Individual and consolidated financial statements as at December 31, 2021 and the independent auditor's report

BAHIA MINERAÇÃO S.A. AND ITS SUBSIDIARY

(A FREE TRANSLATION OF THE ORIGINAL IN PORTUGUESE)

Index

BAMIN

Management report

December 31, 2021

(In thousands of Brazilian reals – R$)

Operations

Bahia Mineração S.A. and its subsidiary ("BAMIN" or "Company") is a closely-held corporation, incorporated on July 28, 2005, and are 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 subsidiary, on an exclusive basis, subject to burden, construction and provision of public cargo railway transportation services associated to the development of the railway infrastructure of section I of Ferrovia de Integração Oeste-Leste ("FIOL", West-East Integration Railway). BAMIN may also 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, 1,752, 15th floor, Pituba, Salvador - Bahia - Brazil.

Currently, the BAMIN's main focus is the development of Pedra de Ferro ("PdF") Project, which consists in 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, which will be 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.

In 2021, BAMIN won the auction of section I of Ferrovia de Integração Oeste-Leste, the purpose of which is the subconcession for completion of the construction and operation of the railway for the contractual term of thirty-five (35) years. The section of 537 km will work as a high-capacity connection for a lower cost between Pedra de Ferro Mine ("PdF Mine"), in Caetité, and the port terminal, Porto Sul.

BAMIN's port terminal, Porto Sul, will be built in the city of Ilhéus, in the South region of the state of Bahia and will be used to load the production of ore in vessels that will make the distribution to future customers. The Porto Sul works started in 2020 and shall conclude by 2026.

In 2021, the Company began the development stage of the Pedra de Ferro Project with a production of up 1 million tons of ore per year, whose purpose is the progress of the production process through the total capacity of PdF Mine, as well as the presentation of the Company's product to an active market of iron ore commodities. That is, provide a high-quality iron ore and produced according to the best sustainability practices. The most recent studies show that the project will have a production capacity of 26 million tons of iron ore per year and 20 years of estimated operation. The beginning of production, total capacity, is expected for the end of 2026.

The Company recorded for the year ended December 31, 2021 accumulated loss, individual and consolidated, the amount of R$1,681,341 (2020 – R$1,461,874, in company) and presented net working capital, individual and consolidated, in the amount of R$27,727 (negative) and R$217,669 (positive) (2020 – negative in R$43,959, in company). 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.

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.

Operational continuity

Despite of the challenges imposed by COVID-19 pandemic in 2021, the Company and its subsidiary adopted measures in conformity with the recommendations of the OMS and Ministry of Health, in order to protect the employees' health and ensure the prevention against the contamination of the administrative and operational areas, such as (a) remote work for administrative areas; (b) implementation of flexible working hours for the areas not suspended over the period; (c) thorough cleaning of work places and stations; (d) distribution of individual protection equipment; (e) periodical testing of all employees and third parties; and (f) measurement of body temperature, amongst others. The Company and its subsidiary did not verify impacts and/or events related to COVID-19 pandemic in the present or that otherwise would impact their future operations.

The Company's Management prepared its financial statements assuming the continuity of its operations, with the financial support from its controlling shareholder in order to assure the necessary liquidity to cover the contractual obligations assumed. The occurrence of these events in its entirety and in due time is considered critical by the Company's Management.

Management's responsibility

We confirm, to the best of our knowledge, that the Company's individual and consolidated financial statements ("financial statements") were prepared and are presented in accordance with 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 individual and consolidated financial position of the Company as of December 31, 2021, the individual and consolidated results of operations and individual and consolidated 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 2021 and until the date of signing of the financial statements of 2021 are set forth below.

Eduardo Ledsham
Chief Executive Officer

Alexandre Aigner
Executive Officer

Alberto Vieira
Executive Officer

(A free translation of the original in Portuguese)

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, 2021, 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, 2021, 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.

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.

- 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, July 29, 2022.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP 015.199/O-6

Daniel Peixoto

Daniel de Araujo Peixoto
Accountant CRC-1BA025.348/O-9

Balance sheet

December 31

(In thousands of Brazilian reals – R$)

	Note	Company 2021	Company 2020	Consolidated 2021
Assets				
Current assets				
Cash and cash equivalents	5	**16.319**	5,313	**273.289**
Trade receivables	6	**15,295**	2,385	**15.295**
Advances	7	**7,481**	391	**7.481**
Recoverable taxes	8	**7,930**	241	**7.930**
Inventories	9	**25,843**	2,256	**25.843**
Related parties	18	**12,192**	-	**4.895**
Other assets	10	**1,084**	719	**3.551**
		86,144	11,305	**338.284**
Non-current assets				
Long-term receivables				
Inventories	9	**47,344**	19,569	**47.344**
Related parties	18	**21,667**	22,884	**21,667**
Recoverable taxes	8	**320**	1,057	**710**
Other assets	10	**354**	361	**354**
		69,685	43,871	**70,075**
Investment in subsidiary	11	**279,259**	-	-
Property, plant and equipment	12	**1,372,115**	1,209,197	**1,372.858**
Intangible assets	13	**18,982**	18,592	**18,982**
Right of use	14	-	-	**32,730**
		1,670,356	1,227,789	**1,424,570**
Total assets		1,826,185	1,282,965	1,832,929
Liabilities				
Current liabilities				
Trade receivables	15	**62,474**	25,982	**67,440**
Tax and social security obligations	16	**24,574**	12,086	**26,352**

Explanatory notes are an integral part of these individual and consolidated financial statements.
(A free translation of the original in Portuguese)

