Financial statements

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

PEDRA CINZA MINERAÇÃO LTDA.

Index

BAMIN

Management's Report

DECEMBER 31, 2022

Operations

Pedra Cinza Mineração Ltda. ("Company" or "Pedra Cinza") is a limited liability company, incorporated on July 28, 2005, and is 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, and it may hold interest in the capital of other companies, as partner, quotaholder or shareholder. The Company's head office is located at Avenida Professor Magalhães Neto, 1752, 13th floor, Pituba, Salvador, Bahia, Brazil.

The Company is in the research stage, currently conducting preliminary studies and surveys in the Center-South region of the state of Bahia, close to the cities of Caetité and Licínio de Almeida, to explore iron, and in the Northwestern region of the state of Bahia, about 6 km from the city of Lapão, to explore zinc and lead. The preliminary studies and surveys have not provided a geological definition of the mineral reserves so far.

On December 31, 2022, the Company presented a negative net current capital amounting to R$ 3,494 (2021, R$ 7,032). It also accrued an accounting loss of $ 142,425 (2021, R$ 96,830). The ERG S.á r.l Group ("ERG Group") financially supports the Company with Bahia Minerals B.V. ("BM BV"), a controlling quotaholder, providing the funds required for the continuity of the Company's operating activities.

Capital stock

The authorized capital stock is represented by shares of R$1.00 each, whose paid-in amount corresponds to R$81,876 and the remaining unpaid amount of R$42,579.

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 the financial support from its controlling shareholder as its primary action plan to ensure 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.

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
Officers

Alexandre Aigner
Officers

Building a better
working world

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Independent Auditor's Report

To
Managers and Shareholders of
Pedra Cinza Mineração Ltda.
Salvador - Bahia

Opinion

We have assessed the accounting statements of Pedra Cinza Mineração Ltda. ("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.

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 Opinion

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 Notes 6 and 7 to the financial statements, which indicate that the Company has made significant capital expenditures, primarily for property, plant and equipment and exploration licenses, 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.

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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 sheets

DECEMBER 31

IN THOUSANDS OF BRAZILIAN REAIS

	Note	2022	2021
Asset			
Current			
Cash and cash equivalents	5	14,685	3,211
Other assets		129	268
		14,814	3,479
Non-current			
Long-term receivables			
Recoverable taxes		56	12
		56	12
Fixed assets	6	1,120	120
Intangible assets	7	3,031	29,425
		4,151	29,545
Total assets		19,021	33,036

(continued)

	Note	2022	2021
Liability			
Current			
Trade payables	8	7,136	4,926
Related Parties	9	9,353	4,526
Other liabilities		1,817	1,059
		18,306	10.511
Non-current			
Related Party	9	17,411	21,314
Provisions for labor risks	10	346	233
Environmental recovery	11	35,843	52,814
		53,600	74,361
Total liabilities		71,906	84,872
Negative net equity			
Capital stock	12	81,876	37,447
Capital contributions	12	7,664	7,547
Accumulated losses		(142,425)	(96,830)
		(52,885)	(51,836)
Total liabilities and Negative net equity		19,021	33,036

Income statement

YEARS ENDED ON DECEMBER 31

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

	Note	2022	2021
General and administrative expenses	13	(43,434)	(11,517)
Other expenses, net	14	(8,017)	(33,615)
Operational result		(51,451)	(45,132)
Financial revenue		8,069	28
Expenses revenue		(2,213)	(2,243)
Financial result	15	5,856	(2,215)
Profit (loss) before the income tax and social contribution		(45,595)	(47,347)
Taxes on income		-	-
Loss for the fiscal year		(45,595)	(47,347)

Comprehensive income statement

YEARS ENDED DECEMBER 31

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE
(A FREE TRANSLATION OF THE ORIGINAL IN PORTUGUESE)

