NORTHERN IRON LIMITED

ABN 71 125 264 575

ANNUAL REPORT
31 DECEMBER 2015

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CORPORATE DIRECTORY

Directors
Michael Davy
Robert Jewson
Kyla Garic

Company Secretary
Peter Webse
Kyla Garic

Registered office
108 Outram Street
West Perth WA 6005
Telephone: +61 8 9486 7244
Facsimile: +61 8 9463 6373

Auditor
Ernst and Young
11 Mounts Bay Road
Perth, Western Australia, 6000

Share Registry
Automic Registry Services
Suite 310
Level 3, 50 Holt Street
Surry Hills NSW 2010

Securities Exchange Listing
ASX Limited
Exchange Centre
Level 4, 20 Bridge Street
Sydney NSW 2000, Australia
ASX Code – NFE

DIRECTORS' REPORT

Your Directors present their report, together with the financial statements of Northern Iron Limited ("the Company") and controlled entities ("the Group") for the financial year ended 31 December 2015.

Directors

The names and the particulars of the Directors of the Company since the end of the financial year are:

Name	Status	Appointed
Michael Davy	Non-Executive Director	Appointed 16 May 2016
Robert Jewson	Non-Executive Director	Appointed 16 May 2016
Kyla Garic	Non-Executive Director	Appointed 16 May 2016

The below named directors held office during the financial year up until the date of their resignation

Name	Status	Resignation
Peter Bilbe	Chairman	Removed 16 May 2016
Anthony Beckmand	Managing Director	Removed 16 May 2016
Ashwath Mehra	Non-Executive Director	Removed 16 May 2016
Felix Tschudi	Non-Executive Director	Removed 16 May 2016
Peter Larsen	Non-Executive Director	Removed 16 May 2016

Principal Activities

The principal continuing activity of the Consolidated Entity during the year was the management and operation of iron ore mining.

Incomplete records

On 19 November 2015, the Board of directors resolved to place the Company into voluntary administration and appointed James Thackray as voluntary administrator of the Company.

Following appointment of the administrators, the powers of the Company's officers (including Directors) were suspended and the administrators assumed control of the Company's business, property and affairs.

The financial report has been prepared by Directors who were not in office for the periods presented in this report, nor were they parties involved with the Company and did not have oversight or control over the group's financial reporting systems including but not limited to being able to obtain access to complete accounting records of the Company. Sydvaranger Gruve AS (a subsidiary of the Company) ("Sydvaranger") filed for bankruptcy on 19 November 2015 at which point the Company lost control of Sydvaranger and its subsidiary. The directors have not been able to source books and records of Sydvaranger and have determined to deconsolidate the financial information of Sydvaranger from 1 July 2015 (rather than 19 November 2015, the date when control of Sydvaranger was lost). In addition, the directors have also not been able to source books and records of Northern Iron Marketing AG (another subsidiary of the company). Accordingly, the financial information of Northern Iron Marketing AG has been deconsolidated from 1 July 2015. The Directors who prepared this financial report were appointed on 16 May 2016. Reasonable effort has been made by the Directors to ascertain the true position of the Company as at 31 December 2015.

To prepare the financial report, the Directors have reconstructed the financial records of the Group using data extracted from the Group's accounting system. However, there may be information that the current Directors have not been able to obtain, the impact of which may or may not be material on the accounts.

DIRECTORS' REPORT

These financial statements do not contain all the required information or disclosures in relation transactions undertaken by the Company as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

Incomplete records

Consequently, although the Directors have prepared this financial report to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that this financial report has been prepared in accordance with Australian Accounting Standards including Australian interpretations, other authoritative pronouncements of the Australian Accounting Standard Board and the Corporations Act 2001, nor is it possible to state this financial report gives a true and fair view of the Group's financial position as at 31 December 2015 and for the year then ended.

Operating and financial review

The Company was incorporated on 22 May 2007 and was admitted to the official list of the ASX on 13 December 2007. The Company's primary operations during this time have been the production of magnetite iron concentrate in northern Norway via its wholly-owned Norwegian subsidiary Sydvaranger Gruve AS (SVG). At the request of the Company a trading halt was requested on the 13 November 2015, it was announced on the 19 November 2015 that the wholly-owned subsidiary, Sydvaranger Gruve AS ("SVG") filed for bankruptcy under Norwegian legislation. As a result, the Board of directors resolved to place the Company into voluntary administration and appointed James Thackray as voluntary administrator of the Company.

The consolidated loss for the year amounted to $184,416,652 (2014: loss $210,563,000).

Dividends Paid or Recommended

There were no dividends paid or recommended during the financial year ended 31 December 2015 (2014: Nil).

Significant changes in state of affairs

Significant changes in the state of affairs of the Company during the financial year were as follows:

On 19 November 2015, the Company announced that the Directors resolved to appoint Mr James Thackray of The Headquarters Corporate Advisory as voluntary administrator of the Company.

No other significant changes in the nature of the Company's activities have occurred during the year.

Significant events after balance date

On 8 April 2016, the Company announced that at a meeting of creditors held on the 24 March 2016, the creditors resolved that the Company execute a deed of company arrangement ("DOCA") and that Mr James Thackray be appointed as administrator of the deed of company arrangement (Deed Administrator). The DOCA embodied a proposal by Otsana Capital (Otsana) for the recapitalisation of the Company (Recapitalisation Proposal).

A recapitalisation proposal typically involves an injection of new cash into a company that is either in financial distress or has been placed into voluntary administration. In the ordinary course, the entity will retain some or all of its assets and seek reinstatement to trading following completion of the recapitalisation.

A summary of the material terms of the Recapitalisation Proposal is set out below. Further information appears in sections 3.1 and 3.2 of the Company's notice of meeting lodged with ASX on 13 April 2016.

a) the Company and the Deed Administrator will establish the Creditors' Trust, with the Deed Administrator acting as trustee;
b) the assets of the Company will be transferred to the Creditors' Trust, including an amount of $425,000 to be comprised of:
    i. $100,000 (Deposit), paid by Otsana upon execution of the DOCA; and

Significant events after balance date

  ii. $325,000 (Recapitalisation Payment), to be paid by the Otsana upon Shareholder approval of the Recapitalisation Resolutions. The Deposit and Recapitalisation Payments are to be repaid to Otsana upon reinstatement of the Company's securities to the Official List;

c) all creditors will be required to prove debts against the Trustee of the Creditors' Trust as if they were claimed in a liquidation of the Company and payments in respect of admitted claims of the Creditors will be made in accordance with the DOCA and the Creditors' Trust Deed;

d) upon completion of the DOCA, the funds in the Creditors' Trust will be distributed as follows:

  i. first, to the Deed Administrator and Trustee for administering the DOCA and the Creditors' Trust (including fees and disbursements);

  ii. second, to any priority Creditors pro rata according to the amount for which each creditor shall be admitted to proof pursuant to the Creditors' Trust Deed; and

  iii. third, the remainder (if any) to be returned to the Company for distribution to unsecured Creditors;

e) the Deed Administrator will cause the current Company Secretary and Directors of the Company to be removed and appoint nominees of Otsana Capital as Company Secretary and Directors of the Company, the nominee directors were appointed on 16 May 2016;

f) all security over the Company's assets will be discharged and released;

g) the Company will undertake the Consolidation, the capital consolidation was approved by shareholders on 13 May 2016;

  - Consolidation of existing fully paid shares (Shares) on a one (1) for one hundred (100) basis;

Key conditions precedent for completion of the DOCA include:

- payment of the Deposit and Recapitalisation Payment,
- all subsidiaries being excised from the Company;
- termination or repudiation of existing employment and service contracts; and
- shareholder approval being obtained to give effect to the Recapitalisation Proposal.

On completion of the DOCA the Company will be debt free and no security will exist over it or any of its assets.

The conditions precedent were satisfied on 16 May 2016 and the DOCA was effectuated. On termination of the DOCA, control of the Company reverted to the officers of the Company.

On 16 May 2016, the Board of Directors and Company Secretary were removed from office and new Directors, Mr Michael Davy, Mr Robert Jewson and Ms Kyla Garic were appointed. Ms Kyla Garic was appointed as Company Secretary and on 19 May 2016 Mr Peter Webse was appointed as Company Secretary, Ms Garic remains as Joint Company Secretary.

On 23 May 2016 the Company announced the intention to acquire 100% of Dotz Nano Limited ('Dotz'), an entity developing technology to produce Graphene Quantum Dots ('GQDs'). The Company will seek to re-comply as a technology and materials company on the ASX and be renamed Dotz Nano Limited.

As consideration for 100% of the issued capital of Dotz, the Company has agreed to issue:

- 66,000,000 fully paid ordinary shares (on a post-consolidation basis) in NFE at a deemed issue price of $0.20 each (Consideration Shares). All consideration shares will be subject to ASX escrow provisions;
- 66,000,000 performance shares (on a post-consolidation basis) (Performance Shares) will convert upon satisfaction of any one of the following milestones:
  - 22,000,000 Performance Shares shall convert upon Dotz achieving the production and distribution of an aggregate of 20 kilograms of GQDs through formal off-take agreements or commercial samples with a reputable third party within an 18 month period from the date of issue of the Performance Shares (Issue Date);

Significant events after balance date

- 22,000,000 Performance Shares shall convert upon Dotz achieving the production and distribution of an aggregate of 50 kilograms of GQDs in any 12 month period through formal off-take agreements with a reputable third party within a period of 30 months from the Issue Date; and
- 22,000,000 Performance Shares shall convert upon Dotz achieving the production and distribution of an aggregate of 100 kilograms of GQDs in any 12 month period through formal off-take agreements with a reputable third party within a period of 48 months from the Issue Date,

Settlement of the Acquisition is conditional upon the satisfaction (or waiver) of the following conditions precedent:

- completion of due diligence by NFE on Dotz's business and operations, to the sole satisfaction of NFE within 20 days following the date of execution of this agreement (this condition is for the benefit of NFE);
- completion of due diligence by Dotz on NFE's business and operations, to the sole satisfaction of Dotz within 20 days following the date of execution of this agreement (this condition is for the benefit of Dotz);
- Ariel Malik and Amiram Bornstein agreeing to the cancellation of their management shares in the capital of Dotz with effect immediately prior to Settlement together with an acknowledgement that they will not be entitled to receive Consideration Securities or any other consideration in relation to such management shares;
- NFE undertaking a capital raising and receiving valid non-revocable applications for at least AUD$3,500,000 worth of fully paid ordinary shares in the capital of NFE (NFE Shares) under the capital raising (Capital Raising) at an issue price of not less than $0.02 per share (this condition is for the benefit of Dotz and NFE), with the closing of such capital raising occurring contemporaneously with Settlement;
- the conditional approval by ASX to reinstate the securities of NFE to trading on ASX (after NFE re-complies with Chapters 1 and 2 of the ASX Listing Rules) and those conditions being to the reasonable satisfaction of NFE and Dotz (this condition is for the benefit of NFE and Dotz);
- the parties obtaining all necessary regulatory approvals (including ASX approvals and waivers and ASIC relief) to complete the Merger, the expiration of any necessary statutory waiting periods and the filing of all merger notices and proposals required under applicable law (this condition is for the benefit of NFE and Dotz);
- Dotz receiving initial approval from the Israeli Tax Authority, within 60 days following the date of execution of this Agreement, that the structure of the Acquisition will provide the Dotz Shareholders with "roll-over" relief for the purposes of applicable Israeli taxation regulations, and will not otherwise have any material adverse taxation implications for the Dotz shareholders, and that neither NFE nor Dotz will be required to withhold any part of the Consideration payable to the Dotz Shareholders (Dotz is entitled to the benefit of this condition);
- Dotz and/or the Holding Agent (as defined in clause 4) obtaining any relief from ASIC or any ASX waiver required to permit the Holding Agent to perform the functions contemplated in this HOA;
- Dotz Shareholders holding more than 50% of the voting power of Dotz having passed a resolution approving the Merger (this condition is for the benefit of NFE and Dotz);
- NFE obtaining all requisite shareholder approvals pursuant to the ASX Listing Rules (including but not limited to ASX Listing Rule 11.1), the Corporations Act and its constitution to give effect to:
  - (i) the transactions contemplated by this HOA;
  - (ii) the change of name from "NFE" to "Dotz Nano Limited (or such other name as is agreed between Dotz and NFE); and
  - (iii) In the event that ASX does not approve the terms of the Performance Shares, Dotz (on behalf of the Dotz Shareholders) and NFE agree upon a variation to the terms of the Performance Shares, in accordance with the provisions of Section 4(d) below, to preserve the commercial intent of the issuing of the Performance Shares (this condition is for the benefit of NFE and Dotz);
- there has been no Material Adverse Change from the Execution Date in the condition (financial or otherwise), results of operations, business, assets or properties of NFE (this condition is for the benefit of Dotz); and
- there has been no Material Adverse Change from the Execution Date in the condition (financial or otherwise), results of operations, business, assets or properties of Dotz (this condition is for the benefit of NFE).

Significant events after balance date

NFE has entered into loan agreements (NFE Convertible Loan Agreements) with various lenders (NFE Lenders) pursuant to which it has been provided with aggregate loans of up to AUD$1,000,000 (NFE Convertible Loan). The NFE Convertible Loan is provided on an interest-free basis. The NFE Convertible Loan shall automatically convert into Shares on the day which is immediately prior to settlement of the Acquisition (Conversion Date) – through the issue of 5,000,000 Shares at a deemed issue price of $0.20 each; and (Repayment): in the event that the NFE Convertible Loan has not been converted, the NFE

Convertible Loan together with all outstanding monies shall be repaid by NFE on the date which is the earlier of:

- 31 October 2016; and
- 5 Business Days after the date on which NFE receives a notice for repayment of the NFE Convertible Loan upon default by NFE.

As outlined above the Directors are currently working towards the restructure and recapitalisation of the Company and liaising with the ASX in relation to the reinstatement of Northern Iron Limited's securities for trading on the ASX.

