

CONEX

ERNST & YOUNG et Associés

Société Nationale Industrielle et Minière
Year ended December 31, 2016

**Statutory auditor and independent auditor's report on the
consolidated financial statements**

CONEX
B.P. 3225
Nouakchott
République Islamique de Mauritanie

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Société Nationale Industrielle et Minière

Year ended December 31, 2016

Statutory auditor and independent auditor's report on the consolidated financial statements

To the President,

Opinion

We have audited the consolidated financial statements of Société Nationale Industrielle et Minière (S.N.I.M.) and its subsidiaries (the Group), which comprise the statement of the consolidated financial position as at December 31, 2016, the consolidated income statement, statement of change in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016, and its consolidated financial performance and consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 ISAs 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

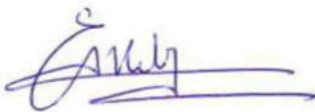
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the 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 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.

Nouakchott and Paris-La Défense, May 8, 2017

The Statutory Auditor and the Independent Auditor

CONEX



El Agheb Limam Brahim

ERNST & YOUNG et Associés



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SOCIETE NATIONALE INDUSTRIELLE ET MINIERE
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YEAR ENDED DECEMBER 31st, 2016

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SNIM
Consolidated Statement of Financial Position
As of December 31st, 2016

In million Ouguiyas	Note	12/31/2016	12/31/2015	2015 Restated
Non-current assets		742 073	772 360	765 313
Property, Plant & Equipment	5.1	705 423	735 424	728 377
Exploration assets	5.1	489	738	738
Intangible assets	5.2	6 451	4 537	4 537
Other financial assets	5.3	12 862	13 187	13 187
Investment in associates	5.3	1 439	1 229	1 229
Total of non-current assets	5.3	15 337	17 193	17 193
Current Assets		72	51	51
Inventories and work in progress		235 599	233 183	233 183
Trade receivables	5.4	67 114	71 424	71 424
Other receivables	5.5	55 571	14 274	14 274
Financial instruments	5.6	33 001	35 917	35 917
Cash and cash equivalents	5.7	346	355	355
Total current assets	5.8	79 566	111 214	111 214
TOTAL ASSETS		977 672	1 005 543	998 496

In million Ouguiyas	Note	12/31/2016	12/31/2015	2015 Restated
Equity and reserves		672 381	675 386	668 339
Issued Capital	5.9	182 700	182 700	182 700
Share premium		6 464	6 464	6 464
Underlying net earnings on forward contracts	5.7	20 637	18 558	18 558
Accumulated profits		462 581	467 664	460 617
Legal Reserve		10 834	10 834	10 834
Retained earnings		400 614	467 600	467 600
Profit(loss) for the year		1 504	(58 264)	(65 311)
Translation differences		49 629	47 494	47 494
		4 838	4 167	4 167
Minority shareholding interest				-
		191 668	49 858	49 858
Non-current liabilities				-
	5.10	162 629	26 299	26 299
Interest-bearing loans and borrowings	5.11	23 484	17 809	17 809
Retirement benefits obligation	5.12	5 555	5 750	5 750
Provisions		108 785	276 132	276 132
Current liabilities	5.13	30 502	41 663	41 663
Trade Payables	5.14	6 097	1 136	1 136
State and other public taxes	5.15	5 957	2 624	2 624
Other taxes	5.16	63 112	226 289	226 289
Other payables	5.8	2 081	1 962	1 962
Bank overdraft		1 036	2 457	2 457
Total liabilities		977 672	1 005 543	998 496
Total equity and liabilities				

SNIM
Consolidated Income Statement
For the year ended December 31,2016

In million Ouguiyas	Note	2016	2015	2015 Restated
Sales	6.1	219 508	111 250	111 250
Revenue from ancillary business activities	6.2	4 879	4 900	4 900
Other operating income	6.3	4 485	9 000	9 000
Operating income		228 872	125 150	125 150
				0
Changes in inventory of finished goods and work-in-progress		(315)	(3 767)	(3 767)
Capitalized production		6 282	10 385	10 385
Raw materials and consumables used	6.4	(71 021)	(71 139)	(71 139)
Personnel expenses	6.5	(39 649)	(36 782)	(36 782)
Depreciation, amortization and provision expenses	6.6	(66 757)	(39 219)	(46 266)
Taxes and duties	6.7	(2 315)	(482)	(482)
Other operating expenses	6.8	(16 723)	(12 644)	(12 644)
Profit from operation		38 373	(28 498)	(35 545)
				0
Financial income	6.9	12 746	17 568	17 568
Financial expenses	6.10	(29 248)	(36 710)	(36 710)
Discontinued operations		0	0	0
Share of profits(losses) of equity-accounted affiliates		(1 295)	(713)	(713)
Profit before tax		20 575	(48 353)	(55 400)
Current income tax		(18 937)	(9 734)	(9 734)
Net total result of the year		1 638	(58 087)	(65 134)
				0
Attributable to minority interests		134	177	177

Consolidated Statement of Comprehensive Income for 2016

In million Ouguiyas	12/31/2016	12/31/2015	2015 Restated
Net profit	1 638	(58 087)	(65 134)
Impact of financial instruments	2 079	13 672	13 672
Comprehensive income	3 717	(44 415)	(51 462)

SNIM
Consolidated Statement of Cash-Flows
Period of 12 months ended on December 31st, 2016

In million Ouguiyas	Note	2016	2015	2015 Restated
<i>Operating activities</i>				
Income before tax		20 575	(48 353)	(55 400)
<i>Adjustments for</i>				
Amortization, depreciation and provision	7.1	71 236	38 633	45 680
Reversal of amortization, depreciation and provisions	7.4	(8 164)	(29 202)	(29 202)
Gains/losses on sale of assets		8	(41)	(41)
Foreign exchange gains/losses	7.5	10 117	25 020	25 020
Investment income		(1 703)	(3 322)	(3 322)
Interest expenses		8 732	3 582	3 582
Investments in equity associates		1 295	713	713
Changes in Working capital requirements	7.2	(48 665)	20 949	20 949
Gross Cash generated by operating activities		53 430	7 978	7 978
Interest paid		(8 277)	(2 319)	(2 319)
Income tax paid		(10 827)	(12 088)	(12 088)
Net Cash generated by operating activities		34 326	(6 429)	(6 429)
<i>Investing activities</i>				
Acquisition of fixed assets	7.3	(45 319)	(58 740)	(58 740)
Cash generated from the sale of equipment		28	10 309	10 309
Interest received		1 703	3 276	3 276
Dividends received		0	687	687
Net Cash generated by investing activities		(43 587)	(44 467)	(44 467)
<i>FINANCING ACTIVITIES</i>				
Capital increase		0	218	218
Proceed from long-term borrowings		2 914	810	810
Payments on long-term borrowings		(25 402)	(24 878)	(24 878)
Dividends paid		(16)	(601)	(601)
Net Cash generated by financing activities		(22 504)	(24 451)	(24 451)
Net decrease in cash and cash equivalents		(31 766)	(75 348)	(75 348)
Cash and cash equivalents at the beginning of the period		109 251	184 598	184 598
Cash and cash equivalents at the end of the period	5.8	77 485	109 251	109 251

SNIM
Consolidated Statement of Changes in Equity
as of December 31st, 2016

In million Ouguiyas	Share Capital	Share premium	Accumulated profit	Underlying net earnings on forward contracts	Total	Minority interest
Shareholders' equity as on 01/01/2015	182 700	6 464	526 428	4 886	720 478	7 542
Capital increase					0	
Revaluation of financial instruments				13 672	13 672	
Net profit of the period			(58 264)		(58 264)	0
Dividends			0	0	0	(3 375)
Others			(500)	0	(500)	0
Correction			(8 542)	0	(8 542)	0
Change in scope of consolidation			(180)	0	(180)	0
Shareholders' equity as on 12/31/2015	182 700	6 464	458 942	18 558	666 664	4 167
Capital increase					0	
Revaluation of financial instruments			2 135	2 079	4 214	
Net profit of the period			1 504		1 504	671
Dividends					0	
Others					0	
Shareholders' equity as on 12/31.2016	182 700	6 464	462 581	20 637	672 381	4 838

(1)⁽¹⁾ - TAT : Forward Contract

Change in scope of consolidation

Opening equities have been restated to reflect :

- The impact of the change of UOP method for MUM 7047
- Change of the allocation of the loss on GMM to consolidated reserves for MUM 1 495.
- MAIL fell out of the consolidation scope since SNIM didn't took part of the increase of the capital decided in 2016. The share of SNIM in this entity represents 15% of the total shares compared to 31% in 2015.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT December 31st, 2016**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of SNIM for the year ended December 31st, 2016 were authorized for issuance in accordance with a resolution of the Board of Directors held on April 20, 2017.

1. KEY EVENTS OF THE YEAR

The financial year 2016 is marked by the recovery of the iron ore sales price but it stays below the level of 2015

- The average of selling price increased by 61% compared to 2015.
- Quantities lifted increased by 17 % compared to 2015
- Appointment of Mr Mohamed Salem Bechir as General Director.

2. COMPANY AND BUSINESS ACTIVITY

The National Industrial and Mining Company (SNIM) is a limited company under Mauritanian laws. It was registered in the Islamic Republic of Mauritania. The company headquarters are based in Nouadhibou, PO. 42.

The company has as a business purpose the research, exploitation and marketing of iron ore. The company extracts iron ore from the mines of M^hhaoudat, Guelbs and Kédia.

3. ACCOUNTING POLICIES

3.1 Principles for the preparation of the Financial Statements

Applicable standards

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The publication of the financial statements in IFRS is justified by:

- ✓ The wish for harmonization expressed by investors and sponsors, who are the main users of our financial statements;
- ✓ The use of these standards by SNIM's partners;
- ✓ Our concern to give comparable financial information.

Norms, amendments and effective interpretations

The group's consolidated financial statements as at December 31st, 2016 have been prepared in accordance with IFRS (*International Financial Reporting Standards*) as approved by the EU (*European Union*) in effect on that date, and in accordance with IFRS standard as issued by the IASB (*International Accounting Standards Board*) and mandatory as at December 31st, 2016.

The amendments becoming mandatory from January 1st, 2016 have no significant impact on the group's consolidated financial statements.

The applicable new standards, amendments or interpretations from the period of 2016 did not have any significant impact on the accounts of the company or on their presentation.

It is about:

- Amendments to Standard IAS 19 « Employee Benefits : Defined Benefit Plans: Employee Contributions » ;
- Amendments to Standard IFRS 11 : Accounting for Acquisitions of Interests in Joint Operations
- Amendments to Standards IAS 16 et IAS 38 : Clarification of Acceptable Methods of Depreciation and Amortization;
- Amendments to Standards IFRS 10, IFRS 12 et IAS 28 : Investment Entities: Applying the Consolidation Exception;
- Amendments to Standard IAS 1 : Disclosure Initiative
- Amendments of the result of annual improvements on 2010-2012

New IFRS standards and IFRIC interpretations issued but not yet effective

- Standard IFRS 9 « Financial Instruments » have been published by the IASB on July 24, 2014 approved by the European Commission on November 22, 2016. It will be effective from annual periods beginning on or after 1 January 2018. It will replace the standard IAS 39 « Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities ». IFRS 9 defines a new principles of classification and measurement of financial assets, depreciation for credit risk of financial assets and general hedge accounting (micro hedging transactions).