(In thousands of Brazilian reals – R$)

		Company		Consolidated
	Note	2021	2020	2021
Trade payables	17	**13,906**	-	**13,906**
Socio-environmental commitments	18	**12,746**	17,135	**12,746**
Other liabilities		**171**	61	**171**
		113,871	55,264	**120,615**
Non-current liabilities				
Borrowings	19	**2,261,321**	1,792,442	**2,261,321**
Socio-environmental commitments	18	**12,653**	14,632	**12,653**
Environmental recovery	20	**78,106**	19,196	**78,106**
Provision for contingencies	21	**9,478**	17,729	**9,478**
Other liabilities		**325**	306	**325**
		2,361,883	1,844,305	**2,361,883**
Total liabilities		**2,475,754**	**1,899,569**	**2,482,498**
Negative equity				
Capital	22 (a)	**10,955**	10,955	**10,955**
Capital contribution	22 (b)	**1,020,817**	834,315	**1,020,817**
Accumulated losses		**(1,681,341)**	(1,461,874)	**(1,681,341)**
		(649,569)	(616,604)	**(649,569)**
Total liabilities and negative equity		**1,826,185**	**1,282,965**	**1,832,929**

Income statement

Years ended December 31

(In thousands of Brazilian reals – R$)

	Note	Company 2021	Company 2020	Consolidated 2021
Revenues	23	**359,626**	13,975	**359,626**
Cost of products sold	24	**(117,271)**	(12,481)	**(117,271)**
Gross profit		**242,355**	1,494	**242,355**
Distribution expenses	25	**(242,355)**	(1,494)	**(242,355)**
General and administrative expenses	26	**(99,019)**	(16,397)	**(125,247)**
Other revenues, net	27	**7,996**	4,485	**7,995**
Equity method	11	**(20,029)**	-	-
Loss before finance income (loss)		**(111,052)**	(11,912)	**(117,252)**
Finance income		**168,399**	149,560	**174.608**
Finance costs		**(276.814)**	(412.503)	**(276.823)**
Finance income (costs)	28	**(108.415)**	(262.943)	**(102,215)**
Loss before income tax and social contribution		**(219,467)**	(274,855)	**(219,467)**
Taxes on income		-	-	-
Loss for the year		**(219,467)**	(274,855)	**(219,467)**

Comprehensive income statement

Years ended December 31

(In thousands of Brazilian reals – R$)

	Company		Consolidated
	2021	2020	2021
Loss for the year, net	**(219.467)**	(274.855)	(219.467)
Other comprehensive income (loss)	-	-	-
Total comprehensive income (loss) for the year	**(219.467)**	(274.855)	(219.467)

Statements of changes in negative equity

Years ended December 31

(In thousands of Brazilian reals – R$)

	Note	Subscribed capital	Unpaid capital	Accumulated capital contribution	Accumulated losses	Total
As at January 1, 2020		11.595	(640)	803.644	(1.187.019)	**(372.420)**
Capital contribution	22 (b)	-	-	30.671	-	30.671
Loss for the year		-	-	-	(274.855)	(274.855)
As at December 31, 2020		11.595	(640)	834.315	(1.461.874)	**(616.604)**
Capital contribution	22 (b)	-	-	**186.502**	-	**186.502**
Loss for the year		-	-	-	**(219.467)**	**(219.467)**
As at December 31, 2021		**11.595**	**(640)**	1.020.817	(1.681.341)	**(649.569)**

Cash flow statement

Years ended December 31

In thousands of Brazilian reals – R$)

	Note	Company		Consolidated
		2021	2020	2021
Cash flow from operating activities				
Loss for the year		**(219.467)**	(274.855)	(219.467)
Adjustments for reconciliation of net loss for the year				
Depreciation and amortization		**4.237**	2.360	4.237
Provisions for contingencies	27	**(9.673)**	(6.210)	(9.673)
Reversals of provisions for contingencies	27	**1.422**	1.477	1.422
Recovery of general and administrative expenses		**(415)**	(1.438)	(415)
Equity interest	11	**20.029**	-	-
Interest and exchange rate changes, net of capitalization	28	**113.870**	262.038	113.870
Changes in current capital				
Inventories	9	**(49.026)**	(1.854)	(49.026)
Trade receivables	6	**(12.910)**	(2.385)	(12.910)
Related parties	18	**(9.413)**	(4.844)	(2.116)
Recoverable taxes	8	**(6.912)**	2.449	(7.302)
Other		**(7.295)**	(285)	(9.761)
Trade payables	15	**36.493**	16.084	41.459
Tax and social security obligations	16	**12.488**	3.524	14.266
Trade payables	17	**13.906**	-	13.906
Social and environmental commitments	18	**10.041**	(6.843)	10.041
Net cash used in operating activities		(102.625)	(10.782)	(111.469)

Explanatory notes are an integral part of these individual and consolidated financial statements.
(A free translation of the original in Portuguese)

(IN THOUSANDS OF BRAZILIAN REALS – R$)

		Company		Consolidated
	Note	2021	2020	2021
Cash flow from investing activities				
Acquisition of property, plant and equipment	12	**(74.213)**	(88.945)	(74.956)
Acquisition of intangible assets	13	**(1.017)**	(743)	(1.017)
Acquisition of subsidiary	11	**(299.287)**	-	-
Acquisition of use right	14	**-**	-	(32.730)
Net cash used in investing activities		(374.517)	(89.688)	(108.703)
Cash flow from financing activities				
Related-party loans	19 (b)	**301.646**	73.006	301.646
Contributions to related-party capital	19 (b)	**186.502**	30.671	186.502
Net cash generated from financing activities		488.148	103.677	488.148
Increase in cash and cash equivalents		**11.006**	3.207	267.976
Cash and cash equivalents at the beginning of the year	5	**5.313**	2.106	5.313
Cash and cash equivalents at the end of the year	5	16.319	5.313	273.289

