



# **NORTHERN MANGANESE LIMITED**

ABN 24 119 494 772

## **2016 Annual Report**

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# Corporate Directory

## Northern Manganese Limited

ABN 24 119 494 772

### Directors

Rodney Foster (Chief Executive Officer)  
Paul Price (Chairman, Non-Executive Director)  
Lloyd Jones (Non-Executive Director)  
David Ryan (Non-Executive Director)  
Bruce McFarlane (Non-Executive Director)

### Company Secretary

Mark Maine

### Registered Office

Suite 1, 64 Thomas Street  
West Perth WA 6005  
Australia

### Solicitors

Price Sierakowski  
Level 24, St Martin's Tower  
44 St George's Terrace  
Perth WA 6000  
Australia

### 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](http://www.northernmanganese.com.au)

### Auditors

BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008  
Australia

## Directors' report

The Directors of Northern Manganese Limited and its controlled entities ("Northern Manganese" or "the Group") present their Annual Report for the year ending to 30 June 2016 ("the Reporting Date").

### Directors

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

### Names, qualifications experience and special responsibilities

**Mr Rodney Foster BSc**  
**Chief Executive Officer**

**Appointed as Non-Executive Director on 8 April 2016, Chairman 27 June 2016 to 3 August 2016, Chief Executive Officer on 3 August 2016**

Mr. Foster is a geologist with over 27 years' experience in the gold exploration and mining industry in Western Australia and Victoria. His experience includes working for Pancontinental Mining at Paddington, Samantha Exploration, CSR's Gold Resources Pty Ltd and North Kalgurli Mines on the Golden Mile, Money Mining NL, Peak Resources Ltd and was founding Managing Director of Goldminco NL, a Victorian exploration company.

During the past three years, Mr Foster has served as a Director of the following listed company:

- Redcliffe Resources Limited (delisted 13 April 2016): from 28 January 2004 to current date.

**Mr Paul Price**  
**Chairman, Non-Executive Director**

**Appointed as Non-Executive Director on 7 July 2016, Chairman on 3 August 2016**

Mr Price is a commercial lawyer with extensive experience in legal and commercial matters focussing on the resource sector. He has advised national and international companies on commercial transactions, corporate governance, capital raising and structuring issues.

He is a member of the Australian Institute of Company Directors, AMPLA (the Resources and Energy Law Association) and the Association of Mining and Exploration Companies. He has a Bachelor of Jurisprudence, a Bachelor of Laws, and a Masters of Business Administration all from the University of Western Australia.

During the past three years, Mr Price has served as a Director of the following listed companies:

- Windimurra Vanadium Limited: from 30 July 2012 until 16 April 2015.
- Oz Brewing Limited: from 19 June 2014 until 25 March 2015.
- CAQ Holdings Limited: from 2 May 2013 to current date.

**Mr Lloyd Jones**  
**Non-Executive Director**

**Appointed Non-Executive Director on 14 February 2011, Managing Director 20 June 2011 to 30 June 2016**

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

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

## Directors' report (continued)

### Directors (continued)

**Mr David Ryan**

**Non-Executive Director**

**Appointed as Non-Executive Director on 14 February 2011**

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.

**Mr Bruce McFarlane**

**Non-Executive Director**

**Appointed as Non-Executive Director on 8 April 2016, Chairman 8 April 2016 to 27 June 2016**

Mr McFarlane has an extensive background in the Minerals industry with corporate involvement with ASX listed exploration companies.

During the past three years, Mr McFarlane has served as a Director of the following listed company:

- Redcliffe Resources Limited (delisted 13 April 2016): from 17 November 2014 to current date.

**Mr Garry Connell**

**Chairman, Non-Executive Director**

Resigned 8 April 2016.

### Company Secretary

**Mr Mark Maine** TM Com. B Bus (Acc) PG Dip (Com)

**Company Secretary**

**Appointed 3 August 2016**

Mr Maine is an experienced company secretary and former Executive Director and founder of ASX listed mining company, Peak Resources Limited. He currently manages his consultancy business specialising in company secretarial practice, corporate strategy, governance and corporate administration.

**Mr Robert Marusco** CPA SIN FIA

**Company Secretary**

Resigned 3 August 2016.

### 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
R Foster	16,007,524	-
P Price	318,181	-
L Jones	2,761,942	6,000,000
D Ryan	282,990	-
B McFarlane	-	-

## Directors' report (continued)

### 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	(0.50) cents
Diluted loss per share	(0.50) cents

#### Dividends

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

#### Review of operations



Following the successful merger between Northern Manganese Ltd and Redcliffe Resources Ltd in March 2016, the Company (as a merged entity) has completed several drilling programmes at its flagship Redcliffe Gold project (**RGP**) whilst developing a strategy for exploration/development moving forward.

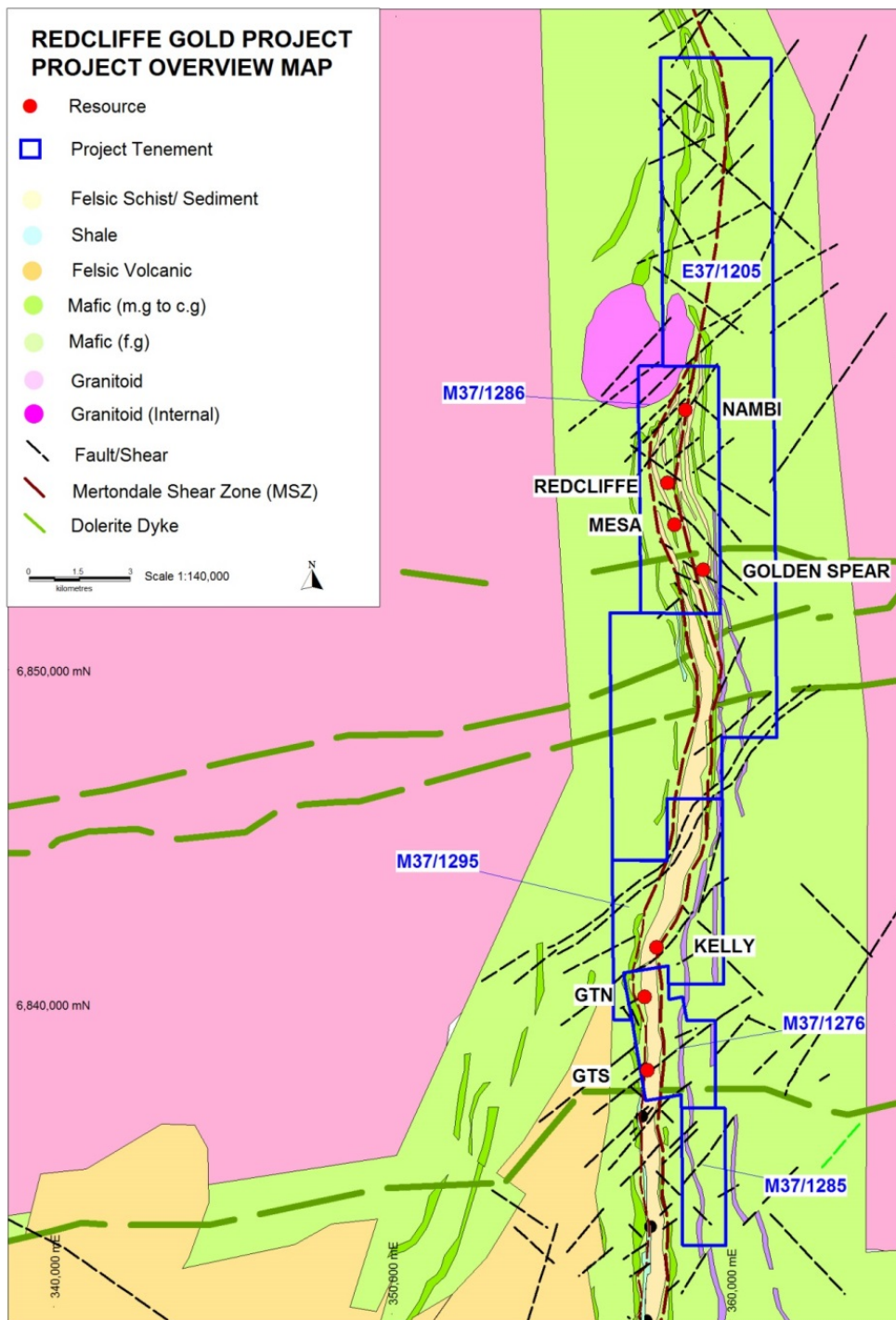
The Company has a 100% beneficial interest in the Redcliffe Gold Project which is located 35-65km northeast of Leonora and approximately 230km north of Kalgoorlie in Western Australia. The project tenement holdings consist of four granted mining leases and an exploration licence covering 118sqkm and includes a considerable strike length of the significant regional structural feature, the Mertondale Shear Zone (**MSZ**). Current estimated gold resources within the mining leases, over a number of deposits, stands at 278,000 ounces. (5,480,000t @ 1.57g/t of which 969,000t @ 2.70g/t for 84,000oz is classified as Indicated and 4,512,000t @ 1.33g/t 193,600oz as inferred.)

The highly prospective project area offers considerable scope for new discoveries and extension of existing deposits with the Company planning to aggressively explore the RGP aiming to rapidly increase resources.

During the period, over 1400m of reverse circulation (RC) and 550m of diamond core (DC) drilling has been completed at two of the Companies advanced prospects/deposits, Golden Terrace South (GTS) and Nambi. The drilling has successfully intersected high grade gold mineralisation with further work planned to fully define the mineralised systems.

## Directors' report (continued)

### Review of operations (continued)



## Directors' report (continued)

### Review of operations (continued)

#### Golden Terrace South

A total of ten RC holes (GTRC378-387) were completed for a total of 1150 metres at the GTS deposit. The primary aim of these holes was to more accurately define the extent, geometry, and grade distribution of critical high grade gold zones. These zones are largely within a conceptual open pit being considered to exploit the oxide/supergene zones although several of the deeper intersections extend outside the envelope.

These results from single metre samples and geological information will be used to aid interpretation and resource modelling for the GTS deposit and lead to a resource estimate updated to JORC 2012 compliance.

The current JORC 2004 compliant resource estimate for GTS is 90,500 ounces. (1,391,000t @ 2.02g/t, of which 707,000t @ 2.46g/t for 56,000oz is classified as Indicated and 684,000 @ 1.56g/t for 34,000oz as Inferred).

#### Golden Terrace South (continued)

The results confirm gold contents indicated by preliminary composite sampling and typically define higher grade zones within the broader composite intercepts as the following selected intercepts indicate.

