# NORTHERN MANGANESE LIMITED

**ABN 24 119 494 772**

**2015 ANNUAL REPORT**

## CORPORATE DIRECTORY

**Northern Manganese Limited**
ABN 24 119 494 772

**Directors**
Garry Connell (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 11
172 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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## CHAIRMAN'S LETTER

Dear Shareholder

This last year has been one of considerable change for Northern Manganese Limited (NTM).

Catalyst for the change was the March 2012 imposition by the Northern Territory Government of a moratorium on exploration in respect of seabed mining and exploration in NT coastal waters, impacting not only NTM but also a number of other companies active in the region.

In August 2014, the company entered into a Deed of Surrender, Release and Payment in which we surrendered our Groote Eylandt tenements to the NT Government.

The $2.8 million received as compensation fell far short of NTM's accumulated expenditure on the tenements, notwithstanding a protracted negotiation in which we were able to achieve an amount double that initially offered.

Upon receipt of the funds, the company set about a cost-reduction programme involving the closure of the Darwin office, the repayment of outstanding debts, and the reduction in Board and executive remuneration.

In January 2015, I was appointed as a Director of the company, and subsequently assumed the role of Chairman, replacing Mr Doug Daws.

In light of the frustrating journey shareholders had endured through the pursuit of high-risk subsea manganese exploration, and having regard to the challenging environment for junior resources companies, I, together with my fellow Board members, came to the view that the best course for the company going forward would be to apply our funds to a low-risk near-term production opportunity.

In the depressed environment, such opportunities would potentially be available on favourable terms. Then, with cashflow at our disposal, we could set out to identify and purchase further value-adding opportunities and, in so doing, take the first steps to building a resources company of substance.

Of the many projects that the Board considered, the one that best met our stringent criteria was the Redcliffe Gold Project (RGP) held by the ASX-listed Redcliffe Resources Limited (RCF). It involves a commodity we know well (gold), is located in a favourable mining jurisdiction (Leonora in the Eastern Goldfields, Western Australia), risk has already been substantially reduced (with resources of approximately 280,000 ounces already mapped), brought with it considerable exploration upside and with production possible in the near term.

In August, NTM succeeded in securing control of the RGP through the acquisition of 51% interest, consideration being cash in the amount of $260,000 and the allotment of 13,888,889 fully paid ordinary NTM shares.

Whilst the arrangements entered into provide that NTM can earn further interests in the RGP through sole funding expenditure, it was mutually recognised that a better result would be achieved through merging the two companies.

As I write, RCF is working to put before shareholders for consideration later this calendar year a Scheme of Arrangement which, if approved, will see RCF shareholders receive one share in NTM for every 2.75 RCF shares held.

One could reasonably anticipate that, with the market capitalisation of NTM to nearly double in size as a result of the merger, this would hopefully result in increased share liquidity and, in turn, increased interest from the investment community, a potentially exciting outcome for NTM shareholders.

Shareholders will be kept fully informed of any developments with respect to the RGP and the merger with RCF as we move forward.

## CHAIRMAN'S LETTER (continued)

The year was also one of considerable challenge. In January, four of the company's 1,100 plus shareholders representing approximately 5.7% of the company's capital challenged the right of myself, Managing Director, Mr Lloyd Jones, and Non-Executive Director, Mr David Ryan, to continue on with our task. In the March shareholders' meeting that ensued, shareholders strongly supported both our retention and the removal from the Board of Mr Doug Daws, an associate of the requisitionists.

In July, after year's end, the requisitionists, disappointingly, made a further attempt to spill the Board. Again, their resolutions were defeated.

Such actions were highly disruptive to the progress of the company and came at considerable cost.

I take the opportunity of thanking Messrs Jones and Ryan for their tireless efforts during the year.

More importantly, I want to thank you our shareholders for your loyal support, and I look forward to your continued support as we transition NTM from manganese explorer to gold producer.

Yours sincerely

Garry Connell
**Chairman**

## DIRECTORS' REPORT

The Directors of Northern Manganese Limited and its controlled entities (ñNorthern Manganeseò or "the Group") present their Annual Report for the year ending to 30 June 2015 (ñthe Reporting Dateò).

### DIRECTORS

The names and details of the Companyôs 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 Garry Connell**
**Chairman, Non-Executive Director**
**Appointed as Non-Executive Director on 13 January 2015 and Chairman on 30 January 2015.**

Mr Connell is an experienced and well-respected businessman in the exploration, mining and earthmoving sectors and brings with him considerable experience and skills to the board in evaluating future potential projects and opportunities. Garry is a hands on business person and is well known for his can do approach to business and amongst other things being involved as a joint venture partner in gold mining operations.

Mr Connell has acted as a director of two public companies and brings knowledge, balanced decision making and practical skills in company and project management. He has also been involved in due diligence investigations of many organisations and projects.

During the past three years Mr Connell 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 11 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 worldôs 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)

### DIRECTORS (continued)

**Mr Douglas Daws OAM**
**Non-Executive Director**

Removed at General meeting of Shareholders on 5 March 2015.

### 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 |
|---|---|---|
| G Connell | 12,673,450 | - |
| L Jones | 2,761,942 | 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 | (0.53) cents |
| Diluted loss per share | (0.53) cents |

### DIVIDENDS

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

### REVIEW OF OPERATIONS

### GENERAL

During the year Northern Manganese Limited (NTM) surrendered to the Northern Territory Government the water based tenure comprising the Groote Eylandt Project.

As our shareholders are aware NTM have not been able to explore these tenements with the Moratorium in place and the Northern Territory Government's announcement that they would be declaring a General Reservation over the waters surrounding Groote Eylandt. NTM entered into a Deed of Surrender, Release and Payment agreement with the NT Government which allowed the gazettal of the General Reservation. As reported NTM received $2.8 million as settlement from the NT Government.

## DIRECTORS' REPORT (continued)

### REVIEW OF OPERATIONS (continued)

### GENERAL (continued)

With the surrender of the Groote Project and the continuation of the Moratorium over coastal waters, the expectations of the Moratorium being released was not seen as a realistic option for NTM in the short, medium or long term. The Board made the decision to regroup, close the Darwin Office, settle all outstanding creditors and reduce overheads wherever possible. The Managing Director voluntarily reduced his remuneration package to further conserve cash flow. This consolidation has allowed the Board to systematically review potential new acquisitions, ones that would add value to the company.

Late in December the then Chairman Mr Doug Daws brought to the board a related party project. Immediately upon the Board rejecting the deal, the first 249D requisition for a General Meeting of Shareholders to remove all Directors except Mr Daws was received.

In January 2015 our largest shareholder Mr Garry Connell was appointed to the Board and subsequently appointed as Chairman of the Board replacing Mr Daws.

The General Meeting was held on 5 March 2015 with the results being:

| Resolution | Manner in which security holder directed the proxy vote | | | Number of votes cast on poll | | | |
|---|---|---|---|---|---|---|---|
| | **For** | **Against** | **Abstain** | **For** | **Against** | **Abstain** | **RESULT** |
| **1 Removal of Director – Mr Lloyd Jones** | **26,541,646** | Shareholders 36,970,723<br>Chairman 79,530<br>**TOTAL 37,050,253** | **0** | 26,541,646 | 37,815,753 | 0 | **NOT CARRIED** |
| **2 Removal of Director – Mr David Ryan** | **26,541,646** | Shareholders 36,970,723<br>Chairman 79,530<br>**TOTAL 37,050,253** | **0** | 27,269,146 | 37,088,253 | 0 | **NOT CARRIED** |
| **3 Removal of Director – Mr Garry Connell** | **25,735,270** | Shareholders 37,777,099<br>Chairman 79,530<br>**TOTAL 37,856,629** | **0** | 26,462,770 | 37,894,629 | 0 | **NOT CARRIED** |
| **4 Election of Director – Mr Brad Denton** | **25,585,270** | Shareholders 37,927,099<br>Chairman 79,530<br>**TOTAL 38,006,629** | **0** | 26,312,770 | 38,044,629 | 0 | **NOT CARRIED** |
| **5 Election of Director – Mr James Croser** | **25,585,270** | Shareholders 37,927,099<br>Chairman 79,530<br>**TOTAL 38,006,629** | **0** | 26,312,770 | 38,044,629 | 0 | **NOT CARRIED** |
| **6 Removal of Director – Mr Doug Daws** | Shareholders 36,501,599<br>Chairman 79,530<br>**TOTAL 36,581,129** | **27,010,770** | **0** | 37,346,629 | 27,010,770 | 0 | **CARRIED** |

This was an overwhelming vote of confidence in your existing Board seeing all the requisitionists motions defeated and Mr Daws removed as a Director of NTM.

At the General Meeting Mr Connell said ñNTM is embarking on new project acquisition that fit our criteria and would add value to your companyò.

Management continued their search for a project with the right fit leading to discussions late March 2015 with the management of Redcliffe Resources Limited (RCF) who held a gold asset in the Mertondale Shear near Leonora in Western Australia called the Redcliffe Gold Project (RGP).

This engagement lead to a Confidentiality Agreement being entered into and the subsequent commencement of due diligence. It was during the due diligence process on 3 July 2015 that the second 249D was lodged by the same requisitionists and NTM was again required to call a General Meeting, to be held on 28 August 2015.

## DIRECTORS' REPORT (continued)

### REVIEW OF OPERATIONS (continued)

### GENERAL (continued)

The Board continued with their Due Diligence of the RGP whilst dealing with the matter of the second 249D. On 18 August 2015 NTM was able to announce to the market that we had acquired a 51% stake and management of the RGP in a Farm-in Agreement for a consideration of $260,000 in cash and the issue of 13,888,889 fully paid ordinary shares in NTM.

With the announcement of the acquisition NTM also highlighted a proposed merger of RCF with NTM. The merger is to be undertaken by way of a scheme of arrangement with NTM offering one fully paid NTM share for every 2.75 RCF fully paid ordinary shares. The merger will also see the NTM Board expanded with two experienced RCF Board members in Mr Bruce McFarlane and Mr Rodney Foster.

Mr Foster as Chairman and CEO of Redcliffe Resources brings a wealth of intimate knowledge of the Mertondale Shear Zone and the Redcliffe Gold Project in particular.

### EXPLORATION REVIEW

NTM advise that no exploration was undertaken in the Northern Territory due to the Moratorium still being in effect. Further on the 6 March 2015 the Minister for Mines and Resources the Honorable David Tollner announced that the Moratorium would be extended for a further three years.

