

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Santa Fe Mining S.A.

We have audited the accompanying special purpose financial statements of Santa Fe Mining, which comprise the special purpose statements of financial position as of March 31, 2016 and 2015, and the related special purpose statements of comprehensive loss, changes in net equity (deficit), and cash flows for the years then ended, and the related notes to the special purpose financial statements.

Management's responsibility for the special purpose financial statements

Management is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with the basis described in Note 2; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the special purpose 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 Company's internal control. Accordingly, we express no such opinion. An audit also includes assessing the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by the Company's management, as well as evaluating the overall presentation of the special purpose 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 special purpose financial statements referred to above present fairly, in all material respects, the financial position of Santa Fe Mining as of March 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with the basis described in Note 2.

Emphasis on a matter

As discussed in note 1, in April of 2015, management of the company approved a temporary suspension of all mining operations for a period between six to twelve months from the end of May 2015, as a result of the continued decrease in the international iron ore prices. As of the date of this report, the Company extended the temporary shutdown for a further period until a significant improvement in international iron ore prices. Based on these circumstances the financial statements have been prepared on the going concern basis.

Restriction on use and distribution

This report has been issued solely for the internal use and knowledge of Santa Fe Mining Management, shareholders and financial institutions. It should not be distributed to any other third party.

A handwritten signature in dark ink, appearing to read "Deloitte", with a horizontal line extending from the top of the letter 't'.

May 6, 2016
Copiapó, Chile

SANTA FE MINING S.A.**SPECIAL PURPOSE STATEMENTS OF FINANCIAL POSITION****AS OF MARCH 31, 2016 AND 2015****(In US dollars - US\$)**

ASSETS	Notes	2016 US\$	2015 US\$
NON-CURRENT ASSETS			
Property, plant and equipment, net	10	32.591.511	35.425.397
Account receivable from related companies	21	-	1.669.035
Investment in subsidiary	12	-	48.673
Intangible assets, net	13	936.526	944.789
Other non-financial assets, non-current	11	3.416.129	2.560.927
Total non-current assets		<u>36.944.166</u>	<u>40.648.821</u>
CURRENT ASSETS			
Inventories	14	-	4.322.717
Trade and other receivables	15	22.643	-
Recoverable taxes	16	46.993	1.239.372
Cash and cash equivalents	23	168.994	2.660.950
Other non-financial assets, current		18.108	46.937
Total current assets		<u>256.738</u>	<u>8.269.976</u>
TOTAL ASSETS		<u><u>37.200.904</u></u>	<u><u>48.918.797</u></u>

The accompanying notes are an integral part of these special purpose financial statements

NET EQUITY (DEFICIT) AND LIABILITIES	Notes	2016 US\$	2015 US\$
NET EQUITY (DEFICIT)			
Paid-in capital	17	1,966.684	1,966.684
Retained earnings (accumulated losses)		<u>(6,227.007)</u>	<u>399.076</u>
Total net equity (deficit)		<u>(4,260.323)</u>	<u>2,365.760</u>
NON-CURRENT LIABILITIES			
Account payable to related companies	21	39,314.873	28,893.385
Deferred taxes	9	461.367	1,025.366
Provisions, non-current	20	<u>1,440.214</u>	<u>1,440.214</u>
Total non-current liabilities		<u>41,216.454</u>	<u>31,358.965</u>
CURRENT LIABILITIES			
Trade and other accounts payables	19	129.316	12,209.567
Provisions, current	20	115.457	216.533
Other financial liabilities	18	<u>-</u>	<u>2,767.972</u>
Total current liabilities		<u>244.773</u>	<u>15,194.072</u>
TOTAL NET EQUITY AND LIABILITIES		<u><u>37,200.904</u></u>	<u><u>48,918.797</u></u>

SANTA FE MINING S.A.**SPECIAL PURPOSE STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015
(In US dollars - US\$)**

	Notes	2016 US\$	2015 US\$
OPERATING REVENUE	4	8.411.628	70.296.667
OPERATING COST	5	<u>(9.828.328)</u>	<u>(90.937.805)</u>
GROSS LOSS		(1.416.700)	(20.641.138)
Administrative expenses	6	<u>(2.104.154)</u>	<u>(4.179.055)</u>
OPERATING MARGIN		<u>(3.520.854)</u>	<u>(24.820.193)</u>
Other income		141.615	44.752
Other expenses	12 & 21	(1.718.024)	(431.464)
Financial expense	8	(2.068.550)	(1.777.327)
Exchange difference	7	<u>36.280</u>	<u>435.760</u>
TOTAL NON-OPERATING EXPENSE		<u>(3.608.679)</u>	<u>(1.728.279)</u>
LOSS BEFORE INCOME TAX		(7.129.533)	(26.548.472)
Benefit from income taxes	9	<u>503.450</u>	<u>4.623.854</u>
LOSS FOR THE YEAR		<u>(6.626.083)</u>	<u>(21.924.618)</u>
STATEMENT OF COMPREHENSIVE LOSS			
LOSS FOR THE YEAR		<u>(6.626.083)</u>	<u>(21.924.618)</u>
TOTAL COMPREHENSIVE LOSS		<u>(6.626.083)</u>	<u>(21.924.618)</u>

The accompanying notes are an integral part of these special purpose financial statements