<b>6m @ 6.08g/t</b>	from 41m to 47m in GTRC 378
<b>19m @ 3.8g/t</b>	from 77m to 96m in GTRC 379
<b>12m @ 16.68g/t</b> Inc: <b>2m @ 61.7g/t</b>	from 88m to 100m EOH from 89m to 91m in GTRC381
<b>11m @ 3.17g/t</b> Plus <b>17m @ 6.45g/t</b> Inc: <b>6m @ 11.74g/t</b>	from 34m to 45m from 53m to 70m from 60m to 66m in GTRC382
<b>9m @ 4.29g/t</b>	from 56m to 65m in GTRC383
<b>15m @ 5.78g/t</b>	from 71m to 86m in GTRC384
<b>12m @ 11.37g/t</b> Inc: <b>4m @ 24.8g/t</b>	from 77m to 89m from 78m in GTRC385
<b>12m @ 4.59g/t</b> Plus <b>16m @ 7.53g/t</b> Within <b>66m @ 3.70g/t</b>	from 60m to 72m from 75m to 91m from 60m to 126m in GTRC386
<b>16m @ 4.98g/t</b> Plus <b>30m @ 7.71g/t</b> Inc: <b>3m @ 45.9g/t</b> Within <b>44m @ 6.41g/t</b>	from 35m to 51m from 75m to 105m from 84-87m from 61m to 105m in GTRC387

This table is a summary of results obtained from each hole. Intercepts are down hole widths calculated using a nominal 0.5g/t lower cut, maximum 2 metres of continuous internal dilution included. No upper cut employed. Coordinates are GDA94 Zone 51 Bold = >20g.m &/or +3g/t grade

A Mining Execution plan is to be reviewed along with financial studies to incorporate the new information and current gold price to enable decisions to be made on potential development scenarios. This is to be undertaken with both the view to development in isolation, and development at project scale in conjunction with the Company's neighbouring resources.

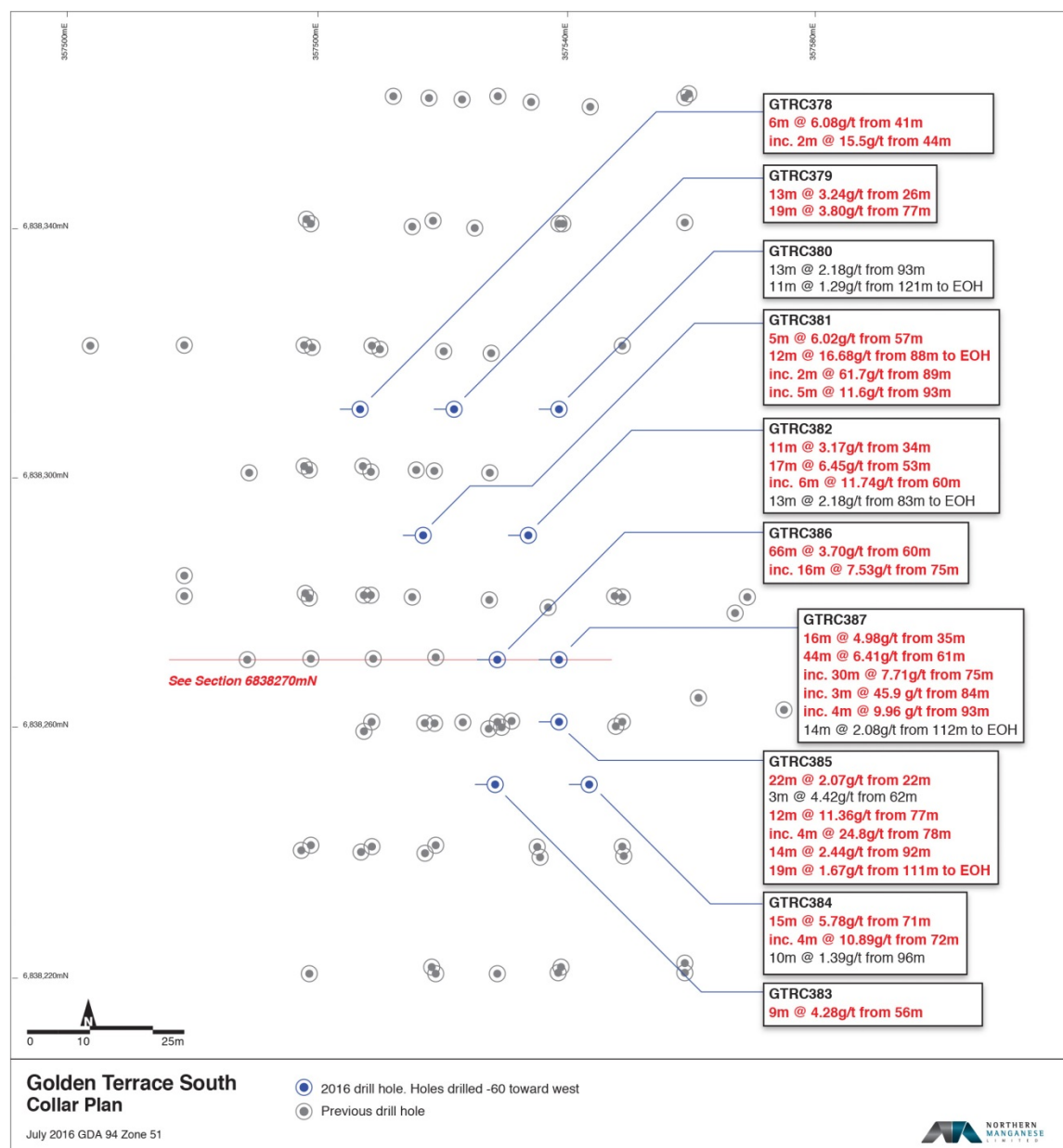
To date, only limited deeper RC drilling has been completed at GTS targeting high grade primary mineralised zones. The Company plans further diamond drilling at depth to gain geological and structural information of these high grade zones and to define extensions at depth.



# Directors' report (continued)

## Review of operations (continued)

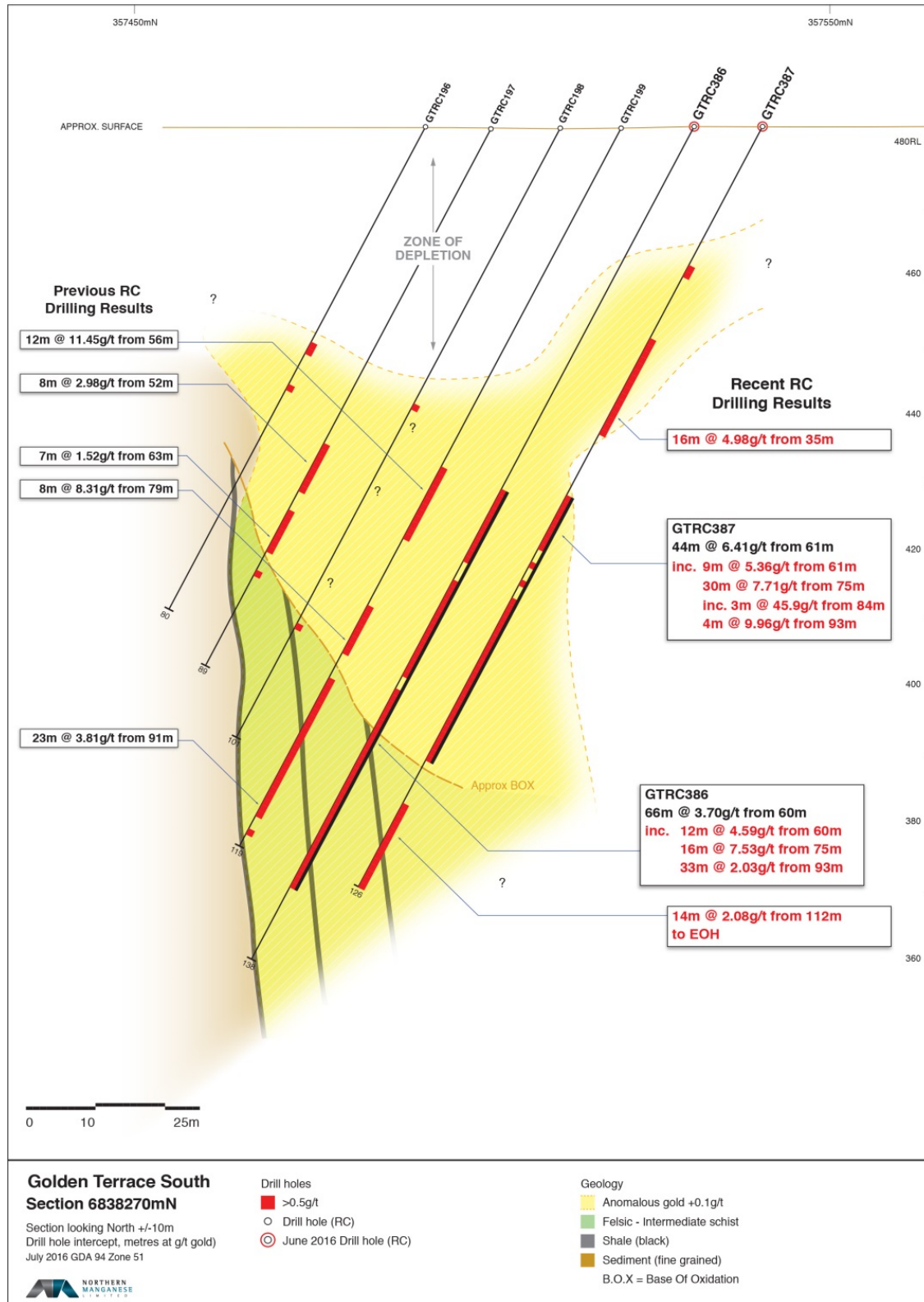
### Golden Terrace South Drill Collar Plan (highlighting recent results)



## Directors' report (continued)

### Review of operations (continued)

#### Golden Terrace South Drill Hole Cross Section (showing previous & highlighting recent results)



## Directors' report (continued)

### Review of operations (continued)

#### Nambi

The Nambi Deposit is located approximately 20km north of GTS. Open pit mining at Nambi was completed during the 1990's with a reported production figure of 32,000oz at +3 g/t Au.

Mineralisation at Nambi is hosted within north-south, sub-vertically dipping sequence of strongly foliated to mylonitised basalts, felsics, shales and interflow graphitic sediments which has been intruded by felsic porphyry and dolerite dykes. The metamorphic grade is Upper Greenschist to Amphibolite. The Main Zone at Nambi is thought to be related to a graphitic mylonite zone probably reflecting an interflow contact within the mafics, whilst the E1 lode is generally hosted in a felsic/shale package. The mylonite is characterized by intense silica-pyrite-pyrrhotite-sericite alteration.