- The standard IFRS 15 « Revenue from Contracts with Customers have been published by the IASB on May28, 2014 approved by the European Commission on November 22, 2016. It will be effective from annual periods beginning on or after 1 January 2018. IFRS 15 will replace all existing revenue requirements in IFRS, notably the standard IAS 18 « Revenue » and IAS 11 « Construction Contracts ». The principles in IFRS 15 will be applied using a five-step model. IFRS 15 clarify when and what value must be used to record the revenues. The analysis of the various typologies of contracts and the identification of the problems which the standard would bring are in progress.

General principles

The principles used are based on the historical cost method and the accrual basis of accounting method, except for (1) derivative financial instruments and (2) categories of revalued fixed assets that have been measured at fair value. The carrying values of assets and liabilities that are hedged at fair value are adjusted to record changes in the fair value attributable to the risks that are being hedged.

The financial statements are presented and valued in Ouguiya (MRO). All of the tables and the notes to the financial statements are presented in million Ouguiyas.

The income statement is presented by category.

Asset and Liability accounts are presented according to the distinction between current and non-current assets and liabilities.

Assets held for sale or intended for consumption during the Group's normal business cycle, as well as cash and cash equivalents, are accounted for as current assets. Other assets represent non-current assets. Debts due during the Group's normal business cycle or during the twelve months following the end of the reporting period are accounted for as current liabilities. Other liabilities represent non-current liabilities.

Within the framework of the preparation of the statutory financial statements, and according to international accounting standards, the assessment of certain accounts in the statement of financial position and income statement requires the company's Management to take into account assumptions, estimations and judgments which have an impact on assets, liabilities, revenue and costs. These assumptions, estimations and judgments are based on information and situations that existed as of the drawing-up of the financial statements. However, the actual results in the future may be different.

3.2 Consolidation Basis

Companies controlled exclusively by the group, either by right (direct or indirect ownership of the majority of the voting rights), contractual or facto (management of financial and operational operations over a long period of time), are consolidated through global integration. Thus accounts are all integrated at 100%, with deduction of minority interests.

Companies controlled jointly by the group other companies are consolidated through proportional integration.

Companies which are not subject to exclusive control from the group but on which the group has significant influence are consolidated through equity method if the percentage of control exceeds 20 %.

The group owns shares in a joint-venture. A Joint Venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. An entity under joint control is a joint venture which implies the creation of a new entity in which each co-owner holds some shares. SNIM recognizes its interest in the jointly controlled entity using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the profit or loss of the investee is recognized in the investor's profit or loss.

Operations eliminated through consolidation

Intercompany receivables and payables balances at December 31, 2016 as intercompany revenues and charges, so as intercompany operations such as dividends payments, amortization of consolidated shares, or loans to intercompany are eliminated taking into account their impact on profit or loss. Internal margins on inventories are also eliminated.

Goodwill

Acquisition cost

Acquisition method is used in order to account acquisition of shares in subsidiaries. Acquisition cost equals to fair value of assets, liabilities and equity issued by the buyer at acquisition date.

Goodwill

Goodwill corresponding to the amount of acquisition cost exceeding amount of share in fair values of assets and liabilities of the purchased entity are accounted is heading "goodwill". Negative goodwill is posted directly in the income statement.

Goodwill is not amortized in compliance with IFRS 3 "Business Combination" but is subject to impairment test once indication of loss of value appears and at minimum once a year. In case of loss of value, depreciation is posted in the income statement and it is not reversible.

Foreign currency translations - unrealized exchange gains and losses

Due to the nature of SNIM's business, numerous transactions are denominated foreign currencies. Transactions in foreign currencies are recorded as follows:

- Tangible and intangible fixed assets, as well as raw materials and other consumables, are translated at current exchange rates applicable at the date of the transaction, except for revalued categories of fixed assets,
- Non-monetary items accounted for at fair value denominated in foreign currency are translated using the exchange rates applicable when the fair value was determined,
- Other assets and liabilities are translated at the functional currency rate at the end of the reporting period. Profits and losses resulting from exchange operations are recognized in the income statement,
- Profits and losses are converted using the exchange rates applicable at the transaction date.

3.3 Property, plant and equipment

Recording:

Property, plant and equipment are estimated at their acquisition cost in accordance with IAS16 including the actual purchase cost, increased if necessary expenses are directly related, less accumulated depreciation and impairment losses.

The revaluation method is applied.

Buildings:	Acquisition cost
Specialized complex installations:	Fair value
Railway rolling stock and railroad track equipment:	Fair value
Operating equipment:	Acquisition cost
Transport equipment:	Acquisition cost
Other tangible assets:	Acquisition cost

Depreciation:

In 2015, the Board of Directors, has decided to apply the unit of production method instead of straight line method for the depreciation of the mining assets in order to match the depreciation to the economic benefits generated by these assets. The unit of accounts subject to the UOP were Railway, Mineral Port and the Mine.

Given the importance of the operational constraints, it has not been possible to keep the UOP method implemented last year. The board of directors of the company decided to apply the straight-line depreciation, more convenient to have in practice. The impact of this accounting change amounts to 7 047 MUM. It was presented in a retrospective way with an adjustment of the opening equity and tangible assets for the same amount.

In 2016, depreciation of tangible assets is calculated on a straight-line basis over the useful life of the asset to reflect the rhythm of consumption of the future economic advantages expected from the asset according to the IAS 16.

The estimated useful lives of the respective asset categories are as follows:

Buildings:	14 to 30 years
Specialized complex installations:	15 to 30 years
Railway rolling stock and railroad equipment:	10 to 30 years
Operating equipment:	5 to 30 years
Transport equipment:	5 years
Other tangible assets:	5 years

Rental agreement

As from financial year 2009 assets held under finance lease are initially recorded in the statement of financial position at the lower of their fair value or the discounted value of the minimum payments under the lease related to contract in accordance with IAS 17.

The corresponding commitment is recognized in financial liabilities. The financial expenses which represent the difference between the total lease commitments and the fair value of the assets are recognized in profit or loss over the term of the lease.

Arrangements that do not take the legal form of a lease are analyzed on the basis of IFRIC 4 to determine whether they contain a lease to be recognized according to IAS 17.

Depreciation

The carrying value of tangible assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the asset or cash-generating units are written down to their recoverable amount.

The recoverable amount of property, plant and equipment is the greater of the fair value of the depreciated replacement cost or the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the income statement.

The costs of obligations for dismantling, removing and restoring the site

Within the context of the Guelbs 2 project and the mineral port, implicit commitments could lead SNIM to recognize assets with a view to the dismantling and/or rehabilitation of the facilities. SNIM also remains attentive to any changes in legislation and decisions taken in such matters by the Mauritian authorities (cf.3.14 Site rehabilitation).

3.4 Intangible assets

Intangible assets are recognized at their acquisition cost in accordance with IAS 38. They are depreciated on a straight-line basis over their estimated useful life, between 3 and 5 years.

The carrying value of intangible assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may be less than its recoverable amount or when the asset does not meet the amortization requirements of IAS 38 (economic benefits consumed over several years).

The Group's intangible assets do not include any goodwill.

3.5 Exploration for and Evaluation of Mineral Resources

IFRS 6, which specifies the financial information to be disclosed relative to the exploration and evaluation of mineral resources, has been compulsory since 2006.

An entity shall determine an accounting policy specifying which expenditures are recognized as assets of exploration and apply the policy consistently and permanently, the method applied by SNIM is as follows:

For intangible assets, recognized expenditures are as specified in §9 and only concern the research and development costs provided for by IFRS 6, including:

- ✓ Acquisition of rights to explore ,
- ✓ Topographical, geological, geochemical and geophysical studies.
- ✓ Exploratory drilling,
- ✓ Trenching,
- ✓ Sampling.

For tangible assets these are the tangible assets used by the entity dedicated to research.

3.6 Other Financial Assets

The Group grants interest-free loans to employees. Deposits and guarantees, requested by the Mauritanian electricity, water and telecommunications companies, are intended to cover the risk of credit and potential equipment damage. Loans and guarantees are accounted for at their historical cost.

3.7 Inventories and Work-in-progress

Inventories and work-in-progress are mainly composed of raw materials, iron ore and other supplies.

Raw materials and other supplies, including spare parts, are valued at the lower of the weighted average cost and net realizable value, in line with IAS 2.

The depreciation method of raw materials and other supplies can be presented as follows:

Strategic Items:

- No depreciation on strategic items for which coverage is less or equal to one year ;
- 10% Statistical depreciation per year of coverage beyond first year ;
- Review with the main users of the 50 main provisioned items at year end in order to determine the economic reality of inventory use and check their expiration dates

Other items:

- ✓ Consumption > 1 year: statistical depreciation of 15%;
- ✓ Consumption > 2 year: statistical depreciation of 30%;
- ✓ Consumption > 3 year: statistical depreciation of 50%;
- ✓ Consumption > 4 year: statistical depreciation of 75%;
- ✓ Consumption > 5 year: statistical depreciation of 100% ;
- ✓ Review with the main users of the 50 main provisioned items at year end in order to determine the economic reality of inventory use and check their expiration dates.

Iron Ore inventories:

Inventories of iron ore, including ore stockpiles, are valued at their weighted average price or at their net realizable value if such value proves to be lower. The cost includes the direct costs of the mines, the production sites, the railway and the port, as well as a portion of amortization and depreciation and general expenses.

This valuation does not take into account financial expenses, the fixed and variable general administrative expenses incurred to transform the raw materials into finished products and the costs related to sales and marketing.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The ore with a poor quality is totally depreciated. It has no market value.

3.8 Impairment test

In accordance with IAS 36, impairment tests are performed on tangible and intangible assets when any indication of potential loss of value is identified. Such tests are performed at least once a year on intangible assets with an indefinite useful life and on goodwill.

When the net book value of assets grouped together in a cash-generating unit exceeds their recoverable value, depreciation is recorded for an amount corresponding to the difference between the net book value and the recoverable value. Recoverable value is defined as the highest value between the asset's fair value less costs to sell and its useful value. Useful value is determined according to the discounted cash-flow method. In case of cash generating unit, goodwill on consolidation is apportioned by cash-generating unit for the purposes of the impairment tests.

Depreciation is charges against goodwill. It is recognized under a specific caption of the income statement when amounts are deemed significant. Depreciation accounted for on goodwill cannot be subsequently reversed.

As of December 31, 2016, the company proceeded to an impairment testing. The calculated value in use is strongly greater than the assets net book value.

3.9 Definition of cash-generating unit

According to IAS 36, goodwill, tangible asset and intangible asset values are subject to impairment tests whenever there is an indication of loss of value. These indications are reviewed at year-end. This test must be performed at least once a year for assets with an undefined life, a category which does not exist at SNIM.

