Consolidated Minerals Limited
Annual Report 2016

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Consolidated Minerals Limited ('Consmin' or the 'Company' or the 'Group')

Annual Report 2016

4 April 2017

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

Consmin, a leading manganese ore producer with mining operations in Ghana and Australia, announces its annual results for the year ended 31 December 2016.

Business Update

- On 15 August 2016 the Company announced the successful completion of the solicitation of consents to certain amendments to the terms and conditions of the 8.000% Senior Secured Notes due 15 May 2020. This was supported by the holders of 96.43% of the Senior Secured Notes. These amendments had a beneficial effect of providing the Company with additional liquidity in 2016 through the ability to pay a cash coupon of 2% on the notes with the additional 8% being added to the bond principal as payment in kind interest. The Company has the option in 2017 to pay a cash coupon of 3% on the notes with the additional 7% being added to the bond principal as payment in kind interest.

- On 15 November 2016 the Company announced that its ultimate beneficial owner and direct shareholders ("Sellers") had entered into a share purchase agreement ("SPA") with China Tian Yuan Manganese Limited ("Purchaser"), a subsidiary of Ningxia Tianyuan Manganese Industry Co., Ltd. ("TMI") pursuant to which the Sellers agreed to sell and transfer to the Purchaser all of their respective right and title to both the entire share capital of the Company and the shareholders funding given by them to the Company (the "Transaction"). The Transaction is conditional upon a number of conditions which are set out in the SPA, including, but not limited to certain government consents and certain consents from the holders of the then outstanding US$400,000,000 8% Senior Secured Notes due 2020 (the "Notes").

- On 4 April 2017 the Company announced that holders of 89.84% of its 8.000% Senior Secured Notes due 15 May 2020 have locked up to tender their notes to and provide certain consents in relation to the proposed acquisition of Consmin by China Tian Yuan Manganese Limited, a subsidiary of Ningxia Tianyuan Manganese Industry Co., Ltd. ("TMI"). Pursuant to the Lock-up Deed, the Purchaser has launched the Tender Offer and Consent Solicitation on 4 April 2017. The Tender Offer is open to acceptance by all holders of the Notes. In order to become effective, the holders of at least 90% of the aggregate principal amount of the Notes must tender into the Tender Offer and provide their consent to certain amendments to the terms of the Notes.

Key Highlights

- Total tonnes of manganese ore production for 2016 decreased 20% compared to 2015. Ghanaian manganese ore production increased by 35% offset by a 84% decrease in Australian manganese ore production compared to 2015. The reduction in Australian manganese ore production was a direct result of the Australian operations being placed into care and maintenance on 2 February 2016 with subsequent production arising from limited processing of remaining low grade ROM stockpiles.

- Manganese C1 cash costs[1] for 2016 were $1.33/dmtu compared to $2.09/dmtu in 2015, a decrease of 36%. The 2016 C1 cash cost includes costs relating to production in the Australian operations up to early February 2016 when the mine was placed into care and maintenance.

- Total manganese sales tonnes decreased 6% in 2016 compared to 2015. Ghanaian manganese tonnes sold increased 41% but Australian manganese tonnes sold decreased 65% as a direct result of the Australian operations being placed into care and maintenance in early February 2016 with subsequent sales arising from remaining stockpiles at this date and limited processing of remaining low grade ROM stockpiles.

- Average manganese FOB sales price achieved decreased 24% from $2.68/dmtu in 2015 to $2.05/dmtu in 2016 reflecting the fact that the majority of sales were of the relatively lower grade Ghanaian manganese ore sold.

- The annual average price for manganese lump (CRU, 44%Mn CIF China) in 2016 was $4.36/dmtu a rise of 40% from $3.11/dmtu in 2015.

- Based on the December 2016 resource and reserves statement total Ghanaian reserves have increased 14% and resources have increased 8% compared to the December 2015 statement. No resources and reserves update has been provided for the Australian business at December 2016 following the decision to place the business on care and maintenance.

- Adjusted EBITDA[2] for 2016 was $10 million, a reduction of $30 million from $40 million in 2015. This decrease is principally due to lower revenues as a result of lower average pricing and reduced volumes sold from Australia following the transition of the operations into care and maintenance in early February 2016. This reduction was partially offset by reduced mining and other operating costs.
- Cash EBITDA for 2016 was $26 million, compared to $21 million in 2015 with cash EBITDA in 2015 including a $36 million deduction for capitalised deferred stripping, whereas in 2016 there was no capitalised deferred stripping adjustment.
- The Group recorded a loss for the year of $77 million compared to a loss of $319 million in 2015. Included within the loss for 2016 was $13 million of restructuring costs relating to the Australian operations. The loss in 2015 included a $256 million impairment charge, an expense of $17 million relating to the net write-down of capitalised exploration costs and $50 million of other operating income relating to funds received from TMI for access to future purchases of Ghanaian manganese ore.
- During the year the Company had an operating cash outflow of $11 million compared to an inflow of $89 million in 2015.
- Cash and cash equivalents net of overdraft decreased by $36 million from $76 million at 31 December 2015 to $40 million at 31 December 2016.
- Total capital expenditure for the group in 2016 was $6 million, 69% lower than in 2015. Capital expenditure in 2016 included an initial spend of $1.3 million on the Pit-C North resettlement project.

Key Performance Indicators

Unaudited	**Year Ended 31 December 2016**	**31 December 2015**	**% change**
Manganese ore produced (dry kt)	2,199.6	2,763.0	(20.4%)
Manganese ore sales (dry kt)	2,529.4	2,684.4	(5.8%)
Average C1 manganese unit cash cost ($/dmtu)[1]	1.33	2.09	(36.4%)
Average manganese FOB Sales price ($/dmtu)	2.05	2.68	(23.5%)
Revenue ($ million)	152.1	256.7	(40.7%)
Adjusted EBITDA ($ million)[2]	9.5	39.8	(76.1%)
'Cash' EBITDA ($ million)[2]	25.9	21.3	21.6%
Loss for the period	(76.8)	(318.5)	(75.9%)
	At 31 December 2016	**At 31 December 2015**	**% change**
Cash and cash equivalents ($ million)	40.0	79.1	(49.4%)
Gross debt ($ million)	(414.9)	(390.3)	6.3%
Gross debt excluding high yield bonds ($ million)	(7.1)	(17.2)	(58.7%)
Net debt ($ million)	(374.9)	(311.2)	20.5%

[1] Average C1 manganese unit cash cost represents the cash cost incurred at each processing stage from mining through to shiploading, divided by the total manganese dmtus produced. Included within the C1 manganese 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 and exceptional items[3]. 'Cash' EBITDA is defined as Adjusted EBITDA after removing the impact of the non-cash items of deferred stripping and net movement in inventories. Adjusted EBITDA and Cash EBITDA are the key profitability measures used across the business and reflect performance in a consistent manner and in line with how the business is managed and measured on a day to day basis. Adjusted EBITDA and Cash EBITDA are not uniformly or legally defined measures and are not recognised under IFRS or any other generally accepted accounting principles. Other companies in the mining industry may calculate these measures differently and consequently, our presentation of Adjusted EBITDA and Cash EBITDA items may not be readily comparable to other companies' figures.

[3] Exceptional items are material or 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.

Commenting on the results, David Slater (CFO of Consmin) said:

"As a result of the Q1 2016 record low manganese ore prices the company took the difficult decision to place its Australian Woodie Woodie mine on care and maintenance in early February 2016.

Despite ending 2015 with $76 million of cash, the weakness and uncertain outlook on pricing, as well as costs associated with placing Woodie Woodie on care and maintenance put further pressure on liquidity with cash reducing to US$41 million by the end of February 2016. As a result Consmin announced on 8 March 2016 that it anticipated discussions with holders of the 8% Senior Secured Notes, which commenced in April 2016, to implement a solution to improve the Company's liquidity. On 15 August the Company announced it had received consents from over 96% of the Noteholders to amendments that had a beneficial effect of providing the Company with additional liquidity during the period of low and volatile manganese prices.

As a result of the closure of the Woodie Woodie mine Consmin's production in 2016 decreased 20% compared to 2015, with Australian production down 84% limited since February to processing the remaining ROM stockpiles. Production from the Nsuta mine in Ghana, however, increased 35% year on year underpinned by improved demand for the Company's Ghanaian ore.

The manganese C1 cash cost for 2016 was $1.33/dmtu, an improvement of 36% from $2.09/dmtu for 2015. The C1 cash cost for 2016 only includes costs from the Australian operations in January after which they were placed on care and maintenance.

In 2016 the company's total manganese ore shipments were 2.5 million dry tonnes, a decrease of 6% compared to 2015. Shipments of Australian manganese ore decreased 65%, however sales of Ghanaian ore were 41% higher with increased sales to the China alloy market as manganese ore demand and prices improved, while robust sales to long-term major customer TMI and sales to Ukraine were maintained. Despite the final two shipments of 2016 being deferred to early January 2017 record sales of 2.1 million dry tonnes of Ghanaian ore were achieved during the year.

The average price for manganese lump (CRU, 44%Mn CIF China) in 2016 was $4.36/dmtu, an increase of 40% from $3.11/dmtu in 2015 but still slightly lower than the average price in 2014. China's steel demand and production rose leading to improved demand for manganese ore by the end of Q1 2016. Due to the global production cuts an acute shortage of manganese ore arose, leading to very volatile manganese ore prices. Prices in Q1 2016 were below $1.80/dmtu, and then rose to over $4.00/dmtu in Q2, only to fall again in Q3 to below $2.90/dmtu. By the end of 2016 prices were above $9.00/dmtu for high grade ore, the highest level seen in recent times. However, prices have since retreated, falling by more than 50% to around $4.15/dmtu by late March 2017 t as global suppliers doubled their average monthly shipments to 2.0 million tonnes in December 2016 and January 2017 compared to Q1 2016 of 1.0 million tonnes per month.

The company, although pleased that manganese prices improved in the second half of 2016, remains very cautious as volatility in manganese ore prices have remained, with the main driver of prices being global supplier discipline, rather than demand growth. We believe the manganese ore market still remains fragile, vulnerable to structural oversupply that has built up over the past 5 years, particularly from South Africa.

The average manganese FOB sales price achieved by Consmin in 2016 was $2.05/dmtu, a decrease of 24% from 2015, reflecting the lower average grade sold as most sales were of the relatively lower grade Ghanaian manganese ore.

On 15 November 2016 the Company announced that its ultimate beneficial owner had entered into a share purchase agreement with China Tian Yuan Manganese Limited ("the Purchaser"), a subsidiary of TMI. The transaction is conditional upon a number of conditions, including, but not limited to certain government consents, certain consents from the holders of the 8% Senior Secured Notes and the execution of an offtake agreement between the Company, and Grizal Enterprises Limited

On 4 April 2017 the Company announced that holders of 89.84% of its 8% Senior Secured Notes have agreed to locked up to tender their notes to and provide certain consents in relation to the proposed acquisition of Consmin by China Tian Yuan Manganese Limited, a subsidiary of TMI. As a result the Purchaser launched the Tender Offer and Consent Solicitation on 4 April 2017. The Tender Offer is open to acceptance by all holders of the Notes. In order to become effective, the holders of at least 90% of the aggregate principal amount of the Notes must tender into the Tender Offer and provide their consent to certain amendments to the terms of the Notes."

About Consolidated Minerals Limited

Consmin is a leading manganese ore producer with 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: Pilbara Manganese 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

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Conference Call

There will be a conference call for analysts and bondholders, the details of which will be released on the Company website www.consmin.com.

Market, Economic and Industry Data

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 process its mineral reserves successfully and on a timely basis. 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

Global steel production for 2016 rose by around 0.9% year on year to 1.62 billion tonnes. China accounted for 50% of global production, having produced 807 million tonnes, up 1.5% year on year. As a result of improved steel production in China, demand for ferroalloys rose substantially at the time when furnace idling, due to poor market conditions and environmental inspections, meant less alloys were available due to lean stockpiles. A rush to produce ferroalloys significantly drove up demand for imported ore with manganese ore imports to China rising 9.6% year on year to 17.1 million tonnes from the 15.6 million tonnes imported in 2015.

Stainless steel 200 series, the second biggest (after ferroalloys) 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 our Nsuta manganese mine in Ghana.

Chinese stainless steel production is estimated to have totalled 24.9 million tonnes in 2016 up 15.7% year on year, according to Stainless Steel Council of China Special Steel Enterprises Association. China's 200 series (high manganese bearing stainless steel) accounted for 26.1% of China's stainless steel production with output rising by 8.7% to 7.3 million tonnes. Meanwhile, the country's stainless steel exports rose by 19.4% to 3.8 million tonnes during the year.

The company's manganese ore shipments totalled 2.5 million dry tonnes during 2016, a decrease of 6% compared to 2.8 million dry tonnes shipped during 2015. Shipments from Australia were 415 thousand dry tonnes in 2016, a decrease of 65% year on year due to the mine being put on care and maintenance in February 2016. Shipments from Ghana, however, rose by 41% year on year to 2.1 million dry tonnes compared to 1.5 million tonnes in 2015. The company increased its sales to the Chinese alloy market as manganese ore demand and prices improved, while maintaining robust sales to long-term major customer, TMI and related party customer supplying Ukrainian smelters. Sales in 2016 represent a new record high for the company's Ghana mine.

The annual average price for manganese lump (CRU, 44%Mn CIF China) in 2016 was $4.36/dmtu, a rise of 40% from $3.11/dmtu in 2015 but still slightly less than the $4.56/dmtu average price in 2014. Manganese ore prices started the year well below $2.00/dmtu, price levels this low that have not been seen in the last two decades, prompting large-scale supply cuts by major producers globally, including the Woodie Woodie mine being put on care and maintenance. Global production on a manganese contained basis fell by 25% while consumption actually rose by 3.5%, according to CRU, leading to a major drawdown of stockpiles.

