# Consolidated Minerals Limited
# Financial Results for the three months and nine months to 30 September 2016

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# Consolidated Minerals Limited (‘Consmin’ or the ‘Company’ or the ‘Group’)

## Report for the Third Quarter ending 30 September 2016

24 November 2016

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

Consmin, a leading manganese ore producer with mining operations in Ghana and Australia, announces its quarterly results for the period ended 30 September 2016.

**Market and Liquidity Update**

- On 15 August 2016 the Company announced the successful completion of the solicitation of consents to certain amendments to the terms and conditions of the 8.000% Senior Secured Notes due May 15, 2020. This was supported by the holders of 96.43% of the Senior Secured Notes.

**Key Highlights**

- Total tonnes of manganese ore production for Q3 2016 decreased 17% compared to Q3 2015. Ghanaian manganese ore production increased by 29% offset by a 91% decrease in Australian manganese ore production compared to Q3 2015. The reduction in Australian manganese ore production was a direct result of the Australian operations being placed into care and maintenance on 2nd February 2016 with production in Q3 2016 arising from limited processing of remaining low grade ROM stockpiles. Overall, total manganese ore production in the first nine months of 2016 was 30% lower compared to the equivalent period in 2015.
- Manganese C1 cash cost[1] for Q3 2016 was $1.22/dmtu compared to $2.20/dmtu in Q3 2015, a decrease of 45%. The C1 cash cost for Q3 2016 includes no costs relating to the Australian operations as the mine was on care and maintenance. The manganese C1 cash cost for the first nine months of 2016 was $1.40/dmtu compared to $2.05/dmtu in the first nine months of 2015. The year to date 2016 C1 cash cost includes costs relating to production in the Australian operations up to 2nd February 2016 when the mine was placed into care and maintenance.
- Total manganese sales tonnes decreased 22% in Q3 2016 compared to Q3 2015. Ghanaian manganese tonnes sold increased 35% but Australian manganese tonnes sold decreased 99%. Overall, total manganese sales tonnes year to date in 2016 were 16% lower compared to the equivalent period in 2015.
- Average manganese FOB sales price achieved decreased 33% from $2.42 in Q3 2015 to $1.61 in Q3 2016. Overall, average manganese FOB sales price decreased 33% from $2.77 in the first nine months of 2015 to $1.85 in the first nine months in 2016.
- The quarterly average price for manganese lump (CRU, 44%Mn CIF China) in Q3 2016 was $4.00/dmtu, an increase of 32% year on year from $3.02/dmtu in Q3 2015 and up 32% from $3.03/dmtu in the previous quarter (Q2 2016).
- Adjusted EBITDA[2] for Q3 2016 was $1 million, a reduction of $3 million from $4 million Q3 2015. This decrease is principally due to lower revenues as a result of lower pricing and reduced volumes sold with no sales from Australia in the quarter following the transition of the operations into care and maintenance in February 2016. This was partially offset by reduced mining and other operating costs.
- Cash EBITDA for Q3 2016 was $6 million, compared to $17 million in Q3 2015 with cash EBITDA in Q3 2016 including a $5 million add back for net movement in inventories whereas Q3 2015 included a $23 million add back for net movement in inventories partially offset by a $10 million deduction for capitalised deferred stripping.
- The Group recorded a loss for the quarter of $29 million compared to a loss of $15 million in Q3 2015.
- For the first nine months of 2016 the Group recorded a loss of $74 million compared to a profit of $4 million in the equivalent period in 2015. Included within the loss for the first nine months of 2016 was $14 million of restructuring costs relating to the Australian operations. In the first nine months of 2015 the profit included $50 million of other operating income relating to funds received from Tianyuan Manganese Industry Co. Ltd (TMI) for access to future purchases of Ghanaian manganese ore.

- During the quarter the group had an operating cash outflow of $6 million compared to an inflow of $10 million in Q3 2015.
- Cash and cash equivalents net of overdrafts decreased in Q3 2016 by $19 million to $36 million on 30 September 2016.
- Total capital expenditure for the group in Q3 2016 was $1 million, 87% lower than in Q3 2015. Capital expenditure in Q3 2016 included the first spend on the Pit-C North resettlement project. Capital expenditure in the first nine months of 2016 was $6 million compared to $14 million in the equivalent period in 2015.

**Key Performance Indicators**

| | Quarter ended | | | Nine months ended | | |
|---|---|---|---|---|---|---|
| **Unaudited** | **30 Sept 2016** | **30 Sept 2015** | **% change** | **30 Sept 2016** | **30 Sept 2015** | **% change** |
| Manganese ore produced (dry kt) | 564.6 | 679.5 | (16.9%) | 1,515.0 | 2,160.5 | (29.9%) |
| Manganese ore sales (dry kt) | 698.9 | 890.9 | (21.6%) | 1,817.2 | 2,166.0 | (16.1%) |
| Average C1 manganese unit cash cost ($/dmtu)[1] | 1.22 | 2.20 | (44.5%) | 1.40 | 2.05 | (31.7%) |
| Average manganese FOB Sales price ($/dmtu) | 1.61 | 2.42 | (33.5%) | 1.85 | 2.77 | (33.2%) |
| Revenue ($ million) | 31.5 | 75.2 | (58.1%) | 100.4 | 218.0 | (53.9%) |
| Adjusted EBITDA ($ million)[2] | 1.2 | 4.0 | (70.0%) | (5.0) | 43.0 | (111.6%) |
| 'Cash' EBITDA ($ million)[2] | 5.9 | 17.0 | (65.3%) | 10.3 | 33.9 | (69.6%) |
| (Loss) / profit for the period | (29.4) | (14.6) | (101.4%) | (73.9) | 3.9 | (1994.9%) |

| | **At 30 Sept 2016** | **At 31 Dec 2015** | **% change** |
|---|---|---|---|
| Cash and cash equivalents ($ million) | 36.4 | 79.1 | (54.0%) |
| Gross debt ($ million) | (399.5) | (390.3) | 2.4% |
| Gross debt excluding high yield bonds ($ million) | (8.4) | (17.2) | (51.2%) |
| Net debt ($ million) | (363.1) | (311.2) | 16.7% |

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

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

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

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

*"Production in the quarter from our Nsuta mine in Ghana increased 29% compared to the corresponding period in 2015 underpinned by continuing improved demand for the Company's Ghanaian ore. Total production for the Consmin Group however decreased 17% during the third quarter of 2016 compared to the corresponding period in 2015. This reduction was due to the Australian Woodie Woodie being on care and maintenance since Q1 2016. As a result production from Australia was 91% lower in the quarter with production only relating to limited processing of remaining ROM stockpiles.*

*The manganese C1 cash cost for the quarter was $1.22/dmtu, an improvement of 45% from $2.20/dmtu for Q3 2015. The C1 cash cost for Q3 2016 does not include any costs or production from the Australian operations which were on care and maintenance.*

*Sales tonnes from Ghana were nearly 700k dry tonnes, being 35% higher than in Q3 2015. There were no shipments of Australian manganese ore during the quarter.*

*The quarterly average 44% benchmark CIF price for manganese lump in Q3 2016 was $4.00/dmtu, up 32% from $3.03/dmtu in Q2 2016. Manganese ore prices in 2016 started the year at multi year lows and then rose in the second and early third quarter on the back of supply curtailments and reduced imports into China. Price rises were also supported by better than expected steel performance in China, however increased imports in Q2, causing prices to decline in August and September. However, due to recent logistical issues in South Africa (the biggest manganese ore exporting country), prices have surged since October and are now on track to finish the year at multi-year highs of over $6.00/dmtu. Other factors driving prices to these high levels are stockpiling prior to the Chinese New Year holiday, which begins on January 28th 2017, and accumulating and holding of spot material by traders at China ports leveraging supply disruptions.*

*The company is positive towards the better performance of manganese ore prices in late 2016 but remains cautious on the ensuing volatility. Such high prices are attracting an increase of supply of non-mainstream ores, both domestically in China and from abroad, which are attractive as lower grade cheaper options to mainstream ores. As a result, prices will likely lose momentum once stockpiling is completed and more ore arrives in China, assuming South Africa solves its logistical issues in the near term. Although we expect prices to soften, we feel they should not return to the lows experienced at the beginning of 2016 but rather find a new sustainable price range, supported by market fundamentals.*

*As noted in the previous quarter's result, on 15 August the Company announced the successful conclusion to the consent solicitation process, having received consents from 96.43% of the Noteholders. The Company would like to thank the majority of Holders for their support and notes the beneficial effect that these amendments will have in providing the Company with significant additional liquidity during the current period of low and volatile manganese prices.*