In order to perform such a test, assets are gathered into cash-generating units (CGUs). These CGUs are composed of homogeneous assets which generate cash-flows that are largely independent of cash-flows generated by other groups of assets.

The criterion for defining CGUs has led SNIM to make the following grouping:

- **SNIM** : This is a homogeneous, integrated unit which groups the three mines operated at Zouerate, the private railway siding and the port facilities in Nouadhibou. These items cannot generate cash-flows that are largely independent of cash-flows generated by the other components of SNIM
- **GMM** : This company is considered as an independent UGT owing to its specific business, its exposure to risk and its profitability;
- **SAFA** : This company is dedicated to smelting works for the group;
- **COMECA**: This company is considered as an independent UGT due to its specific business, its exposure to risk and its profitability.
- **ATTM** : This company is dedicated to construction, transport and maintenance of the group. This company is considered as an independent UGT
- **SOMASERT**: business of this company is tourism and hotel business. This company is considered as an independent UGT
- **SAMIA S.A**: this company is considered as an independent UGT due to its specific business, its exposure to risk and its profitability;
- **SAMMA**: business of this company is stevedoring and handling. This company is considered as an independent UGT
- **GIP** : This company is dedicated to handling for the group. This company is considered as an independent UGT
- **Tazadit Underground Mine (TUM)**: this company is involved in research and underground mining iron ore. This company is considered as an independent UGT
- **Mauritanian society of Water and Electricity (M2E)**: aims for realization and management of distribution networks of water and electricity in Zouerate. This company is considered as an independent UGT

The value in use of these units is determined according to net discounted cash-flows. When the net value of assets grouped into a cash-generating unit exceeds its useful value, depreciation is recorded for an amount corresponding to the difference between net value and useful value. Depreciation is allocated first to reduce the carrying amount of any goodwill.

3.10 Trade receivables

Trade receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts in accordance with IAS 39. An estimate for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are recorded as losses when identified as such.

3.11 Borrowing Cost

In accordance with IAS 23, borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are recorded as part of the cost of that asset

In 2016, all interests of qualifying assets have been recorded in expenses further to the putting into service of the projects relative to it (mainly Guelb, Port).

3.12 Cash or cash-equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents correspond to the definition above and are net of outstanding bank overdrafts.

3.13 Interest-bearing borrowings

SNIM's financial debt is mainly contracted with international financial sponsors at preferred rates.

According to IAS 39 principles, loans at preferred rates are accounted for as "other financial liabilities". Thus they should initially be registered at fair value, i.e. a discounted value based on the current market rate for a loan with similar conditions or for a similar borrower.

In order to determine the market value of a favorable-rate loan, a reliable future cash-flows discount rate must be calculated. This rate is determined according to the market and takes several factors into account:

- the loan currency,
- the credit spread (or the credit spread)

When no information is directly available on the market, IAS 39 allows the recording of a favorable-rate loan by comparison with fixed-rate loans of equal maturity taken out by the company or by a similar company (size and activity) under normal market conditions.

In view of SNIM's specific environment, the market information that is necessary for determining a rate trend, in order to calculate the market value of favorable-rate loans, is not available because of the following:

- No market for long-term financing of private business in foreign currencies exists in Mauritania,
- It is difficult to evaluate SNIM's credit spread,
- No comparable ore extracting company exists in Western Africa.

It is consequently impossible to reliably determine a market value for the favorable-rate loans taken out by SNIM. In such a case IAS 39 allows the accounting of financial assets and liabilities at historical cost, which equals the amounts received. Interest is recorded on a nominal rate basis.

Within the context of the Development and Modernization Project, SNIM signed financing agreements with commercial financial institutions and institutional sponsors.

The debt ratio calculated from the data of the year ended 12/31/2016 is 1,83.

SNIM contracted in 2009 the loans from two banking pool composed of i) the African development bank ,the French Development Agency, the European Investment Bank (BEI) ,the Islamic Development bank , BNP Paribas , Société Générale, BHF-BANK Aktiengesellschaft et KfW as regards the financing GuelbII project and ii) BNP Paribas, Société Générale ,BHF-BANK Aktiengesellschaft et KfW for the financing of new mineral port project

These two bank loans are accompanied by clauses (called "covenants") imposing the respect for certain ratios. The failure to respect these ratios gives to the lenders the faculty to require the early refund of their funds. The ratios are calculated every half-year on the basis of the individual and consolidated accounts

Given unfavorable context of iron market prices during the period, the debt service coverage ratio has not been respected. The waivers were obtained from banks on December 31, 2016 with the exception of debt owed to the BEI for USD 10 389 030 .

The International Financial Reporting Standards (IAS 1 paragraph 18) requires downgrade of a debt of non-current liabilities to current liabilities since the covenants are broken at the latest at the end of reporting period, even if renegotiations of the financing contract terms were concluded before the date of the financial statements to suspend the immediate repayment of debt

Consequently, the corresponding debt is maintained in non-current liabilities and bilateral debt of the BEI of MUM 3 695 was classified in liabilities the section other liabilities 4.16.

3.14 Allowance for contingencies

In accordance with standard IAS 37, provisions are booked when the company has a present obligation (legal or constructive) which has arisen as a result of a past event, when it is probable that an outflow of resources representing economic benefits will be necessary to extinguish the obligation and when the amount can be estimated reliably.

The obligations resulting from restructuring operations are recognized at the time of their announcement to the people concerned.

Site Rehabilitation:

Legal obligations at December 31, 2016 for the rehabilitation of mining sites are governed by the following regulatory framework.

Mining Code :

- ✓ The obligation to rehabilitate sites is mentioned in 1979 mining code.

This code, as updated in 2009 following the publication of law no. 2009-26 of 7 April 2009, states that the abandonment of the operation of any mining extraction zone must be the subject of a ministerial order defining the action taken in terms of “public health and safety and essential features of the environment”.

As of April 20, 2017 the Council of Ministers has not adopted any implementing decree instituting the practical obligations yet.

Environmental law :

Law no. 2000-45 relating to the environment confirms the existence of this legal obligation to rehabilitate extraction sites in Mauritania. Article 44 of this text, enacted on 26 July 2000, states that:

" The operation of quarries and mines, as well as mineral exploration work, must be designed and performed in such a way that:

- It does not damage the environment surrounding the sites, or create or aggravate erosion phenomena*
- The sites operated can be returned to their initial state..*

The rehabilitation of the sites is the responsibility of the operator of the quarry or mine. The methods and deadlines for carrying out the work will be fixed by decree adopted on the basis of a joint report of the Minister for the Environment and the Minister for Mines."

(Title III: Protection of resources and the natural environment / Chapter III: Protection of the soil and subsoil / Article 44)

This law has been the subject of the adopting of the following decrees:

- Decree no. 2004-94 requires that an environmental impact assessment must be carried out before any mine with a capacity exceeding 100 tons/day is opened for operation
- Decree no. 2007-107 confirms this obligation and its article 7.8 requires that the measures taken in connection with this obligation to clean up the sites be accompanied by a bank guarantee, but it does not give any guidelines as to the interpretation of the term "rehabilitation".

As of Avril 20, 2017, these two decrees have not been published.

- On 4 February 2009, decree no. 2009-051 was adopted within the framework of the law on the environment without modifying article 14 of decree no. 2008-159 ruling on the following obligation: "Two months before expiry of the operating license, the mining cadaster must inform the Mines and Geology Cadaster of such expiry so that it makes sure that the license-holder carries out the clean-up work in compliance with the provisions of the decree relating to the Mines Police and of the decree relating to the mining environment."

• In conclusion, although the legal obligation exists, it is not accompanied by an implementing decree specifying its interpretation. As the obligation cannot be assessed reliably, no provision has been booked in the financial statements of SNIM as of year-end.

In addition, since the end of February 2011, SNIM has been certified ISO 14001. Within this context, the objectives set

- ✓ The environmental analysis of the sites, the launch of the environmental management plan and the definition of the environmental program targets.
- ✓ SNIM's legal department is monitoring any changes in the legislation relating to these obligations.
- ✓ Technical department is actually working on valuation hypothesis based on the interpretation of actual laws and based on informal obligations linked to ISO 14001's certification.

3.15 Employee benefits

Benefit pension plan:

The company has a benefit pension plan which is qualified as a defined-benefit pension plan. Note that there is no separately administered fund financing whole or part of the pension plan.

The method applied for evaluating the plan is that of the projected unit credit actuarial valuation method. This method consists in measuring the benefit according to the projected wage at the end of the employee's career and to the acquired rights at valuation date.

Actuarial differences have been booked according to the corridor method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains or losses for each individual plan exceed 10 % of the higher of the defined-benefit obligation and the fair value of the plan assets. These gains or losses are recognized on the expected average remaining working lives of the employees participating in the plan.

The option provided by IAS 19 allowing the recognition of all the actuarial gaps in equity and not yet applied by the SNIM became mandatory as of 1st January 2013. Since January 2013, revised IAS 19 only allows actuarial gains and losses recognition in equity. The impact of actuarial gains and losses recognition in equity on retained earnings is 11,77 MUM as compared to 9,537 MUM in 2013.

The company offers certain additional non post-employment benefits to its Supervising executives. These include mainly tax sharing, healthcare, company cars, fuel and allocated housing.

The costs related to these benefits are insignificant. Consequently they are accounted for as expenses.

SNIM has not applied the new option offered by IAS 19 to integrate the full amount of actuarial gains and losses in equity

Defined contribution plan

SNIM has decided to set up, as from January 2011, a defined contribution supplementary pension plan with the following main characteristics:

- An employer contribution corresponding to 10% and an employee contribution corresponding to 7% of the 2012 reference salary
- The prior service cost is borne by SNIM
- The reference salary is the base salary plus the seniority bonus (cf. 5.11 Actuarial assumptions)

Amortizations and reversals of the lump-sum pension indemnities and supplementary pension are booked in personnel expenses.

3.16 Leases

As of December 31, 2016, there exists significant finance lease (see 5.1 Property, Plant and Equipment).

3.17 Income from ordinary activities

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.

The following specific recognition criteria must also be met:

- **Sales of goods:** Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and can be reliably measured
- **Construction contracts:** The contract revenues are measured at the fair value of the consideration received or receivable. Contract revenues and contract costs are recognized by reference to the stage of completion of the contract activity at the balance sheet date. When it is probable that total contract costs will exceed total revenue from this contract, an expected loss on the construction contract is recognized as an expense immediately.
On those contracts, the stage of completion is based on the costs incurred at the closing date compared to the total budgeted costs.
- **Interests:** Revenue is recognized as the interest accrues to the net carrying amount of the financial asset.

3.18 Government grants :

Government grants are recognized at their fair value when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognized, on a systematic basis, as income over the years necessary to match the grant to the costs that it is intended to offset. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

3.19 Income taxes

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be used. Deferred income tax is recorded on margin realized between companies of the group elimination.

3.20 Functional and presentation currency

SNIM presents its financial statements in local currency, the Ouguiya. However, according to IAS 21, the economic analysis of SNIM's activities shows that the Ouguiya is not SNIM's functional currency.

