FORM 51-102F4
BUSINESS ACQUISTION REPORT

Item 1 Identity of Company

1.1 Name and Address of Company

Sprott Resource Holdings Inc. ("**SRHI**" or the "**Company**")
Royal Bank Plaza, South Tower
200 Bay Street, Suite 2600
Toronto, Ontario
M5J 2J1

1.2 Executive Officer

Further information regarding the matters described in this report may be obtained from Michael Staresinic, Chief Financial Officer of SRHI, who is knowledgeable about this business acquisition and may be contacted at 855.943.8099 or mstaresinic@sprottresource.com.

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

On October 2, 2017, the Company acquired 70% of the outstanding equity of the Chilean producing copper mine S.C. Minera Tres Valles ("**MTV**") from Inversiones Porto San Giorgio S.A. and Vecchiola Group (collectively, the "**Sellers**").

MTV owns 100% of the currently producing and fully permitted Minera Tres Valles copper mining and refining complex located nine kilometers from Salamanca in Region IV of Chile.

- Consists of two main deposits: Papomono (underground) and Don Gabriel (open pit)
- Processing plant with nameplate capacity of 5,400 tonnes per day ("**tpd**") of ore, with expandable capacity to 7,000 tpd with the incorporation of a quaternary crusher
- Designed to produce up to 18,500 tonnes per annum of thin copper cathodes
- Commenced production in 2010

Significant land package with exploration upside.

- 44,334 hectares of mineral rights owned by MTV.
- More than 100 copper occurrences not yet explored.

2.2 Acquisition Date

October 2, 2017.

2.3 Consideration

SRHI acquired 70% of the outstanding equity of MTV from the Sellers for an aggregate purchase price of US$39.9 million, consisting of US$33.5 million in cash and approximately US$6.4 million aggregate amount of the Company's common shares ("**Common Shares**"). The Company issued 51,191,847 Common Shares from treasury to the Sellers on the closing date of the acquisition.

2.4 Effect on Financial Position

For information on the effect of the acquisition of MTV on the Company's financial position, see the Unaudited Pro Forma Condensed Consolidated Financial Statements of the Company included in Exhibit D.

The Company does not presently have plans or proposals for material changes in the business or affairs of the Company or of MTV which may have a significant effect on the results of operations and financial position of the Company.

2.5 Prior Valuations

No prior valuation opinions of SRHI required by securities legislation were used to support the consideration paid by SRHI to acquire MTV.

2.6 Parties to Transaction

The transaction was not with an informed person, associate or affiliate of SRHI as such terms are defined in National Instrument 51-102.

2.7 Date of Report

December 15, 2017.

Item 3 Financial Statements and Other Information

The following financial statements are required by Part 8 of National Instrument 51-102, and form part of this Business Acquisition Report:

1. Audited Annual Financial Statements of MTV as at and for the years ended December 31, 2016 and 2015 and the related notes, prepared in accordance with International Financial Reporting Standards ("**IFRS**"), together with the independent auditors report, attached as Exhibit "A". KPMG Auditores Consultores Ltda., the auditor of MTV, has not given its consent that their auditors report can be included in this Business Acquisition Report.

2. Audited Annual Financial Statements of Adriana Resources Inc. ("ADI") as at and for the year ended December 31, 2016 and 2015 and the related notes, prepared in accordance with IFRS, together with the independent auditors report, attached as Exhibit "B". Deloitte, the auditor of ADI, has not given its consent that their auditors report can be included in this Business Acquisition Report.

3. Unaudited Condensed Interim Financial Statements of MTV as at and for the nine months ended September 30, 2017, and the related notes, prepared in accordance with IFRS, attached as Exhibit "C".

4. The following Unaudited Pro Forma Consolidated Financial Statements of SRHI are attached as Exhibit "D":
   a) Unaudited Pro Forma Interim Condensed Consolidated Statements of Financial Position as at September 30, 2017, and the related notes, prepared in accordance with IFRS as if the investment in MTV occurred on September 30, 2017;
   b) Unaudited Pro Forma Interim Condensed Consolidated Statements of Operations for the nine months ended September 30, 2017, and the related notes, prepared in accordance with IFRS, as if the investments in MTV and ADI occurred on January 1, 2017; and
   c) Unaudited Pro Forma Annual Condensed Consolidated Statements of Operations for the year ended December 31, 2016 and the related notes, prepared in accordance with IFRS as if the investments in MTV and ADI had occurred on January 1, 2016.

(signed) Michael Staresinic
Michael Staresinic
Chief Financial Officer

Exhibit A

SOCIEDAD CONTRACTUAL MINERA TRES VALLES

Financial Statements as of December 31, 2016 and 2015
and for the years then ended

(With the Independent Auditors' Report Thereon)

SOCIEDAD CONTRACTUAL MINERA TRES VALLES

CONTENTS

ThCh$: Amounts expressed in thousands of Chilean pesos
ThUS$: Amounts expressed in thousands of United States dollars

Independent Auditors' Report

The Owners of
Sociedad Contractual Minera Tres Valles:

Report on the financial statements

We have audited the accompanying financial statements of Sociedad Contractual Minera Tres Valles, which comprise the statement of financial position as of December 31, 2016 and 2015 and the related income statements and other comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sociedad Contractual Minera Tres Valles as of December 31, 2016 and 2015 and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Other matters

This report and the accompanying financial statements refer to above are a free translation from the Spanish language original, which is the official and binding version. Such translation has been made solely for the convenience of non-Spanish readers.

Benedicto Vásquez Córdova

KPMG Ltda.

Santiago, Chile, June 8, 2017

Financial Statements

SOCIEDAD CONTRACTUAL MINERA TRES VALLES

Santiago, Chile
As of December 31, 2016 and 2015
for the years then ended

(With the Independent Auditor's Report Theron)

Financial Statements

SOCIEDAD CONTRACTUAL MINERA TRES VALLES

As of December 31, 2016 and 2015

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ThCh$: Thousands of Chilean pesos
ThUS$: Thousands of United States dollars

SOCIEDAD CONTRACTUAL MINERA TRES VALLES

Statements of Financial Position

As of December 31, 2016 and 2015

ASSETS	Note	2016 ThUS$	2015 ThUS$
Current Assets			
Cash and cash equivalents	(4)	274	127
Other non-financial assets, current	(5)	388	229
Trade and other receivables, current	(6)	752	490
Inventory	(7)	13,491	12,158
Total current assets		14,905	13,004
Non-Current Assets			
Other non-financial assets, non-current	(5)	217	224
Accounts receivable from related parties, non-current	(12)	665	37,821
Intangible assets other than goodwill	(8)	8,533	10,050
Property, plant and equipment, net	(9)	30,529	35,200
Total non-current assets		39,944	83,295
Total Assets		54,849	96,299

The accompanying notes 1 to 27 form an integral part of these financial statements

SOCIEDAD CONTRACTUAL MINERA TRES VALLES

Statements of Financial Position

As of December 31, 2016 and 2015

LIABILITIES AND EQUITY	**Note**	**2016 ThUS$**	**2015 ThUS$**
Current Liabilities			
Other financial liabilities, current	(10)	5,204	11,637
Trade and other payables, current	(11)	12,193	6,446
Accounts payable to related parties, current	(12)	597	98
Other provisions, current	(13)	1,640	1,076
Current tax liabilities	(24)	1	2
Provisions for employee benefits, current	(14)	100	20
Total current liabilities		19,735	19,279
Non-Current Liabilities			
Other financial liabilities, non-current	(10)	550	702
Trade and other payables, non-current	(11)	1,559	-
Accounts payable to related parties, non-current	(12)	377	31,415
Other provisions, non-current	(13)	5,901	6,204
Provisions for employee benefits, non-current	(14)	565	291
Total non-current liabilities		8,952	38,612
Total liabilities		28,687	57,891
Net Equity			
Issued capital	(15)	498,713	498,713
Other reserves	(15)	(252)	(234)
Accumulated losses	(15)	(472,299)	(460,071)
Total net equity		26,162	38,408
Total Liabilities and Net Equity		54,849	96,299

The accompanying notes 1 to 27 form an integral part of these financial statements

SOCIEDAD CONTRACTUAL MINERA TRES VALLES

Income Statements and Other Comprehensive Income

For the years ended December 31, 2016 and 2015

Profit or Loss	**Note**	**2016 ThUS$**	**2015 ThUS$**
Revenue	(16)	21,742	23,250
Cost of sales	(17)	(24,369)	(28,811)
Gross income (loss)		(2,627)	(5,561)
Other income	(18)	-	97
Distribution expenses	(19)	(339)	(339)
Administrative expenses	(20)	(6,754)	(6,504)
Other incomes (expenses)	(21)	52	(8)
Finance income	(22)	1,265	1,958
Finance costs	(23)	(1,826)	(2,252)
Foreign Exchange gain (loss)		(751)	1,444
Income from inflation adjusted units		1	6
Loss before tax		(10,980)	(11,159)
Income tax benefit (expense)	(24)	(1)	225
Loss		(10,981)	(10,934)

Other Comprehensive Income	**Note**	**2016 ThUS$**	**2015 ThUS$**
Loss		(10,981)	(10,934)
Actuarial gains (losses) for employee benefits	(14)	(18)	(12)
Total Comprehensive Income		(10,999)	(10,946)

The accompanying notes 1 to 27 form an integral part of these financial statements

SOCIEDAD CONTRACTUAL MINERA TRES VALLES

Statements of Changes in Equity, Net

For the years ended December 31, 2016 and 2015

	Note	Issued Capital ThUS$	Actuarial Gains or Losses Reserve ThUS$	Total Other Reserves ThUS$	Accumulated Losses ThUS$	Total Equity ThUS$
Equity as of 01-01-2015		498,713	(222)	(222)	(449,137)	49,354
Changes in equity						
Comprehensive income						
Profit (loss) for the year		-	-	-	(10,934)	(10,934)
Other comprehensive income	(14)	-	(12)	(12)	-	(12)
Total comprehensive income		-	(12)	(12)	(10,934)	(10,946)
Total changes in equity		-	(12)	(12)	(10,934)	(10,946)
Equity as of 12-31-2015		498,713	(234)	(234)	(460,071)	38,408

	Note	Issued Capital ThUS$	Actuarial Gains or Losses Reserve ThUS$	Total Other Reserves ThUS$	Accumulated Losses ThUS$	Total Equity ThUS$
Equity as of 01-01-2016		498,713	(234)	(234)	(460,071)	38,408
Prior-year adjustment	(11)	-	-	-	(1,247)	(1,247)
Changes in equity						
Comprehensive income						
Profit (loss) for the year		-	-	-	(10,981)	(10,981)
Other comprehensive income	(14)	-	(18)	(18)	-	(18)
Total comprehensive income		-	(18)	(18)	(10,981)	(10,999)
Total changes in equity		-	(18)	(18)	(12,228)	(12,246)
Equity as of 12-31-2016		498,713	(252)	(252)	(472,299)	26,162

The accompanying notes 1 to 27 form an integral part of these financial statements

SOCIEDAD CONTRACTUAL MINERA TRES VALLES

Statements of Cash Flows (direct method)

For the years ended December 31, 2016 and 2015

	Note	2016 ThUS$	2015 ThUS$
Cash flows from (utilized in) operating activities			
Types of charges from operating activities			
Collections from sales of goods and services		24,264	24,114
Other collections from operating activities		2,595	2,731
Types of payments for operating activities			
Payments to suppliers for the provision of goods and services		(18,728)	(23,505)
Payments to and on behalf of employees		(6,372)	(4,831)
Net cash flows from (utilized in) operating activities		1,759	(1,491)
Cash flows from (utilized in) investing activities			
Proceeds from sale of property, plant and equipment		-	565
Loans to related parties		-	(1,587)
Acquisition of property, plant and equipment		(452)	(676)
Interest paid		-	(237)
Net cash flow from (utilized in) investing activities		(452)	(1,935)
Cash flows from (utilized in) financing activities			
Loans from banks		-	9,600
Loans from related parties	(12)	1,218	517
Repayment of bank loans		(671)	(5,075)
Repayment of loans from related parties	(12)	-	(4,162)
Interest paid		(829)	(983)
Net cash flows from (utilized in) financing activities		(744)	(103)
		(1,026)	
Net increase of cash and cash equivalents, before the effect of changes in exchange rates		281	(3,529)
Effect of changes in exchange rates on cash and cash equivalents		(134)	111
Net Changes in Cash and Cash Equivalents		147	(3,418)
Cash and Cash Equivalents at the Beginning of the Period	(4)	127	3,545
Cash and Cash Equivalents at the End of the Period	(4)	274	127

The accompanying notes 1 to 27 form an integral part of these financial statements

Note 1 - Corporate Information

a) Company information

Sociedad Contractual Minera Tres Valles (the "Company") was established as Compañía Minera Latino Americana Ltda. ("CMLA") as per public deed dated November 21, 2002 signed at the Santiago Notary Office of Mr. René Benavente Cash. An extract of the deed was registered on sheet 32,269 under No. 26,121 in the Santiago Commercial Registry of 2002 and was published in the Official Gazette on November 29 of the same year. Its line of business is the acquisition of mineral rights and concessions under any title, national or foreign, the exploitation, development and use of ore deposits located in the country or abroad, and disposal or contracting of all types of services and consulting work.

On June 13, 2008, the Company's partners approved and formalized a capital increase with a charge to contributions received for future capitalization. On the same date the partners agreed to the division of CMLA into two companies, one of them named "Compañía Minera Latino-Americana Limitada", as legal continuer of the divided company, and executor of the Tres Valles mining project, and a new company called "Vale Exploraciones Chile Limitada" exclusively dedicated to exploration work. Both agreements were formalized in public deeds on June 13, 2008, signed at the Santiago Notary Office of Ms. Antonieta Mendoza Escalas.

On December 31, 2008, Compañía Minera Latino Americana Limitada was changed from a limited liability company to a Special Mining Contractual Company, and its name was changed to Sociedad Contractual Minera Tres Valles. Together with the change in the Company's nature, 9,000,000 Series A shares were issued in the name of the two partners existing as of that date, pro rata to their interests. A capital increase was approved on the same date, which was contributed by a third partner, to whom 1,000,000 Series B shares were issued. All agreements were formalized in public deed dated December 31, 2008, whose extract was registered on sheet 2,018 under No. 1,313, in the Santiago Commercial Registry for 2009 and on sheet 7 reverse, under No. 2 in the Santiago Mine Title Registry ("Registro de Propiedad del Conservador de Minas") for 2008. The registration was published in the Official Gazette on January 17, 2009. The Company's shares were registered in the name of the shareholders on sheet 531 under No. 618 in the Shareholders' Registry of the mentioned Registry for 2009.

Note 1 - General Information, continued

a) Company information, continued

A new capital increase was approved on December 10, 2013, through the capitalization of contributions received for future capitalizations, capitalization of the balance of the accumulated capital revaluation reserve as of October 2013, and a cash contribution of ThUS$ 95,910. There were 34,868,151 Series A shares issued as a product of this capital increase. The total number of Series A shares is 43,868,151 and there are 1,000,000 Series B shares issued. These agreements were formalized through public deed dated December 10, 2012 signed at the Santiago Notary Office of Ms. Antonieta Mendoza Escalas.

On December 12, 2013, all Series A shares were sold to Inversiones Porto San Giorgio S.A. belonging to the Vecchiola Group, which became the Company's controlling partner. On January 31, 2014, all series B shares were sold to Inversiones Porto San Giorgio S.A. and to Vecchiola S.A., and thus the Vecchiola Group became the controller of all the shares of Sociedad Contractual Minera Tres Valles (Note 15).

The controller of the Company and ultimate parent of the group is Inversiones Porto San Giorgio S.A., a company that holds 97.771248% of the ownership of Sociedad Contractual Minera Tres Valles.

The Company's legal domicile is Parcela 25-A, Lote B, Chuchiñí, Salamanca.

b) Description of the business

The Company's main asset is the Tres Valles mining project, in the Coquimbo Region, Province of Choapa. The ore extraction areas (Don Gabriel and Papomono mines) are located in the area of the Manquehua and Cárcamo gorges, approximately 10 kilometers north of Salamanca, whereas the ore processing areas are located at the Quilmenco gorge, approximately 7 kilometers northeast of the same city.

The project's objective is to carry out mining activities associated with exploiting and processing minerals, for which it has a copper leaching plant (SX/EW) with a processing capacity of 18,500 annual tons of copper cathodes. The Tres Valles Project has environmental authorization granted through Environmental Qualification Resolution No. 265 of 2009, which is currently in force.

The operating stage began at the end of 2010, and the first shipment took place in January 2011.

Note 1 – General Information, continued

b) Description of the business, continued

The Company began operations entering into a start up stage, which means achieving a gradual growth in production, reflecting excessive fixed costs associated with such projects, a situation that was reflected directly in the negative results obtained in the last years. Thus, in 2013 and 2012 it generated operating losses for ThUS$ 13,756 and ThUS$ 55,816, respectively. The cost of production (cash cost) average in 2013 reached US$ 4.1 per pound of copper.

In December 2013, the Vecchiola group acquired ownership of the Company and took over operations of Sociedad Contractual Minera Tres Valles. As a first step, the new Management decided to temporarily close the operation of its own mines, Don Gabriel and Papomono, which were generating an extraction cost well above the standard for similar operations. To give continuity to the production of cathodes, it bought ore from third parties (small miners) available in the vicinity of the project. Additionally, beginning in January of 2014 and continuing today, the Company began to provide ENAMI tolling services, which basically entailed Tres Valles processing material delivered by ENAMI and returning it in the form of copper cathodes in exchange for a fee.

In effect, the new Management and its shareholders undertook a series of measures aimed at the pursuit of efficiency and profitability of the operations. During the year 2014, and with the support of external consultants and other experts, metallurgical processes were optimized and its major contracts, as well as some operating contracts and electricity supply contracts, were renegotiated (to incorporate the use of renewable energy). A restructuring of staff was also carried out separating the staff mainly associated with the mining operation. In September 2015, after generating a new mine plan, validated by different well-known Chilean and International consultants, the company reactivated the extraction of ore from its own mine at a small scale, so as to increase and ensure the supply of the ore necessary for the production of copper cathodes. This project has thus far achieved its initial objectives and is expected to generate even better results throughout 2016. The new mining plan generated a reinterpretation of the geological models of the assets and changed the exploitation methods. This plan considers investments that are necessary to increase ore production, reach the plant's capacity, and therefore produce the final product of high quality copper cathodes. In the short term, the administration will focus on obtaining the financing required for the implementation of this plan in the long term.

Note 1 - General Information, continued

b) Description of the business, continued

Between 2014 and 2016, the Administration obtained positive direct margins (income less costs of sales) before depreciation and administrative costs (different from 2013 and prior years where this margin was negative). Furthermore, considering the increase in copper price in the last few months of 2016, it is possible to look to the future with greater optimism in terms of having a higher projection of cash flow for the year 2017. The Company has plans to increase copper production in the medium term by systematically exploiting the ore from their own mines in order to reach an optimal production capacity at the plant. Among these plans, the mining area will be reorganized and funds to buy extraction equipment will be obtained. Those plans, plus a permanent plan to reduce and control production costs, have the purpose of generating positive bottom line results. Therefore, neither the Administration, nor the Parent Company, have doubts about continuing the business under the going concern assumption whilst generating positive returns for their shareholders, benefiting other groups of interest, and maintaining a capital structure that is cost effective.

c) Declaration of compliance

These financial statements have been prepared in accordance with IFRS adopted by the International Accounting Standards Board ("IASB") and represent the full, explicit and unreserved adoption of the mentioned standard.

The financial statements have been prepared in accordance with International Accounting Standard ("IAS") 1 “Presentation of Financial Statements”.

These financial statements fairly reflect the financial position of the Company as of December 31, 2016 and 2015, and the Income Statements and comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015.

The financial statements have been prepared on the basis of the historical cost model, except for items that are recognized at fair value in conformity with IFRS.

The Company’s management on June 8, 2017 authorized the issuance of these financial statements.

Note 2 - Summary of Significant Accounting Policies

a) Accounting periods

These financial statements cover the following periods:

- Statements of financial position as of December 31, 2016 and 2015
- Income Statements and other comprehensive income for the years ended December 31, 2016 and 2015.
- Statements of changes in equity for the years ended December 31, 2016 and 2015.
- Statements of cash flows (indirect method) for the years ended December 31, 2016 and 2015.

b) Functional currency and transactions in foreign currency

Functional currency and presentation currency

The financial statements are presented in United States dollars (US$), which is the Company's functional and presentation currency. All information is presented in thousands of US dollars (ThUS$) rounded to the closest unit.

Transactions in foreign currency

Transactions in foreign currency (by definition, all currencies other than the US dollar) are initially recorded in dollars using the exchange rates current as of the date of each transaction.

Monetary assets and liabilities denominated in foreign currency are converted to US dollars using the exchange rate current as of the reporting period closing date.

All differences that arise from the liquidation or conversion of monetary items are recognized in income, under foreign currency translation, except for exceptions established in certain specific standards.

Non-monetary items that are measured in terms of their historical cost in foreign currency are converted using exchange rates current as of the date of the original transaction. Non-monetary items that are measured at their fair value in foreign currency are converted using exchange rates as of the date on which such fair value is determined. Profits or losses arising from the conversion of non-monetary items measured at their fair value are recognized based on how profits or losses derived from changes in the fair value of the item are recognized.

Note 2 - Summary of Significant Accounting Policies, continued

b) Functional currency and transactions in foreign currency, continued

Transactions in foreign currency, continued

Foreign currency exchange rates as of each reported period closing date are detailed as follows (equivalent amounts in Chilean pesos):

	December 31, 2016 Ch$	December 31, 2015 Ch$
US dollar	669.47	710.16
Euros	705.60	774.61

c) Cash and cash equivalents

As of each accounting period closing date, cash and cash equivalents include cash at banks.

For statement of cash flow purposes, cash and cash equivalents included in those statements do not differ from cash and cash equivalents included in the statements of financial position as of each year-end.

d) Other non-financial assets

Other current non-financial assets mainly include prepaid expenses (insurance), and non-current non-financial assets including long-term guarantees and shares in other entities.

e) Financial instruments

e.1) Financial assets

Initial recognition and measurement

The Company's financial assets include cash and cash equivalents, trade receivables, loans and other receivables.

The financial assets are classified as loans and accounts receivable. The Company determines the classification of financial assets at the time of their initial recognition.

All financial assets are initially recognized at fair value plus transaction costs.

Note 2 - Summary of Significant Accounting Policies, continued

e) Financial instruments, continued

e.1) Financial assets, continued

Subsequent measurement

Subsequent measurement of financial assets depends on their classification at the time of their initial recognition and is performed as described below:

e.1.1) Loans and accounts receivable

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. After initial measurement, those financial assets are measured at amortized cost using the effective interest rate method, less any impairment. Amortized cost is calculated taking into account any discount or premium in the acquisition and commissions or costs that are an integral part of the effective interest rate.

Amortization of the effective interest rate is recognized as finance income in the Income Statements. Impairment losses are recognized in the Income Statements as finance costs in the case of loans and as cost of sales, administrative expenses or other operating expenses in the case of accounts receivable.

e.1.2) Investments held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity, when the Company has the manifest intention and capacity to hold them to maturity. After initial recognition, investments held to maturity are measured at amortized cost using the effective interest rate method, less any impairment. The amortized cost is calculated taking into account any discount or premium on the acquisition and commissions or costs that are an integral part of the effective interest rate. Amortization of the effective interest rate is included as finance income in the Income Statements. Impairment losses are recognized in the Income Statements as finance costs.

Note 2 - Summary of Significant Accounting Policies, continued

e) Financial instruments, continued

e.1) Financial assets, continued

Impairment of financial assets

As of each reported period closing date, the Company evaluates whether there is any objective evidence that a financial asset (or group of financial assets) has been impaired. A financial asset (or group of financial assets) is considered to be impaired only if there is objective evidence of impairment as a consequence of one or more events occurred after the initial recognition of the asset (an “event that causes the loss”), and this event that causes the loss has an impact on the estimated future cash flows of the financial asset (or group of financial assets), and this impact can be reliably estimated. The evidence of impairment could include, among other things, indications that a debtor (or a group of debtors) is having significant financial difficulties, non-compliance or default in the payment of principal or interest on debt, the probability of bankruptcy being declared or the adoption of another form of financial reorganization, or when there is observable data that indicates that there is a measurable decrease in estimated future cash flows, such as adverse changes in the status of defaulted payments, or in economic conditions that are correlated to non-compliance.

For trade receivables, impairment is determined by analyzing balances receivable from current customers on a case-by-case basis as of each period-end, to identify risk of uncollectibility.

e.2) Financial liabilities

Initial recognition and measurement

The Company's financial liabilities include trade and other payables, and interest bearing debts and loans. Financial liabilities in the scope of IAS 39 are classified as loans and accounts payable. The Company determines the classification of its financial liabilities at the time of their initial recognition. All financial liabilities are recognized initially at fair value, and loans and accounts payable are accounted for at amortized cost, net of directly attributable transaction costs.

Note 2 - Summary of Significant Accounting Policies, continued

e) Financial instruments, continued

e.2) Financial liabilities, continued

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, at the time of their initial recognition, as follows:

e.2.1) Interest bearing debts and loans

After initial recognition, interest bearing debts and loans are measured at amortized cost, using the effective interest rate method. Profits and losses are recognized in the Income Statement when the liabilities are derecognized, and through the amortization process using the effective interest rate method.

Amortized cost is calculated taking into account any discount or premium in the acquisition and commissions or costs that are an integral part of the effective interest rate. Amortization of the effective interest rate is recognized as a finance cost in the Income Statement.

f) Inventory

The Company's inventory is composed mainly of mining products exploited and processed in its mining facilities. Work in progress and finished products (copper cathodes) are valued at production or Net Realizable Value (NRV), whichever is lower. The NRV is the estimated selling value during the normal course of business, less estimated termination costs and selling costs.

Inventory production costs are allocated using the absorption method and include fixed and variable costs directly associated to production, such as extraction costs, raw materials and supplies, payroll, depreciation, amortization, etc.

For work in progress and raw materials, due to the nature of the copper production process (leaching), the Company has engaged independent third parties to estimate tons of copper contained in the leaching piles and in the PLS pools (both included in work in progress), for the purpose of adjusting the balances of inventory to the tons of copper estimated to be recovered in the final cathode production process. Physical units (tons) of work in progress are adjusted with a charge or credit to cost of sales, using the unit cost of production as of each year-end. Materials and supplies are valued at average acquisition cost.

Note 2 - Summary of Significant Accounting Policies, continued

g) Current and deferred income taxes

Income tax

The income tax expense is composed of current and deferred taxes, and is recognized as a charge or credit to income unless it is related to items recognized directly in shareholders' equity, in which case they are recognized with an effect on equity.

Current taxes

The current tax is the expected tax payable (or recoverable) for taxable income for the year, according to the Income Tax Law (DL 824), using tax rates enacted, or substantially enacted, as of the date of statement of financial position, and any adjustment to taxes payable in relation to previous years. They are recognized as a liability, to the extent unpaid. If the amount already paid corresponding to the present period and prior periods exceeds the amount due for those periods, the excess is recognized as an asset.

On September 29, 2014, Law No. 20,780, called the Tax Reform, was passed in Chile, which defines, among others, the default tax system that applies to the Company, the First Category tax rate to be applied gradually to entities by default between 2014 and 2018, and also establishes that corporations can choose by one of two of the established tax regimes: "Partially Integrated Regime", or "Attributed Income Regime" which define different tax rates, beginning in 2017.

It should be noted that the Tax Reform established by Law No. 20,780 and Law No. 20,889 will affect companies by placing them into one of two tax systems, either by choice or by default. The first system, "Attributed Income Regime," will be affected by a 25% tax rate, starting in calendar year 2017, meanwhile the rate that will apply to the "Partially Integrated Regime" will be 25.5% for the year 2017, and 27% in the year 2018 and onward.

For the current year of 2016, the income tax rate is 24%. If the assessment of the tax regime applicable to the Company concludes that the regime will be "Partially Integrated", the effects of deferred taxes should reflect a top rate of 27%, considering the period of reversal of temporary differences starting in 2018, and 25.5% for 2017.

Note 2 - Summary of Significant Accounting Policies, continued

g) Current and deferred income taxes, continued

Deferred taxes

Deferred taxes are recognized using the statement of financial position method, stipulating the temporary differences between the carrying amount of the assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax assets and liabilities are offset if there is a legal enforceable right to offset current tax assets and liabilities and they are related to the income taxes applied by the same tax authority on the same taxable entity or on different taxable entities, which intend to settle current tax assets and liabilities in a net manner, or if tax assets and liabilities will be realized at the same time.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits and losses will be available when the temporary difference can be used. Deferred tax assets are reviewed on each statement of financial position date and are reduced if it is not probable that related tax benefits will be realized. Since the Company has accumulated tax losses from the beginning of its operations, and it is estimated that it will not generate taxable profits in the medium term (within the next 5 years), no effects of deferred tax assets or liabilities associated to temporary differences (between the financial and tax valuation base) or associated to benefits from to tax losses have been recorded.

Notwithstanding what has been stated in the previous paragraph, deferred tax assets and liabilities must be measured at the tax rates that are expected to be applicable in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) enacted or substantially enacted as of the date of the statement of financial position.

h) Intangible assets other than goodwill

Intangible assets acquired separately are measured at cost upon initial recognition and are valued at cost less accumulated amortization and impairment.

Upon initial recognition, the Company evaluates whether the useful lives of intangible assets are finite or indefinite.

Identifiable intangible assets with finite lives are amortized using the straight-line method over their estimated useful lives, which do not exceed the estimated date of termination of copper extraction and production (December 31, 2022). Amortization of these assets is presented under cost of sales in the Income Statements.

Note 2 - Summary of Significant Accounting Policies, continued

h) Intangible assets other than goodwill, continued

The Company maintains four types of intangible assets under this denomination: mining properties, easements, reforestation rights, and rights from contributions to the community development foundation. The latter two intangibles arise from obligations established in the Environmental Resolution Qualification issued by the Regional Environmental Commission of the Region of Coquimbo in November 2009.

Initial useful lives of intangible assets are described as follows:

	Months	
	Minimum	**Maximum**
Mining properties	145	158
Easements	122	153
Other intangible assets - Reforestation	108	108
Other intangible assets - Contributions to Foundation	108	108

The useful lives of intangible assets with finite useful lives are reviewed annually to determine whether that estimate continues to be reasonable.

The assets under this category with restrictions or guarantees are described in Note 26.

Intangible assets with indefinite useful lives are not amortized, but assets for which there is an active market are tested annually for impairment. The Company has water rights under this category since according to Chilean law this type of right is perpetual and can be commercialized.

i) Property, plant and equipment

Initial recognition

Property, plant and equipment items are recorded at historical cost (excluding periodic maintenance costs) less accumulated depreciation and accumulated impairment provisions. Such cost includes the cost of replacing property, plant and equipment items when these costs are incurred, if the criteria for recognition are fulfilled.

Note 2 - Summary of Significant Accounting Policies, continued

i) Property, plant and equipment, continued

Initial recognition, continued

The initial cost of property, plant and equipment items includes:

- Acquisition price, import rights and non-recoverable value added tax ("VAT").
- All costs directly related to locating the asset at the place and in the condition necessary for use.
- Costs of dismantling, removing or withdrawing the asset or restoring or reinstating the place where it is located.

In addition, the cost of interest on financing directly attributable to the acquisition or construction of assets that require a substantial period of time before they are ready for use or sale is considered as part of the cost of property, plant and equipment items.

The cost of an asset built by the Company itself is determined using the same principles as if it were an acquired property, plant and equipment item. Recognition of the costs of a built element of property, plant and equipment will end when the asset is at the location and in the conditions necessary to be used, time when it begins to be depreciated.

When parts of an element of property, plant and equipment have different useful lives, they are recorded as separate items, therefore significant components are identified and each component is depreciated separately.

Profits and losses on the disposal or removal of property, plant and equipment are determined comparing the amount obtained from the disposal to the carrying amount of the element and are recognized net in other profits (losses) in the Income Statement.

Depreciation is recognized in the Income Statement using the straight-line depreciation method based on the estimated useful lives of each property, plant and equipment element. Depreciation of property, plant and equipment elements under construction begin when the assets are in a condition to be used.

