KOGI IRON
LIMITED

ABN 28 001 894 033

ANNUAL REPORT

FOR THE YEAR ENDED 30 June 2014

TABLE OF CONTENTS

CORPORATE DIRECTORY

Directors

Dr Ian Burston	Non-Executive Chairman
Kevin Joseph	Executive Director
Don Carroll	Non-Executive Director
Nathan Taylor	Non-Executive Director
Brian King	Non-Executive Director
Giuseppe (Joe) Ariti	Non-Executive Director

Company Secretary

Shane Volk

Registered Office and Principal Place of Business

Suite 23, Lincoln House
4 Ventnor Avenue
West Perth WA 6005
Tel: +61 8 9200 3456
Fax: +61 8 9200 3455
Email: info@kogiiron.com

Nigeria:
KCM Mining Limited
139B Eti-Osa Way
Dolphin Estate
Ikoyi, Lagos

Share Register

Link Market Services Limited
Central Park, Level 4,
152 St Georges Terrace,
Perth WA 6000
Tel: +61 8 9211 6651
Fax: +61 8 9211 6660

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008
Tel: +61 8 6382 4600
Fax: +61 8 6382 4601

Solicitors

Gilbert & Tobin
1202 Hay Street
West Perth WA 6005
Tel: +61 8 9413 8400
Fax: +61 8 9413 8444

Bankers

Commonwealth Bank

Stock Exchange Listing

Kogi Iron Limited shares and options are listed on the Australian Securities Exchange (ASX).
ASX Code: KFE and KFEO

Website address

www.kogiiron.com

LETTER FROM THE CHAIRMAN

Dear fellow shareholders,

The 2013/14 financial year can best be described as one of two distinct parts. During the first part of the year the Company made significant progress with the advancement of its Agbaja iron ore project in Nigeria, which included the announcement of a 20% increase in mineral resources and the positive results for its preliminary feasibility study, however these achievements were followed by a requirement for the Company to quickly re-align to the currently prevailing environment of significantly lower international iron ore prices and restrictive capital markets, especially the availability of funding for exploration and development companies such as Kogi Iron.

Agbaja Project

It was pleasing to announce a 20% increase in mineral resources for the Company's Agbaja Project in December 2013. This updated mineral resource estimation was in accordance with the JORC Code (2012) and increased the global iron ore resources at Agbaja to 586.3 million tonnes at 41.3% Fe, comprising of Indicated Mineral Resources of 466.2 million tonnes at 41.4% Fe and Inferred Mineral Resources of 120.1 million tonnes at 41.1% Fe. The increase in reported estimated mineral resources during the year was 98 million tonnes, compared to the initial mineral resources estimate of 488 million tonnes at 42.7% Fe, which was reported in September 2012. Considering that Kogi has drilled only 20% of the area prospective for channel iron mineralisation within EL12124 on the Agbaja plateau, the potential scale of the iron mineralisation on the plateau should not be under estimated.

The announcement in January 2014 of the positive results from a preliminary feasibility study into the economic and technical viability of the developing a mine and processing plant at Agbaja to produce 5 million tonnes per annum of iron ore concentrate was most significant for our Company. Importantly, the preliminary feasibility study provides a robust platform for the Company to work at realising value from the extensive exploration and evaluation work conducted at the Agbaja Project since 2011.

Corporate

As mentioned in my introductory paragraph, May 2014 saw a requirement for the Company act in the face of weakness in capital markets, and the availability of funding for exploration and development companies in general. The difficult decision was made to release all Perth based Company personnel, thereby significantly reducing corporate overhead costs, and to rationalise day to day project and administration expenditure in Nigeria, to the extent possible.

With the support of both existing and new shareholders, the Company has recently been able to successfully complete several modest capital raising initiatives, which included the placement of shares to both new and existing shareholders, and a 1:5 entitlement offer to all of the Company's existing shareholders. The entitlement offer was extremely well supporting by existing shareholders, and on behalf of your Board, I again express our appreciation for this support. Funds raised from the capital raising initiatives sees the Company well positioned at the time of this report for the Board to focus on realising value from the Agbaja Project, which will be its the primary focus in the year ahead.

Finally, on behalf of your Board, I'd like thank all shareholders for your support during the year just past, and look forward to your continued support in the year ahead.

Dr Ian Burston
Non-executive Director and Board Chairman

Your Directors present their report on the consolidated entity consisting of Kogi Iron Limited and the entities it controlled at the end of, or during, the year ended 30 June 2014. Throughout the report the consolidated entity is referred to as the group.

Directors

The following persons were directors of Kogi Iron Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Dr Ian Burston	Non-Executive Chairman
Kevin Joseph	Executive Director
Nathan Taylor	Non-Executive Director
Don Carroll	Non-Executive Director
Brian King	Non-Executive Director
Giuseppe (Joe) Ariti	Non-Executive Director
Ignatius Tan	Managing Director (appointed 26 August 2013, ceased 1 May 2014)

Company Secretary

Shane Volk	Company Secretary

Principal activities

During the financial year the principal continuing activities of the group consisted of evaluation studies at the Agbaja Plateau Exploration Licence (EL12124), in Kogi state, Federal Republic of Nigeria ("Nigeria") ("Agbaja Project").

Review of operations

The loss for the group amounted to $786,821 (30 June 2013: loss $16,096,719).

The loss for the year ended 30 June 2014 was attributable to the group's ongoing exploration and evaluation studies for the group's iron ore exploration licences in Nigeria.

During the year the majority of the company's exploration and evaluation activities in Nigeria focussed on the Agbaja Project. The significant activities undertaken and completed by the company during the year in relation to the Agbaja Project included an updated mineral resources estimation (in accordance with the JORC Code (2012)), and in December 2013 the company announced iron ore resources at the Agbaja Project estimated at 586.3 million tonnes at 41.3% Fe, consisting of Indicated Mineral Resources of 466.2 million tonnes at 41.4% Fe and Inferred Mineral Resources of 120.1 million tonnes at 41.1% Fe. In January 2014 the company announced the completion of a positive preliminary feasibility study into the evaluation of the economic viability, technical feasibility and social and environmental acceptability of the development of a mining operation and processing plant for the production of 5 million tonnes per annum of iron ore concentrate at the Agbaja Project.

In May 2014, the company responded to the general weakness in capital markets and available funding for exploration and development companies, and released all Perth based personnel and significantly reduced operating costs in both Perth and Nigeria.

Following the success of various capital raising initiatives since May 2014, the company is now focussed on realising value from the Agbaja Project, and the company will continue with evaluation and exploration activities only to the extent that these activities compliment this objective.

A reconciliation of total underlying profit for the period is:

	2014 $	2013 $
Net Loss after income tax	(786,821)	(388,790)
Impairment – exploration and evaluation	-	(15,707,929)
Total underlying loss	(786,821)	(16,096,719)

As at 30 June 2014, the company had capitalised $40,962,894 in exploration expenditure, the majority of which relates to the company's Agbaja Project.

During the year, the company has incurred net cash outflows from operating and investing activities of $4,702,270 (2013: $4,541,380) and as at 30 June 2014, the company had net current liabilities of $223,835 (30 June 2013: net current assets $1,089,300). On the matter of the company continuing as a going-concern (refer note 29(a) – "going concern" in the attached accounts for details), at the date of this report the Directors believe that there are currently sufficient funds to meet the company's immediate working capital requirements, and on 8 August 2014, the company announced the successful completion of the 1:5 non-renounceable pro-rate entitlement offer, which raised $1.921 million (before expenses and the set-off of director loans).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the group during the financial year.

Events since the end of the financial year

On 22 July 2014, director loans totalling $300,000 (as detailed in note 25 of the attached financial statements), were converted into fully paid ordinary shares of the company at $0.03 per share, as set-out in the entitlement offer Prospectus issued by the company on 17 June 2014.

On 8 August 2014 the company announced the successful completion of a 1:5 non-renounceable entitlement offer at $0.03 per new share with a free attaching option (exercise price $0.08, expiry date 31 May 2017) which raised $1.921 million before costs and the set-off of director loans to the company. Following the completion of the entitlement offer the company had 424,569,836 fully paid ordinary shares on issue and 102,704,606 options on issue (exercise price $0.08, expiry date 31 May 2017).

On 15 August 2014 Mr Tan, acting on instructions of the Board, transferred the 7,500,000 Loan Performance Shares to the Kogi Iron Limited Employee Incentive Trust in accordance with the rules of the company Loan Performance Share Plan and in full satisfaction of the terms and conditions of the limited recourse loan provided to Mr Tan for the acquisition of the Loan Performance Shares.

As at the date of this Directors' Report, the directors are not aware of any other matter or circumstance that has arisen that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in the financial years subsequent to 30 June 2014.

Likely developments and expected results of operation

As announced by on 28 August 2014, the company has commenced a process to realise value from the Agbaja Project, which could involve a joint development with a strategic partner, or a partial sell down of the company's interest in the Agbaja Project, or acquisition by a counterparty of all the issued capital in the company, for further details shareholders should refer to the ASX announcement of 28 August 2014.

Environmental regulation

The company holds various exploration licences that regulate its exploration activities in Nigeria. These licences include conditions and regulations with respect to the rehabilitation of areas disturbed during the course of the company's exploration activities.

At the date of this report no agency has notified the company of any environmental breaches during the financial year, or are the Directors aware of any environmental breaches.

KOGI IRON LIMITED

Information on directors

<u>Name:</u>	Ian Fred Burston
Title:	Chairman and Non-Executive Director
Qualifications:	AM, CitWA, B.Eng, Dip AeroEng HonDSc
Experience and expertise:	Dr Burston has more than 30 years of experience in Western Australian and international iron ore mining and export sales, where he has held executive management and Board positions with some of WA's largest and most successful mining operations. His distinguished career includes the development of several multi-million tonnes per year iron ore export operations with outstanding track records in maximising production, transport efficiencies and project development. Dr Burston has also held pivotal roles in industry associations and local government and was awarded Citizen of the Year (Industry and Commerce) 1992, Member of the Order of Australia (General Division) 1993, and Honorary Doctor of Science (Curtin) 1995, he is a Fellow of the Institute of Engineers of Australia, the Institute of Mining and Metallurgy and the Institute of Company Directors.
Other current directorships:	NRW Holdings Limited (chairman and non-executive director) and Mincor Resources NL (non-executive director).
Former directorships (in the last 3 years):	African Iron Limited from January 2011 to March 2012.
Special responsibilities:	Chair of the Board and member of the Audit and Risk Committee.
Interests in shares:	27,779,022 ordinary shares in Kogi Iron Limited, of which 7,500,000 were issued pursuant to the company Loan Performance Share Plan and remain subject to various vesting conditions (refer note 24).
Interests in options:	9,166,667 options over ordinary shares each with an exercise price of $0.08, expiring 31 May 2017

<u>Name:</u>	Kevin Joseph
Title:	Executive Director
Qualifications:	B.Chem.Eng
Experience and expertise:	Mr Joseph has extensive experience in Nigeria and the West African region. A 25 year resident of Nigeria, he has invaluable in-country relationships which assist the group in executing its exploration and evaluation programs. Mr Joseph is a former Executive Director of Operations for OANDO Petroleum, one of two major local marketers of petroleum in Nigeria. In this role he headed up supply chain development in the West African Region and held executive responsibility for new upstream business development.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Interests in shares:	14,263,088 ordinary shares in Kogi Iron Limited, of which 6,000,000 were issued pursuant to the company Loan Performance Share Plan and remain subject to various vesting conditions (refer note 24).
Interests in options:	None

<u>Name:</u>	Don Carroll
Title:	Non-Executive Director
Qualifications:	B.Eng
Experience and expertise:	Mr Carroll is a former executive of BHP Billiton with over 30 years of experience in the mining industry, principally overseas in Asia, the United States and West Africa. Throughout his 30 year career Mr Carroll has been responsible for the early development of the Kalimantan coal projects, the marketing of minerals in Asia (including China), held the position of President for BHP Billiton in Japan and India, and also CEO for the Guinea Alumina project in West Africa.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Interests in shares:	12,095,790 ordinary shares in Kogi Iron Limited, of which 6,000,000 were issued pursuant to the company Loan Performance Share Plan and remain subject to various vesting conditions (refer note 24).
Interests in options:	2,666,666 options over ordinary shares each with an exercise price of $0.08, expiring 31 May 2017.

Name:	Nathan Taylor
Title:	Non-Executive Director
Qualifications:	LLB, B.Com
Experience and expertise:	Mr Taylor has M&A and capital markets experience having worked on numerous domestic and cross border transactions throughout his career. Mr Taylor started his career as a corporate lawyer for Ashurst Lawyers (Blake Dawson) before working for UBS AG and Macquarie Bank Limited in their equity capital markets divisions. Most recently, Mr Taylor was Head of Mergers and Acquisitions at BBY Limited prior to which he was a co-founder and Head of Capital Markets at StoneBridge Group (which was sold to BBY Limited).
Other current directorships:	Meridien Resources Limited (non-executive director); Stonewall Resources Limited (non-executive director); Mandalong Resources Limited (non-executive director and company secretary); Torian Resources Limited (chairman).
Former directorships (in the last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in shares:	12,054,584 ordinary shares in Kogi Iron Limited, of which 6,000,000 were issued pursuant to the company Loan Performance Share Plan and remain subject to various vesting conditions (refer note 24).
Interests in options:	2,666,667 options over ordinary shares each with an exercise price of $0.08, expiring 31 May 2017

Name:	Brian King
Title:	Non-Executive Director
Qualifications:	-
Experience and expertise:	Mr King has more than 40 years' experience in technical, management and executive roles within the mining sector. Throughout his career he has held various roles including Registered Mine Manager of Rio Tinto's Tom Price and Paraburdoo mining projects from 1982 until 1990. More recently Mr King has worked with the Terex Group in various senior roles including President of the mining company for 11 years.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Interests in shares:	8,224,444 ordinary shares in Kogi Iron Limited, of which 6,000,000 were issued pursuant to the company Loan Performance Share Plan and remain subject to various vesting conditions (refer note 24).
Interests in options:	1,833,333 options over ordinary shares each with an exercise price of $0.08, expiring 31 May 2017

Name:	Giuseppe (Joe) Ariti
Title:	Non-Executive Director
Qualifications:	B.Sc, Dip MinSc, MBA
Experience and expertise:	Mr Ariti is an experienced company director and mining executive with over 25 years' experience in technical, management and executive roles in assessing, developing, managing and financing mining projects and companies in Australia and overseas. He has been involved in the development and management of both open cut and underground mining project in Australia, Africa, Indonesia and Papua New Guinea.
Other current directorships:	None
Former directorships (in the last 3 years):	African Iron from January 2011 to March 2012, Swick Mining Services from February 2008 to February 2012 and Matrix Metals Limited from December 2010 to July 2013.
Special responsibilities:	Chair of the Audit and Risk Committee
Interests in shares:	10,100,000 ordinary shares in Kogi Iron Limited, of which 6,000,000 were issued pursuant to the company Loan Performance Share Plan and remain subject to various vesting conditions (refer note 24).
Interests in options:	3,500,000 options over ordinary shares each with an exercise price of $0.08, expiring 31 May 2017

"Other directorships" quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

"Former directorships (in the last 3 years)" quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Former Directors

Mr Ignatius Tan served as Managing Director of the company from 26 August 2013 until 1 May 2014 and is an experienced operations executive with over 25 years' experience in the mining and chemical industries. He was formerly the Managing Director of ASX Listed Galaxy Resources Limited from 11 November 2011 to 11 June 2013. Mr Tan was awarded a Bachelor of Science from University of Western Australia in 1984, a Master of Business Administration from the University of Southern Cross in 1999, and a Graduate Diploma from the Australian Institute of Company Directors in 2010.

