Société Nationale Industrielle et Minière

Year ended December 31, 2017

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

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Société Nationale Industrielle et Minière

Year ended December 31, 2017

Statutory auditor's and Independent auditor's report on the annual financial statements

To the President,

Opinion

We have audited the annual financial statements of 'Société Nationale Industrielle et Minière (S.N.I.M), which comprise the statement of the financial position as at December 31, 2017, as well as the income statement, statement of change in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying annual financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2017 and its financial performance and 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 Entity 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 annual 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 annual Financial Statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the annual 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 annual 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 annual 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 Entity'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 annual 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 annual financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 et Paris-La Défense, May 7,2018

The Statutory Auditor and the Independent Auditor

CONEX	Ernst & Young Audit
El Agheb Limam Brahim	Pierre Abily

SOCIETE NATIONALE INDUSTRIELLE ET MINIERE

STANDALONE FINANCIAL STATEMENTS

YEAR ENDED AS OF DECEMBER 31th, 2017

SNIM

Statement of financial position
Year ended as of December 31st, 2017

In million Ouguiyas	Note	31/12/2017	31/12/2016
Non-current assets			
Property, Plant & Equipment	4.1	674 672	691 667
Exploration assets		304	489
Intangible assets	4.2	2 538	4 505
Other financial assets	4.3	13 430	12 502
Investment in associates	4.3	29 474	25 416
Total of non-current assets		**720 418**	**734 579**
Current Assets			
Inventories and work in progress	4.4	70 738	64 890
Trade receivables	4.5	20 199	48 915
Other receivables	4.6	30 211	28 885
Financial instruments	4.7	952	346
Cash and cash equivalents	4.8	95 360	76 798
Total current assets		**217 460**	**219 834**
TOTAL ASSETS		**937 878**	**954 414**

EQUITY & LIABILITIES

In million Ouguiyas	Note	12/31/2017	12/31/2016
Equity			
Issued capital	4.9	182 700	182 700
Share premium	4.9	6 464	6 464
Underlying net earnings on forward contracts	4.7	20 762	20 637
Accumulated profits (not distributed)		455 937	455 123
Total Equity		**665 862**	**664 924**
Non-current liabilities			
Interest bearing loans and borrowing	4.10	138 254	159 343
Retirement benefit obligations	4.11	24 503	22 642
Provisions	4.12	4 731	5 457
Total non-current liabilities		**167 488**	**187 442**
Current Liabilities			
Trade payables	4.13	40 028	33 098
State and other public taxes	4.14	4 064	6 097
Other taxes	4.15	634	3 347
Other payables	4.16	59 670	58 469
Forward contracts	4.7	132	1 036
Total current liabilities		**104 528**	**102 048**
TOTAL LIABILITIES& LIABILITIES		**937 878**	**954 414**

SNIM
Income Statement
Period of 12 months ended on December 31st, 2017

In million Ouguiyas	Note	2017	2016
Sales	5.1	**183 095**	**204 017**
Revenue from ancillary business activities	5.2	4 962	4 712
Other operating income	5.3	7 345	6 231
Operating income		**195 402**	**214 960**
Changes in inventory of finished goods and work-in-progress		2 502	(349)
Capitalized production		7 125	6 282
Raw materials and consumables used	5.4	(74 088)	(63 808)
Personnel expenses	5.5	(35 836)	(36 920)
Depreciation, amortization and provision expenses	5.6	(56 410)	(64 820)
Taxes and duties	5.7	(556)	(2 027)
Other operating expenses	5.8	(15 643)	(14 754)
Profit from operation		**22 495**	**38 563**
Financial income	5.9	12 999	12 677
Financial expenses	5.10	(17 930)	(28 590)
Profit before tax		**17 565**	**22 650**
Income tax		(16 751)	(18 501)
Net profit		**814**	**4 149**
Earnings per share in Ouguiyas		**45**	**227**

Statement of comprehensive Income

In million Ouguiyas	31/12/2017	31/12/2016
Net profit	814	4 149
Impact of financial instruments	125	2 079
Comprehensive income	**939**	**6 227**

SNIM
Statement of Cash-flows
Period of 12 months ended on December 31st 2017

In million Ouguiyas	**Note**	**31/12/2017**	**31/12/2016**
Operating activities			
Income before tax		17 565	22 650
Amortization, depreciation and provision	6.1	54 686	69 300
Reversal of amortization, depreciation and provisions	6.4	(14 037)	(8 939)
Gains /losses on asset sales		0	0
Gains /losses on exchange	6.5	310	10 117
Investment income		(2 910)	(2 037)
Financial expenses		8 407	8 732
Changes in working capital	6.2	29 556	(46 878)
Cash flow generated by operating activities		**93 576**	**52 946**
Interest paid		(7 961)	(8 277)
Income tax paid		(18 805)	(10 370)
Net cash flow from operating activities		**66 811**	**34 298**
Investing activities			
Acquisition of fixed assets	6.3	(26 515)	(44 376)
Loan repayment		155	
Proceeds from sale of equipment		0	0
Interest received		2 077	1 703
Dividends received		833	334
Net cash flow from investing activities		**(23 449)**	**(42 339)**
Financing activities			
Proceed from long-term borrowings		645	1 121
Payments on long-term borrowings		(25 445)	(24 572)
Dividends paid		-	-
Net cash flow from financing activities		**(24 800)**	**(23 451)**

Cash and cash equivalents at the beginning of the period		**76 798**	**108 291**
Net decrease in cash and cash equivalents		18 561	(31 492)
Cash and cash equivalents at the end of the period		**95 359**	**76 799**

SNIM
Statement of changes in shareholders' equity
Year ended December 31st , 2017

In million Ouguiyas	Share Capital	Share premium	Accumulated profits	Underlying net earnings on forward contracts (1)	Total
Shareholders' equity as of January 2016	**182 700**	**6 464**	**450 975**	**18 558**	**658 696**
Equity Increase					
Revaluation of financial instruments				2 079	2 079
Net profit of the period			4 149		4 149
Dividends					
Other					
Shareholders' equity as of December 31, 2016	**182 700**	**6 464**	**455 123**	**20 637**	**664 923**
Equity Increase					
Revaluation of property plant and equipment					
Revaluation of financial instruments				125	125
Net Profit			814		814
Dividends					
Other					
Shareholders' equity as of December 31,2017	**182 700**	**6 464**	**455 937**	**20 762**	**665 862**

(1) - TAT : TAT : Forward Contract

NOTES TO THE FINANCIAL STATEMENTS
As at December 31st, 2017

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

The statutory financial statements for the year ended December 31st, 2017 were authorized for issuance in accordance with a resolution of the Board of Directors on April 19, 2018.

1- MAJOR EVENTS OF THE YEAR OF 2017

The financial year 2017 has been marked by the following events:

- The increase in selling prices of iron ore has been partially offset by the chemical penalties (silica)
- Indexation of GMAB sales on IODEX 65%, more favorable for the company.
- A loan agreement with FADES to finance the Guelb I modernization project for 37 billion ouguiyas
- Update of NOUHOUD program.
- Adoption of a new HSSE strategy
- Renewal of the certification ISO 9001 et 14001

2- COMPANY AND BUSINESS ACTIVITY

The National Industrial and Mining Company (SNIM) is a limited company under Mauritanian laws. The company is registered in the Islamic Republic of Mauritania. The company headquarters are located in Nouadhibou, PO. 42.
The company carries out the exploration, production and marketing of iron ore. The company extracts iron ore from the mines of M'haoudat, Guelbs and Kédia.

3- ACCOUNTING POLICIES

3-1 Principles for the preparation of the Financial Statements

Applicable standards

The 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..

Standards, amendments and interpretation applicable as of 1stJanuary 2017

The financial statements as at December 31st, 2017 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, 2017.

The amendments becoming mandatory from January 1st, 2017 had no significant impact on the company accounts neither their presentation.

