Consolidated Minerals Limited

Full Year 2011

Financial Results for the year

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

Annual Report 2011

26 April 2012

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

Consmin, a leading manganese ore producer with mining operations in Australia and Ghana, announces its results for the year ended 31 December 2011.

Key highlights for the year ended 31 December 2011

- Consmin achieved a 50% improvement in the Lost Time Injury Frequency Rate ('LTIFR') between 2010 and 2011, which is a significant milestone towards our goal of zero injuries
- Manganese production increased by 14% to 3.2 million tonnes
- Consmin grew its imported manganese ore market share into China in 2011 from ~6% to ~17% , helping drive a 47% overall increase in sales to 3.5 million tonnes
- Group C1 manganese cash costs increased by 12%, however after normalising for the strengthening in 2011 of the Australian dollar against the US dollar costs were only 2% higher at $3.27 /dmtu.
- Capex spend was in line with guidance at $73 million in 2011
- The Group average realised manganese price was only 13% lower in 2011[1] compared to the benchmark price that decreased by 19% for the same period
- The Australian dollar strengthened by 12.3% compared to the US dollar compared to the previous year
- The Group recorded a loss for the year of $491million primarily driven by the non-cash impairment expense of $495million
- 'Cash' EBITDA increased 8% during the year to $168 million
- Exploration activities were positive with Australia increasing mineral inventory and definition of targets at Woodie Woodie. In Ghana the resource definition work at Hill 'A' yielded encouraging results
- The owner-operator project at Woodie Woodie, as approved in 2011, is on track to deliver cash cost reductions

Key Performance Indicators

	Year Ended		
	31 December 2011	**31 December 2010**	**% change**
Manganese ore produced (dry mt)	3.17	2.77	14.4%
Manganese ore sales (dry mt)	3.48	2.37	46.8%
Average C1 manganese unit cash cost ($/dmtu)[1]	3.60	3.22	11.8%
Average C1 manganese unit cash cost restated to average 2010 FX rate ($/dmtu)[2]	3.27	3.22	1.6%
Average manganese FOB sales price ($/dmtu)	4.98	5.72	(12.9%)
Chromite ore produced (mt)	0.32	0.18	78.7%
Chromite sales (mt)	0.29	0.15	87.3%
Average C1 chromite unit cash cost ($/t)[1]	233	258	(9.7%)
Average chromite FOB sales price ($/t)	247	255	(3.1%)
Revenue ($ million)	706.6	639.5	10.5%
Adjusted EBITDA ($ million)[3]	126.7	273.2	(53.6%)
'Cash' EBITDA ($ million)[4]	167.5	155.2	7.9%
(Loss) /profit for the year	(491.3)	129.6	(479.1%)
Cash and cash equivalents ($ million)	155.2	97.7	58.9%
Gross debt ($ million)	(417.4)	(66.7)	525.8%
Gross debt excluding high yield bonds	(44.0)	(66.7)	(34.0%)
Net (debt)/cash ($ million)	(262.2)	31.0	(945.8%)

[1] The benchmark price for manganese has increased 5% for May 2012

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

[3] Adjusted EBITDA is defined as operating profit before depreciation and amortisation, impairment write-back/expense, net foreign exchange gain/loss and non-cash inventory write-downs. Adjusted EBITDA is not a uniformly or legally defined measure and is not recognised under IFRS or any other generally accepted accounting principles. The Directors use this measure as an indicator of our representative, recurring operations and to reflect how the business is managed and measured. Other companies in the mining industry may calculate this measure differently and consequently, our presentation of Adjusted EBITDA may not be readily comparable to other companies' figures.

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

Commenting on the results, Glenn Baldwin (CEO of Consmin) said:

"I am pleased to report our results for the full year 2011. Notwithstanding low prices for manganese and chrome, we delivered on our plans to differentiate ourselves from competitors and supply high quality products to the market whilst maintaining our position as a leading manganese focussed mining company.

I am particularly pleased with the overall safety performance of Consmin in 2011 with substantial improvements in the health, safety and training of our management, technical and operational employees. These improvements have resulted in noticeable, on-the-ground productivity and efficiency improvements that will be bedded-down further in 2012 and ultimately culminate in the cultural shift that is required for global owner-mining operations in the manganese business.

Production significantly increased during the year despite operational challenges including the continuing mining boom in Western Australia leading to high staff turn-over rates. Key productivity projects designed to reduce the footprint of mining on the environment were substantially progressed including finalising the trial of lighter trays for larger payloads on mining trucks.

We focussed on managing the controllable costs, with a number of efficiency programmes being implemented during the year such as owner-operator production drilling. The bulk of the $0.38/dmtu C1 cash cost increase to $3.60/dmtu was a result of the Australian currency translation costs into US dollars.

The deterioration in the benchmark price in the second half of 2011 combined with a strong Australian dollar (which resulted in comparable Australian dollar equivalent benchmark manganese prices to that of the 2009 global financial crisis), were the main reasons for significant manganese impairment and the Company's loss before tax of $491 million. These external pricing elements drove a substantially lower Group adjusted EBITDA of $127 million.

A highlight of 2011 was our ability to restructure our balance sheet through a $405 million bond issuance. The two primary uses of funds were repaying shareholder loans and to secure future funding for key capital projects and brownfields exploration programmes. In addition, our 2011 performance has resulted in increased free-cash flow compared to 2010.

Exploration programmes have continued to produce positive results and we have increased our reserves at our manganese operations, while also publishing the inaugural resources and reserves statement for the Coobina chromite mine. This additional knowledge has greatly improved our mine forecasting ability and will assist in delivering on further mine planning efficiencies and cost savings.

Our trading operations were established in Jersey during the year and the team has successfully delivered demand-growth for our ores. We have specifically tailored our products to the needs of our customers to maximise value. In addition, we have established ourselves as a consistent supplier to the EMM market. This trading focus has resulted in Consmin becoming a dominant supplier of manganese ores to China and we were able to regularly achieve prices which were in excess of the benchmark manganese price.

Looking at the year ahead, we have a clear focus on, once again, controlling our costs and improving the efficiency of our operations. The continued development of our people and the transition to owner-operation at our Woodie Woodie mine are key deliverables to achieve this plan."

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 subsidiaries; Consolidated Minerals Pty Limited (Australia), Ghana Manganese Company Limited (Ghana), Manganese Trading Limited (Jersey) and Pilbara Trading Limited (Jersey).

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

Company Information
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Glenn Baldwin, CEO
Jackie Callaway, CFO

Conference Call
There will be a conference call for analysts and bondholders on 26 April 2011 at 4pm BST (British Summer time).

To access the quarterly results conference call, you must first register in advance on:
http://emea.directeventreg.com/registration/event/69859625
The quarterly results conference call, conference ID 69859625, can then be accessed by dialling:
UK: +44 (0) 1452 580 655

Market, Economic and Industry

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

Forward-looking statements

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

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

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

Marketing Review

Manganese Segment

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

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

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

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

Whilst robust demand for oxide ore from Chinese alloy producers has been apparent for over a decade, demand for carbonate manganese ore is relatively new, as Chinese stainless steel production compound annual growth rate (CAGR) for the period 2007 to 2011 reached 15%. During the same period, the proportion of 200 series stainless steel relative to total stainless steel production grew from 16% to approximately 20% according to industry sources. Subsequently this growth appears to have driven the over exploitation of Chinese domestic high grade carbonate ore mineral inventories which continue to show evidence of decline, leading EMM producers to seek alternative sources of supply such as that produced from Ghana.

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

Global steel production for 2011 increased by 6.8% to 1.5 billion tonnes, with China, the key market driving steel production and hence manganese ore demand, reaching 683 million tonnes. For the same period China imported 13 million tonnes of manganese ore, an increase of 12% compared to 2010.

Due to the high quality of Consmin manganese ore and new product developments, demand remained especially strong over the year as evidenced by record sales. Not only was the largest recorded Consmin shipment of 115,822 manganese tonnes achieved in August 2011, but both Australian and Ghana operations showed record breaking total shipped tonnage of 1.7 million tonnes and 1.8 million tonnes respectively. Consmin increased its market share of Chinese manganese ore imports from approximately 6% in 2010 to 17% in 2011 whilst continuing to supply a diversified group of other customers in Georgia, India, Norway, Romania, United States of America, Ukraine and Vietnam.

Despite robust steel production driving record Chinese imports of manganese ore, the benchmark price for manganese lump CIF China, decreased 19%[1,2] during 2011. The weakness in prices was largely attributed to market concerns over increasing manganese ore stocks at Chinese ports which started the year at 3.4 million tonnes and ended at 3.7 million tonnes peaking mid-year at 4.0 million tonnes. Consmin contested the significance of growing port stocks given the apparent strength of manganese ore demand and decreasing manganese grades of other imported ore. Consmin's view was that much of the port stock was lower grade material and believes the drawdown in port stock levels during the latter part of the year was an indication of a contraction of Chinese domestic manganese ore production in terms of both volume and grade as a result of lower prices. This further enabled Consmin to achieve record quarterly sales of high grade manganese ore in Q4 2011.

Consmin is encouraged by improved market developments to date in 2012. Chinese steel production appears set to achieve levels of approximately 700 million tonnes driving robust demand for manganese ore. In addition Chinese port stocks have continued to be drawn down to levels of approximately 3 million tonnes, which has resulted in increases in the May benchmark price, being the first increase in almost 2 years.

[1] Calculated as Jan 2011 US$6.50 (43.5% Mn) / US$6.80 (45.5% Mn) to Dec 2011 US$5.26 (43.5% Mn) / US$5.50 (45.5% Mn)
[2] In January 2012 the benchmark decreased a further 14% to US$4.75 (45.5% Mn)

Chromite Segment

As with manganese ore, the demand for chromite ore is primarily driven by China, which is heavily dependent on imported chromite ore as feed for the production of ferrochrome, which is a key input of stainless steel.

Global stainless steel production increased 6% year on year to 33.6 million tonnes in 2011. Chinese stainless steel production was a record 43% of global stainless steel supply with China producing 14.3 million tonnes of stainless steel up 17% year on year.

Chinese stainless steel mills increased their use of imported chromite ore which grew by 9% to 9.4 million tonnes in 2011. This increase predominantly came from South Africa, who was the largest producer of ferrochrome and chromite ore in the market and who increased ore imports into China from 36% in 2010 to 50% in 2011.

On the back of this strong demand, all of 289kt Consmin chromite ore sold was shipped to the Chinese market, accounting for 3% of total imports to China.

Operational Review

Manganese Segment

	Year Ended		
Summary Overview for Manganese	**31 December 2011**	**31 December 2010**	**% change**
Total mined (mBCM)	24.2	24.4	(0.8%)
Manganese ore produced (dry mt)	3.17	2.77	14.4%
Australia	*1.48*	*1.24*	*19.4%*
Ghana	*1.69*	*1.53*	*10.5%*
Manganese ore produced (mdmtu)	113.0	99.4	13.7%
Australia	*64.6*	*57.2*	*12.9%*
Ghana	*48.4*	*42.2*	*14.7%*
Manganese ore sales (dry mt)	3.48	2.37	46.8%
Australia	*1.66*	*1.17*	*41.9%*
Ghana	*1.82*	*1.20*	*51.7%*
Manganese ore sales (mdmtu)	124.9	88.2	41.6%
Australia	*72.7*	*54.2*	*34.1%*
Ghana	*52.2*	*34.0*	*53.5%*
Total capex (US$ million)	45.4	39.8	14.1%
Average C1 manganese unit cash cost (US$/dmtu)	3.60	3.22	11.8%
Average C1 manganese unit cash cost adjusted for FX ($/dmtu)	3.27	3.22	1.6%

Australia: Woodie Woodie

Overview
The Woodie Woodie tenements comprise approximately 5,500km^2 of land in and around the Woodie Woodie mine in the Pilbara region of Western Australia, of which the current active mining area is approximately 100km^2 (the 'Woodie Woodie corridor'). The Company's operations at Woodie Woodie are located approximately 425km inland from Port Hedland, which is well situated to serve high-demand Asian markets, such as China. The infrastructure at Woodie Woodie includes a government-owned sealed road to Port Hedland and a Company owned dedicated all-weather airstrip, allowing for air travel time of less than 2 hours from Perth. Consmin was ranked in 2010, as the second largest producer of manganese ore by volume produced in Australia (according to CRU). The manganese ore produced at Woodie Woodie is in high demand due to its high manganese and low phosphorous content and excellent manganese to iron ratios, making it well-suited for blending with the lower grade domestic ores of China and Ukraine. The attractive characteristics of the Company's Australian high grade manganese ore generally attract a premium over prevailing market prices.

Safety
Woodie Woodie had a greatly improved year with respect to safety performance. Not only did the site record one year LTI free in Q4, the sites Lost Time Injury Frequency Rate ('LTIFR') fell to 0.4 as at 31 December 2011 (LTIFR was 2.5 as at 31 December 2010), compared to an industry average of 3.1. This continued downward trend throughout the year is a result of the Company's sustained focus on supervisor and operator training, and safety awareness.

Production
Production at the Woodie Woodie mine increased by 19% to 1,476.7kt of manganese ore during 2011, compared to the prior year. The site saw a consistent positive trend in operational performance reaching record production levels of 392.1kt in Q4 at an annualised rate of 1,568.4kt; this upward trend was the result of continued focus on the successful execution of operational efficiency projects across the site.

The majority of ore mined during 2011 was from the Greensnake, Demon, Homestead, Rhodes, Lox and the Sardine complex of pits. The Greensnake, Rhodes pits and Sardine complex will continue to underpin production throughout 2012 and into 2013 as other pits are developed. Total BCM mined in the year decreased by 15% compared to the prior year. This was in line with the mine plan as a function of both the continued vertical development of the Greensnake pit and an operational re-schedule in response to reductions in the pricing and a strong local currency. This re-schedule highlights the ability of our operations to proactively respond to varying market conditions and capitalise or consolidate dependent on the market conditions at the time.

Consmin is committed to reducing and controlling the unit cost base at Woodie Woodie mine by identifying, executing and achieving efficiency and productivity improvements. During Q1 2011, a full operational review of the drill and blast process was completed, the recommendations of this review were executed to coincide with the final commissioning of five new production drill rigs in 2011. This execution of this project has resulted in improved drilling productivity and reductions in unit drill and blast costs.

The operation continued to maintain a high level of crusher throughput following the successful de-bottlenecking of the plant in Q1 2011. Use of stockpiles during Q4 was significantly lower against prior quarters as a result of increased ore delivery from the Demon, Rhodes and Sardine complex of pits. As such, stockpiles of unprocessed ore increased during Q4 and the Company intends to process this ore over the course of 2012, whilst waste stripping in the Greensnake pit continues.

Waste stripping at the Greensnake pit continued at a rate consistent with the mine plan, with ore delivery from stages 3 and 4 remaining on track for the first half of 2013. The development of the Greensnake ore body will underpin consistent high grade ore production over the coming years and allow the operation to remain flexible when responding to changes in customer requirements and demands.

Quarter 1 saw issues with wall stability in the Demon pit, primarily attributable to a large precipitation event. This instability resulted in a rescheduling of the mining sequence and although ore delivery from the Demon pit was reduced for a short period of time, the aggregate quantity and quality of ore delivered to the processing plant was not materially affected. Lessons learnt from the wall instability in the Demon pit enabled early identification of similar instability in the Rhodes pit in Q3. Early identification of this instability led to pro-active modifications to both the pit design and mining schedule, minimising production losses and mitigating day to day operational disruptions.

In 2010, the two standard lump products produced by Woodie Woodie were WW48L and WW40L – where 48 and 40 are the percentage of manganese and 'L' denotes a lump product. During 2011, in recognition of the ore type available from future pits, Consmin changed its high grade manganese products to WW49L and WW46L, whilst maintaining the lower grade WW40L, to satisfy customer demand for this product type. The product changes demonstrate the ability of Consmin to consistently produce a range of high grade manganese products that align to our customer needs.

