CONSOLIDATED MINERALS

Consolidated Minerals Limited

Annual Report 2013

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

Annual Report 2013

31 March 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 annual results for the year ended 31 December 2013.

Key highlights

- Adjusted EBITDA for 2013 was $297 million, an increase of $261 million compared to 2012.
- Manganese sales tonnes were 23% higher in 2013 compared to 2012, as a result of strong demand for both Australian and Ghanaian ore (an increase of 10% and 35% respectively).
- Average manganese FOB sales prices increased from $4.23/dmtu in 2012 to $4.81/dmtu in 2013, an increase of 14%.
- Prices for manganese ore (CRU, 44%Mn CIF China) started the year at $5.25/dmtu and rose in each subsequent month before peaking at $5.70/dmtu in June. The price fell to its low point of $5.15/dmtu in September before returning to $5.25/dmtu for each month of Q4 2013; finishing the year where it started. At the start of 2014, prices remained at $5.25/dmtu for January but reduced by $0.05/dmtu to $5.20/dmtu in February.
- Manganese ore production for 2013 was 16% higher than 2012. Australian manganese ore production increased 9% and Ghana manganese ore production increased 24%.
- Manganese C1 cash costs improved from $3.28/dmtu in 2012 to $2.52/dmtu in 2013 continuing the downward trend seen over the last three years. The reduction in C1 cash costs is due to substantial reductions in mine site costs and foreign exchange benefits from the relative weakening of the Australian dollar
- The June 2013 resource and reserves statement shows that total Ghanaian resources have increased 142% and reserves have increased 72% compared to the June 2012 statement. The equivalent comparison for the Australian business shows a 6% increase in resources; however reserves declined 14%.
- In July 2013 the Company ceased mining at its Coobina chromite mine with processing of the remaining ore concluding in January 2014. Final sales of chromite ore concluded in Q1 2014.
- During the year the Company sold its entire shareholding in BC Iron Limited recognising net proceeds of $102 million and a gain on disposal of $43 million. The proceeds are to be applied in compliance with the Bond indenture which may include capital expenditure or funding of exploration activities. The gain on disposal of BC Iron Limited is categorised as a profit on disposal of an associated undertaking and is not included in Adjusted EBITDA or 'Cash' EBITDA.
- Subsequent to the year end a settlement was reached with Process Minerals International Pty Limited (PMI) to bring the manganese tailings agreement (Super Fines Agreement) between the Company and PMI to an end and to settle the related legal claims and counter claims. This resulted in the recognition of a settlement expense of $57 million in the 2013 statement of comprehensive income.
- During the year the Group recognised a net impairment expense of $21.2 million. Of this amount $30.3 million relates to the write off of specific manganese exploration assets offset by an impairment reversal on the sale of the nickel business.
- During 2013 the Company spent $128 million on the repurchase of its bonds. Subsequent to the year end the Company spent an additional $10 million repurchasing further bonds.
- The Company has today confirmed its intention to redeem, in the near future, 50% of the remaining bonds not previously repurchased by the Company.
- During the year the group has generated positive operating cashflow of $263 million through increased revenues, cost savings through operational efficiencies and effective working capital management. Cash and cash equivalents increased during the year by $134 million to $220 million with net debt falling during the year from $299 million to $23 million.
- The Group recorded a profit for the year of $145 million.

Key Performance Indicators

	Year Ended 31 December 2013	31 December 2012 (restated)[5]	% change
Manganese ore produced (dry kt)	3,443.8	2,971.5	15.9%
Manganese ore sales (dry kt)	3,606.8	2,943.1	22.6%
Average C1 manganese unit cash cost ($/dmtu)[1]	2.52	3.28	(23.2%)
Average manganese FOB Sales price ($/dmtu)	4.81	4.23	13.7%
Chromite ore produced (kt)	355.2	452.3	(21.5%)
Chromite sales (kt)	348.5	483.1	(27.9%)
Average C1 chromite unit cash cost ($/t)[1]	166	205	(19.0%)
Average chromite FOB sales price ($/t)	199	217	(8.3%)
Revenue ($ million)	687.7	554.1	24.1%
Adjusted EBITDA ($ million)[2]	296.7	35.7	731.1%
'Cash' EBITDA ($ million)[4]	271.4	77.7	249.3%
Profit / (loss) for the period	145.2	(48.6)	398.8%
	At 31 December 2013	**At 31 December 2012**	**% change**
Cash and cash equivalents ($ million)	219.9	86.3	154.8%
Gross debt ($ million)	(242.5)	(385.6)	(37.1%)
Gross debt excluding high yield bonds ($ million)	(14.3)	(31.0)	(53.9%)
Net debt ($ million)	(22.6)	(299.3)	(92.4%)

[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 2012 have been restated to reflect the impact of the adoption of IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine.

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

"During 2013, Consmin delivered exceptional performance from both a financial and operational perspective. Adjusted EBITDA for the year was $297 million, representing a substantial increase over the prior year adjusted EBITDA of $36 million and is a result of increased revenues and cost savings through operational efficiencies.

Volumes of manganese ore produced increased 16% compared to the prior year as a result of strong demand for both Australian and Ghanaian ore (an increase of 8% and 24% respectively). Chromite volumes produced declined by 22% as a result of the decision to cease mining in July 2013.

Manganese C1 cash costs have reduced a further 23% compared to the prior year. C1 cash costs have continued to reduce from a peak of $3.78/dmtu in Q2 2011 to an average of $2.52/dmtu during 2013 as a result of the successful implementation of cost reduction initiatives. C1 cash costs are expected to remain at current levels in 2014.

Both Ghanaian and Australian operations have issued an updated resources and reserves statement during the year based on exploration results as of 30 June 2013. Ghanaian resources have increased 142% and reserves have increased 72% compared to the June 2012 resources and reserves statement. Total Australian resources have increased 6%; however reserves have declined 14% compared to the June 2012 resources and reserves statement.

During the year the Company sold its shareholding in its associate BC Iron realising net cash proceeds of $102 million and a profit of $43 million. Subsequent to the year end the Company reached a settlement with Process Minerals International Pty Limited (PMI) to bring to an end the manganese tailings agreement between the parties and to settle the related legal claims and counter claims. This resulted in the recognition of a settlement expense of $57 million in the 2013 statement of comprehensive income. During the year the Company also spent $128 million on the buy-back of its bonds and a further $10 million after the year end as part of the tender offer. As a result of these transactions and the continued strong operating cashflows generated by the business the cash position increased to $220 million at the year end from $86 million at the start of the year and net debt reduced to $23 million from $299 million over the same period. This strong liquidity position enables the Group to continue to look at strategic investment opportunities."

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 31 March 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/8806779

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.

The carbon steel industry accounts for 90% of end user demand for manganese, a non-substitutable additive used as both a deoxidizing and desulphurising agent. Steel production 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.

Global steel production for 2013 rose by 3% year on year to 1.6 billion tonnes. China continued to be the major growth engine, growing by 7% year on year to 779 million tonnes and accounting for nearly 50% of global production. As a result of its strong steel production and declining domestic manganese ore production, China's demand for imported manganese ore rose substantially during the year, up 34% year on year to 16.6 million tonnes.

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 the Nsuta manganese mine in Ghana.

Whilst robust demand for oxide ore from Chinese alloy producers has been apparent for over a decade, demand for carbonate manganese ore is a relatively new phenomenon, driven by the growth in stainless steel production. Chinese stainless steel production grew by a CAGR of 18% for the period 2007 to 2013. China produced circa 45% of global stainless steel in 2013. The proportion of 200 series stainless steel relative to total stainless steel produced in the country now exceeds 30%. Overexploitation of domestic ores to meet this growing demand has led to a decrease in reserves and declining of ore grades, leading EMM producers to seek alternative sources of supply such as the ore produced from the Nsuta manganese mine.

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 a manganese content basis alone.

Manganese ore shipments totalled 3.73 million wet tonnes during 2013, a significant increase of 23% compared to 3.03 million wet tonnes shipped during 2012. The company maintained its diverse customer base with shipments to customers in China, Ukraine, India, South Korea, Norway, Vietnam and Slovakia.

Australian exports of manganese were 1.7 million wet tonnes for the year 2013, an increase of 162k tonnes or 11% year on year. Exports of manganese ore from Ghana were up 35% to 2.05 million wet tonnes compared to 2012; sales were supported by the long-term sales offtake agreement with Tianyuan Manganese Industry Co. Ltd. The Company considers this contract a significant development, which will underpin Ghana production and sales strategy going forward. Contract pricing is linked to the benchmark manganese ore price.

Robust steel production growth and record manganese ore imports into China led to much improved market conditions for manganese ore in 2013, compared with the previous year. The annual average price for manganese lump (CRU, 44%Mn CIF China) increased from $5.00/dmtu in 2012 to $5.43/dmtu in 2013 peaking at $5.70 mid-year and ending the year at a more modest $5.25/dmtu. At the start 2014, prices remained at $5.25 for January but fell $0.05 to $5.20 in February. Pricing for the company's WW46L ore from Australia ranged from US$5.55 to US$6.20/dmtu CIF China in 2013.

Consmin is cautious in its expectations for 2014, as the Chinese government measures to tighten the availability of credit and strengthen environmental controls may lead to slower economic growth. In the first quarter of 2014 Chinese market sentiment has weakened in the manufacturing and steel sectors putting downward pressure on manganese alloys demand. Consmin has been able to keep prices stable in the first two months of Q1 2014; the prices on some types of ore were slightly decreased in March and expected to remain under pressure in the second quarter of 2014. However, the full year outlook is more upbeat, with steel production expected to grow by around 5% with manganese ore following this trend.

Chromite Segment

As with manganese ore, the demand for chromite ore is primarily driven by China, which is reliant on imported chromite ore as feed for the production of ferro-chrome, a key input of stainless steel. Chinese crude stainless steel production accounts for 45% of global supply. China produced nearly 19 million tonnes of stainless steel in 2013, up 14% year-on-year.

Consmin chromite ore was shipped solely to the Chinese market in 2013 with sales of 349k tonnes, down 28% year on year, as a result of the decision to cease mining in July 2013, due to the degradation of chromite grades and rising costs at the Coobina mine coupled with weak market conditions. Processing of stockpiles has continued with the final sale completed in March 2014 and the chromite operations are now discontinued.

Operational Review

Manganese Segment

Summary Overview	Year ended 31 December 2013	31 December 2012	% change
Total mined (kBCM)	15,685	15,755	(0.4%)
Manganese ore produced (dry kt)	3,444	2,972	15.9%
Australia	*1,632*	*1,505*	*8.4%*
Ghana	*1,812*	*1,467*	*23.5%*
Manganese ore produced (mdmtu)	123.8	106.5	16.2%
Australia	*72.8*	*65.1*	*11.8%*
Ghana	*51.0*	*41.4*	*23.2%*
Manganese ore sales (dry kt)	3,607	2,943	22.6%
Australia	*1,609*	*1,458*	*10.4%*
Ghana	*1,998*	*1,485*	*34.5%*
Manganese ore sales (mdmtu)	128.5	106.2	21.0%
Australia	*71.9*	*64.0*	*12.3%*
Ghana	*56.6*	*42.2*	*34.1%*
Total capex – including exploration ($ million)	59.8	33.7	77.4%
Average unit cash cost ($/dmtu)	2.52	3.28	(23.2%)

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 comprise of 5,400km^2 of exploration tenements and a 100km^2 of currently active mining corridor. 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

The safety performance at Woodie Woodie improved significantly during 2013 with the Company attaining a record low total recordable injury frequency rate of 5.2, a 70% improvement over December 2012. Whilst management is particularly pleased with this step-change improvement, significant ongoing effort and focus is required to ensure recent improvements are sustainable.

Production

Woodie Woodie performed well in the fourth quarter of 2013 concluding a strong year.

The Company is particularly pleased to report that the productivity and efficiency of the mining fleet continued to improve during the fourth quarter of 2013 resulting in total mining volumes increasing by 33% on the corresponding period in 2012 and 7% on the prior quarter. However, total mining volumes of 6 million bank cubic metres (BCM) for 2013 were down 18% on 2012 due to the focus on lower strip ratio pits during 2013. Whilst productivity initiatives continue to be pursued, further improvements are expected to be incremental in comparison to those already achieved. Mining production is expected to continue at current levels until an additional (third) mining fleet commences operation in the third quarter of 2014.

Ore mining during the fourth quarter focused on the Greensnake pit whilst development commenced in the Paystar and Homestead pits. As reported in the prior quarter, the next major pit to be developed is Topvar which is expected to commence development in the third quarter of 2014. Resource development drilling which was concluded during the fourth quarter is expected to result in a larger pit than originally contemplated. Pit optimisation and mine planning work is progressing well in support of this.

