



NORTHERN MANGANESE LIMITED

ABN 24 119 494 772

2014 ANNUAL REPORT

CORPORATE DIRECTORY

Northern Manganese Limited

ABN 24 119 494 772

Directors

Douglas Daws (Chairman, Non-Executive Director)

Lloyd Jones (Managing Director)

David Ryan (Non-Executive Director)

Company Secretary

Robert Marusco

Registered Office

Level 3

19 Bowman Street

South Perth WA 6151

Australia

Solicitors

Kings Park Corporate Lawyers

Suite 8, 8 Clive Street

West Perth WA 6000

Bankers

Westpac Banking Corporation Limited

109 St George's Terrace

Perth WA 6000

Australia

Share Registry

Computershare Investor Services Pty Ltd

Level 2, RBA Building

45 St George's Terrace

Perth WA 6000

Australia

Stock Exchange Listing

The Company is listed on the Australian Securities Exchange

ASX Code: NTM

Website

www.northernmanganese.com.au

Auditors

BDO Audit (WA) Pty Ltd

38 Station Street

Subiaco WA 6008

Australia

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DIRECTORS' REPORT

The Directors of Northern Manganese Limited and its controlled entities ("Northern Manganese" or "the Group") present their Annual Report for the year ending to 30 June 2014 ("the Reporting Date").

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire year unless otherwise stated.

Names, qualifications experience and special responsibilities

Mr Douglas Daws OAM Chairman, Non-Executive Director

Mr Daws is an experienced company Director and has over 40 years experience in the resources industry, in particular in exploration and mining in Australia.

Mr Daws commenced his career with Western Mining Corporation (WMC) in 1962. Later as Regional Manager for the Eastern Goldfields for the Western Australian Government he facilitated the governmental response to both minor and major resource and development projects in the region.

Between 1986 and 1991 Mr Daws was Manager of projects for the Western Australian Mint, assisted in the establishment of the very large Kaltails tailings re-treatment project and supervised the construction and later managed the Kalgoorlie Gold Refinery. There followed several overseas resource projects in China, Romania, Myanmar, Sri Lanka and, more recently gold projects in Ghana.

During the past three years Mr Daws has not served as a Director of any other listed companies.

Mr Lloyd Jones Executive Managing Director Appointed Non-Executive Director on 14 February 2011 and Executive Managing Director on 20 June 2011

Mr Jones has over 30 years of experience working within the private and government sectors providing administration, strategic development and project deployment in regional Western Australia and in Queensland for the last 7 years.

Mr Jones was previously employed as the Manager of Community Relations for a large Queensland based private coal exploration and mining company with extensive operations in the Moranbah Coal Basin. His role covered all aspects of Cultural Heritage, Native Title and land access.

His work focused on developing several negotiated agreements with traditional owners that would allow that company to secure the grant of mining leases from the State of Queensland. He was also responsible for general land access matters with pastoralists, the state and local government departments.

Previous experience in Queensland included several years as the Manager of Community and Stakeholder relations at MMG Century, the world's second largest open pit zinc mine. The Century Zinc Mine is located 250 kilometres north west of Mt Isa in the lower Gulf Region of North Western Queensland. His Department was responsible for the administration of the Gulf Communities Agreement that is fundamental to the operations at the mine, that company being strongly committed to honouring the spirit as well as the intent of that agreement.

During the past three years Mr Jones has not served as a Director of any other listed companies.

Mr David Ryan Non-Executive Director

Mr Ryan has over 20 years of experience within the mining industry providing administration, strategic development and project deployment in Australia and overseas locations.

Mr Ryan was the General Manager of Argent (Bullant) Pty Ltd, a Gold Project in the Kalgoorlie region before establishing his own consulting business Skunkworks Engineering operating from Kalgoorlie.

During the past three years Mr Ryan has not served as a Director of any other listed companies.

DIRECTORS' REPORT (continued)

COMPANY SECRETARY

Mr Robert Marusco CPA SIN FIA
Company Secretary
Appointed 30 June 2011

Robert Marusco has been a Certified Practising Accountant for over 20 years and acts as company secretary for a range of ASX listed companies in the resources and general business sectors.

Interests in the shares and options of the Group

At the date of this report, the interests of the Directors, including those nominally held, in the shares and options of Northern Manganese Limited were:

Director	Number of Ordinary Shares	Number of Options over Ordinary Shares
D Daws	96,530	-
L Jones	790,659	6,000,000
D Ryan	282,990	-

CORPORATE INFORMATION

Corporate Structure

Northern Manganese Limited is a Company limited by shares that is incorporated and domiciled in Australia.

Principal Activities

The principal activities of the Group throughout the year have comprised the following:

- Exploration of mining tenements;
- Investing cash assets in interest bearing bank accounts;
- The general administration of the Group.

LOSS PER SHARE

Basic loss per share	(3.77) cents
Diluted loss per share	(3.77) cents

DIVIDENDS

No dividends in respect of the current financial year have been paid, declared or recommended for payment.

EXPLORATION REVIEW

During this year not only did Northern Manganese Limited have the impost of the Moratorium in place effectively preventing any exploration over our granted Exploration Licences in the Groote Eylandt Project, the Northern Territory government announced after a community cabinet meeting held on Groote Eylandt that a 'General Reservation' was to be declared over the waters surrounding Groote Eylandt. The Chief Minister called the Chairman to advice of this development and that we would need to surrender our titles. The Board of Northern Manganese Limited has explored all legal options available to it and when it became apparent that the Government were not going to remove the Moratorium or allow Northern Manganese to continue working on our granted tenure serious negotiations on the terms of surrender commenced.

Since that announcement in June 2013 your company has been working with the Department of Mines and Resources and the government to reach an agreed settlement for the surrender of the Groote Eylandt Project tenements.

This agreement was finally reached by Northern Manganese and the Northern Territory Government in August 2014 which resulted in the surrender of the tenements to the government for the sum of \$2.8 million.

Northern Manganese still retain the rights to two Island tenements within the Groote Eylandt Project area both of which are subject to "veto" under the Aboriginal Land Rights Act (ALRA) of 1976 and do not come before the land council again until the first quarter in 2016.

We also retain the rights to our commonwealth water applications to the south of the Groote Eylandt Project and water and Island tenement applications to the North in our Blue Mud Bay (BMB) Project area. See Table 1 for the full list of holdings.

DIRECTORS' REPORT (CONTINUED)

Exploration Review (continued)

Northern Manganese are revisiting our holdings in the Northern Territory and the Northern Territory Government's willingness to engage with NTM in progressing exploration and mining over water going forward. We will require some affirmative action from the Northern Territory Government and some leadership surrounding the Moratorium that is still in place until March 2015 to provide the necessary encouragement to continue to invest in the Northern Territory.

As a consequence of the need to surrender our granted tenure to the Government and in an effort to conserve capital the Darwin Office of Northern Manganese was closed in August 2014 and the office activities moved to Townsville in Queensland.

During the year apart from the surrender of the Groote Eylandt Project tenements Northern Manganese also sold or relinquished two other projects; see table 2.

Exploration Activities

Table 1 provides the complete suite of applications that Northern Manganese Limited holds as application in names including Reflective Minerals Pty Ltd, North Manganese Pty Ltd both 100% wholly owned subsidiaries and Groote Resources Ltd our former name.

Table 1. Northern Manganese Ltd Tenement Holding

Tenement No.	Holder	Status	Grant/(Appln) Date
A 28131	Groote Resources Limited	Application	(07-07-2010)
A 28132	Groote Resources Limited	Application	(07-07-2010)
A 28133	Groote Resources Limited	Application	(07-07-2010)
A 28134	Groote Resources Limited	Application	(07-07-2010)
A 28135	Groote Resources Limited	Application	(07-07-2010)
OEL 28098	Groote Resources Limited	Application	(12-05-2010)
OEL 28099	Groote Resources Limited	Application	(12-05-2010)
OEL 28100	Groote Resources Limited	Application	(12-05-2010)
OEL 28101	Groote Resources Limited	Application	(12-05-2010)
OEL 28102	Groote Resources Limited	Application	(12-05-2010)
OEL 28103	Groote Resources Limited	Application	(12-05-2010)
OEL 28104	Groote Resources Limited	Application	(12-05-2010)
OEL 28105	Groote Resources Limited	Application	(12-05-2010)
OEL 28106	Groote Resources Limited	Application	(12-05-2010)
EL 27521	Reflective Minerals Pty Ltd	Application	(31-07-2009)
EL 27522	Reflective Minerals Pty Ltd	Application	(31-07-2009)
EL 27937	Reflective Minerals Pty Ltd	Application	(10-02-2010)
EL 28085	North Manganese Pty Limited	Application	(10/05/2010)
EL 28086	North Manganese Pty Limited	Application	(10/05/2010)
EL 28087	North Manganese Pty Limited	Application	(10/05/2010)
EL 28089	North Manganese Pty Limited	Application	(10/05/2010)
EL 28090	North Manganese Pty Limited	Application	(10/05/2010)
EL 28091	North Manganese Pty Limited	Application	(10/05/2010)
EL 28092	North Manganese Pty Limited	Application	(10/05/2010)

A = Authority under section 178

OEL = Offshore Exploration Licence

DIRECTORS' REPORT (CONTINUED)

Exploration Review (continued)

Exploration Activities (continued)

Table 2. Northern Manganese Ltd Tenement Holdings Surrendered, sold or relinquished.

Tenement No.	Holder	Status	Date
A 27605	Reflective Minerals Pty Ltd	Surrendered	13/08/2014
EL 27523	Reflective Minerals Pty Ltd	Surrendered	13/08/2014
EL 27550	Reflective Minerals Pty Ltd	Surrendered	13/08/2014
EL 27551	Reflective Minerals Pty Ltd	Surrendered	13/08/2014
E08/1987	Groote Resources Ltd*	Sold	28/10/2013
E46/873	Peter Romeo Gianni	Relinquished	06/11/2011

Groote Eylandt Project

Northern Manganese retain two Island tenements in the Groote Eylandt Project namely Winchelsea and Connexion Islands being Exploration Licence applications 27521 and 27522 respectively.

Both these Islands are subject to 'Veto' under the Aboriginal Land Rights Act and that term expires on the 25 February 2016. After this date they can be revisited by the Community of Groote Eylandt, the Land Council and Northern Manganese were a decision is made by the community to waive the Veto or return the applications for another five years of Veto.

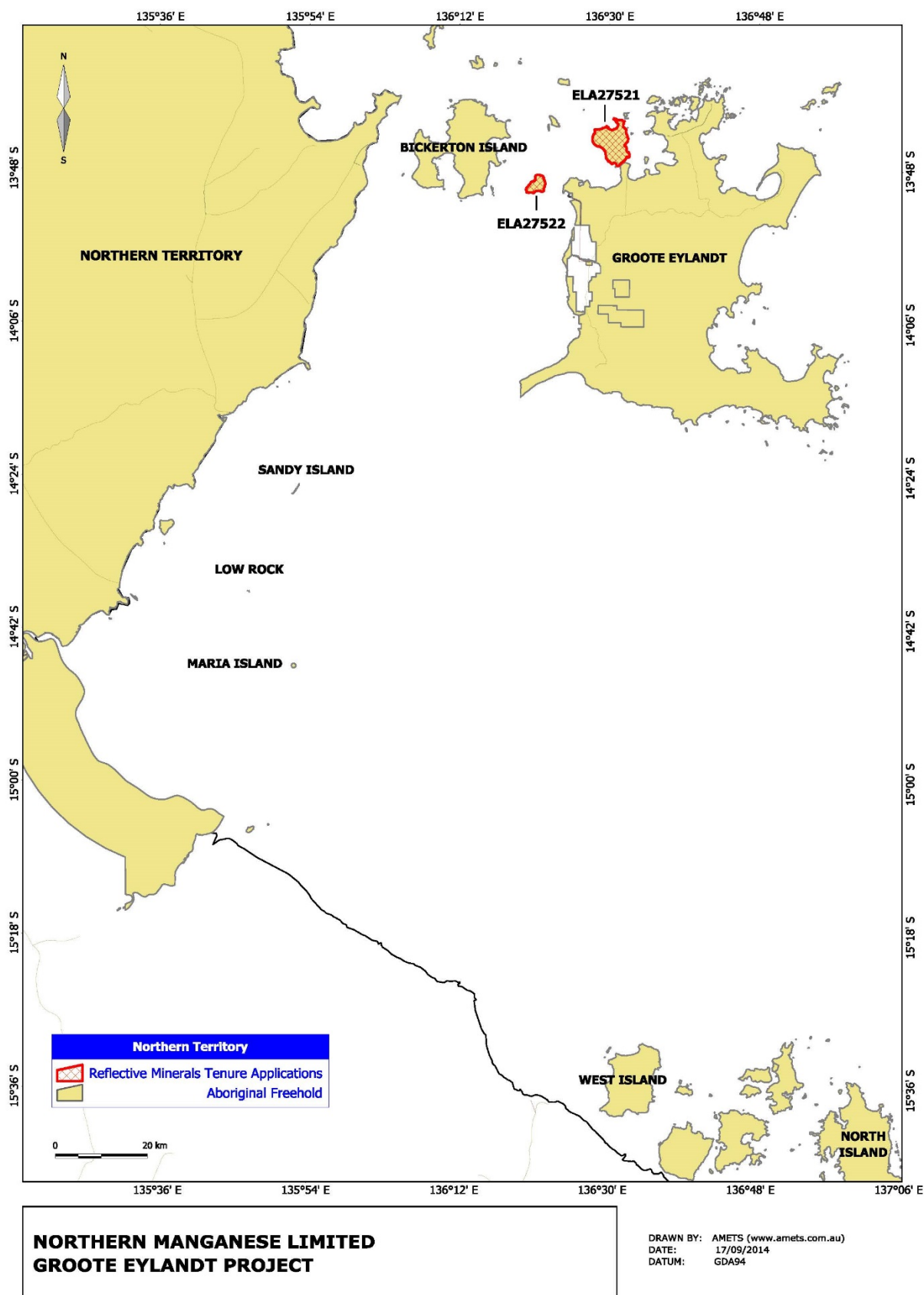
Under the Aboriginal Land Rights Act, Northern Manganese is prevented from engaging with the community over these two tenements so we can only wait for the anniversary date to arrive before being able to present our case.