Capex

A total of $22.0 million was spent on property, plant & equipment ('PP&E') capex at Woodie Woodie during the year, including $12.8 million in Q4 relating to the purchase of five new dump trucks and the rebuild of an excavator to increase its operating life. Other key capex projects for 2011 included the delivery and commissioning of new drill rigs, the installation of a new digital radio system and the installation of new hydrocarbon farm storage facilities.

Owner Operator Update

Following a detailed review of the Woodie Woodie strategic plan during the first half of 2011, the Board of Directors approved a mining plan recommending that all load and haul mining operations transition to the Company. Accordingly the Company notified the incumbent waste mining contractor that their contract would not be extended beyond its expiry date of 31 December 2012. The "Owner Operator" mining plan requires the Company to purchase a range of new primary mining fleet (excavators and dump trucks) throughout 2012. The approval and subsequent new investment underpins the Company's commitment to reducing and controlling the unit cost base at Woodie Woodie. Following this approval, the Company placed orders totalling some $45 million (A$44 million) with globally recognised equipment manufacturers for new mobile mining equipment in Q4 2011. The delivery of the equipment will take place in several tranches with the first tranche on schedule for delivery early in the second half of 2012.

Key risks to this transition include, but are not limited to, recruitment of personnel with the appropriate skills (technical, operational and professional), security of critical spares (including tyres for large mining equipment) and improving the supply chain processes across the Australian operations. To mitigate this risk a transitional program was developed with a dedicated team deployed to manage the program. During the second half of 2011 the team was able to close out the majority of the risks associated with spares and tyres whilst also securing sufficient personnel for the first stage of the transition. The focus for 2012 will be the delivery of the equipment, the execution of the supply chain management project and continuation of recruitment and training activities to meet the second stage of the transition process in the second half of 2012.

Exploration and Resource Development

The year saw continued success through resource development and exploration drilling at a number of prospects in the Woodie Woodie corridor with numerous high grade intercepts of greater than 10m in thickness. Q4 saw the continuation of success achieved in previous quarters, highlighted by the results of drilling at Extension Cord / Chutney prospect providing four excellent mineralised intercepts with Mn greater than 41% and over 18m in thickness. At the Plug / Paystar prospect (which is located immediately east of Chutney / Extension Cord), a short infill program yielded a number of high grade intercepts which confirmed depth extensions to the Plug deposit, including 15m at 45% Mn from 98m and 20m at 40% Mn from 101m. Drilling at the Topvar deposit during the quarter yielded numerous high grade intercepts, including 17m at 41% Mn from 87m, 32m at 45% Mn from 99m and 10m at 52% Mn from 123m. This drilling should lead to the conversion of Inferred Resources to Indicated status, as well as significantly expanding the size of this deposit. Drilling at the Whodowe deposit in the north of the corridor delineated surficial manganese mineralisation as well as depth extensions to the main ore body. This drilling included 16m at 40% Mn from surface, 14m at 49% Mn from 3m and 16m at 47% Mn from 8m. The Whodowe deposit presents as a near term opportunity to access additional ore in the event that there are further positive movements in the price for manganese ore during 2012.

Further drilling at the Chutney / Extension Cord prospect is scheduled to take place in H1 of 2012.

Regional exploration drilling continued to be conducted at the Woodie South and Mt Sydney prospects. The aim of these programs is to advance prospects with the potential to host mine scale operations that can supplement production from the Woodie Woodie Corridor. Both prospects have the potential to host small to medium scale, medium to high grade (25-45% Mn) ore with relatively low waste to ore stripping ratios. The results from drilling at the Mount Cooke and Skull Springs prospects during 2011 continue to be evaluated.

During the quarter intercepts at Woodie South included 11m at 39%Mn from surface. Numerous intercepts were obtained from Mt Sydney including 8m at 44% Mn from 34m. Initial modelling and evaluation of the deposits commenced during the fourth quarter and are planned to continue in2012. Further Resource delineation drilling is expected to occur during the course of 2012 to provide Resource models for future feasibility studies.

The year saw the release of a greatly increased mineral inventory with a 49% increase in the resources base and a 26% increase in the reserves base year on year.

	Tonnes (million)		**Mn %**		**% Change**
	June 2011	**June 2010**	**June 2011**	**June 2010**	**tonnes**
Total Reserves	16.7	13.3	38%	40%	26%
Total Resources	29.9	20.2	40%	40%	48%

For 2011 Resource and Reserve Cut off is≥25% Mn

This increase continues to warrant the Company's long term commitment to the expansion and conversion of the resource base in the Woodie Woodie corridor and the Company's ability to deliver long term sustained growth for the Australian Manganese operations.

Projects

During the year, a number of projects to support the Woodie Woodie operations were delivered, together with progress on the evaluation of the most likely regional deposits that have the greatest potential to be commercially developed. From a Woodie Woodie perspective, projects focused on productivity, efficiency and capacity enhancement throughout 2011. These projects included low cost, value enhancing initiatives such as drill and blast optimisation, dewatering equipment rationalisation, process plant capacity increases through modifications to the apron feeder and the implementation of new training programmes to uplift operator skills across the site.

Ghana: Ghana Manganese Company Limited ('GMC')

Overview

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 GMC are located approximately 63km by rail or 92km by public tarred road from the port facilities at Takoradi. A 30 year mining concession for manganese was granted to GMC in 2001 and Consmin operates under this lease. The manganese ore exported from GMC is a high grade manganese carbonate (as opposed to a manganese oxide) with excellent manganese to iron ratio, which makes it well suited to alloy and electrolytic manganese metal ('EMM') production. The ore produced at GMC is low in phosphorus and other deleterious elements, which enables it to be an excellent replacement for the low grade carbonate ores of China.

Safety

The excellent safety record at Nsuta was maintained throughout 2011, with no major reportable incidents or accidents having been recorded at the Nsuta operations. During the year various initiatives have been implemented to sustain this trend over the coming years.

Production

Production at GMC totalled a record 1,689.1kt of manganese ore during the year, representing an 11% increase compared to the prior year. Highlights included a record annualised rate of 1,960kt manganese ore during Q1 and 445.5kt of manganese ore produced in Q4. Production during the year was from Pit C with total BCM movement increasing by 21% compared to the previous year. The increase is in line with the Company's plan of sustaining future production at an annualised rate above 1,600kt per annum.

Product sales volumes increased year on year by 52% to a record rate of 1,821.5kt including an annualised rate of 1,979kt during Q4. These sales were made possible by a variety of new initiatives including the development of new markets by a dedicated marketing team based at the Company's office in Jersey (UK), the mine improving its annualised production rate though optimisation of the mine planning and scheduling processes and operational efficiency projects. These projects will continue through 2012 and will aid in sustaining production and maximising the operations flexibility to adapt and capitalise on changes in global markets.

Capex
$18.2 million was spent on property, plant and equipment during the year including $1.6 million during Q4. The majority of the capex in the year was targeted at the purchase of new mobile plant and critical spares and components for the mobile and fixed plant.

Exploration
All ore production at GMC is from C Pit, which comprises the former C North and South, D North and South and E Pits. During 2011, extension drilling to Pit C was successful and typical drilling results achieved included intersects of 95m at 26% Mn (C7069), 46m at 31% Mn (C7070) and 32m at 27% Mn (C7071) from C North.

Along the same macro-structure as C Pit, there are two other pits, A Pit and B Pit. Operations at Pit A were suspended in the mid 1990's. During the year several exploration and geology initiatives have been instigated through cooperation between the site technical team and specialist support from our Australian operations. These initiatives have identified significant opportunities in and around A Pit. Exploration diamond drilling commenced in Q4 2011 with the objective of defining the potential to exploit these opportunities. Initial results are very positive with three intersections yielding in excess of 30m in thickness at 27% Mn.

The first phase of diamond exploration drilling was also completed at the Domeabra and Asikuma North prospects which are located at 4.5km north and 2.5km east respectively of the current mining operations centre. This drilling successfully identified the targeted conductive horizon (graphite shale) and manganese, identified though analysis of soils and identification of a trend of anomalies within the soil and its potential association with manganese carbonate mineralisation. This trend is in line with the hypothesised geological model. The results of this first pass drilling have been interpreted and formed the basis for the approval of a secondary phase of drilling aimed at further increasing the potential for significant mineralisation in the area.

A JORC compliant Resources and Reserves Statement was produced during the year for Pit C and as at 30th June 2011 Pit C represented approximately 85% of Nsuta's total resources. This statement was signed off internally and then externally audited by SRK. The resources for Pits A & B were unchanged from the Resources and Reserve statement undertaken by SRK in June 2010.

Overall resources decreased by 4% to 38.3 Mt at 28.8% Mn, however the reserve base increased by 24% to 24.4mt at 29.2% as compared to the June 2010 statement. This current reserve underpins a long life of mine in excess of fifteen years.

	Tonnes (million)		Mn %		% change
	June 2011	**June 2010**	**June 2011**	**June 2010**	**Tonnes**
Total Reserves	24.4	19.6	29%	28%	24%
Total Resources	38.3	39.8	29%	28%	(4%)

For 2011 Resource and Reserve Cut off is ≥22% Mn

Projects
GMC is studying the upgrade of its logistical and loading facilities at Takoradi Port in line with the proposed Master Plan for Takoradi Port. Discussions on a railway Public Private Partnership (PPP) with the Government of Ghana have stagnated, following the Government of Ghana's approval of a US$3bn infrastructure loan from China.

In Q3, the Company purchased new mine planning software which through cooperation with Consmin personnel based in Australia is enabling the further development of the planning, design and scheduling skill set of the onsite personnel. This up skilling of onsite personnel will eventually enable third party assistance in technical areas to be reduced and will allow the operation to further increase its flexibility when reacting to changes in the global market. During 2011 GMC has continued to support over fifteen local communities through infrastructure development and educational bursaries and scholarships. Some of the highlights in the year were the completion of a 4 room school house for the Tarkwa Banso community and over 550 people supported through secondary and tertiary education as part of GMC's bursary and scholarship scheme.

On 16 November 2011, the Government of Ghana presented its budget statement for 2012. The budget contains a number of items that will affect the mining industry in Ghana as a whole. The National Fiscal Stabilisation Levy of 5% was abolished the corporate tax rate was increased from 25% to 35% and rules around capital allowances were amended from 80% to 20%.

Chromite Segment

Summary Overview for Chrome	31 December 2011	Full Year Ended 31 December 2010	% change
Chromite ore produced (dry kt)	323.8	181.2	78.7%
Chromite ore sales (dry kt)	289.0	154.3	87.3%
Average C1 manganese unit cash cost (US$/t)	233	258	(9.7%)
Average FOB sales price (US$/t)	247	255	(3.1%)

Australia: Coobina

Overview

The Coobina mine ('Coobina') produces chromite ore in the form of lump and sands. The operation is located approximately 550km inland from Port Hedland, Western Australia and is well situated to serve the growth market of China. Coobina's mining operations were placed under care and maintenance in December 2008, as a result of the decline in price of Chromite ore during the global financial crisis. Following a positive feasibility analysis and extremely positive drilling results confirming the structural geology of the Coobina region in early 2010, the mine recommenced full production in August 2010. The Coobina ores can be used as either direct or blending feed ore for the production of ferrochrome. Coobina chromite ore is characterised by its good chromium percentage above 40% and attractive chromium to iron ratios above 1.5 which make it highly valued by alloy producers as a blending product.

Safety

Sustained focus on safety during the year saw the Coobina operations to extend its record period without an LTI being incurred. Subsequent to the end of the year, on the 31st January 2012, the Coobina operation reached the outstanding milestone of 5 full years since the last LTI on site.

Production

Coobina consists of several small open pits located in a hill. Ore mining activity during the year was focused on Blatchford's pit (which was mined out in the first quarter), Newlands and Falcon pits with production totalling 323.8kt of chromite ore. This represents an increase of 79% compared to 2010, when the site was ramping up following approximately two years on care and maintenance. Quarter 4 saw the operation reach a production milestone of an annualised rate of circa 400kt. This increase in production was aligned with the increase in stainless steel production from China and Consmin's expectation that demand for chromite ores will strengthen during 2012. It is expected that the Coobina operation will be well placed to capitalise on this increase in demand.

Various operational efficiency projects were completed during the year including a no cost optimisation of the processing plant seeing a resultant lift in the maximum feed rates with no detrimental effect on product specifications. Efficiencies across the operation in relation to equipment availability have led to increased equipment utilisation being achieved and sustained above planned levels during the second half of the year.

Capex

Capex expenditure on property, plant and equipment for the year totalled $1.4 million, the majority of which was allocated to completing the upgrade of the access road from the highway to the mine allowing for 24 hour haulage of product. This road upgrade enables the operation to improve management of it its haulage operations with varying shipping schedules.

Exploration

The main exploration objective during the year was to provide sufficient information to produce and optimise the Finucane, Wrights, Newlands and Falcon deposits.

Geological information obtained from these drilling programmes resulted in the release of Coobina's inaugural JORC compliant resources and reserves statement only including the Wrights and Finucane deposits in June 2011.

	June 2011 Tonnes (million)	Cr %
Total Reserves	0.3	23%
Total Resources	1.5	29%

For 2011 Resource Cut off ≥10% Cr and Reserve Cut off is ≥17% Cr

Other

Ferroalloy trading

The Group undertook a limited amount of ferroalloy trading in 2011 compared to 2010, with the volume of ferroalloy trading decreasing from the second half of 2010. No further ferroalloy trading is expected to be undertaken by the Group going forward due to declining margins.

Mindy Mindy

Consmin has a significant interest in the Mindy Mindy iron ore tenements through its 50% shareholding in Pilbara Iron Ore Pty Ltd ('PIO'). Ownership of some tenements is subject to court determination, which is expected to be clarified during 2012. Resource development drilling was undertaken during Q3 which was aimed at testing the depth and extension of resources. Results from this drilling are being analysed.

BC Iron Limited ('BC Iron')

BC Iron is an iron ore mining company listed on the ASX (ticker: BCI). During the course of 2011, the Company made on-market purchases of an additional 4.1 million shares in BC Iron, which is a reflection of the value that the Company placed on the BC Iron operating model, particularly the access that BC Iron has to rail and port infrastructure to export their ore. As a result of these purchases, the share ownership held by the Company in BC Iron increased from 21.1% at the end of 2010, to 24.8% at the end of 2011. The market value of the Company's holding in BC Iron at 31 December 2011 was US$63.7 million. At the end of Q1 2012, the Company's holding in BC Iron had decreased to 23.9%, due to the shares being issued on conversion of options, partially offset by additional share purchases.

OM Holdings Limited ('OM Holdings')

OM Holdings is, primarily, a vertically integrated manganese marketing and mining company listed on the ASX (ticker: OMH). Consmin's shareholding in OM Holdings increased from 11.4% to 11.7% during the year. The market value of the Company's holding in OM Holdings as at 31 December 2011 was US$19.1 million. At the end of Q1 2012, the Company's holding in OM Holdings had decreased to 9.7%. The decrease is due to dilution through significant share issues.

Sustainable Development

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

During 2011, the Australian Federal Parliament passed legislation that introduces a price on carbon emissions, effective from 1 July 2012. The Company estimates that gross costs will be adversely impacted by approximately $0.02 to $0.04 per dmtu produced from 1 July 2012. From 1 July 2014, the diesel fuel rebate available to the Company for its road ore haulage operations is likely to be reduced, further adversely impacting the gross costs for the Company by approximately $0.02 per dmtu produced.

In order to offset the likely adverse impact on its cost base, the Company is proactively working on initiatives to reduce its carbon footprint. A key initiative that is being assessed an agricultural trial suitable for bio fuels production, utilising excess water available from the Woodie Woodie mine. The irrigation system was installed during Q4 2011 which enabled the planting of trial species to commence. Initial results show positive signs.

