

INSTITUTO HOMEM PANTANEIRO

Balance sheets as at December 31, 2016 and 2015 In US\$

<u>ASSETS</u>	Note	2016	2015
CURRENT ASSETS			
Cash and cash equivalents			
Cash		15	1.101
Banks – unrestricted		17	15
Banks – restricted			
Operating reserve – unrestricted	4	1,997	1,065
Project reserve – restricted	5	164	6,667
Costing fund – unrestricted	6	15	28,695
Sustainability funds – restricted	7	72,037	101,314
Receivables	8	4,199	3,194
Total current assets		<u>78,844</u>	<u>142,051</u>
NONCURRENT ASSETS			
Property, plant and equipment	9	145,924	49,939
Intangible assets	10	12,944	12,783
Total noncurrent liabilities		<u>158,868</u>	<u>62,722</u>
TOTAL ASSETS		<u>237,712</u>	<u>204,773</u>

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

INSTITUTO HOMEM PANTANEIRO**Balance sheets as at December 31, 2016 and 2015
In US\$**

<u>LIABILITIES AND NET ASSETS:</u>	Note	2016	2015
CURRENT LIABILITIES			
Suppliers – goods and services		4,139	9,242
Employee obligations	11	3,781	4,953
Payroll taxes	12	2,554	1,394
Taxes payable	13	400	267
Other payables	14	8,741	4,152
Total current liabilities		<u>19,615</u>	<u>20,008</u>
NET ASSETS			
Net assets		<u>218,097</u>	<u>184,765</u>
Total net assets		<u>218,097</u>	<u>184,765</u>
 TOTAL LIABILITIES AND NET ASSETS			
		<u><u>237,712</u></u>	<u><u>204,773</u></u>

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

INSTITUTO HOMEM PANTANEIRO

Statements of surplus (deficit) for the years ended December 31, 2016 and 2015 In US\$

	Note	2016	2015
OPERATING INCOME			
Restricted			
Special agreements with government	18	-	36,958
Finance income		-	2,139
		<u>-</u>	<u>39,097</u>
Unrestricted			
Nongovernment sponsorships	18	18,442	-
Services rendered		48,649	1,515
Partnership agreement – Instituto Acaia	18	67,881	38,599
Donation from legal entities		52,140	49,503
Donations from individuals		75,907	275,442
Finance income		16,563	5,499
Other income		9,429	2,286
Volunteer work	17	9,600	6,184
		<u>298,611</u>	<u>379,028</u>
Other operating income - unrestricted			
Donations of property, plant and equipment		56,325	
Other income		220	2,802
		<u>56,544</u>	<u>2,802</u>
Total income		<u>355,155</u>	<u>420,927</u>
OPERATING COSTS AND EXPENSES			
Environmental programs			
Operating costs and expenses		(279,861)	(253,996)
Volunteer work	17	(9,600)	(6,184)
		<u>(289,461)</u>	<u>(260,180)</u>
Gross surplus (deficient)		<u>65,694</u>	<u>160,747</u>
Operating and administrative expenses		(72,618)	(62,943)
Surplus (deficit) for the period		<u>(6,924)</u>	<u>97,804</u>
Valuation adjustments to net assets		83	(57)
Comprehensive surplus (deficit)		<u>(6,841)</u>	<u>97,747</u>

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

INSTITUTO HOMEM PANTANEIRO

Statements of changes in equity for the years ended December 31, 2016 and 2015 In US\$

	Net assets	Translation adjustment	Surplus (deficit)	Total
BALANCE AT DECEMBER 31, 2014	129,701	-	-	129,701
Surplus for the year			97,804	97,804
Valuation adjustments to net assets			(57)	(57)
Translation adjustment		(42,683)		(42,683)
Transfer of surplus	97,747		(97,747)	-
BALANCE AT DECEMBER 31, 2015	227,448	(42,683)	-	184,765
Deficit for the period			(6,924)	(6,924)
Valuation adjustments to net assets			83	83
Translation adjustment		40,173		40,173
Transfer of surplus	(6,841)		6,841	-
BALANCE AT DECEMBER 31, 2016	220,607	(2,510)	-	218,097

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

INSTITUTO HOMEM PANTANEIRO**Statements of cash flows for the years ended December 31, 2016 and 2015**
In US\$