DIRECTORS' REPORT (CONTINUED)

Exploration Review (continued)

Groote Eylandt Project (continued)

Figure 1



DIRECTORS' REPORT (CONTINUED)

Exploration Review (continued)

Blue Mud Bay Project Background and locality

Northern Manganese acquired 100% of North Manganese (announced on 31 May 2011) an Australian company that has applied for 7 mineral exploration licenses covering approximately 3,856km² of shallow marine terrain in the close proximity to the Northern Territory mainland

With the Moratorium in place no progress has been made in achieving grant of the water based Exploration Licences. Northern Manganese will increase our negotiations with the Department of Mines and Resources for the grant of these licences in light of the Moratorium due to expire in early March 2015.

The Four Islands EL 28089, 28090, 28091 and 28092 have already entered the 'consent to negotiate' period under the Aboriginal Land Rights Act and Northern Manganese is ready for the first meeting on country with the community. Attempts by the Northern Land Council to hold our first meeting the last quarter of 2013 were unsuccessful due to cultural reasons and the onset of the wet season. We have recently had further correspondence with officers of the Land Council and advised of our ongoing desire to meet with the community of Blue Mud Bay.

Table 3

Title Number	Title Type	Ownership	Tenement Area (km ²)	Number of Subblocks
28085	Exploration License	100%	1,349.96	485
28086	Exploration License	100%	1,337.84	473
28087	Exploration License	100%	1,152.23	403
28089	Exploration License	100%	4.7	6
28090	Exploration License	100%	1.64	4
28091	Exploration License	100%	7.08	9
28092	Exploration License	100%	2.72	5

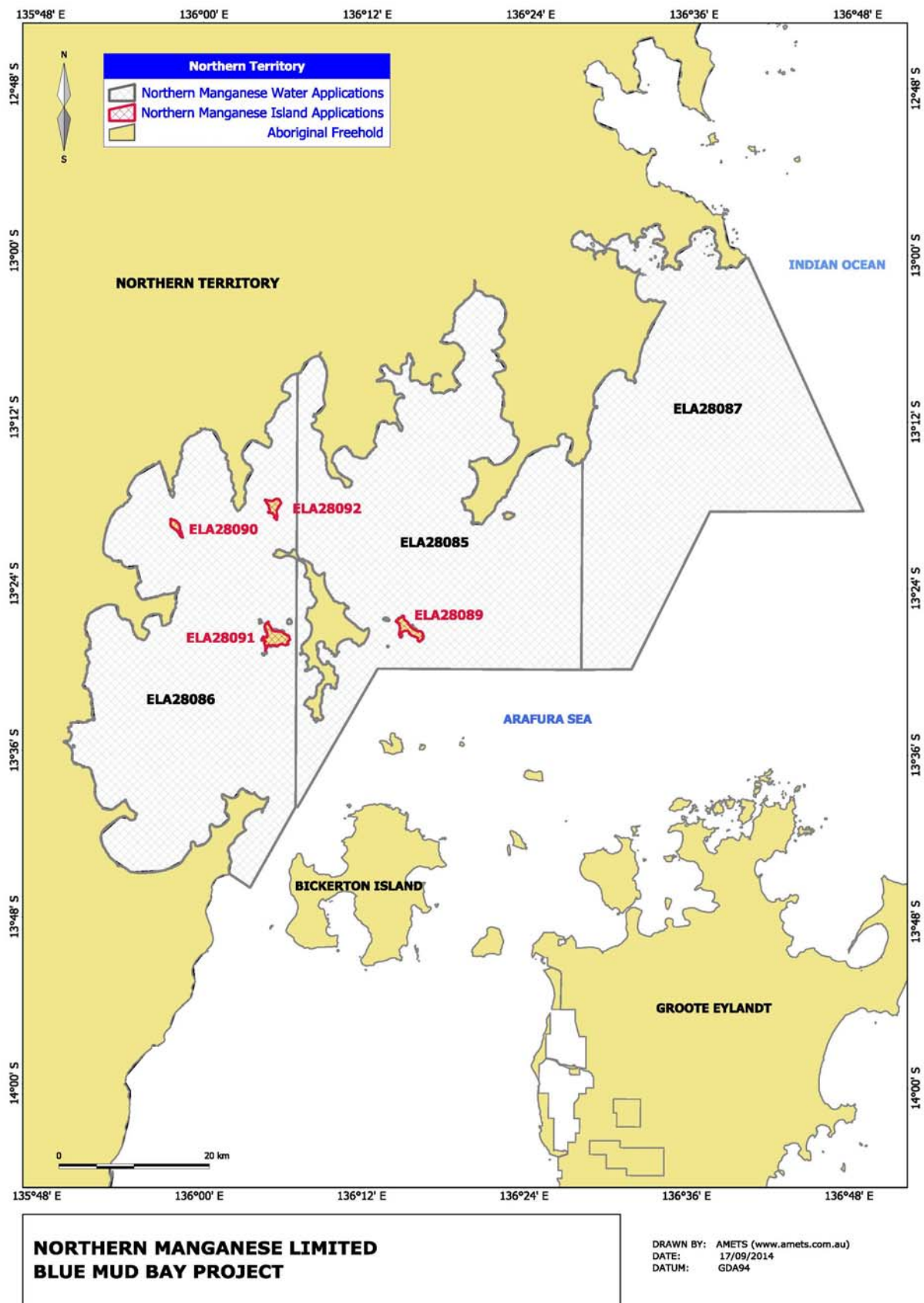
DIRECTORS' REPORT (CONTINUED)

Exploration Review (continued)

Blue Mud Bay Project (continued)

Background and locality (continued)

Figure 2



DIRECTORS' REPORT (CONTINUED)

Exploration Review (continued)

Commonwealth Waters Offshore Project Background and locality

These applications lying due south of Groote Eylandt are in untested waters of the lower Gulf of Carpentaria and are administered by the Northern Territory Government on behalf of the Federal Government.

There has been limited contact or action on these tenements from the Northern Territory Department of Mines and Resources whilst they have worked on the Moratorium and creation of the General Reservation around Groote Eylandt.

Now that this has been completed we anticipate that these applications will be revisited by the Northern Territory Government.

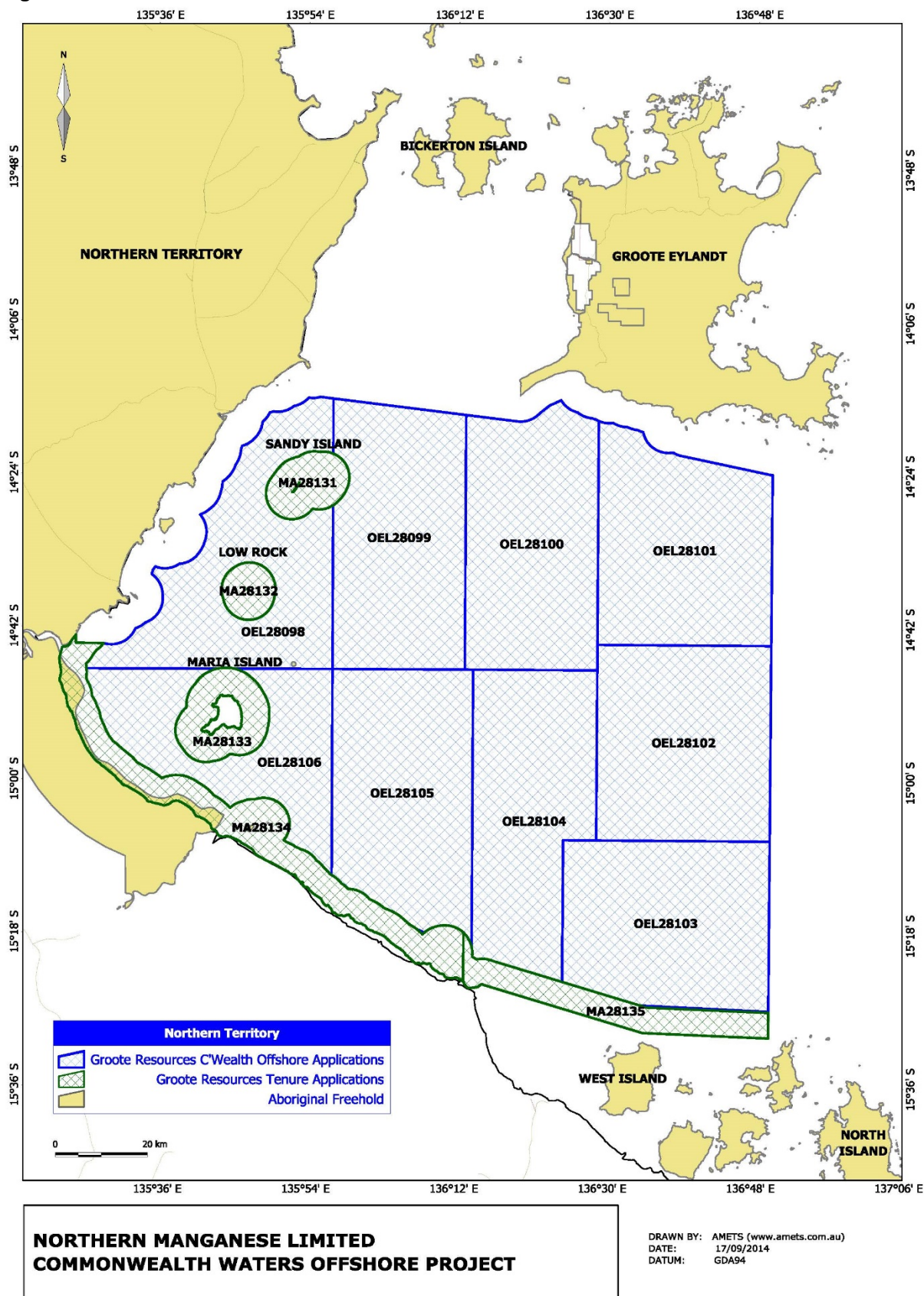
DIRECTORS' REPORT (CONTINUED)

Exploration Review (continued)

Commonwealth Waters Offshore Project (continued)

Background and locality (continued)

Figure 3



DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

Operating Results for the Year

The operating loss for the Group after income tax was \$3,790,869 (2013: \$1,543,178). The Group has continued to focus on development of its mining tenements during the year. As a result the operating costs incurred during the year comprised mainly of costs associated with the general administration of the Group, compliance expenses incurred during the year and the impairment of exploration expenditure.

Review of Financial Condition

During the financial year, the Group utilised funds in the following manner:

- Exploration expenditure incurred on mining tenements;
- Funds for the administration of the Group.

Review of Financial Position

The Group has cash reserves of \$45,264 (2013: \$293,125) and net assets of \$2,461,304 (2013: \$6,133,217). The Group continues to be well placed to develop the business opportunities and conduct current activities.

Cash Flows

The cash flows of the Group consisted of:

- Interest income from interest bearing bank accounts;
- Payments in relation to exploration costs;
- Payments to Directors, consultants and suppliers; and
- Payments for plant and equipment.

Risk Management

The Board takes a pro-active approach to risk management. The Board is responsible for ensuring that risks and also opportunities are identified on a timely basis and the Group's objectives and activities are aligned with the risks and opportunities identified by the Board. The Group believes that it is crucial for all Board members to be a part of this process and as such has not established a separate risk management committee. Risk management is a recurring agenda item at meetings of the Board.

Share Issues

During the year 30,999 (2013: Nil) shares were issued on the exercise of options.

Grant of Options

No options were issued by the Group during the year.