SANTA FE MINING S.A.**SPECIAL PURPOSE STATEMENTS OF CHANGES IN NET EQUITY (DEFICIT)
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015
(In US dollars - US\$)**

	Notes	Paid-in capital US\$	Retained earnings (Accumulated losses) US\$	Total US\$
Balances at April 1, 2014	17	1.966.684	22.323.694	24.290.378
Net loss for the financial year		<u>-</u>	<u>(21.924.618)</u>	<u>(21.924.618)</u>
Balances at March 31, 2015		<u>1.966.684</u>	<u>399.076</u>	<u>2.365.760</u>
Balances at April 1, 2015		1.966.684	399.076	2.365.760
Net loss for the financial year		<u>-</u>	<u>(6.626.083)</u>	<u>(6.626.083)</u>
Balances at March 31, 2016		<u>1.966.684</u>	<u>(6.227.007)</u>	<u>(4.260.323)</u>

The accompanying notes are an integral part of these special purpose financial statements

SANTA FE MINING S.A.

**SPECIAL PURPOSE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015
(In US dollars - US\$)**

	Notes	2016 US\$	2015 US\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss		(6.626.083)	(21.924.618)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	10	2.850.227	5.889.206
Exchange difference	7	(36.280)	(435.760)
Impairment of assets		1.717.708	3.150.000
Deferred income tax	9	(563.999)	(4.623.854)
Accrued interest on intercompany debt		1.784.687	
Other		205.573	431.464
Changes in operating assets and liabilities:			
Inventories		4.322.717	14.054.716
Trade and other receivables		(22.643)	31.303
Recoverable taxes		1.192.379	(83.409)
Other assets		(826.373)	(238.459)
Trade and other accounts payables		(12.080.251)	1.825.979
Accounts payable to related parties			1.168.412
Provisions		(101.076)	(8.219)
Other liabilities		(2.767.972)	(4.826.684)
Net cash flow used in operating activities		<u>(10.951.386)</u>	<u>(5.589.923)</u>
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment			(8.435)
Loan granted to related company	21		(276.608)
Net cash flow used in investing activities		<u>-</u>	<u>(285.043)</u>
CASH FLOW FROM FINANCING ACTIVITIES:			
Loans received from related company	21	8.459.430	5.719.000
Net cash flow provided by financing activities		<u>8.459.430</u>	<u>5.719.000</u>
NET VARIATION OF CASH AND CASH EQUIVALENTS		(2.491.956)	(155.966)
EFFECTS OF VARIATIONS IN THE EXCHANGE RATE ON CASH AND CASH EQUIVALENTS		-	13.753
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	23	<u>2.660.950</u>	<u>2.803.163</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	23	<u>168.994</u>	<u>2.660.950</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid for interest		-	35.000
Cash paid for income taxes		-	170.694

The accompanying notes are an integral part of these special purpose financial statements

SANTA FE MINING S.A.

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 2016 AND 2015 (In US dollars - US\$)

1. GENERAL INFORMATION

Santa Fe Mining (the “Company” or “Santa Fe Mining”) is a contractual mining company incorporated under the laws of Chile. The Company holds 99.9% of Santa Fe Puerto S.A. (“Santa Fe Puerto”), a company incorporated in Chile. The Company commenced commercial production in March 2011.

The Company owns and/or leases the rights to four mining projects. These projects include Bellavista, Rebote, Viñita and Daniel. The Bellavista leased project, was the only project which become operational. Rebote is an adjoining property to Bellavista and is also a leased project.

In April of 2015, management of the company approved a temporary suspension of all mining operations for a period between six to twelve months from the end of May 2015, as a result of the continued decrease in the international iron ore prices. As of the date of this report, the Company extended the temporary shutdown for a further period until a significant improvement in international iron ore prices.

As of the date of these financial statements, the Company has sufficient access to capital to fund operations for the referred to above period and continues being supported by the Group, therefore Management continues to adopt the going concern basis in preparing the financial statements.

2. BASES OF PRESENTATION

2.1 Accounting principles

These special purpose financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) adopted by Panama based on the information submitted by the Company for consolidation purposes with its Parent Company, these special purpose financial statements have been prepared under the historical cost convention. These financial statements are pre-consolidated and intended to present the Company on a stand-alone basis.

2.2 Adoption of new accounting standards

a) New and revised IFRS effective in the current year

The following new and revised IFRS have been adopted in these financial statements:

Amendments to IFRS	Effective date
<i>Defined Benefit Plans: Employee Contributions</i> (Amendments to IAS 19)	Annual periods beginning on or after July 1, 2014
Annual Improvements 2010-2012 Cycle	Annual periods beginning on or after July 1, 2014
Annual Improvements 2011-2013 Cycle	Annual periods beginning on or after July 1, 2014

The application of these standards has had no significant impact on the amounts reported in these special purpose financial statements; however, they could affect the accounting for future transactions or agreements.

b) New and revised IFRS in issue but not yet effective:

New Standards	Effective date
IFRS 9, Financial Instruments	Annual periods beginning on or after January 1, 2018
IFRS 14, <i>Regulatory Deferral Account</i>	Annual periods beginning on or after January 1, 2016
Amendments to Standards	Effective date
Accounting for Acquisitions of interests in Joint Operations (Amendments to IFRS 11)	Annual periods beginning on or after January 1, 2016
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	Annual periods beginning on or after January 1, 2016
Agriculture: Bearer Plants (amendments to IAS 16 and IAS 41)	Annual periods beginning on or after January 1, 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	Annual periods beginning on or after January 1, 2016
Disclosure Initiative (Amendments to IAS 1)	Annual periods beginning on or after January 1, 2016

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	Annual periods beginning on or after January 1, 2016
Annual Improvements 2012-2014 Cycle	Annual periods beginning on or after July 1, 2016

Management believes that the adoption of the standards, amendments and interpretations described above will have no significant impact on the special purpose financial statements of the Company.