The amendments are related to the following:

- ***Amendments to IAS 7 Statement of Cash Flows:*** The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses)

- ***Amendments to IAS 12 Income Taxes: recognition of deferred tax assets for unrealized Losses:*** The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

- ***Amendments to IFRS 12 Disclosures about interests in other entities:*** In December 2016, the IASB published Annual Improvements to IFRS Standards 2014-2016 Cycle to clarify that IFRS 12, other than paragraphs B10-B16, applies to an entity's interest in a subsidiary, joint venture or associate (or part of its interest in a joint venture or associate) that is classified (or included in a disposal group) as held for sale or discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

<u>New IFRS standards and IFRIC interpretations issued but not yet effective</u>

- **IFRS 9 Financial Instruments:**

In July 2014, the IASB issued the final version of IFRS 9 that replaces IAS 39 Financial Instruments: Recognition and Measurement. This standard addresses the classification and measurement of financial assets and liabilities, new impairment model and new rules for hedge accounting. This standard shall apply for annual periods beginning on or after January 1, 2018. The Company has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

a) Classification and measurement: IFRS 9 establishes a new approach to determine whether a financial asset should be measured at amortized cost or fair value, based on the cash flow characteristics and the business model in which an asset is held. The Company is currently assessing the impact of this standard on our financial statements.

b) Impairment: IFRS 9 requires the use of an expected credit loss model for its trade receivables measured at amortized cost, either on a 12-month or lifetime basis. Given the short term nature of these receivables, the Company does not expect these changes will have a significant impact.

c) Hedge accounting: The changes in IFRS 9 relating to hedge accounting are not expected to have significant impact on its financial statements.

- **IFRS 15 Revenue from Contracts with Customers :**

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The Company performed an analysis of its contracts with customers and applied the five-step model of IFRS 15 to assess the impact of adopting the new standard on existing contracts. The Company does not anticipate any significant changes in the timing or measurement of revenues resulting from the review of its iron ore sales contracts. The following points were noted :

a) Impact of shipping conditions: Under IFRS 15, the provision of shipping services will constitute a separate service (and therefore a separate performance obligation) to which a portion of the transaction price should be allocated and recognized as the shipping services are provided. For SNIM, mineral sales are made in FOB (Free on board) which means that the control passes to the customer at the port of loading and that it is the buyer who will take charge of transport and insurance. Accordingly, IFRS 5 will not affect the timing and measurement of the Company's revenues from mineral sales.

b) Provisionally priced sales: The concentrate sales contracts are provisionally priced at the time of sale. Variations between the price at the time of sale and actual final price received result in embedded derivatives in trade receivables that are recorded at fair value until final settlement. Changes in fair value will continue to be classified as revenue and will be disclosed separately in the notes to the financial statements.

c) Other presentation and disclosure requirements: In addition to the presentation and disclosure requirements for provisionally priced sales discussed above, IFRS 15 contains other presentation and disclosure requirements which are more detailed than the current IFRS. The presentation requirements represent a significant change from current practice and will increase the volume of disclosures required in the financial statements.

- **IFRS 16 Leases:**

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees: leases of ’low-value’ assets (e.g., personal computers); and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.
Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the measurement of the lease liability as an adjustment to the right-of-use asset.
Lessor accounting under IFRS 16 is substantially unchanged from today’s accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.
The assessment of the potential impact of IFRS 16 on SNIM's financial statements will be completed in 2018.

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 reevaluated 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 valuated 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.
The items in the statement of financial position are presented according to the classification of current and non-current assets, current and non-current liabilities.

Assets held for sale or consumed during the normal operating cycle of the Group as well as cash and cash equivalents constitute the Group's current assets. Other assets are non-current assets. Current liabilities are those falling due during the Group's normal operating cycle or within twelve months following the end of the financial year. Other debts are non-current.
In preparing the financial statements, and in accordance with international accounting principles, the assessment of certain balances in the statement of financial position or the income statement requires p management to take into account a certain number of estimates or assessments and assumptions that have an impact on the amounts of assets and liabilities and on income and expenses in the income statement. These estimates or assessments and assumptions are based on information or situations existing at the date of preparation of the financial statements, which may prove, in the future, to be different from reality.

3-2 Property, plant and equipment

Accounting policies:

Tangible assets are recorded on the basis of cost model according to the standard IAS 16. Cost includes the purchase price, all costs necessary to bring the asset to working condition less accumulated depreciation and impairment. The fair value model is applied for some asset categories as the following:

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.

Depreciation of tangible assets are 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 life 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

Lease 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.

Impairment

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.

Stripping Costs

In surface mining operations, entities may find it necessary to remove mine waste materials ('overburden') to gain access to mineral ore deposits. This waste removal activity is known as 'stripping'. There can be two benefits accruing to the entity from the stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods.

- Stripping cost incurred during the development phase: costs incurred are capitalized and are included in the cost of mine construction and subsequently amortized over its useful life. Capitalization of discovery costs ceases when the mine or component is commissioned and ready for use as planned by management.
- Stripping cost incurred during the operating phase: IFRIC 20 provides for the following treatments:

  (a) Accounted for as current costs of production in accordance with IAS 2 if they are related to routine stripping cost.

  (b) Recognition as a non-current asset ‘stripping activity asset’) when stripping activities provide better access to the natural resource in subsequent periods if, and only if, all of the following are met:

    (i) it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity;

    (ii) the entity can identify the component of the ore body for which access has been improved;

    iii) the costs relating to the stripping activity associated with that component can be measured reliably.

Given the constraints related to the implementation of the standard that affect the reliability of the information to be produced, the stripping cost incurred during the production phase is allocated to inventories produced during the period.

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).

3-3 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 company intangible assets do not include any Goodwill.

3-4 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.

3-5 Other Financial Assets

The Company 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.

3-6 Investments in associates

Investments in associates are booked at their acquisition cost or at their value determined under the equity method. A provision is accrued when the investment in associate value is lower than the equity value.

3-7 Inventories and work-in-progress

Inventories and work in progress are mainly composed of raw materials, iron ore and other supplies (Spare parts)
In accordance with IAS 2, raw materials and other supplies, including spare parts, are valued at the lower of the weighted average cost and net realizable value.

Inventories of iron ore and other supplies are depreciated every year and are valued at its net realizable value. 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 test.

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: Company 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.

The useful value 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.

3-9 Trade receivable

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.

3-10 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).

3-11 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.

3-12 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. The debt ratio calculated from the data of the year ended 12/31/2017 is 2, 04.

Within the context of the Development and Modernization Project, SNIM signed financing agreements with commercial financial institutions and institutional sponsors. Among these agreements, two loans contracted within the following banking pool :

i) the African development bank ,the French Development Agency, the European Investment Bank ,the Islamic Development bank , BNPParibas , Société Générale, BHF-BANK Aktiengestellschaft et Kfw as regards the financing ***GuelbII project*** and

ii) ii) BNPParibas, Société Générale ,BHF-BANK Aktiengestellschaft et Kfw for the financing of **new mineral harbor** project

The outstanding amount of bank loans amounted on December 31,2017is $332 MUS for Guelb II project and $48 MUS for the new mineral harbor 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

The said ratios are as follows :

- o Debt coverage service ratio (Free Cash-Flow /Debt Service) : >1,3
- o Indebtedness Ratio (DLMT/Exceeds gross operating) : <3,5
- o Ratio of Financial Structure (DLM / Equity) : <2
- o Current Ratio (Current Assets /Current liabilities) : >1,5

As of 31/12/2017, all the ratios have been meet~~.~~

3-13 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.

3-14 Site rehabilitation:

Legal obligations at December 31, 2017 for the rehabilitation of mining sites are governed by the following regulatory framework.

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 operations 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, 19th, 2018, **the Council of Ministers has not adopted any decree instituting the practical obligations.**

Law no. 2000-45 relating to the environment: The law 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

The 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 April, 19th, 2018, 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

The decree didn't modify the 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.

A provision will be recognized as soon as a reliable assessment of this obligation will be made. Variations of this passive evaluation will be record as per IFRIC 1's meanings.

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.

The company offers certain additional non post-employment benefits to its senior 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.

Definition of 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 reference salary
- The prior service cost is borne by SNIM
- The reference salary is the base salary plus the seniority bonus (cf. 4.11 Actuarial assumptions)

Increases and reversals of the lump-sum pension indemnities and supplementary pension are booked to personnel charges.