The drilling programme was part of the DMP co-funded 'Exploration Incentive Scheme' (EIS) and has successfully intersected mineralisation at greater depths than previous historical gold intersections. Notably, intercepts from E1 Lode show strong mineralisation to depths below 200 metres with grades improving with depth.

Significant down hole Results include:

- **3.2m @ 9.86 g/t Au from 239m down hole in NBRC112D (E1 Lode)**
- **6m @ 6.62 g/t Au from 159.6m down hole in NBDD001 (Main Lode)**  
**(inc 1.0m @ 23.64 g/t Au from 163.5m)**
- **2.5m @ 4.55 g/t Au from 80.5m down hole in NBDD001 (E1 Lode)**

This most recent co-funded drilling programme consisted of three holes. One RC pre-collar NBRC111 to 133m and two completed with diamond drill coring. NBDD001 was drilled to a total depth of 189.9m and NBRC112D was drilled to a total depth of 507.9 metres.

Both completed diamond core holes intersected the Main Lode and E1 lode, although it is considered the interpreted high grade shoot of the Main Lode in NBRC112D may not have been optimally tested due to hole deviation from the target pierce point.

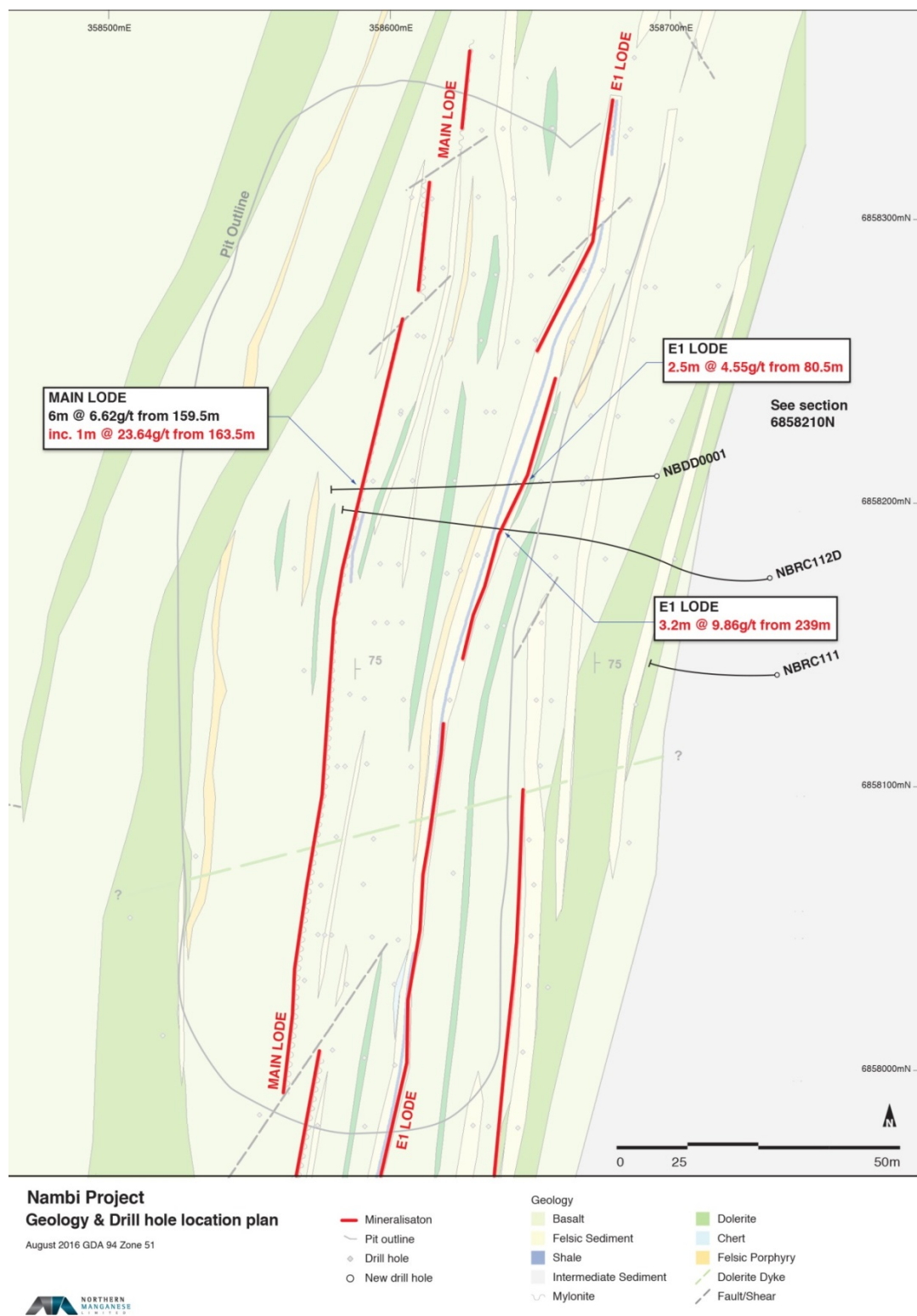


**Diamond Drilling Rig - Nambi Project (Open Pit in background)**

# Directors' report (continued)

## Review of operations (continued)

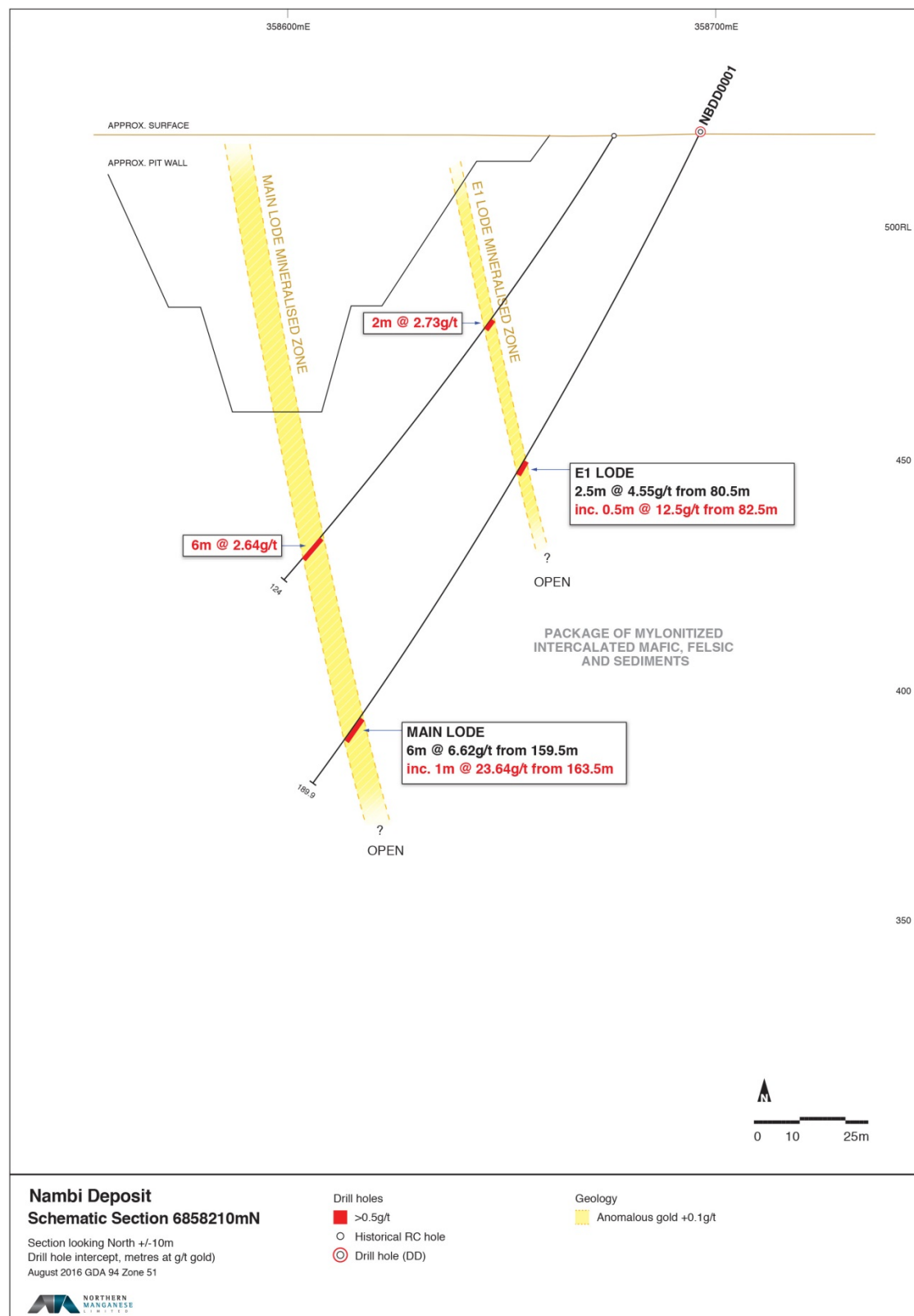
### Nambi Geological Plan (highlighting recent results)



# Directors' report (continued)

## Review of operations (continued)

### Nambi Drill Hole Cross Section (highlighting recent results)



## Directors' report (continued)

### Review of operations (continued)

The Company is pleased with the results from the Nambi Deeps Co-funded drilling programme. To intersect the mineralised zones at far greater depths than previously drilled with little proximal geological control is very satisfying and shows the Nambi mineralised system is robust both along strike and now at depth. Additional drilling is being planned to seek to further define the higher grade components of the Nambi gold mineralisation.

### Strategy

The Company has developed an exploration/development strategy moving forward and plans to aggressively explore both known gold mineralised prospect/deposits as well as areas along the MSZ where minimal exploration has occurred in the past for new discoveries. The primary aim is to substantially increase the current Resource Inventory of 278,000oz (see table) to a point where a stand-alone operation can be considered. A minimum Exploration Target of 0.5 to 1.0 Moz at 2-3 g/t forms the basis for planned exploration over the coming 12-14 months, however, the Company is committed to the belief that a new discovery could significantly change this current strategy.