China's steel demand, and subsequently its production, rose on the back of government driven infrastructure and other supportive initiatives leading to improved demand for manganese ore by the end of Q1 2016. Due to the global production cuts an acute shortage of manganese ore arose, leading to very volatile manganese ore prices. Prices in Q1 2016 were below $1.80/dmtu, and then rose to over $4.00/dmtu in Q2, only to fall again in Q3 to below $2.90/dmtu. By the end of 2016 prices topped $9.00/dmtu for high grade ore, the highest level since the 2008 boom just prior to the global financial crisis. However, prices have since retreated falling by over 50%, by early March 2017, to around $4.50/dmtu as port stocks increased from 1.7 million tonnes in November 2016 to over 3.5 million tonnes in early March 2017 as global suppliers nearly doubled their monthly shipments in both December 2016 and January 2017 (2.0 million tonnes per month) compared to the monthly average in Q1 2016 (1.0 million tonnes per month).

The company remains very cautious as volatility in manganese ore prices have not subsided. Demand for manganese ore from the China alloy industry, driven by steel production, has indeed improved from the bleak outlook in early 2016 but the main driver of manganese ore prices remains global supplier discipline, not demand growth. We believe the manganese ore market still remains fragile, vulnerable to structural oversupply that has built up over the past 5 years, particularly in South Africa.

Operational Review

Summary Overview	Year ended 31 December 2016	31 December 2015	% change
Total mined (mBCM)	7.1	14.6	(51.4%)
Manganese ore produced (dry kt)	2,199.6	2,763.0	(20.4%)
Australia	*203.1*	*1,284.8*	*(84.2%)*
Ghana	*1,996.5*	*1,478.2*	*35.1%*
Manganese ore produced (mdmtu)	62.0	100.2	(38.1%)
Australia	*6.7*	*58.6*	*(88.6%)*
Ghana	*55.3*	*41.6*	*32.9%*
Manganese ore sales (dry kt)	2,529.4	2,684.4	(5.8%)
Australia	*415.0*	*1,183.7*	*(64.9%)*
Ghana	*2,114.4*	*1,500.7*	*40.9%*
Manganese ore sales (mdmtu)	74.0	95.9	(22.8%)
Australia	*15.1*	*54.3*	*(72.2%)*
Ghana	*58.9*	*41.6*	*41.6%*
Total capex – including exploration ($ million)	6.1	19.6	(68.9%)
Average unit cash cost ($/dmtu)	1.33	2.09	(36.4%)

Australia: Woodie Woodie

Care and maintenance
Following the decision taken in January 2016 to place the mine on care and maintenance, mining operations ceased in early February 2016 with the mine being safely and efficiently transitioned into care and maintenance during Q1 2016. The mine has remained on care and maintenance with no mining activity since then.

Production
Although no mining has taken place since February 2016, there was some limited processing of remaining low grade ROM stockpiles between May and July 2016. Production in the year totalled 203k dry tonnes. In November 2016 a decision was made to process further selective stockpiles of low grade ore which commenced in January 2017.

Capital expenditure
There was minimal capital expenditure of $0.5 million during 2016 as a result of the mine being placed on care and maintenance.

Exploration
Tenement maintenance work completed during 2016 totalled 62 holes for 5,275m across nine Exploration Licences.

Ghana: Ghana Manganese Company Limited ('GMC')

The GMC mine, also known as the Nsuta mine, comprises approximately 175km^2 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 Nsuta 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. Manganese ore exported from Nsuta is a manganese carbonate (as opposed to a manganese oxide) with relatively high manganese to iron ratio, making it well suited for EMM and alloy production. When used for the production of EMM it is considered a high-grade ore, as it contains usually 2-3 times more manganese units than other manganese carbonates. The ore produced by GMC is also low in phosphorus and other deleterious elements, which enable it to be an excellent replacement for the low-grade carbonate ores of China.

Safety
The GMC mine witnessed an excellent safety record at Nsuta, with no major reportable incidents or accidents throughout 2016. On 21 February 2017 Consmin advised that there was regrettably a fatality at the Nsuta mine, following which local authorities and other regulating authorities have been notified and a full investigation into the incident has commenced. Whilst all investigations are ongoing, Consmin reiterates that any loss of life at our operations is unacceptable. Consmin will work relentlessly to build and improve the health and safety standards of our organisation.

Production
Production at GMC totalled at 2.0 million tonnes of manganese ore (55.3 million dmtu) during the year, representing a 35% increase in tonnes and a 33% increase in dmtu compared to the prior year. Following a cautious start to 2016 the Company decided to accelerate the ore and mine development targets from April 2016. Following a further improvement of the global demand for manganese products it was decided to further accelerate the ore and mine development targets from August 2016 to the end of the year. These decisions resulted in an increase of ore tonnage output in order to align the ore production volumes with the revised projected sales outlook (which increased from 1.5 million tonnes to 2.1 million tonnes) during 2016.

Capital Expenditure
A total of $4.3 million, including $0.1 million on exploration, was spent on capital expenditure projects during the year with the majority of this spend on critical spares and components for the mobile and fixed equipment. This was slightly higher compared to the $3.7 million capital expenditure spent during 2015 (including $0.2 million on exploration). In addition to the capital expenditure noted a further $1.3 million was spent on the Pit-C North resettlement project.

Exploration
During 2016 exploration infill drilling was focused on the continued resource development of our main Pit-C with encouraging results.

The results of the GMC Resource and Reserve statement on 31st December 2016 are shown in the table below. The resource base has increased to 112.9 million tonnes with the reserve base increasing to 46.9 million tonnes. The increase in the resource and reserve is due principally to the very positive results of the infill drilling, the improved mining economic optimisation parameters (e.g. processing costs and overall mining costs) and the reduction in cut-off grade from 18% to 14%.

	Tonnes (million)		Mn %		
	31 December 2016	31 December 2015	31 December 2016	31 December 2015	Tonnes Movement %
Total Reserves	46.9	41.3	27.9%	28.2%	13.6%
Total Resources	112.9	105.0	26.3%	26.8%	7.5%

Projects

Port Development Project:
Ghana Ports and Harbours Authority (GPHA) organised for the project stakeholders to receive from and discuss with the four tender candidates the terminal operational plans during November 2016. Following these deliberations the tender candidates were given a short extension to submit their final operational plans until 26 January 2017. It is therefore expected that this delay will further impact on the final tender candidate selection by GPHA and the completion of the port project (now expected in early 2019).

Pit C-North Development:
Following the completion of the legal due diligence process the Company now has a constructive obligation to complete and fully execute the Pit-C North resettlement project at the Tarkwa Banso community. The Company has now finalised the purchase of the land for future resettlement of the community and has agreed on the crop compensation plan. Following the legal due diligence an issue has arisen in respect of encroachment on the GMC lease and our selected resettlement area by GRIDCO (public utility provider). Legal steps have been initiated to ensure that GRIDCO will adhere to the legalities of entering a mining lease area. We have finalised the planning of the earthworks for the area and these commenced in early February 2017. The timeframes for the completion of this project before the end of the first quarter of 2018 remain on track as do the overall project costs of $12.1 million.

Hotopo Resources Limited – Yakau Exploration:
Following the presentation of the first drilling results, which clearly showed the complexity of the manganese geological area explored, we are developing the next phase exploration programme for the Yakau area.

Other

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'). PIO's claim that it has earned an 80% ownership interest in one of the tenements is subject to court determination. A decision adverse to PIO was handed down in the Warden's Court on 16 September 2014. PIO lodged an appeal in the Supreme Court of Western Australia against the Warden's decision. The hearing of that appeal concluded on 31 March 2016, with the Judge reserving his decision. A decision is expected to be handed down in Q2 of 2017.

OM Holdings Limited ('OM Holdings')
OM Holdings is, primarily, a vertically integrated manganese mining, processing and marketing company listed on the ASX (ticker: OMH). At 31 December 2016, the Company's holding in OM Holdings remained at 8.0%, consistent with 31 December 2015. The market value of the Company's holding in OM Holdings as at 31 December 2016 was $6.8 million.

People

The operational management decisions of the Group are made by the Group Executive Committee ('GEC'). The GEC members are Mark Camaj (General Manager: Marketing), Jurgen Eijgendaal (Managing Director: Ghana), Oleg Sheyko (CEO of Metals Solutions) and David Slater (Executive Director and Chief Financial Officer). Paul Muller (Managing Director: Australia) resigned from the GEC on 10 August 2016 and departed Consmin on 12 August 2016, following the safe transition of the Woodie Woodie mine into care and maintenance. Oleg Sheyko (CEO of Metals Solutions) resigned from the GEC on 6 April 2016 and was reappointed on 28 November 2016.

Financial Review

Condensed Consolidated Statement of Comprehensive Income

$m	Year Ended 31 December 2016	31 December 2015	31 December 2014 Restated[1]
Revenue	152.1	256.7	420.8
Cost of sales	(102.0)	(188.8)	(229.6)
Gross profit	**50.1**	**67.9**	**191.2**
Selling and distribution costs	(34.1)	(59.6)	(91.3)
General and administrative costs	(38.2)	(35.6)	(43.1)
Other operating income - net	1.9	2.3	1.8
Impairment write-back / (expense)	0.6	(256.3)	(0.1)
Exploration write-off expense	(0.5)	(16.5)	(3.7)
Settlement income	-	50.0	-
Net foreign exchange loss	(0.2)	(5.8)	(3.3)
Operating (loss) / profit	**(20.4)**	**(253.6)**	**51.5**
Presented as:			
Adjusted EBITDA	**9.5**	**39.8**	**127.1**
Depreciation	(16.7)	(63.7)	(68.5)
Impairment write-back / (expense)	0.6	(256.3)	(0.1)
Exploration write-off expense	(0.5)	(16.5)	(3.7)
Settlement income	-	50.0	-
Restructuring costs	(13.1)	(1.1)	-
Net foreign exchange loss	(0.2)	(5.8)	(3.3)
Operating (loss) / profit	**(20.4)**	**(253.6)**	**51.5**
Net financing costs	(55.9)	(32.4)	(49.0)
(Loss) / profit before tax from continuing operations	**(76.3)**	**(286.0)**	**2.5**
Income tax charge	(0.5)	(32.5)	(9.8)
Loss from continuing operations	**(76.8)**	**(318.5)**	**(7.3)**
Profit from discontinued operations (attributable to owners of the parent company)	-	-	8.6
(Loss) / profit for the year	**(76.8)**	**(318.5)**	**1.3**

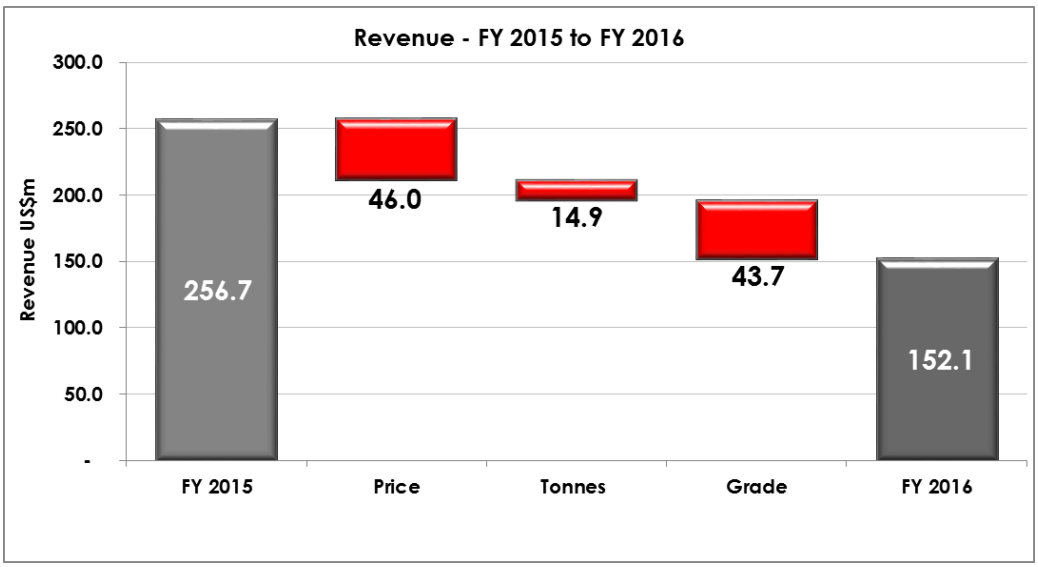
[1] Refer to note 2f of the Audited Consolidated Financial Statements.

Revenue

The consolidated revenue for the Group decreased by 41% from $257 million in 2015 to $152 million in 2016 as a result of the combination of lower average pricing achieved, lower volumes sold and lower average grade sold. The average price of our manganese ore sold in 2016 was $2.05/dmtu FOB, compared to $2.68/dmtu FOB in 2015. The decrease in the average ore price reflects the reduction in the average grade of manganese ore sold which was 29.3% in 2016 compared to 35.7% in 2015 as a result of mainly selling the relatively lower grade Ghanaian manganese during 2016.

Manganese volumes sold (in tonnes) decreased by 6% in 2016 compared to 2015 with a 41% increase in Ghanaian sales tonnes offset by a 65% reduction in Australian sales tonnes. Sales from Australia declined as a result of the transition into care and maintenance.

The graph below summarise the decrease in revenue compared to 2015:



Cost of Sales

The cost of sales for the Group decreased by 46% from $189 million in 2015 to $102 million in 2016. An analysis of the cost of sales is as follows:

$m	31 December 2016	Year Ended 31 December 2015	31 December 2014 Restated [1]
Manganese			
Mining and production expenses	61.0	124.4	171.5
Depreciation	16.1	63.1	67.7
Royalties and other taxes	9.1	18.8	35.6
Deferred stripping	-	(36.4)	(37.1)
Net movement in inventories	16.4	17.9	(9.7)
Other	(0.6)	1.0	-
Total manganese cost of sales	**102.0**	**188.8**	**228.0**
Other cost of sales	-	-	1.6
Total cost of sales	**102.0**	**188.8**	**229.6**

[1] Refer to note 2f of the Audited Consolidated Financial Statements.

The principal factors driving the $87 million decrease in cost of sales are as follows:

- A $63 million benefit from reduced mining and production costs reflecting cost savings following the decision to place the Australian operations into care and maintenance with effect from 2 February 2016;
- A $47 million decrease in depreciation as a result of the reduced carrying value of Australian assets compared to 2015 following the FY 2015 impairment and reduced production in Australia;
- A $10 million decrease in royalties as a result of lower revenues in the year;
- A $2 million benefit from reduced charge for net movement in inventories; and
- A $2 million benefit from a reduction in other cost of sales.

offset by:

- A $36 million increased cost in relation to deferred stripping as a result of no capitalisation of deferred stripping costs in 2016.

