SAMARCO

Financial Statements

2016

INDEPENDENT AUDITOR'S REPORT

(A free translation of the original in Portuguese)

Independent auditor's report

To the Board of Directors and Stockholders
Samarco Mineração S.A.

Opinion

We have audited the accompanying parent company financial statements of Samarco Mineração S.A. ("Company"), which comprise the balance sheet as at December 31, 2016 and the statements of operations, comprehensive income (loss), changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Samarco Mineração S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2016 and the consolidated statements of operations, comprehensive income (loss), changes in equity and 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 referred to above present fairly, in all material respects, the financial position of Samarco Mineração S.A. and of Samarco Mineração S.A. and its subsidiaries as at December 31, 2016, and the parent company financial performance and cash flows, as well as the consolidated financial performance and cash flows, for the year then ended, in accordance with accounting practices adopted in Brazil.

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 Parent Company and Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, 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.

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Samarco Mineração S.A.

Material uncertainty related to going concern

We draw attention to Note 1 to the financial statements which describes that, due to the failure of the Fundão tailings dam, on November 5, 2015, the Company's operations were suspended and have not been resumed up to the date of the auditor's report. This suspension affected the Company's capacity to generate cash flows from its operations. The notes to the financial statements also disclose:

(i) At December 31, 2016, the Company presents a capital deficiency (negative stockholders' equity) of R$ 6,922,006 thousand and in 2016 it recorded negative cash flows from consolidated operating activities of R$ 2,594,828 thousand. At the balance sheet date, current liabilities exceeded current assets by R$ 15,274,670 thousand, mainly due to the reclassification of loans and financing of R$ 12,053,168 thousand from non-current to current liabilities, to conform with contractual conditions (financial covenants). The Company is currently negotiating its loans to extend tenures and restructure payment conditions.

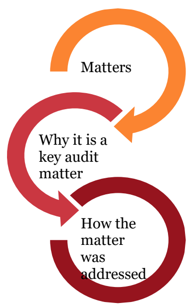
(ii) The Company is discussing various legal and administrative proceedings involving civil, labor and environmental issues to which it is a party. The Company executed a Framework Agreement ("Termo de Transação e Ajustamento de Conduta - TTAC") and ancillary arrangements which, potentially, subject it to injunctions which may invoke mandatory court deposits, freezing of accounts and other sanctions. In view of the uncertainties inherent in the early stages of the various proceedings, certain provisions were recorded based on an estimated range of probable losses, and other amounts are subject to significant uncertainty due to the possibility of changes in final assumptions and other variables that are not solely under the control of the Company. Therefore, the amounts recorded and the disclosures of possible losses may not accurately reflect actual losses and may differ materially from those recorded and disclosed in the financial statements.

(iii) As the Company has not yet been granted operating licenses, the Company is still not able to present a reliable estimate as to when its operations will resume. Installation and operational permits will be required before it can again initiate its operations.

The aforementioned matters cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the parent company and consolidated financial statements, taken as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Samarco Mineração S.A.

Why it is a key audit matter	How the matter was addressed in the audit
Expenditures incurred and provisions made to remediate damages caused by the failure of the Fundão tailings dam (Notes 1(a) and 3)	
The failure of the Fundão tailings dam significantly impacted the Company's operations and financial position. The Company incurred expenditures related to measures to further prevent, remediate, and contain material environmental and social damage from the breaching of the dam, as well as having disinvested certain related assets. In addition to these disbursements, the Company also recorded provisions, classified by nature of program, and has made disclosures of estimated future disbursements. The assumptions and bases used by management to establish these provisions were determined with the support of specialized external consultants contracted for this purpose. Since the amounts that will be ultimately paid are subject to significant uncertainty due to the likelihood of changes in assumptions and numerous other factors that are not under the Company's control, the provisions at December 31, 2016 required a significant degree of judgment by management. The Company is also subject to administrative and judicial proceedings, as well as investigations by competent authorities in Brazil and by external consultants hired by the Company and its stockholders. Given these uncertainties, the definition of the estimated range of probable losses and the disclosure of possible losses involve significant judgment and may not accurately reflect actual losses. The subjectivity inherent in estimating future expenditures required significant judgment by Company's management which was an area of focus during our audit process.	As an audit response, we performed the following procedures, among others: We obtained the composition, by nature of program, at December 31, 2016, of the provision for disbursements of social, environmental and economic expenditures. With the support of specialists, we compared these amounts with the parameters in the Framework Agreement (TTAC), to determine that each program was appropriately contemplated. For changes in each program provision, we obtained, on a sample basis, documentation supporting disbursements and assumptions used in to estimate future costs. Our financial modeling specialists were engaged to review the methodology for estimating the present value of the obligations. We obtained reports prepared by management on administrative and judicial proceedings and public-interest civil actions, and compared the details of material proceedings with confirmations obtained from the Company's legal counsel. Our tax and legal specialists also reviewed information on the judicial and administrative proceedings and significant public-interest civil actions provided by management to obtain an understanding as to whether the proceedings against the Company contemplated items covered by the TTAC. Our forensic specialists assisted in our understanding of the investigations conducted by the consultants contracted by the Company's stockholders. Finally, we read the information disclosed in the explanatory notes. We believe that the disclosures in the financial statements are consistent with the information we obtained as a result of applying the procedures detailed above.

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Why it is a key audit matter	How the matter was addressed in the audit
Impairment of property, plant and equipment (Note 12.1)	
Following the interruption of the Company's operations in Mariana, as a result of the failure of the Fundão dam, indicators of impairment of certain items of property, plant and equipment were identified which triggered an impairment test during year. Management's projections of future results include assumptions related to the return of the Company's activities, which still involve uncertainties, as well as other assumptions that support cash flow projections in order to determine the value in use of the cash-generating unit, involving significant judgments that are not always objective. The use of a different set of assumptions could result in projections materially different from those determined by the Company. Considering the materiality of property, plant and equipment and the potentially significant impact the subjectivity of judgments could have in determining the recoverable value, we considered this to be a key matter in our audit process.	As an audit response, we performed the following key procedures: We involved our corporate valuation specialists to review projections and evaluate the models and assumptions used in projecting future cash flows. In order to evaluate management's assumptions supporting its projections, we considered, in particular, the estimates of when the Company may return to operations. Other variables affecting the projections prepared by Company's management which were evaluated included: projections of foreign exchange rates, future iron ore pellet prices, estimates of volume of mine reserves, the useful lives of assets and changes in costs. We also read the information disclosed in the notes to the financial statements and believe that the disclosures in the financial statements are consistent with the information obtained from applying our auditing procedures.

Why it is a key audit matter	How the matter was addressed in the audit
Realization of deferred income tax (Note 28)	
The Company presents a consolidated deferred income tax asset arising from tax losses and temporarily non-deductible provisions. To the extent management believes that the Company may not generate sufficient future taxable income to offset the asset within a reasonable period, it records an impairment charge against the deferred assets. During the year, an impairment charge of R$ 3,036,189 thousand was recorded, resulting in a net deferred tax liability of R$ 1,306,470 thousand.	As an audit response, we performed the following key procedures: We engaged our tax specialists to assist us in recalculating tax losses, social contribution and temporary differences, as well as corporate valuation specialists, to assist us in evaluating projections and underlying assumptions in forecasting future results.

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Why it is a key audit matter	How the matter was addressed in the audit
We considered this to be a key audit matter, since these are material amounts and the recoverability of the asset depends on significant and subjective judgments to determine the period over which future taxable income will be generated by the Company's activities.	We tested the projections presented by management, by performing the auditing procedures described in the Key Audit Matter "Impairment of property, plant and equipment" above. We also read the information disclosed in the notes to the financial statements and believe that the disclosures in the financial statements are consistent with the information obtained from applying our auditing procedures.

Other matters

Statements of Value Added

The parent company and consolidated statements of value added for the year ended December 31, 2016, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". In our opinion, these Statements of Value Added have been properly prepared in all material respects, in accordance with the criteria established in the Technical Pronouncement, and are consistent with the parent company and consolidated financial statements taken as a whole.

Responsibilities of management and those charged with governance for the parent company and consolidated financial statements

Management is responsible for the preparation and fair presentation of the parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as 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 parent company and consolidated 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 charged with governance are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Samarco Mineração S.A.

Auditor's responsibilities for the audit of the parent company and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the parent company 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 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 parent company 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 internal control of the Company and its subsidiaries.

- 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 ability of the Company 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 parent company 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 to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the parent company and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

Samarco Mineração S.A.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Belo Horizonte, August 23, 2017

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" MG

Carlos Augusto da Silva
Contador CRC 1SP197007/O-2 "S" MG

SAMARCO MINERAÇÃO S.A.

FINANCIAL STATEMENTS IN ACCORDANCE WITH ACCOUNTING PRACTICES ADOPTED IN BRAZIL AS OF DECEMBER 31, 2016.

BALANCE SHEET
at December 31
(In thousands of Reais – R$)

		Parent Company		Consolidated	
Assets	**Note**	**2016**	**2015**	**2016**	**2015**
Current					
Cash and cash equivalents	4	47,712	1,799,138	57,652	1,822,801
Restricted short-term investments	5	235	82,785	256	82,811
Accounts receivable	6	16,482	362,384	9,289	190,657
Inventory	7	328,257	522,835	328,257	594,716
Recoverable taxes	8	112,359	249,602	112,364	249,664
Prepaid expenses		2,009	11,600	2,168	12,282
Other assets	9	26,615	132,904	26,881	133,071
Total current assets		**533,669**	**3,161,248**	**536,867**	**3,086,002**
Noncurrent					
Court deposits	19	1,654,766	1,402,178	1,654,766	1,402,178
Recoverable taxes	8	76,902	49,217	76,902	49,222
Deferred income tax	28	-	1,373,024	-	1,373,155
Inventory	7	39,488	-	39,488	-
Other assets	9	68,036	35,380	68,036	35,475
		1,839,192	**2,859,799**	**1,839,192**	**2,860,030**
Investments	10	15,569	69,557	-	-
Property, plant and equipment	12	17,553,440	21,355,934	17,553,812	21,356,302
Intangible assets	13	90,342	121,126	90,342	121,126
Total noncurrent assets		**19,498,543**	**24,406,416**	**19,483,346**	**24,337,458**
Total assets		**20,032,212**	**27,567,664**	**20,020,213**	**27,423,460**

The accompanying notes are an integral part of these financial statements.

BALANCE SHEET
at December 31
(In thousands of Reais – R$)

		Parent Company		Consolidated	
Liabilities	**Note**	**2016**	**2015**	**2016**	**2015**
Current					
Trade payables	14	284,997	118,706	285,036	116,197
Loans and financing	15	13,378,919	328,243	13,378,919	328,243
Financial charges payable	15	359,680	108,388	359,680	108,388
Payroll, provisions and social contributions	17	30,898	37,101	30,958	37,336
Taxes payable	18	86,167	66,747	86,211	66,866
Provision for income tax	28	-	6,571	84	6,657
Other provisions	20	1,636,058	1,975,145	1,636,058	1,975,145
Other liabilities	21	46,704	64,701	34,591	21,343
Total current liabilities		**15,823,423**	**2,705,602**	**15,811,537**	**2,660,175**
Noncurrent					
Loans and financing	15	7,572	14,741,919	7,572	14,741,919
Financial charges payable	15	1,246	740	1,246	740
Dividends	22	2,805,548	2,805,548	2,805,548	2,805,548
Provisions for contingencies	19	246,729	139,565	246,729	139,565
Deferred income tax	28	1,306,582	-	1,306,471	-
Other provisions	20	6,008,675	8,551,899	6,008,675	8,551,899
Other liabilities	21	754,441	275,655	754,441	176,878
Total noncurrent liabilities		**11,130,793**	**26,515,326**	**11,130,682**	**26,416,549**
Equity	22				
Capital		297,025	297,025	297,025	297,025
Capital reserves		2,476	2,476	2,476	2,476
Carrying value adjustments		1,682,404	3,589,203	1,682,404	3,589,203
Accumulated losses		(8,903,911)	(5,541,968)	(8,903,911)	(5,541,968)
Total stockholders' equity		**(6,922,006)**	**(1,653,264)**	**(6,922,006)**	**(1,653,264)**
Total liabilities and stockholders' equity		**20,032,212**	**27,567,664**	**20,020,213**	**27,423,460**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF OPERATIONS
Year ended December 31
(In thousands of Reais – R$)

		Parent Company		Consolidated	
	Note	2016	2015	2016	2015
Revenue	23	208,839	6,481,508	207,056	6,481,508
Cost of goods sold and services rendered	24	(1,055,002)	(3,603,182)	(1,055,029)	(3,603,182)
Gross profit		**(846,163)**	**2,878,326**	**(847,973)**	**2,878,326**
Operating expenses					
Selling	25	(54,108)	(183,512)	(55,973)	(173,767)
General and administrative	25	(67,404)	(58,374)	(67,404)	(58,374)
Other operating expenses, net	26	928,246	(10,861,262)	928,239	(10,858,172)
Equity in results of investees	10	(9,246)	10,670	-	-
(Loss) before finance result		**(48,675)**	**(8,214,152)**	**(43,111)**	**(8,211,987)**
Finance result					
Finance income	27	207,912	87,413	208,014	87,547
Finance expenses	27	(1,454,102)	(738,236)	(1,454,037)	(738,258)
Net foreign exchange gains/losses	27	619,408	1,130,962	619,331	1,130,692
(Loss) before taxation		**(675,457)**	**(7,734,013)**	**(669,803)**	**(7,732,006)**
Income tax	28	(2,686,485)	1,897,496	(2,692,139)	1,895,489
(Loss) for the year		**(3,361,942)**	**(5,836,517)**	**(3,361,942)**	**(5,836,517)**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME (LOSS)
Year ended December 31
(In thousands of Reais – R$)

	Parent Company and Consolidated	
	2016	**2015**
Loss for the year	**(3,361,942)**	**(5,836,517)**
Other comprehensive income		
Items that will not be reclassified to profit or loss	**-**	**-**
Cumulative translation adjustment, net	(1,906,163)	1,975,684
Retirement benefit obligations	(636)	(1,601)
Other comprehensive (loss) income for the year	**(1,906,799)**	**1,974,083**
Total comprehensive (loss)	**(5,268,741)**	**(3,862,434)**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands of Reais – R$)

			Capital reserves			Revenue reserves						
	Note	Capital	Special monetary restatement of PPE	Premium on share subscription	Tax incentive reserves	Depletion reserve incentivized	Legal reserve	Profit retention	Comprehensive income adjustments	Accumulated deficit	Dividends	Total
Balance at December 31, 2014		**297,025**	**785**	**1,681**	**10**	**1,517**	**59,404**	**233,628**	**1,615,120**	**-**	**2,104,161**	**4,313,331**
Loss for the year		-	-	-	-	-	-	-	-	(5,836,517)	-	(5,836,517)
Other comprehensive (loss) income												
Cumulative translation adjustment, net	22	-	-	-	-	-	-	-	1,975,684	-	-	1,975,684
Retirement benefit obligations	22	-	-	-	-	-	-	-	(1,601)	-	-	(1,601)
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,974,083**	**-**	**-**	**1,974,083**
Supplemental dividends to the mandatory minimum proposed in 2014	22	-	-	-	-	-	-	-	-	-	(2,104,161)	(2,104,161)
Offset of losses with reserves	22	-	-	-	-	(1,517)	(59,404)	(233,628)	-	294,549	-	-
Balance as of December 31, 2015		**297,025**	**785**	**1,681**	**10**	**-**	**-**	**-**	**3,589,203**	**(5,541,968)**	**-**	**(1,653,264)**
Loss for the year		-	-	-	-	-	-	-	-	(3,361,942)	-	(3,361,942)
Other comprehensive (loss) income												
Cumulative translation adjustment, net	22	-	-	-	-	-	-	-	(1,906,163)	-	-	(1,906,163)
Retirement benefit obligations	22	-	-	-	-	-	-	-	(636)	-	-	(636)
Total comprehensive (loss) income		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,906,799)**	**-**	**-**	**(1,906,799)**
Balance as of December 31, 2016		**297,025**	**785**	**1,681**	**10**	**-**	**-**	**-**	**1,682,404**	**(8,903,911)**	**-**	**(6,922,005)**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
Year ended December 31
(In thousands of Reais – R$)

		Parent Company		Consolidated	
	Note	2016	2015	2016	2015
Cash flows from operating activities					
Loss before tax		(675,457)	(7,734,013)	(669,803)	(7,732,006)
Adjustments to reconcile loss before taxation to cash from operations:					
Depreciation and amortization	12 and 13	185,976	437,416	186,103	437,554
Allowance for doubtful accounts	6	(4,939)	27,896	(3,632)	27,881
Provision for price revision	6	(124,666)	(244,072)	(124,666)	(244,072)
Provision for inventory obsolescence	7	3,541	(1,821)	3,541	(1,821)
Provision for realization of recoverable taxes	8	(5,481)	252,548	(5,481)	252,548
Provision for realization of other assets		(374)	(2,505)	(374)	(2,505)
Provision for contingencies	19	107,164	13,973	107,164	13,973
Constitution of provision for other liabilities	3	(2,882,311)	9,979,364	(2,882,311)	9,976,928
Provision for impairment of property, plant and equipment (Fundão dam)	12	(1,145)	216,817	(1,145)	216,817
Losses on disposal of property, plant and equipment	12	(20)	1,235	(19)	1,235
Equity in the results of investees	10	9,246	(10,670)	-	-
Interest on loans and financing		501,362	508,199	501,362	508,199
Unrealized foreign exchange gains and losses		(681,935)	689,593	(681,802)	702,023
		(3,569,039)	**4,133,960**	**(3,571,063)**	**4,156,754**
(Increase) decrease in operating assets:					
Restricted short-term investments		82,550	(82,785)	82,555	(82,791)
Trade accounts receivable		475,507	497,984	309,666	662,798
Inventory		61,539	16,918	133,420	(54,963)
Recoverable taxes		101,590	(247,191)	101,668	(248,592)
Court deposits		(252,588)	(696,977)	(252,588)	(696,977)
Prepaid expenses		9,593	(2,474)	10,114	(2,287)
Distribution of dividends - Subsidiaries		31,111	-	-	-
Other assets		87,660	(67,266)	74,004	(69,827)

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STATEMENT OF CASH FLOWS
Year ended December 31
(In thousands of Reais – R$)

		Parent Company		Consolidated	
	Note	2016	2015	2016	2015
Increase (decrease) in operating liabilities:					
Trade payables		166,291	(230,073)	168,838	(231,566)
Taxes payable		19,420	4,454	19,345	4,486
Payroll, provisions and social contributions		(6,203)	(5,928)	(6,378)	(5,851)
Income tax paid	28	-	-	(5,656)	(710)
Interest payment		(249,564)	(488,751)	(249,564)	(488,751)
Other liabilities		460,789	(22,305)	590,811	(136,116)
Net cash provided by (used in) operations		**(2,581,344)**	**2,809,566**	**(2,594,828)**	**2,805,607**
Cash flows from investing activities					
Acquisition of property, plant and equipment and intangible assets	12 and 13	57,449	(424,057)	57,210	(424,057)
Proceeds on sale of property, plant and equipment and intangible assets		476	123	476	123
Net cash used in investing activities		**57,925**	**(423,934)**	**57,686**	**(423,934)**
Cash flows from financing activities					
Financing obtained from third parties and stockholders		913,010	1,563	913,010	1,563
Financing repayments		(142,213)	(1,760,511)	(142,213)	(1,760,511)
Dividend payments	22	-	(918,549)	-	(918,549)
Net cash provided by (used in) financing activities		**770,797**	**(2,677,497)**	**770,797**	**(2,677,497)**
Effects of exchange rate changes on cash and cash equivalents		1,196	977	1,196	976
Net increase (decrease) in balance of cash and cash equivalents		**(1,751,426)**	**(290,888)**	**(1,765,149)**	**(294,848)**
Cash and cash equivalents at the beginning of year		1,799,138	2,090,026	1,822,801	2,117,649
Cash and cash equivalents at the end of the year		47,712	1,799,138	57,652	1,822,801
		(1,751,426)	**(290,888)**	**(1,765,149)**	**(294,848)**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF VALUE ADDED
At December 31
(In thousands of Reais – R$)

	Parent Company		Consolidated	
	2016	2015	2016	2015
Revenue				
Sales of goods, products and services	212,674	6,638,101	210,891	6,638,101
Other revenue	14,229	7,334	14,229	7,334
Revenue relating to construction of company assets	57,211	477,103	57,211	477,113
Allowance for doubtful accounts	4,939	(27,896)	3,632	(27,881)
	289,053	**7,094,642**	**285,963**	**7,094,667**
Consumables acquired from third parties				
Cost of goods sold and services rendered	(727,941)	(3,745,026)	(714,295)	(3,737,396)
Material, electricity, outsourced services and other	1,061,581	(10,624,920)	1,061,299	(10,612,158)
Recovery/(loss) of asset values	(3,167)	(132,149)	(3,167)	(132,149)
	330,473	**(14,502,095)**	**343,837**	**(14,481,703)**
Gross	**619,526**	**(7,407,453)**	**629,800**	**(7,387,036)**
Depreciation and amortization	(185,975)	(437,416)	(186,103)	(437,554)
Net value added produced by the Company	**433,551**	**(7,844,869)**	**443,697**	**(7,824,590)**
Transferred value added				
Equity in results of investees	(9,246)	10,670	-	-
Finance income	1,505,263	2,490,131	1,505,259	2,490,205
	1,496,017	**2,500,801**	**1,505,259**	**2,490,205**
Total value added to be distributed	**1,929,568**	**(5,344,068)**	**1,948,956**	**(5,334,385)**
Distribution of value added	**1,929,568**	**(5,344,068)**	**1,948,956**	**(5,334,385)**
Personnel				
Direct compensation	254,551	253,629	264,408	258,767
Benefits	134,785	93,217	138,669	95,371
Government Severance Indemnity Fund for Employees (FGTS)	14,318	19,760	14,318	19,760
Taxes				
Federal	(289,584)	(1,886,951)	(283,765)	(1,884,663)
State	5,998	(81,105)	5,920	(81,233)
Municipal	3,208	83,751	3,208	83,751
Interest expenses				
Interest on loans, financing and other debt items	2,132,045	2,010,148	2,131,951	2,010,379
Interest on stockholders' equity				
Loss for the period	(325,753)	(5,836,517)	(325,753)	(5,836,517)

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2016

(All amounts in thousands of Reais, unless otherwise stated)

1. OPERATIONAL CONTEXT

Samarco Mineração S.A. ("Samarco", "Company" or "Parent Company"), a privately held corporation, is a 50/50 joint venture between Vale S.A. ("Vale") and BHP Billiton Brasil Ltda. ("BHP") with registered offices in Belo Horizonte - Minas Gerais ("MG"). Samarco's main product is iron ore pellets, produced through a fully integrated operation consisting of the mining, beneficiation and concentration of low-grade iron ore in Germano/Alegria, municipality of Mariana, MG, and the transportation of ore in the form of slurry through pipelines to its other operational unit in Ponta Ubu, municipality of Anchieta, Espírito Santo ("ES"), where the iron ore concentrate is transformed into pellets in its pelletizing plants. The Company has its own seaport facility in Ubu, ES, from where it ships its products to the market globally.

Samarco's ore reserves prior to the failure of the Fundão tailings dam in November 2015 were based upon mineral resource located in the municipalities of Mariana and Ouro Preto, MG comprising mineral resources estimated at 7.4 billion metric tons (not audited). In October 2015, the recoverable or mineable reserves, based on the technical and economic conditions and mineral characteristics, were estimated at 2.9 billion metric tons (not audited).

Following the failure of the Fundão tailings dam in November 2015 and the temporary, but ongoing, suspension of operations in Germano/Alegria, the Company is reviewing its operational reserves. Consequently, Samarco is currently not in a position to confirm its reserves as of December 31, 2016. However, as the company works towards a start-up scenario, and achieves the required permitting for this, then it is expected that ore reserves will again be declared.

a) Failure of the Fundão dam

As detailed in Note 3, in November 2015, as a consequence of the failure and rupture of the Fundão tailings dam, the operations in Germano/Alegria ("Mariana complex") were temporarily suspended by order of government agencies - SEMAD (State Secretariat for Sustainable Development and Environment) and DNPM (National Mineral Production Department). The Company has been working to meet legal requirements laid down by the respective authorities relating to the social and environmental impacts caused by the dam failure.