The Woodie Woodie mine delivered another strong production quarter, with 402k tonnes of manganese ore produced in the fourth quarter with an average content of 44.1% manganese, an increase in production of 10% on the corresponding period in 2012 and in line with the prior quarter. This concluded a record year of production at Woodie Woodie, with an increase of 9% on 2012 to 1.6m tonnes at an average grade of 44.6% manganese.

Capex

Total capital expenditure on property, plant and equipment for 2013 totalled $11 million down from $29 million in 2012 when equipment for the transition from mining contractor to owner operator was purchased. Spending in 2013 related primarily to a long haul dump truck and a number of items of non-processing infrastructure which were substantially sustaining in nature.

Exploration and Resource Development
Exploration drilling hit record levels during the fourth quarter as a total of 54,000 metres of RC drilling and 670 metres of diamond drilling were completed. This represents an increase of 170% on the prior quarter and brings the total for the year to 114,000 metres of RC drilling and 2,000 metres of diamond drilling.

Drilling during the quarter focused on preparing the Topvar prospect for mining in 2014, confirming lateral extensions and thickening of the ore body. Drilling was also undertaken at Chris D pit in the mine corridor and Utah, George and Kent pits in the broader exploration region.

Geophysical programs were completed during the quarter and planning commenced for the 2014 program. Some 165,000 metres of exploration drilling is planned for 2014.

Resources and Reserves Update
The Company completed an update to its Resources and Reserves statement during the quarter. As at 30 June 2013, Resources and Reserves totalled 38.7 million tonnes and 15.4 million tonnes respectively. The modest growth in Resources and the decline in Reserves was a result of applying a lower density to the ore in the geological model and mining depletion partially offset by new resources and extensions to existing resources.

The Company notes that the cut-off date for the June 2013 Resource and Reserve statement precluded the statement benefiting from the majority of the exploration activity in 2013 and looks forward to releasing an updated statement dated 31 December 2013 in the coming months.

	Tonnes		Mn %		Tonnes
	June 2013	**June 2012**	**June 2013**	**June 2012**	**Movement**
Total Reserves	15.4	18.0	34%	36%	(14%)
Total Resources	38.7	36.5	33%	37%	6%

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 operates under this lease. The manganese ore exported from GMC is a high grade manganese carbonate (as opposed to a manganese oxide) with excellent manganese to iron ratio, which makes it well suited to alloy and 'EMM' production. The ore produced at GMC is low in phosphorus and other deleterious elements, which enables it to be an excellent replacement for the low grade carbonate ores of China.

Safety
The positive safety record at Nsuta was maintained throughout 2013, but regrettably two major reportable incidents were recorded. The first, where a third party fuel tanker rolled over, resulting in some on-site spillage and the second incident where a GMC vehicle collided on-site with a shunting train. In both cases there were no personal injuries. During the year a number of initiatives have been implemented to further improve and sustain the overall positive trend over the forthcoming years.

Production
Production at GMC totalled 1.81m tonnes of manganese ore during the year, representing a 23.5% increase compared to the prior year. Production during the year was from Pit C with a 14.9% increase in total BCM mined compared to the prior year. GMC started de-watering Pit B in late-2013 to prepare for the start of ore production from this pit in 2014.

Capex
A total of $22.2 million was spent on capital expenditure projects during the year. The majority of the capex was targeted at the purchase of new mobile equipment ($9.4 million) and critical spares and components for the mobile and fixed equipment ($7.0 million).

Exploration
Drilling focused on the continued resource development of Pit C, with a combination of infill drilling for JORC compliancy and exploration drilling. The earlier drilling campaigns have identified further opportunities and confidence in and around Pits A, B and C. Following the initial work performed by SRK, GMC requested FGC / ThreeDify (Canada) and TACMIN (South Africa) to prepare the 30th June 2013 Resource and Reserve (R&R) updates, with the following results:

	Tonnes		Mn %		Tonnes
	June 2013	**June 2012**	**June 2013**	**June 2012**	**Movement**
Total Reserves	37.6	21.8	27.2%	29.3%	72%
Total Resources	101.3	41.8	26.9%	27.6%	142%

The above indicates a significant increase in Ghana R&R base due to inclusion of Pits A and B into the model, reduction of the cut-off grade (22% to 18% Mn) and a better geological understanding that the mineralised ore bodies extend to greater depths.

Projects
In order to ensure the future growth in export volumes GMC has embarked on a number of projects with the studies and planning for these projects having been completed in 2013 with the implementation phase taking place during 2014. The carbonate plant extension will increase production capability from 2 million tons per annum (mtpa) up to 3mtpa. The transhipping project will increase the export capacity to 2.8mtpa and allows GMC to load Capesize (up to 110k tonnes) vessels outside the Takoradi Port area by the use of a shuttle and transhipper vessels. The transhipper project has been completed with the loading of the first Capesize vessel in February 2014.

Chromite Segment

Summary Overview	Year Ended 31 December 2013	31 December 2012	% change
Chromite ore produced (dry kt)	355	452	(21.5%)
Chromite ore sales (dry kt)	349	483	(27.7%)
Average C1 chromite unit cash cost ($/dry t)	166	205	(19.0%)
Average FOB sales price ($/dry t)	199	217	(8.3%)

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.

Safety
The safety performance at Coobina was steady throughout 2013, suffering a slight increase in the total recordable injury frequency rate as a result of the suspension of mining operations during the year. The Company is pleased to report no recordable injuries in the fourth quarter and no lost time injuries for the year.

Production
As reported previously, mining production ceased in July 2013 with processing operations continuing until late January 2014.

Production during the quarter totalled 55,000 tonnes of chrome ore, down 55% on the corresponding period in 2012 and 33% from the prior quarter, reflecting the variable grades and product yields as ROM stocks were fully depleted during the quarter. Production for the year totalled 355,000 tonnes down from 452,000 tonnes in 2012 reflecting the suspension of mining operations in 2013.

Other

Kambalda
Consmin's nickel assets were sold in November 2013, recognising net proceeds of US$9.6 million. The divestment comes after 5 years of care and maintenance and is entirely consistent with the Company's drive to simplify the business and focus attention in Australia on the performance of the Company's flagship Woodie Woodie mine.

Mindy Mindy
Consmin has a significant interest in the Mindy Mindy iron ore tenements through its 50% shareholding in Pilbara Iron Ore Pty Ltd ('PIO'). Ownership of one of the tenements is subject to court determination. A decision on preliminary issues was handed down against PIO in the Warden's Court in July 2012 with the hearing concluding in May 2013. A decision from the Warden in this matter is yet to be handed down, but is expected to be received during Q2 2014.

BC Iron Limited ('BC Iron')
BC Iron is an iron ore mining company listed on the ASX (ticker: BCI). During Q3 2013, the Company sold its entire 23.1% holding in BC Iron for net proceeds of $101.5m and recognised a gain on disposal of $43.1 million.

OM Holdings Limited ('OM Holdings')
OM Holdings is, primarily, a vertically integrated manganese marketing and mining company listed on the ASX (ticker: OMH). During 2013, the Company's holding in OM Holdings reduced from 8.7% to 8.0% due to dilution through share issues. The market value of the Company's holding in OM Holdings as at 31 December 2013 was $16.9 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. 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

During the year the Group announced the appointment of David Slater as Chief Financial Officer replacing Jackie Callaway, who resigned and left the Company in July 2013. The Group also announced the promotion of Mark Camaj to General Manager of Marketing replacing Peter Allen, who resigned as an Executive Director in December 2013. Peter remains on the Board as a Non-Executive Director and will be consulting to Consmin with a focus on business development.

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

Condensed Consolidated Statement of Comprehensive Income

$m	Year Ended 31 December 2013	31 December 2012 (restated) [1]	31 December 2011 (restated) [1]
Revenue	687.7	554.1	706.6
Cost of sales	(333.1)	(422.4)	(602.5)
Gross profit	354.6	131.7	104.1
Selling and distribution expenses	(112.0)	(112.4)	(110.3)
General and administrative expenses	(39.5)	(35.1)	(42.4)
Other operating income - net	5.8	6.0	6.4
Net foreign exchange (loss) / gain	(3.2)	2.9	(2.8)
Impairment expense - net	(21.2)	(16.2)	(477.2)
Settlement expense	(56.8)	-	-
Operating profit / (loss)	127.7	(23.1)	(522.2)
Presented as:			
Adjusted EBITDA	**296.7**	**35.7**	**173.1**
Depreciation and amortisation	(86.2)	(86.8)	(190.7)
Net foreign exchange (loss) / gain	(3.2)	2.9	(2.8)
Non-cash inventory NRV write-back / (write-down)	-	46.8	(24.6)
Impairment expense	(21.2)	(16.2)	(477.2)
Restructuring costs	(1.6)	(5.5)	-
Settlement expense	(56.8)	-	-
Operating profit / (loss)	127.7	(23.1)	(522.2)
Net financing costs	(28.2)	(33.9)	(22.5)
Share of profits of associated undertakings	9.6	12.5	1.6
Profit on disposal of associated undertakings	43.1	-	-
Profit on disposal of subsidiary company	-	0.8	-
Profit / (loss) before tax	152.2	(43.7)	(543.1)
Income tax (charge) / credit	(7.0)	(4.9)	51.8
Profit / (loss) the year	145.2	(48.6)	(491.3)

Condensed Segment Information

Year Ended

31 December 2013 – $m	**Manganese**	**Chromite**	**Other**	**Total**
Revenue	618.3	69.4	-	687.7
Cost of sales	(271.7)	(58.5)	(2.9)	(333.1)
Gross profit / (loss)	346.6	10.9	(2.9)	354.6
31 December 2012 – $m (restated) [1]	**Manganese**	**Chromite**	**Other**	**Total**
Revenue	449.1	105.0	-	554.1
Cost of sales	(335.6)	(84.7)	(2.1)	(422.4)
Gross profit / (loss)	113.5	20.3	(2.1)	131.7
31 December 2011 – $m (restated) [1]	**Manganese**	**Chromite**	**Other**	**Total**
Revenue	621.7	71.3	13.6	706.6
Cost of sales	(509.2)	(78.0)	(15.3)	(602.5)
Gross profit / (loss)	112.5	(6.7)	(1.7)	104.1

[1] Balances related to 2011 and 2012 have been restated to reflect the impact of the adoption of IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine. See note 2d of the consolidated financial statements

Revenue

The consolidated revenue for the Group increased by 24% from $554 million in 2012 to $688 million in 2013 primarily as a result of increased manganese revenues partially offset by lower chromite revenues.

Manganese revenues increased 38% from $449 million in 2012 to $618 million in 2013 due to the combination of increased volumes sold and improved pricing. Manganese volumes increased by 23% from 2.94 million dry tonnes to 3.61 million dry tonnes in 2013. Over the same period the average price of our manganese ore sold increased by 14% from $4.23/dmtu FOB to $4.81/dmtu FOB.

Revenue from sales of chromite ore decreased from $105 million in 2012 to $69 million in 2013, a decrease of 34% as a result of a 28% decrease in volumes sold and an 8% decrease in price. The reduction in volumes was primarily due to the Company ceasing mining in July 2013.

The nickel operations were discontinued in 2013 having previously been on care and maintenance during 2012 and 2013 and no revenue was recognised. The nickel operations were sold in November 2013.

Cost of Sales

The cost of sales for the Group decreased by 21% from $422 million in 2012 to $333 million in 2013. An analysis of the cost of sales is as follows:

$m	Year Ended 31 December 2013	31 December 2012 (restated) [1]	31 December 2011 (restated) [1]
Manganese	271.7	335.6	509.2
Chromite	58.5	84.7	78.0
Other	2.9	2.1	15.3
Total	**333.1**	**422.4**	**602.5**

Manganese

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

$m	Year Ended 31 December 2013	31 December 2012 (restated) [1]	31 December 2011 (restated) [1]
Mining and production expenses	190.3	241.6	280.7
Depreciation and amortisation	71.3	70.5	173.9
Royalties and other taxes	39.3	30.6	36.8
Deferred stripping	(21.9)	(14.1)	(80.4)
Non-cash inventory NRV write back / down	-	(38.8)	17.2
Net movement in inventories	(7.5)	45.8	81.0
Other	0.2	-	-
Total	**271.7**	**335.6**	**509.2**

[1] Balances related to 2011 and 2012 have been restated to reflect the impact of the adoption of IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine. See note 2a of the consolidated financial statements.