To further mitigate the risk of the new carbon tax legislation the company successfully trialled an innovative body design for its rigid dump trucks at Woodie Woodie. These bodies allow an increase in truck capacity of approximately 10% through a reduction in the truck body weight by the utilisation of light weight, high strength, abrasive resistant materials. The success of this trial has resulted in all newly ordered trucks including those as part of the owner operator project being fitted as standard with the new bodies.

Quarter 2 saw the successful trial of technology that allows the use of solar powered pumping systems to provide potable water facilities at the Coobina operations. The success of this trial has led to research work on the ability of the system to work in an enlarged capacity such as the Woodie Woodie camp or its dewatering operations.

People

The Board wishes to advise that Mr Glenn Baldwin has resigned as CEO of the Group. The Board would like to thank Glenn for his significant contribution to the Group and wish him well in his future endeavours.

The Board has taken this opportunity to review the management structure of the Group and has appointed a Managing Director for the Australian operations, based in Perth, Western Australia.

The operational management decisions of the Group will continue to be made by the Group Executive Committee ('GEC') under its delegation from the Board. The GEC members are Peter Allen (Managing Director: Marketing), Jackie Callaway (CFO), Jurgen Eijgendaal (Managing Director: Ghana) and Oleg Sheyko (CEO of Metals Solutions Limited). The Managing Director: Australia will also be a member of the GEC. The Group's head office will remain in Jersey.

The Board has also reviewed its membership and Peter Allen (Managing Director: Marketing) will be appointed to the Board. In addition, the Board has completed a search for appointment of a senior independent non-executive director to join the Board. Announcement of this appointment will be made in May 2012.

Financial Review

Condensed Consolidated Statement of Comprehensive Income

$'000	Year Ended 31 December 2011	31 December 2010	31 December 2009
Revenue	706,561	639,529	365,660
Cost of sales	(584,568)	(414,061)	(272,642)
Gross profit	121,993	225,468	93,018
Selling and distribution expenses	(110,309)	(60,381)	(35,187)
General and administrative expenses	(42,400)	(42,585)	(28,231)
Other operating income – net	6,422	5,324	2,997
Net foreign exchange (loss) / gain	(2,794)	1,218	(115,997)
Impairment (expense) / write-back	(495,146)	28,709	63,877
Operating (loss) / profit	(522,234)	157,753	(19,523)
Analysed as:			
Depreciation and amortisation	(126,362)	(120,008)	(78,868)
Impairment (expense) / write-back	(495,146)	28,709	63,877
Net foreign exchange (loss) / gain	(2,794)	1,218	(115,997)
Non-cash inventory write-down	(24,594)	(25,344)	-
Adjusted EBITDA	**126,662**	**273,178**	**111,465**
'Cash' EBITDA	**167,511**	**155,178**	**90,267**
Share of profit / (loss) of associates	1,604	1,508	(20,237)
Gain/(loss) on disposal of available-for-sale financial investments	10	(10,010)	(92)
(Loss) / profit before tax and finance items	(520,620)	149,251	(39,852)
Net finance expense	(22,483)	(3,000)	(9,314)
(Loss) / profit before tax	(543,103)	146,251	(49,166)
Income tax credit/(expense)	51,782	(16,666)	(3,450)
(Loss) / profit for the year	(491,321)	129,585	(52,616)

Condensed Segment Information

Year Ended	Manganese	Chromite	Ferroalloys	Other	Total
31 December 2011 – $'000					
Revenue from external customers	621,685	71,277	13,599	-	706,561
Cost of sales	(491,291)	(77,955)	(13,245)	(2,077)	(584,568)
Gross profit	130,394	(6,678)	354	(2,077)	121,933
31 December 2010 – $'000					
Revenue from external customers	504,077	39,316	87,581	8,555	639,529
Cost of sales	(295,346)	(23,656)	(83,837)	(11,222)	(414,061)
Gross profit	208,731	15,660	3,744	(2,667)	225,468
31 December 2009 – $'000					
Revenue from external customers	296,851	23,646	37,604	7,559	365,660
Cost of sales	(203,153)	(23,587)	(35,140)	(10,762)	(272,642)
Gross profit	93,698	59	2,464	(3,203)	93,018

Revenue

The consolidated revenue for the Group increased by 10% from $640 million for 2010 to $707 million for 2011. Comparing the quarters of 2011 with 2010, manganese and chromite revenue was higher in 2011 in every quarter. These increases relate to the higher sales tonnages of manganese and chromite ores during the year. These increases in sales were partly offset by decreases in the average prices realised for manganese and chromite ores.

Revenue from sales of manganese ore has increased from $504 million for 2010 to $622 million for 2011, an increase of 23%. Additionally, the manganese revenue for each quarter was higher than the corresponding quarter in the previous year. This increase was driven by the increases in sales tonnage, partly offset by the decrease in average price during the year. The average price of Group manganese ore sold during 2011 was $4.98/dmtu FOB, compared to $5.72/dmtu FOB during 2010, a decrease of 13%. This decrease is significantly lower than the 19% decrease in the benchmark price, for the same period. The average Group manganese FOB price decreased less than the benchmark due to Consmin's ability to differentiate its products to specific market segments, for example the EMM market in China. The move to Utah Point in Australia has substantially increased vessel size which has in turn lowered the average freight rate.

Revenue from sales of chromite ore increased from $39 million in 2010 to $71 million in 2011, an increase of 81%, despite a decrease in sales price of 3%. The main reason for the increase in revenue on a comparable basis is due to the chromite mining operations being on care and maintenance until August 2010. Whilst under care and maintenance, our production and sales of chromite ore was mainly limited to beneficiation of chromite sands. The chromite mining operations resumed in August 2010 and enabled the production of chromite lump, which accounted for the majority of the chromite ore sold in 2011.

Note 6 to the financial statements shows the geographic split of the Group's revenue. Sales to related parties decreased from 35% in 2010 to 31% in 2011. During the same period, sales to China have increased from 42% to 62%. This increase in sales to China has been a trend since the second half of 2010. One of the main reasons for this is the increased sales of Ghana carbonate ore to the EMM market.

The nickel operations remained on care and maintenance during 2011 and no ore revenue was recognised.

The Group undertook a limited amount of ferroalloy trading in 2011, with total revenue for the 2011 of $14 million, compared to $88 million in 2010. The volume of ferroalloy trading has decreased from the second half of 2010 and no further ferroalloy trading is expected to be undertaken by the Group going forward, due to the decreased profitability of sales.

Cost of Sales

The cost of sales for the Group increased from $414 million in 2010 to $585 million in 2011, an increase of 41%. An analysis of the cost of sales can be seen in the segment information above.

Manganese

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

$'000	**Year Ended**		
	31 December 2011	**31 December 2010**	**Movement**
Deferred stripping	(34,044)	(37,316)	3,272
Mining and production expenses	280,654	231,970	48,684
Depreciation and amortisation	109,559	114,144	(4,585)
Royalties and other taxes	36,852	35,223	1,629
Net movement in inventories	81,003	(73,595)	154,598
Inventory write-down	17,193	24,798	(7,605)
Other	74	122	(48)
Total	**491,291**	**295,346**	**195,945**

The strengthening of the Australian dollar against the US dollar has had a significant impact on the Australian operations, as the majority of their cost base is denominated in Australian dollars. The average exchange rate for 2011 was 12% higher compared to the prior year – which increased total manganese cost of sales by $48 million.

Deferred stripping is an accounting treatment which is intended to appropriately match the costs of production with the economic benefits over the life of a mine. Although deferred stripping is not a specific requirement under International Financial Reporting Standards it is a generally accepted accounting principle for the mining industry. Deferred stripping is calculated in relation to the stripping ratio of individual mine pits. The average expected life-of-mine stripping ratio is calculated and used to determine deferred stripping. When the actual stripping ratio in a period is higher than the expected average, the excess stripping costs are capitalised to the balance sheet and included in 'Property, Plant & Equipment'. These capitalised costs are credited to cost of sales, thereby reducing cost of sales. In a period when the actual stripping ratio is lower than the remaining average for an individual pit, the previously capitalised costs are expensed through cost of sales.

Deferred stripping has remained relatively consistent year on year and has primarily arisen in the Greensnake pit, where there has been significant waste removal throughout 2010 and 2011. The deferred stripping credit is expected to start reversing in 2013, when the main Greensnake ore production commences.

The Company produced an updated Resources and Reserves statement in June 2011, which increased the levels of the Company's reserves and resources and lowered the remaining life of mine strip ratios. This had the effect of slightly increasing the deferred stripping credit for the year.

Mining and production expenses have increased $49 million to $281 million in 2011, compared to the prior year. The strengthening of the Australian dollar accounts for almost $26 million of this movement. The balance comprises increased costs in Australia related to activities associated with increased production including ROM ore cartage, crushing, diesel consumption and grade control drilling to support improvements in mine design as well as training programmes at Woodie Woodie and increased costs in Ghana primarily related to increases in mining movement.

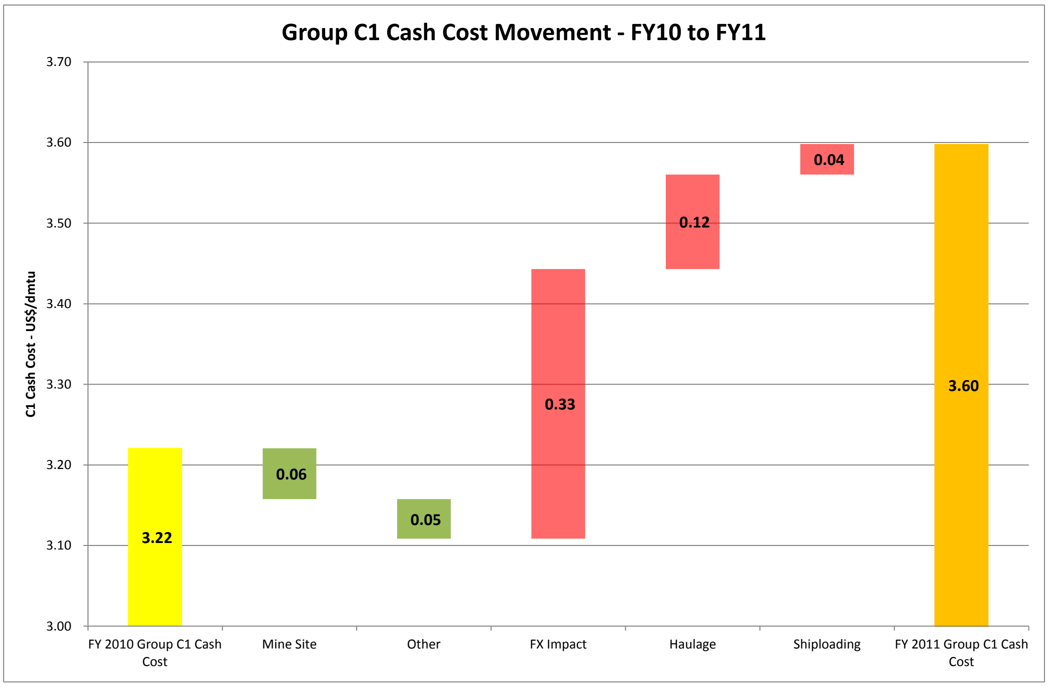
Depreciation and amortisation has decreased $5 million this year, compared to prior year. A significant part of depreciation and amortisation is a function of mining production and remaining life of mine, as mine properties and mining plant and equipment are depreciated on a units-of-production basis. As noted above the Company produced an updated Resources and Reserves statement in June 2011, which increased the levels of the Company's reserves and resources which increased the life of mine and consequently decreased the depreciation and amortisation expense.

Inventories impact the cost of sales through the movement of the stockpiles and through the net realisable value (NRV) adjustments. The expense, or credit, for net movement in inventories reflects the difference between the total stockpiles at the beginning and the end of the year. In periods where there are higher ore sales than ore produced the Company draws down its stockpiles. When the stockpiles are drawn down, the costs associated with the inventory is expensed through the cost of sales. This is what has occurred overall this year. In the first quarter, stockpiles increased compared to prior year, however, from Q2 onwards the significant increase in sales and the mine plan schedule led to the Company drawing down on its stockpiles of ore. Compared to the end of 2010, run of mine (ROM) stockpiles have been reduced by over 350kt, while product stockpiles were reduced by over 340kt in the period. These stockpile movements led to the expense in cost of sales of $81 million for the year – compared to a net inventory credit of $74 million in 2010.

There was a non-cash inventory NRV adjustment in the year of $17 million, compared to a $25 million adjustment in prior year. The write-down in the year relates primarily to manganese inventory in the Australian operations, which was written down to net realisable value due to the decrease in sales price and the adverse movement in the exchange rate.

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, over the total manganese dmtu produced.

The average C1 unit cost of manganese production, on a "fully expensed" mining cost basis, increased from $3.22/dmtu for 2010 to $3.60/dmtu for 2011. As the graph below shows there was a decrease in the underlying mining production expenses, however, these savings were outweighed by the increases in costs as a result of the strengthening of the Australian dollar and increases in haulage and ship loading volumes over production. The graph shows, that the adverse movement in the exchange rate had a significant impact on the manganese cash costs for the Group. If the 2011 manganese cash cost was adjusted to use the 2010 average exchange rate then the cash cost would be $3.27/dmtu, which is slightly higher (1.6%) than the 2010 cash cost.



Chromite
The Coobina chromite mine recommenced operations in August 2010. The cost sales for 2011 was $78 million reflecting the first full year of mining and production costs since the mine was place on care and maintenance in late 2008.

Gross Profit
Gross profit for the Group decreased by 46%, from $225 million in 2010 to $122 million in 2011.

Gross profit for the manganese segment decreased by 38% from $209 million in 2010 to $130 million in 2011. This decrease was predominantly due to the 12% strengthening of the Australian dollar against the US dollar, as well as the 13% decrease in average manganese price achieved.

Gross profit for the chromite segment decreased from $16 million in 2010 to a gross loss of $7 million in 2011. This decrease was predominantly due to increases in cost of sales as a result of the restarting of the chromite mining operations. Gross profit was also impacted by the decrease in the sales price from $255/tonne in 2010 to $247/tonne in 2011, as well as the adverse impact of the strengthening of the Australian dollar.

'Cash' EBITDA
'Cash' EBITDA is calculated as follows:

	Year Ended		
US$000	**31 December 2011**	**31 December 2010**	**31 December 2009**
Operating Profit / Loss	**(522,234)**	**157,753**	**(19,523)**
Depreciation & Amortisation	126,362	120,008	78,868
Impairment (expense) / write-back	495,146	(28,709)	(63,877)
Net foreign exchange	2,794	(1,218)	115,997
Non-cash inventory adjustment	24,594	25,344	-
Adjusted EBITDA	**126,662**	**273,178**	**111,465**
Deferred stripping	(34,044)	(37,181)	(9,168)
Net movement in inventories	74,893	(80,819)	(12,030)
'Cash' EBITDA	**167,511**	**155,178**	**90,267**

The 'Cash' EBITDA result removes the impact of certain non-cash items, including deferred stripping and movement in inventories, which are not excluded from the Adjusted EBITDA calculation. The Cash EBITDA shows a positive trend over the past three years, with Cash EBITDA increasing every year. There was an 8% increase in Cash EBITDA for 2011, compared to 2010.

Impairment
As required under International Financial Reporting Standards management tested goodwill and the manganese and chromite businesses for impairment at year end. As result of the review, the Group has recorded a $495 million impairment charge for the year of which $48 million related to Australian goodwill, while the balance related to the impairment of Australian manganese and chromite non-current assets. The impairment arose as the result of the strengthening of the Australian dollar and the decrease in the manganese price during the year.