On March 2, 2016, Samarco and its stockholders, Vale and BHP signed the so-called "Termo de Transação e Ajustamento de Conduta", ("Framework Agreement"), as contained in the case records of the Public Civil Action brought by the Federal Government and others, No. 0069758-61.2015.4.01.3400, on-going before the 12th Federal District Court in Belo Horizonte/MG, to determine the measures and actions to remedy and compensate environmental and socio-economic damages deriving from the failure of the Fundão dam.

In compliance with the Framework Agreement, Samarco, Vale and BHP instituted a Foundation with the objective of developing and implementing environmental and socio-economic programs for the remediation and compensation of the damages caused by the failure of the Fundão dam. Samarco is responsible for providing the resources to the Foundation, subject to the schedule and other conditions stipulated in the Framework Agreement. To the extent that Samarco does not meet its financial obligations under the Framework Agreement, each of Vale and BHP have funding obligations under the Framework Agreement in the proportion of their 50 per cent shareholding in Samarco.

Fundação Renova ("Fundação" or "Foundation") was thus constituted by Samarco and its stockholders and initiated its operations on August 2, 2016. The Framework Agreement is already in effect among the parties, although its judicial homologation has been canceled by Superior Court of Justice. The homologation decision will now be analyzed and ratified by the 12th Federal Court of Justice. In the meantime, Samarco will continue to support the long-range recovery of the communities and of the environment affected by the dam failure.

On January 18, 2017, the Federal Public Prosecution Service, Samarco and its stockholders signed a preliminary agreement (Note 3(h)). This agreement, upon its fulfillment, is an important step toward the ratification to be provided by the 12th Federal Court of Justice.

Currently Samarco is still not authorized to resume its mining and ore processing activities. On June 23, 2016, Samarco submitted the Environmental Impact Study and the respective Environmental Impact Report ("EIA" / "RIMA") to "SEMAD". In December of 2016, public hearings were held, coordinated by SEMAD, in the municipalities of Mariana and Ouro Preto. These studies and hearings are part of the licensing process for utilization of a mined-out pit for tailings disposal. The remaining structures of the Mariana Complex will be the subject to a Corrective Operational License ("LOC"), which will also be analyzed by the SEMAD. The studies are in their final stages and the Company will submit its application for a license as soon as they are finished.

Given the current licensing situation, Samarco is not in a position to present a reliable estimate of how and when its operations will be resumed. However, the management has been conducting discussions and taking the necessary actions with the responsible agencies in order to resume its operations. The Company's insufficient cash resources to meet its obligations, along with uncertainties as to when the Company will be able to resume its operations, have created a significant challenge to short-term cash liquidity. The stockholders have made public their financial support in the total amount of R$1,640,000 for the expenses foreseen in the second half of FY 2017.

Considering the above, Vale and BHP were called upon to fulfill Samarco's obligations under the Framework Agreement. In total, Vale and BHP contributed R$1,390,000, split between direct funding to the Foundation and a short-term facility to Samarco. The Foundation funding is directed to enable continuity of the remediation and compensation programs within the scope of the Framework Agreement. The short-term facility allows Samarco to carry out remediation and stabilization work and support Samarco's operations. Funds are released to the Foundation and Samarco only as required and subject to the approval of the budget proposed for the period in which the funds are to be used.

As a result of the dam failure, the Company is a party to several judicial, administrative, civil, environmental and labor proceedings, for which it cannot provide a reliable estimate of the outcomes and consequences (Note 3 (h)).

b) Going Concern

The Company's main operations consist of an integrated process involving mining, beneficiation and concentration of low-quality iron ore in the municipality of Mariana, as well as the transport of concentrated ore, via a slurry pipeline, from the three operational units located in the state of Minas Gerais to the four pellet plants located in the state of Espírito Santo.

Following the failure of the Fundão dam (Note 1(a) "Failure of the Fundão dam" and Note 3 "Significant Event - Failure of the Fundão dam"), the operations of extraction and transformation have been suspended temporarily. This has significantly affected the Company's capacity to generate cash flows and fulfill its financial obligations.

At December 31, 2016, the Company presents a net capital deficiency (negative stockholders' equity) of R$6,922,006 in the parent Company and in the consolidated financial statements, and the current liabilities exceeded the current assets by R$15,289,754 in the parent Company and R$15,274,670 in the consolidated financial statements. For the year ended December 31, 2016, its operations consumed cash flows of R$2,581,344 in the parent Company and R$2,594,830 in the consolidated financial statements.

Certain contractual loan conditions under debt obligations have not been fulfilled. Consequently, the Company re-classified R$12,053,168 of loans and financing from non-current to current liabilities. The Company has total loans and financing (including financial charges payable) of R$13,747,417 (at December 31, 2015 R$15,179,290), of which R$13,738,599 (December 31, 2015 R$436,631) are classified as current at December 31, 2016 (Note 15 "Loans and Financing").

The Company has been discussing with its lenders a restructuring of existing loan and funding agreements conditions.

Samarco is also a party to several legal and administrative proceedings involving civil, labor and environmental issues (Note 3 (h) "Significant Event - Failure of Fundão dam"). Samarco negotiated the Framework Agreement/TTAC and other agreements creating new financial obligations. In addition, in several of these proceedings the Company is subject to injunctions, such as mandatory court deposits and freezing of accounts, which can further affect its cash availability. Unfavorable results associated with these claims may have a significant detrimental effect on the Company's equity.

In view of the above, Vale and BHP have been called upon to fulfill Samarco's obligations under the Framework Agreement/TTAC and support its operations through short term loans, totaling R$1,390,000 (US$421,000) in 2016. In the first half of 2017, the stockholders contributed R$440,000 (US$137,097) to Renova and R$1,031,758 (US$325,005) to Samarco, the latter amount being divided into R$583,423 (US$183,000) to support the Company's activities and R$448,336 (US$142,000) to defray the expenses of the TTAC programs which are still under Samarco's responsibility. In the second half of 2017, the expectation is that the two stockholders will contribute with an additional amount of R$1,040,000 (US$313,000) for direct funding to the Foundation for lending continuity to the execution of the remediation and compensation programs, and short-term facilities to Samarco in the amount of R$600,000 (US$187,000), of which R$488,000 (US$152,000) are intended for order to support the operational needs and R$112,000 (US$35,000) to cope with the Framework Agreement programs still under the control of Samarco. The short-term facilities will allow Samarco to continue carrying out remediation and stabilization work and support its operations. Funds are released to the Samarco by the stockholders only as required and subject to the approval of the budget proposed for the period in which the funds are to be used. Samarco has not obtained any other formal funding commitment from Vale or BHP, and currently has no other funding sources.

Seeking to resume its operations, Samarco is working on obtaining from the competent agencies the environmental licenses required according to current law. To this end, the Company has developed a project to provide a temporary short term solution involving the disposal of mine tailings in the SDR Alegria Sul Pit, which has a holding capacity of some 17 Mm^3. The project also includes the Alegria Sul overburden pile, which will be used for the temporary disposal of ore and definitive of sterile.

The implementation of this project requires the obtention of both the Preliminary License (LP) and the Installation License (LI) at the same time. After these two permits are issued, there will be a period of construction and preparation of the pit before applying for an Operating License (LO) in tandem with the process to obtain the Corrective Operational License (LOC). The LP+LI process is almost concluded. In order for this process to be put on the agenda of the Technical Chamber specialized Program for the Protection of Biodiversity and Protected Areas (CPB) of the Secretary of State for Environment and Sustainable Development of the Government of Minas Gerais to be voted on, Samarco is awaiting the consent of the Gandarela National Park, since the project lies within the buffer zone of this Conservation Unit. The agreement of other required consenting bodies has already been obtained, such as FLOE Uaimii, Ibama-MG, IPHAN and IEPHA.

Still with regard to licensing, after the suspension of the environmental licenses and other authorizations that supported the operations of the Germano complex, Samarco was called upon to obtain a corrective operational license (LOC) for all the activities which are part of the production process of Germano and all the emergency works and interventions carried out as a result of the failure of the Fundão dam. In order to allow the official filing of the Environmental Impact Assessment (EIA) and the Environmental Impact Assessment Report (RIMA) needed to apply for the LOC, it is necessary to obtain statements of consent from the municipalities involved, which have already been obtained. Samarco is now awaiting the finalization of internal definitions in order to file the studies with the environmental entity and start the licensing process with the competent authorities.

Samarco considers that the resumption of its operations is essential to allow its business continuity. However, said resumption depends on the resolution of factors, some of which are beyond its control, such as:

- Obtaining installation and operation licenses to permit the safe restart of operations;

- Satisfactory restructure of its debt obligations and terms of payment with its creditors; and

- Adequate financing to support the operations before and during the restart.

In the event the conditions required for operating restart do not occur, the Company may not be able to maintain its operations and, therefore, will not be able realize its assets and fulfill its obligations in the normal course of business. The financial statements do not include adjustments which would ensue if the Company were to not continue operating.

c) Company equity interests
Samarco participates in the following companies (together the "Group").

- **Samarco Iron Ore Europe B.V. ("Samarco Europe") - direct interest of 100%** - headquartered in the Netherlands, this company was incorporated on October 13, 2000 with the core activity of providing services consisting of marketing and selling the iron ore produced by Samarco. It also provides support to clients through technical seminars and market studies.

- **Samarco Asia Ltd. ("Samarco Asia") - direct interest of 100%** - headquartered in Hong Kong; this company was acquired on July 10, 2001 by Samarco Europe to provide marketing and selling services through commercial representation in the Asia-Pacific region.

- **Samarco Finance Ltd. ("Samarco Finance") - direct interest of 100%** - headquartered in the Cayman Islands, this company was incorporated on February 21, 2000 with the core activity of optimizing Samarco's foreign-trade business, in order to support exports (resale) of iron ore acquired from the Company to designated clients and to borrow funds on the international market and subsequently pass them through to the Company.

The Executive Board approved the issuance of these financial statements on August 22, 2017.

2. PRESENTATION OF THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies used to prepare these financial statements are as described below. These policies were consistently applied with respect to the previous year, unless stipulated otherwise.

2.1 Basis of preparation

(a) Parent company and consolidated financial statements
The parent company and consolidated financial statements have been prepared based on the historic cost convention, except for financial instruments, which have been measured at fair value through profit and loss.

The preparation of financial statements in accordance with accounting practices adopted in Brazil requires that management uses its judgment in determining and recording accounting estimates. The Company reviews the estimates and assumptions at least once a year. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.2.

The parent company and consolidated financial statements have been prepared in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee ("CPC") and ratified by the Federal Accounting Council ("CFC"), and reflect all material information related to the financial statements, which corresponds to that used by management.

The statement of value added was prepared in accordance with accounting pronouncement CPC 09 - Statement of Value added, and as it is only required for listed companies is being presented as supplementally to the financial statements.

(b) Changes in accounting policies and disclosures

There were no amendments or new pronouncements in force for the financial year commencing January 1, 2016 that had material impacts on the Group.

2.2 Critical accounting estimates and judgments

The preparation of financial statements requires the use of critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Based on assumptions, the Company makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates are based on the best knowledge existing in each financial year. Changes in facts and circumstances could lead to a revision of estimates; actual future results could diverge from the estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Provision for social, environmental and socio-economic recovery

The provision for social, environmental and socio-economic recovery is made for an area impacted or requiring the rectification of civil damages incurred, that generates an obligation for the Company. This process involves complex estimates for determining the future disbursement expected by management and its independent consultants (Note 3).

(ii) Income Tax

Current and deferred tax is calculated in accordance with the interpretations deriving from the existing legislation. This process normally involves complex estimates to determine the taxable income, deductible or taxable items and temporary differences. The measurement of the recoverability of deferred tax on temporary differences takes into account the estimated taxable income based on future cash flows.

(iii) Impairment

The Company evaluates its assets with a defined useful life for indications of impairment annually. If such indicators do exist, the recoverability of its tangible and intangible assets segregated by cash generating unit is tested. The discounted cash flow criterion is normally used, which depends on several estimates, influenced by the market conditions at the time the impairment test is conducted.

(iv) Mineral reserves and useful life of mines

The estimated proven and probable reserves are periodically evaluated and updated. These reserves are determined by using generally accepted geological estimation techniques. The estimated volume of the mineral reserves is the basis for determining the depletion of the respective mines and the estimated useful life is a prime factor for quantifying the provision for environmental recovery of the mines. Any change in the estimated volume of reserves of the mine and the useful life of the underlying assets could have a significant impact on the depreciation, depletion and amortization charges recognized in the financial statements. Changes in the estimated useful life of the mine could affect the estimated provision for environmental expenses, the recovery thereof and impairment analyses.

Following the failure of the Fundão tailings dam in November 2015 and the temporary suspension of operations in the Germano/Alegria areas, the Company is reviewing the operation's resources and reserves.

(v) Asset retirement obligations

The Company recognizes an obligation for demobilization of assets in the period in which the disturbance occurs. This provision is determined based on the present value of the cash flows necessary to demobilize the assets. The Company considers the accounting estimates related to the recovery of degraded areas and the cost of closing a mine as a critical accounting practice as it involves large provisions and estimates involving a range of assumptions, such as interest rates, inflation, useful life of the asset under analysis and the current stage of depletion as well as the projected depletion dates of each mine. These estimates are revised annually.

(vi) Provision for contingencies

Contingencies are analyzed by management in conjunction with its legal advisers. The Company's analyses include factors such as hierarchy of laws, case law available, recent decisions delivered by courts and their relevance in the legal framework. These evaluations involve management judgments.

Provisions are recorded when the value of a probable loss can be reasonably estimated.

2.3 Consolidation
The Company's consolidated financial statements, which include the financial statements of its subsidiaries, have been prepared in accordance with applicable consolidation practices and legal provisions. Balances of unrealized revenues, expenses and profits between companies are eliminated from the consolidated financial statements. Unrealized gains deriving from transactions with investees recorded by the equity method are eliminated against the investment in proportion to the Group's interest in the investee.

(a) Subsidiaries
Subsidiaries are all entities over which the Group exercises control. The Group controls an entity when it is exposed or entitled to variable returns deriving from its involvement in the entity and can influence its returns due to the power it exercises over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(b) Joint operations
A jointly controlled operation is an arrangement that involves the use of joint assets and other resources with each entrepreneur using its own resources in the joint operation. Joint operations are recorded in the financial statements to represent the Group's contractual rights and obligations. The assets, liabilities, revenue and expenses related to interests in joint operations are therefore recorded individually in the financial statements. The Company has an interest of 49% in the Guilman-Amorim hydroelectric power plant; the remaining 51% of the joint-operation belongs to the partner Arcelor Mittal Brasil S.A.

2.4 Foreign currency translation
(a) Functional currency
The items included in each of the Group's entities' financial statements were measured by using the currency of the main economic environment in which the Company operates and generates and consumes cash ("functional currency"), which is the US dollar ("USD" or "US$").

(b) Presentation currency
In accordance with Brazilian legislation, these financial statements are being presented in Brazilian Reais. Financial statements prepared in the Company's functional currency are translated to reais by using the following criteria:

- Assets and liabilities are converted at the closing rate at the respective reporting date.

- Accounts in the statements of operations, comprehensive income (loss), cash flows and value added are converted at the rates on the transaction dates.

- Stockholders' equity at historical formation value.

The exchange gain/loss resulting in the cumulative translation adjustment is recognized in Other comprehensive income in stockholders' equity.

(c) Transactions and balances
Transactions in currencies other than the Company's functional currency are translated into the functional currency at the exchange rates prevailing on the transaction dates or valuation dates, if the items are remeasured. Exchange gains and losses resulting from the settlement of these transactions and the translation at the exchange rates at the end of the financial year for monetary assets and liabilities denominated in foreign currency are recognized in the statement of operations.

Exchange gains and losses relating to operations in currencies other than the functional currency are presented in profit or loss under finance income. The parent company and consolidated financial statements in the functional currency (USD) are as follows:

(All amounts in thousands of Reais, unless otherwise stated)

BALANCE SHEET - US$

	Parent Company		Consolidated	
	2016	2015	2016	2015
Current assets				
Cash and cash equivalents	14,625	460,803	17,675	466,865
Restricted short-term investments	72	21,205	79	21,211
Accounts receivable	5,052	92,812	2,846	48,829
Inventory	100,739	133,916	100,739	152,322
Recoverable taxes	34,482	63,932	34,483	63,948
Prepaid expenses	617	2,972	665	3,146
Other assets	8,160	34,035	8,291	34,075
Total current assets	**163,747**	**809,675**	**164,778**	**790,396**
Noncurrent assets				
Court deposits	507,754	359,114	507,754	359,114
Recoverable taxes	23,600	12,606	23,600	12,607
Deferred income tax	-	351,679	-	351,712
Inventory	12,118	-	12,118	-
Other assets	20,880	9,060	20,880	9,089
	564,352	**732,459**	**564,352**	**732,522**
Investments	4,778	17,816	-	-
Property, plant and equipment	5,388,469	5,469,990	5,388,583	5,470,084
Intangible assets	26,226	31,025	26,226	31,025
Total noncurrent assets	**5,983,825**	**6,251,290**	**5,979,161**	**6,233,631**
Total assets	**6,147,572**	**7,060,965**	**6,143,939**	**7,024,027**

(All amounts in thousands of Reais, unless otherwise stated)

BALANCE SHEET - US$

	Parent Company		Consolidated	
	2016	2015	2016	2015
Current liabilities				
Trade payables	87,450	30,411	87,459	29,771
Loans and financing	4,105,852	84,074	4,105,852	84,074
Financial charges payable	110,382	27,762	110,382	27,762
Payroll, provisions and social contributions	9,497	9,517	9,515	9,577
Taxes payable	26,444	17,097	26,459	17,128
Provision for income tax	-	1,683	26	1,705
Other provisions	502,089	505,903	502,089	505,903
Other liabilities	14,305	16,580	10,639	5,469
Total current liabilities	**4,856,019**	**693,027**	**4,852,421**	**681,389**
Noncurrent liabilities				
Loans and financing	2,324	3,775,913	2,324	3,775,913
Financial charges payable	383	189	383	189
Dividends	860,994	718,597	860,994	718,597
Provisions for contingencies	75,724	35,753	75,724	35,753
Deferred income tax	400,977	-	400,942	-
Other provisions	1,844,007	2,190,435	1,844,007	2,190,435
Other liabilities	231,529	70,607	231,529	45,307
Total noncurrent liabilities	**3,415,938**	**6,791,494**	**3,415,903**	**6,766,194**
Equity				
Capital	409,774	409,774	409,774	409,774
Capital reserves	1,619	1,619	1,619	1,619
Comprehensive income adjustments	(1,115)	(920)	(1,115)	(920)
Accumulated deficit	(2,534,662)	(834,029)	(2,534,662)	(834,029)
Total stockholders' equity	**(2,124,385)**	**(423,556)**	**(2,124,385)**	**(423,556)**
Total liabilities and stockholders' equity	**6,147,572**	**7,060,965**	**6,143,939**	**7,024,027**

(All amounts in thousands of Reais, unless otherwise stated)

STATEMENT OF OPERATIONS - US$

	Parent Company		Consolidated	
	2016	2015	2016	2015
Revenue	54,992	2,017,480	53,827	2,017,480
Cost of goods sold and services rendered	(305,237)	(1,086,192)	(305,237)	(1,086,192)
Gross (loss) profit	**(250,245)**	**931,288**	**(251,410)**	**931,288**
Operating expenses				
Selling	(18,604)	(58,967)	(18,972)	(55,919)
General and administrative	(19,687)	(17,654)	(19,687)	(17,655)
Other operating expenses, net	(275,896)	(2,621,442)	(275,899)	(2,623,387)
Equity in results of investees	(3,247)	379	-	-
(Loss) before finance result	**(567,679)**	**(1,766,396)**	**(565,968)**	**(1,765,673)**
Finance result				
Finance income	60,975	26,166	61,003	26,205
Finance expenses	(444,206)	(204,023)	(444,185)	(204,029)
Net foreign exchange variance	175,734	370,277	175,722	370,193
(Loss) before taxation	**(775,176)**	**(1,573,976)**	**(773,428)**	**(1,573,304)**
Income tax	(925,459)	575,462	(927,206)	574,790
(Loss) for the year	**(1,700,634)**	**(998,514)**	**(1,700,634)**	**(998,514)**

STATEMENT OF COMPREHENSIVE INCOME - US$

	Parent Company and Consolidated	
	2016	2015
Loss for the year	**(1,700,634)**	**(998,514)**
Other comprehensive (loss) income		
Items that will not be reclassified to profit or loss	-	-
Retirement benefit obligations	(195)	(426)
Other comprehensive (loss) income for the year	**(195)**	**(426)**
Total comprehensive (loss) income	**(1,700,829)**	**(998,940)**

(All amounts in thousands of Reais, unless otherwise stated)

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY - US$

		Capital reserves			Revenue reserves						
	Capital	Special monetary restatement of PPE	Premium on share subscription	Tax incentive reserves	Depletion reserve incentivized	Legal reserve	Profit retention	Comprehensive income adjustments	Accumulated deficit	Dividends	Total
Balance at December 31, 2014	**409,774**	**-**	**1,616**	**3**	**935**	**38,538**	**125,012**	**(494)**	**-**	**1,048,831**	**1,624,215**
Loss for the year	-	-	-	-	-	-	-	-	(998,514)	-	(998,514)
Other comprehensive (loss) income											
Retirement benefit obligations	-	-	-	-	-	-	-	(426)	-	-	(426)
Total comprehensive (loss) income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(426)**	**-**	**-**	**(426)**
Supplemental dividends to the minimum mandatory proposed in 2014	-	-	-	-	-	-	-	-	-	(1,048,831)	(1,048,831)
Absorption of losses with reserves	-	-	-	-	(935)	(38,538)	(125,012)	-	164,485	-	-
Balance as of December 31, 2015	**409,774**	**-**	**1,616**	**3**	**-**	**-**	**-**	**(920)**	**(834,029)**	**-**	**(423,556)**
Loss for the year	-	-	-	-	-	-	-	-	(1,700,634)	-	(1,700,634)
Other comprehensive (loss) income											
Retirement benefit obligations	-	-	-	-	-	-	-	(195)	-	-	(195)
Total comprehensive (loss) income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(195)**	**-**	**-**	**(195)**
Balance as of December 31, 2016	**409,774**	**-**	**1,616**	**3**	**-**	**-**	**-**	**(1,115)**	**(2,534,662)**	**-**	**(2,124,385)**

(All amounts in thousands of Reais, unless otherwise stated)

STATEMENT OF CASH FLOWS - US$

	Parent Company		Consolidated	
	2016	2015	2016	2015
Cash flows from operating activities				
Loss before tax	(775,176)	(1,573,976)	(773,428)	(1,573,304)
Adjustments to reconcile loss before taxation to cash from operations:				
Depreciation and amortization	88,700	221,670	88,751	221,730
Allowance for doubtful accounts	165	6,517	567	6,509
Provision for price revision	(31,931)	(106,922)	(31,931)	(106,922)
Provision for inventory obsolescence	1,461	(1,579)	1,461	(1,579)
Provision for realization of recoverable taxes	74,699	(86,130)	74,699	(86,130)
Provision for realization of other assets	(49)	(1,098)	(49)	(1,098)
Provision for contingencies	39,972	(11,672)	39,972	(11,672)
Provision for other liabilities	(350,242)	2,490,103	(350,242)	2,490,103
Provision for impairment of property, plant and equipment (Fundão dam)	(312)	95,677	(312)	95,677
Losses on property, plant and equipment	36	763	36	761
Equity in the results of investees	3,247	(379)	-	-
Interest on loans	152,511	140,486	152,511	140,486
Exchange variance gains and losses	(148,954)	(361,924)	(148,957)	(361,946)
	(945,873)	**811,536**	**(946,922)**	**812,615**
(Increase) decrease in operating assets:				
Restricted short-term investments	21,132	(21,204)	21,132	(21,203)
Trade accounts receivable	119,996	249,962	77,817	291,345
Inventory	19,598	40,526	38,005	22,120
Recoverable taxes	29,007	(124,587)	29,002	(124,574)
Court deposits	(148,640)	(93,153)	(148,640)	(93,153)
Distribution of Dividends - Subsidiaries	9,791	-	-	-
Prepaid expenses	2,908	304	3,033	455
Other assets	66,454	(108,479)	66,391	(109,413)