Company Secretary

Shane Volk (B Bus (Accounting), Grad Dip Corp Gov., AGIA) has held the role of Company Secretary since 19 July 2012. Mr Volk is an experienced Company Secretary and Chief Financial Officer having most recently served in these positions for ASX listed company's African Iron Limited (2011-2012) and Emmerson Resources Limited (2007-2011). Mr Volk is a member of the Governance Institute of Australia and has in excess of 25 years of experience in the resources industry.

Meetings of Directors

The number of meetings of the company's Board of directors and of each Board committee held during the year ended 30 June 2014, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Ian Burston	15	17	2	2
Kevin Joseph	16	17	-	-
Don Carroll	16	17	-	-
Nathan Taylor	13	17	2	2
Brian King	17	17	-	-
Giuseppe (Joe) Ariti	16	17	2	2
Ignatius Tan (appointed 26 August 2013, ceased 1 May 2014)	9	11	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report

The directors are pleased to present Kogi Iron Limited's 2014 remuneration report, which has been audited, and sets out remuneration information for the company's non-executive directors, executive directors and other key management personnel.

The report contains the following sections:

(a) Key management personnel disclosed in this report
(b) Remuneration governance
(c) Use of remuneration consultants
(d) Executive remuneration policy and framework
(e) Relationship between remuneration and Kogi Iron Limited's performance
(f) Non-executive director remuneration policy
(g) Voting and comments made at the company's 2013 annual general meeting
(h) Details of remuneration
(i) Service Agreements
(j) Details of share based compensation
(k) Equity instruments held by key management personnel
(l) Loans to key management personnel
(m) Other transactions with key management personnel

Remuneration report *(continued)*

(a) Key management personnel disclosed in this report

Non-executive and executive directors (see pages 7– 8 for details about each director)
Ian Burston
Kevin Joseph
Don Carroll
Nathan Taylor
Brian King
Giuseppe (Joe) Ariti
Ignatius Tan (appointed 26 August 2013, ceased 1 May 2014)

Other key management personnel
Shane Volk (Company Secretary)

There have been no changes to the directors or key management personnel since the end of the reporting period.

(b) Remuneration governance

The Board has not formally established a remuneration committee, however the Board establishes a sub-committee as required, to manage matters that would normally be dealt with by a formally constituted remuneration committee, as was the case in setting the remuneration when a Managing Director was appointed in August 2013.

The Corporate Governance Statement provides further information on how the Board governs remuneration.

(c) *Use of remuneration consultants*

The Board did not engage a remuneration consultant to make any recommendations in relation to its remuneration policies or any of the key management personnel for the group during the financial year covered by this report. However, the Board did engage the services of international professional services firm PricewaterhouseCoopers to assist it with the structuring of its Loan Performance Share Plan. PricewaterhouseCoopers were paid fees of $14,280 for these services.

(d) *Execute Remuneration policy and framework*

The objective of the group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to the market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage/alignment of executive compensation
- Transparency.

As discussed in section (b), the group does not have a remuneration committee, rather the Board as a whole is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the group.

Alignment to shareholders' interests:

- Has key milestone achievement as a core component of plan design
- Focuses on growth in shareholder wealth, consisting of growth in share price which should follow from the achievement of key milestones, as well as focusing the executive on key non-financial drivers of value
- Attracts and retains high calibre executives.

Remuneration report *(continued)*

Alignment to program participants' interests:

- Rewards capability and experience
- Reflects competitive reward for contribution to growth in shareholder wealth
- Provides a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

(i) Executive remuneration mix

To ensure that executive remuneration is aligned to company performance, a portion of the executives' target pay is "at risk". Due to the employment of the former managing director part-way through the period covered by this report, his separation prior to the end of reporting period and the non-vesting of the STI and LTI components of remuneration, it is not applicable to report on the target remuneration mix for the year to 30 June 2014.

(ii) Base pay and benefits

Executives receive their base pay and benefits structured as a total employment cost package which is delivered as cash remuneration.

Base pay is reviewed annually or on promotion. Base pay is benchmarked against market data for comparable roles in the market.

(iii) Superannuation

Superannuation payments were made for each executive to their nominated superannuation fund during the year, in accordance with the prevailing statutory requirements.

(iv) Short Term Incentives and Long Term Incentives

Share based payments (company Loan Performance Share Plan) is designed to incorporate both short-term incentives ('STI') and long-term incentives ('LTI').

Loan Performance Shares are offered to executives by the Board from time to time. Loan Performance Shares are typically subject to vesting conditions attached to the shares for the attainment of various short term and longer term milestones.

The milestones typically include the attainment of key project miles stones, the securing of equity funding, and/or the completion of periods of service. The Board introduced the company Loan Performance Share Plan during the year ended 30 June 2013, following shareholder approval in a general meeting of the company on 30 November 2012. Details of the plan are set out in note 24.

During the year, the company awarded 7,500,000 Loan Performance Shares to the former Managing Director, Mr Ignatius Tan. The award was approved by shareholders at the company's 2013 annual general meeting (29 November 2013), and vesting of the Performance Loan Shares were subject to the following vesting conditions:

- the first tranche of 2,500,000 Loan Performance Shares was to vest upon the completion of a scoping study by the company in relation to its Agbaja Project on or before 31 March 2014 (or an alternate later date determined at the discretion of the Board); and Mr Tan completing a minimum of 1 year of service with the company;
- the second tranche of 2,500,000 Loan Performance Shares was to vest upon the completion of a definitive feasibility study and an environmental and social impact assessment by the company in relation to its Agbaja Project on or before 30 June 2015 (or an alternate later date determined at the discretion of the Board); and Mr Tan completing a minimum of 2 years of service with the company; and
- the third tranche of 2,500,000 Loan Performance Shares was to vest upon the company completing the sale of its first commercial cargo of iron ore from its Agbaja Project on or before 30 June 2016 (or an alternate later date determined at the discretion of the Board); and Mr Tan completing a minimum of 3 years of service with the company.

The Loan Performance Shares were issued at the price of $0.11 per share and a corresponding limited recourse loan totalling $825,000 was entered into between Mr Tan and the company.

Remuneration report *(continued)*

Summary of key loan terms:

- Loan amount: $0.11 per share
- Interest rate: 0%
- Term of loan: due and payable on the earlier of:
  a) 31 December 2020;
  b) the date on which the shares have been forfeited in accordance with the Plan Rules;
  c) the date that the shares have otherwise disposed of, or attempted to be dispose of, in accordance with the rules of the Loan Performance Share Plan.

The loan is limited recourse in that the company will accept proceeds from the sale of the issued shares in full satisfaction of the loan amount, regardless of the market price of the shares.

As Mr Tan separated from the company prior to attaining the service vesting conditions for each of the 3 tranches of Loan Performance Shares, none of the Loan Performance Shares have vested, or will vest, and on 15 August 2014 Mr Tan, acting on instructions of the Board, transferred the 7,500,000 Loan Performance Shares to the Kogi Iron Limited Employee Incentive Trust in accordance with the rules of the company Loan Performance Share Plan and in full satisfaction of terms and conditions of the limited recourse loan provided to Mr Tan by the company for the Loan Performance Shares.

(v) Share Trading Policy

The Kogi Iron Limited securities trading policy applies to all directors and executives and only permits the purchase or sale of company securities during certain periods. Executives must not enter into any hedging arrangements over unvested shares under the company's *Loan Performance Share Plan*. The company would consider a breach of this policy as gross misconduct which may lead to disciplinary action and potential dismissal.

(e) *Relationship between remuneration and Kogi Iron Limited performance*

The following table shows the key financial indicators for the group since its reinstatement for quotation on the ASX as a mineral exploration and evaluation company:

	2014	2013	2012
Profit (Loss) attributable to the owners of Kogi Iron Limited	($786,821)	($16,096,719)	$10,187,549
Share Price at 30 June	$0.02	$0.09	$0.16
Increase (Decrease) in share price	(78%)	(44%)	-

The Board is of the opinion that the incorporation of Loan Performance Shares (variable remuneration) into the total overall remuneration for company executives and the company's Board is an appropriate mechanism directly linking the performance of the company (which is reflected in the price of the company's shares) to the total remuneration of these individuals.

As of the date of this report, none of the Loan Performance Shares awarded to executives and directors of the company have vested, due to the non-attainment of vesting criteria.

(f) Non-executive directors' remuneration policy

On appointment to the Board, all non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the office of director.

Non-executive directors receive a Board fee and the non-executive directors participate in the company Loan Performance Share Plan. Board fees are reviewed from time to time by the Board and the Board may receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. Board fees were last reviewed in 2011.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting of shareholders. The most recent determination was at the annual general meeting held on 30 November 2011, where shareholders approved an aggregate non-executive director remuneration pool of $500,000 per annum.

Remuneration report *(continued)*

Board fees (per year)

Chairman	$100,000
Other non-executive directors	$ 60,000
Executive Director (Mr Kevin Joseph)	US$300,000

(g) Voting and comments made at the company's 2013 Annual General Meeting

The company received 99.7% of proxy votes in favour of its 2013 remuneration report at the 2013 Annual General Meeting. The company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices.

(h) Details of remuneration

The following tables show details of the remuneration received by the group's key management personnel for the current and previous financial year.

2014	Short-term benefits			Post-employment benefits	Long-term benefits	Loan Performance Share Plan	
Name	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Long Service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Ian Burston	100,000	-	-	-	-	(283,438)	(183,438)
Don Carroll	60,000	-	-	-	-	(226,751)	(166,751)
Nathan Taylor	60,000	-	-	-	-	(226,751)	(166,751)
Brian King	169,830^	-	-	-	-	(226,751)	(56,921)
Giuseppe (Joe) Ariti	60,000	-	-	-	-	(226,751)	(166,751)
Executive Directors:							
Kevin Joseph	325,791	-	-	-	-	(226,751)	99,040
Ignatius Tan*	446,441A	-	-	36,439	-	-	482,880
Other Key Management Personnel:							
Shane Volk^^	171,325	-	-	5,070	-	(16,171)	160,224
	1,393,387	-	-	41,509	-	(1,433,364) Note	1,532

^ Includes $109,830 of consulting fees
* Represents from 26 August 2013 until 1 May 2014
A Includes a Termination Benefit of $122,896, representing 3 months' salary in lieu of Mr Tan working out his required period of notice
^^ Mr Volk was a full time employee of the company from 1 February 2014 to 30 April 2014

Note: The fair value of Loan Performance Shares is estimated at each balance date taking into account, amongst other factors, the likelihood that the various tranches of Loan Performance Shares will vest to the respective participants by the vesting date. At 30 June 2014, in the case of each of the directors, it was deemed unlikely that the vesting conditions pertaining to two of the three tranches of Loan Performance Shares would be achieved by the vesting date and consequently it was unlikely that the Loan Performance Shares would vest and as a result the fair value of those tranches of Loan Performance Shares which had previously been expensed to the profit and loss account were reversed. In the case of Mr Volk it was deemed unlikely that any of the vesting conditions pertaining to any of the Loan Performance Shares would be achieved by the vesting dates, consequently all of the fair value of the Loan Performance Shares previously taken to the profit and loss account have been reversed.

Remuneration report *(continued)*

2013	Short-term benefits			Post-employment benefits	Long-term benefits	Loan Performance Share Plan	
Name	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Long Service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Ian Burston	100,000	-	-	-	-	663,561	763,561
Don Carroll	60,000	-	-	-	-	530,850	590,850
Nathan Taylor	60,000	-	-	-	-	530,850	590,850
Brian King	60,000	-	-	-	-	530,850	590,850
Giuseppe (Joe) Ariti	60,000	-	-	-	-	530,850	590,850
Executive Directors:							
Kevin Joseph	301,200	-	-	-	-	530,850	832,050
Other Key Management Personnel:							
Tom Revy *	234,367[B]	-	-	17,629	-	-	251,996
Shane Volk ^	159,600	-	-	-	-	16,171	175,771
	1,035,167	-	-	17,629	-	3,333,982	4,386,778

* Represents from 1 July 2012 to 11 September 2012
^ Represents from 19 July 2012 to 30 June 2013
[B] Includes a Termination Benefit of $165,000, representing 6 months' salary, being 3 months' salary in lieu of Mr Revy working out his required period of notice, and an ex-gratia payment of 3 months' salary.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk remuneration	
Name	2014	2013	2014	2013
Non-Executive Directors:				
Ian Burston	(45%)	13%	155%	87%
Don Carroll	(36%)	10%	136%	90%
Nathan Taylor	(36%)	10%	136%	90%
Brian King	(298%)	10%	398%	90%
Giuseppe (Joe) Ariti	(36%)	10%	136%	90%
Executive Directors:				
Kevin Joseph	329%	36%	(229%)	64%
Ignatius Tan *	100%	n/a	0%	n/a
Other Key Management Personnel:				
Tom Revy**	n/a	100%	n/a	0%
Shane Volk ^	110%	91%	(10%)	9%

* In 2014, represents from 26 August 2013 until 1 May 2014
** In 2013, represents from 1 July 2012 to 11 September 2012
^ In 2013, represents from 19 July 2012 to 30 June 2013

Performance based incentive remuneration

In December 2012, following shareholder approval, each non-executive director of the company and Mr Joseph (an executive director) were issued Loan Performance Shares pursuant to the company Loan Performance Share Plan (refer note 24). The Loan Performance Shares are considered performance based incentive remuneration and the Loan Performance Shares do not vest until the following performance conditions (milestones) are achieved:

- 1/3rd of the shares vest when an Australian Securities Exchange ("ASX") announcement is made by the company of a JORC compliant mineral resource estimation of 500Mt or more with an in-situ iron ore grade of 40% or more to an indicated (or higher) level of confidence at the Agbaja Project, on or before 31 December 2014
- 1/3rd of the shares vest when an ASX announcement is made by the company that it has secured at least $15 million of funding to enable commencement of a pre-feasibility (or equivalent) study into the development of mining operations of the Agbaja Project, on or before 31 December 2014; and

Remuneration report *(continued)*

- 1/3rd of the shares vest when an ASX announcement is made by the company that it has entered into a formal agreement to access the existing heavy haul rail infrastructure currently running from Itakpe to Warri for the purpose of transporting of iron ore from the Agbaja Project, on or before 31 December 2014.

The Board considers equity based incentive compensation to be an integral component of the company's remuneration platform enabling it to offer market-competitive remuneration arrangements, the Loan Performance Share Plan is intended to enable participants to share in any increase in the company's value (as measured by share price) beyond the date of allocation of the Loan Performance Shares, provided the specific performance conditions (milestones) are met.

The performance conditions that were chosen for the Loan Performance Shares issued to the directors of the company were on the basis the that the achievement of each milestone will represent a significant and challenging performance outcome which will require the directors to devote effort, time and skill above and beyond what would normally be expected for their respective fixed compensation. The attainment of each vesting condition (milestone) is not certain, but if achieved could be expected to see an increase in the value of the company (as measured by share price), enabling the individuals to participate in this increase in value. Each milestone is transparently measureable, with the vesting condition either achieved or not achieved, with the achievement publicly announced to the ASX. The respective director must be director of the company at the time of vesting, for the Loan Performance Shares subject to a milestone to vest.