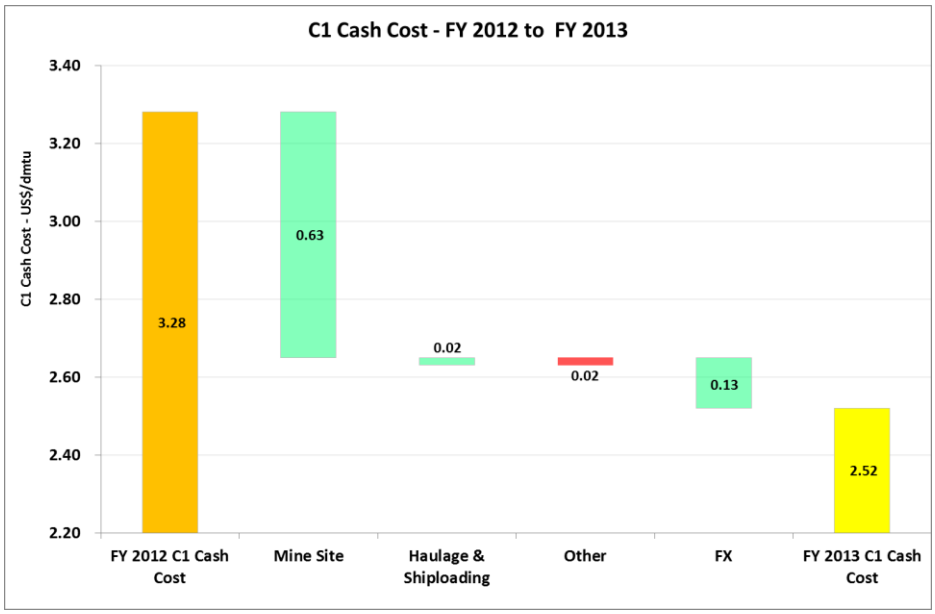
Manganese cost of sales reduced by 19% from $336 million in 2012 to $272 million in 2013. The principal factors driving this $64 million reduction are as follows:

- A $51 million benefit from reduced mining and production costs representing savings as a result of the initiatives previously undertaken in load & haul and drill & blast, the focus on lower strip ratio Australian pits and foreign exchange benefits due to the weakening of the Australian dollar;
- A $15 million benefit in relation to net overall movement in inventories (including NRV adjustment in 2012); and
- An $8 million benefit as a result of an increase in the deferred stripping credit;

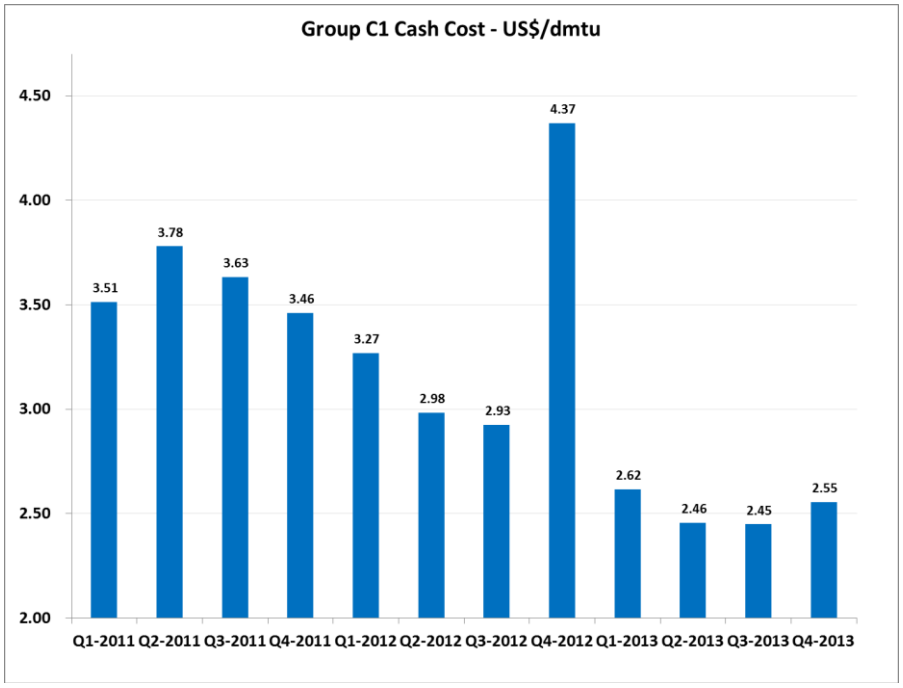
  partially offset by
- A $9 million increase in royalties, due to the increase in volumes sold and higher pricing.

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 $3.28/dmtu for 2012 to $2.52/dmtu for 2013.

As the graphs below show there have been substantial reductions in the underlying mine site costs and an incremental benefit in 2013 due to the foreign exchange impact of the relative weakening of the Australian dollar. The savings in mine site costs per unit are as a result of the initiatives undertaken in load and haul and drill and blast in addition to improved ore recovery and the focus on lower strip ratio pits in Australia.



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 $2.55/dmtu for Q4 2013 as a result of the continued successful implementation of efficiency programmes noted above. The increase in Q4 2012 C1 unit cash costs is as a direct result of the planned stripping programme in Ghana.



Chromite

Cost of sales for the chromite segment decreased from $85 million in 2012 to $59 million in 2013. The 31% decrease was primarily the result of the combination of lower production volumes and lower C1 unit cash costs due to the cessation of mining activity in July 2013.

Gross Profit

Gross profit for the Group has increased from $132 million in 2012 to $355 million in 2013.

Gross profit for the manganese segment increased from $114 million in 2012 to $347 million in 2013. This improvement in gross profit is due to increased volumes sold and improved pricing, the substantial reductions in mining and production costs, foreign exchange benefits from the relative weakening of the Australian dollar and the benefits of net stock movements. The gross margin for 2013 was 56% compared to 25% for 2012.

Gross profit for the chromite segment decreased from $20 million in 2012 to $11 million in 2013. The decrease was predominantly as a result of lower volumes sold, reductions in price, offset by lower unit costs of production and net stock movements. The gross margin for 2013 was 16% compared to 19% for 2012.

Adjusted EBITDA and Cash EBITDA

Adjusted EBITDA and Cash EBITDA are calculated as follows:

$m	Year Ended		
	31 December 2013	31 December 2012 (restated) [1]	31 December 2011 (restated) [1]
Operating profit / (loss)	**127.7**	**(23.1)**	**(522.2)**
Depreciation and amortisation	86.2	86.8	190.7
Net foreign exchange loss / (gain)	3.2	(2.9)	2.8
Non-cash NRV inventory write (back) / down	-	(46.8)	24.6
Impairment expense - net	21.2	16.2	477.2
Restructuring costs	1.6	5.5	-
Settlement expense	56.8	-	-
Adjusted EBITDA	**296.7**	**35.7**	**173.1**
Deferred stripping	(21.9)	(14.1)	(80.4)
Net movement in inventories	(3.4)	56.1	74.9
'Cash' EBITDA	**271.4**	**77.7**	**167.6**

Adjusted EBITDA is defined as operating profit before depreciation and amortisation, impairment write-back/expense, net foreign exchange gain or loss, non-cash inventory write-downs and exceptional 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 increased from $36 million in 2012 to $297 million in 2013 primarily as a result of the following:

- Increased revenues of $134 million as a result of increased manganese revenues ($169 million) due to the combination of increased volumes sold and improved pricing offset by a reduction in chromite revenues ($35 million) due to the reduction in volumes sold;
- A reduction in mining and production expenses ($74 million) due to lower C1 unit costs for manganese ($50 million) and lower chromite production ($24 million);
- Net positive movement in inventories ($60 million);
- An increase in deferred stripping capitalised to the balance sheet ($8 million);
- Offset by increased royalties ($7 million) due to higher revenues and an increase in general and administrative costs of $4 million.

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 increased from $78 million in 2012 to $271 million in 2013 primarily as a result of increased revenues ($134 million), a reduction in mining and production expenses ($74 million) offset by increased royalties ($7 million) and increased general and administrative costs ($4 million).

Other Key Items

Selling and distribution expenses for 2013 were $112 million and broadly flat compared to 2012, despite an 15% overall increase in volumes sold. The 15% decrease in unit costs for the Group relates to the increased volumes sold from Ghana and their lower relative unit costs and the foreign exchange benefit of the relative weakening of the Australian dollar. General and administrative expenses for the group increased from $35 million in 2012 to $39 million in 2013.

During the year the Company sold its entire shareholding in BC Iron Limited recognising net proceeds of $102 million and a gain on disposal of $43 million. The proceeds are to be applied in compliance with the Bond indenture which may include capital expenditure or funding of exploration activities. The gain on disposal of BC Iron Limited is categorised as a profit on disposal of an associated undertaking and is not included in Adjusted EBITDA and 'Cash' EBITDA.

Subsequent to the year end a settlement was reached with Process Minerals International Pty Limited (PMI), a subsidiary of Mineral Resources Ltd, to bring the manganese tailings agreement (Super Fines Agreement) between the Company and PMI to an end and to settle the related legal claims and counter claims. This resulted in the recognition of a settlement expense of $57 million in the 2013 statement of comprehensive income. The settlement agreement included a cash payment of A$44m as well as the transfer of ownership of the Coobina tenements and associated plant and equipment from our former Chromite business to PMI to compensate them for their rights to manganese tailings at the Woodie Woodie operation and also to settle the legal proceedings between the parties.

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 2013 of $7.0 million, compared to an income tax charge of $4.9 million in 2012.

Profit for the Period

The Group has recognised a profit in 2013 of $145 million compared to a loss of $49 million in 2012.

Other Comprehensive (Cost) / Income

The Group recorded an other comprehensive cost of $54 million net of tax in 2013 compared to an income of $0.3 million in 2012. The cost in the period was a result of a net foreign currency translation difference of $58 million due to the movement in the closing position of the Australian dollar, which weakened 14% against the US dollar in the year, partially offset by a $4.4 million increase in the value of available-for-sale financial assets. The income in 2012 was as a result of the decrease in value of available for sale assets offset by a foreign currency translation gain.

Condensed Consolidated Statement of Financial Position

	As at	
$m	**31 December 2013**	**31 December 2012** (restated) [1]
Cash and cash equivalents	219.9	86.3
Other current assets	123.6	146.5
Non-current assets	501.6	650.0
Total assets	845.1	882.8
Current borrowings	(4.7)	(17.6)
Non-current borrowings	(237.8)	(368.0)
Other current liabilities	(109.3)	(80.5)
Other non-current liabilities	(95.4)	(110.0)
Total liabilities	(447.2)	(576.1)
Total equity	397.9	306.7

Cash and Cash Equivalents

Cash and cash equivalents increased from $86 million at 31 December 2012 to $220 million at 31 December 2013, an increase of $134 million. This increase is primarily due the strong positive cash flows generated from operations and the proceeds from the sale of investment in BC Iron offset by bond buy-backs and capital expenditure.

Non-Current Assets

Non-current assets have decreased from $650 million at 31 December 2012 to $502 million at 31 December 2013, a decrease of $148 million. This decrease is due to reductions in the value of property, plant and equipment and intangible assets due to the relative impact of the weakening of the Australian dollar and the sale of the investment in BCI Iron.

Borrowings

Current borrowings have decreased from $18 million at 31 December 2012 to $5 million at 31 December 2013, a decrease of $13 million as a result of the repayment of the Ghana overdraft facility. Non-current borrowings have decreased from $368 million at 31 December 2012 to $238 million at 31 December 2013 as a result of bond buy-backs throughout 2013.

Guarantor Group

During the year ended 31 December 2013, the Guarantors of the senior secured notes represented 100% (31 December 2012: 100%) of our consolidated revenues and 84.3% (31 December 2012: 13.3% (restated – note 2d)) of our consolidated EBITDA. As of 31 December 2013, the Guarantors represented 82.3% of our consolidated total assets (31 December 2012: 84.5%). As of 31 December 2013, the non-guarantor subsidiaries have no indebtedness outstanding (31 December 2012: $12.4 million). The unrestricted subsidiaries are not significant subsidiaries and therefore not material to the Group. As a result, separate financial details have not been disclosed.

Condensed Consolidated Statement of Cash Flows

$m	Year Ended 31 December 2013	31 December 2012	31 December 2011
Cash inflow from operating activities	262.9	58.0	115.1
Cash inflow / (outflow) from investing activities	62.9	(40.5)	(80.1)
Cash (outflow) / inflow from financing activities	(164.5)	(81.4)	44.3
Increase / (decrease) in cash and cash equivalents	161.3	(63.9)	79.3
Cash and cash equivalents at the start of the year	73.9	138.1	62.1
Exchange losses on cash and cash equivalents	(15.3)	(0.3)	(3.3)
Cash and cash equivalents at the end of the year	**219.9**	**73.9**	**138.1**

Cash Flows and Liquidity

Net cash generated from operating activities amounted to $263 million in 2013 compared to $58 million in 2012, an increase of $205 million. This increase in operating cash flow was as a result of the improved profitability of the Group as a result of increased sales and improved pricing for manganese, combined with substantial reductions in mining and production costs. The net cash inflow from investing activities was $63 million in 2013 compared to an outflow in 2012 of $41 million, due to proceeds from the disposal of our investment in BC Iron, dividends received from BC Iron and interest received less payments for capital expenditure. The net cash outflow from financing activities was $165 million in 2013 compared to a net cash outflow of $81 million in 2012. The cash outflow in 2013 relates principally to the repurchase of bonds and related bond interest.

