

# **NORTHERN IRON LIMITED**

**ABN 71 125 264 575**

## **INTERIM FINANCIAL REPORT for the half-year ended 30 June 2016**

*The information contained in this condensed report is to be read in conjunction with Northern Iron Limited's 2015 annual report and announcements to the market made by Northern Iron Limited*

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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 & Young  
11 Mounts Bay Road  
Perth, WA, 6000

**Bankers**

National Australia Bank  
1232 Hay Street  
West Perth WA 6005

**Share Registry**

Automic Registry Services  
Level 1, 7 Ventnor Avenue  
West Perth, WA, 6005

**Securities Exchange Listing**

ASX Limited  
Level 40, Central Park 152-158 St Georges Terrace  
Perth, WA, 6000

**ASX Code – NFE**

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**DIRECTORS' REPORT**

Your Directors present their report, together with the interim financial statements of Northern Iron Limited ("the Company") and controlled entities ("the Group") for the half-year ended 30 June 2016.

**Directors**

The names and the particulars of the Directors of the Company during the half year and to the date of this report are:

<b>Name</b>	<b>Status</b>	<b>Appointed</b>
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 removal:

<b>Name</b>	<b>Status</b>	<b>Resignation</b>
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

**State of affairs and major activities of the half-year**

**Recapitalisation of the Company**

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**), which embodied a proposal by Otsana Capital (**Otsana**) for the recapitalisation of the Company (**Recapitalisation Proposal**).

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 the Australian Securities Exchange (**ASX**) on 13 April 2016.

- a) the Company and the Deed Administrator established the Creditors' Trust, with the Deed Administrator acting as trustee;
- b) the assets of the Company were transferred to the Creditors' Trust, including an amount of \$425,000 comprising of:
  - i. \$100,000 (**Deposit**), paid by Otsana upon execution of the DOCA; and
  - ii. \$325,000 (**Recapitalisation Payment**), to be payable by Otsana upon Shareholder approval of the Recapitalisation Resolutions. The Deposit and Recapitalisation Payments are to be repaid to Otsana<sup>1</sup> 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);

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<sup>1</sup> Otsana entered into a convertible loan agreement with funders, this has been transferred to Northern Iron Limited (NFE), refer to Convertible Loan Funding, page 5.

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**DIRECTORS' REPORT**

**Recapitalisation of the Company**

- 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 cause the then 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 was discharged and released;
- g) the Company undertook a capital consolidation on a one (1) for one hundred (100) basis as approved by shareholders on 13 May 2016.

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 effectuation 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<sup>1</sup> the Company announced it had entered into a heads of agreement (**HOA**) (amended on 15 June 2016) to acquire 100% of Dotz Nano Limited (**Dotz**), an entity developing technology to produce Graphene Quantum Dots (**GQDs**). The Company is currently seeking 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**);

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<sup>1</sup> The original HOA was amended on the 15 June 2016

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- 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 \$0.20 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).

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**Recapitalisation of the Company**

**Convertible Loan Funding**

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 shares to settle outstanding monies at a price at which NFE raise capital under a full form prospectus; 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.

**Significant events after balance date**

On 2 August 2016 the Company announced the date for Annual General Meeting whereby the Company will seek approval from shareholders for the Acquisition of Dotz and the Recapitalisation of the Company.

On 24 August 2016 the Company released the prospectus detailing the Acquisition of Dotz and the Recapitalisation of the Company.

On 2 September 2016, the Company's shareholders approved at its Annual General Meeting:

- re-election of director Michael Davy;
- a change in nature and scale of the Company's activities from a mineral exploration company to a technology company;
- approval to issue a new class of shares, being the Performance Shares, which are to be issued to Vendors as part-consideration for the Acquisition;
- to issue up to 66,000,000 consideration shares (post consolidation) and up to 66,000,000 Performance Shares (post consolidation) in exchange for 100% of the issued share capital of Dotz Nano Limited (**DOTZ**);
- to issue 1,750,000 Lead Manager Shares (post consolidation), 4,500,000 Lead Manager Options (post consolidation) and 1,000,000 Transaction Options (post consolidation) to parties that have assisted with the facilitating the Acquisition and completing the Capital Raising (**Facilitators**);
- issue up to 750,000 Lead Manager Shares and up to 2,000,000 Lead Manager Options to Otsana Pty Ltd (**Otsana**), a related party of Faldi Ismail;
- to issue up to 30,000,000 Shares (post consolidation) through a public offer at \$0.20 to raise \$6,000,000;
- to issue 4,750,000 shares (post consolidation) at \$0.20 per share upon conversion under the NFE Convertible Loan Agreements;
- to issue 250,000 shares at \$0.20 per share upon conversion under the NFE Convertible Loan Agreement to Benefico Pty Ltd a related party of Faldi Ismail;
- to issue 1,750,000 shares (post consolidation) at \$0.20 per share upon conversion under the Dotz Convertible Loan Agreements;
- change the Company name from Northern Mining Limited to Dotz Nano Limited;
- upon settlement of the Dotz Transaction the appointment of the following directors;
  - Mr Faldi Ismail
  - Dr Moti Gross
  - Mr Menashe Baruch
  - Mr Steven Bajic, and

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**Significant events after balance date**

- Mr Athan Lekkas;
- to consolidate the capital on issue from ten (10) shares to one (1); and
- the approval of the Employee incentive option plan (**Plan**).

On 12 September 2016 the public offer closed, it was oversubscribed. A total of 30,000,000 shares at an issue price of \$0.20 per share raising \$6,000,000 will be issued on completion of the Acquisition.

As outlined above during the period the board of Directors worked towards the equity restructure and recapitalisation of the Company including liaising with the ASX in relation to the reinstatement of Northern Iron Limited's securities for trading on the ASX.

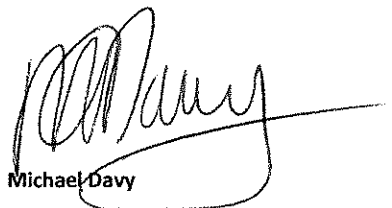
**Financial Performance**

The profit for the six months ended 30 June 2016 was \$108,955,180 (2015: loss \$47,080,069).

**Auditor independence and non-audit services**

The auditor's independence declaration is included on page 7 of the financial report.

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



**Michael Davy**  
**Non-Executive Director**

Dated 13 September 2016

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

As lead auditor for the review of Northern Iron Limited for the half-year ended 30 June 2016, 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 review.

This declaration is in respect of Northern Iron Limited and the entities it controlled during the half-year.



Ernst & Young



T G Dachs  
Partner  
13 September 2016



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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 FOR THE HALF-YEAR ENDED 30 JUNE 2016**

		30 June 2016	30 June 2015
	Note	\$	\$
Revenue		606	56,291,423
Other income	3	110,794,807	1,405,315
Mining and processing expenses		-	(70,867,490)
Director fees		(7,311)	
Share register expense		(6,485)	-
Legal and professional fees		(85,987)	-
Depreciation and amortisation expense		-	(11,802,997)
Accretion expense		(30,553)	-
Finance costs		-	(3,275,807)
Share based payment expense	4	(1,695,429)	-
Due diligence expense		(7,752)	-
Hedging loss		-	(17,647,812)
Foreign exchange gain		-	144,374
Other expenses		(6,716)	(1,331,608)
<b>Results from operating activities</b>		<b>108,955,180</b>	<b>(47,084,602)</b>
<b>Profit/ (Loss) before income tax</b>		<b>108,955,180</b>	<b>(47,084,602)</b>
Income tax expense		-	4,533
<b>Profit/ (Loss) for the period</b>		<b>108,955,180</b>	<b>(47,080,069)</b>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		-	(2,988,264)
Other comprehensive income for the year, net of tax		-	(2,988,264)
<b>Total comprehensive income/ (loss) for the year</b>		<b>108,955,180</b>	<b>(50,068,333)</b>
Profit/ (loss) attributable to:			
Members of the parent entity		108,955,180	(47,080,069)
		108,955,180	(47,080,069)
Total comprehensive profit/ (loss) attributable to:			
Members of the parent entity		108,955,180	(50,068,333)
		108,955,180	(50,068,333)
<b>Basic earnings/ (loss) per share</b>		<b>5.62</b>	<b>(10.34)</b>
<b>Diluted earnings per share</b>		<b>3.35</b>	<b>(10.34)</b>

The accompanying notes form part of these financial statements.