In the case of Mr Tan, 7,500,000 Loan Performance Shares were issued in December 2013 following shareholder approval at the company's 2013 annual general meeting, and were subject to the following performance conditions (milestones):

- the first tranche of 2,500,000 Loan Performance Shares was to vest upon the completion of a scoping study by the company in relation to its Agbaja Project on or before 31 March 2014 (or an alternate later date determined at the discretion of the Board); and Mr Tan completing a minimum of 1 year of service with the company;
- the second tranche of 2,500,000 Loan Performance Shares was to vest upon the completion of a definitive feasibility study and an environmental and social impact assessment by the company in relation to its Agbaja Project on or before 30 June 2015 (or an alternate later date determined at the discretion of the Board); and Mr Tan completing a minimum of 2 years of service with the company; and
- the third tranche of 2,500,000 Loan Performance Shares was to vest upon the company completing the sale of its first commercial cargo of iron ore from its Agbaja Project on or before 30 June 2016 (or an alternate later date determined at the discretion of the Board); and Mr Tan completing a minimum of 3 years of service with the company.

No tranche of shares (as set out above) was conditional upon the vesting of another tranche.

As Mr Tan separated from the company prior to attaining the service vesting conditions for each of the 3 tranches of Loan Performance Shares, none of the Loan Performance Shares have vested, or will vest, and consequently there has been no recognition of the remuneration benefit associated with these Loan Performance Shares in the period of this report.

In the case of Mr Shane Volk, 1,500,000 Loan Performance Shares were issued in March 2013 subject to the following performance conditions (milestones):

- 1/3rd of the shares will vest on the date that the company secures $5.0 million of additional equity and/or debt funding but only if the funding is secured on or before 31 December 2013;
- 1/3rd of the shares will vest when the company has secured in aggregate (which may occur over several tranches) at least $15 million of funding to enable commencement of a pre-feasibility (or equivalent) study into the development of mining operations at the Agbaja Project; and
- 1/3rd of the shares will vest on the rectification, to the satisfaction of the Board, of matters arising from the PWC Nigerian compliance review,

subject to the last two vesting conditions being satisfied on or before 31 December 2014 and no tranche of shares (as set out above) is conditional upon the vesting of another tranche.

Remuneration report *(continued)*

The performance conditions that were chosen for the Loan Performance Shares issued to Mr Volk were on the basis the that the achievement of each miles-stone will represent a significant and challenging performance outcome which will require him to devote effort, time and skill above and beyond what would normally be expected in his service for the company considering his compensation arrangements. The attainment of each vesting condition (milestone) is not certain, but if achieved could be expected to see an increase in the value of the company (as measured by share price), enabling Mr Volk to participate in this increase in value. Each milestone is transparently measureable, with the vesting condition either achieved or not achieved as determined by the Board. Mr Volk must remain as a consultant to the company at the time of vesting, for the Loan Performance Shares subject to the milestone to vest. The first tranche of Loan Performance Shares has not vested and will not vest. The Board shall make a determination on the vesting of the second and third tranche of Loan Performance Shares on or prior to the vesting date deadline of 31 December 2014.

(i) Service *Agreements*

Remuneration and other terms of employment for key management personnel are formalised in service agreements. The service agreements specify the components of remuneration, benefits and notice periods. Participation in the STI and LTI plans is subject to the Board's. Other major provisions of the services agreements are set out below.

Name	Term of agreement and notice period *	Base salary (including superannuation)	Termination payments **
Kevin Joseph *Executive Director*	No fixed term No notice period required	US$300,000	n/a
Ignatius Tan *Managing Director (26 August 2013 to 1 May 2014)*	No fixed term 3 months	$532,010	3 months
Shane Volk *Company Secretary*	No fixed term 30 days notice	$1,200 per day	none

* The notice period applies equally to either party

** Base salary is payable if the company terminates employees with notice, and without cause (e.g. for reasons other than unsatisfactory performance or gross misconduct).

(j) *Details of share based compensation*

Loan Performance Shares

Details of Loan Performance Shares, subject to vesting conditions, issued to directors and other key management personnel as part of remuneration during the year ended 30 June 2014 are set out below:

Name	Record Date	No. of Loan Performance Shares	Issue price	Fair Value at issue date $	Vested 30/06/14	Un-vested 30/06/14	Final date for vesting
Ignatius Tan *	04/12/13	7,500,000	$0.11	825,000	-	7,500,000	25/08/16

* Represents from 26 August 2013 until 1 May 2014

Remuneration report *(continued)*

Details of all Loan Performance Shares, subject to vesting conditions that have been issued to directors and other key management personnel as part of remuneration are set out below:

Name	Record Date	No. of Loan Performance Shares	Issue price	Fair Value at issue date $	Vested 30/06/14	Un-vested 30/06/14	Final date for vesting
Ignatius Tan *	04/12/13	7,500,000	$0.11	825,000	-	7,500,000	25/08/16
Ian Burston	10/12/12	7,500,000	$0.28	2,100,000	-	7,500,000	31/12/14
Kevin Joseph	10/12/12	6,000,000	$0.28	1,680,000	-	6,000,000	31/12/14
Don Carroll	10/12/12	6,000,000	$0.28	1,680,000	-	6,000,000	31/12/14
Nathan Taylor	10/12/12	6,000,000	$0.28	1,680,000	-	6,000,000	31/12/14
Brian King	10/12/12	6,000,000	$0.28	1,680,000	-	6,000,000	31/12/14
Giuseppe (Joe) Ariti	10/12/12	6,000,000	$0.28	1,680,000	-	6,000,000	31/12/14
Shane Volk	15/04/13	1,500,000	$0.14	210,000	-	1,500,000	31/12/14

* Represents from 26 August 2013 until 1 May 2014

All shares were issued pursuant to the company Loan Performance Share Plan (as approved by shareholders in general meeting on 30 November 2012), the shares are subject to various performance based vesting conditions and the terms and conditions of the Loan Performance Share Plan, all of which is detailed in note 24 - Loan Performance Share Plan (Share Based Payments).

The assessed fair value of the Loan Performance Shares at issue date to the recipients is allocated equally over the period from the grand date to vesting date, and the amount is included in the remuneration tables above. Fair values at issue date and at each subsequent reporting date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free rate for the term of the option.

(k) *Equity instruments held by key management personnel*

The tables on the following page show the number of:

(i) shares in the company; and
(ii) options over ordinary shares in the company

that were held during the financial year by key management personnel of the group, including their close family members and entities related to them.

2014 Name	Balance at start of year	Received during year via exercise of options	Received during year via Loan Performance Share Plan	Other Changes During Year	Balance at end of year
Ordinary Shares					
Ian Burston	8,500,000^	-	-	5,722,223	14,222,223^
Kevin Joseph	6,000,000^^	-	-	-	6,000,000^^
Don Carroll	8,000,000^^	-	-	1,111,111	9,111,111^^
Nathan Taylor	9,321,250^^	-	-	166,667	9,487,917^^
Brian King	6,280,000^^	-	-	111,111	6,391,111^^
Giuseppe (Joe) Ariti	6,600,000^^	-	-	-	6,600,000^^
Ignatius Tan	-	-	7,500,000	-	7,500,000^
Shane Volk	1,570,000 V	-	-	-	1,570,000V

^ Includes 7,500,000 unvested Loan Performance Shares
^^ Includes 6,000,000 unvested Loan Performance Shares
V Includes 1,500,000 unvested Loan Performance Shares

Remuneration report *(continued)*

2014 Name	Balance at start of year	exercised during the year	Expired during the year	Other Changes During Year	Balance at end of year
Options					
Ian Burston	-	-	-	-	-
Kevin Joseph	-	-	-	-	-
Don Carroll	2,000,000	-	(2,000,000)	-	-
Nathan Taylor	2,000,000	-	(2,000,000)	-	-
Brian King	-	-	-	-	-
Giuseppe (Joe) Ariti	-	-	-	-	-
Ignatius Tan	-	-	-	-	-
Shane Volk	-	-	-	-	-

(l) *Loans to key management personnel*

Details of loans made to directors of Kogi Iron Limited and other key management personnel of the group, including their close family members and entities related to them, are set out below.

Name	Loan Balance 01/07/13 $	Loan Performance Share Loans during the year $	Interest paid and payable during period $	Interest not charged during the year * $	Loan balance as at 30/06/14 $
Dr Ian Burston	2,100,000	-	-	164,675	2,100,000
Kevin Joseph	1,680,000	-	-	131,740	1,680,000
Joe Ariti	1,680,000	-	-	131,740	1,680,000
Don Carroll	1,680,000	-	-	131,740	1,680,000
Brian King	1,680,000	-	-	131,740	1,680,000
Nathan Taylor	1,680,000	-	-	131,740	1,680,000
Ignatius Tan	-	825,000	-	26,409	825,000
Shane Volk	210,000	-	-	16,468	210,000

* Using a deemed interest rate of 7.84%, reflecting the average interest rate for a Margin Loan (RBA F5 Indicator Lending Rates) for the period

All loans have been made pursuant to the company Loan Performance Share Plan and is limited recourse in that the company will accept the issued Loan Shares in full satisfaction of the loan amount, regardless of the market price of the shares. Interest is not charged on the loans, and each loan is due and payable on the earlier of (i) 31 December 2020, (ii) the date on which the Loan Performance Shares are forfeited in accordance with the Loan Performance Share Plan Rules, or (iii) the date that the Loan Shares have otherwise been disposed of, or attempted to be dispose of, in accordance with the rules of the Loan Performance Share Plan.

The amounts shown for interest not charged in the tables above represent the difference between the amount paid and payable for the year and the amount of interest that would have been charged on an arm's-length basis.

No write-downs or allowances for doubtful receivables have been recognised in relation to key management personnel.

Remuneration report *(continued)*

(m) *Other transactions with key management personnel*

Consultancy Services – Mr Brian King

During the year the company engaged non-executive director Mr Brian King as a consultant to provide management services and the aggregate amounts that the company paid for these services during the year (classified as consulting fees), was $109,830 (2013: Nil).

Loans made by the directors to the company

On 6 May 2014 several directors of the company advanced unsecured, interest free loans to the company for an aggregate value of $300,000, details of the loans and the key terms are set out below:

Lender	Loan Date	Principal amount ($)	Interest rate	Last Repayment date	Establishment fee	Security	Amount outstanding 30 June 2014 ($)
Dr Ian Burston	5-May-2014	200,000	0%	4-May-2015	Nil	Nil	200,000
Giuseppe (Joe Ariti)	5-May-2014	50,000	0%	4-May-2015	Nil	Nil	50,000
Don Carroll	5-May-2014	25,000	0%	4-May-2015	Nil	Nil	25,000
Nathan Taylor	5-May-2014	25,000	0%	4-May-2015	Nil	Nil	25,000

On 22 July 2014, each of the director loans was converted into fully paid ordinary shares of the company at $0.03 per share, as detailed in the entitlement offer Prospectus issued by the company on 17 June 2014.

This concludes the remuneration report, which has been audited

Shares under option

Unissued ordinary shares of Kogi Iron Limited under option at the date of this report are as follows:

Date options issued	Expiry Date	Exercise price	Number under option
18 - 28 July 2014	31 May 2017	$0.08	102,704,606

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

No options were granted to the directors or any of the five highest remunerated officers of the company since the end of the financial year.

Shares issued on the exercise of options

No ordinary shares of Kogi Iron Limited were issued during the year ended 30 June 2014 on the exercise of options and no further share have been issued from the exercise of options since 30 June 2014 up to the date of this report.

Insurance of officers

During the financial year, Kogi Iron Limited paid a premium of $18,370 (inclusive of GST) to insure the directors, secretary and officers of the company and its Australian-based controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers of their position or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Indemnity of auditors

Kogi Iron Limited has agreed to indemnify their auditors, BDO Audit (WA) Pty Ltd, to the extent permitted by law, against any claim by a third party arising from Kogi Iron Limited's breach of their agreement. The indemnity stipulates that Kogi Iron Limited will meet the full amount of any such liabilities including a reasonable amount of legal costs.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001.*

Non-audit services

The company may decide to employ the auditor on assignment additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the group are important.

During the financial year ended 30 June 2014 the company did not engage the auditor to provide any non-audit services and no amounts were paid or are payable to the auditor for non-audit services (2013: Nil).

Officers of the company who are former audit partners of BDO Audit (WA) Pty Ltd

There are no officers of the company who are former audit partners of BDO Audit (WA) Pty Ltd.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Ian Burston
Non-Executive Chairman
26 September 2014

Competent Persons' Statement

The information in this report that relates to Mineral Resources at the Agbaja Project is extracted from the ASX announcement entitled "Mineral Resources at Agbaja Increase 20% to 586MT includes an Indicated Resource of 466MT" and is available to view on www.kogiiron.com. The Company confirms that it is not aware of any information or data that materially affects the information included in the original market announcement and, in the case of estimated Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF KOGI IRON LIMITED

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

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

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

Phillip Murdoch
Director

BDO Audit (WA) Pty Ltd

Perth, 26 September 2014

The Board of Directors ('the Board') of Kogi Iron Limited (the 'company') is responsible for the corporate governance of the group. The Board guides and monitors the business and affairs of the company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the company's compliance with the ASX Corporate Governance Council's Principles and Recommendations, in accordance with ASX Listing Rule 4.10.3.

Principles and Recommendations		Compliance	Comply
Principle 1 – Lay solid foundations for management and oversight			
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	The Board is responsible for the overall corporate governance of the company. On appointment of a director, the company issues a letter of appointment setting out the terms and conditions of appointment to the Board.	Complies
1.2	Disclose the process for evaluating the performance of senior executives.	The performance of senior executives is conducted on an annual basis against individual pre-determined objectives as is customary for their respective positions and role in the organisation. The induction procedure for new senior executives consists of a briefing on the background of the company, the key strategies and objectives, and the respective roles and responsibilities of other senior executives and the Board.	Complies
1.3	Provide the information indicated in Guide to reporting on Principle 1.	The Board Charter is disclosed on the company's website.	Complies
		A performance evaluation process is included in the Board Charter.	Complies
		The Board has conducted a performance evaluation for senior executives during the year.	Complies

Principles and Recommendations		Compliance	Comply
Principle 2 – Structure the Board to add value			
2.1	A majority of the Board should be independent directors.	Half of the Board's directors are not independent as three of the directors were directors of the company's former largest shareholder (TGP Limited). The company acquired 75% of the shares of KCM Mining Holdings Limited from TGP Limited in March 2012. In July 2014 TGP Limited completed an in-specie distribution of its Kogi Iron Limited shares to TGP Limited shareholders, thereby reducing TGP Limited's shareholding in Kogi Iron Limited to less than 5%. Nathan Taylor is an independent non-executive director. Brian King is an independent non- executive director. Joe Ariti is an independent non-executive director. Dr Ian Burston is not an independent non-executive director as he is a former director of TGP Limited. Don Carroll is not an independent non-executive director, as he is a former director of TGP Limited. Kevin Joseph is an executive director as he is a former director of TGP Limited. At the end of each Board meeting, or more frequently if required, non-executive directors are able discuss matters without management present.	Does not comply however the skills and experience of both the independent and non-independent directors allow the Board to act in the best interests of shareholders and is appropriate for the size of the company.
2.2	The chair should be an independent director.	Dr Ian Burston is the Chairman and is not an independent non-executive director, being a former director of TGP Limited.	Does not comply, but is appropriate for the company, considering its size and stage of development.

