continuity of its operations and considers in its main action the financial support from its controlling shareholder to assure that liquidity is adequate and available to cover contractual obligations and to 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

borrowings transactions for payment of exploration, research, survey and administrative expenses do not provide for levy of interest. Accordingly, adjustments at fair value adopted are conducted to reflect funding cost in an environment of free competition, where the discount rate used should reflect the current market assessments, the time value of money and specific risks of the transactions.

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

(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.

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

The reasonable scenario considered was the US dollar closing rate. 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	Reaso-nable scenario	Adverse scenario I (25%)	Adverse scenario II (50%)
Borrowings with related parties (liability)	30,653	5,2177	159,941	199,925	239,910
Impact on the result of the period (expense)			-	(39,985)	(79,970)

(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 activities. This condition is obtained, essentially, with financial funds from its controlling shareholder.

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

(d) Financial instruments by category

The main Company's financial instruments are: cash and cash equivalents, restricted funds, trade payables, related parties, and borrowings.

		2022	2021
Assets	**Category**		
Cash and cash equivalents	at amortized cost	829	2,141
Restricted Funds	at amortized cost	863	736
		1,692	2,877
Liabilities	**Category**		
Suppliers	at amortized cost	446	91
Related parties	at amortized cost	628	370
Borrowings	at amortized cost	160,206	171,413
		161,280	171,874

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 and market values for the Company's financial instruments.

5. Cash and cash equivalents

	2022	2021
Bank deposits	13	135
Short-term investments	816	2,006
	829	2,141

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").

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

6. Restricted Funds

By virtue of a court decision, through litigation, a financial guarantee (surety) was contracted to cover probable pecuniary debt related to labor amounts not calculated by KVN South America Mineração, for which Minas Bahia is jointly responsible.

The surety without maturity date was adjusted using the INPC (Brazilian Consumer Price Index) as well as based on compliance with the agreement for the said surety. The Company's CDB-DI investments amount to R$ 863 (2021 – R$ 736), without immediate liquidity and with its profitability related to CDI (Interbank Deposit Certificates). The CDB-DI are low-credit risk investments in Brazilian currency, with Itaú Unibanco as the surety guarantor.

7. Fixed Asset

	Edificações	Máquinas e equipamentos	Móveis e utensílios	Outros	Total
Cost					
January 1, 2021	5,574	960	291	495	7,320
December 31, 2021	**5,574**	**960**	**291**	**495**	**7,320**
Accrued depreciation					
January 1, 2021	(3,177)	(719)	(218)	(495)	(4,609)
Depreciation	(70)	(47)	(16)	-	(133)
December 31, 2021	**(3,247)**	**(766)**	**(234)**	**(495)**	**(4.742)**
Balance					
Total cost	5,574	960	291	495	7,320
Accrued depreciation	(3.247)	(766)	(234)	(495)	(4,742)
December 31, 2021	**2,327**	**194**	**57**	**-**	**2,578**
Cost					
January 1, 2021	5,574	960	291	495	7,320
December 31, 2022	5,574	960	291	495	7,320
Accrued depreciation					
January 1, 2021	(3,247)	(766)	(234)	(495)	(4,742)
Depreciation	(69)	(43)	(15)	-	(127)
December 31, 2022	(3,316)	(809)	(249)	(495)	(4,869)
Balance					
Total cost	5,574	960	291	495	7,320
Accrued depreciation	(3,316)	(809)	(249)	(495)	(4,869)
December 31, 2022	2,258	151	42	-	2,451

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

8. Intangible assets

	Direitos minerários	Softwares	Total
Cost			
January 1, 2021	1,543	178	1,721
December 31, 2021	**1,543**	**178**	**1,721**
Accrued amortization			
January 1, 2021	-	(178)	(178)
December 31, 2021	**-**	**(178)**	**(178)**
Balance			
Total cost	1,543	178	1,721
Accrued amortization	-	(178)	(178)
December 31, 2021	1,543	-	1,543
Cost			
January 1, 2022	1,543	178	1,721
Write-offs (i)	(1,543)	-	(1,543)
December 31, 2022	-	178	178
Accrued amortization			
January 1, 2022	-	(178)	(178)
December 31, 2022	-	(178)	(178)
Balance			
Total cost	-	178	178
Accrued amortization	-	(178)	(178)
On December 31, 2022	-	-	-

(i) In 2022, Company recognized a write-off of cost of mining rights that are not part of the Company's strategic mineral portfolio.