If SNIM opts for USD as functional currency, the company will have to obtain authorization from the Mauritanian authorities to present its financial statements on that basis.

The information system is currently set for the Ouguiya as functional currency, with the Dollar being used as parallel currency. However, the system of the parent company allows the editing of financial statements presented in USD. Shareholders' equity of the Parent company SNIM based on USD as a functional currency and presented in MRO can be estimated at MUM 822 8722 MUM à compared to MUM de 672 381 MUM in the financial statements presented.. Likewise income based on USD as a functional currency and presented in MRO can be estimated at 4 022 MUM compared to MUM 1 638 in the financial statements presented.

3.21 Derivative financial instruments and Hedging transactions

SNIM uses derivative financial instruments to hedge against the risks relating to its business (exchange risk related to its operating, investing and financing activities).

Derivative financial instruments negotiated for hedging the company's exposure to risks linked to its business and financing operations are qualified as cash-flow hedges where the company hedges exposure to variability in cash-flows and qualify for hedge accounting.

No instrument is used to cover the exposure to variations in the fair value of assets or liabilities, except for the exchange risk, or to cover investment in foreign activity.

3.22 Cash flow hedging

Gains or losses on hedging instruments are recognized in equity for the portion that is determined to be effective and in the income statement for the ineffective portion.

At the time the asset or the liability is recognized, the associated gains or losses that had previously been recognized in equity are transferred to the income statement for the same period as the hedged transaction and to the same account.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point, any cumulative gain or loss on the hedging instrument recognized in equity is kept in equity until the forecasted transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to net profit or loss for the year.

3.23 Derivative financial instrument operations not qualifying for hedge accounting

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the year. All derivative financial instruments are stated in assets or liabilities at their fair value and revalued at fair value at year-end.

The market value of forward contracts and interest rate swaps, during their lifetime and at maturity, is determined by an independent expert on the basis of immediate and at term data at the time when the different underlying items and risk-free interest rate trends are valued for discounting.

During the option lifetime and at maturity, the market value is determined by FOREX according to the Black and Scholes model, on the basis of the following elements:

- Market value of the underlying item
- Option exercise price
- Sensitivity "to the forward currency"
- Risk-free interest rate.
- Maturity of the option

3.24 Interest and dividends

Dividend revenue is recognized when the shareholders' right to receive the payment is established. The company's accounting policy is to classify dividends and interest received as investing activities, dividends paid as financing activities and interest paid as operating activities..

3.25 Sector-based investment

SNIM is dedicated to extraction of iron ore. Indeed SNIM's exposure to risk so as expectations for profitability objectives are considered as homogeneous. Subsidiaries of SNIM, representing independent Cash-Generating Units, are below the quantitative thresholds needed to make a separate presentation of information related to their own operational sector.

Analysis of the SNIM business is thus made through geographical zones which constitute the primary level of sector-based information according to standard IFRS 8 "Sector-based investment" for the product of ordinary activities from external clients. Other information related to profit and loss, assets and liabilities are not followed by geographical zones. The activity of SNIM is indeed made integrally in the Islamic Republic of Mauritania. Geographical zones can be identified as follows:

- France,
- Germany,
- Belgium,
- Italy,
- Other countries member of the European Union,
- China,
- Others

3.26 Investment in associates

Presentation note of El Aouj project

Joint venture project

SNIM and the Australian company Sphere Investments signed a joint-venture agreement on October 22, 2001 regarding the performance of the research and studies necessary for a project concerning the production of pellets for the direct reduction of iron ore from the El Aouj Guelbs.

This partnership agreement defines the obligations of the parties as follows:

- SNIM contributes with a research permit (right of exploration) for the El Aouj zone, which comprises 5 guelbs.
- Sphere carries out a full bankable feasibility study (BFS), the costs of which are borne by Sphere

At the end of this feasibility study, Sphere gets 50% of the rights for the El Aouj zone.

The two parties then create a new common company in which both will hold a 50% stake. The purpose of this company is to assume the financing, realization and exploitation of the project.

The Guelb el Aouj project should include:

- A large scale open cut mine,
- An enrichment factory (both dry enrichment and water based enrichment),
- A 7MT/year capacity pelletizing factory,
- A power station of 125 MHertz
- Additional systems and services.

These facilities shall produce 7MT/year of high-quality pellets for direct reduction (DR). The product will be transported by the existing iron ore railway infrastructure and loaded onto ore carriers by the existing SNIM port infrastructure, in exchange for an acceptable remuneration that will be determined by an agreement to be concluded between SNIM and the future company.

The necessary financing should be around USD 2.5 billion, of which at least 30% should be provided by the shareholders.

(a) Chronology

SNIM and Sphere Investment decided in 2006 to open the capital of the future Newco to two major Arab steel producers: the Saudi Basic Industries Corporation (SABIC) and the Qatar Steel Company (QASCO). These two partners are consumers of pellets made for direct reduction. The Pre-Feasibility study was published on February 7, 2007.

In May 2007, SNIM and Sphere Investment offered to sell 49.9% of the El Aouj project to the steelmaker partners, SABIC and Qatar Steel, for an amount of USD 375 million.

On July 31, 2007, an agreement was signed according to which SNIM and Sphere Investment would transfer 49.9% of the El Aouj project to its partners for USD 375 million. It should be noted that the amount of the transaction should serve as financing for the participation of SNIM and Sphere in the capital increase of the "Future Company". The capital should be increased to 30% of the total amount of capital expenditures. In October 2007, SABIC withdrew. Therefore Qatar Steel confirmed its decision to buy 49.9% of the project. The project was to continue with three partners, but in 2008, Qasco first informed SNIM of its decision to limit its participation to 15%, before withdrawing entirely from the project.

The final feasibility study was published in April 2008.

In August 2008, Sphere, a 100% shareholder of the company El Aouj SA, cancelled from the latter's accounts all costs not related to the exploration and evaluation of the iron ore deposit, and SNIM acquired 50% of the capital of the company, renamed El Aouj Mining Company (EMC), for MUM 5. SNIM and Sphere have decided to seek a third partner and a call for tender has been prepared.

The takeover of Sphere by Xstrata became effective in November 2010 brought all parties to resize the project such as:

- The 7MT/year capacity pelletizing plant shall be resized to 30 MT/year,
- Production will extract pellets and raw iron ore
- The exploration program is extended to two new guelbs i.e. Tintekrate and Bouderga in order to estimate the mineral reserves of these guelbs according to the JORC standard, with a view to better use of the license.

In May, 2017 the board of directors of EL OUJ Mining Company will meet to decide on the continuation or suspension of the development of the project.

As of December 31, 2016, the expenses under this program are MUM 28 849 MUM, an increase of MUM 354 as related to 2015.

In millions d'ouguiyas	12/31/2016	12/31/2015
Cap Bouderga Tintekrate	10 947	10 947
Cap Expenses Study 2010	187	187
JV south Cappitalized	275	275
Cap Guelb El Aouj	17 440	17 086
TOTAL	28 849	28 495

(b) Accounting Policy

As of December 31, 2016, the stake of SNIM in the joint venture has been valued according to the equity method.

The fair value of SNIM's participation in the El Aouj joint-venture has not been modified and was determined on the costs incurred by Sphere on the feasibility study as of December 31, 2009, i.e., 12,280 MUM (cf. 4.3.1 Investments in associates).

Within the framework of this project, SNIM receives assets that correspond to the outlays borne by Sphere in return for an exploration right that was partially valued in the financial statements of SNIM.

4. CONSOLIDATION SCOPE

The consolidated financial statements comprise the financial statements of SNIM with its Parisian branch, its subsidiaries (all from Mauritania) and investments in associates where SNIM has a significant influence. Consolidation scope comprises 10 companies globally consolidated and two companies consolidated using the equity method.

The financial statements of subsidiaries are prepared as of December 31st, each year.

Consolidation scope and method as at 31st December 2016 appears as follows:

	Legal Form	% of Vote right	% of interest	Consolidation method (1)
SNIM	S.A			MERE
FILIALES MAURITANIE				
SOMASERT	S.A	100%	100%	IG
SAFA	S.A	100%	100%	IG
SAMMA	S.A	53%	53%	IG
ATTM	S.A	100%	100%	IG
COMECA	S.A	92,49%	92,49%	IG
SAMIA	S.A	50%	50%	IG
GMM	S.A	97,23%	97,23%	IG
GIP	S.A	68%	68%	IG
EL AOUI SA	S.A	50%	50%	MEE
TUM	S.A	99%	99%	IG
M2E	S.A	100%	100%	IG
MSMS	S.A	50%	50%	MEE

- (1) GI : Global Integration
EM : Equity Method

5. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF FINANCIAL POSITION

5.1 Property, plant and equipment

Assets measured at fair value In millions d'ouguiyas	12/31/2015	2015 Restated	Acquisitions	Transferts	Disposals	12/31/2016
Gross Value	392 711	392 711	40 198	68 451	(4 216)	497 143
Amortization	135 996	140 705	14 797	7 818	(4 173)	159 147
Net Value	256 715	252 006	25 400	60 633	(43)	337 996
Assets measured at cost	12/31/2015	2015 Restated	Acquisitions	Transferts	Disposals	12/31/2016
Gross Value	551 367	551 367	32 738	(50 532)	(19 484)	514 089
Amortization	188 363	190 701	38 506	4 418	(15 207)	218 417
Net Value	363 004	360 666	-5 768	(54 950)	(4 277)	295 672
TOTAL GROSS VALUE	944 078	944 078	72 935	17 919	(23 700)	1 011 232
TOTAL AMORTIZATION	324 359	331 406	53 303	12 236	(19 380)	377 565
FIXED ASSETS IN PROGRESS	115 705	115 705	30 960		(74 909)	71 755
NET VALUE FIXED ASSETS	735 424	728 377	50 592	5 683	(79 229)	705 423

The additions of the year amount to MUM 30 960.

SNIM performed an impairment test and there are no losses on the carrying value of tangible assets.

There is no pledging of SNIM's tangible assets.

Incorporated loan cost

The loan costs incorporated into the cost of assets are as follows:

In million Ouguiyas	12/31/2015	Incorporated loan cost	12/31/2016
Guelb2	20 241	0	20 241
Mineral Port	4 058	-	4 058
Total	24 299	0	24 299

Finance leases:

The gross book value of finance leases included in work in progress assets and final assets (see 4.1 Property, plant and equipment) presents a nil value and can be presented as follows:

In million Ouguiyas	12/31/2015	Acquisitions	Cessions	12/31/2016
Renewal of Port Equipment (Part BID)	7 686	0	0	7 686
Other materials Guelbs II (Part BID)	23 235	0	0	23 235
Railway materials (part BID)	6 307		0	6 307
Total	37 228	0	0	37 228

Other materials Guelbs II correspond to i) 10 mining trucks for MUM 6 135, (ii) 6 locomotives for MUM 5730 (iii) 6 loading systems of wagon for MUM 4628 and (iv) 4 wet concentrations for MUM 6742

Railway materials correspond to : concrete sleepers plant for MUM 3747 and supplies of equipment of Railway for MUM 2 559.