#### Current Resource Inventory

Deposit	Indicated			Inferred			Total		
	T	Au(g/t)	Oz	T	Au(g/t)	Oz	T	Au(g/t)	Oz
GTS	707,000	2.46	56,100	684,000	1.56	34,400	1,391,000	2.02	90,500
Nambi	262,000	3.30	28,000	298,000	2.50	24,000	560,000	2.88	52,000
Redcliffe							560,000	1.70	31,000
West Lode							373,000	1.20	15,000
Mesa							95,500	1.50	5,000
GTN							64,000	1.53	3,200
Golden Spear							26,000	1.60	1,000
Kelly							2,412,000	1.04	80,400
<b>TOTAL</b>	<b>969,000</b>	<b>2.70</b>	<b>84,100</b>	<b>4,512,000</b>	<b>1.33</b>	<b>194,000</b>	<b>5,480,000</b>	<b>1.57</b>	<b>278,100</b>

Note – 1. Resources calculated at >0.5 g/t Au cut. Figures have been rounded.

2. Resources estimations were carried out by independent consultants as detailed below:

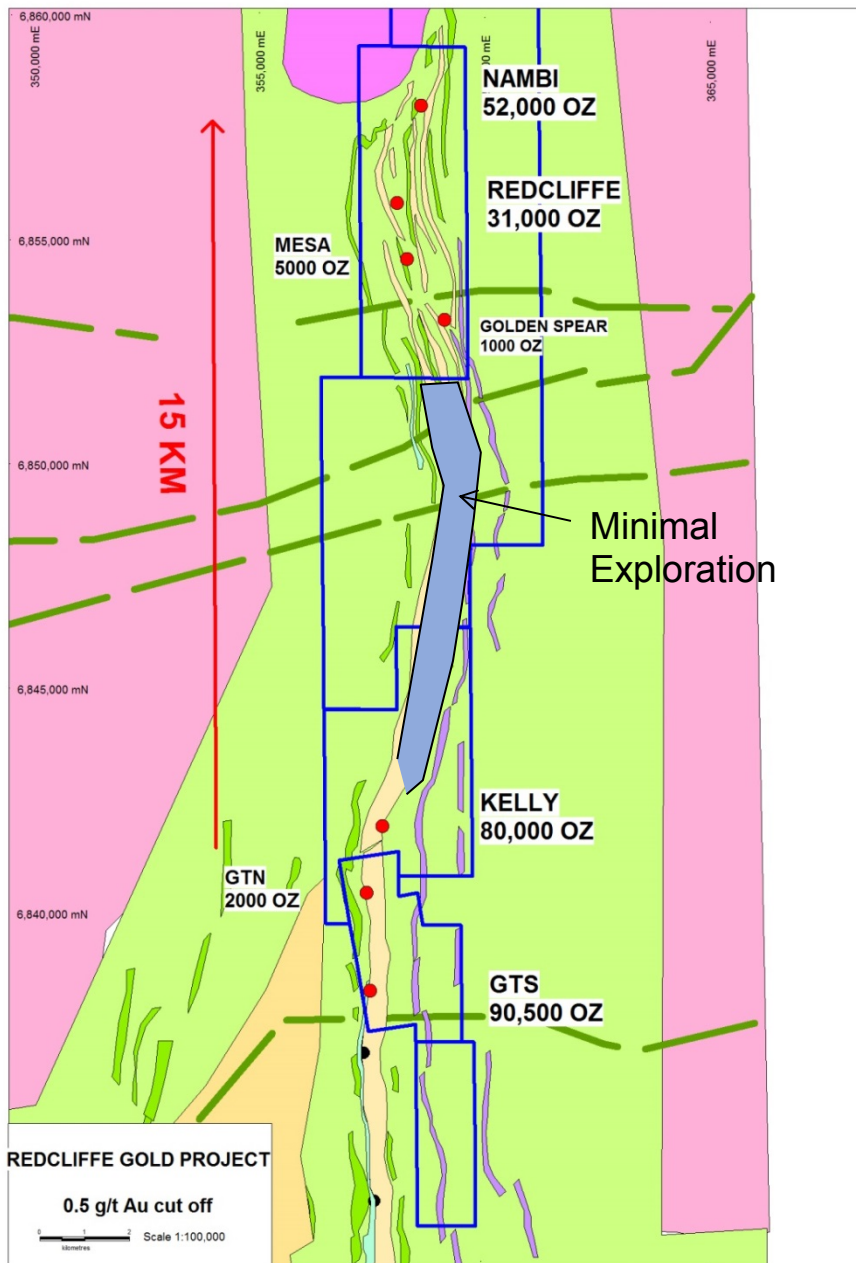
- Golden Terrace South (GTS) – BGMS (Kalgoorlie, 2011)
- Nambi – Coffey Mining (Perth, 2008)
- Redcliffe - Coffey Mining (Perth, 2008)
- West Lode - Coffey Mining (Perth, 2008)
- Mesa - Coffey Mining (Perth, 2008)
- Golden Terrace North (GTN)– BGMS (Kalgoorlie, 2011)
- Golden Spear - Coffey Mining (Perth, 2008)
- Kelly - BGMS (Kalgoorlie, 2012)



## Directors' report (continued)

### Review of operations (continued)

RGP- Location of deposits. Also refer to Resource Inventory table.



## MANGANESE

The Manganese portfolio of applications is in the process of being divested.

### Competent Persons Statement

*The information in this report, as it relates to Exploration Results, is based on information compiled and/or reviewed by Rodney Foster who is a Member of The Australasian Institute of Mining and Metallurgy. Rodney Foster is a Director of the Company. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Rodney Foster consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

*This information with respect to Resources was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.*

## Directors' report (continued)

### Operating and financial review

#### Operating results for the year

The operating loss for the Group after income tax was \$690,589 (2015: \$539,176). 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 \$765,832 (2015: \$1,731,686) and net assets of \$2,702,985 (2015: \$1,796,590). The Group continues to be well placed to develop the business opportunities and conduct current activities.

#### Cash flows

The cash flows of the Group consisted of:

- Interest income from interest bearing bank accounts;
- Payments in relation to exploration costs;
- Payments in relation to purchase of exploration assets;
- Payments for merger related transaction costs; and
- Payments to Directors, consultants and suppliers.

#### Risk management

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

#### Share issues

During the year no shares (2015: Nil) 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 2016:

Security description	Number of securities
Fully paid shares	226,286,146
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.



## Directors' report (continued)

### Operating and financial review (continued)

#### Significant changes in the state of affairs

- 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.
- On the 17 February 2016 the Company announced that the Federal Court of Australia had approved the convening of a General Meeting to be held on 21 March 2016 to consider the Scheme of Arrangement where the Company is to acquire all of the ordinary shares of Redcliffe.
- On the 19 February 2016 the Scheme Booklet Notices of Meeting and associated documents were released to the market.
- On the 25 February 2016 the Company announced that the proposed Record Date in the Scheme Booklet issued to shareholders on 19 February 2016 had changed to 30 March 2016. The date of issue of shares to Scheme participants has also changed to 5 April 2016.
- On the 23 March 2016 the Company advised that approval of the Scheme had been obtained from Redcliffe shareholders on 21 March 2016 and that Federal Court approval was granted on 23 March 2016.
- On 5 April 2016, 86,443,001 fully paid ordinary shares were issued by the Group following Federal Court approval of the Scheme of Arrangement.
- On 7 April 2016 the Company announced that the Scheme of Arrangement had been completed with the Company continuing to finalise a number of administrative issues.
- On 14 April 2016, 5,150,513 fully paid ordinary shares were issued by the Group in lieu of professional service costs.
- On 14 June 2016, 17,142,857 fully paid ordinary shares were issued by the Group by way of a share placement to sophisticated investors.

#### Significant events after the reporting date

- On 5 July 2016, the Company announced restructuring of the Board to reduce remuneration costs.
- On 6 July 2016 the Company announced the sale of the balance of 11,888,889 Treasury Shares to raise approximately \$416,000.
- On 7 July 2016 the Company announced that Mr Paul Price was appointed as an Independent Non-Executive Director.
- On 29 July 2016 the Company announced in the Quarterly Activities Report that the manganese assets in the Northern Territory are to be divested.
- On 3 August 2016 the Company announced further changes to the Board to appoint Mr Paul Price as Non-Executive Chairman and Mr Rodney Foster as Chief Executive Office. The location of the Registered and Principal Business Office of the Company was also moved to West Perth.

No other matter or circumstance has arisen since 30 June 2016 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, its statutory environmental performance obligations. No environmental breaches have occurred or have been notified by any Government agencies during the year ended 30 June 2016.

#### 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 Rodney Foster	Chairman, Director (Non-Executive) – appointed as Non-Executive Director on 8 April 2016, Chairman on 27 June 2016
Mr Lloyd Jones	Managing Director (Executive) – appointed Non-Executive Director on 14 February 2011, Executive Managing Director from 20 June 2011 to 30 June 2016
Mr David Ryan	Director (Non-Executive) – appointed as Non-Executive Director on 14 February 2011
Mr Bruce McFarlane	Director (Non-Executive) – appointed as Non-Executive Director on 8 April 2016, Chairman from 8 April 2016 to 27 June 2016,
Mr Garry Connell	Director (Non-Executive) – appointed as Non-Executive Director on 13 January 2015, Chairman on 30 January 2015, Resigned 8 April 2016

#### Remuneration governance

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

#### Principles used to determine the nature and amount of remuneration

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

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

The remuneration framework has regard to shareholders' interests by:

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

The remuneration framework has regard to executives' interests by:

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

## **Directors' report (continued)**

### **Remuneration report (continued)**

#### **Use of remuneration consultants**

No remuneration consultants were used by the Group during the 2016 year.

#### **Voting at the group's 2015 Annual General Meeting**

The 2015 Remuneration Report tabled at the 2015 Annual General Meeting received a "yes" vote of 90.50%.

#### **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 2016 no cash bonus was paid to Directors (2015: Nil).

The remuneration of Non-Executive Directors for the year ending 30 June 2016 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.

#### **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 2016 and 2015.

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

## Directors' report (continued)

### Remuneration report (continued)

#### 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.

	2012	2013	2014	2015	2016
	\$	\$	\$	\$	\$
Revenue	80,915	26,699	123,081	144,602	16,741
Net Loss	(1,524,020)	(1,543,178)	(3,790,869)	(539,176)	(690,589)
(Loss) per share (cents)	(1.53)	(1.48)	(3.77)	(0.53)	(0.50)
Share price at year end	\$0.05	\$0.035	\$0.011	\$0.017	\$0.038

##### 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 is determined so as to ensure that the options only have value if there is an increase in shareholder wealth over time.

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

## Directors' report (continued)

### Remuneration report (continued)

#### Employment contracts

##### Executives

On appointment, all executives 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

Mr Jones' Managing Director contract came to an end on 30 June 2016 and his base salary of \$180,000 ceased. From 1 July 2016, Mr Jones continued as a Non-Executive Director.

