Financial statements

as at December 31, 2023
and Independent auditor's report

BAHIA FERROVIAS S.A.

(A free translation of the original in Portuguese)

INDEX

Management's Report

DECEMBER 31, 2023

(IN THOUSANDS OF REAIS)

Context

Bahia Ferrovias S.A. ("BAMIN Ferrovias" or "Company") is a corporation, incorporated on July 19, 2021, engaged, upon onerous concession and on an exclusive basis, in the construction and rendering of public cargo railway transportation services associated with the exploration of the railway infrastructure of EF-334 for a section that goes from the city of Ilhéus to Caetité, in the state of Bahia, within the terms, deadlines and conditions set in the Subconcession Agreement signed by the Company and the National Agency of Land Transportation ("ANTT"). The Company's headquarters is located at Avenida Magalhães Neto, 1.752, edifício Lena Empresarial, Pituba, Salvador, Bahia, Brazil.

The Federal Government, represented by ANTT, VALEC Engenharia, Construções and Ferrovias S.A. ("VALEC"), an intervening party and concessionaire, and the Company, as subconcessionaire, signed the Subconcession Agreement for the exploration of the railway infrastructure of EF-334 between the cities of Ilhéus and Caetité, in the state of Bahia, on September 3, 2021. The railway infrastructure is named Ferrovia de Integração Oeste-Leste ("FIOL"). The agreement provides for the construction and rendering of public cargo railway transportation services associated with the exploration of the FIOL infrastructure for a 35-year period, counted as of the executive date, which cannot be extended.

Before the subconcession, VALEC, a public company controlled by the Ministry of Infrastructure ("MINFRA"), undertook the FIOL works. The FIOL complete project provides a stretch from the cities of Ilhéus, state of Bahia, and Figueirópolis, state of Tocantins, with an extension of 1,527 km. Section 1 of the railway subconcessioned to the company ("FIOL 1") runs from Caetité to Ilhéus, passing through 19 municipalities in Bahia over a distance of 537 kilometres.

The company is currently in the pre-operational phase and has been spending its resources on: (a) reviewing fundamental engineering projects; (b) expropriating areas that impact on finalising the construction of the railway network infrastructure; (c) contracting services to improve the studies and economic and financial assessments of the exploration project and (d) maintaining the conditions of the company's licences and permits, which, according to initial estimates, should be absorbed by income from future incomes.

In 2023, work will begin on the railway infrastructure and superstructure for Lot 1F, 126.4 kilometres long, which will pass through the municipalities of Ilhéus, Uruçuca, Ubaitaba, Gongogi, Itagiba, Aurelino Leal and Aiquara, in the state of Bahia. The estimated duration of the works is 36 months, with an estimated investment of R$ 1.1 billion.

The deadline set in the contract for the completion of the construction of the railway network infrastructure and the consequent start of operations is five years from the date of signature of the contract. Bahia Ferrovias requested an extension of the non-financial obligations towards ANTT related to investments with fixed deadlines, based on Law No. 14.273/2021 ("Railways Law"). The ANTT responded by stating that the right of extension granted by the Railway Law automatically applies to the concessions, regardless of the necessary contractual adjustments. The formalisation of the amendment and the forecast of any financial impact on the value of the grant are under discussion with ANTT. The analysis and implications of the request are still being evaluated by Bahia Ferrovias' Management.

The Company had an accumulated loss of R$ 89,000 (2022, R$ 56,245) and a net working capital of R$ 187,940 (2022, R$ 428,849). The Company relies on the intent of ERG Group, through the controlling shareholder Bahia Mineração S.A. ("BAMIN"), to provide funds required for the continuity of its activities.

Share capital

The authorized share capital is represented by five hundred and ninety-five million, five hundred and one thousand, eight hundred and fifity-one (595,501,851) nominative common shares, in the amount of R$1.00 (one Brazilian Real) each, whose paid-in amount corresponds to R$595,502.

