



KOGI IRON
LIMITED

ABN 28 001 894 033

Interim Report – 31 December 2020

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Corporate Directory

Directors	Craig Hart, Non-Executive Director & Chairman Richard Little, Non-Executive Director Sean Gregory, Non-Executive Director Peter Huljich, Non-Executive Director
Company Secretary	Ray Ridge
Registered Office	10 George Street Stepney SA 5069 Telephone: (08) 7324 4047
Share Registry	Link Market Services Limited Level 12, QV1 Building 250 St. Georges Terrace Perth WA 6000 Australia Telephone: +61 1300 554 474 Facsimile: +61 2 9287 0303 Email: registrars@linkmarketservices.com.au Website: www.linkmarketservices.com.au
Auditors	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008
Solicitors to the Company	Steinepreis Paganin 1202 Hay Street West Perth WA 6005
Stock Exchange Listing	Kogi Iron Limited shares and options are listed on the Australian Securities Exchange (ASX). ASX Codes: KFE and KFEO

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Directors Report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the “consolidated entity”) consisting of Kogi Iron Limited (referred to hereafter as the “Company” or “parent entity”) and the entities it controlled for the half year ended 31 December 2020.

Directors

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

Craig Hart	Non-Executive Director & Chairman (appointed 15 th September 2020)
Richard Little	Non-Executive Director (appointed 9 November 2020)
Sean Gregory	Non-Executive Director (appointed 9 November 2020)
Peter Huljich	Non-Executive Director
Greg Boulton AM	Non-Executive Director (retired 15 December 2020)
David Turvey	Non-Executive Director (retired 15 December 2020)

Principal Activities

During the financial half year, the principal activities of the consolidated entity were to continue to maintain the Agbaja Cast Steel Project in Nigeria in good standing, to continue evaluation studies and testwork programs associated with the commercialisation of the Agbaja Cast Steel Project.

Review of Operations

The loss after tax for the consolidated entity for the half year ended 31 December 2020 was \$1,224,501 (2019: \$628,909). Loss for the period includes exploration project expenditure of \$158,576 (2019: \$284,980).

Board Renewal

A Board renewal process commenced with the appointment of Mr Craig Hart to the Kogi Board, effective 15 September 2020. The Company appointed Sean Gregory and Richard Little as Non-Executive Directors, on the 9 November 2020. Both Messrs Boulton and Turvey remained as Non-Executive Directors of the Board until the completion of the Annual General Meeting (AGM) on 15 December 2020, providing an appropriate transition. All of the new Directors, Messrs Hart, Gregory and Little were re-elected at the Company’s AGM, with strong shareholder voting support. Peter Huljich continues as a Director, with his African domain experience and his financial and legal skills being an important component of the new Board.

For the near term, the Board has decided not to appoint a Managing Director, as the Board are taking on a more hands-on role, focussing on the immediate priorities for the Company. In conjunction with other cost reduction measures, this has resulted in a reduction in corporate and administrative cash based expenses reducing to \$0.43 million for the 6 months ending 31 December 2020, compared to \$0.95 million for the prior corresponding period ending 31 December 2019.

Feasibility Study Review

Following a review of the extensive testwork and preliminary studies on the Agbaja Iron and Steel Project (the Project), the Board established a timetable for a feasibility study that will consider a base case flowsheet for the Project, and will include further assessment and validation of critical success factors including removal of phosphorous, provision of appropriate and affordable power and government policy for the replacement of steel imports and gas supply.

Phase 1 of the feasibility study, including a detailed operating cost estimate to augment the Company’s working model for the economics of the Project, has been awarded to a leading engineering firm. These activities have commenced and are being funded from available funds.

Phase 2 is scheduled to commence in the June 2021 quarter with further testwork utilising the 50 tonne bulk sample presently stored in South Africa. The testwork will include beneficiation testwork to manufacture bulk-scale samples for pre-reduction and refining testwork. Proposals have been received and are currently being evaluated.