Information on Directors – Current Directors

Michael Davy

Qualifications	BCom (Acc)
Experience	Mr Davy is an Accountant with 15 years' experience. His experience is broad having working in Oil and Gas, Resources, Property, Food Distribution, Restaurants and startup Technology companies. Mr Davy is also a director and owner of a number of successful private companies. During the past five years Mr Davy has held directorships in two other ASX listed companies.
Interest in Shares and Options	Nil
Special Responsibilities	Nil
Directorships held in other listed entities	Cossack Energy Ltd (July 2013 – April 2014) and Advance Energy Ltd (April 2014 – July 2014)

Robert Jewson

Qualifications	BSc (mining geology & minerals exploration)
Experience	Mr Jewson is a geologist by background and has extensive experience operating across a broad range of commodities, geographies and stages of project advancement. Currently Mr Jewson provides project acquisition and operational assistance to a range of ASX, AIM and private clients in the junior to mid-tier mineral exploration and mining sectors. Roles undertaken for these clients include prospect to country wide data compilation/exploration targeting initiatives, mineral resource estimation, comprehensive project technical due diligence, project management, transaction negotiation/structuring and project divestment.
Interest in Shares and Options	Nil
Special Responsibilities	Nil
Directorships held in other listed entities	Conto Resources Ltd (September 2011 to June 2013), Epic Resources Ltd (September 2011 to December 2012) and Auroch Resources Ltd (June 2011 to January 2013).

Kyla Garic

Qualifications	BComm MAcc CA
Experience	A Chartered Accountant with over ten years professional and commercial experience in financial accounting, auditing, assurance and due diligence. Most recently Ms Garic has been providing financial reporting and accounting services on a consultancy basis, including reconstruction and accounting compliance for companies undergoing recapitalization. Ms Garic is also the treasurer for not-for-profit charity Global Hand Inc.
Interest in Shares and Options	Nil
Special Responsibilities	Nil
Directorships held in other listed entities	Nil

Company secretary

Peter Webse

B.Bus, FGIA, FCPA, MAICD

Mr Webse has over 24 years' company secretarial experience and is managing director of Platinum Corporate Secretariat Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services. Mr Webse holds a Bachelor of Business with a double major in Accounting and Finance, is a Fellow of the Governance Institute of Australia, a Fellow Certified Practicing Accountant and a Member of the Australian Institute of Company Directors.

Kyla Garic

Joint Company Secretary details of the qualification and experience are noted above under the director's information.

Meetings of directors

Due to the appointment of the Administrator on 19 November 2016 to the Company and the current Directors not being in control of the Company during this time, information on the attendance at Directors' meetings is not available.

Share options

At the date of this report, the unissued ordinary shares Northern Iron Limited under option are as follows:

Expiry date	Exercise Price	Number under option
14 June 2020	$0.02	50,000,000
		50,000,000

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

No options were exercised during the year (2014: Nil).

Non-audit Services

No fees for non-audit services were paid to the external auditors during the year ended December 2015 (2014: Nil).

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 31 December 2015 has been received and can be found on page 15 of the financial report.

REMUNERATION REPORT

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of Northern Iron Limited's directors and its senior management for the financial year ended 31 December 2015. The Company was in administration from 19 November 2016. On entering administration, the Administrators were responsible for the remuneration policies of the Company.

The Directors who are in office at the date of this report had no involvement in adopting, implementing or complying with these remuneration policies. These policies may or may not have been in place during the financial period.

If the recapitalisation process is successful, the Directors who are in office at the date of this report will adopt a new remuneration policy in accordance with the corporate governance framework to be adopted by the Board.

The prescribed details for each person covered by this report are detailed below under the following headings:

- Remuneration policy for directors and senior executives
- Details of Remuneration
- Options issued as part of remuneration
- Employment Contracts of Directors and Senior Executives

Remuneration Policy for Directors and Senior Executives

The remuneration policy of Northern Iron was designed to align Director and Senior Management objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the group's medium and long-term financial outcomes.

The Board's policy for determining the nature and amount of remuneration for Board members and Senior Management of the group was as follows:

- The remuneration policy, setting the terms and conditions for Executives and Directors was developed by the Board.
- All Executives received a base salary (which was based on factors such as scope of responsibilities, length of service and experience), superannuation, fringe benefits, options and performance incentives.
- The Board reviewed Executive Directors and Senior Management performance annually by reference to the group's performance, and comparable information from industry sectors and other listed companies in similar industries.

The performance of Executive Directors and Senior Management was measured against criteria agreed for each Executive Director, based predominantly on key performance areas of the group, and its shareholders' value. All bonuses and incentives were linked to predetermined performance criteria. The Board was able to, however, exercise its discretion in relation to approving incentives, bonuses and options. The policy was designed to attract the highest calibre of Executive Directors and reward them for performance that results in long-term growth in shareholder wealth.

Executive Directors were also entitled to participate in the employee share and option arrangements. The Executive Directors and Senior Management receive a superannuation guarantee contribution required by the government, which was 9.25% for the financial year and did not receive any other retirement benefits.

All remuneration paid to Executive Directors and Senior Management was valued at the cost to the Company and expensed.

Remuneration Policy for Directors and Senior Executives

Non-Executive Directors were remunerated at market rates for comparable companies for time, commitment and responsibilities. The Board determined payments to the Non-Executive Directors and reviewed their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Total remuneration for all non-executive directors, last voted upon by shareholders at General Meeting in November 2007, is not to exceed $500,000 per annum. Fees for Non-Executive Directors are not linked to the performance of the group. However, to align Directors' interests with shareholder interests, the Non-Executive Directors were encouraged to hold shares in the Company and were also able to participate in the employee option plan.

The table below sets out information about the consolidated entity's earnings and movements in shareholder wealth for the five years to 31 December 2015

	2015	2014	2013	2012	2011
Revenue	56,291,423	201,093,559	211,528,165	198,633,657	187,850,874
Net Profit/(loss) before tax	(184,416,652)	176,837,073	8,864,457	9,036,837	2,322,582
Net profit/(loss) after tax	(184,416,652)	210,563,248	1,658,494	10,953,665	3,069,625
Share price at start of year	0.02	0.22	0.54	0.57	1.51
Share price at end of year	0.01	0.02	0.22	0.54	0.57
Dividends	-	-	-	-	-
Issued capital	4,844,053	4,844,053	4,844,053	4,122,224	3,525,576
Return of capital	(0.44)	(0.50)	(0.00)	(0.03)	(0.01)
Basic earnings per share (cents)	(38.07)*	(43.47) *	(0.34)*	(2.66)*	(0.87)*
Diluted earnings per share (cents)	(38.07)*	(43.47) *	(0.34)*	(2.66)*	(0.87)*

* The weighted average number of ordinary shares used in the calculation of loss per share has been adjusted for the share consolidation completed by the company on 30 May 2016.

Details of Remuneration

i. 2015

From 19 November 2015 the Company was in administration**.** The Company's operations were suspended by the Administrator. The Company does not have adequate information to enable the disclosures required by *Corporations Act 2001* for the year ended 31 December 2015. Formal approval was granted by Creditors at the second meeting of creditors held on 24 March 2016 for remuneration of the Administrators, no amounts were paid before the 31 December 2015. Amounts approved on the 24 March 2016:

- $38,145 for the period 19 November 2015 until 11 March 2016;
- $15,000 for the period from 12 March 2016 to 24 March 2016, and
- $35,000 as the Deed Administrator and as Trustee of the Creditors' Trust, for the period of the DOCA and until the vesting of the creditors trust up to the 31 December 2016.

ii. 2014

Group Key Management Personnel	Short Term			Post-employment	Share Based Payments				
	Salary and fees AUD$	**Other AUD$**	**Cash bonus (i) AUD$**	**Superannuation contributions AUD$**	**Options AUD$**	**Performance Rights AUD$**	**Total AUD$**	**% of remuneration performance related**	**Value of options and rights as a proportion of remuneration (%)**
Directors									
Non-Executive									
Mr PR Bilbe (Chairman)	134,742	-	-	12,627	-	-	147,369	-	-
Mr A Mehra	58,948	-	-	-	-	-	58,948	-	-
Mr FH Tschudi	58,948	-	-	-	-	-	58,948	-	-
Mr PC Church (appointed 1 April 2014)	43,833	-	-	-	-	-	43,833	-	-
Mr PS Larsen (Alternate Director)	20,762	-	-	-	-	-	20,762	-	-
Executive									
Mr A Beckmand (MD & CEO – Northern Iron Limited)	490,521	23,821	62,727	45,972	-	93,847	716,889	9%	13%
Executive Officers									
Ms S Bækø (GM of Production Services - Sydvaranger Gruve AS)	319,643	14,438	18,632	14,298	-	-	367,011	-	-
Mr A Maurer (GM of Operations – Sydvaranger Gruve AS) (appointed 1 February 2014; resigned 15 June 2015)	370,084	67,381	25,552	10,702	-	-	473,719	5%	-
Mr R Brown (former GM of Operations – Sydvaranger Gruve AS) (resigned 31 March 2014)	72,139	12,472	-	2,568	-	-	87,179	-	-
Mr H Martinsen (CDO – Sydvaranger Gruve AS) (resigned 31 October 2014)	407,613	42,973	4,791	9,400	-	-	464,776	1%	-
Mr I Haaparanta (CEO – Sydvaranger Gruve AS)	596,063	83,085	53,235	11,311	-	-	743,693	7%	-
Mr E Evanson (GM Business Improvement and Commercial – Sydvaranger Gruve AS) (appointed 20 August 2014)	105,845	21,783	-	4,520	-	-	132,148	-	-
Mr R Lovelady (former GM Business Improvement and Commercial – Sydvaranger Gruve AS) (appointed 1 January 2014; resigned 29 June 2014)	184,992	13,556	-	-	-	-	198,548	-	-
Mr A Mills (GM Finance and IT – Sydvaranger Gruve AS) (appointed 1 January 2014)	280,575	55,361	12,776	25,966	-	-	374,679	3%	-
	3,144,708	334,870	177,713	137,364	-	93,847	3,888,501		

(i) In accordance with the Short Term Incentive Scheme, cash bonus payments totalling $177,713 were made early in 2014, relating to the 2013 year, in respect of predetermined metrics which included safety, production and cost targets with an adjustment to take into account movements in the iron ore price. No payments have occurred related to performance in the 2014-year. In addition, retention bonus payments totalling $93,847 were made to one employee under the terms of their service contract.

Shares issued as part of remuneration

Shares and options may be issued to Directors and Executives as part of their remuneration based on set performance criteria. From the information available, no options and no shares were issued to Directors and Executives as part of their remuneration.

Employment Contracts of Directors and Senior Executives

The previous directors' contracts ended upon entering administration.

KMP Options and Rights Holdings

There were no options held during the 2015 year (2014: Nil).

Performance rights

The movement during the reporting period in the number of performance rights in Northern Iron Limited, held by each member of key management personnel is as follows:

	Held at 1/01/15	Granted as compensation	Expired / [1]Lapsed	Vested in year	Held at 31/12/15	Vested and exercisable at 31/12/15
Directors						
A Beckmand	1,000,000	-	(1,000,000)	-	-	-
Executive officers						
S Bækø	50,000	-	(50,000)	-	-	-
R Brown	-	-	-	-	-	-
H Martinsen	- (i)	-	-	-	-	-
I Haaparanta	50,000	-	(50,000)	-	-	-

KMP Shareholdings

The number of ordinary shares in Northern Iron Limited held by each KMP of the Group during the financial year is as follows:

31 December 2015	Balance at the start of the year	Granted as Remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of Year[2]
P Bilbe	215,288	-	-	-	215,288
A Beckmand	-	-	-	-	-
A Mehra	15,702,792	-	-	-	15,702,792
F Tschudi	67,133,728	-	-	-	67,133,728

[1] Rights lapsed on appointment of the administrator

[2] Shareholdings are Pre-consolidation balances

31 December 2015	Balance at the start of the year	Granted as Remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of Year[2]
P Larsen	32,000	-	-	-	32,000
Total	83,083,808	-	-	-	83,083,808

Loans to Key Management Personnel

To the best of the Directors' knowledge, they are not aware of any loans to Key Management Personnel during the financial year.

Other KMP Transactions

To the best of the directors' knowledge, they are not aware of other transactions with Key Management Personnel.

Remuneration, Nomination, and Governance Committee

From 19 November 2015 the Company was in administration**.** The Company's operations were suspended by the Administrator. The Company does not have adequate information to enable the disclosures required by *Corporations Act 2001* for the year ended 31 December 2015.

REMUNERATION REPORT (END)

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Indemnifying Officers

During the financial year the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the Company Secretary, and all executive directors of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive office to the extent permitted by the *Corporation Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Due to the Company being in Administration the Directors insurance premiums have not been renewed since the last policy was paid. It is the intention of the current Directors of the Company to ensure an adequate premium in respect of insuring the Directors, Secretary or Executive officers to the extent permitted by the *Corporations Act 2001.*

Environmental Regulations

In the normal course of business, there are no environmental regulations or requirements that the Company is subject to.

Future Developments, Prospects and Business Strategies

The company is in the process of being recapitalised and its future developments, prospects and business strategies are detailed in the significant events after balance sheet date section of the directors' report.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Signed in accordance with a resolution of the Board of Directors.