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, was $1.33 for 2016, a decrease of 36% from $2.09/dmtu for 2015 which included the full year C1 unit cost in relation to the Australian operations compared to only the month of January in 2016.

Gross Profit

Gross profit for the Group was $50 million in 2016, a decrease of 26% from $68 million in 2015. The gross profit margin has increased from 26% in 2015 to 33% in 2016. The increase in gross profit margin has been driven by reduced operating costs in Australia following the transition into care and maintenance.

Adjusted EBITDA and Cash EBITDA

Adjusted EBITDA and Cash EBITDA are calculated as follows:

$m	Year Ended 31 December 2016	31 December 2015	31 December 2014
Operating (loss) / profit	**(20.4)**	**(253.6)**	**51.5**
Depreciation	16.7	63.7	68.5
Impairment (write-back) / expense	(0.6)	256.3	0.1
Exploration write-off expense	0.5	16.5	3.7
Settlement income	-	(50.0)	-
Restructuring costs	13.1	1.1	-
Net foreign exchange loss	0.2	5.8	3.3
Adjusted EBITDA	**9.5**	**39.8**	**127.1**
Deferred stripping	-	(36.4)	(37.1)
Net movement in inventories	16.4	17.9	(9.7)
'Cash' EBITDA	**25.9**	**21.3**	**80.3**

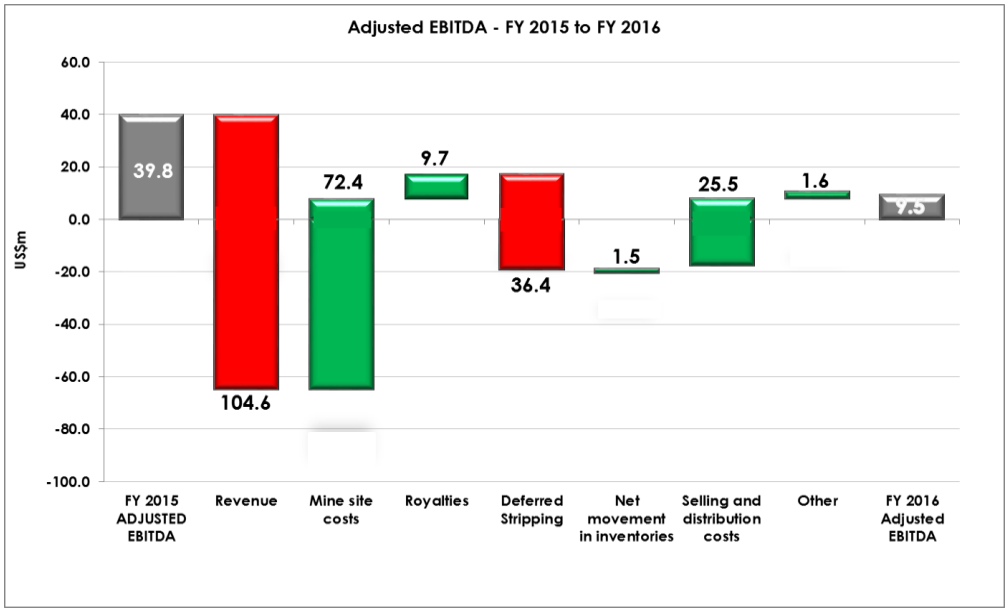
Adjusted EBITDA is defined as operating profit / (loss) before depreciation, impairment write-back / expense, net foreign exchange gain or loss and exceptional items. Cash EBITDA is defined as Adjusted EBITDA after removing the impact of the non-cash items of deferred stripping and net movement in inventories. Adjusted EBITDA and Cash EBITDA are the key profitability measures used across the whole business and reflect the performance in a consistent manner and in line with how the business is managed and measured on a day to day basis.

As the graph below shows Adjusted EBITDA for 2016 was $10 million, a decrease of $30 million from $40 million in 2015, as a result of the following key movements:

- A decrease in revenue of $105 million as a result of lower pricing, average grades and volumes sold;
- A $36 million reduction in the deferred stripping credit to the income statement.

offset by:

- A reduction in mining and production expenses of $72 million (excluding restructuring costs) due to savings relating to the Australian operations being placed into care and maintenance;
- A $26 million reduction in selling and distribution costs reflecting lower volumes hauled and shipped;
- A reduction in royalties of $10 million due to lower revenues.
- A $2 million reduction in relation to net movement in inventories;
- A $2 million reduction in other operating expenditure (excluding restructuring costs).



Cash EBITDA for 2016 was $26 million, an increase of $5 million from $21 million in 2015 due to the reasons outlined above for adjusted EBITDA and after the benefit of the lower deferred stripping movement of $36 million.

Impairment

In accordance with International Financial Reporting Standards goodwill is tested annually and non-current assets are tested for impairment when events or changes in circumstances suggest that the carrying amount may not be recoverable. For the year ended 31 December 2016 we recorded a $1 million impairment write-back for the year relating to the disposal of property, plant and equipment in Australia that had previously been fully impaired.

Other Key Items

Selling and distribution expenses decreased by $26 million from $60 million in 2015 to $34 million in 2016. This is primarily a result of a 65% reduction in tonnes shipped from Australia in 2016 compared to 2015.

General and administrative expenses increased by $3 million compared to 2015 as a result of a $3 million stock obsolescence provision and redundancy cost incurred of $2 million offset by cost savings.

Restructuring costs for 2016 relate to costs associated with completing the transition of the Australian operations into care and maintenance. In 2016 total restructuring costs were $13 million comprising $9 million of redundancy costs, $3 million stock obsolescence provision, $1 million demobilisation costs..

Net financing costs are $56 million for 2016, an increase of $24 million from $32 million in 2015. These costs consist of the following components: the increased interest rate from 8% to 10% on the notes following the successful consent solicitation and the costs associated with the write off of the unamortised portion of the bond costs and the unamortised portion of the discount that was capitalised on issuing the bond in May 2014. Comparatively in 2015 a $4 million gain was recognised in finance income on the repurchase of a part of our senior secured notes.

The Group is subject to taxation in the jurisdictions in which it operates, primarily Australia and Ghana. The parent company is domiciled in Jersey and is subject to a corporate tax rate of 0%. The Group recognised an income tax charge of $1 million in 2016 compared to an income tax charge of $33 million in 2015. The charge in 2015 primarily relates to the derecognition of deferred tax assets associated with the Australian operations as it was no longer probable that sufficient taxable profit would be available to allow the benefit of that deferred tax asset to be utilised.

Loss from continuing operations for the year

The Group has recognised a loss from continuing operations for 2016 of $77 million, compared to a loss from continuing operations of $319 million in 2015.

Condensed Consolidated Statement of Financial Position

$m	As at 31 December 2016	31 December 2015
Cash and cash equivalents	40.0	79.1
Other current assets	61.2	67.7
Non-current assets	211.3	211.4
Total assets	312.5	358.2
Current borrowings	(3.6)	(10.1)
Non-current borrowings	(411.3)	(380.2)
Other current liabilities	(45.0)	(34.4)
Other non-current liabilities	(83.7)	(90.6)
Total liabilities	(543.6)	(515.3)
Net liabilities	**(231.1)**	**(157.1)**

Cash and Cash Equivalents

Cash and cash equivalents at 31 December 2016 were $40 million, a decrease of $39 million from $79 million at 31 December 2015. This is due to negative cash flows from operations in 2016 as a result of lower pricing achieved and reduced sales volumes following the placing of the Australian operations into care and maintenance on 2 February 2016 and the impact of the related restructuring costs.

Borrowings

Current borrowings have decreased to $4 million at 31 December 2016 from $10 million at 31 December 2015 as a result of the full repayment of the Ghanaian overdraft facility in the year and a reduction in hire purchase liabilities. Non-current borrowings have increased from $380 million to $411 million primarily as a result of the payment in kind interest of $31 million that was added to the bond principal. The capitalised issue costs and unamortised discount associated with the original issuance of the senior secured high yield notes in May 2014 have been written off to financing costs and costs and consent fees associated with the successful completion of the consent solicitation in August 2016 have been capitalised. The bonds are now stated net of unamortised transaction costs of $8.7 million.

The table below summarises the movement on the senior secured notes in the year;

$m	Senior secured high yield notes
At 1 January 2016	373.1
Write-off of unamortised discount on issue of bond (May 2014 issue)	6.1
Write-off of unamortised issue costs (May 2014 issue)	4.8
Capitalised costs relating to indenture amendment	(9.7)
Payment in kind interest	30.9
Amortisation of discount (May 2014)	0.8
Amortisation of issue costs (May 2014)	0.8
Amortisation of issue costs post restructure	1.0
At 31 December 2016	407.8

Guarantor Group

During the year ended 31 December 2016 the Guarantors of the senior secured notes represented 100% (31 December 2015: 100%) of our consolidated revenues and -98% (31 December 2015: 56%) of our consolidated EBITDA. As of 31 December 2016 the Guarantors represented 34% of our consolidated total assets (31 December 2015: 35%). As of 31 December 2016 the non-guarantor subsidiaries have $nil of indebtedness outstanding (31 December 2015: $3 million). 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 2016	31 December 2015	31 December 2014
Cash (outflow) / generated from continuing operating activities	(11.4)	88.5	31.8
Cash outflow from continuing investing activities	(1.9)	(19.1)	(42.6)
Cash outflow from continuing financing activities	(23.9)	(50.6)	(149.3)
Net (decrease) / increase in cash and cash equivalents from continuing activities	(37.2)	18.8	(160.1)
Decrease in cash and cash equivalents from discontinuing activities	-	-	(0.9)
Net (decrease) / increase in cash and cash equivalents	**(37.2)**	**18.8**	**(161.0)**
Cash and cash equivalents at the beginning of the year	75.9	59.5	219.9
Exchange (losses) / gains on cash and cash equivalents	1.3	(2.4)	0.6
Cash and cash equivalents at the end of the year	**40.0**	**75.9**	**59.5**

Cash Flows and Liquidity

Net cash outflow from operating activities from continuing operations amounted to $11 million in 2016 compared to $89 million generated in 2015, a decrease of $99 million primarily due to an adverse year-on-year working capital movement of $40 million and the $50 million one-off settlement received from TMI for access to Ghanaian manganese ore in 2015.

The net cash outflow from investing activities was $2 million in 2016 compared to a cash outflow of $19 million in 2015, a decrease of $17 million due to lower payments for capital expenditure in the year of $14 million and increased proceeds of $4 million from the sale of property, plant and equipment in 2016.

The net cash outflow from financing activities was $24 million in 2016 compared to a net cash outflow of $51 million in 2015. The cash outflow in 2015 relates to interest paid on the 2020 senior secured notes of $32 million, the repurchase of certain 2020 senior secured notes at a cost of $11 million and repayment of hire purchase borrowings of $7 million. Interest paid in 2016 was significantly lower due to the payment in kind interest of $31 million that was added to the bond principal.

As a result total cash and cash equivalents net of overdrafts decreased to $40 million at 31 December 2016 from $76 million at 31 December 2015. The liquidity position of the Group is further supported by circa $7 million of marketable securities held that could be converted to cash if such a need arose.

Company Registered Number 100396

Consolidated Minerals Limited

Directors' Report and Audited Consolidated Financial Statements
For the Year Ended 31 December 2016

Index to the Consolidated Financial Statements

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Directors' report

For the year ended 31 December 2016

The directors present the audited consolidated financial statements for the year ended 31 December 2016.

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

Principal activities
The consolidated statement of comprehensive income for the year is set out on page 21. The principal activities of the Company and its subsidiaries are the exploration, mining, processing and sale of manganese 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 in business (refer to note2b); 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 of 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 Vyacheslav Anishchenko
Mr Steven Bowen
Mr Andreas Marangos
Mr David Slater

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 for the year of $76.8 million (2015: $318.5 million loss).

Dividends
The Company did not pay a dividend during the year ending 31 December 2016 (2015: $nil).

Secretary
The secretary of the Company is Mr David Slater.

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

David Slater
Executive Director and CFO

Date: 4 April 2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CONSOLIDATED MINERALS LIMITED

REPORT ON THE GROUP FINANCIAL STATEMENTS

OUR OPINION

- In our opinion, Consolidated Minerals Limited's group financial statements (the "financial statements"):
- give a true and fair view of the state of the group's affairs as at 31 December 2016 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the IASB; and have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

WHAT WE HAVE AUDITED

The financial statements, included within the Annual Report comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of the significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as issued by the IASB and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

OPINION ON OTHER MATTER

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

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

ACCOUNTING RECORDS AND INFORMATION AND EXPLANATIONS RECEIVED

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; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

As explained more fully in the Directors' Responsibilities Statement set out on page 17, 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) ("ISAs (UK & 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 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.

WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

We conducted our audit in accordance ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Timothy McAllister

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

4 April 2017

Consolidated statement of comprehensive income

$m	Note	Years ended 31 December 2016	2015	2014 Restated[1]
Revenue	8	152.1	256.7	420.8
Cost of sales	9	(102.0)	(188.8)	(229.6)
Gross profit		50.1	67.9	191.2
Selling and distribution costs	10	(34.1)	(59.6)	(91.3)
General and administrative costs	11	(38.2)	(35.6)	(43.1)
Other operating income – net	12	1.9	2.3	1.8
Impairment write-back / (expense)	15	0.6	(256.3)	(0.1)
Exploration write-off expense		(0.5)	(16.5)	(3.7)
Settlement income	13	-	50.0	-
Net foreign exchange loss	14	(0.2)	(5.8)	(3.3)
Operating (loss) / profit		(20.4)	(253.6)	51.5
Presented as:				
Adjusted EBITDA		**9.5**	**39.8**	**127.1**
Depreciation	21	(16.7)	(63.7)	(68.5)
Impairment write-back / (expense)	15	0.6	(256.3)	(0.1)
Exploration write-off expense		(0.5)	(16.5)	(3.7)
Settlement income	13	-	50.0	-
Restructuring costs		(13.1)	(1.1)	-
Net foreign exchange loss	14	(0.2)	(5.8)	(3.3)
Operating (loss) / profit		**(20.4)**	**(253.6)**	**51.5**
Finance income	18	0.2	3.9	0.9
Financing costs	18	(56.1)	(36.3)	(49.9)
Net financing costs		(55.9)	(32.4)	(49.0)
(Loss) / profit before tax from continuing operations		**(76.3)**	**(286.0)**	**2.5**
Income tax charge	20	(0.5)	(32.5)	(9.8)
Loss for the year from continuing operations		(76.8)	(318.5)	(7.3)
Profit for the year from discontinued operations (attributable to owners of the parent)		-	-	8.6
(Loss) / profit for the year		(76.8)	(318.5)	1.3
Other comprehensive income / (expense)				
Items that may be subsequently reclassified to profit or loss:				
Revaluation of available-for-sale financial assets	33	2.8	(0.2)	0.1
Net foreign currency translation differences	33	0.2	(17.8)	(23.0)
Income tax credit on other comprehensive income	20	-	0.1	0.1
Other comprehensive income / (expense) for the year, net of tax		3.0	(17.9)	(22.8)
Total comprehensive expense for the year		(73.8)	(336.4)	(21.5)
(Loss) / profit attributable to:				
Owners of the parent company		(77.3)	(318.3)	1.0
Non-controlling interest		0.5	(0.2)	0.3
(Loss) / profit for the year		(76.8)	(318.5)	1.3
Total comprehensive (expense) / income attributable to:				
Owners of the parent company		(74.3)	(336.2)	(21.8)
Non-controlling interest		0.5	(0.2)	0.3
Total comprehensive expense for the year		(73.8)	(336.4)	(21.5)

[1]Refer to note 2f of the Audited Consolidated Financial Statements.

The notes on pages 25 to 59 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

$m	Note	As at 31 December 2016	As at 31 December 2015
Non-current assets			
Property, plant and equipment	21	167.3	168.8
Intangible assets	22	6.9	9.0
Goodwill	23	28.9	28.9
Available-for-sale financial assets	25	6.8	4.6
Investment in associate	19	1.3	-
Trade and other receivables	26	0.1	0.1
		211.3	**211.4**
Current assets			
Inventories	24	24.8	47.7
Trade and other receivables	26	36.4	18.0
Income tax receivable		-	2.0
Cash and cash equivalents	27	40.0	79.1
		101.2	**146.8**
Current liabilities			
Borrowings	28	(3.6)	(10.1)
Trade and other payables	29	(35.7)	(29.6)
Provisions	30	(9.3)	(4.8)
		(48.6)	**(44.5)**
Net current assets		**52.6**	**102.3**
Non-current liabilities			
Borrowings	28	(411.3)	(380.2)
Trade and other payables	29	-	(1.0)
Provisions	30	(52.1)	(53.9)
Deferred tax liabilities	20	(31.6)	(35.7)
		(495.0)	**(470.8)**
Net liabilities		**(231.1)**	**(157.1)**
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	737.5	737.5
Reserves	33	(10.5)	(13.3)
Accumulated losses	34	(1,176.1)	(1,098.8)
Total equity attributable to equity holders of the parent company		**(244.4)**	**(169.9)**
Non-controlling interests		13.3	12.8
Total equity		**(231.1)**	**(157.1)**

The notes on pages 25 to 59 are an integral part of these consolidated financial statements.

These consolidated financial statements on pages 21 to 59 were authorised for issue by the Board of Directors on 4 April 2017 and were signed on its behalf.

David Slater
Executive Director / CFO

Steven Bowen
Director

Consolidated statement of changes in equity

	Attributable to equity owners of the parent company							
$m	**Share capital**	**Share premium**	**Shareholder equity***	**Reserves**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2016	10.0	194.7	737.5	(13.3)	(1,098.8)	(169.9)	12.8	(157.1)
Loss for the year	-	-	-	-	(77.3)	(77.3)	0.5	(76.8)
Revaluation of available-for-sale financial assets	-	-	-	2.8	-	2.8	-	2.8
Reclassified to profit and loss				(0.2)	-	(0.2)	-	(0.2)
Foreign currency translation differences	-	-	-	0.2	-	0.2	-	0.2
Balance at 31 December 2016	10.0	194.7	737.5	(10.5)	(1,176.1)	(244.4)	13.3	(231.1)

	Attributable to equity owners of the parent company							
$m	**Share capital**	**Share premium**	**Shareholder equity***	**Reserves**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2015	10.0	194.7	737.5	(49.9)	(780.5)	111.8	13.0	124.8
Loss for the year	-	-	-	-	(318.3)	(318.3)	(0.2)	(318.5)
Revaluation of available-for-sale financial assets	-	-	-	(0.2)	-	(0.2)	-	(0.2)
Reclassified to profit and loss				54.5		54.5	-	54.5
Foreign currency translation differences	-	-	-	(17.8)	-	(17.8)	-	(17.8)
Income tax on other comprehensive income	-	-	-	0.1	-	0.1	-	0.1
Balance at 31 December 2015	10.0	194.7	737.5	(13.3)	(1,098.8)	(169.9)	12.8	(157.1)

	Attributable to equity owners of the parent company							
$m	**Share capital**	**Share premium**	**Shareholder equity***	**Reserves**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2014	10.0	194.7	966.2	(27.1)	(760.2)	383.6	14.3	397.9
Profit for the year	-	-	-	-	1.0	1.0	0.3	1.3
Revaluation of available-for-sale financial assets	-	-	-	0.1	-	0.1	-	0.1
Repayment of shareholders loans	-	-	(250.0)	-	-	(250.0)	-	(250.0)
Foreign currency translation differences	-	-	21.3	(23.0)	(21.3)	(23.0)	-	(23.0)
Income tax on other comprehensive income	-	-	-	0.1	-	0.1	-	0.1
Dividend paid	-	-	-	-	-	-	(1.6)	(1.6)
Balance at 31 December 2014	10.0	194.7	737.5	(49.9)	(780.5)	111.8	13.0	124.8

*Shareholder equity refers to the Subordinated shareholder loan treated as equity.

The notes on pages 25 to 59 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

$m	Note	Years ended 31 December 2016	2015	2014
Cash flow from operating activities				
(Loss) / profit before tax		(76.3)	(286.0)	2.5
Adjustments to add / (deduct) non-cash items:				
Depreciation		16.7	63.7	68.5
Deferred stripping		-	(36.4)	(37.1)
Impairment (write-back) expense		(0.6)	256.3	0.1
Exploration write-off expense		0.5	16.5	3.7
Loss on sale of property, plant and equipment		-	1.1	1.4
Net foreign exchange loss		0.2	5.8	3.3
Net financing costs		55.9	32.4	49.0
Working capital adjustments:				
Decrease / (increase) in inventories		23.0	20.9	(10.2)
(Increase) / decrease in receivables		(18.3)	29.3	7.1
Decrease in payables		(9.7)	(14.9)	(5.7)
Decrease in provision for contractual obligations		-	-	(39.7)
Net movement in working capital		(5.0)	35.3	(48.5)
Income taxes paid		(2.8)	(0.2)	(11.1)
Net cash (outflow) / generated from continuing operating activities		(11.4)	88.5	31.8
Net cash outflow from discontinued operating activities		-	-	(0.9)
Net cash (outflow) / generated from operating activities		(11.4)	88.5	30.9
Cash flow from investing activities				
Purchase of property, plant and equipment		(5.8)	(10.3)	(13.4)
Payments for mineral exploration and development expenditure		(0.3)	(9.3)	(29.2)
Proceeds from sale of property, plant and equipment		3.7	0.2	0.2
Interest received		0.2	0.3	0.9
Proceeds from sale of available-for-sale investments		0.3	-	-
Payments for investment in subsidiary company		-	-	(1.1)
Net cash outflow from continuing investing activities		(1.9)	(19.1)	(42.6)
Net cash outflow from discontinued investing activities			-	-
Net cash outflow from investing activities		(1.9)	(19.1)	(42.6)
Cash flow from financing activities				
Repayments of shareholder loan treated as equity		-	-	(250.0)
Interest paid		(8.7)	(32.7)	(28.8)
Dividends paid to non-controlling interest		-	-	(1.6)
Payments for restructure of senior secured notes		(9.7)	-	-
Net proceeds from issue of senior secured notes		-	-	383.1
Payments for repurchase of senior secured notes		-	(10.5)	(245.6)
Repayment of hire purchase borrowings		(5.5)	(7.4)	(6.4)
Net cash outflow from financing activities of continuing operations		(23.9)	(50.6)	(149.3)
Net cash outflow from financing activities of discontinued operations		-	-	-
Net cash outflow from financing activities		(23.9)	(50.6)	(149.3)
Net (decrease) / increase in cash and cash equivalents from continuing operations		(37.2)	18.8	(160.1)
Net decrease in cash and cash equivalents from discontinued operations		-	-	(0.9)
Net (decrease) / increase in cash and cash equivalents		(37.2)	18.8	(161.0)
Cash and cash equivalents at the beginning of the year	27	75.9	59.5	219.9
Exchange gains / (losses) on cash and cash equivalents		1.3	(2.4)	0.6
Cash and cash equivalents at the end of the year	27	40.0	75.9	59.5

As at 31 December 2016 there was a capital creditor of $5.0m relating to the acquisition of property, plant and equipment.

The notes on pages 25 to 59 are an integral part of these consolidated financial statements

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 to Jersey in 2008. The address of its registered office is Commercial House, 3 Commercial Street, St Helier, Jersey JE2 3RU.

Consmin is a leading manganese ore producer with 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 ore. The Group's operations are primarily conducted through four major operating/trading subsidiaries: Ghana Manganese Company Limited, Manganese Trading Limited (Jersey), Pilbara Manganese Pty Limited (Australia), and Pilbara Trading Limited (Jersey).

The financial statements of the Group and the Company for the year ended 31 December 2016 were approved and authorised for issue by the Board of Directors on 30 March 2017.

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 consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historical cost basis, except for the available-for-sale financial assets measured at fair value.

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

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. For the year ended 31 December 2016, the Group incurred a net loss of $76.8 million and at 31 December 2016 the Group had net liabilities of $231.1 million, a cash balance of $40.0 million and net current assets of $52.6 million. Borrowings of $414.9 million consist of current borrowings of $3.6 million and non-current borrowings of $411.3 million as disclosed in Notes 27 and 28.

During 2015 manganese ore prices declined significantly with a further decline in pricing in January 2016 to record low levels. As a result of these depressed prices and the limited opportunity for a significant recovery, the Company took the difficult decision in late January 2016 to place its Australian Woodie Woodie mine on care and maintenance in order to help preserve the Group's liquidity whilst maintaining the future value of our ore reserves.

Analysis of the cash flow forecast during the first quarter of 2016 identified the potential need, if pricing remained at expected levels, to renegotiate existing funding arrangements or obtain additional funding in late 2016 in order for the Group to meet its on-going cash requirements. Following discussions with the holders of its Notes (the "Noteholders") the Company announced on 15 August 2016 the successful completion of the solicitation of consents to certain amendments to the terms and conditions of the 8.000% Senior Secured Notes due May 15, 2020. This was supported by the holders of 96.43% of the Senior Secured Notes and has provided the Company with additional liquidity during the recent low and current volatile manganese prices.

Management have analysed its cash flow forecast with a view to assessing whether the financial statements should be prepared on a going concern basis. This cash flow forecast reflects the continuing mining and production in Ghana with the Australian Woodie Woodie mine assumed to remain on care and maintenance. The cash outflow from investing activities includes sustaining capex for the Ghana operations, costs associated with the Pit-C resettlement project and exploration costs in Australia required to maintain the current tenements. Based on the current cash flow projections for the Group, management has a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future and therefore the annual financial statements continue to be prepared on a going concern basis, which assumes the realisation of assets and discharge of liabilities in the normal course of business within the foreseeable future.

(c) Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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 subsidiary are attributed to the parent and the non-controlling interest in the absence of explicit agreements to the contrary.

The Group treats 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 mandatory for the first time for the financial year beginning 1 January 2016 relevant to the Group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2016:

- Accounting for acquisitions of interests in joint operations – Amendments to IFRS 11;
- Investment entities: Applying the consolidation exception – Amendments to IFRS 10, IFRS 12 and IAS 28;
- Clarification of acceptable methods of depreciation and amortisation – Amendments to IAS 16 and IAS 38;
- Annual improvements to IFRSs 2012 – 2014 cycle, and
- Disclosure initiative – amendments to IAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(e) New Standards and revisions to existing standards issued that are not yet effective

IFRS 15 Revenue from Contracts with Customers: In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which covers principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods beginning on or after 1 January 2017 with earlier application permitted. We are currently assessing the impact of adopting IFRS 9 on our consolidated financial statements.

IFRS 9 *Financial Instruments: Classification and Measurement*: In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognistion and Measurement. The mandatory effective date of IRFS 9 would be annual periods beginning on or after 1 January 2018 with early adoption permitted. We are currently assessing the impact of adopting IFRS 9 on our consolidated financial statements.

IFRS 16 Leases: In January 2016 International Accounting Standards Board (IASB) issued IFRS 16 Leases which sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions.

This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. We are currently assessing the impact of adopting IFRS 16 on our consolidated financial statements.

(f) Comparatives

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

The comparatives for 2014 have been restated to reflect the reclassification of certain costs from cost of sales to selling and distribution costs, general and administration costs and other operating income/expense to align cost classifications across the Group.

For the quantitative impact of the reclassification on the prior period consolidated financial statements, please refer to the tables below.

Adjustments to the consolidated statement of income in relation to the cost reclassification:

For the year ended 31 December

$m	2014 (previously stated)	Reclassification Adjustment	2014 (restated)
Revenue	420.8	-	420.8
Cost of sales	(236.4)	6.8	(229.6)
Gross profit	**184.4**	**6.8**	**191.2**
Selling and distribution costs	(89.6)	(1.7)	(91.3)
General and administrative costs	(38.7)	(4.4)	(43.1)
Other operating income - net	2.5	(0.7)	1.8
Net impact on operating profit		-	

(g) 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. Financial 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 financial 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 these 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 at 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 at 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 recorded in other comprehensive income 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 rates against the USD have been used in the preparation of the consolidated financial statements:

	31 December 2016	Average 2016	31 December 2015	Average 2015	31 December 2014	Average 2014
Australian dollar	0.7197	0.7437	0.7298	0.7522	0.8156	0.9024
British Pound	1.2336	1.3557	1.4802	1.5283	1.5532	1.6476

(b) Revenue recognition

Revenue comprises sales to third parties at invoiced amounts, with most sales being priced free on board (FOB) or cost, insurance and freight (CIF). Revenue excludes any applicable sales taxes. 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.

