Consolidated Minerals Limited

Financial Results for the 2012 year

Table of Contents

CONSOLIDATED MINERALS

Consolidated Minerals Limited ('Consmin' or the 'Company')
Annual Report 2012

24 April 2013

All figures in accordance with IFRS and in United States Dollars, unless otherwise stated

Consmin, a leading manganese ore producer with mining operations in Australia and Ghana, announces its annual results for the year ended 31 December 2012.

Key highlights

- During 2012, prices for benchmark manganese lump CIF China 45.5% grade material began at $4.75/dmtu before recovering to $5.35/dmtu in July 2012, remaining at this level during Q3 before declining to $5.20/ dmtu from October for the remainder of the year. The benchmark price began 2013 at $5.30/dmtu for January shipments and gradually increased to $5.90/dmtu for April shipments.
- Manganese sales tonnes were down 15% in 2012, primarily as a result of lower sales of Ghana ore due to weakness in the EMM market and lower Australian sales due to increased sales of chromite ore. In conjunction with lower prices achieved this resulted in revenue decreasing by 22% from 2011.
- In line with the mine plans, Ghana manganese ore production in tonnes decreased 13% as a result of the stripping programme during Q4 2012. Australian manganese ore production increased 2% compared to 2011. Overall, total manganese ore produced in 2012 was 6% lower in tonnes compared to 2011.
- Manganese C1 cash costs improved from $3.60/dmtu in 2011 to $3.28/dmtu in 2012. The C1 cash costs had shown a continuing quarter on quarter reduction from a peak of $3.78 in Q2 2011 to $2.93 in Q3 2012. C1 costs however increased in Q4 2012 to $4.37 largely as a result of the stripping programme in Ghana.
- Total Australian resources have increased 22% and reserves have increased 8% compared to the June 2011 resources and reserves statement. Total Ghanaian resources have increased 9%; however reserves have decreased 11% compared to the June 2011 resources and reserves statement.
- Significant long term sales offtake agreement with China's leading EMM producer for a significant proportion of Ghana production.
- The Group recorded a loss for the year of $44.2 million driven in part by a non-cash impairment expense of $16.2 million, primarily related to the nickel business.

Key Performance Indicators

	Year Ended		
	31 December 2012	**31 December 2011**	**% change**
Manganese ore produced (dry kt)	2,971.5	3,165.8	(6.1 %)
Manganese ore sales (dry kt)	2,943.1	3,475.1	(15.3%)
Average C1 manganese unit cash cost ($/dmtu)[1]	3.28	3.60	(8.9%)
Average manganese FOB Sales price ($/dmtu)	4.23	4.98	(15.1%)
Chromite ore produced (kt)	452.3	323.8	39.7%
Chromite sales (kt)	483.1	289.0	67.2%
Average C1 chromite unit cash cost ($/t)[1]	205	233	(12.0%)
Average chromite FOB sales price ($/t)	217	247	(12.1%)
Revenue ($ million)	554.1	706.6	(21.6%)
Adjusted EBITDA ($ million)[2]	14.1	126.7	(88.9%)
'Cash' EBITDA ($ million)[4]	77.7	167.5	(53.6%)
Loss for the period	(44.2)	(491.3)	(91.0%)
	At 31 December 2012	**At 31 December 2011**	**% change**
Cash and cash equivalents ($ million)	86.3	155.2	(44.4%)
Gross debt ($ million)	(385.6)	(417.4)	(7.6%)
Gross debt excluding high yield bonds ($ million)	(31.0)	(44.0)	(29.5%)
Net debt ($ million)	(299.3)	(262.2)	14.1%

[1] Average C1 manganese or chromite unit cash cost represents the cash cost incurred at each processing stage from mining through to shiploading, over the total manganese dmtus or chromite tonnes produced. Included within the C1 manganese and chromite unit cash costs are an allocation of offsite, non-corporate and support services. Depreciation, government royalty payments, deferred stripping adjustments and stockpile movements are not included in the calculation.

[2] "Adjusted EBITDA" is defined as operating profit before depreciation and amortisation, impairment write-back/expense, net foreign exchange gain/loss, non-cash inventory write-downs and exceptional items[3]. This is the key profitability measure used across the whole business and reflects the performance in a consistent manner and in line with how the business is managed and measured on a day to day basis. Adjusted EBITDA is not a uniformly or legally defined measure and is not recognised under IFRS or any other generally accepted accounting principles. Other companies in the mining industry may calculate this measure differently and consequently, our presentation of Adjusted EBITDA items may not be readily comparable to other companies' figures.

[3] Exceptional items are material and non-recurring items excluded from management's assessment of profits because by their nature they could distort the Group's underlying quality of earnings. These are excluded to reflect performance in a consistent manner and in line with how the business is managed and measured on a day to day basis.

[4] 'Cash' EBITDA is defined as Adjusted EBITDA after removing the impact of the non-cash items of deferred stripping and net movement in inventories.

Commenting on the results, Jackie Callaway (CFO of Consmin) said:

"Consmin has produced a solid operational performance in the year. Total volumes produced were broadly flat compared to the prior year with volumes of manganese ore produced declining 6% in response to weakness in the EMM market, offset by a 40% increase in the volume of chromite ore produced.

Manganese C1 cash costs have reduced a further 9% compared to the prior year despite an increase in C1 cash costs in Q4 as a result of a planned stripping programme in Ghana. Prior to Q4 C1 cash costs had continued to reduce each quarter from a peak of $3.78 in Q2 2011 to $2.93 in Q3 2012 as a result of the successful implementation of cost reduction initiatives. C1 cash costs are expected to continue to reduce in 2013 from overall 2012 levels.

2012 was a challenging year from a market perspective; however Consmin is encouraged by transpiring market developments to date in 2013. The recent increase in the alloy tender price was sparked by an upturn in sentiment in the Chinese market after the Chinese government transition which led to an increase in demand for manganese ore. This was evidenced by increases in the benchmark price at the start of 2013 from $5.30/dmtu in December to $5.90/dmtu at the end of March.

The Company signed an important long term sales offtake agreement with China's leading EMM producer, representing the culmination of 18 months of intense contract negotiation and discussion. Contract pricing is linked to the benchmark manganese ore price and will account for a significant proportion of production in Ghana. The completion of the contract is a significant development for the Company and will underpin the Ghana sales and production strategy going forward.

Both Australian and Ghanaian operations have issued an updated resources and reserves statement during the year. Total Australian resources have increased 22% and reserves have increased 8% compared to the June 2011 resources and reserves statement. Total Ghanaian resources have increased 9% and reserves have decreased 11% compared to the June 2011 resources and reserves statement."

About Consolidated Minerals Limited

Consmin is a leading manganese ore producer within mining operations in Australia and Ghana. The principal activities of the Company and its subsidiaries (the "Group") are the exploration, mining, processing and sale of manganese products. The Group's operations are primarily conducted through four major operating/trading subsidiaries; Consolidated Minerals Pty Limited (Australia), Ghana Manganese Company Limited (Ghana), Manganese Trading Limited (Jersey) and Pilbara Trading Limited (Jersey).

Consolidated Minerals Limited is headquartered in Jersey and the address of its office is Commercial House, 3 Commercial Street, St Helier, Jersey, Channel Islands, JE2 3RU.

Company Information

For further information, please visit our website www.consmin.com or contact:

Consmin +44(0)1534 513 300
Jackie Callaway, CFO
Peter Allen, Managing Director, Marketing
Paul Muller, Managing Director, Australia
Jurgen Eijgendaal, Managing Director, Ghana

Conference Call

There will be a conference call for analysts and bondholders on 24 April 2013 at 1pm BST (British Summer Time).

To access the results conference call, you must first register in advance on:
http://emea.directeventreg.com/registration /28586170

The results conference call, conference ID 28586170, can then be accessed by dialling:
UK: +44 (0) 1452 322 716

Market, Economic and Industry

Market, economic and industry data used throughout this report has been derived from various industry and other independent sources. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and such industry forecasts may not have been updated. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and uncertainties as the other forward looking statements contained in this report.

Forward looking statements

This report includes "forward-looking statements" that express or imply expectations of future events or results. Forward-looking statements are statements that are not historical facts. These statements include, without limitation, financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future production, operations, costs, products and services, and statements regarding future performance. Forward-looking statements are generally identified by the words 'plans,' 'expects,' 'anticipates,' 'believes,' 'intends,' 'estimates' and other similar expressions.

All forward-looking statements involve a number of risks, uncertainties and other factors. Although Consmin's management believes that the expectations reflected in such forward-looking statements are reasonable, investors are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of Consmin, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements contained in this report. Factors that could cause or contribute to differences between the actual results, performance and achievements of Consmin include, but are not limited to, political, economic and business conditions, industry trends, competition, commodity prices, changes in regulation, currency fluctuations (including the Australian dollar and US dollar exchange rates), Consmin's ability to recover its reserves or develop new reserves, including its ability to convert its resources into reserves and its mineral potential into resources or reserves, and to timely and successfully process its mineral reserves which may or may not occur. Consmin is also exposed to the risk of trespass, theft and vandalism, changes in its business strategy, as well as risks and hazards associated with the business of mineral exploration, development, mining and production. Accordingly, investors should not place reliance on forward looking statements contained in this report.

The forward-looking statements in this report reflect information available at the time of preparing this report. Subject to the requirements of the applicable law, Consmin explicitly disclaims any obligation or undertaking publicly to release the result of any revisions to any forward- looking statements in this report that may occur due to any change in Consmin's expectations or to reflect events or circumstances after the date of this report. No statements made in this report regarding expectations of future profits are profit forecasts or estimates, and no statements made in this report should be interpreted to mean that Consmin's profits for any future period will necessarily match or exceed the historical published profits of Consmin or any other level.

Marketing Review

Manganese Segment

Manganese is used in metallurgical applications for carbon and stainless steel production as well as non-metallurgical industrial applications for the chemical and fertilizer industries.

Consmin markets a unique suite of differentiated products, produced from both our Australian and Ghana operations, specifically tailored to meet a variety of specialised metallurgical applications.

The carbon steel industry accounts for 90% of end user demand for manganese, a non-substitutable additive used as both a deoxidizing and desulphurising agent. Steel consumes various grades of manganese alloys, the intermediary product derived through the smelting of manganese oxide ore like that produced from the Woodie Woodie manganese mine.

Stainless steel (200 series), the other key metallurgical application for manganese, consumes electrolytic manganese metal ('EMM'), produced through the hydrometallurgical processing of manganese ore, predominantly carbonate manganese ore, like that produced from Consmin's Ghana operations.

Whilst robust demand for oxide ore from Chinese alloy producers has been apparent for over a decade, demand for carbonate manganese ore is a relatively new phenomenon, as Chinese stainless steel production CAGR for the period 2007 to 2011 exceeded 15%. During the same period, the proportion of 200 series stainless steel relative to total stainless steel production in China grew to 30.5% according to industry sources. Subsequently this growth appears to have driven the over exploitation of domestic carbonate ore as manganese grades continue to show evidence of decline, leading EMM producers to seek alternative sources of supply such as that produced from Ghana.

Consmin's ability to differentiate its products to specific market segments is a result of the unique chemical composition of the ores produced from both Australian and Ghanaian operations. Consequently, the price Consmin achieves is consistently higher than on Manganese content basis alone. During the year Consmin introduced a number of new product initiatives designed to further promote the competitive advantages captured through the use of Consmin products.

Global steel production for 2012 increased by 1.2% to 1.55 billion tonnes, with China, the key market driving steel production and hence manganese ore demand, reaching 716.5 million tonnes. For the same period China imported 12.4 million tonnes of manganese ore a decrease of 4.6% compared to 2011.

The Company shipped 2.94 million tonnes of manganese ore during 2012 and maintained a diverse customer base with customers in China, Ukraine, India, South Korea, Norway, Vietnam and Slovakia. Compared to 3.48 million tonnes of ore shipped during 2011, this was a decrease of 15% year on year. Australian exports of manganese were 1.46 million tonnes for the year, a decline of 196k tonnes or 12% year on year. This was offset by an increase in chromite shipments of 194k tonnes, with shipments totalling 483kt for the year, an increase of 67% compared to 2011.

Exports of manganese ore from Ghana were down 19% compared to 2011. This was due to the weakness in the stainless steel industry during 2012 which has seen prices fall 11% between January and December 2012, leading the price of EMM down 14% during the same period, causing a reduction in EMM production rates and demand for Ghana ore. The effects of this were expressed in Q3 shipments which totalled 382k tonnes, a decline of 24% year on year. As such the company was forced to sell into the lower price, more competitive Ferro Alloy industry. EMM prices have since increased 5% in Q1 2013 on tight supply and improved demand.

In late December the company entered into a significant long term sales offtake agreement with China's leading EMM producer. The Company considers this contract a significant development, which will underpin Ghana production and sales strategy going forward. Contract pricing is linked to the benchmark manganese ore price.

Record steel production resulted in continued high consumption rates of manganese ore. This was evidenced in the steady decline of port stocks in China throughout the year from 3.5 million tonnes to 2.4 million tonnes. This draw down on port stocks combined with the slightly reduced year-on-year manganese ore imports at 12.4 million tonnes. Despite these positive developments market sentiment remained low and the benchmark price for 45.5% manganese lump CIF China, marginally increased during 2012 from $4.75/dmtu to $5.20/dmtu.

Consmin is encouraged by transpiring market developments to date in 2013. An upturn in sentiment in the Chinese market after the Chinese government transition and healthy steel production, led to an increase in demand for manganese ore. This was evidenced by increases in the benchmark price at the start of 2013 from $5.30/dmtu for January 2013 shipments to $5.90/dmtu for April 2013 shipments.

The company has experienced strong demand for high grade ore and as such was able to increase prices of all products for the four months until April 2013. The increase in price has been matched by an increase in volumes; the company shipped 1.005 million tonnes from operations in Australia and Ghana during the first four months of 2013 a 50% increase year on year.

Chromite Segment

As with manganese ore, the demand for chromite ore is primarily driven by China, which is reliant on imported chromite ore as feed for the production of ferro-chrome a key input of stainless steel.

Global stainless steel production increased 6% year-on-year to 33.6 million tonnes in 2012 as Chinese stainless steel production accounted for a record 42% of global supply. During the same period China produced 14.1 million tonnes up 25% year-on-year.

The 2012 ferro-chrome market was characterised by oversupply, which combined with weak stainless steel prices led to the soft ferro-chrome prices throughout the year, with prices falling to $1,100 in Q3. This was reflected in the Chinese imports of Chrome ore which declined slightly to 9.3 million tonnes from 9.4 million tonnes in the previous year.

South Africa, the largest producer of ferro-chrome and chromite ore in the market, accounted for 50% of total ore imports in 2012 maintaining their share of the market from 2011. High Carbon Ferro Chrome imports to China declined 15% year on year, demonstrating that Ferro Chrome production is shifting away from South Africa to China.

On the back of strong demand, Consmin chromite ore was shipped solely to the Chinese market with sales reaching a record 483k tonnes up 67% on 2011 sales. Similarly to manganese, chrome ore pricing has increased by approximately 10 per cent during Q1 2013 on the back on improved sentiment and increased activity in the Ferro Chrome industry.

With forecasts of increasing output of stainless steel from China, the company expects to see continued strong demand for chrome ore.

Operational Review

Manganese Segment

Summary Overview	Year ended 31 December 2012	31 December 2011	% change
Total mined (kBCM)	15,754.5	24,217.6	(34.9%)
Manganese ore produced (dry kt)	2,971.5	3,165.8	(6.1%)
Australia	*1,504.6*	*1,476.7*	*1.9%*
Ghana	*1,466.9*	*1,689.1*	*(13.2%)*
Manganese ore produced (mdmtu)	106.5	113.0	(5.8%)
Australia	*65.1*	*64.6*	*0.8%*
Ghana	*41.4*	*48.4*	*(14.5%)*
Manganese ore sales (dry kt)	2,943.1	3,475.1	(15.3%)
Australia	*1,457.9*	*1,653.5*	*(11.8%)*
Ghana	*1,485.2*	*1,821.6*	*(18.5%)*
Manganese ore sales (mdmtu)	106.2	124.9	(15.0%)
Australia	*64.0*	*72.7*	*(12.0%)*
Ghana	*42.2*	*52.2*	*(19.2%)*
Total capex – including exploration ($ million)	33.7	45.4	(25.8%)
Average unit cash cost ($/dmtu)	3.28	3.60	(8.9%)

Australia: Woodie Woodie

Overview

The Woodie Woodie tenements comprise approximately 5,500km2 of land in and around the Woodie Woodie mine in the Pilbara region of Western Australia, of which the current active mining area is approximately 100km2 (the 'Woodie Woodie corridor'). The Company's operations at Woodie Woodie are located approximately 425km inland from Port Hedland, which is well situated to serve high-demand Asian markets, such as China. The infrastructure at Woodie Woodie includes a government-owned sealed road to Port Hedland and a Company owned dedicated all-weather airstrip, allowing for air travel time of less than two hours from Perth. The manganese ore produced at Woodie Woodie is in high demand due to its high manganese and low phosphorous content and excellent manganese to iron ratios, making it well-suited for blending with the lower grade domestic ores of China and Ukraine. The attractive characteristics of the Company's Australian high grade manganese ore generally attract a premium over prevailing market prices.

Safety

During the final quarter of 2012, two low severity lost time injuries were suffered, resulting in a total of three lost time injuries for the year. This compares unfavourably to 2011 where only one lost time injury was suffered. This performance is considered unacceptable by the Company's management and plans are being implemented to make a step change improvement in safety performance during 2013.

Production
Production at Woodie Woodie was steady during 2012 with 1.50Mt of manganese produced, up 2% on the prior year. During the year mining centred on the Greensnake pit, Big Mack and Sardine complex of small pits. The Greensnake pit has been in development for the past three years and is now contributing significant quantities of ore in line with that predicted by the mine plan. The Greensnake pit is the back bone of the mine plan in 2013 and 2014 and underpins ore production in the short to medium term.

Total BCM moved reduced in 2012 by 51% from the prior year, in accordance with mine plan as the Company transitioned from contractor mining to full owner operator in mid-2012. This significant shift away from contract mining provides a fully flexible operating environment which allows the Company to respond to changing market conditions. The value of this flexibility was evident in Q4 2012 where the combination of a continued slowdown in world economies, including China, a strong Australian dollar and underlying cost inflation required an adjustment to the short to medium mine plan. During November 2012, mining fleets were reduced from a planned four to two and mining refocused on higher value, lower strip ratio pits. Implementation of this revised mine plan would not have been possible in the time frame had the transition to owner operator not taken place. C1 cash costs are expected to continue to reduce in 2013 from overall 2012 levels as a result of the revised mine plan implemented during November 2012.