Summary of Shares and Options on Issue at Reporting Date

The Group has the following securities on issue at 30 June 2014:

Security Description	Number of Securities
Fully paid shares	100,793,862
Unlisted Options exercisable at 20 cents if exercised prior to 20 May 2012 or 40 cents exercised between 21 May 2012 and 20 May 2015 and expiring 20 May 2015	45,000,000
Unlisted Options exercisable at 20 cents and expiring on 1 December 2016	6,000,000

Shares issued as a result of the exercise of Options

30,999 shares were issued during the year on the exercise of options.

Except as otherwise set out in this report, the Directors are unaware of any significant changes in the state of affairs or principal activities of the Group that occurred during the year under review.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

- On 19 July 2013 the Group announced that a claim had been lodged with the Northern Territory Government setting out the form and amount of compensation that may be payable.
- On 10 October 2013, 10,384 fully paid ordinary shares were issued by the Group on the exercise of 30 April 2014 options.
- On 10 October 2013, 1,100,000 fully paid ordinary shares were issued by the Group by way of a placement to investors.
- On 20 May 2014, 20,615 fully paid ordinary shares were issued by the Group on the exercise of 30 April 2014 options.

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

- On 1 August 2014 the Company announced that it had reached a final agreement with the Northern Territory Government and that all parties had executed a Deed of Surrender, Release and Payment.

The key features of the agreement are:

- The NT Government confirming that NTM's Mineral Titles are within the proposed coastal waters reservation area.
 - Acknowledging that the Company is in full compliance with its obligations under the Mineral Titles Act.
 - The NT Government will pay the Company the consideration of \$2.8m in exchange for the surrender of the four granted tenements affected EL 27523, EL 27550, EL27551 and MA 27605 ("Mineral Titles").
 - The Company has agreed to accept the payment as full and final settlement and discharge/release of any claims or otherwise against the NT Government.
- On 15 August 2014 the Company subsequently announced that the final payment of \$2.8m from the Northern Territory Government for the surrender of Mineral Titles had been received. The Group also confirmed that the Deed of Surrender, Release and Payment only affects the Groote Eylandt Project sea tenements and that we still own applications for four islands and three 'wet' tenements (over water) in Blue Mud Bay. The Islands are subject to negotiations but the wet tenements still fall within the moratorium. The Group also retain two Island applications within the Groote Eylandt project area that are not subject to the Deed.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group, in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this Annual Report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION

The Group's environmental obligations are regulated under both State and Federal law. All environmental performance obligations are monitored by the Board and subjected from time to time to Government agency audits and site inspections. The Group has a policy of at least complying with, but in most cases exceeding, its statutory environmental performance obligations. No environmental breaches have occurred or have been notified by any Government agencies during the year ended 30 June 2014.

REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the Director and executive remuneration arrangements of Northern Manganese Limited in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purpose of this report Key Management Personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

The information provided in this remuneration report has been audited as required by section 308 (3C) of the *Corporations Act 2001*.

Names and positions held of Key Management Personnel in office at any time during the financial year

Directors

Mr Douglas Daws

Chairman, Director (Non-Executive) – appointed 6 January 2011

Mr Lloyd Jones

Managing Director (Executive) – appointed Non-Executive Director on 14 February 2011 and Executive Managing Director on 20 June 2011

Mr David Ryan

Director (Non-Executive) – appointed 14 February 2011

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

Remuneration Governance

The Board of Directors of Northern Manganese Limited is currently responsible for determining and reviewing compensation arrangements for the Directors and senior executives. The Board's remuneration policy has been implemented to ensure that the remuneration package properly reflects the person's duties and responsibilities, with the overall objective of ensuring goal congruence between Directors, executives and shareholders from the retention of a high quality Board and executive team. The policy seeks to provide remuneration and benefits that encourage high standards of performance and demonstrate the value the Group places on its officers by being equitable, consistent with individual performance and experience, and market competitive. Such officers are given the opportunity to receive their base emolument in a variety of forms. It is intended that the manner of payment chosen will be optimal for the recipient without creating any additional cost to the Group.

Principles used to determine the nature and amount of remuneration

The objective of the Group's remuneration policy for Directors and other Key Management Personnel is to ensure that:

- Remuneration packages properly reflect the duties and responsibilities of the person concerned; and
- Remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The remuneration framework has regard to shareholders' interests by:

- Focusing on sustained growth in share price, as well as focusing the executive on key non-financial drivers of value; and
- Attracting and retaining high calibre executives.

The remuneration framework has regard to executives' interests by:

- Rewarding capability and experience,
- Providing a clear structure for earning rewards,
- Providing recognition for contribution.

Use of remuneration consultants

No remuneration consultants were used by the Group during the 2014 year.

Voting at the Group's 2013 Annual General Meeting

The 2013 Remuneration Report tabled at the 2013 Annual General Meeting received a "yes" vote of 99.6%.

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution specifies that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The latest determination was in the constitution adopted on 11 May 2006 which approved an aggregate remuneration of \$150,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Each Director receives a fee for being a Director of the Group. Directors who are called upon to perform extra services beyond the Director's ordinary duties may be paid additional fees for those services.

Non-Executive Directors have long been encouraged by the Board to hold shares in the Group. It is considered good governance for Directors to have a stake in the Group on whose Board he or she sits. The Group considers the granting of options as a long-term variable component of the remuneration of Key Management Personnel as it provides a direct relationship as to increases in shareholders wealth via an increasing share price and the remuneration of individuals. During the year 2014 no cash bonus was paid to Directors (2013: Nil).

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

The remuneration of Non-Executive Directors for the year ending 30 June 2014 is detailed in the table on page 14 of this report.

Senior Executive Remuneration

Objective

The Group aims to reward executives and executive Directors with a level and mix of remuneration commensurate with their position and responsibilities within the Group and so as to:

- Reward executives for business unit and individual performance;
- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals of the Group; and
- Ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Board determines appropriate remuneration levels for executive roles based on available information.

Variable Remuneration – Short Term Incentives

Objective

Short Term incentives are used to recognise directors and executives for the achievement of short term goals and successes. At this stage of the Group's life, there are currently no set Key Performance indicators by which short term incentives are measured, and therefore any payments are at the sole discretion of the board. No short term incentives of variable remuneration were paid to Key Management Personnel for 2014 and 2013.

The Group does not currently have a policy for limiting the level of at risk (incentive) remuneration.

Variable Remuneration – Long Term Incentives

Objective

The objectives of long term incentives are to:

- Recognise the ability and efforts of the Directors, employees and consultants of the Group who have contributed to the success of the Group and to provide them with rewards where deemed appropriate;
- Provide an incentive to the Directors, employees and consultants to achieve the long term objectives of the Group and improve the performance of the Group; and
- Attract persons of experience and ability to employment with the Group and foster and promote loyalty between the Group and its Directors, employees and consultants

Structure

Long term incentives granted to senior executives has and will be delivered in the form of options issued under an Employee Share Option Plan adopted during prior financial years.

Group Performance

It is not possible at this time to evaluate the Group's financial performance using generally accepted measures such as profitability, total shareholder return or peer Group comparison as the Group is at a very early stage in the implementation of the corporate strategy. Shareholder wealth is the only evaluation at this stage. This assessment will be developed over the next few years.

	2009	2010	2011	2012	2013	2014
	\$	\$	\$	\$	\$	\$
Revenue	59,876	49,401	221,769	80,915	26,699	123,081
Net Loss	(301,288)	(1,682,755)	(4,558,958)	(1,524,020)	(1,543,178)	(3,790,869)
(Loss) per share (cents)	(2.01)	(4.98)	(5.16)	(1.53)	(1.48)	(3.77)
Share price at year end	\$0.09	\$0.85	\$0.13	\$0.05	\$0.035	\$0.011

Relationship of Reward and Performance

The value of options will represent a significant portion of an executive's salary package. The ultimate value to the executives of the options depends on the share price of Northern Manganese Limited. The share price is the key performance criteria for long term incentive as the realised value arising from options issued is dependent upon an increase in the share price to above the exercise price of the options.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

Short Term Incentive to Performance

The objective of the shorter term incentive plan is to reward executives in a manner which aligns reward with the creation of shareholder wealth. As such this reward is only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Group's performance.

Long Term Incentive to Performance

The objective of the long term incentive plan is to reward executives in a manner which aligns reward with the creation of shareholder wealth. As such this reward is only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Group's performance.

Long term incentives are delivered in the form of options. The strike price of options are determined so as to ensure that the options only have value if there is an increase in shareholder wealth over time.

The Group has no policy on executives and Directors entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package.

Employment Contracts

Executives

On appointment, all executive's sign an employment agreement setting forth the terms of their employment. The following are the details of the current executive service contracts:

Lloyd Jones

Term of Agreement –

Base salary of \$280,000 including superannuation;

The agreement is for a minimum of 2 years and may be terminated by either party with 3 months written notice or payment in lieu of notice of three month's salary including superannuation; and

The Group may also terminate the contract at any time if any serious or persistent breach of any of the provisions contained in the Executive Services Agreement is committed.

Non-Executives

There is no specific employment contract or service agreement for the Non-Executive Directors. Upon appointment Non-Executive Directors sign a letter which acknowledges that the Director will discharge their duties in accordance with the Corporations Act 2001.

Remuneration of Key Management Personnel

Table 1: Remuneration for the year ended 30 June 2014

	Short Term		Post Employment	Termination	Share Based	Total	Fixed	At risk – LTI
	Salary & Fees	Non Monetary Benefits	Superannuation	Benefits	Payments		Remuneration	
	\$	\$	\$	\$	\$	\$	%	%
Non-Executive Directors								
D Daws	71,556	-	6,619	-	-	78,175	100%	-
D Ryan	33,027	-	3,055	-	-	36,082	100%	-
	104,583	-	9,674	-	-	114,257		
Executive Directors								
L Jones	256,293	25,600	23,707	-	62,406	368,006	83.04%	16.96%
	256,293	25,600	23,707	-	62,406	368,006		
Total	360,876	25,600	33,381	-	62,406	482,263		

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

Remuneration of Key Management Personnel (continued)

Table 2: Remuneration for the year ended 30 June 2013

	Short Term		Post Employment	Termination	Share Based	Total	Fixed	At risk - LTI
	Salary & Fees	Non Monetary Benefits	Superannuation	Benefits	Payments		Remuneration	
	\$	\$	\$	\$	\$	\$	%	%
Non-Executive Directors								
D Daws	71,556	-	6,440	-	-	77,996	100%	-
D Ryan	33,027	-	2,972	-	-	35,999	100%	-
	104,583	-	9,412	-	-	113,995		
Executive Directors								
L Jones	256,881	25,600	23,119	-	62,406	368,006	83.04%	16.96%
	256,881	25,600	23,119	-	62,406	368,006		
Total	361,464	25,600	32,531	-	62,406	482,001		

Equity Based Compensation – 2014

No equity based compensation was given to Directors or Executives in the 2014 Financial Year.

Equity Based Compensation - 2013

No equity based compensation was given to Directors or Executives in the 2013 Financial Year.

Shareholdings of Key Management Personnel

	Balance 01 Jul 13	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 Jun 14
30 June 2014					
Directors					
D Daws	96,530	-	-	-	96,530
L Jones	790,659	-	-	-	790,659
D Ryan	282,990	-	-	-	282,990
	1,170,179	-	-	-	1,170,179

Compensation Options granted during the year ended 30 June 2014

No compensation options were granted to Directors or Executives in the 2014 Financial Year.

Compensation Options granted during the year ended 30 June 2013

No compensation options were granted to Directors or Executives in the 2013 Financial Year.

Option holdings of Key Management Personnel

Vested at 30 June 2014

	Balance 01 Jul 13	Granted as Remuneration	Options Exercised	Net Change / Other	Balance 30 Jun 14	Total	Vested & Exercisable	Not Exercisable
30 June 2014								
Directors								
D Daws	38,612	-	-	(38,612)	-	-	-	-
L Jones	6,316,263	-	-	(316,263)	6,000,000	-	-	-
D Ryan	113,196	-	-	(113,196)	-	-	-	-
Total	6,468,071	-	-	(468,071)	6,000,000	-	-	-

During the year 468,071 options lapsed and no options were exercised.

End of Audited Remuneration Report

DIRECTORS' REPORT (continued)

MEETINGS OF DIRECTORS

The number of meetings of the Directors (including the Audit and Compliance Committee) held during the year and the number of meetings attended by each Director was as follows:

	Board of Directors	
	Number of Directors' Meetings Attended	Number of Directors' Meetings Eligible to Attend
<i>Current Directors</i>		
D Daws	5	5
L Jones	5	5
D Ryan	5	5

Committee membership

As at the date of this report the current Board has not established an Audit and Risk Management Committee and the full Board attends to matters that would normally be completed by the Committee. As the Group is small scale, has limited resources and does not have an operating business the establishment of an Audit and Risk Management Committee is not warranted

The details of the functions and membership of the Audit and Risk Management Committee are included in the Statement of Corporate Governance Practices.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Group has entered into Deeds of Indemnity with the Directors indemnifying them against certain liabilities and costs to the extent permitted by law.