Phase 3 is scheduled for the September 2021 quarter. This phase will include the detailed engineering to design the final flowsheet and estimate the capital and operating costs to a +/-15% level of accuracy, sufficient to support the financing of the Project. Both phases 2 and 3 remain subject to raising the required funding.

Operational

More recently, the Company has announced the appointment of Mr Kevin Joseph as General Manager (Africa). Mr Joseph is an experienced chemical engineer with significant African resource and mining operational experience. Mr Joseph has previously been an executive director of KCM and a consultant to KFE. Mr Joseph's appointment as General Manager, his in-country experience, together with his background knowledge of the Project will be invaluable to the Company.

Mr Joseph will play an integral role as the Company embarks on the planned feasibility study to assist with the management of in-country government, environmental and community environment relations. Mr Joseph will augment the current team led by Mr Alabi Samuel as Country Manager.

Mining Leases and Exploration Licences:

KCM Mining Limited (KCM), Kogi's 100% owned Nigerian subsidiary retains a 100% interest in Mining Leases ML24606, ML24607, ML29796 and ML25376, and a 100% interest in Exploration Licences EL28784 and EL32561.

Corporate

The Company planned a two-stage process for the raising of funds:

- Stage 1 targeting an immediate raise of \$800,000 to \$1,000,000 to meet near term operation costs; and
- Stage 2 to prepare for a more substantial capital raising, commencing quarter 1 of 2021, required to fund the scoping and feasibility studies for the Company's Agbaja Project.

Stage 1 was successfully completed in November 2020, with a placement of 71,250,000 fully paid ordinary shares in Kogi Iron, issued at A\$0.02 per share, raising \$1,425,000, comfortably exceeding the target. This capital raising was an important funding milestone for Kogi to recommence feasibility studies and the introduction of significant new investors.

Preparations for the planned Stage 2 capital raising are progressing and the Company will make an announcement at the appropriate time.

Events since 31 December 2020

Whilst the Coronavirus (COVID-19) pandemic has not had an immediate impact on activities during the period, it is not practicable to estimate the future potential impact, positive or negative, after the reporting date. The situation is rapidly evolving and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Other than as disclosed elsewhere in this report, no other matter or circumstance has arisen since 31 December 2020, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

Significant changes in the state of affairs

Other than as disclosed above, there were no significant changes in the state of affairs of the consolidated entity during the financial half year.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is included on page 6 of these half year financial statements.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001 and is signed for and on behalf of the directors by:



Craig Hart
Non-Executive Chairman

Dated this 16th day of March 2021

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF KOGI IRON LIMITED

As lead auditor for the review of Kogi Iron Limited for the half-year ended 31 December 2020, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 16 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2020

	Note	31/12/2020 \$	31/12/2019 \$
Continuing operations			
Interest income		98	1,986
Other income		10,000	-
Total Income		10,098	1,986
Expenses			
Accounting and audit fees		(2,783)	(13,803)
Consultancy fees		(95,570)	(122,184)
Travel and accommodation		(4,358)	(88,116)
Corporate expenses		(68,230)	(284,972)
Director & employee expenses		(227,266)	(419,932)
Share based payment expense	8	(226,543)	(387,596)
Exploration and evaluation expenditure		(158,576)	(284,980)
Legal fees		(27,455)	(11,486)
Occupancy		(1,927)	(10,978)
Other expenses		(1,168)	(3,047)
Realised gain/(loss) on equity swap agreement		(302,725)	-
Unrealised gain /(loss) on equity swap agreement	4	(117,998)	996,199
Loss before income tax expense		(1,224,501)	(628,909)
Income tax expense/(benefit)		-	-
Loss from continuing operations		(1,224,501)	(628,909)
Loss attributable to the owners of Kogi Iron Limited		(1,224,501)	(628,909)
Other comprehensive income			
Items that may be reclassified to the profit and loss account:			
Exchange differences on translation of foreign operations		(6,902)	(3,141)
Total comprehensive income (loss) for the half year attributable to the owners of Kogi Iron Limited		(1,231,403)	(632,050)
Overall Operations			
Basic profit (loss) per share (cents per share)	2	(0.002)	(0.001)
Diluted earnings (loss) per share (cents per share)		n/a	n/a