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(All amounts in thousands of Reais, unless otherwise stated)

>> CONTINUED

STATEMENT OF CASH FLOWS - US$

	Parent Company		Consolidated	
	2016	2015	2016	2015
Increase (decrease) in operating liabilities:				
Trade payables	55,610	(99,928)	56,259	(100,186)
Taxes payable	9,348	35,620	9,331	35,618
Payroll, provisions and social contributions	(1,715)	(1,645)	(1,757)	(2,561)
Income tax paid	-	-	(1,723)	(691)
Interest payment	(69,837)	(139,871)	(69,837)	(139,871)
Other liabilities	146,670	(21,901)	179,417	(47,641)
Net cash provided by operations	**(685,551)**	**527,180**	**(688,492)**	**522,860**
Cash flows from investing activities				
Acquisition of property plant and equipment and intangible assets	(2,250)	(78,719)	(2,320)	(78,740)
Proceeds on sale of property, plant and equipment and intangible assets	146	32	146	32
Net cash used in investing activities	**(2,104)**	**(78,687)**	**(2,174)**	**(78,708)**
Cash flows from financing activities				
Financing obtained from third parties and stockholders	280,038	531	280,038	531
Financing repayments	(38,839)	(477,919)	(38,839)	(477,919)
Dividend payments	-	(297,785)	-	(297,785)
Net cash provided by (used in) financing activities	**241,199**	**(775,173)**	**241,199**	**(775,173)**
Effects of exchange rate changes on cash and cash equivalents	278	475	277	476
Net increase (decrease) in balance of cash and cash Equivalents	**(446,178)**	**(326,205)**	**(449,190)**	**(330,545)**
Cash and cash equivalents at the beginning of year	460,803	787,008	466,865	797,410
Cash and cash equivalents at the end of the year	14,625	460,803	17,675	466,865
	(446,178)	**(326,205)**	**(449,190)**	**(330,545)**

(All amounts in thousands of Reais, unless otherwise stated)

STATEMENT OF VALUE ADDED - US$

	Parent Company		Consolidated	
	2016	2015	2016	2015
Revenue				
Sales of goods, products and services	56,138	2,062,758	54,973	2,062,758
Other revenue	4,275	2,288	4,275	2,288
Revenue relating to construction of company assets	2,320	95,413	2,320	95,415
Allowance for doubtful accounts	(165)	(6,517)	(567)	(6,509)
	62,568	**2,153,942**	**61,001**	**2,153,952**
Consumables acquired from third parties				
Cost of goods sold and services rendered	(196,447)	(1,080,735)	(195,301)	(1,078,477)
Material, electricity, outsourced services and other	(124,973)	(2,603,127)	(124,846)	(2,602,139)
Recovery/(loss) of asset values	(2,125)	(66,978)	(2,125)	(66,978)
	(323,545)	**(3,750,840)**	**(322,272)**	**(3,747,594)**
Gross	**(260,977)**	**(1,596,898)**	**(261,271)**	**(1,593,642)**
Depreciation and amortization	(88,700)	(221,670)	(88,751)	(221,730)
Net value added produced by the Company	**(349,677)**	**(1,818,568)**	**(350,022)**	**(1,815,372)**
Transferred value added				
Equity in results of investees	(3,247)	379	-	-
Finance income	429,675	781,565	429,681	781,589
	426,428	**781,944**	**429,681**	**781,589**
Total value added to be distributed	**76,751**	**(1,036,624)**	**79,659**	**(1,033,783)**
Distribution of value added	**76,751**	**(1,036,624)**	**79,659**	**(1,033,783)**
Personnel				
Direct compensation	75,000	73,487	75,854	74,881
Benefits	39,307	28,231	39,622	28,880
Government Severance Indemnity Fund for Employees (FGTS)	4,149	5,908	4,149	5,908
Taxes				
Federal	11,107	(572,604)	12,902	(571,847)
State	77,950	(186,142)	77,926	(186,176)
Municipal	925	23,819	925	23,819
Interest expenses				
Interest on loans, financing and other debt items	637,172	589,191	637,140	589,266
Interest on stockholders' equity				
Loss for the period	(768,859)	(998,514)	(768,859)	(998,514)

2.5 Cash and cash equivalents
These include the balances of cash, bank deposits and investments in marketable securities with immediate liquidity with original maturities equal to or less than 90 days and involve insignificant risks of change in fair value. This category does not include cash restricted by court order.

2.6 Financial instruments
Financial instruments include cash and cash equivalents, restricted short-term investments, trade accounts receivable, other assets, trade payables, loans and financings and other liabilities.

(a) Recognition and measurement
Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of operations. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Group has substantially transferred all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

As of December 31, 2016 and 2015, the Company did not have any financial instruments classified as available-for-sale and held-to-maturity.

(b) Offsetting of financial instruments
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legal right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(c) Provision for financial asset impairment
The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets has impairment losses only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("loss event"), and that event(s) had an impact on the estimated future cash flows of that financial asset that can be estimated reliably.

An impairment loss is measured as the difference between the carrying amount of assets and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of operations.

2.7 Accounts receivable
Trade receivables consist of amounts owed by customers for goods or services acquired, and are recognized initially at present value and subsequently measured at amortized cost using the effective interest method, less an allowance for doubtful accounts.

Allowance for doubtful accounts: when applicable, this provision is made in an amount considered sufficient by management to cover any losses on amounts receivable, based on individual appraisals of them and also on the financial situation of each customer, including the past history of their relationship with the Company.

The provision for sales price reduction reflects the volatility of the global iron ore sector. Based on the trend of falling iron ore prices, management conducts an individual evaluation of each client's contract and makes a provision in an amount sufficient to cover any losses.

2.8 Inventories
Inventories are valued at average acquisition or production cost not in excess of the market or realization value.

Samarco uses the absorption costing system. Direct costs are appropriated objectively and indirect costs are appropriated based on normal production capacity and include expenses incurred on the acquisition of inventory, production and transformation costs and other costs incurred to bring the inventories to their current condition and location.

2.9 Investments
In the parent company financial statements subsidiaries are recorded by the equity method based on the investees' financial statements. The financial statements for overseas investments were prepared in accordance with accounting practices compatible with those adopted by the Company. The subsidiaries have the same functional currency as the parent company, i.e. the US Dollar.

2.10 Property, plant and equipment
Property, plant and equipment are recorded at the cost of acquisition, formation or construction including capitalized financial charges.

Elements that comprise the cost of an item of property, plant and equipment are:

- Acquisition price, plus import taxes and unrecoverable purchase taxes, after deducting any commercial discounts and rebates.

- Any direct costs attributable to bringing the asset to its location and condition necessary to allow it to be operated as intended by management.

- The initial estimate of the cost of disassembling and removing the item and recovering the area where it is located. These costs comprise the obligation incurred by the Company upon acquiring the item or as a result of having used the item for a certain period.

Depreciation and amortization commence from the date the assets are installed and ready for use. For the items directly related to the respective productive areas the depreciation is calculated by the units produced method. For the remainder the depreciation is calculated based on the straight-line depreciation and amortization method taking into account the periods (Note 12).

The gains and losses deriving from the sale of property, plant and equipment are determined by comparing the funds obtained through the sale against the book value of the property, plant and equipment, and are recorded in "Other operating expenses, net" in profit or loss.

The residual values and useful lives are reviewed and adjusted if necessary, at the end of each reporting period.

2.11 Intangible assets
Intangible assets acquired separately consisting of easements, mining rights and software are measured upon initial recognition at their acquisition cost and, subsequently, less the accumulated amortization and impairment losses, when applicable.

Intangible assets with a defined useful life are amortized according to their estimated economic lives, as per Note 13, and when indications of impairment are identified, they are submitted to impairment testing.

Removal of overburden to access the ore deposits
The cost of overburden (costs associated with stripping overburden and other waste products) incurred during the development of the mine, before production, is capitalized as part of the depreciable cost of the asset under development. These costs are amortized over the mine's useful life, based on the proven and probable reserves.

The cost of overburden removal incurred during production is added to the value of the inventory, except when a specific extraction campaign is conducted to access deposits located deeper in the reserve. In this case, the costs are capitalized and recorded in noncurrent assets as ore extraction takes place, and will be amortized over the reserve's useful life.

2.12 Impairment of nonfinancial assets
The book values of the Company's nonfinancial assets with a defined useful life are reviewed at each reporting date for signs of impairment. If any such indication exists, then the asset's recoverable amount is determined. Assets with an indefinite useful life are not subject to amortization and are tested annually for impairment. In the case of intangible assets in development not yet available for use, the recoverable value is estimated annually.

The recoverable amount of an asset or cash generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. When appraising the value in-use, the estimated future cash flows are discounted to their present values at a before-tax discount rate that reflects the current market terms regarding the capital recoverability period and the asset's specific risks.

For impairment testing purposes, assets that cannot be tested individually are grouped in the smallest group of assets that generate cash from continuous use and which are mainly independent from the cash flows from other assets or groups of assets.

Impairment losses are recognized when the book value of an asset or its cash generating unit exceeds its estimated recoverable value. Impairment losses are recognized in profit or loss. Following the suspension of activities at Germano in November 2015 and the expected increase in social and environmental recovery costs, management conducted an impairment test on non-financial assets (Note 12).

2.13 Trade payables
Trade payables are obligations payable to suppliers for goods and services acquired in the normal course of business, and are classified as current liabilities if the payment is due within a year. If not, they are presented as noncurrent liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.14 Loans and financing
Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the total settlement value is recognized in the statement of operations over the period of the borrowings using the effective interest method.

The loans are classified as current liabilities, unless the Company has an unconditional right to defer the settlement of the liability for at least 12 months after the date of the balance sheet.

The costs of loans and financing attributed directly to the acquisition, construction or production of a qualifying asset that requires a substantial period of time to be concluded for the purpose of use or sale are capitalized as part of the corresponding asset's cost when it is probable that future economic benefits will be generated in favor of the Company and the cost or value can be reliably measured. Other loans and financing costs are recorded as an expense in the period they are incurred.

2.15 Provision for contingencies

A provision is made for legal obligations when losses and resulting outflows are assessed as probable and the amounts can be measured reliably.

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

2.16 Provision for asset retirement and environmental and socio-economic remediation

(a) Asset retirement obligations

An asset retirement obligation is recognized when there is an approved detailed asset retirement plan. The expenses incurred on closing mines after mining operations have terminated are recorded as asset retirement obligations. The obligations primarily consist of shutting-down costs. The asset retirement cost related to the obligation is capitalized as part of the property, plant and equipment, and is depreciated over the asset's useful life.

(b) Environmental and socio-economic remediation

The provision for environmental and socio-economic remediation is made in accordance with the determinations of the respective authorities and under the settlement reached on March 2, 2016 (Notes 1 and 3). The provision for environmental remediation is recorded when an area of degradation is identified thus generating an obligation for the Company. A liability for compensating social damages is recognized when the obligation of future payments has been identified deriving from past events related to civil damages.

2.17 Adjustment of assets and liabilities to present value

Monetary assets and liabilities are adjusted to their present value when the transaction is originally recorded, taking into account the contractual cash flows, the explicit and in certain cases implicit interest rate of the respective assets and liabilities and the rates prevalent in the market for similar transactions. This interest is subsequently reallocated to financial expenses and revenue in the statement of operations by the effective interest rate method for contractual cash flows.

2.18 Income tax

The Company calculates taxes based on the existing legislation, considering the legally established additions and exclusions. Deferred tax credits are recognized on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements to the extent that it is probable that future taxable profits will be available against which they can be utilized. This is measured at the rates expected to apply to the temporary differences when they are reversed, based on the laws that have been enacted or substantially decreed by the reporting date. Deferred tax assets and liabilities are offset and presented net in the balance sheet if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

The Company has a tax benefit for exports that entails a reduction of income tax based on its operating income from plentiful mineral resources.

The Company has a final court decision (res judicata) in its favor which ruled that the "social contribution on net income" ("CSLL") is unconstitutional. It is not therefore paying this tax/contribution (Note 19).

2.19 Employee benefits

(a) Retirement obligation

The Company's defined-contribution plan is a retirement benefits plan under which it pays fixed contributions to a separate entity (ValiaPrev) and incurs no legal or constructive obligations to pay additional amounts. Contributions are recognized as an employee benefit expense when due.

For the defined-benefit portion of the plan (ValiaPrev), a constructive obligation, the Company obtains the actuarial calculation. When the benefits of a plan are increased, the portion of the increase in the benefit related to past service of employees is recognized immediately in profit or loss.

The defined-benefit obligation is the present value of the gross defined-benefit obligation less the fair value of the plan's assets at the reporting date. It is calculated annually by independent actuaries using the projected unit of credit method. The present value of the defined benefit obligation is determined by discounting future estimated cash disbursements using interest rates in line with market yields, which are denominated in the currency in which benefits are paid and have maturity terms close to those of the respective pension plan obligation. However, no asset is recognized as there is no such provision in the bylaws for reimbursing the Company or reducing future contributions.

The actuarial gains or losses arising from the adjustment for experience and changes in actuarial assumptions are recorded directly in stockholders' equity as other comprehensive income, when incurred.

(b) Share-based payments
Samarco operates a compensation plan based on phantom stock, settled in cash. The fair value payable to employees relating to the long-term incentive plan is recognized as an expense with a corresponding increase in the liabilities. The amount is remeasured at least once a year, at the end of each fiscal year and on the settlement date. Any changes in the liability's fair value are recognized as personnel expenses in the statement of operations.

(c) Medical assistance
The Company provides life insurance and healthcare insurance benefits for its employees and their dependents, which are recorded on the accrual basis and are discontinued in the event the employee leaves the Company.

(d) Profit sharing
Based on its variable compensation policy, the Company provides a profit-sharing plan ("PLR") to its employees, subject to the performance of targets, the evaluation of results and the achievement of specific goals, which are established and agreed at the beginning of each year. A provision is recognized when the Company has a contractual obligation or a past event that has created an constructive obligation.

2.20 Capital
Each common share entitles the holder thereof to one vote on General Meeting resolutions.

2.21 Payment of dividends
Minimum mandatory dividends paid to the Company's stockholders are recognized as a liability in the Company's financial statements at the end of the year, pursuant to its bylaws. Supplemental amounts referring to the portion exceeding the minimum obligation required by law or the bylaws is held in a specific account in the stockholders' equity, and is only transferred to liabilities when declared by the stockholders' General Meeting.

2.22 Results of operations
Income and expenses are recognized on the accrual basis, and include costs, expenses and revenue, in addition to the earnings, charges and indexation or exchange variance at official indices or rates applied to current and noncurrent assets and liabilities. The attributable income-tax amounts are charged/credited to the statement of operations.

(a) Recognition of revenue from product sales
Revenue from ore sales is recognized when the significant risks and rewards of ownership are transferred to the buyer. As most of the sales are made on a FOB (Free-on-Board) basis, the revenue is recognized when the product is delivered to the transporter.

Revenue is recognized at the dispatch date based on an estimated fair value of the payment receivable. When the realization of an amount already recorded under revenue is uncertain, a provision for the uncollectible amount or amount unlikely to be realized is recognized as a price adjustment or loss directly classified as an expense.

(b) Recognition of revenue from services
The Company provides logistics services at its own port terminal. Service revenue is recognized when the economic rewards associated with the transaction will probably materialize. When the realization of an amount already recorded under revenue is uncertain, the uncollectible amount or amount unlikely to be realized is recognized as an expense.

(c) Finance income and costs
Finance income comprises interest income on funds invested and changes in the fair value of financial assets measured at fair value through profit and loss.

Finance costs comprise interest expenses on loans and financing, and changes in the fair value of financial assets measured through profit and loss.

Interest income and expenses are recognized as they accrue in profit or loss, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

2.23 Leasing
The Company has leases in which a significant portion of the risks and rewards of ownership is retained by the lessor. Payments made for operating leases (net of any incentives received from the lessor) are recognized in profit or loss on the straight-line method during the lease period.

2.24 New standards that are not yet effective
The following new standards have been issued by the International Accounting Standards Board ("IASB") but are not in force for FY 2016. Whilst encouraged by the IASB, the early adoption of standards in Brazil is not permitted by the Brazilian Accounting Pronouncements Committee ("CPC").

(All amounts in thousands of Reais, unless otherwise stated)

- IFRS 15 (CPC 47) - "Revenue from Contracts with Customers" specifies how and when an IFRS reporter will recognize and measure revenue. It comes into effective on January 1, 2017 and replaced IAS 11 - Construction Contracts and IAS 18 Revenue. Management in evaluating the impacts of its adoption.

- IFRS 9 (CPC - 48) - "Financial Instruments" - addresses the classification, measurement and recognition of financial assets and liabilities. The full version of IFRS 9 was published in July 2014 and is effective from January 1, 2018. It has replaced the guidelines of IAS 39, which outlines the requirements for the recognition and measurement of financial instruments. IFRS 9 retains but simplifies the combined measurement model and establishes three categories of main measurements for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. It also includes a new single, forward-looking 'expected loss' impairment model, replacing the current incurred losses model. IFRS 9 reduces the hedge effectiveness requirements and requires an economic relationship between the hedged item and the hedging instrument, and that the hedge ratio used for accounting should be the same as that used for risk management purposes. Management in evaluating the total impact of its adoption.

- IFRS 16 - "Leases" - under this new standard, lessees must now recognize the liabilities for future payments and the right to use the leased asset for practically all lease agreements, including operating leases. Certain short-term or minor contracts can be excluded from the scope of this new standard. The criteria for the recognition and measurement of leases in lessor financial statements remain substantially unchanged. IFRS 16 is effective for financial years commencing January 1, 2019 and replaces IAS 17 "Leases" and corresponding interpretations. Management in evaluating the total impact of its adoption.

There are no other International Financial Reporting Standards ("IFRS") or International Financial Reporting Interpretations Committee ("IFRIC") pronouncements that have not yet become effective and that could have a significant impact on the Company.

3. SIGNIFICANT EVENT - FAILURE OF THE FUNDÃO DAM

As a result of the failure of the Fundão tailings dam on November 5, 2015, material accounting impacts were recorded especially related to measures to prevent, remediate, contain and offset property, environmental and social damages, in addition to asset write off.

Samarco incurred expenses and made provisions for future disbursements that have been recorded and reported in accordance with CPC 25 - "Provisions, contingent liabilities and contingent assets".

The material accounting impacts from the significant event on the Company's Statement of Financial Position, Statement of Operations and Statement of Cash Flows in the financial year ended December 31, 2016 and 2015 are described below:

BALANCE SHEET

		2016	2015
Assets Current			
Restricted short-term investments	(a)	235	82,785
Other assets (Advance to suppliers)	(b)	3,075	7,848
Total current assets		**3,310**	**90,633**
Noncurrent			
Court Deposits	(c)	314,854	302,858
Deferred income tax	(d)	75,804	2,555,405
Property, plant and equipment	(e)	(215,672)	(216,817)
Total noncurrent assets		**174,986**	**2,641,446**

Liabilities Current			
Trade payables	(f)	(243,854)	(51,392)
Other provisions	(g)	(1,634,522)	(1,949,964)
Other liabilities (SEMAD)	(i)	(24,886)	-
Total current liabilities		**(1,903,262)**	**(2,001,356)**
Noncurrent			
Provisions for contingencies	(h)	(87,542)	-
Other provisions	(g)	(5,576,590)	(8,054,838)
Other liabilities (SEMAD / Contract related parties)	(i)	(574,959)	-
Total noncurrent liabilities		**(6,239,091)**	**(8,054,838)**

(All amounts in thousands of Reais, unless otherwise stated)

STATEMENT OF OPERATIONS

		2016	2015
Cost of goods sold and services rendered	(j)	(110,765)	(197,515)
Gross profit (Loss)		**(110,765)**	**(197,515)**
Operating expenses			
Provision for social, environmental and socio-economic recuperation		3,437,267	(9,833,189)
Expenses on social, environmental and socio-economic recuperation	(k)	(2,068,663)	(144,350)
Provision for loss in property plant and equipment		1,145	(216,817)
Personnel Expenses - Fundação Renova		(221,390)	-
Administration Expenses - Fundação Renova		(33,679)	-
Operational profit/(loss) before financial result		**1,003,915**	**(10,391,871)**
Financial expenses for socio-economic and socio-environmental recovery		(746,914)	-
SEMAD interest		(16,047)	-
Financial result	**(l)**	**(762,961)**	**-**
Profit/loss before income tax		**240,954**	**(10,391,871)**
Income tax	(d)	(60,238)	2,555,405
Net Profit/(loss) for the period		**180,716**	**(7,836,466)**

STATEMENT OF CASH FLOWS

		2016	2015
Cash flows from operating activities			-
Loss before tax		240,954	(10,391,871)
Adjustments to reconcile the loss to the cash provided by operations:			
Provision for other liabilities	(g)	(2,793,690)	10,004,802
Provision for asset impairment	(e)	(1,145)	216,817
(Increase) decrease in operating assets:			
Restricted short-term investments	(a)	82,550	(82,785)
Court deposits	(c)	(11,996)	(302,858)
Other assets	(b)	4,773	(7,848)
Increase (decrease) in operating liabilities:			
Trade payables	(f)	192,462	51,392
Other Liabilities	(i)	599,845	-
Net cash used in operating activities		**(1,686,247)**	**(512,351)**
Net cash used in investing activities		-	-
Net cash used in financing activities		-	-
Total net decrease in cash and cash equivalents		**(1,686,247)**	**(512,351)**

(All amounts in thousands of Reais, unless otherwise stated)

Preliminary Commitment (TCP) - Creation of Emergency Security

On November 16, 2015 Samarco signed a Preliminary Commitment ("TCP") with the Prosecutors' Department of Minas Gerais state and the Federal Public Prosecutor's Office whereby Samarco created a "social and environmental guarantee fund" in the total amount of R$1,000,000 to be used exclusively to pay for measures to prevent, remediate, contain and offset socio-environmental or socio-economic damages caused by the Fundão dam failure.

Pursuant to this TCP, Samarco created a fund in a specific remunerated account totaling R$500,000 and submitted guarantees amounting to R$500,000.

The fund's resources will remain under Samarco management, be overseen by the Prosecutor's Office and audited by an external auditor. However, the amount of R$500,000 allocated to this fund and deposited in a specific account was required to be transferred to a judicial deposit account for a tax contingency, which addresses the CFEM calculation base (Note 19(b)) and bears no relation to the failure of the Fundão dam. This transfer arose from a court decision on December 11, 2015 recorded in the tax enforcement case in the 26th Federal Court of MG. Samarco management is working with its legal advisers to release these funds so they can be used for the intended purposes. The independent audit engaged for the TCP certified that as of November 2016 Samarco had made expenditures in excess of R$1 billion, thus fulfilling the purpose for which the fund was created according to the TCP.

The tax proceeding related to the CFEM is detailed in Note 19(b).

(a) Restricted short-term investments

On December 4, 2015 Samarco signed a Settlement Agreement ("*Termo de Ajustamento de Conduta* - TAC") with the Ministry of Labor Prosecutor's Department to prevent the collective dismissal of its employees before March 1, 2016 providing for a financial investment of R$77,816, an amount sufficient to guarantee payment of the salaries, benefits and accessory obligations owed to its employees in this period.

This amount of R$77,816 was subsequently frozen by a court decision under the tax enforcement case for the same CFEM contingency regarding the Preliminary Commitment - TCP. As this amount was not immediately available for use at December 31, 2015, it was classified as a "restricted short-term investments" in the financial statements, and reclassified in 2016 as a "court deposit" as soon as it was transferred to a court-regulated escrow account.

The other amounts registered as "restricted short-term investments" refer to other funds blocked by court order in proceedings directly related to the failure of the Fundão dam.

(b) Other assets

The amount of R$7,848 reported in 2015 refers to advances to suppliers for contract maintenance and reinforcement of the Germano and Santarém dams, which were partially affected by the failure of the Fundão dam.

