Consolidated Minerals Limited
March 2014

Financial Results for the three months to 31 March 2014

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

Report for the First Quarter ending 31 March 2014

23 May 2014

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 quarterly results for the period ended 31 March 2014.

Key highlights

- Manganese ore production for Q1 2014 was 4% higher than in Q1 2013. Australian manganese ore production remained the same and Ghana manganese ore production increased 7% compared to Q1 2013.
- Manganese C1 cash costs improved from $2.62/dmtu in Q1 2013 to $2.29/dmtu in Q1 2014 continuing the downward trend seen over the last three years. The reduction in C1 cash costs is due to the phasing of the mine plan, cost reductions in haulage and shiploading, and foreign exchange benefits from the relative weakening of the Australian dollar.
- Manganese sales tonnes decreased 16% in Q1 2014 due to adverse weather conditions in Australia delaying haulage, and as a consequence, shipments. In Ghana there were shipping capacity restrictions as a result of the transition to the transhipment arrangements that successfully took place during the quarter. The Company expects these volume shortfalls to be fully caught up during the remainder of the year.
- Average manganese FOB sales price achieved decreased 4.8% from $4.84 in Q1 2013 to $4.61 in Q1 2014.
- Average manganese ore price for Q1 2014 (CRU, 44%Mn CIF China) was $5.08/dmtu, down 3% from $5.25/dmtu in Q4 2013. The Company's average price for its Australian 46%Mn lump product, CIF China, was $5.67/dmtu in Q1 2014, up 1% from $5.60/dmtu in Q4 2013.
- Adjusted EBITDA for Q1 2014 was $48 million, a decrease of $5 million compared to Q1 2013.
- The Group recorded a profit for the period of $24 million, on par with profit in Q1 2013.
- During the quarter the Company generated positive operating cashflow of $31 million. Cash and cash equivalents increased during the quarter by $9 million to $229 million with net debt falling in the quarter from $23 million at 31 December 2013 to $3 million on 31 March 2014.
- During the quarter the Company spent $10 million on the repurchase of its bonds. On 1 May 2014 the Company redeemed $112.5 million of the outstanding $225.0 million notes outstanding. On 12 May 2014, the Company issued $400 million in principal amount of 8.0% senior secured notes due 2020. A part of the net proceeds of the issue will be used to repurchase the remaining $112.5 million of 8.875% senior secured notes due 2016 (refer to note 14).
- In July 2013 the Company ceased mining at its Coobina chromite mine and final sales of chromite ore concluded in Q1 2014. Coobina has been reclassified as a discontinued operation in the statement of comprehensive income for Q1 2014 and Q1 2013.

Key Performance Indicators

Unaudited	Quarter Ended		
	31 March 2014	31 March 2013	% change
Manganese ore produced (dry kt)	859.7	830.3	3.5%
Manganese ore sales (dry kt)	669.9	800.5	(16.3%)
Average C1 manganese unit cash cost ($/dmtu)[1]	2.29	2.62	(12.6%)
Average manganese FOB Sales price ($/dmtu)	4.61	4.84	(4.8%)
Revenue ($ million)[5]	108.9	140.7	(22.6%)
Adjusted EBITDA ($ million)[2,5]	47.9	52.4	(8.4%)
'Cash' EBITDA ($ million)[4,5]	31.1	50.3	(38.2%)
Profit for the period from continuing operations[5]	24.3	24.4	(0.4%)
	At 31 March 2014	At 31 December 2013	% change
Cash and cash equivalents ($ million)	236.0	219.9	7.3%
Gross debt ($ million)	(238.6)	(242.5)	(1.6%)
Gross debt excluding high yield bonds ($ million)	(14.1)	(14.3)	(1.4%)
Net debt ($ million)	(2.6)	(22.6)	(88.5%)

[1] Average C1 manganese or chromite unit cash cost represents the cash cost incurred at each processing stage from mining through to shiploading, over the total manganese dmtus or chromite tonnes produced. Included within the C1 manganese and chromite unit cash costs are an allocation of offsite, non-corporate and support services. Depreciation, government royalty payments, deferred stripping adjustments and stockpile movements are not included in the calculation.
[2] "Adjusted EBITDA" is defined as operating profit before depreciation and amortisation, impairment write-back/expense, net foreign exchange gain/loss, non-cash inventory write-downs and exceptional items[3]. This is the key profitability measure used across the business and reflects performance in a consistent manner and in line with how the business is managed and measured on a day to day basis. Adjusted EBITDA is not a uniformly or legally defined measure and is not recognised under IFRS or any other generally accepted accounting principles. Other companies in the mining industry may calculate this measure differently and consequently, our presentation of Adjusted EBITDA items may not be readily comparable to other companies' figures.
[3] Exceptional items are material or non-recurring items excluded from management's assessment of profits because by their nature they could distort the Group's underlying quality of earnings. These are excluded to reflect performance in a consistent manner and in line with how the business is managed and measured on a day to day basis.
[4] 'Cash' EBITDA is defined as Adjusted EBITDA after removing the impact of the non-cash items of deferred stripping and net movement in inventories.
[5] Balances related to 2013 have been restated to exclude discontinued operations (refer to note 6).

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

"During the first quarter Consmin delivered solid operational and financial performance with EBITDA of $48 million and a profit after tax of $24 million.

Manganese sales tonnes decreased 16% in Q1 2014 due to the combination of adverse weather conditions in Australia and the transition to the transhipper arrangements in Ghana that were successfully completed in February 2014.

Volumes of manganese ore produced were 3.5% higher as a result of strong operational performance in Australia and Ghana with manganese C1 cash costs continuing to reduce to $2.29 per dmtu as a result of phasing of the mine plan, further cost reductions in haulage and shiploading and foreign exchange benefits from the relative weakening of the Australian dollar."

About Consolidated Minerals Limited

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

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

Company Information

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Mark Camaj, General Manager, Marketing
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Paul Muller, Managing Director, Australia
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Conference Call

There will be a conference call for analysts and bondholders on 23 May 2014 at 1pm BST (British Summer Time).

To access the results conference call, you must first register in advance on:
http://emea.directeventreg.com/registration/47990837.

Market, Economic and Industry

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

Forward looking statements

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

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

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

Marketing Review

Manganese Segment

Manganese is used in metallurgical applications for carbon and stainless steel production as well as non-metallurgical industrial applications for the chemical and fertilizer industries. Consmin markets a unique suite of differentiated products, produced from both our Australian and Ghana operations, specifically tailored to meet a variety of specialised metallurgical applications.

Nearly 90% of manganese ore units are consumed by the carbon steel industry. Manganese is a non-substitutable additive used as both a deoxidizing and desulphurising agent during the steel production process. 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. China's stainless steel production grew by CAGR of 18% from 2007 to 2013. During that 6-year period, the proportion of 200 series stainless steel relative to total stainless steel production in China grew to over 30%.

Consmin's ability to differentiate its products to specific market segments is a result of the unique chemical composition of the ores produced from both Australian and Ghanaian operations. Consequently, the price Consmin achieves is consistently higher than on manganese content basis alone.

Global steel production in Q1 2014 totalled 403 million tonnes (1.61 billion tonnes on an annualised basis), up 3% year on year. The majority of production continues to be based in Asia, with the region producing 272 million tonnes (over 67% of the world's output) during the quarter, with China recording biggest increases in output. China's steel production grew by 5% in Q1 to 201 million tonnes (804 million tonnes on annualised basis); it continued to produce circa 50% of global steel production during the quarter. Output in the rest of Asia excluding China was up by 3% year on year.