The Group has paid premiums totalling \$Nil (2013: \$8,900) in respect of Directors' and Officers' Liability Insurance and Group Reimbursement policies, which cover all Directors and officers of the Group. The policy conditions preclude the Group from any detailed disclosures.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Northern Manganese Limited adhere to strict principles of corporate governance. The Group's corporate governance statement is included on page 18 of this annual report.

NON-AUDIT SERVICES

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

No fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2013 or 2014.

AUDITOR INDEPENDENCE

The Directors received the declaration included on page 17 of this annual report from the auditor of Northern Manganese Limited.

Signed in accordance with a resolution of the Directors



Lloyd Jones
Managing Director
Perth, Western Australia
30th day of September 2014

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF NORTHERN MANGANESE LIMITED

As lead auditor of Northern Manganese Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Northern Manganese Limited and the entities it controlled during the period.



Brad McVeigh
Director

BDO Audit (WA) Pty Ltd

Perth, 30 September 2014

CORPORATE GOVERNANCE

The Board of Directors of Northern Manganese Limited is responsible for establishing the corporate governance framework of the economic entity. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable.

To ensure that the Board is well equipped to discharge its responsibilities, it has established guidelines and accountability as the basis for the administration of corporate governance.

CORPORATE GOVERNANCE DISCLOSURES

The Board and management are committed to corporate governance and to the extent that they are applicable to the Group have followed the Australian Securities Exchange Corporate Governance Council (CGC) published guidelines as well as its own corporate governance principles and recommendations.

In summary, Northern Manganese Limited departs from the CGC's recommendation in six (6) key areas:

- Recommendation 2.1**
 The majority of the Board are not deemed to be independent as only one (1) Director out of the total Board of three (3) falls within the independent definition.
- Recommendation 2.4**
 Northern Manganese Limited does not have a separate Nomination Committee. The Group is of a size and a level of current activity that enables the full Board to be able to attend to the matters normally attended to by the Nomination Committee.

 Remuneration levels are set by the Group in accordance with industry standards to attract suitable qualified and experienced Directors and senior executives.
- Recommendation 3.3**
 Due to the current nature and scale of Northern Manganese Limited's activities, the Group is yet to establish measurable objectives for achieving gender diversity to report against.
- Recommendation 4.1**
 Northern Manganese Limited currently does not have a separate Audit Committee. The Group is of a size and a level of current activity that enables the full Board to be able to attend to the matters normally attended to by the Audit Committee.
- Recommendation 8.1**
 Northern Manganese Limited currently does not have a separate Remuneration Committee. The Group is of a size and a level of current activity that enables the full Board to be able to attend to the matters normally attended to by the Remuneration Committee.

The table below summarises Northern Manganese Limited's compliance with the CGC's recommendations.

Recommendation	Compliance Yes/No
Principle 1 – Lay Solid Foundations for management and oversight	
1.1 Companies should formalise the functions reserved to the Board and those delegated to senior executives and disclose those functions. The Group's Corporate Governance Policies includes a Board Charter, which discloses the specific responsibilities of the Board.	Yes
1.2 Companies should disclose the process for evaluating the performance of senior executives. The Board monitors the performance of senior management including measuring actual performance against planned performance.	Yes
1.3 Companies should provide the information indicated in Guide to reporting on Principle 1. The Group will provide details of any departures from Principle 1 in its Annual Report.	Yes

CORPORATE GOVERNANCE (continued)

Recommendation	Compliance Yes/No
Principle 2 – Structure the board to add value	
2.1 A majority of the Board should be independent directors. Only one (1) of the three (3) Board members is independent.	No
2.2 The Chair should be an independent director The Chair is considered to be independent in accordance with the stated definition.	Yes
2.3 The roles of chair and chief executive officer should not be exercised by the same individual. The roles of chair and chief executive officer are not exercised by the same person with separate appointments having been made.	Yes
2.4 The board should establish a nomination committee Northern Manganese Limited is not of a size to justify having a Nomination Committee. Matters typically dealt with by such a Committee are dealt with by the full Board.	No
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and the individual Directors. The Board has adopted a policy to assist of evaluating Board performance.	Yes
2.6 Companies should provide the information indicated in Guide to reporting on Principle 2. The Group will provide details of any departures from Principle 2 in its Annual Report.	Yes
Principle 3 – Promote ethical and responsible decision-making	
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: 3.1.1 the practices necessary to maintain confidence in the Group's integrity; 3.1.2 the practices necessary to take into account their legal obligations and reasonable expectations of their stakeholders; and 3.1.3 the responsibility and accountability of individuals for reporting or investigating reports of unethical practices. The Group's Corporate Governance Policies include a Directors and Executive officers' Code of Conduct Policy, which provides a framework for decisions and actions in relation to ethical conduct in employment.	Yes
3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them. The Group has adopted a Diversity Policy.	Yes
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them. Due to the current nature and scale of Northern Manganese's activities, the Board is yet to establish measurable objectives for achieving gender diversity to report against.	No
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board. There are currently no women in the organisation.	No
3.5 Companies should provide the information indicated in Guide to reporting on Principle 3. The Group will provide details of any departures from Principle 3 in its Annual Report.	Yes

CORPORATE GOVERNANCE (continued)

Recommendation	Compliance Yes/No
Principle 4 – Safeguard integrity in financial reporting	
4.1 The Board should establish an audit committee. Northern Manganese Limited is not of a size to justify having an audit committee. Matters typically dealt with by such a committee are dealt with by the full Board.	No
4.2 The audit committee should be structured so that it: <ul style="list-style-type: none"> Consists only of non-executive directors; Consists of a majority of independent directors; Is chaired by an independent chair, who is not the chair of the Board; and Has at least three (3) members <i>The audit committee when established will be structured as above.</i>	Not Applicable
4.3 The audit committee should have a formal operating charter. <i>The audit committee will adopt a formal Charter when established.</i>	Not Applicable
4.4 Companies should provide the information indicated in Guide to reporting on Principle 4. The Group will provide details of any departures from Principle 4 in its Annual Report.	Yes
Principle 5 – Make timely and balanced disclosure	
5.1 Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance. The Group has a Continuous Disclosure Policy which is designed to ensure compliance with the ASX Listing Rules requirements on disclosure and to ensure accountability at a Board level for compliance and factual presentation of the Group's financial position.	Yes
5.2 Companies should provide the information indicated in Guide to reporting on Principle 5. The Group will provide details of any departures from Principle 5 in its Annual Report.	Yes
Principle 6– Respect the rights of shareholders	
6.1 Companies should design and disclose a communications policy to promote effective communication with shareholders and encourage effective participation at general meetings and disclose the policy or a summary of the policy. The Group's Corporate Governance Policies includes a Shareholder Communications Policy which aims to ensure that the shareholders are informed of all material developments affecting the Group's state of affairs.	Yes
6.2 Companies should provide the information indicated in Guide to reporting on Principle 6. The Group will provide details of any departures from Principle 6 in its Annual Report.	Yes
Principle 7– Recognise and manage risk	
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. The Group's Corporate Governance Policies includes a Risk Management Policy which aims to ensure that all material business risks are identified and mitigated. The Board identifies the Group's "risk profile" and is responsible for overseeing and approving risk management strategies and policies, internal compliance and internal controls.	Yes
7.2 The Board should require management to design and implement the risk management and internal control system to manage the Group's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Group's management of its material business risks. The Board requires that the Managing Director designs and implements continuous risk management and internal control systems and provides reports at relevant times.	Yes

CORPORATE GOVERNANCE (continued)

Recommendation	Compliance Yes/No
7.3 The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound risk management and internal control and that the system is operating effectively in all material respects in relation to the financial reporting risks. The Board seeks, at the appropriate times, the relevant assurances from the Managing Director and the individual appointed to perform the role of Chief Financial Officer.	Yes
7.4 Companies should provide the information indicated in Guide to reporting on Principle 7. The Group will provide details of any departures from Principle 7 in its Annual Report.	Yes
Principle 8– Remunerate fairly and responsibly	
8.1 The Board should establish a remuneration committee. <i>Northern Manganese Limited is not of a size to justify having a remuneration committee. Matters typically dealt with by such a committee are dealt with by the full Board.</i>	No
8.2 The remuneration committee should be structured so that it: <ul style="list-style-type: none"> Consists of a majority of independent directors; Is chaired by an independent chair; and Has at least three (3) members <i>The remuneration committee when established will be structured as above.</i>	Not Applicable
8.3 Companies should clearly distinguish the structure of non executive director's remuneration from that of executive directors and senior executives. The Board distinguishes the structure of non executive director's remuneration from that of executive directors and senior executives. Northern Manganese Limited's Constitution provides that the remuneration of non executive directors will not be more than the aggregate fixed sum by a general meeting of shareholders. The Board is responsible for determining the remuneration of any director or senior executive, without the participation of the affected director.	Yes
8.4 Companies should provide the information indicated in Guide to reporting on Principle 8. The Group will provide details of any departures from Principle 8 in its Annual Report.	Yes

Unless otherwise stated, Northern Manganese Limited's corporate governance practices were in place throughout the year ended 30 June 2014.

There is a corporate governance section on the Group's website which sets out the various policies, charters and codes of conduct which have been adopted to ensure compliance with the principles and recommendations referred to above.

A description of Northern Manganese's main corporate governance practices are set out below.

The Board of Directors Role and Responsibilities of the Board

In accordance with ASX Principle 1, the Northern Manganese Board has established a **Board Charter** which is available on the Group website. This Charter outlines the functions of the Northern Manganese Board and the senior executives and shows that the role and responsibilities of the Board and the senior executives are quite clear and distinct.

The key responsibilities of the Board include:

- Appointing, evaluating, rewarding and if necessary the removal of the Managing Director, Executive Director and Chair;
- Development of corporate objectives and strategy with senior executives and approving plans, new investments, major capital and operating expenditures and major funding activities proposed by management;
- Monitoring actual performance against defined performance expectations and reviewing operating information to understand at all times the state of the health of the Group;
- Overseeing the management of business risks, safety and occupational health, environmental issues and community development;

CORPORATE GOVERNANCE (continued)

- Monitoring senior executives' performance and implementation of strategy;
- Ensuring appropriate resources are in place and available to the senior executives;
- Reviewing and approving the remuneration of the Managing Director and senior executives;
- Satisfying itself that the financial statements of the Group fairly and accurately set out the financial position and financial performance of the Group for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control process are in place and functioning appropriately. Further, approving and monitoring financial and other reporting;
- Assuring itself that appropriate audit arrangements are in place;
- Ensuring that the Group acts legally and responsibly on all matters and assuring itself that the Group has adopted, and that the Group's practice is consistent with, a number of guidelines, being:
 - Directors and Executive Officers Code of Conduct;
 - Dealings in Securities; and
 - Reporting and Dealing with Unethical Practices.
- Reporting to and advising shareholders.

Composition of the Board

The Northern Manganese Board totals three (3) and is comprised of one (1) Executive Director and two (2) Non-Executive Directors.

The table below sets out the detail of the tenure of each director at the date of this Report.

Director	Role of Director	First Appointed	Non Executive	Independent
Douglas DAWS	Non-Executive Chairman	6 January 2011	Yes	Yes
David RYAN	Non-Executive Director	14 February 2011	Yes	No
Lloyd JONES	Executive Managing Director	20 June 2011	No	No

Details of the Board including their experience, expertise and qualifications are set out in the Directors' Report.

STRUCTURE OF THE BOARD

Independence

As outlined in ASX Principle 2, Directors of Northern Manganese are expected to contribute independent views.

Directors are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.

An independent Director is a non-executive director (i.e. is not a member of management) and:

- is not a substantial shareholder of the Group or an officer of, or otherwise associated directly with, a substantial shareholder of the Group;
- within the last three years has not been employed in an executive capacity by the Group or its subsidiaries, or been a Director after ceasing to hold any such employment;
- is not a principal or employee of a professional adviser to the Group or its subsidiaries whose billings are a material amount of the adviser's total revenue;
- is not a significant supplier or customer of the Group or its subsidiaries, or an officer of or otherwise associated directly or indirectly with a significant supplier or customer. A significant supplier is defined as one whose revenues from the Group are a material amount of the supplier's total revenue. A significant customer is one whose amounts payable to the Group are a material amount of the customer's total operating costs;
- has no material contractual relationship with the Group or its subsidiaries other than as a Director of the Group;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Group;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Group.

CORPORATE GOVERNANCE (continued)

Mr Jones (Executive Managing Director) and Mr Ryan (Non-Executive Director) are not considered to be independent. Even though less than half the current Board are independent, the Board believes that the current composition of the Board is adequate for the current size and activities and includes an appropriate mix of skills and expertise, relevant to Northern Manganese's activities.