The amount of R$3,075, reported in 2016, refers to advances to suppliers related to the programs for recovery of infrastructure of the Risoleta Neves Hydropower Dam (Candongas reservoir) and also the program for containment of tailings and treatment of the rivers impacted by the failure of the Fundão dam.

(c) Court deposits

By court order, Samarco had bank accounts blocked totaling R$314,854 (R$302,858 at December 31, 2015) which was subsequently transferred to a court escrow deposit account related to the proceeding brought by the Prosecutor's Department of Minas Gerais state in connection with the failure of Fundão dam, as shown below:

	Parent Company and Consolidated (Mariana action)					
	31/12/2015	Additions	Reversals	Uses	Charges	31/12/2016
Court Deposit Civil Actions	302,858	-	(11,799)	-	23,795	314,854

(All amounts in thousands of Reais, unless otherwise stated)

(d) Deferred income tax

The accounting impacts deriving from the dam's failure have been treated as temporary differences for tax purposes. The Company therefore reported a deferred income tax asset from these amounts, as shown below:

	2016		2015	
	Calculation base	Income tax	Calculation base	Income tax
Provision for write-off of PPE	215,672	53,918	216,817	54,204
Provision for contingencies	87,542	21,886	-	-
Other provisions	-	-	10,004,802	2,501,201
		75,804		**2,555,405**

(e) Property, plant and equipment

Write-off of property, plant and equipment

Samarco recorded a provision for loss totaling R$215,672 (R$216,817 at 31 December 2015) referring to the residual value of the property, plant and equipment related to the Fundão dam, as follows:

	2016			2015		
	Cost	Depreciation	Net value	Cost	Depreciation	Net value
Industrial facilities (buildings, machinery and equipment) - Fundão dam	166,260	(28,678)	137,582	166,260	(28,678)	137,582
Assets under construction - design and preparation for raising the Fundão dam	78,090	-	78,090	79,235	-	79,235
	244,350	**(28,678)**	**215,672**	**245,495**	**(28,678)**	**216,817**

Impairment

The Company found indicators suggesting assets may were being carried in the books at amounts above their recoverable value and conducted an impairment test (Note 12).

(f) Trade payables

This refers to amounts payable of R$243,854 (R$51,392 at December 31, 2015) related to expenses upon the failure of the Fundão dam.

(g) Other provisions

As already mentioned in Note 1(a), on March 2, 2016, Samarco, together with its stockholders Vale and BHP, signed the TTAC, as outlined in the case records of the public civil action brought by the Union and others, No. 0069758-61.2015.4.01.3400, in progress before the 12th Federal Court in Belo Horizonte, State of Minas Gerais, to establish the programs which determine the measures and actions to remedy and compensate for socio-environmental and socio-economic damages arising from the failure of the Fundão dam.

In addition to Samarco and its stockholders, the following are also parties to the Framework Agreement: (i) the Federal Government, the Brazilian Environmental and Renewable Natural Resources Institute ("IBAMA"), Instituto Chico Mendes de Conservação da Biodiversidade ("ICMBio"), National Water Agency ("ANA"), the National Department of Mineral Production ("DNPM"), Fundação Nacional do Índio ("FUNAI"); (ii) in Minas Gerais, the State of Minas Gerais, the State Institute for Forestry ("IEF"), the State Institute for Water Management ("IGAM"), the State Foundation for the Environment ("FEAM"); and (iii) in Espírito Santo, the State of Espírito Santo, the State Institute for the Environment and Water Resources ("IEMA"), the State Institute for Agribusiness and Forestry Protection ("IDAF") and the State Water Resource Agency ("AGERH").

The comprehensive scope of the Framework Agreement (comprising a total of 41 programs, of which: (i) 23 are of a socio-economic nature; and (ii) 18 are socio-environmental). These programs include both remediation and compensatory measures.

(All amounts in thousands of Reais, unless otherwise stated)

The Framework Agreement has been structured such that government authorities will be able to comment, assess and approve the projects developed under the programs, and oversee the execution of all of the programs through an Interfederative Committee ("CIF"). Experts and advisory panels have also been appointed to settle technical disputes in a scientific, substantiated and expeditious manner.

The Framework Agreement established the creation of a private foundation to implement all these measures, the management of which will be independently audited. The term of the Framework Agreement is 15 years, renewable every year thereafter until all the obligations outlined in the Framework Agreement are complied with.

Samarco and stockholders have provided and will continue to provide resources to the Foundation as follows (calendar year):

- R$2,089,682 in 2016, of which R$1,112,195 were applied directly in the Samarco programs of the Framework Agreement, R$283,537 were withheld as a result of the Public Civil Action (ACP) in the city of Mariana, and R$693,950 were deposited to the Foundation. Of the total input to Fundação Renova in 2016 (R$693,950), Vale and BHP directly paid in to the Foundation, in Samarco's name, a total of R$477,488, in the proportion of 50% each;
- R$1,200,000 in 2017;
- R$1,200,000 in 2018.

From 2019 until 2021, annual contributions to the Foundation are to be sufficient to cover the costs of the remediation and compensation programs for each year, with the annual reference amounts for these contributions being between R$800,000 to R$1,600,000. Starting from the date of the signing of the Framework Agreement, the Foundation will allocate every year an amount of R$240,000 over a period of 15 years for the execution of the compensation programs. These annual amounts are already included in the figures for the first six years (2016 - 2021). Additionally, a R$500,000 contribution will be allocated to sewage treatment and disposal of solid waste in certain areas. From 2022 onwards, the amounts to be contributed will be based on the project schedule approved by the Foundation at the time. The Framework Agreement does not specify a minimum or maximum limit on contributions for this period.

Based on the information above, Samarco management, with the advice of external consultants and experts, have been preparing action plans and studies for the future remediation of the environmental and socio-economic damage caused by the dam failure, in addition to the implementation of compensatory programs established in the Framework Agreement. At December 31, 2016, Samarco has recognized provisions based on currently available information, considering the technology available and current prices, for future disbursements related to the present obligation generated by the dam's failure. The magnitude, full scope, timing and costs of the future remediation programs are subject to significant uncertainty as they depend on the conclusion of expert studies, the preparation of action plans and also the outcome of pending court cases.

The provision made was discounted to present value at (i) the risk-free rate of 10.621% per annum based on the 12-year Brazil bond in the international market at the due date of January 05, 2024 obtained from Bloomberg (EJ137186) and (ii) considering disbursement flow for the next 15 years until December 31, 2030.

(a) Break down

Provision for:		**2016**	**2015**
Emergency and mitigation actions	(g.1)	-	304,831
Remediation programs	(g.2)	3,952,511	5,920,148
Compensation programs	(g.3)	2,760,202	3,296,438
Other actions not included in the settlement	(g.4)	498,399	483,385
		7,211,112	10,004,802
Current liabilities		**1,634,522**	**1,949,964**
Noncurrent liabilities		**5,576,590**	**8,054,838**

(b) Changes

Provision for social, environmental and socio-economic recuperation	**2016**	**2015**
Balance on December 31	**10,004,802**	**-**
Constitution of provision	-	10,149,152
Realized	(2,068,663)	(144,350)
Financial update	746,914	-
Reversal of the provision	(1,471,941)	-
Balance on December 31	**7,211,112**	**10,004,802**
Current liabilities	**1,634,522**	**1,949,964**
Noncurrent liabilities	**5,576,590**	**8,054,838**

As the assessment and remediation of damage progresses, changes to key assumptions could result in material change to the amount of the provision in future reporting periods, including:

- Removal method of the remaining tailings in rivers: the removal of the remaining tailings in flood plains and the river banks from Santarém to just upstream of the Risoleta Neves Hydropower Plant (Candonga dam) will be mechanical, using typical earthmoving equipment, without the use of dredging. This method considers removal cost estimated by metric cubic hauled and hours worked of the tailings loading and hauling equipment.

- Removal method of the tailings remaining in the Candonga dam: the removal of the remaining tailings in the dam will be carried out by dredging, implemented in two phases:

  - Phase 1: Removal of 1.3 million m^3 deposited in the Candonga dam, allowing the power plant to resume operation; and

  - Phase 2: the volume of the remaining dredging will be defined after the conclusion of the tailings handling study which is in progress.

- Compensation for impacted population - the Mediated Compensation Program effectively got under way in October of 2016, with the established objective of developing and executing a compensation and indemnity program, through coordinated negotiation with the impacted population. The implementation takes into account the people identified and enrolled, a review of each case and a form of indemnification, including:

  - Urban and private property
  - Working conditions and individual income/livelihood
  - Dead and missing
  - Fishermen, sand miners, small business owners
  - One-person businesses, micro businesses
  - Lack of water supply

- Risoleta Neves HPP compensation costs due to the decrease in its useful life or costs to resume operation.

(g.1) Emergency response and mitigation actions: the costs of the action Samarco has taken to date since the dam failure to mitigate the damages caused to impacted families and municipalities, which are set out in the Framework Agreement. A large part of the emergency and mitigation actions has been concluded and others which are in progress have been included in the programs outlined in the Framework Agreement.

(g.2) Remediation programs: these comprise measures and actions to remedy and/or repair the socio-environmental and socio-economic damages resulting from the dam failure, as set out in the Framework Agreement, whose main programs are: survey and registration of those impacted; protecting and enhancing the living standards of indigenous peoples; preservation of historical, cultural and artistic heritage; social communication, engagement and participation; reconstruction of Bento Rodrigues, Paracatu de Baixo and Gesteira; rehabilitation of other affected communities and infrastructure between Fundão and Candonga; aiding animals; emergency financial aid; reforestation and environmental recovery; conservation of aquatic biodiversity; management of resulting tailings, including in situ stabilization, excavation, dredging, haulage, treatment and disposal; improvement of water supply systems.

(g.3) Compensation programs: measures and initiatives to compensate damages arising from the dam failure which are not applicable for mitigation or remediation, by improving environmental and economic conditions in affected areas, in accordance with the program set out in the Framework Agreement, whose main aspects are: supporting the research for the development and use of social and economic technologies applied to impact remediation; regional economic recuperation and diversification with incentives for industry; encouraging local contracting; rehabilitation of permanent protected areas (APP); recovery of springs; strengthening of screening structures and reintroduction of wildlife; collection and treatment of sewage and solid waste; environmental education and preparation for environmental emergencies. The total to be dispersed under the programs and initiatives of this nature is R$4,100,000, consisting of R$240,000 per annum, in real terms, for a period of 15 (fifteen) years starting in 2016 plus. An amount of R$500,000 will be provided to the program for the collection and treatment of sewage and solid waste.

(g.4) Other actions not covered by the Framework Agreement: other expenditures required to meet the cost of actions arising from the Fundão dam failure but not covered by the Framework Agreement programs.

(h) Contingencies

The Company is a party in legal and administrative proceedings involving civil, labor and environmental matters arising from the Fundão dam failure. These proceedings filed by individuals, private companies, NGOs and public and government entities seek remediation and compensation for environmental and socio-economic impacts, material/property and emotional distress damages and compensation for deaths, in addition to a wide range of indemnification actions brought by affected municipalities.

These lawsuits include public civil actions brought by State Public Prosecutors in Minas Gerais and Espírito Santo, State Public Defenders in Minas Gerais and Espírito Santo, Federal Prosecutors and defenders. In view of the preliminary status of all these proceedings, the overlapping of the claims involved, and the claims included in the lawsuits of R$20,000,000 and R$155,000,000, which are detailed in the following paragraphs, it is not possible at this time to provide an overview of the possible outcomes or a reliable estimate of future exposure.

In addition, government investigations on the failure of the Fundão dam are in progress, carried out by several agencies of the Brazilian government.

As defined in the Framework Agreement, the claims of several proceedings filed against Samarco are encompassed in this agreement. Any claims involving any matter established in the Framework Agreement should seek dismissal by resolution of substance or grouping together filed claims. As mentioned in item (g) above, the estimated losses in the claims covered by the Framework Agreement have been included as part of the various provisions for the remediation and compensation of damages caused by the dam failure.

The Company received an assessment notice from environmental agencies, including IBAMA (Brazilian Environmental and Renewable Natural Resources Institute) due to the environmental damage caused by the discharge of solid and liquid waste (mining tailings) into the waters of the Doce river, and SEMAD (State Secretariat for Environment and Development) due to the environmental pollution and degradation resulting in damage to water resources. Samarco has submitted its defense against these charges and is waiting for a response from these entities. The assessment notices amount to R$819,966 (R$432,356 as of December 31, 2015). Losses and resulting outflows are rated as possible.

In relation to the Public Civil Action No. 0043356-50.2015.8.13.0400 filed by the Public Prosecutor of Minas Gerais, seeking full compensation for the affected people of Mariana, an appeal has been filed. Provisional remedy has been sought, in dependency of the aforementioned action, with the creation of a blocked account of R$300,000. In view of the status of the appeal, it is not possible at this time to supply an evaluation of possible results or even a reliable estimate of possible future exposure for Samarco.

On May 3, 2016, the Federal Public Prosecutor filed a public civil action against Samarco and its stockholders seeking full compensation, indemnification and emotional distress in view of the environmental damages caused by the dam failure, demanding: (i) adoption of measures for mitigating the social, economic and environmental impacts caused by the failure of the Fundão dam and other emergency measures, (ii) payment of compensation to the community and (iii) payment of collective moral damage. The value of the initial action brought by the Federal Public Prosecution Service is R$155,000,000. It is the Company's understanding that this claim is overlapping with the Public Civil Action of R$20,000,000. No. 0069758-61.2015.4.01.3400, under which the Company executed the Framework Agreement.

On January 18, 2017, the Federal Public Prosecution Service, Samarco and its stockholders signed a preliminary agreement (TAP or "Preliminary Agreement") with the Federal Prosecutors' Office in Brazil, which outlines the process and timeline for further negotiations towards a settlement regarding the R$20,000,000 and R$155,000,000 claims. The Preliminary Agreement provided for the appointment of experts to advise the Federal Prosecutors in relation to social and environmental remediation and the assessment and monitoring of programs under the Framework Agreement programs. The expert advisors' conclusions will be considered in the negotiation of a final settlement arrangement with the Federal Prosecutors. The parties will use best efforts to achieve a final settlement arrangement by October 30, 2017 still within the timeframe established in the Preliminary Agreement.

Under the Preliminary Agreement, Samarco and its stockholders also agreed to provide an interim security ("Interim Security") totaling R$2,200,000 for the hiring of the experts' to advise the Federal Prosecutors and the holding of public hearings. Samarco expect to incur R$39,905 for the funding of these measures. On January 24, 2017, Samarco, Vale and BHP provided the Interim Security to the Court which will remain in place until the earlier of October 30, 2017 or the date that a final settlement arrangement is agreed.

The Preliminary Agreement also provides for the allocation of R$200,000 for remedial actions in the regions surrounding the district of Ponte Nova. This amount will be allocated through existing Fundação Renova programs, and does not represent an increase in the allocation of resources forecast for 2017.

The 12th Federal Court of Minas Gerais partially ratified, on March 17, 2017, the preliminary term signed in January. The experts' work to advise the Federal Prosecutors in relation to environmental remediation and the assessment and monitoring of programs under the Framework Agreement programs were ratified. In June 2017 Samarco requested an extension of the term of sureties, and the conclusion of the final agreement by October 30, 2017 (previous deadline – June, 30, 2017), and, after the acquiescence of the Public Prosecution Service, the Court accepted these requests on June, 29, 2017, suspending the public civil actions of R$155,000,000 and R$20,000,000.

The interim security ("Interim Security") totaling R$2,200,000 was also approved by the Court.

Management has also considered other claims classified as possible and/or probable which are at the initial stage and which pose significant uncertainties due to the fact the claims overlap with the Framework Agreement, the definition of the amounts involved, compensation time-lapse, new claims, and other judicial and extrajudicial settlements.

Additional government proceedings and investigations related to the failure of the Fundão dam may be brought against the Company and its stockholders. Until further facts are available and uncertainties already mentioned above resolved, it is not possible to provide a range of potential outcomes or a reliable estimate of Samarco obligations arising from such matters. As such, a provision has not been recognized or a contingent liability quantified for these potential claims. Only with time and natural development of disputes and maturity of the proceedings, with new settlements reached and/

(All amounts in thousands of Reais, unless otherwise stated)

or legal decisions, will it be possible to understand the magnitude of the impacts and the Company's exposure. These items may result in significant impacts on the provisions and result in new adjustments to existing provisions and/or the recognition of new provisions for disbursements which cannot be projected and/or measured.

(i) Other liabilities
Samarco received an environmental violation notice from SEMAD demanding payment of R$127,500. Samarco applied for the division of the payment of this amount over 60 months. The first payment, corresponding to 5% of the total, was paid in December 2016. At December 31, 2016 as detailed in Note 21, R$24,886 refers to 12 short-term installments, and the amount of R$97,471 refers to 47 long-term installments, all restated for inflation according to Selic.

On December 30, 2016, contracts were signed by and between Samarco, Vale and BHP, recognizing Samarco's obligation to pay back to its stockholders the amounts they allocated to Fundação Renova. These resources have the purpose of allowing the fulfillment of the obligations outlined in the Framework Agreement signed with the state and federal entities. On December 31, 2016, the incoming resources amounted to R$477,488.

The information relative to the Framework Agreement is detailed in this Note 3 (g).

(j) Cost of goods sold and services rendered
The Company incurred costs to maintain and repair facilities affected by the failure of the tailings dam (related to outsourced services, construction materials and fuel, amongst other items). The total amount was registered as idle capacity.

(k) Other operating expenses
Expenses for socio-economic and socio-environmental recovery
The breakdown of expenses related to the measures to prevent, remediate, contain and offset material, environmental and social damages caused by the dam failure, incurred and provisioned in 2016, is shown below:

	2016		2015	
	Incurred	Provisioned for	Incurred	Provisioned for
Emergency and mitigation actions	-	-	90,184	304,831
Remediation programs	1,618,491	3,952,511	34,483	5,920,148
Compensation programs	11,915	2,760,202	-	3,296,438
Actions not included in the settlement	438,257	498,398	19,683	483,385
	2,068,663	**7,211,112**	**144,350**	**10,004,802**

The descriptions of the nature of each of the expenses included in the table above are detailed in Note 3(g).

(l) Financial Result
The financial result (income) consists of: (i) financial expense R$746,914 from the update of the provision of socio-environmental and socio-economic recovery, calculated at current value (rate described in Note 3(g)); (ii) the interest incurred on the environmental fine applied by SEMAD (Note 3 (i)).

(m) Investigations
Immediately after the failure of the Fundão dam, the Company, together with its stockholders, retained an external investigation team to identify the causes of the failure. The results of the investigation were made public at the end of August 2016.

The Company and its stockholders are analyzing the full results, which were also shared with the Federal Police and the Public Prosecution Service, among other entities involved in the investigation process. In addition to providing input for the police investigations in progress as well as all judicial measures, the information supplied will help the Company and the mining industry as a whole in their quest to establish higher standards of operational safety, to prevent the occurrence of other similar events of this nature.

On October 22, 2016, the Federal Public Prosecution Service indicted the Company, its stockholders and 22 individuals, for the failure of the Fundão dam, under proceeding no. 0002725-15.2016.4.01.3822. The Company was charged with environmental crimes as outlined in articles 29, caput, §1, items I and II, § 4, items I, III, V and VI, art. 33, art. 38, art. 38-A, art. 40, caput, §2, art. 49, art. 50, art. 53, items I and II, subitems "c", "d" and "e", art. 54, § 2, items I, III, IV and V c/c art. 58, item I, art. 62, item I, all contained in Law n. 9,605/98, concomitantly with the crimes specified in articles 68, 69, and, twice, in art. 69-A, §2o., of Law no. 9,605/98. The indictment was received on November 17, 2016. After a detailed analysis of documents and legal issues, related to the subjects of the indictment, the Company presented a response within the legally established timeframe.

(n) Insurance
Following the failure of the Fundão dam on November 5, 2015 the Company has been negotiating with its contracted insurers to receive indemnification under its operational risk, general liability, and engineering risks policies. Any payment of claims will depend on the conclusion of the review carried out by the claim adjusters in evaluating the independent report on causality, definition of coverage and assessment of the total amount of the loss. No insurance receivable has been recognized for any monetary recoveries supported by these policies as of December 31, 2016.

(All amounts in thousands of Reais, unless otherwise stated)

(o) Commitments
After the failure of the Fundão dam on November 5, 2015, the Company invoked a *force majeure* clause in long-term contracts with suppliers and service providers to suspend contractual obligations, except for the electricity contract.

4. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is comprised as follows:

		Parent Company		Consolidated	
		2016	2015	2016	2015
Cash and bank deposits					
Domestic		1,270	734	1,270	734
Foreign	(a)	-	-	7,403	1,410
Call deposits					
Overseas (*Time Deposit* / MMDA / MMF / SWEEP)	(b)	46,437	1,798,321	48,974	1,820,574
Domestic		5	83	5	83
		47,712	**1,799,138**	**57,652**	**1,822,801**

(a) Current accounts denominated in USD at financial institutions overseas.

(b) Time Deposit, MMDA (Money Market Deposit Account), MMF (Money Market Fund), Sweep Account and Overnight are short-term investments denominated in US dollars at overseas financial institutions, yielding the US Treasuries bond rate and "overnight" rate ("Fed Fund rate").

5. RESTRICTED SHORT-TERM INVESTMENTS

The Company's restricted short-term investments are as follows:

	Parent Company		Consolidated	
Call deposits	2016	2015	2016	2015
Restricted cash	235	82,785	256	82,811
	235	**82,785**	**256**	**82,811**

From the total amount of R$256 in the consolidated, the balance of R$235 (R$82,811 on December 31, 2015) is restricted by court order due to the failure of the Fundão Dam (Note 3(a)).

(All amounts in thousands of Reais, unless otherwise stated)

6. ACCOUNTS RECEIVABLE

The accounts receivables are comprised as follows:

		Parent Company		Consolidated	
		2016	2015	2016	2015
Domestic receivables		24,682	6,519	24,681	6,519
Foreign receivables	(a)	19,971	513,641	14,106	341,934
Allowance for doubtful accounts	(b)	(28,171)	(33,110)	(29,498)	(33,130)
Provision for price reduction	(c)	-	(124,666)	-	(124,666)
		16,482	**362,384**	**9,289**	**190,657**

(a) The consolidated balance of R$14,106 originated from the outstanding foreign receivable amounts in 2016 (R$341,934 in 2015) was backed by a credit analysis process of the respective customers, aiming to mitigate risks of default.

(b) The estimated allowance for doubtful accounts of R$28,171 in 2016, for the parent Company and R$29,498 in the consolidated (R$33,110 and R$33,130 in 2015, respectively) is made based on an individual analysis of each customer for invoices more than 60 days overdue. The provision made by the parent company does not include the sales made to the subsidiary Samarco Finance, whose material remained in the inventory.

(c) Revenue is recognized at the dispatch date (FOB sales) based on an estimated fair value of the payment receivable (Note 2.22 (a)). Before the failure of the Fundão dam a provision for iron ore price reductions was necessary due to falling international prices.

The Company's accounts receivable classified by aging are as follows:

	Parent Company		Consolidated	
	2016	2015	2016	2015
Not yet due	8,577	450,239	8,583	278,512
Up to 30 days overdue	651	36,057	651	36,057
31 to 60 days overdue	55	754	55	754
61 to 90 days overdue	123	24,721	123	24,742
Past due more than 90 days	35,247	8,389	29,375	8,388
	44,653	**520,160**	**38,787**	**348,453**

As of December 31, 2016, accounts receivable of R$706, for the parent company and in the consolidated accounts (R$36,811 in 2015, respectively) were overdue, but not impaired. These accounts relate to a number of independent clients with no recent history of default.