The Company shipped 670k tonnes of manganese ore during Q1 2014, a decline of 16% from the 800k tonnes of ore shipped in the first quarter of 2013. Australian shipments of manganese were 319k tonnes during the quarter, down 19% from the 393k tonnes shipped in Q1 2013. The sales of manganese from Australia were impacted by unusually heavy rains in the Pilbara region, which led to 29 days of haulage being lost in January and February due to road closures because of elevated river levels. The planned tonnage lost in Q1 2014 should be substantially recovered during Q2.

Manganese ore exports from Ghana in Q1 2014 were 351k tonnes compared with 407k tonnes during the same quarter in 2013, a decline of 14% year on year. The drop in sales volumes are attributable to the planning and preparation work carried out for the introduction of the transhipping operations at the Takoradi port in mid-February. The move to mini-cape size vessels (up to 110k tonnes) will allow for much greater volumes on fewer vessels, reducing the freight per tonne charges.

Sales to China's leading EMM producer, Ningxia Tianyuan Manganese Industry (TMI) continued as planned in accordance with our long-term sales off-take agreement.

The company maintains its diverse customer base with shipments to customers in China, Ukraine, India, South Korea, Norway, Vietnam and Slovakia either completed or planned for the first half of 2014.

China imported 3.9 million tonnes of manganese ore in Q1 2014, up 6% from the same period in 2013, but down 25% from the previous quarter (Q4 2013), where imports totalled a record high 5.2 million tonnes. Port stocks at China's major ports at the end of Q1 2014 were 3.18 million tonnes, rising by 520k tonnes from the previous quarter. This represents 2.45 months of imports based on China's monthly average imports during the quarter.

Average manganese ore price for Q1 2014 (CRU, 44%Mn CIF China) was $5.08/dmtu, down 3% from $5.25/dmtu in Q4 2013, and down 7% from $5.45 in Q1 2013. The Company's average price for its Australian 46%Mn lump product, CIF China, was $5.67/dmtu in Q1 2014, up 1% from $5.60/dmtu in Q4 2013 but relatively on par with $5.70 in Q1 2013.

Market sentiment and demand for manganese ore from China started to worsen at the end of the quarter following the Chinese Spring Festival holiday in February. Factors such as tighter credit and environmental measures, including forced idling of some steel mills began to dampen economic activity. By the end of the quarter many smelters began cutting back operating rates and increasing consumption of their raw material stocks, while scaling back new purchases. Manganese ore prices in Q2 have fallen as a result. The company's CIF China 46% Mn Lump average is expected to be around $4.75-4.80/dmtu mark in Q2.

Operational Review

Manganese Segment

	Year ended		
Summary Overview (Unaudited)	**31 March 2014**	**31 March 2013**	**% change**
Total mined (kBCM)	3,604	3,437	4.9%
Manganese ore produced (dry kt)	859.7	830.3	3.5%
Australia	*405.5*	*405.4*	-
Ghana	*454.1*	*424.9*	*6.9%*
Manganese ore produced (mdmtu)	29.8	30.2	(1.3%)
Australia	*17.2*	*18.4*	*(6.5%)*
Ghana	*12.6*	*11.8*	*6.8%*
Manganese ore sales (dry kt)	669.9	800.5	(16.3%)
Australia	*319.3*	*393.3*	*(18.8%)*
Ghana	*350.6*	*407.2*	*(13.9%)*
Manganese ore sales (mdmtu)	23.5	29.1	(19.2%)
Australia	*13.7*	*17.4*	*(21.3%)*
Ghana	*9.8*	*11.7*	*(16.2%)*
Total capex – including exploration ($ million)	7.5	18.9	(60.3%)
Average unit cash cost ($/dmtu)	2.29	2.62	(12.6%)

Australia: Woodie Woodie

Overview

Woodie Woodie is located in the Pilbara region of Western Australia, approximately 400km south east of the town and port of Port Hedland. The Woodie Woodie tenements are comprised of a $100km^2$ currently active mining corridor and a further $5,400km^2$ of exploration tenements. The mine is serviced by modern infrastructure including an accommodation village, administration buildings, maintenance workshop facilities, power generation infrastructure, a sealed all-weather airstrip and a sealed public road which connects the mine to Port Hedland. Woodie Woodie's high grade manganese ore which is low in deleterious elements and Port Hedland's location proximate to key Asian markets represents a key competitive advantage.

Safety

Two low severity injuries were suffered during the quarter resulting in work restrictions. As a result of these injuries, the total recordable injury frequency rate increased from 5.2 to 7.2. The Company views even these relatively minor injuries as avoidable and continues to focus strongly on improving safety systems, leadership and culture.

Production

Operational performance in the first quarter of 2014 was impacted by significantly above average rainfall, with approximately 300% of the average monthly rainfall in January and February. Whilst mining and processing production at the mine recovered relatively quickly after the rainfall, the sealed public road from the mine to Port Hedland was impassable for 29 days during the quarter. As a direct result of the road closures imposed by the road safety authority, haulage of manganese ore from the mine to the port was temporarily suspended resulting in knock-on delays to shipments. Sales of manganese ore totalled 319kt during the quarter, down 19% on the corresponding period in 2013. This shortfall is expected to be substantially recovered by the end of the second quarter.

Total mining volumes for the quarter were 1.4 million bcm, up 28% on the corresponding period in 2013, reflecting the productivity and efficiency initiatives which continue to be implemented. Ore was mined during the quarter from the Greensnake and Paystar pits. Pit optimisation and mine planning activities for the first stage of the Topvar pit were completed during the quarter and orders have been placed for an additional (third) mining fleet, which is expected to commence development activities in Topvar in the second half of the year.

Processing production was strong during the first quarter with 406 thousand tonnes of manganese ore produced, which is in line the prior period and corresponding period of 2013. Average manganese content in the quarter was 42.4%, which is lower than the prior quarter and the corresponding period in 2013 (due to a desire to produce moderately higher amounts of lower grade ores given the relative market softness in China).

Capital Expenditure

Total capital spending on property, plant and equipment in the first quarter of 2014 was $0.5 million with spending relating to minor workshop tooling and potable water infrastructure.

Exploration and Resource Development

The 2014 exploration program got underway strongly in the first quarter with 38km of RC drilling being completed. Drilling focused on the Topvar, Chris D, Sat Nat and Radio Hill prospects within the mining corridor. Preliminary results from Topvar and Chris D, in particular, were encouraging with mineralisation remaining open laterally and at depth.

The Company completed an update to its Resources and Reserves statement during the quarter. As at 31 December 2013, Resources and Reserves totalled 43.1 million tonnes and 19.8 million tonnes respectively. This represents an increase in Resources of 11% and Reserves of 29% from the previous statement dated June 2013.

	Million tonnes		Mn %		Tonnes
	December 2013	**June 2013**	**December 2013**	**June 2013**	**Movement**
Total Reserves	19.8	15.4	33.5%	33.7%	29%
Total Resources	43.1	38.7	31.9%	33.3%	11%

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 lease for manganese was granted to GMC in 2001 and Consmin continues to operate 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 GMC mine witnessed an excellent safety record at Nsuta, with no major reportable incidents or accidents during Q1 2014.

Production

Production during the quarter increased by 6.9 % to 454.1kt of manganese ore compared to the same period in 2013.