2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Dr Ian Burston is the Chairman. The company has not had a chief executive or managing director since 1 May 2014 and did not have a chief executive or managing director prior to 26 August 2013. Kevin Joseph is an executive director and Brian King is a non-executive director charged with overseeing the day to day activities of the company.	Complies
2.4	The Board should establish a nomination committee.	The Board has not formally established a nomination committee, however Board sub-committees are formed, as required, to manage matters that would normally be dealt with by a formally constituted nomination committee, as was the case in with the recently completed search and appointment of a Managing Director.	A Board sub-committee is formed from time to time, as required to attend to nomination committee matters.
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	The Board does not currently formally evaluate the performance of the Board, its committees and individual directors. However the Board Chairman provides informal feedback to individual Board members on performance and contributions to Board meetings on an ongoing basis.	Complies
2.6	Provide the information indicated in the *Guide to reporting on Principle 2*	The information has been disclosed, where applicable, in the directors' report.	Complies
		Nathan Taylor, Brian King and Giuseppe (Joe) Ariti are independent directors of the company. A director is considered independent when that director substantially satisfies the test for independence as set out in the ASX Corporate Governance Recommendations. Members of the Board are able to take independent professional advice at the expense of the company.	Although the Board does not consist of a majority of independent directors, the skills and experience of both the independent and non-independent directors allow the Board to act in the best interests of shareholders and is appropriate for the size of the company.

Principles and Recommendations		Compliance	Comply
Principle 3 – Promote ethical and responsible decision making			
3.1	Establish a code of conduct and disclose the code or a summary of the code.	A copy of the code of Conduct is available on the company's website.	Complies
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	A copy of the Diversity Policy is available on the company's website.	Complies
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.		Does not comply
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	The proportion of women employees in the group as at 30 June 2014 are as follows: Women on the board 0% Women in senior executive positions 0% Women in the organisation 12%	Complies
3.5	Provide the information indicated in *Guide to reporting on Principle 3*	Due to the nature and geographic diversity of the company's operations, the company has a diverse workforce.	

Principles and Recommendations		Compliance	Comply
Principle 4 – Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	The Board has established an Audit and Risk Committee to focus on risk and issues relevant to the integrity of the company's financial reporting.	Complies
4.2	The audit committee should be structured so that it: consists of only non- executive directors; consists of a majority of independent directors; is chaired by an independent chair, who is not chair of the Board; and have at least 3 members.	The committee consisted of three non-executive directors (Joe Ariti, Nathan Taylor and Ian Burston), two of whom are independent directors. Joe Ariti is the chairman of the committee, an independent director and not chair of the Board.	Complies
4.3	The audit committee should have a formal charter.	A copy of the Audit and Risk Committee Charter is available on the company's web site	Complies
4.4	Provide the information indicated in *Guide to reporting on Principle 4.*	This information has been disclosed in the directors' report attached to this Corporate Governance Statement and is summarised in this Corporate Governance Statement. The members of the Audit and Risk Committee are appointed by the Board and recommendations from the committee are presented to the Board for further discussion and resolution. The number of meetings held by the Audit and Risk Committee held is disclosed in the directors' report. The Audit and Risk Committee meets at least twice per annum. The Audit And Risk Committee Charter, and information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners, which is determined by the Audit and Risk Committee, is under development.	Complies

Principles and Recommendations		Compliance	Comply
Principle 5 – Make timely and balanced disclosure			
5.1	Establish written policies designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	A copy of the Continuous Disclosure Policy is available on the company's web site.	Complies
5.2	Provide the information indicated in the *Guide to reporting on Principle 5.*		

Principles and Recommendations		Compliance	Comply
Principle 6 – Respect the rights of shareholders			
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	A copy of the Shareholder Communications Policy is available on the company's web site.	Complies
6.2	Provide the information indicated in the *Guide to reporting on Principle 6.*		

Principles and Recommendations			
Principal 7 – Recognise and manage risk			
7.1	Establish policies for the oversight and management and management of material business risks and disclose a summary of these policies.	A copy of the Risk Management Policy is available on the company's web site.	Complies
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	The company's risk management policy and the operation of the risk management systems was under the control of the Managing Director during the period of this report and the Managing Director provided the Board with a report of the material risks identified during the risk management assessment and the risk controls adopted.	Complies
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	The Board has received a statement the company secretary, acting in the capacity of chief financial officer, that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks. The company currently does not have a chief executive officer.	Complies
7.4	Provide the information indicated in *Guide to reporting on Principle 7.*		Complies

Principles and Recommendations		Principles and Recommendations	Principles and Recommendations
Principle 8 – Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee.	The Board has not formally established a remuneration committee, however a Board sub-committee is formed, as required, to manage matters that would normally be dealt with by a formally constituted remuneration committee.	Complies
8.2	The remuneration committee should be structured, so that it: consists of a majority of independent directors; is chaired by an independent director; and has at least three members.	Remuneration sub-committees of the Board do constitute a majority of independent directors.	Complies
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The company complies with the guidelines for executive remuneration packages and non-executive director remuneration. The remuneration structure has been disclosed in the directors' report attached to the Corporate Governance Statement. No senior executive is involved directly in deciding their own remuneration.	Complies
8.4	Provide the information indicated in *the Guide to reporting on Principle 8.*	Given the size of the company and its stage of development the Board will continue with its practice of constituting Board sub-committee's on an as required basis to deal with matters of remuneration.	Complies

Contents

General information

These financial statements are consolidated financial statements for the group consisting of Kogi Iron Limited and its subsidiaries. A list of subsidiaries is included in note 20.

The financial statements are presented in the Australian currency.

Kogi Iron Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 23, Lincoln House
4 Ventnor Avenue
West Perth
WA 6005

The financial statement were authorised for issue by the directors on 26 September 2014. The directors have the power to amend and reissue the financial statements.

All press releases, financial reports and other information are available at our Investor Centre on our website: www.kogiiron.com.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue from continuing operations			
Interest	2	18,231	101,425
Other income			
Unrealised gain on fair value movement on financial assets	2	30,556	-
Total Income		48,787	101,425
Expenses			
Accounting and audit fees		(101,983)	(259,823)
Consultancy fees		(205,207)	(278,436)
Travel and accommodation		(123,830)	(257,732)
Impairment – exploration and evaluation expenditure	9	-	(15,707,929)
Corporate expenses		(265,824)	(273,132)
Director & employee expenses	4	(1,123,779)	(493,882)
Legal fees		(85,267)	(98,815)
Occupancy		(233,510)	(153,798)
Share based payments	24	1,327,229	(3,372,150)
Other expenses	5	(23,437)	(14,826)
Profit /(Loss) before income tax from continuing operations attributable to the owners of the company		(786,821)	(20,809,098)
Income tax expense (benefit)	10	-	4,712,379
Profit /(Loss) after income tax from continuing operations attributable to the owners of the company		(786,821)	(16,096,719)
Profit /(Loss) from discontinued operations		-	-
Net Profit /(Loss) after income tax		(786,821)	(16,096,719)
Other comprehensive income			
Items that may be subsequently reclassified to profit and loss			
Exchange differences on translation of foreign operations		(1,408,348)	2,917,222
Total comprehensive income /(loss) for the year attributable to the owners of the company		(2,195,169)	(13,179,497)
Basic Profit (loss) per share (cents per share)	26	(0.003)	(6.58)
Diluted earnings (loss) per share (cents per share)		n/a	n/a
Earnings per share for profit /(loss) attributable to the ordinary equity holders of the company			
Basic earnings (loss) per share (cents per share)	26	(0.003)	(6.58)
Diluted earnings (loss) per share (cents per share)		n/a	n/a

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

KOGI IRON LIMITED

	Note	2014 $	2013 $
ASSETS			
Current assets			
Cash and cash equivalents	6	117,021	1,693,500
Trade and other receivables	7	256,070	414,282
Financial assets at Fair value through profit and loss	3	354,166	-
Total current assets		727,257	2,107,782
Non-current assets			
Financial assets at Fair value through profit and loss	3	526,390	-
Property, plant and equipment	8	148,141	246,730
Exploration and evaluation expenditure	9	40,962,894	40,316,248
Total non-current assets		41,637,425	40,562,978
Total assets		42,364,682	42,670,760
LIABILITIES			
Current liabilities			
Trade and other payables	12	651,092	1,018,482
Borrowings	25	300,000	-
Total current liabilities		951,092	1,018,482
Non-current liabilities			
Deferred Tax Liability	10	9,387,621	9,387,621
Total non-current liabilities		9,387,621	9,387,621
Total Liabilities		10,338,713	10,406,103
Net assets		32,025,969	32,264,657
EQUITY			
Contributed Equity	13	58,536,640	55,252,931
Reserves	14	5,614,119	10,381,883
Accumulated losses		(32,124,790)	(33,370,157)
Total equity		32,025,969	32,264,657

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	Contributed Equity	Accumulated Losses	Reserve	Total
Balance at 1 July 2012	53,200,557	(17,273,437)	4,092,511	40,019,631
Loss for the year	-	(20,809,098)	-	(20,809,098)
Deferred Income Tax Benefit	-	4,712,378	-	4,712,378
Foreign exchange movements	-	-	2,917,222	2,917,222
Total comprehensive profit (loss) for the year as reported in the 2013 financial statements	86,200,557	(33,370,157)	7,009,733	26,840,133
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	2,052,374	-	-	2,052,374
Issue of Loan Performance Shares	-	-	3,372,150	3,372,150
Balance at 30 June 2013	55,252,931	(33,370,157)	10,381,883	32,264,657
Balance at 1 July 2013	55,252,931	(33,370,157)	10,381,883	32,264,657
Profit (Loss) for the year	-	(786,821)	-	(786,821)
Foreign exchange movements	-	-	(1,408,348)	(1,408,348)
Total comprehensive profit (loss) for the year as reported in the 2014 financial statements	-	(786,821)	(1,408,348)	(2,195,169)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	3,283,709	-	-	3,283,709
Loan Performance Shares	-	-	(1,327,229)	(1,327,229)
Transfer to retained earnings	-	2,032,187	(2,032,187)	-
Balance at 30 June 2014	58,536,640	(32,124,790)	5,614,119	32,025,969

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2014

	Note	2014 $	2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,964,536)	(1,648,223)
Interest received		19,890	99,767
Net cash used in operating activities	16	(1,944,646)	(1,548,456)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current assets		(1,687)	(39,402)
Sale of non-current assets		1,863	-
Payments for Exploration and Evaluation studies		(2,564,808)	(3,185,340)
Acquisition of Financial assets at fair value through profit and loss		(850,000)	-
Loans to/(from) other parties		300,000	-
Research and Development tax refund received		357,008	231,818
Net cash used in investing activities		(2,757,624)	(2,989,924)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		3,225,299	2,220,000
Payment of share issue costs		(91,591)	(167,626)
Net cash inflow from financing activities		3,133,708	2,052,374
Net increase/(decrease) in cash and cash equivalents held		(1,568,562)	(2,489,006)
Effects of exchange rate changes on cash		(7,917)	(3,095)
Cash and cash equivalents at beginning of financial year		1,693,500	4,185,601
Cash and cash equivalents at end of financial year	6	117,021	1,693,500

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

1. Significant changes in the current reporting period

The financial position and performance of the group was particularly affected by the following activities and events during the reporting period:

- The commencement and completion of a positive preliminary feasibility study to assess the economic and technical viability for the development of a mine and processing plant at the company's Agbaja iron ore project, in Nigeria which was announced on 29 January 2014

For discussion about the group's performance and financial position please refer to our review of operations on page 5.

2. Revenue

	2014 $	2013 $
From continuing operations		
Interest received	18,231	101,425
Other income		
Unrealised gain on financial assets at fair value through profit and loss	30,556	-
Total Income	48,787	101,425

3. Financial assets at fair value through profit and loss

		2014 $	2013 $
Financial assets at fair value through profit and loss	- current	354,166	-
	- non-current	526,390	-
Total		880,556	-
Financial assets at fair value through profit and loss – acquisition cost		850,000	
Unrealised gain – financial assets at fair value through profit and loss		30,556	-
Total		880,556	-

On 16 June 2014 the company entered into agreements for the acquisition of 18 equity swaps for total consideration of $850,000 ($47,222 per equity swap), the transaction closed on 7 July 2014.

The equity swaps settle on a monthly basis over 18 months, commencing 7 September 2014, with one swap settling each month. The monthly settlement amount payable to the company by the counter-party is determined by an independent settlement agent with the amount due calculated via reference to the average of the volume weighted average price of the company's shares as traded on the Australian Securities Exchange on the settlement date, and the four preceding days, to the reference price of $0.04. Each one cent difference from the reference price results in an approximate 25% premium or discount to the amount received by the company for the swap at settlement (see note 19 for additional details).

Fair Value of financial assets at fair value through profit and loss
The fair value of the equity swaps at 30 June 2014 was independently calculated using Monte Carlo simulation model that took into account the company share price at the valuation date, the expected company share price volatility over the period of the equity swaps, the expected life of the equity swaps and the expected dividends over the life of the equity swaps, as described in more detail below.

Equity swap valuation model:	As the equity swap is linked to the expected share price of the company's shares at the time of each swap, a Monte Carlo simulation model has been used to determine the expected share price at the time of each swap. The valuation method adopted uses the following inputs which were taken from publicly available information relating of the company's share price at the time of valuation, share price history of the company, and the terms and conditions of the equity swaps.
Share price at time of valuation:	The time of valuation is the day on which the equity swaps are being measured, which is the end of the reporting period or 30 June 2014. The share price at the time of measurement was $0.021.
Expected life of equity swaps:	The expected life of the equity swaps was taken to be the full period of time from grant date to expiry/exercise date. While there may be an adjustment made to take into account any expected early or deferred exercise of the equity swaps or any variation of the expiry date by the company, there is no past history that either of these factors would warrant an exercise of the equity swaps at dates different from those agreed upon, and no other factors which would indicate that this would be a likely occurrence. Therefore, no adjustment to the expected expiry dates of the equity swaps was been made.
Share price volatility:	The company has a long history of share transactions by which to gauge the company's share price volatility, and this data provided some indication of the expected future volatility of the company's share price. The share price volatility over the prior 18 months was 118.5%. Due to the company's historical share price movements, and the relative percentage of each movement against the share price, it is expected that this volatility will not change significantly over the life of the equity swaps. Therefore a volatility of 118.5% was used as the expected future share price volatility over the life of the equity swaps.
Expected dividends:	The company has not declared dividends in the past, and does not expect to declare dividends in the period of the equity swaps. As a result, no adjustment has been made to the pricing of the equity swaps to take into account payment of dividends, to reflect the expectation that dividends are not expected to be declared over the period of the life of the equity swaps.
Monte Carlo simulation:	Upon reviewing the factors to be taken into account and the variables to be calculated, it is considered that a Monte Carlo Simulation is the most relevant methodology to calculating the value of the equity swaps, and the resultant valuation of the equity swaps for the purposes of disclosing financial instruments in these financial statements was in accordance with AASB 139 Financial Instruments: Recognition and Measurement:
Fair Value:	The fair value of the equity swaps at 30 June 2014 was estimated as $880,556 and the difference between the determined fair value of the equity swaps and the purchase price of the swaps ($850,000) has been taken to the profit and loss account of the company and stated as an unrealised gain (or loss) for the period. For the period ended 30 June 2014 the company has recognised an amount of $30,556 as an unrealised gain on the fair value of the equity swaps.

