



Project News

ERG begins the construction of 60 million tpa FIO 1 Railway in Bahia, Brazil

Edited by on 18. Jul. 2023

Luxembourg, Luxembourg –

The commencement of the construction phase was celebrated at a dedicated ceremony in Ilhéus on Monday, 3 July. FIO 1 will serve as a key logistics network within BAMIN, ERG's integrated project, which also includes the Pedra de Ferro high-grade iron ore mine and the deep-water terminal in Porto Sul, under construction on the coast of Ilhéus. The total investment of the three projects amounts to approx. USD 4 billion.



(Picture: ©ERG)

The Group's delegation was led by CEO of ERG, Benedikt Sobotka; CEO of BAMIN, Eduardo Ledsham; and Chairman of BAMIN, Erik Gaustad. The ceremony in Ilhéus was attended by the President of Brazil, Lula da Silva; the Governor of the State

of Bahia, Jerônimo Rodrigues; the Chief of Staff of the Presidency and former Governor of the State of Bahia, Rui Costa dos Santos; the country's senators, ministers, secretaries of the Bahian government; councilors from the south of Bahia; and ERG's international partners.

All parties at the event recognised the importance of FIOLE 1, one of Brazil's largest infrastructure projects, and celebrated the commencement of the construction works for the first stretch of the railway. At the ceremony, the company signed MoUs with China's CREC 10 railway construction company and Sinosteel for future cooperation on global opportunities, including in Brazil.

CREC 10 is already an important business partner for ERG in Brazil, as a member of the TCR-10 consortium, which also includes Brazilian construction company TIISA. The consortium was recently awarded a R\$ 1.1bn construction contract for the first stage of the FIOLE railway and will be responsible for executing construction services and building infrastructure and railroad superstructure. Approximately 1,200 jobs are expected to be created across the lifecycle of the Lot 1F construction phase.

The construction of FIOLE 1 will boost growth in multiple sectors and foster socio-economic development in the municipalities through which it passes. Lot 1F will cover a stretch of 127 kilometers, crossing the states of Ilhéus, Uruçuca, Ubaitaba, Gongogi, Itagibá, Aurelino Leal, and Aiquara. Construction works on Lot 1F are expected to take approximately 36 months. FIOLE 1 will serve as a key logistics network within BAMIN, ERG's integrated project, which also includes the Pedra de Ferro high-grade iron ore mine, in operation in the city of Caetité, and the deep-water terminal in Porto Sul, under construction on the coast of Ilhéus. The total investment of the three projects amounts to R\$ 20 bn.

Comments

Lula da Silva, President of Brazil, said: "A country the size of Brazil needs to have a railway system to transport its wealth and for that, it needs to commit to credibility and expertise. It is in the interest of national sovereignty to make the country increasingly competitive. We are going to restart this railroad and finish it in 2026. I want to thank the entrepreneurs for their trust, and for their willingness to carry out the FIOLE 1 project. If Bahia succeeds, so will Brazil."

Jerônimo Rodrigues, Governor of Bahia State, said: "Nothing is more symbolic than a railroad, with locomotives and wagons hitched to each other, representing the outstanding trainset that will carry the development across

Bahia and the country. What we are witnessing today, is the resumption of growth in Bahia State, and the railroad is an important part of that.”

Benedikt Sobotka, CEO of ERG, said: “Eurasian Resources Group is proud to have officially started works on the FIOL 1 West-East Integration Railway, one of Brazil’s largest infrastructure projects. By acting as a key export and logistics corridor, the railroad will significantly boost socioeconomic development in the wider region, and its construction is therefore a key milestone for both the Bahia state and country as a whole. We look forward to working with local stakeholders and our other partners to deliver this major project, which will create approximately 1,200 jobs during the construction phase and forms part of our long-term commitment in Brazil. ERG already holds the position of the largest transport operator in Central Asia and owns the SABOT logistics company in Southern and Central Africa, and I am confident that the expertise of the team at BAMIN combined with our extensive railroad experience will make the project a great success.”