Capex
A total of $29.1 million was spent on property, plant and equipment at Woodie during 2012 (including the value of equipment acquired under hire purchase agreements), primarily on equipment necessary for transitioning to owner operator including nine dump trucks and two excavators. Strict capital management processes combined with adjustments to the mine plan resulted in reduced owner operator related capital spend from an initially approved $45 million to $20 million. In addition to owner operator capital, minor capital was spent on upgrades to non-processing infrastructure including the workshop, offices, water treatment plant and the airstrip.

Exploration and Resource Development
2012 was a successful year for exploration and resource development with significant targets tested both regionally and near to the Woodie Mine.

During 2012 Consmin undertook drilling for geo-metallurgical testing at Honey Bee, Skull Springs, Woodie South and in Q4 at Ripon Hills. Maiden resources are expected to be released for all of these prospects during 2013. Whilst these initial resources are expected to be small, significant exploration opportunities exist at Ripon Hills and Woodie South. Ripon Hills is located approximately 80km from the Woodie processing plant towards Port Hedland and hosted a mining operation in the 1970's. Ripon Hills is currently the subject of an internal feasibility study for a new mining operation. Significant additional drilling will be undertaken at Ripon Hills and Woodie South during 2013.

Significant near mine resource development drilling was undertaken during the year at numerous targets including Topvar, Big Mack, Chutney, Plug and Paystar. Numerous intercepts of high grade manganese were encountered and extensions to these models are expected to be released during 2013.

Resources and Reserves Update
The Company's mineral inventory grew significantly during 2012, with Resources increasing 22% and Reserves increasing 8% from the prior year. This significantly positive result reflects the exploration efforts and success of 2011 and the first half of 2012.

	Tonnes		Mn %		Tonnes
	June 2012	**June 2011**	**June 2012**	**June 2011**	**Movement**
Total Reserves	18.0	16.7	36%	38%	8%
Total Resources	36.5	29.9	37%	40%	22%

Ghana: Ghana Manganese Company Limited ('GMC')

Overview
The GMC mine, also known as the Nsuta mine, comprises approximately 175km2 of land in and around Nsuta in the Western Region of Ghana, of which the current active mining area is less than 3% of the total area. The Company's operations at GMC are located approximately 63km by rail or 92km by public tarred road from the port facilities at Takoradi. A 30 year mining lease for manganese was granted to GMC in 2001 and Consmin operates under this lease. The manganese ore exported from GMC is a high grade manganese carbonate (as opposed to a manganese oxide) with excellent manganese to iron ratio, which makes it well suited to alloy and 'EMM' production. The ore produced at GMC is low in phosphorus and other deleterious elements, which enables it to be an excellent replacement for the low grade carbonate ores of China.

Safety
The excellent safety record at Nsuta was maintained throughout 2012, with no major reportable incidents or accidents having been recorded at the Nsuta operations. During the year various initiatives have been implemented to sustain this trend over the coming years.

Production
GMC reduced its production outlook for the year due to a slowing of demand in the EMM market during the second half of 2012. As a result the decision was taken not to mine ore and to focus on mine development activities during the months of November and December 2012, with normal production resuming in January 2013. Production at GMC totalled 1.47Mt of manganese ore during the year, representing a 13% decrease compared to the prior year. Production during the year was from Pit C with a total BCM movement decrease of circa 8% compared to the prior year.

Capex
A total of $9.4 million was spent on capital expenditure projects during the year. The majority of the capex in the year was targeted at the purchase of new mobile equipment and critical spares and components for the mobile and fixed equipment. Included within the total was $1.9 million spent on exploration projects.

Exploration
During 2012, extension drilling to Pit C was successful and typical drilling results achieved included intersects of 41.0m at 32% Mn, 36m at 30% Mn, 52.0m at 30.0% and 54m at 33% Mn.

Along the same macro-structure as Pit C, Nsuta mine includes two other pits, Pit A and Pit B. Operations at Pit A were suspended in the mid 1990's and this area has never been mined by GMC. GMC ceased mining at Pit B by early 2007. Exploration and infill drilling activities commenced at these pits during 2012. These initiatives have identified significant opportunities in and around Pit A and Pit B. The exploration diamond drilling results are considered positive with 5 intersections yielding in excess thickness of 90 meters in pit A and 40 metres in pit B. Examples are 111.6m at 28.5%, 90.6m at 28.2%, from Pit A, with Pit B providing 42.0m at 31.2% and 45.2m at 28.3%.

A JORC compliant Resources and Reserves (R&R) Statement was produced during the year for Pit C based on the depletion method and the updated results as at 30th June 2012 are given below. The R&R statement was signed off and externally audited by SRK Consulting (UK) Limited ('SRK'). The resources for Pits A & B were unchanged from the earlier R&R statement undertaken by SRK in June 2011, as the recent exploration activities in these areas are currently being analysed and reviewed by SRK, with results expected to be announced in May 2013.

Based on SRK's report overall resources at June 2012 increased by 9% to 41.8 Mt at 28% Mn and reserves decreased by 11% to 21.8mt at 29% Mn as compared to the June 2011 statement. This current reserves base underpins a life of mine of circa twelve years.

	Tonnes		Mn %		Tonnes
	June 2012	**June 2011**	**June 2012**	**June 2011**	**Movement**
Total Reserves	21.8	24.4	29%	29%	(11%)
Total Resources	41.8	38.3	28%	29%	9%

Projects
GMC is in consultation with the Ghana Port and Harbour Authorities ('GPHA') on the possible execution by GPHA of the Master Plan for Takoradi Port. Latest indications are that the Master Plan project will commence in 2013. Due to the arrival of higher capacity wagons for railways, GMC successfully worked on a port tippler upgrade, which can partially accommodate the increased capacity.

Corporate Social Responsibility
During 2012, GMC has continued to make a significant contribution to the social infrastructure, supporting over seventeen local communities through infrastructure development, alternative livelihood training and educational bursaries and scholarships. Some highlights during the year included the completion of a 4-unit kindergarten block built at Tarkwa Banso, extension of Bankyim Day Care centre, Akyem community public bathhouse, construction of a footbridge at Nsuta Zongo, provision of a borehole to needy communities and supply of school furniture to schools within and beyond our catchment area. In addition, 471 students were supported through secondary and tertiary education as part of GMC's community bursary scheme.

Chromite Segment

Summary Overview	Year Ended 31 December 2012	31 December 2011	% change
Chromite ore produced (dry kt)	452.3	323.8	39.7%
Chromite ore sales (dry kt)	483.1	289.0	67.2%
Average C1 chromite unit cash cost ($/dry t)	205	233	(12.0%)
Average FOB sales price ($/dry t)	217	247	(12.1%)

Australia: Coobina

Overview

The Coobina mine ('Coobina') produces chromite ore in the form of lump and sands. The operation is located approximately 550km inland from Port Hedland, Western Australia and is well situated to serve the growth market of China. The Coobina ores can be used as either direct or blending feed ore for the production of ferrochrome. Coobina chromite ore is characterised by its good chromium percentage above 40% and attractive chromium to iron ratios above 1.5 which make it highly valued by alloy producers as a blending product.

Safety

The Company is disappointed to report that its excellent safety record of 5 years lost time injury free was broken during Q4, when a lost time injury was suffered. Whilst the injury was minor it was nevertheless avoidable. The Company continues to strive to improve its safety performance.

Production

Strong production continued in Q4 2012 concluding a solid production performance for the year. Production of chrome ore totalled 452kt for the year up 40% from the prior year. Ore was mined during the year predominantly from Newlands and Frights pits with these pits expected to underpin production in 2013.

During November 2012, two fleets of hired mining equipment were replaced with owned equipment from Woodie Woodie. This was made possible by the implementation of the revised mine plan at Woodie Woodie. This will have a positive effect on cash costs throughout 2013.

Capex

Capital spending on property, plant and equipment ('PP&E') was circa $1 million for the year, with the majority being spent on the primary and secondary crusher crushing circuit and minor upgrades to non-processing infrastructure.

Exploration

No significant exploration drilling was undertaken during the year as the Company's exploration budget was directed to higher priority prospects within the Manganese segment. Furthermore, there are no current plans to conduct exploration drilling during 2013.

Other

Kambalda
Consmin's Nickel operations were placed on a care and maintenance since December 2008 due to a depressed pricing environment and poor global economic outlook. The continued pricing conditions during 2012 triggered an impairment review resulting in $14.9 million impairment.

Mindy Mindy
Consmin has a significant interest in the Mindy Mindy iron ore tenements through its 50% shareholding in Pilbara Iron Ore Pty Ltd ('PIO'). Ownership of one of the tenements is subject to court determination. A decision on preliminary issues was handed down against PIO in the Warden's Court on 24 July 2012. The hearing in the Warden's Court continued in March 2013 with all evidence now having been given. A further hearing is scheduled for 8 May 2013 when the parties will make their closing submissions to the Warden. A decision in this matter is not expected until at least Q3 2013

BC Iron Limited ('BC Iron')
BC Iron is an iron ore mining company listed on the ASX (ticker: BCI). During 2012, the Company's holding in BC Iron reduced from 24.8% to 23.9% due to the new share placement, partially offset by an additional $15 million of share purchases. The market value of the Company's holding in BC Iron at 31 December 2012 was $105.3 million.

OM Holdings Limited ('OM Holdings')
OM Holdings is, primarily, a vertically integrated manganese marketing and mining company listed on the ASX (ticker: OMH). During 2012, the Company's holding in OM Holdings reduced from 11.7% to 8.7% due to dilution through significant share issues. The market value of the Company's holding in OM Holdings as at 31 December 2012 was $15.5 million.

Sustainable Development

Consmin adopts an active approach toward sustainability and views it as a vital component of the corporate strategy. Consmin strives to create a safe and healthy workplace, whilst recognising that it has an obligation to all stakeholders, the wider community and environment. It is also committed to fostering an environment that creates opportunities for our people to grow towards their potential and contribute to the Company's success.

People

As previously noted the operational management decisions of the Group are made by the Group Executive Committee ('GEC') under its delegation from the Board. The GEC members are Peter Allen (Managing Director: Marketing), Jackie Callaway (CFO), Jurgen Eijgendaal (Managing Director: Ghana), Paul Muller (Managing Director: Australia) and Oleg Sheyko (CEO of Metals Solutions Limited).

Financial Review

Condensed Consolidated Statement of Comprehensive Income

$m	Year Ended 31 December 2012	31 December 2011	31 December 2010
Revenue	554.1	706.6	639.5
Cost of sales	(418.0)	(584.6)	(414.0)
Gross profit	136.1	122.0	225.5
Selling and distribution costs	(112.4)	(110.3)	(60.3)
General and administrative costs	(35.1)	(42.4)	(42.6)
Other operating income – net	6.0	6.4	5.3
Net foreign exchange gain / (loss)	2.9	(2.8)	1.2
Impairment (expense) / write-back	(16.2)	(495.1)	28.7
Operating (loss) / profit	(18.7)	(522.2)	157.8
Presented as:			
Adjusted EBITDA	**14.1**	**126.7**	**273.2**
Depreciation and amortisation	(60.8)	(126.4)	(120.0)
Impairment (expense) / write-back	(16.2)	(495.1)	28.7
Restructuring costs	(5.5)	-	-
Net foreign exchange gain / (loss)	2.9	(2.8)	1.2
Non-cash inventory NRV write-back / (write-down)	46.8	(24.6)	(25.3)
Operating (loss) / profit	(18.7)	(522.2)	157.8
Net financing costs	(33.9)	(22.5)	(3.0)
Share of profits of associated undertakings	12.5	1.6	1.5
Gain on disposal of subsidiary company	0.8	-	-
Loss on disposal of available-for-sale financial assets	-	-	(10.0)
(Loss) / profit before tax	(39.3)	(543.1)	146.3
Income tax (charge) / credit	(4.9)	51.8	(16.7)
(Loss) / profit for the period	(44.2)	(491.3)	129.6

Condensed Segment Information

Year Ended

31 December 2012 – $m	**Manganese**	**Chromite**	**Other**	**Total**
Revenue	449.1	105.0	-	554.1
Cost of sales	(331.2)	(84.7)	(2.1)	(418.0)
Gross profit / (loss)	117.9	20.3	(2.1)	136.1
31 December 2011 – $m	**Manganese**	**Chromite**	**Other**	**Total**
Revenue	621.7	71.3	13.6	706.6
Cost of sales	(491.3)	(78.0)	(15.3)	(584.6)
Gross profit / (loss)	130.4	(6.7)	(1.7)	122.0
31 December 2010 – $m	**Manganese**	**Chromite**	**Other**	**Total**
Revenue	504.1	39.3	96.1	639.5
Cost of sales	(295.4)	(23.6)	(95.0)	(414.0)
Gross profit	208.7	15.7	1.1	225.5

Revenue

The consolidated revenue for the Group decreased by 22% from $706.6 million in 2011 to $554.1 million in 2012 as a result of lower manganese revenues partially offset by increased chromite revenues.

Manganese revenues decreased by 28% from $621.7 million in 2011 to $449.1 million in 2012 due to a combination of lower pricing and volumes sold. The average price of our manganese ore sold in 2012 was $4.23/dmtu FOB, compared to $4.98/dmtu FOB in 2011, a decrease of 15% reflecting movement in the benchmark price over the same period. Manganese volumes decreased by 15% from 3.48Mt to 2.94Mt in 2012 primarily as a result of lower sales of Ghana ore due to weakness in the EMM market and lower Australian sales due to increased sales of Chromite ore.

Revenue from sales of chromite ore increased by 47% from $71.3 million in 2011 to $105.0 million in 2012 as a result of a 67% increase in volumes sold offset by a 12% decrease in price.

The nickel operations remained on care and maintenance during 2012 and no revenue was recognised.

Cost of Sales

The cost of sales for the Group decreased by 28% from $584.6 million in 2011 to $418.0 million in 2012. An analysis of the cost of sales is as follows:

$m	Year Ended 31 December 2012	Year Ended 31 December 2011	Movement
Manganese	331.2	491.3	(32.6%)
Chromite	84.7	78.0	8.6%
Other	2.1	15.3	(86.3%)
Total	**418.0**	**584.6**	**(28.5%)**

Manganese

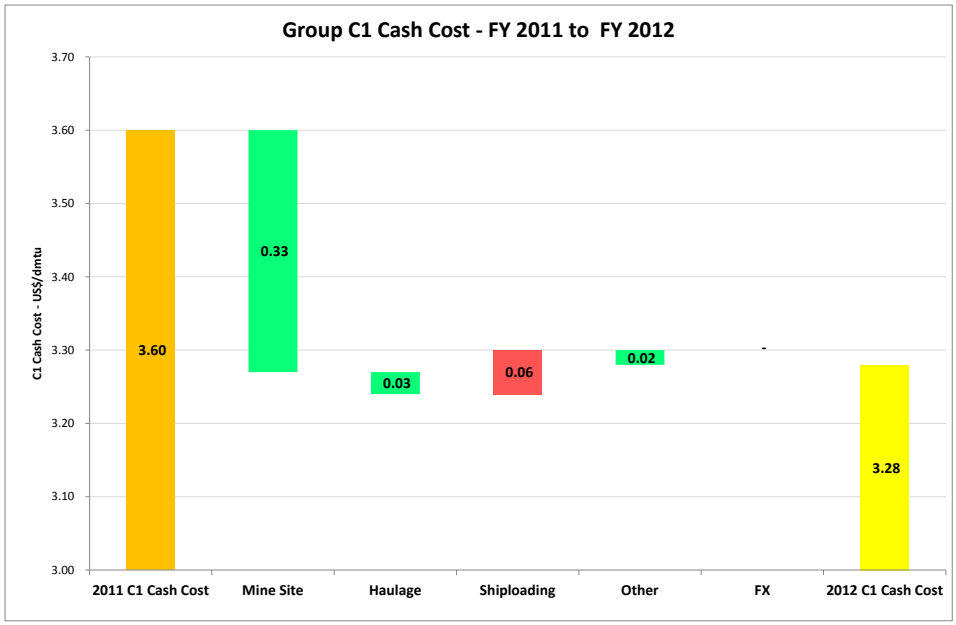
A breakdown of the manganese cost of sales is as follows:

$m	Year Ended 31 December 2012	Year Ended 31 December 2011	Movement
Mining and production expenses	241.6	280.7	(13.9%)
Depreciation and amortisation	44.5	109.6	(59.4%)
Royalties and other taxes	30.6	36.8	(16.8%)
Deferred stripping	7.5	(34.1)	(122.0%)
Non-cash inventory NRV write back / down	(38.8)	17.2	(325.6%)
Net movement in inventories	45.8	81.0	(43.5%)
Other	-	0.1	(100.0%)
Total	**331.2**	**491.3**	**(32.6%)**

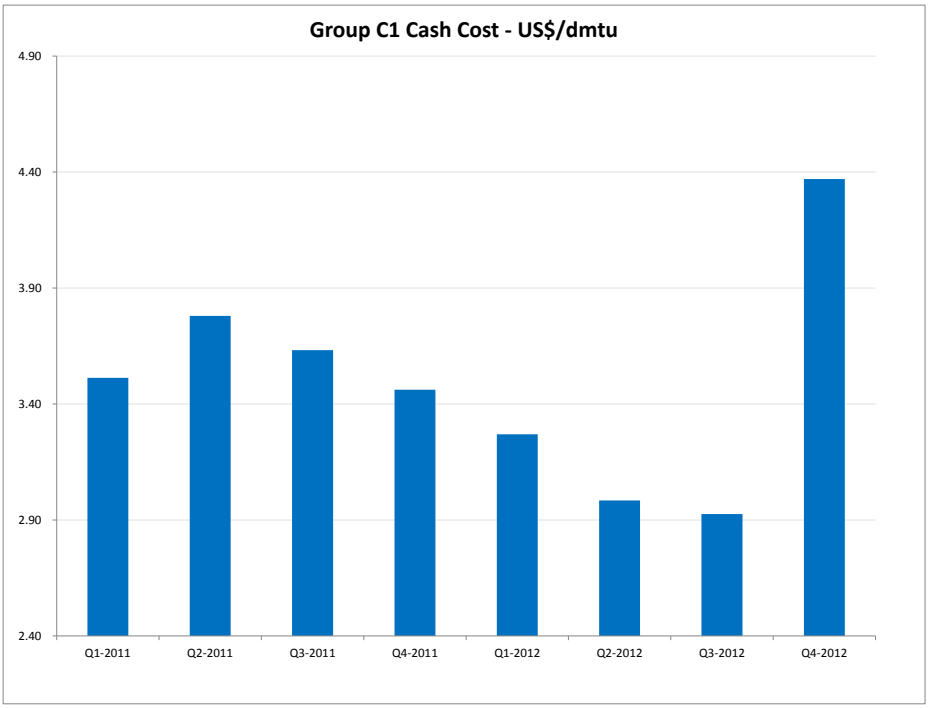
The principal movements in manganese cost of sales are as follows:

- A $65.1 million benefit from the reduction in the depreciation and amortisation charge due to the significant impairment of non-current assets in 2011 which reduced the remaining carrying value to be depreciated and amortised.
- A $56.0 million benefit from the overall movement on non-cash inventory NRV. The 2012 results included a $38.8 million utilisation of a significant portion of the NRV provision held at December 2011 as stockpiles were sold in 2012. The 2011 non-cash inventory NRV movement was primarily due to the write down of manganese inventory in the Australian operations to its net realisable value as a result of the decrease in manganese sales price and adverse foreign exchange movements.
- A $39.1 million benefit from the reduction in mining costs, representing a combination of savings from lower total BCM movements and the successful transition to owner operator mining.
- A $35.2 million benefit in relation to movement in inventories as a result of selling less inventory than in the prior year.
- A $6.2 million benefit from the reduction in royalty and other taxes as a result of lower revenues.
- A $41.6 million increase in deferred stripping charges as a result of moving from a credit in 2011 to a charge in 2012. The credit in 2011 was as a result of a major stripping programme during that period.