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 NTM was closed in August 2014 and the office activities moved to Townsville in Queensland.

Tables 1 to 3 detail the NT Tenements, Surrendered Tenements and the newly acquired 51% interest in the Western Australian Gold Tenements. Maps of all project areas are also included.

This year will see NTM transition from a manganese focussed exploration company to a gold exploration and mining company.

**Northern Territory Projects**

NTM still retain the rights to two island tenements within the Groote Eylandt Project area both of which are subject to ñvetoòunder the Aboriginal Land Rights Act (ALRA) of 1976 and do not come before the Northern Land Council again until the first quarter in 2016;

- Four Islands in the Blue Mud Bay area subject to consent negotiations;
- Three Exploration Licences Applications in Blue Mud Bay subject to the Moratorium; and
- A group of Exploration Licence Applications in Commonwealth waters to the south of Groote Eylandt.

With the extension of the Moratorium no exploration can be planned which has lead the Board to explore for new opportunities in different commodities to add value to your company.

**Western Australian Project**

NTM announced to the market on 18 August 2015 that they had aquired a 51% interest in Redcliffe Resources Limited (RCF) Redcliffe Gold Project (RGP). This includes NTM taking on Management control of the Project.

With the focus now on the RGP key early tasks include:

- Updating recources to JORC 2102 compliant status
- Updating the mining execution plan for Golden Terrace South
- Further exploration and extensional drilling
- Review of capital and expenditure and funding requirements.

Table 1 provides the complete suite of applications that NTM 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.

## DIRECTORS' REPORT (continued)

### REVIEW OF OPERATIONS (continued)

### EXPLORATION REVIEW (continued)

### Table 1. NTM Northern Territory Applications

| 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 Exporation Licence
EL = Exploration license

## REVIEW OF OPERATIONS (continued)

## EXPLORATION REVIEW (continued)

### Table 2. Northern Manganese Ltd Tenement Holdings Surrendered Tenements

| Tenement No. | Holder | Status | Grant/(Appln) 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 |

### Table 3. Northern Manganese Ltd 51% holder Redcliffe Gold Project 51% in Western Australia

| Tenement No. | Holder | Status | Grant/(Appln) Date |
|---|---|---|---|
| M37/1276 | Redcliffe Resources Ltd * | Granted | 30/07/2008 |
| M37/1285 | Redcliffe Resources Ltd * | Granted | 12/03/2010 |
| M37/1286 | Redcliffe Resources Ltd * | Granted | 10/03/2010 |
| M37/1295 | Redcliffe Resources Ltd * | Granted | 16/08/2012 |
| P37/7647 | Redcliffe Resources Ltd * | Granted | 13/03/2009 |
| P37/7948 | Redcliffe Resources Ltd * | Granted | 12/04/2011 |

* transfers awaiting stamping prior to lodgement.

**Groote Eylandt Project –Background and locality**

NTM retain two Islands namely Winchelsea and Connexion Islands held by Exploration Licence Applications 27521 and 27522 see Figure 1.

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

Under the ALRA, NTM is prevented from engaging with the community over these two tenements so the company can only wait for the anniversary date to arrive before being able to present our case.

## DIRECTORS' REPORT (continued)

### REVIEW OF OPERATIONS (continued)

### EXPLORATION REVIEW (continued)

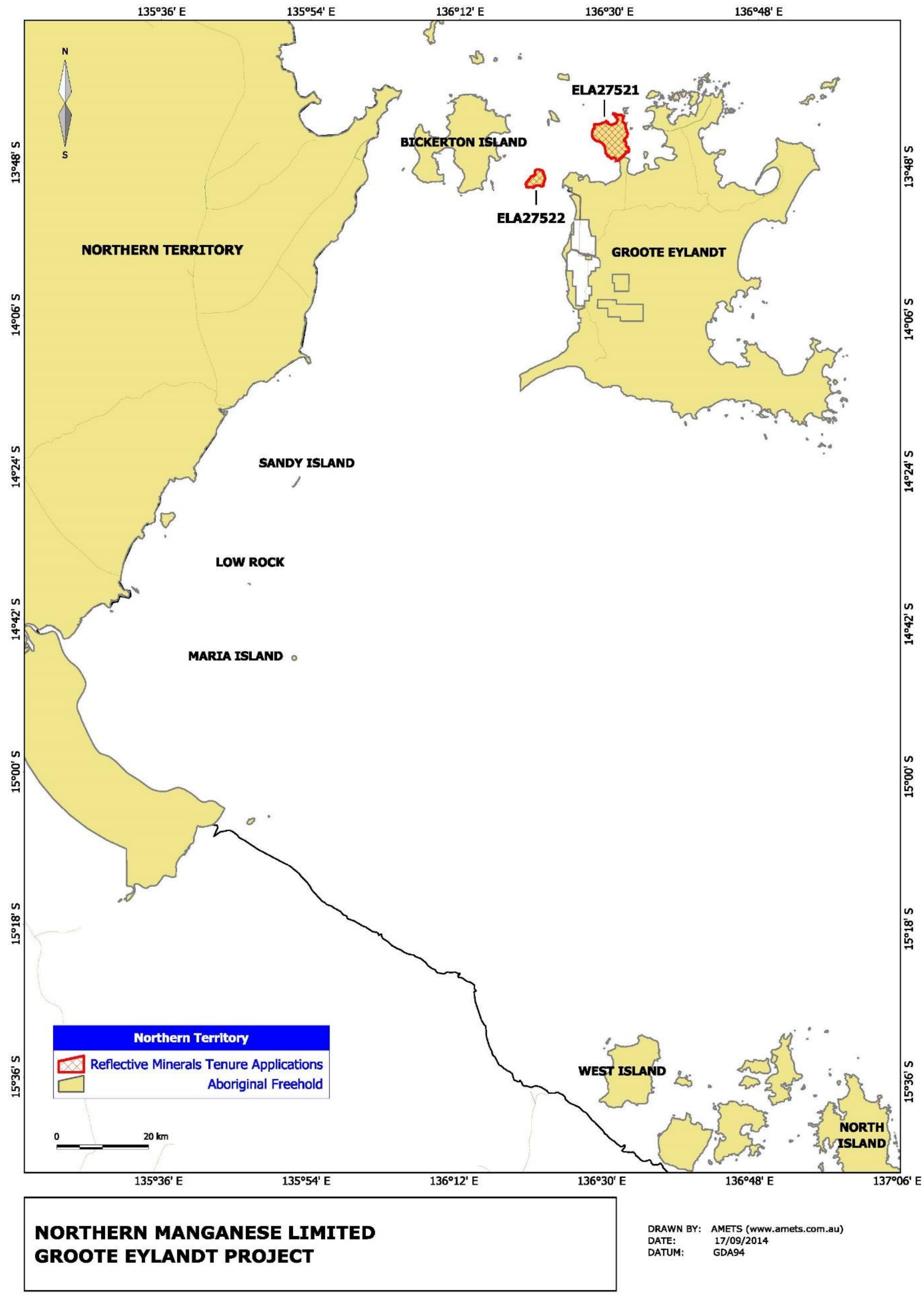



Figure 1

# DIRECTORS' REPORT (continued)

### REVIEW OF OPERATIONS (continued)

### EXPLORATION REVIEW (continued)

### Blue Mud Bay Project - Background and locality

NTM acquired 100% of North Manganese Pty Ltd (announced on 31 May 2011) an Australian company that had applied for 7 mineral exploration licenses covering approximately 3,856km2 of shallow marine terrain in close proximity to the NT mainland. Figure 2

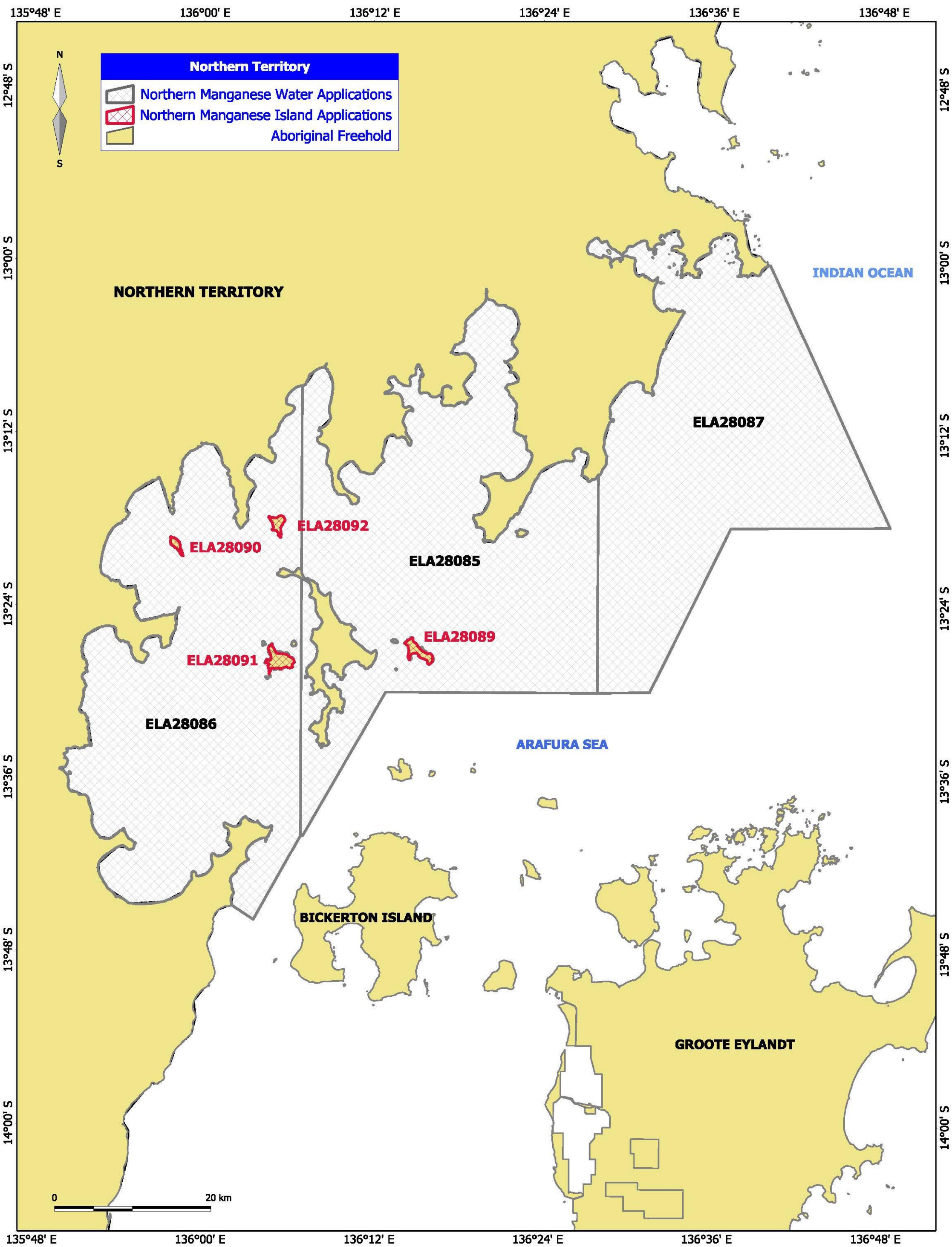
With the Moratorium in place no progress has been made in achieving grant of the water based Exploration Licences. NTM met with the NT Minister for Mines and Resources to seek removal of the Moratorium which was extended by the Government with no consultation with the affected parties. The Minister was clear that the Moratorium would run its extended three year course.

