

Société Nationale Industrielle et Minière

S.N.I.M.

Year ended December 31, 2013

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

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

Year ended December 31, 2013

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 consolidated financial position as at December 31, 2013, the consolidated income statement, the consolidated statement of change in equity and consolidated cash flow statement for the year then 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 the consolidated 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 consolidated financial position of S.N.I.M. as at December 31, 2013, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Nouakchott and Paris-La Défense, May 9, 2014

The statutory auditors
CONEX



Sidi Mohamed Elemine

The independent auditors
ERNST & YOUNG et Associés



Pierre Abily

SOCIETE NATIONALE INDUSTRIELLE ET MINIERE

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2013

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STATEMENT OF FINANCIAL POSITION

ASSETS

In million Ouguiyas	Note	31/12/2013	2012 Corrected	31/12/2012
Non-current Assets		634 093	488 492	489 007
Property, plant and equipment	5.1	599 185	465 811	466 326
Exploration Assets	5.1	794	410	410
Intangibles assets	5.2	2 870	2 808	2 808
Other financial fixed assets	5.3	14 264	6 620	6 620
Investment in associated companies	5.3	241	345	345
Investments in associates	5.3	16 645	12 415	12 415
Deferred taxes		94	83	83
Current Assets		485 978	463 719	463 719
Inventories	5.4	75 866	57 375	57 375
Trade receivables	5.5	47 025	78 694	78 694
Other receivables	5.6	25 630	13 426	13 426
Future Contracts	5.7	1 282	2 354	2 354
Cash and cash equivalents	5.8	336 175	311 870	311 870
TOTAL ASSETS		1 120 071	952 211	952 726

EQUITY AND LIABILITIES

In million Ouguiyas	Note	31/12/2013	2012 Corrected	31/12/2012
Capital and reserve		752 699	634 059	646 621
Issued capital	5.9	182 700	12 180	12 180
Share Premium		6 464	6 464	6 464
Underlying net earnings on forward contracts	5.7	(3 021)	(2 756)	(246)
Accumulated profits		566 556	618 171	628 223
Legal reserve		1 218	1 218	1 218
Retained profit brought forward		344 486	426 474	426 474
Profit for the year		173 358	142 985	153 037
Revaluation reserve		47 494	47 494	47 494
Minority shareholding interests		7 687	5 209	5 209
Non-current liabilities		272 567	235 118	223 071
Interest-bearing loans and borrowings	5.10	233 429	198 172	198 172
Retirement benefits obligation	5.11	34 403	32 532	20 485
Other provisions	5.12	4 734	4 414	4 414
Current liabilities		87 119	77 825	77 825
Trade payables	5.13	41 910	41 932	41 932
State and other public taxes	5.14	7 528	9 724	9 724
Other taxes	5.15	5 417	1 621	1 621
Other payables	5.16	28 035	16 364	16 364
Bank overdraft	5.8	2 454	5 658	5 658
Derivatives	5.7	1 775	2 527	2 527
TOTAL LIABILITIES		1 120 071	952 211	952 726

INCOME STATEMENT

In million Ouguiyas	Note	31/12/2013	2012 Corrected	31/12/2012
Sales	6.1	380 181	345 192	345 192
Revenue from ancillary business activities	6.2	4 764	4 886	4 886
Other operating income	6.3	527	956	956
Operating income		385 472	351 034	351 034
Changes in inventory of finished goods and work-in-progress		1 457	(4 644)	(4 644)
In-house production		22 319	16 376	16 376
Reversal of depreciation and provisions		7 566	3 394	3 394
Raw materials and consumables used	6.4	(105 196)	(93 742)	(93 742)
Personnel expenses	6.5	(40 937)	(44 870)	(35 333)
Depreciation, amortization and provision expenses	6.6	(36 829)	(31 365)	(30 850)
Taxes and duties	6.7	(693)	(500)	(500)
Other operating expenses	6.8	(22 854)	(22 094)	(22 094)
Profit from operation		210 305	173 589	183 641
Financial income	6.9	21 908	27 535	27 535
Financial expenses	6.10	(23 969)	(26 210)	(26 210)
Share of profits (losses) of equity-accounted affiliates		(304)	(654)	(654)
Profit before tax		207 939	174 260	184 312
Income Tax		(34 222)	(30 881)	(30 881)
Net profit		173 718	143 379	153 431
Earnings per share (1,218,000 shares) in Ouguiyas		360	393	393

STATEMENT OF COMPREHENSIVE INCOME

In million Ouguiyas	31/12/2013	2012 Corrected	31/12/2012
Net profit	173 718	143 379	153 431
Impact of financial instruments	-265	2 034	4 544
Comprehensive income	173 453	145 413	157 975

CASH FLOW STATEMENT

In million Ouguiyas	Note	31/12/2013	31/12/2012	2012 Corrected
OPERATING ACTIVITIES				
Income before tax		207 939	184 312	174 260
Amortization, depreciation and provision	7.1	36 341	31 078	41 130
Reversal of amortization, depreciation and provisions	7.4	(22 474)	(16 376)	(16 376)
Gains/losses on sale of assets				
Foreign exchange gains/losses	7.5	(545)	6 533	6 533
Investment income		(2 669)	(2 726)	(2 726)
Interest expenses		2 975	1 790	1 790
Investments in associates		305	654	
Working capital needs	7.2	20 332	(30 583)	(30 583)
Cash generated by operating activities		242 204	174 682	174 028
Interest paid		(2 374)	(1 771)	(1 771)
Income tax paid		(37 022)	(32 972)	(32 972)
Net cash flow from operating activities		202 808	139 939	139 285
INVESTING ACTIVITIES				
Acquisitions of fixed assets	7.3	(163 349)	(129 177)	(129 177)
Proceeds from sale of equipment		1 351	0	0
Interests received		2 668	2 726	2 726
Dividends received		0	0	0
Net cash flow from investing activities		(159 329)	(126 451)	(126 451)
FINANCING ACTIVITIES				
Capital increase		1940		
Proceed from long-term borrowings		46 242	84 767	84 767
Payments on long-term borrowings		(9 515)	(18 870)	(18 870)
Dividends paid		(54 639)	(83 819)	(83 819)
Net cash flow from financing activities		(15 971)	(17 922)	-17 922
Net cash flow		27 508	-4 434	-5 088
Cash and cash equivalents at the beginning of the period		306 212	309 486	309 486
Cash and cash equivalents at the end of the period	7.6	333 720	310 935	310 935