Going concern

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

Management's responsibility

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, 2023, 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 on December 31, 2023, and until the date of signing of the financial statements of 2023 are set forth below:

Sergio Leite CEO	**Alexandre Aigner** CFO
Eduardo Ledsham Officer	**Gustavo Cota** Officer

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A free translation from Portuguese into English of Independent Auditor's Report originally issued in Portuguese

Independent Auditor's Report on the Financial Statements

To the
Shareholders and Managers of
Bahia Ferrovias S.A.
Salvador – Bahia.

Opinion

We have audited the accompanying financial statements of Bahia Ferrovias S.A. ("Company"), which comprise the balance sheet as at December 31, 2023, and the related statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in Brazil and with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis of Opinion

We conducted our audit in accordance with Brazilian and International Auditing Standards. Our responsibilities under those standards are described in the section "Auditor's Responsibilities for the Audit of the Financial Statements" below. We are independent of the Company in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants and the professional standards issued by the Federal Council of Accountants, and we have fulfilled our other ethical responsibilities in accordance with those standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information Accompanying the Financial Statements and the Auditor's Report

Management is responsible for the other information which comprises the management report.

Our audit of the financial statements does not extend to the management report and we do not express any form of audit conclusion on the management report.

In connection with our audit of the financial statements, our responsibility is to read the management report and to consider whether it is materially inconsistent with the financial statements or with our findings from the audit or otherwise appears to be misstated.

If, on the basis of our work, we conclude that the Management report contains a material misstatement, we are required to report this. We have nothing to report.

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Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines 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 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.

Management is responsible for overseeing the process of preparing the financial statements.

Auditor's Responsibilities for Auditing the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 not a guarantee, that an audit conducted in accordance with Brazilian and International Auditing Standards will always detect all material misstatements. Misstatements may 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 financial statements.

As part of our audit, which was conducted in accordance with Brazilian and international auditing standards, we exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- Identify and assess the risks of material misstatement of the 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 due to fraud is greater than the risk of detecting a material misstatement due to error because fraud may involve the circumvention of internal controls, collusion, forgery, omission or intentional misrepresentation.

- Understand 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 internal control.

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

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- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to be 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 have communicated with those charged with governance about, among other things, the scope and timing of our planned audit work and significant audit findings, including any significant deficiencies in internal controls that we identified during our work.

Salvador, April 19, 2024.

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

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

Balance Sheet

DECEMBER 31, 2023

(IN THOUSANDS OF REAIS)

	Note	2023	2022
Assets			
Current			
Cash and cash equivalents	5	245,653	462,982
Advances	6	3,314	110
Other assets	9	2,694	2.588
		251,661	**465,680**
Non-current			
Taxes recoverable			
Deposits in court	7	16,129	4,697
Other assets	8	3,690	127
Outros ativos	9	323	-
		20,142	**4,824**
Property, plant and equipment	10	267,699	74,020
Right of use	11	30,548	31,483
Intangible assets	12	173	81
		298,420	**105,584**
Total assets		**570,223**	**576,088**
Liabilities			
Current			
Trade payables	13	55,375	27,080
Tax and social obligations	14	7,831	7,705
Related parties	16	515	2,046
		63,721	**36,831**
Total liabilities		**63,721**	**36,831**
Equity			
Share capital	17	595,502	595,502
Accumulated losses		(89,000)	(56,245)
		506,502	**539,257**
Total liabilities and equity		**570,223**	**576,088**

MANAGEMENT EXPLANATORY NOTES ARE AN INTEGRAL PART OF THE COMPANY'S FINANCIAL STATEMENTS.
(A FREE TRANSLATION OF THE ORIGINAL IN PORTUGUESE)

Income Statement

DECEMBER 31, 2023

(IN THOUSANDS OF REAIS)

	Nota	2023	2022
General and administrative expenses	18	(81,320)	(74,704)
Other income (expenses), net		860	(206)
Operating loss		**(80,460)**	**(74,910)**
Financial income		47,830	38,763
Financial expenses		(125)	(69)
Financial results	19	**47,705**	**38,694**
Loss before income tax and social contribution		**(32,755)**	**(36,216)**
Tax on profit		-	-
Loss for the year		**(32,755)**	**(36,216)**