The Four Islands EL 28089, 28090, 28091 and 28092 have already entered the ócconsent to negotiateô period under the ALRA. We have recently had further correspondence with officers of the Land Council which has been actioned.

## DIRECTORS' REPORT (continued)

### REVIEW OF OPERATIONS (continued)

### EXPLORATION REVIEW (continued)




**NORTHERN MANGANESE LIMITED**
**BLUE MUD BAY PROJECT**

DRAWN BY: AMETS (www.amets.com.au)
DATE: 17/09/2014
DATUM: GDA94

Figure 2

## DIRECTORS' REPORT (continued)
### REVIEW OF OPERATIONS (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 NT Government on behalf of the Federal Government. Figure 3

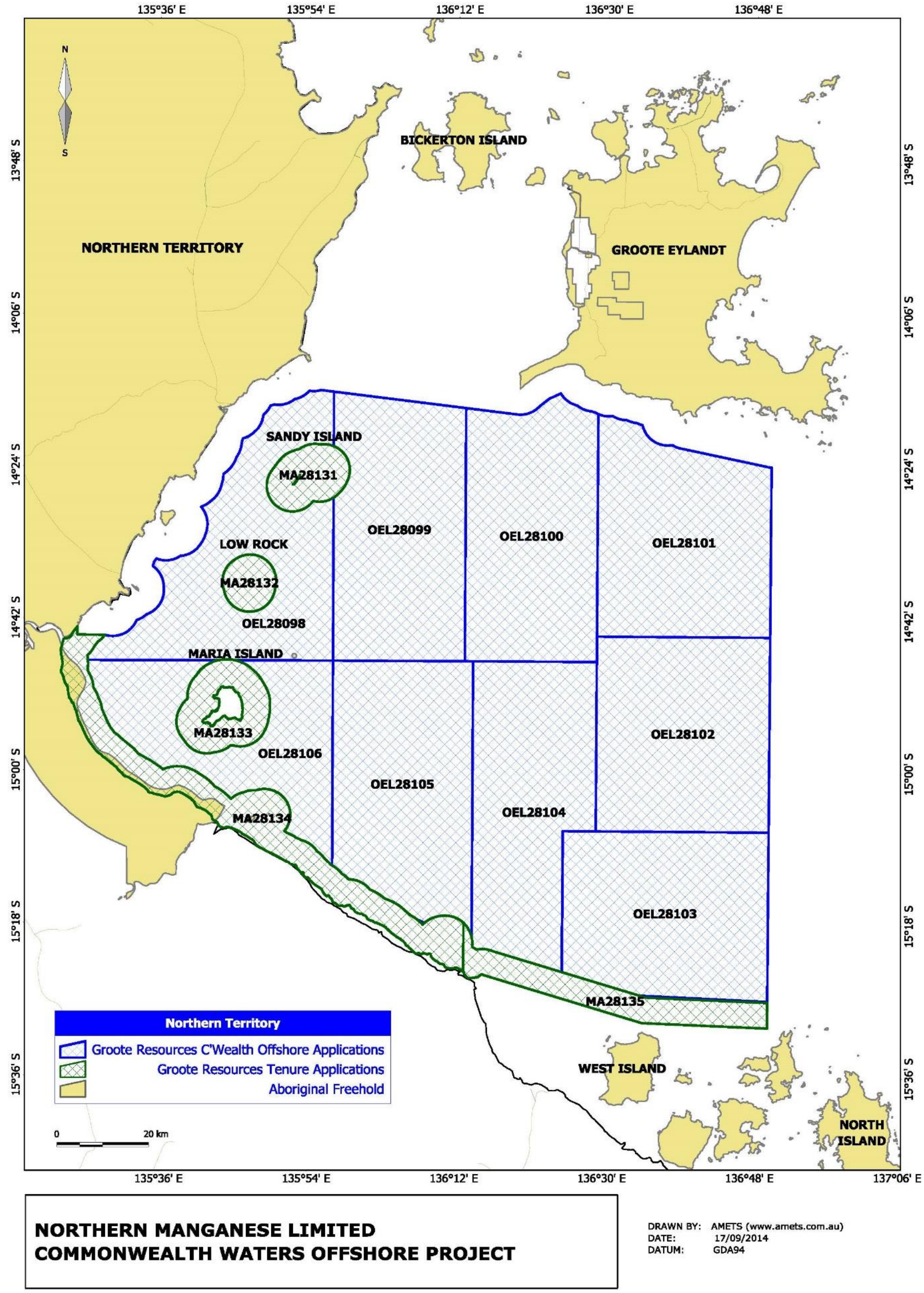



Figure 3

## REVIEW OF OPERATIONS (continued)

## EXPLORATION REVIEW (continued)

### Redcliffe Gold Project
### A LOW COST NEAR TERM GOLD PRODUCTION OPPORTUNITY
### HIGHLIGHTS

- Northern Manganese acquired a 51% stake in the RGP and assumed project management on the 18 August 2015
- Mineral resource of 278,100 ounces of gold over eight deposits
- Considerable scope to expand resources
- Potential for near term gold production
- Agreement also entered into to merge with RCF
- Merger to be effected by way of a RCF Scheme of Arrangement

The RGP is located approximately 40 to 55 km north-east of Leonora in the Eastern Goldfields of Western Australia. The RGP encompasses granted mining leases of an area of 47 square kilometres that cover a substantial strike length of the Mertondale Shear Zone, a feature that has been demonstrated to host significant gold mineralisation in many small to moderate sized gold deposits.

An estimated resource of 278,100 ounces of gold is currently interpreted, of which 969,000 tonnes @ 2.70g/t (84,100 ounces) is categorised as indicated with the remainder inferred. (Table 4)

Of the eight currently mapped deposits, the two most advanced are Golden Terrace South and Kelly Supergene. The Golden Terrace South deposit consists of a total resource of 1.39Mt @ 2.02g/t for 90,500 ounces of gold with mineralisation open along strike and at depth. The resource encompasses a near surface zone of oxide ore commencing at a depth of approximately 15 meters where results of a recently completed scoping study illustrate the potential for robust economics based on initial exploitation by way of an open-pit.

The Kelly Supergene deposit, covering a strike length of approximately 150 metres, encompasses 2.41Mt @ 1.04g/t for 80,400 ounces of gold. Moreover, the Kelly feature is open to the north and at depth. Indeed, a number of high-grade gold intersections beneath the supergene zone are yet to be factored into resource calculations. With mineralisation commencing near surface, again, this deposit is most likely to be exploited by way of an open-pit.

The RGP, which encompasses a significant number of targets that are yet to be drill-tested, is illustrated in Figure 4.

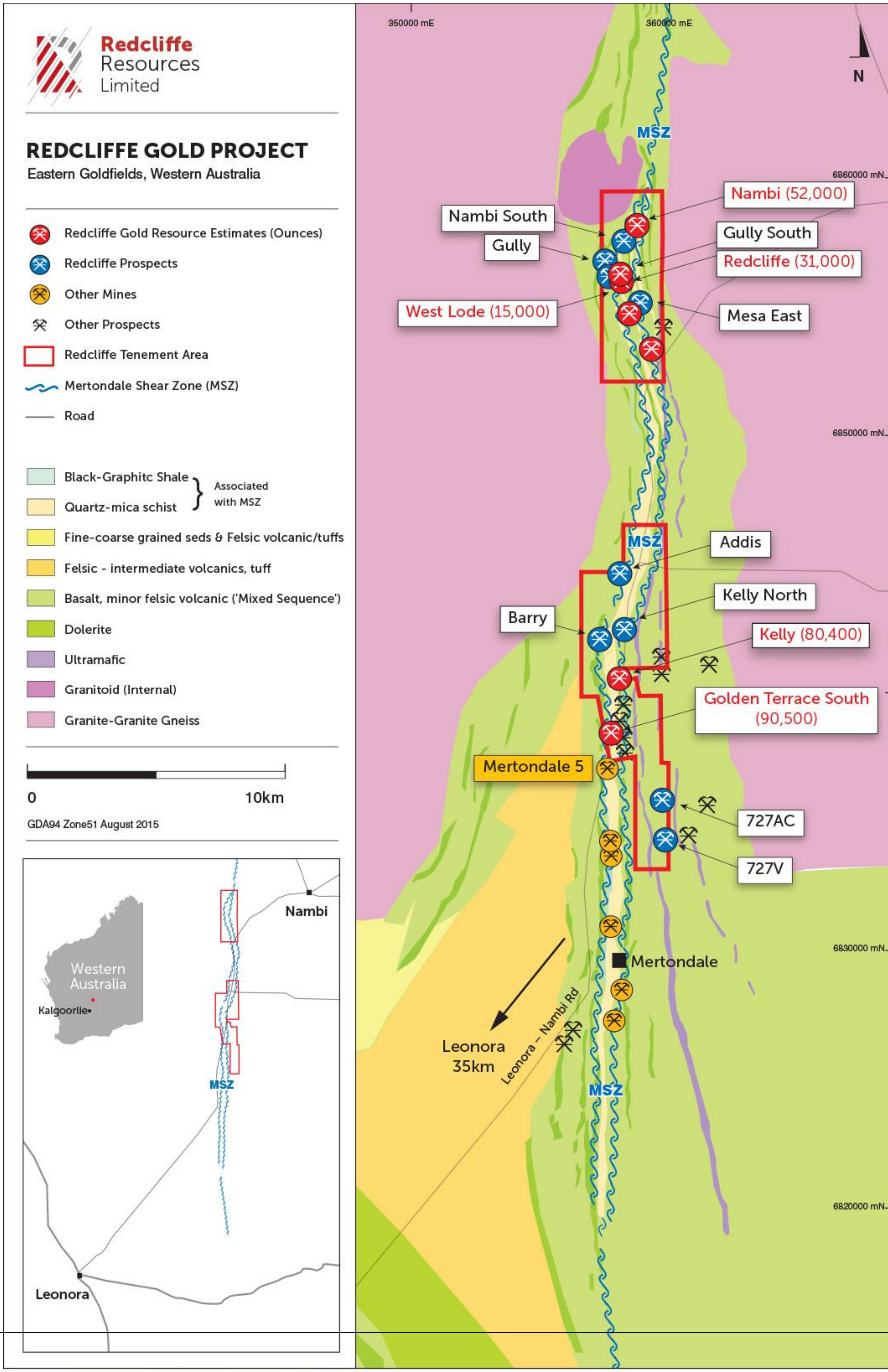
With a number of plants in the general Leonora area currently operating at less than full capacity, both NTM and RCF are confident that arrangements for the processing of RGP ore can be procured on reasonable terms.

