CONEX

ERNST & YOUNG et Associés

Société Nationale Industrielle et Minière S.N.I.M.

Year ended December 31, 2012

Statutory auditors and independent auditors' report on the consolidated financial statements

CONEX
B.P. 3225
Nouakchott
République Islamique de Mauritanie

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Société Nationale Industrielle et Minière
S.N.I.M.
Year ended December 31, 2012

Statutory auditors and independent auditors' report on the consolidated financial statements

To the Chairman,

We have audited the accompanying consolidated financial statements of S.N.I.M., which comprise the statement of the financial position as at December 31, 2012, and the income statement, statement of change in equity and cash flow statement for the year-ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in annual financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the company as at December 31, 2012, and of its financial performance and its cash flows for the year-ended in accordance with International Financial Reporting Standards.

Nouakchott and Paris-La Défense, April 26, 2013

The statutory auditors and the independant auditors

CONEX	ERNST & YOUNG et Associés
Sidi Mohamed Elemine	Pierre Abily

SOCIETE NATIONALE INDUSTRIELLE ET MINIERE

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2012

STATEMENT OF FINANCIAL POSITION

ASSETS

In million Ouguiyas	Note	Dec.31,2012	2011 Corrected	Dec.31,2011	Correction
Non current Assets		**489,007**	**371,807**	**367,409**	**4,398**
Property, plant and equipment	5.1	466,326	353,362	348,977	4,385
Exploration Assets	5.1	410	744	744	-
Intangibles assets	5.2	2,808	3,051	2,952	99
Other financial fixed assets	5.3	6,620	1,550	1,550	-
Investment in associated companies	5.3	345	28	28	-
Investments in associates	5.3	12,415	12,985	13,071	(86)
Deferred taxes		83	87	87	-
Current assets		**463,719**	**432,191**	**437,624**	**(5,433)**
Inventories	5.4	57,375	54,179	56,616	(2,437)
Trade receivables	5.5	78,694	49,255	54,037	(4,782)
Other receivables	5.6	13,426	14,632	12,828	1,804
Future Contracts	5.7	2,354	863	863	-
Cash and cash equivalents	5.8	311,870	313,262	313,280	(18)
TOTAL ASSETS		**952,726**	**803,996**	**805,033**	**(1,037)**

EQUITY AND LIABILITIES

In million Ouguiyas	Note	Dec.31,2012	2011 Corrected	Dec.31,2011	Correction
Capital and reserve		**646,620**	**572,199**	**577,306**	**(5,107)**
Issued capital	5.9	12,180	12,180	12,180	-
Share Premium		6,464	6,464	6,464	-
Underlying net earnings on forward contracts	5.7	(246)	(4,790)	(4,790)	-
Accumulated profits		**628,223**	**558,345**	**563,452**	**(5,107)**
Legal reserve		1,218	1,218	1,218	-
Retained profit brought forward		426,474	274,242	274,037	205
Profit for the year		153,037	235,391	240,703	(5,312)
Revaluation reserve		47,494	47,494	47,494	-
Minority shareholding interests		**5,209**	**4,810**	**5,015**	**(205)**
Non-current liabilities		**223,071**	**143,131**	**142,902**	**230**
Interest-bearing loans and borrowings	5.10	198,172	124,278	124,049	230
Retirement benefits obligation	5.11	20,485	16,289	16,289	-
Other provisions	5.12	4,414	2,564	2,564	0
Current liabilities		**77,825**	**83,856**	**79,810**	**4,046**
Trade payables	5.13	41,932	42,768	41,868	900
State and other public taxes	5.14	9,724	13,324	13,425	(101)
Other taxes	5.15	1,621	2,170	2,170	-
Other payables	5.16	16,364	15,935	12,688	3,247
Bank overdraft	5.8	5,658	2,615	2,615	-
Derivatives		2,527	7,044	7,044	-
TOTAL LIABILITIES		**952,726**	**803,996**	**805,033**	**(1,037)**

INCOME STATEMENT

In million Ouguiyas	Note	Dec.31,2012	2011 Corrected	Dec.31,2011	Correction
Sales	**6.1**	345,192	421,755	421,755	-
Revenue from ancillary business activities	**6.2**	4,886	3,512	3,512	-
Other operating income	**6.3**	4,350	553	553	-
Operating income		**354,428**	**425,820**	**425,820**	-
Changes in inventory of finished goods and work-in-progress		(4,644)	6,867	6,867	-
In-house production		16,376	12,955	6,038	6,917
Reversal of depreciation and provisions					-
Raw materials and consumables used	**6.4**	(93,742)	(84,377)	(83,477)	(900)
Personnel expenses	**6.5**	(35333)	(27,795)	(27,795)	-
Depreciation, amortization and provision expenses	**6.6**	(30,850)	(37,835),	(26,739)	(11,096)
Taxes and duties	**6.7**	(500)	(335)	(436)	101
Other operating expenses	**6.8**	(22,094)	(28,466)	(28,466)	-
Profit from operation		**183,641**	**266,834**	**271,813**	**(4,978)**
Financial income	**6.9**	27,535	29,401	29,401	-
Financial expenses	**6.10**	(26,210)	(22,844)	(22,596)	(248)
Share of profits (losses) of equity-accounted affiliates		(654)	(470)	(384)	(86)
Profit before tax		**184,312**	**272,921**	**278,235**	**(5,312)**
Income Tax		(30,881)	(37,260)	(37,260)	-
Net profit		**153,431**	**235,661**	**240,975**	**(5,312)**
Earnings per share (1,218,000 shares) in Ouguiyas		**393**	**272**	**272**	-

STATEMENT OF COMPREHENSIVE INCOME

In million Ouguiyas	Dec.31,2012	2011 Corrected	Dec.31,2011	Correction
Net profit	153,431	235,661	240,975	(5,314)
Impact of financial instruments	4,544	(5,759)	(5,759)	0
Comprehensive income	**157,975**	**229,902**	**235,216**	**(5,314)**

CASH FLOW STATEMENT

In million Ouguiyas	Note	Dec.31,2012	2011 Corrected	Dec.31,2011	Correction
OPERATING ACTIVITIES					
Income before tax		184,312	272,921	278,235	(5,314)
Amortization, depreciation and provision	7.1	31,078	27,956	24,283	3,673
Reversal of amortization, depreciation and provisions	7.4	(16,376)	(12,956)	(6,039)	(6,917)
Gains/losses on sale of assets		-	(1)	(1)	-
Foreign exchange gains/losses	7.5	6,533	3,428	3,428	-
Investment income		(2,726)	(1,477)	(1,477)	-
Interest expenses		1,790	1,986	1,756	230
Investments in associates		654	470	384	86
Working capital needs	7.2	(30,583)	18,413	10,190	8,223
Cash generated by operating activities		**174,682**	**310,740**	**310,759**	**(18)**
Interest paid		(1 771)	(1,707)	(1,707)	-
Income tax paid		(32 972)	(29,175)	(29,175)	-
Net cash flow from operating activities		**139,939**	**279,858**	**279,878**	**(18)**
INVESTING ACTIVITIES					
Acquisitions of fixed assets	7.3	(129,177)	(97,009)	(97,009)	-
Acquisition of the subsidiary GMM		-	(451)	(451)	-
Proceeds from sale of equipment			1	1	-
Interests received		2,726	1,477	1,477	-
Dividends received		-	-	-	-
Net cash flow from financing activities		**(126,451)**	**(95,982)**	**(95,982)**	**-**
FINANCING ACTIVITIES					
Proceed from long-term borrowings		84,767	46,374	46,374	-
Payments on long-term borrowings		(18,870)	(8,593)	(8,593)	-
Dividends paid		(83,819)	(55,578)	(55,578)	-
Capital increase		-	915	915	-
Net cash flow from financing activities		**(17,922)**	**-(16,882)**	**(16,881)**	**-**
Net cash flow		**(4,434)**	**166,996**	**167,014**	**(18)**
Cash and cash equivalents at the beginning of the period		**310,647**	**143,651**	**143,651**	**-**
Cash and cash equivalents at the end of the period	7.6	**306,212**	**310,647**	**310,665**	**(18)**

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

In million Ouguiyas	Share capital	Share premiums	Accumulated profit	Underlying net earnings on forward contracts	Total	Minority interests
Shareholders' equity as of January 01, 2011	**12,180**	**6,477**	**377 232**	**970**	**396 859**	**4 538**
Revaluation of fixed assets				(5 760)	(5 760)	
Net profit of the period			240 703		240 703	272
Dividends			(55 555)		(55 555)	
Other		-13	1 276		1 263	
Shareholders' equity as of December 31, 2011	**12,180**	**6,464**	**558,344**	**(4,790)**	**572,198**	**4,810**
Revaluation of fixed assets				4,544	4,544	
Net profit of the period			153,037		153,037	399
Dividends			(83,834)		(83,834)	
Other			676		676	
Shareholders' equity as of December 31, 2012	**12,180**	**6,464**	**628,222**	**(246)**	**646,620**	**5,209**

Correction of errors

The 2011 net result has been written off for a total amount of MUM (5,312) detailed as followed:

- ✓ A physical stocktake occurred during fiscal year 2012 and impacts 2011 result for MUM (4,477);
- ✓ The accounting change applied retrospectively on the stripping costs capitalization of all Guelbs II development projects impacts 2011 result for MUM 6,917;
- ✓ The clearance of current assets and current liabilities following a 2012 audit of aged trade receivables and payables impacts the 2011 result for MUM (7,666).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of SNIM for the year ended December 31, 2012 were authorized for issuance in accordance with a resolution of the Board of Directors on April 26, 2013.