Capital Expenditure

GMC spent $ 3.0 million on property, plant and equipment ('PP&E') during the quarter, compared to $ 9.4 million in the same period in 2013 when a new fleet was purchased.

Exploration

During the quarter the Company finalized a new life of mine (LoM) plan and JORC compliant R&R statements at 30 June 2013. The total ore reserves have increased 72% to 38 million tonnes, compared with 22 million tonnes at June 2012. Ore resources have increased 142% to 101 million tonnes at June 2013 from 42 million tonnes at June 2012. The new LoM is 18 years based upon the current 2 million tons per year production rate.

Drilling focused on the continued resource development of Pit A and C, with a combination of infill drilling for JORC compliancy and exploration drilling. GMC almost completed the de-watering at Pit B in order to start the ore production from this pit in the second half of 2014.

Projects

In order to ensure the future growth in export volumes GMC has embarked on a number of projects. The carbonate plant extension (CPE) project will increase the production capacity from 2 million tonnes per annum (mtpa) up to 3mtpa. The anticipated date of commissioning is currently expected to be at the end of June 2014. The transhipper project has been completed with the loading of the first mini-capesize vessel in February 2014. The transhipping project has increased the annual export capacity to 2.3mpta (with a potential to go to 2.8mtpa) and allows GMC to load mini-capesize (up to 110k tonnes) vessels outside the Takoradi Port area by the use of dedicated shuttle and transhipper vessels. The Takoradi Master Plan preparations by the Ghana Ports and Harbours Authority continued during the quarter. The port-upgrading phase is expected to last a minimum of three years.

Australia: Coobina

Overview

Coobina has historically produced chromite ore in the form of lump and sands for use in the production of ferrochrome.

The Company ceased mining operations at its Coobina chromite mine in July 2013, with processing operations continuing until January 2014. Sales of remnant chromite ore were completed during March 2014.

The Company announced in March 2014 that it had reached an agreement with Mineral Resources Limited and its subsidiary, Process Minerals International, to bring the manganese tailings agreement to an end and settle all legal issues. As a part of the settlement, the Coobina tenements and associated plant and equipment were transferred to Mineral Resources on the 2 April 2014. Legal proceedings between the parties have been dismissed and Process Minerals International has commenced demobilising from Woodie Woodie.

Other

Mindy Mindy

Consmin has a significant interest in the Mindy Mindy iron ore tenements through its 50% shareholding in Pilbara Iron Ore Pty Ltd ('PIO'). Ownership of one of the tenements is subject to court determination, which is expected to be clarified during 2014.

OM Holdings Limited ('OM Holdings')

OM Holdings is, primarily, a vertically integrated manganese marketing and mining company listed on the ASX (ticker: OMH). At 31 March 2014, the Company's holding in OM Holdings remained at 8.0%, as it was at 31 December 2013. The market value of the Company's holding in OM Holdings as at 31 March 2014 was US$16.8 million.

Sustainable Development

Consolidated Minerals aims to manage its social and environmental obligations in the regions and the communities in which it interacts to ensure that the potential impacts of its operations are monitored, understood, effectively managed and minimised.

The Company's broader social and environmental objectives aim to protect and preserve the communities in which we operate and minimise our impact on the environment, through the efficient use of resources and the minimisation and responsible management of waste. We seek to support viable options for the harnessing and use of renewable energy in our operations where those opportunities exist.

In Australia we engage with local indigenous communities who have traditional links to the areas and regions in which we operate, to help ensure the protection of their culture and heritage, and we support opportunities to share the economic benefits of our regional activities. Our indigenous employment programme seeks to provide equitable opportunities for individuals to develop careers in the mining industry wherever those opportunities are available.

In Ghana we have continued to make significant contributions to the social infrastructure, supporting many local communities through infrastructure development, alternative livelihood training and educational bursaries and scholarships. In 2013 we were again awarded the highest possible AKOBEN "green" rating for environmental and social responsibility performance for the second year in a row based on the mine's strong performance and application of best practices.

People

The operational management decisions of the Group are made by the Group Executive Committee ('GEC').The GEC members are Mark Camaj (General Manager: Marketing), Jurgen Eijgendaal (Managing Director: Ghana), Paul Muller (Managing Director: Australia), Oleg Sheyko (CEO of Metals Solutions Limited) and David Slater (Group Chief Financial Officer).

Financial Review

Unaudited Condensed Consolidated Statement of Comprehensive Income

$m	Quarter Ended 31 March 2014	31 March 2013[1]
Revenue	108.9	140.7
Cost of sales	(54.0)	(75.5)
Gross profit	54.9	65.2
Selling and distribution costs	(17.4)	(21.3)
General and administrative costs	(8.4)	(10.0)
Other operating income – net	1.5	0.9
Net foreign exchange gain	1.1	0.3
Operating profit	31.7	35.1
Presented as:		
Adjusted EBITDA	**47.9**	**52.4**
Depreciation and amortisation	(17.3)	(17.6)
Net foreign exchange gain	1.1	0.3
Operating profit	31.7	35.1
Net financing costs	(6.2)	(8.7)
Profit before tax from continuing operations	25.5	26.4
Taxation	(1.2)	(2.0)
Profit from continuing operations	**24.3**	24.4
Loss from discontinued operations	(0.3)	(0.8)
Profit for the period	24.0	23.6

[1] Balances related to 2013 have been restated to exclude discontinued operations (refer to note 6).

Revenue

The consolidated revenue for the Group decreased by 23% from $141 million in Q1 2013 to $109 million in Q1 2014 as a result of lower manganese revenues both primarily due to lower volumes but also in part due to slightly lower prices.

Manganese sales tonnes decreased 16% in Q1 2014 due to adverse weather conditions in Australia delaying haulage and, as a consequence, shipments. In Ghana there were shipping capacity restrictions as a result of the transition to the transhipment arrangements that successfully took place during the quarter. The average price of our manganese ore sold in Q1 2014 was $4.61/dmtu FOB, compared to $4.84/dmtu FOB in Q1 2013, a decrease of 5%.

Cost of Sales

The cost of sales for the Group decreased from $76 million in Q1 2013 to $54 million in Q1 2014, a decrease of 28%. An analysis of the cost of sales is as follows:

$m	Quarter Ended 31 March 2014	31 March 2013[1]	Movement
Manganese	53.4	74.3	(28.1%)
Other	0.6	1.2	(50.0%)
Total	54.0	75.5	**(28.5%)**

[1] Balances related to 2013 have been restated to exclude discontinued operations (refer to note 6).