##### Non-executives

Upon appointment Non-Executive Directors enter into a contract for services setting out the terms and conditions including the discharge of their duties in accordance with the Constitution of the Company and the Corporations Act and the circumstances under which they will cease to be a director. Non-Executive Directors receive a fee of \$36,000 per annum commencing from their date of appointment.

#### Remuneration of key management personnel

Table 1: Remuneration for the year ended 30 June 2016

	Fixed remuneration					Total	Fixed remuneration	At risk – LTI
	Salary & fees	Non-monetary benefits	Annual leave and long service leave	Post employment	Share based payments			
	\$	\$	\$	\$	\$	\$	%	%
<b>Non-Executive Directors</b>								
R Foster	9,000	-	-	-	-	9,000	100%	-
D Ryan	32,877	-	-	3,123	-	36,000	100%	-
B McFarlane	9,000	-	-	-	-	9,000	100%	-
G Connell	27,000	-	-	-	-	27,000	100%	-
	<b>77,877</b>	<b>-</b>	<b>-</b>	<b>3,123</b>	<b>-</b>	<b>81,000</b>		
<b>Executive Directors</b>								
L Jones	165,342	4,386	8,219	15,708	-	193,655	100%	-
	<b>165,342</b>	<b>4,386</b>	<b>8,219</b>	<b>15,708</b>	<b>-</b>	<b>193,655</b>		
<b>Total</b>	<b>243,219</b>	<b>4,386</b>	<b>8,219</b>	<b>18,831</b>	<b>-</b>	<b>274,655</b>		

Table 2: Remuneration for the year ended 30 June 2015

	Fixed remuneration					Total	Fixed remuneration	At risk – LTI
	Salary & fees	Non-monetary benefits	Annual leave and long service leave	Post employment	Share based payments			
	\$	\$	\$	\$	\$	\$	%	%
<b>Non-Executive Directors</b>								
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%	-
	<b>97,120</b>	<b>-</b>	<b>-</b>	<b>7,618</b>	<b>-</b>	<b>104,738</b>		
<b>Executive Directors</b>								
L Jones	206,266	25,600	-	18,508	(140,696)	109,678	100%	-
	<b>206,266</b>	<b>25,600</b>	<b>-</b>	<b>18,508</b>	<b>(140,696)</b>	<b>109,678</b>		
<b>Total</b>	<b>303,386</b>	<b>25,600</b>	<b>-</b>	<b>26,126</b>	<b>(140,696)</b>	<b>214,416</b>		

#### 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 totalling \$17,080, 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. As the vesting conditions for Mr Jones 6,000,000 options are no longer expected to be met the \$157,776 share based payment expense has been reversed.

## Directors' report (continued)

### Remuneration report (continued)

#### Remuneration of key management personnel (continued)

##### Shareholdings of key management personnel

<b>30 June 2016</b>	<i>Balance 01 Jul 15</i>	<i>Granted as remuneration</i>	<i>On exercise of options</i>	<i>Net change other</i>	<i>Balance 30 Jun 16</i>
<b>Directors</b>					
R Foster	-	-	-	16,007,524	16,007,524
L Jones	2,761,942	-	-	-	2,761,942
D Ryan	282,990	-	-	-	282,990
B McFarlane <sup>1</sup>	-	-	-	-	-
	<b>3,044,932</b>	<b>-</b>	<b>-</b>	<b>16,007,524</b>	<b>19,052,456</b>

1. Mr B McFarlane held 9,333,333 shares on the date of his appointment which were subsequently sold during the period.

#### Compensation options granted during the year ended 30 June 2016

No compensation options were granted to Directors or Executives in the 2016 Financial Year.

##### Option holdings of key management personnel

<b>30 June 2016</b>	<i>Balance 01 Jul 15</i>	<i>Granted as remuneration</i>	<i>Options exercised</i>	<i>Net change / other</i>	<i>Balance 30 Jun 16</i>	<i>Vested &amp; exercisable</i>	<i>Not exercisable</i>
<b>Directors</b>							
R Foster	-	-	-	-	-	-	-
L Jones	6,000,000	-	-	-	6,000,000	-	-
D Ryan	-	-	-	-	-	-	-
B McFarlane	-	-	-	-	-	-	-
<b>Total</b>	<b>6,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,000,000</b>	<b>-</b>	<b>-</b>

During the year no options lapsed and no options were exercised.

#### Other transactions and balances with key management personnel.

##### Mr R Foster

Fees for Geological Services provided by Mr Foster's related entity, Minico Pty Ltd as trustee for the Foster Family Trust of \$18,242 (including GST) were incurred during the year. In addition, Consultancy Fees and Rental for Minico Pty Ltd as trustee for the Foster Family Trust totalling \$28,917 (including GST) were included in Trade Payables taken over from Redcliffe Resources Limited under the Scheme of Arrangement.

An amount of \$47,196 (including GST) has been incurred during the year, being Directors Fees of \$9,900, Geological Services of \$8,379, Consultancy Fees and Rental of \$28,917 and remained payable at year end.

##### Mr L Jones

Annual Leave entitlements totalling \$15,595 (2015: \$Nil) remained payable at year end.

##### Mr B McFarlane

Directors fees totalling \$9,900 (including GST) remained payable to Mr McFarlane's related entity, Calatos Pty Ltd as trustee for the JBB Trust at year end.

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

#### End of audited remuneration report

## Directors' report (continued)

### Meetings of Directors

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

	Board of Directors	
	Number of Directors' meetings attended	Number of Directors' meetings eligible to attend
<i>Current Directors</i>		
R Foster	4	4
L Jones	10	10
D Ryan	10	10
B McFarlane	3	4
G Connell	5	6

### 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 (2015: \$Nil) in respect of Directors' and Officers' Liability Insurance and Group Reimbursement policies, which cover all Directors and officers of the Group. The policy conditions preclude the Group from any detailed disclosures.

### Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Northern Manganese Limited adhere to strict principles of corporate governance. The Group's corporate governance statement has been released as a separate document and is located on our website at [www.northernmanganese.com.au](http://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 auditor's independence for the following reasons:

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

No fees for non-audit services were paid to the external auditors during the year ended 30 June 2015 or 2016.

## **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

A handwritten signature in black ink, appearing to read 'P. Price', with a large, stylized loop at the end.

**Paul Price**  
**Chairman**

Perth, Western Australia  
12<sup>th</sup> day of September 2016



**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 2016, 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, 12 September 2016

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# **Financial Statements**

## **For the year ended 30 June 2016**

# Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Revenue from continuing operations	7	16,741	43,040
Other income	8	-	139,759
Administration expenses		(43,324)	(63,932)
Compliance costs		(271,357)	(282,678)
Consultants fees		(45,000)	(81,178)
Depreciation expense	9(a)	(8,763)	(11,517)
Directors fees	9(b)	(81,000)	(104,738)
Due diligence expenses		-	(7,364)
Employee benefits expense		(189,269)	(209,920)
Exploration and evaluation		(15,173)	(28,760)
Investor relations expenses		(22,064)	(22,098)
Impairment of available-for-sale financial assets		(464)	-
Loss on disposal of non-current assets		-	(27,268)
Office accommodation expenses		-	(9,229)
Travel expenses		(30,789)	(13,989)
Share based payments (expense) / benefit	27	-	140,696
Unrealised foreign exchange loss		(127)	-
<b>Loss before income tax</b>		<b>(690,589)</b>	<b>(539,176)</b>
Income tax benefit	10	-	-
<b>Loss for the year</b>		<b>(690,589)</b>	<b>(539,176)</b>
<b>Other comprehensive loss for the year, net of tax</b>			-
<b>Total comprehensive loss for the year attributable to owners of Northern Manganese Ltd</b>		<b>(690,589)</b>	<b>(539,176)</b>
<b>Loss per share for loss attributable to the ordinary equity holders of the Group:</b>			
Basic loss per Share (cents per share)	12(b)	(0.50)	(0.53)
Diluted loss per Share (cents per share)	12(b)	(0.50)	(0.53)

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 2016

	Notes	2016 \$	2015 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	765,832	1,731,686
Trade and other receivables	14	5,964	8,894
Prepayments	15	986	1,031
<b>Total current assets</b>		<b>772,782</b>	<b>1,741,611</b>
<b>Non-current assets</b>			
Exploration and evaluation expenditure	17	1,977,540	-
Plant and equipment	18	54,205	31,582
Available-for-sale financial assets	16	82,491	82,955
<b>Total non-current assets</b>		<b>2,114,236</b>	<b>114,537</b>
<b>Total assets</b>		<b>2,887,018</b>	<b>1,856,148</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	20	168,438	48,758
Provisions	21	15,595	7,376
Borrowings	22	-	3,424
<b>Total current liabilities</b>		<b>184,033</b>	<b>59,558</b>
<b>Total Liabilities</b>		<b>184,033</b>	<b>59,558</b>
<b>Net assets</b>		<b>2,702,985</b>	<b>1,796,590</b>
<b>Equity</b>			
<b>Equity attributable to equity holders</b>			
Contributed equity	23	14,469,546	12,872,562
Reserves	24	4,665,277	4,665,277
Accumulated losses		(16,431,838)	(15,741,249)
<b>Total equity</b>		<b>2,702,985</b>	<b>1,796,590</b>

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 2016

	Notes	Attributable to Owners of Northern Manganese Limited			
		Contributed equity	Reserves	Accumulated losses	Total
Consolidated		\$	\$	\$	\$
<b>Balance at 1 July 2014</b>		12,840,324	4,823,053	(15,202,073)	2,461,304
Loss for the year		-	-	(539,176)	(539,176)
<b>Total comprehensive loss</b>		-	-	(539,176)	(539,176)
<b>Transactions with owners in their capacity as owners</b>					
Contributions of equity	23	20,000	-	-	20,000
Transaction costs	23	(4,842)	-	-	(4,842)
Employee options	24	17,080	-	-	17,080
Transfer to accumulated losses	24	-	(157,776)	-	(157,776)
<b>Balance at 30 June 2015</b>		12,872,562	4,665,277	(15,741,249)	1,796,590
Loss for the year		-	-	(690,589)	(690,589)
<b>Total comprehensive loss</b>		-	-	(690,589)	(690,589)
<b>Transactions with owners in their capacity as owners</b>					
Contributions of equity	23	1,739,713	-	-	1,739,713
Transaction costs	23	(9,951)	-	-	(9,951)
Treasury shares acquired	23	(152,778)	-	-	(152,778)
Treasury shares sold	23	20,000	-	-	20,000
<b>Balance at 30 June 2016</b>		14,469,546	4,665,277	(16,431,838)	2,702,985

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 2016

	Notes	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(672,538)	(1,157,522)
Interest received		19,380	40,355
Research and development rebates received		-	114,737
<b>Net cash (outflows) used in operating activities</b>	25	<b>(653,158)</b>	<b>(1,002,430)</b>
<b>Cash flows from investing activities</b>			
Payments for exploration and evaluation		(528,283)	(143,901)
Proceeds from disposal of exploration assets		-	2,800,000
Payments for available-for-sale financial assets		-	(141,540)
Proceeds from sale of available-for-sale financial assets		-	201,907
Payments for property, plant and equipment		-	(3,264)
Loans to other entities		(208,763)	-
Payments for merger transaction costs		(193,380)	-
Cash acquired on completion of merger		11,154	-
<b>Net cash inflows (outflows) used in investing activities</b>		<b>(919,272)</b>	<b>2,713,202</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		599,951	-
Payments for share issue costs		(9,951)	(4,842)
Proceeds from sale of treasury shares		20,000	-
Repayment of borrowings		(3,424)	(19,508)
<b>Net cash inflows (outflows) from financing activities</b>		<b>606,576</b>	<b>(24,350)</b>
Net increase (decrease) in cash and cash equivalents		(965,854)	1,686,422
Cash and cash equivalents at beginning of financial year		1,731,686	45,264
<b>Cash and cash equivalents at end of financial year</b>	13	<b>765,832</b>	<b>1,731,686</b>

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 2016

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## 1 Corporate information

The financial statements of Northern Manganese Limited for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 9<sup>th</sup> September 2016.