1 KEY EVENT

The key events for the 2012 fiscal year mainly relates to the slowdown of global growth due to the aggravation of the European crisis, return of recession in Japan and slowing down of Chinese economy. This situation has led SNIM to reduce their selling prices to 25% compared to 2011. The main events in SNIM are:

- Launch of Nouhoudh strategic plan for the growth on production to 40 MT/year by 2025.
- Completion of the agreements between SNIM and Minmetals to start the operations of Tazadit Underground Mine (TUM) in 2013.
- Agreements between SNIM and SABIC for the exploitation of Atomai deposit.
- Inauguration of the new technical training centre Zouerate.
- Launch of purchase program of 200 mining machines.
- The satisfying progress of the development projects.

2 COMPANY PURPOSE AND BUSINESS ACTIVITIES

The Société Nationale Industrielle et Minière (SNIM) is a company registered in the Islamic Republic of Mauritania to carry out the exploration, production, marketing and sale of iron ore.
The company headquarters are based in Nouadhibou, PO. 42.
The company extracts iron ore from the mines of M'haoudat, Guelbs and Kédia, while carrying on its own, mineral exploration activities.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Principles for the preparation of the Financial Statements

Applicable standards

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

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

The IFRS standards, interpretations or application guidelines that came into force in 2012 and that did not have any impact on the presentation of the accounts as of 31 December 2012 are as follows:

- IAS 1 - Amendment – Presentation of Financial Statements: presentation of the elements of the expected result.
- IAS 12 - Amendment – Deferred Tax: Recovery of the Underlying Assets.

Standards, interpretations and guides of application IFRS published in 31 December 2012 and applicable in the fiscal year beginning 1 January 2013 are as follows:
- IAS 16 – Tangible Asssets.IAS 19 Revised– Employee Benefits
- IAS 28 Revised – Investments in associates and Joint-Ventures
- IAS 32 – Presentation of financial instruments.
- IAS 34 - Disclosure of assets / liabilities segment for interim periods
- IFRS 7 – Amendment – Disclosures : Transfer of Financial Assets
- IFRS 10 – Consolidated Financial Statement
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosures of Interests in Other Entities
- IFRS 13 – Fair value measurement
- IFRIC 20 – Stripping Costs in the Production Phase

Other standards, interpretations and application of IFRS guidelines published on 31 December 2012 are as follows:

- IFRS 9 – Financial Instruments
- IAS 32 – Amendment – Compensation of Financial assets and liabilities.

SNIM is now analyzing the potential impact of these standards and interpretations on its financial statements.

<u>General principles</u>

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

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

The income statement is presented by category.
Asset and Liability accounts are presented according to the distinction between current and non-current assets and liabilities.

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

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

3.2 Consolidation basis

Companies controlled exclusively by the group, either by right (direct or indirect ownership of the majority of the voting rights), contractual or de facto (management of financial and operational operations over a long period of time), are consolidated through global integration. Thus accounts are all integrated at 100%, with deduction of minority interests.
Companies controlled jointly by the group and other companies are consolidated through proportional integration. Companies which are not subject to exclusive control from the group but on which the group has significant influence are consolidated through equity method if the percentage of control exceeds 20 %.

The group owes shares in a joint-venture. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. SNIM recognizes its interest in the jointly controlled entity using the equity method.

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

3.2.1 Operations eliminated through consolidation

Intercompany receivables and payables balances at Dec.31, 2012 as intercompany revenues and charges, so as intercompany operations such as dividends payments, amortization of consolidated shares, or loans to intercompanies are eliminated taking into account their impact on profit or loss.
Internal margins on inventories are also eliminated.

3.2.2 Goodwill

Acquisition cost

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

Goodwill

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

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

3.2.3 Foreign currency translations – unrealized exchange gains and losses

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

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

3.3 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation, workforce cost and any impairment in value. The revaluation method is applied.

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

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset 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

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 and the discounted value of the minimum payments under the lease.

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.

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.

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.

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

3.4 Intangible Assets

Intangible assets are recognized at their acquisition cost.

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 not be recoverable.

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

3.5 Exploration for and Evaluation of Mineral Resources

IFRS 6, which specifies the financial information to be disclosed relative to the exploration and evaluation of mineral resources, has been compulsory since January 1, 2006 and has been applied since then in the SNIM financial statements.

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

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

The impact estimated as of December 31, 2012 is as follows:

- ✓ Exploration tangible assets: MUM 2,267
- ✓ Research costs: MUM 821

The depreciation of these assets as of December 31,2012 is as follows:

- ✓ Exploration tangible assets for MUM 1,857
- ✓ Research costs: MUM 409

3.6 Other financial assets

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

3.7 Inventories

Inventories are mainly composed of raw materials, iron ore and other supplies.

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

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.

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.

3.8 Impairment tests

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. Goodwill on consolidation is apportioned by cash-generating unit for the purposes of the impairment tests.

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

3.9 Definition of a 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 or groups of units is determined according to net discounted cash-flows. When the net book value of assets grouped into a cash-generating unit exceeds their useful value, depreciation is recorded for an amount corresponding to the difference between net book value and the useful value. Depreciation is allocated first to reduce the carrying amount of any goodwill.

Company GMM: this company is considered as an independent UGT owing to its specific business, its exposure to risk and its profitability;

Company SAFA: this company is dedicated to smelting works for the group.

Company COMECA: this company is considered as an independent UGT due to its specific business, its exposure to risk and its profitability.

Company ATTM: this company is dedicated to construction, transport and maintenance of the group

Company SOMASERT: business of this company is tourism and hotel business

Company SAMIA: this company is considered as an independent UGT due to its specific business, its exposure to risk and its profitability.

Company SAMMA: this company is dedicated to handling for the group

Company GIP: this company is involved in the storage, transport and distribution of refined hydrocarbons.

Company DAMANE ASSURANCE: this company is involved in industrial insurance.

Company Mauritanian society of Water and Electricity (M2E): aims for realization and management of distribution networks of water and electricity.

Company Electricite production company starting from GAZ (SPEG.SA): has an aim of producing, purchasing, and selling of electrical energy.

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.

3.10 Trade receivables

Trade receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

There is no discounting of receivables as the customer payment time calculated for 2011 is 28 days.

3.11 Borrowing costs

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.

3.12 Cash or cash equivalents

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

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

3.13 Interest-bearing borrowing

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

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 with rates applied under normal market conditions in a company of similar size and business.

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

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

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

Within the context of the Development and Modernization Project, SNIM signed financing agreements with commercial financial institutions and institutional sponsors for a total of 710 million dollars in financial year 2009, 28 million dollars in financial year 2010 and 130 million dollars in financial year 2012.
Under these new agreements, SNIM must comply with the following ratios until expiry of the agreements:

- Debt/equity ratio less than or equal to 3.5
- Liquidity ratio greater than or equal to 1.5
- Debt service cover ratio greater than or equal to 1.3
- Consolidated debt structure ratio less than or equal to 2
- Safe receivables/debt ratio

3.14 Provisions for liabilities and charges

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

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

Site rehabilitation:

Legal obligations relating to the clean-up of mineral extraction sites are governed by the following regulatory framework as of 31 December 2012 :

- Mining Code:
  The obligation to rehabilitate sites is mentioned in the 1979 Mining Code.
  This code, as updated in 2009 following the publication of law no. 2009-26 of 7 April 2009, states that the abandonment of the operation of any mining extraction zone must be the subject of a ministerial order defining the action taken in terms of "public health and safety and essential features of the environment".
  As of April 25, 2013, the Council of Ministers has not adopted any implementing decree instituting the practical obligations yet.