When a Board vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the service of a new Director with particular skills, in the absence of a Remuneration and Nomination Committee, the Board will consider a candidate or panel of candidates with the appropriate expertise.

The Board then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

Notification

Northern Manganese has reviewed and considered the positions of each of the three (3) Directors in office at the date of this Annual Report and consider that only one (1) of the three (3) Directors is independent. Mr Daws is an independent Director in accordance with the definition of independence above.

Chair and Managing Director

The roles of the Chair and the Executive Managing Director are not be exercised by the same individual.

The Chair is responsible for leading the Board, ensuring that Board activities are organised, efficiently conducted and ensuring that the Directors are properly briefed for meetings.

The Executive Managing Director has responsibility for the day to day activities and operations and are totally accountable to the Board for all authority delegated to those positions.

The Chair must be appropriately qualified and have the required experience to discharge the responsibilities for leading, managing and delegating and in the absence of a Nomination Committee the Board from amongst themselves have nominated the Director that they believe can fulfil the role of Chair.

The Board are working on putting into place procedures to assess the performance of the Executive Managing Director.

There are procedures in place, agreed by the Board, to enable the Directors in furtherance of their duties to seek independent professional advice at the Group's expense.

Board Evaluation Process

In the absence of Nomination and Remuneration Committees, the Northern Manganese Board reviews its performance and the performance of individual Directors including the Executive Managing Director.

External consultants are engaged where it is seen to be beneficial to the Group when undertaking the performance evaluation process.

No performance evaluation of the Northern Manganese Board or directors took place during the 2013 financial year.

In relation to the term of office, the Constitution specifies that one third of all directors must retire from office annually and are eligible for re-election at the Group's Annual General Meeting.

Remuneration and Nomination Committee

The Board has not established a formal Remuneration or Nomination Committee.

The full Board attends to the matters normally attended to by a Remuneration or Nomination Committee. The Board acknowledges that when the size and nature of the Group warrants a Remuneration and Nomination Committee then the Committee will operate under a Charter approved by the Board.

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves with remuneration levels being set in accordance with industry standards to attract suitable qualified and experienced Directors and senior executives.

As at the date of this Report there is no scheme to provide retirement benefits to non-executive directors.

Details of the Group's remuneration philosophy and framework and the remuneration received by directors and executives are provided in the Directors' Report under the heading **Remuneration Report**.

CORPORATE GOVERNANCE (continued)

Code of Conduct

The Board acknowledges the need for the highest standards of corporate governance and ethical conduct by all directors and senior executives. In light of this, Northern Manganese Limited has developed a Code of Conduct which has the full backing of the Board and is to be followed by the directors, senior executives and employees.

This policy is regularly reviewed and updated as necessary.

Diversity Policy

Northern Manganese Limited is committed to workplace diversity and recognises the benefits arising from having a broader pool of quality employees, improving employee retention rates and tapping into all available talent. Diversity includes such areas as gender, age and background.

Northern Manganese Limited developed and approved a Diversity Policy in 2012 which has a focus of improving gender balance and working towards increasing the representation of women in management roles. The Northern Manganese Limited Diversity Policy aims to achieve:

- developing a culture which takes into account domestic responsibilities of employees;
- as part of the annual remuneration review, assessing the gender pay parity across the business and implementing action plans to address any areas of concern;
- maintaining a workplace culture that supports difference and that enables each staff member to fully contribute to the best of their ability;
- identifying what is getting in the way of diversity success and taking action to address the issues;
- improved employment and career development opportunities for women;
- an environment that encourages the development of necessary skills and experience for leadership roles; and
- a workplace that is free for all forms of discrimination and harassment

The proportion of women in Northern Manganese Limited is as follows:

	Women	Proportion
Employees	0	0%
Senior executive positions	0	0%
Board of Directors	0	0%

As at the date of this Report there are no women employed.

Notification

ASX Principle 3 recommends that companies should disclose in each annual report measurable objectives for achieving gender diversity set by the Board in accordance with the Diversity Policy and progress towards achieving them.

Due to the current nature and scale of Northern Manganese's activities, the Board is yet to establish measurable objectives for achieving gender diversity to report against in the 2014 Annual Report.

Securities Trading

Northern Manganese Limited has adopted a **Securities Dealing Policy** which is derived largely from the Corporations Act 2001 requirements that applies to all directors, senior executives and employees.

Under this Policy and the Corporations Act 2001, it is illegal for directors, senior executives and employees who have access to price sensitive information which has not been published or is generally not available to:

- (a) apply for, acquire, dispose of or enter into an agreement to apply for, acquire or dispose of Northern Manganese Securities;
- (b) procure another person to apply for, acquire, dispose of or enter into an agreement to apply for, acquire or dispose of Northern Manganese Limited Securities; or
- (c) directly or indirectly communicate the Material Non-Public Information to another person when the Insider knows, or ought reasonably to know, that the other person would or would be likely to:

CORPORATE GOVERNANCE (continued)

- (i) apply for, acquire, dispose of or enter into an agreement to apply for, acquire or dispose of Northern Mining Securities; or
- (ii) procure another person to apply for, acquire, dispose of or enter into an agreement to apply for, acquire or dispose of Northern Manganese Securities.

Corporate Reporting

In accordance with ASX Principle 7, the Executive Managing Director and the Chair have made the following certifications to the Board:

- That the Group's financial reports are complete and present a true and fair view, in all material respects, of the financial positions and operational results of Northern Manganese Limited; and
- The financial reports are founded in a sound system of internal control and risk management which implements the policies adopted by the Board and the Group's risk management and internal controls are operating efficiently in all material respects.

Audit and Risk Management Committee

The Board has not established an Audit and Risk Management Committee. The full Board attends to the matters normally attended to by such a Committee.

The Board acknowledges that the when the size and nature of the Group warrants an Audit and Risk Management Committee that the Committee will operate under a Charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the Group. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of key performance indicators.

The Board will delegate responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit and Risk Management Committee when the Committee is established. For the moment, the full Board attends to matters that the Committee would normally complete.

The Group's Policy is to appoint external auditors who clearly demonstrate independence. The performance of the external auditor is reviewed annually by the Board but when the Committee is established it will be the responsibility of the Committee to complete this review. The auditors have a policy of rotating the audit partner at least every 5 years.

External Auditors

Northern Manganese Limited current external auditors are BDO Audit (WA) Pty Ltd. As noted in the Audit and Risk Management Committee Charter, the performance and independence of BDO Audit (WA) Pty Ltd is reviewed by the Northern Manganese Board.

BDO Audit (WA) Pty Ltd will attest to their independence by providing a statement as to their independence; which will be included in the 2014 Annual Report for the year ended 30 June 2014.

Risk Management

The Board recognises that the identification and management of risk, including calculated risk taking, is an essential part of creating long term shareholder value.

The Managing Director reports directly to the Board on the Group's key risks and is responsible for designing, maintaining, implementing and reporting on the adequacy of the risk management and internal control systems. The Board monitors the performance of the risk management and internal control systems and determines the extent to which it believes the risks are being managed and the adequacy and comprehensiveness of risk reporting from management.

The Board must satisfy itself, on a regular basis, that risk management and internal control systems for the Group have been fully developed and implemented.

The Group has identified specific risk management areas being strategic, operational and compliance. The Board has reviewed risks faced by the Group on a regular basis due to the potential impact of the global financial crisis.

CORPORATE GOVERNANCE (continued)

A detailed risk identification matrix has been prepared by management. High and very high risk issues are reported to the Board. The Managing Director is responsible for ensuring the Group complies with its regulatory obligations.

The Managing Director and externally appointed CFO equivalent also provide written assurance to the Board on an annual basis that to the best of their knowledge and belief, the declaration provided by them in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

These assurances can only be reasonable rather than absolute due to factors such as the need for judgement and possible weaknesses in control procedures.

Any material changes in the Group's circumstances are released to the ASX and included on the Group's website.

Continuous Disclosure

In accordance with ASX Principle 5, Northern Manganese Limited has established a Disclosure Policy.

The Group is committed to:

- Ensuring that shareholders have the opportunity to access externally available information issued by the Group;
- Providing full and timely information to the market about the Group's activities; and
- Complying with the obligations contained in the ASX Listing Rules and the Corporations Act 2001 relating to continuous disclosure.

The Company Secretary has been nominated as the people responsible for communications with the ASX. This involves complying with continuous disclosure requirements outlined in ASX Listing Rules, ensuring that disclosure with the ASX is co-ordinated and being responsible for administering and implementing this Policy.

Shareholder Communication

In accordance with ASX Principle 6, Northern Manganese Limited has established a communications strategy policy.

The directors of Northern Manganese recognise the importance of forthright communication and in order to prosper and achieve growth, it must (among other things) earn the trust of employees, customers, suppliers, communities and shareholders by being forthright in its communications and consistently delivering on its commitments.

The Board aims to ensure that the shareholders on behalf of whom they act are informed of all information necessary in order to make effective decisions about Northern Manganese and to be kept informed of all major developments affecting the Group in a timely and effective manner. Northern Manganese follows three main forms of information disclosure:

- Continuous disclosure - which is its core disclosure obligation and primary method of informing the market and shareholders;
- Periodic disclosure - in the form of full-year and half-year reporting; and
- Specific information disclosure - as and when required, of administrative and corporate details, usually in the form of ASX releases.

Further it is a CLERP 9 requirement that the auditor of Northern Manganese attends the Annual General Meeting. This provides shareholders with the opportunity to ask the auditor questions concerning the conduct of the audit and the preparation and content of the Auditor Report as contained in the 2014 Annual Report.

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Notes	2014 \$	2013 \$
ASSETS			
Current Assets			
Cash and cash equivalents	12	45,264	293,125
Trade and other receivables	13	13,845	26,908
Current tax receivable	9	-	-
Prepayments	14	-	11,936
Available-for-sale financial assets	15	118,300	90,960
Total Current Assets		177,409	422,929
Non-current Assets			
Exploration and evaluation expenditure	16	2,800,000	5,760,803
Plant and equipment	17	67,103	93,017
Total Non-current Assets		2,867,103	5,853,820
TOTAL ASSETS		3,044,512	6,276,749
LIABILITIES			
Current Liabilities			
Trade and other payables	18	538,045	84,913
Provisions	19	22,231	17,843
Borrowings	20	19,508	17,844
Total Current Liabilities		579,784	120,600
Non-current Liabilities			
Borrowings	20	3,424	22,932
Total Non-current Liabilities		3,424	22,932
TOTAL LIABILITIES		583,208	143,532
NET ASSETS		2,461,304	6,133,217
EQUITY			
Equity attributable to equity holders			
Contributed equity	21	12,840,324	12,783,774
Reserves	22	4,823,053	4,800,512
Accumulated losses		(15,202,073)	(11,451,069)
TOTAL EQUITY		2,461,304	6,133,217

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	<i>Notes</i>	2014 \$	2013 \$
Revenue from continuing operations	7	123,081	26,699
Administration expenses		(26,964)	(68,014)
Impairment of available-for-sale financial assets		(40,160)	(507,860)
Compliance costs		(195,115)	(283,502)
Consultants fees		(20,619)	(48,591)
Depreciation expense	8(a)	(19,046)	(23,235)
Directors fees	8(b)	(114,257)	(113,996)
Employee benefits expense		(311,759)	(387,477)
Exploration and evaluation		(3,182,321)	(94,129)
Investor relations expenses		(9,084)	(25,969)
Loss on disposal of non-current assets		(6,868)	-
Office accommodation expenses	8(c)	(116,873)	(111,060)
Travel expenses		(6,330)	(66,147)
Share based payments expense	26	(62,406)	(62,406)
Loss before income tax		(3,988,721)	(1,765,687)
Income tax benefit	9	197,852	222,509
Loss for the year		(3,790,869)	(1,543,178)
Other comprehensive loss for the year, net of tax		-	-
Total comprehensive loss for the year attributable to owners of Northern Manganese Ltd		(3,790,869)	(1,543,178)
Loss per share for loss attributable to the ordinary equity holders of the Group:			
Basic loss per Share (cents per share)	11(b)	(3.77)	(1.48)
Diluted loss per Share (cents per share)	11(b)	(3.77)	(1.48)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

Attributable to Owners of Northern Manganese Limited					
	Notes	Contributed Equity \$	Reserves \$	Accumulated Losses \$	Total \$
Consolidated					
Balance at 1 July 2012		12,770,614	4,698,241	(9,907,891)	7,560,964
Loss for the year		-	-	(1,543,178)	(1,543,178)
Total comprehensive loss		-	-	(1,543,178)	(1,543,178)
Transactions with owners in their capacity as owners					
Contributions of equity	21	13,160	-	-	13,160
Transaction costs	21	-	-	-	-
Employee shares and options	22	-	102,271	-	102,271
Balance at 30 June 2013		<u>12,783,774</u>	<u>4,800,512</u>	<u>(11,451,069)</u>	<u>6,133,217</u>
Loss for the year		-	-	(3,790,869)	(3,790,869)
Total comprehensive loss		-	-	-	-
Transactions with owners in their capacity as owners					
Contributions of equity	21	56,550	-	-	56,550
Transaction costs	21	-	-	-	-
Employee shares and options	22	-	62,406	-	62,406
Transfer to accumulated losses	22	-	(39,865)	39,865	-
Balance at 30 June 2014		<u>12,840,324</u>	<u>4,823,053</u>	<u>(15,202,073)</u>	<u>2,461,304</u>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 \$	2013 \$
Cash flows from operating activities			
Payments to suppliers and employees		(529,122)	(1,270,059)
Interest received		817	37,297
Research and development rebates received		197,852	773,676
Other income		4,764	-
Net cash (outflows) used in operating activities	23	(325,689)	(459,086)
Cash flows from investing activities			
Payments for exploration and evaluation		(10,878)	(364,404)
Proceeds on sale of exploration assets		50,000	-
Payments for plant and equipment		-	(19,634)
Net cash (outflows) used in investing activities		39,122	(384,038)
Cash flows from financing activities			
Proceeds from issue of shares		56,550	-
Proceeds from issue of loyalty options	22	-	39,865
Repayment of borrowings		(17,844)	(16,320)
Net cash inflows from financing activities		38,706	23,545
Net (decrease) in cash and cash equivalents		(247,861)	(819,579)
Cash and cash equivalents at beginning of financial Year		293,125	1,112,704
Cash and cash equivalents at end of financial year	12	45,264	293,125

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1 CORPORATE INFORMATION

The financial statements of Northern Manganese Limited for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 30th September 2014.