Selling and Distribution
Selling and distribution expenses increased from $60 million in 2010 to $110 million in 2011. This increase is predominantly due to the increase in the sales of manganese and chromite – which increased, on a tonnage basis, by 47% and 87% respectively. The increases in these expenses have been driven by the significant increase in the tonnes sold during year, compared to prior year, and the strengthening of the Australian dollar.

General and Administration
General and administrative expenses for the group decreased slightly from $43 million in 2010 to $42 million in 2011, which is a reflection of the continued focus on cost control across the Group.

Net Finance Expense
Net finance expenses have risen from $3 million in 2010 to $22 million in 2011. The majority of this increase is due to the additional interest expense of $26 million incurred in relation to the high yield bonds the Company issued in April 2011.

Taxation
The Group is subject to taxation in the jurisdictions in which it operates, primarily Australia and Ghana. The Company is domiciled in Jersey and is subject to a corporate tax rate of 0%. The Group recognised an income tax credit in 2011 of $52 million, compared to an income tax expense of $17 million in 2010. This credit has arisen mainly due to income tax credits arising from the Australian operations.

(Loss) / Profit for the Period

The Group has recognised a loss for 2011 of $491 million compared to a profit of $130 million in 2010. The non-cash impairment expense of $495 million contributed significantly to this loss, as did the strengthening of the Australian dollar against the US dollar and the impact of this on the cost base of the Australian operations.

Other Comprehensive (Loss) / Income

The Group recorded a comprehensive loss of $56 million in 2011, compared to another comprehensive income of $80 million in 2010. There were two primary reasons for this movement. The first is that in 2010, there was a net foreign currency translation gain of $108 million due to the significant movement in the closing position of the Australian dollar, which increased 12% against the US dollar. In 2011, the gain was only $9 million, as the closing exchange rate increased by only 0.1%. The second reason is that the Company recorded a $66 million decrease in the value of available-for-sale assets. These investments are marked to market at year end.

Condensed Consolidated Statement of Financial Position

	As at	
$'000	**31 December 2011**	**31 December 2010**
Cash and cash equivalents	155,195	97,745
Other current assets	168,812	226,727
Non-current assets	642,270	1,147,839
Total assets	966,277	1,472,311
Current borrowings	41,329	64,635
Non-current borrowings	376,071	2,056
Other current liabilities	89,038	91,776
Other non-current liabilities	103,283	106,594
Total liabilities	609,721	265,061
Total equity	356,556	1,207,250

Cash and Cash Equivalents

Cash and cash equivalents increased from $98 million on 31 December 2010 to $155 million on 31 December 2011, an increase of 59%. This increase is primarily related to the net proceeds from the high yield bond after the repayment of a portion of the subordinated shareholder loans.

Non-current assets

Non-current assets have decreased from $1,148 million on 31 December 2010 to $642 million on 31 December 2011, a decrease of $506m primarily as a result of the $495 million impairment of the manganese and chromite businesses. Of the $495 million impairment charge, $48 million relates to goodwill, while the balance related to other non-current assets. The impairment arose mainly due to the strengthening of the Australian dollar and the decrease in the manganese price during the year.

Borrowings

Group current borrowings have decreased from $65 million on 31 December 2010 to $41 million on 31 December 2011, a decrease of 36%. Non-current borrowings have increased to $376 million, primarily due to the issuing of the $405 million high yield bond in April 2011.

Liquidity

During the year the Group generated a positive $97 million inflow from operations, which together with the proceeds from the bond issue has resulted in a strong year end cash position. Although total borrowings increased to $417 million as a result of the bond issue, the majority of this debt has a longer maturity (due 2016) with only $41 million falling due in 2012. Although manganese prices have been impacted the Group is forecasting to continue to generate positive cash margins going forward. The liquidity position of the Group is further supported by the marketable securities held that could be converted to cash if such a need arose.

The Group had a total credit limit of $90 million with undrawn banking facilities totalling $46 million available at year end. Of this credit limit $30 million relates to Ghana of which $20 million remained available.

Subsequent to the year end the Group took the decision to repay its Australian working capital facilities. These facilities will be repaid on 29 May 2012. The total facilities are $50 million of which $29 million was drawn down at year end and an estimated $45 million will be drawn down by 29 May 2012. This decision has been made as part of the Group's capital management process and to lower the overall cost of financing in 2012.

The Group has significantly advanced negotiations with an internationally recognised financier to provide a $20 million equipment financing facility. Binding agreements are expected to be in place by the end of Q2, which is prior to the delivery of the owner operator equipment for Woodie Woodie.

Guarantor Group

For the year ended 31 December 2011, the Guarantors represented 83.0% (31 December 2010: 87.8%) of our consolidated revenues and 62.1% (31 December 2010: 93.4%) of our consolidated Adjusted EBITDA. As of 31 December 2011, the Guarantors represented 86.4% of our consolidated total assets (31 December 2011: 81.9%). As of 31 December 2011, the non-guarantor subsidiaries have $9.0 million (31 December 2010: $18.7 million) of indebtedness outstanding. The unrestricted subsidiaries are not significant subsidiaries and therefore not material to the Group. As a result, separate financial details have not been disclosed.

Condensed Consolidated Statement of Cash Flows

		Year Ended	
$'000	**31 December 2011**	**31 December 2010**	**31 December 2009**
Cash in-flows from operating activities	97,411	114,007	21,242
Cash outflows from investing activities	(84,272)	(18,518)	(56,706)
Cash inflows / outflows from financing activities	66,231	(38,692)	(294,314)
Increase / (decrease) in cash and cash equivalents	79,370	56,797	(329,778)
Cash and cash equivalents at the start of the period	62,071	5,069	333,539
Exchange (losses)/gains on cash and cash equivalents	(3,345)	205	1,308
Cash and cash equivalents at the end of the period	**138,096**	**62,071**	**5,069**

Cash Flows

Net cash generated from operating activities amounted to $97 million in 2011 compared to $114 million in 2010, a decrease of 15%, primarily driven by additional interest payments of $18 million to service the newly issued high yield bond. Included as an operating cash outflow in 2011 is an amount of $17 million (2010: $24 million) that relates to deferred waste stripping costs for the Greensnake pit. Whilst this outflow is classified as an operating cash outflow from International Financial Reporting Standard perspective, the expenditure represents an investment in additional waste mining so as to provide access to the Greensnake ore body that will result in the delivery of ore for a 2 to 3 year period. If this investment cash flow was able to be classified as cash used in investing activities, the net cash generated from operating activities in 2011 would be $114 million (2010: $138 million)

Net cash used in investing activities was a net cash outflow of $84 million in 2011 compared to a net cash outflow of $19 million in 2010, due to increased capital expenditure in 2011 and 2010 having the benefit of the proceeds from the sales of available-for-sale investments.

Net cash from financing activities increased from a net cash outflow of $39 million in 2010, to a net cash inflow of $66 million in 2011. This increase is predominantly as a result of the issuance of the $405 million bond in April 2011, offset by the dividend paid and the partial repayment of shareholder loans.

Overall, total cash and cash equivalents increased from $62 million in 2010 to $138 million in 2011.

Capex

An analysis of capital expenditure is detailed below:

	Year-ended	
$'000	**31 December 2011**	**31 December 2010**
Ghana		
PP&E	15,909	13,202
Exploration	2,336	1,229
Total Ghana	**18,245**	**14,431**
Australia Manganese		
PP&E - sustaining	21,959	18,162
Exploration	23,408	21,595
Total Australia Manganese	45,367	39,757
Australia Chromite		
PP&E	1,366	3,038
Exploration	6,021	2,547
Total Australia Chromite	7,387	5,585
Total Australia Other	2,178	571
Total Australia	**54,932**	**45,913**
Total Group Capex	**73,177**	**60,344**

Company Registered Number 100396

Consolidated Minerals Limited

Audited Consolidated Financial Statements for the Year Ended 31 December 2011

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Directors' report

For the year ended 31 December 2011

The directors present the audited consolidated financial statements for the year ended 31 December 2011.

Incorporation

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

Principal activities

The consolidated statement of comprehensive income for the year is set out on page 23. The principal activities of the Company and its subsidiaries are the exploration, mining, processing and sale of manganese and chromite ore.

Directors' responsibilities

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

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

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

Directors

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

Mr Vyacheslav Anishchenko
Mr Glenn Baldwin
Mr Steven Bowen
Ms Jackie Callaway
Mr Andreas Marangos

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

Results for the year

During the year the Company made a loss after tax of US$491.3 million (2010: profit of US$129.6 million). This loss has been charged to retained losses.

Dividends

On 8th April 2011 the Company paid a dividend of US$50 million in respect of the year ended 31 December 2010.

Secretary

The secretary of the Company for the period from 1 January 2001 to 7 July 2011 was Standard Bank Offshore Trust Company Jersey Limited and subsequently was Jackie Callaway (appointed 7th July 2011).

Independent auditors

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

Registered office:

Commercial House
3 Commercial Street
St Helier
Jersey
JE3 2RU

By Order of the Board

Glenn Baldwin
CEO

Date: 25th April 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CONSOLIDATED MINERALS LIMITED

We have audited the group financial statements of Consolidated Minerals Limited for the year ended 31 December 2011 which comprise the consolidated statement of financial position as of 31 December 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 20 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2011 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Opinion on other matters
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.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

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

Jason Burkitt
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants
London

25th April 2012

Consolidated statement of comprehensive income

		Years ended 31 December		
US$000	**Note**	**2011**	**2010**	**2009**
Revenue	6	706,561	639,529	365,660
Cost of sales	7	(584,568)	(414,061)	(272,642)
Gross profit		121,993	225,468	93,018
Selling and distribution expenses	8	(110,309)	(60,381)	(35,187)
General and administrative expenses	9	(42,400)	(42,585)	(28,231)
Other operating income – net	10	6,422	5,324	2,997
Net foreign exchange (loss) / gain	11	(2,794)	1,218	(115,997)
Impairment (expense) / write-back	12	(495,146)	28,709	63,877
Operating (loss) / profit		(522,234)	157,753	(19,523)
Analysed as:				
Depreciation and amortisation		(126,362)	(120,008)	(78,868)
Impairment (expense) / write-back		(495,146)	28,709	63,877
Net foreign exchange (loss) / gain		(2,794)	1,218	(115,997)
Non-cash inventory write down		(24,594)	(25,344)	-
Adjusted EBITDA		126,662	273,178	111,465
Share of profit / (loss) of associates	22	1,604	1,508	(20,237)
Gain / (loss) on disposal of available-for-sale financial investments	15	10	(10,010)	(92)
(Loss) / profit before tax and finance items		(520,620)	149,251	(39,852)
Finance income	16	8,548	1,229	4,249
Finance costs	16	(31,031)	(4,229)	(13,563)
(Loss) / profit before tax		(543,103)	146,251	(49,166)
Income tax credit / (expense)	17	51,782	(16,666)	(3,450)
(Loss) / profit for the year		(491,321)	129,585	(52,616)
Other comprehensive income				
Available-for-sale financial investments	28	(65,808)	(27,704)	33,976
Net foreign currency translation differences	28	9,192	107,649	170,812
Income tax relating to components of comprehensive income	17	661	(296)	(280)
Other comprehensive (loss) / income for the year, net of tax		(55,955)	79,649	204,508
Total comprehensive (loss) / income for the year		(547,276)	209,234	151,892
(Loss) / profit attributable to:				
Owners of the parent Company		(492,561)	127,975	(53,937)
Non-controlling interest		1,240	1,610	1,321
Total comprehensive (loss) / income attributable to:				
Owners of the parent Company		(548,516)	207,624	150,571
Non-controlling interest		1,240	1,610	1,321

Notes to the financial statements are included on pages 27 to 57.

Consolidated statement of financial position

US$000	Note	As at 31 December 2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	18	430,839	879,105
Intangible assets	19	77,303	76,582
Goodwill	20	28,930	75,791
Investments in associates	22	40,908	27,172
Available-for-sale financial investments	23	21,329	86,129
Trade and other receivables	24	383	3,060
Deferred tax assets	17	42,578	-
Total non-current assets		642,270	1,147,839
Current assets			
Inventories	21	81,678	172,862
Trade and other receivables	24	86,174	53,865
Income tax receivable		960	-
Cash and cash equivalents	25	155,195	97,745
Total current assets		324,007	324,472
Total assets		966,277	1,472,311
EQUITY AND LIABILITIES			
Equity			
Share capital and share premium	26	204,721	204,721
Subordinated shareholder loans treated as equity	27	966,171	1,218,997
Reserves	28	26,070	82,025
Retained losses	29	(854,573)	(312,012)
Equity attributable to owners of the parent Company		342,389	1,193,731
Non-controlling interest		14,167	13,519
Total equity		356,556	1,207,250
Non-current liabilities			
Borrowings	30	376,071	2,056
Trade and other payables	31	6,443	5,427
Provisions	32	49,826	36,844
Deferred tax liabilities	17	47,014	64,323
Total non-current liabilities		479,354	108,650
Current liabilities			
Borrowings	30	41,329	64,635
Trade and other payables	31	81,410	74,550
Income taxes payable		-	8,765
Provisions	32	7,628	8,461
Total current liabilities		130,367	156,411
Total liabilities		609,721	265,061
Total equity and liabilities		966,277	1,472,311

Notes to the financial statements are included on pages 27 to 57.

The financial statements on pages 23 to 57 were authorised for issue by the Board of Directors on 25th April 2012 and were signed on its behalf.

Glenn Baldwin
CEO

Jackie Callaway
CFO

Consolidated statement of changes in equity

US$000	Share capital and share premium	Subordinated shareholder loans treated as equity*	Reserves	Retained (losses) / earnings	Total Attributable to owners of the parent	Non-controlling interest	Total Equity
Balance at 1 January 2009	204,721	-	(206,656)	(381,526)	(383,461)	11,453	(372,008)
(Loss) / profit for the year	-	-	-	(53,937)	(53,937)	1,321	(52,616)
Revaluation of available-for-sale financial investments	-	-	33,976	-	33,976	-	33,976
Net foreign currency translation differences	-	-	170,812	-	170,812	-	170,812
Income tax relating to components of other comprehensive income	-	-	(280)	-	(280)	-	(280)
Proceeds from issue of shares	-	-	-	-	-	432	432
Dividends paid	-	-	-	-	-	(381)	(381)
Other	-	-	4,524	(4,524)	-	-	-
Balance at 31 December 2009	204,721	-	2,376	(439,987)	(232,890)	12,825	(220,065)
(Loss) / profit for the year	-	-	-	127,975	127,975	1,610	129,585
Revaluation of available-for-sale financial investments	-	-	(27,704)	-	(27,704)	-	(27,704)
Net foreign currency translation differences	-	-	107,649	-	107,649	-	107,649
Income tax relating to components of other comprehensive income	-	-	(296)	-	(296)	-	(296)
Reclassification of loans from related parties*	-	1,218,997	-	-	1,218,997	-	1,218,997
Proceeds from issue of shares	-	-	-	-	-	(282)	(282)
Dividends paid	-	-	-	-	-	(634)	(634)
Balance at 31 December 2010	204,721	1,218,997	82,025	(312,012)	1,193,731	13,519	1,207,250
(Loss) / profit for the year	-	-	-	(492,561)	(492,561)	1,240	(491,321)
Revaluation of available-for-sale financial investments	-	-	(65,808)	-	(65,808)	-	(65,808)
Net foreign currency translation differences	-	-	9,192	-	9,192	-	9,192
Income tax relating to components of other comprehensive income	-	-	661	-	661	-	661
Repayment of shareholder loans treated as equity	-	(252,826)	-	-	(252,826)	-	(252,826)
Deemed capital contribution	-	-	-	-	-	60	60
Dividends paid	-	-	-	(50,000)	(50,000)	(652)	(50,652)
Balance at 31 December 2011	204,721	966,171	26,070	(854,573)	342,389	14,167	356,556

Notes to the financial statements are included on pages 27 to 57.