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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(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 either the straight line method or the diminishing value method at a percentage rate that approximates to the estimated useful life of the asset using the following ranges:

- Office furniture and equipment (owned and leased)	20% - 50% 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) Deferred stripping

In open pit mining operations, it is necessary to remove overburden and other waste in order to access the ore from which minerals can be extracted economically. The process of mining overburden and waste materials is referred to as stripping.

Stripping costs incurred in order to provide initial access to the ore body (referred to as pre-production stripping) are capitalised as open pit mine development costs and depreciated once the open pit has entered production and the future economic benefit is being derived.

Stripping costs incurred during the production stage of a pit are accounted for as costs of the inventory produced during the period that the stripping costs are incurred, unless these costs are expected to provide a future economic benefit to an identifiable component of the ore body.

Production phase stripping costs generate a future economic benefit when the related stripping activity:

(i) improves access to a component of the ore body to be mined in the future;
(ii) increases the fair value of the mine (or pit) as access to future mineral reserves becomes less costly; and
(iii) increases the productive capacity or extends the productive life of the mine (or pit).

A “component” is a specific volume of the ore body that is made more accessible by stripping activity. Factors including the nature of the ore body, the design of the pit and the mine plan are used to determine whether individual pits should be considered as multiple components.

Production phase stripping costs that are expected to generate a future economic benefit are capitalised as open pit mine development costs and depreciated on a units of production basis.

(l) Intangible Assets - Exploration and evaluation expenditures

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.

(m) 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 at the date of the acquisition.

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.

(n) 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 dispose. 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.

(o) Financial assets

Recognition

Financial assets are initially recognised at fair value plus attributable transaction costs and are recognised on the trade date – the date on which the Group commits to purchase the asset. 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.

The Group's financial assets include cash and short term deposits, trade and other receivables and quoted financial instruments.

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.

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' and 'cash and cash equivalents' 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.

(p) Inventories

Inventories of mined ore, concentrate, work in process and finished product are physically measured or estimated 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 based on estimated selling price in the ordinary course of business less any anticipated selling costs to be incurred prior to its sale.

(q) Trade receivables

Trade receivables are recognised and carried at original invoice amount less provision for impairment. 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 according to the original terms of the receivable. 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'. Subsequent recoveries of amounts previously written off are credited against 'other operating income - net' in the statement of comprehensive income.

(r) 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.

(s) 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.

(t) Trade payables

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

(u) 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.

(v) 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.

Pit-C Resettlement Provision

The provision of the Pit-C resettlement project is recorded in relation to the constructive obligation of the Group to resettle the community at Tarkwa Banso in order to enable mining at Pit-C North.

(w) Discontinued Operations

A discontinued operation is a component of an entity that has either been disposed of, or that is classified as held for sale, which represents a separate major line of business or geographical area of operations and is part of a single coordinated plan to dispose of a separate line of business or geographical area of operations.

Results from operations and gain or loss from disposal are excluded from profit before tax and are reported separately as profit / loss from discontinued operations.

4. Critical accounting judgments and key sources of estimation and 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) Going concern

The consolidated financial statements have been prepared on a going concern basis (refer to note 2b).

(b) Reserves and resources

Estimates of the quantities of proven and probable mineral reserves and mineral resources form the basis for our life of mine ("LOM") plans which are used for a number key business and accounting purposes. The estimation of recoverable reserves is based upon factors such as estimated of foreign exchange rates, market prices, future capital requirements and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body.

As the economic assumptions used may change and as additional geological information is produced during the operation of the mine, estimates of reserves may change. Such changes may impact the Group's reported financial position and results which include:

- The calculation of the depreciation expense;
- The capitalisation of deferred stripping costs;
- The forecast and timing of payments related to the rehabilitation provision;
- The recognition and carrying value of deferred income tax assets;
- The calculation of the estimated recoverable amount of non-current assets.

(c) Impairment of assets

In accordance with IAS 36 *Impairment of Assets*, assets and investments are tested for impairment if there is an indicator for impairment. Factors considered to be important which could trigger an impairment review include:

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

Calculating the estimated fair values of Cash Generating Units for non-current asset impairment tests requires management to make estimates and assumptions such as future sales and production levels, operating and capital costs, future market prices, foreign exchange rates and discount rates. Changes in any of the assumptions or estimates used in determining the fair values could impact the assessment of the estimated recoverable amount of assets or Cash Generating Units. Refer to Note 15 – Impairment Expense.

(d) Capitalisation of exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether costs related to exploration and development work that have been capitalised have probable future benefit and are economically recoverable. Management's criteria for assessing the economic recoverability of these costs are disclosed in note 3(l).

(e) Inventories

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.

(f) Taxation

The Group is subject to income tax in several jurisdictions and significant judgement is required in determining the provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises provisions for tax based on estimates of the taxes that are likely to become due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

Judgement is also required in determining whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets. Assumptions about the generation of future taxable profits depends on management's estimate of future cash flows from operations and consider variables such as sales and production volumes, commodity prices, reserves, operating costs and foreign exchange.

To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax asset recorded at the reporting date could be impacted.

(g) Rehabilitation provision

The Group assesses its rehabilitation provision on an annual basis or when new information becomes available. Significant judgement is required in determining the provision for rehabilitation including the estimation of future rehabilitation costs, estimation of life of mine, technological changes, regulatory changes and the impact of changes in discount rates, inflation rates and foreign exchange rates.

These uncertainties may result in future actual expenditure differing from amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Refer to Note 30 – Provisions.

(h) Pit-C North Development Project

The Group assesses the Pit-C North Development Project in relation to its constructive obligation for the resettlement of the community of Tarkwa Banso. Significant judgment is required in determining the provision including estimation of future costs, regulatory changes and the impact of changes in discount rates.

These uncertainties may result in future actual expenditure differing from amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Refer to Note 30 – Provisions.

(i) Deferred stripping costs

The Group defers stripping costs incurred during the production phase of its operations. This calculation requires the use of judgements and estimates relating to the life of mine and the expected volumes of ore and waste that will ultimately be mined. Change to the life of mine and the average life of mine strip ratio would impact the calculation of deferred stripping costs.

(j) 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, as well as 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:

a) External

Commodity prices and global demand for the Group's products are expected to remain highly uncertain, which could have a positive or negative impact on the Group's business. Demand for the Group's products in China and Ukraine could be affected by future developments in those countries. 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 logistical services, 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, liquidity risks and unexpected gains or losses arising from the settlement of legal claims.

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.

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.

6. Discontinued operations

Chromite operations at the Coobina mine site in Western Australia were concluded during the first quarter of 2014 after the decision was made in July 2013 to cease mining operations due to declining grades and yields and increasing costs. All remaining stocks of crushed ore were processed by January 2014, transported to Port Hedland and shipped to customers during the first quarter of 2014.

On the 2 April 2014 the Company transferred the Coobina tenement assets and rehabilitation liabilities to Process Minerals International Pty Limited (PMI). This was part of the settlement agreed with PMI in the first quarter of 2014 to bring to an end the manganese tailings agreement (Super Fines Agreement) between the Company and PMI and to settle the related legal claims and counter claims. This resulted in the recognition of a total settlement provision of $45.9 million in the 2013 financial statements.

The book value of Coobina upon transfer on 2 April 2014 was a net liability of $3 million and the transfer generated a non cash gain on disposal of $9.7 million in the statement of comprehensive income which has been included in the profit from discontinued operations in the statement of comprehensive income for the year ended 31 December 2014.

As a result of the above the Chromite operations have been treated as discontinued in operation for the year ending 31 December 2014.

A breakdown of the profit for the year from discontinued operations included in the statement of comprehensive income is shown below:

For the year ended 31 December	**2016**	**2015**	**2014**
$m			
Revenue	-	-	4.5
Cost of sales	-	-	(4.5)
Selling and distribution costs	-	-	(0.9)
General and administration expenses	-	-	(0.1)
Net foreign exchange loss	-	-	(0.1)
Operating loss	-	-	(1.1)
Profit on disposal of chrome assets	-	-	9.7
Profit for the year	-	-	8.6
Adjusted EBITDA	-	-	(1.0)

Cashflows from discontinued operations are shown below:

For the year ended 31 December	**2016**	**2015**	**2014**
$m			
Net cash outflow from operating activities	-	-	(0.9)
Net cash outflow from discontinued operations	-	-	(0.9)

7. Segment analysis

Management considers the business from a product perspective and has determined the operating segments based on the reports reviewed by the Group Executive Committee, who are the Chief Operating Decision Makers. The primary products of the Group are processed manganese ore. The “Other” segment consists of iron ore projects, administration and head office functions. The Chromite segment is a discontinued operation in 2014.

The segment information provided for the three years ended 31 December is as follows:

2016	**Manganese**	**Other**	**Total**
$m			
Revenue from external customers	152.1	-	152.1
Cost of goods sold	(102.0)	-	(102.0)
Gross profit	50.1	-	50.1
Adjusted EBITDA	22.8	(13.3)	9.5
Depreciation	(16.1)	(0.6)	(16.7)
Net foreign exchange (loss) / gain	(0.3)	0.1	(0.2)
Exploration write-off expense	-	(0.5)	(0.5)
Impairment write-back	0.6	-	0.6
Restructuring costs	(11.3)	(1.8)	(13.1)
Finance income	-	0.2	0.2
Finance expense	(2.0)	(54.1)	(56.1)
Loss before tax	(6.3)	(70.0)	(76.3)
Income tax charge[1]			(0.5)
Loss for the year			(76.8)
Total assets	296.4	16.1	312.5
Total liabilities	(127.7)	(415.9)	(543.6)

2015 $m	Manganese	Other	Total
Revenue from external customers	256.7	-	256.7
Cost of goods sold	(188.8)	-	(188.8)
Gross profit	67.9	-	67.9
Adjusted EBITDA	59.1	(19.3)	39.8
Depreciation	(63.1)	(0.6)	(63.7)
Net foreign exchange loss	(2.8)	(3.0)	(5.8)
Impairment expense	(155.4)	(100.9)	(256.3)
Exploration write-down	(16.5)	-	(16.5)
Settlement income	50.0	-	50.0
Restructuring costs	(0.4)	(0.7)	(1.1)
Finance income	-	3.9	3.9
Finance expense	(2.3)	(34.0)	(36.3)
Loss before tax	(131.4)	(154.6)	(286.0)
Income tax charge[1]			(32.5)
Loss for the year			(318.5)
Total assets	307.9	50.3	358.2
Total liabilities	(133.7)	(381.6)	(515.3)

2014 Restated[2] $m	Manganese	Other	Total from continuing operations	Chromite (discontinued operations)	Total
Revenue from external customers	419.2	1.6	420.8	4.5	425.3
Cost of goods sold	(228.0)	(1.6)	(229.6)	(4.5)	(234.1)
Gross profit	191.2	-	191.2	-	191.2
Adjusted EBITDA	154.0	(26.9)	127.1	(1.0)	126.1
Depreciation	(67.8)	(0.7)	(68.5)	-	(68.5)
Net foreign exchange (loss) / gain	(3.6)	0.3	(3.3)	(0.1)	(3.4)
Impairment expense	-	(0.1)	(0.1)	-	(0.1)
Exploration write-down	(3.7)	-	(3.7)	-	(3.7)
Finance income	-	0.9	0.9	-	0.9
Finance expense	(2.9)	(47.0)	(49.9)	-	(49.9)
Gain on disposal of chromite assets	-	-	-	9.7	9.7
Profit / (loss) before tax	76.0	(73.5)	2.5	8.6	11.1
Income tax[1]			(9.8)	-	(9.8)
(Loss) / profit for the year			(7.3)	8.6	1.3
Total assets	571.5	136.4	707.9	0.1	708.0
Total liabilities	(183.8)	(398.9)	(582.7)	(0.5)	(583.2)

[1] Income tax is not allocated to segments as tax is managed on a group basis

[2] Refer to note 2f

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

	Years ended 31 December		
$m	**2016**	**2015**	**2014**
Adjusted EBITDA	9.5	39.8	127.1
Depreciation	(16.7)	(63.7)	(68.5)
Net foreign exchange loss	(0.2)	(5.8)	(3.3)
Impairment write-back / (expense)	0.6	(256.3)	(0.1)
Exploration write-off expense	(0.5)	(16.5)	(3.7)
Settlement income / (expense)	-	50.0	-
Restructuring costs	(13.1)	(1.1)	-
Net financing costs	(55.9)	(32.4)	(49.0)
(Loss) / profit before tax from continuing operations	(76.3)	(286.0)	2.5

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

The information provided to management with respect to total assets is 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	**2016**	**2015**
Assets of Manganese segment	296.4	307.9
Other assets		
- Available-for-sale financial investments	6.8	4.6
- Investment in associate	1.3	-
- Other property, plant and equipment and intangibles	-	3.5
- Other receivables	0.6	1.2
- Other cash and cash equivalents	7.4	41.0
Total assets per the statement of financial position	312.5	358.2

The Company is domiciled in Jersey. Revenue from external customers from continuing operations generated by Group companies domiciled in Jersey was $149.9 million (2015: $256.5 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 (2015: nil).

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is $7.7 million (2015: $9.7 million) and in Ghana is $201.5 million (2015: $197.0 million).