3-16 Income from ordinary activities

Revenue is recognized to the extent that it is probable that the future economic benefits will flow to the company and the revenue can be reliably measured. Regarding the sale 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.
Interest revenues are recognized to the extent of accrued interests.

3-17 Public subsidies

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 installments.

3-18 Income tax

In view of SNIM's current fiscal status and the bases for the determination of tax (9% of the turnover) there are no deferred taxes.

3-19 Management of the functional and presentation currency

SNIM presents its financial statements in local currency, the Ouguiya. However, according to IAS 21 revised, 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 allows the editing of financial statements presented in USD. Shareholders' equity based on USD as a functional currency and presented in MRO (converted to average annual rate) can be estimated at 815 884 MUM against to 665 862 MUM in the presented financial statements. Likewise income based on USD as a functional currency and presented in MRO can be estimated at 11 765 MUM against 814 disclosed in the financial statements.

3-20 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 or to financing operations are qualified as cash-flow hedges where the company hedges exposure to variability in cash-flows attributable to a future transaction. SNIM does not uses financial instruments 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.

Cash-flow hedging respecting the eligibility criteria of the hedge accounting:

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 hedging transaction 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 (efficiency tests). At that point, any cumulative gain or loss on the hedging instrument initially recognized in equity should be kept separately in equity until the commitment is undertaken or the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss directly recognized in equity is transferred to net profit or loss for the year.

Derivative financial instrument operations not qualifying for hedge accounting:

Gains or losses arising from the changes in the fair value of the derivative instruments (such as the put options or the conditional contracts so called exotic contracts), 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 when the contract is negotiated and later revalued at the fair value at every 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 an independent expert 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

3-21 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 in the Cash flow Statement.

4- ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF FINANCIAL POSITION

4.1 Tangible assets:

Assets valued at fair value	31/12/2016	Acquisitions	Transfers	Disposals	31/12/2017
Gross value	479 219	7 538	(7)	(912)	485 838
Amortization	145 455	15 314	683	(912)	160 539
NET VALUE	**333 764**	**(7 776)**	**(690)**	**0**	**325 298**

Assets valued at cost	31/12/2016	Acquisitions	Transfers	Disposals	31/12/2017
Gross value	502 422	14 495	7	(2 408)	514 516
Amortization	210 885	30 623	(2 016)	(2 269)	237 222
NET VALUE	**291 537**	**(16 128)**	**2 023**	**(138)**	**277 294**

TOTAL GROSS VALUE	**981 641**	**22 033**	**0**	**(3 320)**	**1 000 354**
TOTAL AMORTIZATION	**356 340**	**45 936**	**(1 333)**	**(3 182)**	**397 762**
FIXED ASSETS IN PROGRESS	**66 366**	**28 923**	**0**	**(23 209)**	**72 080**
NET VALUE FIXED ASSETS	**691 668**	**5 019**	**1 333**	**(23 347)**	**674 672**

The additions of the year amount to 28 923 MUM of which 7 125 MUM of capitalized production.

An impairment test was performed and no impairment of the assets of the company is necessary.

There is also no collateral on property, plant and equipment.

Capitalized borrowing costs:

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

In million Ouguiyas	31/12/2016	Incorporated costs during the period	31/12/2017
Guelb2	20 241	-	20 241
Mineral Port	4 058	-	4 058
Total	**24 299**	**-**	**24 299**

Finance leases

The gross book value of finance leases included in work in progress assets and finals assets (see 4.1 Property, plant and equipment) presents a nil value.

The gross book value of the financial leases included in the final assets (see 4.1 Tangible fixed assets) is as follows:

In million Ouguiyas	31/12/2016	Acquisitions	Disposals	31/12/2017
Renewal of Port Equipment (part BID)	7 686	-	-	7 686
Other materials Guelbs II (part BID)	23 235	-	-	23 235
Railway materials (Part BID)	6 307	-	-	6 307
Gross value	**37 228**	**-**	**-**	**37 228**

Other materials Guelbs II correspond to

i) 10 mining trucks for MUM 6 135

ii) 6 locomotives for MUM 5 730

iii) 6 loading systems of wagon for MUM 4 628

iv) 4 wet concentrations for MUM 6 742

Railway materials correspond to:

i) Concrete sleepers plant for MUM 3747

ii) Supplies of equipment of Railway for MUM 2 559

<u>Finance lease obligations</u>

Minimum lease payments in thousands of USD	31/12/2017	31/12/2016
Due within one year	12 371	12 882
From 2nd to 5th year inclusive	44 551	47 255
More than five years	26 875	47 255
Less future financial charges	(12 331)	(17 262)
Finance leases debt	**71 468**	**90 130**

4.1.1 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

VALEUR BRUTE In million Ouguiyas	31/12/2016	Acquisitions	Transfers	Disposals	31/12/2017
Specialized complex installations	394 751	3 798	(7)	(2)	398 540
Railway rolling stock and railroad track	84 468	3 740	-	(911)	87 297
TOTAL	**479 219**	**7 538**	**(7)**	**(912)**	**485 838**

AMORTIZATION In million Ouguiyas	31/12/2016	Depreciation	Transfers	Disposals	31/12/2017
Specialized complex installations	107 408	13 105	389	(2)	120 900
Railway rolling stock and railroad track	38 047	2 209	293	(911)	39 639
TOTAL	**145 455**	**15 314**	**683**	**(912)**	**160 539**

NET BOOK VALUE In million Ouguiyas	31/12/2016	Increase	Transfers	Disposals	31/12/2017
Specialized complex installations	287 343	(9 307)	(396)	0	277 640
Railway rolling stock and railroad track	46 421	1 531	(293)	0	47 658
TOTAL	**333 764**	**(7 776)**	**(690)**	**0**	**325 8**

4.1.2 Property, plant and equipment at acquisition cost

GROSS VALUE In million Ouguiyas	**31/12/2016**	**Acquisitions**	**Transfers**	**Disposals**	**31/12/2017**
Land	6 602	49		-	6 651
Land improvements	190	-		-	190
Buildings	198 431	8 719		(271)	206 879
Operating equipment	274 611	4 846	(1)	(861)	278 595
Transportation equipment	14 837	598	8	(18)	15 424
Office and IT equipment	5 029	283	-	-	5 312
Office furniture	2 722	-	-	(1 257)	1 465
TOTAL	**502 422**	**14 495**	**7**	**(2 408)**	**514 516**

Amortization In million Ouguiyas	**31/12/2016**	**Allowance**	**Transfers**	**Reversals**	**31/12/2017**
Land	-	-	-	-	-
Land improvements	166	-	-	-	166
Buildings	59 383	9 660,3	885	(116)	69 812
Operating equipment	128 775	18 733	1283	(854)	147 937
Transportation equipment	10 670	1 772	553	(18)	12 976
Office and IT equipment	4 394	341	287	-	5 022
Office furniture	2 463	117	11	(1 281)	1 310
Depreciation provisions	5 035	-	(5 035)	-	0
TOTAL	**210 885**	**30 623**	**(2 016)**	**(2 269)**	**237 222**

NET BOOK VALUE In million Ouguiyas	**31/12/2016**	**Increase**	**Transfers**	**Decrease**	**31/12/2017**
Land	6 602	49	-	-	6 651
Land improvements	25	-	-	-	25
Buildings	139 048	(941)	(885)	(156)	137 067
Operating equipment	145 836	(13 887)	(1 285)	(7)	130 658
Transportation equipment	4 167	(1 174)	(544)	-	2 449
Office and IT equipment	635	(58)	(287)	-	290
Office furniture	259	(117)	(11)	24	155
Depreciation provisions	(5 035)	-	5 035	-	0
TOTAL	**291 537**	**(16 128)**	**2 023**	**(138)**	**277 294**

The following table shows the gross values of fully depreciated property, plant and equipment that are still in use as of December 31, 2017:

	Gross Value	
In million Ouguiyas	**31/12/2016**	**31/12/2 017**
Buildings	13 849	14 086
Railway rolling stock and railroad track equipment	17 135	17 858
Specialized complex installations	66 347	68 051
Operating equipment	51 836	70 845
Transport equipment	6 798	9 432
Other tangible assets	4 939	5 243
TOTAL	**160 904**	**185 515**

Sensitivity tests

Within the framework of the closing, the assessment of the reasonably possible change in key assumptions by the Group corresponds to the ranges of values used in sensitivity tests.