*On 15 November the Company announced that its ultimate beneficial owner and direct shareholders ("Sellers") had entered into a share purchase agreement ("SPA") with China Tian Yuan Manganese Limited ("Purchaser"), a subsidiary of Ningxia Tianyuan Manganese Industry Co., Ltd. ("TMI") pursuant to which the Sellers agreed to sell and transfer to the Purchaser all of their respective right and title to both the entire share capital of the Company and the shareholders funding given by them to the Company (the "Transaction").*

*The Transaction is conditional upon a number of conditions which are set out in the SPA, including, but not limited to certain government consents, certain consents from the holders of the then outstanding US$400,000,000 8% Senior Secured Notes due 2020 (the "Notes") and the execution of an offtake agreement between Manganese Trading Limited, a subsidiary of the Company, and Grizal Enterprises Limited (a "Seller" in the Transaction) ("Grizal") which will become effective simultaneously with completion of the Transaction (the "Offtake Agreement"). The Offtake Agreement provides that Grizal may, in its absolute discretion, purchase from MTL, in any calendar year, up to 600kt of Ghanaian Manganese Ore for a period of ten years from completion of the Transaction. If the conditions to the Transaction are not satisfied or waived within the period of six months from the signing, the SPA shall terminate and the Transaction will not complete."*

**About Consolidated Minerals Limited**

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

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

**Company Information**

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Mark Camaj, General Manager, Marketing
Jurgen Eijgendaal, Managing Director, Ghana
David Slater, Executive Director and CFO

**Conference Call**

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

**Market, Economic and Industry Data**

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

**Forward looking statements**

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

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

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

## Marketing Review

Global steel production grew by 1.8% year on year in Q3 2016 to 406 million tonnes, but fell 2.3% compared to the previous quarter (Q2 2016). China accounted for 50% of global production in Q3 with its production rising by 3.2% year on year to 204 million tonnes during the quarter but declined by 2.8% compared to the previous quarter. On the back of stronger steel production and rising ore prices in Q2 2016, imports of manganese ore to China in Q3 2016 rose by 13% from the previous quarter to just under 5.0 million tonnes in Q3 (19.9 million tonnes annualised) and by 19% year on year.

The company shipped nearly 700 thousand dry tonnes of manganese ore during Q3 2016, a decrease of 22% compared to 891 thousand dry tonnes shipped in Q3 2015. There were no shipments from our Australian operations in Q3 2016, however, sales from Ghana were up 35% to 697 thousand dry tonnes in Q3 2016 compared to 518 thousand dry tonnes in the same quarter last year.

The quarterly average price for manganese lump (CRU, 44%Mn CIF China) in Q3 2016 was $4.00/dmtu, an increase of 32% from $3.02/dmtu in Q3 2015 and up 32% from $3.03/dmtu in the previous quarter (Q2 2016). Manganese ore prices in 2016 have been very volatile, starting the year at multi year lows and then rising in the second and early third quarter on the back of supply curtailments and reduced imports into China. Price rises were also supported by better than expected steel performance in China. As imports increased in Q2, prices declined once again in August and September.

Due to logistical issues in South Africa (the biggest manganese ore exporting country), prices have surged since October and are now on track to finish the year at multi-year highs of over $6.00/dmtu. Other factors driving prices to these high levels are stockpiling prior to the Chinese New Year holiday, which begins on January 28th 2017, and accumulating and holding of spot material by traders at China ports leveraging supply disruptions.

The company is very pleased with the better performance of manganese ore prices in late 2016 but remains cautious on the ensuing volatility. Such high prices are attracting an increase of supply of non-mainstream ores, both domestically in China and from abroad, which are attractive as lower grade cheaper options to mainstream ores. As a result, prices will likely lose momentum once stockpiling is completed and more ore arrives in China, assuming South Africa solves its logistical issues in the near term. Although we expect prices to soften, we feel they should not return to the lows experienced at the beginning of 2016 but rather find a new sustainable price range, supported by market fundamentals.

## Operational Review

| | Quarter ended | | | Nine months ended | | |
|---|---|---|---|---|---|---|
| **Summary Overview (Unaudited)** | **30 Sept 2016** | **30 Sept 2015** | **% change** | **30 Sept 2016** | **30 Sept 2015** | **% change** |
| Total mined (mBCM) | 1.7 | 4.0 | (57.5%) | 5.1 | 10.4 | (51.0%) |
| Manganese ore produced (dry kt) | 564.6 | 679.5 | (16.9%) | 1,515.0 | 2,160.5 | (29.9%) |
| *Australia* | *22.9* | *258.3* | *(91.1%)* | *203.1* | *1,033.5* | *(80.3%)* |
| *Ghana* | *541.7* | *421.2* | *28.6%* | *1,311.9* | *1,127.0* | *16.4%* |
| Manganese ore produced (mdmtu) | 16.0 | 23.6 | (32.2%) | 43.2 | 78.8 | (45.2%) |
| *Australia* | *0.7* | *11.5* | *(93.9%)* | *6.7* | *47.2* | *(85.8%)* |
| *Ghana* | *15.3* | *12.1* | *26.4%* | *36.5* | *31.6* | *15.5%* |
| Manganese ore sales (dry kt) | 698.9 | 890.9 | (21.6%) | 1,817.2 | 2,166.0 | (16.1%) |
| *Australia* | *2.1* | *372.7* | *(99.4%)* | *300.5* | *1,018.2* | *(70.5%)* |
| *Ghana* | *696.8* | *518.2* | *34.5%* | *1,516.7* | *1,147.8* | *32.1%* |
| Manganese ore sales (mdmtu) | 19.6 | 31.1 | (37.0%) | 54.2 | 78.6 | (31.0%) |
| *Australia* | *0.2* | *16.8* | *(98.8%)* | *12.0* | *46.8* | *(74.4%)* |
| *Ghana* | *19.4* | *14.3* | *35.7%* | *42.2* | *31.8* | *32.7%* |
| Total capex – including exploration ($ million) | 0.8 | 6.4 | (87.5%) | 5.8 | 14.4 | (59.7%) |
| Average unit cash cost ($/dmtu) | 1.22 | 2.20 | (44.5%) | 1.40 | 2.05 | (31.7%) |

## Australia: Woodie Woodie

**Care and maintenance**
Following the decision taken in January 2016 to place the mine on care and maintenance, mining and processing operations ceased in early February 2016 with the mine being safely and efficiently transitioned into care and maintenance during Q1 2016. The mine has remained on care and maintenance since then.

**Production**
Although no mining took place in Q3 2016, some limited processing of remaining low grade ROM stockpiles which began in May 2016 was concluded in July 2016. Production in Q3 totalled 23k dry tonnes.

**Capital expenditure**
There was no capital expenditure during Q3 2016.

**Exploration**
Tenement maintenance work completed in Q3 2016 included 39 RC drill holes for 3,270m on six regional Exploration Licenses.

## Ghana: Ghana Manganese Company Limited ('GMC')

**Safety**
The GMC mine witnessed an excellent safety record at Nsuta, with no major reportable incidents or accidents during Q3 2016.

**Production**
Production at GMC totalled 542k dry tonnes of manganese ore (15.3 million dmtu) during the third quarter of 2016, representing a 29% increase in tonnes and 26% increase in dmtu's compared to the same quarter of 2015. In Q3 2016 GMC sold 697k tonnes of manganese ore (19.4 million dmtu), representing a 35% increase compared to the same quarter of 2015.

**Capital Expenditure**
A total of $0.8 million was spent on capital expenditure projects during the third quarter of 2016 ($0.4m Q3 2015), which was entirely invested into critical spares and components for the mobile and fixed equipment. There was no exploration spend during Q3 2016.

A total of $4.1 million, including $0.1 million on exploration was spent on capital expenditure projects during the nine months of 2016 (nine months of 2015: $3.4 million, including $0.2 million on exploration), with the majority of this spend on critical spares and components for the mobile and fixed equipment.

**Exploration**
During the third quarter of 2016 infill drilling focused on the continued resource development of our main Pit C.

**Projects**

**Port Development Project**:
The tender process for the Takoradi port project has meanwhile resulted in a shortlisting of four potential bulk terminal operators. Two of the tender candidates visited the Port of Takoradi and their potential future clients during the month of September 2016. On 28th September GMC was visited by MARSA MAROC (Morocco) and SEA-INVEST CORPORATION (Belgium). The meeting with the other two tender candidates, TRANSNET SOC LTD (South Africa) and GRINDROD LTD (South Africa), took place on 11th October 2016.

**Pit C-North Development**:
The Company has finalised with all the stakeholders the forthcoming purchase of the land for future resettlement and reached an agreement on the crop compensation. Final payment for the land is scheduled to take place during Q4 2016 following completion of the legal due diligence.