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

In million Ouguiyas	Share Capital	Share Premiums	Accumulated Profit	Underlying net earnings on forward contracts	Total	Minority Interest
Shareholders' equity as of January 01, 2012	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	
Correction			(9 970)	(2 510)	(12 480)	
Shareholders' equity as of December 31, 2012	12 180	6 464	618 253	(2 756)	634 141	5 209
Capital Increase	170 520		(170 520)		0	
Revaluation of fixed assets				(265)	(265)	
Net profit of the period			173 358		173 358	2 478
Dividends			(54 611)		(54 611)	
Other			76		76	
Shareholders' equity as of December 31, 2013	182 700	6 464	566 556	(3 021)	752 699	7 687

Correction of errors

The 2012 net result has been written off for a total amount of MUM (10 052) due to error corrections as stated below:

- ✓ Retrospective application of IAS 19R : MUM (9 537) of net impact
- ✓ Correction of non-recognized depreciation on assets commissioned in 2012 : MUM (515)
- ✓ Correction of error in 2012 ATTM profit : MUM 81

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2013**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of SNIM for the year ended December 31, 2013 were authorized for issuance in accordance with a resolution of the Board of Directors on April 28, 2014.

1 KEY EVENTS

The financial year 2013 is characterized by an absolute record of sales in 13 042 000 of metric tons and by an increase of important orientation towards Chinese market.

As a consequence for SNIM, the ore selling price has decreased of 8% compared to 2012.

- All time high sale of 13 million metric tons.
- Discovery of probable reserves in TIZERGHAF EL BEIDHA of 830 Million metric tons. Inauguration of a new training center in Zouerate
- Inauguration of the new ore port
- Launch of the new rocker dumpers
- Appointment of a new Chairman of the Board of Directors Mr. Kabaould Elewa replacing Mr. Mohamed Cherif.

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 ACCOUNTING POLICIES

3.1 Principles for the preparation of the Financial Statements

Applicable standards

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The publication of the financial statements in IFRS is justified by:

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

Norms, norm amendments and effective interpretations

The group's consolidated financial statements as of 31 December 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU (*European Union*), and in accordance with norms issued by IFRS as published by IASB (*International Accounting Standard Board*) and with a mandatory application as of 31 December 2013.

The group has applied in its 2013 combined financial statements new norms and amendments as adopted by the European Union and with a mandatory application as of 1st of January 2013.

It is about the following:

- IAS 1 - Amendment – *Presentation of financial statements: presentation of other comprehensive income items*, as published by IASB on June 16, 2011, as adopted by EU on June 5, 2012, and published in EU's Official Journal on June 6, 2012. It discloses a presentation of other comprehensive income items (named « Charges and income booked in other comprehensive income » in the combined comprehensive income statement) which are included from now on according or not to their recycling in the income statement
- IAS 19 - Amendment – *Employees benefit*, as published by IASB on June 16, 2011, as adopted by EU on June 5 2012 and published in EU's Official Journal on June 6, 2012. The accounting principles and valuation methods relating to employee benefits plans are presented in Note 1.3.15 –Employee benefit plans.
- IFRS 13 – *Fair value measurement*, definition on the concept of fair value in terms of measurement and disclosure, has been published by IASB May 12, 2011, adopted by EU on December 11, 2012, and published in official Journal of EU December 29, 2012. The implementation does not have any significant impact, nor on the method of valuation used by the group, neither on the information disclosed in our annexes.
- Amendments in different IFRS norms included in the Annual improvement text Cycle 2009-2011 were published by IASB in May 2012 adopted in EU on March 27, 2013, and published in the EU's official Journal on March 28, 2013.

The group also decided to apply early in their consolidated financial statement as of December 31, 2013 the new standards of consolidation method: IFRS 10 - *Consolidated Financial Statements*, IFRS 11 - *Joint Arrangements*, IFRS 12 - *Disclosure of interests in Other entities* and IAS 28 - *Investments in Associates and Joint Ventures*, issued by the IASB on May 12, 2011, the EU adopted in December 11, 2012 and published in the EU's Official Journal on December 29 2012. Their application is mandatory from 1 January 2014 in the European Union.

The principles related to consolidation methods introduced by these new standards are presented below in Note 1.3.2 – Consolidation Methods.

New IFRS standards and IFRIC interpretations issued but not yet effective

Among other IFRS standards and IFRS interpretations issued by IASB/IFRS IC but not yet effective, for which the Group did not opt for early application, and which are likely to affect the group, found mostly the IFRIC 21 interpretation - *Duties or Taxes*, published by the IFRS IC 20 May 2013, the mandatory date of application is not yet known at this time, the EU has not yet adopted this interpretation. The application of this interpretation could lead, if applicable, to modify the analysis of the event giving rise to the recognition of liabilities.

The group's process of determining potential impacts of the application of this interpretation on the combined financial statements and on the content of combined financial statements notes is ongoing.

In addition, the group follows the evolution of IFRS 9 - *Financial Instruments* to replace IAS 39. The Board of the IASB temporarily decided to shift the norm's entry date (originally scheduled for 2015), without pronouncing on another date.

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

General principles

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, 2013 as intercompany revenues and charges, so as intercompany operations such as dividends payments, amortization of consolidated shares, or loans to intercompany are eliminated taking into account their impact on profit or loss.

Internal margins on inventories are also eliminated.

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.

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

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

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

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, 2013 is as follows:

- ✓ Exploration tangible assets: 3 634 MUM,
- ✓ Research & Development costs: 1 174 MUM.

The depreciation of these assets as of December 31, 2013 is as follows :

- ✓ Exploration tangible assets: 2 840 MUM,
- ✓ Research & Development costs: 482 MUM.

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;

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 S.A.: 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 Tazadit Underground Mine (TUM): this company is involved in research and underground mining iron ore.