Northern Manganese Limited is a Group limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange Limited. The financial statements include Northern Manganese Ltd and its subsidiaries (the Group) for 30 June 2016.

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

## 2 Summary of significant accounting policies

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

### (a) Basis of preparation

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

#### *(i) Compliance with IFRS*

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

#### *(ii) New and amended standards adopted by the Group*

None of the new standards and amendments to standards that are mandatory for the first time for the financial year ended 30 June 2016 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) Going concern basis

For the year ended 30 June 2016 the Group recorded a loss of \$690,589, net cash outflows from operating activities of \$653,158 and net working capital of \$588,749. Furthermore, the Directors have prepared a cash flow forecast which indicates that the Group would be required to raise funds to provide additional working capital to continue developing its Redcliffe Gold Project.

The ability of the Group to continue as a going concern is dependent on securing additional funding through capital raisings to fund its ongoing exploration commitments and working capital.

These conditions indicate a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe there are sufficient funds to meet the Group's working capital requirements as at the date of this report. Subsequent to year end the Group expects to receive additional funds via capital raisings or shareholder support.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

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## 2 Summary of significant accounting policies

### b) Going concern basis (continued)

The financial statements have been prepared on the basis that the Group is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- the Directors are confident in the Group's ability to raise the capital mentioned above with the recent success in a capital raising of \$600,000 that was completed in June 2016; and
- the Directors are also confident they are able to manage discretionary spending to ensure that cash is available to meet debts as and when they fall due.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern.

### (c) 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 2016 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(k)).

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.



# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

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## 2 Summary of significant accounting policies (continued)

### (d) 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.

### (e) 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.

### (f) 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.

### (g) Investments and other financial assets

#### Classification

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

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

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

#### *(ii) Loans and receivables*

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

#### *(iii) Available-for-sale financial assets*

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

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

## 2 Summary of significant accounting policies (continued)

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

#### Measurement

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

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

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

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

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

#### Impairment

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

##### *(i) Assets carried at amortised cost*

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

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

##### *(ii) Assets classified as available-for-sale*

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

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

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

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

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## 2 Summary of significant accounting policies (continued)

### (h) Exploration and evaluation expenditure

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

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

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

#### *Impairment*

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

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Any impairment losses are recognised in the statement of profit or loss and other comprehensive income and are disclosed in note 17, exploration and evaluation.

### (i) Plant and equipment

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

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

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

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

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

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

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

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## 2 Summary of significant accounting policies (continued)

### (j) 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.

### (k) 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.

### (l) 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.

### (m) Trade and other payables

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

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

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## 2 Summary of significant accounting policies (continued)

### (n) Provisions and employee leave benefits

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

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

#### Employee Leave benefits

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

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

##### *(ii) Long service leave*

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

### (o) 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.

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.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

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## 2 Summary of significant accounting policies (continued)

### (o) Share-based payment transactions (continued)

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.

### (p) 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.

### (q) 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.

### (r) Income tax and other taxes

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

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

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

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

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.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

## 2 Summary of significant accounting policies (continued)

### (r) Income tax and other taxes (continued)

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.

### (s) 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.

### (t) Borrowings

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

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

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

## 2 Summary of significant accounting policies (continued)

### (t) Borrowings (continued)

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.

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for period ended 30 June 2016. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle, and
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.

As these amendments merely clarify the existing requirements, they do not affect the Group's accounting policies or any of the disclosures.

#### *AASB 9 Financial Instruments*

These amendments must be applied for financial years commencing on or after 1 January 2018. Therefore, application date for the Company will be 30 June 2019. The Company does not currently have any hedging arrangements in place.

AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting. There will be no impact on the Company's accounting for financial assets and financial liabilities, as the new requirements only effect the accounting for available-for-sale financial assets and the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such financial assets or financial liabilities. The new hedging rules align hedge accounting more closely with the Company's risk management practices. As a general rule it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

#### *AASB 15 Revenue from Contracts with Customers*

These amendments must be applied for annual reporting periods beginning on or after 1 January 2018. Therefore, application date for the Company will be 30 June 2019.

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. Due to the recent release of this standard the Company has not yet made an assessment of the impact of this standard.

#### *AASB 16 Leases*

IFRS 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its statement of financial position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its statement of financial position for most leases.

There are some optional exemptions for leases with a period of 12 months or less and for low value leases. The application date of this standard is for annual reporting periods beginning on or after 1 January 2019. Due to the recent release of this standard, the group has not yet made a detailed assessment of the impact of this standard.



# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

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## 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 28 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.

### (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:

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:

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

## 4 Significant accounting judgements, estimates and assumptions (continued)

### (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 together with other exploration related costs. As a result, exploration costs of \$15,173 (2015: \$28,760) have been written off during the year.

### (b) Asset acquisition

*Asset acquisition not constituting a business*

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

In determining when an acquisition is determined to be an asset acquisition and not a business, significant judgement is required to assess whether the assets acquired constitute a business in accordance with AASB 3. Under AASB 3 a business is an integrated set of activities and assets that is capable of being conducted or managed for the purpose of providing a return, and consists of inputs and processes, which when applied to those inputs has the ability to create outputs.

The Directors determined that the acquisition of Redcliffe Resources Limited was an asset acquisition.

*Carrying value of asset acquisition*

During the financial year 86,443,001 shares were issued to the shareholders of Redcliffe Resources Limited under a Scheme of Arrangement that constitutes a share based payment. Refer below to point (c) for details of the measurement of this payment.

The fair value of the shares issued was determined by reference to the share price on grant date, based on the ASX bid price on 5 April 2016 of \$0.011 per share.

### (c) Share-based payments: asset acquisition

During the financial year 86,443,001 shares were issued in consideration for Redcliffe Resources Limited under a Scheme of Arrangement. As the fair value of the assets acquired couldn't be reliably measured, the fair value was deemed to be fair value of the equity instruments issued. The fair value of the shares granted was determined to be \$950,873.

The fair value of the shares issued was determined by reference to the share price on grant date, based on the ASX bid price on 5 April 2016 of \$0.011 per share.

### (d) 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 27. 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 2015 year the share based payment expense recognised of \$157,776 had been reversed as the vesting conditions are no longer expected to be met.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

## 4 Significant accounting judgements, estimates and assumptions (continued)

### (e) 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 \$464 (2015: \$76,540) has been recognised in the statement of profit or loss and other comprehensive income.

### (f) 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.

	2016 \$	2015 \$
Revenue from external sources	-	-
Reportable segment profit / (loss)	(15,173)	(36,124)
Reportable segment assets	1,977,540	-
Reportable segment liabilities	(29,186)	(1,698)
<b>Reconciliation of reportable segment profit or loss</b>		
Reportable segment profit (loss)	(15,173)	(36,124)
Unallocated:		
- Corporate expenses	(692,157)	(546,092)
- Interest income	16,741	43,040
<b>Loss before income tax</b>	<b>(690,589)</b>	<b>(539,176)</b>
<b>Reconciliation of reportable segment assets</b>		
Segment assets	1,977,540	-
Intersegment eliminations		
Unallocated:		
- Cash and cash equivalents	765,832	1,731,686
- Trade and other receivables	5,964	8,894
- Prepayments	986	1,031
- Available-for-sale financial assets	82,491	82,955
- Plant & equipment	54,205	31,582
<b>Total assets as per statement of financial position</b>	<b>2,887,018</b>	<b>1,856,148</b>
<b>Reconciliation of reportable segment liabilities</b>		
Segment liabilities	(29,186)	(1,698)
Intersegment eliminations		
Unallocated:		
- Trade and other payables	(139,252)	(47,060)
- Provisions	(15,595)	(7,376)
- Borrowings	-	(3,424)
<b>Total liabilities as per statement of financial position</b>	<b>(184,033)</b>	<b>(59,558)</b>

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.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

## 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 (c)(i).

Name of entity	Country of incorporation	Class of shares	2016 %	2015 %
Reflective Minerals Pty Ltd	Australia	Ordinary	100	100
North Manganese Pty Ltd	Australia	Ordinary	100	100
Redcliffe Resources Limited	Papua New Guinea	Ordinary	100	-
Pacrim (PNG) Pty Ltd	Papua New Guinea	Ordinary	100	-

## 7 Revenue from continuing operations

Interest revenue	16,741	43,040
	<b>16,741</b>	<b>43,040</b>

## 8 Other income

Research and development tax concession	-	114,737
Gain on disposal of equity securities	-	25,022
	<b>-</b>	<b>139,759</b>

## 9 Expenses

### (a) Depreciation

Depreciation	8,763	11,517
	<b>8,763</b>	<b>11,517</b>

### (b) Directors fees included in statement of profit or loss and other comprehensive income

Director fees	77,877	97,120
Superannuation costs	3,123	7,618
	<b>81,000</b>	<b>104,738</b>

## 10 Income tax

### (a) 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	(690,589)	(539,176)
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2015: 30%)	(207,177)	(161,753)
Add tax effect of:		
Tax losses and timing differences not brought to account	207,177	161,753
Income tax benefit	-	-

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

	2016 \$	2015 \$
<b>10 Income tax</b>		
<b>(b) Deferred income tax at 30 June relates to the following</b>		
<b>Deferred tax liabilities:</b>		
Exploration and evaluation expenditure	(108,561)	-
Accrued interest income	(14)	(806)
Prepayments	(296)	(309)
Deferred tax asset netted off against deferred tax liability	108,871	1,115
	-	-
<b>Deferred tax assets:</b>		
Accrued audit fees	11,250	5,076
Employee Provisions	4,679	2,213
Capital raising costs	8,845	5,021
Available-for-sale financial assets	334,081	-
Tax losses	3,788,312	3,517,273
Tax asset utilised to offset deferred tax liability	(108,871)	(1,115)
Deferred tax asset not recognised	(4,038,296)	(3,528,468)
	-	-
<b>Net deferred tax assets/(liabilities)</b>	-	-

The Group has tax losses of \$12,627,707 (2015: \$11,724,244) that are available indefinitely for offset against future taxable profits of the Group. The recoupment of available tax losses as at 30 June 2016 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.