Refer to note 19 of these financial statements for level of hierarchy disclosure.

4. Director and employee expenses

	2014 $	2013 $
Salaries and wages	618,568	72,646
Superannuation contributions	52,183	6,459
Director fees	340,000	344,997
Recruitment costs	101,869	60,544
Other	11,159	9,236
Total	1,123,779	493,882

5. Other expenses

	2014 $	2013 $
Loss on disposal of assets	5,459	481
Bank fees and charges	1,988	2,013
Depreciation expense	15,732	15,502
Foreign exchange gain/loss	258	(3,170)
Total	23,437	14,826

6. Cash and cash equivalents

	2014 $	2013 $
Cash at bank	117,021	1,693,500
	117,021	1,693,500
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	117,021	1,693,500
Total	117,021	1,693,500

Refer to note 19 for the group's exposure to interest rate risk. Credit risk is limited to the carrying amount of cash and cash equivalents above.

7. Trade and other receivables

	2014 $	2013 $
GST Receivable	17,050	71,195
Deposits & repayments	36,760	36,760
Sundry Debtors	52,260	290
Other Receivable	-	461
Receivable – share placement	150,000	-
Research and development tax refund	-	305,576
Total	256,070	414,282

There are no receivables that are past due but not impaired. Refer to note 19 for the consolidated entities exposure to credit risk.

8. Property, plant and equipment

	Motor vehicles $	Office plant & equipment $	Office Furniture & Fittings $	Total $
Balance at 1 July 2012	227,794	53,515	23,352	304,661
Additions	-	-	-	-
Acquisition of subsidiary	-	34,673	5,383	40,056
Disposals	-	-	(655)	(655)
Depreciation expense	(72,325)	(19,342)	(5,665)	(97,332)
Balance at 30 June 2013	155,469	68,846	22,415	246,730
Additions	-	-	-	-
Acquisitions	-	7,084	1,687	8,771
Disposals	-	(1,636)	(8,072)	(9,708)
Depreciation expense	(72,326)	(21,976)	(3,350)	(97,652)
Balance at 30 June 2014	83,143	52,318	12,680	148,141

9. Exploration and Evaluation Expenditure

	Total $
Balance at 1 July 2012	50,156,180
Exploration and evaluation expenditure (current period)	3,478,834
Impairment of exploration and evaluation expenditure	(15,707,929)
Research and development tax refund	(528,058)
Foreign exchange movements	2,917,221
Balance at 30 June 2013	40,316,248
Exploration and evaluation expenditure (current period)	2,400,363
Research and development tax refund	(357,008)
Foreign exchange movements	(1,396,709)
Balance at 30 June 2014	40,962,894

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

No impairment expense has been recognised in the current year in respect of Exploration and Evaluation expenditure (2013: $15,707,929).

10. Income tax expense

		2014 $	2013 $
	Income tax expense		
	Current tax	-	-
	Deferred tax	-	(4,712,379)
		-	(4,712,379)
(a)	Numerical reconciliation of income tax benefit to prima facie tax payable		
	Profit /(Loss) from continuing operations before income tax expense	(786,821)	(20,809,098)
	Tax at the Australian tax rate of 30% (2013: 30%)	(236,046)	(6,242,729)
	Tax effect of amounts that are not deductible /(taxable) in calculating taxable income:		
	Non-deductable share based payments	(398,169)	1,011,645
	Loan impairment	-	-
	Non-deductible expenses	-	-
	Capitalised Exploration and Evaluation	(493,697)	-
	Gain on purchase of subsidiary	-	-
	Income tax benefit not recognised	1,127,912	518,705
	Income tax expense /(benefit)	-	(4,712,379)
(b)	Tax losses		
	Unused tax losses for which no deferred tax assets has been recognised	15,102,406	11,186,587
	Potential tax benefit at 30%	4,530,722	3,355,976
(c)	Unrecognised temporary differences		
	Deferred tax assets and liabilities not recognised relate to the following:		
	Deferred tax assets		
	Tax losses (i)	15,102,406	11,186,587
	Other	131,307	11,186,587
(d)	Deferred tax liabilities		
	Opening balance	9,387,621	14,100,000
	Deferred tax expense/(benefit)	-	(4,712,379)
	Net deferred tax liabilities	9,387,621	9,387,621

(i) The taxation benefits of tax losses not brought to account will only be obtained if:
- (a) assessable income is derived of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;
- (b) conditions for deductibility imposed by the law are complied with; and
- (c) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

The company has deemed that it will not be able to use all of the income tax losses due to the change in beneficial ownership of the company and the failure of the same business test, as the losses relate to tax losses incurred by the company prior to the acquisition of its interests in KCM Mining Holdings Pty Ltd and KCM Mining Limited which finalised on 17 February 2012.

11. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the group is set out below:

	2014 $	2013 $
Short-term employee benefits	1,393,387	1,035,167
Post-employment benefits	41,509	17,629
Share based payments (Loan Performance Shares)	(1,433,364)	3,333,982
Total Key Management Personnel Compensation	1,532	4,386,778

On 30 November 2012 shareholders in general meeting approved the company's Loan Performance Share Plan and the issue of 37,500,000 Loan Performance Shares to the directors of the company and requisite loans by the company to each director to enable the purchase of the shares which were issued at a price of $0.28 each on 10 December 2012. A further 7,500,000 Loan Performance Shares were approved for issue to the former managing director, by shareholders, at the company's 2013 annual general meeting on 29 November 2013. Full details on the Loan Performance Share Plan and all issues of shares under the plan are contained in note 24 of this report.

12. Trade and other payables

	2014 $	2013 $
CURRENT – unsecured liabilities		
Trade & other payables	177,585	706,945
Accrued expenses	356,076	308,780
PAYG withholding	103,139	2,757
Superannuation contributions payable	11,292	-
Other	3,000	-
	651,092	1,018,482

13. Contributed equity

	2014 $	2013 $
Share Capital:		
Ordinary shares, fully paid	58,312,784	55,029,075
Other equity securities:		
Value of conversion rights – convertible notes	223,856	223,856
Total Contributed Equity	58,536,640	55,252,931
Ordinary shares:		
At the beginning of the reporting period	55,029,075	52,976,701
Shares issued during the year	3,425,300	2,220,000
Transaction costs relating to share issues	(141,591)	(167,626)
At the end of the reporting date	58,312,784	55,029,075

Movements in Ordinary Share Capital

Date	Details	No of shares	Issue price $	Value $
30/06/2012	Opening Balance	239,726,983		55,205,710
02/11/2012	Exercise of listed options	100,000	0.20	20,000
14/11/2012	Issue	7,857,143	0.28	2,200,000
10/12/2012	Loan Performance Share Plan issue	37,500,000	0.28	-
15/04/2013	Loan Performance Share Plan issue	2,900,000	0.14	-
01/07/2013	Opening Balance	288,084,126		57,425,710
01/10/2013	Placement	6,975,556	0.09	627,800
04/11/2013	Share Purchase Plan	10,972,214	0.09	987,500
04/12/2013	Placement	6,666,667	0.09	600,000
04/12/2013	Loan Performance Share Plan issue (Note)	7,500,000	0.11	-
25/06/2014	Placement	40,333,333	0.03	1,210,000
	Less transaction costs			(2,538,226)
	At reporting date	360,531,896		58,312,784

Note: The 7,500,000 Loan Performance Share Plan shares were issued to Mr Tan in accordance with the terms and conditions of the company Loan Performance Share Plan and various vesting conditions, which were not attained prior to the separation for Mr Tan from the company (refer note 24 for additional details).

13. Contributed equity *(continued)*

Ordinary Shares	2014 (No)	2013 (No)
At the beginning of the reporting period	288,084,126	239,726,983
Shares issued during the year pre-consolidation	-	-
Shares consolidated during the year	-	-
Shares issued during the year post consolidation	72,447,770	48,357,143
At reporting date	360,531,896	288,084,126

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has a vote on a show of hands. Unvested Loan Performance Shares have the same voting rights as fully paid ordinary shares.

Options	2014 (No)	2013 (No)
At the beginning of the reporting period	15,020,002	16,638,829
Options exercised during the year	-	-
Options lapsed during the year	(15,020,002)	(1,518,827)
At reporting date	-	15,020,002

Value of conversation rights – Convertible Notes (i)	2014 $	2013 $
Value of conversion rights	244,248	244,248
Initial transaction cost	(20,392)	(20,392)
	223,856	223,856

(i) On 15 January 2010, the company obtained the approval of its creditors to enter into a Deed of company Arrangement (DOCA). The secured convertible notes were settled via an issue of 50,000,000 Shares and 30,000,000 Options exercisable at 1 cent each and expiring on 30 November 2013. Following the consolidation of the share capital of the company (1:10), approved by shareholders on 30 November 2011, the 50,000,000 shares converted to 5,000,000 shares and the 30,000,000 options converted to 3,000,000 options with an exercise price of $0.20, expiring 30 November 2013.

14. Reserves

	2014 $	2013 $
Share based payments reserve	3,278,161	4,605,390
Options reserve	-	2,032,187
Foreign currency translation reserve	2,335,958	3,744,306
	5,614,119	10,381,883
Movement:		
Share based payments reserve		
Balance at the beginning of the year	4,605,390	1,233,240
New shares granted	-	3,372,150
Fair value adjustment, based on probability of vesting conditions being achieved	(1,327,229)	-
Balance at the end of the year	3,278,161	4,605,390
Options Issue reserve		
Balance at the beginning of the year	2,032,187	2,032,187
New options granted	-	-
Transferred to retained earnings	(2,032,187)	-
Balance at the end of the year	-	2,032,187
Foreign currency translation reserve		
Balance at the beginning of the year	3,744,306	827,084
Currency translation differences arising during the year	(1,408,338)	2,917,222
Balance at the end of the year	2,335,958	3,744,306
Total Reserves	5,614,119	10,381,883

Nature and Purpose of Reserves

Share based payment reserve
The share based payments reserve is used to record the fair value of shares issued by the company to directors, Key Management Personnel, contractors and consultants in accordance with the company Loan Performance Share plan and is “at risk” remuneration, subject to the attainment of vesting conditions, for services provided.

Option Issue reserve
The options issue reserve is used to record the fair value of options issued by the company to directors as part of remuneration and to consultants for services provided. With the expiry of the options issued to the company directors during the current reporting period, the reserve amount has been transferred to retained earnings.

Foreign currency translation reserve
Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve.

15. Segment reporting

The group has adopted AASB 8 Operating Segments from 1 July 2009 whereby segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision maker (board of directors that makes strategic decisions).

The group engages in single main operating segment, being mineral exploration, from which it currently earns no revenues and incurs costs associated with carrying out exploration and evaluation activities. The group's results are analysed as a whole by the chief operating decision maker (currently the chairman of the Board of directors of the company).

Segment information

Segment information for the year ended 30 June 2014 is as follows:

2014	Exploration and Evaluation	Total
Segment revenue		
Interest Income	18,231	18,231
Total segment revenue/income	18,231	18,231
Segment result	(786,821)	(786,821)
Profit/(loss) before income tax	(786,821)	(786,821)
Net profit/(loss) for the year	(786,821)	(786,821)
Segment assets		
Cash and cash equivalents	117,021	117,021
Exploration and evaluation	40,962,894	40,962,894
Property, plant and equipment	148,141	148,141
Other assets	1,136,626	1,136,626
Total assets	42,364,682	42,364,682
Segment liabilities	(10,338,713)	(10,338,713)

2013	Exploration and Evaluation	Total
Segment revenue		
Interest Income	101,425	101,425
Total segment revenue/income	101,425	101,425
Segment result	(20,809,098)	(20,809,098)
Profit/(loss) before income tax	(20,809,098)	(20,809,098)
Deferred income tax benefit	4,712,379	4,712,379
Net profit/(loss) for the year	(16,096,719)	(16,096,719)
Segment assets		
Cash and cash equivalents	1,693,500	1,693,500
Exploration and evaluation	40,316,248	40,316,248
Property, plant and equipment	246,730	246,730
Other assets	414,282	414,282
Total assets	42,670,760	42,670,760
Segment liabilities	(10,406,103)	(10,406,103)

16. Cash flow information

	2014 $	2013 $
Reconciliation of Cash Flow from Operations with Profit /(Loss) after Income Tax		
Profit /(Loss) after income tax	(786,821)	(16,096,719)
Cash flows excluded from profit attributable to operating activities		
Research & Development Refund	357,008	231,818
Fair value gain/loss on financial assets at fair value through profit and loss	(30,566)	-
Deferred income tax benefit	-	(4,712,379)
Non-cash flows in profit from ordinary activities		
Impairment – Exploration and Evaluation	-	15,707,929
Depreciation	15,732	15,502
Interest Expense	-	-
Share based payments	(1,327,229)	3,372,150
Changes in assets and liabilities,		
(Increase)/decrease in receivables	26,702	154,111
Increase/(decrease) in payables	(199,472)	10,950
Cash flow used in operations	(1,944,646)	(1,316,638)

Non-cash investing and financing activities	2014 $	2013 $
Equity issued for capital raising services	50,000	-
	50,000	-

Full details of each of the above non-cash investing and financing activities is contained in note 24 – Share Based Payments

17. Commitments

Future exploration

The Nigerian Minerals and Mining Act (2007) and the Nigerian Minerals and Mining Regulations (2011) do not prescribe minimum annual expenditure obligations for Exploration Licences, rather these obligation are managed by the Mines Inspectorate Department on a case by case basis. The company expects it will be able to meet any expenditure obligations imposed for any of the Exploration Licences that it holds in the normal course of operations. If any expenditure obligations are not met, then the company has the ability to request a waiver of these obligations or to negotiate amended obligations for the remaining term of the Exploration Licence or relinquish the Exploration Licence.

Annual licence fees of $17,872 are payable to the government of Nigeria for the Exploration Licences that the group plans to retain in the next 12 months.

Operating leases

Office Premises

The company leases office premises in West Perth, Western Australia and Agbaja, Nigeria. The Perth office lease is for a period of 6 months, expiring 7 February 2015 and the Agbaja office lease is for a period of 4 years, expiring 30 April, 2016. Annual commitments payable under these leases are:

2014/15	$33,968
2015/16	$1,150

The group has no other operating lease commitments.

Contractual capital commitments

There are no contractual capital commitments.

18. Events subsequent to balance date

On 22 July 2014, each of the director loans detailed in note 25, was converted into fully paid ordinary shares of the company at $0.03 per share, as detailed in the entitlement offer Prospectus issued by the company on 17 June 2014.

On 8 August 2014 the company announced the successful completion of a 1:5 non-renounceable entitlement offer at $0.03 per new share with a free attaching option (exercise price $0.08, expiry date 31 May 2017) which raised $1.921 million before costs and the set-off of director loans to the company. Following the completion of the entitlement offer the company had 424,569,836 fully paid ordinary shares on issue and 102,704,606 options on issue (exercise price $0.08, expiry date 31 May 2017).