The Company uses the 'C1 cash cost' as a measure of average unit cost. The C1 unit cash cost represents the cash cost incurred at each processing stage from mining through to ship loading, divided by the total manganese dmtu produced. The average C1 unit cost of manganese production, on a "fully expensed" mining cost basis, decreased 9% from $3.60/dmtu for 2011 to $3.28/dmtu for 2012. There would have been a further reduction in C1 unit cash costs had the Group not embarked on the planned stripping programme in Ghana during Q4. The graph below shows there have been substantial reductions in the underlying mine costs as a result of the successful transition to owner operator mining in Australia during the year.



The graph below shows the continued progression in the reduction of C1 unit cash cost since Q1 2011. The C1 cash cost has decreased from a peak in Q2 2011 of $3.78/dmtu to $2.93/dmtu for Q3 2012 as a result of the continued successful implementation of efficiency programmes noted above. The increase in Q4 2012 C1 unit cash costs is as a direct result of the planned stripping programme in Ghana.



Chromite

Cost of sales for the chromite segment increased from $78.0 million in 2011 to $84.7 million in 2012. The increase was primarily as a result of the 67% increase in the volume of chromite sold and a reduction of chromite ore stocks.

Gross Profit

Gross profit for the Group has increased by 12% from a $122.0 million in 2011 to $136.1 million in 2012. Gross profit for the manganese segment at $117.9 million in 2012 was 10% lower compared to $130.4 million in 2011. The gross profit margin has however increased from 21% to 26% as a result of reductions in mining and production costs, depreciation and amortisation and the benefit of net stock movements, being partially offset by lower manganese pricing. Gross profit for the chromite segment increased from a $6.7 million gross loss in 2011 to a $20.3 million gross profit in 2012. The increase was predominantly due to the substantial increase in revenues (resulting from a 67% increase in volumes sold offset by a 12% decrease in price) and reductions in costs with the mine running at full production after previously having been on care and maintenance.

Adjusted EBITDA and Cash EBITDA

Adjusted EBITDA and Cash EBITDA are calculated as follows:

$m	Year Ended		
	31 December 2012	31 December 2011	31 December 2010
Operating (loss) / profit	**(18.7)**	**(522.2)**	**157.8**
Depreciation and amortisation	60.8	126.4	120.0
Impairment expense	16.2	495.1	(28.7)
Restructuring costs	5.5	-	-
Net foreign exchange (gain) / loss	(2.9)	2.8	(1.2)
Non-cash NRV inventory write (back) / down	(46.8)	24.6	25.3
Adjusted EBITDA	**14.1**	**126.7**	**273.2**
Deferred stripping	7.5	(34.1)	(37.2)
Net movement in inventories	56.1	74.9	(80.8)
'Cash' EBITDA	**77.7**	**167.5**	**155.2**

Adjusted EBITDA is defined as operating profit before depreciation and amortisation, impairment write-back/expense, net foreign exchange gain or loss, non-cash inventory write-downs and exceptional restructuring items. It is the key profitability measure used across the whole business and reflects the performance in a consistent manner and in line with how the business is managed and measured on a day to day basis. Adjusted EBITDA has fallen from $126.7 million in 2011 to $14.1 million in 2012 primarily as a result of lower revenues ($152.5 million) and a reduction in deferred stripping capitalised to the balance sheet ($41.6million). These negative variances are offset by a reduction in mining and production expenses ($44.6 million, excluding restructuring costs), lower movements in inventory due to lower sales from inventory during 2012 ($18.8 million), costs associated with the discontinuation of ferro alloy sales ($13.2 million) and movements in other categories of $4.9 million.

'Cash' EBITDA result removes the impact of the non-cash items of deferred stripping and movement in inventories, which are included in the Adjusted EBITDA calculation. Cash EBITDA has fallen from $167.6 million in 2011 to $77.7 million in 2012 primarily as a result of lower revenues ($152.5 million). This negative variance is offset by a reduction in mining and production expenses ($44.6 million, excluding restructuring costs), the costs associated with the discontinuation of ferro alloy sales ($13.2 million) and movements in other categories of $4.9 million.

Other Key Items

Selling and distribution expenses increased by 2% from $110.3 million in 2011 to $112.4 million in 2012, despite a 9% overall reduction in volumes sold. This unit cost increase is driven by adverse movements in shiploading costs in Australia and the increased chromite sold which has a higher transportation costs than manganese.

General and administrative expenses for the group decreased by 17% from $42.4 million in 2011 to $35.1 million in 2012. The decrease in general administrative expenses was primarily due to lower corporate costs across the Group.

The Group is subject to taxation in the jurisdictions in which it operates; primarily Australia and Ghana. The Company is domiciled in Jersey and is subject to a corporate tax rate of 0%. The Group recognised an income tax charge in 2012 of $4.9 million, compared to an income tax credit of $51.8 million in 2011. The prior year credit was as a result of the recognition of the ability to utilise tax losses primarily arising in the Australian manganese operations. The Company has since concluded that it is not currently able to utilise further losses in the foreseeable future and as such no credits were recognised in 2012.

Loss for the Period

The Group has recognised a loss in 2012 of $44.2 million compared to a loss of $491.3 million in 2011. The loss in 2011 was largely the result of the $495.1 million non-cash impairment expense in the manganese and chromite businesses as a result of the strengthening of the Australian dollar and the decrease in the manganese price during 2011.

Other Comprehensive Income / (Expense)

The Group recorded other comprehensive income of $0.3 million net of tax in 2012, compared to an expense of $55.9 million in 2011. The income for 2012 was as a result of a net foreign currency translation gain of $4.4 million due to the movement in the closing position of the Australian dollar, which increased 2% against the US dollar in the year, offset by a $4.7 million decrease in the value of available-for-sale assets. The expense in 2011 was as a result of the decrease in value of available for sale assets offset by a foreign currency translation gain.

Condensed Consolidated Statement of Financial Position

	As at	
$m	**31 December 2012**	**31 December 2011**
Cash and cash equivalents	86.3	155.2
Other current assets	146.5	168.8
Non-current assets	654.4	642.3
Total assets	887.2	966.3
Current borrowings	(17.6)	(41.3)
Non-current borrowings	(368.0)	(376.1)
Other current liabilities	(80.5)	(89.1)
Other non-current liabilities	(110.0)	(103.2)
Total liabilities	(576.1)	(609.7)
Total equity	311.1	356.6

Cash and Cash Equivalents

Cash and cash equivalents decreased from $155.2 million at 31 December 2011 to $86.3 million at 31 December 2012, a decrease of $68.9 million. This reduction is primarily due to the repayment of the Australian working capital facility, net capital expenditure, purchase of additional shares in BC Iron and bond buy backs offset by positive operating cash flows.

Borrowings

Current borrowings have decreased from $41.3 million at 31 December 2011 to $17.6 million at 31 December 2012, a net decrease of $23.7 million primarily as a result of the repayment of the stockpile funding and overdraft element of the Australian working capital facility. Non-current borrowings have decreased from $376.1 million at 31 December 2011 to $368.0 million at 31 December 2012 as a result of bond buy-backs offset by the utilisation of hire-purchase under the Caterpillar and Komatsu financing facilities.

Liquidity

The Group has generated positive operating cash flows of $58.2 million in 2012 and is forecasting to continue to generate positive operating cash flows going forward. The liquidity position of the Group is further supported by circa $115 million of the marketable securities held (at 23th April 2013) that could be converted to cash if such a need arose.

The Group had a total overdraft facility in Ghana of $29.5 million with $17.1 million remaining undrawn and available at the end of 2012.

As previously noted, the Group repaid its Australian working capital facilities on 29 May 2012. This decision was made as part of the Group's capital management process and to lower the overall cost of financing in 2012 and beyond.

Guarantor Group

During the year ended 31 December 2012, the Guarantors represented 100% (31 December 2011: 100%) of our consolidated revenues and -119.1% (31 December 2011: 62.1%) of our consolidated EBITDA. As of 31 December 2012, the Guarantors represented 84.5% of our consolidated total assets (31 December 2011: 86.4%). As of 31 December 2012, the non-guarantor subsidiaries have $12.4 million (31 December 2011: $9.0 million) of indebtedness outstanding. The unrestricted subsidiaries are not significant subsidiaries and therefore not material to the Group. As a result, separate financial details have not been disclosed.

Condensed Consolidated Statement of Cash Flows

$m	Year Ended 31 December 2012	31 December 2011	31 December 2010
Cash inflow from operating activities	58.0	115.1	119.4
Cash outflow from investing activities	(40.5)	(80.1)	(19.1)
Cash (outflow) / inflow from financing activities	(81.4)	44.3	(43.5)
(Decrease) / increase in cash and cash equivalents	(63.9)	79.3	56.8
Cash and cash equivalents at the start of the period	138.1	62.1	5.1
Exchange (losses) / gains on cash and cash equivalents	(0.3)	(3.3)	0.2
Cash and cash equivalents at the end of the period	**73.9**	**138.1**	**62.1**

Cash Flows

Net cash generated from operating activities was $58.0 million in 2012 compared to $115.1 million in 2011, a decrease of $57.1 million. This reduction in operating cash flow was principally as a result of lower revenues offset by a favourable working capital movement. The net cash outflow from investing activities was $40.5 million in 2012 compared to a $80.1 million outflow in 2011 primarily as result of lower overall capital expenditure. The net cash outflow from financing activities was $81.4 million in 2012 compared to a net cash inflow of $44.3 million in 2011. The cash outflow from financing activities in 2012 relates to the repayment of the stockpile funding element of the Australian working capital facilities, bond interest paid and bonds repurchased in the year. The cash inflow in 2011 relates to proceeds from the issuance of the $405.0 million bond offset by the dividend paid and partial repayment of shareholder loans.

Overall the Group has managed to maintain a strong closing cash position through effective working capital management and cost savings through operational efficiencies. Total cash and cash equivalents decreased from $138.1 million at 31 December 2011 to $73.9 million at 31 December 2012 as a result of the repayment of the stockpile funding element of the Australian working capital facility, as part of the repayment of this entire facility and lower net cash generated from operating activities.

Company Registered Number 100396

Consolidated Minerals Limited

Audited Consolidated Financial Statements

For the Year Ended 31 December 2012

Index to the Consolidated Financial Statements

Table of Contents

Directors' report

For the year ended 31 December 2012

The directors present the audited consolidated financial statements for the year ended 31 December 2012.

Incorporation

Consolidated Minerals Limited (the "Company") was incorporated in Belize in 2004 and redomiciled in Jersey in April 2008.

Principal activities

The consolidated statement of comprehensive income for the year is set out on page 22. The principal activities of the Company and its subsidiaries are the exploration, mining, processing and sale of manganese and chromite ore.

Directors' responsibilities statement

The directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS").

Companies (Jersey) Law 1991 requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the profit and loss for that year.
In preparing those financial statements the directors should:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue the business; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors confirm they have complied with all the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors

The directors during the year and to the date of this report were as follows:

Mr Peter Allen (appointed 26 April 2012)
Mr Vyacheslav Anishchenko
Mr Glenn Baldwin (resigned 26 April 2012)
Mr Steven Bowen
Ms Jackie Callaway
Mr Malcolm McComas (appointed 30th May 2012)
Mr Andreas Marangos

Andreas Marangos (a director of the Company) holds 9,999,000 of the Company's ordinary shares and the remaining 1,000 ordinary shares are held by Grizal Enterprises Limited ('Grizal'), a related party in which Gennady Bogolyubov has a 100% interest. Both Andreas Marangos and Grizal hold the shares as trustees for Gennady Bogolyubov, the sole ultimate beneficial owner of the shares of the Issuer.

Results for the year

During the year the Company made a loss after tax of $44.2million (2011: loss of $491.3 million). This loss has been charged to retained losses.

Dividends

The Company did not pay a dividend during the year ending 31 December 2012 (2011: $50.0 million).

Secretary
The secretary of the Company is Ms Jackie Callaway.

Independent auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

Registered office:

Commercial House
3 Commercial Street
St Helier
Jersey
JE2 3RU

By Order of the Board

Jackie Callaway
CFO/Director

Date: 24th April 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CONSOLIDATED MINERALS LIMITED

We have audited the group financial statements of Consolidated Minerals Limited for the year ended 31 December 2012 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 19 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

The maintenance and integrity of the Consolidated Minerals Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2012 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Opinion on other matter

In our opinion the information given in the Directors' Report for the financial year for which financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies (Jersey) Law 1991, we are required to report to you if, in our opinion we have not received all the information and explanations we require for our audit.

Jason Burkitt
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants
London
24th April 2013

Consolidated statement of comprehensive income

$m	Note	Years ended 31 December 2012	2011	2010
Revenue	7	554.1	706.6	639.5
Cost of sales	8	(418.0)	(584.6)	(414.0)
Gross profit		136.1	122.0	225.5
Selling and distribution expenses	9	(112.4)	(110.3)	(60.3)
General and administrative expenses	10	(35.1)	(42.4)	(42.6)
Other operating income	11	6.0	6.4	5.3
Net foreign exchange gain / (loss)	12	2.9	(2.8)	1.2
Impairment (expense) / write-back	13	(16.2)	(495.1)	28.7
Operating (loss) / profit		(18.7)	(522.2)	157.8
Presented as:				
Adjusted EBITDA		**14.1**	**126.7**	**273.2**
Depreciation	21	(60.8)	(126.4)	(120.0)
Impairment (expense) / write-back	13	(16.2)	(495.1)	28.7
Restructuring costs	14	(5.5)	-	-
Net foreign exchange gain / (loss)	12	2.9	(2.8)	1.2
Non-cash inventory NRV write back / (write-down)		46.8	(24.6)	(25.3)
Operating (loss) / profit		**(18.7)**	**(522.2)**	**157.8**
Finance income	17	5.2	8.5	1.2
Finance costs	17	(39.1)	(31.0)	(4.2)
Net finance costs		(33.9)	(22.5)	(3.0)
Share of profit of associated undertakings	18	12.5	1.6	1.5
Gain on disposal of subsidiary company	39	0.8	-	-
Loss on disposal of available-for-sale financial assets	19	-	-	(10.0)
(Loss) / profit before tax		(39.3)	(543.1)	146.3
Income tax (charge) / credit	20	(4.9)	51.8	(16.7)
(Loss) / profit for the year		(44.2)	(491.3)	129.6
Other comprehensive income				
Revaluation of available-for-sale financial assets	33	(4.7)	(65.8)	(27.7)
Net foreign currency translation differences	33	4.4	9.2	107.6
Income tax credit / (charges) on other comprehensive income	20	0.6	0.7	(0.3)
Other comprehensive income / (expense) for the year, net of tax		0.3	(55.9)	79.6
Total comprehensive (expense) / income for the year		(43.9)	(547.2)	209.2
(Loss) / profit attributable to:				
Owners of the parent company		(44.7)	(492.6)	128.0
Non-controlling interest		0.5	1.3	1.6
(Loss) / profit for the year		(44.2)	(491.3)	129.6
Total comprehensive (expense) / income attributable to:				
Owners of the parent company		(44.4)	(548.5)	207.6
Non-controlling interest		0.5	1.3	1.6
Total comprehensive (expense) / income for the year		(43.9)	(547.2)	209.2

Notes to the financial statements are included on pages 26 to 58.

Consolidated statement of financial position

$m	Note	As at 31 December 2012	2011
Non-current assets			
Property, plant and equipment	21	409.6	430.9
Intangible assets	22	89.9	77.3
Goodwill	23	28.9	28.9
Investments in associated undertakings	18	65.4	40.9
Available-for-sale financial assets	25	17.0	21.3
Trade and other receivables	26	0.2	0.4
Deferred tax assets	20	43.4	42.6
		654.4	642.3
Current assets			
Inventories	24	73.1	81.7
Trade and other receivables	26	72.2	86.2
Income tax receivable		1.2	0.9
Cash and cash equivalents	27	86.3	155.2
		232.8	324.0
Current liabilities			
Borrowings	28	(17.6)	(41.3)
Trade and other payables	29	(73.4)	(81.5)
Provisions	30	(7.1)	(7.6)
		(98.1)	(130.4)
Net current assets		**134.7**	**193.6**
Non-current liabilities			
Borrowings	28	(368.0)	(376.1)
Trade and other payables	29	(6.7)	(6.4)
Provisions	30	(62.0)	(49.8)
Deferred tax liabilities	20	(41.3)	(47.0)
		(478.0)	**(479.3)**
Net assets		**311.1**	**356.6**
Attributable to the equity shareholders of the parent company			
Share capital	31	10.0	10.0
Share premium	31	194.7	194.7
Subordinated shareholder loans treated as equity	32	966.2	966.2
Reserves	33	26.4	26.1
Retained losses	34	(899.3)	(854.6)
Total equity attributable to equity holders of the parent company		**298.0**	**342.4**
Non-controlling interest		13.1	14.2
Total equity		**311.1**	**356.6**

Notes to the financial statements are included on pages 26 to 58.

The financial statements on pages 22 to 58 were authorised for issue by the Board of Directors on 24th April 2013 and were signed on its behalf.