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016**

	Note	30 June 2016 \$	31 December 2015 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		564,632	85,613
Trade and other receivables		3,973	-
<b>TOTAL CURRENT ASSETS</b>		<u>568,605</u>	<u>85,613</u>
<b>TOTAL ASSETS</b>		<u>568,605</u>	<u>85,613</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	5	131,750	111,330,420
Deferred tax liability	6	33,675	-
Convertible note	6	918,303	-
<b>TOTAL CURRENT LIABILITIES</b>		<u>1,083,728</u>	<u>111,330,420</u>
<b>TOTAL LIABILITIES</b>		<u>1,083,728</u>	<u>111,330,420</u>
<b>NET ASSETS/ (LIABILITIES)</b>		<u>(515,123)</u>	<u>(111,244,807)</u>
<b>SHAREHOLDERS' EQUITY / (DEFICIT)</b>			
Issued capital	7	423,606,171	422,606,171
Reserves		774,504	-
Accumulated losses		(424,895,798)	(533,850,978)
<b>SHAREHOLDERS' EQUITY / (DEFICIT)</b>		<u>(515,123)</u>	<u>(111,244,807)</u>

The accompanying notes form part of these financial statements.

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED  
 30 JUNE 2016**

	Issued Capital	Share based payment reserve	Convertible note reserve	Translation reserve	Accumulated Losses	Total
Note	\$	\$	\$	\$	\$	\$
<b>Balance at 1 January 2015</b>	<b>422,606,171</b>	<b>4,522,585</b>	-	<b>(29,721,231)</b>	<b>(324,235,680)</b>	<b>73,171,845</b>
Loss for the period	-	-	-	-	(47,080,069)	(47,080,069)
Other comprehensive loss	-	-	-	(2,988,264)	-	(2,988,264)
Total comprehensive loss for the period	-	-	-	(2,988,264)	(47,080,069)	(50,068,333)
<b>Transactions with owners, recognised directly in equity</b>						
Equity issued during the period	-	-	-	-	-	-
<b>Balance at 30 June 2015</b>	<b>422,606,171</b>	<b>4,522,585</b>	-	<b>(32,709,495)</b>	<b>(371,315,749)</b>	<b>(23,103,512)</b>
<b>Balance at 1 January 2016</b>	<b>422,606,171</b>	-	-	-	<b>(533,850,978)</b>	<b>(111,244,807)</b>
Profit for the period	-	-	-	-	108,955,180	108,955,180
Other comprehensive income	-	-	-	-	-	-
Total comprehensive profit for the period	-	-	-	-	108,955,180	108,955,180
<b>Transactions with owners, recognised directly in equity</b>						
Share based payment	999,500	695,929	-	-	-	1,695,429
Equity issued during the period	500	-	-	-	-	500
Issue of convertible notes	-	-	78,575	-	-	78,575
<b>Balance at 30 June 2016</b>	<b>423,606,171</b>	<b>695,929</b>	<b>78,575</b>	-	<b>(424,895,798)</b>	<b>(515,123)</b>

The accompanying notes form part of these financial statements.

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**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 30 JUNE 2016**

	Note	30 June 2016	30 June 2015
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		-	83,257,000
Payments to suppliers and employees		(11,474)	(104,008,000)
Payment to Deed Administrator	3	(85,613)	-
Interest received		606	3,000
Interest expense		-	(564,000)
<b>Net cash used in operating activities</b>		<u>(96,481)</u>	<u>(21,312,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds for mine properties		-	(350,000)
Payments for property, plant and equipment		-	(781,000)
Net security deposits repaid		-	9,000
<b>Net cash from investing activities</b>		<u>-</u>	<u>(1,131,000)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from interest bearing loans and borrowings		-	29,323,000
Repayments of interest bearing loans and borrowings		-	(7,826,000)
Proceeds from convertible notes	6	575,000	-
Proceeds from issue of shares		500	-
<b>Net cash from financing activities</b>		<u>575,500</u>	<u>21,497,000</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		479,019	946,000
Cash and cash equivalents at beginning of period		85,613	5,890,719
<b>Cash and cash equivalents at 30 June</b>		<u>564,632</u>	<u>6,836,719</u>