Overall the Group has managed to maintain a strong closing cash position through increased revenue, cost savings through operational efficiencies and effective working capital management. The cash position of the Group was substantially increased by the disposal of our investment in BC Iron, although these funds were then utilised to support the bonds repurchased in the year. As a result total cash and cash equivalents increased from $86 million on 31 December 2012 to $220 million at 31 December 2013. 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 $20 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 the full facility remaining undrawn and available at the end of December 2013.

Company Registered Number 100396

Consolidated Minerals Limited

Directors' Report and Audited Consolidated Financial Statements

For the Year Ended 31 December 2013

Index to the Consolidated Financial Statements

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Directors' report

For the year ended 31 December 2013

The directors present the audited consolidated financial statements for the year ended 31 December 2013.

Incorporation

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

Principal activities

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

Directors' responsibilities statement

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

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

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

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

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

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

Directors

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

Mr Peter Allen
Mr Vyacheslav Anishchenko
Mr Steven Bowen
Ms Jackie Callaway (resigned 23rd July 2013)
Mr Andreas Marangos
Mr Malcolm McComas
Mr David Slater (appointed 6th December 2013)

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

Results for the year

During the year the Company made a profit for the year of $145.2 million (2012: loss of $48.6 million). This profit has been applied to accumulated losses.

Dividends

The Company did not pay a dividend during the year ending 31 December 2013 (2012: $nil).

Secretary
The secretary of the Company is Mr David Slater.

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

Registered office:

Commercial House
3 Commercial Street
St Helier
Jersey
JE2 3RU

By Order of the Board

David Slater
CFO/Director

Date: 31 March 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CONSOLIDATED MINERALS LIMITED

REPORT ON THE FINANCIAL STATEMENTS

OUR OPINION

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of the Group's profit 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.

This opinion is to be read in the context of what we say below.

WHAT WE HAVE AUDITED

The Group financial statements for the year ended 31 December 2013, which are prepared by Consolidated Minerals Limited, comprise:

- the consolidated statement of comprehensive income for the year ended 31 December 2013;
- the consolidated statement of financial position as at 31 December 2013;
- the consolidated statement of changes in equity for the year ended 31 December 2013;
- the consolidated statement of cash flows for the year ended 31 December 2013; and
- the notes to the financial statements, which include a summary of the significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and International Financial Reporting Standards.

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

WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

OPINION ON OTHER MATTER

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

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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.

We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

As explained more fully in the Directors' Responsibilities Statement set out on page 18, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, 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 these opinions, 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.

Jason Burkitt
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants
London
31 March 2014

Consolidated statement of comprehensive income

$m	Note	Years ended 31 December 2013	2012 (restated – note 2d)	2011 (restated – note 2d)
Revenue	7	687.7	554.1	706.6
Cost of sales	8	(333.1)	(422.4)	(602.5)
Gross profit		354.6	131.7	104.1
Selling and distribution expenses	9	(112.0)	(112.4)	(110.3)
General and administrative expenses	10	(39.5)	(35.1)	(42.4)
Other operating income - net	11	5.8	6.0	6.4
Net foreign exchange (loss) / gain	12	(3.2)	2.9	(2.8)
Impairment expense - net	13	(21.2)	(16.2)	(477.2)
Settlement expense	15	(56.8)	-	-
Operating profit / (loss)		127.7	(23.1)	(522.2)
Presented as:				
Adjusted EBITDA		**296.7**	**35.7**	**173.1**
Depreciation and amortisation	21	(86.2)	(86.8)	(190.7)
Net foreign exchange (loss) / gain	12	(3.2)	2.9	(2.8)
Non-cash inventory NRV write back / (write-down)		-	46.8	(24.6)
Impairment expense - net	13	(21.2)	(16.2)	(477.2)
Restructuring costs	14	(1.6)	(5.5)	-
Settlement expense	15	(56.8)	-	-
Operating profit / (loss)		**127.7**	**(23.1)**	**(522.2)**
Finance income	18	3.7	5.2	8.5
Finance costs	18	(31.9)	(39.1)	(31.0)
Net finance costs		(28.2)	(33.9)	(22.5)
Share of profits of associated undertakings	19	9.6	12.5	1.6
Gain on disposal of associated undertakings		43.1	-	-
Gain on disposal of subsidiary company	39	-	0.8	-
Profit / (loss) before tax		152.2	(43.7)	(543.1)
Income tax (charge) / credit	20	(7.0)	(4.9)	51.8
Profit / (loss) for the year		145.2	(48.6)	(491.3)
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss:				
Revaluation of available-for-sale financial assets	33	4.4	(4.7)	(65.8)
Net foreign currency translation differences	33	(57.8)	4.4	9.2
Income tax (credit) / charge on other comprehensive income	20	(0.1)	0.6	0.7
Other comprehensive (cost) / income for the year, net of tax		(53.5)	0.3	(55.9)
Total comprehensive income / (cost) for the year		91.7	(48.3)	(547.2)
Profit / (loss) attributable to:				
Owners of the parent company		143.5	(49.1)	(492.6)
Non-controlling interest		1.7	0.5	1.3
Profit / (loss) for the year		145.2	(48.6)	(491.3)
Total comprehensive income / (cost) attributable to:				
Owners of the parent company		90.0	(48.8)	(548.5)
Non-controlling interest		1.7	0.5	1.3
Total comprehensive income / (cost) for the year		91.7	(48.3)	(547.2)

The notes on pages 26 to 58 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

$m	Note	As at 31 December 2013	2012 (restated – note 2d)
Non-current assets			
Property, plant and equipment	21	332.4	405.2
Intangible assets	22	82.7	89.9
Goodwill	23	28.9	28.9
Investments in associated undertakings	19	-	65.4
Available-for-sale financial assets	25	17.8	17.0
Trade and other receivables	26	0.2	0.2
Deferred tax assets	20	39.6	43.4
		501.6	650.0
Current assets			
Inventories	24	65.8	73.1
Trade and other receivables	26	57.4	72.2
Income tax receivable		0.4	1.2
Cash and cash equivalents	27	219.9	86.3
		343.5	232.8
Current liabilities			
Borrowings	28	(4.7)	(17.6)
Trade and other payables	29	(52.6)	(73.4)
Provisions	30	(56.7)	(7.1)
		(114.0)	(98.1)
Net current assets		**229.5**	**134.7**
Non-current liabilities			
Borrowings	28	(237.8)	(368.0)
Trade and other payables	29	(5.8)	(6.7)
Provisions	30	(53.0)	(62.0)
Deferred tax liabilities	20	(36.6)	(41.3)
		(333.2)	**(478.0)**
Net assets		**397.9**	**306.7**
Attributable to the owners of the parent company			
Share capital	31	10.0	10.0
Share premium	31	194.7	194.7
Subordinated shareholder loans treated as equity	32	966.2	966.2
Reserves	33	(27.1)	26.4
Accumulated losses	34	(760.2)	(903.7)
Total equity attributable to owners of the parent company		**383.6**	**293.6**
Non-controlling interest		14.3	13.1
Total equity		**397.9**	**306.7**

The notes on pages 26 to 58 are an integral part of these consolidated financial statements.

These consolidated financial statements on pages 22 to 58 were authorised for issue by the Board of Directors on 31 March 2014 and were signed on its behalf.

David Slater
CFO/Director

Steven Bowen
Director

Consolidated statement of changes in equity

	Attributable to equity owners of the parent Company							
$m	Share capital	Share premium	Shareholder equity	Reserves	Accumulated losses *(restated – note 2d)*	Total	Non-controlling interests	Total equity
Balance at 1 January 2013	10.0	194.7	966.2	26.4	(903.7)	293.6	13.1	306.7
Profit for the year	-	-	-	-	143.5	143.5	1.7	145.2
Revaluation of available-for-sale financial assets	-	-	-	4.4	-	4.4	-	4.4
Foreign currency translation differences	-	-	-	(57.8)	-	(57.8)	-	(57.8)
Income tax on other comprehensive income	-	-	-	(0.1)	-	(0.1)	-	(0.1)
Dividend				-	-	-	(0.5)	(0.5)
Balance at 31 December 2013	10.0	194.7	966.2	(27.1)	(760.2)	383.6	14.3	397.9

	Attributable to equity owners of the parent Company							
$m	Share capital	Share premium	Shareholder equity	Reserves	Accumulated losses *(restated – note 2d)*	Total	Non-controlling interests	Total equity
Balance at 1 January 2012	10.0	194.7	966.2	26.1	(854.6)	342.4	14.2	356.6
(Loss) / profit for the year	-	-	-	-	(49.1)	(49.1)	0.5	(48.6)
Revaluation of available-for-sale financial assets	-	-	-	(4.7)	-	(4.7)	-	(4.7)
Foreign currency translation differences	-	-	-	4.4	-	4.4	-	4.4
Income tax on other comprehensive income	-	-	-	0.6	-	0.6	-	0.6
Dividend paid				-	-		(1.0)	(1.0)
Disposal of subsidiary company	-	-	-	-	-	-	(0.6)	(0.6)
Balance at 31 December 2012	10.0	194.7	966.2	26.4	(903.7)	293.6	13.1	306.7

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

The notes on pages 26 to 58 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

$m	Note	Years ended 31 December 2013	2012 (restated – note 2d)	2011 (restated – note 2d)
Cash flow from operating activities				
Profit / (loss) / profit before tax		152.2	(43.7)	(543.1)
Adjustments to add / (deduct) non-cash items:				
Depreciation		86.2	86.8	190.7
Deferred stripping capitalised		(21.9)	(14.1)	(80.4)
Impairment expense		21.2	16.2	477.2
Non-cash inventory NRV (write-back) / write- down		-	(46.8)	24.6
Loss / (gain) on sale of property, plant and equipment		1.2	(1.2)	-
Settlement expense		56.8	-	-
Share of profits of associated undertakings		(9.6)	(12.5)	(1.6)
Gain on disposal of associated undertakings		(43.1)	-	-
Gain on disposal of subsidiary company		-	(0.8)	-
Dividend income		-	-	(1.2)
Net foreign exchange (gain) / loss		3.2	(2.9)	2.8
Net financing costs		28.2	33.9	22.5
Working capital adjustments:				
Decrease in inventories		3.2	52.1	66.6
Decrease / (increase) in receivables		12.0	14.2	(29.6)
(Decrease) / increase in payables		(13.1)	(13.1)	6.7
Net movement in working capital		2.1	53.2	43.7
Income taxes paid		(13.6)	(10.1)	(20.1)
Net cash generated from operating activities		262.9	58.0	115.1
Cash flow from investing activities				
Payments for development expenditure		(14.5)	(8.3)	(18.7)
Purchase of property, plant and equipment		(33.6)	(18.1)	(39.2)
Proceeds from sale of property, plant and equipment		9.6	1.5	0.5
Payments for mineral exploration and evaluation expenditure		(11.7)	(11.2)	(15.3)
Interest received		1.9	1.7	5.8
Proceeds from dividends received		9.7	3.9	-
Purchase of available-for-sale financial investments		-	-	(1.6)
Proceeds from sale of available-for-sale financial investments		-	-	0.7
Proceeds from sale of associated undertakings		101.5	-	-
Proceeds from disposal of subsidiary company, net of cash disposed		-	5.1	-
Payments for investments in associates		-	(15.1)	(12.3)
Net cash inflow / (outflow) from investing activities		62.9	(40.5)	(80.1)
Cash flow from financing activities				
Proceeds from related party borrowings		-	2.6	-
Repayments of related party borrowings		-	-	-
Repayments of shareholder loan treated as equity		-	-	(252.8)
Interest paid		(30.4)	(35.7)	(21.9)
Dividends paid to owners of the parent company		-	-	(50.0)
Dividends paid to non-controlling interest		(0.5)	(1.0)	(0.7)
Net proceeds from issue of senior secured notes		-	-	389.2
Payments for repurchase of senior secured notes		(127.7)	(18.5)	(15.5)
Repayment of hire purchase borrowings		(5.9)	(6.5)	(2.0)
Proceeds from stockpile funding		-	89.0	198.5
Repayment of stockpile funding		-	(111.3)	(200.5)
Repayment of other bank borrowings		-	-	-
Net cash (outflow) / inflow from financing activities		(164.5)	(81.4)	44.3
Net increase / (decrease) in cash and cash equivalents		161.3	(63.9)	79.3
Cash and cash equivalents at the beginning of the period	27	73.9	138.1	62.1
Exchange (losses) / gains on cash and cash equivalents		(15.3)	(0.3)	(3.3)
Cash and cash equivalents at the end of the period	27	219.9	73.9	138.1

The notes on pages 26 to 58 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. General information

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

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

The financial statements of the Group and the Company for the year ended 31 December 2013 were approved and authorised for issue by the Board of Directors on 31 March 2014.