Jackie Callaway
CFO/Director

Peter Allen
Director

Consolidated statement of changes in equity

	Attributable to equity shareholders of the parent Company							
$m	Share capital	Share premium	Shareholder equity	Reserves	Retained losses	Total	Non-controlling interests	Total
Balance at 1 January 2012	10.0	194.7	966.2	26.1	(854.6)	342.4	14.2	356.6
(Loss) / profit for the period	-	-	-	-	(44.7)	(44.7)	0.5	(44.2)
Revaluation of available-for-sale financial assets	-	-	-	(4.7)	-	(4.7)	-	(4.7)
Foreign currency translation differences	-	-	-	4.4	-	4.4	-	4.4
Income tax on other comprehensive income	-	-	-	0.6	-	0.6	-	0.6
Dividend paid				-	-		(1.0)	(1.0)
Disposal of subsidiary company	-	-	-	-	-	-	(0.6)	(0.6)
Balance at 31 December 2012	10.0	194.7	966.2	26.4	(899.3)	298.0	13.1	311.1

	Attributable to equity shareholders of the parent Company							
$m	Share capital	Share premium	Shareholder equity	Reserves	Retained losses	Total	Non-controlling interests	Total
Balance at 1 January 2011	10.0	194.7	1,219.0	82.0	(312.0)	1,193.7	13.6	1,207.3
Profit for the period	-	-	-	-	(492.6)	(492.6)	1.3	(491.3)
Revaluation of available-for-sale financial assets	-	-	-	(65.8)	-	(65.8)	-	(65.8)
Foreign currency translation differences	-	-	-	9.2	-	9.2	-	9.2
Income tax on other comprehensive income	-	-	-	0.7	-	0.7	-	0.7
Repayment of shareholder loan treated as equity	-	-	(252.8)	-	-	(252.8)	-	(252.8)
Dividend paid	-	-	-	-	(50.0)	(50.0)	(0.7)	(50.7)
Balance at 31 December 2011	10.0	194.7	966.2	26.1	(854.6)	342.4	14.2	356.6

	Attributable to equity shareholders of the parent Company							
$m	Share capital	Share premium	Shareholder equity	Reserves	Retained losses	Total	Non-controlling interests	Total
Balance at 1 January 2010	10.0	194.7	-	2.4	(440.0)	(232.9)	12.9	(220.0)
Profit for the period	-	-	-	-	128.0	128.0	1.6	129.6
Revaluation of available-for-sale financial assets	-	-	-	(27.7)	-	(27.7)	-	(27.7)
Foreign currency translation differences	-	-	-	107.6	-	107.6	-	107.6
Income tax on other comprehensive income	-	-	-	(0.3)	-	(0.3)	-	(0.3)
Reclassification of shareholder loan treated as equity	-	-	1,219.0	-	-	1,219.0	-	1,219.0
Proceeds from issue of shares							(0.3)	(0.3)
Dividend paid	-	-	-	-	-	-	(0.6)	(0.6)
Balance at 31 December 2010	10.0	194.7	1,219.0	82.0	(312.0)	1,193.7	13.6	1,207.3

Notes to the financial statements are included on pages 26 to 58.

Consolidated statement of cash flows

		Years ended 31 December		
$m	**Note**	**2012**	**2011**	**2010**
Cash flow from operating activities				
(Loss) / profit before tax		(39.3)	(543.1)	146.3
Adjustments to add / (deduct) non-cash items:				
Depreciation		60.8	126.4	120.0
Deferred stripping (capitalised) / amortised		7.5	(34.0)	(37.2)
Impairment expense / (write-back)		16.2	495.1	(28.7)
Non-cash inventory NRV (write-back) / write- down		(46.8)	24.6	25.3
Gain on sale of property, plant and equipment		(1.2)	-	-
Gain on disposal of subsidiary company		(0.8)	-	-
Loss on disposal of available-for-sale assets		-	-	10.0
Share of (profits) of associated undertakings		(12.5)	(1.6)	(1.5)
Dividend income		-	(1.2)	(1.4)
Net foreign exchange (gain) / loss		(2.9)	2.8	(1.2)
Net financing costs		33.9	22.5	3.0
Working capital adjustments:				
Decrease / (increase) in inventories		52.1	66.6	(99.5)
Decrease / (increase) in receivables		14.2	(29.6)	(8.7)
(Decrease) / increase in payables		(13.1)	6.7	1.1
Net movement in working capital		53.2	43.7	(107.1)
Income taxes paid		(10.1)	(20.1)	(8.1)
Net cash generated from operating activities		58.0	115.1	119.4
Cash flow from investing activities				
Payments for development expenditure		(8.3)	(18.7)	(10.3)
Purchase of property, plant and equipment		(18.1)	(39.2)	(34.4)
Proceeds from sale of property, plant and equipment		1.5	0.5	0.5
Payments for mineral exploration and evaluation expenditure		(11.2)	(15.3)	(15.7)
Interest received		1.7	5.8	0.5
Proceeds from dividends received		3.9	-	-
Purchase of available-for-sale financial investments		-	(1.6)	-
Proceeds for sale of available-for-sale financial investments		-	0.7	42.3
Proceeds from disposal of subsidiary company, net of cash disposed		5.1	-	-
Payments for investments in associates		(15.1)	(12.3)	(1.5)
Payments for acquisition of non-controlling interests		-	-	(0.5)
Net cash outflow from investing activities		(40.5)	(80.1)	(19.1)
Cash flow from financing activities				
Proceeds from related party borrowings		2.6	-	47.0
Repayments of related party borrowings		-	-	(36.5)
Repayments of shareholder loan treated as equity		-	(252.8)	-
Interest paid		(35.7)	(21.9)	(4.2)
Dividends paid to owners of the parent company		-	(50.0)	-
Dividends paid to non-controlling interest		(1.0)	(0.7)	(0.6)
Net proceeds from issue of senior secured notes		-	389.2	-
Payments for repurchase of senior secured notes		(18.5)	(15.5)	-
Repayment of hire purchase borrowings		(6.5)	(2.0)	-
Proceeds from stockpile funding		89.0	198.5	156.9
Repayment of stockpile funding		(111.3)	(200.5)	(155.9)
Repayment of other bank borrowings		-	-	(50.2)
Net cash (outflow) / inflow from financing activities		(81.4)	44.3	(43.5)
Net (decrease) / increase in cash and cash equivalents		(63.9)	79.3	56.8
Cash and cash equivalents at the beginning of the period		138.1	62.1	5.1
Exchange (losses) / gains on cash and cash equivalents		(0.3)	(3.3)	0.2
Cash and cash equivalents at the end of the period	27	73.9	138.1	62.1

In 2012 the consolidated statement of cash flows is presented using the indirect method of calculation rather than the direct method that was utilised in the prior year consolidated financial statements. The 2011 and 2010 comparatives have been restated above in accordance with the indirect method of calculation.

Notes to the financial statements are included on pages 26 to 58.

Notes to the consolidated financial statements

1. General information

Consolidated Minerals Limited (formerly Palmary Enterprises Limited) ('the Company') was incorporated in Belize, in 2004 and redomiciled in Jersey in April 2008. The address of its registered office is Commercial House, 3 Commercial Street, St Helier, Jersey JE2 3RU.

The principal activities of the Company and its subsidiaries (the "Group") are the exploration, mining, processing and sale of manganese and chromite ore. The Group's operations are primarily conducted through four major operating/trading subsidiaries; Consolidated Minerals Holdings (Australia) Pty Limited, Ghana Manganese Company Limited, Manganese Trading Limited (Jersey) and Pilbara Trading Limited (Jersey).

The financial statements of the Group and the Company for the year ended 31 December 2012 were approved and authorised for issue by the Board of Directors on 24th April 2013.

2. Basis of preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

(a) Basis of preparation

The basis of preparation describes how the financial statements have been prepared in accordance with International Financial Reporting Standards.

The consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale assets which have been measured at fair value.

All amounts are presented in US dollars and are rounded to the nearest $0.1 million, unless otherwise noted.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(b) Going concern

The financial statements have been prepared on a going concern basis. The Group recorded a loss of $44.2 million in the current year. Of this loss $16.2 million relates to non-cash impairment charges. During the current year the Group generated a positive operating cash flow of $58.2 million. The Group's cash forecasts, taking account of reasonably possible changes in trading performance, demonstrate a sufficient level of liquidity and debt facility headroom for the next 12 months from the date of signing this report. The Group has positive net assets of $311.1 million as at 31 December 2012.

After making due and careful enquiry, the directors believe that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Group continues to adopt the going concern basis in preparing its consolidated financial statements.

(c) Basis of consolidation

Subsidiaries are those companies and other entities which the Group controls (either directly or indirectly). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

On acquisition of a subsidiary, the purchase consideration is allocated to the assets, liabilities and contingent liabilities on the basis of their fair value at the date of acquisition. The excess of the cost of the acquisition over the fair value of the Group's share of identifiable net assets of the subsidiary acquired is recognised as positive goodwill. Negative goodwill arises where the fair value of the Group's share of identifiable net assets of the subsidiary exceeds the cost of the acquisition. Negative goodwill is recognised directly in the statement of comprehensive income.

The financial statements of subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority are attributed to the parent and the non-controlling interest in the absence of explicit agreements to the contrary.

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interest are also recorded in equity.

When the Group ceases to have control or significant interest, any retained interest in the entity is remeasured to fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(d) New and amended standards and interpretations effective as of 1 January 2012 adopted by the Group

There are no new or amended standards and interpretations that have been adopted by the Group that impact either the financial position, financial results, disclosures or stated accounting policies of the Group.

(e) New and amended standards mandatory for the first time for the financial year beginning January 2012 but not currently relevant to the Group

- IAS 12 *Income taxes* has been updated to include a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale, and a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis.
- IFRS 7 *Financial Instruments: Disclosures* has been updated as part the IASB's comprehensive review of off balance sheet activities to enhance derecognition disclosure requirements and promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position.

(f) New Standards and revisions to existing standards that are not yet effective and have not been early adopted by the Group

- IFRS 9 *Financial Instruments: Classification and Measurement* (effective 1 January 2015): IFRS 9 was issued by the IASB in November 2009 and subsequently amended in October 2010. This new standard represents the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB will address hedge accounting and recognition. The Group has not yet completed its evaluation of the effect of adoption.
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (effective 1 January 2013): IFRIC 20 sets out the accounting for over burden waste removal (stripping costs) in the production phase of a mine and the associated future benefits of access to usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. IFRIC 20 considers when and how to account separately for these two benefits, as well as how to measure these benefits both initially and subsequently. The interpretation is effective from 1 January 2013. When published in the Group's 2013 annual report, the Group's restated 2012 and 2011 financial statements are expected to show a change in the cost of mining properties to the extent that the removal of capitalised pre-stripping costs that were previously expensed are not matched by the new accounting practice of depreciating the capitalised balance on a unit of production basis. The Group has not yet fully completed its evaluation of the effect of adoption, however the impact of these changes are not expected to significantly impact the financial results of the Group. The Group does not expect any transitional adjustment as a result of applying IFRIC 20.
- IAS 1 *Presentation of Financial Statements - Presentation of Other Comprehensive Income* (effective 1 July 2012): The IASB has issued an amendment to the standard requiring entities to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future.
- IFRS 10 *Consolidated Financial Statements* (effective 1 January 2013): IFRS 10 is a new standard that replaces all of the guidance on control and consolidation in IAS 27 and SIC-12. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. The core principle that a consolidation entity presents a parent and its subsidiaries as if they are a single entity, and the mechanics of consolidation, remain unchanged. The standard has not been early adopted by the Group and is not expected to have an impact on the consolidation of the Group.
- IFRS 11 *Joint Arrangements* (effective 1 January 2013): IFRS 11 is a new standard focusing on the rights and obligations of the arrangement, rather than its legal form. The standard defines two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group has not yet completed its evaluation of the effect of adoption.
- IFRS 12 *Disclosure of Interests in Other Entities* (effective 1 January 2013): This standard requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. includes the

disclosure requirements for all forms of interests in other entities, Adoption of the standard is likely to results in increased disclosure in the Group financial statements.

- IRFS 13 *Fair Value Measurement* (effective 1 January 2013): This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

(g) Interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Group

In May 2012 the IASB published its 'annual improvements' to nine IFRS's for 2013 year ends. The more significant changes to the standards arising from annual improvements project are:

- IAS 16 *Property, Plant and Equipment*: The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. The previous wording of IAS 16 indicated that servicing equipment should be classified as inventory, even if it was used for more than one period. Following the amendment, this equipment used for more than one period is classified as property, plant and equipment.
- IAS 34 *Interim Financial Reporting:* The amendment clarifies the disclosure requirements for segment assets and liabilities in interim financial statements and brings IAS 34 into line with the requirements of IFRS 8 *Operating Segments.* A measure of total assets and liabilities is required for an operating segment in interim financial statements if such information is regularly provided to chief operating decision makers

(h) Comparatives

Where applicable, comparatives have been prepared on the same basis as current period figures.

(i) Changes in accounting policies

There have been no material changes in accounting policies. All accounting policies have been consistently applied.

3. Summary of significant accounting policies

The following significant accounting policies have been applied in the preparation of the consolidated financial statements. These accounting policies have been consistently applied.

(a) Foreign currency translation

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates.

Transactions in currencies other than the functional currency are initially translated into the functional currency at the rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at year end exchange rates. Exchange gains and losses on settlement of foreign currency transactions translated at the rate prevailing at the date of the transactions, or the translation of monetary assets and liabilities at year end exchange rates, are taken to the statement of comprehensive income.

The consolidated financial statements are presented in US dollars (USD) which is the functional currency of the Company and the presentation currency for the consolidated financial statements. The functional currencies of Consolidated Minerals (Australia) Pty Limited are Australian dollars (AUD) and that of Ghana Manganese Company Limited (Ghana), Manganese Trading Limited (Jersey) and Pilbara Trading Limited (Jersey) are USD.

On consolidation, the assets and liabilities of the Group's foreign operations are translated into US dollars at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions). Exchange differences arising, on the translation of the net assets of entities with functional currencies other than the US dollar, are classified as equity and transferred to the Group's foreign currency translation reserve.

Exchange gains and losses which arise on balances between Group entities are taken to the foreign currency translation reserve where the intragroup balance is not expected to be settled in the foreseeable future and is, in substance, part of the Group's net investment in the entity.

The following foreign exchange rate against the USD has been used in the preparation of the consolidated financial statements:

	31 December 2012	Average 2012	31 December 2011	Average 2011	31 December 2010	Average 2010
Australian dollar	1.0371	1.0355	1.0174	1.0334	1.0163	0.9199
British Pound	1.6153	1.5847	1.5453	1.6039	1.5468	1.5443

(b) Investments in associates

An associate is an entity in which the Group has significant influence but not control and which is neither a subsidiary nor a joint venture. The Group's investments in associates are accounted for under the equity method of accounting.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The statement of comprehensive income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of comprehensive income.

(c) Revenue recognition

Revenue comprises sales to third parties at invoiced amounts, with most sales being priced free on board (f.o.b.) or cost, insurance and freight (c.i.f.). Sales revenue excludes any applicable sales taxes. Sales revenue is only recognised on individual sales when evidence exists that all of the following criteria are met:

- the significant risks and rewards of ownership of the product have been transferred to the buyer;
- neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold, has been retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the sale will flow to the Group; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

These conditions are generally satisfied when title passes to the customer. In most instances sales revenue is recognised when the product is delivered to the destination specified by the customer, which is typically the vessel on which it will be shipped, the destination port or the customer's premises.

Sales revenue is commonly subject to adjustment based on an inspection of the product by the customer. In such cases, sales revenue is initially recognised on a provisional basis using the Group's best estimate and adjusted subsequently.

(d) Finance income and costs

Finance income is recognised as earned on an accruals basis using the effective interest method in the statement of comprehensive income. Finance income comprises interest income on funds invested and gains and income on investment securities. Finance costs comprise interest expense on borrowings and finance leases, the accumulation of interest on provisions and interest expense from the unwinding of discount on provisions for asset retirement obligations.

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of financial expenses, unless incurred on borrowings to finance the construction of property, plant and equipment which are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Interest income and expense is recognised on a time proportion basis, using the effective interest method.

(e) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment to tax in respect of previous years.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis.

(f) Dividends

Dividends paid are recognised through equity in the period in which they are approved by the shareholders of the Company.

Dividends received from available for sale financial assets are recognised through the income statement when received. Dividends received from investments in associated undertakings are recognised as a reduction in the carrying value of that investment when received.

(g) Finance leases and hire purchase commitments

Finance leases, which transfer to the Group substantially all the risks and rewards of ownership of the leased items, are capitalised at the inception of the lease. Plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The capital elements, net of finance charges, of future obligations under finance leases and hire purchase contracts are included as current or long-term payables in the statement of financial position, as appropriate. Lease payments are apportioned between the finance charge and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statement of comprehensive income.

Capitalised lease assets are depreciated over the shorter of the lease term and the estimated useful life of the asset.

(h) Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments, including those on expected termination, are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. For operating leases relating to the use of mining facilities, rental expense is recognised in cost of sales. For operating leases relating to the use of administrative facilities, rental expense is recognised in general and administrative expenses in the statement of comprehensive income.

(i) Borrowing costs

Borrowing costs are expensed as incurred except for interest directly attributable to the acquisition, construction or production of an asset, which necessarily takes a substantial period of time to get ready for its intended use, in which case they are capitalised as part of the cost of that asset. Capitalisation of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and the activities to prepare the asset for its intended use are in progress. Borrowing costs are capitalised up to the date when the project is completed and ready for its intended use. To the extent that funds are borrowed specifically for the construction of an asset, the amount of borrowing costs eligible for capitalisation is determined at the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally and used for the purpose of constructing an asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised during a period should not exceed the amount of borrowing cost incurred during that period. Other borrowing costs are recognised as expenses when incurred.

(j) Property, plant and equipment

Property, plant and equipment and capital works in progress are measured at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition or construction of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is calculated using the diminishing valued method at a percentage rate that approximates to the estimated useful life of the asset using the following ranges:

- Office future and equipment (owned and leased)	20% - 33% diminishing value method
- Motor vehicles (owned and leased)	20% - 33% diminishing value method
- Mining plant and equipment (owned)	20% - 33% diminishing value method
- Residential and industrial buildings	5% diminishing value method

Depreciation for mining plant and equipment (leased) is calculated on the shorter of the lease period or units of production basis.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

Under IAS 16 - Property, Plant and Equipment, spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment and will be used for more than one period.

Property (Infrastructure) and Mining Properties

Property (infrastructure) and mining properties are measured at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition or construction of the item and bringing the asset into operation. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Accumulated mine development costs are depreciated on a units-of-production basis over the estimated useful life of the asset, or over the remaining life of the mine if shorter.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

(k) Intangible Assets

Exploration and evaluation expenditure

Exploration and evaluation expenditure is allocated separately to specific areas of interest. Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure directly related to activities in the area of interest. Once the area of interest is determined, the related costs are capitalised. Costs related to the acquisition of properties that contain mineral resources are allocated separately to specific areas of interest. These acquisition costs are capitalised until the viability of the area of interest is determined.