Note 2 - Summary of Significant Accounting Policies, continued

i) Property, plant and equipment, continued

Initial recognition, continued

The useful lives for infrastructure and mining facilities are determined on the basis of the estimated useful lives of proven and probable ore reserves. Initial estimated useful lives for the current and comparative periods are detailed as follows:

	Months	
	Minimum	**Maximum**
Buildings and infrastructure	112	172
Mining facilities	60	165
Machinery and equipment	60	154
Vehicles	60	60
Office equipment	60	60
Information equipment	48	48
Leased machinery and equipment	76	87

Cost of inventory production includes total depreciation of assets defined as productive and amortization.

Land included in property, plant and equipment is recorded separately from buildings and facilities, and is understood to have an indefinite useful life, therefore it is not depreciated.

Subsequent measurement

The cost of property, plant and equipment items can include costs of extensions, modernizing, or improvements that represent an increase in productivity, capacity or efficiency, or increase the useful lives of the assets. These costs are capitalized as higher cost of the corresponding assets.

Costs incurred in major maintenance are recognized as property, plant and equipment when they fulfill the requirements of IAS 16. These assets are depreciated using the straight-line method with a charge to income over the period remaining until the next scheduled major maintenance.

Disbursements derived from periodic maintenance of property, plant and equipment are charged to income in the period they are incurred.

Note 2 - Summary of Significant Accounting Policies, continued

i) Property, plant and equipment, continued

Subsequent measurement, continued

The Company has a policy of recording in assets, disbursements related to exploration activities and evaluation of mineral resources for the purpose of maintaining or increasing exploitable mining reserves in future only when the feasibility of the project has been verified. When the studies determine that a project is not technically or commercially feasible, the value of the boring and reconnaissance, together with all disbursements associated to the project, are charged to income for the year on the date when the studies are undertaken. The Company records boring expenses incurred for the purpose of increasing information on the mining sectors being exploited whose reserves were determined in previous boring campaigns in the Income Statement.

The Company has determined residual values for property, plant and equipment items, which have been quantified on the basis of an estimated recovery value for those assets at the end of their useful lives.

Depreciation methods, useful lives and residual values are reviewed on each closing date and adjusted as necessary. Changes in estimated useful lives are accounted for prospectively over the remaining estimated economic lives or the remaining commercial reserves of the mine, as applicable.

j) Impairment of non-financial assets

As of the end of each reporting period, the Company assesses whether there is any indication that an asset might be impaired. If such indication exists, or when an asset requires annual impairment testing, the Company estimates the recoverable amount of the asset. The recoverable amount of an asset is its fair value less selling cost (of an asset or of a cash generating unit) or its value in use, whichever is higher. This recoverable amount is determined for an individual asset, unless the asset does not generate cash flows that are substantially independent of the cash flows of other assets or groups of assets.

When the carrying amount of an asset or of a cash-generating unit exceeds its recoverable amount, the asset is considered to be impaired and its value is reduced to its recoverable amount.

Note 2 - Summary of Significant Accounting Policies, continued

j) Impairment of non-financial assets, continued

When evaluating the value in use of an individual asset or of a cash-generating unit, the estimated cash flows are discounted at their present value applying a discount rate before taxes that reflects current market evaluations of the time value of money and specific risks of the asset.

Recent market transactions (if they exist) are taken into account to determine fair value less selling cost of an individual asset or of a cash generating. If no transactions of this type can be identified, an appropriate valuation model is used. These calculations are verified against valuation multiples, shares traded for subsidiaries that trade on the stock exchange or other available indicators that are representative of fair value.

The Company bases its calculation of impairment on projection calculations that are prepared separately for each of the Company's cash generating units to which the individual assets are allocated. In general, budgets and projection calculations cover a 5 to 8 year period. For longer periods, a long-term growth rate is calculated and it is applied to the future cash flows of projections as of the fifth year.

Impairment losses corresponding to continuing operations, including impairment of inventory, are recognized in the Income Statement under other profits (losses), except for previously reappraised properties, where the reappraisal was recorded in other comprehensive income. In this case, impairment is also recognized in other comprehensive income up to the amount of any previously recognized reappraisal.

k) Leases

The determination of whether an agreement constitutes, or contains a lease is based on the substance of the contract at the date of inception and requires evaluation of whether compliance with the contract depends on the use of the specific asset or assets or the contract grants the right to use the asset.

Note 2 - Summary of Significant Accounting Policies, continued

k) Leases, continued

Reevaluation is done after start of the lease only if one of the following points is applicable:

i) There is a change in the contractual terms that is not a renewal or extension of the agreements;
ii) A renewal option is exercised or an extension is granted, unless the terms of the renewal or extension are included in the term of the lease;
iii) There is a change in the determination as to whether compliance is dependent on a specific asset; or
iv) There is a substantial change in the asset.

When a revaluation is performed, the accounting for the lease will begin or cease from the date on which the change of circumstances led to revaluation of scenarios i), ii) or iii) and as of the date of renewal or exercising of the extension for scenario iv).

In accordance with IAS 17, there are three types of leases:

k.1) Finance leases

The Company records this type of leases when the leaser substantially transfers all the risks and benefits inherent to ownership of the asset to the lessee. Ownership of the asset may or may not be transferred as applicable. When the Company acts as lessee of an asset under a finance lease, the cost of the leased assets is presented in the statement of financial position under property, plant and equipment, depending on the nature of the subject of the contract, and a liability is simultaneously recorded in the statement of financial position for the same amount under other financial liabilities. That amount shall be the fair value of the leased asset or the sum of the current values of the amounts to be paid to the leaser, as applicable to the price of exercising the purchase options, whichever is lower. These assets are amortized using criteria similar to those applied to property, plant and equipment for the Company's own use or over the term of the lease, whichever is shorter. Finance expenses derived from financial restatement of the liability recorded are charged to finance costs in the Income Statement.

Note 2 - Summary of Significant Accounting Policies, continued

k) Leases, continued

k.2) Operating leases

Leases in which ownership of the leased asset and substantially all the risks and advantages of the asset remain with the leaser, are classified as operating leases, and lease expenses are recognized in the Income Statement as they accrue.

k.3) Financial leaseback operations

Additionally, the Company maintains existing lease contracts (as lessee) under leaseback mode. Under IAS 17, any income from the sale of assets with subsequent financial leases is deferred and amortized with a charge or credit to income over the term of the lease. The only effects on income are recognized at the start of the lease for any impairment identified for the assets sold and subsequently leased.

l) Trade and other payables

These resources are initially accounted for at their nominal value. Items presented in the statement of financial position as current liabilities are due in 12 months or less.

m) Finance costs

Loan costs that are directly attributable to the acquisition, construction or production of property, plant and equipment items, which necessarily require a substantial period of time to be available for their expected use or sale, are capitalized as part of the initial cost of the respective asset. All other loan costs are accounted for as expenses in the period when they are incurred. Loan costs include interest and other costs incurred by the entity in relation to the signing of the respective loan agreements.

Note 2 - Summary of Significant Accounting Policies, continued

n) Provisions

Provisions are recognized when the Company has a present (legal or implicit) obligation as a result of a past event, it is probable that the entity will have to use resources that incorporate economic benefits to settle the obligation, and the amount of the obligation can be reliably estimated. In cases where the Company expects that the provision will be totally or partially reimbursed, for example by virtue of an insurance contract, the reimbursement is recognized as a separate asset, only in cases where such reimbursement is virtually certain. In these cases, the corresponding expense for any provision is presented in the Income Statement net of all related reimbursements.

If the effect of the time value of money is significant, provisions are discounted using a current market rate before taxes, which reflects, as applicable, the specific risks of the liability. When the discount is recognized, the increase in the provision due to the passage of time is recognized as finance cost in the Income Statement.

ñ) Mine closure and reinstatement reserve

The mining extraction and processing activities performed by the Company generate site closure or reinstatement obligations. Mine closure and reinstatement can include closing and dismantling of the facilities; stripping or treating waste materials; reinstatement of the site and land. The amount of work required and associated costs depend on the requirements of the competent authorities and the Company's environmental policies.

Reserves for the cost of mine closure and reinstatement are measured annually and adjusted to the present value of estimated costs. When the magnitude of the alterations increases during the life of an operation, the reserve should increase in the same proportion. The costs included encompass all closure and reinstatement activities expected to be produced progressively over the life of the operation and at the time of closing in relation to the alterations as of the reporting date. Routine operating costs that might affect the final closure and reinstatement activities, such as treatment of waste material performed as an integral part of the extraction or production processes are not included in the reserve. Costs derived from unforeseen circumstances, such as contamination caused by unplanned discharges, are recognized as an expense and a liability when the event generates an obligation that can be probably and reliably estimated.

Note 2 - Summary of Significant Accounting Policies, continued

ñ) Mine closure and reinstatement reserve, continued

Expenses can occur before and after closing and can continue over a long period of time depending on the closing and the reinstatement requirements.

Closing and reinstatement reserves are valued according to the expected value of future cash flows, discounted at their current value and determined based on the probability of the Company's other cash flow estimates. The use of significant judgment and estimates is required to generate expectations of future activities and the amount of time of the associated cash flows. These expectations are formed on the basis of existing environmental and regulatory requirements, or the Company's environmental policies, if these are stricter, which will generate an implicit obligation.

Adjustments to the estimated amount and time of closure and future reinstatement cash flows are normal due to the amount of judgment used and important estimates involved. The factors that influence these changes are as follows:

a) Reviews of the estimated reserves, resources and lives of the operations,
b) Technology developments,
c) Regulatory requirements and environmental handling strategies,
d) Changes in estimated costs of foreseen activities, including the effects of inflation and exchange rate fluctuation, and
e) Changes in the interest rates that affect the discount rate applied.

When mine closing and reinstatement reserves are initially recognized, the corresponding cost is capitalized as an asset, representing a part of the acquisition costs of the operation's future economic benefits. The capitalized cost of the closing and reinstatement activities is recognized in property, plant and equipment and is depreciated using the straight-line method. The value of the reserve increases progressively with time in accordance with the effects of accrued discounts, generating an interest cost recognized in finance costs in the Income Statement.

Mine closing and reinstatement reserves are also adjusted prospectively in case of changes in estimates. These adjustments are accounted as a profit or loss to the Income Statement.

Note 2 - Summary of Significant Accounting Policies, continued

o) Employee benefits reserve

The Company studies, analyzes and valuates its non-current employee benefits, in accordance with IAS 19.

Current employee benefits reserve

These reserves are recorded in income on an accrual basis.

Non-current employee benefits reserve

The main non-current benefit is severance indemnities for years of service in case of termination, which are agreed upon in current contracts or that arise from legal requirements that will be effective at the end of the Company's operations.

The liability recognized is determined using actuarial valuations through the application of the projected unit of credit method. Actuarial valuations involve assumptions about discount rates, future salary increases, employee turnover rates and mortality rates, among other things. Due to the long-term nature of these plans, such estimates are subject to uncertainty. At each year-end, the Company revalidates the calculation parameters, adopting those that are most appropriate based on market financial conditions and its own demographic experience.

The cost of employee benefits is determined discounting estimated cash outflows, at a market interest rate for long-term debt instruments close to the expiration date of the obligation. Changes in the provision are recognized in income in the period when they are incurred, with the exception of actuarial profits or losses, which are recognized in the comprehensive Income Statement.

p) Recognition of income

Operating income corresponds mainly to the sale of copper cathodes in the international market. It is recorded on the basis of billing and effective dispatch in the year.

For products delivered for which at the end of the period there is no final price, an income allowance is established which considers physical amounts, product quality and an estimate as of that date of the average price of copper for the third month after physical delivery of the cathodes.

Note 2 - Summary of Significant Accounting Policies, continued

p) Recognition of income

Income from goods sold is recognized after the Company has transferred to the buyer the risks and benefits inherent to ownership of those assets and it does not have the right to dispose of them, or maintain effective control. Generally, this means that sales are recorded when the risks and benefits are transferred to the customer in conformity with the terms agreed upon in trade agreements.

In addition, the Company recognizes income from services of ore tolling, which revenues and cost are registered when the service is completed.

q) Financial income and cost

The financial expenses are comprised of the financial interest from loans to related parties, financial leasing of machinery, and the present value measurement of provisions or long-term obligations. Financial income consists of interest from loans to related companies. Interest is recognized using the effective interest rate method, as established in IAS 39.

r) Income from inflation adjusted units

In accordance with IAS 21, and considering that Chile does not qualify as a hyperinflationary economy, the Company did not apply inflation adjustments for non-monetary assets and liabilities, nor to equity, except for those balances receivable or payable which by law must be readjusted.

s) Environment

Disbursements associated to protection of the environment are charged to income when they are incurred. Investments in infrastructure destined to compliance with environmental requirements are capitalized following general accounting criteria for property, plant and equipment, and intangibles, as established in the respective IFRS.

Note 2 - Summary of Significant Accounting Policies, continued

t) New accounting modifications and pronouncements

t.1) New standards, amendments to standards, and interpretations applicable to annual periods that started on January 1, 2016 have not been applied in advance to preparing these financial statements, nor do they have a significant impact.

t.2) The following new norms, amendments, and interpretations have been issued, but the mandatory effective date of application is not yet valid:

	New norms	Mandatory effective date
IFRS 9	Financial Instruments	Annual periods beginning on or after January 1, 2018. Early application is allowed.
IFRS 15	Revenue from Contracts with Customers	Annual periods beginning on or after January 1, 2018. Early application is allowed.
IFRS 16	Leases	Annual periods beginning on or after January 1, 2019. Early application is allowed.

	Interpretations and amendments	Mandatory effective date
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Annual periods beginning on or after January 1, 2018. Early application is allowed.

Note 2 - Summary of Significant Accounting Policies, continued

t) New accounting modifications and pronouncements, continued

	Interpretations and amendments	Mandatory effective date
IAS 7	Disclosure Initiative, amendments to IAS 7	Annual periods beginning on or after January 1, 2017. Early application is allowed.
IAS 12	Recognition of deferred tax assets for unrealised losses (modifications to IAS 12).	Annual periods beginning on or after January 1, 2017. Early application is allowed.
IFRS 2	Share-based Payment: Clarification of accounting for certain types of share-based payment transactions.	Annual periods beginning on or after January 1, 2018. Early application is allowed.
IFRS 10	Consolidated Financial Statements, and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	Effective date deferred indefinitely
IFRS 15	Revenue from Contracts with Customers: Modification clarifying requirements and granting additional transition release for companies that implement the new standard	Annual periods beginning on or after January 1, 2018. Early application is allowed.

All these new standards, amendments to standards and interpretations are applicable to annual periods beginning after January 1, 2017, and have not been applied in advance in preparing these financial statements. The Company is evaluating the impacts of IFRS 15 and IFRS 16 and does not plan earlier application of these standards.

Note 3 - Significant Accounting Judgment, Estimates and Assumptions

In the preparation of the Company's financial statements management must use accounting judgment, estimates and assumptions that affect the amounts of income and expenses, assets and liabilities and related disclosures, and the disclosure of contingent liabilities as of the end of the reporting period. The uncertainty of such assumptions and estimates could in the future require significant adjustments to the carrying amount of affected assets or liabilities.

a) Estimates and assumptions

Key assumptions related to the future and other key sources of estimates of uncertainties as of the reporting period closing date, which have a high risk of causing significant adjustment of the carrying amounts of assets and liabilities during the next year, are described below. The Company has based its assumptions and estimates on the parameters available at the time of preparation of these financial statements; current circumstances and assumptions regarding future events could change due to changes in the market or circumstances that might arise that are beyond the Company's control. These changes are reflected in the assumption when they occur and must be accounted for prospectively.

b) Impairment of trade receivables

The Company evaluates the possibility of collecting trade receivables, based on a series of factors such as recent history of previous losses and general evaluation of overdue and current trade receivables. When the Company becomes aware of a customer's specific incapacity to comply with its financial obligations, a specific allowance for doubtful accounts is estimated and recorded.

c) Useful lives & residual values of intangible assets & property, plant & equipment items

The determination of useful lives and residual values of intangible assets with defined useful lives and of property, plant and equipment items involve judgment and assumptions that might be affected if circumstances change. Management reviews these assumptions at least annually and adjusts them on a prospective basis when a change is identified.

Note 3 - Significant Accounting Judgment, Estimates and Assumptions, continued

d) Depreciation

Depreciation is calculated using the straight-line method, through allocating the acquisition cost less estimated residual value over the estimated useful lives of each of the property, plant and equipment items. Land is recorded separately from buildings and facilities and is understood to have an indefinite useful life, and therefore is not depreciated.

Depreciation of property, plant and equipment under construction begins when the assets are in usable condition.

e) Deferred tax assets

Deferred tax assets are recognized for all temporary deductible differences between the financial and tax base of assets and liabilities and for unused tax losses to the extent that it is probable that there will be taxable profits against which the losses can be charged, and if there are sufficient taxable temporary differences to absorb them. Significant judgment is required on the behalf of management to determine the value of deferred tax assets that can be recognized, based on the probable opportunity and level of projected taxable profits, together with the planning of future tax strategies.

f) Non-current provisions

The Company has established non-current provisions for the concept of reforestation, mine closing and reinstatement. These provisions have been valued on the basis of assumptions and estimates of the costs and disbursements that will be necessary in the future, and might be modified making it necessary to measure the value of the obligations once again.

Note 4 - Cash and Cash Equivalents

Cash and cash equivalents are detailed as follows:

	2016 ThUS$	2015 ThUS$
Bank balances	274	127
Total	274	127

Bank balances correspond to current account balances that have no restrictions on availability.

Note 4 - Cash and Cash Equivalents, continued

Cash and cash equivalents by currency are detailed as follows:

	2016 ThUS$	2015 ThUS$
Bank balances in Chilean pesos	269	125
Bank balances in United States dollars	5	2
Total	274	127

Balances of cash and cash equivalents that are presented in the statements of financial position correspond to the same amounts of cash and cash equivalents that are presented in the statements of cash flows.

As of each year-end there are no restrictions or guarantees on Cash and cash equivalents.

Note 5 - Other Current and Non-current Non-financial Assets

Other current and non-current non-financial assets are detailed as follows:

a) Other current non-financial assets

	2016 ThUS$	2015 ThUS$
Prepaid insurance	263	179
Prepaid interest	48	21
Other	77	29
Total	388	229

b) Other non-current non-financial assets

	2016 ThUS$	2015 ThUS$
Guarantees	124	131
Cooperativa Agrícola de la Colonia Chuchiñí Ltda. (1)	93	93
Total	217	224

(1) Correspond to 45 shares of Cooperativa Agrícola de la Colonia Chuchiñí Ltda., which are valued at acquisition cost.

Note 6 - Current Trade and Other Receivables

Current trade and other receivables are detailed as follows:

	2016 ThUS$	2015 ThUS$
Current trade receivables	95	175
Other current receivables	657	315
Total	752	490

Current trade receivables are detailed as follows:

Current trade receivables	2016 ThUS$	2015 ThUS$
Billed export accounts receivable	546	546
Export accounts receivable to be billed	95	175
Allowance for doubtful accounts	(546)	(546)
Total	95	175

Current trade receivables are aged as follows:

Current trade receivables	2016 ThUS$	2015 ThUS$
Up to 30 days	95	167
More than 30 and up to 60 days	-	8
More than 61 days	546	546
Subtotal	641	721
Less: allowance for doubtful accounts	(546)	(546)
Total	95	175

Note 6 - Current Trade and Other Receivables, continued

Trade accounts receivable impairment is detailed as follows:

Allowance for doubtful accounts	2016 ThUS$	2015 ThUS$
Balance at the beginning of the year	(546)	(543)
Increase in the allowance	-	(3)
Bad debt write offs	-	-
Reversal of provisions	-	-
Balance as of year-end	(546)	(546)

The Company evaluates the possibility of collecting trade receivables, based on a series of factors such as the recent history of prior losses and a general evaluation of overdue and current trade receivables. When the Company is aware of a specific incapacity of the customer to fulfill its financial obligations, a specific allowance for doubtful accounts is estimated and recorded.

Other current receivables are detailed as follows:

Other current receivables	2016 ThUS$	2015 ThUS$
VAT credit (1)	558	257
Advances to domestic suppliers	56	38
Employee loans	3	16
Advances to foreign suppliers	40	4
Total	657	315

(1) Since the Company is an exporter, it received payments for the concept of exporter VAT recovery in the amount of ThUS$ 2,384 in 2016 (ThUS$ 2,731 in 2015). In 2016, this value includes ThUS$ 128, which corresponds to a value-added tax (VAT) generated by the debt recognition agreement with Empresa Nacional de Minería (see note 11), and that of which was recovered in January of 2017.

Note 7 - Inventory

Inventory items are detailed as follows:

	2016 ThUS$	2015 ThUS$
Work in progress	10,147	9,138
Finished products	2,080	1,857
Materials	1,160	1,074
Raw material	20	19
Suppliers	84	70
Total	13,491	12,158

For the purpose of adjusting inventory balances to the tons of copper that the Company estimates it will recover in the cathode production process, as of December 31, 2016 and 2015, the Company engaged an independent third party to estimate the tons of copper contained in the leaching piles and in the PLS pools.

Adjustments to Net Realizable Value

As mentioned in the basis of preparation of these financial statements, at the end of December 31, 2016 and 2015 the balances of Work in progress and Finished Products have been valued at the lower of cost and net realizable value (NRV), and an adjustment was determined for the Finished Products as detailed below:

Finished products	2016 ThUS$	2015 ThUS$
Gross finished products	2,080	2,071
Adjustment to net realizable value	-	(214)
Net finished products	2,080	1,857

Guarantees

The inventory items pledged in guarantee for liabilities, or with any other type of restriction, included in inventory balances, are described in Note 26.

Note 8 - Intangible Assets Other than Goodwill

a) Composition of the balance

Intangible assets are detailed as follows:

2016

	Gross value ThUS$	Accumulated amortization ThUS$	Net value ThUS$
Mining properties	9,102	(4,830)	4,272
Easements	3,602	(1,944)	1,658
Water rights	354	-	354
Other intangible assets – Reforestation (1)	3,992	(2,218)	1,774
Other intangible assets - Contribution to Foundation (1)	870	(395)	475
Total	17,920	(9,387)	8,533

2015

	Gross value ThUS$	Accumulated amortization ThUS$	Net value ThUS$
Mining properties	9,102	(4,140)	4,962
Easements	3,602	(1,640)	1,962
Water rights	354	-	354
Other intangible assets – Reforestation (1)	3,992	(1,774)	2,218
Other intangible assets - Contribution to Foundation (1)	870	(316)	554
Total	17,920	(7,870)	10,050

1) In accordance with the Environmental Qualification Resolution obtained in 2009, the Company committed to contributing the sum of ThUS$ 1,000 in ten equal annual payments to finance a Foundation for the development of the communities of Cárcamo, Manquehua and Chuchiñí, which will decide the destination of these funds. These payments will begin as of the respective legal establishment of that Foundation (2014). In addition, the Company committed to financing the reforestation of 252 hectares of land in sectors close to the Company's mining facilities, in order to replace native vegetation removed during the construction of those facilities. Obligations were accounted for as a charge to Intangible assets.

Note 8 - Intangible Assets Other than Goodwill, continued

b) Detail of movements

Movements of intangible assets are detailed as follows:

2016

Concept	Opening net value ThUS$	Additions for the year ThUS$	Amortization for the year ThUS$	Closing net value ThUS$
Mining properties	4,962	-	(690)	4,272
Easements	1,962	-	(304)	1,658
Water rights	354	-	-	354
Other intangible assets – Reforestation	2,218	-	(444)	1,774
Other intangible assets - Contribution to Foundation	554	-	(79)	475
Total	10,050	-	(1,517)	8,533

2015

Concept	Opening net value ThUS$	Additions for the year ThUS$	Amortization for the year ThUS$	Closing net value ThUS$
Mining properties	5,638	16	(692)	4,962
Easements	2,267	-	(305)	1,962
Water rights	354	-	-	354
Other intangible assets – Reforestation	2,662	-	(444)	2,218
Other intangible assets - Contribution to Foundation	632	-	(78)	554
Total	11,553	16	(1,519)	10,050

c) Impairment

As of December 31, 2016 and 2015, indicators of impairment for intangible assets have been identified; consequently, the evaluation of impairment is described in Note 9 d).

Note 9 - Property, Plant and Equipment

a) Composition of the balance

Property, plant and equipment items are detailed as follows:

2016

	Gross value ThUS$	Accumulated depreciation ThUS$	Net value ThUS$
Land	665	-	665
Buildings and infrastructure	25,654	(12,074)	13,580
Mining facilities	28,054	(13,743)	14,311
Machinery and equipment	4,199	(2,341)	1,858
Vehicles	162	(132)	30
Office equipment	22	(21)	1
Information equipment	11	(11)	-
Leased machinery and equipment	342	(258)	84
Total	59,109	(28,580)	30,529

2015

	Gross value ThUS$	Accumulated depreciation ThUS$	Net value ThUS$
Land	665	-	665
Buildings and infrastructure	25,580	(9,893)	15,687
Mining facilities	28,054	(11,249)	16,805
Machinery and equipment	3,590	(1,831)	1,759
Vehicles	247	(162)	85
Office equipment	22	(21)	1
Information equipment	11	(11)	-
Leased machinery and equipment	342	(144)	198
Total	58,511	(23,311)	35,200

Note 9 - Property, Plant and Equipment, continued

b) Detail of movements

Property, plant and equipment movements are detailed as follows:

2016

	Opening net value	Additions for the year	Derecognition	Reclassi- fications	Depreciation for the year	Closing net value
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Land	665	-	-	-	-	665
Buildings and infrastructure	15,687	74	-	-	(2,181)	13,580
Mining facilities	16,805	-	-	-	(2,494)	14,311
Machinery and equipment	1,759	609	-	-	(510)	1,858
Vehicles	85	-	(17)	-	(38)	30
Office equipment	1	-	-	-	-	1
Leased machinery and equipment	198	-	-	-	(114)	84
Total	35,200	683	(17)	-	(5,337)	30,529

2015

	Opening net value	Additions for the year	Derecognition	Reclassi- fications	Depreciation for the year	Closing net value
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Land	665	-	-	-	-	665
Buildings and infrastructure	17,863	-	-	-	(2,176)	15,687
Mining facilities	19,301	-	-	-	(2,496)	16,805
Machinery and equipment	1,720	155	-	213	(329)	1,759
Vehicles	125	-	(3)	-	(37)	85
Office equipment	2	-	-	-	(1)	1
Leased machinery and equipment	647	-	-	(213)	(236)	198
Total	40,323	155	(3)	-	(5,275)	35,200

Note 9 - Property, Plant and Equipment, continued

c) Assets under finance leases

As of December 31, 2016 and 2015, the following assets are under a finance lease contract:

c.1) Contract with VFS Chile S.A. (effective since August 2014)

The following assets involve a sale and leaseback:

Units	Asset	Make	Model
2	Trucks	MACK	GU 813

In August 2014, the Company entered into a sale and leaseback contract for 2 trucks, Mack brand, model GU 813, with VFS Chile S.A., for a total of ThUS$ 351, for a period of three years. The associated payments with this contract expire in December of 2017.

d) Impairment

In accordance with IAS 36, management analyzed certain long-term asset impairment indicators, specifically for Property, plant and equipment and for Intangible assets other than Goodwill. This analysis revealed that the decrease in the international price of copper during 2016 was sufficient indication to test impairment of the mentioned assets as of December 31, 2016.

In their determination of the recoverable amount of these assets, management determined the value in use of the cash-generating unit that encompasses all assets included in Property, plant and equipment and Intangible assets other than Goodwill as of December 31, 2016. The calculation of the value in use considered the estimate of the net operating cash flows during the period that are expected to generate cash flows through the exploitation and sale of copper cathodes, discounted at an interest rate.

Note 9 - Property, Plant and Equipment, continued

d) Impairment, continued

To determine cash flows and calculate value in use, the Company considered the following assumptions:

	2016	**2015**
Price of copper (US$ per pound of copper)	2,6	2.6
Discount rate	8%	8%
Year when exploitation of the Company's own tested copper reserves ends	2024	2025
Year in which mining operations are closed	2026	2027
Cost of closing mining operations (stripping and remediation) and Reforestation commitment (amounts in THUS$)	7,541	5,500

Value in use (or recoverable amount), determined as of December 31, 2016 and 2015, and the determination of a possible impairment, are detailed as follows:

Impairment evaluation	**2016 THUS$**	**2015 THUS$**
Value in use (1)	54,264	127,396
Net balance of property, plant and equipment and Intangible assets other than Goodwill (before impairment)	39,062	45,250
Impairment excess (loss)	15,202	82,146

(1) In 2016, the value-in-use was determined by a third-party specialist, different to 2015 where it was calculated by Company's staff members. The criteria to determine said values were similar, except those used to determine the cost of the extraction of ore and the cost of copper cathode production. Additionally, the cost of our reforestation commitment was considered alongside the cost of operational mine closures.

As of December 31, 2016 and 2015, Management has determined that there is no loss from impairment of the Company's assets.

Note 9 - Property, Plant and Equipment, continued

e) Other situations

The assets of properties, plant and equipment, as well as the leaching plant, are subject to restrictions, guarantees, loans and/or mortgages, and are described in Note 26.

Note 10 - Other Current and Non-current Financial Liabilities

The other non-financial liabilities, mainly correspond to bank obligations, finance lease obligations and other obligations. The obligations and their respective deferred interests are detailed as follows:

Other current financial liabilities	2016 ThUS$	2015 ThUS$
Obligations with finance institutions, current	5,034	11,481
Obligations for finance leases, current	70	56
Obligation for contribution to Foundation Tres Valles (1)	100	100
Total	5,204	11,637

Other non-current financial liabilities	2016 ThUS$	2015 ThUS$
Obligations for contribution to Foundation Tres Valles, non-current (1)	550	636
Obligations for finance leases, non-current	-	66
Total	550	702

(1) In accordance with the Environmental Qualification Resolution obtained in 2009, the Company committed to contributing the sum of ThUS$ 1,000 in ten equal annual payments to finance a Foundation for the development of the communities of Cárcamo, Manquehua and Chuchiñí, which will decide on the destination of these funds. These payments will begin as of the respective legal establishment of that Foundation (2014). In accordance with IAS 37, this non-current obligation is presented discounted at an annual interest rate of 1.89%, and accrual of interest (ThUS$ 14 in 2016 and ThUS$ 16 in 2015) is presented under finance costs in the Income Statement (Note 23).

Note 10 - Other Current and Non-current Financial Liabilities, continued

a) Obligations with financial institutions

2016

Bank or Financial Institutions	Currency	Amortization	Effective Annual Interest Rate	Capital Owed	Accrued Interest	Total Obligation
			%	THUS$	THUS$	THUS$
Trade Finance Funding (1)	Dólar	Upon maturity	10.5	5,000	34	5,034
Total				5,000	34	5,034

2015

Bank or Financial Institutions	Currency	Amortization	Effective Annual Interest Rate	Capital Owed	Accrued Interest	Total Obligation
			%	THUS$	THUS$	THUS$
Trade Finance Funding (1)	Dollar	Upon maturity	11.0	5,000	70	5,070
Banco Santander (2)	Dollar	Upon maturity	5.0	6,400	11	6,411
Total				11,400	81	11,481

(1) In November 2014, the Company entered into a Credit Facility Agreement with Trade Finance Funding (creditor), in which the latter made available to the Borrower credit in the amount of up to ThUS$ 5,000. In November 2015, this credit facility was renewed until October, 2016. In October 2016, the line of credit was renewed until January 31, 2017. The established guarantees are detailed in Note 26.

(2) Correspond to PAE credit (Advance Loan for Exporters) with Banco Santander Chile, with maturity no longer than 60 days. In June of 2016, the related company Inversiones Vecchiola S.A. assumed this obligation with Banco Santander Chile, and the Company entered into a debt agreement with them (see Note 12).

Note 10 - Other Current and Non-current Financial Liabilities, continued

b) Obligations under finance leases

The details of obligations under finance leases; both sale and leasebacks, as of December 31, 2016 and 2015 are as follows:

2016

Lessor	Currency	Interest Rate	Total Obligation	Interest	Net Obligation	Current	Non-Current
		%	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
VFS Chile S.A. (1)	Pesos	10.6	77	(7)	70	70	-
			77	(7)	70	70	-

2015

Lessor	Currency	Interest Rate	Total Obligation	Interest	Net Obligation	Current	Non-Current
		%	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
VFS Chile S.A. (1)	Dollar	10.6	147	(25)	122	56	66
Total			147	(25)	122	56	66

(1) Contract for sale and leaseback signed in August 2014, for a three-year term, for two Mack trucks. The associated payments with this contract expire in December of 2017.