On 15 August 2014 Mr Tan, acting on instructions of the Board, transferred the 7,500,000 Loan Performance Shares to the Kogi Iron Limited Employee Incentive Trust in accordance with the rules of the company Loan Performance Share Plan and in full satisfaction of terms and conditions of the limited recourse loan provided to Mr Tan for the acquisition of the Loan Performance Shares

As at the date of this directors' report, the directors are not aware of any other matter or circumstance that has arisen that has significantly affected, or may significantly affect, the operations of the company, the results of those operations or the state of affairs of the company in the financial years subsequent to 30 June 2014.

19. Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the group.

Financial Instruments

On 16 June 2014 the company entered into agreements for 18 equity swaps for total consideration of $850,000 ($47,222 per equity swap), the transaction closed on 7 July 2014.

The equity swaps settle on a monthly basis over 18 months, commencing 7 September 2014, with one swap settling each month. The monthly settlement amount payable to the company by the counter-party is determined by an independent settlement agent with the amount due calculated via reference to the average of the volume weighted average price of the company's shares as traded on the ASX on the settlement date, and the four preceding days, to the reference price of $0.04. Each one cent difference from the reference price results in an approximate 25% premium or discount to the amount received by the company for the swap at settlement.

The fair value of the equity swaps at balance date (30 June 2014) was independently determined as $880,556 (refer to note 3 for details).

The group does not use derivative financial instruments, however the group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risks, aging analysis for credit risk.

Risk management is carried out by the Board of Directors. The Board provides principles for overall risk management and further policies will evolve commensurate with the evolution and growth of the group.

The group holds the following financial instruments:	2014 $	2013 $
Financial assets		
Cash and cash equivalents	117,021	1,693,500
Trade and other receivables	256,069	414,283
Financial assets at fair value through profit and loss	880,556	-
	1,253,646	2,107,783
Financial liabilities		
Trade and other payables	951,092	1,018,482
Borrowings	300,000	-
	1,251,092	1,018,482

The group's principal financial instruments comprise cash and short-term deposits. The borrowings of the group consist of $300,000 from directors as unsecured, interest free loans, further details are provided in note 25.

The main purpose of these financial instruments is to provide working capital for the group and to fund its operations.

It is, and has been throughout the period under review, with the exception of the purchase of the equity swaps described in note 3 and above, the group's policy that no trading in financial instruments shall be undertaken. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Market risk

Foreign currency risk

As a result of the group operating overseas (Nigeria), the group is exposed to foreign exchange risk from commercial transaction and recognised assets and liabilities denominated in a currently that is not the group's functional currency. The carrying amount of the consolidated entities foreign currency denominated financial assets and financial liabilities at the reporting date is not considered material to the group.

The group also has transactional currency exposures. Such exposure arises from purchased by an operating entity in currencies other than the group's functional currency. The group does not enter into forward foreign exchange contracts or any other form of foreign currency protection instruments and does not have a hedging policy.

Interest rate risk

The group has minimal interest rate risk arises from cash and cash equivalents held, due to the small amount of funds on hand at balance date. The group does not have any deposits, but does have funds on current accounts held with banks at variable interest rates, exposing the group to immaterial interest rate risk. The group does not consider the interest rate risk to be material to the group and have therefore not undertaken any further analysis of risk exposure.

19. Financial risk management *(continued)*

The following sets out the group's exposure to interest rate risk for term deposits held by the group, including the effective weighted average interest rate by maturity periods:

30 June 2014	Note	Weighted average interest rate	1 year or less $	2-5 years $	Total $
Financial assets					
Cash and cash equivalents	6	n/a	-	-	-
Total			-	-	-

30 June 2013	Note	Weighted average interest rate	1 year or less $	2-5 years $	Total $
Financial assets					
Cash and cash equivalents	6	3.34%	722,713	-	722,713
Total			722,713	-	722,713

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group does not have any significant concentrations of credit risk. Credit risk is managed by the Board and arises from cash and cash equivalents as well as credit exposure including outstanding receivables and committed transactions.

All cash balances held at banks are held at internationally recognised institutions. The majority of receivables are immaterial to the group. Given this the credit quality of financial assets that are neither past due or impaired can be assessed by reference to historical information about default rates.

The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets as summarised at the start of note 19.

Share price risk – financial assets at fair value through profit and loss

The monthly settlement amount payable to the company by the equity swaps counter-party is determined by an independent settlement agent with the amount due calculated via reference to the average of the volume weighted average price of the company's shares as traded on the Australian Securities Exchange on the settlement date, and the four preceding days, to the reference price of $0.04. Each one cent difference from the reference price results in an approximate 25% premium or discount to the amount received by the company for the swap at settlement.

The table below sets out the range of settlement amounts that can be expected to be received by the company, at each monthly equity swap settlement date, against the average of the volume weighted average share price of the company's shares as traded on the Australian Securities Exchange on the settlement date and the four preceding days.

5 day VWAP	$0.02	$0.025	$0.03	$0.035	$0.04	$0.045	$0.05	$0.055	$0.06
Expected Settlement amount	$23,611	$29,514	$35,417	$41,319	$47,222	$53,125	$59,028	$64,931	$70,833

Liquidity risk

Vigilant liquidity risk management implies maintaining sufficient cash balances and access to equity funding to enable the group to pay its debts as and when they become due and payable.

The Board of directors' monitor the cash levels of the group on an on-going basis against budget and the maturity profiles of financial assets and liabilities to manage liquidity risk.

As at reporting date the group had sufficient cash reserves to meet its immediate requirements. The group has no access to credit standby facilities or arrangements for further funding or borrowings in place at balance date and will need to secure additional equity or debt funding to enable it to meet its ongoing requirements.

19. Financial risk management *(continued)*

Maturities of financial liabilities

The following tables detail the group's remaining contractual maturity for its financial liabilities at the reporting date. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. Provided the liabilities below are paid in accordance with the specified payments terms no interest is payable, the tables have been constructed on this basis.

At 30 June 2014	Less than 6 months $	6-12 months $	1-2 years $	2-5 years $	Over 5 years $	Total contractual cash flows $	Carrying amount (assets)/ liabilities $
Non-derivatives							
Non-interest bearing	651,092	300,000	-	-	-	951,092	951,092
Variable rate	-	-	-	-	-	-	-
Fixed rate	-	-	-	-	-	-	-
Total non-derivatives	651,092	300,000	-	-	-	951,092	951,092

At 30 June 2013	Less than 6 months $	6-12 months $	1-2 years $	2-5 years $	Over 5 years $	Total contractual cash flows $	Carrying amount (assets)/ liabilities $
Non-derivatives							
Non-interest bearing	1,018,482	-	-	-	-	1,018,482	1,018,482
Variable rate	-	-	-	-	-	-	-
Fixed rate	-	-	-	-	-	-	-
Total non-derivatives	1,018,482	-	-	-	-	1,018,482	1,018,482

The basis of the valuation of cash is fair value, being the amounts for which the cash can expect to be received in the normal course of business.

Recognised fair value measurements

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measure at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classifies its financial instrument in the three levels prescribed under the accounting standards. An explanation of tech level follows:

At 30 June 2014	Note	Level 1 $'s	Level 2 $'s	Level 3 $'s	Total $'s
Recurring fair value measurements					
Financial Assets					
Financial assets at fair value through profit and loss					
Equity Swaps	3	-	-	880,556	880,556
Total Financial Assets		-	-	880,566	880,566

Note: Refer to note 3 of these financial statements for inputs used in determining the fair value of the level 3 financial instruments.

At 30 June 2013	Note	Level 1 $'s	Level 2 $'s	Level 3 $'s	Total $'s
Recurring fair value measurements					
Financial Assets					
Available for sale financial assets					
Equity Swaps		-	-	-	-
Total Financial Assets		-	-	-	-

There were no transfers between levels 1, 2 or 3 for recurring fair value measurements during the year. The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

19. Financial risk management *(continued)*

Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:
- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the statement of financial position date
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities, a contingent consideration receivable and certain derivative contracts, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

20. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 29. Unless otherwise stated each of the subsidiaries have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporate

Name of entity	Principal activities	Country of incorporation	Ownership interest		Investment at cost	
			2014	2013	2014	2013
KCM Mining Holdings Pty Ltd	Mineral exploration and evaluation studies	Australia	100%	100%	$17,153,333	$17,153,333
KCM Mining Limited	Iron ore exploration and associated activities	Nigeria	100%	100%	$3,204,715	$3,204,715

21. Dividends

No dividends have been declared or paid during the period

22. Contingent liabilities and expenses

There are no contingent liabilities as at 30 June 2014.

There were no contingent liabilities as at 30 June 2013.

23. Capital commitments

There are no capital commitments as at 30 June 2014 (2013: none).

Other Information

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

24. Share based payments

Capital Raising Services - shares

Year ended 30 June 2014

On 17 June 2014 the company issued 1,666,667 shares at $0.03 per share (total value $50,000) to an independent service provider, as consideration for capital raising costs. The valuation of the shares has been determined based upon the placement price of all shares placed by the company, at arms-length, on that date.

Year ended 30 June 2013

Nil.

Loan Performance Share Plan

At the 2012 Annual General Meeting of the company, shareholders approved the company Loan Performance Share Plan. The Loan Performance Share Plan is managed by the Board and enables it to issue company shares to executive and non-executive directors, full-time or part-time employees, contractors and consultants of the company or its subsidiaries, as selected by the Board from time to time (Eligible Persons) and provide a limited recourse loan to enable the Eligible Persons to purchase the Shares.

Summary of the Loan Performance Share Plan

The rationale behind the Loan Performance Share Plan is a commitment by the Board to incentivise and retain the company's Eligible Persons in a manner which promotes alignment with Shareholder interests. Additionally, the Board considers equity based incentive compensation an integral component of the company's remuneration platform enabling it to offer market-competitive remuneration arrangements.

The Loan Performance Share Plan is intended to enable Eligible Persons to participate in any increase in the company's value (as measured by share price) beyond the date of allocation of shares under the Loan Performance Share Plan, provided any pre-determined specific performance hurdles are achieved pertaining to vesting of the allocated shares. Where the company offers shares to an Eligible Person under the Loan Performance Share Plan, the company may offer to provide the Eligible Person with a limited recourse, interest free loan to be used for the purpose of subscribing for the shares.

Year ended 30 June 2014

Shares issued to Eligible Persons pursuant to the company Loan Performance Share Plan

(a) 7,500,000 shares issued to Mr Ignatius Tan

Following shareholder approval at the company's 2013 Annual General Meeting on 29 November 2013, 7,500,000 shares were issued to the former managing director, Mr Ignatius Tan as part of his remuneration and having regard to his potential contribution to the company.

The shares were issued subject to the following vesting conditions:

- The first tranche of 2,500,000 Loan Shares will vest, subject to the completion of a scoping study by the company in relation to its Agbaja Project on or before 31 March 2014 (or an alternate later date determined at the discretion of the Board); and Mr Tan completing a minimum of 1 year of service with the company.
- The second tranche of 2,500,000 Loan Shares will vest, subject to ccompletion of a definitive feasibility study and an environmental and social impact assessment by the company in relation to its Agbaja Project on or before 30 June 2015 (or an alternate later date determined at the discretion of the Board); and Mr Tan completing a minimum of 2 years of service with the company.
- The third tranche of 2,500,000 Loan Shares will vest, subject to the company completing the sale of its first commercial cargo of iron ore from its Agbaja Project on or before 30 June 2016 (or an alternate later date determined at the discretion of the Board), and Mr Tan completing a minimum of 3 years of service with the company.

For the avoidance of doubt, no tranche of Performance Shares (as set out above) is conditional upon the vesting of another tranche.

As Mr Tan separated from the company on 1 May 2014, none of the Loan Performance Shares have vested, or will vest to Mr Tan.

The shares were issued at the price of $0.11 per share and corresponding limited recourse loans totalling $825,000 was entered into.

Summary of key loan terms:

- Loan amount: $0.11 per share
- Interest rate: 0%
- Term of loan: due and payable on the earlier of:
    a) 31 December 2020;
    b) the date on which the shares have been forfeited in accordance with the Plan Rules;
    c) the date that the shares have otherwise disposed of, or attempted to be dispose of, in accordance with the rules of the Loan Performance Share Plan.

The loans are limited recourse in that the company will accept the issued shares in full satisfaction of the loan amount, regardless of the market price of the shares.

Value of the Loan Performance Shares issued

As Mr Tan separated from the company prior to the first anniversary of his employment none of the Loan Performance Shares will vest to Mr Tan and hence the value of the Loan Performance Shares is nil.

24. Share based payments *(continued)*

Year ended 30 June 2013

Shares issued to Eligible Persons pursuant to the company Loan Performance Share Plan

(a) 37,500,000 shares issued to company Directors

Following shareholder approval at the company's 2012 Annual General Meeting on 30 November 2012, 37,500,000 shares were issued to the six directors of the company on 7 December 2012, as part of their remuneration and having regard to their past and potential contribution to the company.

The shares were issued subject to the following vesting conditions:

- 1/3rd of the shares will vest when an ASX announcement is made by the company of a JORC compliant mineral resource estimation of 500Mt or more with an in-situ iron ore grade of 40% or more to an indicated (or higher) level of confidence at the Agbaja Project, on or before 31 December 2014;
- 1/3rd of the shares vest when an ASX announcement is made by the company that it has secured at least $15 million of funding to enable commencement of a pre-feasibility (or equivalent) study into the development of mining operations of the Agbaja Project, on or before 31 December 2014; and
- 1/3rd of the shares will vest when an ASX announcement is made by the company that it has entered into a formal agreement to access the existing heavy haul rail infrastructure currently running from Lokoja to Warri for the purpose of transporting of iron ore from the Agbaja Project, on or before 31 December 2014.

No tranche of shares (as set out above) is conditional upon the vesting of another tranche.

The shares were issued at the price of $0.28 per share and corresponding limited recourse loans totalling $10,500,000 were entered into.

Summary of key loan terms:

- Loan amount: $0.28 per share
- Interest rate: 0%
- Term of loan: due and payable on the earlier of:
  a) 31 December 2020;
  b) the date on which the shares have been forfeited in accordance with the Plan Rules;
  c) the date that the shares have otherwise disposed of, or attempted to be dispose of, in accordance with the rules of the Loan Performance Share Plan.

The loans are limited recourse in that the company will accept the issued shares in full satisfaction of the loan amount, regardless of the market price of the shares.

(b) 2,900,000 shares issued consultants and employees

On 26 March 2013 the Board offered 2,900,000 shares to an employee of the company and four consultants to the company as part of their remuneration and having regard to their past and potential contribution to the company. The shares were issued subject to various vesting conditions determined by the Board.

In the case of Mr Shane Volk, a key management personnel, consulting to the company for the provision of services as company Secretary and Chief Financial Officer, 1,500,000 shares were issued subject to the following vesting conditions:

- 1/3rd of the shares will vest on the date that the company secures $5.0 million of additional equity and/or debt funding but only if the funding is secured on or before 31 December 2013;
- 1/3rd of the shares will vest when the company has secured in aggregate (which may occur over several tranches) at least $15 million of funding to enable commencement of a pre-feasibility (or equivalent) study into the development of mining operations at the Agbaja Project; and
- 1/3rd of the shares will vest on the rectification, to the satisfaction of the Board, of matters arising from the PWC Nigerian compliance review.

subject to the last two vesting conditions being satisfied on or before 31 December 2014 and no tranche of shares (as set out above) is conditional upon the vesting of another tranche.