	2022	2021
Loss for the fiscal year	(45,595)	(47,347)
Other comprehensive income	-	-
Total comprehensive income from the fiscal year	(45,595)	(47,347)

Changes in the negative net equity statement

YEARS ENDED DECEMBER 31

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE
(A FREE TRANSLATION OF THE ORIGINAL IN PORTUGUESE)

	Note	Subscribed capital	Unpaid capital	Accumulated capital contribution	Accumulated losses	Total
January 1, 2021.		**71,655**	(37,800)	**7,446**	(49,483)	**(8,182)**
Incorporation of capital stock	12	**-**	3,592	**-**	-	**3,592**
Capital contributions	12	**-**	-	**101**	-	**101**
Loss for the fiscal year		**-**	-	**-**	(47,347)	**(47,347)**
December 31, 2021		**71,655**	(34,208)	**7,547**	(96,830)	**(51,836)**
Increase of the capital stock		**52,800**	(52,800)	**-**	-	**-**
Incorporation of capital stock	12	**-**	44,429	**-**	-	**44,429**
Capital contributions	12	**-**	-	**117**	-	**117**
Loss for the fiscal year		**-**	-	**-**	(45,595)	**(45,595)**
December 31, 2022		**124,455**	(42,579)	**7,664**	(142,425)	**(52,885)**

Cash flows statement

YEARS ENDED ON DECEMBER 31

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE
(A FREE TRANSLATION OF THE ORIGINAL IN PORTUGUESE)

	Note	2022	2021
Cash flow of operational activities			
Loss for the fiscal year		(45,595)	(47,347)
Adjustments for reconciliation of loss of the fiscal year			
Depreciation and amortization	6 and 7	30	21
Provisions and write-offs, net	14	(16,858)	37,239
Losses from the write-off of intangible assets (fixed assets)	6 and 7	28,161	29
Fair value adjustment with borrowings	9	(7,857)	-
Interest and exchange variation	9	2,014	2,224
Changes in working capital			
Trade payables	8	2,210	4,496
Related parties	9	4,582	493
Other assets and liabilities		855	674
Net cash used for investment activities		(32,458)	(2,171)
Investment activities			
Acquisition of intangible assets	7	(2,583)	-
Acquisition of fixed assets	6	(215)	(5)
Net cash used for Investment activities		(2,798)	(5)
Financing activities			
Capital stock contribution from shareholders		44,429	3,592
Borrowings from related parties	9	2,184	831
Capital contributions from related parties	9	117	101
Net cash from financing activities		46,730	4,524
Increase in cash and cash equivalents		11,474	2,348
Cash and cash equivalents at the beginning of the year	5	3,211	863
Cash and cash equivalents at the end of the year	5	14,685	3,211

Management explanatory notes to financial statements

DECEMBER 31

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

1. Operations

Pedra Cinza Mineração Ltda. ("Company" or "Pedra Cinza") is a limited liability company, incorporated on July 28, 2005, and is 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, and it may hold interest in the capital of other companies, as partner, quotaholder or shareholder. The Company's head office is located at Avenida Professor Magalhães Neto, 1752, 13th floor, Pituba, Salvador, Bahia, 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 main accounting policies applied in preparing these financial statements are below. These policies were applied consistently for every year presented, unless otherwise indicated.

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), 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 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, in the process of applying its accounting policies. Note 3 discloses the areas that need a higher level of review 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 is assessing the actual impact these items may have 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 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.

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 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 category "measured by amortized cost. The classification of financial assets usually revolves around the business model adopted and its contractual cash flow characteristics.

(a) Recognition and derecognition

Regular acquisitions and sales of financial assets are recognized on the trading date the Company undertakes to purchase or sell the asset. The financial assets are derecognized when the rights to receive cash flows are expired or have been transferred and the Company has materially transferred all the risks and benefits regarding the ownership.

(b) Measurement

During the initial recognition, the Company measures a financial asset according to a fair value plus transaction costs directly related to acquiring the financial asset. Then, the asset is measured by the amortized cost based on the actual interest rate.