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

  "The operation of quarries and mines, as well as mineral exploration work, must be designed and performed in such a way that:
  - it does not damage the environment surrounding the sites, or create or aggravate erosion phenomena
  - the sites operated can be returned to their initial state.
  The rehabilitation of the sites is the responsibility of the operator of the quarry or mine. The methods and deadlines for carrying out the work will be fixed by decree adopted on the basis of a joint report of the Minister for the Environment and the Minister for Mines."
  (Title III: Protection of resources and the natural environment / Chapter III: Protection of the soil and subsoil / Article 44)

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

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

As of April 25, 2013 these two decrees have not been published.

- On 4 February 2009, decree no. 2009-051 was adopted within the framework of the law on the environment without modifying article 14 of decree no. 2008-159 ruling on the following obligation: "*Two months before expiry of the operating license, the mining cadastre must inform the Mines and Geology Cadastre 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 are: 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.

The technical department is currently working on the valuation assumptions on the basis of an interpretation of the laws in force and the implicit obligations resulting from ISO 14001 certification.

A provision will therefore be booked when the obligation can be assessed reliably. Any changes in the valuation of this liability will be recognized in accordance with the IFRIC1 interpretation.

3.15 Employee benefits

The company has a benefit pension plan which is qualified as a defined-benefit pension plan. Note that there are no separately administered funds financing 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 eligible amount 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 at the end of the previous reporting year exceeded 10 % of the higher of the defined-benefit obligation and the fair value of the plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Supervising executives are offered additional benefits such as tax sharing, healthcare, company cars and fuel and allocated housing.

The costs related to these benefits are insignificant. Consequently they are accounted for as expenses.
SNIM has not applied the new option offered by IAS 19 to integrate the full amount of actuarial gains and losses in equity.

Defined contribution plan

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

- ✓ An employer contribution corresponding to 10% and an employee contribution corresponding to 7% of the 2012 reference salary
- ✓ The prior service cost is borne by SNIM
- ✓ The reference salary is the base salary plus the seniority bonus (cf. 4.11 Actuarial assumptions)

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

3.16 Leases

As of December 31, 2012, there exists significant finance lease (cf. 3.3 Property, Plant and Equipment)

3.17 Profits from continuing operations

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

- ✓ **Sales of goods**
  Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and can be reliably measured.

- ✓ **Construction contracts**
  The contact revenues are measured at the fair value of the consideration received or receivable.
  Contract revenues and contract costs are recognized by reference to the stage of completion of the contract activity at the balance sheet date.
  An expected loss on the construction contract is recognized as an expense immediately.
  On those contracts, the stage of completion is based on the costs incurred at the closing date compared to the total budgeted costs
- ✓ **Interests**
  Revenue is recognized as the interest accrues to the net carrying amount of the financial asset.

3.18 Government grants

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

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

3.19 Income taxes

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

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

Deferred income tax is recorded on margin realized between companies of the group elimination.

3.20 Functional and presentation currency

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

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

The information system is currently set for the Ouguiya as functional currency, with the Dollar being used as parallel currency. However, the system allows the editing of financial statements presented in USD. Shareholders' equity based on USD as a functional currency and presented in MRO can be estimated at MUM 669,205compared to MUM 648,966in the financial statements presented. Likewise income based on USD as a functional currency and presented in MRO can be estimated at MUM 148,482 compared to MUM 153,736 in the financial statements presented.

3.21 Derivative financial instruments and Hedging transactions

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

Derivative financial instruments negotiated for hedging the company's exposure to risks linked to its business and financing operations are qualified as cash-flow hedges where the company hedges exposure to variability in cash-flows and qualify for hedge accounting.
No instrument is used to cover the exposure to variations in the fair value of assets or liabilities, except for the exchange risk, or to cover investment in foreign activity.

3.21.1 Cash flow hedging

Gains or losses on hedging instruments are recognized in equity for the portion that is determined to be effective and in the income statement for the ineffective portion.
At the time the asset or the liability is recognized, the associated gains or losses that had previously been recognized in equity are transferred to the income statement for the same period as the hedged transaction and to the same account.

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

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

3.21.2 Derivative financial instrument operations not qualifying for hedge accounting

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

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

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

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

3.22 Interest and dividends

Dividend revenue is recognized when the shareholders' right to receive the payment is established.

The company's accounting policy is to classify dividends and interest received as investing activities, dividends paid as financing activities and interest paid as operating activities.

3.23 Sector-based investment

SNIM is dedicated to extraction of iron ore. Indeed SNIM's exposure to risk so as expectations for profitability objectives are considered as homogeneous. Subsidiaries of SNIM, representing independent Cash-Generating Units, are below the quantitative thresholds needed to make a separate presentation of information related to their own operational sector.
Analysis of the SNIM business is thus made through geographical zones which constitute the primary level of sector-based information according to standard IFRS 8 "Sector-based investment" for the product of ordinary activities from external clients. Other information related to profit and loss, assets and liabilities are not followed by geographical zones. The activity of SNIM is indeed made integrally in the Islamic Republic of Mauritania. Geographical zones can be identified as follows:

- ✓ France,
- ✓ Germany,
- ✓ Belgium,

- ✓ Italy,
- ✓ Other countries member of the European Union,
- ✓ China,
- ✓ Others.

3.24 Investments in associates

Presentation note of the Guelb el Aouj project

Presentation of the Guelb El Aouj project

(a) Joint Venture Project

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

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

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

At the end of this feasibility study, Sphere gets 50% of the rights for the El Aouj zone.
The two parties then create a new common company in which both will hold a 50% stake. The purpose of this company is to assume the financing, realization and exploitation of the project.

The Guelb el Aouj project should include:

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

These facilities shall produce 7MT/year of high-quality pellets for direct reduction (DR). The product will be transported by the existing iron ore railway infrastructure and loaded onto ore carriers by the existing SNIM port infrastructure, in exchange for an acceptable remuneration that will be determined by an agreement to be concluded between SNIM and the future company.
The necessary financing should be around USD 2.5 billion, of which 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 31, 2007, an agreement was signed according to which SNIM and Sphere Investment would transfer 49.9% of the El Aouj project to its partners for USD 375 million.

It should be noted that the amount of the transaction should serve as financing for the participation of SNIM and Sphere in the capital increase of the "Future Company". The capital should be increased to 30% of the total amount of capital expenditures In October 2007, SABIC withdrew. Therefore Qatar Steel confirmed its decision to buy 49.9% of the project. The project was to continue with three partners, but in 2008, Qasco first informed SNIM of its decision to limit its participation to 15%, before withdrawing entirely from the project.

The final feasibility study was published in April 2008.

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

SNIM and Sphere have decided to seek a third partner and a call for tender has been prepared.

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

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

As of December 31st, 2012, the expenses are presented below:

In millions Ouguiyas	31/12/2011	31/12/2012	Variation
BOUDERGA TINTEKRATE	1,653	8,069	6 ,416
EXPENSES STUDY 2010	187	187	0
CAP Guelb El Aouj	12 280	12,280	0
TOTAL	**14,120**	**20,536**	**6 ,416**

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

As of December 31st, 2009, the stake of SNIM in the joint venture has been valued according to the equity method.

As of December 31, 2012, the fair value of SNIM's participation in the El Aouj joint-venture has not been modified and b was determined on the costs incurred by Sphere on the feasibility study as of December 31, 2009 (MUM 12,283). (cf. 5.3.1 Investments in associates)

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

4 CONSOLIDATION SCOPE

The consolidated financial statements comprise the financial statements of SNIM with its Parisian branch, its subsidiaries (all from Mauritania) and investments in associates where SNIM has a significant influence. Consolidation scope comprises 10 companies globally consolidated and two companies consolidated using the equity method.
The financial statements of subsidiaries are prepared as of December 31st, each year.