Michael Davy
Non-Executive Director
Dated 22 July 2016

Building a better working world

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Auditor's Independence Declaration to the Directors of Northern Iron Limited

As lead auditor for the audit of Northern Iron Limited for the financial year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit, and

b. no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

T G Dachs
Partner
22 July 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015	2014
Discontinued operations		$	$
Revenue	2	56,291,423	201,093,559
Other income	2	1,403,011	794,608
Mining and processing expenses	2	(70,867,490)	(199,882,330)
Depreciation and amortisation expenses	2	(11,802,997)	(26,150,850)
Administrative expenses	2	(1,331,608)	(6,034,835)
Foreign exchange gain / (loss)		144,374	(4,106,878)
Hedging (loss)	2	(17,647,812)	(39,712,922)
Loss on deconsolidation of subsidiaries		(137,306,904)	-
Impairment on non-current assets	14	-	(86,246,522)
Other expenses		(25,146)	(74,250)
Results from operating activities		(181,143,149)	(160,320,420)
Finance income	2	2,304	145,218
Finance expense	2	(3,275,807)	(16,661,871)
Net finance expense		(3,273,503)	(16,516,653)
Loss before income tax		(184,416,652)	(176,837,073)
Income tax expense	4	-	(33,726,175)
Loss for the period		(184,416,652)	(210,563,248)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		-	8,677,223
Exchange differences on translation of foreign operations reclassified to profit or loss on deconsolidation of foreign operations		29,721,231	
Other comprehensive income (loss) for the year		29,721,231	8,677,233
Total comprehensive loss for the period net of tax		**(154,695,421)**	**(201,886,015)**
Basic & Diluted loss per share (dollars per share)	6	(38.07)	(43.47)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	2015	2014
		$	$
CURRENT ASSETS			
Cash and cash equivalents	20b	85,613	8,080,699
Trade and other receivables	9	-	27,508,747
Inventory	11	-	24,136,860
Prepayments		-	303,850
TOTAL CURRENT ASSETS		**85,613**	**60,030,156**
NON-CURRENT ASSETS			
Trade and other receivables	9	-	1,504,673
Mine properties	12	-	39,471,170
Property, plant and equipment	13	-	157,410,892
Deferred tax asset	8	-	3,370
TOTAL NON-CURRENT ASSETS		-	**198,390,105**
TOTAL ASSETS		**85,613**	**258,420,261**
CURRENT LIABILITIES			
Trade and other payables	15	111,330,420	32,725,965
Derivative financial liabilities	16	-	49,587,271
Provisions	17	-	7,006,908
Current tax liabilities		-	157,564
Interest bearing loans and borrowings	18	-	46,336,380
TOTAL CURRENT LIABILITIES		**111,330,420**	**135,814,088**
NON-CURRENT LIABILITIES			
Provisions	17	-	14,768,652
Interest bearing loans and borrowings	18	-	34,665,676
TOTAL NON-CURRENT LIABILITIES		-	**49,435,328**
TOTAL LIABILITIES		**111,330,420**	**185,248,416**
NET (LIABILITIES)/ ASSETS		**(111,244,807)**	**73,171,845**
SHAREHOLDERS' (DEFICIT)/ EQUITY			
Issued capital	19	422,606,171	422,606,171
Reserves		-	(25,198,646)
Accumulated losses		(533,850,978)	(324,235,680)
SHAREHOLDERS' (DEFICIT)/ EQUITY		**(111,244,807)**	**73,171,845**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2015

	Issued Capital	Translation Reserve	Share based payments Reserve	Accumulated Losses	Total
	$	$	$	$	$
Balance at 1 January 2014 - AUD	**422,606,171**	**(38,398,464)**	**4,448,335**	**(113,672,432)**	**274,933,660**
Profit from continuing operations	-	-	-	(210,563,248)	(210,563,248)
Other comprehensive income/(loss)	-	8,677,233	-	-	8,677,233
Total comprehensive loss for the year	-	8,677,233	-	(210,563,248)	(201,886,015)
Transactions with owners, recognised directly in equity					
Share based payments	-	-	74,250	-	74,250
Balance at 31 December 2014	**422,606,171**	**(29,721,231)**	**4,522,585**	**(324,235,680)**	**73,171,845**
Balance at 1 January 2015	**422,606,171**	**(29,721,231)**	**4,522,585**	**(324,235,680)**	**73,171,845**
Loss for the year	-	-	-	(184,416,652)	(184,416,652)
Other comprehensive income/(loss)	-	29,721,231	-	(29,721,231)	-
Total comprehensive loss for the year	-	29,721,231	-	**(214,137,883)**	**(184,416,652)**
Transactions with owners, recognised directly in equity					
Reserves expired during the period	-	-	(4,522,585)	4,522,585	-
Balance at 31 December 2015	**422,606,171**	**-**	**-**	**(533,850,978)**	**(111,244,807)**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015	2014
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		83,257,390	211,585,543
Payments to suppliers and employees		(104,389,752)	(193,950,483)
Other payments		(6,675,995)	-
Income tax paid		-	(351,712)
Interest received		2,540	139,586
Interest and other costs of finance paid		(563,880)	(4,238,130)
Net cash (used in)/from operating activities	20a	**(28,369,697)**	**13,184,804**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for mine property		(350,520)	(2,898,327)
Payments for property, plant and equipment		(781,050)	(3,129,138)
Deposit guarantees realized/(acquired)		8,890	(694,631)
Net cash used in investing activities		**(1,122,680)**	**(6,722,096)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from interest bearing loans and borrowings		29,323,030	-
Repayment of interest bearing loans and borrowings		(7,825,740)	(18,308,808)
Net cash from/(used in) financing activities		**21,497,290**	**(18,308,808)**
Net (decrease) in cash and cash equivalents		**(7,995,087)**	**(11,846,100)**
Effects of exchange rate changes on the balance of cash held in foreign currencies		-	(1,876,622)
Cash and cash equivalents at the beginning of the financial year		8,080,699	21,803,421
Cash and cash equivalents at the end of the financial year		**85,613**	**8,080,699**

The accompanying notes form part of these financial statements

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial report of the Company for the financial year ended 31 December 2015 comprises the Company and its subsidiaries (the "Group"). Northern Iron Limited is a company limited by shares, incorporated and domiciled in Australia. The Group is a for-profit entity.

The financial report was issued by the board of directors on 22 July 2016 by the directors of the Company.

a) Basis of preparation of the financial report

Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian interpretations) adopted by the Australian Accounting Standard Board ("AASB") and the Corporations Act 2001 where possible (refer to Note 1(b)). These financial statements of the Group also comply with the International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB") where possible (refer to Note 1(b)).

The financial statements have been prepared on an accruals basis and is based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

b) Incomplete records

On 19 November 2015, the Board of directors resolved to place the Company into voluntary administration and appointed James Thackray as voluntary administrator of the Company.

Following appointment of the administrators, the powers of the Company's officers (including Directors) were suspended and the administrators assumed control of the Company's business, property and affairs.

The financial report has been prepared by Directors who were not in office for the periods presented in this report, nor were they parties involved with the Company and did not have oversight or control over the group's financial reporting systems including but not limited to being able to obtain access to complete accounting records of the Company. Sydvaranger Gruve AS (a subsidiary of the Company) ("Sydvaranger") filed for bankruptcy on 19 November 2015 at which point the Company lost control of Sydvaranger and its subsidiary. The directors have not been able to source books and records of Sydvaranger and have determined to deconsolidate the financial information of Sydvaranger from 1 July 2015 (rather than 19 November 2015, the date when control of Sydvaranger was lost). In addition, the directors have also not been able to source books and records of Northern Iron Marketing AG (another subsidiary of the company). Accordingly, the financial information of Northern Iron Marketing AG has been deconsolidated from 1 July 2015. The Directors who prepared this financial report were appointed on 16 May 2016. Reasonable effort has been made by the Directors to ascertain the true position of the Company as at 31 December 2015.

To prepare the financial report, the Directors have reconstructed the financial records of the Group using data extracted from the Group's accounting system. However, there may be information that the current Directors have not been able to obtain, the impact of which may or may not be material on the accounts.

These financial statements do not contain all the required information or disclosures in relation transactions undertaken by the Company as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consequently, although the Directors have prepared this financial report to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that this financial report has been prepared in accordance with Australian Accounting Standards including Australian interpretations, other authoritative pronouncements of the Australian Accounting Standard Board and the Corporations Act 2001, nor is it possible to state this financial report gives a true and fair view of the Group's financial position as at 31 December 2015 and for the year then ended.

c) Going concern

The Group incurred a loss of $184,416,652 for the year ended 31 December 2015. In addition, the Group had a net current liability and a shareholders' deficit of $111,244,807 as at 31 December 2015.

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors believe it is appropriate to prepare these accounts on a going concern basis because under the DOCA effectuated on 16 May 2016 the Company has extinguished all liabilities associated with the previous administration of the Company and is in the process of undertaking the following transactions:

- Completion of a capital raising to raise a minimum of $3,500,000; and
- Acquisition of Dotz Nano Limited ("Dotz"), a Graphene Quantum Dots company. In consideration for the acquisition, Northern Iron will issue to Dotz shareholders
  - 66,000,000 fully paid ordinary shares in NFE at a deemed issue price of $0.20 each (Initial Consideration Shares). All consideration shares will be subject to ASX escrow provisions;
  - 66,000,000 performance shares (Performance Shares) which will convert to NFE shares upon the following milestones being achieved:
    - 22,000,000 Performance shares shall convert upon Dotz achieving the production and distribution of an aggregate of 20 kilograms of GQDs through formal off-take agreements or commercial samples with a reputable third party within an 18 month period from the date of issue of the Performance Shares (Milestone 1);
    - 22,000,000 Performance Shares shall convert upon Dotz achieving the production and distribution of an aggregate of 50 kilograms of GQDs in any 12 month period through formal off-take agreements with a reputable third party within a period of 30 months from the date of issue of the Performance Shares (Milestone 2); and
    - 22,000,000 Performance Shares shall convert upon Dotz achieving the production and distribution of an aggregate of 100 kilograms of GQDs in any 12 month period through formal off-take agreements with a reputable third party within a period of 48 months from the date of issue of the Performance Shares (Milestone 3).

The cash flow forecast indicates that based on the completion of the capital raising as described above, the consolidated entity will have sufficient cash flows to meet all commitments and working capital requirements for a period of at least 12 months from the signing of this financial report. The Directors are also confident that all the necessary regulatory approvals and requirements will be met to enable the Company to be re-instated on the ASX and for the transaction with Agenda to proceed. Accordingly, the Directors are satisfied that the going concern basis of the preparation is appropriate.

Should the Group not achieve the matters set out above, there is significant uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as a going concern.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

d) Functional and presentation currency

The functional currency of each entity within the Group is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements for the year ended 31 December 2014 are presented in Australian dollars ($) which is the Company's functional and presentation currency.

During the year ended 31 December 2015, the Company changed its presentation currency from US dollars to Australian dollars. The Company was placed into voluntary administration on the 19 November 2015. A recapitalisation process was undertaken in Australia and on the 16 May 2016 the conditions for recapitalisation of the Company were satisfied. The consolidated financial statements for the year ended 31 December 2015 are therefore presented in Australian dollars (AUD$) which is also the Company's functional currency.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report. The accounting policies have been applied consistently by all entities in the Group.

e) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

The consolidated financial statements for the year ended 31 December 2014 have been restated in Australian dollars (AUD$) which is the Group's functional and presentation currency as at 31 December 2015.

f) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements,
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investments retained
- Recongnises any surplus or deficit in profit and loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

The consolidated financial report comprises the financial statements of the Company and its controlled entities. A controlled entity is any entity controlled by the Company whereby the parent entity has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those applied by the parent entity.

Where a subsidiary enters or leaves the Group during the year, its operating results are included or excluded from the date control was obtained or until the date control ceased.

Investments in subsidiaries are carried at cost in the Company's financial statements.

As detailed in Note 1(b), Sydvaranger filed for bankruptcy on 19 November 2015 at which point the Company lost control of Sydvaranger and its subsidiary. The directors have not been able to source books and records of Sydvaranger and have determined to deconsolidate the financial information of Sydvaranger from 1 July 2015 (rather than 19 November 2015, the date when control of Sydvaranger was lost). In addition, the directors have also not been able to source books and records of Northern Iron Marketing AG. Accordingly, the financial information of Northern Iron Marketing AG has been deconsolidated from 1 July 2015.

g) Income tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

h) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any estimated selling costs. Cost includes those costs incurred in bringing each component of inventory to its present location and condition.

i) Mine properties

Mine property and development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable, together with subsequent costs to develop the asset to the production phase. Where the directors decide that specific costs will not be recovered from future development, those costs are charged to the Statement of Comprehensive Income during the financial period in which the decision is made.

Depreciation of mining property and development costs is calculated on a unit of production basis so as to write off the costs in proportion to the depletion of the estimated recoverable reserves.

j) Property, plant and equipment

Recognition and measurement

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item also includes the initial estimate of the costs of dismantling and removing an item and restoring the site on which it is located.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Impairment

The carrying amount of property, plant and equipment is reviewed at each balance date to determine whether there are any objective indicators of impairment that may indicate the carrying values may not be recoverable in whole or in part. Impairment testing is carried out in accordance with Note 3(d). Where an asset does not generate cash flows that are largely independent it is assigned to a cash generating unit and the recoverable amount test applied to the cash generating unit as a whole.

If the carrying value of the asset is determined to be in excess of its recoverable amount, the asset or cash generating unit is written down to its recoverable amount.

Depreciation

Depreciation on plant and equipment is calculated on a straight line basis over expected useful life to the Group commencing from the time the asset is held ready for use. The following useful lives are used in the calculation of depreciation:

Buildings	20 years
Plant and equipment	15 to 20 years
Railway and rolling stock	15 to 20 years
Mobile fleet	4 to 10 years

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Furniture, fixtures and office equipment	3 to 10 years
Licenses	5 years

Assets held under a finance lease are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least annually.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income.

k) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the Group's rights of tenure to the area are current and that the costs are expected to be recouped through the successful development of the area, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Each area of interest is assessed for impairment to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Impairment testing is carried out in accordance with Note 3(d). Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to mine properties.

l) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Restoration costs

The amount of the provision for future restoration and rehabilitation costs is capitalised and depreciated in accordance with the policy set out in Note 3(g). The unwinding of the effect of discounting on the provision is recognised as an interest cost.

m) 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. Leases which transfer to a lessee substantially all the risks and benefits incidental to ownership of the leased asset are classified as finance leases. Other lease agreements are treated as operating leases.