Finance lease obligations:

Minimum lease payments in thousands of USD	12/31/2016	12/31/2015
Due within one year	12 882	12 651
From 2 nd to 5 th year inclusive	47 255	46 958
More than five years	47 255	48 099
Less future financial charges	(17 262)	(17 736)
TOTAL	90 130	89 972

5.2.1 Property, plant and equipment at fair value

Tangible assets are valued at their acquisition cost except for the categories of fixed assets that were revalued during financial year 2000. The revalued amounts were confirmed during financial year 2001 by an independent expert, the firm Met-Chem.

Certain classes of assets have been regularly revalued since then, notably during financial year 2006.

The fair value has been determined according to the replacement cost method less accumulated depreciation, as there was no market-based evidence.

The replacement cost has been estimated taking the following criteria into consideration:

- ✓ Value at purchase
- ✓ The technical condition of the equipment
- ✓ The useful life and the age of the equipment.

Gross value	12/31/2015	2015 restated	Acquisitions	Transferts	Cessions	12/31/2016
In million Ouguiyas						
Properties				430		430
Specialized complex installation	316 086	316 086	30 892	67 879	(2 754)	412 103
Railway rolling stock and railroad	76 625	76 625	9 306	0	(1 463)	84 468
Construction				142		142
TOTAL	392 711	392 711	40 198	68 451	(4 216)	497 143

Amortization	12/31/2015	2015 restated	Acquisitions	Transferts	Cessions	12/31/2016
Properties						
Specialized complex installation	98 812	102 216	12 471	9 095	(2 711)	121 072
Railway rolling stock and railroad	37 185	38 489	2 326	(1 305)	(1 463)	38 047
Construction				28		28
TOTAL	135 996	140 705	14 797	7 818	(4 173)	159 147

VALEUR NETTE COMPTABLE	12/31/2015	2015 restated	Acquisitions	Transferts	Cessions	12/31/2016
Properties	-	-	-	430	0	430
Specialized complex installation	217 274	213 870	18 421	58 784	(43)	291 032
Railway rolling stock and railroad	39 440	38 136	6 980	1 305	0	46 421
Construction	-	-	-	114	-	114
TOTAL						

5.2.2 Property, plant and equipment at historical cost

VALEUR BRUTE	12/31/2015	2015 Restated	Acquisitions	Transferts	Disposals	12/31/2016
Land	7 191	7 191	386		(430)	7 148
Land improvements	228	228	14		-	241
Buildings	183 906	183 906	15 965	(480)	(329)	199 062
Operating equipment	336 692	336 692	11 477	(50 193)	(17 866)	280 111
Transport equipment	14 615	14 615	3 328	146	(706)	17 383
Office and IT equipment	5 158	5 158	382		(27)	5 513
Office furniture	3 576	3 576	1 185	(5)	(126)	4 630
TOTAL	551 367	551 367	32 738	(50 532)	(19 484)	514 089

AMORTISSEMENTS	12/31/2015	2015 Restated	Depreciation	Transfers	Reversals	12/31/2016
Land	-	-	-	-	-	-
Land improvements	183	183	-	-	(3)	180
Buildings	50 999	53 337	8 957	(2 337)	(169)	59 788
Operating equipment	118 417	118 417	21 706	6 718	(14 268)	132 573
Transport equipment	11 516	11 516	2 118	37	(672)	12 999
Office and IT equipment	4 445	4 445	409		(62)	4 792
Office furniture	2 803	2 803	281		(33)	3 051
Amortization adjustment			5 035			5 035
TOTAL	188 363	190 701	38 506	4 418	(15 206)	218 418

Net Book Value	12/31/2015	2015 restated	Augmentation	Transfers	Diminution	12/31/2016
Land	7 191	7 191	386	-	(430)	7 148
Land improvements	45	45	13	-	3	61
Buildings	132 908	130 570	7 008	1 858	(161)	139 275
Operating equipment	218 275	218 275	(10 229)	(56 911)	(3 598)	147 538
Transport equipment	3 099	3 099	1 210	109	(34)	4 384
Office and IT equipment	713	713	(27)	-	35	722
Office furniture	773	773	905	(5)	(93)	1 579
Amortization adjustment	0		(5 035)	-	-	(5 035)
TOTAL	363 004	360 666	(5 768)	(54 950)	(4 277)	295 672

The table below shows the gross value of tangible assets which are full amortized are still in use as of 31 December 2016:

In million Ouguiyas	2 015	2 016
Building	13 493	13 849
Railway rolling stock and railroad track equipment	16 111	17 135
Specialized complex installations	64 950	66 347
Operating equipment	47 230	51 836
Transport equipment	5 616	6 798
Other tangible assets	4 369	4 939
TOTAL	151 769	160 904

5.2 Intangible Assets

Change in gross assets	12/31/2015	Acquisitions	Cessions	12/31/2016
Intangible fixed assets value	7 486	2 260	(15)	9 731
TOTAL	7 486	2 260	(15)	9 731

Change in amortization	31/12/2015	Dotations	Reprises	31/12/2016
Intangible fixed assets value	2 949	347	(16)	3 280
TOTAL	2 949	347	(16)	3 280

Net value of intangible fixed assets	4 537	1 913	1	6 451
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These Intangible assets relate to patents and software.

5.3 Other financial assets

In million Ouguiyas	12/31/2016	12/31/2015
Loans to employees	11 744	12 118
Deposits and guarantee	1 121	1 069
Equity security	1 435	1 229
Investment in associate entities	15 337	17 193
TOTAL	29 638	31 610

Loans granted to employees of the Group or of the associates do not generate interest. The impact of discounting is deemed insignificant. Loans are recorded at their historical costs.

Deposits and guarantees are valued on the basis of the amount of outgoing cash, which does not result in a significant gap compared to their fair value.

5.4 Inventories and work-in-progress

Inventories are valued at the lower of weighted average cost and net realizable value.

In million Ouguiyas	31/12/2016	31/12/2015
Raw materials at weighted average cost	62 677	66 636
Raw materials at net realizable value	48 541	53 830
Goods and final products	1 031	799
Iron ore at weighted average cost	31 200	31 549
Iron ore at net realizable value	17 542	16 794
Total	67 114	71 424

The decrease in inventories of raw materials is mainly due to the decrease of pneumatic for MUM 3, 4 which is explained by the reduction of purchases and increase of the consumption in line with the increase of the earthwork.

5.5 Trade receivables

Trade receivables are detailed as follows:

In million Ouguiyas	12/31/2016	12/31/2015
Iron ore trade receivables	43 204	
Other trade receivables	12 366	14 274
Total	55 571	14 274

Generally, there is no credit risk on iron ore customers.

An analysis of this non-recovery risk is regularly performed on the other customers in order to adapt potential provisions. Provisions on other clients amount to MUM 2 635 MUM as of December 31, 2016 against MUM 1 401 as of December 31, 2015. The statement of changes in provisions for receivables is presented below:

In million Ouguiyas	12/31/2016	12/31/2015
Provision as of January 1, 2016	1 401	1 130
Revaluation of foreign exchange		
Additional depreciation	2 618	271
Reversals	(1384)	-
Provision as of December 31 , 2016	2 635	1 401
Debt collection on depreciated receivables	1 384	-
Gross value of depreciated receivables	2 635	1 401

5.6 Other receivables

Other receivables are detailed as follows:

In million Ouguiyas	31/12/2016	31/12/2015
Trade payables – debit balances	6 434	8 056
Trustee	15 599	15 455
Tax receivables	8 296	6 036
Deferred expenses	355	1 688
Sundry debtors	2 317	4 682
TOTAL	33 001	35 917

Trade payables - debit balances relate to advances granted to its suppliers and orders realized before the issuing of the corresponding invoices.

Trustee fund is directly powered by the bank when clients' sales receipts and reimbursement deadlines related to loans of the same name.

Accruals consist of prepayments.

Sundry debtors consist of short-term advances to employees, receivables from social organizations and other receivables.

5.7 Financial instruments: disclosure

5.7.1 Financial instruments presented in the statement of financial position

The group defines its financial assets according to the following categories : assets valued at fair value through income, future cash flow hedging instruments, assets held to maturity, loans and receivables, assets held for sale, and liabilities at amortized cost. The classification depends on the reasons for acquisition of financial assets. Management determines the classification of its financial assets at the time of initial recognition.

Financial assets at fair value through income statement

Financial assets valued at fair value through income are financial assets held for trading. A financial asset is classified in this category if it was acquired mainly for the purpose of sale in the short term. Derivative financial instruments are designated as held for trading unless they are designated as hedging instruments. They are classified as current assets.

Assets held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as assets held to maturity, since the group has the intention and capacity to retain them till their maturity.

Gains and losses are recognized in income statement when the investments are derecognized or depreciated.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in the current assets, except for those with maturities greater than twelve months after the closing date.

The group evaluates at each closing if there exists an objective indicator of impairment of a financial asset or a group of financial assets.

A financial asset and a financial liability are offset and the net amount is presented in the balance sheet when the group has a legally enforceable right to offset the recognized amounts and intends either to close them on a net basis, or to realize the assets and extinguish the liability simultaneously.

The main financial liabilities consist of loans and payables. The main purpose of these financial liabilities is to finance the operating activities of the group.

At the time of initial recognition, loans must be valued at their fair value on the basis of which the transaction costs are calculated which are directly attributable to debt issue. The loan costs and issue premiums are not included in the initial cost but should be taken into account in the calculation of amortized cost according to the effective interest rate method and should be recognized in income statement in an actuarial manner over the life of the debt.

As of December 31, 2016, financial instruments recorded in the statement of financial position are presented as follows:

In millions Ouguiyas	Breakdown by classes of instruments						
	Value in statement of financial position	Fair Value	Fair Value through profit & loss	Assets available for sale	Financial assets held to maturity investments	Loans and receivables	Financial liabilities measured at amortized cost
Other financial fixed assets	12 865	12 865			1 121	11 744	
Trade receivables and related accounts	55 571	55 571				55 571	
Other receivables and related accounts	33 001	33 001				33 001	
Cash and cash equivalents	79 566	79 566	16 873		62 693		
Assets	181 004	181 004	16 873	0	63 815	100 316	0
Interest bearing loans and borrowings	162 629	162 629					162 629
Trade payables	30 502	30 502				30 502	
Other payables	63 112	63 112		0		63 112	
Liabilities	256 242	256 242	0	0	0	93 613	162 629

The fair value of other financial instruments (loans and deposits) was not deemed significant and these items are therefore valued at amortized cost.

The fair value of the trade receivables, other receivables, trade payables and other payables was not deemed significant and these items are therefore valued at amortized cost discounted at closing market price in the transaction currency.

Taking into account SNIM's economic environment (lack of market data required to determine a yield curve in order to estimate the market value of loans and borrowings at preferential rates), borrowings and loans are valued at historic cost.

5.7.2 Derivative financial instruments

The group uses financial instruments such as term hedges or interest rate swaps. These derivative financial instruments should be initially recognized at fair value when the contract is negotiated and should be subsequently measured at the fair value. The derivatives must be recognized as assets when the fair value is positive and as liabilities when the fair value is negative.