Northern Manganese Limited is a Group limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange Limited. The financial statements include Northern Manganese Ltd and its subsidiary (the Group) for 30 June 2014.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Northern Manganese Limited and its subsidiaries that it controlled at any time during the year.

(a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

(i) Compliance with IFRS

The consolidated financial statements of the Northern Manganese Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 *Presentation of Financial Statements* effective 1 July 2012 now require the statement of profit or loss and other comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Principles of Consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Northern Manganese Limited ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Northern Manganese Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2(j)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Northern Manganese Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its 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, jointly controlled entity or financial asset. In addition, any 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 a jointly controlled entity or associate is reduced but joint control or 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

(d) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(e) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an on-going basis. Debts that are known to be uncollectable are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment.

(f) Investments and other financial assets

Classification

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

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to settle within 12 months otherwise they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(iii) Available-for-sale financial assets

Available-for-sale financial assets comprising principally marketable securities are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investments and other financial assets (continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 3.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investments and other financial assets (continued) **Impairment (continued)**

(ii) Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from the equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increase in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(g) Exploration and evaluation expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method. Exploration and evaluation expenditure is capitalised provided the rights to tenure of the area of interest is current and either;

- The exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- Exploration and evaluation activities in the area of interest have not at the reporting date reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Any impairment losses are recognised in the statement of profit or loss and other comprehensive income and are disclosed in note 16, exploration and evaluation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the part is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the statement of profit or loss and other comprehensive income as incurred.

Depreciation is calculated on a diminishing value basis over the estimated useful life of the assets as follows:

- Plant and equipment – 5 to 8 years
- Furniture and fittings – 5 to 10 years
- Motor Vehicles – 8 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on unrecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the year the asset is derecognised.

(i) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Company as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of liability. Finance charges are recognised as an expense in the statement of profit or loss and other comprehensive income.

Capitalised leases assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term. Lease incentives are recognised in the statement of profit or loss and other comprehensive income as an integral part of the total lease expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts have been reviewed the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(k) Impairment of non-financial assets

Non-financial assets are tested for impairment whenever changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and values in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or Group of assets (Cash-generating units). Non-financial assets that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(l) Trade and other payables

Trade payables and other payables are carried at amortised costs. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Provisions and employee leave benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

Employee Leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of the employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(n) Share-based payment transactions

(i) Equity settled transactions:

The Group provides benefits to its employees (including Key Management Personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

In prior years the Group has adopted an Employee Share Option Plan to provide these benefits to Directors, executives, employees and consultants.

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the market price of the shares of Northern Manganese Limited.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of profit or loss and other comprehensive income is the product of (i) the grant date of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employees turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the statement of profit or loss and other comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Share-based payment transactions (continued)

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vested than were originally expected to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangements, or is otherwise beneficial to the employee, as measured at the date of modification.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(o) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through life of the financial asset to the net carrying amount of the financial asset.

(q) Income tax and other taxes

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities based in the current year's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Reporting Date.

Deferred income tax is provided on all temporary differences at the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint venture, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax and other taxes (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each Reporting Date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each Reporting Date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Reporting Date.

Current and deferred tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flow arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the Group, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the Group, adjusted for:

- Costs of servicing equity (other than dividends);
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares;
- Divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(s) Borrowings

Borrowings are initially recognised 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 amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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 reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash, term deposits and short-term deposits. The Group has various other financial assets and liabilities such as equity investments, trade receivables and trade payables.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. The Board reviews and agrees policies for managing each of these risks as summarised below. Also refer to note 27 for an analysis of these risks.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

(a) Credit risk

Credit risk is the risk that a counterparty will not complete its obligations under a financial instrument resulting in a financial loss for the Group. Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks, outstanding receivables and committed transactions. The Group does not generally obtain collateral or other security to support financial instruments subject to credit risk, but adopts a policy of only dealing with credit worthy counterparties.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

(b) Liquidity risk

The Group's liquidity position is managed to ensure sufficient liquid funds are available to meet its financial obligations in a timely manner. The Group does not have major funding in place. However, the Group continuously monitors forecast and actual cash flows and the maturity profiles of financial assets and financial liabilities to manage its liquidity risk. The contractual maturity of trade and other payables is 60 days.

(c) Market risk

(i) Interest rate risk

Interest rate risk arises primarily from the entities short-term cash deposits. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash assets held primarily in short term cash deposits. The Board monitors its cash balance on an ongoing basis and liaises with its financiers regularly to mitigate cash flow interest rate risk.

(ii) Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the Statement of Financial Position either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. The objective of price risk management is to manage and control price risk exposures within acceptable parameters, while optimising the return.

The Group has no policy for mitigating potential adversities associated with its own equity risk given its dependence on market fluctuations. In relation to equity price risk arising on other investment balances, the Group regularly reviews the prices to ensure a maximum return.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies, management continually evaluates, estimates and makes assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the estimates and assumptions. Significant estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting year are:

(a) Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Exploration and evaluation is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

The Group follows the guidance of AASB 6 *Exploration for and Evaluation of Mineral Resources* to determine when capitalised exploration and evaluation expenditure is impaired. At the end of the reporting period the Group assessed that expenditure relating to tenements in the Groote Eylandt and Blue Mud Bay projects that were under veto or in application should be written off. As a result exploration costs of \$3,182,321 (2013: \$94,129) have been written off during the year.

On 19 July 2013 the Group announced that a claim had been lodged with the Northern Territory Government setting out the form and amount of compensation that may be payable as previously announced by the Group on 13 June 2013. The Group previously announced on 9 March 2012 that a moratorium on sea bed mining in coastal waters had been put in place by the Northern Territory Government until 2015. As detailed in note 29, the Group has reached agreement after reporting date to surrender the four granted tenements affected in exchange for consideration of \$2,800,000.

The Group has deemed it prudent to reduce the carrying value of the capitalised exploration and evaluation expenditure in relation to the Groote Eylandt project to the consideration determined after reporting date. Accordingly, the associated exploration expenditure of \$2,800,000 (2013: \$5,240,375) remains capitalised within exploration and evaluation expenditure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

(b) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black Scholes model, with the assumptions detailed in note 26. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amount of assets and liabilities within the next annual reporting period but may impact expenses and equity.

(c) Impairment of available-for-sale financial asset

At the end of the reporting period the Group assessed its equity investments classified as available-for-sale to determine if there was objective evidence of impairment. As a result of this assessment an impairment loss of \$40,160 (2013: \$507,860) has been recognised in the statement of profit or loss and other comprehensive income.

(d) Recognition of deferred tax assets

The group has not recognised a deferred tax asset for tax losses as the group does not believe it probable to be recovered by future taxable income in the short-term future.

5 SEGMENT INFORMATION

The Directors (who are the chief decision makers) have determined the Group has one reportable segment, being mineral exploration in Australia. As the Group is focused on mineral exploration, the Board monitors the Group based on actual versus budgeted exploration expenditure incurred by area of interest. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

	2014 \$	2013 \$
Revenue from external sources	-	-
Reportable segment profit / (loss)	(3,064,821)	128,380
Reportable segment assets	2,800,000	5,760,803
Reportable segment liabilities	(146,470)	(12,110)
Reconciliation of reportable segment profit or loss		
Reportable segment profit (loss)	(3,064,821)	128,380
Unallocated:		
- Corporate expenses	(726,865)	(1,698,257)
- Interest income	817	26,699
Loss before income tax	(3,790,869)	(1,543,178)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$	2013 \$
5 SEGMENT INFORMATION (continued)		
Reconciliation of reportable segment assets		
Segment assets	2,800,000	5,760,803
Intersegment eliminations		
Unallocated:		
- Cash and cash equivalents	45,264	293,125
- Trade and other receivables	13,845	26,908
- Prepayments	-	11,936
- Available-for-sale financial assets	118,300	90,960
- Plant & equipment	67,103	93,017
Total assets as per statement of financial position	3,044,512	6,276,749
Reconciliation of reportable segment liabilities		
Segment liabilities	(146,470)	(12,110)
Intersegment eliminations		
Unallocated:		
- Trade and other payables	(391,575)	(72,803)
- Provisions	(22,231)	(17,843)
- Borrowings	(22,932)	(40,776)
Total liabilities as per statement of financial position	(583,208)	(143,532)

There have been no changes to the way that the segment report is reported from the prior year. There is no reportable segment depreciation, amortisation or tax expense. As a result of the Group's operations it does not have any major customers.

6 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy noted in Note 2 (b)(i).

Name of Entity	Country of Incorporation	Class of Shares	Equity holding	
			2014 %	2013 %
Reflective Minerals Pty Ltd	Australia	Ordinary	100	100
North Manganese Pty Ltd	Australia	Ordinary	100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$	2013 \$
7 REVENUE FROM CONTINUING OPERATINGS		
Interest revenue	817	26,699
Proceeds from sale of exploration assets	117,500	-
Sundry income	4,764	-
	123,081	26,699
8 EXPENSES		
(a) Depreciation		
Depreciation	19,046	23,235
	19,046	23,235
(b) Directors fees included in statement of profit or loss and other comprehensive income		
Director fees	104,583	104,583
Superannuation costs	9,674	9,413
	114,257	113,996
(c) Office accommodation expense included in statement of profit or loss and other comprehensive income		
Office rental payments	116,873	111,060
	116,873	111,060
9 INCOME TAX		
(a) The components of tax benefit comprise:		
Current tax	197,852	222,509
Deferred tax	-	-
Income tax benefit reported in the statement of comprehensive income	197,852	222,509
The income tax benefit of \$197,852 (2013: \$222,509) relates to Research and Development received or receivable at year end.		
(b) The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Loss from continuing operations before income tax expense	(3,790,869)	(1,543,178)
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2013: 30%)	(1,137,261)	(462,953)
Add tax effect of:		
Research and development tax concession	197,852	222,509
Tax losses and timing differences not brought to account	1,137,261	462,953
Income tax benefit	197,852	222,509

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$	2013 \$
9 INCOME TAX (continued)		
(c) Deferred income tax at 30 June relates to the following		
Deferred tax liabilities:		
Exploration and evaluation expenditure	(840,000)	(1,728,241)
Prepayments	-	(3,581)
Deferred tax asset netted off against deferred tax liability	840,000	1,731,822
	-	-
Deferred tax assets:		
Accrued audit fees	4,500	4,500
Accrued expenses - other	1,288	2,385
Employee Provisions	6,669	5,353
Capital raising costs	6,902	17,759
Tax losses	4,140,658	3,992,035
Tax asset utilised to offset deferred tax liability	(840,000)	(1,731,822)
Deferred tax asset not recognised	(3,320,017)	(2,290,210)
	-	-
Net deferred tax assets/(liabilities)	-	-

The Group has tax losses of \$13,802,193 (2013: \$13,306,784) that are available indefinitely for offset against future taxable profits of the Group. The recoupment of available tax losses as at 30 June 2014 is contingent upon the following:

- (i) The Group deriving future assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised;
- (ii) The conditions for deductibility imposed by tax legislation continuing to be complied with; and
- (iii) There being no changes in tax legislation which would adversely affect the Group from realising the benefit from the losses.