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

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 2013 is 26 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.

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 2013:

- o 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 28, 2014, the Council of Ministers has not adopted any implementing decree instituting the practical obligations yet.

- o 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 28, 2014 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

Benefit plans

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.

The option provided by IAS 19 allowing the recognition of all the actuarial gaps in equity and not yet applied by the SNIM became mandatory as of 1st January 2013.

Since January 2013, revised IAS 19 only allows actuarial gains and losses recognition in equity.
The impact of actuarial gains and losses recognition in equity on retained earnings is 9537 MUM

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. 5.11 Actuarial assumptions)

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

3.16 Leases

As of December 31, 2013, there exists significant finance lease (see 5.1 Property, Plant and Equipment).

3.17 Profit 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.

The following specific recognition criteria must also be met:

- ✓ **Sales of goods**
Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and can be reliably measured.
- ✓ **Construction contracts**
The contract revenues are measured at the fair value of the consideration received or receivable.
Contract revenues and contract costs are recognized by reference to the stage of completion of the contract activity at the balance sheet date.
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 816 254 MUM compared to 767 599 MUM in the financial statements presented. Likewise income based on USD as a functional currency and presented in MRO can be estimated at 180 650 MUM compared to 173 358 MUM 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 Investment in associates

Presentation note of 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 two new guelbs i.e. Tintekrate and Bouderga in order to estimate the mineral reserves of these guelbs according to the JORC standard, with a view to better use of the license.

As of December 31st, 2013, the expenses are presented below:

In million Ouguiyas	31/12/2013	31/12/2012	Variation
Cap Bouderga Tintekrate	10 947	8 069	2 878
Cap Expenses Study 2010	187	187	0
Cap Guelb El Aouj	14 160	12 280	1 880
TOTAL	25 294	20 536	4 758

(c) Accounting Policy

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, 2013, 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 12 280 MUM (cf. 4.3.1 Investments in associates).

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

4 CONSOLIDATION SCOPE

The consolidated financial statements comprise the financial statements of SNIM with its Parisian branch, its subsidiaries (all from Mauritania) and investments in associates where SNIM has a significant influence. Consolidation scope comprises 11 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	% interest	Consolidation Method (1)
SNIM	S.A			Parent Company
FILIALES MAURITANIE				
SOMASERT	S.A	100%	100%	IG
SAFA	S.A	100%	100%	IG
SAMMA	S.A	53%	53%	IG
ATTM	S.A	100%	100%	IG
COMECA	S.A	94%	94%	IG
SAMIA	S.A	50%	50%	IG
GMM	S.A	96%	96%	IG
DAMANE ASSURANCE	S.A	55%	55%	IG
GIP	S.A	68%	68%	IG
EL AOUJ SA	S.A	50%	50%	MEE
TUM	S.A	99%	99%	IG
MAIL	S.A	25%	25%	MEE
M2E	SA	100%	100%	IG
TAKAMUL	SA	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	31/12/2012	2012 Corrected	Acquisitions	Transfers	31/12/2013
Gross Value	(0)	191 608	191 608	7 632	(3 458)	195 782
Amortization	96	122 748	122 844	6 284	(3 402)	125 726
Net Value	(96)	68 860	68 764	1 348	(56)	70 056

Cost of the assets	Correction	31/12/2012	2012 Corrected	Acquisitions	Transfers	31/12/2013
Gross Value	-	282 567	282 567	108 130	(5 409)	385 288
Amortization	419	117 738	118 153	22 222	(4 170)	136 205
Net Value	(419)	164 829	164 414	85 907	(1 239)	249 082

Gross Value	(0)	474 175	474 175	115 762	(8 867)	581 070
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Total Amortization	515	240 486	240 997	28 507	(7 572)	261 931
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Fixed assets in progress		232 636	232 636	164 181	(116 771)	280 047
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Total Net Value	(515)	466 326	465 815	251 436	(118 066)	599 185
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The impact of correction entries on the amortization opening balance is of 515 MUM which is related to assets not commissioned.

During the year, SNIM purchased tangible assets of 164 181 MUM.

This Investment mainly includes:

- ✓ Guelbs project II for 70 841 MUM ;
- ✓ Mining equipment for 48 413 MUM ;
- ✓ New mineral seaport for 20 257 MUM ;
- ✓ The railway for 6 926 MUM ;

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

There is no pledging of SNIM's tangible assets.

Incorporated loan cost

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

In million Ouguiyas	31/12/2012	Incorporated loan cost	31/12/2013
Guelbs 2	4 842	3 366	8 208
Mineral seaport	2 224	1811	4 035
Total	7 066	5 177	12 243

Finance leases

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

In million Ouguiyas	31/12/2012	Acquisitions	Transfers	31/12/2013
Other materials Guelbs II (part BID)	13 901	2 767		16 668
Railway materials (part BID)	0			0
Gross Value	13 901	2 767	0	16 668

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

- ✓ To 6 Wagon loading system for 4 345 MUM
- ✓ To 4 Concentrations Humides for 6 594 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	31/12/2012	Transfers	Disposals	31/12/2013
Renewal of Port Equipment (Part BID)	7 686			7 686
Other materials Guelbs II (Part BID)	6 135			6 135
Railway materials (part BID)	6 307			6 307
Gross Value	20 128	0	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	31/12/2013	31/12/2012
Due within one year	30 857	6 133
From 2 nd to 5th year inclusive	47 118	55 590
More than five years	60 101	75 511
Less future financial charges	(22 513)	(26 834)
Finance leases debt as at end of 2013	115 564	110400

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.

A general inventory of assets was carried out by the Tunisian ECOVIS firm in 2012 which will be the basis of the revaluation of certain categories of assets in 2014.