**Hotopo Resources Limited – Yakau Exploration:**
The first results from the Yakau drilling exercise were presented in September 2016. Eight diamond core holes were drilled in order to identify the first manganese contact zones. The area appears to be more complex than Nsuta, with the best result at Yakau being 23.7% of Mn oxide intersected over a 14.2m strike. GMC is currently determining a next phase in-house exercise.

## Other

**Mindy Mindy**
Consmin has a significant interest in the Mindy Mindy iron ore tenements through its 50% shareholding in Pilbara Iron Ore Pty Ltd ('PIO'). PIO's claim that it has earned an 80% ownership interest in one of the tenements is subject to court determination. A decision adverse to PIO was handed down in the Warden's Court on 16 September 2014. PIO lodged an appeal in the Supreme Court of Western Australia against the Warden's decision. The hearing of that appeal concluded on 31 March 2016, with the Judge reserving his decision. A decision is expected to be handed down in late 2016.

**OM Holdings Limited ('OM Holdings')**
OM Holdings is, primarily, a vertically integrated manganese mining, processing and marketing company listed on the ASX (ticker: OMH). At 30 September 2016, the Company's holding in OM Holdings remained at 8.0%, consistent with 31 December 2015. The market value of the Company's holding in OM Holdings as at 30 September 2016 was $3.6 million.

## People

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

# Financial Review

## Unaudited Condensed Consolidated Statement of Comprehensive Income

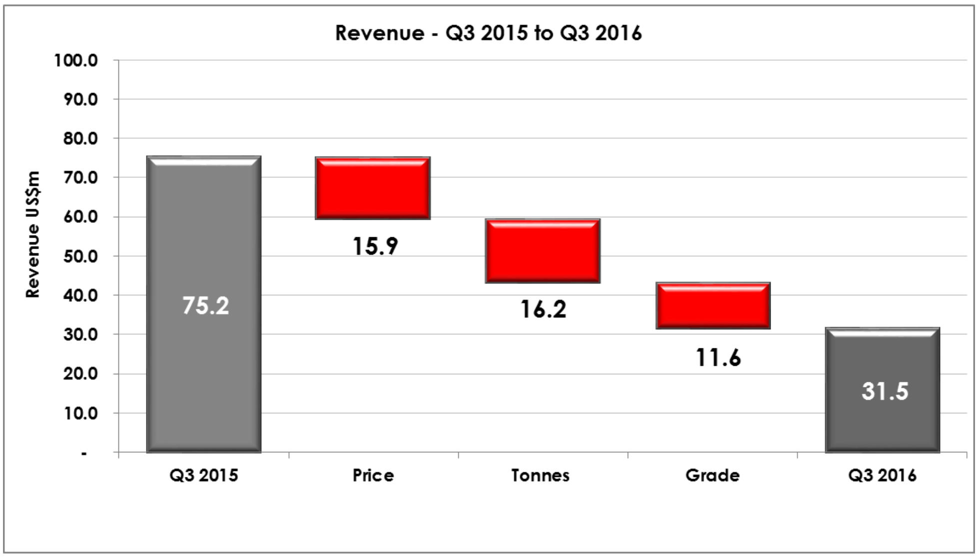
| $m | Quarter ended 30 Sept 2016 | Quarter ended 30 Sept 2015 | Nine months ended 30 Sept 2016 | Nine months ended 30 Sept 2015 |
|---|---|---|---|---|
| Revenue | 31.5 | 75.2 | 100.4 | 218.0 |
| Cost of sales | (22.6) | (58.3) | (78.4) | (151.9) |
| **Gross profit** | **8.9** | **16.9** | **22.0** | **66.1** |
| Selling and distribution costs | (6.3) | (16.4) | (22.6) | (50.0) |
| General and administrative costs | (6.3) | (7.8) | (29.8) | (26.2) |
| Other operating income - net | 0.9 | 0.4 | 1.4 | 51.3 |
| Impairment reversal / (expense) of available-for-sale financial assets | 0.6 | - | (0.3) | - |
| Exploration write back / (write-off) expense | - | 0.2 | - | (8.7) |
| Net foreign exchange gain / (loss) | 0.6 | (2.4) | 0.7 | (4.7) |
| **Operating (loss) / profit** | **(1.6)** | **(9.1)** | **(28.6)** | **27.8** |
| Presented as: | | | | |
| **Adjusted EBITDA** | **1.2** | **4.0** | **(5.0)** | **43.0** |
| Depreciation and amortisation | (3.8) | (10.8) | (10.3) | (51.1) |
| Impairment reversal / (expense) of available-for-sale financial assets | 0.6 | - | (0.3) | - |
| Exploration write back / (write-off) expense | - | 0.2 | - | (8.7) |
| Restructuring costs | (0.2) | (0.1) | (13.7) | (0.7) |
| Settlement income | - | - | - | 50.0 |
| Net foreign exchange gain / (loss) | 0.6 | (2.4) | 0.7 | (4.7) |
| **Operating (loss) / profit** | **(1.6)** | **(9.1)** | **(28.6)** | **27.8** |
| Net financing costs | (27.0) | (5.4) | (44.6) | (23.6) |
| **(Loss) / profit before tax** | **(28.6)** | **(14.5)** | **(73.2)** | **4.2** |
| Income tax charge | (0.8) | (0.1) | (0.7) | (0.3) |
| **(Loss) / profit for the period** | **(29.4)** | **(14.6)** | **(73.9)** | **3.9** |

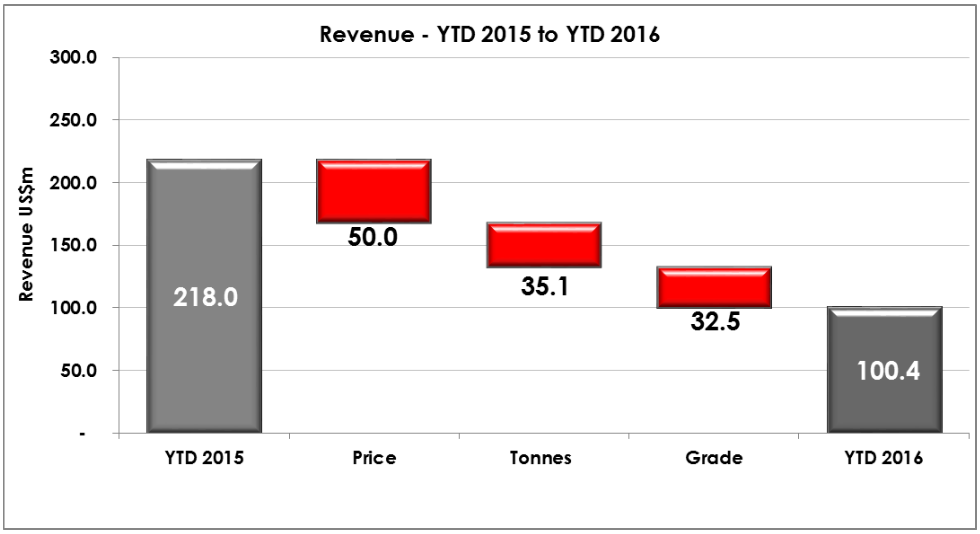
### Revenue

The consolidated revenue for the Group decreased by 58% from $75 million in Q3 2015 to $32 million in Q3 2016 as a result of the combination of lower volume tonnes sold, lower average grade sold and lower pricing. The average price of our manganese ore sold in Q3 2016 was $1.61/dmtu FOB, compared to $2.42/dmtu FOB in Q3 2015, a decrease of 34%. The decrease in the average ore price also reflects the reduction in the average grade of manganese ore sold which was 28.0% compared to 34.9% in Q3 2015 as a result of a selling only the relatively lower grade Ghanaian manganese ore sold during the third quarter of 2016.

Manganese volumes sold (in tonnes) decreased by 22% in Q3 2016 compared to Q3 2015 with a 34% increase in Ghanaian sales tonnes offset by a 99% reduction in Australian sales tonnes. Sales from Australia declined as a result of the transition into care and maintenance.