2.3 Responsibility for the information and estimates

The Management of the Company is responsible for the information contained in these special purpose financial statements. These special purpose financial statements have occasionally used estimates made by the Senior Management of the Company to quantify some of the assets, liabilities, income, expenses and commitments recorded therein. On May 6, 2016, the Senior Management approved these special purpose financial statements *{to be updated}*

These estimates are explained in greater detail in Note 3 and involve the following:

- Impairment of assets
- Useful economic life of assets
- Provisions for litigation and other contingencies
- Calculation of deferred tax liabilities and assets
- Mineral reserves
- Inventory

Regardless of the fact that these estimates were made with the best information available at the time, they may possibly need to be revised in future years as a result of future events; this would be done prospectively, as stipulated in IAS 8.

2.4 Summary of Significant Accounting Policies

a. Functional currency - The functional currency of the Company will be determined as the currency of the main economic environment in which it operates. Transactions other than those performed in the entity's functional currency will be converted at the exchange rate in effect on the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional one will be converted again at the year ended exchange rates. Gains or losses from the reconversion will be included in net income or losses for the year, within exchange difference.

The functional and presentation currency is the US dollar.

The Company has also obtained permission from the Chilean tax authority (SII) to maintain their accounting records in US dollars beginning January 1, 2010.

b. Foreign currency - Transactions in a currency other than a Company's functional one are considered to be "foreign currency" transactions and they are recorded in their functional currency at the exchange rate in effect on the date of the operation. At each year end, the statement of financial position amounts of monetary items in a foreign currency are valued at the year-end exchange rate and the exchange rate differences arising from such valuation are recorded in the profit or loss of the period.

c. Offsetting balances and transactions - As a general standard, assets and liabilities, income and expenses, are not offset in the financial standards, except for those cases in which offsetting is required or is allowed by some standard and the presentation is a reflection of the substance of the transaction.

d. Revenue recognition - Revenues from the sale of goods are recognized when the Company has delivered the goods and there is no outstanding obligation to be met that may affect the acceptance of the products by client. The delivery does not take place until the goods have been sent to the place indicated by the buyer, the risk of loss has been transferred to the client, and the client has accepted the goods under the sales contract and the acceptance period has ended. Sales are recognized according to the price specified in the sales contract. It is assumed that there is no significant financing component, because sales are made with a short average collection period, which is in line with normal market practice.

e. Borrowing costs - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

f. Investment in subsidiary - The Company records its investment in subsidiary in these special purpose separate financial statements at cost, in accordance with IAS 27, *Separate Financial Statements*.

g. Property, plant and equipment - Property, plant and equipment are stated at their cost of acquisition (net of VAT) or construction. Cost comprises of all costs incurred to bring the assets to their location and working condition up to the date the assets are ready to use. Besides, the costs related directly to the construction of an asset, indirect expenses incurred up to the date of commencement of commercial production which are incidental and related to construction are capitalized as part of the construction cost.

In respect of mining projects, the values at which the assets are stated include accumulated costs corresponding to exploring, drilling and various studies performed in the Bellavista and Viñita areas. Additional amounts include the amounts contributed by Minera Santa Fe SCM related to the concessions contract on the lease agreement of Bellavista, Rebote and Viñita, environmental studies and support services relating to Bellavista and Viñita.

Assets under finance leases are recognized as assets at inception of the lease at the lower of fair value or the present value of the minimum lease payments derived by discounting at the interest

rate implicit in the lease. These assets relate to the leased assets for the plant used in the operations of the Bellavista project.

Property, plant and equipment are depreciated over its remaining useful life, or life of the operation, if shorter, until its residual value. The major categories of property, plant and equipment are depreciated as follows:

- (i) *Mining projects* – Mining projects are depreciated over the life of the mine from the beginning of commercial production using the units of production method. The Bellavista project began commercial operation in March 2011 it is currently not being depreciated given the temporary shutdown of the Company. The remaining projects are not currently being depreciated as commercial operation has not yet begun.
- (ii) *Plant and equipment* – Plant and equipment are depreciated over their useful life using the straight-line method of depreciation. The useful life of these assets is between 3 and 9 years.
- (iii) *Vehicles* – Vehicles are depreciated over their useful life using the straight-line method of depreciation. The useful life of these assets is 5 years.
- (iv) *Other assets* – Other assets are depreciated over their useful life using the straight-line method of depreciation. The useful life of these assets is 3 years.
- (v) *Leased assets* – Leased assets are depreciated over the term of the lease agreement using the straight-line method of depreciation. The leased assets are depreciated over 5 years.
- (vi) *Construction in progress* – Construction in progress is not depreciated until it becomes operational and is reclassified to Plant and equipment.