2. Basis of preparation

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

(a) Basis of preparation

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

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

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

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

(b) Going concern

The financial statements have been prepared on a going concern basis. The Group recorded a profit of $145.2 million in the current year. During the current year the Group generated a positive operating cash flow of $262.9 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 $397.9 million as at 31 December 2013.

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

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

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

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

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

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

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

(d) New and amended standards and interpretations effective as of 1 January 2013 adopted by the Group

- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (effective 1 January 2013): IFRIC 20 sets out the accounting for costs of stripping activities during 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 adopted IFRIC 20 effective 1 January 2013. Upon adoption of IFRIC 20, we assessed the stripping asset at 1 January 2011 (being the beginning of the earliest period that will be presented in the 2013 annual financial results) and determined that there are identifiable components of the ore body with which stripping assets can be associated, and therefore no balance sheet adjustment was recorded. The adoption of IFRIC 20 for the Group has substituted the previous amounts charged to the income statement as deferred stripping costs (related to deferred stripping in periods where the stripping ratio is below that of the mine plan) and replaced these with a charge to depreciate the stripping asset over the identified component of ore body on a units of production basis. For the quantitative impact of adopting this standard on prior period consolidated financial statements, please refer to the tables below. All IFRIC 20 adjustments impacted the manganese segment only.

Adjustments to the consolidated statement of income:

For the year ended 31 December 2012 $m	2012 (previously stated)	Deferred stripping	Depreciation	2012 (restated)
Cost of sales	(418.0)	21.6	(26.0)	(422.4)
Decrease in net income		21.6	(26.0)	(4.4)

For the year ended 31 December 2011 $m	2011 (previously stated)	Deferred stripping	Depreciation	Impairment	2011 (restated)
Cost of sales	(584.6)	46.4	(64.3)		(602.5)
Impairment expense	(495.1)			17.9	(477.2)
Decrease in net income		46.4	(64.3)	17.9	

Adjustments to the consolidated statement of financial position:

As at: $m	31 December 2012 (previously stated)	Deferred stripping	Depreciation	31 December 2012 (restated)
Property, plant and equipment	409.6	21.6	(26.0)	405.2
Increase in retained losses		21.6	(26.0)	(4.4)

The adoption of IFRIC 20 had no impact on the consolidated statement of financial position at 1 January 2012 and 1 January 2011.

Adjustments to the consolidated statement of cash flows:

For the year ended 31 December $m	2012 (previously stated)	Deferred stripping	Depreciation	2012 (restated)
Loss before tax	(39.3)	21.6	(26.0)	(43.7)
Depreciation	60.8	-	26.0	86.8
Deferred stripping	7.5	(21.6)	-	(14.1)
Net cash generated from operations		-	-	

Adjustments to the consolidated statement of cash flows:

For the year ended 31 December $m	2011 (previously stated)	Deferred stripping	Depreciation	Impairment	2011 (restated)
Loss before tax	(543.1)	46.4	(64.3)	17.9	(543.1)
Depreciation	126.4		64.3		190.7
Deferred stripping	(34.0)	(46.4)			(80.4)
Impairment expense	495.1			(17.9)	477.2
Net cash generated from operations		-	-	-	

- IFRS 10 *Consolidated Financial Statements* (effective 1 January 2013): IFRS 10 replaces all of the guidance on control and consolidation in IAS 27 and SIC-12. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. The core principle that a consolidation entity presents a parent and its subsidiaries as if they are a single entity, and the mechanics of consolidation, remain unchanged. The adoption of IFRS 10 had no impact on the consolidated financial statements of the Group.
- IFRS 12 *Disclosure of Interests in Other Entities* (effective 1 January 2013): This standard requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities and includes the disclosure requirements for all forms of interests in other entities.
- IAS 1 *Presentation of Financial Statements - Presentation of Other Comprehensive Income* (effective 1 July 2012): The IASB has issued an amendment to the standard requiring entities to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future.
- IFRS 11 *Joint Arrangements* (effective 1 January 2013): IFRS 11 is a new standard focusing on the rights and obligations of the arrangement, rather than its legal form. The standard defines two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
- IFRS 13 *Fair Value Measurement* (effective 1 January 2013): This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.
- In May 2012 the IASB published its 'annual improvements' to nine IFRSs for 2013 year ends. The most significant change to the standards arising from annual improvements project is:
  IAS 16 *Property, Plant and Equipment*: The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. The previous wording of IAS 16 indicated that servicing equipment should be classified as inventory, even if it was used for more than one period. Following the amendment, this equipment used for more than one period is classified as property, plant and equipment.

(e) New and amended standards mandatory for the first time for the financial year beginning January 2013 but not currently relevant to the Group

- IFRS 7 *Financial Instruments* offsetting financial assets and financial liabilities amendment (effective 1 January 2013) requires the disclosure of information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32, namely that there exists a legally enforceable right to offset the asset and the liability and that settlement is intended on a net basis.

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

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

(g) Comparatives

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

(h) Changes in accounting policies

Except for the adoption of IFRIC 20 there have been no material changes in accounting policies. All accounting policies have been consistently applied.

3. Summary of significant accounting policies

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

(a) Foreign currency translation

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

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

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

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

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

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

	31 December 2013	Average 2013	31 December 2012	Average 2012	31 December 2011	Average 2011
Australian dollar	0.8873	0.9683	1.0371	1.0355	1.0174	1.0334
British Pound	1.6488	1.5643	1.6153	1.5847	1.5453	1.6039

(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.). Revenue excludes any applicable sales taxes. Revenue is only recognised on individual sales when evidence exists that all of the following criteria are met:

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

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

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

(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.

(e) Income tax

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

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

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

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

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

(f) Dividends

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

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

(g) Finance leases and hire purchase commitments

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

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

(h) Operating leases

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

(i) Borrowing costs

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

(j) Property, plant and equipment

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

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

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

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

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

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

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

Property (Infrastructure) and Mining Properties

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

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

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

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

(k) Deferred stripping

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

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

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

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

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

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

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

(l) Intangible Assets

<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.

(m) Goodwill

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

(n) Impairment of non-current assets

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

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

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

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

(o) Financial assets

Recognition

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

Classification and measurement

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

(a) Loans and receivables

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

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

(b) Available-for-sale financial assets

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

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, an evaluation is made as to whether a decline in fair value is 'significant' or 'prolonged' based on an analysis of indicators such as significant adverse changes in the technological, market, economic or legal environment in

which the Company invested in operates. If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of comprehensive income is transferred from equity to the statement of comprehensive income. Reversals in respect of equity instruments classified as available-for-sale are not recognised in statement of comprehensive income. Reversals of impairment losses on debt instruments are reversed through the statement of comprehensive income, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised.

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

(p) 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.

(q) 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.

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

(r) Cash and cash equivalents

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

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

(s) Borrowings

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

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

(t) Trade and other payables

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

(u) Employee benefits

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

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

(v) Provisions

General

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

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

Rehabilitation provision

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

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

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

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

4. Critical accounting judgments and key sources of estimation uncertainty

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

(a) Impairment

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

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

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

(b) Net realisable value adjustments on ore stockpiles

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

(c) Taxation

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

(d) Rehabilitation provision

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

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

(e) Open pit overburden removal costs

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

(f) Units of production method of depreciation and amortisation

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

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

5. Principal risks and uncertainties

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

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

a) External

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

b) Strategic

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

c) Financial

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

d) Operational

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

e) Sustainable development

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

6. Segment analysis

Management considers the business from a product perspective and has determined the operating segments based on the reports reviewed by the Group Executive Committee, who are the Chief Operating Decision Makers. The primary products of the Group are processed manganese and chromite ore. The "Other" segment consists of iron ore projects, nickel operations (which have been discontinued) and administration and head office functions. In 2011 the results of on market trading of ferro-alloys are included in the 'Other' segment.

The segment information provided for the three years ended 31 December 2013 is as follows:

2013 **$m**	**Manganese**	**Chromite**	**Other**	**Total**
Revenue from external customers	618.3	69.4	-	687.7
Cost of goods sold	(271.7)	(58.5)	(2.9)	(333.1)
Gross profit / (loss)	346.6	10.9	(2.9)	354.6
Adjusted EBITDA	322.3	5.9	(31.5)	296.7
Depreciation	(71.4)	(13.5)	(1.3)	(86.2)
Net foreign exchange (loss) / gain	(4.8)	1.2	0.4	(3.2)
Impairment (expense) / write-back	(30.3)	-	9.1	(21.2)
Restructuring costs	(0.1)	(1.3)	(0.2)	(1.6)
Settlement expense	-	-	(56.8)	(56.8)
Finance income	0.1	-	3.6	3.7
Finance expense	(1.7)	(0.1)	(30.1)	(31.9)
Share of profit of associated undertakings	-	-	9.6	9.6
Profit on disposal of associated undertakings	-	-	43.1	43.1
Profit / (loss) before tax	214.1	(7.8)	(54.1)	152.2
Income tax expense*				(7.0)
Profit for the year				145.2
Total assets	566.8	4.4	273.9	845.1
Total liabilities	(148.5)	(7.7)	(291.0)	(447.2)

2012 *(restated – note 2d)* **$m**	**Manganese**	**Chromite**	**Other**	**Total**
Revenue from external customers	449.1	105.0	-	554.1
Cost of goods sold	(335.6)	(84.7)	(2.1)	(422.4)
Gross profit / (loss)	113.5	20.3	(2.1)	131.7
Adjusted EBITDA	59.1	2.5	(25.9)	35.7
Depreciation	(70.7)	(15.7)	(0.4)	(86.8)
Net foreign exchange gain / (loss)	(2.5)	0.2	5.2	2.9
Non-cash inventory NRV write-back	38.8	8.0	-	46.8
Impairment expense	(1.3)	-	(14.9)	(16.2)
Restructuring costs	(2.5)	(2.9)	(0.1)	(5.5)
Finance income	0.1	-	5.1	5.2
Finance expense	(2.5)	(0.1)	(36.5)	(39.1)
Share of profit of associated undertakings	-	-	12.5	12.5
Profit on disposal of subsidiary company	-	-	0.8	0.8
Profit / (loss) before tax	18.5	(8.0)	(54.2)	(43.7)
Income tax expense*				(4.9)
Loss for the year				(48.6)
Total assets	599.7	35.6	247.5	882.8
Total liabilities	(182.6)	(20.6)	(372.9)	(576.1)

2011 *(restated – note 2d)* **$m**	**Manganese**	**Chromite**	**Other**	**Total**
Revenue from external customers	621.7	71.3	13.6	706.6
Cost of goods sold	(509.2)	(78.0)	(15.3)	(602.5)
Gross profit / (loss)	112.5	(6.7)	(1.7)	104.1
Adjusted EBITDA	203.8	0.2	(30.9)	173.1
Depreciation	(174.5)	(15.7)	(0.5)	(190.7)
Net foreign exchange loss	(2.2)	(0.3)	(0.3)	(2.8)
Non-cash inventory write-down	(17.2)	(7.4)	-	(24.6)
Impairment expense	(473.8)	(3.4)	-	(477.2)
Finance income	0.3	-	8.2	8.5
Finance costs	(2.9)	(0.2)	(27.9)	(31.0)
Share of profit of associated undertakings	-	-	1.6	1.6
Loss before tax	(466.5)	(26.8)	(49.8)	(543.1)
Income tax credit*				51.8
Loss for the year				(491.3)
Total assets	606.4	51.1	308.8	966.3
Total liabilities	(197.5)	(17.4)	(394.8)	(609.7)

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

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

$m	**Years ended 31 December**		
	2013	**2012** *(restated – note 2d)*	**2011** *(restated – note 2d)*
Adjusted EBITDA	296.7	35.7	173.1
Depreciation	(86.2)	(86.8)	(190.7)
Net foreign exchange (loss) / gain	(3.2)	2.9	(2.8)
Non-cash inventory NRV write back / (write-down)	-	46.8	(24.6)
Impairment expense - net	(21.2)	(16.2)	(477.2)
Restructuring costs	(1.6)	(5.5)	-
Settlement expense	(56.8)	-	-
Net financing costs	(28.2)	(33.9)	(22.5)
Share of profit of associated undertakings	9.6	12.5	1.6
Profit on disposal of associated undertakings	43.1	-	-
Profit on disposal of subsidiary company	-	0.8	-
Profit / (loss) before tax	152.2	(43.7)	(543.1)

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

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

Segmental assets are reconciled to total assets as follows:

$m	**Years ended 31 December**	
	2013	**2012** *(restated – note 2d)*
Assets of Manganese and Chromite	571.2	635.3
Other assets		
- Available-for-sale financial investments	17.8	17.0
- Investments in associates	-	65.4
- Other property, plant and equipment and intangibles	52.4	60.7
- Other receivables	2.1	1.9
- Deferred tax asset	39.6	43.4
- Other cash and cash equivalents	162.0	59.1
Total assets per the statement of financial position	845.1	882.8

The Company is domiciled in Jersey. Revenue from external customers generated by Group companies domiciled in Jersey was $687.2 million (2012: $553.7 million).