(All amounts in thousands of Reais, unless otherwise stated)

7. INVENTORY

Inventory and changes in the balance is as follows:

(a) Break down

	Parent Company		Consolidated	
	2016	2015	2016	2015
Finished goods	197	13,689	197	85,570
Work in process	10,679	25,541	10,679	25,541
Consumables	98,545	136,936	98,545	136,936
Consumption and maintenance materials	269,244	354,085	269,244	354,085
Provision for loss on materials	(10,957)	(7,416)	(10,957)	(7,416)
Advances to suppliers	37	-	37	-
Total	**367,745**	**522,835**	**367,745**	**594,716**
Current assets	328,257	522,835	328,257	594,716
Noncurrent assets	39,488	-	39,488	-
	367,745	**522,835**	**367,745**	**594,716**

(b) Changes

	Parent Company		Consolidated	
	2016	2015	2016	2015
Change in finished goods				
Balance on December 31	**13,689**	**25,427**	**85,570**	**25,427**
Additions	303	2,757,261	303	3,511,741
Write-offs due to sale	(10,277)	(2,758,608)	(63,631)	(3,459,734)
Addition (write-off) of inventory adjustment	(2,575)	(8,913)	(2,575)	(8,913)
Advance to supplier	-	-	(7,068)	7,068
Translation adjustment	(943)	(1,478)	(12,402)	9,981
Balance on December 31	**197**	**13,689**	**197**	**85,570**

The Company appraised its inventory as of December 31, 2016, and concluded it was not exceeding its realization value.

Consumption materials that are used exclusively in the maintenance of concentration plant no. 1 and pellet plants nos. 1 and 2, were reclassified for long-term inventories, considering that these plants are expected to resume operations only in 2019.

In 2016, Management reviewed the inventory obsolescence criteria and identified the need for an increase in provision of R$3,541.

(All amounts in thousands of Reais, unless otherwise stated)

8. RECOVERABLE TAXES

The balance of recoverable taxes is comprised as follows:

		Parent Company		Consolidated	
		2016	2015	2016	2015
ICMS - Minas Gerais (MG)	(a)	76,902	76,202	76,902	76,202
ICMS - Espírito Santo (ES)	(b)	1,499,399	1,504,880	1,499,399	1,504,880
Provision for ICMS losses - ES	(b)	(1,499,399)	(1,504,880)	(1,499,399)	(1,504,880)
PIS and COFINS	(c)	21,324	114,484	21,324	114,484
Income tax recoverable	(d)	79,916	97,464	79,916	97,464
IRRF on short-term investment yields		9,274	8,912	9,274	8,912
Other		1,845	1,757	1,850	1,824
Total		**189,261**	**298,819**	**189,266**	**298,886**
Current assets		112,359	249,602	112,364	249,664
Noncurrent assets		76,902	49,217	76,902	49,222
Total		**189,261**	**298,819**	**189,266**	**298,886**

(a) Derives primarily from credits on the acquisition of property, plant and equipment.

(b) This relates to credits on the acquisition of property, plant and equipment, consumables, materials and other. In view of the history of non-realization of ICMS tax credits held against Espírito Santo state, the Company set up a provision to cover 100% of the credits.

(c) The PIS and COFINS credits are mostly related to the acquisition of material, consumables, energy, and property, plant and equipment, which are appropriated over 12 months. These credits are realized on a monthly basis by offsetting them against other federal taxes, especially Corporate Income Tax ("IRPJ") payable.

(d) Recoverable income tax on overpaid monthly estimates.

(All amounts in thousands of Reais, unless otherwise stated)

9. OTHER ASSETS

		Parent Company		Consolidated	
		2016	2015	2016	2015
Recoverable insurance		61	44	61	44
Amount receivable for electricity	(a)	11,648	70,377	11,797	70,377
Consórcio UHE Guilman Amorim		4,485	2,947	4,485	2,947
Advances to employees		7,222	6,972	7,326	7,065
Advances to suppliers	(b.1)	3,081	51,933	3,081	51,933
Other		118	631	131	705
Current		**26,615**	**132,904**	**26,881**	**133,071**
COHESA	(c)	17,103	16,856	17,103	16,856
(-) Adjustment to Present Value COHESA	(c)	(914)	(1,288)	(914)	(1,288)
Insurance amounts recoverable		3,978	13,725	3,978	13,725
Advances to employees		2,415	4,719	2,415	4,814
Advance to suppliers	(b.2)	44,085	-	44,085	-
Other		1,369	1,368	1,369	1,368
Noncurrent		**68,036**	**35,380**	**68,036**	**35,475**

(a) Refers to the sale of surplus electricity acquired for production, but not used.

(b) Advance to suppliers:

(b.1) Of this amount, R$3,075 (R$7,848 as of December 31, 2015) refers to Advance to supplier related to infrastructure recovery programs, recovery of the Candonga dam of UHE Risoleta Neves and also to the tailings containment program and treatment of rivers affected by the Fundão dam failure (Note 3).

(b.2) Prepayment of R$44,085 to Vale for partial leasing of mining rights of “Conta História Norte” and “Alegria” (mineral exploration areas). Vale is responsible for maintaining all of the rights until the lease has been registered by the respective authority.

(c) The Company passes along funds to COHESA (the Samarco Employees Housing Cooperative) on the basis of an arrangement to implement a housing plan signed on March 1, 1994 to finance real estate properties for employees, with terms varying from 8 to 25 years. The amounts lent will be received in full upon termination of the Samarco Housing Plan - PHS, i.e. upon full repayment of the financing by the employees. The COHESA balance receivable is adjusted to present value. The interest charged by COHESA is restated according to the collective pay rise awarded by the Company.

(All amounts in thousands of Reais, unless otherwise stated)

10. INVESTMENTS

The Company recorded losses on equity interest of its subsidiaries of R$9,246 in 2016 (R$10,670 earnings in 2015). The Company received dividends from subsidiaries totaling R$31,111 (R$0,00 in 2015). None of the investees have shares traded on stock exchanges.

	Interest	Number of shares or units	Current assets	Non-current assets	Total assets	Current liabilities	Equity	Total liabilities	Revenue	Costs and expenses	Net income for the year
2016											
Samarco Finance Ltd.	100%	50,000	8,518	0	8,518	7,226	1,292	8,518	127,648	(130,723)	(3,075)
Samarco Iron Ore Europe B.V	100%	180	13,072	3,736	16,808	2,531	14,277	16,808	7,097	(13,268)	(6,171)
		Total	**21,590**	**3,736**	**25,326**	**9,757**	**15,569**	**25,326**	**134,745**	**(143,991)**	**(9,246)**

	Interest	Number of shares or units	Current assets	Non-current assets	Total assets	Current liabilities	Equity	Total liabilities	Revenue	Costs and expenses	Net income for the year
2015											
Samarco Finance Ltd.	100%	50,000	208,292	-	208,292	187,328	20,964	208,292	1,090,793	(1,087,679)	3,114
Samarco Iron Ore Europe B.V	100%	180	48,253	4,302	52,555	3,962	48,593	52,555	27,448	(19,892)	7,556
		Total	**256,545**	**4,302**	**260,847**	**191,290**	**69,557**	**260,847**	**1,118,241**	**(1,107,571)**	**10,670**

(All amounts in thousands of Reais, unless otherwise stated)

11. RELATED PARTIES

The main balances of transactions with related parties are detailed below:

		Stockholders		Subsidiaries		Parent Company		Consolidated	
		BHP	Vale	Samarco Finance	Samarco Europe	2016	2015	2016	2015
Current assets									
Accounts receivable	(a)	-	88	7,225	-	**7,313**	**187,216**	**88**	**91**
Inventory	(b)	-	-	-	-	**-**	**41**	**-**	**41**
Other assets (Note 9)		-	-	-	-	**-**	**44,700**	**-**	**44,085**
Noncurrent assets									
Other assets (Note 9 (b.2))		-	44,085	-	-	**44,085**	**-**	**44,085**	**-**
Plant, Property and Equipment (Note 12)		-	42,312	-	-	**42,312**	**-**	**42,312**	**-**
Current liabilities									
Trade payables (Note 14)		-	97,836	-	-	**97,836**	**2,560**	**97,836**	**-**
Other liabilities (commissions/ services payable) (Note 21)		-	-	-	11,202	**11,202**	**44,099**	**-**	**-**
Loans and Financing (Note 15)		456,274	456,274	-	-	**912,548**	**-**	**912,548**	**-**
Financial charges (Note 15)		3,032	3,024	-	-	**6,056**	**-**	**6,056**	**-**
Noncurrent liabilities									
Financing (Note 15)		-	-	-	-	**-**		**-**	
Dividends (Note 22)		1,402,774	1,402,774	-	-	**2,805,548**	**2,805,548**	**2,805,548**	**2,805,548**
Mining rights (Note 20)	(c)	-	112,222	-	-	**112,222**	**112,222**	**112,222**	**112,222**
Other liabilities (Note 21)		238,744	238,744	-	975	**478,463**		**477,488**	
Statement of operations									
Revenue	(a)	-	-	127,648	-	**127,648**	**1,090,793**	**-**	**-**
Cost of goods sold and services rendered	(b)	-	-	-	-	**-**	**(209,478)**	**-**	**(209,478)**
General and administrative expenses		-	-	-	-	**-**	**(78,756)**	**-**	**(78,756)**
Selling expenses		-	-	-	(7,097)	**(7,097)**	**(27,462)**	**-**	**-**
Finance expenses		-	-	-	(130)	**(130)**	**-**	**-**	**-**

(a) The balance of accounts receivable and revenue of the subsidiary Samarco Finance are for the sale of iron ore acquired from the Parent Company and sold on the international market.

(b) Before the failure of Fundão dam in November 2015, the amount of R$212,748 related to the acquisition of iron ore fines directly from the stockholder Vale, for use in the Samarco production process. The amount of R$3,270 in 2015 in favor of Samarco refers to the amount Samarco charged Vale for the disposal of tailings in the Fundão dam. The amount stated under "Inventory" denotes the iron ore purchased but not yet consumed in the production process.

(c) In November 1989, the Company and Vale signed a mining rights transfer agreement for exploitation of iron ore deposits, whereby Vale assigned and transferred to Samarco prospecting rights for two of its ore reserves.

(All amounts in thousands of Reais, unless otherwise stated)

The value of the contract considered the payment of the following amounts for mining rights: (i) Lump sum of R$19,972, and (ii) Variable payments equal to 4% of the gross value of the dividends paid by Samarco to its stockholders through depletion of the reserves.

The price agreed to in the agreement is not fixed, and was established as a percentage of the gross dividends paid out. For the year ended December 31, 2016 there were no payments. (R$36,742 on December 31, 2015).

Samarco sponsors Fundação Vale do Rio Doce de Seguridade Social - ValiaPrev, which provides participants and their dependents with benefits which are supplementary or similar to those offered by the official basic pension scheme (Note 16).

The compensation of key management personnel is as follows:

	2016	2015
Compensation (i)	12,300	26,671
Medical assistance plan	91	112
Private pension	1,097	1,459
Life insurance	122	153
	13,610	**28,395**

(i) Includes wages, salaries, profit sharing, bonuses and severance pay.

Key management personnel are considered to be directors (officers) and general managers.

12. PROPERTY, PLANT AND EQUIPMENT

In 2016 the investments made were to meet the needs of the Company. Before the failure of the Fundão dam in November 2015 the Company made a number of investments to raise its production capacity and the productivity of its industrial plants.

(All amounts in thousands of Reais, unless otherwise stated)

The Company's property, plant and equipment is comprised as follows:

		Consolidated									Parent Company
		Land	Industrial facilities (buildings, machinery and equipment)	Ore pipeline and correlated system	Decommissioning of plant	Data processing equipment and furniture and fixtures	Vessels and vehicles	Tools, rotating assets and mass assets	Construction in progress	Total	Total
Cost											
Balance as of December 31, 2015		**60,340**	**16,667,860**	**9,127,761**	**338,207**	**217,636**	**548,848**	**232,386**	**802,567**	**27,995,605**	**27,993,835**
Additions	(a)	-	274	-	-	-	-	-	45,218	45,492	45,218
Evaluation of plant decommissioning study	(b)	-	-	-	-	-	-	-	(105,190)	(105,190)	(105,190)
Provision for write-off (Fundão dam)	(c)	-	-	-	-	-	-	-	1,145	1,145	1,145
Assets Granted on Loan	(d)	-	36,115	-	-	184	11,259	-	-	47,558	47,558
Transfers - in	(e)	103,467	122,596	47,545	-	1,618	114	32,766	-	308,106	308,106
Transfers - out	(e)	-	(36,115)	-	-	(184)	(11,259)	(291)	(307,815)	(355,664)	(355,664)
Sales		-	(21)	-	-	(36)	(681)	(5)	-	(743)	(743)
Effect of exchange rate variance	(f)	34,978	(2,772,028)	(1,502,232)	(55,935)	(35,816)	(90,997)	(30,950)	(159,691)	(4,612,671)	(4,612,340)
Balance as of December 31, 2016		**198,785**	**14,018,681**	**7,673,074**	**282,272**	**183,402**	**457,284**	**233,906**	**276,234**	**23,323,638**	**23,321,925**
Accumulated depreciation											
Balance as of December 31, 2015		**-**	**(4,472,617)**	**(1,790,586)**	**(19,048)**	**(124,509)**	**(174,969)**	**(57,574)**	**-**	**(6,639,303)**	**(6,637,901)**
Depreciation for the year		-	(117,499)	(5,250)	(6,886)	(12,768)	(25,077)	(6,653)	-	(174,133)	(173,970)
Assets Granted On Loan	(d)	-	(2,569)	-	-	(130)	(2,493)	-	-	(5,192)	(5,192)
Transfers - out		-	2,569	-	-	130	2,493	-	-	5,192	5,192
Sales		-	17	-	-	30	236	4	-	287	287
Effect of exchange rate variance	(f)	-	717,253	287,118	2,924	12,496	18,288	5,243	-	1,043,322	1,043,099
Balance as of December 31, 2016		**-**	**(3,872,846)**	**(1,508,718)**	**(23,010)**	**(124,751)**	**(181,522)**	**(58,980)**	**-**	**(5,769,827)**	**(5,768,485)**
Balance											
As of December 31, 2015		**60,340**	**12,195,243**	**7,337,175**	**319,159**	**93,127**	**373,879**	**174,812**	**802,567**	**21,356,302**	**21,355,934**
As of December 31, 2016		**198,785**	**10,145,835**	**6,164,356**	**259,262**	**58,651**	**275,762**	**174,926**	**276,234**	**17,553,812**	**17,553,440**

(All amounts in thousands of Reais, unless otherwise stated)

(a) During the year 2016, the additions resulted in a consolidated balance of R$45,492 (2015 consolidated balance of R$405,537). The main projects at December 31, 2016 were: disposal of tailings in the pit "Alegria Sul" of R$9,419, capitalizable spare parts of R$6,566 and acquisition of rural property in Candonga of R$6,478.

	Start	End	2016	2015
PCN Replacement of Tailings in the Pit - Stage I	2016	2017	9,419	-
Spare parts Germano/ Ubu	2014	2016	6,566	11,476
ACQUISITION OF LAND - CANDONGA F1	2016	2016	6,478	-
Land	2014	2016	3,319	5,865
Capital expenditures UHE Guilman Amorim	2016	2016	2,481	-
Drainage structures for the mining areas and waste dumps	2016	2016	1,978	-
Refurbishment and expansion of the Germano restaurant	2013	2016	1,795	11,930
Precipitator 06FE003 of Plant 3 (revamp)	2016	2016	1,526	-
Repowering of the overland conveyors and Crushing CIII	2016	2016	1,149	-
Optimization of access to customs area and integration of data	2016	2016	1,101	-
SCAP Balling - plant 4 (U4)	2016	2016	812	-
New area for unloading processing consumables	2014	2016	797	36,600
Purchase of GMU tools	2016	2016	744	-
Instrumentation of waste dumps	2016	2016	707	-
Control of implementation of critical risk management project	2016	2016	632	-
Stabilization plan for industrial slopes	2016	2016	545	-
Germano Basic Grid	2010	2015	474	9,114
Repair of indentation defects reports by Pig Pipeway M3	2016	2016	468	-
Replacement of Fleet of the current contract PBTH	2014	2016	24	10,932
Industrial effluents and water in Ubu 2793	2014	2016	5	12,281
Automating the Storage and Shipment operations	2014	2016	1	12,192
Raising of the crest of dams of Germ. and Fundão to El. 940m - Phase 2	2015	2016	-	51,263
Fourth Pelletizing Project	2011	2016	-	31,437
Expansion of the Filtering 1 capacity	2015	2015	-	20,896
Mobile equipment repair shop of mine	2011	2015	-	108
Metal frames for aligning the rotary-control	2014	2015	-	183
Waterproofing of slurry pond	2013	2015	-	75
Other			4,471	191,185
Total			**45,492**	**405,537**

(b) The assessment study of decommissioning of industrial plants was reviewed and resulted in a reduction of R$105,190.

(c) Provisions for loss on property, plant and equipment due to the Fundão dam failure have been adjusted (Note 3(e)).

(d) The assets assigned on loan refer to the agreement entered into with Vale and Fundação Renova. The assets were assigned in the following order: R$42,312 for Vale and R$54 for Fundação Renova.

(e) The investments in property, plant and equipment and intangible assets are initially recorded in construction in progress.

Once these investments are concluded and go into operation, the assets are transferred to the respective accounts of property, plant and equipment and intangible assets, depending on the accounting nature of each item.

(f) The effect of the exchange rate variance resulted from translating the financial statements from the functional currency (US dollars) to the reporting currency (Real).

12.1 Impairment analysis
Following the suspension of the Company's operations in Mariana, as a result of the failure of the Fundão dam, the indicators of impairment of certain items of property, plant and equipment were identified in an impairment test conducted in the year.

The assets' recoverable values were assessed based on projected cash flows, considering the Company to be the only cash generating unit. Cash flow projections were made based on: (i) estimated useful life of the mines; (ii) assumptions and budgets approved by management for the period corresponding to the estimated useful life; (iii) discount rate deriving from the methodology used to calculate the weighted average cost of capital - WACC; (iv) market projections for exchange rates (Real/US Dollar); (v) market projections for price quotes of iron ore pellets (BF and DR).

The main assumptions used in the cash flow projections to determine the value in use of the cash generating unit were: WACC of 11.3% pa; average inflation rate of 6.5% in 2017, amounting to 3.9% in the long term; average exchange rate for 2017 of R$3.49, rising to R$4.74 in the long term; average price of BF and DR pellets, as per the Platts index projected by market analysts and international marine freight references.

When testing its noncurrent nonfinancial assets for impairment based on projected cash flows as of December 31, 2016, the Company did not identify the need to make a provision for asset impairment.

Currently, insufficient cash resources to meet obligations, as well as the uncertainties as to when the Company will resume its operations, raise significant doubts about the Company's ability to continue to operate as a going concern (Note 1).

12.2 Residual value
Useful lives of assets are optimized as much as possible by carrying out preventive and corrective maintenance. This policy enables the Company to maintain its assets in an appropriate state of repair and operate for lengthy periods of time until they become obsolete or are scrapped. Residual values of fully depreciated assets are insignificant.

12.3 Pledged assets
At December 31, 2016 the Company had assets pledged as collateral in judicial proceedings. These assets are recorded under Property, Plant and Equipment as machinery and equipment, vessels and related systems, amounting to R$4,194,059 (R$438,178 in 2015). For 2016, there was an increase in the number of claims and lawsuits associated with the failure of the Fundão tailings dam (R$2,852,570).

12.4 Useful life
In accordance with technical pronouncement CPC 27 - Property, Plant and Equipment, in 2016 the Company concluded its review of the useful lives of its property, plant and equipment. There were no changes to the expected use of the asset, which is assessed based on physical production or capacity expected of it. There were therefore no changes to the standard uses of Samarco's property, plant and equipment in 2016, i.e. the useful lives are compatible with the expected benefit of the industrial complex.

(All amounts in thousands of Reais, unless otherwise stated)

Below is a summary description of the property, plant and equipment accounts and the useful life by accounting item used to calculate depreciation, based on the units produced method for the items directly related to the respective productive areas and based on the straight-line depreciation method for the rest:

		2016		2015	
Item	**Account description**	**Average weighted useful life in years**	**Years of depre-ciation**	**Average weighted useful life in years**	**Years of depre-ciation**
Land	Areas of the industrial plants.	-	-	-	-
Buildings	Buildings, warehouses, security cabins, road surfacing and civil works improvements.	33	10 to 50	34	10 to 50
Machinery and equipment	Furnace, pelletizing disks, ship loader, loaders, precipitators, ball mills, grate cars and other such items.	20	10 to 50	20	10 to 50
Ore pipeline and correlated system	Pipelines to transport iron ore and industrial fixtures, such as conveyor belts, cabling and others.	18	20 to 43	18	20 to 43
Plant decommissioning	Environmental obligations to discontinue the slurry pipeline and industrial facilities of Germano and Ubu.	41	43	43	43
Data processing equipment	Personal computers, printers, monitors, notebooks, servers, optical interfaces, collectors, switches, hubs, patch panels, racks, etc.	4	5	4	5
Furniture and fixtures	Chairs, tables, cupboards and other such furniture.	9	10	8	10
Vessels	Boats, ferries, speed boats and dredgers.	16	9 to 24	16	9 to 24
Vehicles	Automobiles, trucks, stackers, cranes, tractors, loaders.	9	4 to 25	10	4 to 25
Tools	Impact keys, multimeter, torque wrenches, microscopes, and other small devices.	12	10 to 25	12	10 to 25
Rotating assets	Parts of machinery and equipment and industrial facilities.	21	10 to 27	20	10 to 27
Mass assets	Circuit breakers, capacitors, hydraulic pumps and other small items.	19	5 to 24	20	5 to 24

(All amounts in thousands of Reais, unless otherwise stated)

13. INTANGIBLE ASSETS

The intangible assets are comprised as follows:

		Consolidated							Parent Company
		Right of way	Mining rights	Other rights	Tailings removal	Applica-tions and software	Con-struc-tion in progress	Total	Total
Cost									
Balance as of December 31, 2015		**32,987**	**49,387**	**2,249**	**25,446**	**167,823**	**16,284**	**294,176**	**294,167**
Additions	(a)	-	-	-	-	-	2,523	2,523	2,523
Transfers - in		-	-	-	-	4,124	-	4,124	4,124
Transfers - out		-	-	-	-	-	(4,124)	(4,124)	(4,124)
Effect of exchange rate variance	(b)	(5,456)	(8,168)	(371)	(4,208)	(27,151)	1,457	(43,896)	(43,894)
Balance as of December 31, 2016		**27,531**	**41,219**	**1,878**	**21,238**	**144,796**	**16,140**	**252,803**	**252,796**
Accumulated amortization									
Balance as of December 31, 2015		**(5,979)**	**(33,273)**	**(2,249)**	**(4,793)**	**(126,756)**	**-**	**(173,050)**	**(173,041)**
Amortization in the period	(c)	(2,050)	(163)	-	(1,769)	(8,024)	-	(12,006)	(12,006)
Effect of exchange rate variance	(b)	46	5,306	371	113	16,760	-	22,596	22,593
Balance as of December 31, 2016		**(7,983)**	**(28,130)**	**(1,878)**	**(6,449)**	**(118,020)**	**-**	**(162,460)**	**(162,454)**
Balance as of December 31, 2015		**27,008**	**16,114**	**-**	**20,653**	**41,067**	**16,284**	**121,126**	**121,126**
Balance as of December 31, 2016		19,548	13,089	-	14,789	26,776	16,140	90,342	90,342

(a) The investments and expenditures to be recorded in intangible assets are initially recorded as Construction in progress, in property, plant and equipment. Once these investments are concluded and go into operation, the assets are transferred to the respective accounts of intangible assets, depending on the accounting nature of each item.

(b) The effect of the exchange rate variance resulted from translating the financial statements from the functional currency (US dollars) to the reporting currency (Real).

(c) For the easements and mining rights, amortization of the intangible assets is calculated according to the expected useful life of the iron ore mines owned by the Company. The straight-line method is applied to the others.

(All amounts in thousands of Reais, unless otherwise stated)

13.1 Useful life

Below is a summary description of the intangible asset accounts and the useful life by accounting item:

		2016		2015	
Item	Account description	Average weighted useful life in years	Years of depre-ciation	Average weighted useful life in years	Years of depre-ciation
Easements	Rights acquired to use the easement on the ground to lay the slurry pipeline.	39	43	43	43
Mining rights	Mining rights for exploration of iron ore deposits.	43	43	43	43
Other rights	Oil pipeline usage right.	14	15	14	15
Tailings removal	Cost of removing tailings, incurred in surface mine during production.	18	14	14	14
Applications and software	Software and licenses.	6	5	5	5

13.2 Research and development

The Company incurred research and development expenses of R$21,507 (R$107,156 in 2015), which were recognized as other net operating expenses in 2016.