Segmental liabilities are reconciled to total liabilities as follows:

	Years ended 31 December	
$m	**2016**	**2015**
Liabilities of Manganese segment	(127.7)	(133.7)
Other liabilities		
- Other borrowings	(407.8)	(373.1)
- Other trade and other payables	(8.1)	(6.6)
- Other provisions	-	(1.9)
Total liabilities per the statement of financial position	(543.6)	(515.3)

8. Revenue

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

	Years ended 31 December		
$m	**2016**	**2015**	**2014**
China	111.0	179.7	284.0
Ukraine*	38.9	34.1	55.2
India	-	15.8	26.1
South Korea	-	12.9	26.6
Vietnam	-	8.2	21.5
Norway	-	2.6	2.3
Indonesia	-	1.9	2.8
Slovakia	-	1.5	2.0
Australia	2.2	-	-
Other	-	-	0.3
Total revenue by geographic destination from continuing operations	152.1	256.7	420.8
Revenue from discontinued operations	-	-	4.5

*Sales to related parties

In 2016 31% of revenues are derived from a single external customer. These revenues are attributable to a non-related party customer and are included in revenue to China. In 2015 19% of revenues were derived from a single external customer who was a related party customer and included in revenue to Ukraine. In 2014 12% of revenues were derived from a single external customer who was a non-related party and included in revenue to China.

9. Cost of sales

	Years ended 31 December		
$m	**2016**	**2015**	**2014 (restated)***
Mining and production expenses**	61.0	124.4	171.5
Depreciation	16.1	63.1	67.7
Royalties and other taxes***	9.1	18.8	35.6
Deferred stripping	-	(36.4)	(37.1)
Net movement in inventories****	16.4	17.9	(9.7)
Purchases of ores and ferro-alloys for sale	-	-	1.6
Other	(0.6)	1.0	-
Total cost of sales from continuing operations	102.0	188.8	229.6
Cost of sales from discontinued operations	-	-	4.5

* 2014 comparatives have been restated to reclassify certain costs (refer to note 2f). The adjustments to the cost of sales note for the cost reclassification are outlined below:

$m	**Year ended 31 December 2014**
Mining and production expenses	
As previously reported	178.3
Reclassified to selling and distribution costs	(1.7)
Reclassified to general and administration costs	(4.4)
Reclassified to other operating income - net	(0.7)
Amount after reclassification	**171.5**

** Included within mining and production expenses in 2016 are $9.1 million (2015 $0.3 million, 2014 $nil) of restructuring costs relating to the Australian Manganese operations.

******* Included in royalties and other taxes in 2014 is a $2.9 million expense relating to a manganese royalties charge payable under the Mining Act 1978 relating to periods prior to 2014 following a notice issued by the West Australian Minister for Mines and Petroleum.

**** The net movement in inventories expense in 2015 includes a charge of $14.0 million to reduce the cost of inventory to net realisable value.

10. Selling and distribution expenses

$m	Years ended 31 December 2016	2015	2014 (restated)*
Transportation costs	25.0	49.9	81.6
Duties	2.9	2.3	2.2
Bank fees on letters of credit	2.0	2.5	1.2
Personnel costs	1.0	0.9	1.0
Rental of port premises	0.8	1.0	1.3
Depreciation	0.1	0.1	0.1
Other	2.3	2.9	3.9
Total selling and distribution expenses from continuing operations	34.1	59.6	91.3
Selling and distribution expenses from discontinued operations	-	-	0.9

* 2014 comparatives have been restated to reclassify certain costs (refer to note 2f). The adjustments to the selling and distribution expenses note for the cost reclassification are outlined below:

$m	Year ended 31 December 2014
Other	
As previously reported	2.2
Reclassified from cost of sales – mining and production expenses	1.7
Amount after reclassification	**3.9**

11. General and administrative expenses

$m	Years ended 31 December 2016	2015	2014 (restated)***
Personnel costs*	9.9	13.4	15.1
Consulting and other professional fees	8.0	8.6	11.0
Provision for stock obsolescence**	3.4	-	(0.7)
Operating lease rentals	3.0	3.2	3.8
Utilities	2.3	2.3	1.8
Legal	2.1	0.8	0.7
Tenement administration	2.0	-	-
Levies and charges	1.0	1.2	1.8
Social responsibility costs	0.9	0.8	1.4
Travel	0.8	0.9	2.1
Communication	0.6	1.1	1.2
Depreciation	0.5	0.5	0.7
Other	3.7	2.8	4.2
Total general and administrative expenses from continuing operations	38.2	35.6	43.1
General and administrative expenses from discontinued operations	-	-	(0.1)

* Included within personnel costs in 2016 are $2.1 million (2015 $0.8 million, 2014 $0.7 million credit) of restructuring costs relating to the Australian operations.

** Provision for stock obsolescence of $3.4 million in 2016 (2015 $nil, 2014 $nil) relates to the restructuring of the Australian operations.

*** 2014 comparatives have been restated to reclassify certain costs (refer to note 2f). The adjustments to the cost of sales note for the cost reclassification are outlined below:

$m	Year ended 31 December 2014
Personnel costs	
As previously reported	12.3
Reclassified from cost of sales	2.8
Amount after reclassification	**15.1**
Other	
As previously reported	3.1
Reclassified from cost of sales	1.1
Amount after reclassification	**4.2**
Utilities	
As previously reported	0.7
Reclassified from cost of sales	1.1
Amount after reclassification	**1.8**
Social responsibility costs	
As previously reported	2.1
Reclassified from cost of sales	(0.7)
Amount after reclassification	**1.4**

12. Other operating income

$m	Years ended 31 December		
	2016	2015	2014 (restated)*
Other operating income			
Royalty income	0.4	2.0	-
Rental income	1.6	1.8	2.1
Gain on disposal of property, plant and equipment	1.4	-	-
Non-mining activities	-	-	0.2
Other	0.5	0.2	1.7
	3.9	4.0	4.0
Other operating expense			
Loss on disposal of property, plant and equipment	(1.4)	(1.1)	(1.4)
Other	(0.6)	(0.6)	(0.8)
	(2.0)	(1.7)	(2.2)
Other operating income – net from continuing operations	1.9	2.3	1.8
Other operating income – net from discontinued operations	-	-	-

* 2014 comparatives have been restated to reclassify certain costs (refer to note 2f). The adjustments to other operating income note for the cost reclassification are outlined below:

$m	Year ended 31 December 2014
Other operating expense - other	
As previously reported	(0.1)
Reclassified from cost of sales – mining and production expenses	(0.7)
Amount after reclassification	**(0.8)**

13. Settlement income

Settlement income of $50 million in 2015 relates to funds received from Tianyuan Manganese Industry Co. Ltd (TMI) for access to Ghanaian manganese ore. This is considered to be non-recurring and therefore has been treated as exceptional in the calculation of Adjusted EBITDA.

14. Net foreign exchange loss

$m	Years ended 31 December		
	2016	2015	2014
Foreign exchange loss	0.2	5.8	3.3
Net foreign exchange loss from continuing operations	0.2	5.8	3.3
Net foreign exchange loss from discontinued operations	-	-	0.1

15. Impairment of Goodwill and Non-current Assets

In accordance with our accounting policy goodwill is tested for impairment at each reporting date and also when there is an indicator of impairment. Non-current assets are tested for impairment when events or changes in circumstances suggest that the carrying amount may not be recoverable.

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)).

For the year ended 31 December 2016 we recorded an impairment write-back of $0.6 million (2015: $256.3 million impairment expense) for non-current assets as summarised in the following table:

	Years ended 31 December		
$m	**2016**	**2015**	**2014**
Impairment write-back / (expense)			
Impairment of property, plant and equipment	0.6	(137.6)	-
Impairment of intangible assets	-	(58.5)	-
Impairment of available for sale financial assets	-	(64.7)	(0.1)
Other	-	4.5	-
Impairment expense from continuing operations	0.6	(256.3)	(0.1)
Impairment expense from discontinuing operations	-	-	-

Total impairment write-back / (expense) relates to the following segments:

	Years ended 31 December		
$m	**2016**	**2015**	**2014**
Manganese	0.6	(155.4)	-
Other	-	(100.9)	(0.1)
	0.6	(256.3)	(0.1)

2016 Impairment Review - Australian Manganese CGU

Goodwill

The carrying amount of goodwill allocated to the Australia Manganese CGU as at 31 December 2016 is nil having been impaired in full in 2011.

Non-Current Assets

Fundamental Assumptions

The Company announced on the 22 January 2016 that as a direct result of the record low price for manganese ore the Company had taken the difficult decision to suspend operations at Woodie Woodie and commence a transition into care and maintenance as selling ore was no longer economically viable and continuing production would likely destroy the future value of our ore reserves. The Woodie Woodie mine has remained on care and maintenance since 2 February 2016 with no mining activity taking place. Despite the significant increases in market price in Q4 2016, management's current view is that the mine will remain on care and maintenance until the volatility in manganese ore prices has subsided.

Indicators of impairment

No detailed cashflow calculations have been performed to support the CGU valuation as a result of the Woodie Woodie mine being and expecting to remain on care and maintenance during 2017 as a minimum. A review of the key indicators of impairment (or reversal) has however been performed below.

Management acknowledges that the key factors impacting the Manganese CGU remain the external factors of Weighted Average Cost of Capital ("WACC"), manganese price, A$/US$ exchange rate and freight rates and the internal factors of operating costs, reserve and resource endowment, the underlying mine plan, Mn products produced and capital required to deliver the mine plan.

Management's high level review of the key external and internal indicators for impairment or impairment reversal is tabled and summarised below noting the current to prior year movement of each indicator and resulting impact on the CGU valuation.

External Indicators		Internal Indicators	
WACC	▲	Operating Costs	-
Manganese Price	▲	Mine Life	-
Foreign Exchange	-	Mn Products	-
Freight	-	Capital expenditure	▼

Current vs prior year impact on valuation: ▬Neutral ▼Negative ▼ Slightly Negative ▲ Positive ▲ Slightly Positive

Sensitivities

As noted in the sensitivities Review as part of the FY2015 Report and Accounts the CGU valuation continues to remain highly volatile to movements in both the manganese price and exchange rate. As noted in the review of impairment indicators the assumptions for FX forecast rates have been very stable over the last 12 months and as such the valuation of the Manganese CGU is almost entirely dependent on the view of movements in manganese price.

Conclusion

As a result of the improvement in the average long term manganese price from the 2015 impairment review, management have concluded that the valuations from December 2015 have not been further impaired (with most assets written down to Nil value in 2015).

Management have further concluded that the impairment made at December 2015 should not be reversed as the cashflow valuation would result in a very small positive cashflow valuation, despite the substantial positive movements in manganese price offset by the increased capital costs expected for a restart of mining operations. Taking into account the recent volatility in manganese prices there is a significant risk that a small impairment reversal could again be impaired in the future years.

Details of the impairment for 2015 are included in the 2015 published financial statements.

Ghana Manganese CGU

Goodwill and Non-Current Assets

Goodwill for the Group of $28.9 million relates solely to the Ghanaian Manganese CGU. The recoverability of goodwill has been assessed by reference to fair value less costs of disposal (FVLCD), 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 key assumptions used in the FVLCD calculations include:

- Commercially recoverable mineral reserves
- 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 reserves 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.

Specific price assumptions for the Ghana Manganese CGU are determined with reference to current fixed price contracts and using information available in the market from CRU after considering the nature of the commodity produced and long-term market expectations.

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 9.8% (2015: 10.3%) and is based on the Company's weighted average cost of capital ('WACC').

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 2016 (2015: nil). Based on the sensitivity analysis a reasonable possible change in key assumptions does not cause the carrying amount of the CGU to exceed its recoverable amount.

Investments in quoted equity shares
The Group determines an impairment loss on its investments in quoted equity shares when there has been a significant or prolonged decline in its fair value below original cost. The Group exercises judgement in determining what is 'significant' or 'prolonged' by evaluating, among other factors, whether the decline is outside the normal range of volatility in the asset's price.

In 2016 the Group did not recognise an impairment loss in relation to its investments in quoted equity shares. In 2015 $64.7million impairment loss was recognised in relation to the Group's interest in OM Holdings Limited. $54.5 million of the impairment related to the cumulative revaluation losses from prior periods that had been recognised directly in the available-for-sale investment revaluation reserve in the consolidated statement of changes in equity.

16. Auditors' remuneration

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

	Years ended 31 December		
$m	**2016**	**2015**	**2014**
Audit services			
Fees payable to the Company's auditors for the audit of the consolidated financial statements	0.3	0.3	0.3
Fees payable to the Company's auditors for the audit of subsidiary companies respective financial statements	0.3	0.3	0.4
	0.6	0.6	0.7
Other services			
Fees payable to the Company's auditors and its associates for other services:			
Other services related to taxation	0.1	0.1	0.2
Other services relating to transactions and other consulting services	-	-	0.2
	0.1	0.1	0.4
Total auditors' remuneration	0.7	0.7	1.1

17. Employee benefits expense

	Years ended 31 December		
$m	**2016**	**2015**	**2014**
Wages and salaries	37.1	56.3	68.7
Social security costs	1.0	0.9	0.9
Pension costs	0.9	3.8	4.8
Total employee benefits expense from continuing operations	39.0	61.0	74.4
Employee benefits expense from discontinued operations	-	-	1.4
Average monthly number of employees during year relating to continuing operations	715	1,052	1,092
Average monthly number of employees during year relating to discontinued operations	-	-	6

18. Net finance costs

$m	Years ended 31 December 2016	2015	2014
Finance income			
Bank interest income	0.2	0.3	0.9
Other finance income***	-	3.6	-
	0.2	3.9	0.9
Finance costs			
Interest expense on bank borrowings	(0.1)	(0.4)	(0.5)
Interest expense on senior secured notes**	(47.6)	(32.8)	(36.2)
Finance lease costs	(0.3)	(0.5)	(0.7)
Unwinding of discount on rehabilitation provision	(1.5)	(1.3)	(1.7)
Other finance costs*	(6.6)	(1.3)	(10.8)
	(56.1)	(36.3)	(49.9)
Net finance costs from continuing operations	(55.9)	(32.4)	(49.0)
Net finance costs from discontinued operations	-	-	-

*In 2016 'other finance costs' of $6.6m relate to the $4.8m write off of costs associated with the unamortised portion of the bond costs, $0.8m of amortisation of the bond costs issued in May 2014 and $1m of amortisation of the bond costs following the successful consent solicitation to amend the indenture of its 8.000% Senior Secured Notes due May 15, 2020.

In 2014 'other finance costs' of $10.8m relates to the premium paid on the early redemption of the remaining senior secured notes due 2016.