Finance leases are capitalised at the inception of the lease at the fair value of the leased assets 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 the liability. Finance charges are charged directly against income except for borrowing costs related to the financing of the assets constructed for own use (during the construction period). Capitalised leased 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 Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

n) Financial Instruments

Initial recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Classification and subsequent measurement

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

i. **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

ii. Financial assets at fair value through profit and loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by Key Management Personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

iii. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit and loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flow expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

o) Foreign currency

Functional and presentation currency
The functional currency of each entity within the Group is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognized other comprehensive Income; otherwise the exchange difference is recognised in profit or loss.

p) Share capital

Incremental costs directly attributable to an equity transaction are shown as a deduction from equity, net of any recognised income tax benefit.

q) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") for its ordinary shares.

Basic EPS is calculated by dividing the result attributable to equity holders of the Company by the weighted number of shares outstanding during the period.

Diluted EPS is determined by adjusting the result attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potential ordinary shares, which comprise share options granted.

r) Employee benefits

Wages and salaries, annual leave
Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled wholly within one year have been measured at the undiscounted amounts expected to be paid when the liability is settled, plus related on-costs.

Equity-settled compensation
The Group determines the fair value of securities issued to directors, executives and members of staff as remuneration and recognises that amount as an expense in the consolidated statement of comprehensive income over the vesting period with a corresponding increase in equity.

The fair value at grant date is independently determined using a Black Scholes pricing model or Monte Carlo simulation that takes into account the exercise price, the term of the option or performance right, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option or performance right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option or performance right.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each consolidated statement of financial position date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

s) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other short-term highly liquid investments.

t) Goods and services tax

Revenues, expenses, and assets are recognised net of the amount of Australian goods and services tax ("GST") and Norwegian value added tax ("VAT"), except where the amount of GST or VAT incurred is not recoverable from the taxation authorities. In these circumstances the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST and VAT.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST or VAT components of investing and financing activities, which are disclosed as operating cash flows.

u) Trade and other payables

Trade and other payables are stated at amortised cost. The amounts are unsecured and usually paid within 45 days of recognition.

v) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed and are included in profit or loss as part of borrowing costs.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the period

w) Derivative financial instruments

The Group may use foreign currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to fair value.

Any gains and losses arising from changes in the fair value of derivatives, except those that relate to the effective portion of cash flow hedges, are taken directly to the profit or loss for the year.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

Cash flow hedges – forward foreign currency contracts

In relation to cash flow hedges (forward foreign currency contracts) to hedge firm commitments which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and the ineffective portion is recognised directly in profit or loss.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

When the hedged firm commitment results in the recognition of an asset or liability, then at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the Statement of Comprehensive Income in the same year in which the hedged firm commitment affects the net profit and loss, for example, when the sale occurs.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

At that point in time, any accumulated gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the Statement of Comprehensive Income.

x) Revenue

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

Sale of goods
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably.

Interest
Revenue is recognised as interest accrues using the effective interest rate 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 the expected life of the financial asset to the net carrying amount of the financial asset.

y) Contingent liabilities

Contingent liabilities are defined as:
- possible obligations resulting from past events whose existence depends on future events;
- obligations that are not recognised because it is not probable that they will lead to an outflow of resources; or
- obligations that cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed in the notes to the financial statements, with the exception of contingent liabilities where the probability of the liability occurring is remote.

z) Adoption of new and revised standards

For the year ended 31 December 2015, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2015.

It has been determined by the directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Critical Accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Consolidation of group's subsidiaries

As detailed in Note 1(b), Sydvaranger filed for bankruptcy on 19 November 2015 at which point the Company lost control of Sydvaranger and its subsidiary. The directors have not been able to source books and records of Sydvaranger and have determined to deconsolidate the financial information of Sydvaranger from 1 July 2015 (rather than 19 November 2015, the date when control of Sydvaranger was lost). In addition, the directors have also not been able to source books and records of Northern Iron Marketing AG. Accordingly, the financial information of Northern Iron Marketing AG has been deconsolidated from 1 July 2015.

Functional and presentation currency

During the year ended 31 December 2015, the Company changed its presentation currency from US dollars to Australian dollars. The Company was placed into voluntary administration on the 19 November 2015. A recapitalisation process was undertaken in Australia and on the 16 May 2016 the conditions for recapitalisation of the Company were satisfied. The consolidated financial statements for the year ended 31 December 2015 are therefore presented in Australian dollars (AUD$) which is also the Company's functional currency.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 2: REVENUE AND OTHER INCOME	Note	2015 $	2014 $
Revenue and expenses from continuing operations has been arrived at after (charging) / crediting:			
Revenue			
Sale of ore		56,291,423	201,093,559
Other operating income		1,403,011	794,608
Mining and processing expenses			
Net ore inventory movement	11	-	(11,320,000)
Operational expenses of mining and production activities		(70,867,490)	(89,902,000)
Freight costs		-	(6,511,000)
Utilities, maintenance		-	(39,008,000)
Real estate expenses		-	(4,486,000)
Personnel expenses		-	(46,886,000)
Other expenses		-	(1,769,330)
		(70,867)	(199,882,330)
Depreciation and amortisation			
Depreciation of property, plant and equipment		(11,802,997)	(21,950,850)
Amortisation expensed	12	-	(4,200,000)
		(11,802,997)	(26,150,850)
Impairment losses			
Impairment of property, plant and equipment	14	-	(68,914,720)
Impairment of mine properties	14	-	(17,331,802)
		-	(86,246,522)
Administration expenses			
Advisory services and other similar fees		-	(2,174,035)
Directors' fees		-	(271,000)
Travel and accommodation		-	(513,000)
Other		(1,331,608)	(3,076,000)
Depreciation of non-current assets	13	-	(800)
		(1,331,608)	(6,034,835)
Derivative losses		(17,647,812)	(39,712,922)

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Finance income		
Interest - external parties	2,304	145,218
Finance and borrowing costs		
Interest - external parties	(3,275,807)	(4,762,871)
Finance charges – changes in provisions	-	(11,899,000)
Total finance and borrowing costs	(3,275,807)	(16,661,871)
Operating expenses above includes		
Operating lease rental – minimum lease payments	-	(4,813,000)
Loss on deconsolidation of subsidiaries:*		
- Loss on deconsolidation	(137,306,904)	-
	(137,306,904)	-

* As detailed in Note 1(b), Sydvaranger filed for bankruptcy on 19 November 2015 at which point the Company lost control of Sydvaranger and its subsidiary. The directors have not been able to source books and records of Sydvaranger and have determined to deconsolidate the financial information of Sydvaranger from 1 July 2015 (rather than 19 November 2015, the date when control of Sydvaranger was lost). In addition, the directors have also not been able to source books and records of Northern Iron Marketing AG. Accordingly, the financial information of Northern Iron Marketing AG has been deconsolidated from 1 July 2015.

As detailed in Note 1 (b), to prepare the financial report, the Directors have reconstructed the financial records of the Group using data extracted from the Group's accounting system. Accordingly, the directors have not been able to make the required disclosures as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015	2014
NOTE 5: AUDITORS' REMUNERATION		AUD$	AUD$
Audit services			
Auditors of the Company (HLB Mann Judd)			
• for an audit or review of the financial report		-	91,354
Auditors of the Company (Ernst & Young Perth)			
for an audit or review of the financial report		17,500	-
Other auditors (Ernst & Young AS)			
• for an audit or review of subsidiary Sydvaranger Gruve AS in Norway		-	170,922
Other auditors (Ernst & Young Ltd)			
• for an audit or review of subsidiary Northern Iron Marketing AG in Switzerland		-	49,726
Other services			
Auditors of the Company			
• other services		-	4,489
• taxation services		-	5,461
Other Auditors (Ernst & Young AS)			
• taxation services		-	21,365
		17,500*	342,866

* The directors resolved on 19 November 2015 to place the company into voluntary administration and as a result the Groups operations were suspended.

As detailed in Note 1 (b), to prepare the financial report, the Directors have reconstructed the financial records of the Group using data extracted from the Group's accounting system. However, there may be information that the current Directors have not been able to obtain, the impact of which may or may not be material on the accounts. Accordingly, these financial statements do not contain all the required information or disclosures in relation transactions undertaken by the Company as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015	2014
NOTE 6: EARNINGS PER SHARE		AUD$	AUD$
The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:			
Basic loss per share from continuing operations (dollars per share)		(38.07)	(43.47)
Loss used in calculating basic and diluted earnings per share		(184,416,652)	(210,563,248)
		Number of Shares	
Weighted average number of ordinary shares used in calculating the basic earnings per share		4,844,053*	4,844,053*

* The weighted average number of ordinary shares used in the calculation of loss per share has been adjusted for the share consolidation completed by the company on 30 May 2016. Diluted loss per share has not been calculated as any option outstanding at 31 December 2015 and 31 December 2015 will be anti-dilutive.

NOTE 7: INCOME TAX EXPENSE

Income tax expense / (benefit) recognised in profit or loss

	2015	2014
The major components of the tax expense / (benefit) are:		
Current tax payable	-	129,000
Movement in deferred tax	-	31,316,000
Income tax (benefit) / expense	-	33,726,000

The prima facie income tax benefit on pre-tax accounting profit from operations reconciles to the income tax (benefit) / expense in the financial statements as follows:

	2015	2014
Loss before income tax	(184,416,652)	(176,837,000)
Income tax benefit calculated at 30%	(55,324,996)	(53,051,000)
Tax effect of:		
Expenses that are not deductible in determining taxable profit	-	4,930,000
Unrealised derivative loss, representation, gifts and union membership fees	-	13,600,000
Unrealised permanent difference due to taxable income from currency gain/(loss) on interest bearing borrowings (unrealised)	-	(11,322,000)
Change in tax rate of subsidiaries operating in other jurisdictions	-	-
Derecognition of net deferred tax asset	-	36,484,000
Unrecognised deferred tax assets	-	40,058,000
Share-based payments expense	-	21,000
Different tax rates of subsidiaries operating in other jurisdictions	-	5,038,000

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015	2014
NOTE 7: INCOME TAX EXPENSE		AUD$	AUD$
Under provision for income tax		-	9,000
Income tax (benefit) / expense		*	35,768,000
Unrecognised net deferred tax assets			
Deferred tax assets have not been recognised in respect of the following items:			
Statement of Financial Position			
Deductible temporary differences		-	5,866,000
Tax losses		-	80,806,000
		*	86,672,000
Statement of changes in equity			
Share issue costs		*	-
NOTE 8: DEFERRED TAX			
Recognised net deferred tax assets			
Deferred tax assets and liabilities have been recognised in respect of the following items:			
Deferred tax assets, comprising:		-	3,000
Deductible temporary differences		-	-
Tax losses		*	3,000
Deferred tax liabilities, comprising:			
Property, plant and equipment		-	-
Finance lease		-	-
		*	-
Net deferred tax asset recognised		*	3,000
Change in deferred income tax relates to the following:			
Balance at beginning of the year		-	31,309,000
Provisions		-	(493,000)
Losses carried forward		-	(68,335,000)
Others		-	(5,000)
Property, plant and equipment		-	33,214,000
Finance lease - concentrate storage, handling and ship loading facility		-	4,313,000
Balance at end of the year		*	3,000

* As detailed in Note 1 (b), to prepare the financial report, the Directors have reconstructed the financial records of the Group using data extracted from the Group's accounting system. Accordingly, the directors have not been able to make the required disclosures as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

	Note	2015	2014
NOTE 9: TRADE AND OTHER RECEIVABLES		AUD$	AUD$
Current			
Trade and other receivables		-	19,826,747
VAT Refundable		-	1,454,000
Security deposit		-	290,000
Accrued income		-	5,938,000
		*	27,508,747

	2015	2014
	AUD$	AUD$
Non-Current	-	1,504,673
Security deposits	*	1,504,673

* As detailed in Note 1(b), Sydvaranger filed for bankruptcy on 19 November 2015 at which point the Company lost control of Sydvaranger and its subsidiary. The directors have not been able to source books and records of Sydvaranger and have determined to deconsolidate the financial information of Sydvaranger from 1 July 2015 (rather than 19 November 2015, the date when control of Sydvaranger was lost). In addition, the directors have also not been able to source books and records of Northern Iron Marketing AG. Accordingly, the financial information of Northern Iron Marketing AG has been deconsolidated from 1 July 2015.
  The directors were also not able to source books and records of the Company and thus the carrying value of any assets at the Company level were also impaired to nil.

NOTE 10: DERIVATIVE FINANCIAL ASSETS

As detailed in Note 1(b), Sydvaranger filed for bankruptcy on 19 November 2015 at which point the Company lost control of Sydvaranger and its subsidiary. The directors have not been able to source books and records of Sydvaranger and have determined to deconsolidate the financial information of Sydvaranger from 1 July 2015 (rather than 19 November 2015, the date when control of Sydvaranger was lost). In addition, the directors have also not been able to source books and records of Northern Iron Marketing AG. Accordingly, the financial information of Northern Iron Marketing AG has been deconsolidated from 1 July 2015.

The directors were also not able to source books and records of the Company and thus the carrying value of any assets at the Company level were also impaired to nil.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015	2014
NOTE 11: INVENTORY		AUD$	AUD$
Production supplies		*	13,206,000
Work in progress		*	5,221,860
Finished goods		*	5,709,000
Balance at the end of the year		*	24,136,860

* As detailed in Note 1(b), Sydvaranger filed for bankruptcy on 19 November 2015 at which point the Company lost control of Sydvaranger and its subsidiary. The directors have not been able to source books and records of Sydvaranger and have determined to deconsolidate the financial information of Sydvaranger from 1 July 2015 (rather than 19 November 2015, the date when control of Sydvaranger was lost). In addition, the directors have also not been able to source books and records of Northern Iron Marketing AG. Accordingly, the financial information of Northern Iron Marketing AG has been deconsolidated from 1 July 2015.
  The directors were also not able to source books and records of the Company and thus the carrying value of any assets at the Company level were also impaired to nil.