The present value of future payments (net) derived from finance lease contracts is detailed as follows:

	2016	2015
	ThUS$	ThUS$
Less than 1 year	70	56
From 1 to 5 years	-	66
Total	70	122

Note 11 - Trade and Other Payables

Trade and other payables are detailed as follows:

Current portion	2016 ThUS$	2015 ThUS$
Local suppliers, current (1)	5,303	3,724
Pre-payments from Foreign Customers (2)	2,267	-
Foreign suppliers	1,095	200
Unbilled suppliers	2,393	1,605
Employee accounts payable	571	363
Legal vacation obligation	332	371
Pension and health withholdings	116	90
Other withholdings	112	93
Other accounts payable	4	-
Total	12,193	6,446

Non-current portion	2016 MUS$	2015 MUS$
Local suppliers, non-current (1)	1,559	-
Total	1,559	-

(1) In the item “Local Suppliers”, the total current portion includes ThUS$ 1,065, as of December 31, 2016 (ThUS$ 1,251 in 2015), and ThUS$ 1,559 in the non-running portion, both corresponding to the debt owed to Empresa Nacional de Minería, which has an average annual interest rate of 4.51%. This debt originated from purchasing ore and sulfuric acid between the years of 2010 and 2013. In 2016, the Company entered into a debt recognition agreement with ENAMI, that defined the obligatory amounts, interests and periods to be paid. In the process of the debt settlement, ENAMI presented information to the Company that was priorly unknown, and which led to an increase in the accrued liability up to December 31, 2015. The effects of the increase in debt are described in Note 15. The accrued interest was ThUS$ 151 in 2016 (ThUS$ 54 in 2015).

(2) Corresponds to the payment received in advance from a client in October 2016, for a total of ThUS$ 5,000, for the sale of approximately 470 metric tons of copper cathodes that were delivered to the client by mid-January, 2017.

Note 12 - Related Party Disclosures

a) Background

On December 12, 2013, Vale International Holding GmbH and Docepar S.A., owners of the Series A shares of Sociedad Contractual Minera Tres Valles, formalized the sale of all their shares to Inversiones Porto San Giorgio S.A. of the Grupo Vecchiola, who thereafter became the controlling shareholder of the Company.

On January 31, 2014, Compañía Minera Werenfried, owner of the Series B shares of Sociedad Contractual Minera Tres Valles, formalized the sale of all the shares to Inversiones Porto San Giorgio S.A. (except one share, which was bought by Vecchiola S.A.), and thus, the Grupo Vecchiola became the controller of all the shares of Sociedad Contractual Minera Tres Valles.

Based on the above mentioned, in the preparation of these financial statements, Inversiones Porto San Giorgio S.A., Vecchiola S.A. and their respective related parties have been considered as related parties of the Company.

b) Accounts receivable from related parties

Entity	Relationship	Interest Rate	Currency	2016 ThUS$	2015 ThUS$
Non-current					
Inversiones Porto San Giorgio S.A. (1)	Controlling shareholder	5.6% + Libor 90	Dollars	-	34,344
Inversiones Porto San Giorgio S.A.	Controlling shareholder	-	Dollars	431	1,727
Inversiones Porto San Giorgio S.A.	Controlling shareholder	-	Pesos	85	1,320
Vecchiola S.A.	Minority shareholder	-	Pesos	29	345
Vecchiola Ingeniería y Construcción S.A.	Shareholders in common	-	Pesos	105	-
Transportes y Grúas Vecchiola S.A.	Shareholders in common	-	Pesos	-	70
San Antonio S.C.M.	Shareholders in common	-	Pesos	11	11
Fondo de Inversiones Buen Retiro	Shareholders in common	-	Pesos	1	1
Salares Atacama S.C.M.	Shareholders in common	-	Pesos	2	2
Sierra Fritis S.C.M.	Shareholders in common	-	Pesos	1	1
Total				665	37,821

Note 12 - Related Party Disclosures, continued

c) Accounts payable to related parties, current and non-current

Entity	Relationship	Interest Rate	Currency	2016 ThUS$	2015 ThUS$
Current					
Vecchiola S.A.	Minority shareholder	-	Pesos	409	8
Vecchiola S.A. (2)	Minority shareholder	7.9%	Pesos	-	67
Vecchiola Ingeniería y Construcción S.A.	Minority shareholder	-	Pesos	56	-
Inversiones Génova SPA	Shareholders in common	-	Pesos	132	23
Total				597	98
Non-current					
Vecchiola S.A. (1)	Minority shareholder	5.1% + Libor 90	Dollars	-	26,076
Vecchiola S.A. (3)	Minority shareholder	-	Pesos	-	2,184
Vecchiola S.A. (4)	Minority shareholder	-	Pesos	-	3,031
Vecchiola Ingeniería y Construcción S.A.	Shareholders in common	-	Pesos	186	54
Servicios de Aeronavegación S.A.	Shareholders in common	-	Pesos	164	-
Transportes y Grúas Vecchiola S.A.	Shareholders in common	-	Pesos	-	70
Inversiones Vecchiola S.A.	Shareholders in common	-	Dollars	27	-
Total				377	31,415

(1) On December 12, 2013, Vecchiola S.A. obtained financing with a pool of banks led by Banco Santander-Chile for a total of ThUS$ 30,500 to be used for the purchase of all the shares of Sociedad Contractual Minera Tres Valles by the parent company Inversiones Porto San Giorgio S.A. Through a private instrument dated December 12, 2013, Vecchiola S.A. and Inversiones Porto San Giorgio S.A. entered into a loan agreement in which Vecchiola S.A. granted a loan to Inversiones Porto San Giorgio S.A. for ThUS$ 26,500 (first disbursement) to finance the purchase of the Series A shares of Sociedad Contractual Minera Tres Valles from the Vale Brasil group. Through a deed dated January 31, 2014, Vecchiola S.A. and Inversiones Porto San Giorgio S.A. entered into a second contract for ThUS$ 4,000 in order to finance the cash portion of the payment of the Series B shares of the Company to Compañía Minera Werenfried, a transaction that was completed on the same date. Through a private instrument dated March 12, 2014, a novation was agreed due to the change of the debtor of the above-mentioned loan agreements, whereby Sociedad Contractual Minera Tres Valles assumed the obligation to pay Vecchiola S.A. all the amounts due by Inversiones Porto San Giorgio S.A. by way of capital, adjustments and interest, under the same conditions agreed upon in the respective original loan agreements. In return for this agreement, Inversiones Porto San Giorgio S.A. signed, on this date, an acknowledgment of debt in favor of Sociedad Contractual Minera Tres Valles, for the same amount that it agreed to pay Vecchiola S.A.; the payment period is one or more installments within a period of four years from March 12, 2014. Therefore, for these transactions, Sociedad Contractual Minera Tres Valles holds an account receivable from Inversiones Porto San Giorgio S.A. and an account payable to Vecchiola S.A. In July of 2016, the compensation of outstanding debts between Minera Tres Valles and Vecchiola S.A., Inversiones Porto San Giorgio S.A. and Inversiones Vecchiola S.A. was made at a collective total of ThUS$ 39,130.

(2) Corresponds to financing provided by Vecchiola S.A. in January 2014, in Chilean pesos, at an annual interest rate of 7.92%, with a maturity of 24 monthly installments. As of December 31, 2015, the last installment (with maturity in January 2016) is presented in the current payable.

(3) Corresponds to financing provided by Vecchiola S.A. in June 2014, in Chilean pesos, without interest, and without an agreed upon maturity date. In July of 2016, the balances were paid in full.

(4) Corresponds to operational services given by, and expenses incurred by Vecchiola S.A. (on behalf of the Company), in Chilean pesos, without interest, and without an agreed upon maturity date. In July of 2016, the balances were paid in full.

Note 12 - Related Party Disclosures, continued

d) Transactions

During the periods covered in these financial statements, the following significant transactions with related parties were recorded as follows:

					2016		2015	
Entity	Country	Relationship	Currency	Transaction	Amount ThUS$	Credit (charge) to income ThUS$	Amount ThUS$	Credit (charge) to income ThUS$
Vecchiola S.A.	Chile	Minority shareholder	Dollar	Compensation of long-term loan (1)	32,757	-	3,050	-
Vecchiola S.A.	Chile	Minority shareholder	Dollar	Interest expense long-term loan	627	(627)	1,257	(1,257)
Vecchiola S.A.	Chile	Minority shareholder	Pesos	Other loans received	1,054	-	249	-
Vecchiola S.A.	Chile	Minority shareholder	Pesos	Payment of others loans received	829	-	844	-
Vecchiola S.A.	Chile	Minority shareholder	Pesos	Interest expense for other loans	-	-	44	(44)
Vecchiola S.A.	Chile	Minority shareholder	Pesos	Services received	276	(232)	1,728	(1,452)
Inversiones Porto San Giorgio S.A.	Chile	Controlling shareholder	Dollar	Long-term loan granted	-	-	1,500	-
Inversiones Porto San Giorgio S.A.	Chile	Controlling shareholder	Dollar	Compensation of long-term loan (1)	39,130	-	-	-
Inversiones Porto San Giorgio S.A.	Chile	Controlling shareholder	Dollar	Interest earned long-term loan	1,265	1,265	1,958	1,958
Inversiones Porto San Giorgio S.A.	Chile	Controlling shareholder	Pesos	Other loans granted	-	-	87	-
Inversiones Porto San Giorgio S.A.	Chile	Controlling shareholder	Dollar	Payments made in behalf of	671	-	620	-
Inversiones Porto San Giorgio S.A.	Chile	Controlling shareholder	Pesos	Rebilling of expenses	-	-	242	-
Inversiones Vecchiola S.A.	Chile	Shareholders in common	Pesos	Debt recognition	6,400	-	268	-
Inversiones Vecchiola S.A.	Chile	Shareholders in common	Pesos	Compensation of long-term loan (1)	6,373	-	268	-

(1) As indicated in point 1 of letter c) above, in July of 2016, the pending debts between the Company Minera Tres Valles and Vecchiola S.A., Inversiones Porto San Giorgio S.A. and Inversiones Vecchiola S.A. were compensated for a total of ThUS$ 39,130.

Note 12 - Related Party Disclosures, continued

d) Transactions, continued

					2016		2015	
					Amount	Credit (charge) to income	Amount	Credit (charge) to income
Entity	**Country**	**Relationship**	**Currency**	**Transaction**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**
Inversiones Génova SPA	Chile	Shareholders in common	Pesos	Services received	1,809	(1,520)	23	(19)
Vecchiola Ingeniería y Construcción S.A.	Chile	Shareholders in common	Pesos	Sale of assets	105	72	-	-
Vecchiola Ingeniería y Construcción S.A.	Chile	Shareholders in common	Pesos	Services received	220	(185)	55	(46)
Servicios de Aeronavegación Vecchiola Ltda.	Chile	Shareholders in common	Pesos	Loans received	164	-	-	-
Servicios de Aeronavegación Vecchiola Ltda.	Chile	Shareholders in common	Pesos	Services received	-	-	13	(11)

Note 12 - Related Party Disclosures, continued

e) Key employees

As of December 31, 2016, the following persons are considered to be key employees:

Name	Position
Eduardo Matta V.	Chairman of the Board
Guido Vecchiola A.	Director
Enzo Vecchiola M.	Director
Luis Vega M.	General Manager
Mario Valdés B.	Operations Manager

f) Remunerations and benefits received by key Company employees

During the year ended December 31, 2016, the Company recorded expenses for compensation and benefits paid to key personnel for a total of ThUS$ 871 (ThUS$ 525 in 2015).

Note 13 – Other Provisions

Balances of provisions are detailed as follows:

a) Other current provisions

Concept	2016 ThUS$	2015 ThUS$
Cost of reforestation (1)	1,565	982
Cost of studies	75	77
Contingencies, lawsuits and administrative sanctions	-	17
Total	1,640	1,076

Note 13 – Other Provisions, continued

a) Other current provisions, continued

Current provision movements are detailed as follows:

2016

	Reforestation ThUS$	Studies ThUS$	Contingencies ThUS$	Moving families ThUS$	Total ThUS$
Balance at beginning of year	982	77	17	-	1,076
Increase (decrease) of provision	-	-	(17)	-	(17)
Foreign currency translation	(36)	-	-	-	(36)
Payments	60	(2)	-	-	58
Reclassification from non-current	559	-	-	-	559
Balance at year-end	1,565	75	-	-	1,640

2015

	Reforestation ThUS$	Studies ThUS$	Contingencies ThUS$	Moving families ThUS$	Total ThUS$
Balance at beginning of year	765	83	60	-	908
Increase (decrease) of provision	-	26	(34)	-	(8)
Foreign currency translation	(76)	(20)	-	-	(96)
Payments	(123)	(12)	(9)	-	(144)
Reclassification from non-current	416	-	-	-	416
Balance at year-end	982	77	17	-	1,076

Note 13 – Other Provisions, continued

b) Other non-current provisions

Concept	2016 ThUS$	2015 ThUS$
Mine closure and rehabilitation (1)	4,849	4,781
Cost of reforestation (2)	1,052	1,423
Total	5,901	6,204

(1) Pursuant to the provisions of IAS 16, the Company has estimated the cost of closure and rehabilitation of the mine, which will commence upon completion of ore mining operations and the production and sale of copper cathodes, planned for late 2022. In accordance with IAS 37, this long-term obligation is discounted using an annual interest rate of 1.52%, and the interest accrued (ThUS$ 69 in 2016 and ThUS$ 64 in 2015) is presented in financial costs in the Income Statement (Note 23).

(2) In accordance with the Environmental Qualification Resolution obtained in 2009, the Company committed to financing the reforestation of 252 hectares of land in sectors close to the Company's mining facilities, in order to replace the native vegetation removed in the construction of those facilities. The total cost of the reforestation work has been estimated at ThCh$ 2,669,068 (equivalent to ThUS$ 5,199 as of January 1, 2012) which is expected to be disbursed from 2013 to 2019. In accordance with IAS 37, this non-current obligation is presented discounted at an annual rate of 5.19%, and interest accrued (ThUS$ 100 in 2016 and ThUS$ 133 in 2015) is presented in finance costs in the Income Statements (Note 23).

Note 13 – Other Provisions, continued

b) Other non-current provisions, continued

Non-current provisions movement is detailed as follows:

2016

	Mine closure and rehabilitation ThUS$	Reforestation ThUS$	Total ThUS$
Balance at beginning of year	4,781	1,423	6,204
Interest	68	101	169
Foreign currency translation	-	87	87
Reclassification to current portion	-	(559)	(559)
Balance at year-end	4,849	1,052	5,901

2015

	Mine closure and rehabilitation ThUS$	Reforestation ThUS$	Total ThUS$
Balance at beginning of year	4,718	2,008	6,726
Interest	63	134	197
Foreign currency translation	-	(303)	(303)
Reclassification to current portion	-	(416)	(416)
Balance at year-end	4,781	1,423	6,204

Note 14 - Employee Benefits Reserve

The Company has non-current obligations with its employees, which mainly correspond to future payment of termination benefits, which become effective when the labor relationship ends. The benefit operates within the framework of existing legal regulation in Chile and, where appropriate, in the clauses stipulated in contracts, collective and individual agreements, signed by the Company. In accordance with the standard, the obligation is recognized when, and only, when the entity does not have another more realistic alternative than to face the corresponding payments. During the year ended December 31, 2016, no relevant changes were made to defined benefits plans.

This provision is recorded at the actuarial value of estimated future obligations, in accordance with the projected unit of credit method required by international standards. The basis for recording this obligation is determined by the current beneficiary staffing. Changes in the reserve are recognized in income for the period in which they are incurred, actuarial profits and losses are recognized immediately in other comprehensive income.

The current period service cost is the increase in the present value of defined benefits obligations, which is produced as a consequence of the services provided by employees in the period. It is determined discounting estimated payment flows, considering the series of market interest rates for non-current debt instruments corresponding to the same currency in which the obligations will be paid with similar expiration terms.

Interest cost is the increase in the present value of defined benefits obligations for the period, as a consequence of approximating the obligation to expiration in one more period.

Actuarial results correspond to deviations in the balance of the obligation due to modifications in demographic assumptions, financial parameter and due to changes in the staffing structure (effect due to experience).

Note 14 - Employee Benefits Reserve, continued

The present value of the reserve is subject to uncertainty expressed in the main actuarial assumptions, which are detailed as follows:

Main assumptions	2016	2015
Annual nominal discount rate	4.09%	4.57%
Salary increase, annual average	4.34%	4.76%
Future long-term inflation rate	3.00%	3.00%
Expected duration of the obligations (years)	6.00	7.00
Turnover rate, annual voluntary retirement	6.90%	9.73%
Annual turnover rate for termination	6.20%	2.92%
Turnover rate, other causes	1.90%	0.24%
Mortality tables used for projections	CB014	CB014
Estimated end date of operations	12-31-2022	12-31-2022
Expected retirement age for men (years)	65	65
Expected retirement age for women (years)	60	60

Discount rates correspond to secondary market trading of government bonds issued in Chile, due to the lack of other local instruments that satisfy the tax requirements imposed by regulations. Annual inflation corresponds to the long-term goal publicly declared by the Chilean Central Bank. Turnover rates have been determined by reviewing the Company's own experience, through studying the behavior of employee separations for the last three years (analysis by cause). The growth rate for compensable income is due to the long-term tendency observed when reviewing the historical salaries paid by the Company. The mortality tables used for actuarial calculations are the current tables issued by the Superintendency of Securities and Insurance, because they are an appropriate representation of the Chilean market and due to lack of statistical depth necessary to prepare in-house studies. The retirement ages are those defined in the programmed retirement of the AFP (Pension Funds Administrators), a parameter that is generally accepted in the Chilean market.

The balance of the provision as of December 31, 2016 includes a current portion of ThUS$ 100 (ThUS$ 20 as of December 31, 2015). As of December 31, 2017, a total balance of ThUS$ 902 has been projected for the provision. The cash flows of compensation payment flows over the next twelve months reach a monthly-expected average of ThUS$ 8.

Note 14 - Employee Benefits Reserve, continued

The balances of obligatory employee benefits are detailed as follows:

Employee benefits reserve	2016 ThUS$	2015 ThUS$
Staff severance indemnities, current portion	100	20
Staff severance indemnities, non-current portion	565	291
Total	665	311

Movements in the obligation during 2016 and 2015 are detailed as follows:

Employee benefits reserve	2016 ThUS$	2015 ThUS$
Balance at beginning of year	311	185
Cost of sales (increased obligation)	360	169
Interest cost	15	7
Benefits paid	(58)	(35)
Actuarial (gain) loss	18	12
Foreign currency translation	19	(27)
Balance at end of year	665	311

The Company has conducted a technical revaluation of liabilities obtaining as of December 31, 2016, an actuarial loss of ThUS$ 18, corresponding to changes in financial assumptions that reported a positive effect of ThUS$ 5, a loss of ThUS$ 108 for changes in demographic parameters and a positive adjustment for experience of ThUS$ 121.

As of December 31, 2016, sensitivity reviews performed on the balance of the reserve are detailed as follows:

Sensitivity measurement	Low End	Actuarial hypothesis	High End	Effects of changes in parameters Increase	Effects of changes in parameters Reduction
Financial effect on interest rates	3.592%	4.092%	4.592%	2.57%	(2.49%)
Financial effect on revenue increase	3.844%	4.344%	4.844%	(1.54%)	1.54%
Demographic effect on labor turnover	14.250%	15.000%	15.750%	0.68%	(0.67%)
Demographic effect on mortality rates	(25.00%)	CB14	25.00%	0.23%	(0.23%)

Note 15 - Net Shareholders' Equity

a) Capital management

The Company's objective in terms of capital management is to maintain an adequate level of capital, to guarantee access to the financial markets in order to develop its medium and long-term objectives, and to increase shareholder returns.

b) Issued capital

The issued capital, totaling ThUS$ 498,713, is fully subscribed and paid as of the date of these financial statements.

c) Accumulated losses

The cumulative deficit is detailed as follows:

Cumulative deficit	2016 ThUS$	2015 ThUS$
Cumulative deficit	(460,071)	(449,137)
Prior-year adjustment	(1,247)	-
Loss for the year	(10,981)	(10,934)
Total	(472,299)	(460,071)

Prior-year adjustment

Trade and other payables include the current and non-current debt with the Empresa Nacional de Minería (ENAMI), which came from 2013, and accrues an average interest rate of 4.51% per year. This debt originated from ore and sulfuric acid purchases between the years 2010 and 2013. During 2016, the Company entered into a debt recognition agreement with ENAMI, defining the debt amount, interests and periods to be paid. In the process of the debt settlement, ENAMI presented information to the Company that was priorly unknown and which led to an increase of the accrued liability recognized up to December 31, 2015.

Note 15 - Net Shareholders' Equity, continued

c) Accumulated losses, continued

Prior-year adjustment, continued

The effects of the increase of this obligation are as follows:

	ThUS$
ENAMI debt, balance as of 12-31-2015	**1,352**
a) Debit (credit) to prior-year income	
Purchase of sulfuric acid (1)	535
Exchange rate differences from prior-years (2)	540
Debt interest from prior-years (3)	172
Total Debit (credit) to prior-year income	**1,247**
b) Debit (credit) to 2016 income:	
Exchange rate differences - year 2016 (2)	(70)
Debt interest - year 2016 (3)	(33)
Total Debit (credit) - year 2016	**(103)**
V.A.T. (4)	**128**
ENAMI debt, balance as of 12-31-2016	**2,624**

(1) Corresponds to the purchase of sulfuric acid from ENAMI made by the Company, the invoice of this purchase was not issued by ENAMI at the moment of the sale.
(2) Corresponds to the Foreign Currency Translation that was recorded in error because the debt was controlled in pesos instead of US dollars.
(3) Corresponds to the interest that ENAMI had failed to charge at the time of transaction.
(4) Corresponds to the sales tax (VAT) that was applied to the purchase of the sulfuric acid and to the interest.

In consideration of the above, the total of ThUS$ 1,247 related to the purchase of sulfuric acid, the Foreign Currency Translation from prior-years, and the debt interest from prior-years was registered as debit to Accumulated Losses on Janurary 1, 2016.

Note 15 - Net Shareholders' Equity, continued

d) Other reserves

Other reserves in shareholders' equity are detailed as follows:

Other reserves	2016 ThUS$	2015 ThUS$
Comprehensive income from employee benefits (1)	(252)	(234)
Total	(252)	(234)

(1) The origin, detail and movement of this reserve are presented in Note 14.

e) Number of shares

As of December 31, 2016 and 2015, the Company's shares are detailed as follows:

Number of shares	2016	2015
Series A shares	43,868,151	43,868,151
Series B shares	1,000,000	1,000,000
Total	44,868,151	44,868,151

As established in the bylaws in effect as of December 31, 2014, both the Series A and B shares have no par value. With respect to the Series A shareholders, they have the right to nominate two Directors to the Board and their alternates, and receive 90% of the profits distributed by the Company. Series B shareholders are entitled to appoint one Director to the Board and one alternate, they are not required to agree to pay capital increases and those that occur will not dilute their stake in the Series B shares, so as to always maintain their right to receive 10% of the profits distributed by the Company.

Note 15 - Net Shareholders' Equity, continued

f) Shareholders

The ownership of the Company's shares is as follows:

Shareholders as of 12.31.2016	Ownership interest	Series A shares	Series B shares)
	%		
Inversiones Porto San Giorgio S.A.	99.999998	43,868,151	999,999
Vecchiola S.A.	0.000002	-	1
Total	100.000000	43,868,151	1,000,000

Shareholders as of 12.31.2015	Ownership interest	Series A shares	Series B shares
	%		
Inversiones Porto San Giorgio S.A.	99.999998	43,868,151	999,999
Vecchiola S.A.	0.000002	-	1
Total	100.000000	43,868,151	1,000,000

g) Dividends policy

In accordance with the bylaws, the net profits stated in the statement of financial position shall be distributed in the manner and proportion determined at the Partners' Meeting proposed by the Board of Directors. Since the Company has net losses, no dividends have been paid. The bylaws establish that in case of distribution of profits, 10% of those profits must be paid to the shareholders holding Series B shares.

Since this Company, as a Contractual Mining Partnership ("Sociedad Contractual Minera") is not governed by the Companies Law, and it has no obligation to distribute 30% of the net profits it generates as a minimum dividend.

Note 15 - Net Shareholders' Equity, continued

h) Board of Directors

In accordance with current bylaws, the Company's Board of Directors is composed of three regular members and three alternate members that must be elected at the Partners' Meeting, for a term of three years, and can be reelected at the end of that period (all of these agreements were ratified in the Extraordinary Shareholders' Meeting held May 29, 2014). The Directors are not remunerated for their duties.

On August 22, 2016, Luis Vega M. assumed the position of General Manager, replacing Rafael Pérez de Arce A., who stopped working with the company in November of 2016.

At an Extraordinary Shareholders' Meeting held on November 18, 2016, the Board was renewed, as follows:

- Eduardo Matta V. as Director, and Rinaldo Vecchiola T. as his alternate
- Enzo Vecchiola M. as Director, and Edgar Vecchiola T. as his alternate
- Guido Vecchiola A. as Director, and Guido Vecchiola T. as his alternate.

At the same Extraordinary Shareholders' Meeting, it was agreed to appoint Eduardo Matta V. as the new Chairman of the Board.

Note 16 - Income from Operating Activities

Income from operating activities is detailed as follows:

	2016 ThUS$	2015 ThUS$
Revenue from exports of copper cathodes	20,142	18,885
Revenue from services (1)	1,600	4,365
Total	21,742	23,250

(1) Revenue from services, correspond to ore tolling services to Empresa Nacional de Minería, according to the services contract described in Note 1.

Note 17 – Cost of sales

Costs of sales presented in the Income Statements are detailed as follows:

	2016 MUS$	2015 MUS$
Depreciation and amortization	(6,667)	(6,795)
Salaries	(5,171)	(3,209)
Contracted services	(3,938)	(2,381)
Supplies and spare parts	(3,408)	(1,884)
Electrical energy	(3,278)	(2,944)
Sulfuric acid	(2,489)	(3,017)
Purchase of ore from third parties	(590)	(4,725)
Change in inventory	1,244	(2,888)
Others	(72)	(968)
Total	(24,369)	(28,811)

Note 18 - Other Income

Other income presented in the Income Statements are detailed as follows:

	2016 ThUS$	2015 ThUS$
Income from lease of equipment	-	61
Sale of waste	-	36
Total	-	97

Note 19 - Distribution Expenses

Distribution expenses presented in the Income Statements are detailed as follows:

	2016 ThUS$	2015 ThUS$
Freight cost	(339)	(339)
Total	(339)	(339)

Note 20 – Administrative expenses

Administrative expenses presented in the Income Statements are detailed as follows:

	2016 ThUS$	2015 ThUS$
Salaries	(3,579)	(3,067)
Contracted services	(1,868)	(2,272)
Taxes and commercial patents	(779)	(574)
Depreciation and amortization	(187)	(2)
Other	(341)	(589)
Total	(6,754)	(6,504)

Note 21 - Other Income (Expenses)

Other income (expenses) in the Income Statements are detailed as follows:

	2016 ThUS$	2015 ThUS$
Net income on sale of property, plant and equipment	72	-
Gain from provision reversal for mine closure and rehabilitation	-	1
Other	(20)	(9)
Total	(52)	(8)

Note 22 – Finance income

The composition of finance income is as follows:

	2016 ThUS$	2015 ThUS$
Interest from loan to related parties (1)	1,265	1,958
Total	1,265	1,958

(1) Corresponds to interest earned on the loan receivable from Inversiones Porto San Giorgio S.A (Note 12).

Note 23 - Finance Costs

Finance costs are detailed as follows:

	2016 ThUS$	2015 ThUS$
Interest on loan from related parties (Note 12)	(628)	(1,301)
Interest on banking obligations (Note 10)	(789)	(617)
Interest on provisions (Note 13)	(169)	(197)
Interest on trade accounts payable (Note 11)	(151)	(54)
Banking commissions	(33)	(15)
Interest on leasing obligations (Note 10)	(21)	(31)
Interest on obligation to Fundación Tres Valles (Note 13)	(14)	(16)
Interest on provisions for employee benefits (Note 14)	(15)	(7)
Other financial costs	(6)	(14)
Total	(1.826)	(2,252)

Note 24 - Current and Deferred Income Taxes

a) Current tax liabilities

As of December 31, 2016 and 2015, the Company present in this category the income tax to be paid, for ThUS$ 1 y ThUS$ 2, respectively, which in accordance with Article 21 of the Income Tax Law, represents disallowed expenses that have been effectively paid during the year.

The details of current tax liabilities are as follows:

Current tax liabilities	2016 ThUS$	2015 ThUS$
Tax for disallowed expenses (1)	1	2
Total	1	2

(1) As of December 31, 2016 and 2015, the Company has recorded an expense for income tax that, in accordance with Article 21 of the Income Tax Law, represents disallowed expenses that have been effectively paid during the year.

Note 24 - Current and Deferred Income Taxes, continued

b) Income tax benefit (expense)

Income tax benefit (expense)	2016 MUS$	2015 MUS$
Reverse of income tax expense from previous year (1)	-	227
Tax for disallowed expenses	(1)	(2)
Total	(1)	225

(1) During 2014, the tax expense accrued was in excess of the tax effectively paid in April 2015; consequently, in 2015 this excess was registered as credit in Income tax expense.

c) Deferred taxes

In accordance with Note 2 g), the Company has not recorded the effects of deferred tax assets or liabilities associated to temporary differences (between the financial and tax basis of valuation) or of tax benefits from tax losses, since it has tax losses accumulated since the beginning of its operations, and it is estimated that it will not generate taxable profits in the mid-term (next 5 years). Therefore, in these financial statements, no tax effects are recorded associated with deferred taxes.

Considering that stated in the previous paragraph, if the Company had recorded deferred tax effects at the end of each year, the balances would be as follows:

Deferred tax assets (liabilities)	2016 ThUS$	2015 ThUS$
Property, plant and equipment	2,948	6,203
Inventory	(1,965)	51
Provisions	2,372	5,349
Foundation Tres Valles	176	217
Finance lease obligations	18	29
Intangible assets	1,911	259
Benefits from tax losses	86,386	62,164
Total	91,846	74,272

Based on the above information, the effect of deferred taxes would have been a benefit of ThUS$ 17,574 in 2016 (ThUS$ 10,997 in 2015).

Note 25 - Risks

Sociedad Contractual Minera Tres Valles, a Chilean medium-size mining company, is exposed to different types of risk in the course of business. Management focuses its efforts on addressing these risks in the most appropriate manner in order to minimize potential adverse effects on the Company's bottom line.

The main risks that must be taken into account are detailed as follows:

- Business risks.
- Market risks.
- Product pricing risks.
- Financial activity risks.

a) Business risks

Copper is the main product exploited by the Company, and since it is not a renewable product, depletion of mining reserves is certainly the greatest risk that this type of industry is exposed to. The Company has a policy of maintaining an ongoing portfolio of mining projects that are being studied, to replace or increase mining reserves to ensure its operating continuity in the future. Based on that policy, exposure to this type of risk is duly controlled by the Company's management.

b) Market risks

It has been determined in a quantitative manner, that in respect to the market in which it carries out its activities, the Company's production represents 0.1% of the copper supply produced in Chile.

In the worldwide market, the Company's production represents 0.03 % of the total.

Therefore, in a market where copper is in high demand, as it is now, we do not visualize a quantifiable risk in the market for the Company's operations, due to its minimum incidence in respect to the Chilean or worldwide production.

c) Product pricing risks

The price of copper is determined in international markets, where the Company has no possibility of influencing them.

The average international price of copper for the period from January to December 2016 was 221 (249 in 2015) US cents per pound (LME, nominal). This represented a decrease of 11% compared to 2015.

Note 25 - Risks, continued

c) Product pricing risks, continued

Regarding the production of copper sold in 2016, which amounted to 9,094 million pounds, the effect of the price on the Company's revenues for the period from January to December 2016 is quantified at a value equivalent to ThUS$ 91 per cent of increase or decrease in the price of copper.