In accordance with IAS 36, sensitivity tests on the key assumptions, including operational were carried out taking into account reasonably possible changes namely:

- A sensitivity test on mineral ore
- A sensitivity test on growth rate and CMPC

4.2 Intangible assets

Variation in Intangible gross fixed assets In million Ouguiyas	31/12/2016	Acquisitions	Transfer	Cessions	31/12/2017
Intangible fixed assets value	6 607	50		0	6 657
TOTAL	**6 607**	**50**	**0**	**0**	**6 657**

Change in amortization In million Ouguiyas	31/12/2016	allowance	Transfer	Reprises	31/12/2017
Intangible fixed assets value	2 102	836	1 182	0	4 119
TOTAL	**2 102**	**836**	**1 182**	**0**	**4 119**

Net value of intangible fixed assets In million Ouguiyas	**4 505**	**(786)**	**(1 182)**	**0**	**2 538**

These intangible assets relate to acquired patents and software.

4. 3 other financial assets and investments in Associates

In million Ouguiyas	31/1/2/2017	31/1/2/2016
Loans and advances	12 346	11 410
Deposits and guarantees	1 084	1 092
Other financial assets	**13 430**	**12 502**
Investment in associates	29 474	25 416
TOTAL	**42 904**	**37 918**

4 .3.1 Investment in associate's entities:

Loans granted to employees do not bear interest. The impact of discounting is deemed insignificant, so loans and guarantees are accounted for at their historical amount.

The NJAH Loan is relative following the tripartite agreement (State, SNIM and NAJAH) by which the State agrees to pay SNIM the remainder of the loan and NAJAH undertakes to carry out certain work in favor of the State.

Deposits and guarantees are valued on the basis of the amounts disbursed. The difference with their fair value is not significant.

4.3.2 Investment in associates entities

In million Ouguiyas	31/12/2016	Augmentations	Transfer	Cessions	31/12/2017
Investments in associates	55 283	2 951		0	58 234
Subsidiary loans	11 802	807		(155)	12 124
Gross value	**67 085**	**3 758**	**0**	**(155)**	**70 358**
Depreciation of Investments in associates	30 028	2 187	0	(2 628)	29 587
Depreciation of Subsidiary Loans	11 641	0	0	(344)	11 297
Provision for impairment	**41 669**	**2 187**	**0**	**(2 972)**	**40 884**
Interest	25 255	764	0	2 628	28 647
Loans to subsidiaries	161	477	0	189	827
Net value	**25 416**	**1 241**	**0**	**2 817**	**29 474**

The addition of investment in associate's value is explained by the following:

- Increase in the capital of GHM for 2 523 MUM
- Increase in the capital of M2E for 375 MUM.
- Increase in the capital of GMM for 40 MUM
- Shareholding in ENCO pour 12 MUM

The increase in the subsidiary loans correspond:

- New advances made by shareholders to EMC for 605 MUM
- Lean to GMM for 99,8 MUM
- Loan to AMSAGA for 38 MUM

The depreciation of investment in associates is detailed as follows:

- On the shareholder advance from EMC for 1 599 MUM
- On the loan to GMM for 505 MUM
- On the shareholder advance from MSMS for 83 MUM

Investment in associates as of 31 12 2017												
	Capital	**Equity other than capital**	**Share capital held (in %)**	**Book value of the investment in balance sheet**		**Loans or advances granted and not repaid in balance sheet**		**Guarantees and endorsement given**	**Turnover**	**Income**	**Total of Balance sheet In million Ouguiyas**	**Dividends received during the year**
In millions ouguiyas				**Gross**	**net**	**Gross**	**net**					
SOMASERT	570	300	100%	561	561	-	-	-	584	39	1 213	0
SAFA	300	2 051	100%	282	282	-	-	-	1 808	452	2 810	300
SAMMA	100	2 791	53%	9	9	-	-	-	1 123	265	3 559	173
ATTM	7 000	4 372	100%	23 760	2 628	1 340	0	-	16 126	275	24 073	0
COMECA	200	453	92%	185	185	100	100	-	783	(55)	904	0
SAMIA	762	429	50%	381	381	-	-	-	574	(36)	1 981	0
GMM	702	(305)	96%	3 081	121	161	161	-	0	(10)	1 023	0
TUM	1 234	(1 169)	65%	815	1	0		-	-	0	108	0
EL AOUJ SA	24 565	(3 199)	50%	12 283	10 684	10 485	528	-	-	176	45 618	0
GIP	7 280	1 428	68%	4 950	4 950	-	-	-	1 076	347	14 621	238
MAIL	20 990	(8 419)	15%	3 156	157		-	-	14 914	(643)	51 562	0
DAMANE ASSURANCE SA	6 000	1 395	20%	1 200	1 200	-	-	-	1 080	152	10 583	122
MEE	500	192	100%	500	500				906	15	2 216	0
MSMS (TAKAMUL)	9 000	484	50%	4 500	4 417				10	0	9 634	0
AMSAGA	1 050		100%	2	1	38	38		0	0	0	0
GHM	5 058	(8)	50%	2 529	2 529	0	0	0	0	0	5 196	0
SRN	80	(100)	35%	28	28	0	0	0	145	(100)	80	0
ENCO	80	(15)	30%	12	12				40	(15)	70	0
				58 233	**28 646**	**12 124**	**827**					

The business purpose of each of the subsidiaries is presented below:

- ***La Société Mauritanienne de Services et de Tourisme (SOMASERT) :*** is managing hotel infrastructures and promotion of potential tourism in the country ;
- ***La Société Arabe du Fer et de l'Acier (SAFA)*** is producing iron and operating an iron-foundry with a capacity of 2,000 tons ;
- ***La Société d'Acconage et de Manutention en Mauritanie (SAMMA)*** does operations of consignment, transit and handling in the ports of Nouakchott and Nouadhibou ;
- ***La Société d'Assainissement, de Travaux, de Transport et de Maintenance (ATTM)*** does civil engineering and road construction ;
- ***La société Construction Mécanique de l'Atlantique (COMECA)*** does manufacturing, production and repair framework mechanical parts, mechanical ensembles, and boiler works ;
- ***La Société Arabe des Industries Métallurgiques (SAMIA)*** extracts and produces gypsum and plaster ;
- ***La société Granite et Marbre de Mauritanie (GMM***) does the exploitation and trade of ornemental stones, mainly granite and marble ;
- ***Gestion des Installations Pétrolières (GIP*** does the storage, transport and distribution of refined hydrocarbons;
- ***Tazadit Underground Mine*** does the search and underground mining of iron ore ;
- ***Damane Assurance :*** industrial insurance ;
- ***El Aouj Mining Company (EMC)*** produces pellets for the direct reduction of iron ore from the El Aouj guelbs ;
- ***Kharafi*** manages the hotel infrastructure ;
- ***Mauritanian Airlines International (MAIL)*** deals with the domestic, regional and international air transport.
- ***Mauritanienne d'Eau et d'Electricité (M2E***) for execution and management of water and electricity distribution network;
- ***Mauritania Saudi Mining and Steel (MSMS):*** produces and exports iron.
- ***AMSAGA***
- ***Grand Hôtel de Mauritanie (GHM) :*** construction and the management of hotels to cost categories.
- ***Société de Remorquage Nouadhibou (SRN)*** has for object the realization of activity of towing as well as any service of lamanage and piloting in the prot of Nouadhibou and in quite different port of Mauritania out outside.
- ***Engineering And Consulting Associes (ENCO) Strategic and operational consulting services***

Presentation of the Guelb El Aouj project

(a) Joint venture agreement

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 exploration of the project.

The 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 one third should be provided by the shareholders.

(b) 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 30, 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 in favor of the Qatar Steel which 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 March 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 2 new Guelbs, 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.