10 DIVIDENDS PAID AND PROPOSED

No dividends in respect of the current financial year have been paid, declared or recommended for payment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$	2013 \$
11 LOSS PER SHARE		
(a) Loss used in calculating loss per share		
For basic and diluted loss per share:		
<i>Loss attributable to owners of Northern Manganese Limited</i>	(3,790,869)	(1,543,178)
Given the operating losses, the outstanding options are not considered dilutive. As a result, diluted loss per share equals basic loss per share.		
(b) Weighted average number of shares		
	2014 Number	2013 Number
Weighted average number of ordinary shares used in calculating basic and diluted loss per share.	100,468,362	103,931,827
Basic and diluted loss per share (cents per share)	(3.77)	(1.48)
(c) Information on the classification of securities		
<i>(i) Options</i>		
51,000,000 options (2013: 52,965,952) issued pursuant to offers made under disclosure documents and are considered to be potential ordinary shares but have not been included in the calculation of earnings per share as they are not dilutive.		
	2014 \$	2013 \$
12 CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	45,264	293,125
	45,264	293,125

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$	2013 \$
13 TRADE & OTHER RECEIVABLES		
Rental bonds receivable	-	4,000
GST receivable	11,478	19,926
Other	2,367	2,982
	13,845	26,908

The receivables and GST are incurred in the normal course of business and no allowance has been made for non-recovery. The receivables and GST are of short-term nature. It is expected that these balances will be received when due. Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivable mentioned above.

	2014 \$	2013 \$
14 PREPAYMENTS		
Prepaid insurance premiums	-	8,036
Prepaid rental and other costs	-	3,900
	-	11,936

15 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Listed equity securities:		
Balance at beginning of the year	90,960	598,820
Acquisition of equity securities	67,500	-
Impairment of available-for-sale financial assets	(40,160)	(507,860)
At 30 June	118,300	90,960

The listed equity securities have been impaired down to fair value based on the ASX bid price as at 30 June 2014.

16 EXPLORATION & EVALUATION

Balance at beginning of the year	5,760,803	5,415,913
Expenditure incurred	221,518	439,019
Expenditure written off	(3,182,321)	(94,129)
At 30 June	2,800,000	5,760,803

The ultimate recoverability of the Group's areas of interest is dependent on the successful discovery and commercialisation of the project.

The Group follows the guidance of AASB 6 Exploration for and Evaluation of Mineral Resources to determine when capitalised exploration and evaluation expenditure is impaired. At the end of the reporting period the Group assessed that expenditure relating to tenements in the Groote Eylandt and Blue Mud Bay projects that were under veto or in application should be written off. As a result exploration costs of \$3,182,321 (2013: \$94,129) have been written off during the year.

As detailed in note 29, the Group has reached agreement after reporting date to surrender the four granted tenements affected by the Northern Territory announcement, in exchange for consideration of \$2,800,000. Refer to note 4(a) for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$	2013 \$
17 PLANT AND EQUIPMENT		
Plant and equipment at cost	52,080	52,080
Disposals	(7,254)	-
Accumulated depreciation	(31,467)	(30,006)
Net carrying amount	13,359	22,074
At July 1, net of accumulated depreciation	22,074	15,572
Additions	-	13,443
Disposals	(2,247)	-
Depreciation charge for the year	(6,468)	(6,941)
As at 30 June, net of accumulated depreciation	13,359	22,074
Furniture & Fittings at cost	37,402	37,402
Disposals	(7,109)	-
Accumulated depreciation	(7,347)	(7,226)
Net carrying amount	22,946	30,176
At July 1, net of accumulated depreciation	30,176	32,620
Additions	-	1,100
Disposals	(4,621)	-
Depreciation charge for the year	(2,609)	(3,544)
As at 30 June, net of accumulated depreciation	22,946	30,176
Motor Vehicles at cost	62,624	62,624
Accumulated depreciation	(35,384)	(26,304)
Net carrying amount	27,240	36,320
At July 1, net of accumulated depreciation	36,320	48,426
Additions	-	-
Disposals	-	-
Depreciation charge for the year	(9,080)	(12,106)
As at 30 June, net of accumulated depreciation	27,240	36,320
Professional Library at cost	5,091	5,091
Accumulated depreciation	(1,533)	(644)
Net carrying amount	3,558	4,447
At July 1, net of accumulated depreciation	4,447	-
Additions	-	5,091
Disposals	-	-
Depreciation charge for the year	(889)	(644)
As at 30 June, net of accumulated depreciation	3,558	4,447

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$	2013 \$
17 PLANT AND EQUIPMENT (continued)		
Total Plant & Equipment, Furniture & Fitting and Motor Vehicles at cost	157,197	157,197
Disposals	(14,363)	-
Accumulated depreciation	(75,731)	(64,180)
Net carrying amount	67,103	93,017
At July 1, net of accumulated depreciation	93,017	96,618
Additions	-	19,634
Disposals	(6,868)	-
Depreciation charge for the year	(19,046)	(23,235)
As at 30 June, net of accumulated depreciation	67,103	93,017

18 TRADE AND OTHER PAYABLES

Trade payables (a)	250,041	38,118
Other payables (b)	288,004	46,795
	538,045	84,913

(a) Trade payables are non-interest bearing and are normally settled on 30 – 60 day terms.

(b) Other payables are non-trade payables, are non-interest bearing and have an average term of 3 months.

19 CURRENT PROVISIONS

Employee Entitlements	22,231	17,843
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20 BORROWINGS

Current liabilities

Chattel Mortgage	19,508	17,844
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Non-current liabilities

Chattel Mortgage	3,424	22,932
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Terms and debt repayment schedule

Terms and conditions of outstanding borrowing were as follows:

			30 June 2014		30 June 2013	
	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Chattel mortgage	8.95%	2015	24,235	22,932	45,008	40,776
Total interest-bearing liabilities			24,235	22,932	45,008	40,776

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	Shares	Shares
21 CONTRIBUTED EQUITY		
<i>Ordinary shares</i>		
Issued and fully paid	100,793,862	99,662,862

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	Shares	\$
<i>Movement in ordinary shares on issue</i>		
At 1 July 2012	109,297,307	12,770,614
6 July 2012 Shares issued for professional services	365,555	13,160
4 December 2012 Cancellation of escrowed shares	(10,000,000)	-
Capital raising costs incurred	-	-
At 30 June 2013	99,662,862	12,783,774
10 October 2013 Exercise of 30 April 2014 options	10,385	519
10 October 2013 Shares issued by way of placement to investors	1,100,000	55,000
10 October 2013 Exercise of 30 April 2014 options	20,615	1,031
Capital raising costs incurred in the current year	-	-
At 30 June 2014	100,793,862	12,840,324

Options

Listed Options

No listed options to subscribe for ordinary fully paid shares were granted during the year.

No listed options to subscribe for ordinary fully paid shares are outstanding at 30 June 2014.

30,999 listed options were exercised during the year.

39,834,146 listed options lapsed or were forfeited during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

21 CONTRIBUTED EQUITY (continued)

Options (continued)

Unlisted Options

No unlisted options to subscribe for ordinary fully paid shares were granted during the year.

The following unlisted options to subscribe for ordinary fully paid shares are outstanding at 30 June 2014:

- 45,000,000 options exercisable at \$0.20 each on or before 20 May 2012 or \$0.40 if exercised between 21 May 2012 and 20 May 2015 expiring on 20 May 2015. Upon exercise, the option holder receives one fully paid ordinary share, plus 1 further option exercisable on the same terms and conditions of the one exercised.
- 6,000,000 options exercisable at \$0.20 each and expiring on 1 December 2016.

No unlisted options lapsed or were forfeited during the year.

Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$	2013 \$
22 RESERVES		
(a) Share Based Payments Reserve		
At 1 July 2013	4,760,647	4,698,241
Share based payments	62,406	62,406
At 30 June 2014	4,823,053	4,760,647
Option Premium Reserve		
At 1 July 2013	39,865	-
Options issued	-	39,865
Options exercised / expired	(39,865)	-
At 30 June 2014	-	39,865
Total Reserves	4,823,053	4,800,512

(b) Nature and purpose of reserves

Share based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued by the Group to eligible executives, employees and contractors as part of their remuneration, or for other goods and services that the Group may choose to settle with options rather than cash.

Option premium reserve

The option premium reserve is used to record the value of equity received from the issue of options.

23 CASH FLOW RECONCILIATION

	2014 \$	2013 \$
(a) Reconciliation of net loss after tax to net cash flows from operations		
Net loss	(3,790,869)	(1,543,178)
<i>Adjustments for:</i>		
Depreciation	19,046	23,235
Impairment of available-for-sale financial assets	40,160	507,860
Loss on disposal of non-current assets	6,868	-
Share based payments	62,406	62,406
Proceeds on sale of exploration tenements	(50,000)	-
Equity settled transactions	(67,500)	13,160
Prior period exploration and evaluation written off	3,106,657	-
<i>Changes in assets and liabilities</i>		
Decrease/(Increase) in prepayments	-	(1,338)
Decrease/(Increase) in trade and other receivables	24,384	585,238
Increase/(Decrease) in trade and other payables	323,159	(106,469)
Net cash from operating activities	325,689	(459,086)
(b) Non-cash investing and financing activities		
Equity settled disposal of exploration and evaluation assets	(67,500)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

24 KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

(i) Directors

Mr Douglas Daws	Chairman, Director (Non-Executive) – appointed 6 January 2011
Mr Lloyd Jones	Managing Director (Executive) – appointed Non-Executive Director on 14 February 2011 and Executive Managing Director on 20 June 2011
Mr David Ryan	Director (Non-Executive) – appointed 14 February 2011

(b) Compensation of Key Management Personnel

	2014 \$	2013 \$
Short-term employee benefits	386,476	387,064
Post-employment benefits	33,381	32,531
Termination benefits	-	-
Share based payments	62,406	62,406
	482,263	482,001

Detailed remuneration disclosures are provided in the remuneration report on pages 11 to 15.

(c) Other transactions and balances with Key Management Personnel and their related Parties

Mr D Daws

Directors fees and superannuation totalling \$54,323 (2013: \$Nil) remained payable at year end.

Mr L Jones

Salary and superannuation totalling \$186,667 (2013: \$Nil) remained payable at year end.

Mr D Ryan

Director's fees and superannuation totalling \$24,083 (2013: \$Nil) remained payable at year end.

Fees for consultancy services of \$Nil (2013: \$4,050) were paid to Skunkworks Pty Ltd during the year of which Mr D Ryan is a director under normal terms and conditions. At year end, \$Nil (2013: \$Nil) remained payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

25 RELATED PARTY DISCLOSURES

(a) Parent entities

Northern Manganese Limited is the ultimate Australian parent entity and ultimate parent of the Group.

(b) Subsidiaries

Interest in subsidiaries are set out in note 6.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 24(c).

(d) Loans to/from related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

<i>Related party</i>	<i>Amounts Owed by Related parties \$</i>	<i>Amounts Owed to Related parties \$</i>
<i>2014</i>		
Reflective Minerals Pty Ltd	2,186,795	-
North Manganese Pty Ltd	108,613	-
<i>2013</i>		
Reflective Minerals Pty Ltd	1,994,960	-
North Manganese Pty Ltd	97,557	-

Outstanding balances at year-end are eliminated on consolidation, unsecured and interest free.

Transactions with Directors and their Director related entities are detailed in Note 24(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

26 SHARE BASED PAYMENT PLANS

The following table illustrates the number (No.) and weighted average exercise prices of and movements in share options issued during the year and the prior period:

	30 June 2014 No.	30 June 2014 Weighted average exercise price	30 June 2013 No.	30 June 2013 Weighted average exercise price
Outstanding at the beginning of the period	6,000,000	\$0.20	6,000,000	\$0.20
Granted during the period	-	-	-	-
Expired during the period	-	-	-	-
Outstanding at the end of the period	6,000,000	\$0.20	6,000,000	\$0.20
Exercisable at the end of the period	-	-	-	-

The outstanding balance as at 30 June 2014 is represented by:

- 6,000,000 options over ordinary shares with an exercise price of \$0.20 each, exercisable until 1 December 2016.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2014 is 2.42 years (2013: 3.42 years).

The weighted average exercise price for options outstanding at year end was \$0.20 (2013: \$0.20).

The fair value of options granted during the year was \$Nil (2013: \$Nil).

The fair value of the listed options is measured at the market price on grant date.

The fair value of the equity-settled share options granted under the option plan is estimated as at the date of grant using a Black & Scholes model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for years ended:

	30 June 2014	30 June 2014
Volatility	-	-
Risk-free interest rate	-	-
Expected life of option	-	-
Exercise price	-	-
Grant dates share price	-	-

The Unlisted Options granted to the Group's Managing Director have vesting conditions attached to them which are JORC compliant related:

- 3 million Unlisted Options vest upon the delineation of a JORC compliant reserve of at least 50 million tonnes of Manganese on any of the projects;
- 2 million Unlisted Options vest upon the delineation of a JORC compliant reserve of at least 30 million tonnes of Manganese on any of the projects;
- 1 million Unlisted Options vest upon the delineation of a JORC compliant reserve of at least 20 million tonnes of Manganese on any of the projects

For the year ended 30 June 2014 a Share Based Payments expense of \$62,406 (2013: \$62,406) consisting of \$Nil (2013: \$Nil) for Shares and \$62,406 (2013: \$62,406) for Options has been included in the Statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

27 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Details of the above risks are disclosed at note 3 to the financial statements.