Comprehensive income statement

DECEMBER 31, 2023

(IN THOUSANDS OF REAIS)

	2023	2022
Loss for the year	**(32,755)**	**(36,216)**
Other comprehensive income (loss)	-	-
Total comprehensive loss for the year	**(32,755)**	**(36,216)**

Statement of changes in equity

DECEMBER 31, 2023

(IN THOUSANDS OF REAIS)

	Note	Share Capital	Advance for future capital increase	Accumulated losses	Total
December 31, 2021		266,557	32,730	(20,029)	279,258
Paid-in capital	17	296,215	-	-	296,215
Advance for future capital increase	17	32,730	(32,730)	-	-
Loss for the year			-	(36,216)	(36,216)
December 31, 2022		595,502	-	(56,245)	539,257
Loss for the year		-	-	(32,755)	(32,755)
December 31, 2023		595,502	-	(89,000)	506,502

Cash flows statement

DECEMBER 31, 2023

(IN THOUSANDS OF REAIS)

	Note	2023	2022
Cash flow of operating activities			
Loss for the year		(32,755)	(36,216)
Adjustments for conciliation of loss for the year			
Depreciation and amortization	10 and 12	806	97
Disposal of assets	10	8	-
Changes in working capital			
Advances	6	(3,204)	(110)
Taxes recoverable	7	(11,432)	(4,307)
Deposits in court	8	(3,563)	(127)
Trade payables	13	28,295	22,114
Tax and social obligations	14	126	5,927
Related parties	16	(1,531)	(5,251)
Other assets and liabilities	9	(429)	(3,111)
Net cash used in operating activities		**(23,679)**	**(20,984)**
Cash flow from investment activities			
Acquisition of property, plant and equipment	10	(193,530)	(69,132)
Acquisition of intangible assets	12	(120)	(87)
Net cash used in investment activities		**(193,650)**	**(69,219)**
Cash flow from financial activities			
Increase in share capital		-	296,215
Net cash from financing activities		**-**	**296,215**
Decrease (increase) in cash and cash equivalents		(217,329)	206,012
Cash and cash equivalents at the beginning of the period	5	462,982	256,970
Cash and cash equivalents at the end of the period	**5**	**245,653**	**462,982**

Management explanatory notes to financial statements

DECEMBER 31, 2023

(IN THOUSANDS OF REAIS)

1 | Operational Context

Bahia Ferrovias S.A. ("BAMIN Ferrovias" or "Company") is a corporation, incorporated on July 19, 2021, engaged, upon onerous concession and on an exclusive basis, in the construction and rendering of public cargo railway transportation services associated with the exploration of the railway infrastructure of EF-334 for a section that goes from the city of Ilhéus to Caetité, in the state of Bahia, within the terms, deadlines and conditions set in the Subconcession Agreement signed by the Company and the National Agency of Land Transportation ("ANTT"). The Company's headquarters is located at Avenida Magalhães Neto, 1752, building Lena Empresarial, Pituba, Salvador, Bahia, Brazil.

(a) Approval of the financial statements

These financial statements were approved by the Directors of the Company on April 19, 2024.

2 | Accounting policies

The principal accounting policies applied in preparing these financial statements are set out below.

2.1 | Preparation basis

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

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

Preparing the financial statements requires using specific critical accounting estimates and judgment by the Company's Management to apply its accounting policies. The areas that require a higher level of assessment or entail greater complexity, and the areas where assumptions and estimates are significant for the financial statements, are disclosed in the accompanying note 3.

2.2 | New standards, interpretations and revisions issued

The following changes to standards were issued by the IASB, but are not effective for the 2023 financial year. Early adoption of standards, although encouraged by the IASB, is not permitted in Brazil by the Accounting Pronouncements Committee (CPC).

(a) Amendments to IFRS 16 / CPC 06: lease liabilities in a Sale and Leaseback Transaction

The amendment issued in September 2022 clarifies the lease liability in a sale and leaseback transaction. When measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines the “lease payments” and the “revised lease payments” in a way that does not result in the seller-lessee recognising any amount of gain or loss related to the right of use it retains. This could particularly affect sale and leaseback transactions in which lease payments include variable payments that do not depend on an index or rate. This amendment is effective from 1 January 2024.