Pursuant to the arrangements, NTM has the right to earn an additional 19% interest in the joint venture by expenditure of $300,000 over a period of up to 18 months. The arrangements further provide that once the company has earned the additional interest RCF may fund its proportionate share of expenditure moving forward. However, should it elect not to do so, NTM can sole fund to earn a further 15% interest in the joint venture, with the option to acquire from RCF the 15% outstanding should its interest increase to 85%.

NTM and RCF have also announced their intention of merging the two companies.

The proposed merger, which is the subject of a Scheme Implementation Agreement, will take place by way of a Scheme of Arrangement pursuant to which shareholders in RCF will receive one (1) NTM share for every two and three-quarters (2.75) RCF shares held. On the basis of the Volume Weighted Average Price of both NTM and Redcliffe shares traded on the ASX over the three months prior to announcement of the transaction, the merger terms see NTM paying a premium of approximately 23% to RCF shareholders.

Upon completion of the merger, RCF Directors Messrs Rodney Foster and Bruce McFarlane will be appointed to the NTM Board.



Redcliffe Resources Limited
REDCLIFFE GOLD PROJECT
Eastern Goldfields, Western Australia
Redcliffe Gold Resource Estimates (Ounces)
Redcliffe Prospects
Other Mines
Other Prospects
Redcliffe Tenement Area
Mertondale Shear Zone (MSZ)
Road
Black-Graphitc Shale
Quartz-mica schist
Associated with MSZ
Fine-coarse grained seds & Felsic volcanic/tuffs
Felsic - intermediate volcanics, tuff
Basalt, minor felsic volcanic ('Mixed Sequence')
Dolerite
Ultramafic
Granitoid (Internal)
Granite-Granite Gneiss
0
10km
GDA94 Zone51 August 2015
Western Australia
Kalgoorlie
Nambi
MSZ
Leonora
350000 mE
360000 mE
N
MSZ
6860000 mN
Nambi (52,000)
Nambi South
Gully South
Gully
Redcliffe (31,000)
West Lode (15,000)
Mesa East
6850000 mN
MSZ
Addis
Kelly North
Barry
Kelly (80,400)
Golden Terrace South (90,500)
Mertondale 5
727AC
727V
6830000 mN
Mertondale
Leonora 35km
Leonora – Nambi Rd
MSZ
6820000 mN

## DIRECTORS' REPORT (continued)

### OPERATING AND FINANCIAL REVIEW

***Operating Results for the Year***

The operating loss for the Group after income tax was $539,176 (2014: $3,790,869). 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 $1,731,686 (2014: $45,264) and net assets of $1,796,590 (2014: $2,461,304). 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;
- Research and development rebates received;
- Proceeds from disposal of exploration assets;
- Payments in relation to exploration costs;
- Payments for and proceeds from available-for-sale financial assets;
- 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 Groupós 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 no shares (2014: 30,999) 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 2015:

| **Security Description** | **Number of Securities** |
|---|---|
| Fully paid shares | 103,328,307 |
| 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***

No 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 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.

- 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.

## DIRECTORS' REPORT (continued)

### OPERATING AND FINANCIAL REVIEW (continued)

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS (continued)

- On 24 November 2014, 1,423,333 fully paid ordinary shares were issued by the Group to the Managing Director, Mr Jones in accordance with his Executive Services Contract at a price of $0.012 as approved by Shareholders at the November 2014 Annual General Meeting.

- On 13 January 2015 the Company announced the appointment of Mr Gary Connell as a Non-Executive Director and subsequently announced his appointment as Chairman on 30 January 2015 replacing Mr Douglas Daws.

- On 15 January 2015 the Company announced that they had received a 249D Notice of Requisition of Meeting to remove Directors and on the 16 January 2015 they received a further 249D Notice of Requisition of Meeting to remove Director.

- On 2 February 2015 the Company issued a Notice of General Meeting and Proxy Forms in respect of a General Meeting of Shareholders to be held in Perth on 5 March 2015 at 10.00am.

- On 5 March 2015 the Company announced the results of the General Meeting of Shareholders and advised that Resolutions 1 to 5 were not carried and Resolution 5 was carried with Douglas Daws being removed as a Director.

- On 12 February 2015, 833,334 fully paid ordinary shares were issued by the Group in lieu of professional service costs.

- On 22 April 2015, 277,778 fully paid ordinary shares were issued by the Group in lieu of professional service costs.

### SIGNIFICANT EVENTS AFTER THE REPORTING DATE

- On 2 July 2015 the Company announced that they had received a 249D Notice of Requisition of Meeting to remove the Directors.

- On 22 July 2015 the Company issued a Notice of General Meeting and Proxy Forms in respect of a General Meeting of Shareholders to be held in Perth on 28 August 2015 at 10.00am.

- On 18 August 2015 the Company announced the acquisition of a 51% stake in the Redcliffe Gold Project from Redcliffe Resources Limited ("Redcliffe") pursuant to an acquisition and farm in agreement. Consideration payable to Redcliffe consisted of $260,000 in cash and the allotment of 13,888,889 fully paid ordinary shares in the Company.

  The Company and Redcliffe also announced their intention to merge the two companies. The proposed merger, which is the subject of a Scheme Implementation Agreement, will take place by way of a Scheme of Arrangement pursuant to which shareholders in Redcliffe will receive one (1) share in the Company for every two and three-quarters (2.75) Redcliffe shares held.

- On 20 August 2015, 332,579 fully paid ordinary shares were issued by the Group in lieu of professional service costs.

- On 28 August 2015 the Company announced the results of the General Meeting of Shareholders and advised that Resolutions 1 to 6 were not carried.

No other matter or circumstance has arisen since 30 June 2015 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.

# DIRECTORS' REPORT (continued)

## OPERATING AND FINANCIAL REVIEW (continued)

### 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, it's statutory environmental performance obligations. No environmental breaches have occurred or have been notified by any Government agencies during the year ended 30 June 2015.

### 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 Garry Connell | Chairman, Director (Non-Executive) – appointed as Non-Executive Director on 13 January 2015 and Chairman on 30 January 2015 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 |
| Mr Douglas Daws | Director (Non-Executive) – appointed 6 January 2011, removed at General Meeting of Shareholders on 5 March 2015 |

**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.

# DIRECTORS' REPORT (continued)

## REMUNERATION REPORT (continued)

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 2015 year.

### Voting at the Group's 2014 Annual General Meeting

The 2014 Remuneration Report tabled at the 2014 Annual General Meeting received a "yes" vote of 93.66%.

### 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 2015 no cash bonus was paid to Directors (2014: Nil).

The remuneration of Non-Executive Directors for the year ending 30 June 2015 is detailed in the table on page 20 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.

## REMUNERATION REPORT (continued)

### 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 2015 and 2014.

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.

| | 2011<br>$ | 2012<br>$ | 2013<br>$ | 2014<br>$ | 2015<br>$ |
|---|---|---|---|---|---|
| Revenue | 221,769 | 80,915 | 26,699 | 123,081 | 144,602 |
| Net Loss | (4,558,958) | (1,524,020) | (1,543,178) | (3,790,869) | (539,176) |
| (Loss) per share (cents) | (5.16) | (1.53) | (1.48) | (3.77) | (0.53) |
| Share price at year end | $0.13 | $0.05 | $0.035 | $0.011 | $0.017 |

***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.

***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.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (continued)

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 reduced to $180,000 including superannuation, effective 1 November 2014, all other terms and conditions in his existing Executive Services Contract remain unchanged. In addition, 1,423,333 ordinary shares were issued to Mr Jones on 24 November 2014 in accordance with his Executive Services Contract at a price of $0.012 as approved by Shareholders at the November 2014 Annual General Meeting. The issue of these shares was designed to reward Mr Jones for his services and to act as an incentive for future performance. They are not subject to vesting or performance conditions.

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 2015**

| | **Short Term** | | **Post Employment** | **Termination Benefits** | **Share Based Payments** | **Total** | **Fixed Remuneration** | **At risk – LTI** |
|---|---|---|---|---|---|---|---|---|
| | **Salary & Fees** | **Non Monetary Benefits** | **Superannuation** | | | | | |
| | ***$*** | ***$*** | ***$*** | ***$*** | ***$*** | ***$*** | ***%*** | ***%*** |
| **Non-Executive Directors** | | | | | | | | |
| G Connell | 16,936 | - | - | - | - | 16,936 | 100% | - |
| D Ryan | 32,964 | - | 3,132 | - | - | 36,096 | 100% | - |
| D Daws | 47,220 | - | 4,486 | - | - | 51,706 | 100% | - |
| | **97,120** | **-** | **7,618** | **-** | **-** | **104,738** | | |
| **Executive Directors** | | | | | | | | |
| L Jones | 206,266 | 25,600 | 18,508 | - | (140,696) | 109,678 | 100% | - |
| | **206,266** | **25,600** | **18,508** | **-** | **(140,696)** | **109,678** | | |
| **Total** | **303,386** | **25,600** | **26,126** | **-** | **(140,696)** | **214,416** | | |

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (continued)

### Remuneration of Key Management Personnel (continued)

**Table 2: Remuneration for the year ended 30 June 2014**

| | Short Term | | Post Employment | Termination Benefits | Share Based Payments | Total | Fixed Remuneration | At risk – LTI |
|---|---|---|---|---|---|---|---|---|
| | Salary & Fees | Non Monetary Benefits | Superannuation | | | | | |
| | $ | $ | $ | $ | $ | $ | % | % |
| **Non-Executive Directors** | | | | | | | | |
| D Ryan | 33,027 | - | 3,055 | - | - | 36,082 | 100% | - |
| D Daws | 71,556 | - | 6,619 | - | - | 78,175 | 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** | | |

### Equity Based Compensation – 2015

1,423,333 ordinary shares were issued to Mr Jones on 24 November 2014 in accordance with his Executive Services Contract at a price of $0.012 as approved by Shareholders at the November 2014 Annual General Meeting. The issue of these shares was designed to reward Mr Jones for his services and to act as an incentive for future performance. No other equity based compensation was given to Directors or Executives in the 2015 Financial Year.