The graphs below summarise the decrease in revenue compared to Q3 2015 and YTD Q3 2015:




## Cost of Sales

The cost of sales for the Group decreased by 61% from $58 million in Q3 2015 to $23 million in Q3 2016. An analysis of the cost of sales is as follows:

| $m | Quarter ended 30 Sept 2016 | Quarter ended 30 Sept 2015 | % Movement | Nine month ended 30 Sept 2016 | Nine month ended 30 Sept 2015 | % Movement |
|---|---|---|---|---|---|---|
| Mining and production expenses | 11.9 | 29.0 | (59.0%) | 46.1 | 93.5 | (50.7%) |
| Depreciation and amortisation | 3.7 | 10.7 | (65.4%) | 9.8 | 50.7 | (80.7%) |
| Royalties and other taxes | 1.8 | 5.4 | (66.7%) | 6.7 | 16.3 | (58.9%) |
| Deferred stripping | - | (10.4) | (100.0%) | (0.1) | (28.8) | (99.7%) |
| Net movement in inventories | 4.7 | 23.4 | (79.9%) | 15.4 | 19.7 | (21.8%) |
| Other | 0.5 | 0.2 | 150.0% | 0.5 | 0.5 | - |
| **Total cost of sales** | **22.6** | **58.3** | **(61.2%)** | **78.4** | **151.9** | **(48.4%)** |

The principal factors driving this $35 million reduction are as follows:

- A $19 million benefit from reduced charge for net movement in inventories
- A $17 million benefit from reduced mining and production costs reflecting cost savings following the decision to place the Australian operations into care and maintenance with effect from 2 February 2016;
- A $7 million decrease in depreciation and amortisation as a result of the reduced carrying value of Australian assets compared to Q3 2015 following the FY 2015 impairment and reduced production in Australia;
- A $4 million decrease in royalties as a result of lower revenues in the quarter;

offset by:

- A $10 million increased cost in relation to deferred stripping as a result of no capitalisation of deferred stripping costs for the Australian operations in Q3 2016.

The Company uses the 'C1 cash cost' as a measure of average unit cost. The C1 unit cash cost represents the cash cost incurred at each processing stage from mining through to ship loading, divided by the total manganese dmtu produced. The average C1 unit cost of manganese production, on a "fully expensed" mining cost basis, was $1.22 for Q3 2016, a decrease of 45% from $2.20/dmtu for Q3 2015 which included C1 unit cost in relation to the Australian operations that are not included in Q3 2016.

## Gross Profit

Gross profit for the Group was $9 million in Q3 2016, a decrease of 47% from $17 million in Q3 2015. The gross profit margin has increased from 22% in Q3 2015 to 28% in Q3 2016. The increase in gross profit margin has been driven by reduced operating costs in Australia following the transition into care and maintenance.

## Adjusted EBITDA and Cash EBITDA

Adjusted EBITDA and Cash EBITDA are calculated as follows:

| $m | Quarter ended 30 Sept 2016 | Quarter ended 30 Sept 2015 | Nine months ended 30 Sept 2016 | Nine months ended 30 Sept 2015 |
|---|---|---|---|---|
| **Operating profit** | **(1.6)** | **(9.1)** | **(28.6)** | **27.8** |
| Depreciation and amortisation | 3.8 | 10.8 | 10.3 | 51.1 |
| Impairment reversal / (expense) of available-for-sale financial assets | (0.6) | - | 0.3 | - |
| Exploration write back / (write-off) | - | (0.2) | - | 8.7 |
| Restructuring costs | 0.2 | 0.1 | 13.7 | 0.7 |
| Settlement income | - | - | - | (50.0) |
| Net foreign exchange loss / (gain) | (0.6) | 2.4 | (0.7) | 4.7 |
| **Adjusted EBITDA** | **1.2** | **4.0** | **(5.0)** | **43.0** |
| Deferred stripping | - | (10.4) | (0.1) | (28.8) |
| Net movement in inventories | 4.7 | 23.4 | 15.4 | 19.7 |
| **'Cash' EBITDA** | **5.9** | **17.0** | **10.3** | **33.9** |

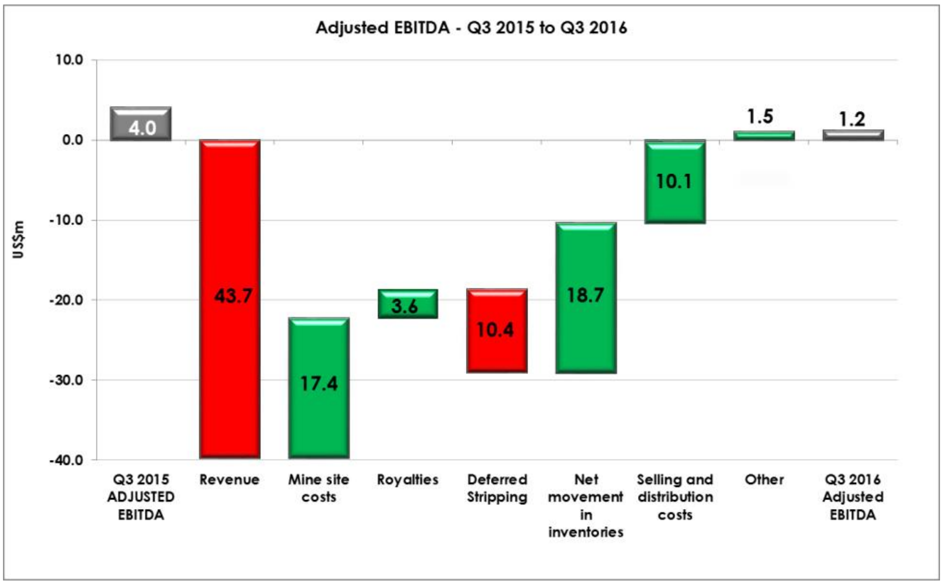
Adjusted EBITDA is defined as operating profit before depreciation and amortisation, impairment expense, net foreign exchange gain or loss and exceptional items. Cash EBITDA is defined as Adjusted EBITDA after removing the impact of the non-cash items of deferred stripping and net movement in inventories.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

As the graph below shows Adjusted EBITDA was $1 million in Q3 2016, a decrease of $3 million from $4 million in Q3 2015, primarily as a result of the following key movements:

- A decrease in revenues of $44 million due to lower pricing, average grades and volumes sold;
- A $10 million reduction in the deferred stripping credit to the income statement.

offset by:

- A $19 million reduction in relation to net movement in inventories;
- A reduction in mining and production expenses of $17 million (excluding restructuring costs) due to savings relating to the Australian operations being placed into care and maintenance;
- A $10 million reduction in selling and distribution costs reflecting lower volumes hauled and shipped;
- A reduction in royalties of $4 million due to lower revenues.
- A $1 million reduction in other costs (excluding restructuring costs).




Cash EBITDA has decreased by $11 million from $17 million in Q3 2015 to $6 million in Q3 2016 due to the reasons outlined above for adjusted EBITDA after deducting the lower net movement in inventories of $19 million and the benefit of the lower deferred stripping movement of $10 million.

## Other Key Items

Selling and distribution expenses decreased by $10 million from $16 million in Q3 2015 to $6 million in Q3 2016. This is primarily a result of having no shipments from Australian operations in Q3 2016 compared to Q3 2015 when 373kt were shipped.

General and administrative expenses for Q3 2016 decreased by $2 million from $8 million in Q3 2015 to $6 million in Q3 2016 as a result of the transition of the Australian operations into care and maintenance.

'Other operating income – net' is $0.9 million in Q3 2016 compared to $0.4 million in Q3 2015, and includes profit on disposal of Australian fixed assets.

Restructuring costs for quarter and the nine months year to date relate to costs associated with completing the transition of the Australian operations into care and maintenance. In Q3 2016 restructuring costs comprised of $1.3 million of redundancy costs offset by $1.1 million of profit on disposal of property, plant and equipment. In the first nine months of the year total restructuring costs were $14 million comprising $8.8 million of redundancy costs, $4m stock obsolescence provision, $2 million demobilisation costs partially offset by $1 million of profit on disposal of property, plant and equipment.

Financing costs for the quarter primarily relates to costs associated with the senior secured notes. These costs consist of the following components: the increased interest rate from 8% to 10% on the notes following the successful consent solicitation and the costs associated with the write off of the unamortised portion of the bond costs and the unamortised portion of the discount that were capitalised on issuing the bond in May 2014.

## Loss for the Period

The Group has recognised a loss for Q3 2016 of $29 million compared to a loss of $15 million in Q3 2015.

## Unaudited Condensed Consolidated Statement of Financial Position

| $m | As at<br>30 September 2016 | <br>31 December 2015 |
|---|---|---|
| Cash and cash equivalents | 36.4 | 79.1 |
| Other current assets | 55.6 | 67.7 |
| Non-current assets | 216.7 | 211.4 |
| Total assets | 308.7 | 358.2 |
| Current borrowings | (4.2) | (10.1) |
| Non-current borrowings | (395.3) | (380.2) |
| Other current liabilities | (38.8) | (34.4) |
| Other non-current liabilities | (102.5) | (90.6) |
| Total liabilities | (540.8) | (515.3) |
| **Net Assets** | **(232.1)** | **(157.1)** |

### Cash and Cash Equivalents

Cash and cash equivalents at 30 September 2016 were $36 million, a decrease of $43 million from $79 million at 31 December 2015. This is due to negative cash flows from operations in the first nine months of 2016 as a result of lower pricing and reduced sales volumes following the placing of the Australian operations into care and maintenance on 2nd February 2016 as well as related restructuring costs.