	Legal Form	**% right to vote**	**% of interest**	**Conso Method. (1)**
SNIM	**S.A**			**MOTHER**
SUBSIDIARIES MAURITANIE				
SOMASERT	S.A	100%	100%	IG
SAFA	S.A	100%	100%	IG
SAMMA	S.A	53%	53%	IG
ATTM	S.A	100%	100%	IG
COMECA	S.A	94%	94%	IG
SAMIA	S.A	50%	50%	IG
GMM	S.A	96%	96%	IG
DAMANE ASSURANCE	SA	70%	70%	IG
GIP	S.A	68%	68%	IG
TUM	S.A	65%	65%	IG
MAIL	SA	25%	25%	MEE
EL AOUJ SA	S.A	50%	50%	MEE

(1) IG: Global Integration
MEE: Equity Method

5 ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF FINANCIAL POSITION

5.1 Property, plant and equipment

Assets valued at fair value	Correction	31/12/2011	2011 corrected	Acquisitions	Transfers	31/12/2012
Gross value	2,905	189,537	192,441	5217	(6,050)	191,608
Amortization	610	121,167	121,777	6,674	5,703)	122,748
NET VALUE	**2,295**	**68,369**	**70,664**	**(1,456)**	**(347)**	**68,860**

Assets valued at cost	Correction	31/12/2011	2011 corrected	Acquisitions	Transfers	31/12/2012
Gross value	11,899	236,398	248,297	38,730	(4,461)	282,567
Amortization	3,557	101,265	104,822	17,714	(4,798)	117,738
NET VALUE	**8,342**	**135,133**	**143,475**	**21,017**	**337**	**164,829**
TOTAL GROSS VALUE	**14,804**	**425,934**	**440,738**	**43,948**	**(10,511)**	**474,175**
TOTAL AMORTIZATION	**4,167**	**222,432**	**226,599**	**24,387**	**(10,501)**	**240,486**
FIXED ASSETS IN PROGRESS	**(6,253)**	**145,476**	**139,223**	**142,466**	**(48,249)**	**232,636**
TOTAL NET VALUE	**4,385**	**348,978**	**353,362**	**162,027**	**(48,259)**	**466,326**

The impact of the entries of fixed assets 'inventory, as a correction of the opening values, is displayed as followed:

- ✓ Fixed assets capitalization: - MUM 15,213
- ✓ Stripping costs from Guelbs regarding 2011: +MUM 8,156

During the year, SNIM purchased a total of 142,466 MUM of tangible assets.

Investments mainly concern:

- ✓ Project Guelbs II 69,110 MUM ;
- ✓ The railway 21,668 MUM ;
- ✓ New mineral seaport 29,333MUM ;
- ✓ Mining equipment 3,809 MUM ;
- ✓ Wind power plant 3,455MUM ;
- ✓ Modernization of telecommunication system 1,221 MUM.

We did not identify any losses in fair value during the year.

There is no pledging of SNIM's tangible assets.

Incorporated loan costs

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

In million Ouguiyas	Dec.31, 2011	Incorporated loan costs	Dec.31, 2012
Guelbs 2	2,505	2,337	4,842
Mineral seaport	2,114	110	2,224
Total	**4,619**	**2,447**	**7,066**

Finance leases

The gross book value of finance leases included in assets under construction (see4.1 Property, plant and equipment) can be presented as follows:

In million Ouguiyas	Dec.31, 2011	Acquisitions	Transfers	Dec.31, 2012
Other materials Guelbs II (part BID)	4,871	9,861	(831)	13,901
Railway materials (part BID)	2,365	552	(2,918)	0
GROSS VALUE	**7,236**	**10,413**	**(3,749)**	**13,901**

The various materials of Guelbs II in the capital in progress correspond to:

- ✓ To 6 Wagon loading system for 3,609 MUM
- ✓ To 4 Concentrations Humides for 4,562 MUM
- ✓ To 6 Locomotives for 5,730 MUM

The gross book value of the finance leases included in final assets (see **4.1 Property, plant and equipment**) can be presented as follows:

In million Ouguiyas	Dec.31, 2011	Transfers	Disposals	Dec.31, 2012
Renewal of Port Equipment (Part BID)	7,686	0		7,686
Other materials Guelbs II (Part BID)	5,304	831	0	6,135
Railway materials (part BID)	3,389	2,918	0	6,307
GROSS VALUE	**16,379**	**3,749**	**0**	**20,128**

Other materials Guelbs II correspond to the entry into service of 10 mining trucks for 6,135 MUM
Railway materials correspond to the entry into service of the concrete sleepers plant for 3,747 MUM and supplies equipment for 2,559 MUM.

Finance lease obligations:

Minimum lease payments in thousands of USD	Dec.31, 2012	Dec.31, 2011
Due within one year	6,133	7,645
From 2nd to 5th year inclusive	55,590	55,701
More than five years	75,511	94,406
Less future financial charges	(26,834)	(32,180)
Finance leases debt as at end of 2012	**110,400**	**125,572**

5.1.1 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

GROSS VALUE	Correction	Dec.31, 2011	2011 Corrected	Acquisitions	Disposals	Dec.31, 2012
Specialized complex installations	2,883	120,181	123,064	4,183	(4,849)	122,399
Railway rolling stock and railroad track equipment	22	69,355	69,377	1,034	(1,202)	69,210
TOTAL	**2,906**	**189,536**	**192,441**	**5,217**	**(6,050)**	**191,608**

DEPRECIATION	Correction	Dec.31, 2011	2011 Corrected	Acquisitions	Disposals	Dec.31, 2012
Specialized complex installations	597	84,412	85,009	4,436	(4,733)	84,711
Railway rolling stock and railroad track equipment	14	36,755	36,769	2,238	(970)	38,037
TOTAL	**610**	**121,167**	**121,777**	**6,674**	**(5,703)**	**122,748**

NET BOOK VALUE	Correction	Dec.31, 2011	2011 Corrected	Increase	Decrease	Dec.31, 2012
Specialized complex installations	2,287	35,769	38,056	(253)	(115)	37,688
Railway rolling stock and railroad track equipment	9	32,600	32,608	(1,204)	(232)	31,173
TOTAL	**2,295**	**68,369**	**70,664**	**(1,456)**	**(347)**	**68,860**

The impact of the entries of fixed assets' inventory, as a correction of the opening values, is displayed as follow:

Gross Value: 2,905 MUM

- ✓ Specialized complex installations : 2,883 MUM
- ✓ Rail Equipment: 22 MUM

Depreciation: 609 MUM

- ✓ Specialized complex installations : 596 MUM
- ✓ Rail Equipment: 13 MUM

5.1.2 Property, plant and equipment at historical cost

GROSS VALUE In million Ouguiyas	Correction	Dec.31,2011	2011 corrected	Acquisitions	Disposals	Dec.31, 2012
Land	0	3,204	3,204	3,765	-	6,968
Land improvements	0	219	219	87	(15)	291
Buildings	4,290	83,531	87,821	13,788	(573)	101,035
Operating equipment	4,821	135,033	139,854	19,810	(3,319)	156,345
Transport equipment	2,127	8,450	10,577	1,089	(478)	11,189
Office and IT equipment	397	3,456	3,853	113	(16)	3,950
Office furniture	264	2,506	2,770	79	(60)	2,788
TOTAL	**11,899**	**236,398**	**248,297**	**38,730**	**(4,461),**	**282,567**

DEPRECIATION	Correction	Increase	2011 corrected	Increase	Reversal	Dec.31, 2012
Land	-	-	-	-	-	-
Land improvements	0	183	183	3	(5)	182
Buildings	651	26,363	27,014	4,148	(523)	30,638
Operating equipment	1,740	64,204	65,944	11,577	(3,597)	73,924
Transport equipment	837	6,383	7,220	1,254	(577)	7,898
Office and IT equipment	126	2,932	3,058	238	(31)	3,266
Office furniture	203	1,200	1,403	493	(65)	1,831
TOTAL	**3,557**	**101,265**	**104,822**	**17,714**	**(4,798)**	**117,738**

NET BOOK VALUE	Correction	Increase	2011 corrected	Increase	Reduction	Dec.31, 2012
Land	0	3,204	3,204	3,765	-	6,968
Land improvements	0	36	36	84	(10)	110
Buildings	3,639	57,168	60,807	9,640	(50)	70,397
Operating equipment	3,080	70,829	73,909	8,233	278	82,420
Transport equipment	1,290	2,067	3,357	(165)	99	3,291
Office and IT equipment	271	524	795	(126)	15	684
Office furniture	61	1,306	1,367	(414)	5	958
TOTAL	**8,342**	**135,133**	**143,475**	**21,017**	**337**	**164,829**

The impact of the entries of fixed assets' inventory, as a correction of the opening values, is displayed as follow:

Gross Value: 11,898 MUM

Buildings	4,289
Operating Equipment	4,820
Transport Material	2,128
Office material	397
Office furniture & other	264