14. TRADE PAYABLES

	Parent Company		Consolidated	
	2016	2015	2016	2015
Domestic customers	183,316	110,609	183,322	110,623
Overseas customers	3,845	5,537	3,878	5,574
Related-party transactions (Note 11)	97,836	2,560	97,836	-
	284,997	**118,706**	**285,036**	**116,197**

(All amounts in thousands of Reais, unless otherwise stated)

15. LOANS AND FINANCING

Loans and financing are instruments used by the Company to finance its long-term projects and ventures. Loans and financing generally have a term in excess of one year and are mainly denominated in US dollars.

With the discontinuation of its operating activities, the Company was unable to comply with certain obligations contained in its loan and financing agreements. As a consequence of these non-compliances, all loans and financing, except for one which has no financial covenants, were reclassified to current and reflect an increase in the amounts of interest provision and the application of default interest as per the existing terms of the loan and financial agreements.

	Parent Company				Consolidated	
	Current	Noncurrent	Total 2016	Total 2015	Total 2016	Total 2015
Overseas loans and financing	12,323,286	-	12,323,286	14,907,379	12,323,286	14,907,379
Local loans and financing	1,055,633	7,572	1,063,205	162,783	1,063,205	162,783
Total	**13,378,919**	**7,572**	**13,386,491**	**15,070,162**	**13,386,491**	**15,070,162**
Current	13,378,919	-	13,378,919	328,243	13,378,919	328,243
Noncurrent	-	7,572	7,572	14,741,919	7,572	14,741,919

In 2016, the Company entered into loan agreements with its stockholders Vale and BHP, through issuance of private non-convertible debentures, with the first issue being executed with BHP and the second issue with Vale. Both instruments have identical conditions as to the amount and a total term of one year, with principal and interest payments equivalent to LIBOR plus 1.15% per annum made on maturity on August 2, 2017. The total issuance of debentures in 2016 was R$912,548.

Also in 2016, the financing agreement entered into with BNDES in October 2014 totaling R$201,000, was cancelled. The Company had not drawn down on this contract.

As of December 31, 2016 the provision for interest on foreign currency loans and financing, which accounted for 92.1% of interest on total loans (98.9% in 2015), was as follows:

	2016		2015	
	Principal value	Provision for interest	Principal value	Provision for interest
0% to 2 %	1,583,631	28,716	4,138,452	20,023
2% to 3%	3,616,935	60,265	2,244,915	2,882
3% to 4%	-	-	-	-
Above 4%	7,122,720	260,331	8,524,012	83,485
	12,323,286	**349,312**	**14,907,379**	**106,390**

(All amounts in thousands of Reais, unless otherwise stated)

As of December 31, 2016 the provision for interest on local currency loans and financing, which accounted for 7.9% (1.1% in 2015) of interest on total loans and financing was as follows:

	2016		2015	
	Principal value	Provision for interest	Principal value	Provision for interest
2% to 3%	912,548	6,056	-	-
3% to 4%	139,323	2,479	150,933	199
Above 4%	11,334	3,079	11,850	2,539
	1,063,205	**11,614**	**162,783**	**2,738**

The provision for interest on loans and financing increased in relation to 2015 due to the non-payment of certain obligations. Moreover, it considers an additional amount of R$25,967, related to default interest charged on overdue amounts as the existing terms of the loan agreements.

The average cost of the total debt, including foreign currency loans and financing, is 3.7% p.a. (3.5% p.a. in 2015).

As of December 31, 2016, all loans and financing, except for one which has no financial covenants, were reclassified to current, due to non-compliance with certain contractual financial obligations, as follow:

		Parent Company and Consolidated								
	Total	2017	2018	2019	2020	2021	2022	2023	2024	2025
Loans and financing	13,386,491	13,378,919	7,572	-	-	-	-	-	-	-

The fair value of financial liabilities related to the loans and financing, whose balances are measured at amortized cost, is calculated as follows:

(i) the fair value of the bonds is obtained from the security's price in the secondary market (the value used is the closing value informed by Bloomberg);

(ii) the 2022 Bonds quotes in the secondary market and the 6-month Libor rate, in force as of December 31, 2016 were used as a reference for EPP - Export Pre-Payment, Finame loans and loans which are not published in the secondary debt market or for which the secondary market is illiquid.

Below are the estimated fair values of the loans and financing:

	2016		2015	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Bonds	7,383,051	4,028,853	8,607,497	2,884,835
EPPs (export pre payments)	5,289,547	4,193,506	6,406,272	4,041,601
Others	1,074,819	955,179	165,521	89,024
	13,747,417	**9,177,538**	**15,179,290**	**7,015,460**

Guarantees and obligations - loans and financing
Some of the Company's long term loans are guaranteed by promissory notes and pre selected export receivables.

As a result of the interruption of the Company's operations, since the Fundão dam failure, certain covenants in loan and financing agreements were not complied with, such as the debt ratio (Net Debt/EBITDA limited to 4:1). In addition, the Company ceased to pay principal and interest on loans overdue in the year.

For the calculation of Net Debt/EBITDA, the Company uses an adjusted EBITDA as a basis for calculation of financial covenants, in accordance with the definitions included in the various contracts in force with creditors. Extraordinary non-cash gains and losses, such as provisions, are excluded for this criterion, in order to reflect the expectation of cash generation on EBITDA, therefore evaluating the Company's financial health and liquidity and its capacity to repay the entire debt in a given period of time.

The Company has hired J.P. Morgan to act as its financial advisor and and is in discussions with its creditor banks and bondholders, to address the existing conditions of its loan and financing agreements vis-à-vis its current financial condition.

Class Action Complaint - Bond holders
On November 14, 2016, a putative class action complaint was filed in the U.S District Court for the Southern District of New York on behalf of all purchasers of Samarco's ten year bond notes due 2022, 2023 and 2024 and bought between October 31, 2012 and November 30, 2015, against Samarco and the former chief executive officer of Samarco. The complaint is presented under U.S. federal securities laws and indicates that the plaintiff will seek certification to proceed as a class action.

On March 6, 2017, the putative class action complaint was amended to include BHP Billiton Ltd, BHP Billiton Plc, BHP Billiton Brasil Ltda. and Vale S.A. as well as Samarco officers, including four members of the Samarco Board of Directors, which is formed by representatives of Vale and BHP.

The amount of damages sought by the plaintiffs on behalf of the putative class is unspecified. Given the preliminary status of this action, it is not possible at this time to provide a range of possible outcomes or a reliable estimate of potential future exposures to Samarco.

16. EMPLOYEE BENEFITS

16.1 Retirement benefits

Samarco sponsors Fundação Vale do Rio Doce de Seguridade Social (ValiaPrev), a multi-sponsor, multi-plan entity managing benefit plans with segregated assets and providing participants and their dependents with benefits supplementary, or similar, to Official Basic Social Security benefits. The plan is a defined-contribution plan and offers the following benefits:

» Normal retirement income.
» Early retirement income.
» Supplementary disability retirement.
» Supplementary pension for death.
» Pension income for death.
» Deferred benefit income for severance.
» Supplementary annual bonus.
» Annual income bonus.
» Redemption.

(a) Defined-contribution plan
The plan is supported by regular contributions precisely matching participant contributions and limited to 9% of the amount by which contribution salaries exceed ten reference plan units, as well as by contributions to support risk benefits (disability and death at work and annual bonus) and plan administration expenses.

In financial year 2016 the Company made contributions to the defined contribution plan of R$8,798 (R$12,497 in 2015).

(b) Defined-benefit plan portion
The Company records the cost and obligations related to the pension benefits offered to its employees when they retire, based on a specific actuarial appraisal report.

The actuarial appraisal report calculated the retirement benefits considering the definitions contained in the regulations that concern eligibilities, benefit formulas and means of readjustment.

The actuarial report appraised the defined-benefit portion in the plan, which denotes the constructive obligation referring to supplementary retirements, pension for death and annual bonus, denominated Risk Plan and retirement income.

(All amounts in thousands of Reais, unless otherwise stated)

1 – Change in present value of the obligations

	2016	2015
Present value of the actuarial liability at the beginning of the year	24,754	24,729
Current service cost	558	1,369
Interest on actuarial obligation	2,930	2,723
Actuarial (gains)/losses - experience	4,497	4,138
Actuarial (gains)/losses - demographic assumptions	0	(2,557)
Actuarial (gains)/losses - financial hypothesis	3,814	(3,954)
Benefits paid by the plan	(2,319)	(1,694)
Present value of the actuarial liability at the end of the year	**34,234**	**24,754**

2 – Change in fair value of the assets

	2016	2015
Fair value of assets at start of year	55,361	47,870
Real return on investments	19,085	6,376
Contributions paid by the Company	1,009	2,809
Benefits paid by the plan	(2,319)	(1,694)
Fair value of assets at end of year	**73,136**	**55,361**

3 – Change in unrecoverable surplus

	2016	2015
Unrecoverable surplus at end of previous year	30,607	23,141
Interest on unrecoverable surplus	3,762	2,607
Change in unrecoverable surplus during period	4,532	4,859
Unrecoverable surplus at end of current year	**38,901**	**30,607**

(All amounts in thousands of Reais, unless otherwise stated)

4 – Costs of defined benefit

4.1 – In results for the year	2016	2015
Current service cost of the Company	558	1,369
Net interest of net liabilities/(assets)	(185)	(162)
Cost of defined benefit in results	**373**	**1,207**

4.2 – Other comprehensive income (ORA)	2016	2015
Actuarial gains(losses) of change in liabilities	4,497	4,138
Actuarial gains(losses) of changes in hypothesis	3,814	(6,511)
Actuarial gains(losses) arising in the period	**8,311**	**(2,373)**
Yields on plan assets (greater)/smaller than discount rate	(12,207)	(885)
Change in unrecoverable surplus	4,532	4,859
Re-measurement of effects on Other comprehensive income	**636**	**1,601**

4.3 – Cost of defined benefit	2016	2015
Current service cost	558	1,369
Net interest on net value of liabilities/(asset)	(185)	(162)
Remuneration of effects recognized in ORA	636	1,602
Cost of defined benefit	**1,009**	**2,809**

5 – Change in net liability/asset

5.1 – Net liability/assets	2016	2015
Present value of obligation (VPO)	(34,234)	(24,754)
Fair value of the assets	73,135	55,361
Net total (liability)/assets to be recognized	**38,901**	**30,607**

5.2 – Reconciliation in net total (liability)/assets	2016	2015
Net total (liability)/asset at beginning of year		
Service Cost	(558)	(1,369)
Net interest on net value of liabilities/(asset)	185	162
Remuneration of effects recognized in ORA	(636)	(1,602)
Contributions paid by the Company	1,009	2,809
Net total (liability)/asset at end of year	**-**	**-**

(All amounts in thousands of Reais, unless otherwise stated)

6 – Estimated cost of defined benefit for 2017

Current service cost	711
Net interest of net liabilities (assets)	(72)
Cost to be recognized in profit or loss	639

7 – Expected cash flows for 2017

Company contributions	1,293
Benefits paid by the plan	2,355

8 – Actuarial assumptions

	2016	2015
Economic		
Discount rate	6.06% per year	6.94% per year
Salary growth rate	6.95% per year	7.10% per year
Inflation	4.85% per year	5.00% per year
Benefits growth	4.85% per year	5.00% per year
Return on noncurrent assets	11.12% per year	12.29% per year
Demographic		
Mortality table	AT-2000 (H)	AT-2000 (H)
Mortality table of disabled people	AT-2000 (H)	AT-2000 (H)
Disability rate table	RGPS 1992-2002 0.55	RGPS 1992-2002 0.55
Turnover rate	3% up to 55 years	3% up to 55 years
Retirement age		First age entitled to one of the benefits
% of active participants married at retirement	95%	95%
Age difference between participant and spouse	Wives are 4 years younger than husbands	Wives are 4 years younger than husbands

(All amounts in thousands of Reais, unless otherwise stated)

9 - Summary of participants' data

	2016	2015
Active and self-sponsored employees		
Number	2,415	3,001
Average age	38,28	37,55
Average length of service (years)	9,88	9,29
Annual average payroll	74,835	67,361
Participants with assisted benefits		
Number	97	78
Annual average payroll	26,047	25,732

10 – The plan's assets are administered as follow:

Assets by category	2016	2015
Fixed income	486,630	384,351
Variable income	76,179	69,798
Loans	37,940	50,306
	600,749	504,455

16.2 Other employee benefits

The Company offers employee benefits through a health care plan (self-managed and contributed to by employees for co-participation in expenses incurred) entitled Assistência Médica Supletiva ("AMS"), which also covers dependents. The plan provides outpatient, inpatient and dental care as well as medication for beneficiaries and is ensured by a Collective Labor Agreement. Plan management fees are fully borne by the Company. Expenses on other benefits were recognized in the statement of operations as follows:

	Parent Company		Consolidated	
	2016	2015	2016	2015
Compensation and charges	(245,533)	(347,472)	(248,720)	(355,391)
Social security charges	(49,485)	(67,397)	(49,485)	(67,397)
Retirement plan benefits	(9,754)	(13,522)	(9,886)	(13,739)
Meal vouchers	(27,951)	(25,017)	(27,951)	(25,017)
Health insurance	(24,104)	(20,700)	(24,108)	(20,750)
Other	(20,197)	(15,893)	(21,257)	(17,840)
	(377,024)	**(490,001)**	**(381,407)**	**(500,134)**

(All amounts in thousands of Reais, unless otherwise stated)

17.PAYROLL, PROVISIONS AND SOCIAL CONTRIBUTIONS

The balance of payroll, provisions and contributions is shown below:

	Parent Company		Consolidated	
	2016	2015	2016	2015
Provision for vacations	23,906	27,491	23,957	27,608
Employees INSS	3,799	5,806	3,799	5,806
FGTS payable	1,794	2,332	1,794	2,332
Other	1,399	1,472	1,408	1,590
	30,898	**37,101**	**30,958**	**37,336**

Since the failure of the Fundão dam, Samarco has made a great effort to retain its employees by providing paid vacation, collective vacation leave and two stays (called a "layoff" in Brazil and understood as a temporary suspension of the employment agreement while providing professional skills training). After concluding the studies for the resumption of its operations, the Company has determined that when it is authorized to restart it will do so up to 60% of its production capacity. Thus, it was necessary to eliminate 1,200 jobs, which will lead to a proportionate reduction in Samarco's labor costs in the future. To achieve this reduction as sensitively as possible, Samarco complied with the request of the unions and offered a Voluntary Dismissal Program (PDV).

The final terms of the PDV were signed with the approval of the unions. In addition to the mandatory payment of FGTS (federal severance indemnity fund), the Company paid, to those who adhered to the PDV, (i) an additional amount corresponding to 0.5 monthly salary for each year worked, limited to four months, (ii) a fixed amount of three months' salaries - limited to R$7,500, (iii) a health care plan for six months from the date of dismissal, and (iv) the Company refrained from charging a prepaid nominal salary in 2015 in regard to the portion of profit sharing due.

A total of 880 employees chose to adhere to the PDV program and left the Company receiving the benefits described above. As stipulated in the agreement signed with the unions, after the deadline for signing up for the PDV, Samarco dismissed employees until it reached the initially planned 40% cutback, paying to these half of the benefits offered to those who had adhered voluntarily.

Despite the agreement signed with the unions, the Labor Public Prosecution Service (MPT) filed a public civil action questioning the validity of the PDV and demanded better benefits and/or severance pay. However, as there were already actions being brought in Minas Gerais and Espírito Santo by the unions, demanding the payment of profit sharing amounts for 2015, Samarco signed an agreement to end these actions. As a result, the Company agreed to pay a severance amount corresponding to two nominal monthly salaries, according to the rules of eligibility and proportionality of the profit sharing program relative to 2015. This amount was divided into two payments, which were paid on January 31 , 2017 and March 31, 2017.

(All amounts in thousands of Reais, unless otherwise stated)

18. TAXES PAYABLE

The balance of taxes payable is shown below:

	Parent Company		Consolidated	
	2016	2015	2016	2015
ICMS payable	9,218	7,498	9,218	7,498
REFIS - Tax recovery - financed taxes	16,394	14,798	16,394	14,798
IRRF on interest	41,796	13,260	41,796	13,260
ISS withheld	4,153	4,003	4,153	4,003
INSS retained from third parties payable	4,114	3,264	4,114	3,264
IRRF payable	3,747	4,957	3,794	5,081
INSS DIFAL payable	430	954	430	954
CFEM payable	0	14,152	0	14,152
COFINS withheld	1,413	2,377	1,413	2,377
Others	4,902	1,484	4,899	1,479
	86,167	**66,747**	**86,211**	**66,866**

19. PROVISIONS FOR CONTINGENCIES

The Company is a party in judicial and administrative proceedings in various courts and government agencies, arising from the normal course of operations, basically involving tax, civil, labor and environmental issues. Based on the information and opinions of its internal and external legal advisors, management has made a provision for contingencies in an amount considered sufficient to cover cases assessed as involving probable losses. The additional provisions and deposits were made for the failure of the Fundão dam (Note 3).

In 2016, the provisions for current obligations are shown net of the corresponding judicial deposits amount to R$76,699 (R$69,878 in 2015). The balance of unprovisioned judicial deposits is recorded in assets at R$1,654,766 (R$1,402,178 in 2015) and its breakdown is detailed below:

		Parent Company and Consolidated	
		2016	2015
Judicial tax deposits	(a.1)	1,325,715	1,087,117
Civil judicial deposits	(a.1)	324,889	312,111
Judicial Deposits - Labor Claims		4,138	2,928
Judicial environmental deposits		24	22
		1,654,766	**1,402,178**

(a.1) On December 11, 2015 Samarco made a compulsory court escrow deposit related to the CFEM tax proceeding, as well as court escrow deposits related to the civil suits referring to the failure of the Fundão dam (Note 3).

(All amounts in thousands of Reais, unless otherwise stated)

The changes in the Company's provision for current obligations are as follows:

	Parent Company and Consolidated				
	2015	Additions	Reversals	Charges	2016
Tax proceedings	87,155	-	(407)	4,676	91,424
(-) Judicial tax deposits	(64,241)	-	-	(3,659)	(67,900)
Civil claims	91,168	47,400	(23)	11,099	149,644
Labor claims	30,965	49,594	(2,924)	2,865	80,502
(-) Judicial Deposits - Labor Claims	(5,637)	(3,239)	77	-	(8,799)
Environmental proceedings	155	1,681	(1)	25	1,858
	139,565	**95,436**	**(3,278)**	**15,006**	**246,729**

The provisions are detailed as follows:

		2016			2015		
		Provision	Court deposits	Net	Provision	Court deposits	Net
ECE - ES	(a.1)	37,007	(37,007)	-	35,009	(35,009)	-
ECE - MG	(a.1)	30,893	(30,893)	-	29,232	(29,232)	-
ICMS – Fine – Muniz Freire - ES	(a.2)	9,963	-	9,963	9,062	-	9,062
Attorneys' fees	(a.3)	10,536	-	10,536	10,943	-	10,943
Other		3,025	-	3,025	2,909	-	2,909
Tax Proceedings		**91,424**	**(67,900)**	**23,524**	**87,155**	**(64,241)**	**22,914**
Civil claims	(a.4)	**149,644**	**-**	**149,644**	**91,168**	**-**	**91,168**
Labor claims		**80,502**	**(8,799)**	**71,703**	**30,965**	**(5,637)**	**25,328**
Environmental proceedings		**1,858**	**-**	**1,858**	**155**	**-**	**155**
		323,428	**(76,699)**	**246,729**	**209,443**	**(69,878)**	**139,565**

(All amounts in thousands of Reais, unless otherwise stated)

(a) Provisions recognized by the Company for litigation proceedings:

Note	Description	Status	2016	2015
(a.1)	Court proceeding filed to declare the unconstitutionality and illegality of the requirement to pay charges and acquisition of emergency energy, due to technical defects when these requirements were introduced.	Both proceedings (ES and MG) are awaiting judgment at another appeals court (3rd judicial instance).	67,900	64,241
(a.2)	Assessments for ICMS due on the transfer of electricity from the Muniz Freire power plant, which Samarco owns, for consumption at its industrial establishment in Ponta Ubu, Anchieta, ES, as well as a fine for failing to issue invoices on these transfers.	Case ruled in favor of Samarco. Final decision - res judicata.	9,963	9,062
(a.3)	Provision is made for lawyers' fees referring to proceedings classified as having a remote chance of defeat.	-	10,536	10,943
Other	Proceedings related to the former Guilman-Amorim hydroelectric power plant, closed down as a result of a spin-off and subsequent merger, for the offsetting of tax losses, PIS and COFINS.	Proceedings at the judicial and administrative courts awaiting judgment.	3,025	2,909
(a.4)	Provision made to cover potential losses on civil proceedings related to third-party compensation and proceedings entailing the intermediation of transferred ICMS credits.	Proceedings at the judicial courts at several stages.	149,644	91,168
Labor	Labor claims primarily related to the application of fines by the authorities, in addition to labor claims filed by employees and service providers.	Proceedings at the judicial and administrative courts at several stages	80,502	30,965
Environmental	Assessment Notice 1284/10 issued by DNPM, for the alleged breach of article 54 (V) of the mining code's regulation.	Pending analysis of the administrative defense submitted.	1,858	155
			323,428	**209,443**

(All amounts in thousands of Reais, unless otherwise stated)

(b) Possible contingencies:
The Company is a party in other actions for which management, based on the information and opinions of its internal and external legal advisors, has not set up a provision for contingencies, since the chance of loss has been rated as possible. The main such cases are described below:

Description	Status	2016	2015
Assessment Notices for the alleged nonpayment of CSLL in 2008 to 2014.	2008 CSLL case is now being returned to the lower chamber of the Administrative Court for additional considerations. The proceeding relating to the period 2009 and 2010 was judged in June 2017 at the administrative level, with partial success (deductibility of the royalties). Regarding the period of 2011 to 2014, an administrative appeal was filed by Samarco, awaiting to be ruled by the administrative court.	4,293,666	2,472,611
Assessment notices for 2000 to 2003 and 2007 to 2014, for allegedly incorrectly calculating the IRPJ as a result of using the rate of 18% over profit deriving from mineral exports instead of the general rate of 15% plus the 10% surcharge.	Proceedings related to the period 2000 to 2003 and 2007 to 2008 are the object of collection at the court level. The period 2009-2010 was judged unfavorably to the Company at the administrative level and is awaiting registration of the debt as Active Debt. Considering the period between 2011 to 2014, Samarco has a favorable decision regarding the isolated fine. Awaiting appreciation of the appeals filed by the company (related to the CIT) and the government (concerning the isolated fine).	3,694,286	1,859,773
Assessment Notice issued by the National Mining Production Department (DNPM) for alleged underpayment of the Financial Compensation for Exploration of Mineral Resources (CFEM). The city government of Mariana filed suit against the Company, based on the same legal grounds as those invoked by the DNPM in its assessments.	Three judicial proceedings awaiting decision from lower court and one proceeding awaiting judgment of administrative appeal.	1,077,475	945,809
Tax enforcements regarding the timeliness and respective amounts of PIS payments on a semi-annual basis in the periods September 1989 to August 1994.	One proceeding awaiting judgment at lower court and one proceeding awaiting decision at upper court.	21,804	21,182
Assessment Notice demanding social security contributions on payments made to insured employees as profit shares and "Field of Ideas" award, amongst other matters such as (i) social contributions allegedly due to the National Development Fund (FND) on said payments; (ii) fine for failure to pay social contributions; and (iii) fine for submitting incomplete information in declaration forms known as GFIPs.	Pending decision of the administrative appeal. The proceedings up to 2008 not covered by the statute of limitations have been included in the REFIS program.	25,312	23,418

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(All amounts in thousands of Reais, unless otherwise stated)

>> CONTINUED

Description	Status	2016	2015
Disallowance of the offset of IRPJ and CSLL losses of the former Guilman-Amorim hydroelectric power plant (subject to the legally established 30% limit).	Debt included in REFIS.	8,277	7,681
Disallowance of offset PIS and COFINS credits in the period April 2006 to December 2007 and 2008 to 2010 against monthly estimated IRPJ debits calculated in the same period, submitting the individual PER/DCOMPs by quarter and origin of credits (PIS and COFINS credits).	Proceedings pending decision of the administrative appeal.	156,940	145,930
Assessments for ICMS due on the transfer of electricity from the Muniz Freire power plant, which Samarco owns, for consumption at its industrial establishment in Ponta Ubu, Anchieta, ES, as well as a fine for failing to issue invoices on these transfers.	Two proceedings with final decision issued in favor of Samarco and one pending.	57,457	50,082
Tax enforcement and assessment notice issued by the municipal government of Anchieta in respect of the area where Samarco's industrial plant is located in Ubu, which is subject to the tax, also demanding tax for the area for which the ITR is paid.	Three proceedings (1999 to 2004, 2007 to 2011 and 2012 to 2015) awaiting judgment in court and one at the administrative level (2016).	107,961	77,790
Civil proceedings primarily related to third-party compensation. According to the opinion of the Company's legal advisers, the probability of losing these cases is possible.	Proceedings taken to court are in various procedural phases.	74,470	64,064
Labor claims primarily related to the application of fines by the authorities, in addition to labor claims filed by employees and service providers.	Proceedings taken to court are in various procedural phases.	59,085	56,344
Proceedings involving environmental risks in the states of Minas Gerais and Espírito Santo, consisting of assessments from the inspection authorities.	Proceedings taken to court are in various procedural phases.	16,250	62,893
Other		111,105	100,106
		9,704,088	**5,887,683**

The contingencies relating to the failure of Fundão dam are described in Note 3(h).