### Shareholdings of Key Management Personnel

| **30 June 2015** | *Balance 01 Jul 14* | *Granted as Remuneration* | *On Exercise of Options* | *Net Change Other* | *Balance 30 Jun 15* |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| G Connell | - | - | - | 12,673,450 | 12,673,450 |
| L Jones | 790,659 | 1,423,333 | - | 547,950 | 2,761,942 |
| D Ryan | 282,990 | - | - | - | 282,990 |
| D Daws | 96,530 | - | - | (96,530) | - |
| | **1,170,179** | **1,423,333** | **-** | **13,124,870** | **15,718,382** |

### Compensation Options granted during the year ended 30 June 2015

No compensation options were granted to Directors or Executives in the 2015 Financial Year.

### Option holdings of Key Management Personnel

| **30 June 2015** | *Balance 01 Jul 14* | *Granted as Remune-ration* | *Options Exercised* | *Net Change / Other* | *Balance 30 Jun 15* | *Total* | *Vested & Exercisable* | *Not Exercisable* |
|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | |
| G Connell | - | - | - | - | - | - | - | - |
| L Jones | 6,000,000 | - | - | - | 6,000,000 | - | - | - |
| D Ryan | - | - | - | - | - | - | - | - |
| D Daws | - | - | - | - | - | - | - | - |
| **Total** | **6,000,000** | **-** | **-** | **-** | **6,000,000** | **-** | **-** | **-** |

During the year no 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** |
| *Current Directors* | | |
| G Connell | 3 | 4 |
| L Jones | 5 | 5 |
| D Ryan | 5 | 5 |
| D Daws | 1 | 2 |

**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 (2014: $Nil) in respect of Directorsô and Officersô 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 Groupœs corporate governance statement has been released as a separate document and is located on our website at www.northernmanganese.com.au.

## 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 auditorœs 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 nonï audit services were paid to the external auditors during the year ended 30 June 2014 or 2015.

## DIRECTORS' REPORT (continued)

### AUDITOR INDEPENDENCE

The Directors received the declaration included on page 24 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
29th day of September 2015

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Subiaco, WA 6008
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Australia

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF NORTHERN MANGANESE LIMITED

As lead auditor of Northern Manganese Limited for the year ended 30 June 2015, 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.

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 29 September 2015

# Financial Statements

**FOR THE YEAR ENDED 30 JUNE 2015**

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 30 JUNE 2015

| | *Notes* | ***2015*** ***$*** | ***2014*** ***$*** |
|---|---|---|---|
| Revenue from continuing operations | 7 | **43,040** | 817 |
| Other income | 8 | **139,759** | 320,116 |
| | | | |
| Administration expenses | | **(63,932)** | (26,964) |
| Impairment of available-for-sale financial assets | | **-** | (40,160) |
| Compliance costs | | **(282,678)** | (195,115) |
| Consultants fees | | **(81,178)** | (20,619) |
| Depreciation expense | 9(a) | **(11,517)** | (19,046) |
| Directors fees | 9(b) | **(104,738)** | (114,257) |
| Due diligence expenses | | **(7,364)** | - |
| Employee benefits expense | | **(209,920)** | (311,759) |
| Exploration and evaluation | | **(28,760)** | (3,182,321) |
| Investor relations expenses | | **(22,098)** | (9,084) |
| Loss on disposal of non-current assets | | **(27,268)** | (6,868) |
| Office accommodation expenses | 9(c) | **(9,229)** | (116,873) |
| Travel expenses | | **(13,989)** | (6,330) |
| Share based payments (expense) / benefit | 26 | **140,696** | (62,406) |
| **Loss before income tax** | | **(539,176)** | (3,790,869) |
| Income tax benefit | 10 | **-** | - |
| **Loss for the year** | | **(539,176)** | (3,790,869) |
| **Other comprehensive loss for the year, net of tax** | | **-** | - |
| **Total comprehensive loss for the year attributable to owners of Northern Manganese Ltd** | | **(539,176)** | (3,790,869) |
| **Loss per share for loss attributable to the ordinary equity holders of the Group:** | | | |
| Basic loss per Share (cents per share) | 12(b) | **(0.53)** | (3.77) |
| Diluted loss per Share (cents per share) | 12(b) | **(0.53)** | (3.77) |

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### AS AT 30 JUNE 2015

| | Notes | ***2015***<br>***$*** | ***2014***<br>***$*** |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 13 | **1,731,686** | 45,264 |
| Trade and other receivables | 14 | **8,894** | 13,845 |
| Prepayments | 15 | **1,031** | - |
| Available-for-sale financial assets | 16 | **82,955** | 118,300 |
| **Total Current Assets** | | **1,824,566** | 177,409 |
| | | | |
| **Non-current Assets** | | | |
| Exploration and evaluation expenditure | 17 | **-** | 2,800,000 |
| Plant and equipment | 18 | **31,582** | 67,103 |
| **Total Non-current Assets** | | **31,582** | 2,867,103 |
| **TOTAL ASSETS** | | **1,856,148** | 3,044,512 |
| | | | |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 19 | **48,758** | 538,045 |
| Provisions | 20 | **7,376** | 22,231 |
| Borrowings | 21 | **3,424** | 19,508 |
| **Total Current Liabilities** | | **59,558** | 579,784 |
| | | | |
| **Non-current Liabilities** | | | |
| Borrowings | 21 | **-** | 3,424 |
| **Total Non-current Liabilities** | | **-** | 3,424 |
| **TOTAL LIABILITIES** | | **59,558** | 583,208 |
| **NET ASSETS** | | **1,796,590** | 2,461,304 |
| | | | |
| **EQUITY** | | | |
| **Equity attributable to equity holders** | | | |
| Contributed equity | 22 | **12,872,562** | 12,840,324 |
| Reserves | 23 | **4,665,277** | 4,823,053 |
| Accumulated losses | | **(15,741,249)** | (15,202,073) |
| **TOTAL EQUITY** | | **1,796,590** | 2,461,304 |

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 30 JUNE 2015

| | | Attributable to Owners of Northern Manganese Limited | | | |
|---|---|---|---|---|---|
| | Notes | Contributed Equity | Reserves | Accumulated Losses | Total |
| **Consolidated** | | **$** | **$** | **$** | **$** |
| **Balance at 1 July 2013** | | 12,783,774 | 4,800,512 | (11,451,069) | 6,133,217 |
| Loss for the year | | - | - | (3,790,869) | (3,790,869) |
| **Total comprehensive loss** | | - | - | (3,790,869) | (3,790,869) |
| | | | | | |
| **Transactions with owners in their capacity as owners** | | | | | |
| Contributions of equity | 22 | 56,550 | - | - | 56,550 |
| Transaction costs | 22 | - | - | - | - |
| Employee options | 23 | - | 62,406 | - | 62,406 |
| Transfer to accumulated losses | 23 | - | (39,865) | 39,865 | - |
| **Balance at 30 June 2014** | | 12,840,324 | 4,823,053 | (15,202,073) | 2,461,304 |
| | | | | | |
| Loss for the year | | - | - | **(539,176)** | **(539,176)** |
| **Total comprehensive loss** | | - | - | **(539,176)** | **(539,176)** |
| | | | | | |
| **Transactions with owners in their capacity as owners** | | | | | |
| Contributions of equity | 22 | **20,000** | **-** | **-** | **20,000** |
| Transaction costs | 22 | **(4,842)** | **-** | **-** | **(4,842)** |
| Employee shares | 22 | **17,080** | **-** | **-** | **17,080** |
| Employee options | 23 | **-** | **(157,776)** | **-** | **(157,776)** |
| **Balance at 30 June 2015** | | **12,872,562** | **4,665,277** | **(15,741,249)** | **1,796,590** |

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 2015

| | *Notes* | ***2015*** ***$*** | *2014* *$* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Payments to suppliers and employees | | **(1,157,522)** | (529,122) |
| Interest received | | **40,355** | 817 |
| Research and development rebates received | | **114,737** | 197,852 |
| Other income | | **-** | 4,764 |
| **Net cash (outflows) used in operating activities** | 24 | **(1,002,430)** | (325,689) |
| **Cash flows from investing activities** | | | |
| Payments for exploration and evaluation | | **(143,901)** | (10,878) |
| Proceeds from disposal of exploration assets | | **2,800,000** | 50,000 |
| Payments for available-for-sale financial assets | | **(141,540)** | - |
| Proceeds from sale of available-for-sale financial assets | | **201,907** | - |
| Payments for plant and equipment | | **(3,264)** | - |
| **Net cash (outflows) used in investing activities** | | **2,713,202** | 39,122 |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | **-** | 56,550 |
| Payments for share issue costs | | **(4,842)** | - |
| Repayment of borrowings | | **(19,508)** | (17,844) |
| **Net cash inflows from financing activities** | | **(24,350)** | 38,706 |
| Net (decrease) in cash and cash equivalents | | **1,686,422** | (247,861) |
| Cash and cash equivalents at beginning of financial year | | **45,264** | 293,125 |
| **Cash and cash equivalents at end of financial year** | 13 | **1,731,686** | 45,264 |

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 2015

### 1 CORPORATE INFORMATION

The financial statements of Northern Manganese Limited for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Directors on 29th September 2015.

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 itœs subsidiaries (the Group) for 30 June 2015.

The nature of the operations and principal activities of the Group are described in the DirectorsôReport.

### 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 ended 30 June 2015 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The Group has not early adopted any new accounting standards.

*(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.

**(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 2015 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)).

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Principles of Consolidation (continued)

*(i) Subsidiaries (continued)*
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 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.

### (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.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (f) Investments and other financial assets

**Classification**
The Group classifies its financial assets in the following categories: financial assets are 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 of 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.