Gross Value In million Ouguiyas	Correction	31/12/2012	2012 Corrected	Acquisitions	Disposals	31/12/2013
Specialized complex installation Railway rolling stock and railroad track equipment	0	122 399	122 399	7 046	-587	128 857
	0	69 210	69 210	586	-2 871	66 924
Total	0	191 608	191 608	7 632	-3 458	195 782

	Correction	31/12/2012	2012 Corrected	Acquisitions	Disposals	31/12/2013
Specialized complex installation Railway rolling stock and railroad track equipment	96	84 711	84 807	4 093	-531	88 369
	0	38 037	38 037	2 191	-2 871	37 357
Total	96	122 748	122 844	6 284	-3 402	125 726

Net Book Value	Correction	31/12/2012	2012 Corrected	Increase	Decrease	31/12/2013
Specialized complex installation Railway rolling stock and railroad track equipment	-96	37 688	37 591	2 953	-56	40 488
	0	31 173	31 173	-1 605	0	29 568
Total	-96	68 860	68 764	1 348	-56	70 056

5.1.2 Property, plant and equipment at historical cost

Gross Value In million Ouguiyas	Correction	31/12/2012	2012 Corrected	Acquisitions	Disposals	31/12/2013
Land	-	6 968	6 968	60	-	7 029
Land improvements	-	291	291	66	-	357
Buildings	-	101 036	101 036	58 029	(794)	158 271
Operating equipment	-	156 345	156 345	47 773	(3 105)	201 013
Transport equipment	-	11 189	11 189	1 684	(725)	12 148
Office and IT equipment	-	3 772	3 772	237	(110)	3 899
Office furniture	-	2 966	2 966	281	(675)	2 573
Total	-	282 568	282 568	108 130	(5 409)	385 288

Depreciation	Correction	31/12/2012	2012 Corrected	Increase	Reversal	31/12/2013
Land	-	-	-	-	-	-
Land improvements	-	198	198	9	-	207
Buildings	18	30 633	30 651	5 381	(371)	35 662
Operating equipment	390	73 904	74 294	14 770	(2 541)	86 523
Transport equipment	-	7 898	7 898	1 350	(476)	8 772
Office and IT equipment	11	3 142	3 153	231	(110)	3 274
Office furniture	-	1 960	1 960	481	(673)	1 767
Total	419	117 734	118 153	22 222	(4 170)	136 205

Net Book Value	Correction	31/12/2012	2012 Corrected	Increase	Decrease	31/12/2013
Land	-	6 968	6 968	60	-	7 029
Land improvements	-	93	93	57	-	150
Buildings	(18)	70 403	70 385	52 648	(423)	122 609
Operating equipment	(390)	82 441	82 051	33 003	(564)	114 490
Transport equipment	-	3 291	3 291	333	(249)	3 375
Office and IT equipment	(11)	630	619	6	(0)	624
Office furniture	-	1 007	1 007	(199)	(2)	806
Total	(419)	164 834	164 414	85 907	(1 239)	249 083

The table below shows the gross value of tangible assets which are full amortized are still in use as of 31 December 2013:

Designation In million Ouguiyas	Gross Value	
	2013	2012
Building	12 210	11 355
Railway rolling stock and railroad track equipment	10 119	10 556
Specialized complex installations	57 770	52 112
Operating equipment	32 816	29 654
Transport equipment	5 030	4 502
Other tangible assets	2 822	2 933
Total	120 767	111 1

5.2 Intangible assets

Variation in Intangible gross fixed assets	31/12/2012	Acquisitions	Disposal	31/12/2013
Intangible fixed assets value	5 072	416	(269)	5 219
Total	5 072	416	(269)	5 219
Change in amortization	31/12/2012	Increase	Reversals	31/12/2013
Intangible fixed assets value	2 264	303	-218	2 349
Total	2 264	303	-218	2 349
Net value of intangible fixed assets	2 808	113	(51)	2 870

Intangible assets relate to patents and software.

5.3 Other financial assets

In million Ouguiyas	31/12/2013	31/12/2012
Loans to employees	10 032	6 564
Deposits and guarantee	4 232	56
Equity security	44	25
Investment in associate entities	197	320
Investment in associates	16 645	12 415
Total	31 150	19 380

The increase in loan to subsidiaries relates to shareholder advances includes:

- ✓ EMC for 2 987 MUM or 9 616 000 USD.
- ✓ MAIL for 980 MUM
- ✓ SPEG for 157 MUM

The increase in guarantees and deposits relates to reclassification of deposits with NATISIX were classified as cash equivalents for 4 178 MUM.

Investments in associates includes:

- ✓ MAIL for 162 MUM
- ✓ EMC for 11 978 MUM.
- ✓ TAKAMUL for 4 505 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 fair value.

5.4 Inventories

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

In million Ouguiyas	31/12/2013	31/12/2012
Raw materials at cost	71 640	58 530
Raw materials at net realizable value	61 562	44 164
Goods and final products	865	967
Iron ore at cost	30 203	27 002
Iron ore at net realizable value	13 440	12 244
Total inventories at the lower of cost and net realizable value	75 866	57 375

The increase in inventories of raw materials is mainly due to the increase in the hydrocarbons stocks for 2286 MUM, the increase in the spare parts stocks (mining machinery) for 2790 MUM, tires for 3374 MUM and other consumables for MUM 3289 in connection with the increase production capacity project (Acquisition of 50 mining machinery in 2013) and the increased activity of earthworks

Ore inventories to their net realizable value remained relatively stable.

The company does not pledge inventories.

5.5 Trade receivables

In millions Ouguiyas	31/12/2013	31/12/2012
Iron ore trade receivables	37 789	68 194
Other trade receivables	9 236	10 500
Total	47 025	78 694

Generally, there is no credit risk on iron ore customers. The provision maintained in 2012 for an Ore customer of 981MUM has been fully recovered in 2013.

An analysis of this risk is regularly performed on other customers in order to identify potential provisions. Provisions on other clients amount to 1 130 MUM as of 31 December 2013 versus 2 107 MUM as of 31 December 2012.

