

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Santa Fe Puerto S.A.

We have audited the accompanying special purpose financial statements of Santa Fe Puerto S.A., 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, 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 Puerto S.A. 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 indicated in Note 1, the parent Company is evaluating the feasibility of the port project. A final decision should be made within the next fiscal year. In light of these circumstances, the financial statements have been prepared following the going concern basis of accounting.

Restriction on use and distribution

This report has been issued solely for the internal use and knowledge of Santa Fe Puerto S.A. 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", is positioned above the date and location.

May 6, 2016
Copiapó, Chile

SANTA FE PUERTO 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	4	<u>-</u>	<u>1.712.881</u>
Total non-current assets		<u>-</u>	<u>1.712.881</u>
CURRENT ASSETS			
Cash and cash equivalents	9	<u>363</u>	<u>399</u>
Total current assets		<u>363</u>	<u>399</u>
TOTAL ASSETS		<u><u>363</u></u>	<u><u>1.713.280</u></u>
NET DEFICIT AND LIABILITIES			
NET EQUITY			
Paid-in capital	6	48.722	48.722
Accumulated losses		<u>(1.789.992)</u>	<u>(77.075)</u>
Total net deficit		<u>(1.741.270)</u>	<u>(28.353)</u>
NON-CURRENT LIABILITIES			
Account payable to related company	7	1.669.035	1.669.035
Deferred taxes		<u>72.598</u>	<u>72.598</u>
Total non-current liabilities		<u>1.741.633</u>	<u>1.741.633</u>
TOTAL NET DEFICIT AND LIABILITIES		<u><u>363</u></u>	<u><u>1.713.280</u></u>

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

SANTA FE PUERTO 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		-	-
OPERATING COST		-	-
OTHER OPERATING EXPENSES		-	-
TOTAL OPERATING MARGIN		-	-
Other expenses	4	(1.712.881)	(8.315)
Exchange difference, net		(36)	368
TOTAL NON-OPERATING LOSS		(1.712.917)	(7.947)
NET LOSS BEFORE INCOME TAX		(1.712.917)	(7.947)
Income tax expense	5	-	(72.598)
NET LOSS		(1.712.917)	(80.545)
STATEMENT OF COMPREHENSIVE LOSS			
NET LOSS		(1.712.917)	(80.545)
TOTAL COMPREHENSIVE LOSS		(1.712.917)	(80.545)

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

SANTA FE PUERTO S.A.**SPECIAL PURPOSE STATEMENTS OF CHANGES IN NET EQUITY
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	6	48.722	3.470	52.192
Net loss for the financial year		<u>-</u>	<u>(80.545)</u>	<u>(80.545)</u>
Balances at March 31, 2015		<u>48.722</u>	<u>(77.075)</u>	<u>(28.353)</u>
Balances at April 1, 2015		48.722	(77.075)	(28.353)
Net loss for the financial year		<u>-</u>	<u>(1.712.917)</u>	<u>(1.712.917)</u>
Balances at March 31, 2016		<u>48.722</u>	<u>(1.789.992)</u>	<u>(1.741.270)</u>

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

SANTA FE PUERTO 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 FLOW FROM OPERATING ACTIVITIES:			
Net loss		(1.712.917)	(80.545)
Adjustments to reconcile net loss to net cash used in operating activities:			
Deferred tax expense	5	-	72.598
Provision for impairment		1.712.881	
Exchange difference		(368)	(368)
Other		1	8.315
Net cash flow used in operating activities		(403)	-
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	4	-	(278.168)
Net cash flow used in investing activities		-	(278.168)
CASH FLOW FROM FINANCING ACTIVITIES:			
Loan from related company	7	-	276.608
Net cash flow provided by financing activities		-	276.608
NET NEGATIVE VARIATION OF CASH		(403)	(1.560)
EFFECTS OF VARIATIONS IN THE EXCHANGE RATE OVER CASH		367	367
CASH AT BEGINING OF THE YEAR	9	399	1.592
CASH AT END OF THE YEAR	9	363	399

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

SANTA FE PUERTO 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 Puerto S.A. (the “Company”) was incorporated as a closely held stock corporation pursuant to the laws of the Republic of Chile, on November 23, 2007.

The Company’s principal objectives are to obtain, acquire and use port concessions to exploit and operate terminals of bulk and massive freight of all kind of products, mainly minerals; providing services of loading and unloading, services of storage of products and freight transfer and to engage in any other investment or activity regarding port operation and related activities.

The Company has no employees and is managed by its shareholder Santa Fe Mining S.A. (“Santa Fe Mining”). The potential maritime concessions of the Rocas Negras and Punta Calderillo ports in Caldera are owned by Santa Fe Mining.

As of the date of these financial statements the parent Company is evaluating the feasibility of the port project. A final decision should be made within the next fiscal year. In light of these circumstances, the financial statements have been prepared following the going concern basis of accounting.

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. Also, these special purpose financial statements have been prepared under the historical cost convention as, modified by the revaluation of certain financial instruments.

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, 2015
Annual Improvements 2010-2012 Cycle	Annual periods beginning on or after July 1, 2015

Annual Improvements 2011-2013 Cycle	Annual periods beginning on or after July 1, 2015
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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 2012-2015 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, and commitments recorded therein. On May 6, 2016, the Senior Management approved these special purpose financial statements.