Depreciation: 3,557 MUM

Buildings	651
Operating Equipment	1,740
Transport Material	837
Office material	126
Office furniture & other	203

The gross values of the fully depreciated tangible assets, which are still in use as of Dec.31, 2012, are given in the table below:

Designation In million Ouguiyas	Gross Value 2012	 2011
Buildings	11,355	11,774
Railway rolling stock and railroad track equipment	10,556	9,377
Specialized complex installations	52 112	51,,100
Operating equipment	29,654	25,936
Transport equipment	4,502	3,324
Other tangible assets	2,933	2,622
TOTAL	**111,111**	**104,133**

5.2 Intangible assets

Variation in Intangible gross fixed assets	Correction	Dec.31,2011	2011 corrected	Acquisitions	Disposals	Dec.31,2012
Intangible fixed assets value	411	4,610	5,021	55	(3)	5,072
TOTAL	**411**	**4,610**	**5,021**	**55**	**(3)**	**5,072**

Change in amortization	Correction	Dec.31,2011	2011 Corrected	Increase	Reversals	Dec.31,2012
Intangible fixed assets value	313	1,658	1,970	317	(23)	2,264
TOTAL	**313**	**1,658**	**1,970**	**317**	**(23)**	**2,264**
Net Value of intangible fixed assets	**99**	**2,952**	**3,050**	**(262)**	**19**	**2,808**

The impact of the entries of fixed assets' inventory, as a correction of the opening values, is displayed as
- ✓ Gross Value for 410 MUM
- ✓ Depreciation for 311 MUM

Intangible assets relate to patents and software.

5.3 Other financial assets

In million Ouguiyas	Dec.31,2012	Dec.31,2011
Loans to employees	6 564	1 513
Deposits and guarantee	56	37
Equity security	25	20
Investment in associate entities	320	8
Investment in associates	12 415	12 985
TOTAL	**19 380**	**14 649**

The increase in loans and advances represents the reclassification of advances to EL AOUJ (412 MUM in 2010 and 3 622 MUM in 2012).

The increase in investment in associate entities comprises the following:

- ✓ 50% of the total investment in SPEG's principal has been paid for 195 MUM;
- ✓ 25% of the total investment in MEE's principal has been paid for 125 MUM.

Investments in associates:

- ✓ Securities of Mauritania Airlines International (MAIL) are for 460 MUM.
- ✓ And Securities of EL AOUJ MINING COMPANY (EMC) is for 11,985 MUM

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.

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

5.4 Inventories

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

In million Ouguiyas	Dec.31,2012	2011 corrected	Dec.31,2011	Correction
Raw materials at cost	58,530	51,689	51,689	(0)
Raw materials at net realizable value	44,164	40,319	40,319	0
Goods and final products	966	492	492	(0)
Iron ore at cost	27,002	31,934	31,934	(0)
Iron ore at net realizable value	12,244	14,567	15,806	(1,239)
Correction ATTM		(1,198)		(1,198)
Total inventories at the lower of cost and net realizable value	**57,375**	**54,179**	**56,616**	**(2,437)**

The correction of errors issued from the capitalization of stripping costs regarding 2011 and booked on the opening values of iron ore amounts to 1,239 MUM.

The increase in raw materials inventories is mainly due to the increase in hydrocarbons inventories for 2,726 MUM (mainly due to price effect) and to the increase of spare parts inventories)mining equipment for 3,137 MUM, and explosives for 1,069 MUM

The declining ore stocks is due to a combined effect including a lower cost of stock average (Guelbs II effect) for 3,693 MUM and recovery ore stocks depreciation for 1,370 MUM.

The company does not pledge inventories.

5.5 Trade receivables

In million Ouguiyas	Dec.31,2012	Dec.31,2011
Iron ore trade receivables	68 194	38,935
Other trade receivables	10 500	15,102
Correction ATTM		(4,782)
Total	**78 694**	**49,255**

Generally, there is no credit risk on iron ore customers. But in 2012 Lucchini an ore customer is in liquidation has been set aside to pay 981 MUM.

An analysis of this risk is regularly performed on other customers in order to identify potential provisions
Provisions on other clients amount to 1 126 MUM as of December 31, 2012 versus 462 MUM as of as of December 31, 2011

The statement of changes in loans and receivables is presented below:

In million Ouguiyas	Dec.31,2012	Dec.31,2011
Depreciation as of January 1st	**492**	**462**
Revaluation of foreign exchange		
Additional depreciation	1,615	30
Utilizations	0	0
Reversals	0	0
Depreciation as of December 31st	**2,107**	**492**
Debt collection on depreciated receivables	0	0
Gross value of depreciated receivables	2,107	492

5.6 Other receivable

In million Ouguiyas	Dec.31,2012	Dec.31,2011
Trade payables – debit balances	4,541	4,240
Trustee	5,274	2,874
Tax receivables	359	2,547
Deferred expenses	1,151	1,920
Sundry debtors	2,101	1,246
Correction ATTM		1,804
TOTAL	**13 426**	**14,632**

Trade payable –debit balances relate to advance to suppliers.
Trustee fund is directly powered by the bank when clients' sales receipts and reimbursement deadlines related to loans of the same name.

Deferred expenses consist of prepayments.
Sundry debtors are mainly composite of short term advances granted to staff, social credits and other debtors.

5.7 Financial instruments: disclosure

5.7.1 Financial instruments presented in the statement of financial position

As of December 31, 2012, 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 receivables	Financial liabilities measured at amortized costs
Other financial fixed assets	6,620	6,620			56	6,564	
Trade receivables and related accounts	78,694	78,694				78,694	
Other receivables and related accounts	13,486	13,486				13,486	
Cash and cash equivalents	311,870	311,870	75,693		236,177		
Assets	410,670	410,670	75,693	0	236,233	98,744	0
Interest bearing loans and borrowings	198,319						198,319
Trade payables	41,932					41,932	
Other payables	16,364			0		16,364	
Liabilities	256,615	0	0	0	0	58,296	198,319

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.

5.7.2 Derivative financial instruments

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.

As of December 31, 2012, financial instruments on exchange rates available at closing date are detailed below:

Foreign currency risk

Hedging accounting	2012				2011			
	Fair value in MUM	Fair value in KUSD	Nominal Acquisition price	Nominal Selling price	Fair value in MUM	Fair value in KUSD	Nominal Acquisition price	Nominal Selling price
Foreign currency risk								
a) Cash flow hedging								
Forward contracts in foreign currency								
Euro	838	2,778	85,800		(1,576)	(5,478)	97,500	
JPY	-		-		0	1	30,000	
CHF								
CAD	(1)	(3)	750		(28)	(98)	5,300	
Options on foreign currency								
Euro	937	3,109	77,600	70,100	(1,536)	(5,339)	69,300	74,300
JPY								
CHF					(32)	(113)	6,500	6,500
CAD	(3)	(9)	2,500	2,500				
b) Fair value hedging								
Forward contracts in foreign currency					-	-		
Euro	42	140,34	6,500		31	108	3,000	
Options on foreign currency								
Euro	14	47,56	2,000		6	21	5,000	
c) Other operations								
Options on foreign currency								
Euro	80	(266)	7,000	45,600	(1,212)	(4,213)		51,400
JPY								
CHF					(39)	(136)		4000
CAD	(8)	(25)		2,000				
Forward contracts in Euros	(11)	(38)	2,000	2,000				
Total foreign currency	**1,729**	**5,734**			**(4,386)**	**(15,247)**		

Commodity price risk

As of December 31, 2012, financial instruments on commodity price risk at closing date are detailed here below:

Hedging accounting		2012				2011			
		Fair value in MUM	Fair value in KUSD	Nominal (in thousand tons) Bought	Sold	Fair value in MUM	Fair value in KUSD	Nominal (in thousand tons) Bought	Sold
Commodity price risk									
a) Cash Flow Hedging									
Swaps on commodities									
	Fuel	(13)	(44)	1,200		(67)	(234)	1,10 0	
	Diesel oil	60	198	950		30	(103)	1,150	
	Others	-	-						
Options on commodities		-							
	Fuel	2348	78	1200	1200	48	168	800	800
	Diesel oil	118 105	390	1300	1300	105	365	850	850
	Others	-	-						
b) Other operations		-							
Options on commodities		-							
	Fuel	(17)	(56)		600	(76)	(265)		600
	Diesel oil	(45)	(149)		700	(99)	(346)		550
	Others	-				-			
Total commodities		**126**	**417**			**(119)**	**(415)**		

Interest rate risk

As of December 31, 2012, interest rate risks at closing date are detailed below:

Hedging accounting		2012				2011			
		Fair value in MUM	Fair value in KUSD	Nominal in foreign currencies (thousands) Bought	Sold	Fair value in MUM	Fair value in KUSD	Nominal in foreign currencies (thousands) Bought	Sold
Interest rate risk									
a) Cash flow hedging									
Interest rate swaps									
	EUR	(1,424)	(4,723)	101,000		(1,240)	(4,310)	202,000	-
	JPY	-	-			-	-	-	
	CHF	-	-			-	-	-	
Interest rate options		-							
	Euro	(588)	(1,950)	90,000	70,000	(472)	(1,641)	90,000	70,000
	JPY	-				-	-	-	
	CHF	-				-	-	-	
b) Other transactions									
	EUR	-							
	JPY	-				-	-	-	
	CHF	-				-	-	-	
Total interest rate		**(2,012)**	**(6,673)**			**(1,712)**	**(5,951)**	-	-
TOTAL		**(157)**	**(522**			**(6,217)**	**(21,612)**		

The impacts on the income statement of derivative financial instruments as of December 31, 2012 are presented here below:

Cash Flow Hedging	Transfer from equity of gains and losses	Inefficiency booked in profit
Foreign currency hedging	(3,543,351) USD	(386,921) USD
Interest rate hedging	(1,021,084) USD	(737,369) USD
Commodities hedging	(129,240) USD	(113,745) USD

Fair Value Hedging	Gains and losses on hedging instruments	Gains and losses on hedged items	Inefficiency booked in profit
Foreign currency hedging	(41,369) USD	(191,750) USD	(150,381) USD
Interest rate hedging			
Commodities hedging			

Non-qualifying derivative hedging	Gains and losses recorded in income statement
Foreign currency hedging	792,303 USD
Interest rate hedging	-
Commodities hedging	121,375 USD

Hedging policy

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

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

Thus SNIM is exposed to foreign currency risk on the dollar for operating expenses denominated in a third currency (imports of Euros, CAD versus USD for instance).
In order to finance its development, SNIM contracted loans denominated in dollars, in Euros and in yen toward international sponsors.

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

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

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

Foreign currency risk

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

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

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

In USD	Variation of Euro	Impact on profit before tax	Impact on equity
2012	10%	(237,642)	22,070,141
	-10%	(3,239,560)	(18,096,559)

1 Dollar = 301.52 Ouguiyas

Commodity price risk

The company is exposed to the commodity price risk on firm and estimated operational transactions.
SNIM's policy is to hedge against exposure to these risks. In order to reach its hedging objectives, the company resorts to purchase and selling contracts on commodity options or on swap contracts. Some selling contracts are part of a global hedging strategy.
Management of this risk is spread over less than a year.

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

In USD	Variation on commodity prices	Impact on profit before tax	Impact on equity
2012	10%	485,480	2,537,720
	-10%	(1,234,693)	(1,866,050)

Interest rate risk

SNIM has obtained important fundings for the realization of the Development and Modernization Program (DMP).
These fundings are indexed on variable rates (libor). Therefore the company is exposed to a financial risk related to the increase of interest rates.
SNIM's policy is to hedge the risks related to interest rates fluctuations on its floating rate debt on a 5-year management horizon.

In order to reach its hedging objectives, the company resorts to interest-rate derivative instruments, signs interest swaps and conditional financial instruments such as caps, floors and collars.
In order to limit the effect of the dollar rate on its financial instruments, SNIM decided to implement a hedging policy, aimed at guaranteeing a minimum income rate.

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

In USD	Variation on rate	Impact on profit before tax	Impact on equity
2012	0,5%	(140,055)	2,219,013
	-0,5%	5.8 47,541	5.9 (2,268,935)

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 29 days after delivery. Thus, for those clients, there exists no risk of credit.

For the other customer, trade receivables are not material and a credit risk analysis is performed regularly to adapt depreciations of eventual debts. The maximum exposure is 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. The maximum exposure does not exceed the accounting value of those instruments.

Liquidity risk

SNIM controls its liquidity risk based on a projected financial investment maturity and an estimated cash flow generated by operational activities.
94% 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.

As of December 31, 2012, 6% of the debt will mature within one year, as compared to 6% in 2011.

Maturity

The table below shows the maturity of the financial liabilities as of December 31, 2012, based on contractual payments not discounted.

The principal considers only the debt actually drawn by the Group SNIM as of December 31, 2012.

Similarly, interest expenses reflect the interests of the Group's debt SNIM totally drawn as of December 31, 2012.

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.

In million Ouguiyas	Less than three months			3 to 12 months		
	Principal	Interest	Total cash flow	Principal	Interest	Total cash flow
Interest-bearing borrowings	196	26	222	10,715	7,522	18,237
	1 to 5 years			**More than 5 years**		
	Principal	Interest	Total cash flow	Principal	Interest	Total cash flow
Interest-bearing borrowings	79,618	24,962	104,580	107,642	15,215	122,857

5.10 Cash and cash equivalents

In million Ouguiyas	Dec.31,2012	Dec.31,2011
Cash	311,870	313,280
Cash equivalents	(5,658)	(2 ,615)
Correction ATTM		(18)
TOTAL	**306 212**	**310,647**

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.

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

5.11 Issued Capital

The company's issued capital as of December 31, 2012 amounts to 12,180,000,000 Ouguiyas, i.e. 1,218,000 shares each with a nominal value of 10,000 Ouguiyas. The capital is called up and paid up in full.

Capital does not comprise any share with favorable voting right.

Share capital can be broken down as follows:

	(Ouguiya)	(%)
Mauritanian government:	9,543,030,000	78,35%
Industrial Bank of Kuwait :	873,200,000	7,17%
Arab Mining Company :	689,790,000	5,66%
Irak Fund for External Development :	558,820,000	4,59%
« Office National des Hydrocarbures et des Mines » (ONHYM - Maroc) :	279,500,000	2,30%
Islamic Development Bank:	218,300,000	1,79%
Private Mauritanian Individuals:	17,360,000	0,14%
Total :	**12,180,000,000**	**100,00%**

Premiums arising from shares issuance relate to previous capital increases and amount to 6 464 MUM.

As of December 31, 2012, the legal reserve amounts to 1 218 MUM, i.e. 10% of issued capital.

5.12 Interests bearing borrowings

5.12.1 Loans within the scope of the trustee agreement

These loans are covered by a trust agreement signed on July 7, 1980 between the company, 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, 2012 amounts to 5,274 MUM (2,874 MUM as of December 3, 2011). It is classified as sundry receivables.

In million Ouguiyas	Currency	Interest rate	Maturity	Dec.31,2012	Dec.31,2011
Loans within the scope of the trustee agreement					
Agence Française de Développement					
Emprunt n°. 70X	EUR	5,00%	2019	135	145
Emprunt n°. 89U	EUR	2,00%	2020	512	543
BEI 6	EUR	3,07%	2015	3,306	4 144
BAD 2002	USD	Var.	2016	-	3,869
AFD (Centrale)	EUR	Var.	2019	6,130	6,684
AFD (Centre de formation)	EUR	Var.	2021	2,517	1,308
BEI VII (Centrale)	EUR	6,90%	2019	6,431	6,798
BID PORT	USD	Var.	2023	6,099	6,466
	EUR	Var.		13,642	9,358
FED/03/EUR	USD	Var.	2023	6,099	6,466
	EUR	Var.		13,642	9,358
PDM					
RAILWAY					
BID	USD	Var.	2024	6,940	5,094
GUELBS II					
BEI	USD	6,03%	2024	19,787	7,727
BAD	USD	Var.	2024	35,278	13,463
AFD	USD	Var.	2024	19,650	7,626
BID	USD	Var.	2024	20,249	8,228
KFW/G21/USD	USD	Var.	2021	6,222	6,637
KFW/G22/USD01	USD	5,96%		13,330	3,003
PORT					

KFW NP1	USD	Var.	2022	15,606	6,815
KFW NP2	USD	Var.	2022	10,502	5,778
Sub-total				**186,335**	**103,687**

5.12.2 Loans outside the scope of the trustee agreement

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

In million Ouguiyas	Currency	Interest rate	Maturity	Dec.31,2012	Dec.31,2011
Loans outside the scope of the trustee					
European Investment bank					
Loan (SAFA)	EUR	0	2013	51	94
Islamic development bank	USD	0,00%	2009	-	223
Banque Marocaine pour le Commerce Extérieur (ATTM)	EUR	4,30%	2012	0	2,381
Correction ATTM					230
Société Générale de Mauritanie (ATTM)	MRO	10,40%	2015	465	654
Etat Mauritanien (COMECA)	MRO	0,00%	2015	474	
Premium payable	USD		2015	49	63
Sub-total				**1,039**	**3,655**