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

In million Ouguiyas	31/12/2013	31/12/2012
Depreciation as of January 1st	2017	492
Revaluation of foreign exchange		
Additional depreciation	94	1615
Utilizations	0	0
Reversals	(981)	0
Depreciation as of December 31st	1130	2107
Debt collection on depreciated receivables	980	0
Gross value of depreciated receivables	1130	2107

5.6 Other receivables

In million Ouguiyas	31/12/2013	31/12/2012
Trade payables – debit balances	11 037	4 541
Trustee	8 907	5 275
Tax receivables	1 288	359
Deferred expenses	1 663	1 151
Sundry debtors	2 734	2 101
Total	25 630	13 426

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

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

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 instrument: disclosure

5.7.1 Financial instruments presented in the statement of financial position

As of 31 December 2013, 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 & loss	Assets available for sale	Financial assets held to maturity investments	Loans and receivables	Financial liabilities measured at amortized cost
Other financial fixed assets	14 264	14 264			4 232	10 032	
Trade receivables and related accounts	47 025	47 025				47 025	
Other receivables and related accounts	25 630	25 630				25 630	
Cash and cash equivalents	336 175	336 175	126 906		209 269		
Assets	423 094	423 094	126 906	0	213 501	82 687	0
Interest bearing loans and borrowings	233 429	233 429					233 429
Trade payables	41 910	41 910				41 910	
Other payables	28 035	28 035			0	28 035	
Liabilities	303 375	303 375	0	0	0	69 945	233 429

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

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

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

5.7.2 Derivative financial instruments

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	2013				2012			
	Fair value in MUM	Fair value in KUSD	Nominal in thousands		Fair value in MUM	Fair value in KUSD	Nominal in thousands	
			Purchases	Sales			Purchases	Sales
Exchange risk								
a) Cash flow hedging								
Forward contracts in foreign currency								
Euro	197	659	64 200		838	2 778	85 800	
JPY	-	-			-	-		
CHF	-	-			-	-		
CAD	(3)	(11)	1 250		(1)	(3)	750	
Options on foreign currency								
Euro	616	2 065	77 400	79 900	937	3 109	77 600	70 100
JPY	-	-			-	-		
CHF	-	-			-	-		
CAD	(1)	(4)	1 250	1 250	(3)	(9)	2 500	2 500
b) Fair value hedging								
Forward contracts in foreign currency								
Euro	1	2	3 000		42	140,34	6 500	
Options on foreign currency								
Euro	41	138	5 000		14	47,56	2 000	
c) Other operations								
Options on foreign currency								
Euro	(81)	(273)	4 000	36 800	(92)	(304)	11 000	45 600
JPY	-	-			-	-		
CHF	-	-			-	-		
CAD	(0)	(1)	250		(8)	(25)	2 000	
Total foreign currency	768	2 575			1 729	5 759		

Commodity price risk

As of December 31, 2013, financial instruments on commodity price risk at closing date are detailed here below:

Hedging accounting	2013				2012			
	Fair value in MUM	Fair value in KUSD	Nominal (in thousand tons)		Fair Value in MUM	Fair value in KUSD	Nominal in thousand tons	
			Purchased	Sold			Purchased	Sold
Commodity price risk								
a) Cash Flow Hedging								
Swaps on commodities								
Fuel	(72)	(242)	1 550		(13)	(44)	1 200	
Diesel oil	113	377	1 200		60	198	950	
Others					-			
Options on commodities								
Fuel	7	22	1 000	1 000	23	78	1 200	1 200
Diesel oil	99	331	1 500	1 500	118	390	1 300	1 300
Others					-	-		
b) Other operations								
Options on commodities								
Fuel	(26)	(87)		800	(17)	(56)		600
Diesel oil	(21)	(71)		1 000	(45)	(149)		700
Others					-			
Total commodities	99	331			126	417		

Interest rate risk

As of December 31, 2013, interest rate risks at closing date are detailed below:

Hedging accounting	2013				2012			
	Fair Value in MUM	Fair value in KUSD	Nominal exchange in thousands		Fair value in MUM	Fair value in KUSD	Nominal exchange in thousands	
			Purchases	Sales			Purchases	Sales
Interest rate risk								
a) Cash flow hedging								
Interest rate swaps								
EUR	(939)	(3 147)	101 000		(1 424)	(4 723)	101 000	
JPY					-	-		
CHF					-	-		
Interest rate options								
Euro	(400)	(1 342)	90 000	70 000	(588)	(1 950)	90 000	70 000
JPY					-			
CHF					-			
b) Other transactions								
EUR					-			
JPY					-			
CHF					-			
Total interest rate	(1 339)	(4 489)			(2 012)	(6 673)	-	-
Total	(472)	(1 583)			(157)	(497)		

The impacts on the income statement of derivative financial instruments as of December 31, 2013 are presented here below:

	Transfer from equity of gains and losses	Inefficiency booked in profit
Cash Flow Hedging		
Foreign currency hedging	(386 921) USD	306 108 USD
Interest rate hedging	(737 369) USD	(653 502) USD
Commodities hedging	(113 745) USD	192 529 USD

	Gains and losses on hedging instruments	Gains and losses on hedged items	Inefficiency booked in profit
Fair Value Hedging			
Foreign currency hedging	(78 526) USD	(119 100) USD	(40 574) USD
Interest rate hedging			
Commodities hedging			

Non-qualifying derivative hedging	Gains and losses recorded in income statement
Foreign currency hedging	382 256 USD
Interest rate hedging	-
Commodities hedging	48 428 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' fair value) and equity (linked to variation in forward contracts' fair value) is based on two assumptions: that the euro exchange rate is changing within reason and that all other variables remain stable. The conclusion of our analysis appears below.

In USD	Variation of Euro	Impact on profit before tax	Impact on equity
2013	10%	112 874	21 618 962
	-10%	(2 636 450)	(13 659 777)

1 Dollar = 298.25 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 variable remain stable.

In USD	Variation on rate	Impact on profit before tax	Impact on equity
2013	10%	2 537 720	(1 866 049)
	-10%	485 479	(1 234 694)

Interest rate risk

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

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

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

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

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

En USD	Variation on rate	Impact on profit before tax	Impact on equity
2013	5%	(85 400)	1 360 474
	-5%	23 662	(1 383 814)

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 26 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, 2013, 11% of the debt will mature within one year, as compared to 6% in 2012.

Maturity

The table below shows the maturity of the financial liabilities as of December 31, 2013, based on contractual payments not discounted.

The principal considers only the debt actually drawn by the Group SNIM as of December 31, 2013.