Management explanatory notes to financial statements

December 31, 2021

(In thousands of Brazilian reals – R$, unless otherwise stated)

1. Operations

Bahia Mineração S.A. and its subsidiary ("BAMIN" or "Company") is a privately held corporation, incorporated on July 28, 2005, and are 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 subsidiary, Bahia Ferrovias S.A. ("BAMIN Ferrovias"), on an exclusive basis, subject to burden, construction and provision of public cargo railway transportation services associated to the development of the railway infrastructure of section I of Ferrovia de Integração Oeste-Leste ("FIOL"). BAMIN may also 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, 1,752, 15th floor, Pituba, Salvador - Bahia - Brazil.

(a) COVID-19 (Coronavirus) Impacts

Despite of the challenges imposed by COVID-19 pandemic in 2021, the Company and its subsidiary adopted measures in conformity with the recommendations of the OMS and Ministry of Health, in order to protect the employees' health and ensure the prevention against the contamination of the administrative and operational areas, such as (a) remote work for administrative areas; (b) implementation of flexible working hours for the areas not suspended over the period; (c) thorough cleaning of work places and stations; (d) distribution of individual protection equipment; (e) periodical testing of all employees and third parties; and (f) measurement of body temperature, amongst others. The Company and its subsidiary did not verify impacts and/or events related to COVID-19 pandemic in the present or that otherwise would impact their future operations.

(b) Approval of the financial statements

These financial statements were approved by the Company's Board of Executive Officers on July 29, 2022.

2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies were applied on consistent basis for every year presented.

2.1 Preparation basis

The individual and consolidated financial statements ("financial statements") were prepared in accordance with 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 base of value and adjusted to reflect losses or gains from fair value of certain financial instruments.

The preparation of the financial statements requires the use of certain critical accounting estimates and judgment by the Company's management, in the process of application of its accounting policies. Note 3 discloses the areas that require a higher level of judgment or entail greater complexity, and the areas where assumptions and estimates are significant for the financial statements.

As described in Note 2.20, the Company began to disclose, in this financial statements, the distribution expenses in a separate account in its income statement.

2.2 Consolidation basis

The consolidated financial statements comprise BAMIN's and its subsidiary's financial statements as at December 31, 2021. The shareholding control is obtained when the Company is exposed or is entitled to variable returns based on its operations with the investee and has the capacity to impact these returns through the power exercised in relation to the investee.

The consolidation of a subsidiary begins when the Company holds the shareholding control regarding the subsidiary and ends when the Company no longer exercises such shareholding control. Assets, liabilities and profit or loss of a subsidiary acquired or sold during the year are included in the consolidated financial statements from the date the Company has obtained the shareholding control to the date the Company no longer holds the shareholding control over the subsidiary.

In the individual financial statements, the Company's investments in its subsidiary are accounted for on the equity basis of accounting.

BAMIN's basis for consolidation, beginning on July 19, 2021, includes the financial statements of Bahia Ferrovias S.A. ("BAMIN Ferrovias"), which is a corporation, mainly engaged, on an exclusive basis, subject to burden, in the construction and provision of public cargo railway transportation services associated to the development of the railway infrastructure of EF-334, in the stretch between Ilhéus/BA and Caetité/BA, with extension of 537 Km ("FIOL 1"), under the terms and conditions set forth in the Subconcession Agreement entered into between the Company and the National Agency of Land Transportation ("ANTT"). The Company holds 100% of the BAMIN Ferrovias' capital.

2.3 New standards, interpretations and revisions issued

(a) New or reviewed pronouncements applied for the first time in 2021

During the fiscal year of 2021, the Committee of Accounting Pronouncements (CPC) and IASB reviewed the standards listed below, these new reviews already in force said year. Such accounting pronouncements became effective as of January 1, 2021, with the amendments assessed by the Company's Management. There have been no impacts over the financial statements with their enforcement.

- CPC 06 (R2) / IFRS 16 - Leases;
- CPC 11 / IFRS 4 – Insurance Agreements;
- CPC 15 (R1) / IFRS 3 – Business Combinations;
- CPC 25 / IFRS 37 – Provisions and Contingent Liabilities and Assets;
- CPC 27 / IAS 16 – Property, plant, and equipment;
- CPC 40 / IFRS 7 – Financial Instruments; Disclosure; and
- CPC 48 / IFRS 9 – Financial Instruments

IASB has also been working 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 26 (R1) / IAS 1 – Presentation of Financial Statements;
- CPC 23 / IAS 8 – Accounting policies, Change of Estimate and Rectification of Error; and
- CPC 50 / IFRS 17 – Insurance Agreement;

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

2.4 Foreign Currency Conversion

(a) Functional 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 Reals ("R$"), which is the functional currency of the Company.

(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 in 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 for the year as financial income or expense. All other losses or gains on exchange are presented under "Other revenues, net".

2.5 Cash and Cash Equivalents

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

2.6 Financial assets

The Company classifies, measures and recognizes its financial assets under the category "measured at amortized cost". 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 date of trading, 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 transferred substantially 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 equivalent;
- Trade receivables; and
- Loans granted to related parties.

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

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 losses expected for the total balance of trade receivables. However, the Company does not have history of losses on trade receivables or indications of losses and therefore it does not recognize losses on trade receivables.