**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 though 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 ôfinancial assets at fair value through profit or lossô 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 Groupôs 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Investments and other financial assets (continued)

**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.

*(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 though 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Exploration and evaluation expenditure (continued)

*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.

### (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 ï 5 to 8 years
- Furniture and fittings ï 5 to 10 years
- Motor Vehicles ï 8 years

The assetsô 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 2015**

## 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.

## 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 employeesôservices 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.

## 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 not 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.

## 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.

## 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 s 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.

### (t) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been issued that are not mandatory for financial year ended 30 June 2015. They have not been adopted in preparing the financial statements for the year ended 30 June 2015 and are expected to impact the entity in the period of initial application. In all cases the entity intends to apply these standards from application date as indicated in the table below.

| AASB Reference | Title and Affected Standard(s): | Nature of Change | Application Date | Impact of Initial Application |
|---|---|---|---|---|
| AASB 9 (issued December 2014) | Financial Instruments | **Classification and measurement**<br>AASB 9 amendments the classification and measurement of financial assets:<br>• Financial assets will either be measured at amortised cost, fair<br>***…continued over page…*** | Annual reporting periods beginning on or after 1 January 2018 | Adoption of AASB 9 is only mandatory for the year ending 30 June 2019. The entity has not yet made an assessment of the impact of these amendments. |

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) New standards and interpretations not yet adopted (continued)

| AASB Reference | Title and Affected Standard(s): | Nature of Change | Application Date: | Impact of Initial Application |
|---|---|---|---|---|
| AASB 9 (issued December 2014) ï continued | Financial Instruments | ***…continued from previous page…***<br>• value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL).<br>• Financial assets are measured at amortised cost or FVTOCI if certain restrictive conditions are met. All other financial assets are measured at FVTPL.<br>• All investments in equity instruments will be measured at fair value. For those investments in equity instruments that are not held for trading, there is an irrevocable election to present gains and losses in OCI. Dividends will be recognised in profit or loss.<br><br>The following requirements have generally been carried forward unchanged from AASB 139 *Financial Instruments: Recognition and Measurement* into AASB 9:<br>• Classification and measurement of financial liabilities, and<br>• Derecognition requirements for financial assets and liabilities.<br>However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liabilityÕs credit risk are recognised in other comprehensive income.<br><br>**Impairment**<br>The new impairment model in AASB 9 is now based on an óexpected lossô model rather than an óincurred lossô model.<br>A complex three stage model applies to debt instruments at amortised cost or at fair value through other comprehensive income for recognising impairment losses.<br>***…continued over page…*** | | |

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) New standards and interpretations not yet adopted (continued)

| AASB Reference | Title and Affected Standard(s): | Nature of Change | Application Date: | Impact of Initial Application |
|---|---|---|---|---|
| AASB 9 (issued December 2014) - continued | Financial Instruments | ***…continued from previous page…***<br><br>A simplified impairment model applies to trade receivables and lease receivables with maturities that are less than 12 months.<br>For trade receivables and lease receivables with maturity longer than 12 months, entities have a choice of applying the complex three stage model or the simplified model.<br><br>**Hedge accounting**<br>Under the new hedge accounting requirements:<br>• The 80-125% highly effective threshold has been removed<br>• Risk components of non-financial items can qualify for hedge accounting provided that the risk component is separately identifiable and reliably measurable<br>• An aggregated position (i.e. combination of a derivative and a non-derivative) can qualify for hedge accounting provided that it is managed as one risk exposure<br>• When entities designate the intrinsic value of options, the initial time value is deferred in OCI and subsequent changes in time value are recognised in OCI<br>• When entities designate only the spot element of a forward contract, the forward points can be deferred in OCI and subsequent changes in forward points are recognised in OCI. Initial foreign currency basis spread can also be deferred in OCI with subsequent changes be recognised in OCI<br>• Net foreign exchange cash flow positions can qualify for hedge accounting. | | |

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) New standards and interpretations not yet adopted (continued)

| AASB Reference | Title and Affected Standard(s): | Nature of Change | Application Date: | Impact of Initial Application |
|---|---|---|---|---|
| AASB 15 (issued December 2014) | Revenue from Contracts with Customers | An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 *Revenue*. | Annual reporting periods beginning on or after 1 January 2018 | Due to the recent release of this standard, the entity has not yet made a detailed assessment of the impact of this standard. |

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 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 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.

## 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

***(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.

## 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 $28,760 (2014: $3,182,321) have been written off during the year.

## 4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

### *(a) Impairment of capitalised exploration and evaluation expenditure (continued)*

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.

### *(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.

During the period the share based payment expense recognised of $157,776 has been reversed as the vesting conditions are no longer expected to be met.

### *(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 $76,540 (2015: $40,160) 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.

| | **2015 $** | 2014 $ |
|---|---|---|
| Revenue from external sources | **-** | - |
| Reportable segment profit / (loss) | **(36,124)** | (3,064,821) |
| Reportable segment assets | **-** | 2,800,000 |
| Reportable segment liabilities | **(1,698)** | (146,470) |
| | | |
| **Reconciliation of reportable segment profit or loss** | | |
| Reportable segment profit (loss) | **(36,124)** | (3,064,821) |
| | | |
| Unallocated: | | |
| Corporate expenses | **(546,092)** | (726,865) |
| Interest income | **43,040** | 817 |
| **Loss before income tax** | **(539,176)** | (3,790,869) |
| | | |
| **Reconciliation of reportable segment assets** | | |
| Segment assets | **-** | 2,800,000 |
| Intersegment eliminations | | |
| | | |
| Unallocated: | | |
| Cash and cash equivalents | **1,731,686** | 45,264 |
| Trade and other receivables | **8,894** | 13,845 |
| Prepayments | **1,031** | - |
| Available-for-sale financial assets | **82,955** | 118,300 |
| Plant & equipment | **31,582** | 67,103 |
| **Total assets as per statement of financial position** | **1,856,148** | 3,044,512 |
| | | |
| **Reconciliation of reportable segment liabilities** | | |
| Segment liabilities | **(1,698)** | (146,470) |
| Intersegment eliminations | | |
| | | |
| Unallocated: | | |
| Trade and other payables | **(47,060)** | (391,575) |
| Provisions | **(7,376)** | (22,231) |
| Borrowings | **(3,424)** | (22,932) |
| **Total liabilities as per statement of financial position** | **(59,558)** | (583,208) |

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 | 2015 % | 2014 % |
|---|---|---|---|---|
| Reflective Minerals Pty Ltd | Australia | Ordinary | 100 | 100 |
| North Manganese Pty Ltd | Australia | Ordinary | 100 | 100 |

| | ***2015*** ***$*** | *2014* *$* |
|---|---|---|
| **7 REVENUE FROM CONTINUING OPERATIONS** | | |
| Interest revenue | **43,040** | 817 |
| | **43,040** | 817 |
| **8 OTHER INCOME** | | |
| Research and development tax concession | **114,737** | 197,852 |
| Proceeds from sale of exploration assets | **-** | 117,500 |
| Gain on disposal of equity securities | **25,022** | - |
| Sundry income | **-** | 4,764 |
| | **139,759** | 320,116 |
| **9 EXPENSES** | | |
| **(a) Depreciation** | | |
| Depreciation | **11,517** | 19,046 |
| | **11,517** | 19,046 |
| **(b) Directors fees included in statement of profit or loss and other comprehensive income** | | |
| Director fees | **97,120** | 104,583 |
| Superannuation costs | **7,618** | 9,674 |
| | **104,738** | 114,257 |
| **(c) Office accommodation expense included in statement of profit or loss and other comprehensive income** | | |
| Office rental payments | **9,229** | 116,873 |
| | **9,229** | 116,873 |

## 10 INCOME TAX

| | ***2015*** | *2014* |
|---|---|---|
| | ***$*** | *$* |
| **(a) The components of tax benefit comprise:** | | |
| Current tax | **-** | - |
| Deferred tax | **-** | - |
| Income tax benefit reported in the statement of comprehensive income | **-** | - |
| **(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 | **(539,176)** | (3,790,869) |
| Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2014: 30%) | **(161,753)** | (1,137,261) |
| Add tax effect of: | | |
| Tax losses and timing differences not brought to account | **161,753** | 1,137,261 |
| Income tax benefit | **-** | - |
| **(c) Deferred income tax at 30 June relates to the following** | | |
| **Deferred tax liabilities:** | | |
| Exploration and evaluation expenditure | **-** | (840,000) |
| Accrued interest income | **(806)** | - |
| Prepayments | **(309)** | - |
| Deferred tax asset netted off against deferred tax liability | **1,115** | 840,000 |
| | **-** | - |
| **Deferred tax assets:** | | |
| Accrued audit fees | **5,076** | 4,500 |
| Accrued expenses - other | **-** | 1,288 |
| Employee Provisions | **2,213** | 6,669 |
| Capital raising costs | **5,021** | 6,902 |
| Tax losses | **3,517,273** | 4,140,658 |
| Tax asset utilised to offset deferred tax liability | **(1,115)** | (840,000) |
| Deferred tax asset not recognised | **(3,528,468)** | (3,320,017) |
| | **-** | - |
| **Net deferred tax assets/(liabilities)** | **-** | - |

The Group has tax losses of $11,724,244 (2014: $13,802,193) that are available indefinitely for offset against future taxable profits of the Group. The recoupment of available tax losses as at 30 June 2015 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.

## 11 DIVIDENDS PAID AND PROPOSED

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

| | ***2015*** | *2014* |
|---|---|---|
| | ***$*** | *$* |
| **12 LOSS PER SHARE** | | |
| **(a) Loss used in calculating loss per share** | | |
| For basic and diluted loss per share: | | |
| *Loss attributable to owners of Northern Manganese Limited* | **(539,176)** | (3,790,869) |

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**

| | ***2015*** | *2014* |
|---|---|---|
| | ***Number*** | *Number* |
| Weighted average number of ordinary shares used in calculating basic and diluted loss per share. | **102,018,486** | 100,468,362 |
| Basic and diluted loss per share (cents per share) | **(0.53)** | (3.77) |

**(c) Information on the classification of securities**

*(i) Options*

6,000,000 options (2014: 51,000,000) 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.

| | ***2015*** | *2014* |
|---|---|---|
| | ***$*** | *$* |
| **13 CASH AND CASH EQUIVALENTS** | | |
| Cash at bank and in hand | **1,731,686** | 45,264 |
| | **1,731,686** | 45,264 |

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.