	Note	2015	2014
NOTE 12: MINE PROPERTIES		AUD$	AUD$
Non-Current			
Mine property		*	39,471,170
Balance at the end of the year		*	39,471,170

(i) Mine property

Non-Current		
Mine property		
Balance at beginning of the year	-	56,055,000
Additions	-	1,541,000
Write-offs	-	(1,906,000)
Amortisation	-	(1,825,000)
Impairment (i)	-	(14,328,000)
Balance at the end of the year	*	39,471,170

* As detailed in Note 1(b), Sydvaranger filed for bankruptcy on 19 November 2015 at which point the Company lost control of Sydvaranger and its subsidiary. The directors have not been able to source books and records of Sydvaranger and have determined to deconsolidate the financial information of Sydvaranger from 1 July 2015 (rather than 19 November 2015, the date when control of Sydvaranger was lost). In addition, the directors have also not been able to source books and records of Northern Iron Marketing AG. Accordingly, the financial information of Northern Iron Marketing AG has been deconsolidated from 1 July 2015.
  The directors were also not able to source books and records of the Company and thus the carrying value of any assets at the Company level were also impaired to nil.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 13: PROPERTY, PLANT AND EQUIPMENT	Land & Buildings	Plant & Equipment (Owned)	Plant & Equipment (Finance Lease)	Railway & rolling stock	Mobile Equipment (Owned)	Mobile Equipment (Finance Lease)	Furniture fixtures & office equipment	Other items (Licenses)	PPE under construction	Total
	AUD$	AUD$	AUD$	AUD$	AUD$	AUD$	AUD$	AUD$	AUD$	AUD$
Gross carrying amount - at cost										
As of 1 January 2014	29,577,000	157,632,000	33,090,000	5,085,000	771,000	52,394,000	996,000	1,560,000	36,181,000	317,286,000
Additions	1,023,000	28,388,000	-	-	63,000	-	2,892	1,398,000	1,426,000	32,300,892
Disposals/Transfers	-	-	-	-	-	-	-	-	(28,388,000)	(28,388,000)
As of 31 December 2014	**30,600,000**	**186,020,000**	**33,090,000**	**5,085,000**	**834,000**	**52,394,000**	**998,892**	**2,958,000**	**9,219,000**	**321,198,892**
As of 1 January 2015										
Additions	-	-	-	-	-	-	-	-	-	-
Deconsolidation/ impairment	(30,600,000)	(186,020,000)	(33,090,000)	(5,085,000)	(834,000)	(52,394,000)	(998,892)	(2,958,000)	(9,219,000)	(321,198,892)
Disposals/Transfers	-	-	-	-	-	-	-	-	-	-
As of 31 December 2015*	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation										
As of 1 January 2014	(5,075,000)	(34,548,000)	(6,610,000)	(1,093,000)	(518,000)	(37,687,000)	(719,000)	(970,000)	-	(87,220,000)
Depreciation expense	(1,462,000)	(10,439,000)	(1,655,000)	(255,000)	(37,000)	(5,220,000)	(115,000)	(413,000)	-	(19,597,000)
Impairment write-off	(6,394,000)	(37,480,000)	(6,597,000)	(993,000)	(74,000)	(2,521,000)	(44,000)	(419,000)	(2,450,000)	(56,972,000)
As of 31 December 2014	**(12,931,000)**	**(82,467,000)**	**(14,862,000)**	**(2,341,000)**	**(629,000)**	**(45,428,000)**	**(878,000)**	**(1,802,000)**	**(2,450,000)**	**(163,788,000)**
As of 1 January 2015										
Depreciation expense	-	-	-	-	-	-	-	-	-	-
Reversal on Deconsolidation/ impairment	12,931,000	82,467,000	14,862,000	2,341,000	629,000	45,428,000	878,000	1,802,000	2,450,000	163,788,000
As of 31 December 2015*	-	-	-	-	-	-	-	-	-	-
Net book value										
As of 31 December 2014	17,669,000	103,553,000	18,228,000	2,744,000	205,000	6,966,000	121,000	1,156,000	6,769,000	157,410,892
As of 31 December 2015	*	*	*	*	*	*	*	*	*	*

NOTE 14: IMPAIRMENT OF ASSETS

* As detailed in Note 1(b), Sydvaranger filed for bankruptcy on 19 November 2015 at which point the Company lost control of Sydvaranger and its subsidiary. The directors have not been able to source books and records of Sydvaranger and have determined to deconsolidate the financial information of Sydvaranger from 1 July 2015 (rather than 19 November 2015, the date when control of Sydvaranger was lost). In addition, the directors have also not been able to source books and records of Northern Iron Marketing AG. Accordingly, the financial information of Northern Iron Marketing AG has been deconsolidated from 1 July 2015.

  The directors were also not able to source all books and records of the Company and thus the carrying value of any assets at the Company level were also impaired to nil.

	Note	2015	2014
NOTE 15: TRADE AND OTHER PAYABLES		AUD$	AUD$
Current			
Trade payables – per deed administrator report		111,330,420	-
Trade payables – third parties		-	17,858,965
Trade payables – related parties		-	1,210,000
Non-trade payables and accrued expenses – third parties		-	13,657,000
		111,330,420	32,725,965

The directors resolved on 19 November 2015 to place the company into voluntary administration and as a result the Groups operations were suspended.

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Following effectuation of the DOCA on 16 May 2016 all liabilities, contingent liabilities, obligations, warranties and long-term commitments of the Company were released.

	Note	2015	2014
NOTE 16: DERIVATIVE FINANCIAL LIABILITIES		AUD$	AUD$
Current			
Derivatives that are carried at fair value			
Electricity contracts		-	999,000
Currency forward contracts		-	48,588,271
		*	49,587,271

* The directors resolved on 19 November 2015 to place the company into voluntary administration and as a result the Groups operations were suspended.

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Following effectuation of the DOCA on 16 May 2016 all liabilities, contingent liabilities, obligations, warranties and long-term commitments of the Company were released.

NOTE 17: PROVISIONS	**Note**	**2015** AUD$	**2014** AUD$
Current			
Other (i)		-	125,908
Long service leave and bonus provision (iv)		-	-
Provision for onerous contract (vi)		-	6,881,000
Balance at end of the year		-	7,006,908
		-	
Non-Current			
Concentrate offtake agreement provision (i)		-	7,063,652
Environmental restoration provision (ii)		-	2,311,000
Long service leave and bonus provision (iv)		-	37,000
Post-closure tailings monitoring provision (v)		-	98,000
Provision for onerous contract (vi)		-	5,259,000
Balance at end of the year		*	14,768,652

(i) Environmental Restoration Provision	**2015** AUD$	**2014** AUD$
Non-current		
Site restoration:		
Balance at beginning of the year	-	2,204,000
Effects of movements in foreign exchange	-	-
Interest	-	107,000
Balance at end of the year	*	2,311,000

(ii) Other	**2015** AUD$	**2014** AUD$
Current		
Other:		
Balance at the beginning of the year	-	109,000
Provision recognised	-	17,000
Utilised	-	-
Balance at the end of the year	*	126,000

(iii) Long service leave and bonus provision	**2015** AUD$	**2014** AUD$
Non-Current		
Long service leave and bonus provision:		
Balance at the beginning of the year	-	31,000
Provision recognised	-	6,000
Balance at the end of the year	*	37,000

(iv) Post-closure tailings monitoring provision	**2015** AUD$	**2014** AUD$
Non-Current		
Post-closure tailings monitoring provision:		
Balance at the beginning of the year	-	21,000
Interest	-	77,000
Balance at the end of the year	*	98,000

(v) Provision for onerous contract	**2015** AUD$	**2014** AUD$
Current		
Provision for onerous contract:		
Balance at the beginning of the year	-	-
Provision recognised	-	5,636,000
Balance at the end of the year	-	5,636,000
Non-Current		
Provision for onerous contract:		
Balance at the beginning of the year	-	-
Provision recognised	-	5,259,000
Balance at the end of the year	*	5,259,000

* The directors resolved on 19 November 2015 to place the company into voluntary administration and as a result the Groups operations were suspended.

As detailed in Note 1 (b), to prepare the financial report, the Directors have reconstructed the financial records of the Group using data extracted from the Group's accounting system. However, there may be information that the current Directors have not been able to obtain, the impact of which may or may not be material on the accounts. Accordingly, these financial statements do not contain all the required information or disclosures in relation transactions undertaken by the Company as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

Following effectuation of the DOCA on 16 May 2016 all liabilities, contingent liabilities, obligations, warranties and long-term commitments of the Company were released.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 18: INTEREST BEARING LIABILITIES AND BORROWINGS

2015

The directors resolved on 19 November 2015 to place the company into voluntary administration and as a result the Groups operations were suspended.

As detailed in Note 1 (b), to prepare the financial report, the Directors have reconstructed the financial records of the Group using data extracted from the Group's accounting system. However, there may be information that the current Directors have not been able to obtain, the impact of which may or may not be material on the accounts. Accordingly, these financial statements do not contain all the required information or disclosures in relation transactions undertaken by the Company as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

Following effectuation of the DOCA on 16 May 2016 all liabilities, contingent liabilities, obligations, warranties and long-term commitments of the Company were released.

2014

	Current	Non-Current	Borrowings in total	Financing arrangements credit lines	Facilities utilised at balance date	Facilities not utilised / (overdrawn) at balance date
Innovasjon Norge financing facility	2,289,407	6,334,637	8,624,044	14,784,076	14,784,076	-
Finance lease - concentrate storage, handling and ship loading facility	1,873,040	13,047,789	14,920,829	34,062,716	34,062,716	-
Equipment lease financing facility	4,887,732	20,757	4,908,489	63,973,973	63,973,973	-
DNB working capital facility	34,233,658	-	34,233,658	42,735,600	34,233,658	8,502,942
DNB US$ loan	3,052,543	15,262,493	18,315,036	36,630,514	36,630,514	-
	46,336,380	**34,665,676**	**81,002,056**	**192,186,879**	**183,684,937**	**8,502,942**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 19: CAPITAL AND RESERVES	**2015**	**2015**	**2014**	**2014**
	Number	**AUD$**	**Number**	**AUD$**
Issued capital				
Balance at beginning of the year	484,405,314	422,606,171	484,405,314	422,606,171
Shares cancelled	-	-	-	-
Share issue costs	-	-	-	-
Balance at end of the year	484,405,314	422,606,171	484,405,314	422,606,171

Ordinary shares have the right to one vote per share at meetings of the Company, to receive dividends as declared and, in the event of a winding-up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of, and amounts paid up on, shares held.

The Company does not have an authorised capital or par value in respect of its issued shares.

NOTE 20: RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES	**Note**	**2015**	**2014**
		AUD$	AUD$
(a) Cash flows from operating activities			
Loss from continuing operations		(184,416,653)	(198,601,875)
Adjustments for:			
Share-based payments expense		-	76,937
Foreign exchange loss / (gain)		17,503,438	1,592,596
Depreciation of property, plant and equipment		11,802,997	21,531,369
Amortisation expensed		-	4,394,202
Depreciation of non-current assets		-	7,694
Impairment of property, plant and equipment		-	62,617,925
Impairment of mine properties		-	15,747,905
Loss on deconsolidation		36,074,271	-
Impairment as result of administration process		101,232,633	-
Changes in assets and liabilities:			
(Increase) / decrease in trade and other receivables		-	19,013,331
(Increase) / decrease in inventory		-	9,242,332
Increase / (decrease) in trade and other payables		(10,566,384)	(5,536,167)
Increase / (decrease) in provisions		-	17,170,140
Accrued income		-	(4,485,427)
Accrued expenses		-	(1,511,263)
Prepayments		-	56,054
Derivative financial asset		-	586,919
Derivative financial liability		-	36,873,706
Deferred tax assets and liabilities		-	34,408,425
Net cash flows provided by operating activities		(28,369,697)*	13,184,804

(b) Reconciliation of cash and cash equivalents

Cash at bank and at call	85,613	8,080,699

The directors resolved on 19 November 2015 to place the company into voluntary administration and as a result the Groups operations were suspended.

As detailed in Note 1 (b), to prepare the financial report, the Directors have reconstructed the financial records of the Group using data extracted from the Group's accounting system. Accordingly, the directors have not been able to make the required disclosures as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

NOTE 21: OPERATING LEASES	**Note**	**2015** AUD$	**2014** AUD$
Non-cancellable operating lease commitments			
The future minimum lease payments under non-cancellable operating leases are as follows:			
Within 1 year		-	3,561,430
Between 2 and 5 years		-	1,816,390
More than 5 years		-	-
		*	5,377,820

* The directors resolved on 19 November 2015 to place the company into voluntary administration and as a result the Groups operations were suspended.

As detailed in Note 1 (b), to prepare the financial report, the Directors have reconstructed the financial records of the Group using data extracted from the Group's accounting system. Accordingly, the directors have not been able to make the required disclosures as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.
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NOTE 22: SHARE-BASED PAYMENTS

Employee share option plan

There were no share-based payment arrangements in existence during the current or prior reporting period.

NOTE 23: CAPITAL AND OTHER COMMITMENTS

* The directors resolved on 19 November 2015 to place the company into voluntary administration and as a result the Groups operations were suspended.

As detailed in Note 1 (b), to prepare the financial report, the Directors have reconstructed the financial records of the Group using data extracted from the Group's accounting system. Accordingly, the directors have not been able to make the required disclosures as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

NOTE 24: RELATED PARTY DISCLOSURES

* The directors resolved on 19 November 2015 to place the company into voluntary administration and as a result the Groups operations were suspended.

As detailed in Note 1 (b), to prepare the financial report, the Directors have reconstructed the financial records of the Group using data extracted from the Group's accounting system. Accordingly, the directors have not been able to make the required disclosures as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

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NOTE 25: SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The principal activity of the Consolidated Entity during the year was the management and operation of mining properties in Norway. The directors resolved on 18 November 2015 that the Group should be placed into voluntary administration and the Groups operations were suspended under the Administrators. As detailed in Note 1 (b), the directors do not have access to sufficient information to enable this level of disclosure to be made.