The amendments are not expected to have a material impact on the Company’s financial statements.

(b) Amendments to IAS 1 / CPC 26 (R1): classification of liabilities as current or non-current

In January 2020, the IASB issued an amendment to IAS 1 “Classification of liabilities as current or non-current”, whose date of application was for financial years beginning on or after 1 January 2023, which determined that the entity would not have the right to avoid the settlement of a liability for at least twelve months if, at the balance sheet date, it had not

complied with the ratios provided for in restrictive clauses (e.g. covenants), even if the contractual measurement of the covenant was only required after the balance sheet date by up to twelve months.

Subsequently, in October 2022, a new amendment was issued to clarify that liabilities that contain restrictive contractual clauses requiring achievement of ratios under covenants only after the balance sheet date do not affect the classification as current or non-current. Only covenants with which the entity is required to comply by the balance sheet date affect the classification of the liability, even if measurement only occurs after that date.

The amendments are effective for annual financial statement periods beginning on or after 1 January 2024 and should be applied retrospectively.

The changes are not expected to have a material impact on the Company’s financial statements

(c) Amendment to IAS 7 / CPC 23 (R2) and IFRS 7 / CPC 40 (R1)

In May 2023, the IASB issued amendments to IAS 7 (equivalent to CPC 03 (R2) - Cash Flow Statements) and IFRS 7 (equivalent to CPC 40 (R1) - Financial Instruments: Disclosure) to clarify the characteristics of vendor financing arrangements and require additional disclosures of these arrangements. The disclosure requirements in the amendments are intended to help users of financial statements understand the effects of supplier financing arrangements on an entity's obligations, cash flows and exposure to liquidity risk.

The amendments are effective for annual financial statement periods beginning on or after 1 January 2024. Early adoption is permitted, but must be disclosed.

The amendments are not expected to have a material impact on the Company's financial statements.

2.3 | Functional currency and conversion into foreign currency

(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"). All the interim financial statements presented in Reais ("R$") were rounded to the nearest thousands, except where stated otherwise.

(b) Transactions and balances

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

Exchange gains and losses related to loans and cash and cash equivalents are presented in the income statement as financial income or expense.

2.4 | Financial Instruments

(a) Financial assets

Recognition and non-recognition

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

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

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.

Cost of amortization

The assets measured at the cost of amortization must be calculated if both of the following conditions are met: (i) the financial assets are classified on a given business model whose purpose is to maintain them and receive contractual cash flows, (ii) the contractual terms for the financial assets initially date, on specific dates, from a cash flow exclusively comprised of payments of principal and interest over the outstanding principal amount. The Company shall directly acknowledge its income from interest and foreign exchange losses, gains, and impairment in the statements.

***Impairment* de ativos financeiros**

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.

(b) Financial liabilities

The financial liabilities are classified under the "financial liabilities at amortized cost" category. Management determines the classification of its financial assets upon initial recognition.

Financial liabilities at amortized cost

The Company classified all its financial liabilities as amortized costs, except those classified at fair value resulting from the income, derivatives, liabilities and security agreement. Using the effective interest method, other financial liabilities are subsequently measured at amortized cost. Interest expense and foreign exchange gains and losses are recognized in profit or loss. The Company also has informed its operations with Suppliers as non-derivative financial liabilities.

Derecognition of financial liabilities

Once the financial liability is extinguished, i.e., the obligation specified in the agreement is settled, canceled or terminated, it will be derecognized. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

2.5 | Cash and Cash Equivalents

Cash and cash equivalents include current account balances and short-term deposits of high liquidity, with original maturities up to three months as of the contracting date, and which are subject to the irrelevant risk of change of value. They are initially recognized at fair value and then at amortized cost. These balances are maintained to meet the short-term cash commitment nor for further investments or other purposes.

2.6 | Advances

Advances to suppliers are initially recognised as a current asset of the Company, since they represent financial resources that will be used in the short term. When the goods or services for which the advances were made are received, the corresponding amount is recognised as an asset in the income statement for the current year.