	2016	2015
OPERATING ACTIVITIES		
Surplus (deficit) for the year	(6,924)	97,804
Increase (decrease) in items not affecting cash:		
Depreciation and amortization	14,090	5,997
Donations of investment – fixed asset	(56,325)	
Valuation adjustments to net assets	83	(57)
Translation adjustment - Cash and cash equivalents	30,192	
Decrease (increase) in assets		
Receivables	(311)	(1,845)
Increase (decrease) in liabilities		
Suppliers – goods and services	(7,030)	2,107
Employee obligations	(2,248)	(5,033)
Payroll of self-employed workers	(83)	(167)
Payroll taxes	858	(1,568)
Taxes payable	74	(355)
Other payables	3,687	4,063
Cash provided by (used in) operating activities	(23,937)	100,945
INVESTING ACTIVITIES		
Increase in property, plant and equipment and intangible assets	(40,274)	(30,814)
Cash provided by (used in) investing activities	(40,274)	(30,814)
FINANCING ACTIVITIES		
Increase in borrowings and financing	-	-
Cash provided by (used in) investing activities	-	-
Increase (decrease) in cash and cash equivalents	(64,211)	70,131
Cash and cash equivalents at beginning of year	138,856	68,726
Cash and cash equivalents at end of year	74,645	138,856
Increase (decrease) in cash and cash equivalents	(64,211)	70,131

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

INSTITUTO HOMEM PANTANEIRO

Notes to the financial statements for the years ended December 31, 2016 and 2015 In US\$

1. GENERAL INFORMATION

Instituto Homem Pantaneiro (“Entity”) is a private nonprofit entity, having administrative, finance and net asset autonomy, headquartered in the city of Corumbá, State of Mato Grosso do Sul. The Entity has indeterminate duration and nation-wide coverage.

The purposes of the Entity are the following:

- a) Promote, support, coordinate, develop, participate in and execute programs, plans, projects, activities, organization and viability of events related to education, monitoring, control, research, preservation and conservation of the environment, natural resources, and the environmental security quality;
- b) Promote, support, disclose, coordinate, develop, participate in and execute programs, plans, projects, activities, organization and viability of events related to education, research, training, qualification and empowerment of human resources in the environmental area;
- c) Promote, support, disclose, coordinate, develop and execute studies, environmental consulting, assessment, reports and environmental impact;
- d) Provide services and consulting to government and nongovernment institutions, private and state-owned companies, individuals and legal entities, in areas such as education, training, empowerment and professional qualification, planning, performance of all activities, organization and viability of events related to the environment, natural resources, quality and environmental security, as well as in all areas covered by its purposes and related activities.

2. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with accounting practices adopted in Brazil, which comprise the Brazilian Corporate Law and the technical pronouncements, instructions and interpretations issued by the Accounting Pronouncements Committee (“CPC”), and specifically ITG 2002, applicable to Nonprofit Entities and other supplementary provisions.

The financial statements were prepared in accordance with accounting practices adopted in Brazil. For reporting purposes, additionally, they are presented in American dollars (US\$). The financial statements have been remeasured from Brazilian reais (R\$) into US dollars (US\$) using the exchange rate prevailing at December 31, 2016 and 2015 for current assets and liabilities, and income and expenses. As a general rule, noncurrent

assets and liabilities are remeasured at the historical acquisition rate whereas revenues and expenses, at the monthly average rate, resulting in an adjustment to equity due to the foreign-currency translation (Net asset adjustment from foreign currency translation). However, as inflation rates in Brazil are relatively low, only the current rate was used to remeasure the financial statements as at December 31, 2016 and 2015. This simplified practice does not require a translation adjustment. However, if historical rates had been used, there would be no differences in the Entity's yearend net assets.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Functional and reporting currency

The financial statements are presented in Brazilian reais and US dollars – US\$.

b) Income and expense recognition

Income and expenses are recorded on the accrual basis.

c) Accounting estimates

The preparation of financial statements requires the use of estimates to account for certain assets, liabilities and other transactions. Therefore, the financial statements include estimates relating to provisions, receivables and other. Actual results may differ from these estimates.

d) Financial instruments

Non-derivative financial instruments are comprised of cash and cash equivalents, accounts and other receivables, and accounts and other payables.

e) Current and noncurrent assets

Cash and cash equivalents

Amounts recorded in cash and cash equivalents refer to bank accounts and highly liquid short-term investments with an insignificant risk of change in fair value, and which are considered equivalent to cash.

Short-term investments

Stated at cost plus income earned through the end of the reporting period, not exceeding fair or realizable values.

Property, plant and equipment

Represented by the rights acquired in tangible assets to be held and used in the Entity's operations or exercised for this purpose, including those originating from operations that transfer risks, rewards and controls over the Entity's assets.

Stated at cost, less accumulated depreciation calculated under the straight-line method based on the estimated useful life of the assets.