NOTE 26: PARENT ENTITY DISCLOSURES	Note	2015 AUD	2014 AUD
Financial position			
As at 31 December 2015			
Assets			
Current assets		85,613	2,627,408
Non-current assets		-	235,416,971
Total assets		85,613	238,044,379
Liabilities			
Current liabilities		(111,330,420)	(395,026)
Non-current liabilities		-	(36,576)
Total liabilities		(111,330,420)	(431,602)
Equity			
Issued capital		605,251,000	605,251,000
Accumulated losses		(716,496,000)	(349,398,000)
Reserves			
Share-based payments reserve		-	(4,117,000)
Foreign currency translation reserve		-	(13,260,019)
Total equity		(111,244,807)	238,475,981
Financial performance			
Loss for the year		(367,098,000)	(210,563,000)
Other comprehensive income		-	-
Total comprehensive income		(367,098,000)	(210,563,000)

Guarantees entered into by the parent in relation to debts of its subsidiaries

* The directors resolved on 19 November 2015 to place the company into voluntary administration and as a result the Groups operations were suspended.

As detailed in Note 1 (b), to prepare the financial report, the Directors have reconstructed the financial records of the Group using data extracted from the Group's accounting system. Accordingly, the directors have not been able to make the required disclosures as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

	Note	2015	2014
NOTE 27: KEY MANAGEMENT PERSONNEL DISCLOSURES		AUD$	AUD$
Key management personnel compensation			
Key management personnel compensation is as follows:			
Short term benefits		-	3,657,291
Post-employment benefits		-	137,364
Share based payments		-	93,847
		*	3,888,501

* The directors resolved on 19 November 2015 to place the company into voluntary administration and as a result the Groups operations were suspended.

As detailed in Note 1 (b), to prepare the financial report, the Directors have reconstructed the financial records of the Group using data extracted from the Group's accounting system. Accordingly, the directors have not been able to make the required disclosures as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

NOTE 28: FINANCIAL INSTRUMENTS

(a) Financial risk management policies

The directors resolved on 19 November 2015 to place the company into voluntary administration and as a result the Groups operations were suspended.

As detailed in Note 1 (b), to prepare the financial report, the Directors have reconstructed the financial records of the Group using data extracted from the Group's accounting system. Accordingly, the directors have not been able to make the required disclosures as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel

The preparers of this report determined that the inclusion of the disclosures related to the previous directors financial risk management policy inclusive of the prior year comparatives could be misleading to readers of this Annual Report.

NOTE 29: DEFINED CONTRIBUTION PLAN

As detailed in Note 1(b), Sydvaranger filed for bankruptcy on 19 November 2015 at which point the Company lost control of Sydvaranger and its subsidiary. The directors have not been able to source books and records of Sydvaranger and have determined to deconsolidate the financial information of Sydvaranger from 1 July 2015 (rather than 19 November 2015, the date when control of Sydvaranger was lost)..

Following effectuation of the DOCA on 16 May 2016 all liabilities, contingent liabilities, obligations, warranties and long-term commitments of the Company were released

NOTE 30: CONTINGENCIES

The directors resolved on 19 November 2015 to place the company into voluntary administration and as a result the Groups operations were suspended.

As detailed in Note 1 (b), to prepare the financial report, the Directors have reconstructed the financial records of the Group using data extracted from the Group's accounting system. However, there may be information that the current Directors have not been able to obtain, the impact of which may or may not be material on the accounts. Accordingly, these financial statements do not contain all the required information or disclosures in relation transactions undertaken by the Company as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

Following effectuation of the DOCA on 16 May 2016 all liabilities, contingent liabilities, obligations, warranties and long-term commitments of the Company were released.

Apart from the above, in the opinion of the directors, there are no contingent liabilities as at 31 December 2015 and no contingent liabilities were incurred in the interval between balance date and the date of this financial report.

NOTE 31: SUBSEQUENT EVENTS

On 8 April 2016, the Company announced that at a meeting of creditors held on the 24 March 2016, the creditors resolved that the Company execute a deed of company arrangement ("DOCA") and that Mr James Thackray be appointed as administrator of the deed of company arrangement (Deed Administrator). The DOCA embodied a proposal by Otsana Capital (Otsana) for the recapitalisation of the Company (Recapitalisation Proposal).

A recapitalisation proposal typically involves an injection of new cash into a company that is either in financial distress or has been placed into voluntary administration. In the ordinary course, the entity will retain some or all of its assets and seek reinstatement to trading following completion of the recapitalisation.

A summary of the material terms of the Recapitalisation Proposal is set out below. Further information appears in sections 3.1 and 3.2 of the Company's notice of meeting lodged with ASX on 13 April 2016.

h) the Company and the Deed Administrator will establish the Creditors' Trust, with the Deed Administrator acting as trustee;

i) the assets of the Company will be transferred to the Creditors' Trust, including an amount of $425,000 to be comprised of:

    iii. $100,000 (Deposit), paid by Otsana upon execution of the DOCA; and

    iv. $325,000 (Recapitalisation Payment), to be paid by the Otsana upon Shareholder approval of the Recapitalisation Resolutions. The Deposit and Recapitalisation Payments are to be repaid to Otsana upon reinstatement of the Company's securities to the Official List;

j) all creditors will be required to prove debts against the Trustee of the Creditors' Trust as if they were claimed in a liquidation of the Company and payments in respect of admitted claims of the Creditors will be made in accordance with the DOCA and the Creditors' Trust Deed;

k) upon completion of the DOCA, the funds in the Creditors' Trust will be distributed as follows:

    iv. first, to the Deed Administrator and Trustee for administering the DOCA and the Creditors' Trust (including fees and disbursements);

    v. second, to any priority Creditors pro rata according to the amount for which each creditor shall be admitted to proof pursuant to the Creditors' Trust Deed; and

    vi. third, the remainder (if any) to be returned to the Company for distribution to unsecured Creditors;

l) the Deed Administrator will cause the current Company Secretary and Directors of the Company to be removed and appoint nominees of Otsana Capital as Company Secretary and Directors of the Company, the nominee directors were appointed on 16 May 2016;

m) all security over the Company's assets will be discharged and released;

NOTE 31: SUBSEQUENT EVENTS

n) the Company will undertake the Consolidation, the capital consolidation was approved by shareholders on 13 May 2016;
    - Consolidation of existing fully paid shares (Shares) on a one (1) for one hundred (100) basis;

Key conditions precedent for completion of the DOCA include:

- payment of the Deposit and Recapitalisation Payment,
- all subsidiaries being excised from the Company;
- termination or repudiation of existing employment and service contracts; and
- shareholder approval being obtained to give effect to the Recapitalisation Proposal.

On completion of the DOCA the Company will be debt free and no security will exist over it or any of its assets.

The conditions precedent were satisfied on 16 May 2016 and the DOCA was effectuated. On termination of the DOCA, control of the Company reverted to the officers of the Company.

On 16 May 2016, the Board of Directors and Company Secretary were removed and new Directors, Mr Michael Davy, Mr Robert Jewson and Ms Kyla Garic were appointed. Ms Kyla Garic was appointed as Company Secretary and on the 19 May 2016 Mr Peter Webse was appointed as Company Secretary, Ms Garic remains as Joint Company Secretary.

On 23 May 2016 the Company announced the intention to acquire 100% of Dotz Nano Limited ('Dotz'), an entity developing technology to produce Graphene Quantum Dots ('GQDs'). The Company will seek to re-comply as a technology and materials company on the ASX and be renamed Dotz Nano Limited.

As consideration for 100% of the issued capital of Dotz, the Company has agreed to issue:

- 66,000,000 fully paid ordinary shares (on a post-consolidation basis) in NFE at a deemed issue price of $0.20 each (Consideration Shares). All consideration shares will be subject to ASX escrow provisions;
- 66,000,000 performance shares (on a post-consolidation basis) (Performance Shares) will convert upon satisfaction of any one of the following milestones:
    - 22,000,000 Performance Shares shall convert upon Dotz achieving the production and distribution of an aggregate of 20 kilograms of GQDs through formal off-take agreements or commercial samples with a reputable third party within an 18 month period from the date of issue of the Performance Shares (Issue Date);
    - 22,000,000 Performance Shares shall convert upon Dotz achieving the production and distribution of an aggregate of 50 kilograms of GQDs in any 12 month period through formal off-take agreements with a reputable third party within a period of 30 months from the Issue Date; and
    - 22,000,000 Performance Shares shall convert upon Dotz achieving the production and distribution of an aggregate of 100 kilograms of GQDs in any 12 month period through formal off-take agreements with a reputable third party within a period of 48 months from the Issue Date,

Settlement of the Acquisition is conditional upon the satisfaction (or waiver) of the following conditions precedent:

- completion of due diligence by NFE on Dotz's business and operations, to the sole satisfaction of NFE within 20 days following the date of execution of this agreement (this condition is for the benefit of NFE);
- completion of due diligence by Dotz on NFE's business and operations, to the sole satisfaction of Dotz within 20 days following the date of execution of this agreement (this condition is for the benefit of Dotz);
- Ariel Malik and Amiram Bornstein agreeing to the cancellation of their management shares in the capital of Dotz with effect immediately prior to Settlement together with an acknowledgement that they will not be entitled to receive Consideration Securities or any other consideration in relation to such management shares;
- NFE undertaking a capital raising and receiving valid non-revocable applications for at least AUD$3,500,000 worth of fully paid ordinary shares in the capital of NFE (NFE Shares) under the capital raising (Capital Raising) at an issue

NOTE 31: SUBSEQUENT EVENTS

- price of not less than $0.02 per share (this condition is for the benefit of Dotz and NFE), with the closing of such capital raising occurring contemporaneously with Settlement;
- the conditional approval by ASX to reinstate the securities of NFE to trading on ASX (after NFE re-complies with Chapters 1 and 2 of the ASX Listing Rules) and those conditions being to the reasonable satisfaction of NFE and Dotz (this condition is for the benefit of NFE and Dotz);
- the parties obtaining all necessary regulatory approvals (including ASX approvals and waivers and ASIC relief) to complete the Merger, the expiration of any necessary statutory waiting periods and the filing of all merger notices and proposals required under applicable law (this condition is for the benefit of NFE and Dotz);
- Dotz receiving initial approval from the Israeli Tax Authority, within 60 days following the date of execution of this Agreement, that the structure of the Acquisition will provide the Dotz Shareholders with "roll-over" relief for the purposes of applicable Israeli taxation regulations, and will not otherwise have any material adverse taxation implications for the Dotz shareholders, and that neither NFE nor Dotz will be required to withhold any part of the Consideration payable to the Dotz Shareholders (Dotz is entitled to the benefit of this condition);
- Dotz and/or the Holding Agent (as defined in clause 4) obtaining any relief from ASIC or any ASX waiver required to permit the Holding Agent to perform the functions contemplated in this HOA;
- Dotz Shareholders holding more than 50% of the voting power of Dotz having passed a resolution approving the Merger (this condition is for the benefit of NFE and Dotz);
- NFE obtaining all requisite shareholder approvals pursuant to the ASX Listing Rules (including but not limited to ASX Listing Rule 11.1), the Corporations Act and its constitution to give effect to:
    - (i) the transactions contemplated by this HOA;
    - (ii) the change of name from “NFE” to “Dotz Nano Limited (or such other name as is agreed between Dotz and NFE); and
    - (iii) In the event that ASX does not approve the terms of the Performance Shares, Dotz (on behalf of the Dotz Shareholders) and NFE agree upon a variation to the terms of the Performance Shares, in accordance with the provisions of Section 4(d) below, to preserve the commercial intent of the issuing of the Performance Shares (this condition is for the benefit of NFE and Dotz);
- there has been no Material Adverse Change from the Execution Date in the condition (financial or otherwise), results of operations, business, assets or properties of NFE (this condition is for the benefit of Dotz); and
- there has been no Material Adverse Change from the Execution Date in the condition (financial or otherwise), results of operations, business, assets or properties of Dotz (this condition is for the benefit of NFE).

NFE has entered into loan agreements (NFE Convertible Loan Agreements) with various lenders (NFE Lenders) pursuant to which it has been provided with aggregate loans of up to AUD$1,000,000 (NFE Convertible Loan). The NFE Convertible Loan is provided on an interest-free basis. The NFE Convertible Loan shall automatically convert into Shares on the day which is immediately prior to settlement of the Acquisition (Conversion Date) – through the issue of 5,000,000 Shares at a deemed issue price of $0.20 each; and (Repayment): in the event that the NFE Convertible Loan has not been converted, the NFE Convertible Loan together with all outstanding monies shall be repaid by NFE on the date which is the earlier of:

- 31 October 2016; and
- 5 Business Days after the date on which NFE receives a notice for repayment of the NFE Convertible Loan upon default by NFE.

As outlined above the Directors are currently working towards the restructure and recapitalisation of the Company and liaising with the ASX in relation to the reinstatement of Northern Iron Limited’s securities for trading on the ASX.

NOTE 32: NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

Australian accounting standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 31 December 2015. Relevant Standards and Interpretations are outlined in the table below.

Title	Summary	Application date for Group
AASB 15 *Revenue from Contracts with Customers*	AASB 15 provides a single, principles-based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.	1 July 2018
AASB 16 *Leases*	AASB 16 provides a new lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. AASB 16 contains disclosure requirements for lessees.	1 July 2019
AASB 9 *Financial Instruments*	A finalised version of AASB 9 which contains accounting requirements for financial instruments, replacing AASB 139 Financial Instruments: Recognition and Measurement. The standard contains requirements in the areas of classification and measurement, impairment, hedge accounting and derecognition.	1 July 2018

The Group has decided not to early adopt any of the new and amended pronouncements. The impact of the above standards is yet to be determined.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Northern Iron Limited and its controlled entities ('the Group')

(a) As set out in Note 1(b), although the Directors have prepared the financial statements, notes thereto, and the remuneration disclosures contained in the Remuneration Report in the Directors' Report to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that the financial statements, notes thereto, and the remuneration disclosures contained in the Remuneration Report in the Directors' Report, are in accordance with the Corporations Act 2001, including:

   (i) Giving a true and fair view of the Company's financial position as at 31 December 2015 and of its performance for the financial year ended on that date;

   (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   (iii) Complying with International Financial Reporting Standards.