The sensitivity analysis of the copper price on the Company's operating revenues, for production for the period January to December 2016, is as follows:

Price of copper	Income 2016 ThUS$	Income Variance %
Price of copper at 320 cents	29,101	20%
Price of copper at 295 cents	26,827	15%
Price of copper at 270 cents	24,554	10%
Price of copper at 245 cents	22,280	5%
Price of copper at 220 cents – real	20,142	0%
Price of copper at 195 cents	17,733	(5%)
Price of copper at 170 cents	15,460	(11%)
Price of copper at 145 cents	13,186	(16%)
Price of copper at 120 cents	10,913	(21%)

Copper price is the most important variable in the financial economic sensitivity determined by the Company to measure its risks.

d) Financial activity risks

The main financial-type risks that the Company might be exposed to refer to:

- US dollar exchange rate risk
- Loan interest rate risk
- Liquidity risk:

Note 25 - Risks, continued

d) Financial activity risks, continued

d.1) US dollar exchange rate risk

Regarding the dollar exchange rate, the Company has defined such currency as its functional currency, which is also the basis for the determination of its operating income received. The inherent risk arising from exchange rates relate to transactions to be carried out in different currencies than the dollar and that have a direct effect on operating results, such as wages set and paid in Chilean pesos. The dollar exchange rate had a positive variation of 3.5% between the annual average of 2016 and the annual average of 2015, as quoted at Ch$ 677 and Ch$ 654 per US$1, respectively.

The average accumulated dollar exchange rate, which was used to value the costs from this period, is Ch$ 677, with extremes of a maximum price of Ch$ 730 in January 2016 and a minimum price of Ch$ 645 in August 2016.

The total costs paid by the Company in 2016 are valued at ThUS$ 25,513. The effects of the exchange rate parity of the dollar have a direct relationship with 76% of the Company's total costs and are those that correspond to the purchased items of external ore, electrical energy, and sulfuric acid, among others. In conducting a sensitivity analysis of these costs, using the minimum and maximum values observed in 2016, and weighting them in due proportion among those influenced by the exchange rate and those that are not affected, it is concluded that there could be a variation of up to ThUS$ 1,417 in the Company's total costs, as shown in the following table.

Dollar Exchange Rate (e/r) 2016		24% Costs with no effect of dollar e/r ThUS$	76% Costs with effect of dollar e/r ThUS$	Total Cost ThUS$
Maximum	$ 730	6,123	17,973	24,096
Average	$ 677	6,123	19,390	25,513
Minimum	$ 645	6,123	20,343	26,466

Note 25 - Risks, continued

d) Financial activity risks, continued

d.2) Loan interest rate risk

Mining activity is associated to large investments that must be undertaken at the beginning of any project. The behavior of the world economy and the economic measures adopted by authorities, influence the behavior of the interest rate, decreasing or increasing the financial cost of current loans. The Company's future investment policy is to finance its mining projects through a combination of its own resources and bank financing, which is exposed to this type of risk.

However, the Company currently has no significant direct bank financing.

d.3) Liquidity risk

The main source of financing of the operations in the Company's line of business and its current investments plan is cash flows obtained from its productive units.

Maintaining a solid portfolio of customers who pay in advance as soon as the product is stored at port, in addition to meeting deadlines with critical suppliers and increasing the copper cathode production, are all methods that have allowed us to lower the negative working capital presented in 2015.

Note 26 - Contingencies and Commitments

a) Lawsuits

The Company is a defendant in some minor lawsuits, which in the opinion of its legal counsel represent a remote possibility of losses. This is considering the available evidence at the date of authorization for issuance of these financial statements, with exception to Note 27 letter (b).

Note 26 - Contingencies and Commitments, continued

b) Guarantees granted

b.1) Constitution of mortgages and pledges to obtain syndicated credit

To guarantee the payment of the syndicated loan signed in December 2013 by Vecchiola S.A. and the banks that financed the purchase of the shares of Sociedad Contractual Minera Tres Valles, the following mortgages and pledges were established:

i) A mortgage for 26 mining claims of Sociedad Contractual Minera Tres Valles, incorporated in favor of the banks Banco BBVA, Banco Itaú-Chile and Banco Santander-Chile, through public deed dated April 14, 2014, signed before the Notary of Santiago Eduardo Diez Morello, to guarantee payment of the syndicated loan issued by these banks to Vecchiola S.A. for the purchase of the Series A and Series B shares of Sociedad Contractual Minera Tres Valles.

ii) Pledge without displacement of all assets of the leaching plant owned by Sociedad Contractual Minera Tres Valles (recorded under the property, plant and equipment heading), established in favor of the banks Banco BBVA, Banco Itaú-Chile and Banco Santander-Chile, through public deed dated April 14, 2014, signed before the Notary of Santiago Eduardo Diez Morello, to guarantee payment of the syndicated loan issued by these banks to Vecchiola S.A., to purchase the Series A and Series B shares of the Sociedad Contractual Minera Tres Valles.

b.2) Constitution of pledges for the acquisition of Series B shares

On January 31, 2014, shareholder Compañía Minera Werenfried sold all Series B shares owned (1,000,000 shares) to Inversiones Porto San Giorgio S.A. and the related Vecchiola S.A.

Since it was agreed to pay a portion of the purchase price of these shares in installments over a period of two years from 2015 (currently, this period has been extended), and in order to guarantee payment of such shares, Inversiones Porto San Giorgio S.A. constituted in favor of Compañía Minera Werenfried a pledge without displacement of all assets that comprise the crushing plant (part of property, plant and equipment) of Sociedad Contractual Minera Tres Valles, through public deed dated January 31, 2014, signed before the Notary of Santiago Dona Antonieta Mendoza Escalas.

Note 26 - Contingencies and Commitments, continued

b) Guarantees granted, continued

b.3) Constitution of mortgages and pledges for approval of credit line

Through a private instrument dated November 5, 2014, the Company and Trade Finance Funding I, B.V. signed a document in English named " US$ 5,000,000 Uncommitted Loan Agreement Dated on November 5th, 2014 between Minera Tres Valles as Borrower and Trade Finance Funding I, B.V. as Lender”" (credit line agreement).

To ensure compliance with the obligations of Sociedad Contractual Minera Tres Valles under that contract, the Company established the following guarantees:

i) Mortgage on property: Through a public deed dated November 5, 2014, signed before the Notary of Santiago José Musalem Saffie (Repertory No. 13,860), the Company established a mortgage (prohibited from signing agreements and contracts) on the property known as Lot B, an area of 385.85 hectares, resulting from the subdivision of Plot 25 A, Chuchiñí Colony, located in the Salamanca district.

   Through the deed mentioned in the previous paragraph, the Company is obliged not to exploit, transfer, or constitute real guarantees or any charge, encumbrance, prohibition or preferential rights in favor of any person or enter into any act or contract on the following mining concessions: Marce 32 from one to forty, Marce 33 from one to sixty, Marce 34 from one to sixty, Quilmenco 12, Marce 117 from one to forty, and Quilmenco 10.

   This mortgage and its prohibitions were duly registered in the relevant registers of the Conservador de Bienes Raíces of Illapel.

ii) Pledge without displacement: Through public deed dated November 5, 2014, signed before the Notary of Santiago José Musalem Saffie (Repertory No. 13,859), the Company set up a pledge without displacement (prohibited from signing agreements and contracts) on current and future supplies of raw materials containing copper stockpiled at the Company’s mine site, located on the property singled out in i) above. The pledge and prohibition were duly registered in the relevant records kept by the Civil Registry Service.

Note 26 - Contingencies and Commitments, continued

b) Guarantees granted, continued

b.4) Bank Guarantees

In June and September of 2016, the Company stood as a bank guarantor**,** and joint debtor, for Vecchiola S.A. to obtain financing from Banco Estado. The details of the guarantees are as follows:

Creditor	Concept Guaranteed	Currency	Issue Date	Maturity Date	Value ThUS$
Banco Estado	Loan	Pesos	6-28-2016	6-28-2028	2,762
Banco Estado	Loan	Pesos	9-29-2016	9-28-2028	1,702
Total					4,464

b.5) Other Guarantees

As of December 31, 2016, the following guarantees provided by the Company are in force:

Beneficiary	Concept Guaranteed	Currency	Emission Date	Maturity Date	2015 ThUS$
Corporación Nacional del Cobre	Comsumption of sulfuric acid	US Dollar	5-6-2016	1-31-2017	109
Total					109

Note 26 - Contingencies and Commitments, continued

c) Mine Closure Plan and Obligation of Establishing Financial Guarantees

On November 30, 2016, the National Service of Geology and Mining in Chile (SERNAGEOMIN) approved the Mine Closure Plan for "Faena Minera Tres Valles". Based on this approval, and according to current regulations, the Company must provide a financial guarantee to the State ensuring a full and timely compliance to Law 20,551 that was established to regulate the closure of mines and their corresponding facilities. This guarantee must be divided into phases, conforming to the following timeline:

Year	Start Date	Term Date	Minimum Amount in UF	Minimum Amount in ThUS$
2016	5-31-2017	11-30-2017	29,126	1,146
2017	12-1-2017	11-30-2018	53,256	2,096
2018	12-1-2018	11-30-2019	78,141	3,075
2019	12-1-2019	11-30-2020	103,798	4,085
2020	12-1-2020	11-30-2021	130,080	5,119
2021	12-1-2021	11-30-2022	157,105	6,183
2022	12-1-2022	11-30-2023	159,388	6,273
2023	12-1-2023	11-30-2024	160,074	6,300
2024	12-1-2024	11-30-2025	160,771	6,327
2025	12-1-2025	11-30-2026	113,322	4,460
2026	12-1-2025	Final closing	65,872	2,592

d) Guarantees Received

The Company has no guarantees received from third parties as of each year-end.

e) Other Contingencies or Commitments

At the close of each financial year, the Company has no other contingencies or commitments.

Note 27 - Events after the Reporting Period

a) Obtaining Financing

On January 26, 2017, a line of credit up to ThUS$ 9,500 with an annual interest rate of 10% was established with Kimura Master Fund Limited (KIMURA), a British investment fund based on the Cayman Islands.

As terms for financing, the Company agreed to offer the following forms of guarantee to KIMURA:

a.1) The totality of the copper stocks, both in its finished state as ore and any product still undergoing processing.
a.2) The naming of KIMURA as beneficiary of risk of theft of copper cathodes, and
a.3) The naming of Kimura as the main beneficiary of the risk associated with the transport of copper cathodes.

Additionally, Porto San Giorgio S. A. provided corporate guarantee to KIMURA ensuring compliance with obligations set forth.

On the 27th of January, 2017, the Company withdrew a sum of ThUS$ 5,045 from the credit line with KIMURA as a means of paying and finalizing the prior line of credit that was held with Trade Financing Funding.

b) Lawsuit with Municipality of Salamanca

As of December 31, 2016, the Company had been taken to court by the Municipality of Salamanca for an amount of ThCLP$ 110,608 (equivalent to ThUS$ 165). This lawsuit is based on the collection of municipal rights dictated between the time period of November of 2010 to April of 2015 for using a pubic portion of the riverbed of the Chalinga River to install piping. SCM Tres Valles lost its first appeal in the Court of Appeals. However, on May 30, 2017, the appeal went to the third chamber of the Supreme Court and is awaiting the final verdict.

c) Others events after the Reporting Period

From January 1, 2017 to the date of issuance of these financial statements, there have been no other subsequent events that require reporting or disclosure in these financial statements.

Exhibit B

SPROTT RESOURCES HOLDINGS INC.

(FORMERLY ADRIANA RESOURCES INC.)

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

(EXPRESSED IN CANADIAN DOLLARS)

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Independent Auditor's Report

To the Shareholders of Sprott Resource Holdings Inc. (formerly Adriana Resources Inc.)

We have audited the accompanying consolidated financial statements of Adriana Resources Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Adriana Resources Inc. as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
March 3, 2017

Sprott Resource Holdings Inc.
(Formerly Adriana Resources Inc.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2016	As at December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents (note 5)	**$ 27,599,089**	$ 32,555,771
Investment in equity securities	**23,750**	625
Other receivables	**289,652**	41,810
Prepaid expenses	**-**	22,721
Total current assets	**27,912,491**	32,620,927
Non-current assets		
Investment in Lac Otelnuk Mining Ltd. (note 4)	**5,754,815**	2,939,093
Property, plant and equipment (note 6)	**-**	14,891
Total assets	**$ 33,667,306**	$ 35,574,911
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**$ 746,006**	$ 76,638
Equity		
Share capital (note 8)	**130,005,004**	130,005,004
Capital reserves	**7,755,611**	7,683,947
Accumulated deficit	**(104,839,315)**	(102,190,678)
	32,921,300	35,498,273
Total equity and liabilities	**$ 33,667,306**	$ 35,574,911

The accompanying notes are an integral part of these consolidated financial statements.

Subsequent event (note 15)

Approved on behalf of the Board:

"Terrence Lyons", Chairman

"Donald Charter", Director

Sprott Resource Holdings Inc.
(Formerly Adriana Resources Inc.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year ended December 31, 2016	Year ended December 31, 2015
Expenses		
Changes in fair value of financial assets classified as fair value through profit or loss	**$ (23,125)**	$ 1,250
General and administrative (note 13)	**1,199,260**	2,761,775
Foreign exchange loss/(gain)	**3,339**	(2,487)
Share-based payment expense (note 8(c))	**71,664**	55,448
Share of loss of Lac Otelnuk Mining Ltd. (note 4)	**238,729**	38,153,607
Professional and consulting fees	**205,412**	418,513
Transaction costs (note 14)	**1,292,183**	-
Loss for the year before other items	**(2,987,462)**	(41,388,106)
Interest income	**338,825**	435,962
Net loss for the year from continuing operations	**(2,648,637)**	(40,952,144)
Loss for the year from discontinued operations (note 7)	**-**	(8,843,458)
Net loss and total comprehensive loss for the year	**$ (2,648,637)**	$ (49,795,602)
Loss from continuing and discontinued operations per common share (basic and diluted)	**$ (0.02)**	$ (0.32)
Loss from continuing operations per common share (basic and diluted)	**$ (0.02)**	$ (0.26)
Weighted average number of common shares outstanding	**157,554,238**	157,554,238

The accompanying notes are an integral part of these consolidated financial statements.

Sprott Resource Holdings Inc.
(Formerly Adriana Resources Inc.)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended December 31, 2016	Year ended December 31, 2015
Operating activities		
Net loss for the **year**	**$ (2,648,637)**	$ (49,795,602)
Adjustments for:		
Interest income	**(338,825)**	(435,962)
Amortization	**14,891**	8,668
Share of loss of Lac Otelnuk Mining Ltd.	**238,729**	38,153,607
Share-based payment expense	**71,664**	55,448
Change in fair value of financial assets classified as fair value through profit or loss	**(23,125)**	1,250
Loss on disposal of Brazilian Subsidiaries	**-**	8,238,386
Changes in non-cash working capital items:		
Other receivables and prepaid expenses	**(225,121)**	37,687
Accounts payable and accrued liabilities	**669,368**	(508,042)
Net cash used in operating activities	**(2,241,056)**	(4,244,560)
Investing activities		
Property, plant and equipment expenditures	**-**	(1,449)
Cash interest received	**338,825**	435,962
Investment in Lac Otelnuk Mining Ltd.	**(3,054,451)**	-
Net cash (used in) provided by investing activities	**(2,715,626)**	434,513
Net change in cash and cash equivalents	**(4,956,682)**	(3,810,047)
Cash and cash equivalents, beginning of year	**32,555,771**	36,365,818
Cash and cash equivalents, end of year	**$ 27,599,089**	$ 32,555,771

The accompanying notes are an integral part of these consolidated financial statements.

Sprott Resource Holdings Inc.
(Formerly Adriana Resources Inc.)
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share capital	Capital reserves	Accumulated deficit	Attributable to owners of the Company	Non-controlling interest	Total
Balance, December 31, 2014	**$ 130,005,004**	**$ 7,628,499**	**$ (52,395,075)**	**$ 85,238,427**	**$ (7,548,053)**	**$ 77,690,374**
Share-based payment expense	-	55,448	-	55,448	-	55,448
Disposal of Brazilian subsidiaries	-	-	-	-	7,548,053	7,548,053
Net loss and total comprehensive loss for the year	-	-	(49,795,602)	(49,795,602)	-	(49,795,602)
Balance, December 31, 2015	**$ 130,005,004**	**$ 7,683,947**	**$ (102,190,678)**	**$ 35,498,273**	**$ -**	**$ 35,498,273**
Share-based payment expense	-	71,664	-	71,664	-	71,664
Net loss and total comprehensive loss for the year	-	-	(2,648,637)	(2,648,637)	-	(2,648,637)
Balance, December 31, 2016	**$ 130,005,004**	**$ 7,755,611**	**$ (104,839,315)**	**$ 32,921,300**	**$ -**	**$ 32,921,300**

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of operations

Sprott Resource Holdings Inc. (formerly Adriana Resources Inc. or "ADI") (together with its subsidiaries, "SRHI" or the "Company") was incorporated under the laws of British Columbia and continued under the *Canada Business Corporations Act*. The Company's principal holdings are its cash balances and its 40% investment in a joint venture company, Lac Otelnuk Mining Ltd. ("LOM"), formed in January 2012 with a wholly-owned subsidiary of WISCO International Resources Development & Investment Limited ("WISCO") to develop the Lac Otelnuk iron ore property in Nunavik, Québec (the "Lac Otelnuk Property"). WISCO holds a 60% interest in LOM while SRHI holds the remaining 40% interest. LOM was established to continue the exploration of the Lac Otelnuk and December Lake properties (the "Lac Otelnuk Project"). A feasibility study was completed on March 25, 2015 with respect to the Lac Otelnuk Property (the "Feasibility Study") and, effective that date, the project was transitioned from an exploration and evaluation asset to a development stage asset in the financial statements of LOM. The Company previously held, through a wholly-owned subsidiary, land associated with a proposed iron ore port facility in Brazil (the "Land"), which subsidiary was sold in November 2015. The Lac Otelnuk Project was placed on care and maintenance in 2015, and SRHI has taken steps to conserve cash and reduce all discretionary expenditures. No new field work was carried out in 2015 and 2016. LOM closed its Montreal technical office in May 2015. Due to the expectation of a sustained reduction in long-term iron ore prices LOM management identified an impairment indicator as at December 31, 2015 and determined that the recoverable amount of the cash generating unit was $7,347,732. Accordingly, SRHI wrote down the carrying value of its investment in LOM to $2,939,093 as at December 31, 2015. During the year ended December 31, 2016, SRHI made an additional investment in LOM of $3,054,451 (note 4).

On February 9, 2017, the Company acquired Sprott Resource Corp. ("SRC") (see note 15) and shareholders of the Company approved a name change to Sprott Resource Holdings Inc.

The Company's common shares (the "Common Shares") are listed on the Toronto Stock exchange ("TSX") under the symbol "SRHI". The Company's registered head office is 200 Bay Street, Suite 2750, Toronto, ON, M5J 2J2 Canada.

2. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective for the year ended December 31, 2016.

The consolidated financial statements of the Company for the year ended December 31, 2016 were approved and authorized for issue by the board of directors (the "Board") on March 3, 2017.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, consistent with the Company's significant accounting policies. These consolidated financial statements have been prepared on a going concern basis.

These consolidated financial statements include the investment in associate (40% of LOM) and the accounts of ADI Mining Ltd., the Company's wholly-owned subsidiary.

Due to rounding, numbers presented may not add up precisely to totals provided.

3. Summary of significant accounting policies

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company: has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and, has the ability to use its power to affect the investee's returns.

The Company reassesses whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of the three above mentioned elements.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of loss and comprehensive loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies.

All intercompany transactions, balances, income and expenses are fully eliminated on consolidation.

(b) Investments in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

3 Summary of significant accounting policies (continued)

(b) Investments in associates (continued)

The requirements of IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

(c) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(d) Foreign currencies

The consolidated financial statements are presented in Canadian dollars. The individual financial statements of each entity are presented in their functional currency, which is the currency of the primary economic environment in which the entity operates. The functional currency of all of the Company's entities is the Canadian dollar.

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the date of the statement of financial position and the impact is recorded in the statement of loss and comprehensive loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

(e) Property, plant and equipment

Property, plant and equipment ("PPE") is depreciated over the useful lives of the assets using the straight-line method.

An item of PPE is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of loss and comprehensive loss.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for PPE and any changes in estimates arising from the assessment are applied by the Company prospectively.

3 Summary of significant accounting policies (continued)

(f) Share-based payments

Employees (including directors, senior executives and consultants, which meet the definition of an "employee" under IFRS 2 *Share-based Payment (IFRS 2)*) of the Company receive a portion of their remuneration in the form of share-based payment arrangements, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment using the Black-Scholes option pricing model.

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date reflecting the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of loss and comprehensive loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period, and the corresponding amount is reflected in capital reserves.

(g) Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are substantively enacted on the date of the statement of financial position.

Deferred income tax is determined using the asset and liability method on temporary differences, at the date of the statement of financial position, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are measured using substantively enacted tax rates and laws that currently apply to the year when the asset is expected to be realized or the liability is expected to be settled, as the case may be.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of loss and comprehensive loss.

(h) Income or loss per share

The basic income or loss per share is computed by dividing the net income or loss attributable to the owners of the Company by the weighted average number of common shares outstanding during the period. The diluted income per share reflects the potential dilution of common share equivalents, such as outstanding stock options, share purchase warrants and convertible debentures, in the weighted average number of common shares outstanding during the period, if dilutive.

3 Summary of significant accounting policies (continued)

(i) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the statement of loss and comprehensive loss.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost using the effective interest method, less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and amounts paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive loss. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in other comprehensive loss is reclassified to profit or loss.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

(j) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of loss and comprehensive loss.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in the statement of loss and comprehensive loss in the period in which they arise.

3 Summary of significant accounting policies (continued)

(k) Impairment of financial assets

The Company assesses at each date of the statement of financial position whether there are indications that a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in the statement of loss and comprehensive loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in the statement of loss and comprehensive loss.

(l) Impairment of non-financial assets

At each statement of financial position date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of loss and comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but not to exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. An impairment of goodwill, however, is not subsequently reversed.

(m) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

3 Summary of significant accounting policies (continued)

(n) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. Any increase in a provision due solely to the passage of time is recognized as interest expense.

(o) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

(p) Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The most significant estimates relate to assessments of the recoverability and carrying value of the investment in LOM and the calculation of share-based payments.

The most significant judgments relate to recoverability of capitalized amounts and the recognition of deferred tax assets.

Adoption of New and Amended Accounting Pronouncements

In 2016, there have been no new or amended accounting pronouncements that have had a material impact on the Company's consolidated financial statements.

3 Summary of significant accounting policies (continued)

Adoption of New and Amended Accounting Pronouncements: Issued but not yet Effective

The Company is currently evaluating the impact of these standards and amendments issued but not yet effective, on its consolidated financial statements:

(i) IFRS 9, *Financial instruments*

IFRS 9, "Financial instruments" (IFRS 9) was issued by the IASB on July 24, 2014 and will replace IAS 39, "Financial instruments: recognition and measurement" (IAS 39). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

(ii) IFRS 16, *Leases*

IFRS 16, "Leases" (IFRS 16) was issued by the IASB on January 13, 2016, and will replace IAS 17, "Leases". IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. The new standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has also been applied. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

4. Investment in LOM

The Lac Otelnuk Property is a large Lake Superior-type taconite deposit located approximately 165 kilometres northwest of Schefferville, in the Nunavik region of northern Québec, and currently consists of 786 mineral claims totalling approximately 531 square kilometres. The December Lake Property is located approximately 65 kilometres from the Lac Otelnuk Property.

During the second quarter of 2015, LOM management determined that various peripheral mining claims on the Lac Otelnuk Property and all of the mining claims held on the December Lake Property would not be renewed as they were determined to be nonessential claims and not necessary for the long-term mine or infrastructure of the Lac Otelnuk Project. As a result, the Company recorded a $397,190 loss being its 40% share of the related writeoff recognized by LOM during the second quarter of 2015. Those mining claims subsequently lapsed.

As at December 31, 2015, due to the expectation of a sustained reduction in long-term iron ore prices an impairment indicator was identified at LOM. LOM management determined that the recoverable amount of the cash generating unit was $7,347,732 reflecting its fair value less costs of disposal. Accordingly, the Company determined the recoverable amount of its investment in LOM at December 31, 2015 to be $2,939,093 and recognized its adjusted share of the LOM loss of $38,153,607 in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2015.

(Expressed in Canadian Dollars)

4. Investment in LOM (continued)

On January 4, 2016, SRHI made an additional investment of $3,054,451 in LOM pursuant to a cash call which amount was taken into consideration in the determination of the recoverable amount of the Company's investment in LOM at December 31, 2015.

SRHI's 40% investment in LOM is summarized as follows:

Balance, December 31, 2014	$ 41,092,700
Share of loss for the year ended December 31, 2015	(38,153,607)
Balance, December 31, 2015	2,939,093
Incremental investment made January 4, 2016	3,054,451
Share of loss for the year ended December 31, 2016	(238,729)
Balance, December 31, 2016	$ 5,754,815

Summarized information with respect to LOM (at 100%) is set out below:

	As at and for the year ended December 31, 2016	**As at and for the year ended December 31, 2015**
Cash and cash equivalents	$ 7,454,623	$ 5,127,290
Other current assets	42,819	30,209
Non-current assets	6,971,728	6,984,775
Total assets	14,469,170	12,142,274
Total liabilities (current)	82,135	212,866
Net loss and total comprehensive loss for the year ended	(596,823)	(175,490,000)

Property, plant and equipment for LOM (at 100%):

Cost	**For the year ended December , 31, 2016**	**For the year ended December 31, 2015**
Balance, beginning of the year	$ 7,867,194	$ 180,017,236
Additions	-	2,245,998
Refundable tax credit received from Revenue Quebec	-	(915,082)
Impairment of December Lake and Lac Otelnuk claims	-	(992,976)
Capitalized depreciation	-	159,237
Impairment	-	(172,647,219)
Balance, end of the year	$ 7,867,194	$ 7,867,194

(Expressed in Canadian Dollars)

4. Investment in LOM (continued)

Accumulated depreciation	2016	2015
Balance, beginning of the year	$ 882,419	$ 721,727
Depreciation	13,047	160,692
Balance, end of the year	$ 895,466	$ 882,419

	2016	2015
Carrying value, beginning of the year	$ 6,984,775	$ 179,295,509
Carrying value, end of the year	$ 6,971,728	$ 6,984,775

5. Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash and bank balances	$ 22,409,072	$ 27,420,477
Cash equivalents	5,190,017	5,135,294
	$ 27,599,089	$ 32,555,771

6. Property, plant and equipment

Cost	Office	Land	Total
Balance, December 31, 2015	$ 110,090	$ -	$ 110,090
Write-off on disposal	(110,090)	-	(110,090)
Balance, December 31, 2016	$ -	$ -	$ -

Accumulated amortization	Office	Land	Total
Balance, December 31, 2015	$ (95,199)	$ -	$ (95,199)
Amortization	(14,891)	-	(14,891)
Write-off on disposal	110,090	-	110,090
Balance, December 31, 2016	$ -	$ -	$ -

	Office	Land	Total
Carrying value, December 31, 2015	$ 14,891	$ -	$ 14,891
Carrying value, December 31, 2016	$ -	$ -	$ -

(Expressed in Canadian Dollars)

6. Property, plant and equipment (continued)

Cost	Office	Land	Total
Balance, December 31, 2014	$ 192,269	$ 4,738,517	$ 4,930,786
Additions	1,449	-	1,449
Disposal of Brazil subsidiaries	-	(4,738,517)	(4,738,517)
Write-off on disposal	(83,628)	-	(83,628)
Balance, December 31, 2015	$ 110,090	$ -	$ 110,090

Accumulated amortization			
Balance, December 31, 2014	$ (170,159)	$ -	$ (170,159)
Amortization	(8,668)	-	(8,668)
Write-off on disposal	83,628	-	83,628
Balance, December 31, 2015	$ (95,199)	$ -	$ (95,199)

Office

The Company moved offices during the year ended December 31, 2016. The new office location was pre-furnished with office equipment not owned by the Company and no furniture was moved from the old office to the new office.

7. Discontinued operation

On November 4, 2015, the Company sold all of the subsidiaries which held its interests in the Land, including Brazore Resources Inc., Adriana Resources Mineracao Ltda., and Adriana Resources (BVI) Inc. (the “Brazilian Subsidiaries”) to a private entity incorporated in British Columbia (the “Buyer”), for proceeds of $10 and a promissory note pursuant to which the Buyer is to pay the Company half of all net proceeds, up to a maximum of $3,000,000, in the event that the Buyer subsequently sells the Land. Pursuant to the promissory note, net proceeds means the gross proceeds less the direct costs incurred by the Buyer in connection with the Brazilian Subsidiaries from November 4, 2015 to the date of sale of the Land. Through December 31, 2016, the Buyer had not sold any portion of the Land.

(Expressed in Canadian Dollars)

7. Discontinued operation (continued)

As a result of the sale, the Brazilian Subsidiaries were classified as a discontinued operation and the loss from discontinued operations for the year ended December 31, 2015 was separately presented in the consolidated statements of loss and comprehensive loss.

The Company ceased to control the Brazilian Subsidiaries on November 4, 2015, therefore the deficit balance in non-controlling interest of $7,548,053 was recognized through a charge in the Company's statement of loss and comprehensive loss as part of the Loss for the year from discontinued operations.

Analysis of assets and liabilities disposed of:

Non-trade Brazil payables	$	4,089,967
Land		(4,738,517)
Prepaids and deposits		(41,783)
Disposal of non-controlling interest		(7,548,053)
	$	(8,238,386)
Cash consideration received		10
Loss on disposal of net assets	$	(8,238,376)

		Year ended December 31, 2016		Year ended December 31, 2015
Loss on disposal of Brazilian Subsidiaries	**$**	**-**	$	(8,238,376)
Foreign exchange		**-**		(920,241)
Land care and maintenance		**-**		315,159
Total	**$**	**-**	$	(8,843,458)

8. Share capital and share-based payments

(a) Authorized: The Company is authorized to issue an unlimited number of Common Shares.

(b) Issued: The Company had 157,554,238 Common Shares issued and outstanding having a carrying value of $130,005,004 as at December 31, 2015 and December 31, 2016.

(Expressed in Canadian Dollars)

8. Share capital and share-based payments (continued)

(c) Options and Share Based Payments: The Board adopted a new Incentive Stock Option Plan (the “Fixed Option Plan”), effective June 15, 2016, pursuant to which incentive stock options (the “Options”) will be granted pursuant to option agreements to directors, officers, employees or consultants of the Company. The Fixed Option Plan replaces the “rolling” Incentive Option Plan of the Corporation (the “Rolling Option Plan”). In connection with adopting the Fixed Option Plan, the Board has resolved to not issue further Options under the Rolling Option Plan. Options granted under the Rolling Option Plan shall continue to be governed by the terms of the Rolling Option Plan, except that Options outstanding under the Rolling Option Plan that expire unexercised shall not be available for re-issuance. As of December 31, 2016, the maximum number of Common Shares which may be issued under the Fixed Option Plan was 15,755,423. The Company may grant options to directors, officers, employees or consultants of the Company. The exercise price per share shall be determined by the Company at the time the option is granted but, in any event, shall not be less than the closing price of the shares on the TSX Venture Exchange on the trading day immediately preceding the date of the grant of the option, unless the grant of the option occurs during a blackout period, in which case the exercise price per share shall not be less than the closing price of the shares on the TSX Venture Exchange on the second trading day immediately following the expiry of the blackout period. Options granted pursuant to the Fixed Option Plan have a five year term and shall vest and become exercisable by an optionee in three tranches: one third of the number of options vesting in each of six, twelve and eighteen months following the date of grant or a change of control.

The continuity of options is as follows:

	Number of options	Weighted average exercise price
Balance, December 31, 2014	6,275,000	$ 0.51
Granted	3,000,000	0.19
Expired	(550,000)	0.44
Forfeited	(583,334)	1.03
Balance, December 31, 2015	8,141,666	0.39
Expired	(600,000)	1.30
Forfeited	(2,291,666)	0.36
Balance, December 31, 2016	5,250,000	$ 0.30

As determined under the Black-Scholes option pricing model, the share-based payment expense for the year ended December 31, 2016 of $71,664 (2015 – $55,448) was recorded for options granted in prior years to directors, officers employees and consultants.