The shares were issued at the price of $0.14 per share and a corresponding limited recourse loan totalling $210,000 was entered into.

Summary of key loan terms:

- Loan amount: $0.14 per share
- Interest rate: 0%
- Term of loan: due and payable on the earlier of:
  a) 31 December 2020;
  b) the date on which the shares have been forfeited in accordance with the Plan Rules;
  c) the date that the shares have otherwise disposed of, or attempted to be dispose of, in accordance with the rules of the Loan Performance Share Plan.

The loan is limited recourse in that the company will accept the issued shares in full satisfaction of the loan amount, regardless of the market price of the shares.

24. Share based payments *(continued)*

Value of the Loan Performance Shares issued

The fair value of the Loan Performance Shares issued at the issue date was calculated using the Black Scholes pricing model that took into account the term, the underlying value of the shares, the exercise price, the expected dividend yield, the impact of dilution and the risk-free interest rate.
Inputs used to value the shares granted included:

Variable	Assumptions	
	Director shares	Consultant and employee shares
Issue price for the shares	$0.28	$0.14
Market price for the shares at date of issue	$0.28	$0.14
Volatility of company share price	100%	167%
Dividend yield	0%	0%
Risk free rate	2.73%	3.01%
Maximum time to loan maturity	8 years and 24 days	7 years and 280 days

The expected volatility during the term of the shares is base around assessments of the historical volatility of the company share price and the dividend yield of 0% is on the basis that the company does not anticipate paying dividends in the period between the issue date and the final vesting date for the shares.

The value of the Loan Performance Shares has been expensed on a proportionate basis for each period from grant date to vesting date. The proportion of the value of the shares that has been expensed during the year to 30 June 2014 and accounted for in the share based payments reserve is ($1,327,229) (2013:$3,372,150). Vesting of the Loan Performance Shares is subject to the three performance milestones (described above), whereby 1/3 of the Loan Performance Shares issued to each recipient vests upon the attainment of each performance milestone, to be achieved on or before 31 December 2014.

Key Management Personnel: Shares issued pursuant to the Loan Performance Share Plan

2014 Name	Balance 01/07/13	Loan Performance Share Plan Shares issued during period	Issue date	Issue price	Vested during period	Forfeited during period	Balance 30/06/14	Vested at 30/06/14	Not vested at 30/06/14
Dr Ian Burston	7,500,000	-	-	-	-	-	7,500,000	-	7,500,000
Kevin Joseph	6,000,000	-	-	-	-	-	6,000,000	-	6,000,000
Joe Ariti	6,000,000	-	-	-	-	-	6,000,000	-	6,000,000
Don Carroll	6,000,000	-	-	-	-	-	6,000,000	-	6,000,000
Brian King	6,000,000	-	-	-	-	-	6,000,000	-	6,000,000
Nathan Taylor	6,000,000	-	-	-	-	-	6,000,000	-	6,000,000
Ignatius Tan *	-	7,500,000	4/12/13	$0.11	-	-	7,500,000	-	7,500,000
Shane Volk	1,500,000	-	-	-	-	-	1,500,000	-	1,500,000

* On 15 August 2014 Mr Tan, acting on instructions of the Board, transferred the 7,500,000 Loan Performance Shares to the Kogi Iron Limited Employee Incentive Trust in accordance with the rules of the company Loan Performance Share Plan and in full satisfaction of terms and conditions of the limited recourse loan provided to Mr Tan for the acquisition of the Loan Performance Shares.

2013 Name	Balance 01/07/12	Loan Performance Share Plan Shares issued during period	Issue date	Issue price	Vested during period	Forfeited during period	Balance 30/06/13	Vested at 30/06/13	Not vested at 30/06/13
Dr Ian Burston	-	7,500,000	10/12/12	$0.28	-	-	7,500,000	-	7,500,000
Kevin Joseph	-	6,000,000	10/12/12	$0.28	-	-	6,000,000	-	6,000,000
Joe Ariti	-	6,000,000	10/12/12	$0.28	-	-	6,000,000	-	6,000,000
Don Carroll	-	6,000,000	10/12/12	$0.28	-	-	6,000,000	-	6,000,000
Brian King	-	6,000,000	10/12/12	$0.28	-	-	6,000,000	-	6,000,000
Nathan Taylor	-	6,000,000	10/12/12	$0.28	-	-	6,000,000	-	6,000,000
Shane Volk	-	1,500,000	15/04/13	$0.14	-	-	1,500,000	-	1,500,000

24. Share based payments *(continued)*

Key Management Personnel: Share based payment expense – Loan Performance Share Plan

2014 Name	Issue date	Fair Value of Loan Performance Shares at reporting date $	Expense during current period $	Life to date expense at 30/06/2014 $
Dr Ian Burston	10/12/12	482,156	(283,438)	380,123
Kevin Joseph	10/12/12	321,437	(226,751)	304,099
Joe Ariti	10/12/12	321,437	(226,751)	304,099
Don Carroll	10/12/12	321,437	(226,751)	304,099
Brian King	10/12/12	321,437	(226,751)	304,099
Nathan Taylor	10/12/12	321,437	(226,751)	304,099
Ignatius Tan	05/12/13	-	-	-
Shane Volk	15/04/13	-	(16,171)	-
Total		2,089,341	(1,433,364)#	1,900,618

The fair value of Loan Performance Shares is estimated at each balance date taking into account, amongst other factors, the likelihood that the various tranches of Loan Performance Shares will vest to the respective participants by the vesting date. At 30 June 2014, in the case of each of the directors, it was deemed unlikely that the vesting conditions pertaining to two of the three tranches of Loan Performance Shares would be achieved by the vesting date and consequently it was unlikely that the Loan Performance Shares would vest and as a result the fair value of those tranches of Loan Performance Shares which had previously been expensed to the profit and loss account were reversed. In the case of Mr Volk it was deemed unlikely that any of the vesting conditions pertaining to any of the Loan Performance Shares would be achieved by the vesting dates, consequently all of the fair value of the Loan Performance Shares previously taken to the profit and loss account have been reversed.

2013 Name	Issue date	Fair Value of Loan Performance Shares at reporting date $	Expense during current period $	Life to date expense at 30/06/2013 $
Dr Ian Burston	10/12/12	1,356,065	663,561	663,561
Kevin Joseph	10/12/12	1,084,852	530,850	530,850
Joe Ariti	10/12/12	1,084,852	530,850	530,850
Don Carroll	10/12/12	1,084,852	530,850	530,850
Brian King	10/12/12	1,084,852	530,850	530,850
Nathan Taylor	10/12/12	1,084,852	530,850	530,850
Shane Volk	15/04/13	134,072	16,171	16,171
Total		6,914,397	3,333,982	3,333,982

Summary of shares based payments	2014 $	2013 $
Share based payments – directors	(1,417,191)	3,317,811
Share based payments – consultants & contractors	74,337	46,639
Share based payments – employee's	15,625	7,700
Total share based payment expense	(1,327,229)	3,372,150

25. Related party transactions

Parent entity

Kogi Iron Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 20.

Terms and conditions of transactions with subsidiaries

Outstanding inter-company loan balances at year end are unsecured and are not interest bearing.

Associates

There are no investments in associates.

Key management personnel

During the year the company engaged non-executive director Mr Brian King as a consultant to provide management services and the aggregate amounts that the company paid for these services during the year (classified as consulting fees), was $109,830 (2013: Nil).

Details of loans made to directors of the company and other Key Management Personnel, including their personally related parties are set out below:

25. Related party transactions *(continued)*

Loans to Directors and key management personnel

2014 Name	Balance 01/07/13 $	Loan Performance Share Loans provided during the period (Note) $	Interest paid and payable during period $	Interest not charged in reporting period $	Loan balance as at 30/06/14 $
Dr Ian Burston	2,100,000	-	-	164,675	2,100,000
Kevin Joseph	1,680,000	-	-	131,740	1,680,000
Joe Ariti	1,680,000	-	-	131,740	1,680,000
Don Carroll	1,680,000	-	-	131,740	1,680,000
Brian King	1,680,000	-	-	131,740	1,680,000
Nathan Taylor	1,680,000	-	-	131,740	1,680,000
Ignatius Tan *	-	825,000	-	26,409	825,000
Shane Volk	210,000	-	-	16,468	210,000

* On 15 August 2014 Mr Tan, acting on instructions of the Board, transferred the 7,500,000 Loan Performance Shares to the Kogi Iron Limited Employee Incentive Trust in accordance with the rules of the company Loan Performance Share Plan and in full satisfaction of terms and conditions of the limited recourse loan provided to Mr Tan for the acquisition of the Loan Performance Shares.

2013 Name	Balance 01/07/12 $	Loan Performance Share Loans provided during the period (Note) $	Interest paid and payable during period $	Interest not charged in reporting period $	Loan balance as at 30/06/13 $
Dr Ian Burston	-	2,100,000	-	98,729	2,100,000
Kevin Joseph	-	1,680,000	-	78,983	1,680,000
Joe Ariti	-	1,680,000	-	78,983	1,680,000
Don Carroll	-	1,680,000	-	78,983	1,680,000
Brian King	-	1,680,000	-	78,983	1,680,000
Nathan Taylor	-	1,680,000	-	78,983	1,680,000
Shane Volk	-	210,000	-	4,435	210,000

Note: The Loan Performance Shares have not vested at the date of this report (refer note 24) and each of the loans was provided in accordance with the terms and conditions of the company Loan Performance Share Plan and were not loaned as cash.

All loans to key management personnel are under the terms and conditions as set out in note 25 relating to the company Loan Performance Share Plan.

The amounts shown for interest not charged in the table above represents the difference between the amount paid and payable for the financial year and the amount of interest that would have been charged on an arms-length basis.

Disclosures relating to key management personnel are set out in note 11 and the remuneration report in the directors' report.

Other transactions with key management personnel

Loans made by the directors to the company

On 6 May 2014 several directors of the company advanced unsecured, interest free loans to the company for an aggregate value of $300,000, details of the loans and the key terms are set out below:

Lender	Loan Date	Principal amount ($)	Interest rate	Last Repayment date	Establishment fee	Security	Amount outstanding 30 June 2014 ($)
Dr Ian Burston	5-May-2014	200,000	0%	4-May-2015	Nil	Nil	200,000
Giuseppe (Joe Ariti)	5-May-2014	50,000	0%	4-May-2015	Nil	Nil	50,000
Don Carroll	5-May-2014	25,000	0%	4-May-2015	Nil	Nil	25,000
Nathan Taylor	5-May-2014	25,000	0%	4-May-2015	Nil	Nil	25,000

On 22 July 2014, each of the director loans was converted into fully paid ordinary shares of the company at $0.03 per share, as detailed in the entitlement offer Prospectus issued by the company on 17 June 2014.

26. Earnings per share

		2014 $	2013 $
(a)	Reconciliation of earnings used to calculate EPS to net profit or loss Net Profit/(Loss)	(786,821)	(16,096,719)
	Earnings/(Loss) used in the calculation of basic EPS Continuing Operations	(786,821)	(16,096,719)
		(786,821)	(16,096,719)
		Number	Number
(b)	Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	304,966,372	244,722,560

27. Remuneration of auditors

	2014 $	2013 $
During the year the following fees were paid or payable for services provided by the auditor of the group, its related practices and non-related audit firms.		
Auditing or reviewing the financial reports (BDO Audit (WA) Pty Ltd)	40,444	42,929
Total	40,444	42,929

28. Parent entity information

Information relating to Kogi Iron Limited	Kogi Iron Limited	
	2014 $	2013 $
Current assets	857,695	2,042,823
Total assets	27,030,601	25,348,877
Current liabilities	(569,906)	(357,840)
Total liabilities	(869,906)	(357,840)
Issued capital	(58,536,640)	(55,252,931)
Retained earnings	35,654,105	36,899,471
Options reserve	-	(2,032,187)
Share based payments reserve	(3,278,161)	(4,605,390)
Total shareholder equity	(26,160,696)	(24,991,037)
Loss of parent entity	(786,821)	(5,109,998)
Total comprehensive loss of parent	(786,821)	(5,109,998)

Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries

Kogi Iron Limited has not entered into any parent entity guarantees for any of its subsidiaries

Details of contingent liabilities of the parent entity

Refer to note 22 for details.

Details of any contractual commitments by the parent entity of the acquisition of property, plant and equipment

There are no contractual commitments by Kogi Iron Limited for the acquisition of property, plant and equipment.

Tax consolidation

Kogi Iron Limited and its subsidiaries have formed a tax consolidation group.

29. Summary of Significant accounting policies

This note provides a list of all significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of Kogi Iron limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*. Kogi Iron Limited is a for-profit entity for the purpose of preparing the financial statements.

These financial statements have been approved for issue by the Board of Directors of Kogi Iron Limited on 24 September 2014.

(i) Going Concern

This report has been prepared on the going concern basis, which contemplates the continuation of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The group has incurred net cash outflow from operating and investing activities for the year ended 30 June 2014 of $4,702,270 (2013: $4,541,380). As at 30 June 2014, the Group had net current liabilities of $223,835 (30 June 2013 – net current assets: $1,089,300).

The Directors believe that there are sufficient funds to meet the Group's immediate working capital requirements. However, the Directors recognise that the ability of the Group to continue as a going concern is dependent on the Group being able to secure additional funding through either the issue of further shares and or options or convertible notes or a combination thereof as required to fund ongoing exploration and evaluation studies and for working capital.

Based on the above, the Group currently believes that it will successfully raise additional funds, as required, to meet its financial obligations in future periods. As a result the financial report has been prepared on a going concern basis. However should the entity be unsuccessful in securing future funding the entity may not be able to continue as a going concern.

(ii) Compliance with IFRIS

The consolidated financial statements lf the Kogi Iron Limited group also comply with International Financial Reporting Standards (IFRIS) as issued by the International Accounting Standards Board (IASB)

(iii) Historical cost convention

The financial statements have been prepared on an historical cost basis, except for the following:

- available-for-sale financial assets, financial assets and liabilities (including derivative instruments) – measured at fair value.

(iv) Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires the Board to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 30.