(c) Impairment of financial assets

The Company holds cash and cash equivalent as financial assets subject to the expected loss of credit as per CPC 48 / IFRS 9. 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 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 borrowings 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

Plant, property and equipment are depreciated pursuant 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 the 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: 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.

2.7 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.

2.8 *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 sales 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 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 an 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.

2.9 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.

2.10 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. 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 borrowing costs are spent in the period as 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 loan agreements with its controlling shareholder and with the subsidiaries of its controlling shareholder. The funds received under the loan agreements represent borrowings and capital contributions. The difference between the number of borrowings initially recognized at fair value and the amount received under the loan agreements is recognized as capital contribution in the shareholders' equity.

2.11 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 amount was fairly estimated. Provisions are 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.

2.12 Tax income and current and deferred social contribution

The Company is in a research phase, with no income or revenue 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.

2.13 Capital stock

The quotas are classified in the shareholders' equity.

2.14 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

AThe 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 considerable 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 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

Borrowings transactions, required for the settlement of the Company's obligations, do not provide for levy of interest. 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) 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 the proved reserves.

(d) Environmental recovery

The Company uses judgments and assumptions to measure its obligations related to the provision for recovery of degraded areas and these judgments and assumptions follow the guidelines set forth by the Regulatory Resolution of COPAM (State Council for Environmental Policy) No. 145, used by the environmental agency of the State of Minas Gerais to measure and classify environmental impacts of mineral projects exhausted and under decommission. The accrued amount was calculated in market values for hiring specialized labor, lease of machinery and equipment, removal of piles, disassembly of machines, buildings, recovery and reforestation of affected areas.

4. Financial risk management

(a) 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.

(b) Liquidity risk

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

(c) Financial instruments by category

The main Company's financial instruments are cash and cash equivalents, related parties, suppliers, borrowings, and financings.

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

Assets	Category	2022	2021
Cash and cash equivalents	at amortized cost	14,685	3,211
		14,685	3,211
Liabilities	**Category**		
Suppliers	at amortized cost	7,136	4,926
Related Parties	at amortized cost	9,353	4,526
Borrowings	at amortized cost	17,411	21,314
		33,900	30,766

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
Short-term investments	14,149	3,010
Sight bank deposits	534	201
Cash funds	2	-
	14,685	3,211

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. Fixed asset

	Lands	IT equipment	Furniture	Enhance-ments	Others	Total
Cost						
January 1, 2021	-	**3**	141	**17**	30	**190**
Additions	-	**4**	-	**-**	1	**5**
Write-offs (i)	-	**-**	-	**-**	(29)	**(29)**
December 31, 2021	-	**7**	141	**17**	1	**167**
Accrued amortization						
January 1, 2021	-	**-**	(14)	**(17)**	-	**(31)**
Depreciation	-	**(1)**	(14)	**-**	(1)	**(15)**
December 31, 2021	-	**(1)**	(28)	**(17)**	(1)	**(46)**
Balance						
Total Cost	-	**7**	141	**17**	2	**167**
Accrued depreciation	-	**(1)**	(28)	**(17)**	(1)	**(47)**
December 31, 2021	-	**6**	113	**-**	1	**120**

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

(continued)

	Lands	IT equipment	Furniture	Enhance-ments	Others	Total
Cost						
January 1, 2022	-	7	141	17	2	167
Additions	-	133	37	45	-	215
Other movements (i)	810	-	-	-	-	810
December 31, 2022	810	140	178	62	2	1,192
Accrued amortization						
January 1, 2022	-	(1)	(28)	(17)	(1)	(47)
Depreciation	-	(5)	(16)	(4)	-	(25)
December 31, 2022	-	(6)	(44)	(21)	(1)	(72)
Balance						
Total Cost	810	140	178	62	2	1,192
Accrued depreciation	-	(6)	(44)	(21)	(1)	(72)
December 31, 2022	810	134	134	41	1	1,120

(i) Additions of R$ 810 in the land group represent non-cash transactions.