2.8 Inventories

Inventories are stated at the lower between cost and the net realizable value. The method of assessment of inventories 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 process comprises costs of production, extraction, direct labor, depreciation, other direct costs and the respective direct production expenses (based on the Company's capacity, 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 at development 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 produced under the best sustainability practices.

Inventories classified as current assets are those that the Company expects to trade by the end of the subsequent year. Products recorded in non-current assets are those that the Company expects to process and trade after the construction and installation of the processing plant of PdF Mine. More recent studies confirmed that the project will begin the production with total capacity, estimated for the end of 2026.

2.9 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.

2.10 Property, plant, and equipment

(a) Recognition and measurement

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

The original cost of property, plant and equipment includes expenditures directly attributable to 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 separated asset, as applicable, solely when future economic benefits associated with the item will be probably recorded and as regards to those cases in which the cost of the item may be measured accurately. The book value of replaced items or parts is recorded as expense when the criteria of recognition of property, plant and equipment are not observed.

The residual values and the useful lives of the assets 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 pursuant to the linear method in our income statement based on the estimated economic useful life of each component. 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 that they are installed and become available for use, or in case of constructed assets, from the date that 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 benefit 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 Project in Caetité and Porto Sul Project 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 in accordance with the purpose intended by the Company's Management.

The Company capitalizes the costs incurred with the development of the infrastructure of PdF Project and Porto Sul Project, which costs include basically the following: prospection, geology, topography, oversight, payroll and charges, consulting and other expenses, technical studies and other additional costs.

Expenditures related to the growth of the production scale of the Company, through the net margin equal to zero approach, also form assets under construction, since the Company's development activities contribute to the infrastructure development of PdF Project.

The capitalization of the costs related to the infrastructure development of PdF Project and Porto Sul Project also includes the loan costs. That is, the interest arising from related-party loans, in foreign currency, qualified as financial charges of the operations, comprise the Company's assets under construction.

2.11 Intangible assets

(a) Softwares

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

Costs associated to maintenance of software are recognized as expense, as 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 total amount of proved reserves.

2.12 *Non-financial asset impairment losses*

Assets that are 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 book value of the asset 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.

The cash flows contained in the BFS are based on:

- 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 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 Suppliers

Suppliers 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 Reals 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 borrowings costs are expensed in the period they are incurred. Costs of borrowings include interest and other costs incurred by the Company in connection with the borrowing.

The Company is a party to agreements of Profit Participating Loans (“PPL”) with its controlling shareholder and with the subsidiaries of its controlling shareholder. The funds received under the PPL agreements represent loans and capital contributions. The difference between the amount 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, it is possible an outflow may be required to settle the obligation and to 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 considering the class of obligations as a whole. A provision is recognized even when the probability of settlement related to any individual 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.

2.16 Income tax and social contribution, current and deferred

The Company is at development 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 contribution 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 the income tax reduction of 75%, from 2022 to 2031, according to report 0122/2021, of the Northeast Development Superintendency (SUDENE).

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 at development phase and does not have a history of taxable income.

2.17 Capital stock

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

2.18 Revenue recognition

(a) Iron ore sale revenue in 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 on the date revenue is recognized. Revenue adjustments are treated in accordance with CPC 48/IFRS 9 "Financial Instruments" and are not treated under CPC 47/IFRS 15 "Revenue from agreement with customers", therefore, CPC 47/IFRS 15 rules on revenue from 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 its sales revenue at estimated fair value of total compensation receivable, in which case the temporary pricing included in these agreements, of products sold, is designated as derivative. Therefore, the fair value of the final adjustment of the sales price is revaluated on a continuous basis, and the changes in fair value are recognized as sales revenue in the income statement.

The Company's sales revenues derived from the development stage of the PdF Project. The Company recognizes logistics costs and expenses, equivalent to the sales revenues of the development stage of the PdF Project (Note 2.19). For adoption of this accounting method, the Company's sales revenues are recognized in profit or loss for the year.

(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 statement of income 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 deduction of provision for losses).

2.19 Cost of products sold

The production costs of inventory items sold before PdF Mine was ready for the use intended by the Company's Management are recognized in the result for the year in accordance with CPC 16/IAS 2. However, since costs related to the use of the asset PdF Mine are not reflected in the production of inventories and sales revenues resulted from the development stage of the PdF Project, the Company adopts the accounting recognition of costs equivalent to sales revenues from the development of the PdF Project, recognized in the profit or loss for the year, as part of expenditures (or deductions of expenditures) related to infrastructure development of the PdF Project.

2.20 Distribution expenses

The logistics costs comprise expenses relating to the Company's distribution efforts to generate the sale of iron ore projects, that is, the expenses are incurred with the iron ore products are under final physical and chemical conditions for sale to the final customer. By virtue of the distribution expenses, the Company recognizes the distribution expenses in a separate account in the statement of profit and loss.

3. Critical accounting estimates and judgments

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

Based on the assumptions we estimate our future. The resulting accounting estimates will, by definition, seldom equal the related actual amounts. The estimates and assumptions that have a significant risk, likely to cause a significant 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 the financial support from its controlling shareholder in order 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 proper period, is considered critical judgments by the Company's Management.

(b) Interest rate on borrowings

Borrowings transactions, required for the settlement of pre-operating obligations of the Company, does 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) Subconcession of FIOL

Bahia Ferrovias ("BAMIN 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 by BAMIN will be under the scope of CPC 27 / IAS 16- "Property, plant, and equipment", CPC 06 (R2) / IFRS 16 – "Leasing Operations" and OCPC 05 – "Concession Agreements".