The total of non-current assets other than financial instruments and deferred tax assets (there are no employee benefit assets and rights arising under insurance contracts located in Jersey) in Jersey is nil (2012: nil).

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is $244.3 million (2012: $400.2 million) and in Ghana is $198.8 million (2012: $193.2 million).

Segmental liabilities are reconciled to total liabilities as follows:

	Years ended 31 December	
$m	**2013**	**2012**
Liabilities of Manganese and Chromite	(156.2)	(203.2)
Other liabilities		
- Other borrowings	(228.2)	(354.6)
- Other trade and other payables	(15.6)	(16.1)
- Other provisions	(47.2)	(2.2)
Total liabilities per the statement of financial position	(447.2)	(576.1)

7. Revenue

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

	Years ended 31 December		
$m	**2013**	**2012**	**2011**
China	565.3	441.7	440.1
Ukraine*	49.0	69.2	180.4
South Korea	34.4	6.1	-
Thailand & Vietnam	17.8	-	-
India	10.8	26.7	19.4
Norway	3.9	3.8	8.3
Georgia*	-	-	27.6
USA*	3.3	-	11.3
Malaysia	-	-	7.1
Taiwan	-	-	6.0
Other	3.2	6.6	6.4
	687.7	554.1	706.6

*Sales to related parties

8. Cost of sales

	Years ended 31 December		
$m	**2013**	**2012** *(restated – note 2d)*	**2011** *(restated – note 2d)*
Mining and production expenses*	229.7	304.1	339.9
Depreciation and amortisation	86.0	86.7	190.0
Royalties and other taxes	42.5	35.6	40.2
Deferred stripping	(21.9)	(14.1)	(80.4)
Non-cash inventory NRV (write-back) / write-down**	-	(46.8)	24.6
Net movement in inventories	(3.4)	56.1	74.9
Purchases of ores and ferro-alloys for sale	-	-	13.2
Other	0.2	0.8	0.1
	333.1	422.4	602.5

* Included within mining and production expenses are $1.6 million (2012: $5.4 million) of restructuring costs relating to the Australian Manganese and Chrome operations (see note 14).

**** The 2012 results included a $38.8 million utilisation of a significant portion of the NRV provision held at December 2011 as stockpiles were sold in 2012. The 2011 non-cash inventory NRV movement was primarily due to the write down of manganese inventory in the Australian operations to its net realisable value as a result of the decrease in manganese sales price and adverse foreign exchange movements.

9. Selling and distribution expenses

	Years ended 31 December		
$m	**2013**	**2012**	**2011**
Transportation costs	102.3	105.1	94.4
Personnel costs	1.1	1.2	1.1
Depreciation	0.1	0.1	0.7
Duties	2.5	1.4	0.6
Termination of agency agreement	-	-	5.5
Other	6.0	4.6	8.0
	112.0	112.4	110.3

10. General and administrative expenses

	Years ended 31 December		
$m	**2013**	**2012**	**2011**
Personnel costs	14.5	13.1	13.1
Consulting and other professional fees	8.5	5.4	7.3
Legal	2.1	1.8	1.9
Operating lease rentals	3.9	4.3	4.0
Levies and charges	1.6	1.9	3.9
Social responsibility costs	2.4	1.8	1.7
Travel	2.9	2.4	2.5
Communication	1.3	1.1	1.7
Tenement administration expense	0.5	0.4	0.9
Utilities	0.2	0.4	0.4
Other	1.6	2.5	5.0
	39.5	35.1	42.4

11. Other operating income

	Years ended 31 December		
$m	**2013**	**2012**	**2011**
Other operating income			
Non-mining activities	4.1	0.2	1.2
Gain on disposal of property, plant and equipment	-	1.2	-
Other*	2.9	4.6	5.2
	7.0	6.0	6.4
Other operating expense			
Loss on disposal of property, plant and equipment	(1.2)	-	-
Other operating income – net	5.8	6.0	6.4

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

12. Net foreign exchange (loss) / gain

	Years ended 31 December		
$m	**2013**	**2012**	**2011**
Foreign exchange gain	9.8	36.4	5.0
Foreign exchange loss	(13.0)	(33.5)	(7.8)
Net foreign exchange (loss) / gain	(3.2)	2.9	(2.8)

13. Impairment expense

$m	Years ended 31 December 2013	2012	2011 *(restated – note 2d)*
Impairment expense			
Impairment of property, plant and equipment	(15.4)	(9.8)	(383.9)
Impairment of intangible assets	(5.0)	(3.2)	(45.7)
Impairment of inventory	-	(3.2)	-
Impairment expense of goodwill	-	-	(47.6)
Impairment expense of available for sale financial assets	(0.8)	-	-
	(21.2)	(16.2)	(477.2)

$m	Years ended 31 December 2013	2012	2011 *(restated – note 2d)*
Total impairment (expense) / write-back relates to the following segments:			
Manganese	(30.3)	(1.3)	(473.8)
Chrome	-	-	(3.4)
Other*	9.1	(14.9)	-
	(21.2)	(16.2)	(477.2)

*On the 29th November 2013, the company sold its Nickel assets inclusive of rehabilitation liabilities for the sum of $9.0 million. A reversal of a previously recognised impairment loss of $9.9 million was recognised as at 31 December 2013 (2012: $14.9 million impairment loss, 2011: nil). This is included within 'Other' segment, which also includes an impairment of available for sale financial assets of $0.8 million.

As a result of the impairment event in 2011, $113.7 million deferred tax assets were also impaired (see note 20).

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).

2013 Impairments Review

Australian Manganese CGU

Goodwill

The carrying amount of goodwill allocated to the Australia Manganese CGU as at 31 December 2013 is nil. In 2011 the goodwill in the Australia Manganese CGU was impaired in full by $47.6 million reducing the carrying amount to nil.

Non-Current Assets

Management identified several key factors impacting the Manganese CGU which should be considered in determining whether there are any indicators of impairment or indicators of impairment reversal. The key external factors impacting revenue are manganese price and the AUD:USD exchange rate. The internal factors include operating costs, reserves and resource endowment and the underlying mine plan.

Management have determined that there are no impairment indicators or indicators of impairment reversal as at 31 December 2013 for the Manganese CGU.

Due to the significant uncertainty regarding both commodity prices and foreign exchange rates in both 2012 and 2011, management undertook impairment testing of the Australian Manganese CGU to assess the appropriateness of its carrying value. Impairment testing was undertaken using the fair value less costs to dispose (FVLCD) methodology.

The impairment assessment in 2012 concluded that the carrying value of the Manganese CGU was supportable by the FVLCD valuation and no impairment loss was required for the CGU (2011: $491.7 million inclusive of $47.6 million goodwill).

Australian Manganese Exploration and Evaluation assets

An impairment of $30.3 million has been recorded as at 31 December 2013 (2012: $1.3 million, 2011: nil) for manganese exploration and evaluation assets. The exploration asset impairment was a result of an IFRS 6 Explorations for and Evaluation of Mineral Resources assessment which is performed independently of the Manganese CGU assessment. The impairment relates to capitalised exploration costs for areas of interest that have no economic value.

Ghana Manganese CGU

Goodwill and Non-Current Assets

Goodwill is tested for impairment annually or whenever there is an indication that the asset may be impaired. 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.

Goodwill for the Group relates solely to the Ghanaian Manganese CGU. The recoverability of goodwill has been assessed by reference to fair value less costs to dispose (FVLCD), being the methodology that has provided the higher value for the CGU. The valuation has been prepared using methodology and assumptions consistent with those used for non-current assets.

The key assumptions used in the FVLCD calculations include:

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

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

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

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

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

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

The real post-tax discount rate applied was 11.0% (2012: 11.0%, 2011: 11.0%).

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 2013 (2012: nil, 2011: nil). A sensitivity analysis has not been disclosed as management believes that any reasonably possible change in assumptions would not cause the carrying value of the CGU to exceed its recoverable amount.

Chromite CGU

During the year the decision was taken to cease mining at the Coobina Chromite mine and as a result of this all assets were fully amortised at 31 December 2013 therefore no impairment loss was required for the CGU as at 31 December 2013 (2012: nil, 2011: $3.4 million impairment reversal). The recoverable amount of the Chromite CGU was previously determined by a FVLCS valuation model. The impairment assessment in 2012 concluded that the carrying value of the Chromite CGU was supportable by the FVLCS valuation and no impairment loss was required for the CGU (2011: $3.4 million impairment).

Nickel CGU

On the 29th November 2013, the company sold its Nickel assets inclusive of rehabilitation liabilities for the sum of $9.6 million. A reversal of a previously recognised impairment loss of $9.9 million was recognised as at 31 December 2013 (2012: $14.9 million impairment loss, 2011 $nil).

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 an increase in the value of available-for-sale investments, which was taken directly to equity.

14. Restructuring costs

During 2012 the company implemented a restructuring plan for the Australian mining activities which concluded in 2013. As a result the Group incurred certain restructuring costs summarised in the table below:

$m	2013	2012	2011
Employee termination costs	1.6	1.9	-
Plant and equipment – demobilisation and related costs	-	3.4	-
Site infrastructure and administration	-	0.2	-
Total restructuring costs	1.6	5.5	-

The Group charged restructuring costs of $1.6 million (2012: $5.5 million) to the consolidated statement of comprehensive income all of which is included within cost of sales (2012: $5.4 million).

15. Settlement expense

	2013	2012	2011
$m			
Settlement expense	56.8	-	-

Subsequent to the year end a settlement was reached with Process Minerals International Pty Limited (PMI) to bring the manganese tailings agreement (Super Fines Agreement) between the Company and PMI to an end and to settle the related legal claims and counter claims. As part of this settlement the PMI debtor balance of $10.9 million owed to the Company at 31 December 2013 was derecognised and a current liability provision of $45.9 million has been established at 31 December 2013, resulting in a total settlement expense of $56.8 million.

16. Auditors' remuneration

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

	Years ended 31 December		
$m	**2013**	**2012**	**2011**
Audit services			
Fees payable to Company's auditor for the audit of the consolidated financial statements	0.3	0.3	0.3
Fees payable to Company's auditor for the audit of subsidiary Companies respective financial statements	0.4	0.4	0.4
	0.7	0.7	0.7
Other services			
Fees payable to the Company's auditor and its associates for other services:			
Other services related to taxation	0.2	0.2	0.2
Other services relating to transactions and other consulting services	0.1	-	0.6
	0.3	0.2	0.8
Total auditors' remuneration	1.0	0.9	1.5

17. Employee benefits expense

$m	Years ended 31 December 2013	2012	2011
Wages and salaries	77.7	92.4	71.5
Social security costs	0.8	0.7	0.5
Pension costs	5.2	6.6	5.2
	83.7	99.7	77.2
Average number of employees during year	1,105	1,236	1,158

18. Finance income and costs

$m	Years ended 31 December 2013	2012	2011
Finance income			
Bank interest income	1.9	1.8	5.8
Other finance income	1.8	3.4	2.7
	3.7	5.2	8.5
Finance costs			
Interest expense on bank borrowings	(0.3)	(1.0)	(2.8)
Interest expense on senior secured notes	(27.4)	(33.1)	(26.0)
Finance lease costs	(0.7)	(0.6)	(0.7)
Unwinding of discount on rehabilition provision	(1.4)	(1.4)	(1.5)
Other finance costs	(2.1)	(3.0)	-
	(31.9)	(39.1)	(31.0)
Net finance costs	(28.2)	(33.9)	(22.5)

19. Investments in associated undertakings

$m	As at 31 December 2013	2012
Cost at 1 January	65.4	40.9
Additions	-	15.1
Share of profit for the year	9.6	12.5
Dividends received	(9.7)	(3.9)
Disposal	(58.5)	-
Net foreign currency translation differences	(6.8)	0.8
Net book value at 31 December	-	65.4

Name of entity	Country of incorporation	Principal activity	Ownership interest as at 31 December 2013 %	2012 %
BC Iron Limited	Australia	Mining and Exploration	-	23.9%

During the year, the Company sold its entire 23.1% holding in BC Iron Limited for net proceeds of $101.5 million and recognised a gain on disposal of $43.1 million.