* On 22 November 2010, the terms of the Company's loan agreements with Grizal Enterprises Ltd, a company which is 100% beneficially owned by the ultimate shareholder, were amended upon agreement by both parties. The new loan agreements amended the terms of the existing loans. Under the new terms, the loans were subordinated to all existing and future obligations of the Company and the term of the loans was changed to an indefinite life, with repayment at the discretion of the Company. As a result of these changes, the loans are now treated as equity.

Consolidated statement of cash flows

US$000	Note	Years ended 31 December 2011	2010	2009
Cash flows from operating activities				
Receipts from customers		682,023	652,304	427,674
Payments to suppliers and employees		(605,354)	(567,554)	(409,594)
Cash generated from operations	33	76,669	84,750	18,080
Interest received		5,788	545	4,249
Interest paid		(21,895)	(4,205)	(25,648)
Value added taxes received		56,998	40,981	28,437
Income taxes paid		(20,149)	(8,064)	(3,876)
Net cash generated from operating activities		97,411	114,007	21,242
Cash flows from investing activities				
Payments for development expenditure		(18,653)	(10,258)	(6,073)
Purchase of property, plant and equipment		(39,233)	(34,401)	(45,099)
Proceeds from sale of property, plant and equipment		515	469	1,255
Payments for mineral exploration and evaluation expenditure		(15,291)	(15,685)	(8,805)
Proceeds from dividends received		1,638	1,062	1,340
Purchase of available-for-sale financial investments		(1,609)	-	-
Proceeds from sale of available-for-sale financial investments		689	42,331	2,909
Payments for investments in associates		(12,318)	(1,524)	(2,233)
Payments for acquisition of non-controlling interests		-	(512)	-
Payments for other financial assets		(10)	-	-
Net cash used for investing activities		(84,272)	(18,518)	(56,706)
Cash flows from financing activities				
Proceeds from related party borrowings		-	47,023	65,768
Repayments of related party borrowings		-	(36,499)	(189,909)
Repayment of shareholder loans treated as equity		(252,826)	-	-
Dividends paid to owners of the parent company		(50,000)	-	-
Dividends paid to non-controlling interest		(652)	-	-
Net proceeds from issue of senior secured notes		389,228	-	-
Payments for repurchase of senior secured notes		(15,490)	-	-
Repayment of non-bank borrowings		(2,011)	-	(200,201)
Proceeds from bank borrowings		-	-	31,744
Repayment of bank borrowings		-	(50,184)	(25,255)
Proceeds from stockpile funding		198,501	156,878	147,920
Repayment of stockpile funding		(200,519)	(155,910)	(124,381)
Net cash generated from / (used for) financing activities		66,231	(38,692)	(294,314)
Net increase / (decrease) in cash and cash equivalents		79,370	56,797	(329,778)
Cash and cash equivalents at the beginning of the year		62,071	5,069	333,539
Exchange (losses) / gains on cash and cash equivalents		(3,345)	205	1,308
Cash and cash equivalents at the end of the year	25	138,096	62,071	5,069

Notes to the financial statements are included on pages 27 to 57.

Notes to the consolidated financial statements

1. General information

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

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

The financial statements of the Group and the Company for the year ended 31 December 2011 were approved and authorised for issue by the Board of Directors on 25th April 2012.

2. Basis of preparation

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

(a) Basis of preparation

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

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

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

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

(b) Going concern

The financial statements have been prepared on a going concern basis. The Group recorded a loss of $491.3 million in the current year. Of this loss $495.1million relates to non-cash impairment. During the current year the Group generated a positive operating cash flow of $97.4 million. The Group's cash forecasts, taking account of reasonably possible changes in trading performance, demonstrate a sufficient level of liquidity and debt facility headroom for the next 12 months from the date of signing this report. The Group has positive net assets of $356.6 million as at 31 December 2011.

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

(c) Basis of consolidation

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

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

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

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

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

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

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

(d) New and amended standards and interpretations effective as of 1 January 2011 adopted by the Group

- IAS 24 *Related Party Disclosures* (Revised). IAS 24 has been revised to change the definition of a related party. The application of the revised definition of related parties has not resulted in the identification of any additional related parties that were not identified as related parties under the previous Standard.
- IFRS Annual Improvements (May 2010)
    - IAS 1 *Presentation of Financial Statements* has been amended as part of the IFRS Annual Improvements 2010 project. The amendment removes the requirement for each item of other comprehensive income to be presented separately in the statement of changes in equity. The amendment clarifies that, for each component of equity, an entity may present the breakdown of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group presents such analysis in the notes to the financial statements.
    - IFRS 7 *Financial Instrument Disclosures* has been amended as part of the IFRS Annual Improvements 2010 project. The amendment clarifies quantitative disclosure requirements for risks arising from financial instruments and accompanying narrative disclosures where the concentration of risk is not apparent from the quantitative disclosures. The amendment does not currently have any impact on the Group financial statements.

(e) New and amended standards mandatory for the first time for the financial year beginning 01 January 2011 but not currently relevant to the Group

- Amendment to IFRIC 14 *Prepayments of a Minimum Funding Requirement*
- IFRIC 19 *Extinguishing financial liabilities with equity instruments*
- IFRS 3 *Business Combinations*
- IFRIC 13 *Customer Loyalty Programmes*
- IAS 27 *Consolidated and Separate Financial Statements*
- Amendments to IFRS 7 *Financial Instruments – Disclosures – Transfer of Financial Assets*

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

- IFRS 9 *Financial Instruments: Classification and Measurement* (effective 1 January 2015): IFRS 9 was issued by the IASB in November 2009 and subsequently amended in October 2010. This new standard represents the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB will address hedge accounting and recognition. The Group has not yet completed its evaluation of the effect of adoption.
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (effective 1 January 2013): IFRIC 20 sets out the accounting for over burden waste removal (stripping costs) in the production phase of a mine and the associated future benefits of access to usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. IFRIC 20 considers when and how to account separately for these two benefits, as well as how to measure these benefits both initially and subsequently. The Group has not yet completed its evaluation of the effect of adoption.

(g) Interpretations and amendments to existing standards that are not yet effective and not relevant for the Group's operations

- Amendment to IAS 12,'Income taxes' on deferred tax (effective 1 January 2012)

(h) Comparatives

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

(i) Changes in accounting policies

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

3. Summary of significant accounting policies

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

(a) Foreign currency translation

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

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

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

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

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

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

	31 December 2011	Average 2011	31 December 2010	Average 2010	31 December 2009	Average 2009
Australian dollar	1.0174	1.0334	1.0163	0.9199	0.8929	0.7807
British Pound	1.5453	1.6039	1.5468	1.5443	1.5926	1.5597

(b) Investments in associates

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

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

(c) Revenue recognition

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

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

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

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

(d) Finance income and costs

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

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

(e) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income.

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

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

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially 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 temporary differences can be utilised.

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

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

(f) Dividends

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

(g) Finance leases and hire purchase commitments

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

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

(h) Operating leases

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

(i) Borrowing costs

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

(j) Property, plant and equipment

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

Depreciation is recorded over the estimated useful life of the asset, or over the remaining life of the mine if shorter, as follows:

- Residential and industrial buildings	- 5% diminishing value method
- Office future and equipment (owned and leased)	- 33% diminishing value method
- Motor vehicles (owned and leased)	- 22.5% diminishing value method
- Mining plant and equipment (owned)	- On a units-of-production basis, taking into account an assessment of economic life
- Mining plant and equipment (leased)	- Shorter of 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.

(k) Intangible Assets

<u>Exploration and evaluation expenditure</u>

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

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

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

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

(l) Goodwill

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

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

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

(m) Impairment of non-current assets

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

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

The recoverable amount of assets is the greater of their value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The Group’s cash-generating units are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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

(n) Financial assets

Recognition

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

Classification and measurement

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

(a) Loans and receivables

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

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

(b) Available-for-sale financial investments

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 investments 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 investments’.

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

(o) Inventories

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

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

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

(p) Trade and other receivables

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

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

(q) Cash and cash equivalents

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

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

(r) Borrowings

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

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

(s) Trade and other payables

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

(t) Employee benefits

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

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

(u) Provisions

General

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

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

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

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

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

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

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

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

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

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

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

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

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

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

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

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 judgement is required in assessing the available reserves and the production capacity of the assets to be depreciated under this method. Factors that must be considered in determining reserves and resources and production capacity are the Group's history of converting resources to reserves and the relevant time frames, and markets and future developments.

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

5. Segment analysis

Management considers the business from a product perspective. The primary products of the Group are produced manganese and chromite ore, and on-market trading of ferro-alloys. Other divisions consist of on-market trading of third party ore and small scale administration and head office functions.

The segment information provided for the years ended 31 December 2011, 2010 and 2009 is as follows:

2011 **US$000**	Manganese	Chromite	Ferroalloy	Other	Total
Revenue from external customers	621,685	71,277	13,599	-	706,561
Cost of goods sold	(491,291)	(77,955)	(13,245)	(2,077)	(584,568)
Gross profit / (loss)	130,394	(6,678)	354	(2,077)	121,993
Adjusted EBITDA	157,426	199	353	(31,316)	126,662
Depreciation and amortisation	(110,209)	(15,663)	-	(490)	(126,362)
Non-cash inventory write-down	(17,193)	(7,401)	-	-	(24,594)
Impairment expense	(491,716)	(3,430)	-	-	(495,146)
Net foreign exchange loss	(2,230)	(245)	-	(319)	(2,794)
Gain on disposal of available-for-sale financial investments	-	-	-	10	10
Share of profit of associates	-	-	-	1,604	1,604
Finance income	264	-	-	8,284	8,548
Finance costs	(2,938)	(222)	-	(27,871)	(31,031)
(Loss) / profit before tax	(466,596)	(26,762)	353	(50,098)	(543,103)
Income tax credit*					51,782
Loss for the year					(491,321)
Total assets	606,448	51,070	370	308,389	966,277
Total liabilities	(197,481)	(17,407)	-	(394,833)	(609,721)

* Income tax (credit) / expense is not allocated to segments as tax is managed on a group basis.

2010 US$000	Manganese	Chromite	Ferroalloy	Other	Total
Revenue from external customers	504,077	39,316	87,581	8,555	639,529
Cost of goods sold	(295,346)	(23,656)	(83,837)	(11,222)	(414,061)
Gross profit / (loss)	208,731	15,660	3,744	(2,667)	225,468
Adjusted EBITDA	273,780	37,382	3,744	(41,728)	273,178
Depreciation and amortisation	(114,875)	(4,409)	-	(724)	(120,008)
Non-cash inventory write-down	(24,798)	(546)	-	-	(25,344)
Impairment write-back	-	26,986	-	1,723	28,709
Net foreign exchange (loss) / gain	(626)	-	-	1,844	1,218
Loss on disposal of available-for-sale financial investments	-	-	-	(10,010)	(10,010)
Share of profit of associates	-	-	-	1,508	1,508
Finance income	674	-	-	555	1,229
Finance costs	(2,969)	(144)	-	(1,116)	(4,229)
Profit / (loss) before tax	131,186	59,269	3,744	(47,948)	146,251
Income tax expense					(16,666)
Profit / (loss) for the year					129,585
Total assets	1,128,346	57,446	-	286,519	1,472,311
Total liabilities	(188,119)	(21,194)	(57)	(55,691)	(265,061)

2009 US$000	Manganese	Chromite	Ferroalloy	Other	Total
Revenue from external customers	296,851	23,646	37,604	7,559	365,660
Cost of goods sold	(203,153)	(23,587)	(35,140)	(10,762)	(272,642)
Gross profit	93,698	59	2,464	(3,203)	93,018
Adjusted EBITDA	134,544	(2,680)	2,464	(22,863)	111,465
Depreciation and amortisation	(73,752)	(4,331)	-	(785)	(78,868)
Impairment write-back	-	-	-	63,877	63,877
Net foreign exchange gain/ (loss)	23,436	-	-	(139,433)	(115,997)
Loss on disposal of available-for-sale financial investments	-	-	-	(92)	(92)
Share of loss of associates	-	-	-	(20,237)	(20,237)
Finance income	-	1	-	4,248	4,249
Finance costs	(3,426)	(192)	-	(9,945)	(13,563)
Profit / (loss) before tax	80,802	(7,202)	2,464	(125,230)	(49,166)
Income tax (expense) / credit					(3,450)
Profit / (loss) for the year					(52,616)
Total assets	974,562	14,892	-	272,891	1,262,345
Total liabilities	(212,393)	(8,499)	-	(1,261,518)	(1,482,410)

A reconciliation of adjusted EBITDA to profit before tax and finance items is provided as follows:

	Years ended 31 December		
US$000	**2011**	**2010**	**2009**
Adjusted EBITDA	126,662	273,178	111,465
Depreciation and amortisation	(126,362)	(120,008)	(78,868)
Non-cash inventory write-down	(24,594)	(25,344)	-
Impairment (expense) / write-back	(495,146)	28,709	63,877
Net foreign exchange (loss) / gain	(2,794)	1,218	(115,997)
Share of profit / (loss) of associates	1,604	1,508	(20,237)
Gain / (loss) on disposal of available-for-sale financial investments	10	(10,010)	(92)
(Loss) / profit before tax and finance items	(520,620)	149,251	(39,852)

Adjusted EBITDA is operating profit before depreciation and amortisation, non-cash inventory write down, impairment (expense) / write-back and net foreign exchange (loss) / gain.

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

Divisions' assets are reconciled to total assets as follows:

	Years ended 31 December	
US$000	**2011**	**2010**
Assets of Manganese, Chromite and Ferro-alloys	657,888	1,185,792
Other assets		
- Available-for-sale financial investments	21,329	86,129
- Investments in associates	40,908	27,172
- Other property, plant and equipment and intangibles	76,837	75,763
- Other inventory	3,974	2,433
- Other receivables	2,056	2,694
- Deferred tax asset	42,578	-
- Other cash and cash equivalents	120,707	92,328
Total assets per the statement of financial position	966,277	1,472,311

The Company is domiciled in Jersey. Revenue from external customers generated by Group companies domiciled in Jersey was $664.1 million (2010: nil). The total revenue in the year from external customers generated in Singapore, where the trading operations were previously domiciled, is $42.5 million (2010: $509.6 million). In 2010 revenue from external customers of $129.9 million was generated directly from the Australian operations.

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 (2010: nil).

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is $390.5 million (2010: $876.0 million) and in Ghana is $209.2 million (2010: $146.7 million).