The accompanying notes form part of these financial statements

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**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2016**

These consolidated financial statements for the half year ended 30 June 2016 cover Northern Iron Limited (“the Company”) and its controlled entities as a consolidated entity (also referred to as “the Group”). Northern Iron Limited is a company limited by shares, incorporated and domiciled in Australia. The Group is a for-profit entity.

The interim financial report was issued on 13 September 2016 by the directors of the Company.

This interim financial report does not include the full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report.

It is recommended that this interim financial report is read in conjunction with the annual financial report for the year ended 31 December 2015 and any public announcements made by Northern Iron Limited during and since the end of the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Statement of Compliance**

The interim financial report is a condensed financial report prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134: Interim Financial Reporting where possible (refer to note 1(b)).

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value convertible notes.

The Accounting policies adopted in the preparation of this half-year financial report are consistent with those followed in preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016-. However, the adoption of these new Standards and Interpretations has had no material impact.

**b) Incomplete records**

- a) The financial report for the half-year ended 30 June 2016 has been prepared by Directors who were appointed on or after 16 May 2016. As such, the Directors did not have control of the company until control was transferred to them on the effectuation of the deed of company arrangement on 16 May 2016.
- b) Prior to 16 May 2016, the current Directors did not have oversight or control over the Company’s financial reporting systems including but not limited to being able to obtain access to complete accounting records of the Company. To prepare the financial reports for the half year ended 30 June 2016, the Directors have reconstructed the financial records of the company for the period 1 January 2016 to 16 May 2016 using data extracted from the Company’s accounting system. However, there may have been information that the current Directors were not able to obtain, the impact of which may or may not have been material on the financial performance for the half year ended 30 June 2016.
- c) The current Directors have not been able to source books and records of the Company’s subsidiaries up to 16 May 2016 when the ownership of the subsidiaries was transferred to the creditors’ trust. The financial information of the Company’s subsidiaries had been deconsolidated from 1 July 2015.

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**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**b) Incomplete records**

Consequently, although the Directors have prepared this financial report for the half year-ended 30 June 2016 to the best of their knowledge based on the information available to them, they are of the opinion that it is not possible to state that these financial reports had 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. Furthermore, the Directors are of the opinion that it is not possible to state this financial report gives a true and fair view of the Group's financial position as at 30 June 2016 and its performance for the half-year ended on that date and cannot form a view as to whether the financial statements comply with AASB 134: Interim Financial Reporting.

It should be noted that the matters referred to in items (a) to (c) above were also relevant for the year ended 31 December 2015 which are presented as comparative figures in this report.

**c) Going concern**

At 30 June 2016 The Company has net liabilities of \$515,123 (31 December 2015, net liabilities of \$111,244,807), net current liabilities of \$515,123 (31 December 2015, net current liabilities of \$111,244,807), a net increase in cash and cash equivalents of \$479,019 and incurred a net profit after income tax of \$108,955,180 for the six months ended 30 June 2016 (six months ended 30 June 2015, loss of \$47,080,069).

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 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 transaction:

- Completion of minimum \$3,500,000 capital raising (before costs);
- Reinstatement on the ASX;
- Acquisition of Dotz Nano Limited 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 Dotz to proceed. Accordingly, the Directors are satisfied that the going concern basis of the preparation is appropriate.

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**c) Going concern**

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.

**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 2015 and half year ended 30 June 2015 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.

**e) Comparative figures**

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

As per note 1(d) the consolidated financial statements for the comparatives comprising the half year ended 30 June 2015 have been restated in Australian dollars (AUD\$) which is the Group's functional and presentation currency as at 30 June 2016.