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

$m	As at 31 December 2013	2012
Financial position:		
Total assets	-	400.6
Total liabilities	-	(223.6)
Net assets	-	177.0
Group's share of associates' net assets	-	42.3

$m	2013	2012
Financial performance:		
Total revenue	-	253.6
Total profit for the year	-	54.2
Group's share of associate's profit*	-	12.9

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

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

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

	As at 31 December	
$m	2013	2012
BC Iron Limited	-	105.3

20. Income tax charge / (credit)

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

	Years ended 31 December		
$m	2013	2012	2011
Current income tax	14.5	9.9	8.6
Deferred income tax	(7.5)	(5.0)	(60.4)
	7.0	4.9	(51.8)

During the year ended 31 December 2013, the Group's income was subject to taxation in Australia and Ghana. The Company, domiciled in Jersey, is subject to tax at a rate of 0% under the Jersey tax regime. The corporate income tax levied on taxable income less allowable expenses was at the following rates:

Australia – 30% (2012: 30%)
Ghana – 35% (2012: 1 January - 9 March 2012 25%, 10 March – 31 December 35%)
Singapore – 10% (2012: 10%) – concessionary rate applicable to profit derived from activities satisfying "Global trader" status requirements. During 2013 the Singapore entity was liquidated.

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

	Years ended 31 December		
$m	2013	2012 *(restated – note 2d)*	2011
Profit / (loss) before taxation	152.2	(43.7)	(543.1)
Statutory tax at the Jersey rate of 0% (2012: 0% , 2011: 0%)	-	-	-
Tax expense / (credit) calculated at the local rates applicable to profits in the country concerned	10.5	(38.1)	(213.8)
Effect of items not deductible for tax purposes	0.1	1.0	4.7
Impairment losses on goodwill not deductible for tax purposes	-	-	14.3
Tax losses recognised in 2010 and prior years, written off due to impairment event during the year	-	-	43.7
Tax losses recognised in 2011, written off due to impairment event during the year	-	-	70.0
Current year tax losses not recognisable	-	41.1	6.4
Utilisation of prior year tax losses not previously recognised	(33.6)	-	-
Deferred tax asset not recognised	30.6	0.2	-
Capital allowances in excess of depreciation	(2.7)	(1.2)	(3.7)
Withholding tax on interest and dividend payments	0.4	0.7	0.6
Adjustment recognised in the current year in respect of prior period	-	-	9.5
Effect on deferred tax balance of change in Ghana tax rate from 25% to 35%	-	-	12.9
Other	1.7	1.2	3.6
Income tax charge / (credit) for the year	7.0	4.9	(51.8)

The effective tax rate for the period was 4.6% (2012: (11.2%), 2011: 9.5%). The change in the effective rate is due to changes in the proportion of taxable profits in the jurisdictions in which the Company operates.

As at 31 December 2013 the Group had unused tax losses amounting to $256.0 million (2012: $377.0 million) for which no deferred tax asset has been recognised. These losses are not expected to expire and remain available to the Group to be utilised in the future. The Group also had unused capital losses amounting to $29.6 million (2012: $80.4 million).

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

	Years ended 31 December		
$m	**2013**	**2012**	**2011**
Deferred tax:			
Fair value (losses) / gains on available-for-sale financial investments	(0.1)	0.6	0.7
	(0.1)	0.6	0.7

Recognised deferred tax assets and liabilities

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

	Years ended 31 December	
$m	**2013**	**2012**
Deferred tax assets		
Property, plant and equipment	20.6	27.6
Provisions	83.0	61.5
Investments	18.0	12.1
Other	(31.0)	(2.4)
Transfer from deferred tax liability	(51.0)	(55.4)
	39.6	43.4
Deferred tax liabilities		
Property, plant and equipment	(84.0)	(96.0)
Inventories	(3.2)	(0.9)
Other	(0.4)	0.2
Transfer to deferred tax assets	51.0	55.4
	(36.6)	(41.3)
Net deferred tax assets	3.0	2.1

The movements in the net deferred income tax assets / (liabilities) are:

	Years ended 31 December	
$m	**2013**	**2012**
Opening balance 1 January	2.1	(4.4)
Credited to the income statement	7.5	5.0
(Charged) / credited to equity	(0.1)	0.6
Net foreign currency translation differences	(6.5)	0.9
Closing balance at 31 December	3.0	2.1

21. Property, plant and equipment

$m

	Owned property, plant and equipment	Leased and hire purchase plant and equipment	Capital work in progress	Mining properties	Other*	Total
Cost at 1 January 2013	290.7	23.7	11.5	1,174.6	60.6	1,561.1
Reclassification of opening balances	-	-	-	0.4	-	0.4
Additions	20.7	1.9	12.3	14.5	0.2	49.6
Transfers	7.3	0.1	(7.6)	0.2	-	-
Disposals	(32.0)	-	-	(86.4)	-	(118.4)
Capitalised pre-stripping costs	-	-	-	21.9	-	21.9
Net foreign currency translation differences	(29.3)	(3.6)	(1.6)	(136.2)	(5.2)	(175.9)
At 31 December 2013	257.4	22.1	14.6	989.0	55.6	1,338.7
Accumulated depreciation at 1 January 2013	(220.6)	(4.7)	-	(901.1)	(29.5)	(1,155.9)
Reclassification of opening balances	-	-	-	(3.8)	3.4	(0.4)
Disposals	30.4	-	-	77.4	-	107.8
Charge for the year	(21.7)	(6.2)	-	(55.6)	(2.7)	(86.2)
Impairment expense (note 13)	-	-	-	(15.4)	-	(15.4)
Net foreign currency translation differences	25.4	1.2	-	114.8	2.4	143.8
At 31 December 2013	(186.5)	(9.7)	-	(783.7)	(26.4)	(1,006.3)
Net book value at 31 December 2013	**70.9**	**12.4**	14.6	205.3	29.2	332.4

$m

	Owned property, plant and equipment	Leased and hire purchase plant and equipment	Capital work in progress	Mining properties *(restated – note 2d)*	Other*	Total
Cost at 1 January 2012	226.2	55.2	10.0	1,129.5	54.8	1,475.7
Additions	7.7	-	31.3	11.8	13.4	64.2
Transfers**	58.2	(32.4)	(29.7)	0.7	0.7	(2.5)
Disposals	(4.5)	-	-	-	(9.0)	(13.5)
Capitalised pre-stripping costs	-	-	-	14.1	-	14.1
Other	-	-	(0.3)	-	-	(0.3)
Net foreign currency translation differences	3.1	0.9	0.2	18.5	0.7	23.4
At 31 December 2012	290.7	23.7	11.5	1,174.6	60.6	1,561.1
Accumulated depreciation at 1 January 2012	(154.5)	(49.5)	-	(818.5)	(22.3)	(1,044.8)
Disposals	4.2	-	-	-	-	4.2
Charge for the year	(19.8)	(2.2)	-	(61.6)	(3.2)	(86.8)
Impairment expense	-	-	-	(6.4)	(3.4)	(9.8)
Transfers	(47.9)	47.9	-	-	-	-
Net foreign currency translation differences	(2.6)	(0.9)	-	(14.6)	(0.6)	(18.7)
At 31 December 2012	(220.6)	(4.7)	-	(901.1)	(29.5)	(1,155.9)
Net book value at 31 December 2012	70.1	19.0	11.5	273.5	31.1	405.2

* 'Other' assets primarily comprise mining rehabilitation assets relating to the Australian and Ghanaian mining operations.
**During 2012 assets included within mining properties were transferred to intangible assets (see note 22).

22. Intangible assets

$m

	Exploration and Evaluation
Cost at 1 January 2013	195.0
Reclassification of opening balances	(0.4)
Additions	11.7
Transfers	-
Disposals	(54.2)
Net foreign currency translation differences	(24.0)
At 31 December 2013	128.1
Opening impairment at 1 January 2013	(105.1)
Reclassification of opening balances	0.4
Disposals	53.3
Impairment charge (note 13)	(5.0)
Net foreign currency translation differences	11.0
At 31 December 2013	(45.4)
Net book value at 31 December 2013	82.7

	Exploration and Evaluation
Cost at 1 January 2012	177.3
Additions	11.7
Transfers	2.5
Disposals	-
Net foreign currency translation differences	3.5
At 31 December 2012	195.0
Opening impairment at 1 January 2012	(100.0)
Impairment charge	(3.2)
Net foreign currency translation differences	(1.9)
At 31 December 2012	(105.1)
Net book value at 31 December 2012	89.9

23. Goodwill

	As at 31 December	
$m	**2013**	**2012**
Cost at 1 January	28.9	28.9
At 31 December	28.9	28.9

Goodwill on the statement of financial position at 31 December 2013 relates solely to the Ghanaian Manganese operations.

24. Inventories

	As at 31 December	
$m	**2013**	**2012**
Current		
Ore stockpiles	40.3	41.7
Consumable stores	24.0	31.0
Other inventories	2.7	4.1
Provision for obsolete and slow moving inventory	(1.2)	(3.7)
Total inventories	65.8	73.1

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

25. Available-for-sale financial assets

$m	As at 31 December 2013	2012
Non-current		
Equity securities - listed	17.8	17.0

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

$m	Years ended 31 December 2013	2012
At 1 January	17.0	21.3
Impairment charges	(0.8)	-
Net gains / (losses) transferred to equity	4.4	(4.7)
Net foreign currency translation differences	(2.8)	0.4
At 31 December	17.8	17.0

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

26. Trade and other receivables

$m	As at 31 December 2013	2012
Non-current trade and other receivables		
Security deposits	0.2	0.2
	0.2	0.2
Current trade and other receivables		
Trade receivables from third parties	41.0	37.4
Less provision for impairment of trade receivables	-	(0.2)
	41.0	37.2
Trade receivables from related parties	4.6	14.9
Prepayments	5.7	7.1
Value added tax recoverable	4.4	4.2
Other	1.7	8.8
	57.4	72.2
Total receivables	57.6	72.4

The carrying value of receivables approximates their fair value.

As of 31 December 2013, there were no trade receivables that were past due but not impaired (2012: $0.7 million). In 2012 these related to a number of customers for whom there is no history of default. The ageing analysis of these trade receivables is detailed in note 37.

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

$m	As at 31 December 2013	2012
US dollar	49.3	55.2
Australian dollar	4.6	12.8
British pound	0.4	0.4
Ghana cedi	3.3	4.0
	57.6	72.4

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

$m	As at 31 December 2013	2012
At 1 January	(0.2)	(0.1)
Receivables written off	0.2	-
Increase in receivables impairment	-	(0.1)
As at 31 December	-	(0.2)

27. Cash and cash equivalents

	As at 31 December	
$m	**2013**	**2012**
Cash at bank and in hand	202.6	42.1
Short-term bank deposits	17.3	44.2
Cash and cash equivalents at the end of the year	219.9	86.3
Less: bank overdrafts (see note 28)	-	(12.4)
Net cash and cash equivalents per the cash flow statement	219.9	73.9

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
$m	**2013**	**2012**
US dollar	174.2	36.0
Australian dollar	41.6	48.7
British Pound	1.8	0.4
Ghana cedi	2.0	1.0
Other currencies	0.3	0.2
	219.9	86.3

Bank overdrafts are denominated in US dollars.

Included in the cash balance at 31 December 2013 is an amount of $15.6 million (2012: $16.9 million) which is pledged to secure the issuance of performance bonds to the Department of Mines and Petroleum of Western Australia which guarantee the entities' compliance with the rehabilitation and restoration conditions of Mining Licences. A further $1.6m (2012: $1.8 million) relates to bank guarantees provided to lessors of business premises.

28. Borrowings

	As at 31 December	
$m	**2013**	**2012**
Non-current		
Senior secured high yield notes	228.2	354.6
Finance lease liabilities – hire purchase loans	9.6	13.4
	237.8	368.0
Current		
Bank overdrafts	-	12.4
Finance lease liabilities – hire purchase loans	4.7	5.2
	4.7	17.6
Total borrowings	242.5	385.6

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

During the year the Company spent $127.7 million on the repurchase of its bonds.

The senior secured notes are stated net of repurchases, unamortised discount of $0.6 million and unamortised issue costs of $6.4 million. Unamortised discount and issue costs are allocated to the statement of comprehensive income over the five year term of the bond.

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

The carrying value of borrowings approximates their fair value.

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

	As at 31 December	
$m	**2013**	**2012**
Interest-free and repayable on demand	-	-
6 months or less	-	12.4
6 - 12 months	-	-
1 - 5 years	-	-
Over 5 years	-	-
	-	12.4
Borrowings not exposed to changes in interest rates	242.5	373.2
	242.5	385.6

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

	As at 31 December	
$m	**2013**	**2012**
US dollar	241.3	382.7
Australian dollar	1.2	2.9
	242.5	385.6

29. Trade and other payables

	As at 31 December	
$m	**2013**	**2012**
Non-current		
Other payables	5.8	6.7
	5.8	6.7
Current		
Trade payables	11.0	16.8
Accruals	35.3	49.1
Interest payable on senior secured notes	3.5	5.4
Other payables	2.8	2.1
	52.6	73.4
Total trade and other payables	58.4	80.1

30. Provisions

	As at 31 December	
$m	**2013**	**2012**
Non-current		
Employee benefits	1.8	1.5
Rehabilitation*	51.2	60.5
	53.0	62.0
Current		
Employee benefits	7.7	7.1
Rehabilitation*	3.1	-
PMI settlement**	45.9	-
	56.7	7.1
Total provisions	109.7	69.1

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

Provisions for rehabilitation are measured at the expected value of future cash flows, discounted to their present value using a discount rate based on the Australian dollar and US dollar 10 year real treasury rate for the Australian and Ghanaian rehabilitation provisions respectively.