Similarly, interest expenses reflect the interests of the Group's debt SNIM totally drawn as of December 31, 2013.

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

	Less than 3 months			3 to 12 months		
	Principal	Interest	Total cash flow	Principal	Interest	Total cash flow
Interest-bearing borrowings	233	22	255	24947	6419	31 367
	1 to 5 years			More than 5 years		
	Principal	Interest	Total cash flow	Principal	Interest	Total cash flow
Interest-bearing borrowings	94 991	25 658	120 649	113 257	13 503	126 760

5.8 Cash and cash equivalents

In million Ouguiyas	31/12/2013	31/12/2012
Cash & cash equivalents	336 175	311 870
Overdraft	(2 454)	(5 658)
Total	333 721	306 212

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.

5.9 Issued capital

In 2013 the company's issued capital increase to 170 520 000 000 MRO by capitalization of available reserves which amounts to 128 700 000 000 ouguiyas, i.e. 18 270 000 shares each with a nominal value of 10,000 Ouguiyas. The capital is called up and paid up in full.

Capital does not comprise any share with favorable voting right.

Share capital can be broken down as follows:

In ouguiyas	31/12/2012	31/12/2013	(%)	Variations
Mauritanian government:	9 543 030 000	143 145 450 000	78,35%	133 602 420 000
Industrial Bank of Kuwait :	873 200 000	13 098 000 000	7,17%	12 224 800 000
Arab Mining Company :	689 790 000	10 346 850 000	5,66%	9 657 060 000
Irak Fund for External Development :	558 820 000	8 382 300 000	4,59%	7 823 480 000
« Office National des Hydrocarbures et des Mines » (ONHYM - Maroc) :	279 500 000	4 192 500 000	2,29%	3 913 000 000
Islamic Development Bank:	218 300 000	3 274 500 000	1,79%	3 056 200 000
Private Mauritanian Individuals:	17 360 000	260 400 000	0,14%	243 040 000
TOTAL	12 180 000 000	182 700 000 000	100%	170 520 000 000

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

As of December 31, 2013, the legal reserve amounts to 1 218 MUM, i.e. 0.66% du capital social.

5.10 Interests bearing borrowings

5.10.1 Loans within the scope of the trustee agreement

These loans are covered by a trust agreement signed on July 7, 1980 between the company, 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, 2013 amounts to 8 907 MUM (5 274 MUM as of 31 December 2012. It is classified as "Other debtors" (under other receivables).

In million Ouguiyas	Currency	Interest rate	Maturity	31/12/2013	31/12/2012
Loans within the scope of the trustee agreement					
Agence Française de Développement					
Emprunt n°. 70X	EUR	5,00%	2 019	117	135
Emprunt n°. 89U	EUR	2,00%	2 020	457	512
BEI 6	EUR	3,07%	2 015	2 212	3 306
BAD 2002	USD	Var.	2 016	-	-
AFD (Centrale)	EUR	Var.	2 019	5 197	6 130
AFD (Centre de formation)	EUR	Var.	2 021	2 306	2 517
BEI VII (Centrale)	EUR	6,90%	2 019	5 627	6 431

BID PORT	USD	Var.	2 023	5 363	6 099
PDM					
VOIE					
BID	USD	Var.	2 024	6 865	6 940
GUELBES II					
BEI	USD	6,03%	2 024	29 697	19 787
BAD	USD	Var.	2 024	52 194	35 278
AFD	USD	Var.	2 024	29 666	19 650
BID	USD	Var.	2 024	22 240	20 249
KFW/G21/USD	USD	Var.	2 021	5 430	6 222
KFW/G22/USD01	USD	5,96%		15 884	13 330
PORT					
KFW NP1	USD	Var.	2 022	13 893	15 606
KFW NP2	USD	Var.	2 022	9 936	10 502
Sous total				207 082	172 693

5.10.2 Loans outside the scope of the trustee agreement

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

In million Ouguiyas	Currency	Interest rate	Maturity	31/12/2013	31/12/2012
Loans outside the scope of the trustee					
European Investment bank					
Loan (SAFA)	EUR	0	2013	0	51
FED/03/EUR	USD	0,00%	2009	14 058	13 642
Société Générale de Mauritanie(ATTM)	MRO	10,40%	2015	1 770	465
Etat Mauritanien (COMECA)	MRO	0,00%	2015	1 817	474
Deposits and guarantees received				21	
Premiums paid on interest rate hedges.	USD		2015	32	49
Sub-total				17 698	14 681

Statement of Financing Agreements for the DMP

Projet	Lender	Currency	Interest Rate	Maturity year	Total Million MRO	Drawn Millions MRO	Non drawn Millions MRO
Guelbs II	AFD	EUR	Var	2024	29 666	29 666	0
	BEI	EUR	Fixe	2024	29 697	29 697	0
	BAD	USD	Var	2024	52 194	52 194	0
	BID	USD	Var	2023	23 860	22 240	1 620
	Commercial banks (tranche 1)	EUR	Var	2022	7 217	7 217	0
	Commercial banks (tranche 2)	EUR	Var	2022	15 884	15 884	0
Port	Commercial banks (tranche 1)	EUR	Var	2022	12 751	11 008	1 744
	Commercial banks (tranche 2)	EUR	Var	2022	15 436	15 436	0
Railway	BID	USD	Var	2025	8 351	6 865	1 486
Training. C	AFD	EUR	Var	2021	2 882	2 882	0
Total					197 938	193 088	4 850

5.10.3 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 2 273 MUM as of 31 December 2013 compared to 2 612 MUM as of 31 December 2012.

In million Ouguiyas	Currency	Interest rate	Maturity	31/12/2013	31/12/2012
Rescheduled debts					
French debt due dates rescheduled					
Agreement 8	EUR	3,00%	2 019	2 273	2 612
Sous total				2 273	2612

5.10.4 Reassigned debt

In the context of SYSMIN, the European Union granted the Mauritanian Islamic Republic 58 million Euros under Agreement No 5546/MAU signed on October 23, 1995. The agreement provides for the reassignment of the grant as a loan 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 amount of drawings amounts to 2 655 MUM as of 31 December 2013 compared to 4 335 MUM as of 31 December 2012.