2. Subject to the matters highlighted in Note 1 (c), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. The declaration required to be made in accordance with Section 295A of the Corporation Act 2001 for the financial year ended 31 December 2015 has been unable to be made due the reasons set out in Note 1(b).

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:

Michael Davy
Non-Executive Director
Dated 22 July 2016

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Independent auditor's report to the members of Northern Iron Limited

Report on the financial report

We were engaged to audit the accompanying financial report of Northern Iron Limited and its controlled entities ('the consolidated entity"), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year-end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of Northern Iron Limited ("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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors state that they cannot form a view as to whether 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 conducting the audit in accordance with Australian Auditing Standards. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Basis for disclaimer of opinion

1. As disclosed in Note 1(b) to the financial report, the financial report has been prepared by the current Directors who were not in office for the period presented in the 31 December 2015 financial report and accordingly, did not have oversight or control over the consolidated entity's financial reporting systems, risk management systems, or internal control systems for the period presented.

   Due to the above, the current Board of Northern Iron Limited has been unable to conclude without qualification, within its directors' declaration, that the financial statements of the consolidated entity for the financial year ended 31 December 2015 have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards, to give a true and fair view of the financial position of the consolidated entity as at 31 December 2015 and of its performance for the year ended on that date.

Building a better working world

The representation letter provided to the auditors by the current Directors of the company has also been qualified on the basis that they did not have oversight or control over the consolidated entity's financial reporting systems, risk management systems, or internal control systems for the period presented.

As a result of the above matters, we were unable to obtain sufficient appropriate audit evidence for the existence, measurement, valuation, rights and obligations, completeness and disclosures relating to the assets, liabilities, equity, revenues, expenses and cash flows of the consolidated entity as at 31 December 2015 and for the year then ended.

2. The audit of the consolidated financial statements for the year ended audit 31 December 2014 was performed by another auditor. We have not been able to obtain sufficient appropriate audit evidence over the opening balances at 1 January 2015 as we were not provided access to the predecessor auditors work papers. Further, we have also not been able to obtain sufficient appropriate audit evidence over the opening balances at 1 January 2015 by alternative means.

   Since opening balances of assets and liabilities affect the determination of the consolidated entity's financial performance for the year ended 31 December 2015, we were unable to determine whether adjustments to the results of operations for the year ended 31 December 2015 were necessary. Further, the financial position of the consolidated entity at 31 December 2014 and its performance and cash flows for the year then ended are shown as comparatives in the 31 December 2015 financial report.

3. The current Board of Northern Iron Limited has not been able to source and provide to ourselves certain books and records of the company. Without access to this documentation, we are unable to obtain sufficient appropriate audit evidence for the existence, measurement, valuation, rights and obligations, completeness and disclosures relating to the assets, liabilities, equity, revenues, expenses and cash flows of Northern Iron Limited as reflected in the financial statements as at 31 December 2015 and for the year then ended.

4. The current Board of Northern Iron Limited has also not been able to source and provide to ourselves certain books and records of Northern Iron Marketing AG (a subsidiary of the company). As detailed in Note 1(b) to the financial report, the financial information of the subsidiaries has been deconsolidated from 1 July 2015. Under Australian Accounting Standards, the financial information of subsidiaries should be consolidated. Had the financial information of the subsidiaries been consolidated, elements in the accompanying financial report may have been materially affected. The effects on the financial report of the failure to consolidate the subsidiary's financial position as at 31 December 2015 and its performance for the year then ended have therefore not been able to be determined.

5. As detailed in Note 1(b), Sydvaranger Gruve AS (a subsidiary of the company) ("Sydvaranger") filed for bankruptcy on 19 November 2015 at which point the company lost control of Sydvaranger and its subsidiary. The directors have not been able to source books and records of Sydvaranger and its subsidiary and have determined to deconsolidate the financial information of Sydvaranger and its subsidiary from 1 July 2015 (rather than 19 November 2015, the date when control of Sydvaranger was lost). We are unable to obtain sufficient appropriate audit evidence for the measurement and disclosures relating to the deconsolidation of Sydvaranger and its subsidiary for the year ended 31 December 2015.

6. As detailed in Note 1(d), the company changed its presentation currency from US$ to A$. As a result of the matters discussed at points (1) to (5) above, we were unable to obtain sufficient appropriate audit evidence to enable us to conclude that the change in presentation currency has been properly accounted for in accordance AASB 121: *The Effects of Changes in Foreign Exchange Rates* ("AASB 121") and AASB 108: *Changes in Accounting, Estimates and Errors* ("AASB 108"). In addition, all disclosures required by AASB 108 relating to a change in presentation currency have not been included in the financial statements.

7. As detailed in Note 1(b), the directors have reconstructed the financial records of the consolidated entity using data extracted from the consolidated entity's accounting system and therefore, the directors have been unable to determine if financial statements contain all required information or disclosures in relation to transactions undertaken by the consolidated entity. In particular, the disclosures in the financial statement for related party transactions, tax, financial risk management, change in presentational currency, loss on deconsolidation, derivatives and revenue do not meet the requirements of Australian Accounting Standards.

Disclaimer of opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial report.

Emphasis of matter

Without amendment to our disclaimer of opinion, we draw attention to Note 1(c) in the financial report. The conditions as set forth in Note 1(c) 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 were engaged to audit the Remuneration Report included in the directors' report for the year ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Basis for disclaimer of opinion

1. As disclosed in Note 1(b) to the financial report, the financial report has been prepared by current Directors who were not in office for the period presented in the 31 December 2015 financial report and accordingly, did not have oversight or control over the consolidated entity's financial reporting systems, risk management systems, or internal control systems for the period presented.

   Due to the above, the current Board of Northern Iron Limited has been unable to conclude without qualification, within its directors' declaration, that the remuneration report of the consolidated entity for the financial year ended 31 December 2015 has been prepared in accordance with section 300A of the *Corporations Act 2001*.

The representation letter provided to the auditors by the current Directors of the company has also been qualified on the basis that they did not have oversight or control over the consolidated entity's financial reporting systems, risk management systems, or internal control systems for the period presented.

2. The current Board of Northern Iron Limited has not been able to source and provide to ourselves certain books and records of the company and its subsidiaries. Without access to this documentation, we are unable to obtain sufficient appropriate evidence for the occurrence, accuracy, completeness and disclosures relating to the remuneration report for the year ended 31 December 2015.

3. As detailed in Note 1(b), the directors have reconstructed the financial records of the consolidated entity using data extracted from the consolidated entity's accounting system and therefore, the directors have been unable to determine if remuneration report contain all required information or disclosures in relation to transactions undertaken by the consolidated entity. In particular, the disclosures in the remuneration report do not meet the requirements of section 300A of the *Corporations Act 2001*.

Disclaimer of opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the remuneration report.

Report on other legal and regulatory requirements

Due to the matters described in the basis for disclaimer of opinion paragraphs, we have not been given all information, explanation and assistance necessary for the conduct of the audit; and we are unable to determine whether the company has kept:

a. financial records sufficient to enable the financial report to be prepared and audited; and

b. other records and registers as required by the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

T G Dachs
Partner
Perth
22 July 2016

CORPORATE GOVERNANCE

The Company's Board of Directors is responsible for establishing the corporate governance framework of the Company and its related bodies corporate. In establishing this framework, the Board has considered and reports against the Principles of Corporate Governance and Best Practices Recommendations (3rd Edition) as published by the ASX Corporate Governance Council ("ASX Corporate Governance Principles").

The Company's securities were suspended from official quotation on 17 November 2015 and have remained suspended since that date.

On 19 November 2015, the Company announced that the Board resolved to appoint Mr James Thackray of The Headquarters Corporate Advisory as voluntary administrator of the Company.

On 11 April 2016, the Company announced that at a meeting of creditors of the Company, the creditors resolved that the Company execute a Deed of Company Arrangement (DOCA) and that Mr James Thackray be appointed as the Deed Administrator. The purpose of the DOCA was to facilitate a Recapitalisation Proposal from Otsana Capital for the restructure and recapitalisation of the Company.

On 13 May 2016 the Shareholders approved the necessary resolutions to effectuate the DOCA. The DOCA was effectuated on 16 May 2016, at which time the Administrator resigned and control and management of the Company reverted to the Directors appointed by the Administrator on 16 May 2016 pursuant to the terms of the DOCA. Further information on the history of the Company and the DOCA can be found in sections 3.1 and 3.2 of the Company's previous notice of general meeting released to ASX on 13 April 2016.

As the current Board was appointed on 16 May 2016, it is unable to comment on the extent to which the Company followed the applicable ASX Corporate Governance Principles prior to this date, whether any recommendation was not followed or the reason for the departure, if any. From 1 July 2016, the Board adopted implemented Corporate Governance Plan which is based on the ASX Corporate Governance Principles.

This Corporate Governance Statement has been approved and summarises the corporate governance practices and procedures incorporated in the Corporate Governance Plan from 1 July 2016 and to the date of this statement. In addition to the information contained in this statement, the Company's website contains a copy of its Corporate Governance Plan.

The ASX Listing Rules require listed companies to include in their Annual Report or website a statement disclosing the extent to which they have complied with the ASX Corporate Governance Principles in the reporting period. The recommendations are not prescriptive and if a company considers that a recommendation is inappropriate having regard to its particular circumstances, the company has the flexibility not to adopt it. Where the Company considered it was not appropriate to presently comply with a particular recommendation, the reasons are set out in the relevant section of this Corporate Governance Statement.

With the exception of the departures detailed in this Corporate Governance Statement, the corporate governance practices of the Company from 1 July 2016 were compliant with the ASX Corporate Governance Principles.

Principle 1: Lay solid foundations for management and oversight

Roles of the Board & Management

The role of the Board is to provide overall strategic guidance and effective oversight of management. The Board derives its authority to act from the Company's Constitution.

The Board is responsible for, and has the authority to determine all matters relating to the strategic direction, policies, practices, establishing goals for management and the operation of the Company. The Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Managing Director/Chief Executive Officer (when duly appointed).

The role of management is to support the Managing Director/Chief Executive Officer (when duly appointed) and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

CORPORATE GOVERNANCE

In addition to matters it is expressly required by law to approve, the Board has reserved the following matters to itself:

- Driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- Appointment, and where necessary, the replacement, of the Managing Director/Chief Executive Officer (when duly appointed) and other senior executives and the determination of their terms and conditions including remuneration and termination;
- Approving the Company's remuneration framework;
- Monitoring the timeliness and effectiveness of reporting to Shareholders;
- Reviewing and ratifying systems of audit, risk management and internal compliance and control, codes of conduct and legal compliance to minimise the possibility of the Company operating beyond acceptable risk parameters;
- Approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- Approving and monitoring the budget and the adequacy and integrity of financial and other reporting such that the financial performance of the company has sufficient clarity to be actively monitored;
- Approving the annual, half yearly and quarterly accounts;
- Approving significant changes to the organisational structure;
- Approving decisions affecting the Company's capital, including determining the Company's dividend policy and declaring dividends;
- Ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;
- Procuring appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively;
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted, and that its practice is consistent with, a number of guidelines including:
  - Corporate Code of Conduct;
  - Continuous Disclosure Policy;
  - Diversity Policy;
  - Performance Evaluation;
  - Procedures for Selection and Appointment of Directors;
  - Risk Management Review Procedure and Internal Compliance and Control Policy;
  - Trading Policy; and
  - Shareholder Communication Strategy.

Subject to the specific authorities reserved to the Board under the Board Charter, the Board delegates to the Managing Director/Chief Executive Officer (when duly appointed) responsibility for the management and operation of Northern Iron. The Managing Director/Chief Executive Officer (when duly appointed) is responsible for the day-to-day operations, financial performance and administration of Northern Iron within the powers authorised to him from time-to-time by the Board. The Managing Director/Chief Executive Officer (when duly appointed) may make further delegation within the delegations specified by the Board and will be accountable to the Board for the exercise of those delegated powers.

Further details of Board responsibilities, objectives and structure are set out in the Board Charter which is contained within the Corporate Governance Place available on the Northern Iron website.

Board Committees

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate committees at this time including audit and risk, remuneration or nomination committees, preferring at this stage of the Company's development, to manage the Company through the full Board of Directors. The Board assumes the responsibilities normally delegated to the audit and risk, remuneration and nomination Committees.

If the Company's activities increase, in size, scope and nature, the appointment of separate committees will be reviewed by the Board and implemented if appropriate.

Board Appointments

The Company undertakes comprehensive reference checks prior to appointing a director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

The Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including agendas, Board papers and minutes, advising the Board and its Committees (as applicable) on governance matters, monitoring that the Board and Committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

Diversity

The Board has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect to gender, age, ethnicity and cultural diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives (if considered appropriate) and to assess annually both the objectives (if any have been set) and the Company's progress towards achieving them.

The Board considers that, due to the size, nature and stage of development of the Company, setting measurable objectives for the Diversity Policy at this time is not appropriate. The Board will consider setting measurable objectives as the Company increases in size and complexity.

The participation of women in the Company at the date of this report is as follows:

- Women employees in the Company 25%
- Women in senior management positions 0%
- Women on the Board 33%

The Company's Diversity Policy is contained within the Corporate Governance Plan and is available on its website.

Board & Management Performance Review

On an annual basis, the Board conducts a review of its structure, composition and performance.