The residual values and useful lives are reviewed and adjusted if appropriate, at least annually, and changes in residual values and useful lives are accounted for prospectively.

h. Mining projects and preoperational expenses - Mining properties, including capitalized financing costs, are depreciated on a unit of production basis, in proportion to the volume of ore extracted in the year compared with total proven and probable reserves at the beginning of the year.

i. Exploration costs - The Company started commercial production in early March 2011, upon said date, all disbursed expenses, including financing costs and depreciation, are no longer capitalized and will be amortized over the useful life of mining assets.

j. Taxation - Tax expense comprises the charges or credits for the period relating to both current and deferred tax.

Current tax is based on taxable profit for the year. Taxable profit may differ from net profit as reported in the income statement because it excludes items of income or expense that are taxable and deductible in different years and also excludes items that are not taxable or deductible. The liability for current tax is calculated using tax rates which have been enacted or substantively enacted at the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on temporary differences (i.e. differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit). Deferred tax is accounted for using the balance sheet liability method and is provided on all temporary differences.

Deferred tax assets are recognized only to the extent that it is probable that they will be recovered through sufficient future taxable profit. The carrying amount of deferred tax assets is reviewed at each balance sheet date.

Deferred tax is calculated at the tax rates that are expected to be applied in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

k. Intangible assets - Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. For intangible assets with finite useful lives, amortization is charged on a straight-line basis over the estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in the estimate being accounted for on a prospective basis. Intangible assets with indefinite lives are not depreciated and are tested annually for impairment as discussed below.

l. Impairment of tangible and intangible assets - At each balance sheet date, the assets are tested annually for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates their recoverable amount from the cash generating units.

m. Provisions - Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable the Company will be required to settle the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date.

n. Inventory - Inventory and work-in-progress are valued at the lower of cost and net realizable value. Net realizable value represents the inventory's estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The production cost of inventory includes an appropriate proportion of depreciation and production overheads. Raw materials and consumables are valued at cost on a weighted average basis. Finished products are valued at raw material cost, plus labor cost and a proportion of production overhead expenses including depreciation.

o. Trade and other receivables - Trade and other receivables do not generally carry any interest and are normally stated at their nominal value less any impairment. Impairment losses on trade receivables are recognized within an allowance account unless the Company considers that no recovery of the amount is possible, in which case the carrying value of the asset is reduced directly.

p. Trade and other payables - Trade and other payables generally do not bear interest and are normally stated at their nominal value.

q. Financial assets and liabilities - The financial assets and liabilities are recognized in the balance sheet of the Company on the following basis:

- Accounts receivable - The accounts receivable are booked at their nominal value and reduced for appropriated provisions for the estimated non-recoverable amounts, based on a review of all outstanding amounts at the end of the year. Bad debts are written-off when identified.
- Accounts payable - The accounts payable are presented at their nominal value.
- Loans and debts - All the loans and debts are initially recognized at cost, which is the reasonable value of the service received, including the associated transaction costs of the loan.

r. Cash and cash equivalents - The Company considers liquid financial assets, which may be easily converted into cash within no more than three months and where the risk of a change in their value is insignificant, to be cash equivalents.

Operating activities: these are the activities that constitute the main source of ordinary income of the Company, as well as other activities that cannot be classified as investment or financing activities.

Investment activities: these correspond to activities of acquisition, sale or disposal through other methods of long-term assets and other investments not included in cash and cash equivalents.

Financing activities: these are the activities that cause variations in the composition of the net equity, and of the financial liabilities.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the special purpose financial statements requires accounting estimates, judgments and assumptions to be made regarding the values at which various assets and liabilities are reflected in the special purpose financial statements and on the reported revenues and expenses during the reporting period. These accounting estimates and judgments are based on historical experience, industry trends and other factors considered relevant and/or significant. Actual results could differ from these accounting estimates and differences between actual results, due to impairment, if any, in the estimation of liabilities are recognized in the periods in which the results are known or materialize.

As specified in Note 2 to the special purpose financial statements, management necessarily makes judgments and estimates that have a significant effect on the figures presented in the special purpose financial statements. Changes in assumptions and accounting estimates may have a significant impact on the special purpose financial statements. The details of the most critical accounting estimates and judgments made are as follows:

a. Impairment of assets - The Company reviews the book value of its tangible assets to determine whether there is any indication that such assets have been impaired. In the impairment assessment, assets that fail to generate an independent cash flow are grouped together in an appropriate cash-generating unit. The recoverable amount of these assets or cash-generating unit is measured as the higher of its fair value (discounted future cash flow method) and its book value. Management necessarily applies judgments in grouping together the assets that fail to generate independent cash flows and also in the estimates, timing and values of the calculation's underlying cash flows.

b. Useful economic life of assets - Tangible assets are depreciated using the straight-line method over the life of the assets. Management reviews the bases used for calculating the life of assets on an annual basis; however, any change could potentially affect the depreciation rates and book values of the assets going forward.

c. Provisions for litigation and other contingencies - The final cost for claims and lawsuits could vary due to estimates based on different interpretations of the regulations, opinions and final evaluations of the amount of the damages. Therefore, any change in the circumstances involved in this contingency could have a significant effect on the amount of the contingency provision recorded.

d. Calculation of taxes on deferred tax liabilities and assets - Proper valuation of the taxes on deferred tax liabilities and assets depends on several factors, including the realization of deferred tax and the timeliness of the payments of taxes. Current charges and payments could differ materially from such estimates due to changes in tax regulations and unforeseen future transactions having an impact on the Company tax balance sheet.

e. Mineral reserves - Mineral reserves are estimates of the amount of iron ore that can be economically exploitable and legally extracted from the Company's mining properties. These reflect the Company's technical considerations of the resources that may be exploited and sold at prices exceeding the total extraction and processing cost. Changes in the reserves or resource

estimates may impact upon the carrying value of exploration and evaluation assets, mining tenements, property plant and equipment, provisions for rehabilitation, recognition of deferred taxes, and depreciation and amortization charges.

f. Inventory - Inventory is valued at cost, which does not exceed the net realisable value. The net realization value presents the estimated sales price minus all termination costs and commercial, sales and distribution expenses.