The assets resulting from the subconcession agreement for the railway network are under the CPC 06 (R2) / IFRS 16, in which BAMIN Ferrovias acknowledges an asset with right of use and a leased liability as of the date it was leased. 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 assets 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 (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 property of the Federal Government upon reversion and indemnification of the investments made by the Granting Authority according to the Subconcession Agreement.

For these decisions, BAMIN considered, among other things, a detailed analysis of said technical orientations.

(d) Impairment of intangible assets

The Company's intangible assets of mining rights and right of pass agreements are reviewed on an annual basis to determine the impairment indicatives or more frequently whether events or changes in the circumstances may indicate a possible impairment. An impairment loss is recognized by the difference between the accounting value of the exceeding asset and the recoverable value.

The Company's mining rights correspond to the processes for research and mining study granted by the National Mining Agency ("ANM"), composed of historical research cost, technical consultancy and oversight, which amortization will begin with the mining production, over the estimated useful life of the reserved PdF Mine.

(e) Temporary sales revenue recognition

The Company recognizes sales revenue at estimated fair value of the total compensation receivable, which temporary pricing is included in these agreements, for products sold, designated as a derivative. Therefore, the fair value of the final adjustment of the sales price is revaluated on a continuous basis, and the changes in fair value are recognized as sales revenue in the income statement for the year.

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 financial markets 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 fair value due to fluctuation 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.

(IN THOUSANDS OF BRAZILIAN REALS – R$, UNLESS OTHERWISE STATED)

(II) Scenario selection

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

The reasonable scenario considered was the one published by FOCUS survey, disclosed by the Central Bank of Brazil on January 3, 2022, and for exchange rate variables not covered by FOCUS survey, the reasonable scenario considered was of same US dollar-Real exchange 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 in relation to the US dollar closing rate for the year ended December 31, 2021.

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 as of 12.31.2021	Reasonable scenario	Adverse scenario I (25%)	Adverse scenario II (50%)
Borrowings with related parties (liabilities)	405,218	5,5805	2,261,321	2,826,651	3,391,982
Impact on the result for the period (expense)			No impact	(565,330)	(1,130,661)

(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 trade receivables from related parties.

(IN THOUSANDS OF BRAZILIAN REALS – R$, UNLESS OTHERWISE STATED)

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 liquidity needs of the Company 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.

(d) Financial instruments by category

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

		Company		Consolidated
		2021	2020	2021
Assets	**Category**			
Cash and cash equivalents	At amortized cost	16,319	5,313	273,288
Trade receivables	At amortized cost	1,389	2,385	1,389
Related parties	At amortized cost	33,859	22,884	26,562
		51,567	**30,582**	**301,239**
Liabilities	**Category**			
Trade payables	At amortized cost	62,474	25,982	67,440
Borrowings	At amortized cost	2,261,321	1,792,442	2,261,321
		2,323,795	**1,818,424**	**2,328,761**

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, 2021 and 2020, there was no material difference between book values and market values for the financial instruments of the Company.

(IN THOUSANDS OF BRAZILIAN REALS – R$, UNLESS OTHERWISE STATED)

5. Cash and cash equivalents

	Company		Consolidated
	2021	2020	2021
Cash funds	23	22	24
Cash bank deposits	1,051	1791	5,110
Short-term investments	15,245	3,500	268,155
	16,319	5,313	273,289

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

6. Trade receivables

	Company		Consolidated
	2021	2020	2021
Internal market	10,981	2,385	10,981
External market	4,314	-	4,314
Accounts receivable	15,295	2,385	15,295

The reduction in accounts receivable derived from the sales agreements of products subject to temporary pricing, according to Note 2.18 (a) and Note 3 (e). Some sales agreements of products generated amounts to be returned to customers, due to the ore price not favorable to the Company, between the temporary pricing and the final pricing date of the sale of products.

The Company does not have history of losses on trade receivables or indications of losses and therefore it does not recognize losses on trade receivables.

(IN THOUSANDS OF BRAZILIAN REALS – R$, UNLESS OTHERWISE STATED)

7. Advances

	Company		Consolidated
	2021	2020	2021
Trade payables	7,255	263	7,255
Employees	226	128	226
	7,481	391	7,481

8. Recoverable taxes

	Company		Consolidated
	2021	2020	2021
Excise Tax (ISS) payable	**262**	1,151	**262**
IRRF on short-term investments	**362**	38	**752**
Recoverable ICMS	**1,573**	104	**1,573**
Non-cumulative PIS and COFINS	**6,048**	-	**6,048**
Other recoverable taxes	**5**	5	**5**
	8,250	1,298	8,640
(-) Current	**(241)**	(241)	**(241)**
Non-current	8,009	1,057	8,399

(IN THOUSANDS OF BRAZILIAN REALS – R$, UNLESS OTHERWISE STATED)

9. Inventories

	Company		Consolidated
	2021	2020	2021
Iron ore	**47,649**	19,569	47,649
Product in processing	**2,054**	-	2,054
Processed product	**23,484**	2,256	23,484
	73,187	21,825	73,187
(-) Current	**(25,843)**	(2,256)	(25,843)
Non-current	47,344	19,569	47,344

10. Other assets

	Company		Consolidated
	2021	2020	2021
Unaccrued insurance	811	559	3,277
Escrow deposits	295	302	295
Third-party receivables	273	160	273
Contractual collaterals	59	59	59
	1,438	1,080	3,904
(-) Current	(1,084)	(719)	(3,550)
Non-current	354	361	354