If no mineable ore body is discovered, capitalised acquisition costs are tested for impairment and then expensed in the period in which it is determined that the area of interest has no future economic value.

When the decision to proceed to development is made, all costs subsequently incurred to develop a mine prior to the start of mining operations within the area of interest are capitalised and carried at cost. These costs include expenditure incurred to develop new ore bodies within the area of interest, to define further mineralisation in existing areas of interest, to expand the capacity of a mine and to maintain production.

When mining commences, these costs are amortised over the life of the mine. Capitalised amounts for an area of interest are subject to normal impairment testing and may be written down if discounted future cash flows related to the area of interest are projected to be less than its carrying value.

(l) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of the acquisition.

Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance. Goodwill acquired in a business combination is not amortised and is carried at cost less accumulated impairment losses.

Goodwill is tested annually for impairment as part of the impairment review of the cash generating unit to which it is associated, or more frequently where there is an indication that the unit is impaired.

(m) Impairment of non-current assets

The carrying amounts of assets subject to depreciation or amortisation are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount.

An impairment review is undertaken on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, in which case the review is undertaken at the cash generating unit level. If the carrying amount of an asset or its cash-generating unit exceeds the recoverable amount, a provision is recorded to reflect the asset or cash-generating unit at the lower amount. Impairment losses are recognised in the statement of comprehensive income.

The recoverable amount of assets is the greater of their value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current

market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The Group's cash-generating units are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Financial assets

Recognition

Financial assets are recognised on the trade date – the date on which the Group commits to purchase the asset. Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Classification and measurement

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate.

Loans and receivables are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' in the statement of financial position.

(b) Available-for-sale financial assets

Available-for-sale financial investments are non-derivatives that are either designated in this category or are not classified in any of the other categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised directly in equity. When sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as 'gain/ (loss) on disposal of available-for-sale financial assets'.

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, an evaluation is made as to whether a decline in fair value is 'significant' or 'prolonged' based on an analysis of indicators such as significant adverse changes in the technological, market, economic or legal environment in which the Company invested in operates. If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of comprehensive income is transferred from equity to the statement of comprehensive income. Reversals in respect of equity instruments classified as available-for-sale are not recognised in statement of comprehensive income. Reversals of impairment losses on debt instruments are reversed through the statement of comprehensive income, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised.

Available-for-sale financial assets are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of financial position date.

(o) Inventories

Inventories of mined ore, concentrate, work in process and finished product are physically measured or estimated at and valued at the lower of cost and net realisable value.

Cost comprises direct material, labour and transportation expenditure in getting such inventories to their existing location and condition, together with an appropriate portion of fixed and variable overhead expenditure, based on weighted average costs incurred during the period in which such inventories were produced. Net realisable value is the amount to be obtained from the sale of the item of inventory in the normal course of business, less any anticipated selling costs to be incurred prior to its sale.

Inventories of consumable supplies and spare parts expected to be used in production are valued at weighted average cost. Obsolete or damaged inventories of such items are valued at net realisable value.

(p) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due. Indicators of impairment would include financial difficulties of the debtor, likelihood of the debtor's insolvency, default in payment or a significant deterioration in credit worthiness. Any impairment is recognised in the statement of comprehensive income within 'general and administrative expenses'. When a trade receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against 'net operating costs' in the statement of comprehensive income.

Sales revenue is generally invoiced and received in US dollars. Trade receivables represent gross sales revenue proceeds from the customer. A receivable is recognised at estimated sales value when the product is delivered.

(q) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position, and as a deduction from cash in the statement of cash flows.

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

(s) Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(t) Employee benefits

Wages, salaries, and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. On behalf of its employees, the Group pays those statutory pension and post-employment benefit amounts prescribed by the legal requirements of the countries in which it operates. These payments are expensed as incurred. Upon retirement of the employee, the financial obligations of the Group, in this regard, cease and all subsequent payments to retired employees are administered by the state and private cumulative pension funds.

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date.

(u) Provisions

General

Provisions are recognised when the Group has a legal or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Rehabilitation provision

A provision for rehabilitation is recorded in relation to mining operations as a result of an obligation by the Group to restore its mine sites to a state acceptable to government authorities. These future mine rehabilitation costs are provided for in full at the present value of expected future expenditure when the liability is incurred.

The rehabilitation provision is based on the Group's environmental management plans, in compliance with current environmental and regulatory requirements and represents the cost that will arise from rectifying ground disturbance caused by the initial and ongoing installation of mining infrastructure.

The initial rehabilitation provision together with other movements in the provisions for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised in mining properties within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

The estimated future costs of rehabilitation are regularly reviewed and adjusted as appropriate. The Group has estimated its costs based on existing feasibilities and studies using current restoration technology. The estimates are risk adjusted and discounted at a pre-tax rate that reflects current market assessments of the time value of money.

(v) Deferred stripping

In open pit mining operations, it is necessary to remove overburden and other waste in order to access the ore body. During the preproduction phase, these costs are capitalised as part of the cost of the mine property and depreciated based on the mine's strip ratio.

The costs of removal of the waste material during a mine's production phase are deferred, where they give rise to future benefits. The deferral of these costs, and subsequent charges to the statement of comprehensive income are determined with reference to the mine's strip ratio.

The mine's strip ratio represents the ratio of the estimated total volume of waste, to the estimated total quantity of economically recoverable ore, over the life of the mine. These costs are deferred where the actual stripping ratios are higher than the average life of mine strip ratio. The costs charged to the statement of comprehensive income are based on application of the mine's strip ratio to the quantity of ore mined in the period. Where the ore is expected to be evenly distributed, waste removal is expensed as incurred.

4. Critical accounting judgments and key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment

In accordance with IAS 36 *Impairment of Assets*, assets and investments are tested for impairment when circumstances indicate there may be a potential impairment. Factors considered to be important which could trigger an impairment review include:

- Significant fall in market values;
- Significant changes in foreign exchange rates
- Significant underperformance relative to historical or projected future operating results;
- Significant changes in the use of assets or the overall business strategy; and
- Significant negative industry or economic trends.

An assessment is made based on the estimated recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use. When such amounts are less than the carrying amount of the asset, a write down to the estimated recoverable amount is recorded.

(b) Net realisable value adjustments on ore stockpiles

In accordance with IAS 2 *Inventories*, the Group measures its inventories at the lower of cost and net realisable value. The determination of net realisable value requires the Group to use estimates and assumptions concerning selling prices and future costs to convert ore stocks to finished goods. When these assumptions become known in the future, and to the extent that they differ from the assumptions made, such differences will impact pre-tax profit and the carrying values of inventories.

(c) Taxation

The Group is subject to income taxes in several jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax filing queries based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(d) Rehabilitation provision

Provision is made for mine rehabilitation obligations when the related environmental disturbance takes place. Provisions are recognised at the net present value of future expected costs as outlined in note 3u.

Significant judgment is required in determining the provision for rehabilitation as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate the mine site. Factors that will affect this liability include the life of the mine based on expected production, future development, changes in technology, commodity price changes and changes in interest rates. When these factors change or become known in the future, such difference will impact the mine rehabilitation provision in the period in which they change or become known.

(e) Open pit overburden removal costs

The Group assesses its expensing of overburden removal mining costs using assumptions concerning the estimated useful life of the open pit mine, together with an estimate of the contained ore and waste that will ultimately be mined.

(f) Units of production method of depreciation and amortisation

The Group applies the unit of production method for depreciation of its mine assets based on ore tonnes mined. These calculations require the use of estimates and assumptions. Significant judgment is required in assessing the available reserves and the production capacity of the assets to be depreciated under this method. Factors that must be considered in determining reserves and resources and production capacity are the Group's history of converting resources to reserves and the relevant time frames, and markets and future developments.

When these factors change or become known in the future, such differences will impact pre-tax profit and carrying values of assets. It is impracticable to quantify the effect of changes in these estimates and assumptions in future periods.

5. Principal risks and uncertainties

The following describes the material risks that could affect Consolidated Minerals Limited. The Group's view of its principal risks and uncertainties can be summarised as follows:

There may be additional risks unknown to Consolidated Minerals Limited and other risks, currently believed to be immaterial, which could turn out to be material. These risks, whether they materialise individually or simultaneously could significantly affect the Group's business and financial results.

a) External

Commodity prices and global demand for the Group's products are expected to remain uncertain, which could have a positive or negative impact on the Group's business. Continued growth in demand for the Group's products in China could be affected by future developments in that country. Consolidated Minerals Limited is exposed to foreign currency fluctuations that could have a positive or negative impact on its overall business results. Political, legal and commercial instability, changes in fiscal policies or community disputes in the countries and territories in which the Group operates could affect the viability of its operations. The Group's land and resource tenure could be disputed resulting in disruption to the operation or development of resource. Changes in the cost and/or interruptions in the supply of energy, water, fuel or other key inputs could adversely affect the economic viability of the Group's operations.

b) Strategic

The Group's business and growth prospects may be affected by changes in its capital expenditure programme. The Group's exploration and development of new projects might be unsuccessful, expenditures may not be fully recovered and depleted ore reserves may not be replaced.

c) Financial

The Group's reported results could be adversely affected by the impairment of assets and goodwill.

d) Operational

Estimates of ore reserves are based on many assumptions and changes in the assumptions could lead to reported ore reserves being restated. Labour disputes could lead to lost production and/or increased or decreased costs. The Group depends on the continued services of key personnel. The Group's mining operations are vulnerable to inclement weather events, natural disasters, operating difficulties and infrastructure constraints, not all of which are covered by insurance, which could have an impact on its productivity. The Group may be exposed to major failures in the supply chain for specialist equipment and materials.

e) Sustainable development

Increased environmental regulations could adversely affect the Group's cost of operations. The Group's costs of close down, restoration and rehabilitation could be higher than expected due to unforeseen changes in legislation, standards and techniques, or underestimated costs. Health, safety, environment and other regulations, standards and expectations evolve over time and unforeseen changes could have an adverse effect on the Group's earnings and cash flows.

6. Segment analysis

Management considers the business from a product perspective. The primary products of the Group are manganese and chromite ore. The "Other" segment consists of administration and head office functions. In 2010 and 2011 the results of on market trading of ferro-alloys are included in the 'Other' segment, and in 2010 the results of on-market trading of third party manganese ore are included in the 'Manganese' segment.

The segment information provided for the years ended 31 December 2012, 2011 and 2010 is as follows:

2012 **$m**	**Manganese**	**Chromite**	**Other**	**Total**
Revenue from external customers	449.1	105.0	-	554.1
Cost of goods sold	(331.2)	(84.7)	(2.1)	(418.0)
Gross profit / (loss)	117.9	20.3	(2.1)	136.1
Adjusted EBITDA	37.5	2.5	(25.9)	14.1
Depreciation	(44.7)	(15.7)	(0.4)	(60.8)
Impairment expense	(1.3)	-	(14.9)	(16.2)
Restructuring costs	(2.5)	(2.9)	(0.1)	(5.5)
Net foreign exchange (loss) / gain	(2.5)	0.2	5.2	2.9
Non-cash inventory NRV write-back	38.8	8.0	-	46.8
Finance income	0.1	-	5.1	5.2
Finance expense	(2.5)	(0.1)	(36.5)	(39.1)
Share of profit of associated undertakings	-	-	12.5	12.5
Gain on disposal of subsidiary company	-	-	0.8	0.8
Profit / (loss) before tax	22.9	(8.0)	(54.2)	(39.3)
Income tax expense*				(4.9)
Loss for the year				(44.2)
Total assets	604.1	35.6	247.5	887.2
Total liabilities	(182.6)	(20.6)	(372.9)	(576.1)

* Income tax is not allocated to segments as tax is managed on a group basis.

2011 **$m**	**Manganese**	**Chromite**	**Other**	**Total**
Revenue from external customers	621.7	71.3	13.6	706.6
Cost of goods sold	(491.3)	(78.0)	(15.3)	(584.6)
Gross profit / (loss)	130.4	(6.7)	(1.7)	122.0
Adjusted EBITDA	157.4	0.2	(30.9)	126.7
Depreciation	(110.2)	(15.7)	(0.5)	(126.4)
Impairment write-back	(491.7)	(3.4)	-	(495.1)
Net foreign exchange loss	(2.2)	(0.3)	(0.3)	(2.8)
Non-cash inventory write-down	(17.2)	(7.4)	-	(24.6)
Finance income	0.3	-	8.2	8.5
Finance costs	(2.9)	(0.2)	(27.9)	(31.0)
Share of profit of associated undertakings	-	-	1.6	1.6
Loss before tax	(466.5)	(26.8)	(49.8)	(543.1)
Income tax credit				51.8
Loss for the year				(491.3)
Total assets	606.4	51.1	308.8	966.3
Total liabilities	(197.5)	(17.4)	(394.8)	(609.7)

2010 $m	Manganese	Chromite	Other	Total
Revenue from external customers	504.1	39.3	96.1	639.5
Cost of goods sold	(295.4)	(23.6)	(95.0)	(414.0)
Gross profit	208.7	15.7	1.1	225.5
Adjusted EBITDA	273.8	37.4	(38.0)	273.2
Depreciation	(114.9)	(4.4)	(0.7)	(120.0)
Impairment write-back	-	27.0	1.7	28.7
Net foreign exchange (loss) / gain	(0.6)	-	1.8	1.2
Non-cash inventory write-down	(24.8)	(0.5)	-	(25.3)
Finance income	0.7	-	0.5	1.2
Finance expense	(3.0)	(0.1)	(1.1)	(4.2)
Share of loss of associated undertakings	-	-	1.5	1.5
Loss on disposal of available-for-sale financial assets	-	-	(10.0)	(10.0)
Profit before tax	131.2	59.4	(44.3)	146.3
Income tax expense				(16.7)
Profit for the year				129.6
Total assets	1,128.3	57.5	286.5	1,472.3
Total liabilities	(188.1)	(21.2)	(55.7)	(265.0)

A reconciliation of adjusted EBITDA to (loss) / profit before tax is provided as follows:

	Years ended 31 December		
$m	**2012**	**2011**	**2010**
Adjusted EBITDA	14.1	126.7	273.2
Depreciation	(60.8)	(126.4)	(120.0)
Impairment (expense) / write-back	(16.2)	(495.1)	28.7
Restructuring costs	(5.5)	-	-
Net foreign exchange gain / (loss)	2.9	(2.8)	1.2
Non-cash inventory NRV write back / (down)	46.8	(24.6)	(25.3)
Net financing costs	(33.9)	(22.5)	(3.0)
Share of profit of associated undertakings	12.5	1.6	1.5
Gain on disposal of subsidiary company	0.8	-	-
Loss on disposal of available-for-sale financial assets	-	-	(10.0)
(Loss) / profit before tax	(39.3)	(543.1)	146.3

Adjusted EBITDA is defined as operating profit before depreciation and amortisation, impairment write-back/expense, net foreign exchange gain/loss, non-cash inventory write-downs and exceptional items.

The amounts provided to management with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

Segmental assets are reconciled to total assets as follows:

	Years ended 31 December	
$m	**2012**	**2011**
Assets of Manganese and Chromite	639.7	657.5
Other assets		
- Available-for-sale financial investments	17.0	21.3
- Investments in associates	65.4	40.9
- Other property, plant and equipment and intangibles	60.7	76.8
- Other inventory	-	4.0
- Other receivables	1.9	2.5
- Deferred tax asset	43.4	42.6
- Other cash and cash equivalents	59.1	120.7
Total assets per the statement of financial position	887.2	966.3

The Company is domiciled in Jersey. Revenue from external customers generated by Group companies domiciled in Jersey was $553.7 million (2011: $664.1 million). The total revenue in the year from external customers generated in Singapore, where the trading operations were previously domiciled, is $nil (2011: $42.5 million).

The total of non-current assets other than financial instruments and deferred tax assets (there are no employee benefit assets and rights arising under insurance contracts located in Jersey) in Jersey is nil (2011: nil).

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is $400.2 million (2011: $390.5 million) and in Ghana is $193.2 million (2011: $209.2 million).

Segmental liabilities are reconciled to total liabilities as follows:

	Years ended 31 December	
$m	**2012**	**2011**
Liabilities of Manganese and Chromite	(203.2)	(214.9)
Other liabilities		
- Other borrowings	(354.6)	(373.9)
- Other trade and other payables	(16.1)	(18.8)
- Other deferred tax liability	-	-
- Other provisions	(2.2)	(2.1)
Total liabilities per the statement of financial position	(576.1)	(609.7)

7. Revenue

Revenue from the sale of ore by geographic destination was as follows:

	Years ended 31 December		
$m	**2012**	**2011**	**2010**
China	441.7	440.1	269.9
Ukraine*	69.2	180.4	166.8
India	26.7	19.4	48.8
South Korea	6.1	-	49.6
Norway	3.8	8.3	8.3
Georgia*	-	27.6	36.3
USA*	-	11.3	19.6
Malaysia	-	7.1	10.0
Taiwan	-	6.0	20.5
Other	6.6	6.4	9.7
	554.1	706.6	639.5

*Sales to related parties

8. Cost of sales

	Years ended 31 December		
$m	**2012**	**2011**	**2010**
Mining and production expenses*	304.1	339.9	258.9
Depreciation and amortisation	60.7	125.7	119.2
Royalties and other taxes	35.6	40.2	37.2
Deferred stripping	7.5	(34.0)	(37.2)
Non-cash inventory NRV (write-back) / write-down**	(46.8)	24.6	25.3
Net movement in inventories	56.1	74.9	(80.8)
Purchases of ores and ferro-alloys for sale	-	13.2	91.4
Other	0.8	0.1	-
	418.0	584.6	414.0

* Included within mining and production costs are $5.4m of restructuring costs relating to the Australian Manganese and Chrome operations (see note 14).
**** The 2012 results included a $38.8 million utilisation of a significant portion of the NRV provision held at December 2011 as stockpiles were sold in 2012. The 2011 non-cash inventory NRV movement was primarily due to the write down of manganese inventory in the Australian operations to its net realisable value as a result of the decrease in manganese sales price and adverse foreign exchange movements.