Au 31 December 2017, no final decision has been taken relating against the going concern of the project. The expenses incurred for this program amount to 29 883 MUM registering an increase of 1 034 MUM compared to 2016.

In millions d'ouguiyas	**31/12/2016**	**31/12/2017**	**Variation**
Cap Bouderga Tintekrate	10 947	10 947	0
Cap Expenses Study 2010	187	187	0
JV south Cappitalized	275	275	0
Cap Guelb El Aouj	17 440	18 474	1 034
TOTAL	**28 849**	**29 883**	**1 034**

(c) <u>Accounting policy</u>

As of December 31, 2017, the fair value of SNIM's investment in the El Aouj joint venture has not been modified and is based on Sphere's expenses for the feasibility study as of December 31, 2009, is 12,283 MUM (see 4.3.1 holdings in companies) which are fully impaired at 31.12.2017. As part of this project, SNIM receives assets corresponding to expenditures made by Sphere in return for a right of exploration that was partially valued in the accounts of SNIM.

4.4 Inventories and work-in-progress

In millions Ouguiyas	**31/12/2017**	**31/12/2016**
Raw materials at weighted average cost	66 293	60 762
Goods at weighted average cost	168	290
Ore at weighted average cost	33 701	31 200
Gross value of inventories	**100 162**	**92 251**
Allowance for depreciation of inventories of raw materials	(13 543)	(13 703)
Allowance for depreciation Decrease in the ore inventories	(15 880)	(13 657)
Total inventories at the lower of weighted average cost and net realizable value	**70 738**	**64 890**

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

In millions Ouguiyas	**31/12/2017**	**31/12/2016**
Raw materials at weighted average cost	66 293	60 762
Raw materials at net realizable value	**52 749**	**47 059**
Goods	**168**	**290**
Iron ore at weighted average cost	33 701	31 200
Iron ore at net realizable value	**17 821**	**17 542**
Total inventories at the lower of weighted average cost and net realizable value	**70 738**	**64 890**

The increase in inventories of raw materials is recorded mainly on Hydrocarbons and mining equipment respectively for 2.1 MUM and 1.9 MUM. The increase in ore stocks is correlated with the increase in the cost of production and the level of stripping activities.

The company does not practice any pledge on stocks.

4.5 Trade receivables

Trade receivables are detailed as follows:

In millions Ouguiyas	**31/12/2017**	**31/12/2016**
Iron ore trade receivables	13 734	43 204
Other trade receivables	6 465	5 710
Total	**20 199**	**48 915**

Generally, there is no credit risk on ore customers. An analysis of non-recovery risks for other customers is conducted regularly to adjust any write-downs of receivables.

Impairments on other customers amounted to 1,397 MUM as of December 31, 2017 compared to 1,038 MUM as of December 31, 2016.

The statement of changes in provisions for receivables is presented below:

In millions Ouguiyas	31/12/2017	31/12/2016
Provision as of January 1st , 2017	**1 038**	**2408**
Revaluation of foreign exchange		
Additional depreciation	778	14
Utilizations		
Reversals	(419)	(1384)
Provision as of December 31st, 2017	**1 397**	**1 038**
Debt collection on depreciated receivables	(419)	1384
Gross value of depreciated receivables	1 397	1 038

4.6 Other receivables

Other receivables are detailed as follows:

In millions Ouguiyas	31/12/2017	31/12/2016
Trade payables – debit balances	7 242	5 968
Personnel receivables	847	1 499
Trustee	15 377	15 599
Sundry receivables	1 183	580
Tax receivables	5 232	4 906
Deferred expenses	331	333
TOTAL	**30 211**	**(bb)885**

- Trade payables - debit balances relate to advances granted to its suppliers and orders realized before the issuing of the corresponding invoices
- Personnel receivables are mainly composite of short term advances granted to staff.
- Tax receivables are mainly composite of unique tax or other income from State.
- Deferred expenses are mainly composite of prepaid expenses

4.7 Financial instruments: disclosure

4.7.1 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, 2017 financial instruments recorded in the statement of financial position are presented as follows:

Breakdown by classes of instruments							
In million Ouguiyas	**Value in statement of financial position**	**Fair value**	**Fair value through profit and loss**	**Available-for-sale financial assets**	**Held-to-maturity investments**	**Loans and receivable**	**Financial liabilities measured at amortized costs**
Other financial fixed assets	13 430	13 430			1 084	12 346	
Trade receivables and related accounts	20 199	20 199				20 199	
Other receivables and related accounts	30 211	30 211				30 211	
Cash and cash equivalents	95 360	95 360	3 265		92 094		
Assets	**159 200**	**159 200**	**3 265**	**0**	**93 179**	**62 756**	**0**
Interest bearing loans and borrowings	138 254						138 254
Trade payables	40 028					40 028	
Other payables	59 670					59 670	
Liabilities	**237 953**	**0**	**0**	**0**	**0**	**99 699**	**138 254**

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 amortized cost.

4.7.2 Derivative financial instruments

The company 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.

In application of IFRS 7, the fair values of financial instruments are organized according to different valuation techniques defined as follow:

Level 1: direct reference to prices published on an active market;

- Level 2: valuation techniques based on observable data ;
- Level 3: valuation techniques based on unobservable data.

The group is using level 2 for the fair value valuation of derivative financial instruments.

Foreign currency risk:

As of December 31, 2017, financial instruments on exchange rates available at closing date are detailed below:

Hedge accounting	2017				2016			
	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
Foreign currency risk								
a) Cash flow hedging								
Forward contracts in foreign currency								
Euro	11 2	316	20 500		(236)	(662)	37 000	
Options sur devises								
Euro	299	847	24 000	24 000	(65)	(182)	22 500	18 500
b) Fair value hedging)								
Forward contracts in foreign currency								
Euro	43	122	14 500		(253)	(711)	34 500	
Options sur devises								
Euro	8	23	6 500	6 500	(50)	(142)	4 500	4 500
c) Other operations								
Options sur devises								
Euro	(30)	(86)		20 000	(180)	(507)		16 500
Total change	**431**	**1 222**			**(784)**	**(2 204)**		

Commodity price risk:

As December 31, 2017, financial instruments related to commodity price risk (at the balance sheet date) are as follows:

Hedging accounting	**2017**				**2016**			
	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 raw material								
Fuel	95	270	32 100		34	97	10 100	
Gasoil	209	593	33 375		40	113	10 100	
Others								
Options on commodities								
Fuel	44	125	18 250	20 800	30	84	22 000	16 800
Gasoil	68	194	19 450	19 450	45	128	13 100	7 700
Others								
b) Other operations								
Options on commodities								
Fuel	(9)	(25)		10 500	(7)	(21)		9 800
Gasoil	(11)	(31)		8 150	(16)	(45)		8 000
Others								
Total commodity	**396**	**1 126**			**126**	**356**		

Interest rate risk:

As December 31, 2017, financial instruments related to interest rate risk at the balance sheet date are as follows:

Hedging accounting	**2017**				**2016**			
	Fair value in MUM	**Fair value in KUSD**	**Nominal in foreign currencies (thousands)**		**Fair value in MUM**	**Fair value in KUSD**	**Nominal in foreign currencies (thousands)**	
			Bought	**Sold**		**Bought**	**Bought**	**Sold**
Interest rate risk								
a) Cash flow hedging								
Interest rate swaps								
EUR	1	3	20000	-	(22)	(62)	20 000	-
Interest rate options								
Euro	1	3	15000	-	8	3	30 000	-
b) Other operations								
EUR								
Total interest rate	**1**	**3**			**(21)**	**(59)**		
Total	**828**	**2 351**			**(678)**	**(1 907)**		

The impacts on the income statement of derivative financial instruments as of December 31, 2017 are presented here below:

Cash-Flow Hedging In USD	**Amount transferred to gains and losses during the year**	**Inefficiency booked in Profit**
Foreign currency hedging	(672 515)	(54 976)
Interest rate hedging	(108 809)	172 640
Commodities hedging	59 165	(33 408)

Fair Value Hedge in USD	**Gain and losses on Hedging instruments**	**Gain and losses on hedging instruments**	**Inefficiency booked in profit**
Currency hedging	(131 218)	202 750	71 532
Interest rate hedging			
Commodities hedging			

Non-qualifying derivative hedging	**Gains and losses recorded in income statement in USD**
Foreign currency hedging	162 704
Interest rate hedging	-
Commodities hedging	(4 913)

<u>Hedging objective and policy:</u>

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 (realized and forecasted) 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).