11. Investments

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

(a) Interest in subsidiary

Investee	Main activity	Control	Interest 2021	Interest 2020	Company 2021	Company 2020
Bahia Ferrovias S.A.	Logística	Controlada	100%	-	279,259	-

(IN THOUSANDS OF BRAZILIAN REALS – R$, UNLESS OTHERWISE STATED)

Investee	Main activity	Control	Interest 2021	Consolidated 2021
Bahia Ferrovias S.A.	Logistics	Subsidiary	100%	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.	259,436	33,863	(14,041)	-	(299,287)	20,029

(c) Changes in interest in subsidiary

			Equity		
Subsidiary	Balance in Dec 2020	Loss for the year	Comprehensive income (loss)	Acquisition	Balance in Dec 2021
Bahia Ferrovias S.A.	-	(20,029)	-	299,287	279,259

12. Property, plant, and equipment

	Company					
	Land	Buildings and facilities	Machinery and equipment	Construction in progress (Note 2.10 (d))	Other	Total
Costs						
January 1, 2020	44,567	8,735	13,448	932,495	9,306	1,008,551
Additions	50	4,320	3085	88,961	384	96,800
Borrowing costs	-	-	-	122,537	-	122,537
Write-offs	-	-	-	-	(2)	(2)
December 31, 2020	44,617	13,055	16,533	1,143,993	9,688	1,227,886

(In thousands of Brazilian reals - R$, unless otherwise stated)

	Company					
	Land	Buildings and facilities	Machinery and equipment	Construction in progress (Note 2.10 (d))	Other	Total
Accumulated depreciation						
January 1, 2020	-	(2,309)	(8,062)	-	(6,309)	(16,680)
Depreciation	-	(832)	(594)	-	(586)	(2,012)
Write-offs	-	-	-	-	2	2
December 31, 2020	**-**	**(3,141)**	**(8,656)**	**-**	**(6,893)**	**(18,690)**
Balance						
December 31, 2020						
Total cost	44,617	13,055	16,533	1,143,993	9,688	1,227,886
Accumulated depreciation	-	(3,141)	(8,656)	-	(6,893)	(18,690)
	44,617	**9,914**	**7,877**	**1,143,993**	**2,795**	**1,209,196**
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**

(In thousands of Brazilian reals - R$, unless otherwise stated)

	Company					
	Land	Buildings and facilities	Machinery and equipment	Construction in progress (Note 2.10 (d))	Other	Total
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						
December 31, 2021						
Total cost	56,484	22,705	18,295	1,288,162	11,154	1,413,194
Accumulated depreciation	-	(7,591)	(9,520)	-	(7,574)	(24,685)
	56,484	**15,114**	**8,775**	**1,288,162**	**3,580**	**1,372,115**

	Consolidated					
	Land	Buildings and facilities	Machinery and equipment	Construction in progress (Note 2.10 (d))	Other	Total
Costs						
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)**

(IN THOUSANDS OF BRAZILIAN REALS - R$, UNLESS OTHERWISE STATED)

	Consolidated					
	Land	Buildings and facilities	Machinery and equipment	Construction in progress (Note 2.10 (d))	Other	Total
Balance 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

13. Intangible assets

	Company				
	Corporate brands	Mining rights	Software	Easement agreements	Total
Cost					
January 1, 2020	4	11,430	7,808	5,319	24,561
Additions	1	-	589	153	743
December 31, 2020	5	11,430	8,397	5,472	25,304
Accumulated amortization					
January 1, 2020	-	-	(6,212)	-	(6,212)
Amortization	-	-	(490)	(10)	(500)
December 31, 2020	-	-	(6,702)	(10)	(6,712)
Balance as of December 31, 2020					
Total costs	5	11,430	8,397	5,472	25,304
Accumulated amortization	-	-	(6,702)	(10)	(6,712)
	5	11,430	1,695	5,462	18,592
Costs					
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

(IN THOUSANDS OF BRAZILIAN REALS - R$, UNLESS OTHERWISE STATED)

	Company				
	Corporate brands	Mining rights	Software	Easement agreements	Total
Accumulated amortization					
January 1, 2021	-	-	(6,702)	(10)	(6,712)
Amortization	-	-	(554)	(21)	(575)
December 31, 2021	**-**	**-**	**(7,256)**	**(31)**	**(7,287)**
Balance December 31, 2021					
Total costs	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**

	Consolidated				
	Corporate brands	Mining rights	Software	Easement agreements	Total
Costs					
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)
Amortization	-	-	(554)	(22)	(576)
December 31, 2021	**-**	**-**	**(7,256)**	**(32)**	**(7,288)**

(IN THOUSANDS OF BRAZILIAN REALS - R$, UNLESS OTHERWISE STATED)

	Consolidated				
	Corporate brands	Mining rights	Software	Easement agreements	Total
Balance					
December 31, 2021					
Total costs	5	11,430	9,281	5,553	26,269
Accumulated amortization	-	-	(7,256)	(32)	(7,288)
	5	11,430	2,025	5,521	18,981

14. Right of use

	Company		Consolidated	
	Subconcession granted (i)	Total	Subconcession granted (i)	Total
Costs				
January 1, 2021				
Additions	-	-	32,730	32,730
December 31, 2021	-	-	32,730	32,730
Balance				
December 31, 2021				
Total costs	-	-	32,730	32,730
Accumulated amortization	-	-	-	-
	-	-	32,730	32,730

(i) The FIOL Subconcession Agreement, from BAMIN Ferrovias, has been prepared according to the CPC 06 (R2) / IFRIC 16, in which the grant of the subconcession represents the incremental cost with obtaining the lease that would not have been charged otherwise. Therefore, the granting of the subconcession represents an asset of right of use of the railway network. BAMIN 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, the agreement ending on September 3, 2055.