The annual review includes consideration of the following measures:

- comparing the performance of the Board against the requirements of its Charter;
- assessing the performance of the Board over the previous 12 months having regard to the corporate strategies, operating plans and the annual budget;
- reviewing the Board's interaction with management;
- reviewing the type and timing of information provided to the Board by management;
- reviewing management's performance in assisting the Board to meet its objectives; and

- identifying any necessary or desirable improvements to the Board Charter.

The method and scope of the performance evaluation will be set by the Board and may include a Board self-assessment checklist to be completed by each Director. The Board may also use an independent adviser to assist in the review.

The Chairman has primary responsibility for conducting performance appraisals of Non-Executive Directors, in conjunction with them, having particular regard to:

- contribution to Board discussion and function;
- degree of independence including relevance of any conflicts of interest;
- availability for and attendance at Board meetings and other relevant events;
- contribution to Company strategy;
- membership of and contribution to any Board committees; and
- suitability to Board structure and composition.

Given, the size of the Board, the change to the composition of the Board on 16 May 2016 and the fact the Company is still in suspension, no formal appraisal of the Board has been conducted.

The Board conducts an annual performance assessment of the Managing Director/Chief Executive Officer (when duly appointed) against agreed key performance indicators.

Independent Advice

Directors have a right of access to all Company information and executives. Directors are entitled, in fulfilling their duties and responsibilities, may seek independent external professional advice as considered necessary at the expense of the Company, subject to prior consultation with the Chairman. A copy of any such advice received is made available to all members of the Board.

Principle 2: Structure the board to add value

Board Composition

As at the date of this Corporate Governance Statement, the Board was comprised of the following members:

Mr Michael Davy	Non-Executive Director (appointed 16 May 2016);
Ms Kyla Garic	Non-Executive Director (appointed 16 May 2016);
Mr Robert Jewson	Non-Executive Director (appointed 16 May 2016);

Northern Iron has adopted a definition of 'independence' for Directors that is consistent with the Recommendations.

Currently, the Board consists of three non-executive directors all of whom are considered to be independent.

Board Selection Process

The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required in order to effectively govern Northern Iron. The Board believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review.

The Board is responsible for the nomination and selection of directors. The Board reviews the size and composition of the Board regularly and at least once a year as part of the Board evaluation process.

The Board will establish a Board Skills Matrix. The Board Skills Matrix will include the following areas of knowledge and expertise:

- Strategic expertise;
- Specific industry knowledge;
- Accounting and finance;
- Risk management;
- Experience with financial markets; and
- Investor relations.

Induction of New Directors and Ongoing Development

New Directors are issued with a formal Letter of Appointment that sets out the key terms and conditions of their appointment, including Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with any Committee work.

An induction program is in place and new Directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

Principle 3: Act ethically and responsibly

The Company has implemented a Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in employment. It underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders.

All employees and Directors are expected to:

- respect the law and act in accordance with it;
- maintain high levels of professional conduct;
- respect confidentiality and not misuse Company information, assets or facilities;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Conduct may face disciplinary action including, in the cases of serious breaches, dismissal. If an employee suspects that a breach of the Code of Conduct has occurred or will occur, he or she must report that breach to the Company Secretary. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

Principle 4: Safeguard integrity in corporate reporting

The Board as a whole fulfills to the functions normally delegated to the Audit Committee as detailed in the Audit and Risk Committee Charter.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Board receives regular reports from management and from external auditors. It also meets with the external auditors as and when required.

The external auditors attend Northern Iron's AGM and are available to answer questions from security holders relevant to the audit.

Prior approval of the Board must be gained for non-audit work to be performed by the external auditor. There are qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the lead engagement partner responsible for the audit not perform in that role for more than five years.

CEO and CFO Certifications

The Board, before it approves the entity's financial statements for a financial period, receives from its CEO and CFO (or, if none, the persons fulfilling those functions) a declaration provided in accordance with Section 295A of the Corporations Act that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Principle 5: Make timely and balanced disclosure

The Company has a Continuous Disclosure Policy which outlines the disclosure obligations of the Company as required under the ASX Listing Rules and Corporations Act. The policy is designed to ensure that procedures are in place so that the market is properly informed of matters which may have a material impact on the price at which Company securities are traded.

The Board considers whether there are any matters requiring disclosure in respect of each and every item of business that it considers in its meetings. Individual Directors are required to make such a consideration when they become aware of any information in the course of their duties as a Director of the Company.

The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company.

The Board has designated the Company Secretary as the person responsible for communicating with the ASX. All key announcements at the discretion of the Managing Director/Chief Executive Officer (when duly appointed) are to be circulated to and reviewed by all members of the Board.

The Chairman, the Board, Managing Director/Chief Executive Officer (when duly appointed) and the Company Secretary are responsible for ensuring that:

a) Company announcements are made in a timely manner, that announcements are factual and do not omit any material information required to be disclosed under the ASX Listing Rules and Corporations Act; and
b) Company announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

Principle 6: Respect the rights of security holders

The Company recognizes the value of providing current and relevant information to its shareholders. The Board of the Company aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the company website, information posted or emailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to clear and understandable information about the Company; and
- making it easy for shareholders to participate in general meetings of the Company.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company. These contact details are available on the "Contact" page of the Company's website.

Shareholders may elect to, and are encouraged to, receive communications from Northern Iron and Northern Iron's securities registry electronically. The contact details for the registry are available on the "Contact Us" page of the Company's website.

The Company maintains information in relation to its Constitution, governance documents, Directors and senior executives, Board and committee charters, annual reports and ASX announcements on the Company's website.

Principle 7: Recognise and manage risk

The Board is committed to the identification, assessment and management of risk throughout Northern Iron's business activities.

The Board is responsible for the oversight of the Company's risk management and internal compliance and control framework. The Company does not have an internal audit function. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director/Chief Executive Officer (when duly appointed) having ultimate responsibility to the Board for the risk management and internal compliance and control framework. Northern Iron has established policies for the oversight and management of material business risks.

Northern Iron's Risk Management and Internal Compliance and Control Policy recognises that risk management is an essential element of good corporate governance and fundamental in achieving its strategic and operational objectives. Risk management improves decision making, defines opportunities and mitigates material events that may impact security holder value.

Northern Iron believes that explicit and effective risk management is a source of insight and competitive advantage. To this end, Northern Iron is committed to the ongoing development of a strategic and consistent enterprise wide risk management program, underpinned by a risk conscious culture.

Northern Iron accepts that risk is a part of doing business. Therefore, the Company's Risk Management and Internal Compliance and Control Policy is not designed to promote risk avoidance. Rather Northern Iron's approach is to create a risk conscious culture that encourages the systematic identification, management and control of risks whilst ensuring we do not enter into unnecessary risks or enter into risks unknowingly.

Northern Iron assesses its risks on a residual basis; that is it evaluates the level of risk remaining and considering all the mitigation practices and controls. Depending on the materiality of the risks, Northern Iron applies varying levels of management plans.

Given that the Company does not currently have any executives, there has been no report to the Board from management of its material business risks. The management of the Company's material risks is currently undertaken by the Board. The Company faces risks inherent to its business, including economic risks, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term. The Company has in place policies and procedures, including a risk management framework (as described in the Company's Risk Management and Internal Compliance and Control Policy), which is developed and updated to help manage these risks. The Board does not consider, given the current nature of the Company's activities, that it has a material exposure to environmental or social sustainability risks.

The Company's process of risk management and internal compliance and control includes:

- identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect those risks;
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

The Board review's the Company's risk management framework at least annually to ensure that it continues to effectively manage risk.

Principle 8: Remunerate fairly and responsibly

The Board as a whole fulfills to the functions normally delegated to the Remuneration Committee as detailed in the Remuneration Committee Charter.

Northern Iron has implemented a Remuneration Policy which was designed to recognise the competitive environment within which Northern Iron operates and also emphasise the requirement to attract and retain high calibre talent in order to achieve sustained improvement in Northern Iron's performance. The overriding objective of the Remuneration Policy is to ensure that an individual's remuneration package accurately reflects their experience, level of responsibility, individual performance and the performance of Northern Iron.

The key principles are to:

- review and approve the executive remuneration policy to enable the Company to attract and retain executives and Directors who will create value for shareholders;
- ensure that the executive remuneration policy demonstrates a clear relationship between key executive performance and remuneration;
- fairly and responsibly reward executives having regard to the performance of the Group, the performance of the executive and the prevailing remuneration expectations in the market;
- remunerate fairly and competitively in order to attract and retain top talent;
- recognise capabilities and promote opportunities for career and professional development; and
- review and approve equity based plans and other incentive schemes to foster a partnership between employees and other security holders.

The Board determines the Company's remuneration policies and practices and assesses the necessary and desirable competencies of Board members. The Board is responsible for evaluating Board performance, reviewing Board and management succession plans and determines remuneration packages for the Managing Director/Chief Executive Officer (when duly appointed), Non-Executive Directors and senior management based on an annual review.

CORPORATE GOVERNANCE

Northern Iron's executive remuneration policies and structures and details of remuneration paid to directors and key management personnel (where applicable) are set out in the Remuneration Report.

Non-Executive Directors receive fees (including statutory superannuation where applicable) for their services, the reimbursement of reasonable expenses and, in certain circumstances options.

The maximum aggregate remuneration approved by shareholders for Non-Executive Directors is $500,000 per annum. The Directors set the individual Non-Executive Directors fees within the limit approved by shareholders.

Executive directors and other senior executives (where appointed) are remunerated using combinations of fixed and performance based remuneration. Fees and salaries are set at levels reflecting market rates and performance based remuneration is linked directly to specific performance targets that are aligned to both short and long term objectives.

The Company prohibits Directors and employees from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the Company's securities to any other person.

Further details in relation to the company's remuneration policies are contained in the Remuneration Report, within the Directors' report.

ADDITIONAL SHAREHOLDER INFORMATION

Ordinary Share Capital

54,844,400 Ordinary Fully Paid Shares are held by 914 holders.

Voting Rights

The voting rights attaching to ordinary shares are that on a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote. Options do not carry any voting rights.

Distribution of Holders of Equity Securities

Ordinary Fully Paid Shares

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	798	113,089	0.21%
1,001 - 5,000	53	121,031	0.22%
5,001 - 10,000	14	113,039	0.21%
10,001 - 100,000	11	405,179	0.74%
100,001 - 9,999,999,999	38	54,092,062	98.63%
Totals	**914**	**54,844,400**	**100.00%**

Unmarketable Parcels

The securities of the company have been suspended since and remain in suspension pending completion of the capital raising and re-listing of the company. There being no trading history we are unable to provide the number of holders holding less than a marketable parcel.

Substantial Holders

BUZZ CAPITAL PTY LTD <ZI VESTMENT A/C >	7,466,667	13.61%
ATTOLLO INVESTMENTS PTY LTD <ATTOLLO INVESTMENT A/C>	4,583,333	8.36%
AH SUPER PTY LTD <THE AH SUPER FUND A/C>	4,500,000	8.21%
MR NICHOLAS DAVID YOUNG & MR ANDREW STEVEN YOUNG <YOUNG A/C>	3,400,000	6.20%
STEVEN STACEY BRYSON-HAYNES <BH FAMILY A/C>	2,900,000	5.29%

ADDITIONAL SHAREHOLDER INFORMATION

Top 20 Holders of Quoted Shares

Position	Holder Name	Holding	% IC
1	BUZZ CAPITAL PTY LTD <ZI VESTMENT A/C >	7,466,667	13.61%
2	ATTOLLO INVESTMENTS PTY LTD <ATTOLLO INVESTMENT A/C>	4,583,333	8.36%
3	AH SUPER PTY LTD <THE AH SUPER FUND A/C>	4,500,000	8.21%
4	MR NICHOLAS DAVID YOUNG & MR ANDREW STEVEN YOUNG <YOUNG A/C>	3,400,000	6.20%
5	STEVEN STACEY BRYSON-HAYNES <BH FAMILY A/C>	2,900,000	5.29%
6	CHIFLEY PORTFOLIOS PTY LIMITED <DAVID HANNON RET FUND A/C>	2,500,000	4.56%
7	J P MORGAN NOMINEES AUSTRALIA LIMITED	2,031,503	3.70%
8	RAJESH TANEJA	2,000,000	3.65%
9	SUFIAN AHMAD	2,000,000	3.65%
10	YEHUDA COHEN	2,000,000	3.65%
11	RED AND WHITE HOLDINGS PTY LTD <BLOOD SUPER FUND A/C>	1,800,000	3.28%
12	GLOBAL MEGACORP PTY LTD	1,750,000	3.19%
13	VECTOR NOMINEES PTY LIMITED <THE VECTOR SUPER FUND A/C>	1,250,000	2.28%
14	ANANDA KATHIRAVELU	1,100,000	2.01%
15	CIBAW PTY LTD <THE BLIGH FAMILY A/C>	1,000,000	1.82%
16	MR DAMIEN ALEXANDER LAFFERTY & MRS ANTOINETTE ANNMARIE ADDISON-LAFFERTY	1,000,000	1.82%
17	FREEDOM TRADER PTY LTD	1,000,000	1.82%
18	MS RASHIDAH RICHENDA MACDONALD	1,000,000	1.82%
19	BELLAMACK HOLDINGS PTY LTD <BELLAMACK UNIT A/C>	1,000,000	1.82%
20	J & M HUNTER INVESTMENTS PTY LTD <J & M HUNTER INVESTMENT A/C>	900,000	1.64%
	Totals	**45,181,503**	**82.38%**
	Total Issued Capital	**54,844,400**	**100.00%**

Restricted Securities

There are no restricted securities or securities subject to voluntary escrow on issue.

Unquoted Securities on Issue

The Company also has on issue 50,000,000 Unlisted Options Expiring 14/06/2020 @ $0.02, which are held by 21 Holders.

There is one holder holding 20% or more of the equity securities in this class:

Holder Name	Holding	% IC
BUZZ CAPITAL PTY LTD <ZI VESTMENT A/C >	23,950,000	47.90%