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

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	31/12/2020 \$	30/06/2020 \$
Assets			
Current assets			
Cash and cash equivalents	3	1,405,114	573,287
Trade and other receivables		43,003	48,793
Financial asset at fair value through profit and loss	4	331,983	851,271
Total current assets		1,780,100	1,473,351
Non-current assets			
Financial asset at fair value through profit and loss	4	-	165,376
Property, plant and equipment		3,154	3,497
Total non-current assets		3,154	168,873
Total assets		1,783,254	1,642,224
Liabilities			
Current liabilities			
Trade and other payables	5	64,317	254,547
Total current liabilities		64,317	254,547
Total liabilities		64,317	254,547
Net assets		1,718,937	1,387,677
Equity			
Contributed equity	6	73,631,837	72,263,886
Reserves	7	2,273,164	2,835,178
Accumulated losses		(74,186,064)	(73,711,387)
Total equity		1,718,937	1,387,677

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

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Consolidated Statement in Changes in Equity

For the half year ended 31 December 2020

	Contributed Equity	Accumulated Losses	Reserves	Total
	\$	\$	\$	\$
Consolidated				
Balance at 1 July 2019	67,931,280	(70,614,907)	2,264,251	(419,376)
Profit (Loss) for the half year	-	(628,909)	-	(628,909)
Foreign exchange movements	-	-	(3,141)	(3,141)
Total comprehensive income (loss) as reported at 31 December 2019	-	(628,909)	(3,141)	(632,050)
Contributions of equity, net of transaction costs	3,059,530	-	280,914	3,340,444
Share based payments for capital raising fees (Note 8)	140,198	-	100,000	240,198
Share based payments expense (Note 8)	354,423	-	33,353	387,596
Settlement of liabilities (Note 8)	809,524	-	-	809,524
Balance at 31 December 2019	72,294,775	(71,243,816)	2,675,377	3,726,336
Consolidated				
Balance at 1 July 2020	72,263,886	(73,711,387)	2,835,178	1,387,677
Profit (Loss) for the half year	-	(1,224,501)	-	(1,224,501)
Foreign exchange movements	-	-	(6,902)	(6,902)
Total comprehensive income (loss) as reported at 31 December 2020	-	(1,224,501)	(6,902)	(1,231,403)
Contributions of equity, net of transaction costs	1,336,120	-	-	1,336,120
Share based payments (Notes 8)	31,831	-	194,712	226,543
Options lapsed or exercised	-	749,824	(749,824)	-
Balance at 31 December 2020	73,631,837	(74,186,064)	2,273,164	1,718,937

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

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Consolidated Statement of Cash Flows
For the half year ended 31 December 2020

	31/12/2020	31/12/2019
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(592,899)	(1,036,428)
Payments for exploration and evaluation	(185,433)	(308,782)
Interest received	98	1,986
Other income	10,000	-
Net cash (outflow) from operating activities	(768,234)	(1,343,224)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property plant and equipment	-	(9,257)
Net cash (outflow) from investing activities	-	(9,257)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	1,425,000	1,360,000
Payment of share issue costs	(88,880)	(286,953)
Receipts from settlement of equity swaps	263,941	-
Net cash inflow financing activities	1,600,061	1,073,047
Net increase/ (decrease) in cash and cash equivalents held	831,827	(279,434)
Cash and cash equivalents at beginning of financial half year	573,287	1,427,491
Cash and cash equivalents at end of half year	1,405,114	1,148,057

Note

3

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

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Notes to the Financial Statements

31 December 2020

Note 1. Significant accounting policies

(a) Basis of preparation and statement of compliance

These general purpose interim financial statements, for the half year reporting period ended 31 December 2020, have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements and are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the consolidated entity's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2020.

These interim financial statements were authorised for issue by the Company's Board of Directors on 16 March 2021

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for new, revised or amending Accounting Standards and Interpretations adopted in note 1(b).