	2016 \$	2015 \$
<b>12 Loss per share</b>		
<b>(a) Loss used in calculating loss per share</b>		
For basic and diluted loss per share:		
<i>Loss attributable to owners of Northern Manganese Limited</i>	(690,589)	(539,176)
Given the operating losses, the outstanding options are not considered dilutive. As a result, diluted loss per share equals basic loss per share.		
	2016 Number	2015 Number
<b>(b) Weighted average number of shares</b>		
Weighted average number of ordinary shares used in calculating basic and diluted loss per share.	137,930,105	102,018,486
Basic and diluted loss per share (cents per share)	(0.50)	(0.53)

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

#### (i) Options

6,000,000 options (2015: 6,000,000) 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.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

	2016 \$	2015 \$
<b>13 Cash and cash equivalents</b>		
Cash at bank and in hand	765,832	1,731,686
	<b>765,832</b>	<b>1,731,686</b>

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

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

	Notes	2016 \$	2015 \$
<b>14 Trade and other receivables</b>			
GST receivable		5,917	6,208
Other		47	2,686
		<b>5,964</b>	<b>8,894</b>

### 15 Prepayments

Prepaid insurance premiums	986	1,031
	<b>986</b>	<b>1,031</b>

### 16 Available-for-sale financial assets

Listed equity securities:

Balance at beginning of the year	82,955	118,300
Acquisition of equity securities	-	141,540
Proceeds from sale of equity securities	-	(201,907)
Gain on disposal of equity securities	-	25,022
Impairment of available-for-sale financial assets	(464)	-
At 30 June	<b>82,491</b>	<b>82,955</b>

The listed equity securities have been impaired down to fair value based on the ASX bid price as at 30 June 2016.

### 17 Exploration and evaluation

Balance at beginning of the year	-	2,800,000
Acquisition of Redcliffe Gold Project - 51% interest	415,076	-
Acquisition of Redcliffe Gold Project - Scheme of Arrangement	1,281,385	-
Acquisition of additional Redcliffe Gold Project tenement	8,325	-
Expenditure incurred	287,927	28,760
Expenditure written off	(15,173)	(28,760)
Proceeds received for surrender of tenements	-	(2,800,000)
At 30 June	<b>1,977,540</b>	<b>-</b>

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 together with other exploration related costs. As a result, exploration costs of \$15,173 (2015: \$28,760) 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 2016

	2016 \$	2015 \$
<b>18 Plant and equipment</b>		
Plant and equipment at cost	64,034	46,420
Disposals	-	(13,772)
Accumulated depreciation	(29,603)	(26,758)
Net carrying amount	34,431	5,890
At July 1, net of accumulated depreciation	5,890	13,359
Additions	31,386	1,595
Disposals	-	(5,592)
Depreciation charge for the year	(2,845)	(3,472)
As at 30 June, net of accumulated depreciation	34,431	5,890
Furniture & fittings at cost	2,769	31,962
Disposals	-	(29,193)
Accumulated depreciation	(595)	(353)
Net carrying amount	2,174	2,416
At July 1, net of accumulated depreciation	2,416	22,946
Additions	-	1,669
Disposals	-	(21,676)
Depreciation charge for the year	(242)	(523)
As at 30 June, net of accumulated depreciation	2,174	2,416
Motor vehicles at cost	62,624	62,624
Accumulated depreciation	(47,301)	(42,194)
Net carrying amount	15,323	20,430
At July 1, net of accumulated depreciation	20,430	27,240
Additions	-	-
Disposals	-	-
Depreciation charge for the year	(5,107)	(6,810)
As at 30 June, net of accumulated depreciation	15,323	20,430
Professional library at cost	5,091	5,091
Accumulated depreciation	(2,814)	(2,245)
Net carrying amount	2,277	2,846
At July 1, net of accumulated depreciation	2,846	3,558
Additions	-	-
Disposals	-	-
Depreciation charge for the year	(569)	(712)
As at 30 June, net of accumulated depreciation	2,277	2,846
Total plant and equipment, furniture and fittings and motor vehicles at cost	134,518	103,132
Accumulated depreciation	(80,313)	(71,550)
Net carrying amount	54,205	31,582
At July 1, net of accumulated depreciation	31,582	67,103
Additions	31,386	3,264
Disposals	-	(27,268)
Depreciation charge for the year	(8,763)	(11,517)
As at 30 June, net of accumulated depreciation	54,205	31,582

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

## 19 Asset Acquisition

The Group acquired the assets of Redcliffe Resources Limited by way of a Scheme of Arrangement. Equity consideration of 86,443,001 shares was issued at fair value based on the ASX bid price on 5 April 2016 of \$0.011 per share, the value of the Redcliffe Gold Project was unable to be measured reliably and therefore the value of the project was measured by reference to the fair value of the shares issued.

The transaction is not a business combination as the assets acquired did not meet the definition of a business as defined in the Australian Accounting Standards as at the date of acquisition, no economic resource could be established. The acquisition of the net assets meets the definition of, and has been accounted for, as an asset acquisition.

	Notes	2016 \$
<b>Assets</b>		
Cash and cash equivalents		11,154
Trade and other receivables		13,889
Available-for-sale financial assets		152,778
Property, plant & equipment		31,386
Exploration and evaluation		1,281,385
<b>Liabilities</b>		
Trade and other payables		306,339
Value of net assets acquired		<u>1,184,253</u>
<b>Consideration</b>		
Equity consideration	23	950,873
Transaction costs		<u>233,380</u>
Total consideration		<u>1,184,253</u>

## 20 Trade and other payables

	2016 \$	2015 \$
Trade payables (a)	91,866	16,206
Other payables (b)	76,572	32,552
	<u>168,438</u>	<u>48,758</u>

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

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

## 21 Current provisions

	2016 \$	2015 \$
Employee Entitlements	<u>15,595</u>	<u>7,376</u>



## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

	2016 \$	2015 \$
<b>22 Borrowings</b>		
<b>Current liabilities</b>		
Chattel Mortgage	-	3,424

### Terms and debt repayment schedule

Terms and conditions of outstanding borrowing were as follows:

			30 June 2016		30 June 2015	
	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Chattel mortgage	8.95%	2015	-	-	3,462	3,424
Total interest-bearing liabilities			-	-	3,462	3,424

	2016 Shares	2015 Shares	2016 \$	2015 \$
<b>23 Contributed equity</b>				
(i) Ordinary shares				
Issued and fully paid	226,286,146	103,328,307	14,602,324	12,872,562
(ii) Other equity securities				
Treasury shares	(11,888,889)	-	(132,778)	-
Total contributed equity	214,397,257	103,328,307	14,469,546	12,872,562

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

	Notes	Shares	\$
(iii) Movement in ordinary shares on issue			
At 1 July 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		-	(4,842)
At 30 June 2015		103,328,307	12,872,562
18 August 2015 Shares issued in part consideration for 51% interest in mining leases and prospecting licenses.		13,888,889	138,889
20 August 2015 Shares issued in lieu of Professional Services		332,579	6,652
5 April 2016 Shares issued under Scheme of Arrangement	19	86,443,001	950,873
14 April 2016 Shares issued in lieu of Scheme of Arrangement Success Fee		5,000,000	40,000
14 April 2016 Shares issued in lieu of Professional Services		150,513	3,348
13 June 2016 Shares issued to Sophisticated Investors		17,142,857	599,951
Capital raising costs incurred in the current year		-	(9,951)
At 30 June 2016		226,286,146	14,602,324

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

## 23 Contributed equity (continued)

Treasury shares are shares in Northern Manganese Limited that are held by the Group.

	Notes	Shares	\$
<i>(iv) Movement in treasury shares</i>			
At 1 July 2015		-	-
5 April 2016 Acquisition of shares	19	(13,888,889)	(152,778)
17 June 2016 Disposal of shares		2,000,000	20,000
At 30 June 2016		(11,888,889)	(132,778)

### Options

#### 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 2016:

- 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 2015 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.

## 24 Reserves

### (a) Share based payments reserve

	2016 \$	2015 \$
At 1 July 2015	4,665,277	4,823,053
Share based payments expense / (benefit)	-	(157,776)
At 30 June 2016	4,665,277	4,665,277

### (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.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

	2016 \$	2015 \$
<b>25 Cash flow reconciliation</b>		
<b>Reconciliation of net loss after tax to net cash flows from operations</b>		
Net loss	(690,589)	(539,176)
<i>Adjustments for:</i>		
Depreciation	8,763	11,517
Impairment of available-for-sale financial assets	464	76,540
Loss on disposal of non-current assets	-	27,268
Share based payments expense / (benefit)	-	(140,696)
Profit on sale of equity securities	-	(101,562)
Equity settled transactions	10,000	20,000
<i>Changes in assets and liabilities</i>		
Decrease/(Increase) in prepayments	45	(1,031)
Decrease/(Increase) in trade and other receivables	12,180	2,584
Increase/(Decrease) in trade and other payables	5,979	(357,874)
Net cash from operating activities	<b>(653,158)</b>	<b>(1,002,430)</b>

## 26 Related parties

### (a) Compensation of key management personnel

Short-term employee benefits	255,824	328,986
Post-employment benefits	18,831	26,126
Share based payments	-	(140,696)
	<b>274,655</b>	<b>214,416</b>

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

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

#### Mr R Foster

Fees for Geological Services provided by Mr Foster's related entity, Minico Pty Ltd as trustee for the Foster Family Trust of \$18,242 (including GST) were incurred during the year. In addition, Consultancy Fees and Rental for Minico Pty Ltd as trustee for the Foster Family Trust totalling \$28,917 (including GST) were included in Trade Payables taken over from Redcliffe Resources Limited under the Scheme of Arrangement.

An amount of \$47,196 (including GST) has been incurred during the year, being Directors Fees of \$9,900, Geological Services of \$8,379, Consultancy Fees and Rental of \$28,917 and remained payable at year end.