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**NOTE 2: OPERATING SEGMENTS**

**Segment Information**

**Identification of reportable segments**

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 operating segments were previously identified by management based on the nature of the activities and the country of origin. The Company's previous operations have ceased and the subsidiaries were legally excised from the Consolidated Group upon effectuation of the DOCA on 16 May 2016. In addition, as detailed in Note 1(b), the financial information of the Group's subsidiaries has been deconsolidated effective 1 July 2015 and accordingly, the financial information presented to the chief operating decision makers is consistent with that presented in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows.

**NOTE 3: OTHER INCOME**

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

A DOCA was executed on 24 March 2016. The DOCA embodied a proposal by Otsana for the recapitalisation of the Company (Recapitalisation Proposal). The DOCA provided for the creation of a Creditors' Trust and an opportunity for the Company to be restructured. Under the DOCA, the claims of the Company's creditors as at 16 May 2016 now reside within the Creditors' Trust. The Voluntary Administrator was appointed as Deed Administrator and Trustee of the Creditors' Trust. The purpose of the DOCA was to facilitate a reconstruction and recapitalisation of the Company with a view to having the Company relisted on the ASX. On effectuation of the DOCA control of the Company reverted back to the directors.

The effectuation of the DOCA on 16 May 2016 had the following financial effect:

- claims of the Company's creditors as at 16 May 2016 now reside within the Creditors' Trust;
- all cash at bank and any other assets at 16 May 2016 were transferred to the Creditors' Trust;
- the payment of the deposit of \$100,000 paid by Otsana upon execution of the DOCA; and
- the payment of a recapitalisation payment of \$325,000 by Otsana upon shareholder approval of the recapitalisation resolutions.

This resulted in a debt release gain under the DOCA of \$110,794,807 being recognised in the half year ended 30 June 2016 as detailed below:

	<b>30 June 2016</b>	<b>31 December 2015</b>
	\$	\$
Other Income		
- DOCA Payments	(425,000)	-
- Administrators Bank Account	(85,613)	-
Assets transferred to the Creditors' Trust	(510,613)	-
Gain on creditor obligation released	111,305,420	-
<b>Gain arising from Deed of Company Arrangement</b>	<b>110,794,807</b>	<b>-</b>



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**NOTE 4: SHARE BASED PAYMENTS**

**The following share-based payment arrangements existed at 30 June 2016:**

- i. On 13 May 2016, 50,000,000 Promoter share options were granted to various Promoters for nil consideration to acquire 1 share in the Company exercisable at \$0.02 on or before 14 June 2020. The options were valued under Black and Scholes and recognised as a share based payment. The options vest immediately and the share based payment recognised in the profit and loss was \$695,929. The options hold no dividend or voting rights and are transferrable.
- ii. On 13 May 2016, 50,000,000 shares were issued to various Promoters for consideration of \$0.00001 to acquire 1 share in the Company. The difference to the consideration received was recognised as a share based payment. The share based payment recognised in the profit and loss was \$999,500.
- iii. Nil instruments were granted to Key Management Personnel.

**NOTE 5: TRADE AND OTHER PAYABLES**

	<b>30 June 2016</b>	<b>31 December 2015</b>
	\$	\$
<b>CURRENT</b>		
- Trade payables and other payables	131,750	111,330,420
	<u>131,750</u>	<u>111,330,420</u>

Trade payables of \$111,305,420 at 31 December 2015 represents liabilities that were transferred to the Creditors' Trust on effectuation of the deed of company arrangement (refer to details in note 3).

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**NOTE 6: CONVERTIBLE NOTE**

The Consolidated Group's liabilities include an amount of \$918,303 (31 December 2015: nil) which relates to the convertible loan note, as detailed below.

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 shares to settle outstanding monies at a price at which NFE raise capital under a full form prospectus ; 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.

The convertible note represents a compound financial instrument. The initial fair value of the loan portion of the convertible note has been recognised as an interest bearing liability. The fair value was determined using an effective interest rate of 22.45%, \$30,553 has been recognised as an Accretion expense in the Statement of Profit and Loss. The residual portion of the convertible note has been recognised directly in the Convertible note equity reserve.