**The 2016 interest expense reflects the temporary rate increase from 8 to 10% on the senior secured notes following the successful consent solicitation to certain amendments to the terms and conditions of the 8.00% Senior Secured Notes due May 15, 2020.

***In 2015 'other finance income' of $3.6m relates to the gain recognised on the repurchase of a part of our Senior Secured Notes due 2020.

19. Investments in associated undertakings

$m	As at 31 December 2016	2015	2014
Cost at 1 January	-	-	-
Investment in associate recognised in the year	1.3	-	-
Share of profit for the year	-	-	-
Net book value at 31 December	1.3	-	-

Name of entity	Country of incorporation	Principal activity	Ownership interest as at 31 December 2016 %	2015 %
Pilbara Iron Ore Pty Limited	Australia	Exploration	50%	50%

As at 31 December 2016 Pilbara Iron Ore Pty Ltd is no longer consolidated into the financial statements of the Group because Consolidated Minerals (Australia) Pty Limited no longer has the power to govern the financial and operating policies of the Company under an agreement with its other shareholder, Fortescue Metals Group Ltd. The 50% investment in Pilbara Iron Ore Pty Ltd is now included in the Group financial statements as an investment in associate.

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

$m	2016
Financial position:	
Total assets	2.6
Total liabilities	-
Net assets	2.6
Group's share of associates' net assets	1.3

All costs incurred by Pilbara Iron Ore Pty Ltd are in relation to exploration and are capitalised. As such there are no costs charged or income credited to the income statement.

20. Income tax charge

Income tax

The major components of income tax charge are**:**

	Years ended 31 December		
$m	**2016**	**2015**	**2014**
Current income tax charge	4.5	1.2	8.4
Deferred income tax (credit) / charge	(4.0)	31.3	1.4
Tax charge from continuing operations	0.5	32.5	9.8

During the year ended 31 December 2016, the Group's income was subject to taxation in Australia and Ghana. 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% (2015: 30%, 2014: 30%)
Ghana – 35% (2015: 35%, 2014: 35%)

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	**2016**	**2015**	**2014**
(Loss) / profit before taxation from continuing operations	(76.3)	(286.0)	2.5
Statutory tax at the Jersey rate of 0% (2015: 0%, 2014: 0%)	-	-	-
Tax (credit) / charge calculated at the local rates applicable to profits in the country concerned	(10.0)	(81.9)	2.5
Effect of items not deductible for tax purposes	83.1	4.9	6.3
Current year tax losses not recognisable	15.1	7.4	36.6
Deferred tax asset not recognised	(79.5)	90.8	(36.2)
Capital allowances in excess of depreciation	(7.3)	(5.7)	(0.4)
Withholding tax on interest and dividend payments	-	-	1.2
Income not chargeable for tax purpose	(0.6)	-	-
Adjustment recognised in the current year in respect of prior period	(0.3)	17.0	(0.4)
Other	-	-	0.2
Income tax charge from continuing operations	0.5	32.5	9.8

The effective tax rate for the year for continuing operations was -0.7% (2015: -11%, 2014: 392%). The change in the effective rate is due to changes in the proportion of taxable profits in the jurisdictions in which the Company operates and timing of recognition and de-recognition of deferred tax assets and liabilities.

The charge for the year includes the de-recognition of deferred tax assets of $6 million (2015: $32 million) relating to the Australian operations as it is no longer probable that sufficient taxable profit will be available to allow the benefit of that deferred tax asset to be utilised.

As at 31 December 2016 the Group had unused tax losses amounting to $431.9 million (2015: $399.1 million) for which no deferred tax asset has been recognised. These losses are not expected to expire and remain available to the Group to be utilised in the future. The Group also had unused capital losses amounting to $73.2 million (2015: $74.2million).

The effect of items not deductible for tax purposes principally relates to cumulative interest expense on intercompany funding.

The income tax credited to equity during the year is as follows:

	Years ended 31 December		
$m	**2016**	**2015**	**2014**
Deferred tax:			
Fair value gains on available-for-sale financial investments	-	0.1	0.1
	-	0.1	0.1

Recognised deferred tax assets and liabilities

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

$m	Years ended 31 December 2016	2015
Deferred tax assets		
Property, plant and equipment	16.3	16.2
Inventories	0.3	
Provisions	6.4	78.6
Investments	10.4	15.0
Carry forward losses	133.9	119.7
Deferred tax asset not recognised	(173.1)	(241.1)
Other	5.9	5.8
Transfer from deferred tax liability	(0.1)	5.8
	-	-
Deferred tax liabilities		
Property, plant and equipment	(31.6)	(30.0)
Inventories	-	0.1
Other	0.1	-
Transfer to deferred tax assets	(0.1)	(5.8)
	(31.6)	(35.7)
Net deferred tax (liabilities) / assets	(31.6)	(35.7)

The movements in the net deferred income tax liabilities are:

$m	Years ended 31 December 2016	2015
Opening balance 1 January	(35.7)	(1.5)
Credited / (charged) to the income statement	4.0	(31.3)
Credited to equity	-	0.1
Net foreign currency translation differences	0.1	(3.0)
Closing balance at 31 December	(31.6)	(35.7)

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 2016	233.1	28.7	3.2	860.9	50.7	1,176.6
Additions	6.3	-	0.3	12.0	-	18.6
Transfers*	0.5	-	(0.5)	-	-	-
Disposals	(25.0)	-	-	-	(2.1)	(27.1)
Capitalised pre-stripping costs	-	-	-	-	-	-
Other	1.1	-	-	-	(0.9)	0.2
Net foreign currency translation differences	(1.0)	(0.4)	-	(9.0)	(0.2)	(10.6)
At 31 December 2016	215.0	28.3	3.0	863.9	47.5	1,157.7
Accumulated depreciation at 1 January 2016	(188.3)	(24.9)	(0.2)	(770.2)	(24.2)	(1,007.8)
Charge for the year	(9.0)	-	-	(6.3)	(1.4)	(16.7)
Impairment write-back (note 15)	0.6	-	-	-	-	0.6
Disposals	23.5	-			1.7	25.2
Other	(1.1)	(1.1)	-	-	-	(2.2)
Net foreign currency translation differences	0.9	0.4	-	9.0	0.2	10.5
At 31 December 2016	(173.4)	(25.6)	(0.2)	(767.5)	(23.7)	(990.4)
Net book value at 31 December 2016	41.6	2.7	2.8	96.4	35.8	167.3

$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 2015	246.0	30.4	5.0	894.3	55.4	1,231.1
Additions	6.0	3.1	1.1	3.9	0.3	14.4
Transfers*	1.1	1.5	(2.9)	-	-	(0.3)
Disposals	(5.9)	(3.1)	-		-	(9.0)
Capitalised pre-stripping costs	-	-	-	36.4	-	36.4
Other	(0.1)	-	-	-	(2.5)	(2.6)
Net foreign currency translation differences	(14.0)	(3.2)	-	(73.7)	(2.5)	(93.4)
At 31 December 2015	233.1	28.7	3.2	860.9	50.7	1,176.6
Accumulated depreciation at 1 January 2015	(173.3)	(13.6)	-	(684.8)	(22.8)	(894.5)
Charge for the year	(16.1)	(8.8)	(0.2)	(37.4)	(1.2)	(63.7)
Impairment charge (note 15)	(15.5)	(7.4)	-	(112.5)	(2.2)	(137.6)
Disposals	4.6	3.1	-	-	-	7.7
Net foreign currency translation differences	12.0	1.8	-	64.5	2.0	80.3
At 31 December 2015	(188.3)	(24.9)	(0.2)	(770.2)	(24.2)	(1,007.8)
Net book value at 31 December 2015	44.8	3.8	3.0	90.7	26.5	168.8

* During 2015 assets included within capital work in progress were transferred to intangible assets (see note 22).
** Mining properties includes the asset associated with the Ghanaian Pit-C resettlement project.
*** 'Other' assets primarily comprise mining rehabilitation assets relating to the Australian and Ghanaian mining operations.

22. Intangible assets

Intangible assets comprise of exploration and evaluation assets.

	As at 31 December	
$m	**2016**	**2015**
Cost at 1 January	97.0	128.0
Additions	0.3	4.5
Disposals	(8.9)	-
Transfers	-	0.3
Exploration write-off *	(20.2)	(23.4)
Net foreign currency translation differences	(0.3)	(12.4)
At 31 December	67.9	97.0
Opening impairment at 1 January	(88.0)	(42.6)
Disposals	7.0	-
Exploration write-off	19.7	6.9
Impairment charge (note 15)	-	(58.5)
Net foreign currency translation differences	0.3	6.2
At 31 December	(61.0)	(88.0)
Net book value at 31 December	6.9	9.0

* Exploration write-offs primarily relate to the write-off of capitalised costs associated with tenements relinquished to the Department of Mines and Petroleum by our Australian operations.

23. Goodwill

Goodwill on the statement of financial position at 31 December 2016 and 31 December 2015 relates solely to the Ghanaian Manganese operations (refer to note 15).

24. Inventories

$m	As at 31 December 2016	2015
Current		
Ore stockpiles	9.5	25.7
Consumable stores	14.0	19.2
Other inventories	3.2	3.1
Provision for obsolete and slow moving inventory	(1.9)	(0.3)
Total inventories	24.8	47.7

25. Available-for-sale financial assets

$m	As at 31 December 2016	2015
Equity securities - listed	6.8	4.6

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

$m	Years ended 31 December 2016	2015
At 1 January	4.6	16.4
Impairment charges	-	(10.2)
Disposals	(0.5)	-
Net gains / (losses) transferred to equity	2.8	(0.2)
Net foreign currency translation differences	(0.1)	(1.4)
At 31 December	6.8	4.6

Available-for-sale financial assets consist of investment in ordinary shares, and therefore have no fixed maturity or coupon rate. The carrying value of listed securities represent fair value, which for listed entities is market value as quoted on a prescribed stock exchange. All available-for-sale financial assets are denominated in Australian dollars and relate solely to investments in shares of OM Holdings Limited.

At 31 December 2015 there was a decrease in the value of available for sale investments, which was recorded as an impairment expense on the income statement.

26. Trade and other receivables

$m	As at 31 December 2016	2015
Non-current trade and other receivables		
Security deposits	0.1	0.1
	0.1	0.1
Current trade and other receivables		
Trade receivables from third parties	5.3	6.8
Trade receivables from related parties	22.6	0.2
Prepayments	3.6	6.8
Value added tax recoverable	2.5	3.5
Other	2.5	1.1
Less provision for impairment of other receivables	(0.1)	(0.4)
	36.4	18.0
Total receivables	36.5	18.1

The carrying value of receivables approximates their fair value.

As of 31 December 2016, there were $23.1 million of trade receivables that were past due but not impaired (2015: $0.2 million). The ageing analysis of these trade receivables is detailed in note 37.

All of the Group's trade receivables including those from related parties are denominated in USD. The carrying amounts of the Group's total trade and other receivables are denominated in the following currencies:

$m	As at 31 December 2016	2015
US dollar	32.7	12.3
Ghana cedi	2.8	3.3
Australian dollar	0.9	2.4
British pound	0.1	0.1
	36.5	18.1

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

	As at 31 December	
$m	**2016**	**2015**
At 1 January	0.4	-
Increase in receivables impairment	(0.3)	0.4
As at 31 December	0.1	0.4

27. Cash and cash equivalents

	As at 31 December	
$m	**2016**	**2015**
Cash at bank and in hand	40.0	79.0
Short-term bank deposits	-	0.1
Cash and cash equivalents at the end of the year	40.0	79.1
Less: bank overdrafts (see note 28)	-	(3.2)
Net cash and cash equivalents per the cash flow statement	40.0	75.9

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
$m	**2016**	**2015**
US dollar	33.8	68.7
Australian dollar	3.0	6.7
British Pound	2.6	3.2
Ghana cedi	0.4	0.4
Other currencies	0.2	0.1
	40.0	79.1

Bank overdrafts are denominated in US dollars.

Included in the cash balance at 31 December 2016 is $1.4 million (2015: $1.4 million) pledged in relation to bank guarantees provided to lessors of business premises. Included in the cash balance at 31 December 2015 was $13.5 million which was pledged to secure the issuance of performance bonds to the Department of Mines and Petroleum of Western Australia. The performance bonds have been returned to the Company during 2015 and the related cash balance released in 2016.

28. Borrowings

	As at 31 December	
$m	**2016**	**2015**
Non-current		
Senior secured high yield notes	407.8	373.1
Finance lease liabilities – hire purchase loans	3.5	7.1
	411.3	380.2
Current		
Bank overdrafts	-	3.2
Finance lease liabilities – hire purchase loans	3.6	6.9
	3.6	10.1
Total borrowings	414.9	390.3

On 12 May 2014, the Company issued $400 million in principal amount of 8.0% senior secured notes due 2020 which pay interest semi-annually on 15 May and 15 November and are listed on the Luxembourg Stock Exchange. 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 to the notes.

On 15 August 2016 the Company announced the successful completion of the solicitation of consents to amend the indenture supported by the holders of 96.43% of its 8.000% Senior Secured Notes due May 15, 2020. These amendments had a beneficial effect of providing the Company with additional liquidity in 2016 through the ability to pay a cash coupon of 2% on the notes with the additional 8% being added to the bond principal as payment in kind interest. The Company has the option in 2017 to pay a cash coupon of 3% on the notes with the additional 7% being added to the bond principal as payment in kind interest. As a result of the amendments unamortised discount of $6.1 million on issuance of the bonds in May 2014 and issue cost of $4.8 million have been written off.

The senior secured high yield notes are now stated net of unamortised restructuring costs of $8.7 million. Senior secured high yield notes have increased from $380 million to $408 million as summarised in the table below and includes the payment in kind interest of $15 million that was added to the bond principal in relation to the May 2016 bond coupon and $16 million that was added to the bond principal in relation to the November 2016 bond coupon.

The table below summarises the movement on the senior secured notes in the year;

$m	Senior secured high yield notes
At 1 January 2016	373.1
Write-off of unamortised discount on issue of bond (May 2014 issue)	6.1
Write-off of unamortised issue costs (May 2014 issue)	4.8
Capitalised costs relating to indenture amendment	(9.7)
Payment in kind interest	30.9
Amortisation of discount	0.8
Amortisation of issue costs (May 2014)	0.8
Amortisation of issue costs post restructure	1.0
At 31 December 2016	407.8

The fair value of the senior secured notes as at 31 December 2016 is $300m compared to a book value of $408m.