9. Selling and distribution expenses

	Years ended 31 December		
$m	**2012**	**2011**	**2010**
Transportation costs	105.1	94.4	53.9
Personnel costs	1.2	1.1	1.5
Depreciation	0.1	0.7	0.7
Duties	1.4	0.6	0.7
Termination of agency agreement	-	5.5	-
Other	4.6	8.0	3.5
	112.4	110.3	60.3

10. General and administrative expenses

$m	Years ended 31 December 2012	2011	2010
Personnel costs*	13.1	13.1	11.9
Consulting and other professional fees	5.4	7.3	11.9
Legal	1.8	1.9	3.6
Operating lease rentals	4.3	4.0	3.6
Levies and charges	1.9	3.9	2.4
Social responsibility costs	1.8	1.7	1.9
Travel	2.4	2.5	1.7
Communication	1.1	1.7	1.1
Tenement administration expense	0.4	0.9	0.8
Utilities	0.4	0.4	0.3
Other	2.5	5.0	3.4
	35.1	42.4	42.6

* Included within personnel costs are $0.1m of restructuring costs relating to the Australian operations (see note 14).

11. Other operating income

$m	Years ended 31 December 2012	2011	2010
Other operating income			
Non-mining activities	0.2	1.2	1.9
Gain on disposal of property, plant and equipment	1.2	-	-
Other*	4.6	5.2	3.4
	6.0	6.4	5.3

*Other operating income 'other' balance relates mainly to rental income derived from property and surplus mining equipment held by the Group.

12. Net foreign exchange gain / (loss)

$m	Years ended 31 December 2012	2011	2010
Foreign exchange gain	36.4	5.0	9.4
Foreign exchange loss	(33.5)	(7.8)	(8.2)
Net foreign exchange gain / (loss)	2.9	(2.8)	1.2

13. Impairment (expense) / write-back

$m	Years ended 31 December 2012	2011	2010
Impairment (expense) / write-back			
Impairment (expense) / write-back of property, plant and equipment	(9.8)	(401.8)	27.0
Impairment expense of intangible assets	(3.2)	(45.7)	-
Impairment of inventory	(3.2)	-	-
Impairment expense of goodwill	-	(47.6)	-
Impairment write-back of investment in associated undertakings	-	-	1.7
Impairment (expense) / write-back	(16.2)	(495.1)	28.7

$m	Years ended 31 December 2012	2011	2010
Total impairment (expense) / write-back relates to the following segments:			
Manganese	(1.3)	(491.7)	-
Chrome	-	(3.4)	27.0
Other*	(14.9)	-	1.7
	(16.2)	(495.1)	28.7

*Impairment of 'Other' segment in 2012 relates to Nickel assets owned by the Group.

As a result of the impairment event in 2011 certain deferred tax assets were also impaired as follows (see note 20):

	Years ended 31 December		
$m	**2012**	**2011**	**2010**
Deferred tax asset in respect of losses impaired			
Prior year tax losses recognised, written off due to impairment event during the year	-	(43.7)	-
Current year tax losses recognised, written off due to impairment event during the year	-	(70.0)	-
	-	(113.7)	-

Non-current assets

At each reporting date, an assessment is made to determine whether there is any indication that non-current assets may be impaired. Impairment exists when the recoverable amount of the asset is lower than the amount at which it is carried in the financial statements. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Units (CGU).

2012 Impairments Review

Goodwill

Goodwill is tested for impairment annually or whenever there is an indication that the asset may be impaired. For the purposes of assessing impairment, goodwill has been allocated to the Australian Manganese CGU and the Ghanaian Manganese CGU. If the recoverable amount of the CGU is less than it's carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not reversed in subsequent periods.

The recoverability of goodwill has been assessed by reference to fair value less costs to sell (FVLCS), being the methodology that has provided the higher value for the CGU. The valuation has been prepared using methodology and assumptions consistent with those used for non-current assets.

The recoverable amount for the Ghana Manganese CGU supported the carrying value of the assets of that unit including the associated goodwill. Therefore no impairment was required for that CGU as at 31 December 2012 (2011: nil, 2010: nil).

The carrying amount of goodwill allocated to the Australia Manganese CGU as at 31 December 2012 is nil. The impairment review carried out in the prior year 2011 indicated that the recoverable amount of the Australia Manganese CGU was less than its carrying amount and as a result the goodwill allocated to the Australian Manganese CGU was impaired in full by $47.7 million (2010: nil) reducing the carrying amount to nil. Refer to note 22 for further details of the goodwill impairment loss recognised.

Key assumptions used in the models are disclosed below in the next section.

Non-Current Assets

Australian Manganese CGU

Due to the significant uncertainty regarding both commodity prices and foreign exchange rates, management undertook impairment testing of the Australian Manganese CGU to assess the appropriateness of its carrying value. Impairment testing was undertaken using the FVLCS methodology.

The impairment assessment concluded that the carrying value of the Manganese CGU is supportable by the FVLCS valuation. Therefore no impairment loss was required for the CGU as at 31 December 2012 (2011: $491.8 million inclusive of $47.6 million goodwill, 2010: nil). The FVLCS has been performed over a twelve year period to 2024.

The key assumptions used in the FVLCS calculations include:

- Commercially recoverable mineral inventories
- Production volumes and the ability to sell that product
- Commodity prices
- Cash costs of production, capital expenditure, rehabilitation and mine closure costs
- The AUD/USD foreign exchange rate
- Discount rates.

Estimates of the quantities of commercially recoverable mineral inventories represent management's expectations at year end based on reserves and resource statements and exploration and evaluation work undertaken by appropriately qualified persons.

Production volumes applied in the model are determined using current processes and technologies, and processing plant yields currently achieved. Sales volumes take into account infrastructure constraints and management's expectations of future demand.

Long-term commodity prices are determined by reference to external market forecasts. Specific prices are determined using independent forecast information available in the market after considering the nature of the commodity produced and long-term market expectations. Forecast prices vary in accordance with the year the sale is expected to occur.

Cash costs of production are based on management's latest estimate at year end of the costs to be incurred. Costs are determined after considering current operating costs, future cost expectations and the nature and location of the operation.

Capital expenditure is based on management's best estimate of sustaining capital expenditure for the existing operations and recent market prices for new infrastructure and equipment requirements for other areas of interest.

The real post-tax discount rate applied was 10.4% (2011: 10.1%, 2010: 9.1%).

The AUD/USD exchange rates are based on bank consensus forecast exchange rates. The table below summarises the forecast exchange rates applied to convert USD denominated revenue:

	2013	2014	2015	2016	2017	Life of Model Average
2012 Valuation	1.030	1.000	0.960	0.940	0.930	0.910
2011 Valuation	1.000	0.940	0.910	0.880	0.880	0.910

The view illustrates a reversion back to historical mean albeit at a slightly slower pace which is in line with the long term forecast outlook principles taken in the prior year valuation assessment.

The FVLCS valuation in relation to the Manganese Australia CGU is most sensitive to fluctuations in price and the AUD/USD exchange rate. For a 1% movement in the forecast price the post-tax net present value of the CGU is impacted by $9 million. For a 100 point movement in the forecast exchange rate, the post-tax net present value of the CGU is impacted by $17 million.

Australian Manganese Exploration and Evaluation assets

An impairment of $1.3 million has been recorded as at 31 December 2012 for manganese exploration and evaluation assets. The exploration asset impairment was a result of an IFRS 6 Explorations for and Evaluation of Mineral Resources assessment which is performed independently of the Manganese CGU assessment. The impairment relates to capitalised exploration costs for areas of interest that have no economic value.

Ghana Manganese CGU

The recoverable amount for the Ghana Manganese CGU supported the carrying value of the assets of that unit including the associated goodwill. Therefore no impairment loss was required for that CGU as at 31 December 2012 (2011: $nil, 2010: $nil).

The key assumptions used in the FVLCS calculations include:

- Commercially recoverable mineral inventories
- Production volumes and the ability to sell that product
- Commodity prices
- Cash costs of production, capital expenditure, rehabilitation and mine closure costs
- Discount rates

Estimates of the quantities of commercially recoverable mineral inventories represent management's expectations at the time of completing the impairment testing, based on reserves statements and exploration and evaluation work undertaken by appropriately qualified persons.

Production volumes applied in the model are determined using current processes and technologies, and processing plant yields currently achieved. Sales volumes take into account infrastructure constraints and management's expectations of future demand.

Long-term commodity prices are determined by reference to external market forecasts. Specific prices are determined using information available in the market after considering the nature of the commodity produced and long-term market expectations. Forecast prices vary in accordance with the year the sale is expected to occur.

Cash costs of production are based on management's best estimate at the date of impairment testing of the costs to be incurred. Costs are determined after considering current operating costs, future cost expectations and the nature and location of the operation.

Capital expenditure is based on management's best estimate of sustaining capital expenditure for the existing operations and recent market prices for new infrastructure and equipment requirements for other areas of interest.

The real post-tax discount rate applied was 11.0% (2011: 11.0%, 2010: 11.0%).

Chromite CGU

For the chromite CGU, the recoverable amount has been determined by company a FVLCS model.

The FVLCS valuation in relation to the Chromite CGU is most sensitive to fluctuations in price and AUD/USD exchange rate. Due to this sensitivity and short mine life management concluded an impairment assessment was required for 31 December 2012. The impairment assessment concluded that the carrying value of the Chromite CGU is supportable by the FVLCS valuation. Therefore no impairment loss was required for the CGU as at 31 December 2012 (2011: $3.4 million, 2010: $27.0 million impairment reversal).

The key assumptions used in the FVLCS calculation include:

- Commercially recoverable mineral inventories
- Production volumes and the ability to sell that product
- Commodity prices
- Cash costs of production, capital expenditure, rehabilitation and mine closure costs
- The AUD/USD foreign exchange rate
- Discount rates

The Coobina operation has a JORC compliant resource and reserve statement and the Company has owned and operated the mine since 2002 and has significant geological knowledge of the area. The mineral inventory upon which the production volumes and grades used for the FVLCS calculation is based represents management's expectations at the time of completing the impairment testing and is based on evaluation work performed by the Company's internal team.

Commodity prices are determined with reference to external market information and forecasts. The forecast prices used are an average for the year, the prices are likely to vary within the year the sale is expected to occur. For each 1% movement in price, the post-tax net present value of the unit is impacted by $1 million.

The costs of production, capital expenditure, rehabilitation and mine closure costs are the best estimate at the date of impairment testing of the costs to be incurred. Costs are determined after considering current operating costs, future cost expectations and the nature and location of the operation.

Capital expenditure is based on management's best estimate of sustaining capital expenditure.

The AUD/USD exchange rate used in the FVLCS is based on bank consensus forecast AUD/USD exchange rates. For each 100 point movement in exchange rate, the post tax net present value of the unit is impacted by $1 million. The discount rate used in the Chromite CGU FVLCS review is a real, post-tax discount rate of 10.4% (2011: 10.1%). Both the exchange rate and discount rate assumptions are consistent with the Australian manganese CGU.

Nickel CGU

Due to a depressed pricing environment and poor global economic outlook, the nickel operations at Kambalda were placed on care and maintenance in December 2008. These volatile pricing conditions have continued during 2012 triggering management to review the Nickel CGU carrying value. As a result the impairment review carried out at 31 December 2012 indicated that the fair value of the Nickel CGU was less than the carrying value of the CGU's assets. Consequently the carrying value of property, plant and equipment and intangible assets associated with the Nickel CGU has been impaired by $14.9 million (2011: $nil, 2010: $nil). Refer to notes 21 and 22 for further details of the impairment loss recognised in relation to property, plant and equipment.

Investments in associates

At each reporting date, an assessment is made to determine whether there is any indication that investments in associates may be impaired. Fair value for listed associates has been deemed to be market value.

Available-for-sale investments

Available-for-sale financial assets are measured at fair value, which for listed entities is market value. At year end there was a decrease in the value of available-for-sale investments, which was taken directly to equity.

14. Restructuring costs

Due to a continued slow-down in world economies, including China, a strong Australian dollar and underlying cost inflation, a review of the short to medium term Australian mine plan was concluded during the year. Further to this review a restructuring plan was implemented in Q4 2012 and as a result the Group incurred certain restructuring costs summarised in the table below:

	Segment			
$m	**Manganese**	**Chrome**	**Other**	**Total**
Employee termination costs	1.4	0.4	0.1	1.9
Plant and equipment – demobilisation and related costs	0.9	2.5	-	3.4
Site infrastructure and administration	0.2	-	-	0.2
Total restructuring costs	2.5	2.9	0.1	5.5

The Group charged restructuring costs of $5.5m to the consolidated statement of comprehensive income of which $5.4m is included within cost of sales and $0.1m included within general and administrative expenses.

15. Auditors' remuneration

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor as detailed below:

	Years ended 31 December		
$m	**2012**	**2011**	**2010**
Audit services			
Fees payable to Company's auditor for the audit of the consolidated financial statements	0.3	0.3	0.2
Fees payable to Company's auditor for the audit of subsidiary Companies respective financial statements	0.4	0.4	0.6
Fees payable to the Company's auditor for other assurance related services	-	-	0.4
	0.7	0.7	1.2
Other services			
Fees payable to the Company's auditor and its associates for other services:			
Other services related to taxation	0.2	0.2	-
Other services relating to transactions and other consulting services	-	0.6	-
	0.2	0.8	-
Total auditors' remuneration	0.9	1.5	1.2

16. Employee benefits expense

	Years ended 31 December		
$m	**2012**	**2011**	**2010**
Wages and salaries	92.4	71.5	49.2
Social security costs	0.7	0.5	0.4
Pension costs	6.6	5.2	3.5
	99.7	77.2	53.1
Average number of employees during year	1,236	1,158	1,045

17. Finance income and costs

	Years ended 31 December		
$m	**2012**	**2011**	**2010**
Finance income			
Bank interest income	1.8	5.8	0.6
Other finance income	3.4	2.7	0.6
	5.2	8.5	1.2
Finance costs			
Interest expense on bank borrowings	(1.0)	(2.8)	(2.6)
Interest expense on senior secured notes	(33.1)	(26.0)	-
Finance lease costs	(0.6)	(0.7)	(1.1)
Other finance costs	(4.4)	(1.5)	(0.5)
	(39.1)	(31.0)	(4.2)
Net finance costs	(33.9)	(22.5)	(3.0)

18. Investments in associated undertakings

$m	As at 31 December 2012	2011
Cost at 1 January	40.9	27.2
Additions	15.1	12.3
Share of profit for the year	12.5	1.6
Dividends received	(3.9)	-
Net foreign currency translation differences	0.8	(0.2)
Net book value at 31 December	65.4	40.9

Name of entity	Country of incorporation	Principal activity	Reporting date	Ownership interest 2012 %	2011 %
BC Iron Limited	Australia	Mining and Exploration	30/06/2012	23.9%	24.8%

The Group's share of the results of its principal associates and its aggregated assets (including goodwill) and liabilities are as follows:

$m	As at 31 December 2012	2011
Financial position:		
Total assets	400.6	131.2
Total liabilities	(223.6)	(55.4)
Net assets	177.0	75.8
Group's share of associates' net assets	42.3	18.8
Financial performance:		
Total revenue	253.6	82.5
Total profit for the year	54.2	5.3
Group's share of associate's profit*	12.9	1.3

The associate, BC Iron Limited, has a statutory accounting reference date of 30 June. In respect of the financial performance stated above and the share of associates profit stated in the consolidated statement of comprehensive income, the associate's results have been adjusted to a coterminous basis.

* The Group's share of associate profit stated above differs to that stated in the consolidated statement of comprehensive income due to adjustments for the dilution of shares.

The directors believe that the carrying value of the investments is supported by their underlying net assets and the cash flow generating ability of BC Iron Limited following the successfully commissioned main mining operation during 2011.

The fair values of listed investments in associates, based on market prices, are as follows:

$m	As at 31 December 2012	2011
BC Iron Limited	105.3	63.7

19. Loss on disposal of available-for-sale financial assets

$m	Years ended 31 December 2012	2011	2010
Loss on disposal of available-for-sale financial assets	-	-	(10.0)

During 2010, the Group sold shares in a listed entity as this investment did not meet the strategic objectives of the Group.

20. Income taxes

Income tax
The major components of income tax charge / (credit) are**:**

	Years ended 31 December		
$m	**2012**	**2011**	**2010**
Current income tax	9.9	8.6	29.5
Deferred income tax	(5.0)	(60.4)	(12.8)
	4.9	(51.8)	16.7

During the year ended 31 December 2012, the Group's income was subject to taxation in Australia, Ghana and Singapore. The Company, domiciled in Jersey, is subject to tax at a rate of 0% under the Jersey tax regime. The corporate income tax levied on taxable income less allowable expenses was at the following rates:

Australia – 30% (2011: 30%)
Ghana – 35% effective 9 March 2012 (2011: 25%)
Singapore – 10% (2011: 10%) – concessionary rate applicable to profit derived from activities satisfying "Global trader" status requirements.

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the statutory tax rate applicable to profits of the consolidated entities as follows:

	Years ended 31 December		
$m	**2012**	**2011**	**2010**
(Loss) / profit before taxation	(39.3)	(543.1)	146.3
Statutory tax at the Jersey rate of 0% (2011: 0% , 2010: 0%)	-	-	-
Tax (credit) / expense calculated at the local rates applicable to profits in the country concerned	(36.8)	(213.8)	15.1
Effect of items not deductible for tax purposes	1.0	4.7	0.5
Impairment losses on goodwill not deductible for tax purposes	-	14.3	-
Tax losses recognised in 2010 and prior years, written off due to impairment event during the year	-	43.7	-
Tax losses recognised in 2011, written off due to impairment event during the year	-	70.0	-
Current year tax losses not recognisable	41.1	6.4	-
Deferred tax asset not recognised	0.2	-	-
Capital allowances in excess of depreciation	(1.2)	(3.7)	-
Withholding tax on interest and dividend payments	0.7	0.6	0.9
Adjustment recognised in the current year in respect of prior period	-	9.5	-
Effect in deferred tax balance due to change in Ghana income tax rate from 25% to 35%	-	12.9	-
Other	(0.1)	3.6	0.2
Income tax charge / (credit) for the year	4.9	(51.8)	16.7

The effective tax rate for the period was (12.5%) (2011: 9.5%, 2010: 11.4%). The change in the effective rate is due to changes in the proportion of taxable profits in the jurisdictions in which the Company operates.

As at 31 December 2012 the Group had unused tax losses amounting to $377.0 million (2011: $383.5 million) for which no deferred tax asset has been recognised. These losses are not expected to expire and remain available to the Group if and when circumstances warrant their use in the future. The Group also had unused capital losses amounting to $80.4 million (2011: $78.8 million).