Gains or losses resulting from changes in market value of hedging instruments, within the framework of a future cash flow hedges, for which the group has chosen to apply the hedge accounting, are recognized in equity at an effective hedge percentage. When the group has chosen not to apply hedge accounting, the gains or losses resulting from the changes in market value are recognized in income statement.

Foreign currency risk :

As of December 31, 2016, financial instruments on exchange rates available at closing date are detailed below :

Hedging accounting	2016				2015			
	Fair value in MUM	Fair value in KUSD	Nominal in thousands		Fair value in MUM	Fair value in KUSD	Nominal in thousands	
			Purchases	Sales			Achetés	Vendus
Foreign currency risk								
a) Cash flow hedging								
Forward contracts in foreign currency								
Euro	-236	-662	37 000		-85	-251	60 500	
Options on foreign currency								
Euro	-65	-182	22 500	18 500	12	36	34 500	31 500
b) Fair value hedging								
Forward contracts in foreign currency								
Euro	-253	-711	34 500		-221	-654	17 300	
Options on foreign currency								
Euro	-50	-142	4 500	4 500	-29	-86	7 000	7 000
c) Other operations								
Options on foreign currencies								
Euro	-180	-507		16 500	-144	-425		27 000
Total change	-784	-2 204			-467	-1 381		

Interest rate risk :

As of December 31, 2016, financial instruments on interest rate risks at closing date are detailed below

Hedging accounting	2016				2015			
	Fair value in MUM	Fair value in KUSD	Nominal in thousands		Fair value in MUM	Fair value in KUSD	Nominal in thousands	
			Purchases	Sales			Purchases	Sales
Commodity price risk								
a) Cash flow hedging								
Swaps on commodities								
Fuel	34	97	10 100		-451	-1 333	23 600	
Diesel oil	40	113	10100		-559	-1 652	17 400	
Others								
Options on commodities								
Fuel	30	84	22 000	16 800	-137	-406	9 000	9 000
Diesel oil	45	128	13 100	7 700	-283	-838	11 700	11 700
Others								
c) Other operations								
Options on commodities								
Fuel	-7	-21		9 800	-29	-85		1 200
Diesel oil	-16	-45		8 000	-75	-223		3 000
Others								
Total commodities	126	356			-1 534	-4 537		

Interest rate risk:

As of December 31, 2016, financial instruments on interest rate risks at closing date are detailed below:

Hedging accounting	2016				2015			
	Fair value in MUM	Fair value in KUSD	Nominal in thousands		Fair value in MUM	Fair value in KUSD	Nominal in thousands	
			Purchases	Sales			Purchases	Sales
Interest rate risk								
a)) Cash flow hedging								
Interest rate swaps								
EUR	-22	-62	20000	-	-101	-298	35 000	-
Interest rate options								
Euro	1	3	30000	-	8	24	30 000	-
b) Other transactions								
EUR								
Total interest rate	-21	-59			-92	-273		
Total	-678	-1 907			-2 093	-6 190		

The impacts on the income statement of derivative financial instruments as of December 31, 2016 are presented here below:

Cash-Flow Hedging	Amount transferred to gains and losses during the year	Inefficiency booked in Profit
Foreign currency hedging	(574 841)USD	(672 511) USD
Interest rate hedging	(180 998) USD	(108 810 USD
Commodities hedging	(474 445) USD	59 166 USD

Fair Value Hedging	Gains and losses on hedging instruments	Gains and losses on hedged items	Inefficiency booked in profit
Foreign currency hedging	(177 262) USD	(724 800) USD	(547 538) USD
Interest rate hedging			
Commodities hedging			

Non-qualifying derivative hedging	Gains and losses recorded in income statement
Foreign currency hedging	233 319 USD
Interest rate hedging	-
Commodities hedging	(26 317) USD

Hedging policy:

The iron ore market is denominated in US dollars. Consequently SNIM's entire sales are realized in US dollars.

The Mauritanian regulation for exchange transactions forbids hedging the exposure of foreign currency risk on local currency.

Thus SNIM is exposed to foreign currency risk on the dollar for operating expenses denominated in a third currency (imports of Euros, CAD versus USD for instance).

In order to finance its development, SNIM contracted loans denominated in dollars, in Euros and in yen toward international sponsors.

According to the evolution of the dollar versus these currencies, part of the cash collection will be allocated to financial debt. Consequently SNIM is exposed to foreign currency risk in dollars for its entire debt denominated in a third currency.

The company set its policy for risk exposure and in particular its level of tolerance toward these risks. Procedures to evaluate the company's exposure to foreign currency risks were implemented. These procedures were approved by the head office and are reviewed annually.

The company binds itself to manage hedges with first-rate banks (Société Générale, BNP Paribas...).

Foreign currency risk

SNIM's policy for managing its exposure to foreign currency risk consists in hedging foreign currency risk on firm and estimated purchasing commitments denominated in foreign currencies. Financial instruments that have been negotiated have a lifetime corresponding to that of firm or estimated operations. Usually financial instruments' maturities do not exceed one year.

To reach its hedging objectives, the company resorts to forward purchasing contracts or option sales on currency contracts. Usually option sales contracts are part of an overall hedging strategy (tunnel). Derivative financial instruments are negotiated by mutual agreement with first-rated financial institutions.

The analysis of sensitivity of profit before tax (due to variation of monetary assets and liabilities' fair value) and equity (linked to variation in forward contracts' fair value) is based on two assumptions: that the euro exchange rate is changing within reason and that all other variables remain stable. The conclusion of our analysis appears below.

In USD	Variation of Euro	Impact on profit before tax	Impact on equity
2016	10%	3 296 012	4 621 785
	-10%	(6 722 888)	(6 463 865)

Dollar = 355,65 ouguiyas

Commodity price risk:

The company is exposed to the commodity price risk on firm and estimated operational transactions.

SNIM's policy is to hedge against exposure to these risks. In order to reach its hedging objectives, the company resorts to purchase and selling contracts on commodity options or on swap contracts. Some selling contracts are part of a global hedging strategy.

Management of this risk is spread over less than a year.

The analysis of the sensitivity of SNIM's profit before tax (due to variations in the fair value of the monetary assets and liabilities) and equity (linked to variations in the fair value of the swaps) is based on two assumptions: that the raw material prices change within reason and that all other variables remain stable.

In USD	Variation in price of commodity	Impact on profit before tax	Impact on equity
2016	10%	133 038	980 344
	-10%	(104 807)	(166 532)

Interest rate risk :

SNIM has obtained important findings for the realization of the Development and Modernization Program (DMP). These findings are indexed on variable rates (libor). Therefore the company is exposed to a financial risk related to the increase of interest rates.

SNIM's policy is to hedge the risks related to interest rates fluctuations on its floating rate debt on a 5-year management horizon.

In order to reach its hedging objectives, the company resorts to interest-rate derivative instruments, signs interest swaps and conditional financial instruments such as caps, floors and collars.

In order to limit the effect of the dollar rate on its financial instruments, SNIM decided to implement a hedging policy, aimed at guaranteeing a minimum income rate.

The analysis of the sensitivity of SNIM's profit before tax (due to variations in the fair value of the monetary assets and liabilities) and equity (linked to variations in the fair value of the swaps) is based on two assumptions: that the interest rates change within reason and that all other variables remain stable.

In USD	Variation of rate	Impact on profit before tax	Impact on equity
2016	5%	(99 881)	68 573
	-5%	(111 651)	(222 953)

Credit risk:

Le groupe n'entretient de relations commerciales qu'avec des tiers dont la santé financière est avérée. L'essentiel du SNIM maintiens commercial relations exclusively with reliable third parties.

Most of the client portfolio is constituted by iron ore customers whose terms of payments require a 90% advance at order and the remaining 10% within 21 days after delivery. Thus, for those clients, there exists no risk of credit.

For the other customer, trade receivables are not material and a credit risk analysis is performed regularly to adapt depreciations of eventual debts.

The maximum exposure is equal to the accounting value, as mentioned in Note 4.5.

Regarding the credit risk on other financial assets of the Group, i.e. cash and cash equivalents, financial assets available for sale, loans and some derivative instruments, the Group' exposure is due to a potential failure of those third parties. The maximum exposure does not exceed the accounting value of those instruments.

Liquidity risk:

SNIM controls its liquidity risk based on a projected financial investment maturity and an estimated cash flow generated by operational activities.

90% of borrowings have been placed within the scope of a trustee in order to decrease the liquidity risk. This system consists in withholding a part of the monthly sales, until the six months maturity has been reached. The amount withheld cannot be used for anything other than debt redemption.

As of December 31, 2016, 14% of the debt of SNIM will mature within one year, as compared to 12% in 2015.

Maturity

The table below shows the maturity of the financial liabilities as of December 31, 2016 based on contractual payments not updated.

The principal considers only the debt actually drawn by the Group SNIM as of December 31, 2016.

Similarly, interest expenses reflect the interests of the Group's debt SNIM totally drawn as of December 31, 2016.

Therefore, future withdrawals of the debt and corresponding interest expenses are not taken into account in the preparation of this table of maturity.

	Less than 3 months			3 to 12 months		
	Principal	Interest	Total cash flow	Principal	Interest	Total cash flow
Interest-bearing borrowings	656	95	751	29 375	9 855	39 230
	1 to 5 years			More than 5 years		
	Principal	Interest	Total cash flow	Principal	Interest	Total cash flow
Interest-bearing borrowings	95 332	21 558	116 891	67 296	5 699	72 995

Table below shows the debt schedule year by year

	2017	2018	2019	2020	2021	2022	2023
Principal	30 031	26 061	25 830	23 374	20 067	21 924	18 492
Interest	9 917	7 182	5 951	4 758	3 668	2 637	1 661
TOTAL	39 948	33 242	31 781	28 133	23 735	21 924	20 153
	2 024	2 025	2 026	2 027	2 028	2 029	TOTAL
Principal	16 599	3 586	1 216	1 217	1 098	3 163	192 660
Interest	834	240	127	97	66	37	37 174
TOTAL	17 433	3 827	1 343	1 314	1 165	3 200	227 197

5.8 Cash and cash equivalents and Overdraft:

In millions Ouguiyas	12/31/20016	12/31/20015
Cash & cash equivalents	79 566	111 214
Overdraft	(2 081)	(1 962)
TOTAL	77 485	109 251

Cash and cash equivalents include cash at bank and cash in hand.

Cash equivalents are short-term deposits with an original maturity of less than three months, liquid and immediately convertible.

Bank loans and overdrafts include loans with an original maturity of less than three months.

5.9 Issued Capital

In 2013 the company's issued capital increase to 170,520,000,000 MRO by capitalization of available reserves which amounts to 182,700,000,000 ouguiyas, i.e. 18,270,000 shares each with a nominal value of 10,000 Ouguiyas. The capital is called up and paid up in full.

Capital does not comprise any share with favorable voting right.