(IN THOUSANDS OF BRAZILIAN REALS - R$, UNLESS OTHERWISE STATED)

15. Suppliers

	Company		Consolidated
	2021	2020	2021
Operational and logistics services	**15,399**	8,826	**15,399**
Constructions, equipment and maintenances	**19,838**	7,419	**19,838**
Land payable	**5,000**	5,108	**5,000**
Technical consultancy	**17,395**	2,550	**18,702**
Other	**4,842**	2,079	**8,501**
	62,474	25,982	67,440

16. Tax and social security obligations

	Company		Consolidated
	2021	2020	2021
Personnel	**14,326**	7,935	**15,456**
Labor taxes	**2,106**	1,170	**2,411**
Taxes on income	**3,214**	395	**3,214**
Retained taxes on services	**4,805**	2,292	**5,148**
Other	**123**	294	**123**
	24,574	12,086	26,352

17. Trade payables

	Company		Consolidated
	2021	2020	2021
Sales at temporary prices	**13,906**	-	**13,906**
	13,906	-	13,906

Sales at temporary prices on invoice are subject to adjustment based on the commodity price (iron ore), in the period defined in the sales agreement. However, the Company understands that the sales price of these products can be reliably measured in each period, as the price is quoted in the active iron ore market.

(IN THOUSANDS OF BRAZILIAN REALS - R$, UNLESS OTHERWISE STATED)

18. Social-environmental commitment

	Company		Consolidated
	2021	2020	2021
Social and environmental obligations	**42,283**	38,610	**42,283**
(-) Accumulated payments	**(16,884)**	(6,843)	**(16,884)**
	25,399	31,767	25,399
(-) Current	**(12,746)**	(17,135)	**(12,746)**
Non-current	12,653	14,632	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 the 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 landscape scale, avoidable environmental damages and mitigate unavoidable impacts.

(IN THOUSANDS OF BRAZILIAN REALS - R$, UNLESS OTHERWISE STATED)

19. Related parties

(a) Transactions and balances

Related-party balances are broken down as follows:

	Company			Consolidated
	2021	2021	2020	2021
	Company	Other related parties	Other related parties	Other related parties
Current assets				
Cost Sharing Agreement	**7,297**	**4,895**	-	**4,895**
Non-current assets				
Loan agreements	-	**21,667**	22,884	**21,667**
Non-current liabilities				
Loans	-	**2,261,321**	1,792,442	**2,261,321**
Negative equity				
Capital contribution	-	**1,020,817**	834,315	**1,020,817**
Finance income (costs)				
Finance income	-	**159,854**	147,672	**159,854**
Finance costs	-	**(273,079)**	(410,793)	**(273,079)**
	-	**(113,225)**	(263,121)	**(113,225)**

Company has a cost sharing agreement with the companies Bahia Ferrovias S.A., Mineração Minas Bahia S.A. and Pedra Cinza Mineração Ltda. Cost sharing agreements are adjusted by the inflation index through the maturity date.

The loan agreements entered into between BAMIN and Mineração Minas Bahia S.A. and Pedra Cinza Mineração Ltda., as well as the Profit Participating Loans (Note 2.14), entered into between Bahia Minerals, ERG and ERG Brazil, were subject to a discount rate of 9.25% (2020, 8.25%). The PPL costs totaled R$165,653 (2020, R$143,860), with capitalization of R$51,801 (2020, R$122,537) to construction in progress, considering that a significant portion of the PPL loans is directed to the infrastructure development of PdF Mine and Porto Sul. The PPL loans are estimated to be paid in 2026, when the Company will be fully operational.

(IN THOUSANDS OF BRAZILIAN REALS - R$, UNLESS OTHERWISE STATED)

(b) Transactions and activities

Related-party balances are broken down as follows:

	Company		Consolidated
	2021	2020	2021
Opening balance as at January 1	**1,769,557**	1,316,821	**1,769,557**
Funds raised	**488,148**	103,677	**488,148**
Fund allocated	**(8,768)**	(5,927)	**(8,768)**
Interest and exchange rate changes, net	**323,420**	533,156	**323,420**
Capital contribution	**(186,502)**	(30,671)	**(186,502)**
Gain on borrowings (Note 28)	**(158,393)**	(147,499)	**(158,393)**
Closing balance as at December 31	2,227,462	1,769,557	2,227,462

(c) Compensation of key management personnel

Key management personnel include officers and members of the executive board. The compensation paid or payable for employee services, mainly salaries and charges, totaled R$7,598 in 2021 (2020 - R$10,608).

20. Environmental recovery

	Company		Consolidated
	2021	2020	2021
Environmental recovery	**78,106**	19,196	**78,106**
	78,106	19,196	78,106

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

(IN THOUSANDS OF BRAZILIAN REALS - R$, UNLESS OTHERWISE STATED)

21. Provision for contingencies

	Company		Consolidated
	2021	2020	2021
Labor (i)	**6,264**	14,374	**6,264**
Tax (ii)	**3,190**	3,108	**3,190**
Civil	**24**	247	**24**
	9,478	17,729	9,478

(i) The Company counts on some exclusive consultants, who receive their salaries as legal entities. Based on the joint analysis with its legal counsel, the Company recognized a provision for contingencies to cover probable losses from lawsuits, if such consultants were engaged as the Company's employees. The Company also recognized provisions for labor lawsuits whose likelihood of loss is probable.