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

$m	Quarter Ended		
	31 March 2014	31 March 2013[1]	Movement
Mining and production expenses	45.9	50.3	(8.7%)
Depreciation and amortisation	17.2	16.9	1.8%
Royalties and other taxes	7.1	9.3	(23.7%)
Deferred stripping	(7.9)	(0.8)	887.5%
Net movement in inventories	(8.9)	(1.3)	584.6%
Other	-	(0.1)	(100.0%)
Total	**53.4**	**74.3**	(28.1%)

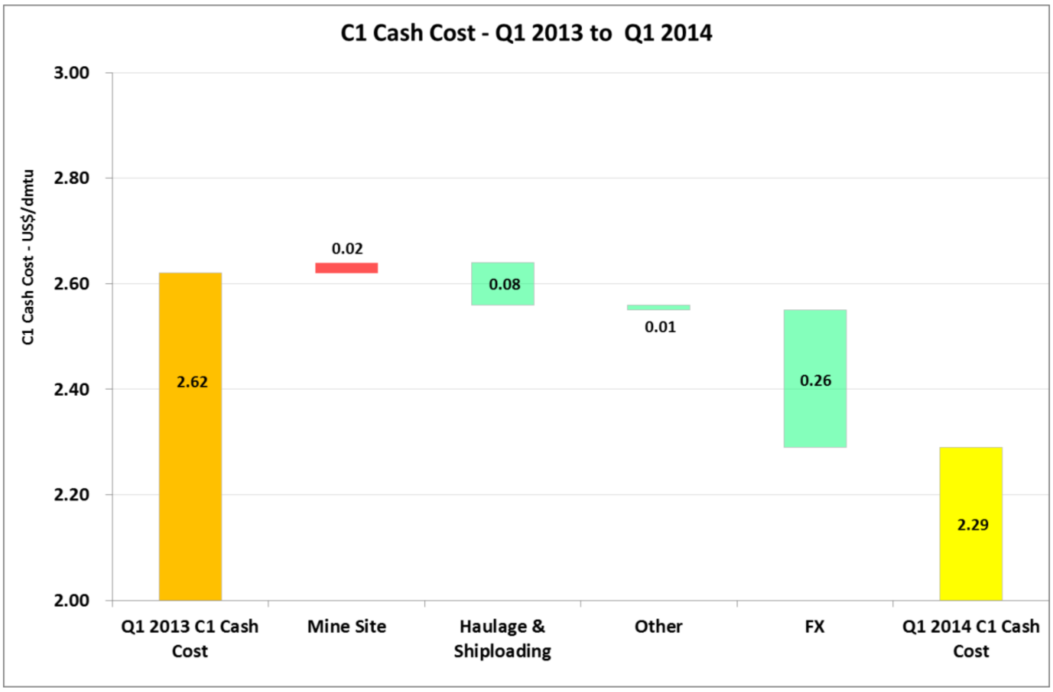
[1] Balances related to 2013 have been restated to exclude discontinued operations (refer to note 6).

Manganese cost of sales reduced by 28% from $74 million in Q1 2013 to $53 million in Q1 2014. The principal factors driving this $21 million reduction are as follows:

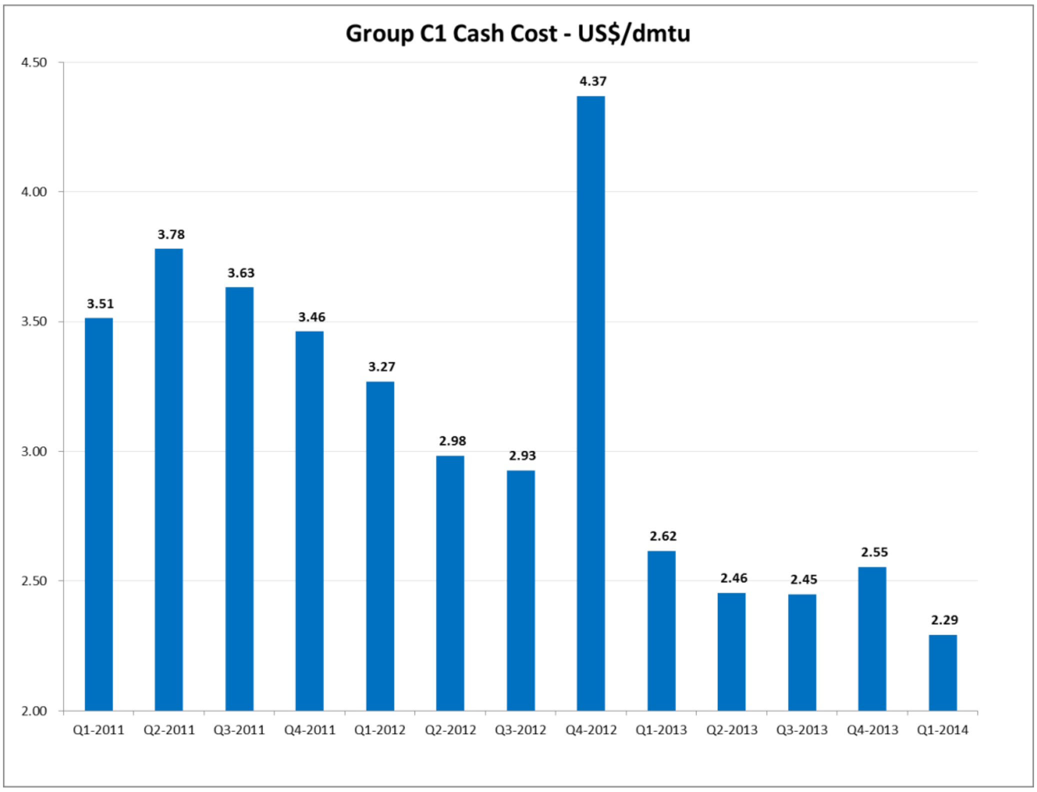
- A $4 million benefit from the reduction in mining and production expenses reflects the reduction in C1 manganese unit cash cost over the same period due to the relative weakening of the Australian dollar.
- A decrease in royalties of $2 million is as a result of the lower revenues in the quarter.
- A $7 million benefit as a result of an increase in the deferred stripping credit.
- An $8 million benefit in relation to net movements in inventory as a result of higher stocks at site due to delayed shipments and higher production volumes compared to Q1 2013.

The Company uses the 'C1 cash cost' as a measure of average unit cost. The C1 unit cash cost represents the cash cost incurred at each processing stage from mining through to ship loading, divided by the total manganese dmtu produced. The average C1 unit cost of manganese production, on a "fully expensed" mining cost basis, decreased from $2.62/dmtu for Q1 2013 to $2.29/dmtu for Q1 2014.

As the graph below shows there have been reductions in haulage and shiploading costs and an incremental benefit due to the foreign exchange impact of the relative weakening of the Australian dollar.



The graph below shows the continued progression in the reduction of C1 unit cash cost since Q1 2011. The C1 cash cost has decreased from a peak in Q2 2011 of $3.78/dmtu to $2.29/dmtu for Q1 2014 as a result of the continued successful implementation of efficiency programmes. The increase in Q4 2012 C1 unit cash costs was as a direct result of the planned stripping programme in Ghana.



Gross Profit

Gross profit for the Group has decreased by 16%, from $65 million in Q1 2013 to $55 million in Q1 2014 driven by a combination of lower manganese sales volumes and ore prices offset by a reduction in manganese C1 cash costs per unit. Gross profit as a percentage of revenue has increased from 46% in Q1 2013 to 50% in Q1 2014 reflecting reductions in the manganese C1 cash costs.

Adjusted EBITDA and Cash EBITDA

Adjusted EBITDA and Cash EBITDA are calculated as follows:

$m	**Year Ended**	
	31 March 2014	**31 March 2013**[1]
Operating profit	**31.7**	**35.1**
Depreciation and amortisation	17.3	17.6
Net foreign exchange loss / (gain)	(1.1)	(0.3)
Adjusted EBITDA	**47.9**	**52.4**
Deferred stripping	(7.9)	(0.8)
Net movement in inventories	(8.9)	(1.3)
'Cash' EBITDA	**31.1**	**50.3**

[1] Balances related to 2013 have been restated to exclude discontinued operations (refer to note 6).