(Expressed in Canadian Dollars)

8. Share capital and share-based payments (continued)

(c) Options and Share Based Payments (continued):

The following table summarizes the options outstanding as at December 31, 2016:

Year of expiry	Number of options outstanding	Weighted average exercise price ($)	Weighted average remaining contractual life (years)	Number of exercisable options outstanding	Weighted average exercise price ($)
2017	950,000	0.81	0.31	950,000	0.81
2018	650,000	0.22	1.36	650,000	0.22
2019	650,000	0.17	2.36	650,000	0.17
2020	3,000,000	0.19	3.85	1,000,000	0.19
	5,250,000	0.30	2.72	3,250,000	

The fair value of the options granted during the year ended December 31, 2015 was calculated using the Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	0.6%
Expected dividend yield	0.0%
Expected volatility	89.8%
Pre-vest forfeiture rate	10.8%
Expected life of options	3.5 years
Weighted average fair value of options	$0.04

Expected volatility is estimated based on the average historical share price volatility for a period equal to the expected life of the option.

(d) Loss per Share: The basic and diluted loss per share from continuing and discontinued operations for the year ended December 31, 2016 is $0.02 (basic and diluted loss per share for the year ended December 31, 2015 – $0.32). The calculation is based on the total loss for the year ended December 31, 2016 attributable to the owners of the Company of $2,648,637 (loss for the year ended December 31, 2015 – $49,795,602) and on the weighted average number of Common Shares outstanding of 157,554,238 (December 31, 2015 – 157,554,238). The outstanding options were not included in the computation of diluted loss per share as their inclusion would be anti-dilutive.

The basic and diluted loss per share from continuing operations for the year ended December 31, 2016 is $0.02 (basic and diluted loss per share for the year ended December 31, 2015 – $0.26). The calculation is based on the total loss for the year ended December 31, 2016 attributable to the owners of the Company of $2,648,637 (loss for the year ended December 31, 2015 – $40,952,144) and on the weighted average number of Common Shares outstanding of 157,554,238 (December 31, 2015 – 157,554,238). The outstanding options were not included in the computation of diluted loss per share as their inclusion would be anti-dilutive.

(Expressed in Canadian Dollars)

9. Related party transactions

Transactions with LOM

Intercompany balances and transactions have been eliminated on consolidation and are not disclosed in this note. All related party transactions relate to the reimbursement of administrative expenses, including travel and meal expenses, with arm's-length third party suppliers that the Company pays on behalf of LOM. All related party transactions are at historical cost and there are no provisions for bad debts.

During the year ended December 31, 2016, the Company paid $3,341 expenses on behalf of LOM (2015 – $36,291 for travel costs). During the year ended December 31, 2016, no amounts were reimbursed by LOM (2015 – $47,106) related to intercompany receivables.

The continuity of total receivable from LOM for the years ended December 31, 2016 and 2015 is as follows:

Receivable from LOM, December 31, 2014	$	10,815
Add: payments made on behalf of LOM		36,291
Less: Amounts reimbursed from LOM		(47,106)
Receivables from LOM, December 31, 2015		-
Add: payments made on behalf of LOM		3,341
Receivable from LOM, December 31, 2016	$	3,341

The receivable from LOM is included in other receivables.

Compensation of Key Management Personnel

Key management personnel include the Board of Directors, Chief Executive Officer and Chief Financial Officer. The remuneration of key management personnel of the Company was as follows:

		Year ended December 31, 2016		Year ended December 31, 2015
Short-term benefits	**$**	**757,289**	$	979,288
Share-based payments		**71,664**		55,448
Termination benefits		**-**		1,180,000
Total remuneration	**$**	**828,953**	$	2,214,736

(Expressed in Canadian Dollars)

10. Income taxes

The Company's effective rate of income tax differs from the statutory rate of 26.5% (2015 – 26.5%) as follows:

		Year ended December 31, 2016		Year ended December 31, 2015
Tax recovery at statutory rates	**$**	**(702,000)**	$	(13,196,000)
Non-deductible expenses		**82,000**		10,331,000
Change in unrecognized temporary differences		**620,000**		2,865,000
Income tax expense	**$**	**-**	$	-

The Company has tax losses of $44,421,000 that will expire commencing in 2026 (December 31, 2015 – $24,243,000) as well as a capital loss of $7,944,000 (December 31, 2015 - $43,588,000) and other deductible temporary differences in Canada of $19,432,000 (December 31, 2015 – $19,379,000). As well, the Company has Canadian federal investment tax credits of $1,179,000 (December 31, 2015 – $1,179,000) that will expire commencing in 2018 and Ontario minimum tax credits of $247,000 (December 31, 2015 – $247,000). The benefits of the tax losses and the investment tax credits are not recognized in these consolidated financial statements as management does not consider their utilization to be more likely than not.

11. Financial instruments

As at December 31, 2016, the Company's financial instruments are comprised of cash and cash equivalents, investment in equity securities, other receivables and accounts payable and accrued liabilities. The amounts reflected in the statement of financial position are carrying amounts and approximate their fair values due to their short-term nature. These financial instruments are classified as follows:

- Cash and cash equivalents – loans and receivables
- Investment in equity securities – financial asset at FVTPL
- Other receivables – loans and receivables
- Accounts payable and accrued liabilities – other financial liabilities

The evaluation of the financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 of the fair value hierarchy includes unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 of the hierarchy includes inputs that are observable for the asset or liability, either directly or indirectly
- Level 3 includes inputs for the asset or liability that are not based on observable market data

Based on this hierarchy, the Company's financial instruments measured at FVTPL are grouped into Level 1.

11. Financial instruments (continued)

The following is a discussion of the Company's risk exposures:

- *Credit risk*: Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and cash equivalents and other receivables are exposed to credit risk. Management believes the credit risk for cash and cash equivalents and other receivables is low because the counterparties are highly rated financial institutions and the federal and provincial governments.

- *Interest rate risk*: Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk due to the short term to maturity of its financial instruments. The Company had no interest rate swaps or financial contracts in place as at or during the year ended December 31, 2016.

- *Currency risk*: Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's financial position and performance are exposed to the risk of currency fluctuations. The Company's functional currency is Canadian dollars but a proportion of its expenditures were previously incurred in Brazilian reais and US dollars.

The following significant exchange rates applied during the years:

	2016		**2015**	
Currency	Period end rate	Average rate	Period end rate	Average rate
US: USD 1=	1.3427	1.3245	1.3840	1.2893

(Expressed in Canadian Dollars)

12. Segmented information

The Company has one reportable operating segment at December 31, 2016, the investment in LOM, which was formed to develop the Lac Otelnuk Project in Nunavik, Québec, Canada. Prior to November 4, 2015, the Company had subsidiaries related to the Land.

Significant information relating to the Company's reportable operating segments for the comparable year ended December 31, 2015, including information with respect to the Brazilian Subsidiaries that were sold during the year ended December 31, 2015, is summarized below:

As at and for the year ended December 31, 2015	Brazil	Canada	Total
Cash and cash equivalents	$ -	$ 32,555,771	$ 32,555,771
Non-current assets	-	2,953,984	2,953,984
Total assets	-	35,574,911	35,574,911
Total liabilities	-	76,638	76,638
Net loss from continuing operations for the year	-	(40,952,144)	(40,952,144)
Net loss from discontinued operations for the year	(8,843,458)	-	(8,843,458)
Property, plant and equipment - investing activities	-	1,449	1,449

13. General and administrative expenses

	Year ended December 31, 2016	Year ended December 31, 2015
Amortization	**$ 14,891**	$ 8,668
Travel	**3,345**	100,367
Investor relations	**53,323**	75,459
Rent and office expenses	**175,577**	218,968
Salaries and benefits	**906,482**	2,303,593
Transfer agent and filing fees	**45,642**	54,720
	$ 1,199,260	$ 2,761,775

14. Transaction costs

Transaction costs of $1,292,183 (2015 - $nil) represent professional fees and other costs related primarily to the acquisition of SRC by the Company (see note 15).

15. Subsequent event

On February 9, 2017, the Company and SRC closed their previously announced business combination pursuant to a plan of arrangement under the Canada Business Corporations Act ("Arrangement").

Under the Arrangement, SRC became a wholly-owned subsidiary of ADI and holders of common shares of SRC (“SRC Shareholders”) received 3.0 ADI common shares per common share of SRC (the “Exchange Ratio”). On February 8, 2017, ADI shareholders received one-quarter of a warrant in respect of each ADI share held, with each whole warrant (each, a “Warrant”) having a five-year term and a strike price of $0.333 per share (the “Warrant Distribution”). The Warrants trade on the Toronto Stock Exchange (the “TSX”) under the symbol SRHI.WTS.

As part of the Arrangement, ADI shareholders approved a name change of ADI to Sprott Resource Holdings Inc. ("SRHI") together with the TSX approving the graduation of ADI from the Toronto Venture Exchange to the TSX. SRHI trades on the TSX under the symbol SRHI.

Concurrent with the completion of the Arrangement, (i) Sprott Inc. ("Sprott") invested $10 million in ADI common shares at a price of $0.233 per share and (ii) a fund managed by a subsidiary of Sprott, together with Term Oil Inc. (a corporation controlled by A.R. (Rick) Rule IV), invested a total of $5 million in units of ADI (each unit comprised of one ADI common share and one Warrant) at a price of $0.25 per unit ("Unit") (together, the "Transaction"). If, four months after the closing of the Warrant Distribution, the daily weighted average trading price of the SRHI common shares for any 45 consecutive trading day period is greater than $0.583 per SRHI common share, the expiry date of the Warrants may be accelerated by SRHI.

Sprott Resource Consulting Limited Partnership, an affiliate of Sprott, received 21,750,000 Warrants as a long-term incentive to replace the profit distribution program that was in place at Sprott Resource Partnership and which was terminated upon completion of the Arrangement.

Upon completion of the Arrangement and Transaction, on a basic shares outstanding basis, former SRC Shareholders, ADI shareholders, Sprott, and a fund managed by a subsidiary of Sprott together with Term Oil Inc. owned approximately 57%, 31%, 8% and 4%, respectively, of SRHI.

Immediately following the completion of the Arrangement, the board of directors of SRHI was reconstituted and is now comprised of the former members of the board of directors of SRC (other than Peter Grosskopf, who stepped down in connection with the closing of the Arrangement), together with two previous directors of ADI and A.R. (Rick) Rule IV.

As a result of the Arrangement, SRHI has initiated its transition from a private equity firm to a diversified holding company focusing on holding businesses in the natural resource industry that it believes can generate sustainable free cash flow. SRHI management expects that it will take SRHI less than 12 months to make the transition from a private equity firm to a diversified holdings company.

Following the completion of the Arrangement, SRC became a wholly-owned subsidiary of SRHI. The previous shareholders of SRC control SRHI and the majority of the board of directors of SRHI are represented by SRC's board of directors. For accounting purposes, the Arrangement resulted in the reverse takeover of SRHI (formerly ADI) by SRC and SRC was deemed the acquirer. ADI qualified as a business under the requirements of IFRS 3, *Business Combination*. Accordingly, effective as at the date of closing, February 9, 2017, the assets and liabilities of SRC will continue at their carrying values and ADI's net assets will be consolidated based on their fair value as at February 9, 2017. As at the date of these financial statements and given the recency of the closing of the Arrangement and Transaction, the initial accounting for the Arrangement and Transaction is not yet finalized as the Company is in the process of determining the fair values of the assets acquired and the liabilities assumed.

Exhibit C

MINERA
TRES VALLES

Interim Financial Statements

MINERA TRES VALLES SPA

Santiago, Chile
For the period of nine months ended as of
September 30, 2017

Interim Financial Statements

MINERA TRES VALLES SPA

As of September 30, 2017

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Interim Financial Statements

ThCh$: Thousands of Chilean pesos
ThUS$: Thousands of United States dollars

MINERA TRES VALLES SPA

Interim Statements of Financial Position

As of September 30, 2017 and December 31, 2016

ASSETS	Note	2017 ThUS$	2016 ThUS$
Current Assets			
Cash and cash equivalents	(4)	3,062	274
Other non-financial assets, current	(5)	647	388
Trade and other receivables, current	(6)	1,216	752
Accounts receivable from related parties, current	(12)	3,592	-
Inventory	(7)	10,688	13,491
Total current assets		19,205	14,905
Non-Current Assets			
Other non-financial assets, non-current	(5)	220	217
Accounts receivable from related parties, non-current	(12)	-	665
Intangible assets other than goodwill	(8)	8,349	8,533
Property, plant and equipment, net	(9)	26,596	30,529
Total non-current assets		35,165	39,944
Total Assets		54,370	54,849

The accompanying notes 1 to 27 form an integral part of these financial statements

MINERA TRES VALLES SPA

Interim Statements of Financial Position

As of September 30, 2017 and December 31, 2016

LIABILITIES AND EQUITY	Note	2017 ThUS$	2016 ThUS$
Current Liabilities			
Other financial liabilities, current	(10)	7,781	5,204
Trade and other payables, current	(11)	15,873	12,193
Accounts payable to related parties, current	(12)	459	597
Other provisions, current	(13)	2,036	1,640
Current tax liabilities	(24)	-	1
Provisions for employee benefits, current	(14)	439	100
Total current liabilities		26,588	19,735
Non-Current Liabilities			
Other financial liabilities, non-current	(10)	559	550
Trade and other payables, non-current	(11)	566	1,559
Accounts payable to related parties, non-current	(12)	-	377
Other provisions, non-current	(13)	6,071	5,901
Provisions for employee benefits, non-current	(14)	218	565
Total non-current liabilities		7,414	8,952
Total liabilities		34,002	28,687
Net Equity			
Issued capital	(15)	499,667	498,713
Other reserves	(15)	(238)	(252)
Accumulated losses	(15)	(479,061)	(472,299)
Total net equity		20,368	26,162
Total Liabilities and Net Equity		54,370	54,849

The accompanying notes 1 to 27 form an integral part of these financial statements

MINERA TRES VALLES SPA

Interim Income Statements and Other Comprehensive Income

For the nine months ended as of September 30, 2017 and 2016

Profit or Loss	**Note**	**2017 ThUS$**	**2016 ThUS$**
Revenue	(16)	25,293	17,079
Cost of sales	(17)	(25,095)	(19,011)
Gross income (loss)		198	(1,932)
Distribution expenses	(19)	(301)	(207)
Administrative expenses	(20)	(4,510)	(4,740)
Other incomes (expenses)	(21)	(616)	(24)
Finance income	(22)	-	1,265
Finance costs	(23)	(1,113)	(1,573)
Foreign Exchange gain (loss)		(420)	(948)
Income from inflation adjusted units		-	1
Loss before tax		(6,762)	(8,158)
Income tax benefit (expense)	(24)	-	-
Loss		(6,762)	(8,158)

Other Comprehensive Income	**Note**	**2017 ThUS$**	**2016 ThUS$**
Loss		(6,762)	(8,158)
Actuarial gains (losses) for employee benefits	(14)	14	0
Total Comprehensive Income		(6,748)	(8,158)

The accompanying notes 1 to 27 form an integral part of these financial statements

MINERA TRES VALLES SPA

Interim Statements of Changes in Equity, Net

For the nine months ended as of September 30, 2017 and 2016

	Note	Issued Capital ThUS$	Actuarial Gains or Losses Reserve ThUS$	Total Other Reserves ThUS$	Accumulated Losses ThUS$	Total Equity ThUS$
Equity as of 01-01-2016		498,713	(234)	(234)	(460,071)	38,408
Prior-year adjustment	(11)	-	-	-	(1,247)	(1,247)
Changes in equity						
Comprehensive income						
Profit (loss) for the year		-	-	-	(8,158)	(8,158)
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	(8,158)	(8,158)
Total changes in equity		-	-	-	(9,405)	(9,405)
Equity as of 09-30-2016		498,713	(234)	(234)	(469,476)	29,003

	Note	Issued Capital ThUS$	Actuarial Gains or Losses Reserve ThUS$	Total Other Reserves ThUS$	Accumulated Losses ThUS$	Total Equity ThUS$
Equity as of 01-01-2017		498,713	(252)	(252)	(472,299)	26,162
Capital increase	(15)	954	-	-	-	954
Changes in equity						
Comprehensive income						
Profit (loss) for the year		-	-	-	(6,762)	(6,762)
Other comprehensive income	(14)	-	14	14	-	14
Total comprehensive income		-	14	14	(6,762)	(6,748)
Total changes in equity		954	14	14	(6,762)	(5,794)
Equity as of 09-30-2017		499,667	(238)	(238)	(479,061)	20,368

The accompanying notes 1 to 27 form an integral part of these financial statements

MINERA TRES VALLES SPA

Interim Statements of Cash Flows (direct method)

For the nine months ended as of September 30, 2017 and 2016

	Note	2017 ThUS$	2016 ThUS$
Cash flows from (utilized in) operating activities			
Types of charges from operating activities			
Collections from sales of goods and services		28,714	17,259
Other collections from operating activities		2,409	1,951
Types of payments for operating activities			
Payments to suppliers for the provision of goods and services		(22,365)	(13,906)
Payments to and on behalf of employees		(5,872)	(4,617)
Net cash flows from (utilized in) operating activities		2,886	687
Cash flows from (utilized in) investing activities			
Acquisition of property, plant and equipment		(322)	(70)
Net cash flow from (utilized in) investing activities		(322)	(70)
Cash flows from (utilized in) financing activities			
Loans from banks		3,264	-
Loans from related parties	(12)	-	1,218
Repayment of bank loans		(394)	-
Repayment of loans from related parties	(12)	(2,334)	(696)
Interest paid		(300)	(658)
Net cash flows from (utilized in) financing activities		236	(136)
Net increase of cash and cash equivalents, before the effect of changes in exchange rates		2,800	481
Effect of changes in exchange rates on cash and cash equivalents		(12)	(147)
Net Changes in Cash and Cash Equivalents		2,788	334
Cash and Cash Equivalents at the Beginning of the Period	(4)	274	127
Cash and Cash Equivalents at the End of the Period	(4)	3,062	461

The accompanying notes 1 to 27 form an integral part of these financial statements

Note 1 - Corporate Information

a) Company information

Minera Tres Valles SpA (the "Company") was established as Compañía Minera Latino Americana Ltda. (“CMLA”) as per public deed dated November 21, 2002 signed at the Santiago Notary Office of Mr. René Benavente Cash. An extract of the deed was registered on sheet 32,269 under No. 26,121 in the Santiago Commercial Registry of 2002 and was published in the Official Gazette on November 29 of the same year. Its line of business is the acquisition of mineral rights and concessions under any title, national or foreign, the exploitation, development and use of ore deposits located in the country or abroad, and disposal or contracting of all types of services and consulting work.

On June 13, 2008, the Company's partners approved and formalized a capital increase with a charge to contributions received for future capitalization. On the same date the partners agreed to the division of CMLA into two companies, one of them named “Compañía Minera Latino-Americana Limitada”, as legal continuer of the divided company, and executor of the Tres Valles mining project, and a new company called “Vale Exploraciones Chile Limitada” exclusively dedicated to exploration work. Both agreements were formalized in public deeds on June 13, 2008, signed at the Santiago Notary Office of Ms. Antonieta Mendoza Escalas.

On December 31, 2008, Compañía Minera Latino Americana Limitada was changed from a limited liability company to a Special Mining Contractual Company, and its name was changed to Minera Tres Valles. Together with the change in the Company's nature, 9,000,000 Series A shares were issued in the name of the two partners existing as of that date, pro rata to their interests. A capital increase was approved on the same date, which was contributed by a third partner, to whom 1,000,000 Series B shares were issued. All agreements were formalized in public deed dated December 31, 2008, whose extract was registered on sheet 2,018 under No. 1,313, in the Santiago Commercial Registry for 2009 and on sheet 7 reverse, under No. 2 in the Santiago Mine Title Registry ("Registro de Propiedad del Conservador de Minas") for 2008. The registration was published in the Official Gazette on January 17, 2009. The Company's shares were registered in the name of the shareholders on sheet 531 under No. 618 in the Shareholders' Registry of the mentioned Registry for 2009.

Note 1 - General Information, continued

a) Company information, continued

A new capital increase was approved on December 10, 2013, through the capitalization of contributions received for future capitalizations, capitalization of the balance of the accumulated capital revaluation reserve as of October 2013, and a cash contribution of ThUS$ 95,910. There were 34,868,151 Series A shares issued as a product of this capital increase. The total number of Series A shares is 43,868,151 and there are 1,000,000 Series B shares issued. These agreements were formalized through public deed dated December 10, 2012 signed at the Santiago Notary Office of Ms. Antonieta Mendoza Escalas.

On December 12, 2013, all Series A shares were sold to Inversiones Porto San Giorgio S.A. belonging to the Vecchiola Group, which became the Company's controlling partner. On January 31, 2014, all series B shares were sold to Inversiones Porto San Giorgio S.A. and to Vecchiola S.A., and thus the Vecchiola Group became the controller of all the shares of Minera Tres Valles (Note 15).

The controller of the Company and ultimate parent of the group is Inversiones Porto San Giorgio S.A., a company that holds 97.771248% of the ownership of Minera Tres Valles.

The Company's legal domicile is Parcela 25-A, Lote B, Chuchiñí, Salamanca.

b) Description of the business

The Company's main asset is the Tres Valles mining project, in the Coquimbo Region, Province of Choapa. The ore extraction areas (Don Gabriel and Papomono mines) are located in the area of the Manquehua and Cárcamo gorges, approximately 10 kilometers north of Salamanca, whereas the ore processing areas are located at the Quilmenco gorge, approximately 7 kilometers northeast of the same city.

The project's objective is to carry out mining activities associated with exploiting and processing minerals, for which it has a copper leaching plant (SX/EW) with a processing capacity of 18,500 annual tons of copper cathodes. The Tres Valles Project has environmental authorization granted through Environmental Qualification Resolution No. 265 of 2009, which is currently in force.

The operating stage began at the end of 2010, and the first shipment took place in January 2011.

Note 1 – General Information, continued

b) Description of the business, continued

The Company began operations entering into a start up stage, which means achieving a gradual growth in production, reflecting excessive fixed costs associated with such projects, a situation that was reflected directly in the negative results obtained in the last years. Thus, in 2013 and 2012 it generated operating losses for ThUS$ 13,756 and ThUS$ 55,816, respectively. The cost of production (cash cost) average in 2013 reached US$ 4.1 per pound of copper.

In December 2013, the Vecchiola group acquired ownership of the Company and took over operations of Minera Tres Valles SpA. As a first step, the new Management decided to temporarily close the operation of its own mines, Don Gabriel and Papomono, which were generating an extraction cost well above the standard for similar operations. To give continuity to the production of cathodes, it bought ore from third parties (small miners) available in the vicinity of the project. Additionally, beginning in January of 2014 and continuing today, the Company began to provide ENAMI tolling services, which basically entailed Tres Valles processing material delivered by ENAMI and returning it in the form of copper cathodes in exchange for a fee.

In effect, the new Management and its shareholders undertook a series of measures aimed at the pursuit of efficiency and profitability of the operations. During the year 2014, and with the support of external consultants and other experts, metallurgical processes were optimized and its major contracts, as well as some operating contracts and electricity supply contracts, were renegotiated (to incorporate the use of renewable energy). A restructuring of staff was also carried out separating the staff mainly associated with the mining operation. In September 2015, after generating a new mine plan, validated by different well-known Chilean and International consultants, the company reactivated the extraction of ore from its own mine at a small scale, so as to increase and ensure the supply of the ore necessary for the production of copper cathodes. This project has thus far achieved its initial objectives and is expected to generate even better results starting in 2016. The new mining plan generated a reinterpretation of the geological models of the assets and changed the exploitation methods. This plan considers investments that are necessary to increase ore production, reach the plant’s capacity, and therefore produce the final product of high quality copper cathodes. In the short term, the administration will focus on obtaining the financing required for the implementation of this plan in the long term.

Note 1 - General Information, continued

b) Description of the business, continued

Between 2014 and 2016, the Administration obtained positive direct margins (income less costs of sales) before depreciation and administrative costs (different from 2013 and prior years where this margin was negative). Furthermore, considering the increase in copper price in the last few months of 2017, it is possible to look to the future with greater optimism in terms of having a higher projection of cash flow for the rest of year 2017 and 2018. The Company has plans to continue increasing copper production in the medium term by systematically exploiting the ore from their own mines in order to reach an optimal production capacity at the plant. Among these plans, the mining area will be reorganized and funds to buy extraction equipment will be obtained. Those plans, plus a permanent plan to reduce and control production costs, have the purpose of generating positive bottom line results.

Therefore, neither the Administration, nor the Parent Company, have doubts about continuing the business under the going concern assumption whilst generating positive returns for their shareholders, benefiting other groups of interest, and maintaining a capital structure that is cost effective.

c) Declaration of compliance

The interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 “Interim Financial Reporting” wich is part of International Financial Reporting Standars (IFRS) adopted by the International Accounting Standards Board ("IASB") and represent the full, explicit and unreserved adoption of the mentioned standard.

These interim financial statements fairly reflect the financial position of the Company as of September 30, 2017 and December 31, 2016, and the Income Statements and comprehensive income, changes in equity and cash flows for the nine months ended as of September 30, 2017 and 2016.

The financial statements have been prepared on the basis of the historical cost model, except for items that are recognized at fair value in conformity with IFRS.

These interim financial statements should be read in conjunction with the financial statements issued as of December 31, 2016. In addition, the Company’s management on November 30, 2017 authorized the issuance of these interim financial statements.

Note 2 - Summary of Significant Accounting Policies

a) Accounting periods

These interim financial statements cover the following periods:

- Statements of financial position as of September 30, 2017 and 2016
- Income Statements and other comprehensive income for the nine months ended September 30, 2017 and 2016.
- Statements of changes in equity for the nine months ended September 30, 2017 and 2016.
- Statements of cash flows (indirect method) for the nine months ended September 30, 2017 and 2016.

b) Functional currency and transactions in foreign currency

Functional currency and presentation currency

The financial statements are presented in United States dollars (US$), which is the Company's functional and presentation currency. All information is presented in thousands of US dollars (ThUS$) rounded to the closest unit.

Transactions in foreign currency

Transactions in foreign currency (by definition, all currencies other than the US dollar) are initially recorded in dollars using the exchange rates current as of the date of each transaction.

Monetary assets and liabilities denominated in foreign currency are converted to US dollars using the exchange rate current as of the reporting period closing date.

All differences that arise from the liquidation or conversion of monetary items are recognized in income, under foreign currency translation, except for exceptions established in certain specific standards.

Non-monetary items that are measured in terms of their historical cost in foreign currency are converted using exchange rates current as of the date of the original transaction. Non-monetary items that are measured at their fair value in foreign currency are converted using exchange rates as of the date on which such fair value is determined. Profits or losses arising from the conversion of non-monetary items measured at their fair value are recognized based on how profits or losses derived from changes in the fair value of the item are recognized.

Note 2 - Summary of Significant Accounting Policies, continued

b) Functional currency and transactions in foreign currency, continued

Transactions in foreign currency, continued

Foreign currency exchange rates as of each reported period closing date are detailed as follows (equivalent amounts in Chilean pesos):

	09-30-2017 Ch$	12-31-2016 Ch$
US dollar	637.93	669.47
Euros	750.47	705.60

c) Cash and cash equivalents

As of each accounting period closing date, cash and cash equivalents include cash at banks.

For statement of cash flow purposes, cash and cash equivalents included in those statements do not differ from cash and cash equivalents included in the statements of financial position as of each year-end.

d) Other non-financial assets

Other current non-financial assets mainly include prepaid expenses (insurance), and non-current non-financial assets including long-term guarantees and shares in other entities.

e) Financial instruments

e.1) Financial assets

Initial recognition and measurement

The Company's financial assets include cash and cash equivalents, trade receivables, loans and other receivables.

The financial assets are classified as loans and accounts receivable. The Company determines the classification of financial assets at the time of their initial recognition.

All financial assets are initially recognized at fair value plus transaction costs.

Note 2 - Summary of Significant Accounting Policies, continued

e) Financial instruments, continued

e.1) Financial assets, continued

Subsequent measurement

Subsequent measurement of financial assets depends on their classification at the time of their initial recognition and is performed as described below:

e.1.1) Loans and accounts receivable

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. After initial measurement, those financial assets are measured at amortized cost using the effective interest rate method, less any impairment. Amortized cost is calculated taking into account any discount or premium in the acquisition and commissions or costs that are an integral part of the effective interest rate.

Amortization of the effective interest rate is recognized as finance income in the Income Statements. Impairment losses are recognized in the Income Statements as finance costs in the case of loans and as cost of sales, administrative expenses or other operating expenses in the case of accounts receivable.

e.1.2) Investments held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity, when the Company has the manifest intention and capacity to hold them to maturity. After initial recognition, investments held to maturity are measured at amortized cost using the effective interest rate method, less any impairment. The amortized cost is calculated taking into account any discount or premium on the acquisition and commissions or costs that are an integral part of the effective interest rate. Amortization of the effective interest rate is included as finance income in the Income Statements. Impairment losses are recognized in the Income Statements as finance costs.

Note 2 - Summary of Significant Accounting Policies, continued

e) Financial instruments, continued

e.1) Financial assets, continued

Impairment of financial assets

As of each reported period closing date, the Company evaluates whether there is any objective evidence that a financial asset (or group of financial assets) has been impaired. A financial asset (or group of financial assets) is considered to be impaired only if there is objective evidence of impairment as a consequence of one or more events occurred after the initial recognition of the asset (an “event that causes the loss”), and this event that causes the loss has an impact on the estimated future cash flows of the financial asset (or group of financial assets), and this impact can be reliably estimated. The evidence of impairment could include, among other things, indications that a debtor (or a group of debtors) is having significant financial difficulties, non-compliance or default in the payment of principal or interest on debt, the probability of bankruptcy being declared or the adoption of another form of financial reorganization, or when there is observable data that indicates that there is a measurable decrease in estimated future cash flows, such as adverse changes in the status of defaulted payments, or in economic conditions that are correlated to non-compliance.

For trade receivables, impairment is determined by analyzing balances receivable from current customers on a case-by-case basis as of each period-end, to identify risk of uncollectibility.

e.2) Financial liabilities

Initial recognition and measurement

The Company's financial liabilities include trade and other payables, and interest bearing debts and loans. Financial liabilities in the scope of IAS 39 are classified as loans and accounts payable. The Company determines the classification of its financial liabilities at the time of their initial recognition. All financial liabilities are recognized initially at fair value, and loans and accounts payable are accounted for at amortized cost, net of directly attributable transaction costs.

Note 2 - Summary of Significant Accounting Policies, continued

e) Financial instruments, continued

e.2) Financial liabilities, continued

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, at the time of their initial recognition, as follows:

e.2.1) Interest bearing debts and loans

After initial recognition, interest bearing debts and loans are measured at amortized cost, using the effective interest rate method. Profits and losses are recognized in the Income Statement when the liabilities are derecognized, and through the amortization process using the effective interest rate method.

Amortized cost is calculated taking into account any discount or premium in the acquisition and commissions or costs that are an integral part of the effective interest rate. Amortization of the effective interest rate is recognized as a finance cost in the Income Statement.

f) Inventory

The Company's inventory is composed mainly of mining products exploited and processed in its mining facilities. Work in progress and finished products (copper cathodes) are valued at production or Net Realizable Value (NRV), whichever is lower. The NRV is the estimated selling value during the normal course of business, less estimated termination costs and selling costs.

Inventory production costs are allocated using the absorption method and include fixed and variable costs directly associated to production, such as extraction costs, raw materials and supplies, payroll, depreciation, amortization, etc.

For work in progress and raw materials, due to the nature of the copper production process (leaching), the Company has engaged independent third parties to estimate tons of copper contained in the leaching piles and in the PLS pools (both included in work in progress), for the purpose of adjusting the balances of inventory to the tons of copper estimated to be recovered in the final cathode production process. Physical units (tons) of work in progress are adjusted with a charge or credit to cost of sales, using the unit cost of production as of each year-end. Materials and supplies are valued at average acquisition cost.

Note 2 - Summary of Significant Accounting Policies, continued

g) Current and deferred income taxes

Income tax

The income tax expense is composed of current and deferred taxes, and is recognized as a charge or credit to income unless it is related to items recognized directly in shareholders' equity, in which case they are recognized with an effect on equity.

Current taxes

The current tax is the expected tax payable (or recoverable) for taxable income for the year, according to the Income Tax Law (DL 824), using tax rates enacted, or substantially enacted, as of the date of statement of financial position, and any adjustment to taxes payable in relation to previous years. They are recognized as a liability, to the extent unpaid. If the amount already paid corresponding to the present period and prior periods exceeds the amount due for those periods, the excess is recognized as an asset.