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

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

In millions Ouguiyas	Currency	Interest rate	Maturity	31/12/2013	31/12/2012
Reassigned debt					
European Economic Community (Sysmin 1)	EUR	0,50%	2 028	3 721	3 851
European Economic Community (Sysmin 2)	EUR	3,00%	2 015	2 655	4 335
Sub-total				6 376	8 185
Total debt				233 429	198 171
Debts maturing in less than one year				25 180	10 911
Long and mid term debts				208 249	187 260

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

5.11 Retirement benefit obligation

In million Ouguiyas	Correction	31.12.2012	2012 Corrected	Amortization	Reversal	31.12.2013
Provisions for retirement indemnities	12 047	11 684	23 731	2 700	(1 905)	24 526
Provisions for additional retirement	-	8 802	8 802	1 076	-	9 878
Total	12 047	20 486	32 533	3 776	-1 905	34 404

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	Assumptions used
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".

	31/12/2012	31/12/2013
Beginning of the period	01/01/2012	01/01/2013
End of the period	31/12/2012	31/12/2013
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	8ans	8ans

Variation in actuarial debt:

In million Ouguiyas	31/12/2012	31/12/2013
Benefit obligation at beginning of the year	19 419	19 194
Current service cost	1 639	1 419
Interest cost	1 329	1 281
Employee contribution	0	0
Plan modification	0	0
Acquisition /Sale	0	0
Reductions / Cessations	0	0
Actuarial gains / losses	-2 309	-2 510
Past service cost	-884	-613
Other	0	0
Actuarial debt at the end of the year	19 194	23 791

Variations in investments

The benefits defined by SNIM are not covered by investments.

Financial cover:

In million Ouguiyas	31/12/2012	31/12/2013
Financial security	-19 194	-23 791
Unrecognized actuarial gains or losses	8 299	
Unrecognized past service costs		
Provisions	10 895	23 791

Cost on the period:

In million Ouguiyas	31/12/2012	31/12/2013
Current service cost	1 639	1 419
Financial cost	1 329	1 281
Actual rate of assets	-	-
Amortization of actuarial loss in the period	1 238	-
Amortization of actuarial loss on the period	-	-
Impact of reduction / cessation	-	-
Total cost	4 206	2 700
Benefits paid	-884	-613
Total cost	3 322	2 087

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:

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

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

Actuarial assumptions

The charge has been determined according to the following assumptions:

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

5.12 Provisions

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	31/12/2012	Amortization	Reversal	31/12/2013
Contingency provision	4 414	320		4 734
TOTAL	4 414	320	-	4 734

5.13 Trade payables

Trade payables can be broken down as follows:

In million Ouguiyas	31/12/2013	31/12/2012
Trade payables	39 900	40 069
Accrued payables	2 010	1 863
Total	41 910	41 932

There are no discounted payables as of 31 December, 2013.

5.14 Taxes

In million Ouguiyas	31/12/2013	31/12/2012
Income tax payment	6 559	9 349
Taxes on wages and salaries	969	375
Total	7 528	9 724

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.

5.15 Other taxes

In million Ouguiyas	31/12/2013	31/12/2012
VAT payable	4 624	1 034
Other taxes	793	587
Total	5 417	1 621

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

5.16 Other payables

In million Ouguiyas	31/12/2013	31/12/2012
Trade creditors	7 566	7 957
Payroll expenses and related costs	3 090	2 410
Dividends payable	97	56
Sundry creditors and pre-payments	17 283	5 940
Total	28 035	16 364

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

6 ADDITIONAL INFORMATION RELATING TO THE INCOME STATEMENT

6.1 Sales

Production sales represent sales of iron ore in the amount of 366 564 MUM (1 225 206 109 USD) for financial year 2013 (net of demurrage). Almost all sales of iron ore are to Western European countries and China.

69% of total sales for financial year are generated by three customers in 2013.

6.1.1 Sector-based information

Geographical breakdown of sales is disclosed below:

In millions Ouguiyas	31/12/2013	31/12/2012
China	268 328	194 398
Italy	40 766	47 294
Germany	33 798	38 113
France	15 831	36 129
Belgium		10 454
Spain		2 539
UK	2 507	960
Others	18 950	15 304
Total	380 181	345 192

6.2 Other income

In million Ouguiyas	31/12/2013	31/12/2012
Rents, material disposal, telecom	1 144	1 351
Rentals of buildings and equipment	312	48
Other services	1 492	1 954
Supply of personnel	124	70
Disposals	1 693	1 463
Total	4 764	4 886

The increase in disposals is related to the selling of staff store B.

6.3 Other operating income

In million Ouguiyas	31/12/2013	31/12/2012
Discount obtained	363	731
Profit and gains	(22)	210
Reversal of provisions	75	3 394
Profit on disposals	109,7	15,40
Total	527	4 350

6.4 Consumables

In million Ouguiyas	31/12/2013	31/12/2012
Consumables used	(103 288)	(92 124)
Maintenance products	(1 071)	(998)
Water and electricity	(421)	(516)
Supplies	(408)	(98)
Material	(6)	(6)
Total	(105 196)	(93 742)

The increase in consumables is mainly due to an increase in excavations and increase in production capacity (acquisition of 50 mining trucks in 2013):

- Gasoil (more than 2 874 MUM),
- Mining equipment (2 085 MUM)
- Fixed installations of handling (more than 1 403 MUM)
- Wheel of car (more than 796 MUM)
- Explosives (more than 569 MUM),
- Oil (more than 409 MUM)

6.5 Staff Cost

In million Ouguiyas	31/12/2013	31/12/2012	2012 Corrected	Correction
Wages	(35 175)	(28 126)	(28 126)	
Social charges	(4 121)	(3 238)	(3 238)	
Provision for retirement indemnities	(849)	(3 174)	(12 711)	(9 537)
Complementary pension scheme	(792)	(794)	(794)	
Total	(40 937)	(35 333)	(44 870)	(9 537)

The increase in personnel cost is linked with the increase in salaries, the increase with the choice of 10% and on the other hand with the rise of provision of IDR.