The income tax credited / (charged) to equity during the year is as follows:

	Years ended 31 December		
$m	**2012**	**2011**	**2010**
Deferred tax:			
Fair value gains / (losses) on available-for-sale financial investments	0.6	0.7	(0.3)
	0.6	0.7	(0.3)

Recognised deferred tax assets and liabilities

The amounts of deferred taxation assets and liabilities provided in the financial statements are:

	Years ended 31 December	
$m	**2012**	**2011**
Deferred tax assets		
Property, plant and equipment	27.6	26.6
Inventories	-	13.0
Provisions	61.5	44.9
Investments	12.1	14.2
Other	(2.4)	0.8
Transfer from deferred tax liability	(55.4)	(56.9)
	43.4	42.6
Deferred tax liabilities		
Property, plant and equipment	(96.0)	(103.9)
Inventories	(0.9)	-
Other	0.2	-
Transfer to deferred tax assets	55.4	56.9
	(41.3)	(47.0)
Net deferred tax assets / (liabilities)	2.1	(4.4)

The movements in the net deferred income tax liabilities are:

	Years ended 31 December	
$m	**2012**	**2011**
Opening balance 1 January	(4.4)	(64.3)
Credited to the income statement	5.0	60.4
Charged to equity	0.6	0.7
Current year tax losses recognised	-	(70.0)
Current year tax losses recognised written off due to impairment event during the year	-	70.0
Net foreign currency translation differences	0.9	(1.2)
Closing balance at 31 December	2.1	(4.4)

21. Property, plant and equipment

$m	Owned property, plant and equipment	Leased and hire purchase plant and equipment	Capital work in progress	Mining properties	Other*	Total
Cost at 1 January 2012	226.2	55.2	10.0	1,083.1	54.8	1,429.3
Additions	7.7	-	31.3	11.8	13.4	64.2
Transfers**	58.2	(32.4)	(29.7)	0.7	0.7	(2.5)
Disposals	(4.5)	-	-	-	(9.0)	(13.5)
Capitalised pre-stripping costs	-	-	-	14.1	-	14.1
Expense of pre-stripping costs	-	-	-	(21.6)	-	(21.6)
Other	-	-	(0.3)	-	-	(0.3)
Net foreign currency translation differences	3.1	0.9	0.2	18.5	0.7	23.4
At 31 December 2012	290.7	23.7	11.5	1,106.6	60.6	1,493.1
Accumulated depreciation at 1 January 2012	(154.5)	(49.5)	-	(772.1)	(22.3)	(998.4)
Disposals	4.2	-	-	-	-	4.2
Charge for the year	(19.8)	(2.2)	-	(35.6)	(3.2)	(60.8)
Impairment expense	-	-	-	(6.4)	(3.4)	(9.8)
Transfers	(47.9)	47.9	-	-	-	-
Net foreign currency translation differences	(2.6)	(0.9)	-	(14.6)	(0.6)	(18.7)
At 31 December 2012	(220.6)	(4.7)	-	(828.7)	(29.5)	(1,083.5)
Net book value at 31 December 2012	**70.1**	**19.0**	**11.5**	**277.9**	**31.1**	**409.6**

$m	Owned property, plant and equipment	Leased and hire purchase plant and equipment	Capital work in progress	Mining properties	Other*	Total
Cost at 1 January 2011	174.6	65.7	16.1	1,060.4	41.2	1,358.0
Additions	15.3	-	28.0	20.5	12.1	75.9
Transfers	37.6	(10.0)	(29.1)	(31.7)	1.5	(31.7)
Disposals	(0.9)	(0.7)	-	(0.9)	-	(2.5)
Capitalised pre-stripping costs	-	-	-	80.4	-	80.4
Expense of pre-stripping costs	-	-	-	(46.4)	-	(46.4)
Other	-	-	(5.0)	-	-	(5.0)
Net foreign currency translation differences	(0.4)	0.2	-	0.8	-	0.6
At 31 December 2011	226.2	55.2	10.0	1,083.1	54.8	1,429.3
Accumulated depreciation at 1 January 2011	(68.1)	(44.3)	-	(362.7)	(3.8)	(478.9)
Disposals	0.6	0.7	-	-	-	1.3
Charge for the year	(24.6)	(10.2)	-	(87.1)	(4.5)	(126.4)
Impairment expense	(48.8)	(10.4)	-	(328.3)	(14.3)	(401.8)
Transfers	(14.7)	14.7	-	-	-	-
Other	(0.1)	-	-	-	-	(0.1)
Net foreign currency translation differences	1.2	-	-	6.0	0.3	7.5
At 31 December 2011	(154.5)	(49.5)	-	(772.1)	(22.3)	(998.4)
Net book value at 1 January 2011	**106.5**	**21.4**	**16.1**	**697.7**	**37.4**	**879.1**
Net book value at 31 December 2011	**71.7**	**5.7**	**10.0**	**311.0**	**32.5**	**430.9**

* 'Other' assets primarily comprise mining rehabilitation assets relating to the Australian and Ghanaian mining operations.
**During the year assets included within mining properties were transferred to intangible assets (see note 22).

22. Intangible assets

$m	Exploration and Evaluation
Cost at 1 January 2012	177.3
Additions	11.7
Transfers	2.5
Disposals	-
Net foreign currency translation differences	3.5
At 31 December 2012	195.0
Opening impairment at 1 January 2012	(100.0)
Impairment charge	(3.2)
Net foreign currency translation differences	(1.9)
At 31 December 2012	(105.1)
Net book value at 31 December 2012	89.9
Cost at 1 January 2011	131.5
Additions	14.7
Transfers	31.7
Disposals	(0.1)
Net foreign currency translation differences	(0.5)
At 31 December 2011	177.3
Opening impairment at 1 January 2011	(55.0)
Impairment charge	(45.7)
Net foreign currency translation differences	0.7
At 31 December 2011	(100.0)
Net book value at 1 January 2011	76.5
Net book value at 31 December 2011	77.3

23. Goodwill

	As at 31 December	
$m	**2012**	**2011**
Cost at 1 January	28.9	75.8
Impairment charge	-	(47.7)
Net foreign currency translation differences	-	0.8
At 31 December	28.9	28.9

Goodwill on the statement of financial position at 31 December 2012 relates solely to the Ghanaian Manganese operations.

24. Inventories

	As at 31 December	
$m	**2012**	**2011**
Current		
Ore stockpiles	41.7	52.7
Consumable stores	31.0	31.4
Other inventories	4.1	4.5
Provision for obsolete and slow moving inventory	(3.7)	(6.9)
Total inventories	73.1	81.7

Finished goods, ore stockpiles and other inventories are measured at the lower of cost and net realisable value. In 2012 the Group recognised a NRV write-back of $46.8 million (2011: $24.6 million write-down) due to the reversal of a significant portion of the 2011 NRV provision as stockpiles were sold.

Following the 2012 annual impairment review of the Nickel CGU, Nickel inventory of $2.7 million was impaired (see note 13).

25. Available-for-sale financial assets

$m	As at 31 December 2012	2011
Non-current		
Equity securities - listed	17.0	21.3

The movement in available-for-sale financial investments is as follows:

$m	Years ended 31 December 2012	2011
At 1 January	21.3	86.1
Additions	-	1.6
Disposals	-	(0.7)
Net losses transferred to equity	(4.7)	(65.8)
Net foreign currency translation differences	0.4	0.1
At 31 December	17.0	21.3

Available-for-sale financial assets consist of investments in ordinary shares, and therefore have no fixed maturity or coupon rate. The carrying value of listed securities represents market value as quoted on a prescribed stock exchange. For unlisted securities, fair value has been determined as at the statement of financial position date by using discounted cash flow valuation techniques. All available-for-sale financial assets are denominated in Australian dollars.

26. Trade and other receivables

$m	As at 31 December 2012	2011
Non-current trade and other receivables		
Security deposits	0.2	0.4
	0.2	0.4
Current trade and other receivables		
Trade receivables from third parties	37.4	56.4
Less provision for impairment of trade receivables	(0.2)	(0.1)
	37.2	56.3
Trade receivables from related parties	14.9	9.2
Prepayments	7.1	4.8
Pre-paid port facility charges	-	2.3
Value added tax recoverable	4.2	5.0
Other	8.8	8.6
	72.2	86.2
Total receivables	72.4	86.6

The carrying value of receivables approximates their fair value.

As of 31 December 2012, trade receivables of $0.7 million (2011: $16.6 million) were past due but not impaired. These relate to a number of customers for whom there is no history of default. The ageing analysis of these trade receivables is detailed in note 37.

The carrying amounts of the Group's receivables are denominated in the following currencies:

$m	As at 31 December 2012	2011
US dollar	55.2	69.0
Australian dollar	12.8	15.3
British pound	0.4	0.3
Ghana cedi	4.0	2.0
	72.4	86.6

Movements in the provision for impairment of trade receivables are as follows:

$m	As at 31 December 2012	2011
At 1 January	(0.1)	(0.1)
Increase in receivables impairment	(0.1)	-
As at 31 December	(0.2)	(0.1)

27. Cash and cash equivalents

	As at 31 December	
$m	**2012**	**2011**
Cash at bank and in hand	42.1	155.1
Short-term bank deposits	44.2	0.1
Cash and cash equivalents at the end of the year	86.3	155.2
Less: bank overdrafts (see note 28)	(12.4)	(17.1)
Net cash and cash equivalents per the cash flow statement	73.9	138.1

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
$m	**2012**	**2011**
US dollar	36.0	146.9
Australian dollar	48.7	7.2
British Pound	0.4	0.4
Ghana cedi	1.0	0.4
Other currencies	0.2	0.3
	86.3	155.2

Bank overdrafts are denominated in US dollars.

Included in the cash balance at 31 December 2012 is an amount of $16.0m which is pledged to secure the issuance of performance bonds to the Department of Mines and Petroleum of Western Australia which guarantee the entities' compliance with the rehabilitation and restoration conditions of Mining Licences. A further $1.8m relates to bank guarantees provided to lessors of business premises.

28. Borrowings

	As at 31 December	
$m	**2012**	**2011**
Non-current		
Senior secured high yield notes	354.6	373.4
Finance lease liabilities – hire purchase loans	13.4	2.7
	368.0	376.1
Current		
Bank overdrafts	12.4	17.1
Finance lease liabilities – hire purchase loans	5.2	3.4
Stockpile funding	-	20.8
	17.6	41.3
Total borrowings	385.6	417.4

On 28 April 2011, the Company issued $405 million in principal amount of 8.875% senior secured notes due 2016 which pay interest semi-annually on 1 May and 1 November. The senior secured notes are guaranteed on a senior basis by the Company and certain of its subsidiaries (the Guarantors) and rank pari passu to all of existing and future indebtedness that is not subordinated in right of payment of the notes.

The senior secured notes are stated net of repurchases, unamortised discount of $1.3 million and unamortised issue costs of $9.2 million. Unamortised discount and issue costs are allocated to the statement of comprehensive income over the five year term of the bond.

Finance lease liabilities are secured by charges over each respective leased asset. Refer to note 35 for details on timing and amount of future lease and hire purchase payments.

The stockpile funding facility was secured by a first ranking fixed and floating charge over trade receivables and stockpiled manganese and chromite ore held in Australia. The stockpile funding facility was fully repaid during 2012.

The carrying value of borrowings approximates their fair value.

The exposure of the Group's borrowings to interest rate changes and the contractual re-pricing dates at the statement of financial position date:

	As at 31 December	
$m	**2012**	**2011**
Interest-free and repayable on demand	-	-
6 months or less	12.4	39.4
6 - 12 months	-	1.5
1 - 5 years	-	3.1
Over 5 years	-	-
	12.4	44.0
Borrowings not exposed to changes in interest rates	373.2	373.4
	385.6	417.4

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 31 December	
$m	**2012**	**2011**
US dollar	382.7	411.3
Australian dollar	2.9	6.1

29. Trade and other payables

	As at 31 December	
$m	**2012**	**2011**
Non-current		
Other payables	6.7	6.4
	6.7	6.4
Current		
Trade payables	16.8	26.3
Accruals	49.1	46.9
Interest payable on senior secured notes	5.4	5.7
Revenue received in advance	-	0.1
Other payables	2.1	2.5
	73.4	81.5
Total trade and other payables	80.1	87.9

30. Provisions

	As at 31 December	
$m	**2012**	**2011**
Non-current		
Employee benefits	1.5	2.4
Rehabilitation*	60.5	47.4
	62.0	49.8
Current		
Employee benefits	7.1	7.6
	7.1	7.6
Total provisions	69.1	57.4

*The provision for rehabilitation is recorded in relation to mining operations as a result of an obligation by the Group to restore its mine sites to a state acceptable to Government authorities. Although the amount ultimately incurred is uncertain, the Group has engaged the services of a specialist third party to independently estimate the costs of rehabilitation using current restoration technology. Rehabilitation provisions are subject to an inherent amount of uncertainty in both timing and amount. Consequently, they are continuously monitored and revised.

Movements in provisions are as follows:

$m	**Employee Benefits***	**Rehabilitation**	**Total**
Balance at 1 January 2012	10.0	47.4	57.4
Additional provisions recognised	8.2	11.4	19.6
Payments made	(9.8)	(0.4)	(10.2)
Unwinding of discount	-	1.4	1.4
Net foreign currency translation differences	0.2	0.7	0.9
As at 31 December 2012	8.6	60.5	69.1

* The employee benefits provision includes annual leave and long service leave provisions for Australian employees.

31. Share capital and share premium

	Number of shares Thousands	Ordinary shares $m	Share premium $m
At 1 January 2012	10,000	10.0	194.7
At 31 December 2012	10,000	10.0	194.7

The total number of authorised shares is ten million ordinary shares (2011: ten million shares) with a par value of $1 per share (2011: $1 per share). All shares are allotted, issued and fully paid, carry one vote per share and carry the right to dividends.

32. Subordinated shareholder loans treated as equity

	As at 31 December	
$m	**2012**	**2011**
At 1 January	966.2	1,219.0
Repayment of subordinated shareholder loan	-	(252.8)
At 31 December	966.2	966.2

33. Reserves

$m	Available-for-sale financial assets	Foreign currency translation	Total
Balance at 1 January 2011	(7.9)	89.9	82.0
Revaluation – gross	(65.8)	-	(65.8)
Revaluation – tax	0.7	-	0.7
Net foreign currency translation differences	-	9.2	9.2
Balance at 31 December 2011	(73.0)	99.1	26.1
Revaluation – gross	(4.7)	-	(4.7)
Revaluation – tax	0.6	-	0.6
Net foreign currency translation differences	(2.6)	7.0	4.4
Balance at 31 December 2012	(79.7)	106.1	26.4

34. Retained losses

	As at 31 December	
$m	**2012**	**2011**
At 1 January	(854.6)	(312.0)
Loss for the year	(44.7)	(492.6)
Dividends paid	-	(50.0)
At 31 December	(899.3)	(854.6)

35. Commitments for expenditure

Mining tenement expenditure

Under the terms of tenement licences granted by the Department of Industry and Resources of the Western Australian government, minimum annual expenditure obligations must be met in order for mining tenements to maintain a status of good standing. An amount of $8.4 million (2011: $7.5 million) is to be spent each year whilst tenements remain current. This expenditure is required to be expended during the forthcoming year on mining tenements on which the Group has an interest. This expenditure may be subject to variation from time to time in accordance with government regulations.

Capital expenditure commitments

Capital expenditure contracted for at the end of the reporting period but note yet incurred is as follows:

	Years ended 31 December	
$m	**2012**	**2011**
Plant and equipment		
Not longer than 1 year	9.5	44.9

Lease commitments – operating leases

Operating leases are entered into as a means of acquiring access to property, plant and equipment. Rental payments are fixed except for the business premises lease which has an inflation escalation clause and renewal option. No operating lease arrangements create restriction on any other financing transaction.

	Years ended 31 December	
$m	**2012**	**2011**
Not longer than 1 year	9.3	13.1
Longer than 1 year and not longer than 5 years	4.2	8.0
Longer than 5 years	2.3	1.9
Total operating lease commitments	15.8	23.0

Lease commitments – hire purchase loans

Hire purchase loans are entered into as a means of funding the acquisition of items of plant and equipment. Rental payments are fixed and have no escalation clauses. No existing hire purchase arrangements create restrictions on any other financing arrangements.

	Years ended 31 December	
$m	**2012**	**2011**
Not longer than 1 year	5.9	3.8
Longer than 1 year and not longer than 5 years	14.2	2.8
	20.1	6.6
Less: future finance charges	(1.5)	(0.5)
Present value of hire purchase liabilities	18.6	6.1

36. Contingent liabilities

Legal claims

In the ordinary course of business, the Group is subject to legal actions and complaints. As of 31 December 2012 the Group was involved in the following significant legal proceedings:

- Consolidated Minerals (Australia) Pty Limited has a 50% interest in Pilbara Iron Ore Pty Ltd (PIO) which is currently in dispute with a joint venture party in relation to the transfer to PIO of an 80% interest in a mining tenement. Under the joint venture PIO is required to incur exploration expenditure and provide a feasibility study to earn its 80% interest. The expenditure has been incurred and a feasibility study provided, however the joint venture party has instituted proceedings in the Warden's Court to prevent a transfer of the 80% interest in the tenement on the basis that the documentation provided does not constitute a feasibility study. This action is being defended. The hearing in the Warden's Court continued in March 2013 with all evidence now having been given. A further hearing is scheduled for 8 May 2013 when the parties will make their closing submissions to the Warden. A decision in this matter is not expected until at least Q3, 2013. It is not practical to estimate the potential effect of this claim and no provision has been made.

- A claim for unspecified damages has been lodged by a processing company in relation to alleged breaches by Consolidated Minerals (Australia) Pty Limited of agreements relating to the manganese tailings that are produced by Consolidated Minerals (Australia) Pty Limited's beneficiation plant or wash plant and are in stockpile or in tailings ponds at the Woodie Woodie mine. The Group is defending the action and has lodged counter claims. It is not practical to estimate the potential effect of this claim.

Other contingent liabilities

- An effect of the Native Title Act 1994 (Commonwealth) is that new mining tenement applications and existing tenements in Australia may be affected by native title claims. The full impact that the legislation and native title claims generally may have on tenements held by the consolidated entity is presently unclear. At the date of this report, the Directors are aware of seventeen claims that have been lodged covering an area which encompasses some of the mining tenement interests of the Group (2011: seventeen claims). The claims do not affect the current mining schedule of the Group.

- Group entities have issued performance bonds totaling $16.0 million (2011: $15.6 million) to the Department of Mines and Petroleum of Western Australia which guarantee the entities' compliance with the rehabilitation and restoration conditions of Mining Licenses. A further $1.8m (2011: $1.4 million) relates to bank guarantees provided to lessors of business premises.