Statement of Financing Agreements for the DMP

Project	Lender	Currency	Interest rate	Maturity	Total Millions MRO	Drawn Millions MRO	Not drawn Millions MRO
Guelbs II	AFD	EUR	Var	2024	29,967	19,978	9,989
	BEI	EUR	Fixe	2024	29,967	19,978	9,989
	BAD	USD	Var	2024	52,766	35,278	17,488
	BID	USD	Var	2023	24,122	24,122	0
	Commercial banks (tranche 1)	EUR	Var	2022	6,748	6,748	0
	Commercial banks (tranche 2)	EUR	Var	2022	15,982	13,305	2,678
Port	Commercial banks (tranche 1)	EUR	Var	2022	15,982	15,982	0
	Commercial banks (tranche 2)	EUR	Var	2022	12,832	10,308	2,524
Railway	BID	USD	Var	2025	8,443	6,940	1,503
Training C.	AFD	EUR	Var	2021	2,797	2,797	0
Total					**199,607**	**155,436**	**44,171**

5.12.3 Rescheduled debts

In the context of the 8th club of Paris gathered on July 8,2002,and following the bilateral agreement between the government of the French Republic and the government of Islamic Republic of Mauritania signed on May 26,2003,the French debt that was rescheduled during agreement III,IV,V and VI, was cancelled to the benefit of the Mauritanian Islamic Republic.

A treaty signed on August 21, 2003 adjusted the rescheduled debt between SNIM and Ministry of Finance and defined methods of payments initially due by SNIM to the Banque de France and the Coface.

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

The balance of this agreement is 2,612 MUM for December 31, 2012 (2,769 MUM in December 31.2011)

In million Ouguiyas	Curren cy	Intere st rate	Maturi ty	Dec.31,20 12	Dec.31,20 11
Rescheduled debts					
French debt due dates rescheduled					
Agreement 8	EUR	3,00%	2019	2,612	2,769
Sub-total				**2,612**	**2,769**

5.12.4 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 for the rehabilitation of some of its industrial facilities. Consequently a three-party agreement was signed between SNIM, the Mauritanian Government and the European Union in order to define the terms of the reassignment as a non-repayable grant (equal to the amount allocated to technical assistance – 0.8 million Euros) and a repayable loan of 57,2 million Euros.
The total amount of drawings increased to 4,335MUM as of December 31, 2012 compared to 5,697 MUM as of December 31, 2011.

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

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

In million Ouguiyas	Currency	Interest rate	Maturity	Dec.31,2012	Dec.31,2011
Reassigned debt					
(					
Saudi Fund for Development	SAR	1,00%	2,039		639
European Economic Community (Sysmin 1)	EUR	0,50%	2,028	3,851	3,823
African Fund for Development	UCB	0,75%	2,038	-	4,008
European Economic Community (Sysmin II)- (N° 5546)	EUR	3,00%	2,015	4,335	5,697
Sub-total				**8,185**	**14,167**
TOTAL LOANS				**198,171**	**124,278**
Loans maturing in less than one year				**10,911**	**8,458**
Long and mid terms loans				**187,260**	**115,621**

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

5.13 Retirement benefit obligation

In million Ouguiyas	Dec.31,2011	Increase	Reversal	Dec.31,2012
Provisions for retirement indemnities	8,511	4,206	(1,160)	11,684
Provisions for additional retirement	7,778	1,024		8,802
TOTAL	**16,289**	**5,230**	**(1,160)**	**20,485**

Description of the plan

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

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

Note that this benefit is provided without any condition of presence of the employee 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 years for man 55 years for Women
Future salary increase	15.56%
Actual rate of return	6,31%
Death rate	TM 60-64 – 20%
Employee rotation rate	2,45% decreasingly spread by age
Inflation	6%

The accrual basis held to recognize actuarial gains and losses is the "corridor rule".

	Dec.31,2012	Dec.31,2013
Beginning of the period	01/01/2011	01/01/2012
End of the period	12/31/2011	12/31/2012
Actual rate of return	6,31%	6,31%
Future pension increase	6,31%	6,31%
Actual rate of return on assets	NA	NA
Expected average remaining working lives	8years	8years

Variation in benefit obligation

In million Ouguiyas	Dec.31,2012	Dec.31,2013
Benefit obligation at January 01,2011	19 419	19 194
Current service cost	1639	1 315
Interest cost	1 329	1 211
Employee contribution	0	0
Plan modification	0	0
Acquisition /Sale	0	0
Reductions / Cessations	0	0
Actuarial gains / losses	(2 309)	(1 585)
Past service cost	(884)	(660)
Other	0	0

Benefit obligation	19 194	19 475

Variations in investments

The benefits defined by SNIM are not covered by investments.

Financial cover

In million Ouguiyas	Dec.31,2012	Dec.31,2013
Financial cover	(19,194)	(19,476)
Corridor	1,919	1,919
Actuarial loss	9,184	
Amount of actuarial loss to be amortized	8,299	7,262
Amortization of actuarial loss on the period	1,238	956
Provision	**10,895**	**12,214**

Cost on the period

In million Ouguiyas	Dec.31,2011	Dec.31,2013
Current service cost	1,639	1,315
Financial cost	1,329	1,211
Actual rate of assets		
Amortization of actuarial loss in the period	1,238	1,037
Amortization of actuarial loss on the period		
Impact of reduction / cessation		
Total Cost	**4,206**	**3,564**
Benefits paid	(884)	(661)
Total Cost	**3,322**	**2,903**

Description of the defined benefit regime

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:

- ✓ The10% employer contribution and the 7% employee contribution based on the reference salary
- ✓ The income from the investment of the employer and employee contributions
- ✓ The prior service cost borne by SNIM (10% of the 2012 reference salary)
- ✓ The reference salary is the base salary plus the seniority bonus

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

Actuarial assumptions

The charge has been determined according to the following assumptions:

- ✓ Subscription of all the employees

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

5.14 Provisions

These provisions cover risks of litigation with former employees and any other contentious matter.
These provisions are not discounted as the impact is insignificant.

In million Ouguiyas	Dec.31,2011	Increase	Reversal	Dec.31,2012
Contingency provision	2,564	1,850	-	4,414
TOTAL	**2,564**	**1,850**	-	4,414

5.15 Trade payables

Trade payables can be broken down as follows:

In million Ouguiyas	Dec.31,2012	Dec.31,2011
Trade payables	40,069	41,297
Accrued payables	(1,863)	571
Correction ATTM		900
TOTAL	**41,932**	**42,768**

There is no discounted payable as of December 31, 2012.

5.16 State and other public taxes

In million Ouguiyas	Dec.31,2012	Dec.31,2011
Income tax payment	9,349	11,440
Taxes on wages and salaries	375	1,985
Correction ATTM		(101)
TOTAL	**9,724**	**13,324**

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

The single tax on income comprises all taxes payable on the fiscal-year net income. In accordance with the agreement signed with the Mauritanian Republic, SNIM is liable for the single tax on income and pays an annual amount corresponding to 9% of total iron ore exports.

An amendment to the agreement was signed in December 2008 concerning the basis of assessment of the single tax on income.

The single tax has significantly decreased due to the decrease of sales (price effect less than 25%)

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 employees.

5.17 Other taxes

In million Ouguiyas	Dec.31,2012	Dec.31,2011
VAT payable	1,034	1,616
Other taxes	587	554
TOTAL	**1.621**	**2,170**

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

5.18 Other payables

In million Ouguiyas	Dec.31,2012	Dec.31,2011
Trade creditors	7,957	7,921
Payroll expenses and related costs	2,410	2,006
Dividends payable	56	36
Sundry creditors and pre-payments	5,940	2,724
Correction ATTM		3,247
TOTAL	**16,364**	**15,935**

Other creditors mainly include accrued amounts payable, with accrued interest.

6 ADDITIONAL INFORMATION RELATING TO THE INCOME STATEMENT

6.1 Sales

Production sales represent sales of iron ore in the amount of 332 255 MUM (1,271,091.40 US dollars) for financial year 2012 (net of demurrage). Almost all sales of iron ore are to Western European countries and China.
64% of total sales for financial year are generated by three customers in 2012.