(All amounts in thousands of Reais, unless otherwise stated)

20. OTHER PROVISIONS

		Parent Company and Consolidated	
		2016	2015
Provision for electricity	(a)	1,536	25,181
Provision for social, environmental and socio-economic recuperation	(b)	1,634,522	1,949,964
Provision for purchase of iron ore		**1,636,058**	**1,975,145**

		Parent Company and Consolidated	
		2016	2015
Provision for asset retirement obligation	(d)	319,863	384,839
Provision for mining rights	(c)	112,222	112,222
Provision for social, environmental and socio-economic recuperation	(b)	5,576,590	8,054,838
Total noncurrent		**6,008,675**	**8,551,899**

(a) Acquisition of energy for use in production, not invoiced by the concession operators in the period.

(b) Provision for the failure of the Fundão dam (Note 3).

(c) The Company pays its stockholder Vale for the assignment of mining rights to geological iron ore resources. These amounts are calculated at the rate of 4% of dividends paid (Note 11).

(d) The changes in the provision for asset retirement obligations were as follows:

	Parent Company and Consolidated	
	2016	2015
Provision at beginning of year	384,839	350,718
Provision increase	40,214	36,651
Estimated revisions in cash flows	(105,190)	(2,530)
Provision at end of year	319,863	384,839

In 2014, the Company revised its conceptual plan to close down operating units in order to diagnose the environmental situation of the mining exploration areas, acquire data to support the assessment of the environmental impacts and risks for closure, establish measures to mitigate any risks posed by potential sources of contamination in order to stabilize any potential environmental liabilities and estimate the closing costs according to the phase of the plan. The Company's policy is to revise this plan every three years; however, due to the Fundão dam failure, management, with the supporting advice of external consultants, revised its plan for closure of the operating units in 2015 and 2016.

The provision for asset retirement was based on current information, including the technology available and current prices. The provision made was discounted to present value at the discount rate of 10.62% per annum, based on the parameters adopted by the Company for economic and financial valuations.

(All amounts in thousands of Reais, unless otherwise stated)

21. OTHER LIABILITIES

Other liabilities are shown below:

		Parent Company		Consolidated	
		2016	2015	2016	2015
Current					
Advance of overseas receivables		897	-	897	-
Commission payable overseas to related parties (note 11)	(a)	11,202	44,099	0	-
Demurrage payable	(b)	2,992	9,813	2,992	10,012
Amounts payable (material/services)	(c)	230	1,108	230	1,108
Consórcio UHE Guilman Amorim (Note 2)		4,485	2,947	4,485	2,947
Payments on environmental fines - SEMAD (Note 3)	(f)	24,886		24,886	
Other		2,013	6,734	1,102	7,276
Total current		**46,704**	**64,701**	**34,592**	**21,343**
Noncurrent					
REFIS - Tax recovery - financed taxes	(d)	178,967	176,345	178,967	176,345
Unrealized profit on inventory	(e)	-	98,777	-	-
Payments on environmental fines - SEMAD (Note 3)	(f)	97,471		97,471	
Related parties (Note 11)	(f)	477,488		477,488	
Other		515	533	515	533
Total noncurrent		**754,441**	**275,655**	**754,441**	**176,878**

(a) Agency commission paid to the subsidiary Samarco Europe for intermediating iron ore sales.

(b) Amount owed by Samarco for the overtime on unloading or loading the product at the port.

(c) Amounts referring to materials and goods acquired which were not recorded, as the respective invoice had not been issued by the supplier. The goods and services have been recorded under inventory and cost.

(d) On December 20, 2013 Samarco entered a tax amnesty and refinancing program (REFIS IV) introduced by Law 12865/13. The first installment was paid at the time of enrolment. The total amount financed was R$180,789, to be paid over 180 installments. The amount of R$178,967 refers to 131 long term installments, accruing interest pursuant to SELIC. The short term installments are presented in taxes payable (Note 18).

(e) The amount refers to unrealized profits on the inventory of Samarco Finance relating to iron ore pellets acquired from Samarco.

(f) Environmental fines related to the damage caused by the dam failure and the resources received from stockholders Vale and BHP to fund Fundação Renova (Note 3).

(All amounts in thousands of Reais, unless otherwise stated)

22. STOCKHOLDERS' EQUITY

22.1 Capital

The fully subscribed and paid-up share capital amounts to R$297,025, consisting of shares divided as follows:

	Number of shares	% of total capital
BHP Billiton Brasil Ltda.	2,621,653	50
Vale S.A.	2,621,653	50
	5,243,306	**100**

22.2 Dividends

On December 18, 2015, as a result of the failure of the Fundão dam (Note 3), a court decision was issued which, among other determinations, prevented Samarco from making a distribution of approved dividends as of 5 November 5, 2015. As a result, as decided in the Extraordinary Stockholders' Meeting held on December 31, 2015, the dividends stated in the Annual Stockholders' Meeting (AGO) and not yet paid out were reclassified to non-current. According to the Company's By-Laws, the mandatory dividends are 25% of the net profit according to Law 6,404/76.

22.3 Carrying value adjustments

		Parent Company and Consolidated	
		2016	2015
Inventory		56,603	146,613
Property, plant and equipment		6,738,173	10,307,803
Intangible assets		27,471	48,383
Cost		768,956	631,142
Exchange variance		(6,038,172)	(7,703,814)
Other		132,922	161,989
Accumulated translation adjustments	(a)	**1,685,953**	**3,592,116**
Remeasurement of retirement benefit		(3,549)	(2,913)
Remeasurement of retirement benefit	(b)	**(3,549)**	**(2,913)**
		1,682,404	**3,589,203**

(a) These adjustments are made for exchange variance resulting from translating the balance sheet and statement of operations for the year from the functional currency (USD) to the reporting currency, the Real.

(b) Refers to the actuarial gains and losses, increase in liabilities, change in assumptions, earnings on the plan's asset and change in the irrecoverable surplus (Note 16).

(All amounts in thousands of Reais, unless otherwise stated)

23. REVENUE

The Company operates in the mining sector, deriving its revenue from the sale of two types of iron ore pellets: PDR - Pellets for direct reduction and PBF - Pellets for the blast furnace. The surplus production of iron ore concentrate is sold as fines (pellet feed).

In 2015, all sales were export sales of products and subproducts to the Americas, Asia, Africa and Europe. In 2015 the Company also booked revenue from electricity surpluses and logistics services rendered at its own port, including boat charters, tug boats and disembarking services. Unagglomerated iron ore revenues were recorded under "other products and services".

In 2016, all sales were from existing inventories of products and byproducts to the same regions mentioned above, in addition to electricity surplus and logistic services rendered at its port. Due to the failure of the Fundão dam and subsequent suspension of the exploration licenses, operations have been temporarily suspended, with no production having been generated in the period.

	Parent Company		Consolidated	
	2016	2015	2016	2015
Pellets - Overseas	155,497	6,294,881	153,713	6,294,881
Fines - Overseas	11,793	134,398	11,793	134,398
Electricity	33,802	168,781	33,802	168,781
Other goods and services	11,583	40,041	11,583	40,041
Total gross revenue	**212,674**	**6,638,101**	**210,891**	**6,638,101**
Sales taxes	(4,332)	(20,687)	(4,332)	(20,687)
Freight on sales	497	(135,906)	497	(135,906)
Net revenue	**208,839**	**6,481,508**	**207,056**	**6,481,508**

(All amounts in thousands of Reais, unless otherwise stated)

24. COST OF GOODS SOLD

The cost of goods sold is broken down below:

		Parent Company		Consolidated	
		2016	2015	2016	2015
Consumables		-	(986,975)	-	(986,975)
Electricity		-	(345,712)	-	(345,712)
Materials		-	(266,281)	-	(266,281)
Outsourced services		-	(331,455)	-	(331,455)
Personnel expenses		-	(287,315)	-	(287,315)
Depreciation and amortization		-	(387,303)	-	(387,303)
Currency translation		(137,814)	(406,055)	(137,814)	(406,055)
Electricity sales		(18,366)	(71,003)	(18,366)	(71,003)
CFEM		(223)	(75,597)	(223)	(75,597)
TFRM		-	(23,332)	-	(23,332)
Idle capacity	(a)	(919,129)	(169,104)	(919,129)	(169,104)
Provision for reinforcing dam facilities	(b)	103,336	(171,613)	103,336	(171,613)
Other		(82,806)	(81,437)	(82,833)	(81,437)
Cost of goods sold		**(1,055,002)**	**(3,603,182)**	**(1,055,029)**	**(3,603,182)**

(a) Operations in Mariana were suspended following the Fundão dam failure (Note 1). Operations of the Ubu plant in ES were also affected as a result. The fixed costs of both Samarco sites incurred until December 31, 2016 were therefore directly allocated to Costs of Idle Capacity:

	2016	2015
Consumables	(708)	(123)
Materials	(35,915)	(8,768)
Services	(152,892)	(41,510)
Labor	(274,840)	(45,120)
Electricity	(45,303)	(6,893)
Depreciation	(178,929)	(25,678)
Structural reinforcement of dams	(214,101)	(25,902)
Other	(16,440)	(15,110)
Total current	**(919,128)**	**(169,104)**

Part of the balance recorded under “idle capacity”, totaling R$214,101 (R$25,902 in 2015), refers to outsourced services to maintain and repair Samarco facilities affected by the failure of the dam.

(b) Provisions for the Fundão tailings dam failure (Note 3 (i).

(All amounts in thousands of Reais, unless otherwise stated)

25. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Parent Company		Consolidated	
	2016	2015	2016	2015
Selling expenses				
Outsourced services	(13,109)	(36,930)	(13,109)	(36,930)
Personnel expenses	(20,195)	(27,093)	(20,195)	(27,093)
Depreciation and amortization	(5,925)	(23,301)	(6,087)	(23,439)
Auxiliary supplies	(914)	(11,875)	(914)	(11,875)
Sales commission	-	(27,462)	-	-
Shipment expenses	(259)	(12,314)	(259)	(12,314)
Allowance for doubtful accounts	4,939	(27,896)	3,632	(27,881)
Sales expenses of subsidiaries	(7,097)	-	(7,472)	(17,594)
General expenses	(11,548)	(16,641)	(11,569)	(16,641)
Total	**(54,108)**	**(183,512)**	**(55,973)**	**(173,767)**
General and administrative expenses				
Outsourced services	(9,142)	(13,590)	(9,142)	(13,590)
Personnel expenses	(52,128)	(39,776)	(52,128)	(39,776)
Depreciation and amortization	(1,110)	(1,134)	(1,110)	(1,134)
Auxiliary supplies	(139)	(72)	(139)	(72)
General expenses	(4,885)	(3,802)	(4,885)	(3,802)
Total	**(67,404)**	**(58,374)**	**(67,404)**	**(58,374)**

(All amounts in thousands of Reais, unless otherwise stated)

26. OTHER NET OPERATING EXPENSES

Details of other net operating expenses are shown below:

		Parent Company		Consolidated	
		2016	2015	2016	2015
Tax		(15,556)	(22,347)	(15,556)	(22,347)
Provision for ICMS losses - ES		5,481	(252,548)	5,481	(252,548)
Provisions for contingencies (Note 19)		(99,426)	(11,935)	(99,426)	(11,935)
Investments and social projects		(8,386)	(29,837)	(8,386)	(29,837)
Employee profit sharing	(a)	88	(22,969)	92	(22,595)
Provision for share-based payments (Note 16)	(c)	-	13,193	-	13,193
Provision for restructuring plan		(23,864)	-	(23,864)	
Research expenses (Note 13)		(21,507)	(107,156)	(21,507)	(107,156)
Mining rights (Note 11)		-	(78,756)	-	(78,756)
Lawyers and expert fees		(5,454)	(4,209)	(5,454)	(4,209)
Inventory adjustment (warehouse)		(4,111)	(6,126)	(4,111)	(6,126)
Sale of property, plant and equipment		(452)	(1,358)	(452)	(1,358)
Provision for PPE write-off	(b)	1,145	(216,817)	1,145	(216,817)
Provision for socio-environmental and socio-economic recovery	(b)	3,437,267	(9,833,189)	3,437,267	(9,833,189)
Expenses with socio-environmental and socio-economic recovery	(b)	(2,068,663)	(144,350)	(2,068,663)	(144,350)
Expenses Fundação Renova	(b)	(255,069)	-	(255,069)	-
Other, net		(13,247)	(142,858)	(13,258)	(140,142)
Total		**928,246**	**(10,861,262)**	**928,239**	**(10,858,172)**

(a) Based on the variable remuneration policy approved by its Board of Directors, the Company grants Profit Sharing to its employees, subject to the performance of goals, the evaluation of results and the achievement of specific targets, which are established and agreed at the beginning of each year. Due to the failure of the Fundão dam the provision for profit sharing was reversed.

(b) Loss on property, plant and equipment, provisions and expenses related to the failure of Fundão dam (Note 3).

(c) The accumulated deficit presented by the Company affected the value of the shares. During the year of 2015, a reversal occurred in the amount of R$13,193.

(All amounts in thousands of Reais, unless otherwise stated)

27. FINANCIAL RESULT

The Company's detailed finance result (consolidated and parent company) is shown as follows:

Finance income		2016	2015
Yields on judicial deposits	(a)	177,583	71,030
Earnings on investments		4,160	12,218
Discounts obtained		42	13
Other financial revenue		26,229	4,286
Finance income - consolidated		**208,014**	**87,547**
Income of subsidiaries		(102)	(134)
Finance income - parent company		**207,912**	**87,413**

Financial expenses		2016	2015
Default interest and tax charges	(b)	(38,932)	(35,831)
Charges on loans and financing		(501,387)	(589,949)
Interest on contingencies	(a)	(13,366)	(7,053)
Commission and bank interest		(34,721)	(26,297)
IRRF on interest - remittance abroad		(54,282)	-
PIS and COFINS on financial revenue	(c)	(11,432)	(36,454)
Financial expenses from environmental and socio-economic recovery	(d)	(746,914)	-
Other financial expenses		(53,003)	(42,674)
Finance expenses - consolidated		**(1,454,037)**	**(738,258)**
Expenses of subsidiaries		(65)	22
Finance expenses - parent company		**(1,454,102)**	**(738,236)**

(a) Refers to the interest accruals of court deposits and provisions for contingencies in respect of tax, civil, labor and environmental proceedings.

(b) Refers to arrears and tax interest on ICMS - Minas Gerais, REFIS, TFRM and other.

(c) Refers to PIS and COFINS taxes on financial revenue as per normative amendments introduced by Decree 8451.

(d) Financial up-dating of the provisions referring to the failure of the Fundão tailings dam.

(All amounts in thousands of Reais, unless otherwise stated)

The balance of exchange variance is represented as follows:

Exchange variance	2016	2015
Cash	644	(964)
Trade receivables	1,581	(5,434)
Recoverable taxes	344,593	(907,395)
Court deposits	286,246	(338,877)
Trade payables	(14,990)	44,350
Payroll, provisions and social contributions	**(6,035)**	**17,157**
Taxes payable	(1,444)	9,522
Dividends	(500,239)	2,040,739
Contingency	(6,200)	13,651
Deferred income tax	571,341	135,947
Others	(56,166)	121,996
Net exchange variance - consolidated	**619,331**	**1,130,692**
Net exchange variance of subsidiaries	77	270
Net exchange variance - parent company	**619,408**	**1,130,962**

28. INCOME TAX

The Company is subject to income tax at the rate of 18% on income derived from subsidized exportations and 25% on the unsubsidized portion.

28.1 Income tax payable

The changes in income tax payable are as follows:

	Parent Company		Consolidated	
	2016	2015	2016	2015
Balance at beginning of year	**6,571**	**-**	**6,657**	**68**
Provisions in the period	75,636	-	81,290	728
Payments	-	-	(5,656)	(710)
Offsetting with PIS and COFINS credits	(19,866)	-	(19,866)	-
Offsetting of recoverable tax (prepayment)	-	-	-	-
Offsetting of the negative balance from prior years	(62,341)	-	(62,341)	-
Income tax payable from prior years	-	6,571	-	6,571
Prior year IRPJ adjustment	-	-	-	-
Balance at end of year	**-**	**6,571**	**84**	**6,657**

(All amounts in thousands of Reais, unless otherwise stated)

28.2 Deferred income tax

The Company has deferred income tax recorded under noncurrent assets constituted on tax losses and temporarily nondeductible provisions, at the rates of 18% and 25%, according to the nature of each provision as adjustment of the net income from subsidized exports or adjustment of taxable income, respectively. The realization of these assets shall take place according to the expectation of resumption of the Company's operations and the consequent generation of taxable profit foreseen for future years.

In line with the expectation of resumption of the Company's operations (Note 1b), an analysis was carried out in 2016 relative to the realization of the deferred income tax constituted in 2015. And, with the understanding that future tax profits subject to taxation at the rate of 25% will not be sufficient to support the use of the deferred income tax arising from the Provision for socio-environmental and socio-economic recovery and tax losses, the Company reduction to recoverable value of deferred income tax asset in the amounts of R$1,802,778 and R$1,233,411, respectively.

28.3 Deferred income tax on nonmonetary items

The financial statements have been translated from the functional currency (USD) to the presentation reporting currency (R$). The base for calculating income tax and assets and liabilities is denominated in Brazilian reais (R$). The change in the exchange rate could therefore have a significant effect on the income tax expenses, especially on nonmonetary assets.

Net deferred income tax:

		2016			2015		
Amounts recorded at the tax rate of:	**Note**	**25%**	**18%**	**Total**	**25%**	**18%**	**Total**
Provision for ICMS losses - ES	8	374,850	-	374,850	376,220	-	376,220
Provision for price rectifications	6	-	-	-	31,166	-	31,166
Provision for depreciation, write-off and other - Property, plant and equipment	12	53,918	-	53,918	54,204	-	54,204
Provision for civil claims	19	37,153	-	37,153	22,534	-	22,534
Provision for Tax proceedings	19	15,893	545	16,438	18,518	987	19,505
Provision for labor claims	19	19,681	-	19,681	7,697	-	7,697
Provision for environmental proceedings	19	465	-	465	39	-	39
Provision for mining rights	20	28,055	-	28,055	28,055	-	28,055
Provision for social, environmental and socio-economic recuperation	20	1,802,778	-	1,802,778	2,501,201	-	2,501,201
Reduction to recoverable value of deferred income tax asset of Provision for socio-environmental and socio-economic recovery	20	(1,802,778)	-	(1,802,778)	-	-	-
Provision for asset retirement obligation	20	38,038	-	38,038	27,984	-	27,984
Provision for unrealized profits	21	-	-	-	24,694	-	24,694
Tax loss		1,233,411	-	1,233,411	572,511	-	572,511
Reduction to recoverable value of deferred income tax asset of Tax loss		(1,233,411)	-	(1,233,411)	-	-	-
Others		29,801	-	29,801	23,508	-	23,508
Total consolidated assets		**597,854**	**545**	**598,399**	**3,688,331**	**987**	**3,689,318**

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(All amounts in thousands of Reais, unless otherwise stated)

>> CONTINUATION

		2016			2015		
Amounts recorded at the tax rate of:	**Note**	**25%**	**18%**	**Total**	**25%**	**18%**	**Total**
Conversion from the functional currency		-	(1,230,442)	(1,230,442)	-	(1,891,139)	(1,891,139)
Depreciation for tax purposes		-	(594,168)	(594,168)	-	(385,441)	(385,441)
Financial revenue on court deposits		(80,259)	-	(80,259)	(39,291)	-	(39,291)
Remeasurement of retirement benefit obligation		-	-	-	-	(292)	(292)
Total consolidated liabilities		**(80,259)**	**(1,824,610)**	**(1,904,869)**	**(39,291)**	**(2,276,872)**	**(2,316,163)**
Consolidated net total		**517,595**	**(1,824,065)**	**(1,306,470)**	**3,649,040**	**(2,275,885)**	**1,373,155**
Provisions of subsidiaries		(113)	-	(113)	(131)	-	(131)
Parent company net total		**517,482**	**(1,824,065)**	**(1,306,583)**	**3,648,909**	**(2,275,885)**	**1,373,024**

The expected realization of deferred income tax is shown below:

	Up to 1 year	**1 to 3 years**	**3 to 5 years**	**5 to 8 years**	**8 to 10 years**	**Over 10 years**	**Total 2016**
Provision for ICMS losses ES and MG	-	-	-	-	-	374,850	374,850
Prov. depreciation, write-off and other - Property, plant and equipment	53,918	-	-	-	-	-	53,918
Civil proceedings	24,390	1,814	-	-	10,949	-	37,153
Tax proceedings	-	-	-	13,068	-	3,370	16,438
Labor claims	1,154	7,443	11,008	76	-	-	19,681
Environmental proceedings	28	437	-	-	-	-	465
Mining rights - Vale	28,055	-	-	-	-	-	28,055
Provision for asset retirement obligation	-	-	-	-	-	38,038	38,038
Provision for unrealized profits	-	-	-	-	-	-	-
Tax loss	-	-	-	-	-	-	-
Conversion from the functional currency	-	-	-	-	-	(1,230,442)	(1,230,442)
Depreciation for tax purposes	-	-	-	(594,168)	-	-	(594,168)
Others	(50,457)	-	-	-	-	-	(50,457)
Total consolidated	**57,088**	**9,695**	**11,008**	**(581,023)**	**10,949**	**(814,185)**	**(1,306,470)**
Provisions of subsidiaries	(113)	-	-	-	-	-	(113)
Total parent company	**56,974**	**9,695**	**11,008**	**(581,023)**	**10,949**	**(814,185)**	**(1,306,583)**

(All amounts in thousands of Reais, unless otherwise stated)

28.4 Income tax in the statement of operations

	Parent Company		Consolidated	
	2016	2015	2016	2015
Net income (loss) before taxation	**(675,457)**	**(7,734,013)**	**(669,803)**	**(7,732,006)**
Permanent differences:				
Equity in the results of investees	11,228	(10,670)	-	-
Overseas profits	172	12,362	172	12,362
Nondeductible tax fines	803	605	803	605
Nondeductible donations	4,500	13,816	4,500	13,816
Rate differences 18% to 25%	-	373,994	-	373,994
Inclusion of provision for socioenvironmental and socioeconomic recovery related to dam failure	2,793,691	-	2,793,691	-
Other additions (exclusions)	(149,000)	68,900	143,426	56,224
Functional currency effects - art. 62 of Law 12973/2014	1,801,612	(4,600,531)	1,801,612	(4,600,531)
Calculation basis	**3,787,548**	**(11,875,537)**	**3,787,548**	**(11,875,536)**
Statutory rate	25%	25%	25%	25%
Income tax calculated	**946,887**	**(2,968,884)**	**946,887**	**(2,968,884)**
Deferred income tax on tax depreciation	-	(93,534)	-	(93,534)
Tax paid by companies overseas	-	-	5,654	2,007
Other adjustments	6,878	(11,701)	6,878	(11,701)
Deferred income tax adjustment	18,233	(240)	18,233	(240)
Adjustment deferred income tax of temporary additions	1,802,778	-	1,802,778	-
Adjustment deferred income tax of tax losses	572,406	-	572,406	-
Deferred income tax on translation	(660,697)	1,176,863	(660,697)	1,176,863
Income tax in the statement of operations	**2,686,485**	**(1,897,496)**	**2,692,139**	**(1,895,489)**

(All amounts in thousands of Reais, unless otherwise stated)

Income tax revenue (expense) segregated between current and deferred:

	Parent Company		Consolidated	
	2016	2015	2016	2015
Current income tax	(6,878)	11,701	(12,532)	10,973
Tax loss	(572,406)	572,511	572,406	572,511
Deferred income tax on temporary differences	(2,767,898)	2,490,147	(2,767,898)	2,488,868
Deferred income tax on non monetary items	660,697	(1,176,863)	660,697	(1,176,863)
Current and deferred income tax	**(2,686,485)**	**1,897,496**	**(2,692,139)**	**1,895,489**

28.5 Law 12,973/14

The Company adopted an early implementation of the effects of Law 12,973/14 for 2014. Subaccounts were opened in 2015 to record the positive and negative differences between the assets measured according to corporate legislation and the amounts measured according to the accounting criteria in force as of December 31, 2007 (RTT), so that the tax effect of these adjustments takes place as these assets are realized.

