

# Consolidated Minerals Limited: Report for the Year Ending 31 December 2016

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ST HELIER, April 27, 2017 - Consmin, a leading manganese ore producer with mining operations in Australia and Ghana, announces its annual results for the period ending 31 December 2016.

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

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

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

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

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

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

The average price for manganese lump (CRU, 44%Mn CIF China) in 2016 was \$4.36/dmtu, an increase of 40% from \$3.11/dmtu in 2015 but still slightly lower than the average price in 2014. China's steel demand and production rose leading to improved demand for manganese ore by the end of Q1 2016. Due to the global production cuts an acute shortage of manganese ore arose, leading to very volatile manganese ore prices. Prices in Q1 2016 were below \$1.80/dmtu, and then rose to over \$4.00/dmtu in Q2, only to fall again in Q3 to below \$2.90/dmtu. By the end of 2016 prices were above \$9.00/dmtu for high grade ore, the highest level seen in recent times. However, prices have since retreated, falling by more than 50% to around \$4.15/dmtu by late March 2017 as global suppliers doubled their average monthly shipments to 2.0 million tonnes in December 2016 and January 2017 compared to Q1 2016 of 1.0 million tonnes per month.

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

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

## Ghanaian manganese ore.

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

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

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