Adjusted EBITDA is defined as operating profit before depreciation and amortisation, impairment write-back/expense, net foreign exchange gain or loss and exceptional items. It is the key profitability measure used across the whole business and reflects the performance in a consistent manner and in line with how the business is managed and measured on a day to day basis. Adjusted EBITDA has decreased from $52 million in Q1 2013 to $48 million in Q1 2014 primarily as a result of the following:

- A decrease in revenues of $32 million due to the combination of lower volumes sold and lower pricing;
- A reduction in mining and production expenses ($4 million) due to the weakening of the Australian dollar;
- A reduction in royalties of $2 million due to lower revenues in the quarter;
- An increase in deferred stripping capitalised to the balance sheet of $7 million;
- Net positive movement in inventories of $8 million;
- A $4m reduction in selling and distribution costs reflecting lower volumes hauled and shipped.
- A $2m reduction in general and administration costs.

The 'Cash' EBITDA result removes the impact of the non-cash items of deferred stripping and net movement in inventories, which are not excluded in the Adjusted EBITDA calculation. Cash EBITDA has decreased from $50 million in Q1 2013 to $31 million in Q1 2014 primarily as a result of a $7 million increase in the credit to cost of sales for deferred stripping and an $8 million increase in the credit to cost of sales for net movement in inventories.

Other Key Items

Selling and distribution expenses decreased from $21 million in Q1 2013 to $18 million in Q1 2014 as a result of the impact of decreasing sales volumes on haulage and shiploading costs and the benefit of the relative weakening of the Australian dollar compared to the prior period. General and administrative expenses decreased from $10 million in Q1 2013 to $8 million in Q1 2014.

The Group is subject to taxation in the jurisdictions in which it operates, primarily Australia and Ghana. The Company is domiciled in Jersey and is subject to a corporate tax rate of 0%. The Group recognised an income tax charge in Q1 2014 of $1 million, compared to an income tax charge of $2 million in Q1 2013.

Profit for the Period

The Group has recognised a profit from continuing operations for Q1 2014 of $24.3 million compared to a profit of $24.4 million in Q1 2013.

Other Comprehensive (Cost) / Income

The Group recorded other comprehensive income of $10 million in Q1 2014, compared to $6 million in Q1 2013. The income in the period was largely as a result of a foreign currency translation gain. The other comprehensive income of $6 million in Q1 2013 was as a result of a $5 million increase in the value of available-for-sale assets and a net foreign currency translation gain of $1 million.

Unaudited Condensed Consolidated Statement of Financial Position

	As at	
$m	**31 March 2014**	**31 December 2013**
Cash and cash equivalents	236.0	219.9
Other current assets	130.0	123.6
Non-current assets	511.2	501.6
Total assets	877.2	845.1
Current borrowings	(11.4)	(4.7)
Non-current borrowings	(227.2)	(237.8)
Other current liabilities	(110.8)	(109.3)
Other non-current liabilities	(96.4)	(95.4)
Total liabilities	(445.8)	(447.2)
Total equity	431.4	397.9

Cash and Cash Equivalents

Cash and cash equivalents increased from $220 million on 31 December 2013 to $236 million on 31 March 2014, an increase of $16 million. This is due to strong cash flows from operations offset by capital expenditure and bond buy backs.

Non-Current Assets

Non-current assets have increased from $502 million at 31 December 2013 to $511 million at 31 December 2013, an increase of $9 million. The increase in the value of property, plant and equipment and intangible assets is due to the relative impact of the strengthening of the Australian dollar during the quarter.

Borrowings

Current borrowings have increased from $5 million at 31 December 2013 to $11 million at 31 March 2014, an increase of $6 million as a result of the utilisation of the Ghana overdraft facility in the quarter. Non-current borrowings have decreased from $238 million at 31 December 2013 to $227 million at 31 March 2014 as a result of the bond tender.

Guarantor Group

During the three months ended 31 March 2014, the Guarantors represented 100% (31 March 2013: 100%) of our consolidated revenues and 85.4% (31 March 2013: 86.8%) of our consolidated EBITDA. As of 31 March 2014, the Guarantors represented 73.6% of our consolidated total assets (31 March 2013: 72.2%). As of 31 March 2014, the non-guarantor subsidiaries have $7 million (31 March 2013: $13 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.

Unaudited Condensed Consolidated Statement of Cash Flows

	Year Ended	
$m	**31 March 2014**	**31 March 2013**
Cash inflow from operating activities	30.6	69.8
Cash outflow from investing activities	(7.9)	(18.2)
Cash outflow from financing activities	(12.3)	(16.8)
Increase in cash and cash equivalents	10.4	34.8
Cash and cash equivalents at the start of the year	**219.9**	**73.9**
Exchange (loss) / gain on cash and cash equivalents	(1.3)	1.4
Cash and cash equivalents at the end of the year	**229.0**	**110.1**

Cash Flows and Liquidity

Net cash generated from operating activities amounted to $31 million in Q1 2014 compared to $70 million in Q1 2013, a decrease of $39 million. This decrease in operating cash flow was as a result of decreased sales and slightly weaker pricing for manganese, partially offset by reductions in mining and production costs. The net cash outflow from investing activities was $8 million in Q1 2014 compared to an outflow in Q1 2013 of $18 million, due to lower payments for capital expenditure in the current period. The net cash outflow from financing activities was $12 million in Q1 2014 compared to a net cash outflow of $17 million in Q1 2013. The cash outflow in both periods relates principally to the repurchase of bonds.

Overall the Group has managed to maintain a strong closing cash position due to cost savings through operational efficiencies and working capital management. As a result total cash and cash equivalents increased from $220 million on 31 December 2013 to $229 million at 31 March 2014. The Group is forecasting to continue to generate positive operating cash flows going forward.

The liquidity position of the Group is further supported by circa $18 million of the marketable securities held that could be converted to cash if such a need arose. The Group also has a total overdraft facility in Ghana of $29 million with $22 million remaining undrawn and available at 31 March 2014.

Consolidated Minerals Limited

Unaudited Condensed Consolidated Interim Financial Information
For the Three Months Ended 31 March 2014

Unaudited condensed consolidated statement of comprehensive income for three months ended 31 March 2014

$m	Note	Three months ended 31 March 2014	2013 (restated – note 6)
Revenue	8	108.9	140.7
Cost of sales	9	(54.0)	(75.5)
Gross profit		54.9	65.2
Selling and distribution costs		(17.4)	(21.3)
General and administrative costs		(8.4)	(10.0)
Other operating income – net		1.5	0.9
Net foreign exchange gain		1.1	0.3
Operating profit		31.7	35.1
Presented as:			
Adjusted EBITDA		**47.9**	**52.4**
Depreciation and amortisation		(17.3)	(17.6)
Net foreign exchange gain		1.1	0.3
Operating profit		31.7	35.1
Financing income		0.3	1.0
Financing costs		(6.5)	(9.7)
Net financing costs		(6.2)	(8.7)
Profit before tax from continuing operations		25.5	26.4
Income tax expense		(1.2)	(2.0)
Profit for the period from continuing operations		24.3	24.4
Loss for the period from discontinued operations		(0.3)	(0.8)
Profit for the period		24.0	23.6
Other comprehensive income			
Revaluation of available-for-sale financial assets		(0.8)	4.6
Foreign currency translation differences		10.3	1.2
Income tax charge on other comprehensive income		-	0.6
Other comprehensive income for the year, net of income tax		9.5	6.4
Total comprehensive income for the period		33.5	30.0
Profit attributable to:			
Owners of the Company		23.8	23.4
Non-controlling interests		0.2	0.2
Profit for the period		24.0	23.6
Total comprehensive income attributable to:			
Owners of the Company		33.3	29.8
Non-controlling interests		0.2	0.2
Total comprehensive income for the period		33.5	30.0

The notes on pages 21 to 28 are an integral part of this unaudited Consolidated Interim Financial Information.