2.7 | Taxes recoverable

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

2.8 | Deposits in court

Deposits in court relating to the Company's compulsory acquisition of land for the construction of FIOL's infrastructure and superstructure are instruments to ensure that property owners receive fair compensation for the expropriated property. The deposits in court are recognized at fair value in non-current assets as the Company considers that the funds will not be available for more than one year.

2.9 | Property, plant and equipment

(a) Recognition and measurement

The property, plant and equipment are measured at their historical acquisition or construction cost less accumulated depreciation and impairment losses, when applicable. The cost includes expenditures directly attributable to the acquisition of assets. The costs of assets built by the Company itself includes:

- materials and direct workforce;
- any other costs to transport the asset to a given location and under the conditions required for it to operate as the Company intends properly;
- disassembly and restoration of the area where the assets will be located; and
- borrowing costs on qualifying assets.

The cost of a property, plant and equipment may include reclassification of other comprehensive results from qualifiable cash flow protection instruments concerning acquiring fixed assets in foreign currency. Our purchased software that forms an integral part of the functionality of a given piece of equipment is capitalized as part of that equipment.

Components of our property, plant and equipment with different useful lives are recorded as separate items (major components) of the applicable property, plant and equipment.

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

Gains and losses on the disposition of property, plant and equipment (calculated as the difference between funds obtained from the disposition and the accounting value of fixed assets) are recognized as other operating revenues/expenses in our income statement.

Subsequent expenses are capitalized when there is a probability that we will receive the future economic benefits associated with such expenses. Maintenance costs and recurring repairs are recorded in our statement of income.

(b) Depreciation

Property, plant 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 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 case of constructed assets, from the date the construction is completed and the asset is available for use.

2.10 | Right of use

In accordance with CPC 06 (R2) / IFRS 16, leases under which the Company assumes the risks and benefits inherent to the property are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. After initial recognition, the asset is recorded in accordance with the accounting policy applicable to the asset.

Other finance leases are operating leases and are not recognized in the Company's balance sheet.

2.11 | Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. The cost of intangible assets acquired in a business combination corresponds to the fair value on the acquisition date. After initial recognition, intangible assets are presented at cost, less accumulated amortization and accumulated impairment. Intangible assets generated internally, excluding capitalized development costs, are not capitalized, and the cost is reflected in the income statement in the fiscal year in which it is incurred.

The useful life of intangible assets is evaluated as definite or indefinite.

Intangible assets with a definite life are amortized over the economic useful life and evaluated concerning loss on reduction to recoverable value whenever there is an indication of loss of economic value of the asset. The period and method of amortization of intangible assets with a definite life are reviewed at least at the end of each fiscal year. Changes in the estimated useful life or the expected use of the future economic benefits expected from these assets are accounted for by differences in the period or method of amortization, as the case may be, and are treated as changes in accounting estimates. The amortization of intangible assets with stated life is recognized under the statement of income in the category of consistent expense with the usage of intangible asset.

Intangible assets with indefinite useful life are not amortized but are tested annually for losses due to impairment either individually or at the level of the cash-generating unit. The assessment of indefinite useful life is reviewed annually to determine whether this assessment continues to be supportable. Otherwise, the change in useful life from indefinite to finite is made on a prospective basis.

2.12 | Trade payable

Trade payable are obligations for assets or services acquired in the ordinary course of business, classified as current liabilities if the payment is due in up to 12 months. Otherwise, accounts payable are recorded as non-current liabilities. They are initially recognized at fair value and, subsequently, measured at amortized cost, under the effective interest rate method.

2.13 | Share capital

Common shares are classified as equity. Additional costs directly attributable to the issuance of stock and stock options are recognized as equity deductions, net of any tax effects. Whenever existing, the required minimum dividends provided by the bylaws are recognized as liabilities.

2.14 | Financial income

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

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

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

3 | Critical accounting estimates and judgments

The accounting estimates and judgments are reviewed continuously, including expectations from future events deemed reasonable given the circumstances.