(b) New, revised or amending Accounting Standards and Interpretations adopted

The Company has considered the implications of new or amended Accounting Standards, but determined that their application to the financial statements is either not relevant or not material.

(c) Significant accounting estimates and judgments

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. Accounting estimates have been made on a consistent basis with those of the previous financial year.

Financial asset at fair value through profit or loss

The Company entered into a subscription agreement on 19 November 2019 for the issue of 56,818,182 ordinary shares at the subscription price of \$2,000,000. The subscription price was settled with an initial lumpsum payment of \$300,000 and an equity swap agreement (receivable) for 18 equity swaps totalling \$1,700,000.

The fair value of the remaining equity swaps was updated as at 31 December 2020 through an independently calculated 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. The fair value of the equity swaps at 31 December 2020 was estimated as \$331,983. Refer Note 4 for further information.

Valuation of unlisted options

A key area of judgement, for the half year ended 31 December 2020, relates to the calculation of the market value of the unlisted options issued to directors, and the Company's corporate advisor. The market value of each option series is assessed using the Black-Scholes method, and a key assumption in this calculation is the Company's future share price volatility. Future volatility was based on the historic daily price movements of the Company's ASX listed shares over the term of the options. For further information in relation to the options issued, refer to Note 8.

Other than as described above, the judgements, estimates and assumptions applied in the half year financial statements, including the key sources of estimation uncertainty, were the same as those applied in the last annual financial statements for the year ended 30 June 2020.

(d) 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 outflows from operating and investing activities for the half year ended 31 December 2020 of \$768,234 (2019: \$1,352,481). As at 31 December 2020, the group had cash of \$1,405,114 (30 June 2020: \$573,287). These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In addition to available cash, the Company has an existing equity swap arrangement with Sorbie Bornholm LP which provides for eight remaining monthly equity swaps for a total consideration receivable of \$755,556 (\$94,444 per equity swap). 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 twenty preceding days ("VWAP"), compared to the benchmark price of \$0.053. For each \$0.01 decrease in the monthly VWAP below the benchmark price of \$0.053, the receivable of \$94,444 for that month decreases by \$20,964. Similarly, for each \$0.01 increase in the monthly VWAP, the receivable increases by \$20,964. This arrangement provides part of the additional funds required by the Group to continue its exploration and evaluation program.

The Directors believe that sufficient funds will be available 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 the issue of further securities to fund ongoing exploration and evaluation studies and for working capital.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business and at amounts that differ from those stated in the financial statements.

Note 2. Earnings per share

	31/12/20	31/12/19
	\$	\$
Basic loss per share (cents per share)	0.002	0.001
Loss from continuing operations used in the calculation of basic earnings per share	1,224,501	628,909
	31/12/20	31/12/19
	Number	Number
Weighted average number of ordinary shares for the purposes of calculation of basic earnings per share	786,534,125	678,887,366

Note 3. Cash and cash equivalents

	31/12/20	30/06/20
	\$	\$
Cash at bank and on term deposit	1,405,114	573,287

Note 4. Financial assets at fair value through profit and loss

Financial asset at fair value through profit and loss	- current	331,983	851,271
	- non-current	-	165,376
Total		331,983	1,016,647
Financial assets at fair value through profit and loss	- acquisition cost	1,700,000	1,700,000
Cash received on monthly swap settlements to date	-	(531,027)	(267,086)
Realised loss on settlement received to date	-	(413,417)	(110,692)
Unrealised loss – financial assets at fair value		(423,573)	(305,575)
		331,983	1,016,647

On 19 November 2019, as part of a \$2m equity injection by Sorbie Bornholm LP comprising cash of \$300,000 and deferred proceeds with a fair value on the date of acquisition of \$1,700,000, the Company entered into agreements for the acquisition of 18 equity swaps for total consideration receivable of \$1,700,000 (\$94,444 per equity swap). As at 31 December 2020, there remains eight further monthly instalments, with this financing arrangement due to be concluded in August 2021.