Intangible assets

Correspond to rights acquired in intangible assets that are maintained or used in the Entity's operations or exercised for this purpose. Intangible assets with finite useful lives are generally amortized on a straight-line basis over the period they are expected to generate economic benefits.

f) Current and noncurrent liabilities

Stated at known or estimated amounts, plus charges, inflation adjustment and/or changes in exchange rates incurred through the date of the statement of financial position, when applicable. When applicable, current and noncurrent liabilities are stated at present value based on interest rates that reflect the term, currency and risk of each transaction.

Provisions

Provisions are recognized when the Entity has a legal or constructive obligation as a result of a past event and it is probable that an outflow of funds will be required to settle the obligation. Provisions are recorded based on the best estimates of the risk involved.

4. OPERATING RESERVE – Unrestricted

	2016	2015
Short-term investments	1,997	1,065
Total	1,997	1,065

5. PROJECT RESERVE – Restricted

	2016	2015
Short-term investments	164	6,667
Total	164	6,667

6. COSTING FUND – Unrestricted

	2016	2015
Short-term investments	15	28,695
Total	15	28,695

7. SUSTAINABILITY FUNDS – Restricted

	2016	2015
Short-term investments	72,037	101,314
Total	72,037	101,314

8. RECEIVABLES

	2016	2015
Fee advances	658	765
Advances to suppliers	3,482	805
Receivables	3,438	2,823
Allowance for losses on credits	(3,379)	(1,199)
Total	4,199	3,194

9. PROPERTY, PLANT AND EQUIPMENT

		2016		2015	
	Annual deprec. rate	Cost	Accumulated depreciation	Property, plant and equipment, net	Property, plant and equipment, net
Unrestricted					
Furniture and fixtures	10%	5,296	(1,438)	3,858	3,604
Telephony terminals	20%	118	(67)	51	61
Machinery and equipment	10%	24,227	(2,590)	21,637	4,627
IT equipment	20%	1,981	(1,254)	727	764
Land		4,610			3,787
Vessels	10%	61,776	(3,604)	58,173	
Properties	4%	56,325	(1,314)	55,010	
		154,334	(10,267)	144,067	12,843
Restricted					
Machinery and equipment	10%	1,529	(393)	1,136	1,059
IT equipment	20%	1,872	(1,151)	721	977
Construction in progress					35,061
		3,401	(1,544)	1,857	37,096
Total		157,734	(11,811)	145,924	49,939

10. INTANGIBLE ASSETS

	Annual amort. rate	2016		2015	
		Cost	Accumulated depreciation	Property, plant and equipment, net	Property, plant and equipment, net
GPS software	20%	28,892	(15,992)	12,900	12,734
Software - computers	20%	82	(38)	44	49
Total		28,974	(16,030)	12,944	12,783

11. EMPLOYEE OBLIGATIONS

	2016	2015
Accrued payroll	2,159	1,511
Accrued vacation pay	1,622	3,442
Total	3,781	4,953

12. PAYROLL TAXES

	2016	2015
Social security contribution (INSS)	1,671	1,128
Severance pay fund (FGTS)	267	206
PIS on payroll	42	34
Union dues	47	26
Accrued taxes on vacation pay	527	-
Total	2,554	1,394

13. TAXES PAYABLE

	2016	2015
Withholding income tax (IRRF) – individuals	-	3
Withholding income tax (IRRF) – legal entities	70	130
Service tax (ISS)	36	119
Other payables	294	15
Total	400	267

14. OTHER PAYABLES

	2016	2015
Uncleared checks	-	2,651
Reimbursable expenses	-	878
Cost-of-living allowance	-	426
Electric power	247	187
Water	13	10
Advances from customers	8,481	-
Total	8,741	4,152

15. PROVISION FOR RISKS

Provisions are recognized by the Entity's management based on its legal counsel's opinion in amounts aligned with estimated losses arising from lawsuits.

Likelihood of loss on lawsuits may be classified as:

- (a) Probable – one or more future events are more likely than not to occur.
- (b) Possible - one or more future events are more than remote but less than likely to occur.
- (c) Remote – one or more future events are unlikely to occur.

The Entity is not party to labor, civil and tax involving risks of losses. Therefore, recognizing a provision for risks was not necessary.

16. USE OF FUNDS

The Entity's funds were used in its institutional purposes, as specified in its Bylaws, as shown in the statement of its expenses and investments.

17. VOLUNTEER WORK

As prescribed by Resolution No. 1409 – Federal Accounting Council (CFC) ITG 2002 – item 19, volunteer work should be recognized at the fair value of the service provided, as if a cash disbursement had been made. According to Appendix A to this Resolution, volunteer work should be treated in income and expenses in the same amount, without affecting the entity's surplus or deficit.