## 14 TRADE & OTHER RECEIVABLES

| | 2015 $ | 2014 $ |
|---|---|---|
| Rental bonds receivable | | - |
| GST receivable | **6,208** | 11,478 |
| Other | **2,686** | 2,367 |
| | **8,894** | 13,845 |

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.

## 15 PREPAYMENTS

| | 2015 $ | 2014 $ |
|---|---|---|
| Prepaid insurance premiums | **1,031** | - |
| | **1,031** | - |

## 16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | 2015 $ | 2014 $ |
|---|---|---|
| Listed equity securities: | | |
| Balance at beginning of the year | **118,300** | 90,960 |
| Acquisition of equity securities | **141,540** | 67,500 |
| Proceeds from sale of equity securities | **(201,907)** | - |
| Gain on disposal of equity securities | **25,022** | - |
| Impairment of available-for-sale financial assets | **-** | (40,160) |
| At 30 June | **82,955** | 118,300 |

The listed equity securities have been impaired down to fair value based on the ASX bid price as at 30 June 2015.

## 17 EXPLORATION & EVALUATION

| | 2015 $ | 2014 $ |
|---|---|---|
| Balance at beginning of the year | **2,800,000** | 5,760,803 |
| Expenditure incurred | **28,760** | 221,518 |
| Expenditure written off | **(28,760)** | (3,182,321) |
| Proceeds received for surrender of tenements | **(2,800,000)** | - |
| At 30 June | **-** | 2,800,000 |

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 $28,760 (2014: $3,182,321) have been written off during the year.

Refer to note 4(a) for further details.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2015

### 18 PLANT AND EQUIPMENT

| | **2015** **$** | 2014 $ |
|---|---|---|
| Plant and equipment at cost | **46,420** | 52,080 |
| Disposals | **(13,772)** | (7,254) |
| Accumulated depreciation | **(26,758)** | (31,467) |
| Net carrying amount | **5,890** | 13,359 |
| | | |
| At July 1, net of accumulated depreciation | **13,359** | 22,074 |
| Additions | **1,595** | - |
| Disposals | **(5,592)** | (2,247) |
| Depreciation charge for the year | **(3,472)** | (6,468) |
| As at 30 June, net of accumulated depreciation | **5,890** | 13,359 |
| | | |
| Furniture & Fittings at cost | **31,962** | 37,402 |
| Disposals | **(29,193)** | (7,109) |
| Accumulated depreciation | **(353)** | (7,347) |
| Net carrying amount | **2,416** | 22,946 |
| | | |
| At July 1, net of accumulated depreciation | **22,946** | 30,176 |
| Additions | **1,669** | - |
| Disposals | **(21,676)** | (4,621) |
| Depreciation charge for the year | **(523)** | (2,609) |
| As at 30 June, net of accumulated depreciation | **2,416** | 22,946 |
| | | |
| Motor Vehicles at cost | **62,624** | 62,624 |
| Accumulated depreciation | **(42,194)** | (35,384) |
| Net carrying amount | **20,430** | 27,240 |
| | | |
| At July 1, net of accumulated depreciation | **27,240** | 36,320 |
| Additions | **-** | - |
| Disposals | **-** | - |
| Depreciation charge for the year | **(6,810)** | (9,080) |
| As at 30 June, net of accumulated depreciation | **20,430** | 27,240 |
| | | |
| Professional Library at cost | **5,091** | 5,091 |
| Accumulated depreciation | **(2,245)** | (1,533) |
| Net carrying amount | **2,846** | 3,558 |
| | | |
| At July 1, net of accumulated depreciation | **3,558** | 4,447 |
| Additions | **-** | - |
| Disposals | **-** | - |
| Depreciation charge for the year | **(712)** | (889) |
| As at 30 June, net of accumulated depreciation | **2,846** | 3,558 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2015

| | **2015** | 2014 |
|---|---|---|
| | **$** | $ |
| **18 PLANT AND EQUIPMENT (continued)** | | |
| Total Plant & Equipment, Furniture & Fittings and Motor Vehicles at cost | **103,132** | 142,834 |
| Accumulated depreciation | **(71,550)** | (75,731) |
| Net carrying amount | **31,582** | 67,103 |
| At July 1, net of accumulated depreciation | **67,103** | 93,017 |
| Additions | **3,264** | - |
| Disposals | **(27,268)** | (6,868) |
| Depreciation charge for the year | **(11,517)** | (19,046) |
| As at 30 June, net of accumulated depreciation | **31,582** | 67,103 |

### 19 TRADE AND OTHER PAYABLES

| | | |
|---|---|---|
| Trade payables (a) | **16,206** | 250,041 |
| Other payables (b) | **32,552** | 288,004 |
| | **48,758** | 538,045 |

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

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

| | **2015** | 2014 |
|---|---|---|
| | **$** | $ |
| **20 CURRENT PROVISIONS** | | |
| Employee Entitlements | **7,376** | 22,231 |
| **21 BORROWINGS** | | |
| **Current liabilities** | | |
| Chattel Mortgage | **3,424** | 19,508 |
| **Non-current liabilities** | | |
| Chattel Mortgage | **-** | 3,424 |

**Terms and debt repayment schedule**

Terms and conditions of outstanding borrowing were as follows:

| | | | **30 June 2015** | | **30 June 2014** | |
|---|---|---|---|---|---|---|
| | **Nominal interest rate** | **Year of maturity** | **Face value** | **Carrying amount** | **Face value** | **Carrying amount** |
| Chattel mortgage | 8.95% | 2015 | **3,462** | **3,424** | 24,235 | 22,932 |
| Total interest-bearing liabilities | | | **3,462** | **3,424** | 24,235 | 22,932 |

| | **2015 Shares** | *2014 Shares* |
|---|---|---|
| **22 CONTRIBUTED EQUITY** | | |
| *Ordinary shares* | | |
| Issued and fully paid | **103,328,307** | 100,793,862 |

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

| | ***Shares*** | ***$*** |
|---|---|---|
| *Movement in ordinary shares on issue* | | |
| At 1 July 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 | - | - |
| At 30 June 2014 | 100,793,862 | 12,840,324 |
| 24 November 2014 Shares issued in lieu of remuneration to Managing Director | **1,423,333** | **17,080** |
| 12 February 2015 Shares issued in lieu of Professional Services | **833,334** | **15,000** |
| 22 April 2015 Shares issued in lieu of Professional Services | **277,778** | **5,000** |
| Capital raising costs incurred in the current year | **-** | **(4,842)** |
| At 30 June 2015 | **103,328,307** | **12,872,562** |

***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 2015.

No listed options were exercised during the year.

No listed options lapsed or were forfeited during the year.

*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 2015:

- 6,000,000 options exercisable at $0.20 each and expiring on 1 December 2016.

45,000,000 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 2015**

| | 2015 $ | 2014 $ |
|---|---|---|
| **23 RESERVES** | | |
| **(a) Share Based Payments Reserve** | | |
| At 1 July 2014 | **4,823,053** | 4,760,647 |
| Share based payments (expense) / benefit | **(157,776)** | 62,406 |
| At 30 June 2015 | **4,665,277** | 4,823,053 |
| **Option Premium Reserve** | | |
| At 1 July 2014 | **-** | 39,865 |
| Options issued | **-** | - |
| Options exercised / expired | **-** | (39,865) |
| At 30 June 2015 | **-** | - |
| Total Reserves | **4,665,277** | 4,823,053 |

**(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.

| | 2015 $ | 2014 $ |
|---|---|---|
| **24 CASH FLOW RECONCILIATION** | | |
| **(a) Reconciliation of net loss after tax to net cash flows from operations** | | |
| Net loss | **(539,176)** | (3,790,869) |
| *Adjustments for:* | | |
| Depreciation | **11,517** | 19,046 |
| Impairment of available-for-sale financial assets | **76,540** | 40,160 |
| Loss on disposal of non-current assets | **27,268** | 6,868 |
| Share based payments expense / (benefit) | **(140,696)** | 62,406 |
| Proceeds on sale of exploration tenements | **-** | (50,000) |
| Profit on sale of equity securities | **(101,562)** | - |
| Equity settled transactions | **20,000** | (67,500) |
| Prior period exploration and evaluation written off | **-** | 3,106,657 |
| *Changes in assets and liabilities* | | |
| Decrease/(Increase) in prepayments | **(1,031)** | - |
| Decrease/(Increase) in trade and other receivables | **2,584** | 24,384 |
| Increase/(Decrease) in trade and other payables | **(357,874)** | 323,159 |
| Net cash from operating activities | **1,002,430** | 325,689 |
| **(b) Non-cash investing and financing activities** | | |
| Equity settled disposal of exploration and evaluation assets | **-** | (67,500) |

## 25 RELATED PARTIES

### (a) Compensation of Key Management Personnel

| | **2015** **$** | 2014 $ |
|---|---|---|
| Short-term employee benefits | **328,986** | 386,476 |
| Post-employment benefits | **26,126** | 33,381 |
| Termination benefits | **-** | - |
| Share based payments | **(140,696)** | 62,406 |
| | **214,416** | 482,263 |

Detailed remuneration disclosures are provided in the remuneration report on pages 17 to 21.

### (b) Other transactions and balances with related parties

*Mr L Jones*
Salary and superannuation totalling $Nil (2014: $186,667) remained payable at year end.

*Mr D Ryan*
Directorõs fees and superannuation totalling $Nil (2014: $24,083) remained payable at year end.

*Mr D Daws*
Directors fees and superannuation totalling $Nil (2014: $54,323) remained payable at year end.

There were no other changes to transactions with related parties during the period.

### (c) Parent entities

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

### (d) Subsidiaries

Interest in subsidiaries are set out in note 6.

## 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 2015 No. | 30 June 2015 Weighted average exercise price | 30 June 2014 No. | 30 June 2014 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 2015 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 2015 is 1.42 years (2014: 2.42 years).

The weighted average exercise price for options outstanding at year end was $0.20 (2014: $0.20).

The fair value of options granted during the year was $Nil (2014: $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 Unlisted Options granted to the Groupọs 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 2015 a Share Based Payments benefit of $140,696 (2014: expense $62,406) consisting of an expense of $17,080 (2014: $Nil) for Shares and a benefit of $157,776 (2014: expense $62,406) for Options has been included in the Statement of profit or loss and other comprehensive income.