Changes in the average workforce are as follows:

Category	31/12/2013	31/12/2012
Executives	495	439
Supervisory staff	3 050	2 893
Workers	2 786	2 478
Total	6 331	5 810

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	31/12/2013	31/12/2012	2012 Corrected	Correction
Depreciation of property, plant and equipment	(26 393)	(22 738)	(23 253)	(515)
Amortization of intangible assets	(150)	(150)	(150)	
Allocation to provision for contingency and retirement	(2 293)	(1 622)	(1 622)	
Other depreciation	(7 993)	(6 340)	(6 340)	
Total Depreciation and provisions	(36 829)	(30 850)	(31 365)	(515)

6.7 Taxes

In million Ouguiyas	31/12/2013	31/12/2012
Tax on benefit	(3)	(80)
Other taxes	(690)	(420)
Total	(693)	(500)

6.8 Other operating expenses

Other operating expenses can be broken down as follows:

In million Ouguiyas	31/12/2013	31/12/2012
Expenses related to investment	(15 001)	(13 225)
Expenses related to operations	(5 147)	(4 964)
Other Charges	(2 706)	(3 905)
Total	(22 854)	(22 094)

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.

6.9 Financial income

Financial income can be broken down as follows:

In million Ouguiyas	31/12/2013	31/12/2012
Interest and related income	2 672	2 745
Income on financial instrument	700	2 726
Foreign exchange gain	16 836	22 029
Other financial income	1 700	35
Total	21 908	27 535

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

In millions Ouguiyas	31/12/2013	31/12/2012
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Unrealized exchange gains	102	45
Other exchange gains	16 734	21 984
Total	16 836	22 029

The decline in other foreign exchange is mainly due to the lower gains on the revaluation of foreign currency cash accounts at the closing rate (6457 MUM in 2013 against 8781 MUM in 2012).

6.10 Financial expenses

These exchange losses can be broken down as follows:

In million Ouguiyas	31/12/2013	31/12/2012
Interest and related charges	(3 203)	(1 967)
Foreign exchange losses	(18 080)	(21 221)
Charges on financial instruments	(1 540)	(1 946)
Other financial charges	(1 147)	(1 077)
Total	(23 969)	(26 210)

These exchange losses can be broken down as follows:

In million Ouguiyas	31/12/2013	31/12/2012
Unrealized exchange losses	(9 045)	(7 646)
Other exchange losses	(9 035)	(13 575)
Total	(18 080)	(21 221)

7 ADDITIONAL INFORMATION RELATED TO THE STATEMENT OF CASH FLOWS

7.1 Amortization and depreciation restatement

In millions Ouguiyas	31/12/2013	2012 Corrected	31/12/2012	Correction
Property, plant and equipment amortization	28 507	25 234	24 719	515
Intangible assets amortization	303	317	317	
Financial assets amortization	980	0	0	
Allocation to provision for contingency and retirement	4 541	15 584	6 047	9 537
Loss of tangible assets	2 010	0	0	
Total depreciation and provision	36 340	41 135	31 083	10 052

7.2 Change in working capital

In million Ouguiyas	31/12/2013	31/12/2012
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Decrease (Increase) in inventories	(18 491)	(1 997)
Decrease (Increase) in trade receivables	31 669	(24 658)
Decrease (Increase) in other receivables	(5 757)	(464)
Increase (Decrease) in trade payables	(96)	2 677
Increase (Decrease) in tax payables	3 404	(2 159)
Increase (Decrease) in other payables	9 602	4 241
Correction ATTM		(8 223)
Change in working capital	20 331	(30 584)

7.3 Disbursements related to fixed asset acquisitions

In million Ouguiyas	31/12/2013	31/12/2012
Acquisition of tangible assets	(146 565)	(123 735)
Acquisition of intangible assets	(416)	(55)
Acquisition of net financial assets	(16 369)	(5 387)
Total Acquisitions	(163 349)	(129 177)

7.4 Reversal of depreciation and provisions

In millions Ouguiyas	31/12/2013	31/12/2012
Capitalized production	(22 319)	(16 376)
Reversal of depreciation and provision	(155)	0
Total	(22 474)	(16 376)

7.5 Foreign exchange gains/losses

In million Ouguiyas	31/12/2013	31/12/2012
Foreign exchange gains/losses on loans	(601)	7 997
Nets deferred profits on financial instruments	56	(1 465)
Total	(545)	6 533

7.6 Cash and cash equivalents

In millions Ouguiyas	31/12/2013	31/12/2012
Cash	336 175	311 870

Cash equivalents	(2 454)	(5 658)
Net cash and cash equivalents	333 721	306 212

8 OTHER COMMITMENTS AND LIABILITIES

Off balance sheet commitments are broken down as follows:

In million Ouguiyas	31/12/2013	31/12/2012
Documentary credits in-progress	19 118	19 758
Guarantees received from contractors	1 939	2 048
Run released portion of long-term loans	48 225	48 225
Total	69 282	70 031

9 RELATED PARTY DISCLOSURES

Transactions with related parties are not significant.

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

The following table summarizes the main intergroup services invoiced in 2013 in million Ouguiyas

	ATT M	COME CA	SAM MA	SAM IA	SOMAS ERT	GM M	SA FA	GI P	DAM ANE	TU M	EM C	MA IL	MS MS	M2 E	SNI M	TOTA UX
ATTM															6 000	6 000
COMEC A					1	1	0								1 472	1 474
SAMM A	4	24			0	4	11								570	613
SAMIA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SOMAS ERT	10	9	1	-		1	3	1	1				7	1	684	719
GMM																51
SAFA	10	96													1 639	1 745
GIP															147	147
DAMA NE	15														1 515	1 530
TUM																-
EMC																-
MAIL																-
MSMS																-
M2E																-
SNIM	10	15	274	20	46	2	113	67	20	43	176	13	610	1		1 407
TOTA UX	49	143	275	20	48	8	127	68	21	43	176	13	616	1	12 026	13 684

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

10 EVENTS AFTER THE REPORTING PERIOD

No subsequent event has a significant impact on financial statements.