On September 29, 2014, Law No. 20,780, called the Tax Reform, was passed in Chile, which defines, among others, the default tax system that applies to the Company, the First Category tax rate to be applied gradually to entities by default between 2014 and 2018, and also establishes that corporations can choose by one of two of the established tax regimes: "Partially Integrated Regime", or "Attributed Income Regime" which define different tax rates, beginning in 2017.

It should be noted that the Tax Reform established by Law No. 20,780 and Law No. 20,889 will affect companies by placing them into one of two tax systems, either by choice or by default. The first system, "Attributed Income Regime," will be affected by a 25% tax rate, starting in calendar year 2017, meanwhile the rate that will apply to the "Partially Integrated Regime" will be 25.5% for the year 2017, and 27% in the year 2018 and onward.

For the current year of 2017, the income tax rate is 25,5%. If the assessment of the tax regime applicable to the Company concludes that the regime will be "Partially Integrated", the effects of deferred taxes should reflect a top rate of 27%, considering the period of reversal of temporary differences starting in 2018.

Note 2 - Summary of Significant Accounting Policies, continued

g) Current and deferred income taxes, continued

Deferred taxes

Deferred taxes are recognized using the statement of financial position method, stipulating the temporary differences between the carrying amount of the assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax assets and liabilities are offset if there is a legal enforceable right to offset current tax assets and liabilities and they are related to the income taxes applied by the same tax authority on the same taxable entity or on different taxable entities, which intend to settle current tax assets and liabilities in a net manner, or if tax assets and liabilities will be realized at the same time.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits and losses will be available when the temporary difference can be used. Deferred tax assets are reviewed on each statement of financial position date and are reduced if it is not probable that related tax benefits will be realized. Since the Company has accumulated tax losses from the beginning of its operations, and it is estimated that it will not generate taxable profits in the medium term (within the next 5 years), no effects of deferred tax assets or liabilities associated to temporary differences (between the financial and tax valuation base) or associated to benefits from to tax losses have been recorded.

Notwithstanding what has been stated in the previous paragraph, deferred tax assets and liabilities must be measured at the tax rates that are expected to be applicable in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) enacted or substantially enacted as of the date of the statement of financial position.

h) Intangible assets other than goodwill

Intangible assets acquired separately are measured at cost upon initial recognition and are valued at cost less accumulated amortization and impairment.

Upon initial recognition, the Company evaluates whether the useful lives of intangible assets are finite or indefinite.

Identifiable intangible assets with finite lives are amortized using the straight-line method over their estimated useful lives, which do not exceed the estimated date of termination of copper extraction and production (December 31, 2022). Amortization of these assets is presented under cost of sales in the Income Statements.

Note 2 - Summary of Significant Accounting Policies, continued

h) Intangible assets other than goodwill, continued

The Company maintains four types of intangible assets under this denomination: mining properties, easements, reforestation rights, and rights from contributions to the community development foundation. The latter two intangibles arise from obligations established in the Environmental Resolution Qualification issued by the Regional Environmental Commission of the Region of Coquimbo in November 2009.

Initial useful lives of intangible assets are described as follows:

	Months	
	Minimum	**Maximum**
Mining properties	145	158
Easements	122	153
Other intangible assets - Reforestation	108	108
Other intangible assets - Contributions to Foundation	108	108

The useful lives of intangible assets with finite useful lives are reviewed annually to determine whether that estimate continues to be reasonable.

The assets under this category with restrictions or guarantees are described in Note 26.

Intangible assets with indefinite useful lives are not amortized, but assets for which there is an active market are tested annually for impairment. The Company has water rights under this category since according to Chilean law this type of right is perpetual and can be commercialized.

i) Property, plant and equipment

Initial recognition

Property, plant and equipment items are recorded at historical cost (excluding periodic maintenance costs) less accumulated depreciation and accumulated impairment provisions. Such cost includes the cost of replacing property, plant and equipment items when these costs are incurred, if the criteria for recognition are fulfilled.

Note 2 - Summary of Significant Accounting Policies, continued

i) Property, plant and equipment, continued

Initial recognition, continued

The initial cost of property, plant and equipment items includes:

- Acquisition price, import rights and non-recoverable value added tax ("VAT").
- All costs directly related to locating the asset at the place and in the condition necessary for use.
- Costs of dismantling, removing or withdrawing the asset or restoring or reinstating the place where it is located.

In addition, the cost of interest on financing directly attributable to the acquisition or construction of assets that require a substantial period of time before they are ready for use or sale is considered as part of the cost of property, plant and equipment items.

The cost of an asset built by the Company itself is determined using the same principles as if it were an acquired property, plant and equipment item. Recognition of the costs of a built element of property, plant and equipment will end when the asset is at the location and in the conditions necessary to be used, time when it begins to be depreciated.

When parts of an element of property, plant and equipment have different useful lives, they are recorded as separate items, therefore significant components are identified and each component is depreciated separately.

Profits and losses on the disposal or removal of property, plant and equipment are determined comparing the amount obtained from the disposal to the carrying amount of the element and are recognized net in other profits (losses) in the Income Statement.

Depreciation is recognized in the Income Statement using the straight-line depreciation method based on the estimated useful lives of each property, plant and equipment element. Depreciation of property, plant and equipment elements under construction begin when the assets are in a condition to be used.

Note 2 - Summary of Significant Accounting Policies, continued

i) Property, plant and equipment, continued

Initial recognition, continued

The useful lives for infrastructure and mining facilities are determined on the basis of the estimated useful lives of proven and probable ore reserves. Initial estimated useful lives for the current and comparative periods are detailed as follows:

	Months	
	Minimum	**Maximum**
Buildings and infrastructure	112	172
Mining facilities	60	165
Machinery and equipment	60	154
Vehicles	60	60
Office equipment	60	60
Information equipment	48	48
Leased machinery and equipment	76	87

Cost of inventory production includes total depreciation of assets defined as productive and amortization.

Land included in property, plant and equipment is recorded separately from buildings and facilities, and is understood to have an indefinite useful life, therefore it is not depreciated.

Subsequent measurement

The cost of property, plant and equipment items can include costs of extensions, modernizing, or improvements that represent an increase in productivity, capacity or efficiency, or increase the useful lives of the assets. These costs are capitalized as higher cost of the corresponding assets.

Costs incurred in major maintenance are recognized as property, plant and equipment when they fulfill the requirements of IAS 16. These assets are depreciated using the straight-line method with a charge to income over the period remaining until the next scheduled major maintenance.

Disbursements derived from periodic maintenance of property, plant and equipment are charged to income in the period they are incurred.

Note 2 - Summary of Significant Accounting Policies, continued

i) Property, plant and equipment, continued

Subsequent measurement, continued

The Company has a policy of recording in assets, disbursements related to exploration activities and evaluation of mineral resources for the purpose of maintaining or increasing exploitable mining reserves in future only when the feasibility of the project has been verified. When the studies determine that a project is not technically or commercially feasible, the value of the boring and reconnaissance, together with all disbursements associated to the project, are charged to income for the year on the date when the studies are undertaken. The Company records boring expenses incurred for the purpose of increasing information on the mining sectors being exploited whose reserves were determined in previous boring campaigns in the Income Statement.

The Company has determined residual values for property, plant and equipment items, which have been quantified on the basis of an estimated recovery value for those assets at the end of their useful lives.

Depreciation methods, useful lives and residual values are reviewed on each closing date and adjusted as necessary. Changes in estimated useful lives are accounted for prospectively over the remaining estimated economic lives or the remaining commercial reserves of the mine, as applicable.

j) Impairment of non-financial assets

As of the end of each reporting period, the Company assesses whether there is any indication that an asset might be impaired. If such indication exists, or when an asset requires annual impairment testing, the Company estimates the recoverable amount of the asset. The recoverable amount of an asset is its fair value less selling cost (of an asset or of a cash generating unit) or its value in use, whichever is higher. This recoverable amount is determined for an individual asset, unless the asset does not generate cash flows that are substantially independent of the cash flows of other assets or groups of assets.

When the carrying amount of an asset or of a cash-generating unit exceeds its recoverable amount, the asset is considered to be impaired and its value is reduced to its recoverable amount.

Note 2 - Summary of Significant Accounting Policies, continued

j) Impairment of non-financial assets, continued

When evaluating the value in use of an individual asset or of a cash-generating unit, the estimated cash flows are discounted at their present value applying a discount rate before taxes that reflects current market evaluations of the time value of money and specific risks of the asset.

Recent market transactions (if they exist) are taken into account to determine fair value less selling cost of an individual asset or of a cash generating. If no transactions of this type can be identified, an appropriate valuation model is used. These calculations are verified against valuation multiples, shares traded for subsidiaries that trade on the stock exchange or other available indicators that are representative of fair value.

The Company bases its calculation of impairment on projection calculations that are prepared separately for each of the Company's cash generating units to which the individual assets are allocated. In general, budgets and projection calculations cover a 5 to 8 year period. For longer periods, a long-term growth rate is calculated and it is applied to the future cash flows of projections as of the fifth year.

Impairment losses corresponding to continuing operations, including impairment of inventory, are recognized in the Income Statement under other profits (losses), except for previously reappraised properties, where the reappraisal was recorded in other comprehensive income. In this case, impairment is also recognized in other comprehensive income up to the amount of any previously recognized reappraisal.

k) Leases

The determination of whether an agreement constitutes, or contains a lease is based on the substance of the contract at the date of inception and requires evaluation of whether compliance with the contract depends on the use of the specific asset or assets or the contract grants the right to use the asset.

Note 2 - Summary of Significant Accounting Policies, continued

k) Leases, continued

Reevaluation is done after start of the lease only if one of the following points is applicable:

i) There is a change in the contractual terms that is not a renewal or extension of the agreements;
ii) A renewal option is exercised or an extension is granted, unless the terms of the renewal or extension are included in the term of the lease;
iii) There is a change in the determination as to whether compliance is dependent on a specific asset; or
iv) There is a substantial change in the asset.

When a revaluation is performed, the accounting for the lease will begin or cease from the date on which the change of circumstances led to revaluation of scenarios i), ii) or iii) and as of the date of renewal or exercising of the extension for scenario iv).

In accordance with IAS 17, there are three types of leases:

k.1) Finance leases

The Company records this type of leases when the leaser substantially transfers all the risks and benefits inherent to ownership of the asset to the lessee. Ownership of the asset may or may not be transferred as applicable. When the Company acts as lessee of an asset under a finance lease, the cost of the leased assets is presented in the statement of financial position under property, plant and equipment, depending on the nature of the subject of the contract, and a liability is simultaneously recorded in the statement of financial position for the same amount under other financial liabilities. That amount shall be the fair value of the leased asset or the sum of the current values of the amounts to be paid to the leaser, as applicable to the price of exercising the purchase options, whichever is lower. These assets are amortized using criteria similar to those applied to property, plant and equipment for the Company's own use or over the term of the lease, whichever is shorter. Finance expenses derived from financial restatement of the liability recorded are charged to finance costs in the Income Statement.

Note 2 - Summary of Significant Accounting Policies, continued

k) Leases, continued

k.2) Operating leases

Leases in which ownership of the leased asset and substantially all the risks and advantages of the asset remain with the leaser, are classified as operating leases, and lease expenses are recognized in the Income Statement as they accrue.

k.3) Financial leaseback operations

Additionally, the Company maintains existing lease contracts (as lessee) under leaseback mode. Under IAS 17, any income from the sale of assets with subsequent financial leases is deferred and amortized with a charge or credit to income over the term of the lease. The only effects on income are recognized at the start of the lease for any impairment identified for the assets sold and subsequently leased.

l) Trade and other payables

These resources are initially accounted for at their nominal value. Items presented in the statement of financial position as current liabilities are due in 12 months or less.

m) Finance costs

Loan costs that are directly attributable to the acquisition, construction or production of property, plant and equipment items, which necessarily require a substantial period of time to be available for their expected use or sale, are capitalized as part of the initial cost of the respective asset. All other loan costs are accounted for as expenses in the period when they are incurred. Loan costs include interest and other costs incurred by the entity in relation to the signing of the respective loan agreements.

Note 2 - Summary of Significant Accounting Policies, continued

n) Provisions

Provisions are recognized when the Company has a present (legal or implicit) obligation as a result of a past event, it is probable that the entity will have to use resources that incorporate economic benefits to settle the obligation, and the amount of the obligation can be reliably estimated. In cases where the Company expects that the provision will be totally or partially reimbursed, for example by virtue of an insurance contract, the reimbursement is recognized as a separate asset, only in cases where such reimbursement is virtually certain. In these cases, the corresponding expense for any provision is presented in the Income Statement net of all related reimbursements.

If the effect of the time value of money is significant, provisions are discounted using a current market rate before taxes, which reflects, as applicable, the specific risks of the liability. When the discount is recognized, the increase in the provision due to the passage of time is recognized as finance cost in the Income Statement.

ñ) Mine closure and reinstatement reserve

The mining extraction and processing activities performed by the Company generate site closure or reinstatement obligations. Mine closure and reinstatement can include closing and dismantling of the facilities; stripping or treating waste materials; reinstatement of the site and land. The amount of work required and associated costs depend on the requirements of the competent authorities and the Company's environmental policies.

Reserves for the cost of mine closure and reinstatement are measured annually and adjusted to the present value of estimated costs. When the magnitude of the alterations increases during the life of an operation, the reserve should increase in the same proportion. The costs included encompass all closure and reinstatement activities expected to be produced progressively over the life of the operation and at the time of closing in relation to the alterations as of the reporting date. Routine operating costs that might affect the final closure and reinstatement activities, such as treatment of waste material performed as an integral part of the extraction or production processes are not included in the reserve. Costs derived from unforeseen circumstances, such as contamination caused by unplanned discharges, are recognized as an expense and a liability when the event generates an obligation that can be probably and reliably estimated.

Note 2 - Summary of Significant Accounting Policies, continued

ñ) Mine closure and reinstatement reserve, continued

Expenses can occur before and after closing and can continue over a long period of time depending on the closing and the reinstatement requirements.

Closing and reinstatement reserves are valued according to the expected value of future cash flows, discounted at their current value and determined based on the probability of the Company's other cash flow estimates. The use of significant judgment and estimates is required to generate expectations of future activities and the amount of time of the associated cash flows. These expectations are formed on the basis of existing environmental and regulatory requirements, or the Company's environmental policies, if these are stricter, which will generate an implicit obligation.

Adjustments to the estimated amount and time of closure and future reinstatement cash flows are normal due to the amount of judgment used and important estimates involved. The factors that influence these changes are as follows:

a) Reviews of the estimated reserves, resources and lives of the operations,
b) Technology developments,
c) Regulatory requirements and environmental handling strategies,
d) Changes in estimated costs of foreseen activities, including the effects of inflation and exchange rate fluctuation, and
e) Changes in the interest rates that affect the discount rate applied.

When mine closing and reinstatement reserves are initially recognized, the corresponding cost is capitalized as an asset, representing a part of the acquisition costs of the operation's future economic benefits. The capitalized cost of the closing and reinstatement activities is recognized in property, plant and equipment and is depreciated using the straight-line method. The value of the reserve increases progressively with time in accordance with the effects of accrued discounts, generating an interest cost recognized in finance costs in the Income Statement.

Mine closing and reinstatement reserves are also adjusted prospectively in case of changes in estimates. These adjustments are accounted as a profit or loss to the Income Statement.

Note 2 - Summary of Significant Accounting Policies, continued

o) Employee benefits reserve

The Company studies, analyzes and valuates its non-current employee benefits, in accordance with IAS 19.

Current employee benefits reserve

These reserves are recorded in income on an accrual basis.

Non-current employee benefits reserve

The main non-current benefit is severance indemnities for years of service in case of termination, which are agreed upon in current contracts or that arise from legal requirements that will be effective at the end of the Company's operations.

The liability recognized is determined using actuarial valuations through the application of the projected unit of credit method. Actuarial valuations involve assumptions about discount rates, future salary increases, employee turnover rates and mortality rates, among other things. Due to the long-term nature of these plans, such estimates are subject to uncertainty. At each year-end, the Company revalidates the calculation parameters, adopting those that are most appropriate based on market financial conditions and its own demographic experience.

The cost of employee benefits is determined discounting estimated cash outflows, at a market interest rate for long-term debt instruments close to the expiration date of the obligation. Changes in the provision are recognized in income in the period when they are incurred, with the exception of actuarial profits or losses, which are recognized in the comprehensive Income Statement.

p) Recognition of income

Operating income corresponds mainly to the sale of copper cathodes in the international market. It is recorded on the basis of billing and effective dispatch in the year.

For products delivered for which at the end of the period there is no final price, an income allowance is established which considers physical amounts, product quality and an estimate as of that date of the average price of copper for the third month after physical delivery of the cathodes.

Note 2 - Summary of Significant Accounting Policies, continued

p) Recognition of income, continued

Income from goods sold is recognized after the Company has transferred to the buyer the risks and benefits inherent to ownership of those assets and it does not have the right to dispose of them, or maintain effective control. Generally, this means that sales are recorded when the risks and benefits are transferred to the customer in conformity with the terms agreed upon in trade agreements.

In addition, the Company recognizes income from services of ore tolling, which revenues and cost are registered when the service is completed.

q) Financial income and cost

The financial expenses are comprised of the financial interest from loans to related parties, financial leasing of machinery, and the present value measurement of provisions or long-term obligations. Financial income consists of interest from loans to related companies. Interest is recognized using the effective interest rate method, as established in IAS 39.

r) Income from inflation adjusted units

In accordance with IAS 21, and considering that Chile does not qualify as a hyperinflationary economy, the Company did not apply inflation adjustments for non-monetary assets and liabilities, nor to equity, except for those balances receivable or payable which by law must be readjusted.

s) Environment

Disbursements associated to protection of the environment are charged to income when they are incurred. Investments in infrastructure destined to compliance with environmental requirements are capitalized following general accounting criteria for property, plant and equipment, and intangibles, as established in the respective IFRS.

Note 2 - Summary of Significant Accounting Policies, continued

t) New accounting modifications and pronouncements

t.1) New standards, amendments to standards, and interpretations applicable to annual periods that started on January 1, 2017 have not been applied in advance to preparing these financial statements, nor do they have a significant impact.

t.2) The following new norms, amendments, and interpretations have been issued, but the mandatory effective date of application is not yet valid:

	New norms	Mandatory effective date
IFRS 9	Financial Instruments	Annual periods beginning on or after January 1, 2018. Early application is allowed.
IFRS 15	Revenue from Contracts with Customers	Annual periods beginning on or after January 1, 2018. Early application is allowed.
IFRS 16	Leases	Annual periods beginning on or after January 1, 2019. Early application is allowed.

	Interpretations and amendments	Mandatory effective date
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Annual periods beginning on or after January 1, 2018. Early application is allowed.

Note 2 - Summary of Significant Accounting Policies, continued

t) New accounting modifications and pronouncements, continued

	Interpretations and amendments	Mandatory effective date
IFRS 2	Share-based Payment: Clarification of accounting for certain types of share-based payment transactions.	Annual periods beginning on or after January 1, 2018. Early application is allowed.
IFRS 10	Consolidated Financial Statements, and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	Effective date deferred indefinitely
IFRS 15	Revenue from Contracts with Customers: Modification clarifying requirements and granting additional transition release for companies that implement the new standard	Annual periods beginning on or after January 1, 2018. Early application is allowed.

All these new standards, amendments to standards and interpretations are applicable to annual periods beginning after January 1, 2018, and have not been applied in advance in preparing these financial statements. The Company estimates that the adoption of the new standards, amendments and interpretations described above will not have a significant effect on future financial statements.

Note 3 - Significant Accounting Judgment, Estimates and Assumptions

In the preparation of the Company's financial statements management must use accounting judgment, estimates and assumptions that affect the amounts of income and expenses, assets and liabilities and related disclosures, and the disclosure of contingent liabilities as of the end of the reporting period. The uncertainty of such assumptions and estimates could in the future require significant adjustments to the carrying amount of affected assets or liabilities.

a) Estimates and assumptions

Key assumptions related to the future and other key sources of estimates of uncertainties as of the reporting period closing date, which have a high risk of causing significant adjustment of the carrying amounts of assets and liabilities during the next year, are described below. The Company has based its assumptions and estimates on the parameters available at the time of preparation of these financial statements; current circumstances and assumptions regarding future events could change due to changes in the market or circumstances that might arise that are beyond the Company's control. These changes are reflected in the assumption when they occur and must be accounted for prospectively.

b) Impairment of trade receivables

The Company evaluates the possibility of collecting trade receivables, based on a series of factors such as recent history of previous losses and general evaluation of overdue and current trade receivables. When the Company becomes aware of a customer's specific incapacity to comply with its financial obligations, a specific allowance for doubtful accounts is estimated and recorded.

c) Useful lives & residual values of intangible assets & property, plant & equipment items

The determination of useful lives and residual values of intangible assets with defined useful lives and of property, plant and equipment items involve judgment and assumptions that might be affected if circumstances change. Management reviews these assumptions at least annually and adjusts them on a prospective basis when a change is identified.

Note 3 - Significant Accounting Judgment, Estimates and Assumptions, continued

d) Depreciation

Depreciation is calculated using the straight-line method, through allocating the acquisition cost less estimated residual value over the estimated useful lives of each of the property, plant and equipment items. Land is recorded separately from buildings and facilities and is understood to have an indefinite useful life, and therefore is not depreciated.

Depreciation of property, plant and equipment under construction begins when the assets are in usable condition.

e) Deferred tax assets

Deferred tax assets are recognized for all temporary deductible differences between the financial and tax base of assets and liabilities and for unused tax losses to the extent that it is probable that there will be taxable profits against which the losses can be charged, and if there are sufficient taxable temporary differences to absorb them. Significant judgment is required on the behalf of management to determine the value of deferred tax assets that can be recognized, based on the probable opportunity and level of projected taxable profits, together with the planning of future tax strategies.

f) Non-current provisions

The Company has established non-current provisions for the concept of reforestation, mine closing and reinstatement. These provisions have been valued on the basis of assumptions and estimates of the costs and disbursements that will be necessary in the future, and might be modified making it necessary to measure the value of the obligations once again.

Note 4 - Cash and Cash Equivalents

Cash and cash equivalents are detailed as follows:

	2017 ThUS$	2016 ThUS$
Bank balances	3,062	274
Total	3,062	274

Bank balances correspond to current account balances that have no restrictions on availability.

Note 4 - Cash and Cash Equivalents, continued

Cash and cash equivalents by currency are detailed as follows:

	2017 ThUS$	2016 ThUS$
Bank balances in Chilean pesos	292	269
Bank balances in United States dollars	2,770	5
Total	3,062	274

Balances of cash and cash equivalents that are presented in the statements of financial position correspond to the same amounts of cash and cash equivalents that are presented in the statements of cash flows. As of September 30, 2017 and December 31, 2017 there are no restrictions or guarantees on Cash and cash equivalents.

Note 5 - Other Current and Non-current Non-financial Assets

Other current and non-current non-financial assets are detailed as follows:

a) Other current non-financial assets

	2017 ThUS$	2016 ThUS$
Deferred expenses	290	-
Prepaid insurance	257	263
Prepaid interest	96	48
Other	4	77
Total	647	388

b) Other non-current non-financial assets

	2017 ThUS$	2016 ThUS$
Guarantees	127	124
Cooperativa Agrícola de la Colonia Chuchiñí Ltda. (1)	93	93
Total	220	217

(1) Correspond to 45 shares of Cooperativa Agrícola de la Colonia Chuchiñí Ltda., which are valued at acquisition cost.

Note 6 - Current Trade and Other Receivables

Current trade and other receivables are detailed as follows:

	2017 ThUS$	2016 ThUS$
Current trade receivables	253	95
Other current receivables	963	657
Total	1,216	752

Current trade receivables are detailed as follows:

Current trade receivables	2017 ThUS$	2016 ThUS$
Billed export accounts receivable	546	546
Export accounts receivable to be billed	253	95
Allowance for doubtful accounts	(546)	(546)
Total	253	95

Current trade receivables are aged as follows:

Current trade receivables	2017 ThUS$	2016 ThUS$
Up to 30 days	253	95
More than 30 and up to 60 days	-	-
More than 61 days	546	546
Subtotal	799	641
Less: allowance for doubtful accounts	(546)	(546)
Total	253	95

Note 6 - Current Trade and Other Receivables, continued

Trade accounts receivable impairment is detailed as follows:

Allowance for doubtful accounts	2017 ThUS$	2016 ThUS$
Balance at the beginning of the year	(546)	(543)
Increase in the allowance	-	(3)
Bad debt write offs	-	-
Reversal of provisions	-	-
Balance as of year-end	(546)	(546)

The Company evaluates the possibility of collecting trade receivables, based on a series of factors such as the recent history of prior losses and a general evaluation of overdue and current trade receivables. When the Company is aware of a specific incapacity of the customer to fulfill its financial obligations, a specific allowance for doubtful accounts is estimated and recorded.

Other current receivables are detailed as follows:

Other current receivables	2017 ThUS$	2016 ThUS$
VAT credit (1)	833	558
Advances to domestic suppliers	120	56
Employee loans	6	3
Advances to foreign suppliers	4	40
Total	963	657

(1) Since the Company is an exporter, it received payments for the concept of exporter VAT recovery in the amount of ThUS$ 2,348 in 2017 (ThUS$ 2,384 in 2016). In 2016, this value includes ThUS$ 128, which corresponds to a Value-Added Tax (VAT) generated by the debt recognition agreement with Empresa Nacional de Minería (see Note 11), and that of which was recovered in January of 2017.

Note 7 - Inventory

Inventory items are detailed as follows:

	2017 ThUS$	2016 ThUS$
Work in progress	6,893	10,147
Finished products	2,430	2,080
Materials	1,237	1,160
Raw material	10	20
Suppliers	118	84
Total	10,688	13,491

For the purpose of adjusting inventory balances to the tons of copper that the Company estimates it will recover in the cathode production process, as of September 30, 2017 and December 31, 2016, the Company engaged an independent third party to estimate the tons of copper contained in the leaching piles and in the PLS pools.

Adjustments to Net Realizable Value

As mentioned in the basis of preparation of these financial statements, at the end of September 30, 2017 and December 31, 2016 the balances of Work in progress and Finished Products have been valued at the lower of cost and Net Realizable Value (NRV), and it was determined that it was not necessary to record any adjustment.

Guarantees

The inventory items pledged in guarantee for liabilities, or with any other type of restriction, included in inventory balances, are described in Note 26.

Note 8 - Intangible Assets Other than Goodwill

a) Composition of the balance

Intangible assets are detailed as follows:

2017

	Gross value ThUS$	Accumulated amortization ThUS$	Net value ThUS$
Mining properties	10,056	(5,348)	4,708
Easements	3,602	(2,171)	1,431
Water rights	354	-	354
Other intangible assets – Reforestation (1)	3,992	(2,552)	1,440
Other intangible assets - Contribution to Foundation (1)	870	(454)	416
Total	18,874	(10,525)	8,349

2016

	Gross value ThUS$	Accumulated amortization ThUS$	Net value ThUS$
Mining properties	9,102	(4,830)	4,272
Easements	3,602	(1,944)	1,658
Water rights	354	-	354
Other intangible assets – Reforestation (1)	3,992	(2,218)	1,774
Other intangible assets - Contribution to Foundation (1)	870	(395)	475
Total	17,920	(9,387)	8,533

1) In accordance with the Environmental Qualification Resolution obtained in 2009, the Company committed to contributing the sum of ThUS$ 1,000 in ten equal annual payments to finance a Foundation for the development of the communities of Cárcamo, Manquehua and Chuchiñí, which will decide the destination of these funds. These payments will begin as of the respective legal establishment of that Foundation (2014). In addition, the Company committed to financing the reforestation of 252 hectares of land in sectors close to the Company's mining facilities, in order to replace native vegetation removed during the construction of those facilities. Obligations were accounted for as a charge to Intangible assets.

Note 8 - Intangible Assets Other than Goodwill, continued

b) Detail of movements

Movements of intangible assets are detailed as follows:

2017

Concept	Opening net value ThUS$	Additions for the year ThUS$	Amortization for the year ThUS$	Closing net value ThUS$
Mining properties	4,272	954	(518)	4,708
Easements	1,658	-	(227)	1,431
Water rights	354	-	-	354
Other intangible assets – Reforestation	1,774	-	(334)	1,440
Other intangible assets - Contribution to Foundation	475	-	(59)	416
Total	8,533	954	(1,138)	8,349

2016

Concept	Opening net value ThUS$	Additions for the year ThUS$	Amortization for the year ThUS$	Closing net value ThUS$
Mining properties	4,962	-	(690)	4,272
Easements	1,962	-	(304)	1,658
Water rights	354	-	-	354
Other intangible assets – Reforestation	2,218	-	(444)	1,774
Other intangible assets - Contribution to Foundation	554	-	(79)	475
Total	10,050	-	(1,517)	8,533

c) Impairment

As of December 31, 2016, indicators of impairment for intangible assets have been identified; consequently, the evaluation of impairment is described in Note 9 d). As of September 30, 2017, impairment factors were not identified.

Note 9 - Property, Plant and Equipment

a) Composition of the balance

Property, plant and equipment items are detailed as follows:

2017

	Gross value ThUS$	Accumulated depreciation ThUS$	Net value ThUS$
Land	665	-	665
Buildings and infrastructure	25,654	(13,715)	11,939
Mining facilities	28,054	(15,613)	12,441
Machinery and equipment	4,360	(2,817)	1,543
Vehicles	31	(27)	4
Office equipment	25	(21)	4
Information equipment	11	(11)	-
Leased machinery and equipment	342	(342)	-
Total	59,142	(32,546)	26,596

2016

	Gross value ThUS$	Accumulated depreciation ThUS$	Net value ThUS$
Land	665	-	665
Buildings and infrastructure	25,654	(12,074)	13,580
Mining facilities	28,054	(13,743)	14,311
Machinery and equipment	4,199	(2,341)	1,858
Vehicles	162	(132)	30
Office equipment	22	(21)	1
Information equipment	11	(11)	-
Leased machinery and equipment	342	(258)	84
Total	59,109	(28,580)	30,529

Note 9 - Property, Plant and Equipment, continued

b) Detail of movements

Property, plant and equipment movements are detailed as follows:

2017

	Opening net value	Additions for the year	Derecognition	Reclassi-fications	Depreciation for the year	Closing net value
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Land	665	-	-	-	-	665
Buildings and infrastructure	13,580	-	-	-	(1,641)	11,939
Mining facilities	14,311	-	-	-	(1,870)	12,441
Machinery and equipment	1,858	161	-	-	(476)	1,543
Vehicles	30	-	(19)	-	(7)	4
Office equipment	1	3	-	-	-	4
Leased machinery and equipment	84	-	-	-	(84)	-
Total	30,529	161	(19)	-	(4,078)	26,596

2016

	Opening net value	Additions for the year	Derecognition	Reclassi-fications	Depreciation for the year	Closing net value
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Land	665	-	-	-	-	665
Buildings and infrastructure	15,687	74	-	-	(2,181)	13,580
Mining facilities	16,805	-	-	-	(2,494)	14,311
Machinery and equipment	1,759	609	-	-	(510)	1,858
Vehicles	85	-	(17)	-	(38)	30
Office equipment	1	-	-	-	-	1
Leased machinery and equipment	198	-	-	-	(114)	84
Total	35,200	683	(17)	-	(5,337)	30,529

Note 9 - Property, Plant and Equipment, continued

c) Assets under finance leases

As of September 30, 2017 and December 31, 2016, the following assets are under a finance lease contract:

c.1) Contract with VFS Chile S.A. (effective since August 2014)

The following assets involve a sale and leaseback:

Units	Asset	Brand	Model
2	Trucks	MACK	GU 813

In August 2014, the Company entered into a sale and leaseback contract for 2 trucks, Mack brand, model GU 813, with VFS Chile S.A., for a total of ThUS$ 351, for a period of three years. The associated payments with this contract expire in December of 2017.

d) Impairment

In accordance with IAS 36, management analyzed certain long-term asset impairment indicators, specifically for Property, plant and equipment and for Intangible assets other than Goodwill. This analysis revealed that the decrease in the international price of copper during 2016 and the recurrent losses, were sufficient indication to test impairment of the mentioned assets as of December 31, 2016. As of September 30, 2017, impairment factors were not identified.