Unaudited condensed consolidated statement of financial position as at 31 March 2014

$m	Note	As at 31 March 2014	As at 31 December 2013
Non-current assets			
Property, plant and equipment		334.6	332.4
Intangible assets		88.5	82.7
Goodwill		28.9	28.9
Investments in associated undertakings		-	-
Available-for-sale financial assets		17.8	17.8
Trade and other receivables		0.2	0.2
Deferred tax asset		41.2	39.6
		511.2	**501.6**
Current assets			
Inventories		72.8	65.8
Trade and other receivables		57.2	57.4
Income tax receivable		-	0.4
Cash and cash equivalents	10	236.0	219.9
		366.0	**343.5**
Current liabilities			
Borrowings	11	(11.4)	(4.7)
Trade and other payables		(53.5)	(52.6)
Provisions		(57.3)	(56.7)
		(122.2)	**(114.0)**
Net current assets		**243.8**	**229.5**
Non-current liabilities			
Borrowings	11	(227.2)	(237.8)
Trade and other payables		(6.1)	(5.8)
Provisions		(54.7)	(53.0)
Deferred tax liabilities		(35.6)	(36.6)
		(323.6)	**(333.2)**
Net assets		**431.4**	**397.9**
Attributable to the equity shareholders of the parent company			
Share capital		10.0	10.0
Share premium		194.7	194.7
Subordinated shareholder loans treated as equity		966.2	966.2
Reserves		(17.6)	(27.1)
Retained losses		(736.4)	(760.2)
Total equity attributable to equity holders of the parent company		**416.9**	**383.6**
Non-controlling interests		14.5	14.3
Total equity		**431.4**	**397.9**

The notes on pages 21 to 28 are an integral part of this unaudited Consolidated Interim Financial Information.

Unaudited condensed consolidated statement of changes in equity for the three months ended 31 March 2014

$m	Share capital	Share premium	Shareholder equity	Reserves	Retained losses)	Total	Non-controlling interests	Total
	Attributable to equity shareholders of the parent Company							
Balance at 1 January 2014	10.0	194.7	966.2	(27.1)	(760.2)	383.6	14.3	397.9
Profit for the period	-	-	-	-	23.8	23.8	0.2	24.0
Revaluation of available-for-sale financial assets	-	-	-	(0.8)	-	(0.8)	-	(0.8)
Foreign currency translation differences	-	-	-	10.3	-	10.3	-	10.3
Income tax on other comprehensive income	-	-	-	-	-	-	-	-
Balance at 31 March 2014	10.0	194.7	966.2	(17.6)	(736.4)	416.9	14.5	431.4

$m	Share capital	Share premium	Shareholder equity	Reserves	Retained losses	Total	Non-controlling interests	Total
	Attributable to equity shareholders of the parent Company							
Balance at 1 January 2013	10.0	194.7	966.2	26.4	(903.7)	293.6	13.1	306.7
Profit for the period	-	-	-	-	23.4	23.4	0.2	23.6
Revaluation of available-for-sale financial assets	-	-	-	4.6	-	4.6	-	4.6
Foreign currency translation differences	-	-	-	1.2	-	1.2	-	1.2
Income tax on other comprehensive income	-	-	-	0.6	-	0.6	-	0.6
Dividend paid							(0.5)	(0.5)
Balance at 31 March 2013	10.0	194.7	966.2	32.8	(880.3)	323.4	12.8	336.2

The notes on pages 21 to 28 are an integral part of this unaudited Consolidated Interim Financial Information.

Unaudited condensed consolidated statement of cash flows for the three months ended 31 March 2014

$m	Note	Three months ended 31 March 2014	2013 (restated – note 6)
Cash flow from operating activities			
Profit before tax		25.5	26.4
Adjustments to add / (deduct) non-cash items:			
Depreciation and amortisation		17.2	17.6
Deferred stripping		(7.9)	(0.8)
Gain on sale of fixed assets		0.2	-
Net foreign exchange gain		(1.1)	(0.3)
Net financing costs		6.2	8.7
Working capital adjustments:			
Increase in inventories		(8.0)	(1.0)
Decrease in receivables		5.0	6.0
(Decrease) / increase in payables		(1.0)	8.4
Net movement in working capital		(4.0)	13.4
Income taxes paid		(3.8)	(1.6)
Net cash generated from continuing operating activities		32.3	63.4
Net cash generated from discontinued operating activities		(1.7)	6.4
Net cash generated from operating activities		**30.6**	**69.8**
Cash flow from investing activities			
Payments for development expenditure		(2.8)	(1.2)
Purchase of property, plant and equipment		(3.2)	(13.8)
Proceeds from sale of property, plant and equipment		0.2	-
Payments for mineral exploration and evaluation expenditure		(2.4)	(4.8)
Interest received		0.3	0.6
Proceeds from dividends received		-	1.2
Net cash outflow from continuing investing activities		(7.9)	(18.0)
Net cash outflow from discontinued investing activities		-	(0.2)
Net cash outflow from investing activities		**(7.9)**	**(18.2)**
Cash flow from financing activities			
Interest paid		(0.3)	(0.8)
Payments for repurchase of senior secured notes		(10.5)	(14.5)
Repayment of borrowings		(1.5)	(1.5)
Net cash (outflow) / inflow from financing activities of continuing operations		(12.3)	(16.8)
Net cash (outflow) / inflow from financing activities of discontinued operations		-	-
Net cash (outflow) / inflow from financing activities		**(12.3)**	**(16.8)**
Net increase in cash and cash equivalents from continuing operations		12.1	28.6
Net decrease in cash and cash equivalents from discontinued operations		(1.7)	6.2
Net increase in cash and cash equivalents		**10.4**	**34.8**
Cash and cash equivalents at the beginning of the period		219.9	73.9
Exchange gains / (losses) on cash and cash equivalents		(1.3)	1.4
Cash and cash equivalents at the end of the period	10	**229.0**	**110.1**

The notes on pages 21 to 28 are an integral part of this unaudited Consolidated Interim Financial Information.

Notes to the unaudited consolidated interim financial information

1. General information

Consolidated Minerals Limited ('Consmin' or the 'Company') was incorporated in Belize, in 2004 and redomiciled in Jersey in April 2008. The address of its registered office is First Floor, Commercial House, 3 Commercial Street, St Helier, Jersey, Channel Islands, JE3 2RU.

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

2. Basis of preparation of interim report

This condensed consolidated interim financial information for the three months ended 31 March 2014 has been prepared in accordance with IAS 34 "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial information for the year ended 31 December 2013, which have been prepared in accordance with IFRS.

The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 December 2013 but comparative information is derived from those accounts. Statutory accounts for 2013 have been filed with the Jersey registrar of companies and the auditors have issued an unqualified audit opinion on these accounts.

As explained in note 6 the chromite operations have been treated as discontinued operations for the quarter ended 31 March 2014. The income statement comparatives have been restated to conform to this presentation (refer to note 2c).

(a) New and amended standards mandatory for the first time for the financial year beginning 1 January 2014 relevant to the Group

- IFRIC 21 *Levies*: In May 2013, IASB issued IFRIC 21 Levies, which sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to the recognition of a liability to pay a levy. We performed an assessment of the impact of IFRIC 21 and concluded it did not have a significant impact on our consolidated financial statements.