4. OPERATING REVENUES

At March 31, 2016 and 2015, the detail of operating revenues is the following:

	2016 US\$	2015 US\$
Sales of iron ore concentrates	<u>8.411.268</u>	<u>70.296.667</u>
Total	<u><u>8.411.268</u></u>	<u><u>70.296.667</u></u>

5. OPERATING COST

At March 31, 2016 and 2015, the detail is the following:

	2016 US\$	2015 US\$
Production cost	4.558.929	56.276.871
Sea freight costs	2.419.172	25.621.728
Depreciation and amortization	2.850.227	5.889.206
Inventory write-down to net realisable value (see Note 14)		3.150.000
Total	<u><u>9.828.328</u></u>	<u><u>90.937.805</u></u>

6. ADMINISTRATIVE EXPENSES

The detail is the following:

	2016 US\$	2015 US\$
Staff costs	1.361.100	2.357.669
Administrative expenses	<u>743.054</u>	<u>1.821.386</u>
Total	<u><u>2.104.154</u></u>	<u><u>4.179.055</u></u>

7. EXCHANGE DIFFERENCE

At March 31, 2016 and 2015, the details of exchange differences charged to expense, are as follows:

	2016 US\$	2015 US\$
Exchange rate differences arising out of assets		39.156
Exchange rate differences arising out of liabilities	36.280	396.604
Total	<u>36.280</u>	<u>435.760</u>

8. FINANCIAL EXPENSE

At March 31, 2016 and 2015, the details of financial costs, are as follows:

	2016 US\$	2015 US\$
Interest on lease	283.863	405.442
Interest on loans from Inversiones Eroush Limitada	1.784.687	1.177.199
Others		194.686
Total	<u>2.068.550</u>	<u>1.777.327</u>

9. INCOME TAX EXPENSE AND DEFERRED TAXES

a. Income tax

The Company has accumulated tax losses amounting to approximately US\$28,000,000 as of March 31, 2016 (US\$22,584,900 as of March 31, 2015), which do not expire.

On September 29, 2014 the Tax Reform Act 20,780 (the “Act”) which aims to replace the system of taxation of income tax and introduces various settings in the Chilean tax system was published in the official gazette. The Act introduced a dual tax system beginning from 2017. The dual tax system classified entities into one of two systems depending on the type of entity. The two systems are the Attributed Income System and the Semi-Integrated System. The subsidiary Companies applicable tax system is the Semi-Integrated System. In 2015, as a result of further amendments to the tax reform, the Company is only entitled to apply the “semi-integrated system”.

Furthermore, the Act provides gradual increases in the First Category income tax rate over several years, as follows:

- Commercial Year 2014: 21% rate
- Commercial Year 2015: 22.5% rate
- Commercial Year 2016: 24% rate
- Commercial Year 2017: 25.5% rate
- Commercial Year 2018: 27% rate

As a result of these changes in tax rates, the subsidiary remeasured the deferred income tax assets and liabilities using the new rates, based on the Semi-Integrated System, in the years of the expected reversal of the book and tax differences.

b. Income tax recognized in income for the year

	2016 US\$	2015 US\$
Current tax expense	(60.550)	-
Deferred tax income (expense):		
Variation of deferred taxes	564.000	4.623.854
Total income tax benefit (expense)	503.450	4.623.854

The reconciliation of the tax rate is as follows:

	2016 US\$	2015 US\$
Loss from continuing operations	<u>(7.129.533)</u>	<u>(26.548.472)</u>
Income tax calculated at a legal rate (21% and 20%)	1.604.145	5.575.179
Effects of tax rate changes		(379.124)
Unrecognised deferred tax asset & Other effects	<u>(1.100.695)</u>	<u>(572.201)</u>
Income tax benefit	<u>503.450</u>	<u>4.623.854</u>

c. Deferred taxes

The detail of deferred taxes as at March 31, 2016 and 2015, are as follows:

	2016 US\$	2015 US\$
Deferred tax assets		
Accumulated tax losses	7.560.000	6.097.923
Inventory impairment		719.250
Mine closure provision	388.858	388.858
Others	<u>(10.225)</u>	<u>40.101</u>
Total	<u>7.938.633</u>	<u>7.246.132</u>
Deferred tax liabilities		
Property, plant and equipment	<u>(8.400.000)</u>	<u>(8.271.498)</u>
Total	<u>(8.400.000)</u>	<u>(8.271.498)</u>
Total net deferred tax liabilities	<u>(461.367)</u>	<u>(1.025.366)</u>