### Borrowings

Current borrowings have decreased to $4 million at 30 September 2016 from $10 million at 31 December 2015 as a result of the repayment of the Ghanaian overdraft facility in H1 2016 and a reduction in hire purchase liabilities. Non-current borrowings have increased from $380 million to $395 million as a result of the payment in kind interest of $15 million that was added to the bond principal. The capitalised issue costs and unamortised discount associated with the original issuance of the Senior secured high yield notes in May 2014 have been written off to financing costs in the quarter and costs and consent fees associated with the successful completion of the consent solicitation in August 2016 have been capitalised.

### Guarantor Group

During the nine months ended 30 September 2016 the Guarantors of the senior secured notes represented 100% (30 September 2015: 100%) of our consolidated revenues and 341% (30 September 2015: 62.3%) of our consolidated negative EBITDA. As of 30 September 2016 the Guarantors represented 30.3% of our consolidated total assets (30 September 2015: 62.3%). As of 30 September 2016 the non-guarantor subsidiaries have $nil indebtedness outstanding (30 September 2015: $4.1 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.

## Unaudited Condensed Consolidated Statement of Cash Flows

| $m | Quarter ended 30 Sept 2016 | Quarter ended 30 Sept 2015 | Nine months ended 30 Sept 2016 | Nine months ended 30 Sept 2015 |
|---|---|---|---|---|
| Cash (outflow) / inflow from operating activities | (5.9) | 9.5 | (16.4) | 93.9 |
| Cash inflow / (outflow) from investing activities | 3.7 | (6.1) | (2.0) | (13.8) |
| Cash outflow from financing activities | (15.5) | (12.7) | (18.8) | (32.5) |
| **Net (decrease) / increase in cash and cash equivalents** | **(17.7)** | **(9.3)** | **(37.2)** | **47.6** |
| Cash and cash equivalents at the beginning of the period | **55.3** | **113.7** | **75.9** | **59.5** |
| Exchange losses on cash and cash equivalents | (1.2) | (2.3) | (2.3) | (5.0) |
| **Cash and cash equivalents at the end of the period** | **36.4** | **102.1** | **36.4** | **102.1** |

## Cash Flows and Liquidity

Net cash outflow from operating activities amounted to $6 million in Q3 2016 compared to cash generated of $10 million in Q3 2015, a decrease of $15 million due largely to adverse working capital movement.

The net cash inflow from investing activities was $4 million in Q3 2016 compared to a cash outflow of $6 million in Q3 2015, an increase of $10 million. The cash inflow in Q3 2016 comprises mainly of proceeds from the sale of property, plant and equipment whilst the outflow in Q3 2015 is due to capital expenditure.

The net cash outflow from financing activities was $16 million in Q3 2016 compared to a net cash outflow of $13 million in Q3 2015. The Q3 2016 outflow related to the repayment of interest and restructuring costs relating to the Senior Secured Notes due May 2020 and the repayment of hire purchase borrowings. The Q3 2015 outflow primarily related to the repurchase of senior secured notes.

As a result total cash and cash equivalents net of overdrafts decreased to $36 million at 30 September 2016 from $76 million at 31 December 2015.

**Consolidated Minerals Limited**

**Unaudited Condensed Consolidated Interim Financial Information**

**For the Three Months and Nine Months Ended 30 September 2016**

## Unaudited consolidated statement of comprehensive income for three and nine months ended 30 September 2016

| $m | Note | Three months ended 30 September 2016 | Three months ended 30 September 2015 | Nine months ended 30 September 2016 | Nine months ended 30 September 2015 |
|---|---|---|---|---|---|
| Revenue | 6 | 31.5 | 75.2 | 100.4 | 218.0 |
| Cost of sales | 7 | (22.6) | (58.3) | (78.4) | (151.9) |
| **Gross profit** | | **8.9** | **16.9** | **22.0** | **66.1** |
| Selling and distribution costs | | (6.3) | (16.4) | (22.6) | (50.0) |
| General and administrative costs | | (6.3) | (7.8) | (29.8) | (26.2) |
| Other operating income – net | | 0.9 | 0.4 | 1.4 | 51.3 |
| Impairment reversal / (expense) of available-for-sale financial assets | | 0.6 | - | (0.3) | - |
| Exploration expense write back / (write-off) | | - | 0.2 | - | (8.7) |
| Net foreign exchange gain / (loss) | | 0.6 | (2.4) | 0.7 | (4.7) |
| **Operating (loss) / profit** | | **(1.6)** | **(9.1)** | **(28.6)** | **27.8** |
| Presented as: | | | | | |
| **Adjusted EBITDA** | | **1.2** | **4.0** | **(5.0)** | **43.0** |
| Depreciation and amortisation | | (3.8) | (10.8) | (10.3) | (51.1) |
| Impairment reversal / (expense) of available-for-sale financial assets | | 0.6 | - | (0.3) | - |
| Exploration expense write back / (write-off) | | - | 0.2 | - | (8.7) |
| Exceptional items | | (0.2) | (0.1) | (13.7) | (0.7) |
| Settlement income | | - | - | - | 50.0 |
| Net foreign exchange gain / (loss) | | 0.6 | (2.4) | 0.7 | (4.7) |
| **Operating (loss) / profit** | | **(1.6)** | **(9.1)** | **(28.6)** | **27.8** |
| Finance income | | 0.1 | 3.7 | 0.2 | 3.9 |
| Financing costs | | (27.1) | (9.1) | (44.8) | (27.5) |
| Net financing costs | | (27.0) | (5.4) | (44.6) | (23.6) |
| **(Loss) / profit before tax** | | **(28.6)** | **(14.5)** | **(73.2)** | **4.2** |
| Income tax charge | | (0.8) | (0.1) | (0.7) | (0.3) |
| **(Loss) / profit for the period** | | **(29.4)** | **(14.6)** | **(73.9)** | **3.9** |
| **Other comprehensive income** | | | | | |
| *Items that may be subsequently reclassified to profit or loss*: | | | | | |
| Revaluation of available-for-sale financial assets | | - | (4.1) | 0.2 | (6.9) |
| Net foreign currency translation differences | | (0.5) | (18.3) | (1.0) | (33.5) |
| Income tax charge on other comprehensive income | | - | - | (0.1) | - |
| **Other comprehensive expense for the period, net of tax** | | **(0.5)** | **(22.4)** | **(0.9)** | **(40.4)** |
| **Total comprehensive expense for the period** | | **(29.9)** | **(37.0)** | **(74.8)** | **(36.5)** |
| **(Loss) / profit attributable to:** | | | | | |
| Owners of the parent company | | (29.6) | (14.7) | (74.1) | 3.8 |
| Non-controlling interest | | 0.2 | 0.1 | 0.2 | 0.1 |
| **(Loss) / profit for the period** | | **(29.4)** | **(14.6)** | **(73.9)** | **3.9** |
| **Total comprehensive expense attributable to:** | | | | | |
| Owners of the parent company | | (30.1) | (37.1) | (75.0) | (36.6) |
| Non-controlling interest | | 0.2 | 0.1 | 0.2 | 0.1 |
| **Total comprehensive expense for the period** | | **(29.9)** | **(37.0)** | **(74.8)** | **(36.5)** |

The notes on pages 20 to 25 are an integral part of this unaudited Consolidated Interim Financial Information.

## Unaudited consolidated statement of financial position as at 30 September 2016

| $m | Note | As at 30 September 2016 | As at 31 December 2015 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | 174.7 | 168.8 |
| Intangible assets | | 9.4 | 9.0 |
| Goodwill | | 28.9 | 28.9 |
| Available-for-sale financial assets | | 3.6 | 4.6 |
| Trade and other receivables | | 0.1 | 0.1 |
| | | **216.7** | **211.4** |
| **Current assets** | | | |
| Inventories | | 26.0 | 47.7 |
| Trade and other receivables | | 28.8 | 18.0 |
| Income tax receivable | | 0.8 | 2.0 |
| Cash and cash equivalents | 8 | 36.4 | 79.1 |
| | | **92.0** | **146.8** |
| **Current liabilities** | | | |
| Borrowings | 9 | (4.2) | (10.1) |
| Trade and other payables | | (38.5) | (29.6) |
| Provisions | | (0.3) | (4.8) |
| | | **(43.0)** | **(44.5)** |
| **Net current assets** | | **49.0** | **102.3** |
| **Non-current liabilities** | | | |
| Borrowings | 9 | (395.3) | (380.2) |
| Trade and other payables | | (1.2) | (1.0) |
| Provisions | | (66.1) | (53.9) |
| Deferred tax liabilities | | (35.2) | (35.7) |
| | | **(497.8)** | **(470.8)** |
| **Net assets** | | **(232.1)** | **(157.1)** |
| **Attributable to the equity shareholders of the parent company** | | | |
| Share capital | | 10.0 | 10.0 |
| Share premium | | 194.7 | 194.7 |
| Subordinated shareholder loans treated as equity | | 737.5 | 737.5 |
| Reserves | | (14.4) | (13.3) |
| Accumulated losses | | (1,172.9) | (1,098.8) |
| **Total equity attributable to equity holders of the parent company** | | **(245.1)** | **(169.9)** |
| Non-controlling interests | | 13.0 | 12.8 |
| **Total equity** | | **(232.1)** | **(157.1)** |

The notes on pages 20 to 25 are an integral part of this unaudited Consolidated Interim Financial Information.