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

9. Related party

(a) Transactions and balances

Balances with related parties have the following composition:

	2022		2021	
	Current liabilities	Financial result	Current liabilities	Financial result
Bahia Mineração S.A. (i)	628	33	370	(58)
	Non-Current liabilities	Financial result	Non-Current liabilities	Financial result
Bahia Minerals B.V. (ii)	159,941	11,238	171,061	(11,764)
Bahia Mineração S.A. (ii)	265	(87)	352	(26)
	160,206	11,151	171,413	(11,790)
Balance on December 31	160,834	11,184	171,783	(11,848)

(I) COST SHARING AGREEMENT

Company shares the cost of administrative expenses (“cost sharing”) with Bahia Mineração S.A. (“BAMIN”). The cost sharing agreement adjusts the amounts using an inflation index that calculates it until the payment date.

(II) BORROWINGS AGREEMENTS

The loans between the Company and BAMIN, as well as the borrowing agreements under the Profit Participating Loans format (note 2.12), with Bahia Minerals B.V., have a discount rate of 7% (2021, 7%), where the costs of loans and borrowings, under the Profit Participating Loans format, were R$129 (2021, R$23,822), as well as estimated payments for the year 2027 and a fair value adjustment of R$11,313 (2021, R$11,974).

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

(b) Transactions

	2022	2021
Balance on January 1	171,783	159,890
Cost sharing of expenses	235	45
Interest and exchange variation, net	129	23,822
Fair value adjustments	(11,313)	(11,974)
Balance on December 31	160,834	171,783

10. Provisions for labor risks

	2022	2021
Labor	386	343

The Company has provisions for labor amounts not calculated by KVN South América Mineração, which the Company is jointly responsible for, calculated by the legal consultants as representing a potential risk.

RISKS OF LOSSES DEEMED POSSIBLE
AND THEREFORE NOT PROVISIONED

On the December 31, 2022 base date, no contingent liabilities were identified from labor claims (in 2021, the amount was R$188). Our legal advisors are monitoring these litigations and consider the loss possible; therefore, they are not accrued. 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 given the nature of the taxes. Consequently, contingencies that may arise from inspections cannot be determined presently.

11. Environmental recovery

	2022	2021
Environmental recovery	1,908	619

The Company 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 given 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.

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

12. Negative net equity

(a) Capital stock

The authorized capital stock is represented by 296,866 shares of R$1.00 each, distributed into 296,865 shares belonging to Bahia Minerals B.V. and the one remaining to Bahia Mineração S.A.

(b) Capital contributions

The accrued amount of R$ 57,809 represents the capital contributions on December 31, 2022 and 2021.

According to the CPC 32 / IAS 12, the deferred tax is not recognized as a capital contribution, for it does not lead to a temporary difference between the book value and the tax base for equity balance. The capital contribution is not subject to any taxes in Brazil.

13. General and administrative expenses

	2022	2021
Consulting, accessories and general services	1,425	346
Short-Term leasing	334	-
Payroll	176	32
Depreciation and amortizations	127	133
Insurance, facilities and utilities	44	-
Travels and lodging and corporate events	1	226
Other	66	79
	2,173	816

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

14. Other revenues (expenses), net

	2022	2021
Provisions for labor risks	43	49
Write-off of provisions for labor risks	-	(56)
Provisions for degraded areas recovery	1,289	244
Loss from the write-off of intangible asset	1,543	-
Other	-	17
	2,875	254

15. Financial result

	2022	2021
Financial revenue		
Revenue from financial investments	271	116
Fair value adjustments	11,313	11,974
Exchange rate variation on borrowings	11,009	-
	22,593	12,090
Financial expenses		
Interest on borrowings	(11,138)	(11,661)
Exchange rate variation on borrowings	-	(12,160)
Other financial expenses	(3)	(3)
	(11,141)	(23,824)
	11,452	(11,734)

Composition of Officers and General Financial Management

DECEMBER 31, 2022

Officers

Eduardo Ledsham
Chief Executive Officer

Alexandre Aigner
Officer

General Financial Management

Pedro Machado
Finance General Manager

Rilson Cruz
Accountant
CRC BA 036891/O-5

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