10. PROPERTY, PLANT AND EQUIPMENT

The composition and activity related to property, plant and equipment and accumulated depreciation as of and for the year ended March 31, 2016, is as follows:

	Mining projects US\$	Plant and equipment US\$	Vehicles US\$	Other assets US\$	Leased assets US\$	Construction in progress US\$	Total US\$
Gross assets							
Balance at April 1, 2015	35,441,253	2,210,052	352,859	257,048	18,481,621	1,219,315	57,962,148
Reclasifications and other	(59,908)	76,249					16,341
Balance at March 31, 2016	35,381,345	2,286,301	352,859	257,048	18,481,621	1,219,315	57,978,489
Accumulated depreciation							
Balance at April 1, 2015	(4,552,946)	(1,397,387)	(328,969)	(240,045)	(16,017,404)	-	(22,536,751)
Depreciation and impairment for the year	-	(345,117)	(23,890)	(17,003)	(2,464,217)	-	(2,850,227)
Disposals	-	-	-	-	-	-	-
Balance at March 31, 2016	(4,552,946)	(1,742,504)	(352,859)	(257,048)	(18,481,621)	-	(25,386,978)
Balance at March 31, 2016, net	30,828,399	543,797	-	-	-	1,219,315	32,591,511

The composition and activity related to property, plant and equipment and accumulated depreciation as of and for the year ended March 31, 2015, is as follows:

	Mining projects US\$	Plant and equipment US\$	Vehicles US\$	Other assets US\$	Leased assets US\$	Construction in progress US\$	Total US\$
Gross assets							
Balance at April 1, 2014	34,001,039	2,211,327	366,633	248,850	18,481,621	1,219,315	56,528,785
Additions				8,435			8,435
Disposals		(1,275)	(13,774)	(237)			(15,286)
Other (i)	1,440,214						1,440,214
Balance at March 31, 2015	35,441,253	2,210,052	352,859	257,048	18,481,621	1,219,315	57,962,148
Accumulated depreciation							
Balance at April 1, 2014	(3,623,398)	(1,120,446)	(324,100)	(211,453)	(11,396,999)	-	(16,676,396)
Depreciation for the year	(929,548)	(276,941)	(18,642)	(30,105)	(4,620,405)	-	(5,875,641)
Disposals			13,773	1,513			15,286
Balance at March 31, 2015	(4,552,946)	(1,397,387)	(328,969)	(240,045)	(16,017,404)	-	(22,536,751)
Balance at March 31, 2015, net	30,888,307	812,665	23,890	17,003	2,464,217	1,219,315	35,425,397

(i) This relates to an increase related to the mine closure provision recorded in the current year as described in Note 20.

11. OTHER NON-FINANCIAL ASSETS

The detail of other non-financial assets, non-current as of March 31, 2016 and 2015 is as follows:

	2016 US\$	2015 US\$
Royalties for mining properties (1)	3.390.729	2.535.527
Investments in other companies	<u>25.400</u>	<u>25.400</u>
Total	<u><u>3.416.129</u></u>	<u><u>2.560.927</u></u>

- (1) The royalty amounts relate to payments made for the rights to exploit the mineral resources at the Bellavista and Rebote projects. The Company does not own the mineral rights for these projects and therefore makes royalty payments to the owners based on a terms of a signed royalty agreement for each of the properties. Royalty prepayments are made until production begins at which time such prepaid royalties are deducted from actual royalty amounts due based on the terms of the royalty agreements.

12. INVESTMENT IN SUBSIDIARY

Company	Subsidiary paid-in capital		Ownership Percentage		Total	
	2016 US\$	2015 US\$	2016 %	2015 %	2016 US\$	2015 US\$
Santa Fe Puerto S.A.	-	48.722	99,9	99,9	48.673	48.673
Valuation allowance (i)					<u>(48.673)</u>	
Total					<u><u>-</u></u>	<u><u>48.673</u></u>

- (i) The Company recorded a valuation allowance on the investment, since the port Project is unlikely to generate positive cash flow in the near future,

13. INTANGIBLES

At March 31, 2016 and 2015, the detail of intangible assets is as follows:

	2016 US\$	2015 US\$
Mining concessions (1)	739.858	739.858
Port concession (2)	196.668	196.668
Software-net	<u>-</u>	<u>8.263</u>
Total	<u><u>936.526</u></u>	<u><u>944.789</u></u>

- (1) These intangible assets relate to various mining concessions at the Viñita and Daniel projects which have either been purchased by the Company or contributed by other shareholders of the subsidiary SFM. These intangible assets have an indefinite useful life as the underlying projects are not currently in operation.
- (2) The port concession corresponds to the right to use the dock and the terminal of Punta Caleta in Caldera, under the supervision of Minera Santa Fe SCM. This right is defined in a contract between Minera Santa Fe SCM, Puerto Caldera S.A. and Servicios Portuarios del Pacífico Limitada, contributed to Santa Fe Mining by Minera Santa Fe SCM. This right has been formalized by means of a contract, it is separable and controlled by Santa Fe Mining and hence it has been capitalized. These intangible assets have an indefinite useful life as the underlying projects are not currently in operation.