Amount recognised directly in equity

	Before Tax	Tax	Net of Tax
Convertible Notes	112,250	(33,675)	78,575

\* Loans from convertible note holders of \$1,000,000 were used as follows, \$425,000 was paid via the proponent, Otsana directly to the Deed Administrator per the terms of the DOCA (note 3). The remaining funds of \$575,000 were transferred to the Company for use associated with the acquisition of Dotz Nano.

**NOTE 7: ISSUED CAPITAL**

**(a) Share Capital**

	30 June 2016	30 June 2015
54,844,400 (30 June 2015: 484,440,000) fully paid ordinary shares	423,606,171	422,606,171

**(b) Movements in fully paid Ordinary Capital**

	Date	Number	\$
<b>Balance at beginning of the reporting period</b>	<b>1 January 2015</b>	484,440,000	422,606,171
<b>Balance at end of the reporting period</b>	<b>30 June 2015</b>	484,440,000	422,606,171
<b>Balance at beginning of the reporting period</b>	<b>1 January 2016</b>	484,440,000	422,606,171
Consolidation of existing shares 1:100	14 October 2015	(479,595,600)	-
Issued Capital – Placement to promoters	14 June 2016	50,000,000	1,000,000
<b>Balance at end of the reporting period</b>	<b>30 June 2016</b>	<b>54,844,400</b>	<b>423,606,171</b>

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**NOTE 7: ISSUED CAPITAL**

Ordinary shareholders are entitled to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. Every ordinary shareholder present at a meeting in person or by proxy is entitled to one vote on a show of hands or by poll. Shares have no par value.

**NOTE 8: RELATED PARTY TRANSACTIONS**

**a. Key management personnel compensation**

On 16 May 2016, the Deed of Company Arrangement was effectuated. The directors entered into contracts to each be paid \$1,500 per month for the provision of director services to Northern Iron Limited. The fees were payable from appointment date.

**b. Other related party transactions**

Purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. The group acquired the following services from entities that are controlled by members of the group's key management personnel:

- Fees of \$7,500 for Accounting services from Kyla Garlic for the preparation of the annual report for 31 December 2015, fees are payable on the successful listing of the Company on the ASX.

**NOTE 9: CONTINGENT LIABILITIES AND COMMITMENTS**

**Contingent Liabilities**

There have been no changes in contingent liabilities since 31 December 2015.

**Commitments**

There have been no changes in commitments since 31 December 2015.

**NOTE 10: FAIR VALUES**

The fair value of financial assets and financial liabilities of the Group approximated their carrying amount.

**NOTE 11: EVENTS SUBSEQUENT TO REPORTING DATE**

On 2 August 2016 the Company announced the date for Annual General Meeting whereby the Company will seek approval from shareholders for the Acquisition of Dotz and the Recapitalisation of the Company.

On 24 August 2016 the Company released the prospectus detailing the Acquisition of Dotz and the Recapitalisation of the Company.

On 2 September 2016, the Company's shareholders approved at its Annual General Meeting:  
re-election of director Michael Davy;

- a change in nature and scale of the Company's activities from a mineral exploration company to a technology company;
- approval to issue a new class of shares, being the Performance Shares, which are to be issued to Vendors as part-consideration for the Acquisition;
- to issue up to 66,000,000 consideration shares (post consolidation) and up to 66,000,000 Performance Shares (post consolidation) in exchange for 100% of the issued share capital of Dotz Nano Limited (**DOTZ**);
- to issue 1,750,000 Lead Manager Shares (post consolidation), 4,500,000 Lead Manager Options (post consolidation) and 1,000,000 Transaction Options (post consolidation) to parties that have assisted with the facilitating the Acquisition and completing the Capital Raising (**Facilitators**);

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**NOTE 11: EVENTS SUBSEQUENT TO REPORTING DATE**