(v) New and amended standards adopted by the group

The group has adopted the following standards and amendments for the first time for the annual reporting period commencing 1 July 2013

- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 128 *Investments in Associates and Joint Ventures*,
- AASB 127 *Separate Financial Statements* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards;*
- AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and other Amendments* which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period
- AASB 13 *Fair Value Measurement and* AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*
- AASB 119 *Employee Benefits (September 2011) and* AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle,* and
- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*

29. Summary of Significant accounting policies *(continued)*

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

Reference	Title	Nature of Change	Application date of standard	Impact on entity financial statements	Application date for entity
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets: Amortised cost Fair value through profit or loss Fair value through other comprehensive income. AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	1 January 2018	Adoption of AASB 9 is only mandatory for the year ending 30 June 2019. The entity has not yet made an assessment of the impact of these amendments.	1 July 2018
AASB 2012-6 (issued September 2012)	Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures	Defers the effective date of AASB 9 to 1 January 2015. Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	1 January 2015	As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.	AASB 2012-6 (issued September 2012)
AASB 2013-9 (issued December 2013)	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	Makes three amendments to AASB 9: Adding the new hedge accounting requirements into AASB 9 Deferring the effective date of AASB 9 from 1 January 2015 to 1 January 2018, and Making available for early adoption the presentation of changes in 'own credit' in other comprehensive income (OCI) for financial liabilities under the fair value option without early applying the other AASB 9 requirements. Under the new hedge accounting requirements: The 80-125% highly effective threshold has been removed Risk components of non-financial items can qualify for hedge accounting provided that the risk component is separately identifiable and reliably measurable An aggregated position (i.e. combination of a derivative and a non-derivative) can qualify for hedge accounting provided that it is managed as one risk exposure When entities designate the intrinsic value of options, the initial time value is deferred in OCI and subsequent changes in time value are recognised in OCI When entities designate only the spot element of a forward contract, the forward points can be deferred in OCI and subsequent changes in forward points are recognised in OCI. Initial foreign currency basis spread can also be deferred in OCI with subsequent changes be recognised in OCI Net foreign exchange cash flow positions can qualify for hedge accounting.	1 January 2018	The group currently does not hedge. It is expected that the application of the new amendments will not have an impact on the group's financial statements. .	1 July 2018

29. Summary of Significant accounting policies *(continued)*

Reference	Title	Nature of Change	Application date of standard	Impact on entity financial statements	Application date for entity
AASB 2013-4 (issued July 2013)	Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (AASB 139)	Clarifies treatment of novated hedging instruments and continuation of hedge accounting where entities are required to replace the original party with a central counterparty as a consequence of laws or regulations or the introduction of laws and regulation.	1 January 2014	There will be no impact on first-time adoption of this amendment as the group does not account for proposed changes in taxation legislation until the relevant Bill has passed through both Houses of Parliament, which is consistent with the views expressed by the Australian Accounting Standards Board in their agenda decision of December 2012.	1 July 2014
AASB 2013-5 (issued August 2013)	Amendments to Australian Accounting Standards -Investment Entities	The amendment defines an 'investment entity' and requires a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. The amendment prescribes three criteria that must be met in order for an entity to be defined as an investment entity, as well as four 'typical characteristics' to consider in assessing the criteria. The amendment also introduces disclosure requirements for investment entities into AASB 12 *Disclosure of Interests in Other Entities* and amends AASB 127 *Separate Financial Statements.*	1 January 2014	As the group does not meet the definition of an investment entity, it will continue to consolidate its investments in subsidiaries in accordance with AASB 10 *Consolidated Financial Statements*.	1 July 2014
AASB 2013-3 (issued June 2013)	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	Clarifies the disclosure requirements for cash-generating units (CGUs) with significant amounts of goodwill and intangibles with indefinite useful lives and also adds additional disclosures when recoverable amount is determined based on fair value less costs to sell.	1 January 2014	As this standard amends disclosure requirements only, there will be no impact on amounts recognised in the financial statements. The recoverable amount for CGUs with significant amounts of goodwill and intangibles with indefinite lives will only be required to be disclosed where an impairment loss has been recognised. However, there will be additional disclosures about the level of the fair value hierarchy where recoverable amount for a CGU is determined based on fair value less costs to sell.	1 July 2014
AASB 2014-2	Amendments to Australian Accounting Standards [operative dates: {arts A-C – 1 July 2014, Part D – 1 Jan 2016; Part E – 1 Jan 2015]	Non-urgent but necessary changes to standards arising from Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle	1 July 2014, 1 January 2016, 1 January	There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively to share-based payment transactions for which the grant date is on or after 1 July 2014.	AASB 2014-2
Improvements to IFRSs (issued December 2013)	Annual Improvements 2011-2013 Cycle (IFRS13 & IAS 40)	Non-urgent but necessary changes to standards	1 July 2014	There will be no impact on the financial statements when these amendments are first adopted.	Improvements to IFRSs (issued December 2013)
Interpretation 21 (issued June 2013)	Levies	Clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time.	1 January 2014	The group is not liable to pay any government levies. There will therefore be no impact on the financial statements when this interpretation is first adopted.	Interpretation 21 (issued June 2013)

29. Summary of Significant accounting policies *(continued)*

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

(b) Principles of consolidation

(i) Subsidiaries
Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

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

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

(ii) Associates
Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below),
after initially being recognised at cost.

(iii) *Equity method*
Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.
The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Kogi Iron Limited.

(iv) Changes in ownership interests
When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Board of Kogi Iron Limited assesses the financial performance and position of the group, and makes strategic decisions.

(d) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Kogi Iron Limited's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

29. Summary of Significant accounting policies *(continued)*

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The specific accounting policies for the group's main types of revenue are explained below.

Revenue for other business activities is recognised on the following basis:

(i) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. The Board periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
The deferred tax liabilities in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.
Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.
Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.
Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Kogi Iron Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

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

(g) Investment allowances and similar tax incentives

Companies within the group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g. the Research and Development Tax Incentive regime in Australia or other investment allowances). The group accounts for such allowances as a credit to its capitalised exploration and evaluation expenditure as Illustrated in note 9.

29. Summary of Significant accounting policies *(continued)*

(h) Leases

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. Lease income from operating leases where the group is a lessor is recognised in income on a straightline basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

(i) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the

- fair values of the assets transferred
- liabilities incurred
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

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

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

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(j) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(k) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 7 for further information about the group's accounting for trade receivables.

29. Summary of Significant accounting policies *(continued)*

(m) Investments and other financial assets

(i) Classification
The group classifies its financial assets in the following categories:
- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. The Board determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

(ii) Reclassification
The group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date.

Further increases in estimates of cash flows adjust effective interest rates prospectively.

(iii) Recognition and de-recognition
Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

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

AASB139(46)(a) Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

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

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

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

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss. Impairment testing of trade receivables.

29. Summary of Significant accounting policies *(continued)*

(n) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and
- highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

The group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 3.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

(o) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Vehicles	4 years
Computer equipment	3 years
Office equipment	4 years
Furniture, fixtures and fittings	5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates. AASB132(18) Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as finance costs.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.
Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.
Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

29. Summary of Significant accounting policies *(continued)*

(r) 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.

(s) Employee benefits

(i) Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.
The liability for accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations
The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Share-based payments
Share-based compensation benefits are provided to employees via the Kogi Iron Limited Loan Share Plan and an employee share scheme. Information relating to these schemes is set out in note 24.

The fair value of Loan Performance Shares granted under the Kogi Iron Limited Loan Performance Share Plan is recognised as an employee benefits expense. The total amount to be expensed is determined by reference to the fair value of the Loan Shares held which includes the probability of achieving any vesting conditions and the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of Loan Shares that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. The Loan Share Plan is administered by the Kogi Iron Limited Board of directors and was approved by shareholders in general meeting on 30 November 2012. When the Loan Shares vest and the loan provided for the shares is repaid, the proceeds received net of any directly attributable transaction costs are credited directly to equity.

(vi) Termination benefits
Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(t) Contributed equity

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

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Kogi Iron Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Kogi Iron Limited.

(u) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(v) Earnings per share

(i) Basic earnings per share
AASB133 Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding Loan Shares.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

29. Summary of Significant accounting policies *(continued)*

(w) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.
Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(x) Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(y) Parent entity financial information

The financial information for the parent entity, Kogi Iron Limited, disclosed in note 28 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities
Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Kogi Iron Limited. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

(ii) Tax consolidation legislation
Kogi Iron Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, Kogi Iron Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Kogi Iron Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Kogi Iron Limited for any current tax payable assumed and are compensated by Kogi Iron Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Kogi Iron Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(iii) Financial guarantees
Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

30. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires the Board to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. The Board continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. The Board bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, the Board believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled Loan Performance Share Plan would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Estimation of useful lives of assets
The group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

30. Critical accounting judgements, estimates and assumptions *(continued)*

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax
The group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The group recognises liabilities for anticipated tax audit issues based on the group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Impairment of exploration and evaluation expenditure

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

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligation) and changes to commodity prices. The extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future profits and net assets will be reduced in the period in which this determination is made. In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

To the extent it is determined in the future that this capitalised expenditure should be written off, any amounts will be taken to the profit and loss account in the period in which this determinations is made. No impairment expense has been recognised in the current reporting period (2013: $15,707,929) in respect of exploration expenditure. The 2013 impairment expense was directly attributable to (a) exploration licences which the company has determined are not prospective for Banded Iron Formation (BIF) mineralisation and consequently has not planned any future substantive exploration ($7,000,000) and (b) a fair value less cost to sell assessment of the carrying amount attributable to the company's exploration licences prospective for channel iron deposits, including EL12124 ($8,707,929). The fair value of assessment was in accordance with paragraph 27 of AAS136 with the best information available to the company used for the assessment, specifically a review of comparable transactions for the sale of West African iron ore deposits with inferred mineral resources and exploration targets.

31. Changes in accounting policies

As explained in note 29 above, the group has adopted a number of new or revised accounting standards this year that have resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

(a) Consolidated financial statements and joint arrangements

AASB 10 *Consolidated Financial Statements* was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and in Interpretation 112 *Consolidation – Special Purpose Entities*.

The group has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

Under AASB 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. As the group no interests in joint ventures it was not affected by the adoption of the new standard..

(b) Employee benefits

The adoption of the revised AASB 119 *Employee Benefits* resulted in no changes to the entity's accounting policy which significantly affected items recognised in the financial statements:

The revised standard must be adopted retrospectively, however as the group has no retirement benefit obligations no adjustments were required.

The revised standard has also changed the accounting for the group's annual leave obligations. As the entity does not have any annual leave obligations, no adjustments were required.

(c) Fair value measurement

AASB 13 *Fair Value Measurement* aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

Previously the fair value of financial liabilities (including derivatives) was measured on the basis that the financial liability would be settled or extinguished with the counterparty. The adoption of AASB 13 has clarified that fair value is an exit price notion, and as such, the fair value of financial liabilities should be determined based on a transfer value to a third party market participant. As a result of this change, the fair value of derivative liabilities changed on transition to AASB 13, due to incorporating own credit risk into the valuation.

In the directors' opinion:

(a) the financial statements and notes set out on pages 26 to 59 are in accordance with the *Corporations Act 2001*, including:

- complying with the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- Giving a true and fair view of the group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 29 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations required by the chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of directors.

On behalf of the Directors

Non-Executive Chairman
26 September 2014

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Kogi Iron Limited

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 29, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

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

Opinion

In our opinion:

(a) the financial report of Kogi Iron Limited is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 29.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 29 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity or debt or a combination thereof as required to fund ongoing exploration and evaluation studies and for working capital. These conditions, along with other matters as set out in Note 29, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

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

Opinion

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

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 26 September 2014

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 25 September, 2014.

(a) Distribution of equity securities

(i) Ordinary share capital

424,569,836 fully paid ordinary shares are held by 2,125 individual shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

(ii) Options

102,704,606 listed options (exercise price $0.14, expiring 31 May 2017) are held by 293 individual option holders.

Options do not carry a right to vote.

The number of security holders, by size of holding, in each class are:

	Fully Paid Ordinary Shares		Options	
Holding	Shares	Holders	Options	Holders
1-1,000	144,820	448	10,155	26
1,001-5,000	826,309	289	117,512	45
5,001-10,000	1,553,276	189	296,492	38
10,001-100,000	30,195,161	717	3,831,660	115
100,001 and over	391,850,270	482	98,448,797	69
	424,569,836	2,125	102,704,606	293
Holdings less than a marketable parcel		978		169

(b) Substantial Holders

	Fully Paid	
Ordinary Shareholders	Number	Percentage
Citicorp Nominees Pty Limited	32,819,651	7.73%
Dr Ian Burston*	27,779,022	6.54%

* Includes Loan Performance Shares, subject to vesting conditions (refer note 24).

(c) Twenty Largest holders of equity securities

	Fully Paid	
<u>Ordinary shareholders</u>	Number	Percentage
Citicorp Nominees Pty Limited	32,819,651	7.73%
Dr Ian Burston*	22,222,223	5.23%
Noble Investment Superannuation Fund Pty Ltd <Nobel Investments S/F A/C>	12,245,358	2.88%
TGP Australia Limited	11,134,333	2.62%
Kogi Iron EITP Pty Ltd	7,500,000	1.77%
Mr Brian King*	7,333,333	1.73%
Mr Don Carroll*	7,200,000	1.70%
Marilei International Ltd	7,168,000	1.69%
Mr Nathan Taylor*	6,000,000	1.41%
Mr Giuseppe Vince Ariti*	6,000,000	1.41%
Kevin Joseph*	6,000,000	1.41%
I.D.W Pty Ltd <A/C I & R Whiteley Family Trust>	5,849,340	1.38%
Kevin Joseph	5,650,841	1.33%
J & D Roberts Nominees Pty Ltd <Bookmarketing SA Unit A/C>	5,604,915	1.32%
Wobbly Investments Pty Ltd	5,000,000	1.18%
Jacjos Investments Pty Ltd <Evans Family A/C>	4,969,280	1.17%
DA & LM Carroll Superannuation Fund	4,577,777	1.08%
1627 Investments Pty Ltd <The 1627 A/C>	4,354,903	1.03%
Mr Giuseppe Vince Ariti	4,100,000	0.97%
Nathan David Taylor	3,833,333	0.90%
	169,563,287	39.94%

* Includes Loan Performance Shares, subject to vesting conditions (refer note 24).

Option holders	Options Number	Options Percentage
Citicorp Nominees Pty Limited	30,039,183	29.25%
Noble Investment Superannuation Fund Pty Ltd <Nobel Inv S/F TOL ALL A/C>	10,346,100	10.07%
Dr Ian Burston	9,166,667	8.93%
Marilei International Ltd	7,168,000	6.98%
Mr Giuseppe Vince Ariti	3,500,000	3.41%
Mr Michael Arnett	2,233,333	2.17%
Eldoret Resources Pty Ltd	2,009,999	1.96%
Mr Charles Robert Todd	1,800,000	1.75%
Dr Sanjay Dhjupelia	1,666,667	1.62%
Wilaci Pty Ltd	1,666,666	1.62%
Mr David Lachlan Wildy & Ms Melissa Kate Wildy & Mr Benjamin David Wildy	1,600,000	1.56%
Mr Carmichael Olowoyo	1,500,000	1.46%
DA & LM Carroll Superannuation Fund	1,466,666	1.43%
Wobbly Investments Pty Ltd	1,347,284	1.31%
Mr Brian King	1,222,222	1.19%
Mr Don Carroll	1,200,000	1.17%
Mayburys Pty Ltd <Carmich Super Fund A/C>	1,100,000	1.07%
Mrs Therese-Maree Taylor	1,000,000	0.97%
Wilfred Arthur Kubisch	1,000,000	0.97%
Mr Rodney Malcolm Hogg	1,000,000	0.97%
	82,032,787	79.86%

(d) Unquoted securities

Ordinary shares

Loan Performance Shares	47,900,000

(e) Restricted Securities

None

(f) List of mineral tenements

All tenements are held in Nigeria.

Exploration Licence 8583
Exploration Licence 8886
Exploration Licence 6350
Exploration Licence 6351
Exploration Licence 6352
Exploration Licence 7060
Exploration Licence 7061
Exploration Licence 10586
Exploration Licence 12124
Exploration Licence 13258
Exploration Licence 14847
Exploration Licence 9791
Exploration Licence 9792
Exploration Licence 9793
Exploration Licence 9794
Exploration Licence 9796
Exploration Licence 9797