Divisional liabilities are reconciled to total liabilities as follows:

	Years ended 31 December	
US$000	**2011**	**2010**
Liabilities of Manganese, Chromite and Ferro-alloys	(214,888)	(209,370)
Other liabilities		
- Other borrowings	(373,904)	(2,159)
- Other trade and other payables	(18,822)	(20,831)
- Other deferred tax liability	-	(30,461)
- Other provisions	(2,107)	(2,240)
Total liabilities per the statement of financial position	(609,721)	(265,061)

6. Revenue

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

	Years ended 31 December		
US$000	**2011**	**2010**	**2009**
China	440,149	269,883	194,133
Ukraine	180,383	166,784	99,457
Georgia	27,581	36,305	3,620
India	19,348	48,766	8,841
USA	11,249	19,622	28,761
South Korea	-	49,576	6,623
Norway	8,337	8,343	2,793
Malaysia	7,138	10,057	5,964
Taiwan	6,006	20,504	11,605
Australia	584	462	-
Other	5,786	9,227	3,863
	706,561	639,529	365,660

7. Cost of sales

US$000	Years ended 31 December 2011	2010	2009
Deferred stripping	(34,044)	(37,181)	(9,168)
Mining and production expenses	339,864	258,876	152,085
Purchases of ores and ferro-alloys for sale	13,245	91,357	42,943
Depreciation and amortisation	125,712	119,193	78,062
Royalties and other taxes	40,229	37,169	20,359
Net movement in inventories	74,893	(80,819)	(12,030)
Inventory NRV write down	24,594	25,344	-
Other	75	122	391
	584,568	414,061	272,642

8. Selling and distribution expenses

US$000	Years ended 31 December 2011	2010	2009
Transportation costs	94,384	53,914	31,330
Personnel costs	1,098	1,527	1,041
Depreciation	650	731	765
Duties	586	703	569
Termination of agency agreement	5,500	-	-
Other	8,091	3,506	1,482
	110,309	60,381	35,187

9. General and administrative expenses

US$000	Years ended 31 December 2011	2010	2009
Personnel costs	13,097	11,941	8,416
Consulting and other professional fees	7,335	11,897	9,342
Legal	1,851	3,629	1,544
Operating lease rentals	4,040	3,584	2,532
Levies and charges	3,887	2,356	1,139
Social responsibility costs	1,686	1,862	858
Travel and entertainment	2,498	1,695	1,182
Communication	1,659	1,088	731
Tenement administration expense	930	802	711
Utilities	368	353	129
Other	5,049	3,378	1,647
	42,400	42,585	28,231

10. Other operating income - net

US$000	Years ended 31 December 2011	2010	2009
Other operating income			
Non-mining activities	1,194	1,975	1,529
Gain on disposal of property, plant and equipment	52	-	-
Other*	5,223	3,396	1,745
	6,469	5,371	3,274
Other operating expenses			
Loss on disposal of property, plant and equipment	(47)	(47)	(277)
Other operating income – net	6,422	5,324	2,997

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

11. Net foreign exchange (loss) / gain

	Years ended 31 December		
US$000	**2011**	**2010**	**2009**
Foreign exchange gain	4,953	9,445	31,341
Foreign exchange loss	(7,747)	(8,227)	(147,338)
Net foreign exchange (loss) / gain	(2,794)	1,218	(115,997)

12. Impairment (expense) / write-back

	Years ended 31 December		
US$000	**2011**	**2010**	**2009**
Impairment (expense) / write-back of non-current assets			
Impairment (expense) / write-back of property, plant and equipment	(401,824)	26,986	-
Impairment expense of intangible assets	(45,672)	-	-
Impairment expense of goodwill	(47,650)	-	-
Impairment write-back of investment in associates	-	1,723	63,877
Impairment (expense) / write-back of non-current assets	(495,146)	28,709	63,877

	Years ended 31 December		
US$000	**2011**	**2010**	**2009**
Total impairment (expense) / write-back of non-current assets relates to the following segments:			
Manganese	(491,716)	-	-
Chrome	(3,430)	26,986	-
Other	-	1,723	63,877
	(495,146)	28,709	63,877

As a result of the impairment event certain deferred tax assets were also impaired as follows (see note 17)

	Years ended 31 December		
US$000	**2011**	**2010**	**2009**
Deferred tax losses derecognised			
Prior year tax losses recognised, derecognised due to impairment event during the year	(43,714)	-	-
Current year tax losses recognised, derecognised due to impairment event during the year	(69,999)	-	-
	(113,713)		

Non-current assets

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

2011 Impairments Review

Amendment to Identified Cash Generating Units

In previous reporting periods, the Group has allocated all goodwill to the manganese segment for the purpose of assessing impairment. From 2011, the Group has identified that assets should be grouped at a lower level for which there are separately identifiable cash inflows, and that impairment should be assessed at this lower level. The goodwill allocated to the manganese segment has been split into two separate CGUs for impairment testing purposes; Manganese Australia and Manganese Ghana.

The Group has revised this allocation following changes to trading and business conditions during 2011. A change in the structure of trading operations has resulted in separately identifiable cash flows arising from the sale of Australian and Ghanaian manganese ore. There has also been further differentiation in the markets in which sales are made, with Australian manganese ore predominantly sold to the alloys market and a substantial volume of Ghanaian ore sold to the Electrolytic Manganese Metal (EMM) market, which significantly influences the pricing for this type of ore. Management believe that the separation of the manganese CGU into two separate CGUs for goodwill impairment testing will result in a more reliable and relevant impairment review than that conducted under the previous policy.

The 2011 impairment review, prepared under the Group's revised policy is below. The Group has reviewed its 2010 impairment calculations and is satisfied that no adjustments are required arising from this change in accounting policy. This is because the change in business conditions necessitating the revision were not fully present in 2010, and management are satisfied that there would be no difference in the outcome of impairment testing should the 2010 Manganese CGU be split.

Goodwill

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

The recoverability of goodwill has been assessed by reference to fair value less costs to sell (FVLCS), being the methodology that has provided the higher value for the CGU. The valuation has been prepared using methodology and assumptions consistent with those used for non-current assets. The impairment review carried out at 31 December 2011 indicated that the recoverable amount of the Australia Manganese CGU is less than its carrying amount and as a result the goodwill allocated to the Australian Manganese CGU has been impaired by $47.7 million (2010: nil) reducing the carrying amount to nil. Refer to note 20 for further details of the goodwill impairment loss recognised.

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 2011 (2010 nil).

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

Non-Current Assets

Australian Manganese CGU

Impairment testing of the Australian Manganese and exploration CGU, was undertaken using the FVLCS methodology.

The key assumptions used in the FVLCS calculations include:

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

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

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

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

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

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

The AUD/USD exchange rates are based on bank consensus forecast exchange rates for the major Australian banks. The real post-tax discount rate applied was 10.1% (2010: 9.1%).

The FVLCS valuation in relation to the Manganese Australia CGU is most sensitive to fluctuations in price and the AUD/USD exchange rate. The table below summarises the forecast exchange rates applied to convert USD denominated revenue and demonstrates a significant appreciation in the forecast Australian dollar for the period forecast and significant appreciation compared to the prior year forecast. Whilst some of the Australian Manganese CGU's costs are denominated in USD, the majority are denominated in AUD. For every 100 point movement in the forecast exchange rate, the post tax net present value of the unit is impacted by $18 million.

	2012	2013	2014	2015	2016	Life of Model Average
2011 Valuation	1.030	1.000	0.940	0.910	0.880	0.910
2010 Valuation	0.971	0.879	0.841	0.830	0.815	0.840

Forecast Manganese prices for the alloy market, being the market that the majority of the Australian CGU sales are made in, have reduced significantly from 2010 in the short term to medium term. External market forecasters predicted that the uplift in price experienced in 2010 would be supported by a further uplift in 2011, followed by several years of softening to bring the long term forecast price in line with long term price averages. However, 2011 saw a significant softening of the prices achieved by the Australian Manganese CGU. This price impact was primarily due to substantial growth in manganese ore port stockpiles in China (the largest import market for manganese ore). Market forecasters predict a further softening in prices in 2012 followed by an uplift in 2013 and prices remaining flat until 2015.

The price assumptions utilised in the FVLCS model are based on the CRU forecast CIF benchmark price for 44% Mn lump product, adjusted for grade differential up to 45.5%. The forecast average 45.5% benchmark price used in the model for the 5 year period from the year ending 2011 is $5.47 (2010: $6.88). For every 1% movement in the forecast price, the post-tax net present value of the unit is impacted by $19 million.

As a result of the combined impact of lower forecast manganese pricing and higher forecast AUD/USD exchange rates, the impairment review carried out at 31 December 2011 indicated that the fair value of the Australia Manganese CGU was less than the carrying value of the CGU's assets. Consequently goodwill associated with the Australian Manganese CGU has been impaired by $47.7 million (2010 $nil) and the carrying value of property, plant and equipment and intangible assets impaired by $444.1 million (2010 $nil). Refer to notes 18 and 19 for further details of the impairment loss recognised in relation to property, plant and equipment. The FVLCS has been performed over a thirteen year period to 2024.

Ghana Manganese CGU

The Ghanaian Manganese CGU produces ore that during 2011 has predominately been priced by the EMM market for which the pricing outlook has remained more buoyant then the alloys market. The unit is not subject to the same currency appreciation issues as the Australian unit with revenue and the majority of costs being denominated in USD.

As such, the recoverable amount for the Ghana Manganese CGU supported the carrying value of the assets of that unit including the associated goodwill. Therefore no impairment loss was required for that CGU as at 31 December 2011 (2010 $nil). No reasonably possible movement in assumptions would trigger an impairment.

The key assumptions used in the FVLCS calculations include:

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

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

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

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

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

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

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

Chromite CGU

For the chromite CGU, the recoverable amount has been determined by company a fair value less cost to sell (FVLCS) model. The key assumptions used in the FVLCS calculation include:

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

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

Commodity prices are determined with reference to external market information and forecasts. The forecast prices used are an average for the year, the prices are likely to vary within the year the sale is expected to occur.

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

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

The AUD/USD exchange rate used in the FVLCS is based on bank consensus forecast AUD/USD exchange rates. The discount rate used in the Chromite CGU FVLCS review is a real, post-tax discount rate of 10.1% (2010: 9.1%). Both the exchange rate and discount rate assumptions are consistent with the Australian manganese CGU.

The FVLCS valuation in relation to the Chromite CGU is most sensitive to fluctuations in price and AUD/USD exchange rate. The strengthening of the AUD/USD exchange rate has been discussed in the Manganese CGU and has a similar impact on the valuation of the Chromite CGU. There has been a softening in the forecast Chromite price from 2010. For each 100 point movement in exchange rate or 1% movement in price, the post tax net present value of the unit is impacted by $1 million.

The impact of these two factors is that the fair value of the Chromite CGU in the impairment review carried out as at 31 December 2011 is less than its carrying amount. Consequently, an impairment of assets associated with the Chromite CGU of $3.4 million has been charged to the statement of comprehensive income (2010; $27.0 million impairment reversal). Refer to notes 18 and 19 for further details of the impairment loss recognised in relation to property, plant and equipment. The FVLCS has been performed over a three year period.

Nickel CGU

Due to a depressed pricing environment and poor global economic outlook, the nickel operations at Kambalda were placed on care and maintenance in December 2008 the Nickel operation remains on care and maintenance and management is reviewing available options to ensure that the value of the CGU is maximised. Management do not consider that impairment indicators exist for the Nickel CGU and consequently no impairment review has been performed.

Investments in associates

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

Available-for-sale investments

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

13. Auditor's remuneration

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

	Years ended 31 December		
US$000	**2011**	**2010**	**2009**
Audit services			
Fees payable to Company's auditor for the audit of the parent Company and consolidated financial statements	301	201	203
Fees payable to Company's auditor for the audit of subsidiary Company and respective financial statements	361	563	464
Fees payable to the Company's auditor for other assurance related services	42	387	-
	704	1,151	667
Other services			
Fees payable to the Company's auditor and its associates for other services:			
Other services related to taxation	237	30	159
Other services relating to transactions and other consulting services	619	-	27
	856	30	186
Total auditors' remuneration	1,560	1,181	853

14. Employee benefits expense

US$000	Years ended 31 December 2011	2010	2009
Wages and salaries	71,531	49,231	35,824
Social security costs	533	425	386
Pension costs	5,175	3,474	2,424
	77,239	53,130	38,634
Average number of employees during year	1,177	1,045	880

15. Gain / (loss) on disposal of available-for-sale financial investments

US$000	Years ended 31 December 2011	2010	2009
Gain / (loss) on disposal of available-for-sale financial investments	10	(10,010)	(92)

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

16. Finance income and costs

US$000	Years ended 31 December 2011	2010	2009
Finance income			
Bank interest income	5,846	561	4,249
Other finance income	2,702	668	-
	8,548	1,229	4,249
Finance costs			
Interest expense on bank borrowings	(2,759)	(2,638)	(3,629)
Interest on non-bank loans	-	-	(7,886)
Interest on related party loan	-	-	(504)
Interest expense on senior secured notes	(26,049)	-	-
Finance lease costs	(678)	(1,122)	(1,543)
Other finance costs	(1,545)	(469)	(1)
	(31,031)	(4,229)	(13,563)
Net finance costs	(22,483)	(3,000)	(9,314)

17. Income taxes

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

US$000	Years ended 31 December 2011	2010	2009
Current income tax	8,615	29,539	1,360
Deferred income tax	(60,397)	(12,873)	2,090
	(51,782)	16,666	3,450

During the year ended 31 December 2011, the Group's income was subject to taxation in Australia, Ghana and Singapore. The Company, domiciled in Jersey, is subject to tax at a rate of 0% under the Jersey tax regime. The corporate income tax levied on taxable income less allowable expenses was at the following rates:

Australia – 30% (2010: 30%)
Ghana – 25% (2010: 25%)
Singapore – 10% (2010: 10%) – concessionary rate applicable to profit derived from activities satisfying "Global trader" status requirements.

In addition to the above, the Ghana operations are subject to a National Fiscal Stabilisation Levy at 5% on the accounting profit before tax. With effect from 1 January 2012 the National Fiscal Stabilisation Levy will no longer apply and the standard rate of Corporate Income Tax for Mining Companies in Ghana will increase from 25% to 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:

US$000	Years ended 31 December 2011	2010	2009
(Loss) / profit before taxation	(543,103)	146,251	(49,166)
Statutory tax at the Jersey rate 0% (2010: 0%)	-	-	-
Tax (credit) / expense calculated at the local rates applicable to profits in the country concerned	(213,774)	15,044	4,320
Effect of items not deductible for tax purposes	4,744	477	(6,101)
Impairment losses on goodwill not deductible for tax purposes	14,268	-	-
Prior year tax losses recognised, written off due to impairment event during the year	43,714	-	-
Current year tax losses recognised, written off due to impairment event during the year	69,999	-	-
Current year tax losses not recognisable	6,435		
Effect of capital allowances	(3,654)	-	-
Withholding tax on interest and dividend payments	598	919	4,806
Adjustment recognised in the current year in respect of prior period	9,450	-	860
Effect in deferred tax balance due to change in Ghana income tax rate from 25% to 35% (effective 1 January 2012)	12,861	-	-
Other	3,577	226	(435)
Income tax (credit) / expense for the year	(51,782)	16,666	3,450

The effective tax rate for the period was 9.5% (2010: 11.4%, 2009: (7.0%)). The decrease is due to changes in the proportion of taxable profits in the jurisdictions in which the Company operates.