#### Mr L Jones

Annual Leave entitlements totalling \$15,595 (2015: \$Nil) remained payable at year end.

#### Mr B McFarlane

Directors fees totalling \$9,900 (including GST) remained payable to Mr McFarlane's related entity, Calatos Pty Ltd as trustee for the JBB Trust 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.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

## 27 Share based payments

Share based payment transactions are recognised at fair value in accordance with AASB 2.

The total movement arising from share based payment transactions recognised during the year were as follows:

	Note	2016 \$	2015 \$
As part of share based payment expense:			
Shares issued	23	-	17,080
Options issued	24	-	(157,776)
As part of administration expenses:			
Shares issued in lieu of Professional Services <sup>1</sup>	23	10,000	-
Capitalised to Statement of financial position:			
Shares issued under Scheme of Arrangement	23	950,873	-
		<b>960,873</b>	<b>(140,696)</b>

1. The value of these shares has been determined based on the advisors invoice received.

### 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 2016 No.	30 June 2016 Weighted average exercise price	30 June 2016 No.	30 June 2016 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 2016 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 2016 is 0.42 years (2015: 1.42 years).

The weighted average exercise price for options outstanding at year end was \$0.20 (2015: \$0.20).

The fair value of options granted during the year was \$Nil (2015: \$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 Group's Managing Director have vesting conditions attached to them which are JORC compliant related:

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

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

## 28 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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

### (a) Credit risk

#### Exposure to credit risk

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

	Carrying amount	
	2016	2015
	\$	\$
Cash and cash equivalents	765,832	1,731,686
Available-for-sale financial assets	82,491	82,955
	<b>848,323</b>	<b>1,814,641</b>

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 2016	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	168,438	168,438	-	-	-	-
Provisions	15,595	15,595	-	-	-	-
	<b>184,033</b>	<b>184,033</b>	-	-	-	-
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	-	-	-	-
	<b>59,558</b>	<b>59,558</b>	-	-	-	-

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

## 28 Financial risk management (continued)

### (c) Market risk

#### (i) Interest rate risk

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

	2016 Floating interest rate \$	2015 Floating interest rate \$	2016 Fixed interest rate \$	2015 Fixed interest rate \$
<b>Financial assets</b>				
Cash and cash equivalents	623,467	706,007	142,365	1,025,679
<i>Weighted average effective interest rate</i>	1,166%	1.661%	2.00%	2.45%
<b>Financial liabilities</b>				
Borrowings	-	-	-	(3,424)
<i>Weighted average effective interest rate</i>	-	-	-	8.95%

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

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

Risk variable	Sensitivity*	Post tax effect on:		Post tax effect on:	
		Profit 2016	Equity 2016	Profit 2015	Equity 2015
Interest Rate	+0.50%	3,915	-	3,530	-
	-0.50%	(3,915)	-	(3,530)	-

\* 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
<b>30 June 2016</b>		
Available-for-sale financial assets	(20,623)	20,623
Sensitivity (net)		
<b>30 June 2015</b>		
Available-for-sale financial assets	(20,739)	20,739
Sensitivity (net)		

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

### 28 Financial risk management (continued)

#### (d) Fair values

##### Fair values versus carrying amounts

##### Cash and cash equivalents

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

##### Other receivables

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

##### Available-for-sale financial assets

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

##### Fair values versus carrying amounts

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

- (a) Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (b) Level 2 – a valuation technique is used using inputs other than quoted prices within Level 1 that are observable for the financial instrument either directly (ie. as prices) or indirectly (ie. derived from prices); or
- (c) Level 3 – a valuation technique is used using inputs that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
<b>Fair value through profit or loss</b>				
<b>2016</b>				
Available-for-sale financial assets:				
Listed equity securities	82,491	-	-	82,491
<b>2015</b>				
Available-for-sale financial assets:				
Listed equity securities	82,955	-	-	82,955

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.

### 29 Commitments and contingencies

#### Lease commitments

Future minimum payments under the services agreement and chattel mortgage as at 30 June 2016 are as follows:

	2016 \$	2015 \$
Within one year	-	3,462
After one year but not more than five years	-	-
More than five years	-	-
	-	3,462

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

## 29 Commitments and contingencies (continued)

### Other expenditure commitments

Expenditure commitments at 30 June 2016 but not recognised as liabilities are as follows:

### Exploration expenditure commitment

	2016 \$	2015 \$
Within one year	476,951	316,230
After one year but not more than five years	1,816,868	143,587
More than five years	4,643,942	-
	<b>6,937,761</b>	<b>459,817</b>

### Contingencies

The Group has no contingent assets and liabilities.

## 30 Events after the reporting date

- On 5 July 2016, the Company announced restructuring of the Board to reduce remuneration.
- On 6 July 2016 the Company announced the sale of the balance of 11,888,889 Treasury Shares to raise approximately \$416,000.
- On 7 July 2016 the Company announced that Mr Paul Price was appointed as an Independent Non-Executive Director.
- On 29 July 2016 the Company announced in the Quarterly Activities Report that the manganese assets in the Northern Territory are to be divested.
- On 3 August 2016 the Company announced further changes to the Board to appoint Mr Paul Price as Non-Executive Chairman and Mr Rodney Foster as Chief Executive Office. The location of the Registered and Principal Business Office of the Company was also moved to West Perth.

No other matter or circumstance has arisen since 30 June 2016 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.

## 31 Auditors' remuneration

Amounts received or due and receivable for:

	2016 \$	2015 \$
An audit and review of the financial report of the Group by BDO Audit (WA) Pty Ltd	35,002	38,146
Total Remuneration of Auditors	<b>35,002</b>	<b>38,146</b>



## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2016

### 32 Parent entity disclosures

The following details information related to the entity, Northern Manganese Limited, at 30 June 2016. The information presented here has been prepared using consistent accounting policies as presented

	2016 \$	2015 \$
<b>Financial position</b>		
<b>Assets</b>		
Current assets	782,242	1,824,566
Non-current assets	2,041,098	31,582
<b>Total Assets</b>	<b>2,823,340</b>	<b>1,856,148</b>
<b>Liabilities</b>		
Current liabilities	120,355	59,558
Non-current liabilities	-	-
<b>Total Liabilities</b>	<b>120,355</b>	<b>59,558</b>
<b>Equity</b>		
Issued capital	14,602,324	12,872,562
Reserve	4,665,277	4,665,277
Accumulated losses	(16,564,616)	(15,741,249)
<b>Total equity</b>	<b>2,702,985</b>	<b>1,796,590</b>
<b>Financial performance</b>		
Loss for the year	(823,367)	(539,176)
Other comprehensive loss	-	-
<b>Total comprehensive loss</b>	<b>(823,367)</b>	<b>(539,176)</b>
<b>Commitments of the parent's entity</b>		
Finance lease		
One year or later and no later than five years	-	3,462
<b>Total</b>	<b>-</b>	<b>3,462</b>

## 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 2016 and of the performance for the year ended on that date of the Group and the consolidated entity.
- 2 In the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- 3 The Directors have been given the declarations by the Managing Director required by section 295A.
- 4 The consolidated entity has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

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



**Paul Price**  
**Chairman**

Perth, Western Australia  
12<sup>th</sup> day of September 2016

## 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 2016, 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 2016 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).

## Emphasis of matter

Without modifying our opinion, we draw attention to Note 2(b) in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon securing additional funding through capital raisings in order to fund its ongoing exploration commitments and working capital. This condition, along with other matters as set forth in Note 2(b), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 21 of the directors' report for the year ended 30 June 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Glyn O'Brien', is written over a faint blue BDO logo.

Glyn O'Brien  
Director

Perth, 12 September 2016

## 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 12<sup>th</sup> September 2016.

### Distribution of equity holdings

	Class of Equity Security	
	Number of Holders	Fully Paid Ordinary Shares
1 – 1,000	211	99,718
1,001 – 10,000	649	3,151,784
10,001 – 100,000	676	26,631,728
100,001 – 1,000,000	224	68,810,818
1,000,001 and over	44	127,592,098
	1,804	226,286,146

There were 742 Shareholders holding less than a marketable parcel.

### Twenty largest shareholders

Name of Holder	No. of Ordinary Shares Held	Percentage of Issued Capital %
Mr Garry Patrick Connell + Mrs Devryn Lee Connell <Connell Contractors S/F A/c>	12,673,450	5.60
Minico Pty Ltd	11,539,911	5.10
Suncity Corporation Pty Limited	8,498,572	3.76
Mr Edward Van Heemst + Mrs Marilyn Elaine Van Heemst <Lynward Super Fund A/c>	7,500,000	3.31
Horseshoe Investments Pty Ltd <The Rod Russell Family A/c>	6,814,285	3.01
Busang No 3 Pty Ltd <Goyne Superannuation Fund>	4,207,174	1.86
Mr Rodney Foster + Mrs Debra Foster <R & D Foster Super Fund A/c>	3,890,909	1.72
Mr Alban Horst Hasslinger	3,890,000	1.72
On Site Laboratory Services Pty Ltd	3,437,333	1.52
Citicorp Nominees Pty Limited	3,428,652	1.52
Mr Jean-Pierre Aucoin	3,000,000	1.33
Trucking Nominees Pty Ltd <The DJ Reed Family A/c>	3,000,000	1.33
Mr Brian Thomas Ryan	2,880,350	1.27
K Biggs Enterprises Pty Ltd	2,738,016	1.21
K Biggs Enterprises Pty Ltd	2,688,889	1.19
RM Corporate Pty Ltd <Investment A/c>	2,586,086	1.14
BLP (WA) Pty Ltd <EWH Superannuation Fund A/c>	2,400,000	1.06
Trucking Nominees Pty Ltd <The DJ Reed Family A/c>	2,350,000	1.04
Font SF Pty Ltd <Fontanalice Pty Ltd A/c>	2,322,386	1.03
DDH 1 Drilling Pty Ltd	2,040,575	0.90
<b>Total</b>	<b>91,886,588</b>	<b>40.62</b>

## ASX additional information

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### 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 %
Minico Pty Ltd – R Foster	16,007,524	7.07%
Mr Garry Patrick Connell + Mrs Devryn Lee Connell <Connell Contractors Super Fund A/c>	12,673,450	5.60%

### 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 12<sup>th</sup> September 2016:

Groote Eylandt, Northern Territory (Northern Manganese 100%)		
Tenement	Status	Tenement Area (km <sup>2</sup> )
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 (km <sup>2</sup> )
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 100%)		
Tenement	Status	Tenement Area (km <sup>2</sup> )
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
E37/1205	Granted	64.40
P39/5593	Granted	1.83