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

- IFRS 9 *Financial Instruments: Classification and Measurement* (effective 1 January 2015): IFRS 9 was issued by the IASB in November 2009 and subsequently amended in October 2010. This new standard represents the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB will address hedge accounting and recognition. The Group has not yet completed its evaluation of the effect of adoption.

(c) Comparatives

Where applicable, comparatives have been prepared on the same basis as current period figures. The prior period comparatives have been restated to exclude discontinued operations. For the quantitative impact of discontinued operations on the prior period consolidated financial statements, please refer to the tables below.

Adjustments to the consolidated statement of income in relation to discontinued operations:

For the 3 months ended 31 March $m	2013 (previously stated)	Discontinued Operations[1]	2013 (restated)
Revenue	166.7	(26.0)	140.7
Cost of sales	(96.4)	20.9	(75.5)
Selling and distribution costs	(27.8)	6.5	(21.3)
Net foreign exchange gain	0.2	0.1	0.3
Income tax expense	(1.2)	(0.8)	(2.0)
Loss for the period from discontinued operations		0.8	

[1]Refer to note 6

Adjustments to the consolidated statement of cashflows in relation to discontinued operations:

For the 3 months ended 31 March $m	2013 (previously stated)	Discontinued Operations[1]	2013 (restated)
Profit before tax	24.8	1.3	26.4
Adjusted for the following items:			
Depreciation	21.9	(4.3)	17.6
Net foreign exchange gain	(0.2)	(0.1)	(0.3)
Decrease / (increase) in inventories	2.4	(3.4)	(1.0)
Decrease / (Increase) in receivables	7.8	(1.8)	6.0
Increase in payables	6.8	1.9	8.4
Net cash generated from operating activities		(6.4)	
Purchase of property, plant and equipment	(14.0)	0.2	(13.8)
Net cash outflow from investing activities		0.2	
Net decrease in cash and cash equivalents		(6.2)	

[1]Refer to note 6

3. Accounting policies

The accounting policies are consistent with those of the annual financial information for the year ended 31 December 2013, except as described below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings. Our revenue is closely related to demand and the prices obtained for manganese ore, and to a lesser extent, chromite ore produced by our Australian operations. Cyclical and other changes in world market prices of these products affect the results of our operations. The changes in these prices result from factors, such as market supply and demand, which are beyond our control.

(a) Foreign currency translation

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

	31 March 2014	**Average 3 months to 31 March 2014**	**31 December 2013**	**Average 3 months to 31 March 2013**	**31 March 2013**
Australian dollar	0.9247	0.8962	0.8873	1.0389	1.0416

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.

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

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

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

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

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

d) Operational

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

e) Sustainable development

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

6. Discontinued operations

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

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

The book value of Coobina as at 31 March 2014 was a net liability of $3 million. The Coobina transfer on 2nd April 2014 generated a non cash gain on disposal of $10 million in the statement of comprehensive income which will be disclosed in the Q2 2014 results.

As a result of the above the Chromite operations have been treated as discontinued in operation for the periods ending 31 March 2014 and 31 March 2013.

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

For the 3 months ended 31 March $m	**2014**	**2013**
Revenue	4.7	26.0
Cost of sales	(4.0)	(20.9)
Selling and distribution costs	(1.0)	(6.6)
Net foreign exchange gain	-	(0.1)
Operating profit	(0.3)	(1.6)
Income tax expense	-	0.8
Profit for the period	(0.3)	(0.8)
Adjusted EBITDA	(0.3)	2.8

Cashflows from discontinued operations are shown below:

For the 3 months ended 31 March $m	**2014**	**2013**
Net cash (outflow) / generated from operating activities	(1.7)	6.4
Net cash outflow from investing activities	-	(0.2)
Net cash (outflow) / inflow from discontinued operations	(1.7)	6.2

7. Segment information

Management considers the business from a product perspective and has determined the operating segments based on the reports reviewed by the Group Executive Committee, who are the CODM ('Chief Operating Decision Makers'). The primary product of the Group is processed manganese ores. Other operations consist of iron ore projects, and administration and corporate head office functions.

The segment information provided for the three month periods ended 31 March 2014 and 2013 is as follows:

31 March 2014 **$m**	**Manganese**	**Other**	**Total from continuing operations**	**Chromite**	**Total**
Revenue from external customers	108.4	0.5	108.9	4.7	113.6
Cost of goods sold	(53.4)	(0.6)	(54.0)	(4.0)	(58.0)
Gross profit	55.0	(0.1)	54.9	0.7	55.6
Adjusted EBITDA	53.0	(5.1)	47.9	(0.3)	47.6
Depreciation and amortisation	(17.2)	(0.1)	(17.3)	-	(17.3)
Net foreign exchange gain / (loss)	0.2	0.9	1.1	-	1.1
Finance expense	(0.6)	(5.6)	(6.2)	-	(6.2)
Profit / (loss) before tax	35.4	(9.9)	25.5	(0.3)	25.2
Income tax expense			(1.2)	-	(1.2)
Profit / (loss) for the period			24.3	(0.3)	24.0

31 March 2014 **$m**	**Manganese**	**Other**	**Total from continuing operations**	**Chromite**	**Total**
Total assets	585.6	288.5	874.1	3.1	877.2
Total liabilities	(173.9)	(270.1)	(444.0)	(1.8)	(445.8)

31 March 2013 **$m**	**Manganese**	**Other**	**Total from continuing operations**	**Chromite**	**Total**
Revenue from external customers	140.7	-	140.7	26.0	166.7
Cost of goods sold	(74.3)	(1.2)	(75.5)	(20.9)	(96.4)
Gross profit	66.4	(1.2)	65.2	5.1	70.3
Adjusted EBITDA	60.3	(7.9)	52.4	2.8	55.2
Depreciation and amortisation	(16.9)	(0.7)	(17.6)	(4.3)	(21.9)
Net foreign exchange gain / (loss)	-	0.3	0.3	(0.1)	0.2
Finance income	-	1.0	1.0	-	1.0
Finance expense	(0.8)	(8.9)	(9.7)	-	(9.7)
Profit / (loss) before tax	42.6	(16.2)	26.4	(1.6)	24.8
Income tax expense			(2.0)	0.8	(1.2)
Profit / (loss) for the period			24.4	(0.8)	23.6

31 December 2013 **$m**	**Manganese**	**Other**	**Total from continuing operations**	**Chromite**	**Total**
Total assets	566.8	273.9	840.7	4.4	845.1
Total liabilities	(148.5)	(291.0)	(439.5)	(7.7)	(447.2)

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

	Three months ended 31 March	
$m	**2014**	**2013**
Adjusted EBITDA	47.9	52.4
Depreciation and amortisation	(17.3)	(17.6)
Net foreign exchange gain	1.1	0.3
Net financing costs	(6.2)	(8.7)
Profit / (loss) before tax	25.5	26.4

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

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

8. Revenue

Revenue by geographic destination was as follows:

	Three months ended 31 March	
$m	**2014**	**2013**
China	88.1	116.6
India	-	11.2
South Korea	7.2	-
USA*	-	5.3
Ukraine*	6.3	3.9
Other	7.3	3.7
Total revenue by geographic destination from continuing operations	**108.9**	**140.7**
Revenue from discontinued operations	4.7	26.0