Preparing the financial statements requires using estimates for accounting for certain assets, liabilities and other transactions. Therefore, the Company's financial statements include estimates of losses from the impairment of the recoverable amount of the assets, selection of the useful lives of property, plant and equipment and the definition of terms to amortize the right of use, along with the useful life determined and other similar provisions. The actual results may vary concerning the estimates.

Accounting estimates usually require the Company to decide based on the effect of certain transactions that could impact the Company's equity, i.e., assets, liabilities, revenues and expenses.

Based on the assumptions, we estimate our future. The resulting accounting estimates will, by definition, shall always be as close as possible and seldom equal the related actual amounts.

(a) Going concern

The Company's Management prepared its financial statements assuming the continuity of its operations and considers the non-binding financial support from its controlling shareholder as long as the Company remains an indirect subsidiary from the ultimate controller, ensuring proper liquidity 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 judgment by the Company's Management.

(b) Impairment of right to exploit the concession

Every year, the right to exploit the subconcession is reviewed to check for any impairment signs or whenever there are any events or changes to the circumstances pointing out a potential impairment. The difference between the book value of the exceeding asset and the recoverable value will recognize an impairment loss. However, no impairment indicators have been identified for the Company.

(c) Judgments in applying accounting policies of the Company

Subconcession

The Company must fulfill certain conditions provided in the announcement for privatization tenders and the Subconcession Agreement for the railway network. The assets acquired under the scope of CPC 27 / IAS 16 - "Property, Plant, and

Equipment," CPC 06 (R2) / IFRS 16 "Leasing" and OCPC Orientation 05 - "Concession Agreements."

The assets arising from the railroad subconcession agreement are under the CPC 06 (R2) / IFRS 16, where the Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the initial measured value of the lease liability adjusted for any lease payments made up to the commencement date, plus any initial direct costs incurred by the lessee and an estimate of the costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, 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, free and clear of any liens or charges, with the Company no longer holding the rights arising from the Subconcession Agreement.

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

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

4 | Financial risk management

The Company's main financial liabilities are accounts payable to suppliers and related parties. These financial liabilities involve the Company's efforts to obtain funds.

The Company's Management has been overseeing these risks. The proper policies and procedures rule the main activities representing financial risks. The financial risks are identified, assessed and managed according to the Company's policies and willingness to be exposed to them.

The Company's activities expose it to many financial risks: market risk, credit risk, liquidity risk, and interest rate risk. The Company's risk management program focuses on financial market 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) Market risk

Market risk is the risk that the fair value of a financial instrument's future cash flows may fluctuate given changes in market prices. The market prices include three types of risk: interest rate risk, exchange risk and price risk, which may be the prices of commodities and others.

(b) Credit risk

The credit risk is managed corporately. The credit risk results from the failure of a business counterparty to comply with an obligation provided in a financial instrument. The credit risk derives from cash and cash equivalents, deposits in banks and financial institutions.

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

(c) Liquidity risk

The liquidity risk consists in the event that the Company will not have sufficient resources to fulfill our obligations due to their rights and obligations' settlement terms. To manage the cash liquidity, assumptions for disbursements and future receipts are established and monitored daily by the Treasury area.

(d) Capital management

The Company's objectives in managing its capital are to safeguard its continued capacity to offer returns for its shareholders and benefits to other stakeholders, while maintaining an optimal capital structure for reducing these costs.

(e) Financial instruments by category

The main Financial Instruments of the Company are: Cash and cash equivalents, suppliers and transactions between the related parties.

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, 2023, there was no material difference between book values and fair values for the Company's Financial Instruments.

		2023	2022
Asset	**Category**		
Cash and cash equivalents	At amortized cost	245,653	462,982
		245,653	**462,982**
Liabilities	**Category**		
Trade payables	At amortized cost	55,375	27,080
Related parties	At amortized cost	515	2,046
		55,890	**29,126**

5 | Cash and cash equivalents

	2023	2022
Cash funds	1	3
Bank deposits in cash	258	43
Short-term investments	245,394	462,936
	245,653	**462,982**

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

6 | Advances

	2023	2022
Suppliers	3,196	-
Employees	118	110
	3,314	**110**

7 | Taxes recoverable

	2023	2022
IRRF[1] on financial investments	16,113	4,697
Non-cumulative PIS[2] e COFINS[3]	16	-
	16,129	**4,697**

The amount of R$ 16,113 (2022, R$ 4,697) corresponds to the withholding tax resulting from the redemption of the Company's financial investments.