## Unaudited consolidated statement of changes in equity for the nine months ended 30 September 2016

| | Attributable to equity owners of the parent Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **$m** | **Share capital** | **Share premium** | **Shareholder equity** | **Reserves** | **Accumulated losses** | **Total** | **Non-controlling interests** | **Total equity** |
| **Balance at 1 January 2016** | 10.0 | 194.7 | 737.5 | (13.3) | (1,098.8) | (169.9) | 12.8 | (157.1) |
| Loss for the period | - | - | - | - | (74.1) | (74.1) | 0.2 | (73.9) |
| Revaluation of available-for-sale financial assets | - | - | - | 0.2 | - | 0.2 | - | 0.2 |
| Reclassified to profit and loss | | | | (0.2) | | (0.2) | | (0.2) |
| Foreign currency translation differences | - | - | - | (1.0) | - | (1.0) | - | (1.0) |
| Income tax on other comprehensive income | - | - | - | (0.1) | - | (0.1) | - | (0.1) |
| **Balance at 30 September 2016** | 10.0 | 194.7 | 737.5 | (14.4) | (1,172.9) | (245.1) | 13.0 | (232.1) |

| | Attributable to equity owners of the parent Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **$m** | **Share capital** | **Share premium** | **Shareholder equity** | **Reserves** | **Accumulated losses** | **Total** | **Non-controlling interests** | **Total equity** |
| **Balance at 1 January 2015** | 10.0 | 194.7 | 737.5 | (49.9) | (780.5) | 111.8 | 13.0 | 124.8 |
| Profit for the period | - | - | - | - | 3.8 | 3.8 | 0.1 | 3.9 |
| Revaluation of available-for-sale financial assets | - | - | - | (6.9) | - | (6.9) | - | (6.9) |
| Foreign currency translation differences | - | - | - | (33.5) | - | (33.5) | - | (33.5) |
| **Balance at 30 September 2015** | 10.0 | 194.7 | 737.5 | (90.3) | (776.7) | 75.2 | 13.1 | 88.3 |

The notes on pages 19 to 24 are an integral part of this unaudited Consolidated Interim Financial Information.

**Unaudited consolidated statement of cash flows for three and nine months ended 30 September 2016**

| | | Three months ended 30 September | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| **$m** | **Note** | **2016** | **2015** | **2016** | **2015** |
| **Cash flow from operating activities** | | | | | |
| (Loss) / profit before tax | | (28.6) | (14.5) | (73.2) | 4.2 |
| Adjustments to add / (deduct) non-cash items: | | | | | |
| Depreciation and amortisation | | 3.8 | 10.8 | 10.3 | 51.1 |
| Deferred stripping | | - | (10.4) | (0.1) | (28.8) |
| Impairment (reversal) / expense of available-for-sale financial assets | | (0.6) | - | 0.3 | - |
| Exploration expense write-off / (write back) | | - | (0.2) | - | 8.7 |
| Loss on sale of property, plant and equipment | | - | 0.2 | - | 0.8 |
| Net foreign exchange (gain) / loss | | (0.6) | 2.4 | (0.7) | 4.7 |
| Net financing costs | | 27.0 | 5.4 | 44.6 | 23.6 |
| Working capital adjustments: | | | | | |
| Decrease / (increase) in inventories | | 6.1 | 26.4 | 21.8 | 26.1 |
| (Increase) / decrease in receivables | | (13.1) | (7.0) | (10.6) | 17.7 |
| Increase / (decrease) in payables | | 0.1 | (3.6) | (8.8) | (14.0) |
| Net movement in working capital | | (6.9) | 15.8 | 2.4 | 29.8 |
| Income taxes credit | | - | - | - | (0.2) |
| **Net cash (outflow) / generated from operating activities** | | **(5.9)** | **9.5** | **(16.4)** | **93.9** |
| **Cash flow from investing activities** | | | | | |
| Payments for mineral exploration and evaluation expenditure | | 0.7 | (2.8) | (0.6) | (6.9) |
| Purchase of property, plant and equipment | | (0.5) | (3.5) | (5.2) | (7.5) |
| Proceeds from sale of property, plant and equipment | | 3.1 | 0.1 | 3.3 | 0.3 |
| Proceeds from available for sale financial investment | | 0.3 | - | 0.3 | - |
| Interest received | | 0.1 | 0.1 | 0.2 | 0.3 |
| **Net cash outflow from investing activities** | | **3.7** | **(6.1)** | **(2.0)** | **(13.8)** |
| **Cash flow from financing activities** | | | | | |
| Interest paid | | (4.4) | (0.6) | (4.7) | (17.3) |
| Payments for bond restructuring | | (9.6) | - | (9.6) | - |
| Payments for repurchase of senior secured notes | | - | (10.5) | - | (10.5) |
| Repayment of hire purchase borrowings | | (1.5) | (1.6) | (4.5) | (4.7) |
| **Net cash outflow from financing activities** | | **(15.5)** | **(12.7)** | **(18.8)** | **(32.5)** |
| **Net increase / (decrease) in cash and cash equivalents** | | **(17.7)** | **(9.3)** | **(37.2)** | **47.6** |
| Cash and cash equivalents at the beginning of the period | 8 | 55.3 | 113.7 | 75.9 | 59.5 |
| Exchange losses on cash and cash equivalents | | (1.2) | (2.3) | (2.3) | (5.0) |
| **Cash and cash equivalents at the end of the period** | 8 | **36.4** | **102.1** | **36.4** | **102.1** |

The notes on pages 19 to 24 are an integral part of this unaudited Consolidated Interim Financial Information.

## Notes to the unaudited consolidated interim financial information

### 1. General information

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

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

### 2. Basis of preparation of interim report

This condensed consolidated interim financial information for the three and nine months ended 30 September 2016 has been prepared in accordance with IAS 34 "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial information for the year ended 31 December 2015, which have been prepared in accordance with IFRS.

The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 December 2015 but comparative information is derived from those accounts. Statutory accounts for 2015 have been filed with the Jersey registrar of companies and the auditors have issued an unqualified audit opinion on these accounts.

**(a) New and amended standards mandatory for the first time for the financial year beginning 1 January 2016 relevant to the Group**

There are no new or amended accounting standards mandatory for the first time for the financial year beginning 1 January 2016, or new standards and revisions to existing standards that are not yet effective and have not been early adopted that are relevant to the Group other than those disclosed in the Company's statutory accounts for the year ended 31 December 2015.

**(b) Comparatives**

Comparatives have been prepared on the same basis as current period figures.

**(c) Changes in accounting policies**

There have been no material changes in accounting policies since the presentation of the annual report for the year ended 31 December 2015 and all accounting policies have been consistently applied in the preparation of these interim financial statements.

**(d) Foreign currency translation**

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

| Average rates: | Average 3 months to 30 Sep 2016 | Average 9 months to 30 Sept 2016 | Average 3 months to 30 Sept 2015 | Average 9 months to 30 Sept 2015 |
|---|---|---|---|---|
| Australian dollar | 0.7577 | 0.7421 | 0.7264 | 0.7634 |

| Period end rates: | 30 September 2016 | 31 December 2015 | 30 Sept 2015 |
|---|---|---|---|
| Australian dollar | 0.7634 | 0.7298 | 0.6976 |

### 3. Critical accounting judgments and key sources of estimation uncertainty

There have been no material changes in critical accounting judgements since the presentation of the annual report for the year ended 31 December 2015.

### 4. Principal risks and uncertainties

There have been no changes to the principal risks and uncertainties that could affect Consolidated Minerals since the presentation of the annual report for the year ended 31 December 2015.