Therefore, no payments were made for volunteer work, since services are not compensated, under Volunteer Work Law.

18. SPONSHORSHIPS AND SPECIAL AGREEMENTS – Income

Government sponsorship – Restricted funds

Type and Agency	Project	Related responsibilities	2016 R\$	2015 R\$
Special agreement: Culture, Tourism, Entrepreneurship and Innovation Secretariat - SECTEI / Mato Grosso do Sul Tourism Foundation - FUNDTUR	“Pantanal ARWC 2015” - Adventure Race World Championship”	<ul style="list-style-type: none"> - Execute the Work Plan; - Apply the fund received for executing the project; - Born the exceeding expenses; - Keep the accounting bookkeeping up-to-date; -Be responsible for payroll taxes; - Comply with the provisions of Law No. 8 666/93 - Enable oversight and supervision by the Grantor; - Return any remaining balances; - Provide accountability at the end of the special agreement term. 	-	36,958
Total			-	36,958

Partnership Agreement – Instituto Acaia

Entity	Project / subject of the partnership	2016 R\$	2015 R\$
Instituto Acaia	Partnership agreement for paying the maintenance of the communications system in the areas covered by the RPCSA	6,409	6,460
Instituto Acaia	Partnership agreement for monitoring and oversight actions in the areas covered by the RPCSA	61,472	32,139
Total		67,881	38,599

Nongovernment sponsorship

Type and Agency	Project	Related responsibilities	2016 R\$	2015 R\$
Fundação Boticário de Proteção à Natureza (Boticário Nature Protection Foundation)	13 th Nature Protection and Conservation Strategy	Extension Training to Brazil's Environmental Military Police Officers. 2016 Nature Conservation and Protection Strategies developed into two steps: 1- Distance learning ("EaD") – Five modules with 20 hours each in a virtual learning environmental (Moodle), and, 2 – classroom training provided in Serra do Amolar, in Pantanal/MS.	18,442	
Total			18,442	

19. TAX EXEMPTIONS AND WAIVER

	2016	2015
Corporate income tax (IRPJ)	-	24,451
Social contribution on net profit (CSLL)	-	8,802
Service tax (ISS)	2,432	76
PIS (tax on income)	2,246	2,622
Cofins (tax on income)	10,367	12,628
Total	15,045	48,579

20. INSURANCE

The Entity does not have insurance coverage for its administrative building, as the property has been preserved as a historic site, and insurers do not provide coverage for heritage buildings.

21. PROPERTY PURCHASE RIGHTS

The rural properties named Fazenda Morrinhos and Fazenda Novos Dourados, located in the municipality of Corumbá, State of Mato Grosso do Sul, where Private Natural Reserve Engenheiro Elieser Batista was created, were acquired by Instituto Homem Pantaneiro (IHP) from MMX Corumbá Mineração S.A., under a Purchase and Sale Commitment dated August

11, 2014, amended on April 16, 2015 (Fazenda Novos Dourados) and an Assignment of Rights Commitment dated August 11, 2014 (Fazenda Morrinhos), for the amounts of US\$ 917,257 (R\$ 2,089,418.90) and US\$ 100,851 (R\$ 310,581.11), which have not yet been paid by the seller to the acquiring party, since conditions precedent contained in the Commitments have not yet been complied with.

On August 11, 2014, the parties also executed a Lease Agreement. The price agreed upon for the lease – US\$ 63,400 (R\$ 600,000.00) – was paid by netting outstanding receivables in favor of the Entity which originated from the Partnership and Management, Maintenance and Performance of Conservation Programs Agreement entered into on January 01, 2010 and amended on February 02, 2011.

Instituto Homem Pantaneiro assigned 95% of the rights it held over the abovementioned properties to a group of individuals, which was formalized on December 10, 2012 under an Assignment of Purchase Rights Agreement, for US\$ 180,482 (R\$ 368,815.07) (Fazenda Morrinhos) and US\$ 1,214,183 (R\$ 2,481,184.93) (Fazenda Novos Dourados), to join efforts to continue the environment preservation activities and the scientific and environmental education projects being developed in the properties.

The interest in the partnership established between Instituto Homem Pantaneiro and the group of individuals was lost and, as a way to contribute to the preservation of Serra do Amolar, the amount of US\$ 88,364 (R\$350,000.00) initially received as down payment when the assignment of rights agreement referred to above was executed, was not returned. Such amount was received by the Entity as donation.