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

- Impairment of assets
- Provisions for litigation and other contingencies
- Calculation of deferred tax liabilities and assets

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 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.

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 in 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. 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. Please refer to note 4 for further information.

e. Taxation - Current tax is measured at the amount expected to be paid/recovered from the revenue authorities, using the applicable tax rates and laws.

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.

f. 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 balance sheet date.

g. 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 can not 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 judgements 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. 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.

c. Calculation of eferred 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.

4. PROPERTY, PLANT AND EQUIPMENT

At March 31, 2016 and 2015, property, plant and equipment is as follows:

	Project expenses US\$
Assets	
Opening balance at April 1, 2014	1.443.028
Additions (i)	278.168
Reductions	(8.315)
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Balance at March 31, 2015	1.712.881
Provision for impairment (ii)	(1.712.881)
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Balance at March 31, 2016	<u><u>-</u></u>

- (i) The additions correspond to payments of Licenses for maritime concessions. These payments are free of Value Added Tax.
- (ii) As of March 31, 2016, the capitalized project expenses were provided for, since JSW Steel Limited and local Management are evaluating feasibility of the project.

5. INCOME AND DEFERRED TAX

a. Income tax

The Company has accumulated tax losses amounting to US\$1,440,000 as of March 31, 2016 (US\$1,440,000 as of March 31, 2015), which do not expire.

On September 29, 2015 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 Company’s 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 2015: 21% rate
- Commercial Year 2016: 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 Company 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	-	-
Deferred tax income (expense):		
Variation of deferred tax	-	(72.598)
Total income tax expense	-	(72.598)

The reconciliation of the tax rate is as follows:

	2016 US\$	2015 US\$
Net loss before income tax	<u>(1.712.917)</u>	<u>(7.947)</u>
Income tax calculated at a legal rate (22,5% and 21%)	385.406	1.669
Provision for deferred tax asset	(375.533)	-
Effects of tax rate changes	-	(18.822)
Other effects	<u>(9.873)</u>	<u>(55.445)</u>
Income tax benefit (expense)	<u>0</u>	<u>(72.598)</u>

c. Deferred tax

	2016 US\$	2015 US\$
Deferred tax assets		
Accumulated tax losses	<u>389.880</u>	<u>389.880</u>
Deferred tax liabilities		
Property, plant and equipment	<u>(86.905)</u>	<u>(462.478)</u>
Provision for deferred tax assets	<u>(375.573)</u>	
Total net deferred tax assets (liabilities)	<u>(72.598)</u>	<u>(72.598)</u>

6. PAID-IN CAPITAL

As at March 31, 2016, the Company's issued and fully paid in capital amounts to US\$48,722 and consists of 1,000 ordinary shares of a single series without any nominal value.

7. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

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

Shareholder	Number of shares	%
Santa Fe Mining	999	99.9%
Puerto Atacama S.A.	<u>1</u>	<u>0.1%</u>
Total	<u>1,000</u>	<u>100%</u>

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

Company	Relationship	2016 US\$	2015 US\$
Santa Fe Mining	Parent company	<u>1.669.035</u>	<u>1.669.035</u>

c. Transactions - The main transactions with related parties, is as follows:

Company	Relationship	Nature of the transaction	2016 US\$	2015 US\$
Santa Fe Mining	Parent company	Loan received	-	276.607

8. FINANCIAL INSTRUMENTS

a. Financial liabilities

The carrying values and fair values of financial liabilities as of March 31 are as follows:

	2016		2015	
	Estimated for value US\$	Carrying value US\$	Estimated for value US\$	Carrying value US\$
Account payable to related company	<u>1.669.035</u>	<u>1.669.035</u>	<u>1.669.035</u>	<u>1.669.035</u>
Total financial liabilities	<u>1.669.035</u>	<u>1.669.035</u>	<u>1.669.035</u>	<u>1.669.035</u>

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

	March 31, 2016				March 31, 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	<u>1.669.035</u>	<u>-</u>	<u>-</u>	<u>1.669.035</u>	<u>1.669.035</u>	<u>-</u>	<u>-</u>	<u>1.669.035</u>
Total financial liability:	<u>1.669.035</u>	<u>-</u>	<u>-</u>	<u>1.669.035</u>	<u>1.669.035</u>	<u>-</u>	<u>-</u>	<u>1.669.035</u>

b. 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 risk.

- **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 it also maintains its bank accounts in Chilean pesos. However, the Company is exposed to fluctuations in the parity between US dollar and Chilean pesos, based on its transaction with related companies.

The Company manages interest rate risk by having its cash and cash equivalents at fixed or no interest rates.

9. CASH AND CASH EQUIVALENTS

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

	2016		2015	
	Estimated fair value US\$	Carrying value US\$	Estimated fair value US\$	Carrying value US\$
Cash and cash equivalents	<u>363</u>	<u>363</u>	<u>399</u>	<u>399</u>
Total financial assets	<u><u>363</u></u>	<u><u>363</u></u>	<u><u>399</u></u>	<u><u>399</u></u>

10. SUBSEQUENT EVENTS

The Company's management is not aware of any events subsequent to April 1, 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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