Share capital can be broken down as follows:

In ouguiyas	Amount	(%)
Mauritanian government	143 145 450 000	78,35%
Industrial Bank of kuwait (I B K)	13 098 000 000	7,17%
Arabe Mining Company	10 346 850 000	5,66%
Irak Fund for External Development	8 382 300 000	4,59%
« Office National des Hydrocarbures et des Mines » (ONHYM - Maroc)	4 192 500 000	2,29%
Islamic Development Bank	3 274 500 000	1,79%
Private Mauritanian Individuals	260 400 000	0,14%
TOTAL	182 700 000 000	100%

Premiums arising from shares issuance relates to previous capital increases and amount to 6,464 MUM. As of December 31, 2016, the legal reserve amounts to 10 834 MUM, i.e. 6% of the capital.

5.10 Interests bearing borrowings**5.10.1 Loans within the scope of the trustee agreement**

These loans are covered by a trust agreement signed on July 7, 1980 between the company, funds providers, the government of the Islamic Republic of Mauritania, the Société Générale bank (to encourage the development of trade and industry in France) and the Law Debenture Trust Corporation. According to this agreement the latter was appointed as "Trustee", and regular credit transfers to the trust account would serve to make the half-yearly repayments to funds providers.

Furthermore, another agreement was concluded on July 7, 1980 between the company, funds providers, Mauritania Central bank and the Société Générale bank. Under this agreement, through which a debit account would be opened with the Société Générale to receive all cash from sales of ore, the Société Générale would make the necessary transfers for the "Trustee", in order to enable it to honor provisions stipulated in the Trust Agreement referred to above.

The balance of this Trust account as of December 31, 2016 present a debtor balance of 15 599 MUM against 15 455 MUM as of December 31, 2015. It is classified as "Other debtors" (under other receivables).

In millions Ouguiyas	Currency	Interest rate	Maturity	12/31/16	12/31/15
Trustee debts					
French Development Agency					
Emprunt n°. 70X	EUR	5,00%	2 019	48	67
Emprunt n°. 89U	EUR	2,00%	2 020	222	283
AFD (Centrale)	EUR	Var.	2 019	3 099	3 928
AFD (Centre de formation)	EUR	Var.	2 021	1 304	1 550
BEI VII (Centrale)	EUR	6,90%	2 019	3 695	4 534
PDM					
VOIE					
BID	USD	Var.	2 024	7 368	7 881
GUELBES II					
BEI	USD	6,03%	2 024	25 754	27 548
BAD	USD	Var.	2 024	45 265	48 417
AFD	USD	Var.	2 024	25 727	27 519
BID	USD	Var.	2 024	21 339	22 543
KFW/G21/USD	USD	Var.	2 021	3 884	4 514
KFW/G22/USD01	USD	5,96%		13 258	14 407
PORT					
KFW NP1	USD	Var.	2 022	11 044	12 251
KFW NP2	USD	Var.	2 022	9 553	9 441
TOTAL				171 560	184 884

5.10.2 Loans outside the scope of the trustee agreement

These loans are related to mining projects that are not included in the trustee agreement. Repayments are made directly to lenders.

In millions ouguiyas	Currency	Interest rate	Maturity	12/31/16	12/31/15
Non trustee debts					
FED/03/EUR	EUR	Var.		12 716	12 601
Société Générale Mauritanie (ATTM)	MRO	10,40%	2 017	425	675
CDD (ATTM)	MRO	10,40%	2 018	465	619
Société Générale Mauritanie (ATTM)	EUR	10,40%	2 017	128	192
BCI ATTM	MRO		2 020	1 000	
Mauritanian Government, COMECA			2 015	-	2 177
Société Générale Mauritanie (SAMIA)			2 015	93	105
Deposits and guarantees received				32	34
Mauritanian Government GIP				2 154	
Premiums paid	USD		2 018	52	82
Total				17 065	16 484

5.10.3 Statement of Financing Agreements for the DMP

Project	Lender	Currency	Interest Rate	Maturity year	Total Millions MRO	Drawn Millions MRO	Non drawn Millions MRO
Guelbs II	AFD	EUR	Var	2024	31 019	31 019	-
	BEI	EUR	Fixe	2024	31 052	31 052	-
Port	BAD	USD	Var	2024	54 576	54 576	-
	BID	USD	Var	2023	24 949	24 949	-
	Commercial banks (part 1)	EUR	Var	2021	7 547	7 547	-
	Commercial banks (part 2)	EUR	Fixe	2023	16 608	16 608	-
	Commercial banks (part 1)	EUR	Var	2022	13 283	13 283	-
	Commercial banks (part 2)	EUR	Var	2022	16 141	16 141	-
Railway	BID	USD	Var	2024	8 732	8 732	0
Training	AFD	EUR	Var	2021	2 656	2 656	-
Total					206 563	206 563	0

5.10.4 Rescheduled debts

In the context of the 8th club of Paris gathered on July 8, 2002, and following the bilateral agreement between the government of the French Republic and the government of Islamic Republic of Mauritania signed on May 26, 2003, the French debt, that was rescheduled during agreement III, IV, V and VI, was cancelled to the benefit of the Mauritanian Islamic Republic. A treaty signed on August 21, 2003 adjusted the rescheduled debt between SNIM and Ministry of Finance and defined methods of payments initially due by SNIM to the Banque de France and the Coface.

Total amount of this treaty (Agreement 8) is EUR 15,235,989.75, which represents interests accumulated from 06/30/2002 to 06/30/2019 for agreement III, IV, V and VI, EUR 12,763,021.30 representing the principal amount and EUR 2,472,968.44 of interests.

The balance of this agreement is 547 MUM as at 31 December, 2016 against 1 109 MUM as at 31 December, 2015.

In million Ouguiyas	Currency	Interest rate	Maturity	12/31/16	12/31/15
Debt rescheduled					
French debt due dates rescheduled					
Agreement 8	EUR	3,00%	2 019	547	1 109
Total				547	1 109

5.10.5 Reassigned debt

In the context of SYSMIN, the European Union granted the Mauritanian Islamic Republic 58 million Euros, under Agreement No 5546/MAU signed on October 23, 1995. The agreement provides for the reassignment of the grant as a loan for the rehabilitation of some of its industrial facilities. Consequently a three-party agreement was signed between SNIM, the Mauritanian Government and the European Union in order to define the terms of the reassignment as a non-repayable grant (equal to the amount allocated to technical assistance – 0.8 million Euros) and a repayable loan of 57.2 million Euros.

In most of the above-mentioned loan agreements, the Company had undertaken to comply with certain conditions, such as the repayment of the amounts due at maturity, the distribution of dividends being subject to certain conditions, and the maintaining of the debt and debt service ratios.

In the event of failure to comply with any of these conditions, lenders could stop fund drawings and demand immediate repayment of the loans.

In millions Ouguiyas	Currency	Interest rate	Maturity	12/31/16	12/31/15
Reassigned debt					
European Economic Community (Sys min 1)	EUR	0,50%	2 028	3 488	2 890
Sub total				3 488	2 890
TOTAL DEBT				192 660	205 367
Debts maturing in less than one year				30 031	24 454
Long and mid-term debts				162 629	180 913

Loans maturing in less than one year correspond to the part of loans that will be paid within the twelve coming months which are reclassified in other payables (refer. 5.16).

5.11 Retirement benefit obligation

In millions Ouguiyas	12.31.2015	Amortizations	Reversals	12.31.2016
Provisions for retirement indemnities	6 013	0	-929	5 084
Provisions for additional retirement	11 795	6 604	0	18 399
TOTAL	17 809	6 604	-929	23 484

Description of the plan:

A benefit is being provided to employees as they retire, which depends on:

- The wage amount at the age of retirement;
- The employee length of service in the company.

Note that this benefit is provided without any condition of presence of the employee in the company at retirement.

Actuarial assumptions:

The benefit obligation amount is determined according to the projected unit credit actuarial valuation method. This method consists in valuing the benefit according to the projected salary at the end of the employee's career and to the eligible amount at valuation date. The following assumptions were used:

Assumptions	Hypothèses retenues
Age of retirement	60 years for men
Future salary increase	0,13%
Actual rate of return	7,47%
Death rate	TM 60-64 – 20%
Employee rotation rate	0,24% decreasingly spread by age
Inflation	3,53%

The accrual basis held to recognize actuarial gains and losses is the registration in equity.

ASSUMPTIONS for the period ended as of	12/31/16	12/31/15
Beginning of the period	1 st January, 2016	1 st January, 2015
End of the period	31 st December, 2016	31 st December, 2015
Actual rate of return	7,47%	6,31%
Actual rate of return on assets		
Expected average remaining working lives	9,0	8,0

Variation in benefit obligation :

In million Ouguiyas	31.12.15	31.12.16
Benefit obligation at beginning of the year	14 516	5 171
Current service cost	1 197	297
Interest cost	1 035	223
Actuarial (Gains)/Losses	-9 880	-757
Changes in assumptions	-15 022	-1746
Experience variation	5 142	989
Benefits paid	-673	-690
Other (exchange differences)	-	-
Actuarial debt at the end of the year	6 195	4 244

Financial investment

The benefits defined by SNIM are not covered by investments.

Financial cover:

FINANCIAL COVER	12.31.15	12.31.16
Financial Cover	6 195	7 409
(Provisions) Pension Assets	6 195	7 409

Cost on the period:

FINANCIAL COVER	12.31.15	12.31.16
Current service cost	1 197	276
Debts interest	1 035	223
Charges (Products)	2 232	520

Description of the defined benefit regime:

SNIM agents of Mauritanian nationality on permanent contracts and with contract signed after 2011 will receive an indemnity upon retirement, death or redundancy at the initiative of the company, which is equal to one hundred twentieths:

- ✓ The 10% employer contribution and the 7% employee contribution based on the reference salary;
- ✓ The income from the investment of the employer and employee contributions;
- ✓ The prior service cost borne by SNIM (10% of the 2012 reference salary);
- ✓ The reference salary is the base salary plus the seniority bonus.

In other cases, only the employee contributions and the income from the investment of the employee contributions are paid to the employee.

Actuarial assumptions:

The charge has been determined according to the following assumptions:

- Subscription of all the employees
- No social charge due in respect of the supplementary pension
- Convergence of the rates over 20 years to 5% is taken into account, i.e. a risk premium of 3% compared to inflation
- No guaranteed rate of return
- The revaluation rate corresponds to the financial rate of return which is equal to 9%.

5.12 Provisions

Provisions are detailed as follow:

In millions Ouguiyas	12/31/15	Amortization	Reversal	12/31/16
Contingency provision	5 750	1 933	-2 128	5 555
TOTAL	5 750	1 933	-2 128	5 555

5.13 Trade payables and related accounts

Trade payables can be detailed as follows:

In million Ouguiyas	12/31/2016	12/31/2015
Trade payables	29 815	40 079
Accrued payables	687	1 584
TOTAL	30 502	41 663

There are no discounted payables as of closing date.

5.14 Taxes

In million Ouguiyas	12/31/16	12/31/15
Single tax SNIM	5 731	782
Taxes on wages and salaries	366	354
TOTAL	6 097	1 136

An agreement was signed on December 23, 1998 between the Mauritanian Government – represented by the Ministry of Finance and the Ministry of Industry and Mines - and the company, for a period of 20 years starting on January 1, 1999.