The Company owns the future right of use of the ports, Rocas Negras and Punta Calderillo in Caldera, according to a potential maritime concession. These maritime concessions, to build a port are in the process of being approved by the maritime authority (Gobernación Marítima). The application was made in November 2007 and it has been requested exclusively for Santa Fe Mining. The Company has also initiated steps to implement the construction of the port by commissioning contracts for design and engineering and environmental approvals, by the regulating authorities. Based on the above mentioned information, the ports have been considered as assets that would generate future benefits for Santa Fe Mining.

In FY 15, the Company wrote-off US\$431,464 of costs associated with these port concessions which was recorded in the line "Other expenses" in the consolidated statement of comprehensive income.

14. INVENTORY

At March 31, 2016 and 2015, the details of inventory are as follows:

	2016 US\$	2015 US\$
Raw material		3.556.381
Final concentrate		3.916.336
Provision for reduction to net realisable value		<u>(3.150.000)</u>
Total	<u>-</u>	<u>4.322.717</u>

At March 31, 2016, as a result of the decrease in the market price of iron ore, the Company recorded an impairment of the inventory balance to adjust the carrying amount to the net realisable value. The total impairment recorded was US\$3,150,000 which was recorded in "Operating costs" in the consolidated statement of comprehensive income.

15. TRADE AND OTHER RECEIVABLES

The detail of trade and other receivables as at March 31, 2016 and 2015 is as follows:

	2016			2015		
	Due within one year US\$	Due after one year US\$	Total US\$	Due within one year US\$	Due after one year US\$	Total US\$
Trade and other receivables	22.643	-	22.643	-	-	-
Total	22.643	-	22.643	-	-	-

No provisions have been made for uncollectible accounts, based on evidence of cash flow collectability.

16. RECOVERABLE TAXES

The detail of trade and other receivables as at March 31, 2016 and 2015, is as follows:

	2016 US\$	2015 US\$
Provisional monthly income tax payments (PPM)		155.357
Recoverable value added tax (VAT)	46.993	1.084.015
Total	46.993	1.239.372

17. PAID-IN CAPITAL

The Company's issued and fully paid in capital amounts to US\$1,966,684 and consists of 1,000 ordinary shares.

18. OTHER FINANCIAL LIABILITIES

Finance lease obligations as at March 31, 2016 and 2015 are payables as follows:

	2016			2015		
	Lease payments US\$	Interest US\$	Total US\$	Lease payments US\$	Interest US\$	Total US\$
Less than one year	-	-	-	2.864.378	(96.406)	2.767.972
Between one and five years	-	-	-	-	-	-
Total	-	-	-	2.864.378	(96.406)	2.767.972

It corresponds to lease obligations related to Vecchiola's contract for services to mining operation and Santa Fe Mining. The contract specifies the assets that Vecchiola must make available in order to provide services and thus these assets were recorded as financial leases in accordance with IFRS.

The original lease term was for 5 years and has a nominal annual rate of 6.48%. In March of 2015, the Company amended the terms of the lease agreement for a new termination date of May 31, 2015, approximately 6 months earlier than the original term. .

19. TRADE AND OTHER PAYABLES

The detail of trade and other payables as at March 31, 2016 and 2015 are as follows:

	2016 US\$	2015 US\$
Suppliers	32.764	10.372.984
Customer advance		1.835.600
Other creditors	96.552	983
Total	129.316	12.209.567

20. PROVISIONS

The detail of provisions at March 31, 2016 and 2015 is as follows:

	Current		Non-Current	
	2016	2015	2016	2015
	US\$	US\$	US\$	US\$
Vacation provision	107.262	178.225		-
Withholdings	8.195	38.308		-
Mine closure provision (1)		-	1.440.214	1.440.214
Total	115.457	216.533	1.440.214	1.440.214

(1) In December of 2014, the operating entity Santa Fe Mining submitted its plan to the regulatory agency SERNAMGEOMIN to comply with Law 20.551 which required all mining entities in Chile to submit a mine closure plan. Due to these requirements, the Company recorded a provision for mine closure in an amount of US\$1,440,214 with a corresponding increase to property, plant and equipment. This provision represents the discounted estimated future costs of the mine closure.

21. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

a. Shareholders - Company's shareholders as at March 31, 2016 and 2015 are as follows:

Shareholder	Number of shares
Inversiones Eroush Limitada	700
Minera Santa Fe SCM	300
Total	1.000

- b. Non-current balances** - The detail of non-current balances due to and from related parties are as follows:

Account receivable

Company	Currency	Relationship	2016 US\$	2015 US\$
Santa Fe Puerto S.A. Valuation allowance (i)	Chilean pesos	Subsidiary	1.669.035 (1.669.035)	1.669.035
Total			-	1.669.035

Accounts payable

Company	Currency	Relationship	2016 US\$	2015 US\$
Inversiones Eroush Limitada (ii)	US Dollars	Parent company	38.824.913	28.403.425
JSW Steel Limited	US Dollars	Ultimate parent	489.960	489.960
Total			39.314.873	28.893.385

- (i) The Company recorded a valuation allowance in relation to this balance, since the port project is unlikely to generate enough positive flows in the near future.
- (ii) This balance is composed of a loan of (a) US\$5,950,000 granted in December 2010 plus accrued interests at a fixed annual rate of 5%, (b) US\$13,450,000 granted in 2012 plus accrued interests at a fixed annual rate of 6%, and (c) US\$5,719,000 granted in 2014 and 2015 plus accrued interests at a fixed annual rate of 6% and (d) US\$8,636,800 granted in 2015 – 2016 plus accrued interests at a fixed annual rate of 6%.