Foreign exchange 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) of SNIM is presented below. This analysis is based on the following assumptions: on one hand, a reasonable variation in the euro exchange rate, on the other hand, all other variables remain stable.

In USD	**Variation of euro**	**Impact on profit before tax**	**Impact on equity**
2017	10%	2 537 099	6 285 585
	-10%	(3 472 375)	(3 205 685)

Dollar = 352,6 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) gives a reasonable variation of the raw materials exchange rate, as all other variable remain stable.

In USD	**Variation on commodity prices**	**Impact on profit before tax**	**Impact on equity**
2017	10%	128 093	3 171 031
	-10%	(257 174)	(582 713)

Interest rate risk :

SNIM has obtained important funding for the realization of the Development and Modernization Program (DMP). These funding 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 (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 maximum income rate.

The analysis of the sensitivity of SNIM's profit before tax and equity (linked to variations in the fair value of the derivative instruments) provides a change in interest rate within reason, all other variables remaining constant.

In USD	Variation in rate	Impact on profit and loss account before tax	Impact on equity
2017	5%	(33 182)	44 684
	-5%	(33 543)	(52 550)

Credit risk:

SNIM maintains 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 in order to adapt the possible depreciation on receivables.

The maximum exposure is equal to the book value 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 certain derivative instruments, the Group' exposure is due to a potential failure of the third party with the maximum exposure not exceeding 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 the 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.

Maturity

The table below shows the maturity of the financial liabilities as of December 31, 2017, based on contractual payments not discounted. The principal considers only the debt actually drawn by the company as of December 31, 2017.
Similarly, interest expenses reflect the interests of the company totally drawn as of December 31, 2017.

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

	Less than 3 monts			3 to 12 months		
	Total Cash-flow	Principal	Total Cash-flow	Principal	Interest	Cash flow total
Interest-bearing borrowing	49	2	51	26 898	7 163	34 060
	1 to 5 year			**More than 5 year**		
	Total Cash-flow	**Principal**	**Total Cash-flow**	**Principal**	**Interest**	**Cash flow total**
Interest-bearing borrowing	93 186	16 972	110 158	45 046	3 158	48 204

The following table gives year wise debt maturity:

Year	2018	2019	2020	2021	2022	2023	2024
Principal	26 946	25 576	23 085	22 622	21 903	18 501	16 624
Interest	7 165	5 905	4 742	3 676	2 649	1 677	853
TOTAL	**34 111**	**31 482**	**27 827**	**26 298**	**24 551**	**20 177**	**17 477**

Year	2 025	2 026	2 027	2 028	2 029	2030	TOTAL
Principal	3 723	1 373	1 375	1 240	2 209	-	**165 179**
Interest	260	144	109	75	41	-	**27 295**
TOTAL	**3 983**	**1 517**	**1 484**	**1 315**	**2 251**	-	**192 473**

4.8 Cash and cash equivalents

In millions Ouguiyas	31/12/2017	31/12/2016
Cash	3 265	14 105
Cash equivalents	92 094	62 693
TOTAL	**95 360**	**76 798**

Cash and cash equivalents comprise 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.

4.9 Equity

In 2013 the company's issued capital increased by 170,520,000,000 MRO by capitalization of available reserves to bring it up 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. The share capital structure is presented as follows:

En ouguiyas	31/12/2017	31/12/2016	(%)
Mauritanian government	143 145 450 000	143 145 450 000	78,35%
Industrial Bank of Kuwait (I B K)	13 098 000 000	13 098 000 000	7,17%
Arabe Mining Compagny	10 346 850 000	10 346 850 000	5,66%
Irak Fund for External Development	8 382 300 000	8 382 300 000	4,59%
Office National des Hydrocarbures	4 192 500 000	4 192 500 000	2,29%
Islamic Development Bank	3 274 500 000	3 274 500 000	1,79%
Private Mauritanian Individuals	260 400 000	260 400 000	0,14%
TOTAL	**182 700 000 000**	**182 700 000 000**	**100%**

Premiums arising from shares issuance relate to previous capital increases and amount to 6,464 MUM. As of December 31, 2017, the legal reserve amounts to 11 041 MUM, representing 6% of the equity.

4.10 Interest bearing borrowings

4.10.1 Loans within the scope of trustee agreement

These loans are covered by a trust agreement signed on July 7, 1980 between the company, sponsors, 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 the sponsors.

Furthermore, another agreement was concluded on July 7, 1980 between the company, sponsors, 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 to the "Trustee" to enable the latter to meet the provisions stipulated in the Trust Agreement referred to above.

The balance of the trust account as of December 31, 2017 amounts to 15 377 MUM against 15 599 MUM as of December 31, 2016. It is classified as "Other debtors" (under other receivables).

In millions Ouguiyas	Currency	Interest rate	Maturity	31/12/2017	31/12/2016
Loans within the scope of the trustee agreement					
French agency of development					
Lean n°. 70X	EUR	5,00%	2 019	33	48
Lean n°. 89U	EUR	2,00%	2 020	178	222
AFD (Centrale)	EUR	Var.	2 019	2 048	3 099
AFD (Centre de formation)	EUR	Var.	2 021	1 178	1 304
BEI VII (Centrale)	EUR	6,90%	2 019	2 524	3 695
PDM					
VOIE					
BID	USD	Var.	2 024	6 391	7 368
GUELBES II					
BEI	USD	6,03%	2 024	22 342	25 754
BAD	USD	Var.	2 024	39 267	45 265
AFD	USD	Var.	2 024	22 318	25 727
BID	USD	Var.	2 024	18 805	21 339
KFW/G21/USD	USD	Var.	2 021	2 995	3 884
KFW/G22/USD01	USD	5,96%		11 267	13 258
PORT					
KFW NP1	USD	Var.	2 022	9 125	11 044
KFW NP2	USD	Var.	2 022	7 893	9 553
Sub total				**146 363**	**171 560**

4.10.2 Loans outside the scope of the trustee agreement

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

In millions Ouguiyas	Currency	Interest rate	Maturity	31/12/2017	31/12/2016
Loans outside trustee					
FED/03/EUR	EUR	Var.		14 360	12 716
PRIME PAYER	USD		2 018	18	52
Sub total				**14 378**	**12 768**

The situation of the agreement PDM appears as follows:

Project	Lender	Curren cy		Interest rate	Maturity	Total Millions USD	Drawn Millions USD
Guelbs II	AFD	EUR	Var	2024	99,47	99,47	0
	BEI	EUR	Fixe	2024	99,57	99,57	0
	BAD	USD	Var	2024	175,00	175,00	0
	BID	USD	Var	2023	80,00	80,00	0
	Banques commerciales (tranche 1)	EUR	Var	2021	24,20	24,20	0
	Banques commerciales (tranche 2)	EUR	Fixe	2023	53,26	53,26	0
Port	Banques commerciales (tranche 1)	EUR	Var	2022	42,59	42,59	0
	Banques commerciales (tranche 2)	EUR	Var	2022	51,76	51,76	0
Voie	BID	USD	Var	2024	28,00	28,00	0
C.Formation	AFD	EUR	Var	2021	7,00	7,00	0
Total					**660,84**	**660,84**	

4.10.3 Rescheduled Debts

In the context of the 8th club of Paris which met on July 8, 2002, and following the bilateral agreement between the government of the French Republic and the government of the Islamic Republic of Mauritania signed on May 26, 2003,the French debt that was rescheduled under agreements III, IV, V and VI, was cancelled for the benefit of the Mauritanian Islamic Republic, within the framework of PPTE initiative. Rescheduled debt of SNIM concerning these concessions, was reorganized by an agreement signed between the Ministry of Finance and SNIM dated August 21, 2003. This protocol defines the payment terms to the Mauritanian state of the debt initially due by SNIM to the Bank of France and Coface.