*Sales to related parties – see note 13

9. Cost of sales

	Three months ended 31 March	
$m	**2014**	**2013**
Mining and production expenses - other	45.9	50.8
Depreciation and amortisation	17.2	17.6
Royalties and other taxes	7.1	9.2
Mining and production expenses - deferred stripping	(7.9)	(0.8)
Net movement in inventories	(8.9)	(1.3)
Other (CMT)	0.6	-
Total cost of sales from continuing operations	54.0	75.5
Cost of sales from discontinued operations	4.0	20.9

10. Cash and cash equivalents

$m	**As at 31 March 2014**	**As at 31 December 2013**
Cash at bank and in hand	182.3	202.6
Short-term bank deposits	53.7	17.3
Cash and cash equivalents at the end of the period	236.0	219.9
Less: bank overdrafts	(7.0)	-
Net cash and cash equivalents per the cash flow statement	229.0	219.9

11. Borrowings

$m	31 March 2014	31 December 2013
Current		
Bank overdrafts	7.0	-
Finance lease liabilities – hire purchase loans	4.4	4.7
	11.4	4.7
Non-current		
Senior secured high yield notes 2016	218.7	228.2
Finance lease liabilities – hire purchase loans	8.5	9.6
	227.2	237.8
Total borrowings	238.6	242.5

On 28 April 2011, the Company issued $405 million in principal amount of 8.875% senior secured notes due 2016 which pay interest semi-annually on 1 May and 1 November. The senior secured notes are guaranteed on a senior basis by the Company and certain of our 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 $0.5 million and unamortised issue costs of $5.7 million. Unamortised discount and issue costs are charged 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.

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 balance sheet date:

$m	31 March 2014	31 December 2013
Interest free and repayable on demand	-	-
6 months or less	7.0	-
6 - 12 months	-	-
1 - 5 years	-	-
Over 5 years	-	-
Borrowings not exposed to changes in interest rates	231.6	242.5
	238.6	242.5

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

$m	31 March 2014	31 December 2013
US dollar	237.8	241.3
Australian dollar	0.8	1.2
	238.6	242.5

12. Contingent liabilities and contingent assets

There has been no change in circumstances relating to contingent liabilities already disclosed in the 31 December 2013 financial information.

The Group has no contingent assets.

13. 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 during the quarter.

The following table provides the total amount of transactions which have been entered into with related parties for the three months ended 31 March 2014.

$m	Sales to related parties	Purchases from related parties	Finance income from related parties	Finance costs to related parties	Amounts owed by related parties	Amounts owed to related parties
Trading companies related to the ultimate shareholder						
3 months to 31 March 2014	6.3	-	-	-		
3 months to 31 March 2013	9.2	-	-	-		
At 31 March 2014					5.3	-
At 31 December 2013					4.6	-
Banks related to the ultimate shareholder						
3 months to 31 March 2014	-	-	-	-		
3 months to 31 March 2013	-	-	0.2	-		
At 31 March 2014					-	-
At 31 December 2013					-	-
Other companies related to the ultimate shareholder						
3 months to 31 March 2014	-	0.7	-	-		
3 months to 31 March 2013	-	0.6	-	-		
At 31 March 2014					-	-
At 31 December 2013					-	-

Finance companies related to the ultimate shareholder

As at 31 March 2014, a related party loan balance of $966.2 million was recognised in equity.

Banks related to the ultimate shareholder

The Group holds bank accounts with Privat Bank (Cyprus), which the ultimate shareholder has a minority interest in. As at 31 March 2014, less than $0.1 million was held in current accounts with the bank (31 December 2013: less than $0.1 million).

14. Events occurring after the reporting period

The Company has been involved in various legal disputes with PMI since 2008 relating to the interpretation of the SuperFines (SFA) and related agreements. The Company entered into an agreement with PMI on 6 February 2014 to terminate the SFA and settle the legal dispute and recognised a current liability provision of $45.9 million at 31 December 2013.

On 2 April 2014 the Company settled part of the liability via the combination of $28 million cash and the transfer of Coobina tenement assets and rehabilitation liabilities. The book value of Coobina as at 31 March 2014 was a net liability of $3 million and the asset transfer has generated a non cash gain on sale of $10 million upon settlement. Settlement of the remaining cash liability of $13 million will take place during 2014.

On the 31 March pursuant to Section 3.07(d) (Optional Redemption) the Company elected to redeem $112.5 million of the outstanding $225.0 million notes outstanding. The redemption date was 1 May 2014 and the redemption price was 104.4375% of the principal amount of the notes.

On 12 May 2014, the Company issued $400 million in principal amount of 8.0% senior secured notes due 2020 which pay interest semi-annually on 15 May and 15 November. The senior secured notes are guaranteed on a senior basis by the Company and certain of its subsidiaries (the Guarantors) and rank pari passu to all of existing and future indebtedness that is not subordinated in right of payment of the notes. Net proceeds of the issue will be used to (i) repurchase the remaining $112.5 million of 8.875% senior secured notes due 2016 as noted below, (ii) repay a $250 million of the subordinated shareholder loans and (iii) for general corporate purposes.

The remaining senior secured notes due 2016 will be redeemed on 11 June 2014 at a redemption price of 104.4375% of the principal amount of the notes plus accrued interest up to that date.

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.
"CIF"	International commercial term meaning "Cost, Insurance and Freight," whereby the quoted price includes all costs, insurance and freight to bring the goods to the port of destination from the port of departure.
"concession"	A mining concession as defined in the Minerals and Mining Act.
"CRU"	CRU International Limited, a company incorporated in England and Wales with company number 00940750. CRU is an independent business analysis and consultancy group, focused on the mining, metals, power, cables, fertilizer and chemical sectors.
"dmtu"	A "dry metric tonne unit," which corresponds to one 10 kilogram unit of manganese. By way of example, the price in \$ of a consignment of manganese ore is calculated by multiplying the U.S. dollar per dmtu price by the units of manganese of the ore in that shipment. For instance, if manganese ore with a manganese content of 48% is priced at \$5.00/dmtu, the price for three tonnes of such ore will be \$720, calculated as follows: 48% × 3,000kg = 1,440 kg of manganese 1,440kg ÷ 10kg = 144 dmtu of manganese 144 dmtu × \$5.00 per dmtu = \$720
"dry tonne" or "dt"	A tonne, being a metric unit of weight equivalent to 1,000 kilograms, measured excluding the weight of any water content.
"EMM"	Electrolytic manganese metal.
"Fe"	Chemical symbol for Iron, based on the periodic table
"ferroalloy"	A metal product, usually containing iron and other metals, that is commonly used as a raw material feed in steelmaking to add strength or to aid various stages of the steelmaking process such as deoxidisation and desulphurisation. Examples include ferrochrome, ferromanganese and ferrosilicon.
"fines" or "ore fines" or "fine ore"	Manganese ore with the majority of individual particles measuring less than a specified size. While there is no industry standard measurement, the Group's Australian and Ghanaian operations specify ores with particles measuring between 1 and 12.5 millimeters and less than 25 millimeters, respectively, as fines.
"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.
"Guarantor"	Each of CMAL CMTL, Stratford Sun Limited, Consolidated Minerals (Hong Kong) Limited, PTL, MTL, Consolidated Minerals (Belgium) Limited, Consolidated Minerals Holdings (Australia) Pty Limited, Consolidated Minerals (Australia) Pty Limited, CMPL, PMPL 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.
"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.
"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.