1 | Income Tax Withheld at Source.
2 | Programa de Integração Social.
3 | Contribuição para o Financiamento da Seguridade Social.

8 | Deposits in court

	2023	2022
Expropriations	3,690	127

The balance of deposits in court of R$ 3,690 (2022, R$ 127) refers to legal proceedings for expropriation of areas in the FIOL right of way.

9 | Others Assets

	2023	2022
Insurance	3,015	2,561
Other receivables	2	27
	3,017	**2,588**
(-) Current	(2,694)	(2,588)
Non-current	323	-

10 | Property, plant and equipment

	Asset under construction (i)	Improvements	Other	Total
Cost				
January 1, 2022	-	-	743	743
Additions	69,981	2,004	1,384	73,369
December 31, 2022	**69,981**	**2,004**	**2,127**	**74,112**
Accrued depreciation				
January 1, 2022	-	-	-	-
Depreciation	-	(1)	(91)	(92)
December 31, 2022	**-**	**(1)**	**(91)**	**(92)**
Balance				
Total cost	69,981	2,004	2,127	74,112
Accrued depreciation	-	(1)	(91)	(92)
December 31, 2022	**69,981**	**2,003**	**2,036**	**74,020**
Cost				
January 1, 2023	69,981	2,004	2,127	74,112
Additions (ii)	193,526	-	939	194,465
Transfers	-	(164)	164	-
Disposals	-	-	(8)	(8)
December 31, 2023	**263,507**	**1,840**	**3,222**	**268,569**
Accrued depreciation				
January 1, 2023	-	(1)	(91)	(92)
Depreciation	-	(369)	(409)	(778)
December 31, 2023	**-**	**(370)**	**(500)**	**(870)**
Balance				
Total cost	263,507	1,840	3,222	268,569
Accrued depreciation	-	(370)	(500)	(870)
December 31, 2023	**263,507**	**1,470**	**2,722**	**267,699**

(i) Under the sub-concession contract of FIOL, section 1, the Company is obligated to complete the construction of the assets that compose the infrastructure and superstructure of the railroad. Therefore, the Company has been mainly spent its resources on: (a) reviewing the fundamental engineering projects and (b) contracting services to improve the studies and economic-financial evaluations of the exploration project of FIOL, stretch 1. These resources previously mentioned constitute the assets in progress of BAMIN Ferrovias. The term established in the contract for completion of the construction of the infrastructure and superstructure of the railroad is five years from the date of signing the contract.

(ii) In 2023 there were additions to property, plant and equipment equivalent to R$ 194,465 (2022, R$ 73,669). Total additions for the period, R$ 935 (2022, R$4,237) represents additions for the capitalization of expenses, with no cash effect, directly linked to the completion of the construction of the assets that make up the infrastructure and superstructure of the railway network. While R$ 193,530 (2022, R$ 69,132) represents total additions to fixed assets with a cash effect.

11 | Right of use

	Sub-concession grant	Total
Cost		
January 1, 2022	-	-
Additions	32,730	32,730
December 31, 2022	**32,730**	**32,730**
Accrued amortization		
January 1, 2022	-	-
Amortization (i)	(1,247)	(1,247)
December 31, 2022	**(1,247)**	**(1,247)**
Balance		
Total cost	32,730	32,730
Accrued amortization	(1,247)	(1,247)
December 31, 2022	**31,483**	**31,483**
Cost		
January 1, 2023	32,730	32,730
Additions	-	-
December 31, 2023	**32,730**	**32,730**
Accrued amortization		
January 1, 2022	(1,247)	(1,247)
Amortization	(935)	(935)
December 31, 2023	**(2,182)**	**(2,182)**
Balance		
Total cost	32,730	32,730
Accrued amortization	(2,182)	(2,182)
December 31, 2023	**30,548**	**30,548**

(i) The amounts relating to the amortisation of the FIOL Subconcession Contract, section 1, are capitalised. In 2023 the amount of R$ 935 was capitalised (2022 R$ 1,247).