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

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

US$000	Years ended 31 December 2011	2010	2009
Deferred tax:			
Fair value gains / (losses) on available-for-sale financial investments	661	(296)	(280)
	661	(296)	(280)

Recognised deferred tax assets and liabilities

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

US$000	Years ended 31 December 2011	2010
Deferred tax asset		
Property, plant and equipment	26,561	7,156
Inventories	12,992	-
Carry forward losses	-	43,714
Provisions	44,884	27,937
Investments	14,221	14,093
Other	843	11,439
Transfer from deferred tax liability	(56,923)	(104,339)
	42,578	-
Deferred tax liability		
Property, plant and equipment	103,937	166,983
Inventories	-	1,679
Transfer to deferred tax assets	(56,923)	(104,339)
	47,014	64,323
Net deferred tax liabilities	4,436	64,323

The movements in the net deferred income tax liabilities are:

US$000	Years ended 31 December 2011	2010
Opening balance 1 January	64,323	58,694
Credited to the income statement	(60,397)	(12,873)
Charged to equity	(661)	296
Current year tax losses recognised	69,999	16,109
Current year tax losses recognised written off due to impairment event during the year	(69,999)	-
Net foreign currency exchange differences	1,171	2,097
Closing balance at 31 December	4,436	64,323

18. Property, plant and equipment

US$000

	Owned property, plant and equipment	Leased and hire purchase plant and equipment	Capital work in progress	Mining properties	Other*	Total
Cost at 1 January 2011	174,599	65,644	16,124	1,060,374	41,245	1,357,986
Additions	15,250	-	28,004	20,538	12,105	75,897
Transfers**	37,585	(10,002)	(29,092)	(31,691)	1,509	(31,691)
Disposals	(849)	(737)	-	(923)	-	(2,509)
Capitalised pre-stripping costs	-	-	-	80,465	-	80,465
Expense of pre-stripping costs	-	-	-	(46,421)	-	(46,421)
Other	19	(2)	(5,041)	-	-	(5,024)
Net foreign currency exchange differences	(442)	237	42	781	(49)	569
At 31 December 2011	226,162	55,140	10,037	1,083,123	54,810	1,429,272
Accumulated depreciation at 1 January 2011	(68,139)	(44,261)	-	(362,644)	(3,837)	(478,881)
Disposals	598	711	-	-	-	1,309
Charge for the year	(24,545)	(10,141)	-	(87,134)	(4,542)	(126,362)
Impairment expense	(48,842)	(10,443)	-	(328,288)	(14,251)	(401,824)
Transfers	(14,669)	14,669	-	-	-	-
Other	(92)	-	-	-	3	(89)
Net foreign currency exchange differences	1,163	2	-	5,968	281	7,414
At 31 December 2011	(154,526)	(49,463)	-	(772,098)	(22,346)	(998,433)
Net book value at 31 December 2011	**71,636**	**5,677**	**10,037**	**311,025**	**32,464**	**430,839**

US$000

	Owned property, plant and equipment	Leased and hire purchase plant and equipment	Capital work in progress	Mining properties	Other*	Total
Cost at 1 January 2010	103,469	57,533	41,530	893,907	21,908	1,118,347
Additions	12,377	-	23,926	16,722	16,180	69,205
Transfers	48,515	1,435	(52,010)	819	-	(1,241)
Disposals	(2,919)	(1,287)	(60)	(325)	-	(4,591)
Capitalised pre-stripping costs	-	-	-	65,815	-	65,815
Expense of pre-stripping costs	-	-	-	(28,634)	-	(28,634)
Net foreign currency exchange differences	13,157	7,963	2,738	112,070	3,157	139,085
At 31 December 2010	174,599	65,644	16,124	1,060,374	41,245	1,357,986
Accumulated depreciation at 1 January 2010	(42,118)	(32,058)	-	(261,512)	(2,728)	(338,416)
Disposals	2,068	1,257	-	-	-	3,325
Charge for the year	(24,031)	(10,933)	-	(83,696)	(1,348)	(120,008)
Impairment write-back	1,768	1,487	-	23,045	686	26,986
Transfers	88	1,153	-	-	-	1,241
Net foreign currency exchange differences	(5,914)	(5,167)	-	(40,481)	(447)	(52,009)
At 31 December 2010	(68,139)	(44,261)	-	(362,644)	(3,837)	(478,881)
Net book value at 1 January 2010	**61,351**	**25,475**	**41,530**	**632,395**	**19,180**	**779,931**
Net book value at 31 December 2010	**106,460**	**21,383**	**16,124**	**697,730**	**37,408**	**879,105**

* ‘Other’ assets primarily comprise mining rehabilitation assets relating to the Australian and Ghanaian mining operations.
**During the year assets included within mining properties were transferred to intangible assets (see note 19).

19. Intangible assets

US$000

	Exploration and evaluation
Cost at 1 January 2011	131,545
Additions	14,723
Transfers	31,691
Disposals	(117)
Net foreign currency exchange differences	(550)
At 31 December 2011	177,292
Opening impairment at 1 January 2011	(54,963)
Impairment charge	(45,672)
Net foreign currency exchange differences	646
At 31 December 2011	(99,989)
Net book value at 31 December 2011	77,303
Cost at 1 January 2010	103,375
Additions	12,850
Disposals	(278)
Net foreign currency exchange differences	15,598
At 31 December 2010	131,545
Opening impairment at 1 January 2010	(48,292)
Net foreign currency exchange differences	(6,671)
At 31 December 2010	(54,963)
Net book value at 1 January 2010	55,083
Net book value at 31 December 2010	76,582

20. Goodwill

	As at 31 December	
US$000	**2011**	**2010**
Cost at 1 January	75,791	70,101
Impairment charge	(47,650)	-
Net foreign currency exchange differences	789	5,690
At 31 December	28,930	75,791

Goodwill on the statement of financial position at 31 December 2011 relates solely to the Ghanaian Manganese operations.

21. Inventories

	As at 31 December	
US$000	**2011**	**2010**
Current		
Ore stockpiles	52,704	150,536
Consumable stores	31,434	23,359
Other inventories	4,462	3,490
Provision for obsolete and slow moving inventory	(6,922)	(4,523)
Total inventories	81,678	172,862

Finished goods, ore stockpiles and other inventories are measured at the lower of cost and net realisable value. In 2011 the Group recognised a NRV write-down expense of $24.6 million (2010: $25.3 million).

22. Investments in associates

US$000	As at 31 December 2011	2010
Cost at 1 January	27,172	20,930
Additions	12,127	1,524
Share of profit for the year	1,604	1,508
Net foreign currency exchange differences	5	3,210
Net book value at 31 December	40,908	27,172

Name of entity	Country of incorporation	Principal activity	Reporting date	Ownership interest 2011 %	Ownership interest 2010 %
Associates					
BC Iron Limited	Australia	Mining and Exploration	31/12/2011	24.8%	21.1%

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

US$000	As at 31 December 2011	2010
Financial position:		
Total assets	131,190	55,708
Total liabilities	(55,438)	(16,078)
Net assets	75,752	39,630
Group's share of associates' net assets	18,786	8,365
Financial performance:		
Total revenue	82,504	1,406
Total profit/(loss) for the year	5,345	(1,274)
Group's share of associate's profit / (loss)*	1,326	(269)

The directors believe that the carrying value of the investments is supported by their underlying net assets and the cashflow generating ability of BC Iron Limited now that BC Iron has successfully commissioned its main mining operation during the course of 2011.

* The Group's share of associate profit / (loss) stated above differs to that stated in the consolidated statement of comprehensive income because of adjustments for the amortisation of the uplift upon acquisition and differences in accounting policies.

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

US$000	As at 31 December 2011	2010
BC Iron Ltd	63,736	57,981

23. Available-for-sale financial investments

US$000	As at 31 December 2011	2010
Non-current		
Equity securities - listed	21,329	86,129

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

US$000	Years ended 31 December 2011	2010
At 1 January	86,129	153,328
Additions	1,609	-
Disposals	(688)	(52,204)
Net losses transferred to equity	(65,808)	(27,704)
Net foreign currency exchange differences	87	12,709
At 31 December	21,329	86,129

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

24. Trade and other receivables

US$000	As at 31 December 2011	2010
Non-current trade and other receivables		
Pre-paid port facility charges	-	2,847
Security deposits	383	213
	383	3,060
Current trade and other receivables		
Trade receivables	56,350	26,085
Less provision for impairment of trade receivables	(63)	(43)
	56,287	26,042
Trade receivables from related parties	9,238	8,667
Prepayments	4,777	4,455
Pre-paid port facility charges	2,254	2,001
Value added tax recoverable	4,966	4,165
Other	8,652	8,535
	86,174	53,865
Total receivables	86,557	56,925

The carrying value of receivables approximates their fair value.

As of 31 December 2011, trade receivables of US$7.4 million (2010: US$2.0 million) were past due but not impaired. These relate to a number of customers for whom there is no history of default. The ageing analysis of these trade receivables is detailed in note 36.

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

US$000	As at 31 December 2011	2010
US dollar	68,902	37,852
Australian dollar	15,300	17,649
British pound	336	82
Ghana cedi	2,019	1,342
	86,557	56,925

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

US$000	As at 31 December 2011	2010
At 1 January	(43)	(43)
Increase in receivables impairment	(20)	-
As at 31 December	(63)	(43)

25. Cash and cash equivalents

US$000	As at 31 December 2011	2010
Cash at bank and in hand	155,076	97,542
Short-term bank deposits	119	203
Cash and cash equivalents at the end of the year	155,195	97,745
Less: bank overdrafts (see note 30)	(17,099)	(35,674)
Net cash and cash equivalents per the cash flow statement	138,096	62,071

Cash and cash equivalents are denominated in the following currencies:

US$000	As at 31 December 2011	2010
US dollar	146,894	90,604
Australian dollar	7,177	5,399
British Pound	443	731
Singapore dollar	20	323
Ghana cedi	391	661
Other currencies	270	27
	155,195	97,745

Bank overdrafts are denominated in US dollars.

26. Share capital and share premium

	Number of shares	Ordinary shares	Share premium	Total
	Thousands	US$000	US$000	US$000
At 1 January 2010	10,000	10,000	194,721	204,721
At 31 December 2010	10,000	10,000	194,721	204,721
At 31 December 2011	10,000	10,000	194,721	204,721

The total number of authorised shares is ten million ordinary shares (2010: ten million shares) with a par value of US$1 per share (2010: US$1 per share). All shares are allotted, issued and fully paid, carry one vote per share and carry the right to dividends.

27. Subordinated shareholder loans treated as equity

	As at 31 December	
US$000	**2011**	**2010**
At 1 January	1,218,997	-
Reclassification of loans from related parties*	-	1,218,997
Repayment of subordinated shareholder loan	(252,826)	-
At 31 December	966,171	1,218,997

* On 22 November 2010, the terms of the Company's loan agreements with Grizal Enterprises Ltd, a company which is 100% beneficially owned by the ultimate shareholder, were amended upon agreement by both parties. The new loan agreements amended the terms of the existing loans. Under the new terms, the loans were subordinated to all existing and future obligations of the Company and the term of the loans was changed to an indefinite life, with repayment at the discretion of the Company. As a result of these changes, the loans are treated as equity.

28. Reserves

US$000	Available-for-sale financial investments	Foreign currency exchange translation	Total
Balance at 1 January 2010	17,561	(15,185)	2,376
Revaluation – gross	(27,704)	-	(27,704)
Revaluation – tax	(296)	-	(296)
Net foreign currency exchange differences	2,546	105,103	107,649
Balance at 31 December 2010	(7,893)	89,918	82,025
Revaluation – gross	(65,808)	-	(65,808)
Revaluation – tax	661	-	661
Net foreign currency exchange differences	(9)	9,201	9,192
Balance at 31 December 2011	(73,049)	99,119	26,070

29. Retained losses

	As at 31 December	
US$000	**2011**	**2010**
At 1 January	(312,012)	(439,987)
(Loss) / profit for the year	(492,561)	127,975
Dividends paid	(50,000)	-
At 31 December	(854,573)	(312,012)

30. Borrowings

US$000	As at 31 December 2011	2010
Non-current		
Senior secured high yield notes	373,370	-
Finance lease liabilities – hire purchase loans	2,701	2,056
	376,071	2,056
Current		
Bank overdrafts	17,099	35,674
Finance lease liabilities – hire purchase loans	3,402	6,010
Stockpile funding	20,828	22,951
	41,329	64,635
Total borrowings	417,400	66,691

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

The senior secured notes are stated net of repurchases, unamortised discount of $1.7million and unamortised issue costs of $11.9 million. Unamortised discount and issue costs are allocated to the statement of comprehensive income over the five year term of the bond.

Finance lease liabilities are secured by charges over each respective leased asset. Refer to note 34 for details on timing and amount of future lease and hire purchase payments.

The stockpile funding facility is secured by a first ranking fixed and floating charge over trade receivables and stockpiled manganese and chromite ore held in Australia. Amounts are repayable within 45 days from drawdown of funds.

The carrying value of borrowings approximates their fair value.

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

US$000	As at 31 December 2011	2010
Interest-free and repayable on demand	-	-
6 months or less	39,447	61,630
6 - 12 months	1,520	3,005
1 - 5 years	3,063	2,056
Over 5 years	-	-
	44,030	66,691
Borrowings not exposed to changes in interest rates	373,370	-
	417,400	66,691

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

US$000	As at 31 December 2011	2010
US dollar	411,297	58,625
Australian dollar	6,103	8,066
	417,400	66,691

31. Trade and other payables

US$000	As at 31 December 2011	2010
Non-current		
Other payables	6,443	5,427
	6,443	5,427
Current		
Trade payables	26,245	22,050
Accruals	46,833	49,982
Interest payable on senior secured notes	5,717	-
Revenue received in advance	148	-
Other payables	2,467	2,518
	81,410	74,550
Total trade and other payables	87,853	79,977

32. Provisions

US$000	As at 31 December 2011	2010
Non-current		
Employee benefits	2,394	2,396
Rehabilitation*	47,432	34,448
	49,826	36,844
Current		
Employee benefits	7,628	5,140
Other	-	3,321
	7,628	8,461
Total provisions	57,454	45,305

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

Movements in provisions are as follows:

US$000	Employee Benefits *	Rehabilitation	Other **	Total
Balance at 1 January 2011	7,536	34,448	3,321	45,305
Additional provisions recognised	7,748	11,954	-	19,702
Payments made	(5,231)	(385)	(3,324)	(8,940)
Unwinding of discount		1,485	-	1,485
Net foreign currency exchange differences	(31)	(70)	3	(98)
As at 31 December 2011	10,022	47,432	-	57,454

* The employee benefits provision includes annual leave and long service leave provisions for Australian employees.
** Other provisions consisted of Australian contractual obligation provisions.

33. Cash generated from operations

Reconciliation of (loss) / profit for the period to net cash flows from operating activities

US$000	Years ended 31 December 2011	2010	2009
(Loss) / profit for the year	(491,321)	129,585	(52,616)
Adjustments for:			
Taxation expense	20,149	8,064	3,876
VAT received	(56,998)	(40,981)	(28,437)
Net finance costs	16,107	3,660	21,399
Depreciation	126,362	120,008	78,868
Impairment expense / (write-back)	495,146	(28,709)	(63,877)
(Profit) / Loss on disposal of property, plant and equipment	(5)	47	277
Provision for impairment of inventories	2,399	195	-
Provision for impairment of trade receivables	20	-	-
Exploration expenditure written off	962	1,060	924
Share of (profit) / loss from associates	(1,604)	(1,508)	20,237
Deferred stripping	(34,044)	(37,181)	(9,168)
Dividend income	(1,194)	(1,448)	(1,340)
Non-cash settled expenses	-	-	1,356
(Profit) / loss on disposal of available-for-sale financial investments	(10)	10,010	92
Unrealised foreign exchange loss / (gain)	2,798	(7,261)	103,810
Operating cash flows before changes in working capital and provisions	78,767	155,541	75,401
Changes in working capital and provisions:			
Inventories	91,184	(74,197)	(30,199)
Trade and other receivables	(30,592)	(8,716)	(35,483)
Deferred tax assets	(42,578)	-	-
Trade and other payables	(889)	(151)	18,839
Other current assets	-	-	1,419
Provisions	(1,291)	6,127	8,096
Deferred tax liabilities	(17,309)	5,629	(2,306)
Net foreign currency exchange differences	(623)	517	(17,687)
Cash generated from operations	76,669	84,750	18,080

34. Commitments for expenditure

Mining tenement expenditure
Under the terms of tenement licences granted by the Department of Industry and Resources of the Western Australian government, minimum annual expenditure obligations must be met in order for mining tenements to maintain a status of good standing. An amount of US$7.5 million (2010: US$7.3 million) is to be spent each year whilst tenements remain current. This expenditure is required to be expended during the forthcoming year on mining tenements on which the Group has an interest. This expenditure may be subject to variation from time to time in accordance with government regulations.

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

	Years ended 31 December	
US$000	**2011**	**2010**
Plant and equipment		
Not longer than 1 year	44,940	8,989

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	
US$000	**2011**	**2010**
Not longer than 1 year	13,069	12,547
Longer than 1 year and not longer than 5 years	8,052	7,343
Longer than 5 years	1,877	3,438
Total operating lease commitments	22,998	23,328

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 hire purchase arrangements create restrictions on any other financing arrangements.