In their determination of the recoverable amount of these assets, management determined the value in use of the cash-generating unit that encompasses all assets included in Property, plant and equipment and Intangible assets other than Goodwill as of September 30, 2017. The calculation of the value in use considered the estimate of the net operating cash flows during the period that are expected to generate cash flows through the exploitation and sale of copper cathodes, discounted at an interest rate.

Note 9 - Property, Plant and Equipment, continued

d) Impairment, continued

To determine cash flows and calculate value in use, the Company considered the following assumptions:

	2016
Price of copper (US$ per pound of copper)	2,6
Discount rate	8%
Year when exploitation of the Company's own tested copper reserves ends	2024
Year in which mining operations are closed	2026
Cost of closing mining operations (stripping and remediation) and Reforestation commitment (amounts in ThUS$)	7,541

Value in use (or recoverable amount), determined as of December 31, 2016, and the determination of a possible impairment, are detailed as follows:

Impairment evaluation	2016 ThUS$
Value in use (1)	54,264
Less: Net balance of property, plant and equipment and Intangible assets other than Goodwill (before impairment)	(39,062)
Impairment excess (loss)	15,202

(1) In 2016, the value-in-use was determined by a third-party specialist. The criteria to determine said values were similar, except those used to determine the cost of the extraction of ore and the cost of copper cathode production. Additionally, the cost of our reforestation commitment was considered alongside the cost of operational mine closures.

As of December 31, 2016, Management has determined that there is no loss from impairment of the Company’s assets.

Note 9 - Property, Plant and Equipment, continued

e) Other situations

The assets of properties, plant and equipment, as well as the leaching plant, are subject to restrictions, guarantees, loans and/or mortgages, and are described in Note 26.

Note 10 - Other Current and Non-current Financial Liabilities

The other non-financial liabilities, mainly correspond to bank obligations, finance lease obligations and other obligations. The obligations and their respective deferred interests are detailed as follows:

Other current financial liabilities	2017 ThUS$	2016 ThUS$
Obligations with finance institutions, current	7,661	5,034
Obligations for finance leases, current	20	70
Obligation for contribution to Foundation Tres Valles (1)	100	100
Total	7,781	5,204

Other non-current financial liabilities	2017 ThUS$	2016 ThUS$
Obligations for contribution to Foundation Tres Valles, non-current (1)	559	550
Total	559	550

(1) In accordance with the Environmental Qualification Resolution obtained in 2009, the Company committed to contributing the sum of ThUS$ 1,000 in ten equal annual payments to finance a Foundation for the development of the communities of Cárcamo, Manquehua and Chuchiñí, which will decide on the destination of these funds. These payments begun as of the respective legal establishment of that Foundation (2014). In accordance with IAS 37, this non-current obligation is presented discounted at an annual interest rate of 1.89%, and accrual of interest (ThUS$ 6 in 2017 and ThUS$ 7 in 2016) is presented under Finance costs in the Income Statement (Note 23).

Note 10 - Other Current and Non-current Financial Liabilities, continued

a) Obligations with financial institutions

2017

Bank or Financial Institutions	Currency	Amortization	Effective Annual Interest Rate	Capital Owed	Accrued Interest	Total Obligation
			%	ThUS$	ThUS$	ThUS$
Kimura Master Fund Ltd. (1)	US Dolar	Upon maturity	10.0	7,595	66	7,661
Total				7,595	66	7,661

2016

Bank or Financial Institutions	Currency	Amortization	Effective Annual Interest Rate	Capital Owed	Accrued Interest	Total Obligation
			%	ThUS$	ThUS$	ThUS$
Trade Finance Funding (2)	US Dolar	Upon maturity	10.5	5,000	34	5,034
Total				5,000	34	5,034

(1) On January 26, 2017, a line of credit up to ThUS$ 9,500 with an annual interest rate of 10% was established with Kimura Master Fund Limited (KIMURA), a British investment fund based on the Cayman Islands. The related guarantees are detailed in Note 26.

(2) In November 2014, the Company entered into a Credit Facility Agreement with Trade Finance Funding (creditor), in which the latter made available to the Borrower credit in the amount of up to ThUS$ 5,000. In November 2015, this credit facility was renewed until October, 2016. In October 2016, the line of credit was renewed until January 31, 2017. The established guarantees are detailed in Note 26. In January 2017 this line of credit was fully paid, and the financing contract was ended.

Note 10 - Other Current and Non-current Financial Liabilities, continued

b) Obligations under finance leases

The details of obligations under finance leases (sale and leaseback type), as of September 30, 2017 and December 31, 2017 are as follows:

2017

Lessor	Currency	Interest Rate %	Total Obligation ThUS$	Interest ThUS$	Net Obligation ThUS$	Current ThUS$	Non-Current ThUS$
VFS Chile S.A. (1)	Pesos	10.6	21	(1)	20	20	-
			21	(1)	20	20	-

2016

Lessor	Currency	Interest Rate %	Total Obligation ThUS$	Interest ThUS$	Net Obligation ThUS$	Current ThUS$	Non-Current ThUS$
VFS Chile S.A. (1)	Dollar	10.6	77	(7)	70	70	-
Total			77	(7)	70	70	-

(1) Contract for sale and leaseback signed in August 2014, for a three-year term, for two Mack trucks. The associated payments with this contract expire in December of 2017.

The present value of future payments derived from finance lease contracts is detailed as follows:

	2017 ThUS$	2016 ThUS$
Less than 1 year	21	77
From 1 to 5 years	-	-
Total	21	77

Note 11 - Trade and Other Payables

Trade and other payables are detailed as follows:

Current portion	2017 ThUS$	2016 ThUS$
Suppliers in local currency, current (3)	5,629	5,303
Pre-payments from foreign customers (2)	4,028	2,267
Suppliers in US dollars (1)	1,750	1,095
Unbilled suppliers	2,771	2,393
Employee accounts payable	1,070	571
Legal vacation obligation	360	332
Pension and health withholdings	134	116
Other withholdings	130	112
Other accounts payable	1	4
Total	15,873	12,193

Non-current portion	2017 MUS$	2016 MUS$
Suppliers in local currency, non-current (3)	566	1,559
Total	566	1,559

(1) In the item "Suppliers in local currency", the current portion includes ThUS$ 1,408 as of September 30, 2017 (ThUS$ 1,065 as of December 31, 2016), and ThUS$ 901 and ThUS$ 1,559 both in the non-current portion, at the same dates, respectively, corresponding to the debt owed to Empresa Nacional de Minería, which has an average annual interest rate of 4.51%. This debt originated from purchasing ore and sulfuric acid between the years of 2010 and 2013. In 2016, the Company entered into a debt recognition agreement with ENAMI, that defined the obligatory amounts, interests and periods to be paid. In the process of the debt settlement, ENAMI presented information to the Company that was priorly unknown, and which led to an increase in the accrued liability up to December 31, 2015. The effects of the increase in debt are described in Note 15. The accrued interest amount to ThUS$ 106 in 2017 (ThUS$ 61 in 2016).

(2) Corresponds to outstanding balance of the payment received in advance from a client in September 2017 and December 2016 (of a total of ThUS$ 5,000) for the sale of approximately 470 metric tons of copper cathodes that were delivered to the client by October 2017 and mid-January, 2017, respectively.

(3) It corresponds to debt invoiced in pesos with local suppliers, for the purchase of goods and services of the business, with maturity of less than one year, and that does not accrue interest or adjustments.

Note 12 - Related Party Disclosures

a) Background

On December 12, 2013, Vale International Holding GmbH and Docepar S.A., owners of the Series A shares of Minera Tres Valles SpA, formalized the sale of all their shares to Inversiones Porto San Giorgio S.A. of the Grupo Vecchiola, who thereafter became the controlling shareholder of the Company. On January 31, 2014, Compañía Minera Werenfried, owner of the Series B shares of Minera Tres Valles SpA, formalized the sale of all the shares to Inversiones Porto San Giorgio S.A. (except one share, which was bought by Vecchiola S.A.), and thus, the Grupo Vecchiola became the controller of all the shares of Minera Tres Valles SpA.

Based on the above mentioned, in the preparation of these financial statements, Inversiones Porto San Giorgio S.A., Vecchiola S.A. and their respective related parties have been considered as related parties of the Company.

b) Accounts receivable from related parties, current and non-current

Entity	Relationship	Interest Rate	Currency	2017 ThUS$	2016 ThUS$
Current					
Inversiones Porto San Giorgio S.A.	Controlling shareholder	-	Dollars	2,836	-
Inversiones Porto San Giorgio S.A.	Controlling shareholder	-	Pesos	108	-
Vecchiola S.A.	Minority shareholder	-	Pesos	157	-
Vecchiola Ingeniería y Construcción S.A.	Shareholders in common	-	Pesos	259	-
Inversiones Vecchiola S.A.	Shareholders in common	-	Pesos	215	-
San Antonio S.C.M.	Shareholders in common	-	Pesos	13	-
Salares Atacama S.C.M.	Shareholders in common	-	Pesos	2	-
Fondo de Inversiones Buen Retiro	Shareholders in common	-	Pesos	1	-
Sierra Fritis S.C.M.	Shareholders in common	-	Pesos	1	-
Total				3,592	-
Non-current					
Inversiones Porto San Giorgio S.A.	Controlling shareholder	-	Dollars	-	431
Inversiones Porto San Giorgio S.A.	Controlling shareholder	-	Pesos	-	85
Vecchiola S.A.	Minority shareholder	-	Pesos	-	29
Vecchiola Ingeniería y Construcción S.A.	Shareholders in common	-	Pesos	-	105
San Antonio S.C.M.	Shareholders in common	-	Pesos	-	11
Fondo de Inversiones Buen Retiro	Shareholders in common	-	Pesos	-	1
Salares Atacama S.C.M.	Shareholders in common	-	Pesos	-	2
Sierra Fritis S.C.M.	Shareholders in common	-	Pesos	-	1
Total				-	665

Note 12 - Related Party Disclosures, continued

c) Accounts payable to related parties, current and non-current

Entity	Relationship	Interest Rate	Currency	2017 ThUS$	2016 ThUS$
Current					
Vecchiola S.A.	Minority shareholder	-	Pesos	6	409
Vecchiola Ingeniería y Construcción S.A.	Shareholders in common	-	Pesos	254	56
Servicios de Aeronavegación Ltda.	Shareholders in common	-	Pesos	172	-
Inversiones Vecchiola S.A.	Shareholders in common	-	Pesos	27	-
Inversiones Génova SPA	Shareholders in common	-	Pesos	-	132
Total				459	597
Non-current					
Vecchiola Ingeniería y Construcción S.A.	Shareholders in common	-	Pesos	-	186
Servicios de Aeronavegación S.A.	Shareholders in common	-	Pesos	-	164
Inversiones Vecchiola S.A.	Shareholders in common	-	Dollars	-	27
Total				-	377

Note 12 - Related Party Disclosures, continued

d) Transactions

During the periods covered in these financial statements, the following significant transactions with related parties were recorded as follows:

					2017		2016	
Entity	Country	Relationship	Currency	Transaction	Amount ThUS$	Credit (charge) to income ThUS$	Amount ThUS$	Credit (charge) to income ThUS$
Vecchiola S.A.	Chile	Minority shareholder	Dollar	Compensation of long-term loan (1)	-	-	32,757	-
Vecchiola S.A.	Chile	Minority shareholder	Dollar	Interest expense long-term loan	-	-	627	(627)
Vecchiola S.A.	Chile	Minority shareholder	Pesos	Other loans received	-	-	1,054	-
Vecchiola S.A.	Chile	Minority shareholder	Pesos	Payment of others loans received	-	-	829	-
Vecchiola S.A.	Chile	Minority shareholder	Pesos	Payments made in behalf of	125	-	-	-
Vecchiola S.A.	Chile	Minority shareholder	Pesos	Services received	-	-	276	(232)
Inversiones Porto San Giorgio S.A.	Chile	Controlling shareholder	Dollar	Compensation of long-term loan (1)	-	-	39,130	-
Inversiones Porto San Giorgio S.A.	Chile	Controlling shareholder	Dollar	Interest earned long-term loan	-	-	1,265	1,265
Inversiones Porto San Giorgio S.A.	Chile	Controlling shareholder	Dollar	Payments made in behalf of	2,044	-	671	-
Inversiones Porto San Giorgio S.A.	Chile	Controlling shareholder	Pesos	Payments made in behalf of	14	-	-	-
Inversiones Vecchiola S.A.	Chile	Shareholders in common	Pesos	Debt recognition	-	-	6,400	-
Inversiones Vecchiola S.A.	Chile	Shareholders in common	Pesos	Compensation of long-term loan (1)	-	-	6,373	-
Inversiones Vecchiola S.A.	Chile	Shareholders in common	Pesos	Other loans granted	206	-	-	-

Note 12 - Related Party Disclosures, continued

d) Transactions, continued

					2017		2016	
					Amount	Credit (charge) to income	Amount	Credit (charge) to income
Entity	Country	Relationship	Currency	Transaction	ThUS$	ThUS$	ThUS$	ThUS$
Inversiones Génova SPA	Chile	Shareholders in common	Pesos	Services received	-	-	1,809	(1,520)
Vecchiola Ingeniería y Construcción S.A.	Chile	Shareholders in common	Pesos	Sale of assets	145	103	105	72
Vecchiola Ingeniería y Construcción S.A.	Chile	Shareholders in common	Pesos	Services received	-	-	220	(185)
Servicios de Aeronavegación Vecchiola Ltda.	Chile	Shareholders in common	Pesos	Loans received	-	-	164	-

(1) On December 12, 2013, Vecchiola S.A. obtained financing with a pool of banks led by Banco Santander-Chile for a total of ThUS$ 30,500 to be used for the purchase of all the shares of Minera Tres Valles SpA by the parent company Inversiones Porto San Giorgio S.A. Through a private instrument dated December 12, 2013, Vecchiola S.A. and Inversiones Porto San Giorgio S.A. entered into a loan agreement in which Vecchiola S.A. granted a loan to Inversiones Porto San Giorgio S.A. for ThUS$ 26,500 (first disbursement) to finance the purchase of the Series A shares of Minera Tres Valles SpA from the Vale Brasil group. Through a deed dated January 31, 2014, Vecchiola S.A. and Inversiones Porto San Giorgio S.A. entered into a second contract for ThUS$ 4,000 in order to finance the cash portion of the payment of the Series B shares of the Company to Compañía Minera Werenfried, a transaction that was completed on the same date. Through a private instrument dated March 12, 2014, a novation was agreed due to the change of the debtor of the above-mentioned loan agreements, whereby Minera Tres Valles SpA assumed the obligation to pay Vecchiola S.A. all the amounts due by Inversiones Porto San Giorgio S.A. by way of capital, adjustments and interest, under the same conditions agreed upon in the respective original loan agreements. In return for this agreement, Inversiones Porto San Giorgio S.A. signed, on this date, an acknowledgment of debt in favor of Minera Tres Valles SpA, for the same amount that it agreed to pay Vecchiola S.A.; the payment period is one or more installments within a period of four years from March 12, 2014. Therefore, for these transactions, Minera Tres Valles SpA holds an account receivable from Inversiones Porto San Giorgio S.A. and an account payable to Vecchiola S.A. In July of 2016, the compensation of outstanding debts between Minera Tres Valles and Vecchiola S.A., Inversiones Porto San Giorgio S.A. and Inversiones Vecchiola S.A. was made at a collective total of ThUS$ 39,130.

Note 12 - Related Party Disclosures, continued

e) Key employees

As of September 30, 2017, the following persons are considered to be key employees:

Name	Position
Eduardo Matta V.	Chairman of the Board
Guido Vecchiola A.	Director
Enzo Vecchiola M.	Director
Luis Vega M.	Chief Executive Officer
Pedro Loyola C.	Chief Financial Officer
Fernando Álvarez C.	Operations Manager

f) Remunerations and benefits received by key Company employees

During the nine months ended as of September 30, 2017 the Company recorded expenses for compensation and benefits paid to key personnel for a total of ThUS$ 695 (ThUS$ 871 in 2016).

Note 13 – Other Provisions

Balances of provisions are detailed as follows:

a) Other current provisions

Concept	2017 ThUS$	2016 ThUS$
Cost of reforestation (1)	1,598	1,565
Contingencies, lawsuits and administrative sanctions	252	-
Transaction costs	106	-
Cost of studies	80	75
Total	2,036	1,640

(1) See description in Other non-current provisions

Note 13 – Other Provisions, continued

a) Other current provisions, continued

Current provision movements are detailed as follows:

2017

	Reforestation ThUS$	Studies ThUS$	Contingencies ThUS$	Transaction costs ThUS$	Total ThUS$
Balance at beginning of year	1,565	75	-	-	1,640
Increase (decrease) of provision	-	-	253	324	577
Foreign currency translation	77	4	-	-	81
Payments	(44)	-	-	(218)	(262)
Reclassification from non-current	-	-	-	-	-
Balance at year-end	1,598	79	253	106	2,036

2016

	Reforestation ThUS$	Studies ThUS$	Contingencies ThUS$	Transaction costs ThUS$	Total ThUS$
Balance at beginning of year	982	77	17	-	1,076
Increase (decrease) of provision	-	-	(17)	-	(17)
Foreign currency translation	(36)	-	-	-	(36)
Payments	60	(2)	-	-	58
Reclassification from non-current	559	-	-	-	559
Balance at year-end	1,565	75	-	-	1,640

Note 13 – Other Provisions, continued

b) Other non-current provisions

Concept	2017 ThUS$	2016 ThUS$
Mine closure and rehabilitation (1)	4,902	4,849
Cost of reforestation (2)	1,169	1,052
Total	6,071	5,901

(1) Pursuant to the provisions of IAS 16, the Company has estimated the cost of closure and rehabilitation of the mine, which will commence upon completion of ore mining operations and the production and sale of copper cathodes, planned for late 2022. In accordance with IAS 37, this long-term obligation is discounted using an annual interest rate of 1.52%, and the interest accrued (ThUS$ 52 in 2017 and ThUS$ 49 in 2016) is presented in financial costs in the Income Statement (Note 23).

(2) In accordance with the Environmental Qualification Resolution obtained in 2009, the Company committed to financing the reforestation of 252 hectares of land in sectors close to the Company's mining facilities, in order to replace the native vegetation removed in the construction of those facilities. The total cost of the reforestation work has been estimated at ThCh$ 2,669,068 (equivalent to ThUS$ 5,199 as of January 1, 2012) which is expected to be disbursed from 2013 to 2019. In accordance with IAS 37, this non-current obligation is presented discounted at an annual rate of 5.19%, and interest accrued (ThUS$ 65 in 2017 and ThUS$ 75 in 2016) is presented in finance costs in the Income Statements (Note 23).

Note 13 – Other Provisions, continued

b) Other non-current provisions, continued

Non-current provisions movement is detailed as follows:

2017

	Mine closure and rehabilitation ThUS$	Reforestation ThUS$	Total ThUS$
Balance at beginning of year	4,849	1,052	5,901
Interests	53	64	117
Foreign currency translation	-	53	53
Reclassification to current portion	-	-	-
Balance at year-end	4,902	1,169	6,071

2016

	Mine closure and rehabilitation ThUS$	Reforestation ThUS$	Total ThUS$
Balance at beginning of year	4,781	1,423	6,204
Interest	68	101	169
Foreign currency translation	-	87	87
Reclassification to current portion	-	(559)	(559)
Balance at year-end	4,849	1,052	5,901

Note 14 - Employee Benefits Reserve

The Company has non-current obligations with its employees, which mainly correspond to future payment of termination benefits, which become effective when the labor relationship ends. The benefit operates within the framework of existing legal regulation in Chile and, where appropriate, in the clauses stipulated in contracts, collective and individual agreements, signed by the Company. In accordance with the standard, the obligation is recognized when, and only, when the entity does not have another more realistic alternative than to face the corresponding payments. During the nine months ended as of September 30, 2017 no relevant changes were made to defined benefits plans.

This provision is recorded at the actuarial value of estimated future obligations, in accordance with the projected unit of credit method required by international standards. The basis for recording this obligation is determined by the current beneficiary staffing. Changes in the reserve are recognized in income for the period in which they are incurred, actuarial profits and losses are recognized immediately in other comprehensive income.

The current period service cost is the increase in the present value of defined benefits obligations, which is produced as a consequence of the services provided by employees in the period. It is determined discounting estimated payment flows, considering the series of market interest rates for non-current debt instruments corresponding to the same currency in which the obligations will be paid with similar expiration terms.

Interest cost is the increase in the present value of defined benefits obligations for the period, as a consequence of approximating the obligation to expiration in one more period.

Actuarial results correspond to deviations in the balance of the obligation due to modifications in demographic assumptions, financial parameter and due to changes in the staffing structure (effect due to experience).

Note 14 - Employee Benefits Reserve, continued

The present value of the reserve is subject to uncertainty expressed in the main actuarial assumptions, which are detailed as follows:

Main assumptions	2017	2016
Annual nominal discount rate	4.09%	4.09%
Salary increase, annual average	4.34%	4.34%
Future long-term inflation rate	3.00%	3.00%
Expected duration of the obligations (years)	5.50	6.00
Turnover rate, annual voluntary retirement	6.90%	6.90%
Annual turnover rate for termination	6.20%	6.20%
Turnover rate, other causes	1.90%	1.90%
Mortality tables used for projections	CB014	CB014
Estimated end date of operations	12-31-2022	12-31-2022
Expected retirement age for men (years)	65	65
Expected retirement age for women (years)	60	60

Discount rates correspond to secondary market trading of government bonds issued in Chile, due to the lack of other local instruments that satisfy the tax requirements imposed by regulations. Annual inflation corresponds to the long-term goal publicly declared by the Chilean Central Bank. Turnover rates have been determined by reviewing the Company's own experience, through studying the behavior of employee separations for the last three years (analysis by cause). The growth rate for compensable income is due to the long-term tendency observed when reviewing the historical salaries paid by the Company. The mortality tables used for actuarial calculations are the current tables issued by the Superintendency of Securities and Insurance, because they are an appropriate representation of the Chilean market and due to lack of statistical depth necessary to prepare in-house studies. The retirement ages are those defined in the programmed retirement of the AFP (Pension Funds Administrators), a parameter that is generally accepted in the Chilean market.

The balance of the provision as of September 30, 2017 includes a current portion of ThUS$ 439 (ThUS$ 100 as of December 31, 2016). As of December 31, 2017, a total balance of ThUS$ 902 has been projected for the provision. The cash flows of compensation payment flows over the next twelve months reach a monthly-expected average of ThUS$ 37.

Note 14 - Employee Benefits Reserve, continued

The balances of obligatory employee benefits are detailed as follows:

Employee benefits reserve	2017 ThUS$	2016 ThUS$
Staff severance indemnities, current portion	439	100
Staff severance indemnities, non-current portion	218	565
Total	657	665

Movements in the obligation during 2017 and 2016 are detailed as follows:

Employee benefits reserve	2017 ThUS$	2016 ThUS$
Balance at beginning of year	665	311
Cost of sales (increased obligation)	344	360
Interest cost	14	15
Benefits paid	(358)	(58)
Actuarial (gain) loss	(14)	18
Foreign currency translation	6	19
Balance at end of year	657	665

The Company has conducted a technical revaluation of liabilities obtaining as of September 30, 2017, an actuarial gain of ThUS$ 14, corresponding to changes in financial assumptions that reported a negative effect of ThUS$ 2, and a positive adjustment for experience of ThUS$ 16.

As of September 30, 2017, sensitivity reviews performed on the balance of the reserve are detailed as follows:

Sensitivity measurement	Low End	Actuarial hypothesis	High End	Effects of changes in parameters Increase	Reduction
Financial effect on interest rates	3.592%	4.092%	4.592%	2.54%	(2.47%)
Financial effect on revenue increase	3.844%	4.344%	4.844%	(1.81%)	1.85%
Demographic effect on labor turnover	14.250%	15.000%	15.750%	0.78%	(0.76%)
Demographic effect on mortality rates	(25.00%)	CB14	25.00%	0.34%	(0.34%)

Note 15 - Net Shareholders' Equity

a) Capital management

The Company's objective in terms of capital management is to maintain an adequate level of capital, to guarantee access to the financial markets in order to develop its medium and long-term objectives, and to increase shareholder returns.

b) Issued capital

On August 23, 2017, the extraordinary shareholders' meeting of the Company approved a capital increase of ThCh$ 609,523 (equivalent to ThUS$ 954) through the issuance of 3,210,545 Series A payment shares, without par value, those that were fully subscribed and paid by the partner Inversiones Porto San Giorgio S.A. through the contribution in domain of mining concessions. After this increase, the new Issued capital amounts to ThCh$ 263,151,860 (equivalent to ThUS$ 499,667) divided into 48,078,696 shares without par value. The increase was formalized by means of a public deed dated August 25, 2017, granted at the Santiago Notary Office of Mr. Roberto Cifuentes Allel. Consecuentely, the issued capital totaling ThUS$ 499,667 is fully subscribed and paid as of the date of these interim financial statements.

c) Accumulated losses

The cumulative deficit is detailed as follows:

Cumulative deficit	2017 ThUS$	2016 ThUS$
Cumulative deficit	(472,299)	(460,071)
Prior-year adjustment	-	(1,247)
Loss for the year	(6,762)	(10,981)
Total	(479,061)	(472,299)

Prior-year adjustment

Trade and other payables include the current and non-current debt with the Empresa Nacional de Minería (ENAMI), which came from 2013, and accrues an average interest rate of 4.51% per year. This debt originated from ore and sulfuric acid purchases between the years 2010 and 2013. During 2016, the Company entered into a debt recognition agreement with ENAMI, defining the debt amount, interests and periods to be paid. In the process of the debt settlement, ENAMI presented information to the Company that was priorly unknown and which led to an increase of the accrued liability recognized up to December 31, 2015.

Note 15 - Net Shareholders' Equity, continued

c) Accumulated losses, continued

Prior-year adjustment, continued

The effects of the increase of this obligation are as follows:

	ThUS$
ENAMI debt, balance as of 12-31-2015	**1,352**
a) Debit (credit) to prior-year income	
Purchase of sulfuric acid (1)	535
Exchange rate differences from prior-years (2)	540
Debt interest from prior-years (3)	172
Total Debit (credit) to prior-year income	**1,247**
b) Debit (credit) to 2016 income:	
Exchange rate differences - year 2016 (2)	(70)
Debt interest - year 2016 (3)	(33)
Total Debit (credit) - year 2016	**(103)**
V.A.T. (4)	**128**
ENAMI debt, balance as of 12-31-2016	**2,624**

(1) Corresponds to the purchase of sulfuric acid from ENAMI made by the Company, the invoice of this purchase was not issued by ENAMI at the moment of the sale.
(2) Corresponds to the Foreign Currency Translation that was recorded in error because the debt was controlled in pesos instead of US dollars.
(3) Corresponds to the interest that ENAMI had failed to charge at the time of transaction.
(4) Corresponds to the sales tax (VAT) that was applied to the purchase of the sulfuric acid and to the interest.

In consideration of the above, the total of ThUS$ 1,247 related to the purchase of sulfuric acid, the Foreign Currency Translation from prior-years, and the debt interest from prior-years was registered as debit to Accumulated Losses on Janurary 1, 2016.

Note 15 - Net Shareholders' Equity, continued

d) Other reserves

Other reserves in shareholders' equity are detailed as follows:

Other reserves	2017 ThUS$	2016 ThUS$
Comprehensive income from employee benefits (1)	(238)	(252)
Total	(238)	(252)

(1) The origin, detail and movement of this reserve are presented in Note 14.

e) Number of shares

As of September 30, 2017 and December 31, 2016 the Company's shares are detailed as follows:

Number of shares	2017	2016
Series A shares	43,868,151	43,868,151
Series B shares	1,000,000	1,000,000
Total	44,868,151	44,868,151

As established in the bylaws in effect as of September 30, 2017 both the Series A and B shares have no par value. With respect to the Series A shareholders, they have the right to nominate two Directors to the Board and their alternates, and receive 90% of the profits distributed by the Company. Series B shareholders are entitled to appoint one Director to the Board and one alternate, they are not required to agree to pay capital increases and those that occur will not dilute their stake in the Series B shares, so as to always maintain their right to receive 10% of the profits distributed by the Company.

Note 15 - Net Shareholders' Equity, continued

f) Shareholders

The ownership of the Company's shares is as follows:

Shareholders as of 09.30.2017	Ownership interest	Series A shares	Series B shares)
	%		
Inversiones Porto San Giorgio S.A.	99.999998	43,868,151	999,999
Vecchiola S.A.	0.000002	-	1
Total	100.000000	43,868,151	1,000,000

Shareholders as of 12.31.2016	Ownership interest	Series A shares	Series B shares
	%		
Inversiones Porto San Giorgio S.A.	99.999998	43,868,151	999,999
Vecchiola S.A.	0.000002	-	1
Total	100.000000	43,868,151	1,000,000

g) Dividends policy

In accordance with the bylaws, the net profits stated in the statement of financial position shall be distributed in the manner and proportion determined at the Partners' Meeting proposed by the Board of Directors. Since the Company has net losses, no dividends have been paid. The bylaws establish that in case of distribution of profits, 10% of those profits must be paid to the shareholders holding Series B shares.

Since this Company, as a Contractual Mining Partnership ("Sociedad Contractual Minera") is not governed by the Companies Law, and it has no obligation to distribute 30% of the net profits it generates as a minimum dividend.

Note 15 - Net Shareholders' Equity, continued

h) Board of Directors

In accordance with current bylaws, the Company's Board of Directors is composed of three regular members and three alternate members that must be elected at the Partners' Meeting, for a term of three years, and can be reelected at the end of that period (all of these agreements were ratified in the Extraordinary Shareholders' Meeting held May 29, 2014). The Directors are not remunerated for their duties.

On August 22, 2016, Luis Vega M. assumed the position of General Manager, replacing Rafael Pérez de Arce A., who stopped working with the company in November of 2016.

At an Extraordinary Shareholders' Meeting held on November 18, 2016, the Board was renewed, as follows:

- Eduardo Matta V. as Director, and Rinaldo Vecchiola T. as his alternate
- Enzo Vecchiola M. as Director, and Edgar Vecchiola T. as his alternate
- Guido Vecchiola A. as Director, and Guido Vecchiola T. as his alternate.

At the same Extraordinary Shareholders' Meeting, it was agreed to appoint Eduardo Matta V. as the new Chairman of the Board.

Note 16 - Income from Operating Activities

Income from operating activities is detailed as follows:

	2017 ThUS$	2016 ThUS$
Revenue from exports of copper cathodes	24,431	15,760
Revenue from services (1)	862	1,319
Total	25,293	17,079

(1) Revenue from services, correspond to ore tolling services to Empresa Nacional de Minería, according to the services contract described in Note 1.

Note 17 – Cost of sales

Costs of sales presented in the Income Statements are detailed as follows:

	2017 ThUS$	2016 ThUS$
Depreciation and amortization	(5,071)	(4,966)
Salaries	(4,869)	(3,601)
Contracted services	(3,351)	(2,787)
Supplies and spare parts	(3,231)	(2,443)
Electrical energy	(2,599)	(2,467)
Sulfuric acid	(2,059)	(1,832)
Purchase of copper cathodes	(1,804)	-
Purchase of ore from third parties	(1,636)	(266)
Change in inventory	(408)	(602)
Others	(67)	(47)
Total	(25,095)	(19,011)

Note 18 - Other Income

During the nine-month periods ended as of September 30, 2017 and 2016, no Other income has been recorded.

Note 19 - Distribution Expenses

Distribution expenses presented in the Income Statements are detailed as follows:

	2017 ThUS$	**2016 ThUS$**
Maritime and land freight costs	(301)	(339)
Total	(301)	(339)

Note 20 – Administrative expenses

Administrative expenses presented in the Income Statements are detailed as follows:

	2017 MUS$	**2016 MUS$**
Salaries	(2,081)	(2,370)
Contracted services	(1,579)	(1,395)
Taxes and commercial patents	(500)	(573)
Depreciation and amortization	(145)	(143)
Other	(205)	(259)
Total	(4,510)	(4,740)

Note 21 - Other Income (Expenses)

Other income (expenses) in the Income Statements are detailed as follows:

	2017 ThUS$	**2016 ThUS$**
Transaction expenses provision	(252)	-
Contingencies and lawsuits provision	(323)	-
Net income on sale of property, plant and equipment	103	-
Other	(144)	(24)
Total	(616)	(24)

Note 22 – Finance income

The composition of finance income is as follows:

	2017 ThUS$	**2016 ThUS$**
Interest from loans to related parties (1)	-	1,265
Total	-	1,265

(1) Corresponds to interest earned on the loan receivable from Inversiones Porto San Giorgio S.A (Note 12).