12 | Intangible assets

	Softwares	Total
Cost		
January 1, 2022		
Additions	87	87
December 31, 2022	**87**	**87**
Accumulated amortization		
January 1, 2022		
Amortizations	(6)	(6)
December 31, 2022	**(6)**	**(6)**
Balance		
Total Cost	87	87
Accumulated amortization	(6)	(6)
December 31, 2022	**81**	**81**
Cost		
January 1, 2022	87	87
Additions	120	120
December 31, 2023	**207**	**207**
Accumulated amortization		
January 1, 2022	(6)	(6)
Amortizations	(28)	(28)
December 31, 2023	**(34)**	**(34)**
Balance		
Total Cost	207	207
Accumulated amortization	(34)	(34)
December 31, 2023	**173**	**173**

13 | Trade payables

	2023	2022
Domestic market	55,375	27,080

The Company's main business partners are consultants and technical advisors and the construction contract with the TCR-10 consortium, which supports the activities of (a) reviewing the fundamental engineering projects and (b) improving the studies and economic-financial assessments of the FIOL operating project (c) carrying out the railway infrastructure and superstructure works for lot 1F of section 1 of FIOL.

14 | Tax and social obligations

	2023	2022
Profit sharing	3,723	4,007
Provision for vacation	1,415	1,190
Taxes withheld on services	1,866	1,569
Taxes on labor obligations	707	689
Other	120	250
	7,831	**7,705**

15 | Risks of loss considered possible and therefore not provisioned for

The company has identified contingent liabilities associated with three processes of alleged infractions, resulting in fines due to non-compliance with the clauses stipulated in the FIOL sub-concession contract. These proceedings were initiated by the National Land Transport Agency. After an analysis carried out by the Company's legal advisors, it was concluded that it was not appropriate to provision amounts for these lawsuits, since the expected losses were considered only possible. The total amount involved in these lawsuits is estimated at approximately R$ 903 (2022, R$ 0).

16 | Related parties

(a) Transactions and balances

In 2023, the balance of liabilities was R$ 515 (2022, R$ 2,046) with related parties, resulting from an agreement specifically signed to reimburse for general and administrative expenses related to sharing material and human resources, incurred by BAMIN, its controlling shareholder. The agreement was signed on September 3, 2021, automatically renewed in 2022 and 2023, and does not provide for any financial charges.

(b) Compensation of key Management

Key management personnel are the Company's directors, where the remuneration paid or payable for employee services, substantially salaries and charges, was R$ 4,291 (2022, R$ 4,195).

17 | Equity

(a) Share capital

In 2023, the authorized share capital is represented by 595,501,851 (five hundred and ninety-five million, five hundred and one thousand, eight hundred and fifty-one) registered ordinary shares, worth R$1.00 (one real) each, whose fully paid-up value corresponds to R$595,502.

18 | General and administrative expenses

	2023	2022
Advisory, consultancies and general services	41,976	31,174
Payroll obligations	20,427	32,211
Business trips, stays and events	6,510	4,530
Short-term leases	4,957	2,281
Taxes	2,522	1,882
Other	4,928	2,626
	81,320	**74,704**

19 | Financial income

	2023	2022
Financial income		
Income of financial investment	47,826	38,763
Other financial income	4	-
	47,830	**38,763**
Financial expenses		
Other financial expenses	(125)	(69)
	(125)	**(69)**
	47,705	**38,694**

Composition of Executive Office and General Financial Management

DECEMBER 31, 2023

Executive Officer

Sergio Leite
CEO

Alexandre Aigner
CFO

Eduardo Ledsham
Officer

Gustavo Cota
Officer

General Financial Management

Pedro Machado
Finance General Manager

Rilson Cruz
Accountant | CRC BA 036891/O-5

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