The total amount of this treaty (Agreement 8) is EUR 15,235,989.75, which represents interest accumulated from June 30, 2002 to June 30, 2019 for agreements III, IV, V and VI, including EUR 12,763,021.30 of principal amount (corresponding to the non-repaid amount on these agreements) and EUR 2,472,968.44 of interest.

The outstanding balance for this agreement amounts to 1 173 MUL on December, 31st 2017 against 1 109 MUM as at December 31st 2016.

In million Ouguiyas	Currency	Interest rate	Maturity	31/12/2017	31/12/2016
Rescheduled debts					
French debt due dates rescheduled					
Agreement 8	EUR	3,00%	2 019	1 173	1 109
Sub-total				**1 173**	**1 109**

4.10.4 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 to SNIM for the rehabilitation of some of its industrial facilities. Within the framework of this retrocession, a tripartite agreement defining the repayment terms was co-signed by the Europeen Union, the Mauritanian government and SNIM. This agreement defines the retrocession terms as a non-repayable grant, equivalent to the amount allocated to technical assistance i.e. 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 drawdowns and demand immediate repayment of the loans.

In million Ouguiyas	Currency	Interest rate	Maturity	31/12/2017	31/12/2016
Reassigned debt					
European Economic Community (Sysmin 1)	EUR	0,50%	2 028	3 265	2 690
Sub total				**3 265**	**2 690**
TOTAL LOANS				**165 179**	**187 565**
Loans maturing in less than one year				**26 946**	**28 243**
Long and mid-term loans				**138 232**	**159 322**

Loans maturing in less than one year comprise the part of loans that will be paid within the twelve coming months.

4.11 Retirement benefit obligation

In million Ouguiyas	31.12.2016	Increases	Reversals	31.12.2017
Provisions for retirement indemnities	4 243	804	(196)	4 851
Provisions for additional retirement	18 399	1 253		19 652
TOTAL	**22 642**	**2 057**	**(196)**	**24 503**

Description of plan :

A benefit is provided to employees when they retire, depending on:

- Their salary when they leave the company;
- The employee's length of service in the company.

Note that this benefit is provided without any condition of the employee's presence within the company at retirement date.

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	
Age of retirement	60 year
Future salary increase	0,39%
Actual rate of return	6%
Death rate	TM 60-64 – 20%
Employee rotation rate	0,24% average, distributed in decreasing order of age
Inflation	1,17%

The accrual basis held to recognize actuarial gains and losses is a booking in equity.

ASSUMPTIONS for the period ended as of	31/12/2016	31/12/2017
Beginning of the period	1st January, 2016	1st January, 2017
End of the period	31st December, 2016	31st December, 2017
Actual rate of return	7,47%	6%
Actual rate of return on assets		
Expected average remaining working lives	9	9

Variation in benefit obligation:

In million Ouguiyas	31/12/2016	31/12/17
Benefit obligation at the beginning of the period	**5 171**	**4 244**
Current service cost	297	174
Interest cost	223	305
Actuarial (gains) / losses	(757)	803
Including change in assumptions	(1 746)	(1 233)
including changes in experience	989	2 037
Services rendered	(690)	(676)
Benefit obligation at the end of the year	**4 244**	**4 851**

Variations in investments:

The benefits defined by SNIM are not covered by investments.

Financial cover:

FINANCIAL COVER	31/12/16	31/12/17
Financial cover	4 244	4 851
(Provisions) Pension assets	**4 244**	**4 851**

Actuarial cost for the year:

In million Ouguiyas	31/12/2016	31/12/2017
Current service cost	297	174
Interest on debt	223	305
Charges (Incomes)	**520**	**479**

Description of the defined contribution plan:

SNIM agents of Mauritanian nationality on permanent contracts in force after 2011 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%

4.12 Provisions

These provisions are detailed as follow:

In million Ouguiyas	31/12/2016	Increase	Reversal	31/12/2017
Contingency provision	5 457	**3 018**	**(3 745)**	4 731
TOTAL	**5 457**	**3 018**	**(3 745)**	**4 731**

4.13 Trade payables

Trade payables can be broken down as follows:

In million Ouguiyas	31/12/2017	31/12/2016
Trade payables	37 691	32 411
Accrued payables	2 338	687
TOTAL	**40 028**	**33 098**

Accounts payable increased in line with the increase in purchases of the period

4.14 State and other public taxes

In million Ouguiyas	31/12/2017	31/12/2016
Taxe unique SNIM	3 677	5 731
Taxes on wages and salaries	387	366
TOTAL	**4 064**	**6 097**

SNIM has a specific regime. 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 State, 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 FOB iron ore export sales, plus demurrage.

The special agreement between SNIM and the State expires on 31/12/2018 and contacts with the State for its renewal for the period 2019/2039 have already begun.

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 MUM 80 representing the total tax for compensation of taxes and benefits in kind granted by SNIM to its personnel.

The advances on single tax are set off by VAT receivables, given that the settlement dates for the single tax on income tax and VAT receivables are close, these amounts are paid and received by the same administration and that offsetting is legally authorized.

4.15 Other taxes

In million Ouguiyas	31/12/2017	31/12/2016
VAT	-	-
Other taxes	634	3 347
TOTAL	**634**	**3 347**

SNIM is exempted from all customs duty and assimilates taxes of all kind related to goods, equipment, services, and exploration of sources of ore and water by the convention signed with Mauritanian government. SNIM is also exempted from all customs and assimilated taxes on materials, consumables and goods imported by companies and subcontractors, which are dedicated to SNIM. Clause N°1 was added to this convention on June 19, 2001 concerning VAT and subjugation of SNIM to this tax.

Consequently SNIM is subject to VAT on goods and services that are not in correlation with industrial and mining exploitation.

4.16 Other payables

Other payables are detailed as follow:

In million Ouguiyas	31/12/2017	31/12/2016
Payroll expenses and related costs	2 168	1 958
Dividends payable	71	83
Sundry payables and pre-payments	30 484	27 386
Short term loan	26 946	29 042
TOTAL	**59 670**	**58 469**

Sundry payables and prepayments are detailed as follows:

In million Ouguiyas	31/12/2017	31/12/2016
Trade payables	10 575	10 666
Subsidiaries investments	4 322	4 722
Account Payable	3 327	1 791
Accrued expenses	5 022	4 100
Marker tax	125	
charges à payer sur emprunts	3 752	3 292
Accrued interest on loan	1 962	1 667
Balance payment on increase in capital	272	146
Social security costs	1 127	1 002
TOTAL	**30 484**	**27 386**

5. ADDITIONAL INFORMATION RELATING TO THE INCOME STATEMENT

5.1 Sales

Production sales represent sales of iron ore in the amount of MUM 183 095 MUM (USD 514 670 810) for the year 2017 (net of demurrage). Sales of iron ore are mainly done with Western European countries and China.

Three customers (CARGIL, GLENCORE et ILVA) represent 57% of the turnover for the year 2017. The breakdown by geographical zone is presented as follows:

In million Ouguiyas	31/12/2017	31/12/2016
China	102 838	151 217
Germany	37 799	18 278
Italy	22 273	16 776
Japan	12 162	
France	4 843	8 941
Others	3 179	8 807
TOTAL	**183 095**	**204 017**

5.2 Other income

Other income are detailed as follow:

In million Ouguiyas	31/12/2017	31/12/2016
Rents, material disposal, telecom	4 448	4 320
Rentals of buildings and equipment	275	266
Other services	106	15
Supply of personnel	122	100
Disposals	11	11
TOTAL	**4 962**	**4 712**

5.3 Other operating income

Other operating income are detailed as follow:

In million Ouguiyas	31/12/2017	31/12/2016
Reversal of provisions	264	121
Profits and gains	60	644
Discount obtained	7 020	5 466
TOTAL	**7 345**	**6 231**

5. 5.4 Consumables

Consumables are detailed as follows:

In million Ouguiyas	**31/12/2017**	**31/12/2016**
Consumables used	(72 299)	(61 253)
Maintenance products	(136)	(95)
Supplies	(1 040)	(702)
Water and electricity	(560)	(1 621)
Materials	(50)	(134)
Consumables – DSP	(3)	(3)
TOTAL	**(74 088)**	**(63 808)**