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

7. Intangible assets

	Mining rights (i)	Others	Total
Cost			
January 1, 2021	**29,405**	31	**29,436**
Additions	**-**	-	**-**
December 31, 2021	**29,405**	31	**29,436**
Accrued amortization			
January 1, 2021	**-**	(5)	**(5)**
Amortizations	**-**	(6)	**(6)**
December 31, 2021	**-**	(11)	**(11)**
Balance			
Total Cost	**29,405**	31	**29,436**
Accrued amortization	**-**	(11)	**(11)**
December 31, 2021	**29,405**	20	**29,425**
Cost			
January 1, 2022	**29,405**	31	**29,436**
Additions	**2,583**	-	**2,583**
Write-offs (ii)	**(28,161)**	(1)	**(28,162)**
Other movements (iii)	**(810)**	-	**(810)**
December 31, 2022	**3,017**	30	**3,047**
Accrued amortization			
January 1, 2022	**-**	(11)	**(11)**
Amortizations	**-**	(5)	**(5)**
December 31, 2022	**-**	(16)	**(16)**
Balance			
Total Cost	**3,017**	30	**3,047**
Accrued amortization	**-**	(16)	**(16)**
December 31, 2022	**3,017**	14	**3,031**

(i) 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 the proved reserves.

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

(ii) Corresponds to mining rights transferred to Companhia Bahia Mineração by way of a non-burdensome assignment in the amount of R$ 27,276. The amount of R$ 885 refers to the mineral rights that have been made available and assigned free of charge to the ANM and unrelated companies, as Pedra Cinza will not make any additional efforts to exploit the corresponding mineral rights.

(iii) The amount of R$810 corresponds to mining rights subsequently recognized as property, plant and equipment.

8. Trade payables

	2022	2021
Prospection and surveys	4.054	1,716
Vegetation removal and reforesting	676	1,957
Advisory and consulting	1,762	655
Equity security	528	394
Oher	116	204
	7,136	4,926

9. Related Parties

(a) Transactions and balances

	2022		2021	
	Non-current liability	Financial result	Non-current liability	Financial result
Bahia Mineração S.A. (i)	9,353	(244)	4,526	(689)
	Non-current liability	Financial result	Non-current liability	Financial result
Bahia Mineração S.A. (ii)	17,411	6,087	21,314	(1,535)
Balance on December 31	26,764	5,843	25,840	(2,224)

(i) Cost sharing agreement

Company signed an administrative cost sharing agreement with Bahia Mineração S.A. (“BAMIN”). The agreement provides for the adjustment of the proportional amounts making use of the inflation rate up to the date of payment.

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

(ii) Borrowings agreements

The borrowing agreements between the Company and BAMIN have a discount rate in 2022 of 10.25% (2021, 9.25%), with a borrowing cost of R$ 1,770 (2021, R$ 1,535), an estimated payment date of 2027 and a gain from updating the fair value due to a re-estimate of the payment period of R$ 7,857 (2021, R$ 0).

(b) Transactions

	2022	2021
Balance on January 1	25,840	22,292
Funds raised	6,884	1,425
Interest and Exchange variation, net	2,014	2,224
Capital contributions	(117)	(101)
Fair value adjustment	(7,857)	-
Balance on December 31	26,764	25,840

10. Provision for labor risks

	2022	2021
Labor	346	233

The Company had exclusively-dedicated consultants, who received salaries through legal entities. Based on a joint analysis with its legal advisors, the Company decided to recognize a provision for contingencies to cover probable losses on lawsuits, which would be required to settle labor obligations should the consultants be hired as employees of the Company.

(a) Risks of losses deemed possible and therefore not provisioned

As of December 31, 2022, at the Civil level, there were also identified certain contingent liabilities in the amount of R$ 2.853 (2021, R$ 2.341), not provisioned and with potential risk. These litigations are currently being discussed and monitored by our legal advisors.