Note 23 - Finance Costs

Finance costs are detailed as follows:

	2017 ThUS$	2016 ThUS$
Interest on banking obligations (Note 10)	(735)	(594)
Interest on loan from related parties (Note 12)	-	(627)
Interest on non-current provisions (Note 13)	(117)	(124)
Interest on trade accounts payable (Note 11)	(106)	(121)
Interest on pre-payments from customers	(74)	-
Banking commissions	(22)	(76)
Interest on leasing obligations (Note 10)	(7)	(17)
Interest on obligation to Fundación Tres Valles (Note 13)	(9)	(10)
Other financial costs	(29)	(4)
Total	(1,113)	(1,573)

Note 24 - Current and Deferred Income Taxes

a) Current tax liabilities

As of September 30, 2016 the Company present in this category the income tax to be paid, for ThUS$ 1 which in accordance with Article 21 of the Income Tax Law, represents disallowed expenses that have been effectively paid during the year. As of September 30, 2017, no current tax has been recorded.

Note 24 - Current and Deferred Income Taxes, continued

b) Income tax benefit (expense)

During the nine-month periods ended as of September 30, 2017 and 2016, current tax expenses have not been recorded.

c) Deferred taxes

In accordance with Note 2 g), the Company has not recorded the effects of deferred tax assets or liabilities associated to temporary differences (between the financial and tax basis of valuation) or of tax benefits from tax losses, since it has tax losses accumulated since the beginning of its operations, and it is estimated that it will not generate taxable profits in the mid-term (next 5 years). Therefore, in these financial statements, no tax effects are recorded associated with deferred taxes.

Considering that stated in the previous paragraph, if the Company had recorded deferred tax effects at the end of each year, the balances would be as follows:

Deferred tax assets (liabilities)	2017 ThUS$	2016 ThUS$
Property, plant and equipment	2,781	2,948
Inventory	(2,160)	(1,965)
Provisions	2,462	2,372
Foundation Tres Valles	178	176
Finance lease obligations	5	18
Intangible assets	2,070	1,911
Benefits from tax losses	93,231	86,386
Total	98,566	91,846

Based on the above information, the effect of deferred taxes would have been a gain of ThUS$ 6,720 in 2017 (gain of ThUS$ 17,574 in 2016).

Note 25 - Risks

Minera Tres Valles SpA, a Chilean medium-size mining company, is exposed to different types of risk in the course of business. Management focuses its efforts on addressing these risks in the most appropriate manner in order to minimize potential adverse effects on the Company's bottom line.

The main risks that must be taken into account are detailed as follows:

- Business risks.
- Market risks.
- Product pricing risks.
- Financial activity risks.

a) Business risks

Copper is the main product exploited by the Company, and since it is not a renewable product, depletion of mining reserves is certainly the greatest risk that this type of industry is exposed to. The Company has a policy of maintaining an ongoing portfolio of mining projects that are being studied, to replace or increase mining reserves to ensure its operating continuity in the future. Based on that policy, exposure to this type of risk is duly controlled by the Company's management.

b) Market risks

It has been determined in a quantitative manner, that in respect to the market in which it carries out its activities, the Company's production represents 0.1% of the copper supply produced in Chile.

In the worldwide market, the Company's production represents 0.03 % of the total.

Therefore, in a market where copper is in high demand, as it is now, we do not visualize a quantifiable risk in the market for the Company's operations, due to its minimum incidence in respect to the Chilean or worldwide production.

c) Product pricing risks

The price of copper is determined in international markets, where the Company has no possibility of influencing them.

The average international price of copper during the nine months ende as of September 30, 2017 was 261 (221 in 2016) US cents per pound (LME, nominal). This represented an increase of 18% compared to 2016.

Note 25 - Risks, continued

c) Product pricing risks, continued

Regarding the production of copper sold during the nine-months ended as of September 30, 2017 which amounted to 6,552 million pounds, the effect of the price on the Company's revenues for the period from January to September 2017 is quantified at a value equivalent to ThUS$ 60 per cent of increase or decrease in the price of copper.

The sensitivity analysis of the copper price on the Company's operating revenues, for production for the period January to September 2017, is as follows:

Precio del cobre	Ingreso 2017 MUS$	Variación ingresos %
Precio del cobre a 360 centavos	22,508	45%
Precio del cobre a 335 centavos	20,945	35%
Precio del cobre a 310 centavos	19,382	25%
Precio del cobre a 285 centavos	17,819	15%
Precio del cobre a 260 centavos – real	15,516	0%
Precio del cobre a 235 centavos	14,693	(5%)
Precio del cobre a 210 centavos	13,130	(15%)
Precio del cobre a 185 centavos	11,567	(25%)
Precio del cobre a 160 centavos	10,004	(36%)

Copper price is the most important variable in the financial economic sensitivity determined by the Company to measure its risks.

d) Financial activity risks

The main financial-type risks that the Company might be exposed to refer to:

- US dollar exchange rate risk
- Loan interest rate risk
- Liquidity risk:

Note 25 - Risks, continued

d) Financial activity risks, continued

d.1) US dollar exchange rate risk

Regarding the dollar exchange rate, the Company has defined such currency as its functional currency, which is also the basis for the determination of its operating income received. The inherent risk arising from exchange rates relate to transactions to be carried out in different currencies than the dollar and that have a direct effect on operating results, such as wages set and paid in Chilean pesos. The dollar exchange rate had a negative variation of 2,1% between the average of 2017 and the annual average of 2016, as quoted at Ch$ 660 and Ch$ 677 per US$1, respectively.

The average accumulated dollar exchange rate, which was used to value the costs from this period, is Ch$ 660, with extremes of a maximum price of Ch$ 679 in May 2017 and a minimum price of Ch$ 638 in February 2016.

The total costs paid by the Company durng the nine-months ended as of September 30, 2017 are valued at ThUS$ 16,432. The effects of the exchange rate parity of the dollar have a direct relationship with 76% of the Company's total costs and are those that correspond to the purchased items of external ore, electrical energy, and sulfuric acid, among others. In conducting a sensitivity analysis of these costs, using the minimum and maximum values observed in 2016, and weighting them in due proportion among those influenced by the exchange rate and those that are not affected, it is concluded that there could be a variation of up to ThUS$ 773 in the Company's total costs, as shown in the following table.

Dollar Exchange Rate (e/r) 2017		24% Costs with no effect of dollar e/r ThUS$	76% Costs with effect of dollar e/r ThUS$	Total Cost ThUS$
Maximum	$ 679	3,944	12,132	16,076
Average	$ 660	3,944	12,488	16,432
Minimum	$ 638	3,944	12,905	16,849

Note 25 - Risks, continued

d) Financial activity risks, continued

d.2) Loan interest rate risk

Mining activity is associated to large investments that must be undertaken at the beginning of any project. The behavior of the world economy and the economic measures adopted by authorities, influence the behavior of the interest rate, decreasing or increasing the financial cost of current loans. The Company's future investment policy is to finance its mining projects through a combination of its own resources and bank financing, which is exposed to this type of risk.

However, the Company currently has no significant direct bank financing.

d.3) Liquidity risk

The main source of financing of the operations in the Company's line of business and its current investments plan is cash flows obtained from its productive units.

Maintaining a solid portfolio of customers who pay in advance as soon as the product is stored at port, in addition to meeting deadlines with critical suppliers and increasing the copper cathode production, are all methods that have allowed us to lower the negative working capital presented.

Note 26 - Contingencies and Commitments

a) Lawsuits

As of September 30, 2017, the Company has a lawsuit with the Municipality of Salamanca for an amount of ThUS $ 252. This claim is based on the collection of municipal fees owed between the period of November 2010 and April 2015, by the concept of the use of the channel of the Chalinga River to install a pipeline, which correspondos to a National Good for public use. The Company lost in the first instance an appeal in the Court of Appeals. As of May 30, 2017, the appeal for cassation in the merits is in agreement in the third room of the Supreme Court, so that only the judgment is pending. Due to the foregoing, as of September 30, 2017, a provision against results of the period has been recorded for ThUS $ 252.

The Company is a defendant in some minor lawsuits, which in the opinion of its legal counsel represent a remote possibility of losses. This is considering the available evidence at the date of authorization for issuance of these financial statements, with exception to Note 27 letter (b).

Note 26 - Contingencies and Commitments, continued

b) Guarantees granted

b.1) Constitution of mortgages and pledges to obtain syndicated credit

To guarantee the payment of the syndicated loan signed in December 2013 by Vecchiola S.A. and the banks that financed the purchase of the shares of Minera Tres Valles SpA, the following mortgages and pledges were established:

i) A mortgage for 26 mining claims of Minera Tres Valles SpA, incorporated in favor of the banks Banco BBVA, Banco Itaú-Chile and Banco Santander-Chile, through public deed dated April 14, 2014, signed before the Notary of Santiago Eduardo Diez Morello, to guarantee payment of the syndicated loan issued by these banks to Vecchiola S.A. for the purchase of the Series A and Series B shares of Minera Tres Valles SpA.

ii) Pledge without displacement of all assets of the leaching plant owned by Minera Tres Valles SpA (recorded under the property, plant and equipment heading), established in favor of the banks Banco BBVA, Banco Itaú-Chile and Banco Santander-Chile, through public deed dated April 14, 2014, signed before the Notary of Santiago Eduardo Diez Morello, to guarantee payment of the syndicated loan issued by these banks to Vecchiola S.A., to purchase the Series A and Series B shares of the Minera Tres Valles SpA.

b.2) Constitution of pledges for the acquisition of Series B shares

On January 31, 2014, shareholder Compañía Minera Werenfried sold all Series B shares owned (1,000,000 shares) to Inversiones Porto San Giorgio S.A. and the related Vecchiola S.A.

Since it was agreed to pay a portion of the purchase price of these shares in installments over a period of two years from 2015 (currently, this period has been extended), and in order to guarantee payment of such shares, Inversiones Porto San Giorgio S.A. constituted in favor of Compañía Minera Werenfried a pledge without displacement of all assets that comprise the crushing plant (part of property, plant and equipment) of Minera Tres Valles SpA, through public deed dated January 31, 2014, signed before the Notary of Santiago Dona Antonieta Mendoza Escalas.

Note 26 - Contingencies and Commitments, continued

b) Guarantees granted, continued

b.3) Constitution of mortgages and pledges for approval of credit line

On January 26, 2017, a line of credit up to ThUS$ 9,500 with an annual interest rate of 10% was established with Kimura Master Fund Limited (KIMURA), a British investment fund based on the Cayman Islands.

As terms for financing, the Company agreed to offer the following forms of guarantee to KIMURA:

i) The totality of the copper stocks, both in its finished state as ore and any product still undergoing processing.

ii) The naming of KIMURA as beneficiary of risk of theft of copper cathodes, and

iii) The naming of Kimura as the main beneficiary of the risk associated with the transport of copper cathodes.

Additionally, Porto San Giorgio S. A. provided corporate guarantee to KIMURA ensuring compliance with obligations set forth.

On the 27th of January, 2017, the Company withdrew a sum of ThUS$ 5,045 from the credit line with KIMURA as a means of paying and finalizing the prior line of credit that was held with Trade Financing Funding.

Note 26 - Contingencies and Commitments, continued

b) Guarantees granted, continued

b.4) Bank Guarantees

As of September 30, 2017 the Company stood as a bank guarantor, and joint debtor, for Vecchiola S.A. to obtain financing from Banco Estado. The details of the guarantees are as follows:

Creditor	Concept Guaranteed	Currency	Issue Date	Maturity Date	Value ThUS$
Banco Estado	Loan	Pesos	6-28-2016	6-28-2028	2,705
Banco Estado	Loan	Pesos	9-29-2016	9-28-2028	1,668
Total					4,373

c) Mine Closure Plan and Obligation of Establishing Financial Guarantees

On November 30, 2016, the National Service of Geology and Mining in Chile (SERNAGEOMIN) approved the Mine Closure Plan for “Faena Minera Tres Valles”. Based on this approval, and according to current regulations, the Company must provide a financial guarantee to the State ensuring a full and timely compliance to Law 20,551 that was established to regulate the closure of mines and their corresponding facilities. This guarantee must be divided into phases, conforming to the following timeline:

Year	Start Date	Term Date	Minimum Amount in UF	Minimum Amount in ThUS$
2016	5-31-2017	11-30-2017	29,126	1,169
2017	12-1-2017	11-30-2018	53,256	2,138
2018	12-1-2018	11-30-2019	78,141	3,137
2019	12-1-2019	11-30-2020	103,798	4,167
2020	12-1-2020	11-30-2021	130,080	5,222
2021	12-1-2021	11-30-2022	157,105	6,306
2022	12-1-2022	11-30-2023	159,388	6,398
2023	12-1-2023	11-30-2024	160,074	6,425
2024	12-1-2024	11-30-2025	160,771	6,453
2025	12-1-2025	11-30-2026	113,322	4,549
2026	12-1-2025	Final closing	65,872	2,644

Note 26 - Contingencies and Commitments, continued

d) Guarantees Received

The Company has no guarantees received from third parties as of each year-end.

e) Other Contingencies or Commitments

At the close of each financial year, the Company has no other contingencies or commitments.

Note 27 - Events after the Reporting Period

a) Change of Company's controller

On October 2, 2017, the company SRH Chile SpA (Chilean subsidiary of the Canadian group Sprott Resource Holdings) formalized the purchase of 33,655,088 shares of the Company (32,655,088 Series A shares and 1,000,000 Series B shares) to Investments Porto San Giorgio S.A. and to Vecchiola S.A. As a result of this transaction, SRH Chile SpA became the new controller of the Company.

b) Change of corporate structure

On October 2, 2017, the extraordinary shareholders meeting of Minera Tres Valles SpA, approved, among other things, to change the social type, transforming the company from a mining law company to a joint stock company, which continued legally as the successor of the transformed company. The current bylaws were approved in this extraordinary shareholders meeting. As a result of this change, the new company name is Minera Tres Valles SpA.

Additionally, the transformation of all the Series A and Series B shares into a single series with no par value, was approved, but maintaining the total number of shares issued, subscribed and paid. As a result of this change, the ownership of the Company's shares is as follows:

Shereholder as of October 2, 2017	Property percentaje	Shares issued, subscribed and paid
	%	
SRH Chile SpA (controller)	70.00	33,655,088
Inversiones Porto San Giorgio S.A.	30.00	14,423,608
Total	100.00	48,078,696

Note 27 - Events after the Reporting Period, continued

c) Release of guarantees

After the sale of the shares of the Company by Inversiones Porto San Giorgio S.A. and Vecchiola S.A. to SRH Chile SpA (described in Note 27 a), Inversiones San Giorgio S.A. proceeded to pay the oustanding balances of the syndicated loan (described in Note 26 b.1) and the credit for purchase of Series B shares (described in Note 26 b.2). Consequently, the mentioned guarantees granted by Minera Tres Valles SpA were released.

d) Others events after the Reporting Period

From October 1, 2017 to the date of issuance of these interim financial statements, there have been no other subsequent events that require reporting or disclosure in these financial statements.

Exhibit D

Sprott Resource Holdings Inc. (formerly Adriana Resources Inc.)

Unaudited pro forma condensed consolidated financial information
(in thousands of Canadian dollars)

As at September 30, 2017, for the nine-month period ended September 30, 2017 and for the year ended December 31, 2016

Sprott Resource Holdings Inc.
Unaudited pro forma condensed consolidated financial statements
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Sprott Resource Holdings Inc.

Pro Forma Consolidated Statement of Financial Position

As at September 30, 2017

Unaudited - Amounts expressed in thousands of Canadian dollars

	Sprott Resource Holdings Inc.	S.C. Minera Tres Valles	Pro Forma Adjustments	Notes	Pro Forma Consolidated
Assets					
Current Assets					
Cash and cash equivalents	$ 75,719	$ 3,821	$ (45,629)	4a,4b	$ 33,911
Other non-financial assets, current	—	807	(807)	4a	—
Trade and other receivables	558	1,518	(1,518)	4a	558
Accounts receivable from relate parties, current	—	4,483	(4,483)	4a	—
Inventory	—	13,339	(13,339)	4a	—
Investments owned, at fair value	56,702	—	49,795	4a,4b	106,497
Total current assets	132,979	23,968	(15,981)		140,966
Non-Current Assets					
Other non-financial assets, non-current	—	275	(275)	4a	—
Intangible assets other than goodwill	—	10,420	(10,420)	4a	—
Property, plant, and equipment, net	—	33,192	(33,192)	4a	—
Total non-current assets	—	43,886	(43,886)		—
Total assets	$ 132,979	$ 67,854	$ (59,867)		$ 140,966
Liabilities					
Current Liabilities					
Trade and other payables	$ 926	$ 9,628	$ (9,628)	4a	$ 926
Other financial liabilities, current	—	19,892	(19,892)	4a	—
Accounts payable to related parties, current	—	573	(573)	4a	—
Other provisions, current	—	2,541	(2,541)	4a	—
Provisions for employees benefits, current	—	548	(548)	4a	—
Total current liabilities	926	33,182	(33,182)		926
Non-Current Liaibilities					
Other financial liabilities, non-current	—	698	(698)	4a	—
Trade and other payables, non-current	—	706	(706)	4a	—
Other provisions, non-current	—	7,577	(7,577)	4a	—
Provisions for employees benefits, non-current	—	272	(272)	4a	—
Total non-current liabilities	—	9,253	(9,253)		—
Total liabilities	926	42,434	(42,434)		926
Equity					
Capital stock	347,924	623,584	(615,597)	4a,4b	355,911
Warrants	7,996	—	—		7,996
Treasury stock	(460)	—	—		(460)
Contributed surplus	2,492	—	—		2,492
Other Reserves	—	(297)	297	4a	—
Deficit	(225,899)	(597,868)	597,868	4a	(225,899)
Total equity attributable to shareholders of SRHI	132,053	25,419	(17,432)		140,040
Total liabilities and equity	$ 132,979	$ 67,854	$ (59,867)		$ 140,966

Sprott Resource Holdings Inc.

Pro Forma Condensed Consolidated Statement of Operations

For the nine-months ended September 30, 2017

Unaudited - Amounts expressed in thousands of Canadian dollars except per share amounts and number of outstanding shares

	Sprott Resource Corp.	Adriana Resources Inc.	S.C. Minera Tres Valles	Pro Forma Adjustments	Notes	Pro Forma Consolidated
Investment (loss)						
Net (loss) on investments	$ (47,945)	$ —	$ —	$ —		$ (47,945)
	(47,945)	—	—	—		(47,945)
Revenues	—	—	33,033	(33,033)	4c	—
Cost of sales	—	—	(32,774)	32,774	4c	—
	—	—	259	(259)		—
Expenses						
General and administrative expenses	742	338	5,890	(5,994)	4c,4f	976
Distribution Expense	—	—	393	(393)	4c	—
Management fees and compensation	2,150	—	—	137	4d	2,287
Transaction costs	1,127	417	—	(1,006)	4e	538
Finance expense	—	—	1,454	(1,454)	4c	—
Interest income	—	(44)	804	(804)	4c	(44)
Foreign currency translation loss (gain)	942	—	549	(549)	4c	942
	4,961	710	9,090	(10,062)		4,699
Income (loss)	(52,906)	(710)	(8,831)	9,803		(52,644)
Other Comprehensive Income						
Actuarial gains (losses) for employees	—	—	18	(18)	4c	—
	—	—	18	(18)		—
Net income (loss) and comprehensive income (loss) attributable to shareholders of SRHI	$ (52,906)	$ (710)	$ (8,831)	$ 9,803		$ (52,644)
Basic and diluted income (loss) per share attributable to shareholders of SRHI	$ (0.18)					$ (0.09)
Weighted average shares outstanding during the period						
Basic and fully diluted	290,016,306			271,664,540	3, 4b	561,680,846

Sprott Resource Holdings Inc.

Pro Forma Condensed Consolidated Statement of Operations

For the year ended December 31, 2016

Unaudited - Amounts expressed in thousands of Canadian dollars except per share amounts and number of outstanding shares

	Sprott Resource Corp.	Adriana Resources Inc.	S.C. Minera Tres Valles	Pro Forma Adjustments	Notes	Pro Forma Consolidated
Investment gain						
Net gain on investments	$ 10,397	$ 23	$ —	$ —		$ 10,420
	10,397	23	—	—		10,420
Revenue	—	—	28,793	(28,793)	4c	—
Cost of sales	—	—	(32,272)	32,272	4c	—
	—	—	(3,479)	3,479		—
Expenses						
General and administrative expenses	1,852	1,476	8,944	(10,843)	4c,4f	1,429
Distribution Expense	—	—	449	(449)	4c	—
Management fees and compensation	2,240	—	—	1,248	4d	3,488
Transaction costs	1,870	1,292	—	(1,593)	4e	1,569
Finance expense	1,037	—	2,418	(2,418)	4c	1,037
Interest income	—	(339)	(1,744)	1,744	4c	(339)
Share of loss of Lac Otelnuk Mining Ltd.	—	239	—	—		239
Foreign currency translation loss (gain)	(86)	3	995	(995)	4c	(83)
	6,913	2,671	11,062	(13,306)		7,340
Income (loss) before income tax	3,484	(2,648)	(14,541)	16,784		3,080
Income tax						
Current income tax recovery	—	—	(1)	1	4c	—
	—	—	(1)	1		—
Net income (loss)	3,484	(2,648)	(14,542)	16,786		3,080
Other Comprehensive Income						
Actuarial gains (losses) for employees	—	—	(24)	24	4c	—
	—	—	(24)	24		—
Net income (loss) and comprehensive income (loss) attributable to shareholders of SRHI	$ 3,484	$ (2,648)	$ (14,566)	$ 16,810		$ 3,080
Basic income (loss) per share attributable to shareholders of SRHI	$ 0.01					$ 0.01
Diluted income (loss) per share attributable to shareholders of SRHI	$ 0.01					$ 0.01
Weighted average shares outstanding during the period						
Basic	287,599,971			271,664,540	3,4b	559,264,511
Fully diluted	290,016,306			271,664,540	3,4b	561,680,846

1. Corporate Information

Sprott Resource Holdings Inc. (formerly Adriana Resources Inc. or "ADI") (together with its subsidiaries, "SRHI" or the "Company") was incorporated under the laws of British Columbia and continued under the *Canada Business Corporations Act* ("CBCA"). The primary purpose of the Company is to invest in the natural resource sector. The Company currently has investments in mining, agriculture and energy production and services and has initiated its transition from a publicly listed private equity company to a diversified resource holding company.

On February 9, 2017 ("Acquisition Date"), Sprott Resource Corp. ("SRC"), at the time a publicly listed private equity company which invested in the natural resource sector, completed a Plan of Arrangement (the "Arrangement" - see Note 3) with ADI, a publicly listed company whose principal holdings were cash and its 40% investment in a joint venture company, Lac Otelnuk Mining Ltd. ("LOM"), an entity established to continue the exploration of the Lac Otelnuk iron ore property in Nunavik, Quebec. Under the Arrangement, all existing SRC common shares were exchanged into ADI common shares at a ratio of 1:3. SRC became a wholly-owned subsidiary of ADI, and ADI was renamed "Sprott Resource Holdings Inc."

The Company is listed on the Toronto Stock Exchange ("TSX") and trades under the symbol "SRHI".

The Company's head office is located at Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2600, Toronto, Ontario, Canada, M5J 2J1.

2. Basis of Preparation

The unaudited condensed consolidated financial information has been prepared by management of the Company to give effect to the completion of the investment in S.C. Minera Tres Valles ("MTV") resulting in a 70% equity interest ("MTV Investment"). These unaudited pro forma condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and the adjustments described in the notes below. The unaudited pro forma condensed consolidated financial information does not include all of the information and disclosures required by IFRS for annual financial statements. All financial information has been rounded to the nearest thousands of Canadian ("CAD") dollars except when otherwise indicated.

The accompanying pro forma condensed consolidated financial information has been prepared for illustrative purposes only and is not intended to reflect the results of operations or financial position that would have been achieved if the MTV Investment had been completed on the dates or for the periods presented, nor does it purport to project the results of operations or financial position for any future period or at any future date. As it relates to the Arrangement, the accompanying pro forma condensed consolidated information for the year ended December 31, 2016 and the nine-months ended September 30, 2017 has been prepared for illustrative purposes only and is not intended to reflect the results of operations that would have been achieved if the Arrangement had been completed on January 1, 2016 or January 1, 2017, respectively. In addition to the pro forma adjustments, various other factors will have an effect on the financial condition and statements of operations after the completion of the MTV Investment.

The unaudited pro forma condensed consolidated statement of financial position as at September 30, 2017 gives effect to the MTV Investment as if it had occurred on September 30, 2017. The MTV amounts in the unaudited pro forma condensed consolidated statement of financial position were obtained from the MTV unaudited condensed financial statements as at September 30, 2017 prepared in US dollars ("USD"), and translated to CAD using the September 30, 2017 exchange rate of $1.2480 CAD per $1.00 USD. The unaudited condensed financial statements of MTV have not been translated at differing foreign exchange rates for monetary and non-monetary assets, liabilities, and equity items because they are not relevant to the Company's investment entity accounting presentation, as prescribed in IFRS 10 – *Consolidated Financial Statements*.

The unaudited pro forma condensed consolidated statement of operations for the nine months ended September 30, 2017 gives effect to the MTV Investment and the Arrangement as if it they occurred on January 1, 2017. The MTV amounts in the unaudited pro forma condensed consolidated statement of operations for the nine-months ended September 30, 2017 were obtained from the USD denominated MTV unaudited condensed financial statements, and translated to CAD using the nine-months ended September 30, 2017 average exchange rate of $1.3060 CAD per $1.00 USD. The ADI amounts on the unaudited pro forma condensed consolidated statement of operations for the nine-months ended September 30, 2017 has been prepared based on the information maintained by ADI prior to the Arrangement, to account for transactions from January 1, 2017 through February 8, 2017.

The unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2016 gives effect to the MTV Investment and the Arrangement as if they had both occurred on January 1, 2016. The MTV amounts in the unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2016 were obtained from the USD denominated MTV audited financial statements prepared in accordance with IFRS, and translated to CAD using the year ended December 31, 2016 average exchange rate of $1.3243 CAD per $1.00 USD. The ADI amounts in the unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2016 were obtained from the ADI audited financial statements.

The Company presents its financial statements in accordance with investment entity accounting (IFRS 10) since its business combination with SRC on February 9, 2017. For the year ended December 31, 2016, certain amounts on the financial statements of the Company were reclassified to conform to the presentation of SRC. For each of the accompanying pro forma financial statements, the financial statements of MTV were reclassified to conform to the presentation of the Company. In preparing the accompanying pro forma condensed consolidated financial information for the year ended December 31, 2016, no adjustments have been made to reflect the operating synergies and administrative savings that could result from the operations of the combined SRC and ADI entity.

The unaudited pro forma condensed consolidated statement of financial position as at September 30, 2017 has been prepared from the information derived from the unaudited condensed consolidated statements of financial position of the Company and MTV as at September 30, 2017.

The unaudited pro forma condensed consolidated statement of operations for the nine-months ended September 30, 2017 has been prepared from the information derived from the September 30, 2017 unaudited condensed consolidated financial statements of the Company and MTV.

The unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2016 has been prepared from the information derived from the December 31, 2016 audited consolidated financial statements of the Company, SRC and MTV.

These unaudited pro forma condensed consolidated financial statements should be read in conjunction with the above noted consolidated financial statements and notes thereto of SRC, the Company, and MTV which are incorporated by reference into the Business Acquisition Report.

Accounting policies used in the preparation of the accompanying pro forma condensed consolidated financial information are in accordance with those disclosed in the financial statements of the Company as at and for the three and nine months ended September 30, 2017. In the opinion of management, the accompanying pro forma condensed consolidated financial information includes all of the necessary adjustments for a fair presentation.

Due to rounding, numbers presented may not add up precisely to totals provided.

3. Business Combination

The Arrangement is considered a business combination under IFRS with SRC determined to be accounting acquirer through completion of a reverse acquisition of ADI. As such, the comparative information in the unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2016 and the nine-months ended September 30, 2017 begins with SRC information.

Pursuant to the Arrangement, SRC shareholders received 3.0 ADI shares for each of the 96,672,102 SRC shares outstanding as at February 8, 2017. As a condition of the Arrangement, ADI shareholders received one-quarter of a warrant in respect of each ADI share held.

On February 9, 2017, (i) Sprott Inc. invested $10 million in ADI common shares at a price of $0.233 per share and (ii) a fund managed by a subsidiary of Sprott Inc., together with Term Oil Inc. (a corporation controlled by A.R. (Rick) Rule IV), invested a total of $5 million in units of ADI (together, the “Financings”). The Financings resulted in the issuance of 62.9 million common shares and 20.0 million warrants.

Unaudited - Amounts expressed in thousands of Canadian dollars except as noted

On closing of the Arrangement and Financings, the Company had 510,488,999 common shares issued and outstanding.

As part of the Arrangement, ADI shareholders approved a name change of ADI to "Sprott Resource Holdings Inc." (or "SRHI") together with the TSX approving the graduation of the Company from the Toronto Venture Exchange to the TSX, and at the same time SRC was delisted from the TSX.

4. Pro Forma Assumptions and Adjustments

a) MTV Statement of Financial Position Adjustment

Each value opposite the line item on MTV's unaudited condensed consolidated statement of financial position (as noted in the "S.C. Minera Tres Valles" column) has been eliminated, to reflect the Company's investment entity accounting presentation under IFRS 10 – *Consolidated Financial Statements*. The Company's 70% equity investment in MTV is reflected as one value in the line "Investments owned, at fair value" on the unaudited condensed consolidated statement of financial position (See Note 4b).

b) MTV Investment Recognition

On October 2, 2017 SRHI completed its MTV investment of USD$39.9 million (CAD$49.9 million), consisting of USD$33.5 million (CAD$41.9 million) in cash and USD$6.4 million (CAD$8.0 million) in SRHI common shares. The table below details the CAD equivalent amounts if the MTV Investment had closed on September 30, 2017, and the financial line items affected on the unaudited condensed consolidated statement of financial position.

As at September 30, 2017		MTV Investment
Consideration(i)		
Cash and cash equivalents	$	41,808
Capital stock(ii)		7,987
Investments owned, at fair value	$	49,795

(i) USD translated at September 30, 2017 rate of $1.2480 CAD per $1.00 USD. The MTV Investment occurred on October 2, 2017 at a rate of $1.2505 CAD per $1.00 USD.

(ii) Resulted in the issuance of 51,191,847 common shares of the Company from treasury.

c) MTV Statement of Operations Adjustment

Each value opposite the line item on MTV's unaudited condensed consolidated statements of operations (as noted in the "S.C. Minera Tres Valles" columns) has been eliminated, to reflect the Company's investment entity accounting presentation under IFRS 10 – *Consolidated Financial Statements*. The Company's 70% equity investment in MTV is reflected as one value in the line "Investments owned, at fair value" on the unaudited condensed consolidated statement of financial position (See Note 4b).

d) SRHI Management Fees Adjustment

The pro forma adjustments represent the incremental management fees and compensation arising from the completion of the Arrangement, Financings, and MTV investment calculated in accordance with the New MSA (See Note 4f).

e) Transaction costs relating to the Arrangement, Financings and MTV Investment

Transaction-related costs associated with the Arrangement, Financings, and MTV Investment amount to $1.0 million during the nine months ended September 30, 2017. Transaction-related costs associated with the Arrangement and Financings amount to $1.6 million during the year ended December 31, 2016. These costs relate to legal, accounting, advisory, administrative and other transaction expenses. The transaction-related costs relating to the Arrangement, Financings, and MTV Investment are non-recurring items and have been recognized as adjustments to the unaudited condensed consolidated statements of operations.

f) Compensation Expense

Compensation expense of employees of ADI are being eliminated as it is included in the incremental management fees and compensation as more fully described in point 4e above, in accordance with the termination of the existing management services agreement between SRC and Sprott Consulting Limited Partnership and the entering into of a management services agreement (the “New MSA”) between the Company and Sprott Consulting Limited Partnership.