(a) Credit risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2014	2013
	\$	\$
Cash and cash equivalents	45,264	293,125
Available-for-sale financial assets	118,300	90,960
	163,564	384,085

Credit quality of Financial Assets

	AA \$	A1+ \$	A1 \$	A2 \$	Unrated
Consolidated 30 June 2014					
Cash at bank	45,264	-	-	-	-
Consolidated 30 June 2013					
Cash at bank	293,125	-	-	-	-

(b) Liquidity risk

The following are the earliest contractual maturities of financial liabilities:

	Carrying amount	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Consolidated 30 June 2014						
Non-interest bearing						
Trade and other payables	538,045	538,045	-	-	-	-
Provisions	22,231	22,231	-	-	-	-
Interest bearing						
Borrowings	22,932	19,508	3,424	-	-	-
	583,208	579,784	3,424	-	-	-
Consolidated 30 June 2013						
Non-interest bearing						
Trade and other payables	84,913	84,913	-	-	-	-
Provisions	17,843	17,843	-	-	-	-
Interest bearing						
Borrowings	40,776	8,722	9,122	19,508	3,424	-
	143,532	111,478	9,122	19,508	3,424	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

27 FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk

(i) Interest rate risk

The Group's exposure to interest rate risk is set out below:

	2014 Floating Interest Rate \$	2013 Floating Interest Rate \$	2014 Fixed Interest Rate \$	2013 Fixed Interest Rate \$
FINANCIAL ASSETS				
Cash and cash equivalents	45,264	293,125	-	-
<i>Weighted average effective interest rate</i>	0.029%	1.675%	-	-
FINANCIAL LIABILITIES				
Borrowings	-	-	(22,932)	(40,776)
<i>Weighted average effective interest rate</i>	-	-	8.95%	8.95%

Interest on financial instruments classified as floating rate is repriced at intervals of less than a year. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

The table below details the interest rate sensitivity analyses of the Group at the reporting date, holding all other variables constant. A 50 basis point favourable (+) and unfavourable (-) change is deemed to be a possible change and is used when reporting interest rate risk.

Risk Variable	Sensitivity*	Post tax effect on:		Post tax effect on:	
		Profit 2014	Equity 2014	Profit 2013	Equity 2013
Interest Rate	+0.50%	226	226	1,466	1,466
	-0.50%	(226)	(226)	(1,466)	(1,466)

* The method used to arrive at the possible change of 50 basis points was based on the analysis of the absolute nominal change of the Reserve Bank of Australia (RBA) monthly issued cash rate. Historical rates indicate that for the past five financial years, there was a bias towards an increase in interest rate ranging between 0 to 50 basis points. It is considered that 50 basis points a 'reasonably possible' estimate as it accommodates for the maximum variations inherent in the interest rate movement over the past five years.

(ii) Equity price risk

In relation to the available-for-sale financial assets, the Group have used an equity price change of 25% upper and lower representing a reasonable possible change based upon the Group's historic share price volatility over the last 12 months.

	<i>Profit or loss 25% decrease</i>	<i>Profit or loss 25% increase</i>
30 June 2014		
Available-for-sale financial assets	(29,575)	29,575
Sensitivity (net)		
30 June 2013		
Available-for-sale financial assets	(22,740)	22,740
Sensitivity (net)		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

27 FINANCIAL RISK MANAGEMENT (continued)

(d) Fair values

Fair values versus carrying amounts

Cash and cash equivalents

The carrying amount is fair value due to the liquid nature of these assets.

Other receivables

Due to the short-term nature of these financial rights, their carrying amounts are deemed to represent their fair values.

Available-for-sale financial assets

The available-for-sale financial assets have been impaired down to its fair value therefore there is no difference between its fair value and carrying value.

Fair values versus carrying amounts

The following table classifies financial instruments recognised in the statement of financial position of the Group according to the hierarchy stipulated in AASB 7 as follows:

(a) Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2 – a valuation technique is used using inputs other than quoted prices within Level 1 that are observable for the financial instrument either directly (ie. as prices) or indirectly (ie. derived from prices); or

(c) Level 3 – a valuation technique is used using inputs that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
Fair value through profit or loss				
2014				
Available-for-sale financial assets:				
Listed equity securities	118,300	-	-	118,300
2013				
Available-for-sale financial assets:				
Listed equity securities	90,960	-	-	90,960

The fair value of financial instruments traded in active markets is based upon quoted market prices at the end of the reporting period. The quoted market price is the bid price which is included in Level 1.

28 COMMITMENTS AND CONTINGENCIES

Lease commitments

Future minimum payments under the services agreement and chattel mortgage as at 30 June 2014 are as follows:

	2014 \$	2013 \$
Within one year	8,647	118,467
After one year but not more than five years	-	41,493
More than five years	-	-
	8,647	159,960

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

28 COMMITMENTS AND CONTINGENCIES (continued)

Other expenditure commitments

Expenditure commitments at 30 June 2014 but not recognised as liabilities are as follows:

Exploration expenditure commitment

	2014 \$	2013 \$
Within one year	-	544,188
After one year but not more than five years	-	1,649,752
More than five years	-	-
	-	2,193,940

Contingencies

The Group has no contingent assets and liabilities.

29 EVENTS AFTER THE REPORTING DATE

- On 1 August 2014 the Group announced that it had reached a final agreement with the Northern Territory Government and that all parties had executed a Deed of Surrender, Release and Payment.

The key features of the agreement are:

- The NT Government confirming that NTM's Mineral Titles are within the proposed coastal waters reservation area.
 - Acknowledging that the Group is in full compliance with its obligations under the Mineral Titles Act.
 - The NT Government will pay the Group the consideration of \$2.8m in exchange for the surrender of the four granted tenements affected EL 27523, EL 27550, EL27551 and MA 27605 ("Mineral Titles").
 - The Group has agreed to accept the payment as full and final settlement and discharge/release of any claims or otherwise against the NT Government.
- On 15 August 2014 the Group subsequently announced that the final payment of \$2.8m from the Northern Territory Government for the surrender of Mineral Titles had been received. The Group also confirmed that the Deed of Surrender, Release and Payment only affects the Groote Eylandt Project sea tenements and that we still own applications for four islands and three 'wet' tenements (over water) in Blue Mud Bay. The Islands are subject to negotiations but the wet tenements still fall within the moratorium. The Group also retain two Island applications within the Groote Eylandt project area that are not subject to the Deed.

No other matter or circumstance has arisen since 30 June 2014 which has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group, in subsequent financial years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2014

30 AUDITORS' REMUNERATION

	2014 \$	2013 \$
Amounts received or due and receivable for:		
An audit and review of the financial report of the Group by BDO Audit (WA) Pty Ltd	35,402	31,079
Total Remuneration of Auditors	35,402	31,079

31 PARENT ENTITY DISCLOSURES

The following details information related to the entity, Northern Manganese Limited, at 30 June 2014. The information presented here has been prepared using consistent accounting policies as presented

	2014 \$	2013 \$
Financial Position		
Assets		
Current assets	177,409	422,929
Non-current assets	2,867,103	5,853,820
Total Assets	3,044,512	6,276,749
Liabilities		
Current liabilities	579,784	120,600
Non-current liabilities	3,424	22,932
Total Liabilities	583,208	143,532
Equity		
Issued capital	12,840,324	12,783,774
Reserve	4,823,053	4,800,512
Accumulated losses	(15,202,073)	(11,451,069)
Total equity	2,461,304	6,133,217
Financial Performance		
Loss for the year	(3,790,869)	(1,543,194)
Other comprehensive loss	-	-
Total comprehensive loss	(3,790,869)	(1,543,194)
Commitments of the Parents Entity		
Operating lease		
One year or later and no later than five years	8,647	159,959
Total	8,647	159,959

DIRECTORS' DECLARATION

The Directors of the group declare that:

- 1 The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001 and:
 - (a) Comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) Give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the Group and the consolidated entity.
- 2 In the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- 3 The directors have been given the declarations by the Managing Director required by section 295A.
- 4 The consolidated entity has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Lloyd Jones
Managing Director

Perth, Western Australia
30th day of September 2014

INDEPENDENT AUDITOR'S REPORT

To the members of Northern Manganese Limited

Report on the Financial Report

We have audited the accompanying financial report of Northern Manganese Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Northern Manganese Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Northern Manganese Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Northern Manganese Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'BDO' followed by a stylized signature, likely 'Brad McVeigh'.

Brad McVeigh

Director

Perth, 30 September 2014

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd Listing Rules and not disclosed elsewhere in this report is as follows. The information is current as at 18 September 2014.

DISTRIBUTION OF EQUITY HOLDINGS

	Class of Equity Security	
	Number of Holders	Fully Paid Ordinary Shares
1 – 1,000	72	42,511
1,001 – 5,000	283	840,968
5,001 – 10,000	220	1,819,492
10,001 – 100,000	498	18,669,133
100,001 and over	150	79,421,758
	1,223	100,793,862

There were 848 Shareholders holding less than a marketable parcel

TWENTY LARGEST SHAREHOLDERS

Name of Holder	No. of Ordinary Shares Held	Percentage of Issued Capital %
Mr Garry & Mrs Devryn Connell <Connell Contractors Super Fund A/c>	10,500,000	10.42
Citicorp Nominees Pty Limited	3,696,735	3.67
HSBC Custody Nominees (Australia) Limited	3,340,736	3.31
Mr Brian Thomas Ryan	2,845,000	2.82
Mr Hung The Doan	2,748,317	2.73
JP Morgan Nominees Australia Limited	2,647,221	2.63
Seca Resources Pty Ltd <Vale 46 A/c>	2,128,450	2.11
Mr Po Fund Lawrence Chan	1,909,983	1.89
Mr John Kingswood <Kingswood Family A/c>	1,822,347	1.81
JVE Super Fund Pty Ltd <Anda Super Fund A/c>	1,732,046	1.72
Merrill Lynch (Australia) Nominees Pty Ltd	1,643,994	1.63
Mr Peter Romeo Gianni	1,500,000	1.49
Mr Zygmund and Mrs Nola Wolski <The Wolski Super Fund A/c>	1,431,500	1.42
Vier Pty Ltd	1,391,613	1.38
Ward Crowe Holdings Pty Ltd <Jennifer Ward Super Fund A/c>	942,684	0.94
Mr Gregory Kingswood	911,680	0.90
M & K Korkidas Pty Ltd <M&K Korkidas P/L Super Fund A/c>	901,583	0.89
Mr David Thai	892,755	0.89
Morton Investment Services Pty Ltd <PA Morton Super Fund A/c>	832,111	0.83
Pathold No 12 Pty Ltd <Gainmist Super Fund A/c>	830,268	0.82
Total	44,649,023	44.30

ASX ADDITIONAL INFORMATION

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Group in accordance with section 671B of the Corporations Act 2001 are:

Name of Holder	No. of Ordinary Shares Held	Percentage of Issued Capital %
Mr Garry & Mrs Devryn Connell <Connell Contractors Super Fund A/c>	10,500,000	10.42

VOTING RIGHTS

All shares carry one vote per share without restriction.

UNLISTED OPTIONS ON ISSUE

Options issued by the Group which are not listed on the Australian Stock Exchange are as follows:

- 45,000,000 options exercisable at \$0.20 each on or before 20 May 2012 or 40 cents if exercised between 21 May 2012 and 20 May 2015 expiring on 20 May 2015. Upon exercise, the option holder received one fully paid ordinary share, plus 1 further option exercisable on the same terms and conditions as the one exercised.
- 6,000,000 options exercisable at \$0.20 each and expiring on 1 December 2016 held by 1 holder.

ASX ADDITIONAL INFORMATION

Mineral Tenements Held at 18 September 2014:

Groote Eylandt, Northern Territory (Northern Manganese 100%)		
Tenement	Status	Tenement Area (km²)
A28131	Application	196.70
A28132	Application	115.00
A28133	Application	278.50
A28134	Application	772.90
A28135	Application	387.90
EL27521	Application	47.30
EL27522	Application	10.50
EL27937	Application	0.20
OEL28098	Application	1472.00
OEL28099	Application	1615.00
OEL28100	Application	1595.00
OEL28101	Application	1587.00
OEL28102	Application	1603.00
OEL28103	Application	1578.00
OEL28104	Application	1546.00
OEL28105	Application	1613.00
OEL28106	Application	1079.00
Blue Mud Bay, Northern Territory (Northern Manganese 100%)		
Tenement	Status	Tenement Area (km²)
EL28085	Application	1,349.96
EL28086	Application	1,337.84
EL28087	Application	1,192.23
EL28089	Application	4.70
EL28090	Application	1.64
EL28091	Application	7.08
EL28092	Application	2.72