**5. Segment analysis**

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

The segment information provided for the three and nine month periods ended 30 September 2016 and 2015 is as follows:

| **Three months ended 30 September 2016** | **Manganese** | **Other** | **Total** |
|---|---|---|---|
| **$m** | | | |
| Revenue from external customers | 31.5 | - | 31.5 |
| Cost of goods sold | (22.6) | - | (22.6) |
| Gross profit | 8.9 | - | 8.9 |
| **Adjusted EBITDA** | 2.1 | (0.9) | 1.2 |
| Depreciation and amortisation | (3.8) | - | (3.8) |
| Impairment of available-for-sale financial assets | - | 0.6 | 0.6 |
| Restructuring costs | 0.7 | (0.9) | (0.2) |
| Net foreign exchange gain / (loss) | 1.3 | (0.7) | 0.6 |
| Finance income | - | 0.1 | 0.1 |
| Finance expense | (0.5) | (26.6) | (27.1) |
| Profit / (loss) before tax | (0.2) | (28.4) | (28.6) |
| Income tax charge | | | (0.8) |
| Loss for the period | | | (29.4) |

| **Three months ended 30 September 2015** | **Manganese** | **Other** | **Total** |
|---|---|---|---|
| **$m** | | | |
| Revenue from external customers | 75.2 | - | 75.2 |
| Cost of goods sold | (58.3) | - | (58.3) |
| Gross profit | 16.9 | - | 16.9 |
| **Adjusted EBITDA** | 7.5 | (3.5) | 4.0 |
| Depreciation and amortisation | (10.7) | (0.1) | (10.8) |
| Exploration write-off expense | 0.2 | - | 0.2 |
| Exceptional items | - | (0.1) | (0.1) |
| Net foreign exchange loss | (1.2) | (1.2) | (2.4) |
| Finance income | - | 3.7 | 3.7 |
| Finance expense | (0.5) | (8.6) | (9.1) |
| Loss before tax | (4.7) | (9.8) | (14.5) |
| Income tax charge* | | | (0.1) |
| Loss for the period | | | (14.6) |

| Nine months ended 30 September 2016 | Manganese | Other | Total |
|---|---|---|---|
| **$m** | | | |
| Revenue from external customers | 100.4 | - | 100.4 |
| Cost of goods sold | (78.4) | - | (78.4) |
| Gross profit | 22.0 | - | 22.0 |
| **Adjusted EBITDA** | 4.2 | (9.2) | (5.0) |
| Depreciation and amortisation | (9.8) | (0.5) | (10.3) |
| Impairment of available-for-sale financial assets | - | (0.3) | (0.3) |
| Restructuring costs | (11.9) | (1.8) | (13.7) |
| Net foreign exchange gain / (loss) | 2.9 | (2.2) | 0.7 |
| Finance income | - | 0.2 | 0.2 |
| Finance expense | (1.5) | (43.3) | (44.8) |
| Loss before tax | (16.1) | (57.1) | (73.2) |
| Income tax charge | | | (0.7) |
| Loss for the period | | | (73.9) |
| **Total assets** | 291.7 | 17.0 | 308.7 |
| **Total liabilities** | (102.3) | (438.5) | (540.8) |

| Nine months ended 30 September 2015 | Manganese | Other | Total |
|---|---|---|---|
| **$m** | | | |
| Revenue from external customers | 218.0 | - | 218.0 |
| Cost of goods sold | (151.9) | - | (151.9) |
| Gross profit / (loss) | 66.1 | - | 66.1 |
| **Adjusted EBITDA** | 57.1 | (14.1) | 43.0 |
| Depreciation and amortisation | (50.7) | (0.4) | (51.1) |
| Exploration write-off expense | (8.7) | - | (8.7) |
| Restructuring costs | (0.4) | (0.3) | (0.7) |
| Settlement income | 50.0 | - | 50.0 |
| Net foreign exchange loss | (2.5) | (2.2) | (4.7) |
| Finance income | - | 3.9 | 3.9 |
| Finance expense | (1.8) | (25.7) | (27.5) |
| Profit / (loss) before tax | 43.0 | (38.8) | 4.2 |
| Income tax charge* | | | (0.3) |
| Profit / for the period | | | 3.9 |

| 31 December 2015 | Manganese | Other | Total |
|---|---|---|---|
| **Total assets** | 307.9 | 50.3 | 358.2 |
| **Total liabilities** | (133.7) | (381.6) | (515.3) |

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

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

| | Three months ended 30 September | | Nine months ended 30 September | |
|---|---|---|---|---|
| **$m** | **2016** | **2015** | **2016** | **2015** |
| Adjusted EBITDA | 1.2 | 4.0 | (5.0) | 43.0 |
| Depreciation and amortisation | (3.8) | (10.8) | (10.3) | (51.1) |
| Impairment reversal / (expense) of available-for-sale financial assets | 0.6 | - | (0.3) | - |
| Exploration write-off expense | - | 0.2 | - | (8.7) |
| Restructuring costs | (0.2) | (0.1) | (13.7) | (0.7) |
| Settlement income | - | - | - | 50.0 |
| Net foreign exchange gain / (loss) | 0.6 | (2.4) | 0.7 | (4.7) |
| Net financing costs | (27.0) | (5.4) | (44.6) | (23.6) |
| **(Loss) / profit before tax** | **(28.6)** | **(14.5)** | **(73.2)** | **4.2** |

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

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

### 6. Revenue

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

| | Three months ended 30 September | | Nine months ended 30 September | |
|---|---|---|---|---|
| **$m** | **2016** | **2015** | **2016** | **2015** |
| China | 23.3 | 64.9 | 75.8 | 144.7 |
| Ukraine* | 8.1 | 4.2 | 22.3 | 30.5 |
| Australia | 0.1 | - | 2.3 | - |
| India | - | 4.6 | - | 15.8 |
| Vietnam | - | 0.1 | - | 8.2 |
| South Korea | - | - | - | 12.9 |
| Slovakia | - | 1.4 | - | 1.4 |
| Norway | - | - | - | 2.6 |
| Indonesia | - | - | - | 1.8 |
| Other | - | - | - | 0.1 |
| **Total revenue by geographic destination** | 31.5 | 75.2 | 100.4 | 218.0 |

*Sales to related parties

### 7. Cost of sales

| | Three months ended 30 September | | Nine months ended 30 September | |
|---|---|---|---|---|
| **$m** | **2016** | **2015** | **2016** | **2015** |
| Mining and production expenses | 11.9 | 29.0 | 46.1 | 93.5 |
| Depreciation and amortisation | 3.7 | 10.7 | 9.8 | 50.7 |
| Royalties and other taxes | 1.8 | 5.4 | 6.7 | 16.3 |
| Deferred stripping | - | (10.4) | (0.1) | (28.8) |
| Net movement in inventories | 4.7 | 23.4 | 15.4 | 19.7 |
| Other | 0.5 | 0.2 | 0.5 | 0.5 |
| **Total cost of sales** | 22.6 | 58.3 | 78.4 | 151.9 |

## 8. Cash and cash equivalents

| $m | As at 30 September 2016 | As at 31 December 2015 |
|---|---|---|
| Cash at bank and in hand | 36.3 | 79.0 |
| Short-term bank deposits | 0.1 | 0.1 |
| **Cash and cash equivalents at the end of the year** | 36.4 | 79.1 |
| Less: bank overdrafts (see note 9) | - | (3.2) |
| **Net cash and cash equivalents per the cash flow statement** | 36.4 | 75.9 |

## 9. Borrowings

| $m | As at 30 September 2016 | As at 31 December 2015 |
|---|---|---|
| **Non-current** | | |
| Senior secured high yield notes | 391.1 | 373.1 |
| Finance lease liabilities – hire purchase loans | 4.2 | 7.1 |
| | 395.3 | 380.2 |
| **Current** | | |
| Bank overdrafts | - | 3.2 |
| Finance lease liabilities – hire purchase loans | 4.2 | 6.9 |
| | 4.2 | 10.1 |
| **Total borrowings** | 399.5 | 390.3 |

On 15 August 2016 the Company announced the successful completion of the solicitation of consents to amend the indenture supported by the holders of 96.43% of its 8.000% Senior Secured Notes due May 15, 2020. As a result unamortised discount of $6.1 million on issuance of the bonds in May 2014 and issue cost of $4.8 million have been written off. The bonds now are stated net of unamortised restructuring costs of $9.3 million. Non-current borrowings have increased from $380 million to $395 million as a result of the payment in kind interest of $15 million that was added to the bond principal in relation to the May 2016 bond coupon.

Finance lease liabilities are secured by charges over each respective leased asset.

The carrying value of borrowings approximates their fair value.