As informed by the legal advisors, no other lawsuits against the Company could impact its financial statements and require recognition of additional provisions.

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

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 presently determined.

11. Environmental recovery

	2022	2021
Provision for the recovery of degraded areas	**35,843**	52,814

For the amounts recognized, the Company uses judgments and assumptions to measure its obligations related to provision for recovery of areas degraded by mining activity conducted by the corporate group that held the economic rights of the Company until the year 2012, when ERG Group acquired the economic rights of the Company.

The accrued amount is for estimated amounts of environmental recovery and disassembly of structures as part of the obligations under the Recovery Plan for Degraded Areas ("PRAD").

The previous estimates followed the guidelines set forth by the Regulatory Resolution of COPAM (State Council for Environmental Policy) No. 145, used by the environmental agency of the State of Minas Gerais to measure and classify the environmental impacts of mineral projects exhausted and under decommission. The accrued amount was calculated 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 2022, the provision for reclamation of degraded land was reversed as the mining rights associated with the reclamation obligations were transferred to unrelated parties (Note 7).

12. Negative net equity

(a) Capital stock

The authorized capital stock is represented by 124,455 (one hundred and twenty-four thousand and four hundred and fifty-five) quotas of R$1.00 each, which paid-in amount corresponds to R$ 81,876 and the remaining unpaid amount of R$42,579. In 2022, the controlling quotaholder paid R$ 44,429 (2021, R$ 3,592).

(b) Capital contributions

Capital contributions are represented by the accumulated amount of R$ 7,664 (2021 – R$ 7,547), and R$ 117 in 2022 (2021 – R$ 101).

IN THOUSANDS OF BRAZILIAN REAIS, EXCEPT WHEN INDICATED OTHERWISE

13. General and administrative expenses

	2022	2021
Consulting, advisories and general services (i)	33,325	8,361
Payroll	8,243	2,196
Other	1,866	960
	43,434	11,517

(i) In 2022, the Company invested significant resources in consulting and technical services related to prospecting and exploration studies for mining rights.

14. Other expenses, net

	2022	2021
Provision for labor risks	113	(90)
Reversion for the recovery of degraded areas	(16,971)	37,329
Revenue with leases	(3,313)	(3,678)
Loss from the write-off of intangible assets (note 7)	28,161	-
Other	27	54
	8,017	33,615

15. Financial result

	2022	2021
Financial revenue		
Revenue from financial investments	212	28
Fair value adjustments	7,857	-
	8,069	28
Expenses revenue		
Interest over borrowings	(2,014)	(2,224)
Other financial expenses	(199)	(19)
	(2,213)	(2,243)
	5,856	(2,215)

16. Subsequent Event

In February 2023, the Company acquired an option to purchase mining rights for R$ 9,979 as a strategy to diversify the portfolio of minerals that could be explored by the Company.

In April 2023, the Company signed an agreement to acquire mining rights for an initial amount of R$1,976 as a strategy to diversify the portfolio of minerals that could be explored by the Company.

In June 2023, the Company entered into an agreement to sell mineral rights for R$12,370 as part of the Company's plan to maintain in its portfolio only mineral rights that are consistent with the Company's mineral exploration strategy.

In September 2023, the ERG Group, through its controlling shareholder Bahia Minerals B.V. ("BM BV"), increased the Company's share capital by R$126,672 in order to provide the necessary funds to continue the Company's operations.

Composition of Officers and General Financial Management

DECEMBER 31, 2022

(A FREE TRANSLATION OF THE ORIGINAL IN PORTUGUESE)

Officers

Eduardo Ledsham
Officer

Alexandre Aigner
Officer

General Financial Management

Pedro Machado
Finance General Manager

Rilson Cruz
Accountant
CRC BA 036891/O-5

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