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6.1.1 Sector-based information

Geographical zones are the following:

In million Ouguiyas	Dec.31,2012	Dec.31,2011
China	194,398	186,852
Italia	47,294	66,000
Germany	38,113	44,323
France	36,129	56,626

Belgium	10,454	32,140
Others	15,304	24,686
Spain	2,539	10,024
Great-Britain	960	1,104
TOTAL	**345,192**	**421,755**

6.2 Other income

In million Ouguiyas	Dec.31,2012	Dec.31,2011
Rents, material disposal, telecom	1,351	74
Rentals of buildings and equipment	48	73
Other services	1,954	2,034
Supply of personnel	70	66
Disposals	1,463	1,265
TOTAL	**4,886**	**3,512**

The increase of other services is related to the sales of iron.
The increase in disposals is related to the selling of staff store B.

6.3 Other operating income

In million Ouguiyas	Dec.31,2012	Dec.31,2011
Discount obtained	732	60
Profit and gains	210	379
Reversal of provisions	3,394	111
Profit on disposals	15	3
TOTAL	**4,350**	**553**

The increase in reversal and provision correspond to the reversal of depreciation of ore stock for 2,986 MUM.

6.4 Consumables

In million Ouguiyas	Dec.31,2012	Dec.31,2011
Consumables used	(92,124)	(82,063)
Maintenance products	(998)	(810)
Water and electricity	(516)	(515)
Supplies	(98)	(83)
Material	(6)	(7)
Correction ATTM	-	(900)
TOTAL	**(93,742)**	**(84,377)**

The increase in consumables is mainly due to an increase in stripping costs and in prices and explained as followed:

- ✓ Diesel Oil (+MUM 2 884),
- ✓ Fuel (+MUM 2 294),
- ✓ Explosives (+MUM 2 047),
- ✓ Tires (+MUM 745),
- ✓ Mining Equipments (+MUM 960)
- ✓ Oils (+MUM 693)

6.5 Staff Cost

In million Ouguiyas	Dec.31,2012	Dec.31,2011
Wages	(28,126)	(23,279)
Social charges	(3,238)	(2,362)
Provision for retirement indemnities	(3,174)	(1,279)
Complementary pension scheme	(794)	(874)
TOTAL	**(35,333)**	**(27,795)**

The increase in personnel cost is linked with the increase in salaries, the increase with the choice of 15% and on the other hand with the rise of provision of IDR.

Changes in the average workforce are as follows:

Category	Dec.31,2012	Dec.31,2011
Executives	439	532
Supervisory staff	2,893	2,807
Workers	2,478	2,216
TOTAL	**5,810**	**5,555**

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

6.6 Depreciation, amortization and provision expenses

In million Ouguiyas	Dec.31,2012	2011 Corrected	Dec.31,2011	Correction
Depreciation of property, plant and equipment	(24,719)	(23,538)	(19,371)	(4,167)
Amortization of intangible assets	(317)	(532)	(221)	(311)
Allocation to provision for contingency and retirement	(1,850)	(1,928)	(1,928)	-
Other depreciation	(3,964)	(5,219)	(5,219)	-
Correction ATTM		(6,619)	-	(6,619)
TOTAL	**(30,850)**	**(37,836)**	**(26,739)**	**(11,097)**

6.7 Taxes

In million Ouguiyas	Dec.31,2012	Dec.31,2011
Tax on benefit	(80)	(80)
Other taxes	(420)	(356)
Correction ATTM	-	101
TOTAL	**(500)**	**(335)**

6.8 Other operating expenses

Other operating expenses can be broken down as follows:

In million Ouguiyas	Dec.31,2012	Dec.31,2011
Expenses related to investment	(13,225)	(17,909)
Expenses related to operations	(4,964)	(3,853)
Other Charges	(3,905)	(6,703)
TOTAL	**(22,094)**	**(28,466)**

Expenses related to investment mainly concern repair, maintenance and insurance and expenses for technical assistance. Expenses related to activity mainly concern mission cost, fees, telephone, analysis of ore and bank charges.

Other expenses concerns gifts, grants, fines and penalties and slowdown of stock.

The decrease in charges related to investment was recorded mainly in the level of ATTM(less than 2,007 MUM) and COMECA (less than 887 MUM)

The decrease in other expenses corresponds to tax adjustments which took place in 2011 for 2,372 MUM.

6.9 Financial income

Financial income can be broken down as follows:

In million Ouguiyas	Dec.31,2012	Dec.31,2011
Interest and related income	2,745	1,516
Income on financial instrument	2,726	3,075
Foreign exchange gain	(22,029)	24,150
Other financial income	(35)	660
TOTAL	**27,535**	**29,401**

Financial income has been mainly generated by foreign exchange gains. The latter is broken down as follows:

In million Ouguiyas	Dec.31,2012	Dec.31,2011
Unrealized exchange gains	45	141
Other exchange gains	21,984	24,009
TOTAL	**22,029**	**24,150**

The increase in other exchange gains mainly corresponds to the revaluation of foreign currency cash accounts at the 2012 financial year closing rate.

6.10 Financial expenses

Finance costs can be broken down as follows:

In million Ouguiyas	Dec.31,2012	Dec.31,2011
Interest and related charges	(1,967)	(1,705)
Foreign exchange losses	(21,221)	(16,884)
Charges on financial instruments	(1,946)	(2,991)
Other financial charges	(1,077)	(1,015)
Correction ATTM	-	(248)
TOTAL	**(26,210)**	**(22,844)**

These exchange losses can be broken down as follows:

In million Ouguiyas	Dec.31,2012	Dec.31,2011
Unrealized exchange losses	(7,646)	(2,132)
Other exchange losses	(13,575)	(14,752)
TOTAL	**(21,221)**	**(16,884)**

7 ADDITIONAL INFORMATION RELATED TO THE STATEMENT OF CASH FLOWS

7.1 Amortization and depreciation restatement

In million Ouguiyas	Dec.31,2012	2011 Corrected	Dec.31,2011	Correction
Property, plant and equipment amortization	24,719	25,537	19,371	4,166
Intangible assets amortization	317	533	221	311
Allocation to provision for contingency and retirement	5,920	7,451	4,282	3,169
Loss of tangible assets	0	409	409	0
Correction ATTM	-	(804)	-	(804)
TOTAL AMORTISSEMENTS ET PROVISIONS	**31,083**	**27,957**	**24,283**	**3,673**

7.2 Change in working capital

In million Ouguiyas	Dec.31,2012	Dec.31,2011
Decrease (Increase) in inventories	(1,997)	(6,382)
Decrease (Increase) in trade receivables	(24,658)	2,756
Decrease (Increase) in other receivables	(464)	(986)
Increase (Decrease) in trade payables	2,677	9,309
Increase (Decrease) in tax payables	(2,159)	2,534
Increase (Decrease) in other payables	4,241	2,958
Correction ATTM	(8,223)	8,223
CHANGE IN WORKING CAPITAL	**(30,584)**	**18,413**

7.3 Disbursements related to fixed asset acquisitions

In million Ouguiyas	Dec.31,2012	Dec.31,2011
Acquisition of tangible assets	(123,735)	(96,704)
Acquisition of intangible assets	(55)	(303)
Acquisition of net financial assets	(5,387)	(1)
TOTAL	**(129,177)**	**(97,009)**

7.4 Reversal of depreciation and provisions

In million Ouguiyas	Dec.31,2012	2011 Corrected	Dec.31,2011	Correction
Capitalized production	(16,376)	(12,955)	(6,038)	(6,917)
Reversal of depreciation and provision	0	0		0
TOTAL	**(16,376)**	**(12,955)**	**(6,038)**	**(6,917)**

7.5 Foreign exchange gains/losses

In million Ouguiyas	Dec.31,2012	Dec.31,2011
Foreign exchange gains/losses on loans	7,997	2,067
Nets deferred profits on financial instruments	(1,465)	1,361
TOTAL	**6,533**	**3,428**

7.6 Cash and cash equivalents

In million Ouguiyas	Dec.31,2012	Dec.31,2011
Cash	311,870	313,280
Cash equivalents	(5,658)	(2,615)
Correction ATTM	-	(2,629)
TOTAL	**306,212**	**308,036**

8 OTHER COMMITMENTS AND LIABILITIES

Off balance sheet commitments are broken down as follows:

In million Ouguiyas	Dec.31,2012	Dec.31,2011
Documentary credits in-progress	19,758	34,202
Guarantees received from contractors	2,048	8,266
Run released portion of long-term loans	48,225	141,203
	70,031	**183,670**