- c. Transactions** - The main transactions with related parties are as follows:

Company	Relationship	Nature of the transaction	2016 US\$	2015 US\$
Inversiones Eroush Limitada	Parent Company	Loan received	8.636.800	5.719.000
		Interest accrued	1.784.687	1.177.499
		Loan granted	-	9.088
Santa Fe Puerto S.A.	Subsidiary	Loan granted	-	276.608

22. FINANCIAL INSTRUMENTS

a. Financial assets

The carrying values and fair values of financial assets are as follows:

	2016		2015	
	Estimated fair value US\$	Carrying value US\$	Estimated fair value US\$	Carrying value US\$
Account receivable from related companies	-	-	1.669.035	1.669.035
Trade and other accounts receivable	22.643	22.643	37.507	37.507
Total financial assets	22.643	22.643	1.706.542	1.706.542

There is no significant credit risk exposure in accounts receivable, because credit risk is managed by dealing only through irrevocable letters of credit, issued by reputed banks. Credit evaluation of customers is carried out on regular basis. No provisions have been made for uncollectible accounts at the date of the financial statements.

The fair value of financial assets at March 31, 2016 and 2015 is not materially different to the carrying value.

The exposure of the Company's financial assets to interest rate and currency risks is as follows:

	Financial assets							
	2016				2015			
	Total US\$	Variable rate US\$	Fixed rate US\$	Interest-free US\$	Total US\$	Variable rate US\$	Fixed rate US\$	Interest-free US\$
US dollar					1.669.035	-	-	1.669.035
Chilean pesos	22.643			22.643	37.507	-	-	37.507
Total financial assets	22.643	-	-	22.643	1.706.542	-	-	1.706.542

b. Financial liabilities

The carrying values and fair values of financial liabilities are as follows:

	2016		2015	
	Estimated fair value US\$	Carrying values US\$	Estimated fair value US\$	Carrying values US\$
Trade and others accounts payable	129.316	129.316	12.209.567	12.218.655
Accounts payable to related company	39.315.870	39.315.870	28.893.385	28.884.297
Other financial liabilities	-	-	2.767.972	2.767.972
Total financial liabilities	<u>39.445.186</u>	<u>39.445.186</u>	<u>43.870.924</u>	<u>43.870.924</u>

The exposure of the Company's financial liabilities to interest rate and currency risks is as follows:

	Financial liabilities							
	2016				2015			
	Total US\$	Variable rate US\$	Fixed rate US\$	Interest-free US\$	Total US\$	Variable rate US\$	Fixed rate US\$	Interest-free US\$
Chilean pesos	129.316			129.316	12.209.567	-	-	12.209.567
US dollar	<u>39.315.870</u>		<u>39.315.870</u>		<u>31.661.357</u>		<u>31.661.357</u>	
Total financial liabilities	<u>39.445.186</u>		<u>39.315.870</u>	<u>129.316</u>	<u>43.870.924</u>		<u>31.661.357</u>	<u>12.209.567</u>

c. Exposure to and management of financial risks

Significant financial risks that the Company is exposed to are liquidity risk, foreign currency risk and interest rate.

• Liquidity risk

Liquidity risk refers to the risk that the Company always has adequate funds to meet its payment obligations. This is achieved by having the funds in cash and current account bank balances. The Company manages liquidity by maintaining adequate reserves, banking facilities and financial support from its shareholder.

• Exchange rate risk and interest rate risk

The Company's operating currency is Chilean pesos and also maintains some bank accounts in Chilean pesos. However, the Company's trade liabilities are denominated in US dollar. Thus the Company is exposed to fluctuations in the parity between US dollar and Chilean pesos.

23. CASH AND CASH EQUIVALENTS

The detail of cash and cash equivalents as at March 31, 2016 and 2015, are as follows:

	2016 US\$	2015 US\$
Cash and cash equivalents	<u>168.994</u>	<u>2.660.950</u>

24. COMMITMENTS

The Company has not made any commitments towards capital expenses as at March 31, 2016.

In April 2011, the Company entered into an agreement with Compañía Minera del Pacífico S.A. (CMP), for which CMP is obligated to render the services related to reception, permanent and temporal storage, handle and shipping of iron ore that the Company produces in order to be shipped through the mechanized port of "Punta Totoralillo" owned by CMP (port services). The Company has issued two stand-by letters of credit ("SBLC") to CMP for US\$5,665,000 (valid until March 31, 2016) and US\$2,000,000, (valid until December 31, 2015) respectively, in order to comply with the requirement of the agreement for the port services agreed. These stand-by letters will be renewed each year for the next 5 years from the date of the contract.

SFM negotiated for a temporary suspension of the contract from May 2015 and CAP agreed to the same for an initial period of one year to be reviewed annually. The SBLC for US\$2,000,000 need not be renewed after 31/12/2015 and the same has not been renewed. The SBLC for US\$5,665,000 to be renewed annually with no reduction in value and the same has been done from 1/04/2016

25. SUBSEQUENT EVENTS

Other than the temporary suspension of mining operations as discussed in Note 1, the Company's management is not aware of any events subsequent to March 31, 2016 and until May 6, 2016, the date these special purpose financial statements were available to be issued, that could materially affect them.

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