The equity swaps settle on a monthly basis over 18 months, commencing 10 March 2020, 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 twenty preceding days ("VWAP"), relative to the benchmark price of \$0.053. Each one cent difference between the VWAP and the benchmark price results in a \$20,964 per month premium or discount to the amount to be received by the Company for the swap at settlement.

Fair value of financial assets at fair value through profit and loss

The fair value of the equity swaps was updated as at 31 December 2020 through an independently calculated 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 detailed 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 the 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 to the Company's share price at the time of the valuation, share price history of the Company and the terms and conditions of the equity swaps. The Monte Carlo Simulation allows for expected future share prices to be calculated and an expected future value of each equity swap to be calculated, to provide a value for the entire agreement that remains outstanding at the valuation date.

Share price at time of valuation: The share price at time of valuation, being 31 December 2020, was \$0.026.

Expected life of equity swaps: The expected life of the equity swaps was taken to be the full period of time from 31 December 2020 to expiry/exercise date. While adjustment could be considered 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 to those agreed upon, and there are 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 has been made.

Note 4. Financial assets at fair value through profit and loss (continued)

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 provides some indication of the expected future volatility of the Company's share price. The share price volatility over the prior 6 months was 110.803%. Due to the Company's historical share price movement, and the relative percentage of each movement against share price, it is expected that this volatility will not change significantly over the remaining life of the equity swaps. Therefore, volatility of 110.803% has been used as expected future share price volatility over the remaining life of the equity swaps.
Expected dividends:	Nil.
Risk Free rate:	0.08%
Fair value:	The fair value of the equity swaps at 31 December 2020 was estimated as \$331,983. The difference between that valuation of the remaining equity swaps and the purchase price of the remaining swaps \$755,556 has been taken to the statement of profit and loss and other comprehensive income as an unrealised loss over the life of the equity swap agreement to date (\$423,573), being (\$305,575) recognised in the year ended 30 June 2020 and a further (\$117,998) recognised in the half year ended 31 December 2020.

Note: The price of the Company's shares as traded on the ASX post 31 December 2020 has been less than the \$0.026 per share, which was the share price used to determine the fair value of the equity swaps at 31 December 2020. Consequently, whilst the price of the Company's shares remains at less than \$0.026, the amount the Company will receive, on a monthly basis, upon settlement of the equity swaps will be less than the December 2020 fair value estimate. An estimate of the financial impact cannot be made due to the daily fluctuation of the Company's share price.

Note 5. Trade and other payables

	31/12/2020	30/06/2020
	\$	\$
Trade payables	29,443	33,338
Accrued director fees	4,674	130,467
Other accrued expenses	17,275	90,742
Sundry payables	12,925	-
	64,317	254,547

Note 6. Contributed Equity

(a) Share Capital	31/12/2020	30/06/2020
	\$	\$
Ordinary shares, fully paid	73,631,837	72,263,886
Total Contributed Equity	73,631,837	72,263,886
(b) (i) Ordinary shares		
At the beginning of the reporting period	72,263,886	67,931,280
Shares issued during the period	1,456,831	4,526,000
Transaction costs relating to share issues	(88,880)	(193,394)
At the end of the reporting date	73,631,837	72,263,886

(b) (ii) Movements in Ordinary shares

Date	Details	No. of shares	Value
31-Dec-19	Balance	774,061,174	72,294,775
	Shares issued in lieu of payment of professional fees	401,162	12,035
	Less transaction costs	-	(42,924)
30-Jun-20	Balance	774,462,336	72,263,886
	Shares issued in lieu of payment of professional fees	1,073,390	31,831
	Shares issued on private placement	71,250,000	1,425,000
	Less transaction costs	-	(88,880)
31-Dec-20	At reporting date	846,785,726	73,631,837

Note 6. Contributed Equity (continued)

(b) (iii) Number of ordinary shares (summary)

	31/12/2020	30/06/2020
	(number of shares)	
At the beginning of the reporting period	774,462,336	661,644,742
Shares issued during the reporting period	72,323,390	112,817,594
At reporting date	846,785,726	774,462,336

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.