	Years ended 31 December	
US$000	**2011**	**2010**
Not longer than 1 year	3,804	6,466
Longer than 1 year and not longer than 5 years	2,802	2,110
	6,606	8,576
Less: future finance charges	(503)	(510)
Present value of hire purchase liabilities	6,103	8,066

35. Contingent liabilities and contingent assets

Legal claims

In the ordinary course of business, the Group is subject to legal actions and complaints. As of 31 December 2011 the Group was involved in the following significant legal proceedings:

- Consolidated Minerals (Australia) Pty Limited has a 50% interest in Pilbara Iron Ore Pty Ltd (PIO) which is currently in dispute with a joint venture party in relation to the transfer to PIO of an 80% interest in a mining tenement. Under the joint venture PIO is required to incur exploration expenditure and provide a feasibility study to earn its 80% interest. The expenditure has been incurred and a feasibility study provided, however the joint venture party has instituted proceedings in the Warden's Court to prevent a transfer of the 80% interest in the tenement on the basis that the documentation provided does not constitute a feasibility study. This action is being defended and submissions on preliminary issues were heard by the Warden in early December 2011, with a decision expected to be clarified during 2012. It is not practical to estimate the potential effect of this claim and no provision has been made.

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

Other contingent liabilities

- An effect of the Native Title Act 1994 (Commonwealth) is that new mining tenement applications and existing tenements in Australia may be affected by native title claims. The full impact that the legislation and native title claims generally may have on tenements held by the consolidated entity is presently unclear. At the date of this report, the Directors are aware of seventeen claims that have been lodged covering an area which encompasses some of the mining tenement interests of the Group (2010: seventeen claims). The claims do not affect the current mining schedule of the Group.

- Group entities have issued performance bonds totaling $15.6 million (2010: $13.5 million) to the Department of Mines and Petroleum of Western Australia which guarantee the entities' compliance with the rehabilitation and restoration conditions of Mining Licenses. A further $1.4m relates to bank guarantees provided to lessors of business premises.

The Group has no contingent assets.

36. Financial risk management objectives and policies

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

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

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

Fluctuations in commodity prices can have a significant impact on the Group's revenue and earnings. The approximate effect on the pre-tax profit for the year resulting from a 10% movement in manganese commodity prices is $62.2 million (2010: $50.4 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. In the Australian operations there are operating expenses denominated in Australian dollars. At the Group level, the functional currency is US dollars; however related party loans were denominated in British pounds and were subject to exchange risk until the amendment of the terms of the loans on 22 November 2010 resulted in their treatment as equity. The Group does not hedge foreign exchange risk.

ii) Price risk
The Group is exposed to equity securities price risk because of investments held by the Group and classified on the statement of financial position as available-for-sale financial investments. The approximate effect on other comprehensive income for the year resulting from a 10% movement in the price of available-for-sale financial investments is $2.1 million (2010: $8.6 million).

iii) Interest rate risk
The Group has financial assets and liabilities which are exposed to changes in market interest rates. Changes in interest rates impact primarily deposits, loans and borrowings by changing their future cash flows (variable rate). Management does not have a formal policy of determining how much of the Group's exposure should be at fixed or variable rates. However, at the time of making new loans or borrowings management uses its judgement 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 25 and 30.

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

Credit risk from balances with banks and financial institutions are managed by the Board.

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

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

US$000	Neither impaired or past due	Past the due date but not impaired					Total
		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	
Trade receivables:							
2011	48,916	9,224	6,513	-	259	613	65,525
2010	32,799	-	1,066	274	-	613	34,752

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	
US$000	**2011**	**2010**
Trade and other receivables	74,093	43,287
Cash and cash equivalents	155,107	97,745
Total	229,200	141,032

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. During 2010, the terms of the related party loans were amended. The effect of the amendment was that the loans are now classified as equity under IFRS with repayment at the discretion of the Company.

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.

US$000	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
At 31 December 2011						
Borrowings	37,945	860	36,928	510,376	-	586,109
Trade and other payables	2,396	73,302	5,712	6,443	-	87,853
	40,341	74,162	42,640	516,819	-	673,962
At 31 December 2010						
Borrowings	35,674	24,587	4,850	2,110	-	67,221
Trade and other payables	2,285	80,928	102	-	5,427	88,742
	37,959	105,515	4,952	2,110	5,427	155,963

Capital risk management

The Group's total capital is defined as equity attributable to owners of the parent Company plus borrowings net of cash and cash equivalents, and amounted to US$604.6 million at 31 December 2011 (2010: US$1,162.7 million).

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

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

Fair value estimation

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

US$000	As at 31 December 2011		As at 31 December 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Available-for-sale financial investments	21,329	21,329	86,129	86,129
Investments in associates	40,908	63,736	27,172	57,981
Total financial investments	62,237	85,065	113,301	144,110

The following table presents the group's assets that are measured at fair value analysed by valuation method at 31 December 2011.

US$000	Level 1	Level 2	Level 3	Total
2011				
Available-for-sale financial investments	21,329	-	-	21,329
Investments in associates	63,736	-	-	63,736
Total financial investments	85,065	-	-	85,065

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.

37. 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).

Name of subsidiary	Country of incorporation	Principal activity	Ownership interest Years ended 31 December	
			2011 %	2010 %
Consolidated Minerals (Australia) Pty Limited	Australia	Holding	100	100
Consolidated Minerals Pty Limited	Australia	Investment	100	100
Ghana Manganese Company Limited	Ghana	Exploration, mining and processing	90	90
Manganese Trading Limited	Jersey	Sales and Marketing	100	100
Pilbara Chromite Pty Ltd	Australia	Exploration, mining and processing	100	100
Pilbara Iron Ore Pty Ltd *	Australia	Exploration, mining and processing	100	100
Pilbara Manganese Pty Ltd	Australia	Exploration, mining and processing	100	100
Pilbara Trading Limited	Jersey	Sales and Marketing	100	100
Stratford Sun Limited	BVI	Investment	100	100

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

38. Related party transactions

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

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

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

US$000	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						
2011	219,213	-	13,344	-	9,238	14
2010	223,686	-	12,706	-	8,667	581
Banks related to the ultimate shareholder						
2011	-	5,363	-	422	-	-
2010	-	283	-	4	-	-
Other companies related to the ultimate shareholder						
2011	-	-	2,864	-	-	2,076
2010	-	-	4,489	-	-	3,001

<u>Trading companies related to the ultimate shareholder</u>

During 2010 and 2011, Manganese Trading Limited (Jersey) and Pilbara Trading Limited (Jersey) traded with other trading companies related to the ultimate shareholder.

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

<u>Finance companies related to the ultimate shareholder</u>

On 22 November 2010, the Company amended the terms of its related party loan agreements. Under the new terms, the loans were subordinated to all existing and future obligations of the Company and the term of the loans was changed to an indefinite life, with repayment at the discretion of the Company. As a result of these changes, the loans are now treated as equity. As at 31 December 2011, a related party loan balance of $966 million (2010 $1,219 million) was recognised in equity.

<u>Banks related to the ultimate shareholder</u>

During 2011 and 2010, several of the Group's operating bank accounts were held with Privat Bank, which the ultimate shareholder has an interest in. As at 31 December 2011, $11.2 million was in current accounts with the bank (2010: $2.6m million). During 2011 the maximum balance held in current accounts with Privat bank was $111.2m.

On 22nd February 2011 the Group entered into a Bank Guarantee of $30 million with Privat Bank. The Bank Guarantee was provided to Ghana Manganese Company Limited in connection with its application to secure an infrastructure project in Ghana. The Bank Guarantee expired on 31 October 2011.

<u>Other companies related to the ultimate shareholder</u>

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.

<u>Directors</u>

The Directors of the Company are:
Mr Vyacheslav Anishchenko
Mr Glenn Baldwin
Mr Steven Bowen
Ms Jackie Callaway
Mr Andreas Marangos

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

Secretary

The secretary of the Company for the period up until 7 July 2011 was Standard Bank Offshore Trust Company Jersey Limited and subsequently Jackie Callaway (appointed 7th July 2011).

Key management personnel

In 2011, the aggregate remuneration in the form of salaries, bonuses and other amounts we paid to the members of our Board of Directors and Group Executive Committee was $4.3 million (2010: $3.3 million).

Ultimate shareholder

The ultimate beneficial shareholder is Mr Gennady Bogolyubov.

39. Events after the statement of financial position date

Subsequent to the year end the Group took the decision to repay its Australian working capital facilities. These facilities will be repaid on 29 May 2012. The total facilities are $50 million of which $29 million was drawn down at year end and an estimated $45 million will be drawn down on 29 May 2012. This decision has been made as part of the Group's capital management process and to lower the overall cost of financing in 2012.

The Group has significantly advanced negotiations with an internationally recognised financier to provide a $20 million equipment financing facility. Binding agreements are expected to be in place by the end of quarter 2, which is prior to the delivery of the owner operator equipment

No other matters or circumstances have arisen since the end of the year that have significantly affected, or may significantly affect the operations or results of these accounts.

Glossary of Defined Terms

"ASX"	The Australian Securities Exchange, operated by ASX Limited (ABN 98 008 624 691).
"BCM"	Bank cubic meter, being one cubic meter of undisturbed (in situ) material before it is drilled, blasted or mined.
"beneficiation"	The act or process of increasing the concentration of valuable material (e.g., manganese) contained in ore as it naturally occurs in the environment on a per unit basis, and, at the same time, reducing the concentration of some of the non-valuable substances (e.g., iron and silica).
"blending"	A process in which manganese ores of varying grades are mixed together to produce ores or products with an average grade according to the product specification.
"CFR"	International commercial term meaning "Cost and Freight," whereby the quoted price includes all costs and freight to bring the goods to the port of destination from the port of departure, but does not require the seller to procure marine insurance against the risk of loss or damage to the goods during transit.
"chips"	Chromite ore product that has a particle size between 1 and 16.5 millimeters.
"CIF"	International commercial term meaning "Cost, Insurance and Freight," whereby the quoted price includes all costs, insurance and freight to bring the goods to the port of destination from the port of departure.
"concession"	A mining concession as defined in the Minerals and Mining Act.
"Cr"	Chemical symbol for Chromium, based on the periodic table
"CRU"	CRU International Limited, a company incorporated in England and Wales with company number 00940750. CRU is an independent business analysis and consultancy group, focused on the mining, metals, power, cables, fertilizer and chemical sectors.
"dmtu"	A "dry metric tonne unit," which corresponds to one 10 kilogram unit of manganese. By way of example, the price in $ of a consignment of manganese ore is calculated by multiplying the U.S. dollar per dmtu price by the units of manganese of the ore in that shipment. For instance, if manganese ore with a manganese content of 48% is priced at $5.00/dmtu, the price for three tonnes of such ore will be $720, calculated as follows: 48% × 3,000kg = 1,440 kg of manganese 1,440kg ÷ 10kg = 144 dmtu of manganese 144 dmtu × $5.00 per dmtu = $720
"dry tonne" or "dt"	A tonne, being a metric unit of weight equivalent to 1,000 kilograms, measured excluding the weight of any water content.
"EMM"	Electrolytic manganese metal.
"Fe"	Chemical symbol for Iron, based on the periodic table
"ferroalloy"	A metal product, usually containing iron and other metals, that is commonly used as a raw material feed in steelmaking to add strength or to aid various stages of the steelmaking process such as deoxidation and desulphurization. Examples include ferrochrome, ferromanganese and ferrosilicon.
"fines" or "ore fines" or "fine ore"	Manganese ore with the majority of individual particles measuring less than a specified size. While there is no industry standard measurement, the Group's Australian and Ghanaian operations specify ores with particles measuring between 1 and 12.5 millimeters and less than 25 millimeters, respectively, as fines.
"flux"	Material (for example, lime in the form of limestone or magnesium oxide in the form of dolomite) added to a furnace to ensure the slag in the furnace is fluid enough to flow out of the furnace.
"FOB"	International commercial term meaning "Free On Board," whereby the quoted price includes all activities needed to deliver the product to the port of departure, with the last cost included in the price being ship loading. As such, it excludes the cost of marine freight transport and insurance as well as unloading and transportation from the arrival port to the final destination.
"Greensnake"	An open pit located in the Woodie Woodie corridor. This is the Company's largest Australian pit by reserve volume.
"Guarantor"	Each of GMC, CMAL, CMT, Stratford Sun Limited, Consolidated Minerals (Hong Kong) Limited, PTL, MTL, Consolidated Minerals (Belgium) Limited, Consolidated Minerals Holdings (Australia) Pty Limited, CMPL, PMPL, Pilbara Chromite Pty Limited, Pilbara Contracting Pty Limited and Pilbara Trucking Pty Limited.
"high grade"	A measure of the manganese content of manganese ore. There is generally no agreed industry definition of "high grade." Our Australian operations consider ore with an average manganese content above 44% to be "high grade." Unless otherwise specified, references to "high grade" are to the definition used by our Australian operations.
"IFRS"	International Financial Reporting Standards of the International Accounting Standards Board.
"JORC"	The Australasian Joint Ore Reserves Committee.

"JORC Code"..	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition).
"kBCM"	1,000 bank cubic meters, being 1,000 cubic meter of undisturbed (in situ) material before it is drilled, blasted or mined.
"kt"..	Kilo tonne. A unit of weight or capacity equal to 1,000 tonnes.
"low grade"	A measure of the manganese content of manganese ore. There is generally no agreed industry definition of "low grade." Our Australian operations consider ore with an average manganese content of less than 44% to be "low grade." Unless otherwise specified, references to "low grade" are to the definition used by our Australian operations.
"LTI"	A work-related injury or illness resulting in the employee or contractor being unable to attend work for a full working day after an injury or illness has occurred.
"lump" or "lump ore"................................	Manganese ore with the majority of individual particles measuring more than a specified size. While there is no industry standard measurement, the Group specifies ore with particles measuring 6.3 millimeters or more as lump. Chromite ore has lump particle size measuring 6.3 millimeters or more.
"mdmtu"	One million dry metric tonne units.
"Mn"	Manganese.
"open pit mining"......................................	A method of extracting rock or minerals from the earth by stripping away the top soil and the earth above the rock or minerals creating a pit from which the rock or minerals are removed. This method of mining can be contrasted with mining using extractive methods that require tunneling into the earth (i.e., underground mining).
"ore"	A mineral or an aggregate of minerals (containing valuable constituents, including metals) of sufficient value to be mined or extracted.
"overburden"	The material that lies above the mining area of economic interest, i.e., the rock and soil that lies above a manganese or chromite ore body.
"reductant"	Solid fuel added to a furnace to remove oxygen from the manganese ore fed into the furnace.
"sands"..	Chromite ore product that has a particle size between 50 microns and 2 millimeters.
"seaborne market"	The part of the manganese ore market that is composed of exported manganese ore.
"Shareholder"	Means Ultimate Beneficial Owner of the Company
"sinter"..	The product of sintering.
"sintering"..	The process of combining or fusing metals, usually with pressure and temperature, by exposing them to a temperature just below their melting point.
"slag"...	The by-product that results from smelting ore to separate the manganese from impurities and other unwanted elements.
"spot price"..	The price at which a physical commodity for immediate sale is selling at a given time and place.
"stripping ratio"	The ratio of the volume of overburden waste material to the volume of ore in an open pit mine. For instance, a stripping ratio of "5" means that five BCM of waste rock must be removed for every one BCM of ore mined.
"sump"...	An excavation made in a pit (generally at the lowest point) to collect water, which can then be pumped to the surface or to another sump nearer the surface.
"tailings"	Finely ground waste rock from which the majority of valuable minerals or metals have been extracted.
"tenement"...	A mining tenement as defined in the Mining Act.
"wet tonne"	A tonne, being a unit of weight equivalent to 1,000 kilograms, measured including the weight of any water content.
"Woodie Woodie corridor"	The approximately 100 square kilometer area inside the Woodie Woodie tenement package within which all of our current Australian manganese mining operations take place.
"Woodie Woodie region"............................	The approximately 5,400 square kilometers of land in and around the Woodie Woodie mine in the Pilbara region of Western Australia, excluding the Woodie Woodie corridor.