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 carrying value of bank overdrafts and finance lease liabilities 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	**2016**	**2015**
Repayable on demand	-	3.2
6 months or less	-	-
6 - 12 months	-	-
1 - 5 years	-	-
Over 5 years	-	-
	-	3.2
Borrowings not exposed to changes in interest rates	414.9	387.1
	414.9	390.3

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

	As at 31 December	
$m	**2016**	**2015**
US dollar	414.9	390.1
Australian dollar	-	0.2
	414.9	390.3

29. Trade and other payables

	As at 31 December	
$m	**2016**	**2015**
Non-current		
Other payables	-	1.0
	-	1.0
Current		
Trade payables	15.9	7.9
Accruals	5.1	11.6
Royalties payable	2.4	2.8
Interest payable on senior secured notes*	5.2	3.8
Revenue received in advance	4.0	1.7
Other payables	3.1	1.8
	35.7	29.6
Total trade and other payables	35.7	30.6

*The 2016 interest payable on senior secured notes includes both cash and payment in kind elements.

30. Provisions

$m	As at 31 December 2016	2015
Non-current		
Employee benefits	-	1.7
Rehabilitation*	50.7	52.2
Pit-C North Resettlement Project**	1.4	-
	52.1	53.9
Current		
Employee benefits	-	4.8
Pit-C North Resettlement Project**	9.3	-
	9.3	4.8
Total provisions	61.4	58.7

*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 parties 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. The provision is expected to be utilised at the end of the projected life of mine.

Provisions for rehabilitation are measured at the expected value of future cash flows, discounted to their present value using an appropriate discount rate. The discount rate used by the Australian operations is based on the 6 year Australian bond rate (source: Milliman Group of 100) which is in alignment with the expected life of mine. The discount rate used by the Ghanaian operation is based on the 20 year real treasury rate.

** The provision for Pit-C North resettlement project is recorded in relation to the constructive obligation for the resettlement of the community of Tarkwa Banso so as to enable mining operations to take place at Pit-C North. This provision is measured at the expected value of future cash flows, discounted to their present value using an appropriate discount rate.

Movements in provisions are as follows:

$m	Employee Benefits*	Rehabilitation	Pit C Development	Total
Balance at 1 January 2016	6.5	52.2	-	58.7
Additional provisions (reversed) / recognised	(0.6)	-	11.9	11.3
Payments made	(6.0)	(0.3)	(1.2)	(7.6)
Unwinding of discount	-	1.4	0.1	1.5
Other	-	(2.3)	0.1	(2.2)
Net foreign currency translation differences	0.1	(0.3)	-	(0.2)
As at 31 December 2016	-	50.7	10.7	61.4

* 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 2016	10,000	10.0	194.7
At 31 December 2016	10,000	10.0	194.7

The total number of authorised shares is ten million ordinary shares (2014: ten million shares) with a par value of $1 per share (2015: $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

The subordinated shareholder loans are interest free with no fixed date for repayment and are therefore classified as equity.

33. Reserves

$m	Available-for-sale financial assets	Foreign currency translation	Total
Balance at 1 January 2015	(58.9)	9.0	(49.9)
Revaluation – gross	(0.2)	-	(0.2)
Revaluation – tax	0.1	-	0.1
Reclassified to profit and loss	54.5	-	54.5
Net foreign currency translation differences	4.6	(22.4)	(17.8)
Balance at 31 December 2015	0.1	(13.4)	(13.3)
Revaluation – gross	2.8	-	2.8
Revaluation – tax	-	-	-
Reclassified to profit and loss	(0.2)	-	(0.2)
Net foreign currency translation differences	(0.1)	0.3	0.2
Balance at 31 December 2016	**2.6**	**(13.1)**	**(10.5)**

The Group recorded in other comprehensive income of $3.0 million net of tax in 2016 compared to a cost of $17.9 million in 2015. The income in the year was primarily as a result of revaluation gains on to the Group's interest in OM Holdings Limited.

In 2015 the cost in the year was a result of a net foreign currency translation difference due to the relative weakening of the Australian dollar, which decreased 11% against the US dollar in the year and the negative revaluation of available for sale investments.

In 2015 the group recognised an impairment loss on its available-for-sale financial assets as a result of a significant and prolonged decline in its fair value below original cost of its investment in quoted equity shares.

The total amount of impairment loss recognised by the Group in relation to its investments in quoted equity shares in 2015 was $64.7 million. $54.5 million of the impairment relates to cumulative revaluation losses from prior periods which have been reclassified from reserves having been previously recognised in other comprehensive income, and a further $10.0 million impairment relating to 2015 (refer to note 15).

34. Accumulated losses

	As at 31 December	
$m	**2016**	**2015**
At 1 January	(1,098.8)	(780.5)
Loss for the year	(77.3)	(318.3)
At 31 December	(1,176.1)	(1,098.8)

35. Commitments for expenditure

Mining tenement expenditure

Under the terms of tenement licences granted by the Department of Mines and Petroleum 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 $1.0 million (2015: $3.8 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 year but not yet incurred is as follows:

	Years ended 31 December	
$m	**2016**	**2015**
Plant and equipment		
Not longer than 1 year	**-**	-

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	**2016**	**2015**
Not longer than 1 year	2.8	4.2
Longer than 1 year and not longer than 5 years	1.3	2.6
Longer than 5 years	-	-
Total operating lease commitments	4.1	6.8

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	**2016**	**2015**
Not longer than 1 year	3.8	7.3
Longer than 1 year and not longer than 5 years	3.6	7.4
	7.4	14.7
Less: future finance charges	(0.3)	(0.7)
Present value of hire purchase liabilities	7.1	14.0

36. Contingent liabilities

Legal claims

In the ordinary course of business, the Group is subject to legal actions and complaints. As of 31 December 2016 the Group was involved in the following significant legal proceedings:

- Consolidated Minerals Pty Limited has a 50% interest in Pilbara Iron Ore Pty Ltd (PIO) which is currently in dispute with a joint venture party (Mr. Derek Ammon) in relation to the transfer to PIO of an 80% interest in a mining tenement. Under the joint venture PIO was required to incur exploration expenditure and provide a feasibility study to earn its 80% interest. The expenditure was incurred and a feasibility study provided, however the joint venture party 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 did not constitute a feasibility study. In September 2014 the Warden handed down a decision in favour of Mr Ammon. PIO has lodged an appeal in the Supreme Court of Western Australia. The hearing of that appeal concluded on 31 March 2016, with the Judge reserving his decision. A decision is expected to be handed down in Q2 of 2017.

- There is a claim against Pilbara Manganese Pty Ltd by XOW Nominees Pty Ltd as trustee for Rod Mitchell Family Trust trading as Mitchell's Transport & Exploration Services ("Mitchell's") for payment of invoices totaling A$327,328.65 in respect of equipment hire and labour. Pilbara Manganese Pty Ltd disputes that any amount is owing to Mitchell's.

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. It is not practical to estimate the potential effect of these claims and no provision has been made. At the date of this report, the Directors are aware of three claims that have been lodged covering an area which encompasses some of the mining tenement interests of the Group (2015: four claims). The claims do not affect the current mining schedule of the Group.
- The Company is guarantor to hire purchase and finance lease agreements amounting to $7.1 million entered into by controlled entities used primarily to finance the purchase of the Company's mining fleet. Amounts owing under the leases are secured against each relevant leased asset.
- Group entities have pledged $1.4 million (2015: $1.4 million) relating 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 Limited (now known as Consolidated Minerals Pty Limited or CMPL). Also, in 2005 Consolidated Minerals Limited (now known as CMPL) acquired Reliance Mining Limited (now Reliance Mining Pty Limited (Reliance)). The Company is in discussions with the Western Australian

Office of State Revenue (OSR) with respect to whether 60% (or more) of the value of the assets of CMPL or Reliance at the time of acquisition constituted interests in land and, accordingly, whether stamp duty should be assessed in connection with the acquisition. We contend that in both cases the value of land assets was less than 60% at such time and have received independent assessments advice to such effect, but the OSR may determine otherwise. The OSR has not yet made determinations as to whether stamp duty should be assessed in each case and the Company has made no provisions in the accounts in relation to these potential assessments.

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 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 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 $14.3 million (2015: $23.8 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 34% (2015: 68%) of its operating expenditure is. The approximate effect on the pre-tax profit for the year of a 1% change in the AUD/USD rate would be $0.7 million (2015 $1.9 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 the Group's profit before tax for the year resulting from a 10% movement in the price of available-for-sale financial investments is $0.6 million (2015: $0.5 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 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 establishing new 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 26 and 27.

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, partial payments from customers or letters of credit from financial institutions are obtained prior to making international shipments thereby providing an irrevocable payment undertaking from that financial institution with respect to international customer receipts. The Group limits its credit exposure to financial institutions through confirmed letter of credit. At 31 December 2016 the Group had $4.6 million (2015 $6.0 million) of trade receivables guaranteed by letters of credit with such financial institutions.

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:							
2016	4.8	12.4	7.6	3.1	-	-	27.9
2015	-	-	7.0	-	-	-	7.0

In 2016 the top 2 customers as a proportion of the outstanding balance of the Group's trade receivables accounted for 95% (2015: 57%). Based on historical default rates, the Group believes that no impairment review is necessary in respect of trade receivables not past due by up to 180 days. Included in the total amount of $27.9 million is an amount of $22.6 million from a related party which management believe is recoverable within the next 12 months.

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	**2016**	**2015**
Trade and other receivables	32.8	14.3
Cash and cash equivalents	40.0	79.1
Total	72.8	93.4

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 2016						
Borrowings	-	1.0	6.0	503.4	-	510.3
Trade and other payables	5.2	30.5	-	-	-	35.7
	5.2	31.5	39.3	503.4	-	546.0
At 31 December 2015						
Borrowings	3.2	1.8	32.6	501.0	-	538.6
Trade and other payables	3.7	21.9	4.0	1.0	-	30.6
	6.9	23.6	36.6	502.0	-	569.1

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 $130.5 million at 31 December 2016 (2015: $141.3million).

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 2016		As at 31 December 2015	
$m	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Available-for-sale financial investments	6.8	6.8	4.6	4.6

The following table presents the group's assets that are measured at fair value analysed by valuation method at 31 December 2016.

$m	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale financial investments	6.8	-	-	6.8

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.

As disclosed in note 28 the carrying value of the Group's borrowings approximates to their fair value.

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 activities**	**2016 %**	**2015 %**
Manganese Trading Ltd	Jersey	Sales and Marketing	100	100
Pilbara Manganese Pty Ltd	Australia	Exploration, mining and processing	100	100
Pilbara Trading Ltd	Jersey	Sales and Marketing	100	100
Stratford Sun Ltd	BVI	Investment	100	100
Ghana Manganese Company Ltd*	Ghana	Exploration, mining and processing	90	90

As at 31 December 2016 Pilbara Iron Ore Pty Ltd is no longer consolidated into the financial statements of the Group because Consolidated Minerals (Australia) Pty Limited no longer has the power to govern the financial and operating policies of the Company under an agreement with its other shareholder, Fortescue Metals Group Ltd. The 50% investment in Pilbara Iron Ore Pty Ltd is now included in the Group financial statements as an investment in associate.

* Ghana Manganese Company Limited has a 10% non-controlling interest. The following summarised financial information relates to this Company:

	Years ended 31 December		
$m	**2016**	**2015**	**2014**
Profit / (loss) after tax	5.1	(1.3)	2.8
Profit / (loss) attributable to non-controlling interest	**0.5**	**(0.2)**	**0.3**
Current assets	49.9	44.5	56.1
Non-current assets	98.0	92.4	97.8
Current liabilities	(20.1)	(13.0)	(27.9)
Non-current liabilities	(37.6)	(38.8)	(39.7)
Net assets	**90.2**	**85.1**	**86.3**
Net assets attributable to non-controlling interest	**9.0**	**8.5**	**8.6**
Cash flows from operating activities	11.1	12.4	11.0
Cash flows from investing activities	(6.3)	(3.7)	(14.6)
Cash flows from financing activities	(3.2)	3.2	(16.8)
Net cash (decrease) / increase in cash and cash equivalents	**1.6**	**11.9**	**(20.4)**
Dividends paid to non-controlling interest during the year	**-**	**-**	**1.6**

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 year:

$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						
2016	38.9	-	-	-	22.6	-
2015	34.1	-	-	-	-	-
2014	55.2	-	-	-	13.0	0.1
Other companies related to the ultimate shareholder						
2016	-	-	2.9	-	-	0.1
2015	-	-	3.2	-	0.2	-
2014	-	-	3.2	-	-	-

Trading companies related to the ultimate shareholder

During 2016 and 2015, 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. The sales prices for transactions with related parties have been determined by reference to the published indices or 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 2016, a related party loan balance of $737.5 million (2015 $737.5 million) was recognised in equity. The loan is interest free with no fixed date for repayment.

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 Vyacheslav Anishchenko
Mr Steven Bowen
Mr Andreas Marangos
Mr David Slater

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 2016, 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 $3.7 million (2015: $3.7 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

On 4 April 2017 the Company announced that holders of 89.84% of its 8.000% Senior Secured Notes due 15 May 2020 have locked up to tender their notes to and provide certain consents in relation to the proposed acquisition of Consmin by China Tian Yuan Manganese Limited, a subsidiary of Ningxia Tianyuan Manganese Industry Co., Ltd. ("TMI"). Pursuant to the Lock-up Deed, the Purchaser has launched the Tender Offer and Consent Solicitation on 4 April 2017. The Tender Offer is open to acceptance by all holders of the Notes. In order to become effective, the holders of at least 90% of the aggregate principal amount of the Notes must tender into the Tender Offer and provide their consent to certain amendments to the terms of the Notes.

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.
"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.
"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, fertiliser 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.
"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.
"Guarantor"	Each of GMC, CMAL, 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.

"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"	Chemical symbol for Manganese, based on the periodic table.
"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.
"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.
"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 1,250 square kilometers of land in and around the Woodie Woodie mine in the Pilbara region of Western Australia, excluding the Woodie Woodie corridor.