- On 7 January 2008, Palmary Enterprises (Australia) Pty Ltd (now known as Consolidated Minerals Holdings (Australia) Pty Ltd) acquired a controlling interest (i.e. at least 90% interest) in Consolidated Minerals Pty Limited (Australia). On 7 March 2008 Consolidated Minerals Holdings (Australia) Pty Ltd lodged a ruling request requesting the Commissioner of State Revenue to determine whether in his view stamp duty under the Stamp Act 1921 (Western Australia) is payable on the transaction and, if so, the Commissioner's view as to the potential quantum of any stamp duty liability. Submissions have been lodged with the Commissioner to the effect that the transaction does not give rise to any duty liability. The Commissioner of State Revenue is still in the process of determining the ruling request.

37. Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks; commodity prices; market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's principal financial instruments comprise bank loans and overdrafts, borrowings, finance leases and hire purchase contracts, and cash and short term deposits. The main purpose of these financial instruments is to finance the Group's acquisitions and ongoing operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

Commodity price risk

The Group's results are strongly influenced by the commodity price of manganese and chromite ore which is dependent on a number of factors impacting world supply and demand. Due to these factors, commodity prices may be subject to significant fluctuations from year to year. The Group's normal policy is to sell its products at prevailing market prices.

The Group keeps under regular review its sensitivity to fluctuations in commodity prices by reviewing forecast cash flows for the Group on a weekly basis. The Group does not hedge commodity prices.

Fluctuations in commodity prices can have a significant impact on the Group's revenue and earnings. The approximate effect on the pre-tax profit for the year resulting from a 10% movement in manganese commodity prices is $42.3 million (2011: $62.2 million).

Market risk

i) Foreign exchange risk

The functional currency of the Jersey and Ghanaian operations is US dollars and the majority of all revenue and expense of these operations is denominated in US dollars. The group has transactional currency exposures arising from operating expenditure incurred in its Australian operations denominated in Australian dollars as whilst none of the Group's revenue is denominated in Australian dollars, approximately 82% of its operating expenditure is. The approximate effect on the Group's profit before tax of a 1% change in the AUD/USD rate would be $4.6 million. The Group does not hedge foreign exchange risk.

ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the statement of financial position as available-for-sale financial investments. The approximate effect on other comprehensive income for the year resulting from a 10% movement in the price of available-for-sale financial investments is $1.7 million (2011: $2.1 million).

iii) Interest rate risk

The Group has financial assets and liabilities which are exposed to changes in market interest rates. Changes in interest rates impact primarily deposits, loans and borrowings by changing their future cash flows (variable rate). Management does not have a formal policy of determining how much of the Group's exposure should be at fixed or variable rates. However, at the time of making new loans or borrowings management uses its judgment to determine whether it believes that a fixed or variable rate would be more favourable for the Group over the expected period until maturity.

The carrying amount, by (i) maturity and (ii) currency, of the Group's financial assets and financial liabilities that are exposed to interest rate risk is included in notes 27 and 28.

Credit risk

Exposure to credit risk arises as a result of transactions in the Group's ordinary course of business and is applicable to all financial assets. Investments in cash, short-term deposits and similar assets are with approved counterparty banks and other financial institutions. Counterparties are assessed both prior to, during, and after the conclusion of transactions to ensure exposure to credit risk is limited to an acceptable level. Credit risk from balances with banks and financial institutions are managed by the Board.

The Group's major exposure to credit risk is in respect of trade receivables. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, in relation to non-related party sales, letters of credit are obtained from financial institutions prior to making international shipments thereby providing an irrevocable payment undertaking from that financial institution with respect to international customer receipts. The Group has policies that limit the amount of credit exposure to any one financial institution.

The credit quality of the Group's significant customers is monitored on an ongoing basis by the operating and trading subsidiaries. Receivables that are neither past due nor impaired are considered of high credit quality.

		Past the due date but not impaired					
$m	**Neither impaired or past due**	**Between 1 and 30 days**	**Between 31 and 90 days**	**Between 91 days and 180 days**	**Between 181 days and 365 days**	**More than 1 year**	**Total**
Trade receivables:							
2012	50.6	-	-	-	-	0.7	51.3
2011	48.9	9.2	6.5	-	0.3	0.6	65.5

All other financial assets are fully performing. The carrying amount of financial assets represents the maximum credit exposure. The carrying amounts of the financial assets that are exposed to credit risk are:

	Years ended 31 December	
$m	**2012**	**2011**
Trade and other receivables	68.2	74.1
Cash and cash equivalents	86.3	155.2
Total	154.5	229.3

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, management aims at maintaining flexibility in funding by keeping committed credit lines available.
The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

$m	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
At 31 December 2012						
Borrowings	12.4	1.5	36.9	460.2	-	511.0
Trade and other payables	47.1	19.2	7.1	6.7	-	80.1
	59.5	20.7	44.0	466.9	-	591.1
At 31 December 2011						
Borrowings	37.9	0.9	36.9	510.4	-	586.1
Trade and other payables	2.4	73.3	5.7	6.5	-	87.9
	40.3	74.2	42.6	516.9	-	674.0

Capital risk management
The Group's total capital is defined as Consolidated Minerals Limited's shareholders' funds plus funds attributable to outside equity shareholders plus net debt, and amounted to $597.3 million at 31 December 2012 (2011: $604.6 million).

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group is not subject to externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to manage its debt level.

Fair value estimation
For those investments which are actively traded on the stock exchange the fair value is based on quoted market prices. In other cases fair value has been determined using valuation techniques. The carrying value and fair value of the Group's financial instruments as at 31 December are shown in the following table.

	As at 31 December 2012		As at 31 December 2011	
$m	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Available-for-sale financial investments	17.0	17.0	21.3	21.3
Investments in associates	65.4	105.3	40.9	63.8
Total financial investments	82.4	122.3	62.2	85.1

The following table presents the group's assets that are measured at fair value analysed by valuation method at 31 December 2012.

$m	**Level 1**	**Level 2**	**Level 3**	**Total**
2012				
Available-for-sale financial investments	17.0	-	-	17.0
Investments in associates	105.3	-	-	105.3
Total financial investments	122.3	-	-	122.3

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry

group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

38. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following material subsidiaries in accordance with the accounting policy described in note 2(c).

			Ownership interest Years ended 31 December	
Name of subsidiary	**Country of incorporation**	**Principal activity**	**2012 %**	**2011 %**
Consolidated Minerals (Australia) Pty Limited	Australia	Holding	100	100
Consolidated Minerals Pty Limited	Australia	Investment	100	100
Ghana Manganese Company Limited	Ghana	Exploration, mining and processing	90	90
Manganese Trading Limited	Jersey	Sales and Marketing	100	100
Pilbara Chromite Pty Ltd	Australia	Exploration, mining and processing	100	100
Pilbara Iron Ore Pty Ltd *	Australia	Exploration, mining and processing	50	50
Pilbara Manganese Pty Ltd	Australia	Exploration, mining and processing	100	100
Pilbara Trading Limited	Jersey	Sales and Marketing	100	100
Stratford Sun Limited	BVI	Investment	100	100

* Pilbara Iron Ore Pty Ltd has been consolidated into the financial statements of the Group because Consolidated Minerals (Australia) Pty Limited has the power to govern the financial and operating policies of the company under an agreement with its other shareholder, Fortescue Metals Group Ltd. This power has been affected by Consolidated Minerals Pty Limited through the power to appoint a chairperson who has a casting vote in addition to pre-existing voting rights of both shareholders of the company.

39. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Management considers that the Group has appropriate procedures in place to identify and properly disclose transactions with related parties and has disclosed all of the relationships identified and which it deemed to be significant.

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial period:

$m	**Sales to related parties**	**Finance income from related parties**	**Purchases from related parties**	**Charges from related parties**	**Amounts owed by related parties**	**Amounts owed to related parties**
Trading companies related to the ultimate shareholder						
2012	69.2	-	-	-	21.7	-
2011	219.3	-	13.3	-	9.2	-
Banks related to the ultimate shareholder						
2012	-	1.1	-	-		
2011	-	5.4	-	0.4	-	-
Other companies related to the ultimate shareholder						
2012	-	-	1.4	-	-	0.7
2011	-	-	2.9	-	-	2.1

Trading companies related to the ultimate shareholder

During 2012 and 2011, Manganese Trading Limited (Jersey) and Pilbara Trading Limited (Jersey) traded with other trading companies related to the ultimate shareholder.

Ore sold to related parties is shipped to Ukraine, Georgia and the United States. The sales prices for transactions with related parties have been determined by reference to the sales prices of Australian and Ghanaian ore sold to China, adjusted for the freight differential for shipping to the country of the related party, the end use application for the ores and adjusted for manganese content.

Finance companies related to the ultimate shareholder

As at 31 December 2012, a related party loan balance of $966.2 million (2011 $966.2 million) was recognised in equity.

Sale of subsidiary company related to the ultimate shareholder

On 12 June 2012 the Group sold a subsidiary company, Nsuta Gold Mining Corporation Limited (Jersey), to Grizal Enterprises Limited - a company related to the ultimate shareholder, for a cash consideration of $5.7m. At the time of disposal the company and its subsidiary company held cash balances of $0.6m. Proceeds net of cash disposed were $5.1 million.

As a result of the disposal the Group lost control of the following assets (excluding cash) and liabilities held by Nsuta Gold Mining Corporation Limited (Jersey) and its subsidiary company Nsuta Gold Mining Limited;

- Capitalised exploration expenditure $9.1m
- Loan payable to Grizal Enterprises Limited $8.7m
- Other trade payables and accruals $0.7m

The Group recognised a gain on disposal of Nsuta Gold Mining Corporation Limited (Jersey) of $0.8m in the consolidated statement of comprehensive income.

Banks related to the ultimate shareholder

During 2012 and 2011, several of the Group's operating bank accounts were held with Privat Bank, in which the ultimate shareholder has an interest. As at 31 December 2012, $6.4 million was in current accounts with the bank (2011: $11.2 million).

Other companies related to the ultimate shareholder

Transactions with other companies related to the ultimate shareholder primarily relate to the provision of goods and services with companies providing management services to the Company.

Directors

The Directors of the Company are:
Mr Peter Allen (appointed 26th April 2012)
Mr Vyacheslav Anishchenko
Mr Glenn Baldwin (resigned 26th April 2012)
Mr Steven Bowen
Ms Jackie Callaway
Mr Malcolm McComas (appointed 30th May 2012)
Mr Andreas Marangos

Andreas Marangos (a director of the Company) holds 9,999,000 of the Company's ordinary shares and the remaining 1,000 ordinary shares are held by Grizal, a related party in which Gennady Bogolyubov has a 100% interest. Both Andreas Marangos and Grizal hold the shares as trustees for Gennady Bogolyubov, the sole ultimate beneficial owner of the shares of the Company.

Key management personnel

In 2012, the aggregate remuneration in the form of salaries, bonuses and other amounts paid to the members of the Board of Directors and Group Executive Committee was $4.2 million (2011: $4.3 million). All remuneration relates to salaries and related short term benefits.

Ultimate shareholder

The ultimate beneficial shareholder is Mr Gennady Bogolyubov.

40. Events after the statement of financial position date

After several contradictory announcements about the restructuring of the Cypriot banking sector the Government of Cyprus declared on 27 March 2013 the imposition of the capital control measures affecting the deposits in the banks operating in Cyprus and the restructuring of the operations of several banks. On 22nd April 2013 the Company had $6.3 million in bank accounts with the Cypriot branch of the Privat Bank. No money has been kept in banks subject to the compulsory restructuring (Bank of Cyprus and Cyprus Popular Bank (Laiki)). The capital control measures in place currently stipulate that transfers outside of Cyprus for trade transactions up to €20,000 per day per account can be performed after the relevant supporting documents are submitted to the bank. Transfers above €20,000 for trade transactions are subject to the approval of the committee established by the Minister of Finance and operating at the Central Bank of Cyprus, after an application is submitted by the paying bank. The Company continues to monitor the situation.

Glossary of Defined Terms

"ASX"	The Australian Securities Exchange, operated by ASX Limited (ABN 98 008 624 691).
"BCM"	Bank cubic meter, being one cubic meter of undisturbed (in situ) material before it is drilled, blasted or mined.
"beneficiation"	The act or process of increasing the concentration of valuable material (e.g., manganese) contained in ore as it naturally occurs in the environment on a per unit basis, and, at the same time, reducing the concentration of some of the non-valuable substances (e.g., iron and silica).
"blending"	A process in which manganese ores of varying grades are mixed together to produce ores or products with an average grade according to the product specification.
"CFR"	International commercial term meaning "Cost and Freight," whereby the quoted price includes all costs and freight to bring the goods to the port of destination from the port of departure, but does not require the seller to procure marine insurance against the risk of loss or damage to the goods during transit.
"chips"	Chromite ore product that has a particle size between 1 and 16.5 millimeters.
"CIF"	International commercial term meaning "Cost, Insurance and Freight," whereby the quoted price includes all costs, insurance and freight to bring the goods to the port of destination from the port of departure.
"concession"	A mining concession as defined in the Minerals and Mining Act.
"Cr"	Chemical symbol for Chromium, based on the periodic table
"CRU"	CRU International Limited, a company incorporated in England and Wales with company number 00940750. CRU is an independent business analysis and consultancy group, focused on the mining, metals, power, cables, fertilizer and chemical sectors.
"dmtu"	A "dry metric tonne unit," which corresponds to one 10 kilogram unit of manganese. By way of example, the price in $ of a consignment of manganese ore is calculated by multiplying the U.S. dollar per dmtu price by the units of manganese of the ore in that shipment. For instance, if manganese ore with a manganese content of 48% is priced at $5.00/dmtu, the price for three tonnes of such ore will be $720, calculated as follows: 48% × 3,000kg = 1,440 kg of manganese 1,440kg ÷ 10kg = 144 dmtu of manganese 144 dmtu × $5.00 per dmtu = $720
"dry tonne" or "dt"	A tonne, being a metric unit of weight equivalent to 1,000 kilograms, measured excluding the weight of any water content.
"EMM"	Electrolytic manganese metal.
"Fe"	Chemical symbol for Iron, based on the periodic table
"ferroalloy"	A metal product, usually containing iron and other metals, that is commonly used as a raw material feed in steelmaking to add strength or to aid various stages of the steelmaking process such as deoxidisation and desulphurisation. Examples include ferrochrome, ferromanganese and ferrosilicon.
"fines" or "ore fines" or "fine ore"	Manganese ore with the majority of individual particles measuring less than a specified size. While there is no industry standard measurement, the Group's Australian and Ghanaian operations specify ores with particles measuring between 1 and 12.5 millimeters and less than 25 millimeters, respectively, as fines.
"flux"	Material (for example, lime in the form of limestone or magnesium oxide in the form of dolomite) added to a furnace to ensure the slag in the furnace is fluid enough to flow out of the furnace.
"FOB"	International commercial term meaning "Free On Board," whereby the quoted price includes all activities needed to deliver the product to the port of departure, with the last cost included in the price being ship loading. As such, it excludes the cost of marine freight transport and insurance as well as unloading and transportation from the arrival port to the final destination.

"Greensnake"	An open pit located in the Woodie Woodie corridor. This is the Company's largest Australian pit by reserve volume.
"Guarantor"	Each of GMC, CMAL, CMT, Stratford Sun Limited, Consolidated Minerals (Hong Kong) Limited, PTL, MTL, Consolidated Minerals (Belgium) Limited, Consolidated Minerals Holdings (Australia) Pty Limited, CMPL, PMPL, Pilbara Chromite Pty Limited, Pilbara Contracting Pty Limited and Pilbara Trucking Pty Limited.
"high grade"	A measure of the manganese content of manganese ore. There is generally no agreed industry definition of "high grade." Our Australian operations consider ore with an average manganese content above 44% to be "high grade." Unless otherwise specified, references to "high grade" are to the definition used by our Australian operations.
"IFRS"	International Financial Reporting Standards of the International Accounting Standards Board.
"JORC"	The Australasian Joint Ore Reserves Committee.
"JORC Code"	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition).
"kBCM"	1,000 bank cubic meters, being 1,000 cubic meter of undisturbed (in situ) material before it is drilled, blasted or mined.
"kt"	Kilo tonne. A unit of weight or capacity equal to 1,000 tonnes.
"low grade"	A measure of the manganese content of manganese ore. There is generally no agreed industry definition of "low grade." Our Australian operations consider ore with an average manganese content of less than 44% to be "low grade." Unless otherwise specified, references to "low grade" are to the definition used by our Australian operations.
"LTI"	A work-related injury or illness resulting in the employee or contractor being unable to attend work for a full working day after an injury or illness has occurred.
"lump" or "lump ore"	Manganese ore with the majority of individual particles measuring more than a specified size. While there is no industry standard measurement, the Group specifies ore with particles measuring 6.3 millimeters or more as lump. Chromite ore has lump particle size measuring 6.3 millimeters or more.
"mdmtu"	One million dry metric tonne units.
"Mn"	Manganese.
"open pit mining"	A method of extracting rock or minerals from the earth by stripping away the top soil and the earth above the rock or minerals creating a pit from which the rock or minerals are removed. This method of mining can be contrasted with mining using extractive methods that require tunneling into the earth (i.e., underground mining).
"ore"	A mineral or an aggregate of minerals (containing valuable constituents, including metals) of sufficient value to be mined or extracted.
"overburden"	The material that lies above the mining area of economic interest, i.e., the rock and soil that lies above a manganese or chromite ore body.
"reductant"	Solid fuel added to a furnace to remove oxygen from the manganese ore fed into the furnace.
"sands"	Chromite ore product that has a particle size between 50 microns and 2 millimeters.
"seaborne market"	The part of the manganese ore market that is composed of exported manganese ore.
"Shareholder"	Means Ultimate Beneficial Owner of the Company
"sinter"	The product of sintering.
"sintering"	The process of combining or fusing metals, usually with pressure and temperature, by exposing them to a temperature just below their melting point.
"slag"	The by-product that results from smelting ore to separate the manganese from impurities and other unwanted elements.
"spot price"	The price at which a physical commodity for immediate sale is selling at a given time and place.

"stripping ratio"	The ratio of the volume of overburden waste material to the volume of ore in an open pit mine. For instance, a stripping ratio of "5" means that five BCM of waste rock must be removed for every one BCM of ore mined.
"sump"	An excavation made in a pit (generally at the lowest point) to collect water, which can then be pumped to the surface or to another sump nearer the surface.
"tailings"	Finely ground waste rock from which the majority of valuable minerals or metals have been extracted.
"tenement"	A mining tenement as defined in the Mining Act.
"wet tonne"	A tonne, being a unit of weight equivalent to 1,000 kilograms, measured including the weight of any water content.
"Woodie Woodie corridor"	The approximately 100 square kilometer area inside the Woodie Woodie tenement package within which all of our current Australian manganese mining operations take place.
"Woodie Woodie region".....	The approximately 5,400 square kilometers of land in and around the Woodie Woodie mine in the Pilbara region of Western Australia, excluding the Woodie Woodie corridor.