Li Haifeng, General Manager of CREC 10, said: "As a Chinese state-owned enterprise, our company strives to support the construction of FIOL to a high standard and ensure both sustainability and benefits for local communities, showcasing the Chinese quality. Through this project, we are successfully contributing to the 'One Belt, One Road' Initiative."

FIOL 1 will be capable of handling 60 million tons of cargo per year. BAMIN will utilise 40% of this capacity for transporting the ore extracted from ERG’s Pedra de Ferro mine, while the remaining volume will be available for the flow of production from other companies, including from various industrial sectors within the state and agribusiness.

“FIOL 1 is a reality with great economic development potential for Bahia. Many important projects are waiting for the required infrastructure to meet market demands and increase their bottom line. This will be possible because we are building, here in Bahia, the most efficient and sustainable logistics solutions. Above all, we will deliver a corridor of opportunities to leverage the economy of the municipalities and the quality of life of the populations within Bahia”, says **Eduardo Ledsham, CEO at BAMIN**.

“When the railroad and port are completed, in 2027, this corridor will drive economic development for several productive sectors, positively impacting the communities. Bahia will have an emerging key position in the domestic economy because the project is committed to creating opportunities for regional producers

and boosting the production chains along the FIOL 1 route,” says Sérgio Leite, Railway CEO at BAMIN.

According to **Sandra Argolo, BAMIN's Community Relations analyst**, who has worked for the company for 14 years, “The project will change the lives of people across Brazil, bringing new jobs and new trading opportunities to the Bahia State. BAMIN is not about just numbers, we are a close-knit team of professionals who have worked tirelessly to reach this milestone. BAMIN is a team that works together and makes things happen.”

“The ramp up of our BAMIN integrated project also includes the Pedro de Ferra high grade iron ore mine, which is supplying both domestic and export markets with premium quality direct shipping ore, helping our customers substantially reduce their carbon footprint and making the State of Bahia the third largest iron ore producer in the country. In the meantime, FIOL 1 will have the capacity to handle 60 million tons of cargo annually. These are among the best examples of our journey in Brazil and our contribution to its economic development,” added **Mr Sobotka**.

About ERG's BAMIN Integrated Iron Ore Mining and Logistics Project in Brazil

IOL - The contract to build FIOL 1's 537 kilometers of railway was signed in September 2021, with Brazil's Ministry of Infrastructure. BAMIN's 35-year concession covers five years for construction and 30 years for operation. The west-east railroad has three stages. BAMIN was awarded Section 1, between Caetité and Ilhéus, during a bid held in April 2021. INFRA S.A., former Valec, will carry out approximately 70% of the work on FIOL 1, with BAMIN responsible for completing the remaining 30%. Sections 2 and 3 of FIOL are under the administration of the Federal Government of Brazil.

PEDRA DE FERRO MINE - The implementation of the logistics corridor that connects Caetité (Mine) to Ilhéus (Port) will allow BAMIN to expand its production from the current 1 million tons of iron ore to 26 million tons as of 2027, at the Pedra de Ferro Mine. This result should consolidate the state of Bahia as Brazil's third-largest iron ore producer.

BAMIN offers the international market a distinctive and high-quality ore which in 2022 averaged 65.5-66% Fe DSO fines, placing it in the premium category. This premium ore aligns with global decarbonisation efforts, as it requires a lesser amount of coal during the steelmaking process, resulting in reduced CO2

emissions.

PORTO SUL - Porto Sul, on the coast of Ilhéus, is a deep-water sea terminal, which can receive ships with a capacity of up to 250,000 tons. Scheduled to become operational in 2027, the venture is expected to move up to 42 million tons per year. BAMIN will use 60% of the operational capacity of the sea terminal, making 40% available for other industrial and agricultural cargo.