## 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 Groupøs financial assets represents the maximum credit exposure. The Groupøs maximum exposure to credit risk at the reporting date was:

| | Carrying amount | |
|---|---|---|
| | ***2015*** | *2014* |
| | ***$*** | *$* |
| Cash and cash equivalents | **1,731,686** | 45,264 |
| Available-for-sale financial assets | **82,955** | 118,300 |
| | **1,814,641** | 163,564 |

All cash and cash equivalents are held with AA rated financial institutions.

### (b) Liquidity risk

The following are the earliest contractual maturities of financial liabilities:

| **Consolidated 30 June 2015** | **Carrying amount** | **6 months or less** | **6-12 months** | **1-2 years** | **2-5 years** | **More than 5 years** |
|---|---|---|---|---|---|---|
| Non-interest bearing | | | | | | |
| Trade and other payables | **48,758** | **48,758** | **-** | **-** | **-** | **-** |
| Provisions | **7,376** | **7,376** | **-** | **-** | **-** | **-** |
| Interest bearing | | | | | | |
| Borrowings | **3,424** | **3,424** | **-** | **-** | **-** | **-** |
| | **59,558** | **59,558** | | **-** | **-** | **-** |

| **Consolidated 30 June 2014** | **Carrying amount** | **6 months or less** | **6-12 months** | **1-2 years** | **2-5 years** | **More than 5 years** |
|---|---|---|---|---|---|---|
| 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 | - | - | - |

## 27 FINANCIAL RISK MANAGEMENT (continued)

### (c) Market risk

### (i) Interest rate risk

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

| | **2015 Floating Interest Rate $** | 2014 Floating Interest Rate $ | **2015 Fixed Interest Rate $** | 2014 Fixed Interest Rate $ |
|---|---|---|---|---|
| **FINANCIAL ASSETS** | | | | |
| Cash and cash equivalents | **706,007** | 45,264 | **1,025,679** | - |
| *Weighted average effective interest rate* | **1.661%** | 0.029% | **2.45%** | - |
| **FINANCIAL LIABILITIES** | | | | |
| Borrowings | **-** | - | **(3,424)** | (22,932) |
| *Weighted average effective interest rate* | - | - | **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.

| | | **Post tax effect on:** | | Post tax effect on: | |
|---|---|---|---|---|---|
| **Risk Variable** | **Sensitivity*** | **Profit 2015** | **Equity 2015** | Profit 2014 | Equity 2014 |
| Interest Rate | +0.50% | **3,530** | **-** | 226 | - |
| | -0.50% | **(3,530)** | **-** | (226) | - |

* 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.

### (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.

| | ***Profit or loss 25% decrease*** | ***Equity 25% increase*** |
|---|---|---|
| **30 June 2015** | | |
| Available-for-sale financial assets Sensitivity (net) | **(20,739)** | **20,739** |
| **30 June 2014** | | |
| Available-for-sale financial assets Sensitivity (net) | (29,575) | 29,575 |

## 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 ï the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;
(b) Level 2 ï 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 ï 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** | | | | |
| **2015** | | | | |
| Available-for-sale financial assets: | | | | |
| Listed equity securities | **82,955** | **-** | **-** | **82,955** |
| **2014** | | | | |
| Available-for-sale financial assets: | | | | |
| Listed equity securities | 118,300 | - | - | 118,300 |

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 2015 are as follows:

| | ***2015*** | *2014* |
|---|---|---|
| | ***$*** | *$* |
| Within one year | **3,462** | 8,647 |
| After one year but not more than five years | **-** | - |
| More than five years | **-** | - |
| | **3,462** | 8,647 |

## 28 COMMITMENTS AND CONTINGENCIES (continued)

**Other expenditure commitments**

Expenditure commitments at 30 June 2015 but not recognised as liabilities are as follows:

**Exploration expenditure commitment**

| | ***2015*** | *2014* |
|---|---|---|
| | ***$*** | *$* |
| Within one year | **316,230** | - |
| After one year but not more than five years | **143,587** | - |
| More than five years | **-** | - |
| | **459,817** | - |

**Contingencies**

The Group has no contingent assets and liabilities.

## 29 EVENTS AFTER THE REPORTING DATE

- On 2 July 2015 the Company announced that they had received a 249D Notice of Requisition of Meeting to remove the Directors.
- On 22 July 2015 the Company issued a Notice of General Meeting and Proxy Forms in respect of a General Meeting of Shareholders to be held in Perth on 28 August 2015 at 10.00am.
- On 18 August 2015 the Company announced the acquisition of a 51% stake in the Redcliffe Gold Project from Redcliffe Resources Limited ("Redcliffe") pursuant to an acquisition and farm in agreement. Consideration payable to Redcliffe consisted of $260,000 in cash and the allotment of 13,888,889 fully paid ordinary shares in the Company.

  The Company and Redcliffe also announced their intention to merge the two companies. The proposed merger, which is the subject of a Scheme Implementation Agreement, will take place by way of a Scheme of Arrangement pursuant to which shareholders in Redcliffe will receive one (1) share in the Company for every two and three-quarters (2.75) Redcliffe shares held.
- On 20 August 2015, 332,579 fully paid ordinary shares were issued by the Group in lieu of professional service costs.
- On 28 August 2015 the Company announced the results of the General Meeting of Shareholders and advised that Resolutions 1 to 6 were not carried.

No other matter or circumstance has arisen since 30 June 2015 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.

### 30 AUDITORS' REMUNERATION

| | 2015 $ | 2014 $ |
|---|---|---|
| Amounts received or due and receivable for: | | |
| An audit and review of the financial report of the Group by BDO Audit (WA) Pty Ltd | **38,146** | 35,402 |
| Total Remuneration of Auditors | **38,146** | 35,402 |

### 31 PARENT ENTITY DISCLOSURES

The following details information related to the entity, Northern Manganese Limited, at 30 June 2015. The information presented here has been prepared using consistent accounting policies as presented

| | 2015 $ | 2014 $ |
|---|---|---|
| **Financial Position** | | |
| **Assets** | | |
| Current assets | **1,824,566** | 177,409 |
| Non-current assets | **31,582** | 2,867,103 |
| Total Assets | **1,856,148** | 3,044,512 |
| **Liabilities** | | |
| Current liabilities | **59,558** | 579,784 |
| Non-current liabilities | **-** | 3,424 |
| Total Liabilities | **59,558** | 583,208 |
| **Equity** | | |
| Issued capital | **12,872,562** | 12,840,324 |
| Reserve | **4,665,277** | 4,823,053 |
| Accumulated losses | **(15,741,249)** | (15,202,073) |
| **Total equity** | **1,796,590** | 2,461,304 |
| **Financial Performance** | | |
| Loss for the year | **(539,176)** | (3,790,869) |
| Other comprehensive loss | **-** | - |
| **Total comprehensive loss** | **(539,176)** | (3,790,869) |
| **Commitments of the Parents Entity** | | |
| Finance lease | | |
| One year or later and no later than five years | **3,462** | 8,647 |
| **Total** | **3,462** | 8,647 |

## 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 2015 and of the performance for the year ended on that date of the Group and the consolidated entity.

**2** In the directorsôopinion, 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
29th day of September 2015

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# 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 2015, 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(a), 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 2015 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(a).

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Glyn O'Brien

Glyn O'Brien

Director

Perth, 29 September 2015

## 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 16 September 2015.

### DISTRIBUTION OF EQUITY HOLDINGS

| | Class of Equity Security | |
|---|---|---|
| | **Number of Holders** | **Fully Paid Ordinary Shares** |
| 1 ï 1,000 | 72 | 42,387 |
| 1,001 ï 5,000 | 478 | 2,533,659 |
| 5,001 ï 10,000 | 465 | 17,515,853 |
| 10,001 ï 100,000 | 125 | 38,559,040 |
| 100,001 and over | 19 | 58,898,836 |
| | 1,159 | 117,549,775 |

There were 919 Shareholders holding less than a marketable parcel.

### TWENTY LARGEST SHAREHOLDERS

| Name of Holder | No. of Ordinary Shares Held | Percentage of Issued Capital % |
|---|---|---|
| Redcliffe Resources Ltd | 13,888,889 | 11.82 |
| Mr Garry Patrick Connell & Mrs Devryn Lee Connell <Connell Contractors S/F> | 12,673,450 | 10.78 |
| Citicorp Nominees Pty Limited | 3,456,463 | 2.94 |
| HSBC Custody Nominees (Australia) Limited | 3,202,236 | 2.72 |
| Mr Brian Thomas Ryan | 2,971,350 | 2.53 |
| JP Morgan Nominees Australia Limited | 2,430,505 | 2.07 |
| Mr Hung The Doan | 2,255,071 | 1.92 |
| Mr Lloyd Jones <L & E Jones Family Trust> | 1,923,333 | 1.64 |
| Mr PO Fung Lawrence Chan | 1,909,983 | 1.62 |
| JVE Super Fund Pty Ltd <Anda Super Fund A/c>. | 1,732,046 | 1.47 |
| M & K Korkidas Pty ltd <M&K Korkidas P/L S/Fund> | 1,671,703 | 1.42 |
| Mr John Timothy Kingswood <Kingswood Family A/c> | 1,534,488 | 1.31 |
| Merrill Lynch (Australia) Nominees Pty Limited | 1,514,151 | 1.29 |
| Mr Peter Romeo Gianni | 1,500,000 | 1.28 |
| Mr Christopher John Daws | 1,431,500 | 1.22 |
| Vier Pty Ltd | 1,391,613 | 1.18 |
| Kalgurli Holdings Pty Ltd <Kalguri Super Fund A/c> | 1,191,944 | 1.01 |
| NKH Capital Pty Ltd | 1,111,111 | 0.95 |
| Mr Jean-Pierre Aucoin | 1,109,000 | 0.94 |
| Mr Robin Gerald Armstrong <RG Armstrong Super Fund> | 1,000,000 | 0.85 |
| **Total** | **59,898,836** | **50.96** |

# 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 % |
|---|---|---|
| Redcliffe Resources Ltd | 13,888,889 | 11.82 |
| Mr Garry & Mrs Devryn Connell <Connell Contractors Super Fund A/c> | 12,673,450 | 10.78 |

## 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:

- 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 16 September 2015:

| 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 |
| 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 |
| | | |
| **Redcliffe Gold Project, Western Australia (Northern Manganese 51%)** | | |
| **Tenement** | **Status** | **Tenement Area (km²)** |
| M37/1276 | Granted | 7.80 |
| M37/1285 | Granted | 5.34 |
| M37/1286 | Granted | 17.48 |
| M37/1295 | Granted | 14.97 |
| P37/7647 | Granted | 0.50 |
| P37/7948 | Granted | 0.89 |