5.5 Employees Cost

The personnel costs heading is as follows:

In million Ouguiyas	**31/12/2017**	**31/12/2016**
Wages	(31 757)	(26 795)
Social charges	(3 012)	(3 756)
Provision for retirement indemnities	196	170
Complementary pension schemes	(1 263)	(6 540)
TOTAL	**(35 836)**	**(36 920)**

The evolution of the company's headcount is presented as follows:

Grade	**31/12/2017**	**31/12/2016**
Executives	339	339
Supervisory staff	2 726	2 760
Workers	3 168	3 269
TOTAL	**6 233**	**6 368**

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

5.6 Depreciation, amortization and provision

Depreciation, amortization and provision are detailed as follows:

In million Ouguiyas	**31/12/2017**	**31/12/2016**
Depreciation of property, plant and equipment	(47 362)	(50 554)
Amortization of intangible assets	(842)	(178)
Depreciation of financial assets	(2 187)	(837)
Depreciation of inventories	(2 223)	(1 334)
Depreciation and accrual for accounts receivable	(778)	(14)
Other depreciation	(3 018)	(11 903)
TOTAL	**(56 410)**	**(64 820)**

5.7 Taxes

Taxes are detailed as follows:

In million Ouguiyas	**31/12/2017**	**31/12/2016**
Tax on benefit	(80)	(80)
Other taxes	(476)	(1 947)
TOTAL	**(556)**	**(2 027)**

5.8 Other operating expenses

Other operating expenses are detailed as follows:

In million Ouguiyas	**31/12/2017**	**31/12/2016**
Expenses related to investment (1)	(8 788)	(7 103)
Expenses related to operations (2)	(3 142)	(2 010)
Other Charges (3)	(3 713)	(5 640)
TOTAL	**(15 643)**	**(14 754)**

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

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

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

5.9 Financial income

Financial income are detailed as follows:

In million Ouguiyas	**31/12/2017**	**31/12/2016**
Interest and related income	2 077	2 241
Income on financial instrument	1 911	1 138
Foreign exchange gains	9 019	9 281
Other financial income	(8)	17
TOTAL	**12 999**	**12 677**

Foreign exchange gains are detailed as follows:

In million Ouguiyas	**31/12/2017**	**31/12/2016**
Unrealized exchange gains	699	678
Other exchange gains	8 320	8 603
TOTAL	**9 019**	**9 281**

Unrealized exchange gains mainly comprise foreign exchange gains on debt denominated in euro.

Other exchange gains are related to gains on the revaluation of cash accounts and foreign currency investment.

5.10 Financial Expenses

Financial Expenses are detailed as follow:

In million Ouguiyas	**31/12/2017**	**31/12/2016**
Interest and related charges	(8 608)	(8 950)
Foreign exchange losses	(8 929)	(17 690)
Charges on financial instruments	(464)	(1 693)
Other financial charges	71	(258)
TOTAL	**(17 930)**	**(28 590)**

Exchange losses are detailed as follows:

In million Ouguiyas	**31/12/2017**	**31/12/2016**
Unrealized exchange losses	(2 204)	(9 238)
Other exchange losses	(6 725)	(8 452)
TOTAL	**(8 929)**	**(17 690)**

Unrealized exchanges losses correspond to the foreign exchange loss on the revaluation of financial debt denominated in euro. Other losses are related to foreign exchange losses on the revaluation of investments, cash accounts, customers and suppliers.

5.11 Earnings per share

Earnings per share are detailed as follow:

In million Ouguiyas	**31/12/2017**	**31/12/2016**
Net income in million Ouguiyas	814	4 149
Total number of shares	18 270 000	18 270 000
Earnings per share	**45**	**227**

SNIM's capital does not include any preferential or potential ordinary shares as of December 31, 2015. Thus, earnings per share are equal to diluted earnings per share.

The amount of dividends recognized as distributions is nil.

The amount of dividends proposed or declared before the authorization of the financial statements, but is not recognized as a distribution to equity holders during the period is zero

The amount of unrecognized cumulative preference dividends is zero because there is no preferred dividend to action.

6. ADDITIONAL INFORMATION RELATED TO THE STATEMENT OF CASH FLOWS

6.1 Restatement of amortizations and provisions

In million Ouguiyas	31/12/2017	31/12/2016
Amortization of property, plant and equipment	47 362	50 554
Amortization of intangible assets	842	178
Amortization of financial assets	2 187	10 808
Allocation to provisions (risks & charges + IDR)	4 282	7 608
Loss of tangible assets	13	153
TOTAL AMORTISSEMENTS ET PROVISIONS	**54 686**	**69 300**

6.2 Changes in working capital

In million Ouguiyas	31/12/2017	31/12/2016
Decrease (Increase) in inventories	(5 848)	4 187
Decrease (Increase) in trade receivables	28 716	(44 611)
Decrease (Increase) in other receivables	(53)	1 879
Increase (Decrease) in trade payables	5 869	2 665
Increase (Decrease) State and other local authorities	(2 692)	(853)
Increase (Decrease) in other payables	3 564	(10 146)
TOTAL	**29 556**	**(46 878)**

6.3 Expenditures on fixed assets

In million Ouguiyas	31/12/2017	31/12/2016
Acquisition of property, plant & equipment	(22 110)	(31 352)
Acquisition of intangible assets	(48)	(2 190)
Acquisition of financial assets	(4 357)	(10 834)
TOTAL ACQUISITIONS	**(26 515)**	**(44 376)**

6.4 Reversal of depreciations and provisions

In million Ouguiyas	31/12/2017	31/12/2016
Capitalized production	(7 125)	(6 282)
Reversal of depreciations and provisions	(6 912)	(2 987)
TOTAL REPRISES SUR AMORTISSEMENTS	**(14 037)**	**(9 269)**

6.5 Foreign exchange gains and losses

In million Ouguiyas	31/12/2017	31/12/2016
FX gains / loss on loans	892	9 450
FX gains / loss on financial instruments	(582)	667
TOTAL	**310**	**10 117**

6.6 Net Cash

In millions Ouguiyas	31/12/2017	31/12/2016
Cash	3 265	14 105
Cash equivalents	92 094	62 693
TOTAL	**95 360**	**76 798**

7. OTHER COMMITMENTS AND LIABILITIES

Off balance sheet commitments are detailed as follows:

In million Ouguiyas	31/12/2017	31/12/2016
Documentary credits in progress	9 539	4 042
Commitments on contracts	10 670	10 670
Guarantees received from contractors	150	3 028
Balances of undisbursed funds	0	0
Total	**20 358**	**17 740**

8. RELATED PARTY DISCLOSURES

Transactions with related parties are not significant.

.

They mainly includes disposal of materials and fuel and workshop services.

The following table summarizes the main intergroup services invoiced in 2017 in million MRO:

The information relating to the remuneration of the managers of the subsidiaries is not disclosed for reasons of confidentiality.

FILIALES	ATTM	COMECA	SAMMA	SAMIA	SOMASERT	GMM	SAFA	GIP	MSMS	M2E	EMC	DAMANE	TUM	MAIL	ONDATIO	SNIM	TOTAUX
ATTM																899	**899**
COMECA						4										702	**706**
SAMMA	2	6		31		3	0									423	**465**
SAMIA																	**-**
SOMASERT	3	5	1	0		0	3	1	4		2	1			4	167	**191**
GMM																	**-**
SAFA																1 696	**1 696**
GIP																530	**530**
MSMS																	-
M2E					8										70	379	**456**
EMC																	-
DAMANE																	-
TUM																	-
MAIL																	-
FONDATION																	-
SNIM	676		37	10	43	38	109			470							**1 383**
TOTAUX	**681**	**11**	**38**	**41**	**51**	**45**	**112**	**1**	**4**	**470**	**2**	**1**	**-**	**-**	**74**	**4 795**	**6 326**

9. EVENTS AFTER THE REPORTING PERIOD

The financial statements have been approved and authorized by the Executive Board on April 19, 2018. They don’t reflect the occurrence of subsequent events after this date.