This agreement ensures SNIM's autonomy for management and importation.

The single tax on income comprises all taxes payable on the fiscal-year net income. In accordance with the agreement signed with the Mauritanian Republic, SNIM is liable for the single tax on income and pays an annual amount corresponding to 9% of total iron ore exports. An amendment to the agreement was signed in December 2008 concerning the basis of assessment of the single tax on income. Under this amendment, the single tax is 9% of the turnover of FOB iron ore export which is increased by the amount of demurrage.

There is no need to book any deferred taxes as there is no difference between the accounting values and fiscal values of assets and liabilities in the statement of financial position.

SNIM also pays a fixed annual amount of 80 million MUM representing the total tax for compensation of taxes and benefits in kind granted by SNIM to its employees

Advances on single tax and VAT credit are compensated with the single tax as the maturities of the single tax and VAT credit are similar and these amounts are recovered or paid by the same administration and that there is a legal right of compensation.

Subsidiaries are governed by common law with the exception of COMECA, SAFA and SAMMA which are admitted to the Nouadhibou Free Zone regime.

5.15 Other taxes

In million Ouguiyas	12/31/2016	12/31/2015
VAT payable	5 405	2 031
Other taxes	552	594
TOTAL	5 957	2 624

The agreement signed by the Mauritanian state and SNIM exempts from payment of all customs duties and similar charges, and all taxes, duties, fees and charges of any kind relating to all products, equipment and services as well as the mining research for iron and research of water. It also exempts the payment of all customs duties and similar taxes on all equipment, materials, supplies and consumables imported by companies and their subcontractors for the work performed on behalf of SNIM.

Clause N°1 was added to this convention on June 19, 2001 concerning VAT and subjugation of SNIM to this tax.

Under the amendment to the new agreement, SNIM is subject to VAT on the supply of goods that are not directly related to the industrial and mining services.

5.16 Other payables

In million Ouguiyas	12/31/2016	12/31/2015
Trade creditors	6 425	11 059
Payroll expenses and related costs	2 165	2 328
Dividends payable	311	100
Other payables and pre-payments	24 180	33 734
Loan within one year	30 031	179 068
TOTAL	63 112	226 289

Other payables are mainly composed by the advance granted to SABIC of 30 million of American dollars related to the research license sale of ATOUMAI area charges to pay and interests included.

Trade creditors correspond to the ore customers whose final bills are in their favor

6. ADDITIONAL INFORMATION RELATING TO THE INCOME STATEMENT

6.1 Sales

In millions ouguiyas	2016	2015
Sales of iron ore	204 017	95 658
Sales of subsidiaires	15 491	15 592
TOTAL	219 508	111 250

Sales of iron ore in the amount of 204 017 MUM (579 220 660 American dollars) for financial year 2016 ((net of demurrage). Almost all sales of iron ore are to Western European countries and China.

73 % of total iron ore sales for 2016 are generated by three customers (GLENCORE, ILVA and CARGIL) in 2016.

Geographical breakdown of sales is disclosed below:

In millions Ouguiyas	2016	2015
China	151 216	53 368
Germany	18 277	17 496
Italy	16 775	17 420
France	8 940	7 373
Others	8 807	0
TOTAL	204 017	95 658

6.2 Other income

In million Ouguiyas	2016	2015
Rents, material disposal, telecom	716	1 126
Rentals of buildings and equipment	340	102
Other services	1 919	1 578
Supply of personnel	139	299
Various income from disposals	1 765	1 795
TOTAL	4 879	4 900

6.3 Other operating income

In million Ouguiyas	2016	2015
Discount obtained	121	97
Profit and gains	644	445
Reversal /provisions	3 715	7 624
Profits / disposals	4	834
TOTAL	4 485	9 000

6.4 Consumables

In million Ouguiyas	2016	2015
Materials and goods consumed	68 463	69 400
Consumed food & household products	95	113
Water and electricity	702	852
Materials & supplies	1 626	771
DSP materials consumed	134	2
TOTAL	71 021	71 139

Supplies decline is detailed as follows:

In million Ouguiyas	2016	2015	Var.	%
Hydrocarbons	21 863	22 945	-1 082	104,9%
Mining machinery	8 790	7 119	-7 756	81,0%
Explosives	5 061	5 266	-2 865	104,0%
Tires	3 230	3 955	-1 266	122,4%
Railway	5 368	2 581	-493	48,1%
Oils	3 230	2 937	-1 032	90,9%
Conveyor belts	1 893	470	-1 631	24,8%
Various consumables	21 586	25 866	-2 666	119,8%
Total	71 021	71 139	-36561	100%

6.5 Staff Cost

In million Ouguiyas	2016	2015
Wages	(29 500)	(31 640)
Social charges	(3 780)	(2 141)
Provision for retirement indemnities	170	(1 559)
Complementary pension scheme	(6 540)	(1 443)
TOTAL	(39 649)	(36 782)

The increase of the expenses of staff is mainly explain by the recording of past services cost taken by SNIM for 5 646 MUM. The changes of the Group's workforce by category are as follows:

Category	2016	2015
Executives	488	485
Supervisory staff	3172	3 190
Workers	3603	3 599
TOTAL	7 263	7 274

The average workforce is calculated on the basis of the present number employees working for the company at the end of each month.

6.6 Depreciation, amortization and provision

In million Ouguiyas	2016	2015	2015 restated
Depreciation of property, plant and equipment	(35 050)	(35 050)	(42 097)
Amortization of intangible assets	(288)	(288)	(288)
Allocation to provision for contingency and retirement	(2 032)	(2 032)	(2 032)
Other depreciation, provisions	(29 387)	(1 849)	(1 849)
TOTAL	(66 757)	(39 219)	(46 266)

6.7 Taxes and Duties

Taxes are detailed as follow :

In million Ouguiyas	2016	2015
Tax on benefit	82	82
Other taxes	2 233	400
TOTAL	2 315	482

6.8 Other operating expenses

Other operating expenses are detailed as follows

In million Ouguiyas	2016	2015
Expenses related to investment	7 565	6 814
Expenses related to operations	3 375	3 914
Other Charges	5 783	1 916
TOTAL	16 723	12 644

The investment-related expenses relate mainly to repair and maintenance costs, insurance and the costs of studies and technical assistance.

Expenses related to the operations concerns mainly the assignment expenses, fees, telephone, ore analysis and bank charges.

Other Charges are related to donations, grants, fines, penalties and slowdown of stock.

6.9 Financial Income

The financial income breakdown as follows:

In million Ouguiyas	2016	2015
Interest and related income	2 309	2 088
Income on financial instrument	1 138	2153
Foreign exchange gains	9 281	13 253
Other financial income	17	74
TOTAL	12 746	17 568

Foreign exchange gains decreased. The detail is as follows:

In million Ouguiyas	2016	2015
Unrealized exchange gains	515	630
Other exchange gains	8 766	12 623
TOTAL	9 281	13 253

6.10 Financial Expenses

Financial Expenses are detailed as follow:

In million Ouguiyas	2016	2015
Interest and related charges	8 950	3 804
Foreign exchange losses	17 690	26 799
Charges on financial instruments	1 693	5 058
Other financial charges	916	1 050)
TOTAL	29 248	36 710

Exchange losses are detailed as follows:

In million Ouguiyas	2016	2015
Unrealized exchange losses	9 238	14 985
Other exchange losses	8 452	11 814
TOTAL	17 690	26 799

7. ADDITIONAL INFORMATION RELATED TO THE STATEMENT OF CASH FLOWS

7.1 Restatement of amortizations and provisions

In million Ouguiyas	2016	2015	2015 Restated
Amortization of property, plant and equipment	53 015	32 447	39 494
Amortization of intangible assets	173	326	326
Amortization of financial assets	10 440	0	0
Allocation to provisions (risks & charges + IDR)	7 608	5 040	5 040
Loss of tangible assets	0	820	820
TOTAL DEPRECIATION AND PROVISIONS	71 236	38 633	45 680

7.2 Changes in working capital

In million Ouguiyas	2016	2015
Decrease (Increase) in inventories	4 226	12 686
Decrease (Increase) in trade receivables	(41 542)	(2 327)
Decrease (Increase) in other receivables	(105)	(830)
Increase (Decrease) in trade payables	(375)	(4 896)
Increase (Decrease) State and other local authorities	163	(212)
Increase (Decrease) in other payables	(11 033)	16 528
CHANGE IN WORKING CAPITAL	(48 665)	20 949

7.3 Disbursements related to fixed asset acquisitions

In million Ouguiyas	2016	2015
Acquisition of tangible assets	(33 302)	(57 012)
Acquisition of intangible assets	(2 260)	(805)
Acquisition of net financial assets	(9 757)	(923)
TOTAL ACQUISITIONS	(45 319)	(58 739)

7.4 Reversal of depreciation and provisions

In million Ouguiyas	2016	2015
Capitalized production	(6 282)	(10 385)
Reversal of depreciation and provision	(1 882)	(18 817)
TOTAL ACQUISITIONS	(8 164)	(29 202)

7.5 Foreign exchange gains/losses

In million Ouguiyas	2016	2015
Foreign exchange gains/losses on loans	9 450	14 348
Net deferred profits on financial instruments	667	10 672
TOTAL	10 117	25 020

8. OTHER COMMITMENTS AND LIABILITIES

Off balance sheet commitments are broken down as follows:

In million Ouguiyas	2016	2015
Documentary credits in progress	4 042	5 498
Commitments on contracts	10 670	10 670
Guarantees received from contractors	3 028	4 589
Balances of undisbursed funds	-	1 088
Total	17 740	21 845

9. RELATED PARTY DISCLOSURES

Transactions with related parties are not significant.

They relate mostly to the sale (of materials and fuel) as well as on workshop services.

The following table summarizes the main intergroup services invoiced in 2016 in million Ouguiyas:

Entities	ATTM	COMECA	SAMMA	SAMIA	SOMASERT	GMM	SAFA	GIP	TUM	MSMS	M2E	EMC	SNIM	TOTAL
ATTM													174	174
COMECA	19												477	496
SAMMA	9	4			10	0	1						275	298
SAMIA												0		0
SOMASERT	2	4	1	0		0	2	2		3		2	593	608
GMM														-
SAFA	2												1343	1 346
GIP													548	548
TUM														-
MSMS														-
M2E					7								1135	1 142
EMC														-
SNIM	119		148	0	41	150	92	170		25	2131			2 876
TOTAL	152	7	149	0	57	150	95	171	0	28	2 131	2	4 545	7 488

The total of the transactions of groups towards the parent company amounts to MUM 4 545 among which MUM 2 510 of fixed assets and inventories.

The transactions made by the parent company for the benefit of the companies of the group amount to 2 876 MUM,

Information relating to remuneration of subsidiaries directors is not disclosed for purposes of confidentiality.

10. EVENTS AFTER THE REPORTING PERIOD

The financial statements have been approved and authorized by the Executive Board on April 20, 2017. They don't reflect the occurrence of subsequent events after this date.