- issue up to 750,000 Lead Manager Shares and up to 2,000,000 Lead Manager Options to Otsana Pty Ltd (Otsana), a related party of Faldi Ismail;
- to issue up to 30,000,000 Shares (post consolidation) through a public offer at \$0.20 to raise \$6,000,000;
- to issue 4,750,000 shares (post consolidation) at \$0.20 per share upon conversion under the NFE Convertible Loan Agreements;
- to issue 250,000 shares at \$0.20 per share upon conversion under the NFE Convertible Loan Agreement to Benefico Pty Ltd a related party of Faldi Ismail;
- to issue 1,750,000 shares (post consolidation) at \$0.20 per share upon conversion under the Dotz Convertible Loan Agreements;
- change the Company name from Northern Mining Limited to Dotz Nano Limited;
- upon settlement of the Dotz Transaction the appointment of the following directors;
  - Mr Faldi Ismail
  - Dr Moti Gross
  - Mr Menashe Baruch
  - Mr Steven Bajic, and
  - Mr Athan Lekkas;
- to consolidate the capital on issue from ten (10) shares to one (1); and
- the approval of the Employee incentive option plan (**Plan**).

On 12 September 2016 the public offer closed, it was oversubscribed. A total of 30,000,000 shares at an issue price of \$0.20 per share raising \$6,000,000 will be issued on completion of the Acquisition.

As outlined above during the period the board of Directors worked towards the equity restructure and recapitalisation of the Company including liaising with the ASX in relation to the reinstatement of Northern Iron Limited's securities for trading on the ASX.


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**DIRECTORS' DECLARATION**

In the opinion of the Directors of Northern Iron Limited:

1. a) As set out in note 1(b), although the Directors have prepared the financial statements and notes thereto 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 half-year financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the half-year ending on that date; and
  - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.
  
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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 13 September 2016

## Report on the half-year financial report to the members of Northern Iron Limited

We were engaged to review the half-year financial report of Northern Iron Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, 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 half-year end or from time to time during the half-year.

### Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review conducted in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Because of the matters described in the Basis for Disclaimer of Review Conclusion paragraphs, we were not able to obtain sufficient appropriate review evidence to provide a basis for a review conclusion.

### Independence

In conducting our review, 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 review conclusion

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 entire period presented in the 30 June 2016 half-year 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 half-year financial report of the consolidated entity for the half-year ended 30 June 2016 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 30 June 21016 and of its performance for the half-year ended on that date.

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 review evidence for the existence, measurement, valuation, rights and obligations, completeness and disclosures relating to the assets, liabilities, equity, revenues, expenses and cash flows of consolidated entity as at 30 June 2016 and for the half-year then ended.

2. The audit of the consolidated financial statements for the year ended audit 31 December 2014 and review of the consolidated financial statements for the half-year ended 30 June 2015 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 half-year ended 30 June 2015, we were unable to determine whether adjustments to the results of operations for the half-year ended 30 June 2015 were necessary. Further, the financial performance and cash flows for the half-year then ended 30 June 2015 are shown as comparatives in the half-year 30 June 2016 interim financial report.

3. We audited the financial statements of the consolidated entity for the financial year ended 31 December 2015, for which we were unable to and did not express an opinion as to the truth and fairness of the financial position of the consolidated entity as at 31 December 2015 and of its performance for the year ended on that date due to the existence of the limitation of the scope of our work as detailed in our disclaimer of auditor's opinion dated 22 July 2016. Certain balances as at 31 December 2015 enter into the determination of financial performance for the half-year ended 30 June 2016. Further, the financial position of the consolidated entity at 31 December 2015 is shown as comparatives in the 30 June 2016 half-year financial report.
4. 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 review 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 30 June 2016 and for the half-year then ended.
5. 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 30 June 2016 and its performance for the year then ended have therefore not been able to be determined.

6. 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 the financial statements do not contain all required information or disclosures in relation to transactions undertaken by the consolidated entity.

### **Disclaimer of review conclusion**

Because of the significance of the matters described in the basis for disclaimer of review conclusion paragraphs, we have not been able to obtain sufficient appropriate review evidence to provide a basis for a review conclusion. Accordingly we do not express a review conclusion on the financial report for the half-year ended 30 June 2016.

### **Emphasis of matter**

Without qualifying our conclusion, we draw attention to Note 1c) in the financial report. These conditions 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 other legal and regulatory requirements**

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

- a. Financial records sufficient to enable the financial report to be prepared and reviewed
- b. Other records and registers as required by the *Corporations Act 2001*.



Ernst & Young



T G Dachs  
Partner  
13 September 2016