** Subsequent to the year end a settlement was reached with Process Minerals International Pty Limited (PMI) to bring the manganese tailings agreement (Super Fines Agreement) between the Company and PMI to an end and to settle the related legal claims and counter claims. As part of this settlement the PMI debtor balance of $10.9 million owed to the Company at 31 December 2013 was derecognised and a current liability provision of $45.9 million has been established at 31 December 2013, resulting in a total settlement expense of $56.8 million (see note 40).

Movements in provisions are as follows:

$m	Employee Benefits*	Rehabilitation	Other	Total
Balance at 1 January 2013	8.6	60.5	-	69.1
Additional provisions recognised	8.8	2.7	45.9	57.4
Payments made	(6.5)	(0.5)	-	(7.0)
Unwinding of discount	-	1.4	-	1.4
Other	-	(4.2)	-	(4.2)
Net foreign currency translation differences	(1.4)	(5.6)	-	(7.0)
As at 31 December 2013	9.5	54.3	45.9	109.7

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

31. Share capital and share premium

	Number of shares Thousands	Ordinary shares $m	Share premium $m
At 1 January 2013	10,000	10.0	194.7
At 31 December 2013	10,000	10.0	194.7

The total number of authorised shares is ten million ordinary shares (2012: ten million shares) with a par value of $1 per share (2012: $1 per share). All shares are allotted, issued and fully paid, carry one vote per share and carry the right to dividends.

32. Subordinated shareholder loans treated as equity

	As at 31 December	
$m	2013	2012
At 1 January	966.2	966.2
At 31 December	966.2	966.2

33. Reserves

$m	Available-for-sale financial assets	Foreign currency translation	Total
Balance at 1 January 2012	(73.0)	99.1	26.1
Revaluation – gross	(4.7)	-	(4.7)
Revaluation – tax	0.6	-	0.6
Net foreign currency translation differences	(2.6)	7.0	4.4
Balance at 31 December 2012	(79.7)	106.1	26.4
Revaluation – gross	4.4	-	4.4
Revaluation – tax	(0.1)	-	(0.1)
Net foreign currency translation differences	11.2	(69.0)	(57.8)
Balance at 31 December 2013	(64.2)	37.1	(27.1)

34. Accumulated losses

	As at 31 December	
$m	2013	2012 *(restated – note 2d)*
At 1 January	(903.7)	(854.6)
Profit / (loss) for the year	143.5	(49.1)
At 31 December	(760.2)	(903.7)

35. Commitments for expenditure

Mining tenement expenditure

Under the terms of tenement licenses 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 $6.3 million (2012: $8.4 million) is to be spent each year whilst tenements remain current. This expenditure is required to be expended during the forthcoming year on mining tenements on which the Group has an interest. This expenditure may be subject to variation from time to time in accordance with government regulations.

Capital expenditure commitments

Capital expenditure contracted for at the end of the reporting year but not yet incurred is as follows:

	Years ended 31 December	
$m	**2013**	**2012**
Plant and equipment		
Not longer than 1 year	7.7	9.5

Lease commitments – operating leases

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

	Years ended 31 December	
$m	**2013**	**2012**
Not longer than 1 year	5.5	9.3
Longer than 1 year and not longer than 5 years	5.2	4.2
Longer than 5 years	-	2.3
Total operating lease commitments	10.7	15.8

Lease commitments – hire purchase loans

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

	Years ended 31 December	
$m	**2013**	**2012**
Not longer than 1 year	5.3	5.9
Longer than 1 year and not longer than 5 years	9.9	14.2
	15.2	20.1
Less: future finance charges	(0.9)	(1.5)
Present value of hire purchase liabilities	14.3	18.6

36. Contingent liabilities

Legal claims

In the ordinary course of business, the Group is subject to legal actions and complaints. As of 31 December 2013 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 (Mr. Derek Ammon) in relation to the transfer to PIO of an 80% interest in a mining tenement. Under the joint venture PIO is required to incur exploration expenditure and provide a feasibility study to earn its 80% interest. The expenditure has been incurred and a feasibility study provided, however the joint venture party has instituted proceedings in the Warden's Court to prevent a transfer of the 80% interest in the tenement on the basis that the documentation provided does not constitute a feasibility study. This action is being defended. The trial concluded in the Warden's Court in May 2013 with all evidence now having been given. The Warden has not yet handed down his decision. It is not practical to estimate the potential effect of this claim and no provision has been made.

Other contingent liabilities

- An effect of the Native Title Act 1994 (Commonwealth) is that new mining tenement applications and existing tenements in Australia may be affected by native title claims. The full impact that the legislation and native title claims generally may have on tenements held by the consolidated entity is presently unclear. It is not practical to estimate the potential effect of these claims and no provision has been made. At the date of this report, the Directors are aware of seventeen claims that have been lodged covering an area which encompasses some of the mining tenement interests of the Group (2012: seventeen claims). The claims do not affect the current mining schedule of the Group.

- The company is guarantor to hire purchase and finance lease agreements amounting to $14.1 million entered into by controlled entities used primarily to finance the purchase of the company's mining fleet. Amounts owing under the leases are secured against each relevant leased asset.

- Group entities have pledged $15.6 million (2011: $16.0 million) to secure the issuance of performance bonds to the Department of Mines and Petroleum of Western Australia which guarantee the entities' compliance with the rehabilitation and restoration conditions of Mining Licenses. A further $1.6m (2012: $1.8 million) relates to bank guarantees provided to lessors of business premises.

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

37. Financial risk management objectives and policies

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

Commodity price risk

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

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

Fluctuations in commodity prices can have a significant impact on the Group's revenue and earnings. The approximate effect on the pre-tax profit for the year resulting from a 10% movement in manganese commodity prices is $57.9 million (2012: $42.3 million).

Market risk

i) Foreign exchange risk

The functional currency of the Jersey and Ghanaian operations is US dollars and the majority of all revenue and expense of these operations is denominated in US dollars. The group has transactional currency exposures arising from operating expenditure incurred in its Australian operations denominated in Australian dollars as whilst none of the Group's revenue is denominated in Australian dollars, approximately 74% (2012: 82%) of its operating expenditure is. The approximate effect on the Group's profit before tax of a 1% change in the AUD/USD rate would be $3.6 million (2012 $4.6 million). The Group does not hedge foreign exchange risk.

ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the statement of financial position as available-for-sale financial investments. The approximate effect on other comprehensive income for the year resulting from a 10% movement in the price of available-for-sale financial investments is $1.8 million (2012: $1.7 million).

iii) Interest rate risk

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

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

Credit risk

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

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

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

		Past the due date but not impaired					
$m	**Neither impaired or past due**	**Between 1 and 30 days**	**Between 31 and 90 days**	**Between 91 days and 180 days**	**Between 181 days and 365 days**	**More than 1 year**	**Total**
Trade receivables:							
2013	45.6	-	-	-	-	-	45.6
2012	50.6	-	-	-	-	0.7	51.3

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

	Years ended 31 December	
$m	**2013**	**2012**
Trade and other receivables	53.2	68.2
Cash and cash equivalents	219.9	86.3
Total	273.1	154.5

Liquidity risk

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

$m	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
At 31 December 2013						
Borrowings	-	1.3	24.9	276.4	-	302.6
Trade and other payables	0.6	46.8	5.2	5.8	-	58.4
	0.6	48.1	30.1	282.2	-	361.0
At 31 December 2012						
Borrowings	12.4	1.5	36.9	460.2	-	511.0
Trade and other payables	47.1	19.2	7.1	6.7	-	80.1
	59.5	20.7	44.0	466.9	-	591.1

Capital risk management

The Group's total capital is defined as Consolidated Minerals Limited's shareholders' funds plus funds attributable to outside equity shareholders plus net debt, and amounted to $406.2 million at 31 December 2013 (2012: $592.9 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.

$m	As at 31 December 2013 Carrying Value	Fair Value	As at 31 December 2012 Carrying Value	Fair Value
Available-for-sale financial investments	17.8	17.8	17.0	17.0
Investments in associates	-	-	65.4	105.3
Total financial investments	17.8	17.8	82.4	122.3

The following table presents the group's assets that are measured at fair value analysed by valuation method at 31 December 2013.

$m	Level 1	Level 2	Level 3	Total
2013				
Available-for-sale financial investments	17.8	-	-	17.8
Investments in associates	-	-	-	-
Total financial investments	17.8	-	-	17.8

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

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

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

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

38. Subsidiaries

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

Name of subsidiary	Country of incorporation	Principal activity	Ownership interest Years ended 31 December 2013 %	2012 %
Consolidated Minerals (Australia) Pty Ltd	Australia	Holding	100	100
Consolidated Minerals Pty Ltd	Australia	Investment	100	100
Ghana Manganese Company Ltd	Ghana	Exploration, mining and processing	90	90
Manganese Trading Ltd	Jersey	Sales and Marketing	100	100
Pilbara Chromite Pty Ltd	Australia	Exploration, mining and processing	100	100
Pilbara Iron Ore Pty Ltd *	Australia	Exploration, mining and processing	50	50
Pilbara Manganese Pty Ltd	Australia	Exploration, mining and processing	100	100
Pilbara Trading Ltd	Jersey	Sales and Marketing	100	100
Stratford Sun Ltd	BVI	Investment	100	100

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

39. Related party transactions

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

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

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

$m	Sales to related parties	Finance income from related parties	Purchases from related parties	Charges from related parties	Amounts owed by related parties	Amounts owed to related parties
Trading companies related to the ultimate shareholder						
2013	52.3	-	-	-	4.6	-
2012	69.2	-	-	-	21.7	-
Banks related to the ultimate shareholder						
2013	-	0.4	-	-		
2012	-	1.1	-	-		
Other companies related to the ultimate shareholder						
2013	-	-	3.0	-	-	-
2012	-	-	1.4	-	-	0.7

Trading companies related to the ultimate shareholder

During 2013 and 2012, Manganese Trading Limited (Jersey) and Pilbara Trading Limited (Jersey) traded with other trading companies related to the ultimate shareholder.

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

Sale of subsidiary company related to the ultimate shareholder

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

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

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

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

Finance companies related to the ultimate shareholder

As at 31 December 2013, a related party loan balance of $966.2 million (2012 $966.2 million) was recognised in equity.

Banks related to the ultimate shareholder

During 2013 and 2012, several of the Group's operating bank accounts were held with Privat Bank, in which the ultimate shareholder has an interest. As at 31 December 2013, $0.1 million was in current accounts with the bank (2012: $6.4 million).

Other companies related to the ultimate shareholder

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

Directors

The Directors of the Company are:
Mr Peter Allen
Mr David Slater (appointed 6th December 2013)
Mr Vyacheslav Anishchenko
Mr Steven Bowen
Ms Jackie Callaway (resigned 23rd July 2013)
Mr Malcolm McComas
Mr Andreas Marangos

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

Key management personnel

In 2013, the aggregate remuneration in the form of salaries, bonuses and other amounts paid to the members of the Board of Directors and Group Executive Committee was $4.3 million (2012: $4.2 million). All remuneration relates to salaries and related short term benefits.

Ultimate shareholder

The ultimate beneficial shareholder is Mr Gennady Bogolyubov.

40. Events after the statement of financial position date

The Company has been involved in various legal disputes with PMI since 2008 which was disclosed as a contingent liability in the prior year financial statements. The disputes relates 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, effective 31 March 2014.

As part of this settlement the $10.9 million PMI debtor balance owed to the Company at 31 December 2013 was derecognised and a current liability provision of $45.9 million (note 30) has been raised for the year ended 31 December 2013, resulting in a total settlement expense of $56.8 million (note 15), reflecting management's best estimate of the fair value of the settlement which has been agreed with PMI.

The Company will settle the $45.9 million current liability via a combination of cash ($39 million) and the transfer of Coobina tenement assets net of rehabilitation liabilities on an "as is" condition basis. The book value of Coobina as at 31 December 2013 was a net liability of $3 million. The asset transfer is expected to generate a gain on sale of $10 million in 2014 upon settlement. On 31 March 2014 the Company paid $28 million as part of the overall agreed cash element of the settlement.

As a result of the decision to cease mining operations at its Coobina chromite mine in July 2013 and the transfer of the Coobina assets to PMI, the company discontinued its chromite operations in Q1 2014.

Subsequent to the year end the Company spent a further $10 million on the repurchase of its senior secured notes.

On the 31 March 2014 the Company confirmed its intention to redeem, in the near future, 50% of the remaining bonds not previously repurchased by the Company.

Glossary of Defined Terms

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

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