(ii) The Company recognized a provision for tax lawsuits relating to labor and social security contributions not calculated between 2009 and 2011. The collection is suspended due to the discussion between our legal counsel and the proper authorities regarding the case file and taxes challenged.

RISKS OF LOSSES DEEMED POSSIBLE AND THEREFORE NOT PROVISIONED

In 2021, contingent liabilities were identified as resulting from labor lawsuits, achieving the amount of R$1.269 (2020 – R$0). However, civil lawsuits represented a contingent liability of R$2.309 (2020 - R$720). These litigations are being discussed and monitored by our legal advisors, who classified them as possible loss. Therefore, these amounts have not been accrued. There is no relevant lawsuit classified as possible loss, they are all well dispersed.

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

(IN THOUSANDS OF BRAZILIAN REALS - R$, UNLESS OTHERWISE STATED)

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

22. Negative 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 stock is distributed into eleven million, five hundred and ninety-four thousand and nine hundred and sixty-eight (11,594,968) shares held by Bahia Minerals N.V. and one (1) share held by Mineração Minas Bahia S.A.

(b) Capital contribution

Capital contributions are represented by the accumulated amount of R$1,020,817 (2020 – R$834,315), and R$186,502 was recognized in 2021 (2020 – R$30,671).

23. Net sales revenues

	Company		Consolidated
	2021	2020	2021
Gross revenue	**489,535**	18,389	**489,535**
(-) deductions of gross revenue			
Allowance and price variation	**(77,133)**	-	**(77,133)**
ICMS	**(21,971)**	(2,207)	**(21,971)**
CFEM	**(15,902)**	(507)	**(15,902)**
COFINS	**(12,245)**	(1,397)	**(12,245)**
PIS	**(2,658)**	(303)	**(2,658)**
Net revenue	359,626	13,975	359,626

(IN THOUSANDS OF BRAZILIAN REALS - R$, UNLESS OTHERWISE STATED)

In 2021, the Company started developing the Pedra de Ferro Project, having a production of up to 1 million tons of ore per year. The purpose of the project is developing the integration from the production to achieve the full capacity of PdF Mine. It is also a way of introducing the Company's product to an active market of iron ore commodities. Such progress in production, even during the development of the Pedra de Ferro Project, resulted in more products sold, increasing the Company's revenue.

The allowances and price variations result from recognizing the revenue at estimated fair value of total compensation receivable, in which case the temporary pricing included in these agreements, of products sold, is designated as derivative. Therefore, the fair value of the final adjustment of the sales price is revaluated on a continuous basis, and the changes in fair value are recognized as sales revenue in the income statement.

24. Cost of products sold

	Company		Consolidated
	2021	2020	2021
Personnel, services and materials	**20,225**	2,377	**20,225**
Costs initially capitalized	**97,046**	10,104	**97,046**
	117,271	**12,481**	**117,271**

The net profit, according to the accounting approach for recognition of costs and logistics expenses, equivalent to the sales revenue during the development of the PdF Project, was achieved as follows:

	Company		Consolidated
	2021	2020	2021
Net sales revenue	**359,626**	13,975	**359,626**
Costs with personnel, services and materials	**(20,225)**	(2,377)	**(20,225)**
Distribution expenses	**(242,355)**	(1,494)	**(242,355)**

(In thousands of Brazilian reals - R$, unless otherwise stated)

	Company		Consolidated
	2021	2020	2021
Costs initially capitalized	(97,046)	(10,104)	(97,046)
Net margin	-	-	-

25. Distribution expenses

	Company		Consolidated
	2021	2020	2021
Freight	142,422	925	37,613
Services	79,506	569	36,175
Maintenance (services and materials)	9,640	-	9,640
Taxes	3,636	-	3,636
Other services and materials	7,151	-	7,151
	242,355	1,494	242,355

26. Administrative and general expenses

	Company		Consolidated
	2021	2020	2021
Services	52,276	2,956	59,953
Personnel	25,064	10,555	34,782
Short-term leases	4,000	285	7,269
Depreciation and amortization	3,444	824	3,444
Taxes	3,015	489	3,040
Travels and stays	2,984	640	3,004
Materials	1,480	60	1,811
Insurance	910	251	2,143
Others	5,846	337	9,801
	99,019	16,397	125,247

(In thousands of Brazilian reals - R$, unless otherwise stated)

27. Other net revenue

	Company		Consolidated
	2021	2020	2021
Reversion of legal contingencies	**9,673**	6,210	**9,673**
Legal contingencies	**(1,422)**	(1,477)	**(1,422)**
Others	**(255)**	(248)	**(256)**
	7,996	4,485	7,995

28. Financial results

	Company		Consolidated
	2021	2020	2021
Financial revenues			
Borrowings gains (i)	**158.393**	147.499	**158.393**
Other financial revenues	**10.006**	2.061	**16.215**
	168.399	149.560	174.608
Financial expenses			
Interests on borrowings	**(113.974)**	(22.512)	**(113.974)**
Exchange rate changes on borrowings	**(159.972)**	(389.569)	**(159.972)**
Other financial expenses	**(2.868)**	(422)	**(2.877)**
	(276.814)	(412.503)	(276.823)
	(108.415)	(262.943)	(102.215)

(i) Borrowings gains are result of review of the estimated term for future payment of borrowings.

Composition of executive officers and financial management

DECEMBER 31, 2021

Executive Officers

Eduardo Ledsham
Chief Executive Officer

Alexandre Aigner
Executive Officer

Alberto Vieira
Executive Officer

Financial Management

Igor Berbert
Financial General Manager

Rilson Cruz
Accountant
CRC BA 036891/O-5

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