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

| $m | As at 30 September 2016 | As at 31 December 2015 |
|---|---|---|
| Repayable on demand | - | 3.2 |
| 6 months or less | - | - |
| 6 - 12 months | - | - |
| 1 - 5 years | - | - |
| Over 5 years | - | - |
| | - | 3.2 |
| Borrowings not exposed to changes in interest rates | 399.5 | 387.1 |
| | 399.5 | 390.3 |

## 10. Contingent liabilities and contingent assets

There has been no change in circumstances relating to contingent liabilities already disclosed in the 31 December 2015 financial information other than those mentioned below:

## 11. 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 | Purchases from related parties | Finance income from related parties | Charge s from related parties | Amounts owed by related parties | Amounts owed to related parties |
|---|---|---|---|---|---|---|
| **Trading companies related to the ultimate shareholder** | | | | | | |
| 3 months to 30 September 2016 | 8.1 | - | - | - | | |
| 3 months to 30 September 2015 | 4.2 | - | - | - | | |
| 9 months to 30 September 2016 | 22.3 | - | - | - | | |
| 9 months to 30 September 2015 | 30.5 | - | - | - | | |
| At 30 September 2016 | | | | | 13.8 | - |
| At 31 December 2015 | | | | | - | - |
| **Other companies related to the ultimate shareholder** | | | | | | |
| 3 months to 30 September 2016 | - | 0.7 | - | - | | |
| 3 months to 30 September 2015 | - | 0.8 | - | - | | |
| 9 months to 30 September 2016 | - | 2.2 | - | - | | |
| 9 months to 30 September 2015 | - | 2.4 | - | - | | |
| At 30 September 2016 | | | | | 0.2 | - |
| At 31 December 2015 | | | | | 0.2 | - |

Trading companies related to the ultimate shareholder

During 2016 and 2015 Manganese Trading Limited (Jersey) and Pilbara Trading Limited (Jersey) traded with other trading companies related to the ultimate shareholder.

Ore sold to related parties is shipped to Ukraine. The sales prices for transactions with related parties have been determined by reference to the sales prices of ore sold to China and/or Metal Bulletin indices, adjusted for the freight differential for shipping to the country of the related party, the end use application for the ores and their manganese content.

Finance companies related to the ultimate shareholder

As at 30 September 2016, a related party loan balance of $737.5 million (31 December 2015: $737.5 million) was recognised in equity.

Banks related to the ultimate shareholder

The Group holds bank accounts with Privat Bank (Cyprus), which the ultimate shareholder has a minority interest in. As at 30 September 2016, less than $0.1 million was held in current accounts with the bank (31 December 2015: less than $0.1 million).

Other companies related to the ultimate shareholder

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

## 12. Events after the reporting period

On 15 November the Company announced that its ultimate beneficial owner and direct shareholders ("Sellers") had entered into a share purchase agreement ("SPA") with China Tian Yuan Manganese Limited ("Purchaser"), a subsidiary of Ningxia Tianyuan Manganese Industry Co., Ltd. ("TMI") pursuant to which the Sellers agreed to sell and transfer to the Purchaser all of their respective right and title to both the entire share capital of the Company and the shareholders funding given by them to the Company (the "Transaction").

The Transaction is conditional upon a number of conditions which are set out in the SPA, including, but not limited to certain government consents, certain consents from the holders of the then outstanding US$400,000,000 8% Senior Secured Notes due 2020 (the "Notes") and the execution of an offtake agreement between Manganese Trading Limited, a subsidiary of the Company, and Grizal Enterprises Limited (a "Seller" in the Transaction) ("Grizal") which will become effective simultaneously with completion of the Transaction (the "Offtake Agreement"). The Offtake Agreement provides that Grizal may, in its absolute discretion, purchase from MTL, in any calendar year, up to 600kt of Ghanaian Manganese Ore for a period of ten years from completion of the Transaction". If the conditions to the Transaction are not satisfied or waived within the period of six months from the signing, the SPA shall terminate and the Transaction will not complete.

## Glossary of Defined Terms

| | |
|---|---|
| "ASX" | The Australian Securities Exchange, operated by ASX Limited (ABN 98 008 624 691). |
| "BCM" | Bank cubic meter, being one cubic meter of undisturbed (in situ) material before it is drilled, blasted or mined. |
| "beneficiation" | The act or process of increasing the concentration of valuable material (e.g., manganese) contained in ore as it naturally occurs in the environment on a per unit basis, and, at the same time, reducing the concentration of some of the non-valuable substances (e.g., iron and silica). |
| "blending" | A process in which manganese ores of varying grades are mixed together to produce ores or products with an average grade according to the product specification. |
| "CFR" | International commercial term meaning "Cost and Freight," whereby the quoted price includes all costs and freight to bring the goods to the port of destination from the port of departure, but does not require the seller to procure marine insurance against the risk of loss or damage to the goods during transit. |
| "CIF" | International commercial term meaning "Cost, Insurance and Freight," whereby the quoted price includes all costs, insurance and freight to bring the goods to the port of destination from the port of departure. |
| "concession" | A mining concession as defined in the Minerals and Mining Act 2006 (Ghana). |
| "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:<br>48% × 3,000kg = 1,440 kg of manganese<br>1,440kg ÷ 10kg = 144 dmtu of manganese<br>144 dmtu × $5.00 per dmtu = $720 |
| "dry tonne" or "dt" | A tonne, being a metric unit of weight equivalent to 1,000 kilograms, measured excluding the weight of any water content. |
| "EMM" | Electrolytic manganese metal. |
| "Fe" | Chemical symbol for Iron, based on the periodic table |
| "ferroalloy" | A metal product, usually containing iron and other metals, that is commonly used as a raw material feed in steelmaking to add strength or to aid various stages of the steelmaking process such as deoxidisation and desulphurisation. Examples include ferrochrome, ferromanganese and ferrosilicon. |
| "fines" or "ore fines" or "fine ore" | Manganese ore with the majority of individual particles measuring less than a specified size. While there is no industry standard measurement, the Group's Australian and Ghanaian operations specify ores with particles measuring between 1 and 12.5 millimeters and less than 25 millimeters, respectively, as fines. |
| "FOB" | International commercial term meaning "Free On Board," whereby the quoted price includes all activities needed to deliver the product to the port of departure, with the last cost included in the price being ship loading. As such, it excludes the cost of marine freight transport and insurance as well as unloading and transportation from the arrival port to the final destination. |
| "Guarantor" | Each of Consolidated Minerals Trading Ltd, Consolidated Minerals Africa Limited, Consolidation Minerals (Australia) Pty Limited, Consolidated Minerals (Belgium) Limited SPRL, Consolidated Minerals Holdings (Australia) Pty Limited, Consolidated Minerals (Hong Kong) Limited, Consolidated Minerals Pty Limited, Manganese Trading Limited, Pilbara Manganese Pty Limited, Pilbara Trading Limited, Pilbara Trucking Pty Limited and Stratford Sun 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 (2012 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. |
| "mdmtu" | One million dry metric tonne units. |
| "Mn" | Chemical symbol for Manganese, based on the periodic table. |
| "open pit mining" | A method of extracting rock or minerals from the earth by stripping away the top soil and the earth above the rock or minerals creating a pit from which the rock or minerals are removed. This method of mining can be contrasted with mining using extractive methods that require tunneling into the earth (i.e., underground mining). |
| "ore" | A mineral or an aggregate of minerals (containing valuable constituents, including metals) of sufficient value to be mined or extracted. |
| "overburden" | The material that lies above the mining area of economic interest, i.e., the rock and soil that lies above a manganese or chromite ore body. |
| "reductant" | Solid fuel added to a furnace to remove oxygen from the manganese ore fed into the furnace. |
| "seaborne market" | The part of the manganese ore market that is composed of exported manganese ore. |
| "Shareholder" | Means Ultimate Beneficial Owner of the Company |
| "sinter" | The product of sintering. |
| "sintering" | The process of combining or fusing metals, usually with pressure and temperature, by exposing them to a temperature just below their melting point. |
| "spot price" | The price at which a physical commodity for immediate sale is selling at a given time and place. |
| "stripping ratio" | The ratio of the volume of overburden waste material to the volume of ore in an open pit mine. For instance, a stripping ratio of "5" means that five BCM of waste rock must be removed for every one BCM of ore mined. |
| "sump" | An excavation made in a pit (generally at the lowest point) to collect water, which can then be pumped to the surface or to another sump nearer the surface. |
| "tailings" | Finely ground waste rock from which the majority of valuable minerals or metals have been extracted. |
| "tenement" | A mining tenement as defined in the Mining Act 1978 (Western Australia). |
| "wet tonne" | A tonne, being a unit of weight equivalent to 1,000 kilograms, measured including the weight of any water content. |
| "Woodie Woodie corridor" | The approximately 100 square kilometer area inside the Woodie Woodie tenement package within which all of our current Australian manganese mining operations take place. |
| "Woodie Woodie region" | The approximately 1,250 square kilometers of land in and around the Woodie Woodie mine in the Pilbara region of Western Australia, excluding the Woodie Woodie corridor. |