29. COMMITMENTS

The Company is party to long-term contracts for the supply of raw materials and services and the acquisition of fixed assets, as shown below:

	Up to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total 2016
Capital expenditure for expansion and overhaul of property, plant and equipment	16,381	-	-	-	-	16,381
Services and other	769,898	138,438	76,662	46,936	214	1,032,148
Iron ore acquisition	-	70,347	141,882	360,249	627,886	1,200,364
Supply of power and raw materials	472,397	278,727	346,649	812,843	405,517	2,316,133
Freight and logistics costs	11,010	-	-	-	-	11,010
	1,269,686	**487,512**	**565,193**	**1,220,028**	**1,033,617**	**4,576,036**

These commitments consists of long-term contractual obligations to suppliers to renew and expand fixed assets, in addition to the provision of various services to maintain the manufacturing and administrative facilities, to acquire iron ore from third parties, to supply energy, consumables and costs on cargo chartering.

Due to the failure of the Fundão dam, the Company implemented a number of initiatives in relation to its commitments (Note 3).

(All amounts in thousands of Reais, unless otherwise stated)

30. FINANCIAL INSTRUMENTS

30.1 Financial risk management

The Company has financial instruments inherent to its operations, represented by cash and cash equivalents, restricted marketable securities, trade accounts receivable, trade payables, and loans and financing.

The management of these instruments is performed through operating strategies and internal controls, aimed at assuring the maximum possible, liquidity, profitability and security.

In the case of financial instruments used for hedging purposes, the financial management is also performed through a periodic analysis of the risk exposure that management intends to mitigate (exchange, interest rate etc.) and in accordance with the policies and strategies determined by Company management, always approved by the finances committee.

The Company and its subsidiaries do not invest in derivatives or any other high risk assets on a speculative basis.

30.2 Financial instruments by category

The financial instruments have been classified as follows:

	Classification
Assets	
Cash and cash equivalents	Loans and receivables
Restricted short-term investments	Loans and receivables
Accounts receivable	Loans and receivables
Liabilities	
Trade payables	Liabilities measured at amortized cost
Loans and financing	Liabilities measured at amortized cost

Financial assets consist of:

(a) Cash, cash equivalents and restricted short-term investments

	Parent Company		Consolidated	
	2016	2015	2016	2015
Cash and cash equivalents	47,712	1,799,138	57,652	1,822,801
Restricted short-term investments	235	82,785	256	82,811
	47,947	**1,881,923**	**57,908**	**1,905,612**

(All amounts in thousands of Reais, unless otherwise stated)

- Cash and cash equivalents

  Banks - Funds available in current accounts maintained in Brazil and abroad.

  Floating Fixed Fund - Petty cash (no yield) intended for US$ advances required on international trips made by employees.

  Marketable Securities - Funds invested in conservative, highly liquid bank products. Investment Funds.

- Restricted cash kept for use as a result of court proceedings, whose value of R$235 is associated with the Fundão dam failure, as described in Note 3(a).

(b) Accounts receivable
Funds to be received by the Company, the balance of which represents market value.

	Parent Company		Consolidated	
	2016	2015	2016	2015
Accounts receivable	16,482	362,384	9,289	190,657

(c) Financial Liabilities
Financial liabilities consist of loans and financing. These funding operations are usually intended to support the Company's routine activities and investments.

The geographical distribution by region of the Company's loans and financings is shown in the table below:

	Parent Company and Consolidated	
	2016	2015
Brazil	7.94%	1.08%
USA	80.23%	85.32%
Japan	11.83%	13.60%

30.3 Financial risk factors
The Company's normal activities expose it to a variety of financial risks: credit risk, market risk (including price risk, interest rate risk, exchange rate risk) and liquidity risk, as follows:

(a) Credit risk
The Company's sales policy is governed by the credit policies determined by management, which are aimed at minimizing any losses resulting from default by clients. The Company conducts credit analyses on its clients every year, in order to mitigate risks of nonpayment for outstanding receivables and future sales. Client payment capacity is also evaluated during the credit analysis. The Company presently offers its clients the following means of payment: letter of credit, cash payment or credit sale in current account.

Gross sales revenue amounted to R$210,891 in 2016 (R$6,638,101 in 2015), while the consolidated allowance for doubtful accounts made in 2016 were R$29,498 (R$33,130 in 2015), in the consolidated.

With respect to financial institutions, the Company and its subsidiaries only carry out operations with first-class institutions ranked as low risk by rating agencies.

The receivables' exposure to the credit risk is mitigated since they are dispersed across the regions, as shown in the table below, and also considering that high risk sales are mostly covered by letters of credit:

	Parent Company and Consolidated	
	2016	2015
Middle East / Africa	-	21%
China	73%	31%
Asia (except China)	23%	15%
Europe	-	19%
Americas	4%	14%

(b) Market risk

(i) Price risk
The price of the Company's principal product, iron ore pellets, is set through periodic negotiations (primarily quarterly and monthly) with customers. The level of prices negotiated is directly impacted by global supply and demand for iron ore.

(ii) Interest rate risk
This arises from the possibility of the Company and its subsidiaries sustaining unforeseen impacts arising from fluctuations in interest rates on their financial assets and liabilities, and inflation. Most of the Company's loans and financings as of December 31, 2016 are denominated in United States Dollars. The total amount of loans and financings (R$7,262) bears interest at fixed rates and R$6,124 at floating rates corresponding mostly to the variance in the LIBOR plus a contractual spread. The Company has

(All amounts in thousands of Reais, unless otherwise stated)

no hedge against LIBOR variance, in accordance with its internal and its stockholders' guidelines. Interest-rate risk also derives from the small amount of debt referenced to the IGP-DI price index and short-term investments referenced to the Selic base interest rate.

(iii) Exchange rate risk

This risk results from the possibility of fluctuations in the exchange rates for the foreign currencies (other than the functional currency) used by the Company to acquire domestic consumables and/or services, pay taxes, dividends, etc. The Company has the following assets and liabilities, in Reais, which can affect its results due to exchange rate variations:

(a) Asset exposure	Consolidated	
Current assets	**2016**	**2015**
Cash and cash equivalents	1,252	817
Restricted short-term investments	256	82,811
Domestic accounts receivable	24,682	6,519
Recoverable taxes	112,364	249,664
Prepaid expenses	2,168	12,282
Other assets	26,881	133,071
Noncurrent assets		
Court deposits	1,654,766	1,402,178
Recoverable taxes	76,902	49,222
Deferred income tax	1,729,719	1,373,155
Other assets	68,036	35,475
	3,697,026	**3,345,194**

(b) Liability exposure	Consolidated	
Current liabilities	**2016**	**2015**
Trade payables	(285,036)	(110,623)
Loans and financing and charges	(1,066,000)	(25,713)
Salaries and payroll contributions	(30,958)	(37,336)
Taxes payable	(86,211)	(66,866)
Provision for income tax	(84)	(6,657)
Dividends	-	-
Other provisions	(1,636,058)	(1,975,145)
Other liabilities	(34,156)	(11,331)
Noncurrent liabilities		
Loans and financing and charges	(8,818)	(139,808)
Provisions for contingencies	(246,729)	(139,565)
Deferred income tax	-	-
Dividends	(2,805,548)	(2,805,548)
Other provisions	(6,008,675)	(8,551,899)
Other liabilities	(754,440)	(176,878)
	(12,962,713)	**(14,047,369)**

(All amounts in thousands of Reais, unless otherwise stated)

(c) Exposure not recorded in the balance sheet:

	2016	2015
Tax proceedings		
Chance of defeat remote	(2,164,877)	(2,178,659)
Chance of defeat possible	(9,554,283)	(5,704,382)
Labor claims		
Chance of defeat remote	(11,939)	(7,564)
Chance of defeat possible	(59,085)	(56,344)

	2016	2015
Civil claims		
Chance of defeat remote	(4,845)	(3,287)
Chance of defeat possible	(74,470)	(64,064)
Environmental proceedings		
Chance of defeat remote	(57)	(54)
Chance of defeat possible	(16,250)	(62,893)

Summary of the exchange rate exposure	2016	2015
Exposure recorded in the balance sheet (a + b)	(9,265,687)	(10,702,175)
Exposure not recorded in the balance sheet (c)	(11,885,806)	(8,077,247)
Total net exposure	**(21,151,493)**	**(18,779,422)**

The Company does not hedge its assets and liabilities in Reais, in accordance with its internal guidelines. Foreign currency assets and liabilities are translated to the functional currency at the exchange rate as of the balance sheet date, with US$1.00 being equal to R$3.2585 as of December 31, 2016 and US$1.00 equal to R$3.9042 as of December 31, 2015.

(c) Liquidity risk

The liquidity risk arises if the Company does not have sufficient funds to honor its obligations on time.

Company Management has faced challenges in its liquidity risk management due to the suspension of production operations after the failure of the Fundão dam; for example, defaulting on certain obligations in the Company's loan and financing agreements. The Company's liquidity in FY 2016 was supported by its Stockholders via the issue of private non-convertible debentures (Note 15).

In addition, according to the terms of the Framework Agreement, to the extent that Samarco fails to meet its financial obligations thereunder, each of Vale and BHP will cover the shortfall, in proportion to their 50 per cent shareholding in Samarco.

The carrying amounts of the cash flows from financial liabilities are:

	Consolidated		
	2016		
	Amount	Up to 12 months	1 - 10 years
Suppliers/trade payables	285,036	12,658	272,378
Loans and financing	13,386,491	13,378,919	7,572
Financial charges payable	360,926	359,680	1,246

(All amounts in thousands of Reais, unless otherwise stated)

The value of the undiscounted cash flows are as follows:

			2016		2017	2018	2019	2020 - 2025
Financial liabilities	**Carrying value**	**Contractual cash flow**	**0 - 6 months**	**6- 12 months**				
Trade payables	285,036	285,036	2,049	10,609	272,378	-	-	-
Loans and financing	13,386,491	13,386,491	274,066	13,104,853	7,572	-	-	-
Financial charges	360,926	360,926	359,680	-	1,246	-	-	-
Total	**14,032,453**	**14,032,453**	**635,795**	**13,115,462**	**281,196**	**-**	**-**	**-**

30.4 Bank sureties

As seen in the table below, the Company has bank sureties issued for an indefinite term mainly to guarantee the suspension of amounts demanded under tax enforcements of December 31, 2016 of R$2,072,005 (31 December 2015 R$1,852,771). The total amount originally contracted is R$1,132,743.

Bank	Amount secured	Restated amount	Index	Term
Bradesco	607,850	980,901	Selic	Indeterminate
Bradesco	53,978	81,900	VRTE	Indeterminate
Votorantim	100,947	374,044	Selic	Indeterminate
Itaú	276,052	506,358	Selic	Indeterminate
Itaú	67,662	80,636	IPCA-E	Indeterminate
Safra	26,254	48,166	INPC	Indeterminate
Total	**1,132,743**	**2,072,005**	**-**	**-**

30.5 Capital management

The Company administers its capital with a view to safeguarding liquidity, optimizing the use of capital while yielding sustainable returns for stockholders and benefits for other stakeholders.

In order to maintain or adjust the Company's capital structure, Management constantly monitors its debt levels, aligned with its dividends policy, which in turn follows stockholder guidelines.

The Company monitors and manages its level of financial leverage in accordance with market standards, its strategy and compliance with the financial indices outlined in the loan agreements in the form of financial covenants (Net Debt/ EBITDA). The Net Debt/EBITDA is an index which corresponds to the net debt compared to the cash generation of the Company, measured by the EBITDA. The net indebtedness, in turn, corresponds to the total of loans and financing (including short and long term loans, as shown in the consolidated statement of assets and liabilities), subtracted from the total of cash and cash equivalents.

(All amounts in thousands of Reais, unless otherwise stated)

In 2016, with the interruption of its operational activities, the Company was unable to meet its Net Debt / EBITDA limit at financial institutions of 4:1 in all loan and financing agreements.

The calculation of the financial leverage index considers net debt as a percentage of total capital. Total capital is calculated by adding the stockholders' equity, as demonstrated in the consolidated balance sheet, to net debt:

	2016	2015
Total loans and financing	13,747,417	15,179,290
(-) Cash, cash equivalents, restricted short-term investments	(57,908)	(1,905,612)
Net debt	13,689,509	13,273,678
Total stockholders' equity	(6,922,006)	(1,653,264)
Total capital	6,767,503	11,620,414
Financial leverage index	202%	114%

Under normal conditions, the analysis of these indicators is used to determine the working capital management so as to maintain the degree of leverage of the Company at levels equal to or below the leverage index considered adequate by management.

30.6 Fair value hierarchy

The Company considers fair value as the price that would be obtained from the sale of an asset or paid to transfer a liability in an arm's length transaction on the measurement date (sale price). The Company uses market data or assumptions that market participants would use to price the asset and liability, including assumptions about the risks in general and risks inherent to the inputs used in the valuation method. The Company mainly applies the market approach to measure fair value and makes every effort to use the best information available. The Company consequently uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Company can classify the fair value balances based on observable inputs. The fair value hierarchy is used to prioritize the inputs used to measure fair value. The three levels of fair value hierarchy are as follows:

- Level 1 . Active market: quoted price - A financial instrument is deemed to be quoted in an active market if the quoted prices are readily and regularly disclosed by a stock exchange or organized over-the-counter market by operators, brokers or market associations, by entities with disclosed prices by regulatory agencies, providing that these prices represent market transactions which take place frequently between independent parties, on an arm's length basis.
- Level 2 . No active market: valuation method - A valuation/pricing method should be used to determine the fair value of an instrument which is not traded in an active market. Other criteria can be used, such as data on the current fair value of another similar instrument, discounted cash flow analyses and options pricing models. The valuation method aims to establish what the transaction price at the measurement date would be in an arm's length transaction.
- Level 3. No active market: equity instruments - Fair value of equity interests/equity instruments not quoted in an active market and underlying derivatives which should be settled by delivering unquoted equity instruments.

		Fair value hierarchy		
	Balance in 2016	Nível 1	Nível 2	Nível 3
Cash and cash equivalent	47,947	47,947	-	-

(All amounts in thousands of Reais, unless otherwise stated)

30.7 Sensitivity analysis

The Company's financial instruments consist of cash and cash equivalents, restricted short-term investments, accounts receivable, accounts payable and loans and financing.

The main risks facing the Company's operations are from changes in the Libor rate for long term financing, IGP-DI for domestic operations and Selic for short-term investments.

In order to identify the sensitivity of the index for short-term investments, in Brazil and abroad, to which the Company was exposed as of December 31, 2016, three different scenarios were determined. Based on market projections and the official interest rate ("Selic") in force at said date, the Company considered it reasonable to use the rate of 13.65% p.a. of Selic for the sensitivity analysis. For official US interest rates (FED Funds), valid for the reference date, the Company considered reasonable the rate of 0.75% per annum for the sensitivity analysis. The rates were defined as a base scenario I. Based on the rates established for the respective probable scenarios, two additional scenarios were developed, II and III, for each type of interest rate mentioned, with negative variations of 25% and 50% respectively.

	Risk	Base scenario I	Scenario II	Scenario III
Investments available in Brazil	Selic	13.65% p.a.	10.24% p.a.	6.83% p.a.
Yields as of December 31, 2016	-	1,077	1,040	1,003
Financial investments abroad	Fed Funds	0.75% p.a.	0.56% p.a.	0,38% p.a.
Yields as of December 31, 2016	-	1,198	1,196	1,194

The sensitivity analysis was simulated over the previous 12 months (amounts corresponding to the yields obtained in the period, based on the rates used in the evaluated scenarios as of December 31, 2016).

In order to identify the sensitivity of the index in the long term loans and financings to which the Company was exposed as of December 31, 2016, three different scenarios were determined, so as to cover the following 12 months. Based on the accumulated IGP-DI price index and Libor rate (valid for 12 months), in force at December 31, 2016, the Company determined a probable scenario and two other additional scenarios (II and III) based on the first, with increases of 25% and 50% respectively.

	Risk	Probable scenario I	Scenario II	Scenario III
Overseas loans and financing	Libor	1.3177% p.a.	1.6471% p.a.	1.9765% p.a.
Interest as of December 31, 2016		69,478	86,848	104,217
Domestic loans and financing	IGP-DI	6.7389% p.a.	8.4236% p.a.	10.1084% p.a.
Interest as of December 31, 2016		764	955	1,146

(All amounts in thousands of Reais, unless otherwise stated)

Amounts corresponding to the indices over the total long-term debt in USD, indexed to floating interest rates, as of December 31, 2016, with repayment at the end of the period only (effect of simulation).

In order to identify the sensitivity of the changes in foreign currency to which the Company was exposed as of December 31, 2016, three different scenarios were determined, where scenarios II and III entail an exchange-rate decrease of 25% and 50% respectively, based on the first, called base scenario I.

Financial liabilities	Exposure (R$)	Base Probable I (USD)	Scenario II (USD)	Scenario III (USD)
Exchange rate - (Risk - R$ / US$)	-	3.2585	2.4439	1.6293
Total Assets	3,697,026	1,134,579	1,512,772	2,269,158
Total liabilities	(12,962,713)	(3,978,123)	(5,304,164)	(7,956,246)
Net exposure in Reais recorded in the balance sheet	**(9,265,687)**	**(2,843,544)**	**(3,791,391)**	**(5,687,087)**

31. CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of the financial assets is evaluated by referring to the independent credit ratings (if applicable), and/or historical information about the levels of counterparty default with regard to the Company, specifically with regard to the length of the existing relationship and the level of default.

31.1 Cash and cash equivalents

	Parent Company		Consolidated	
	2016	2015	2016	2015
Current account and short-term bank deposits				
Investment Grade	47,712	1,799,138	57,652	1,822,801
Noninvestment Grade	-	-	-	-
	47,712	**1,799,138**	**57,652**	**1,822,801**

This category includes current accounts and short-term investments at banks.

(All amounts in thousands of Reais, unless otherwise stated)

31.2 Trade accounts receivable

	Parent Company		Consolidated	
	2016	2015	2016	2015
Counterparties with independent credit rating (S&P)				
Investment Grade	4,888	124,264	4,888	124,290
Noninvestment Grade	13	126,697	13	126,696
Counterparties without independent credit rating (S&P)				
Group 1 - clients with relationship of up to 5 years	6,862	21,188	(331)	19,931
Group 2 - clients with more than 5 years without history of default	92	37,238	92	40,000
Group 3 - clients with more than 5 years with little history of default	8,129	31,017	9,456	31,017
Group 4 - domestic clients not purchasing iron ore	24,669	6,519	24,669	6,519
Transfer of inventory between companies of the same business group	**-**	**173,237**	**-**	**-**
	44,653	**520,160**	**38,787**	**348,453**

32. INSURANCE COVERAGE

In order to mitigate risks and given the nature of its operations, the Company takes out several different types of insurance policies. The policies are in line with the risk management policy and are similar to the policies taken out by other companies in the same line of business as Samarco. The coverage of these policies includes operational risk of material damages and loss of earnings, domestic transportation, international transportation, life and personal accident insurance, vehicle fleet, civil liability insurance, all risks, surety bonds and others.

The Civil Liability policy was renewed to March 12, 2018 with the elimination of the coverage for (i) sudden pollution and (ii) dams, due to the recent incident.

In addition, Samarco maintains a Directors and Officers Liability Insurance, which was renewed until March 10, 2018. This insurance covers members of the Board of Directors, Executive Board, Supervisory Board, and any other body mentioned in the Bylaws, as well as certain employees at the management and strategic levels, in both the Company and its parent Companies (collectively referred to as the "Insured"). The policy covers financial losses resulting from claims against the Insured for acts or omissions in the exercise of their functions of employment. It also covers agreements previously authorized by the insurer for the purpose of bringing to a close judicial or administrative suits and coverage for payment of defense costs of the Insured, if and when incurred.

The operational risk insurance is suspended due to the temporary interruption of Samarco's operational activities. However, the Company maintains a relationship with the market with regard to asset security, so that as soon as the Company receives the necessary authorizations it will be able to reestablish the purchase of insurance for its activities.

33. SUBSEQUENT EVENT

Between the end of the period – December 31, 2016 and the date of authorization for the conclusion and issue of these statements, the following events occurred:

(a) Lawsuits of R$20,000,000 and R$155,000,000 – Preliminary Agreement
Samarco, together with its stockholders, and the Federal Public Prosecution Service, signed a preliminary agreement on January 18, 2017 (Note 3(h)).

(b) Environmental violation notice nº 95704/2017 SUCFIS (SEMAD)
In May 2017 Samarco was advised of the filing of an environmental violation notice nº 95704/2017 SUCFIS (SEMAD) levying a fine in the amount of R$180,881, based on the following allegation: "cause the dying off of fish in the Santarém creek, the Galaxo do Norte river, the Carmo and Doce Rivers, due to the change in the quality of the water or reduction of the oxygen content". This notice was filed to replace AI nº1783/2016, the fine for which totaled

R$62,607, and which had been contested by Samarco on 03/30/2016 and canceled on 05/02/2017 by SEMAD due to its recognition of the flaws of the violation notice. The amount of the initial assessment was increased due to the alleged generic repetition of the violation (based on AI nº 167286/2013) as well as the claim of aggravating circumstances. Samarco submitted its defense on 06/19/2017 and classified the case as possible.

c) Loans to support operational need
As detailed in note 1 (b), in the second half of 2017 Vale and BHP agreed to make loans to support the operational needs and to cope with the Framework Agreement programs still under the control of Samarco.

d) Obtaining permits
The Company continues its efforts to obtain the necessary environmental licensing for the Germano complex, as outlined in note 1(b).

BOARD OF DIRECTORS

SERVING MEMBERS
Flávio de Medeiros Bocayuva Bulcão
Paulo Fernando Teixeira Souto de Souza
Silmar Magalhães Silva

ALTERNATES
Juan Franco Merlini
Leonardo Eyer Harris
Sérgio Consoli Fernandes

EXECUTIVE BOARD
Roberto Lúcio Nunes de Carvalho
CEO

Leonardo Sarlo Wilken
Chief Commercial Officer

Luis Eduardo Fischman
CFO

Maury de Souza Júnior
Projects and Eco-efficiency Officer

Rodrigo Alvarenga Vilela
Operations and Infrastructure Officer

ACCOUNTANT RESPONSIBLE
Lucas Brandão Filho
Accountant - CRC-MG 046442/O – T ES

SAMARCO