(c) Options

	(number of options)	
At the beginning of the period	142,328,948	87,444,899
Options issued during the period	61,000,000	54,884,049
	203,328,948	142,328,948

56,000,000 unlisted options were issued to Directors on 16 December 2020, following shareholder approval on 15 December 2020. Refer to Note 8 for further details.

5,000,000 unlisted options were issued to the Company's corporate advisor on 1 December 2020, in part payment for services provided. The options have an exercise price of \$0.03 and expire 1 December 2023. Refer Note 8 for further details.

Note 7. Reserves

	31/12/2020	30/06/2020
	\$	\$
Share based payments reserve	1,322,366	1,877,478
Options reserve	1,083,251	1,083,251
Foreign currency translation reserve	(132,453)	(125,551)
	2,273,164	2,835,178
Movements:		
Share based payments reserve		
Balance at beginning of period	1,877,478	1,657,374
Performance rights reversed (Note 8)	(153,523)	-
Performance rights expensed (Note 8)	5,511	220,104
Director's options (Note 8)	268,524	-
Corporate advisor options (Note 8)	74,200	-
Share based payments lapsed	(749,824)	-
Balance at end of period	1,322,366	1,877,478
Options reserve		
Balance at beginning of period	1,083,251	702,337
Options issued during the period	-	548,840
Issue costs	-	(167,926)
Balance at end of period	1,083,251	1,083,251
Foreign currency translation reserve		
Balance at beginning of period	(125,551)	(95,460)
Currency translation differences arising during the period	(6,902)	(30,091)
Balance at end of period	(132,453)	(125,551)
Total Reserves	2,273,164	2,835,178

Note 7. Reserves (continued)

(a) Nature and Purpose of Reserves

(i) Share based payment reserve

The share based payments reserve is used to record the fair value of equity instruments issued by the consolidated entity to directors as part of remuneration and to third parties for the provision of services settled in equity.

(ii) Options Reserve

The options reserve is used to record the proceeds from options issued by the consolidated entity, net of any issue costs.

(iii) Foreign Currency Translation Reserve

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

Note 8. Share based payments

The Company had the following equity settled transactions during the period:

Share-based payments expense

Recognised in profit or loss and other comprehensive income:

Director performance rights reversed (Note 7)
Director performance rights expensed (Note 7)
Director's options expensed (Note 7)
Corporate advisor options expensed (Note 7)

Ordinary shares issued in lieu of payment for professional fees
Ordinary shares issued for costs relating to the Sorbie transaction

Total share-based payment expense

	31/12/2020 \$	31/12/2019 \$
Director performance rights reversed (Note 7)	(153,523)	-
Director performance rights expensed (Note 7)	5,511	33,353
Director's options expensed (Note 7)	268,524	-
Corporate advisor options expensed (Note 7)	74,200	-
	194,712	33,353
Ordinary shares issued in lieu of payment for professional fees	31,831	220,720
Ordinary shares issued for costs relating to the Sorbie transaction	-	133,523
Total share-based payment expense	226,543	387,526

Other equity settled transactions

Recognised in equity and reserves as issue costs:

Ordinary shares issued in lieu of payment of broker fees
Listed options issued as underwriter fees for Option Entitlement Issue

Other

Ordinary shares issued in settlement of liabilities

Total other equity settled transactions

Director performance rights

Ordinary shares issued in lieu of payment of broker fees	-	140,198
Listed options issued as underwriter fees for Option Entitlement Issue	-	100,000
Ordinary shares issued in settlement of liabilities	-	809,524
Total other equity settled transactions	-	1,049,722

The performance rights granted to directors in prior period ending 31 December 2019, were all relinquished or lapsed during the period ending 31 December 2020.

Name	Balance	Lapsed during	Relinquished during	Balance as at	Vested as at
	01/07/20	the period	the period	31/12/2020	31/12/2020
	No.	No.	No.	No.	
Greg Boulton ¹	7,500,000	-	(7,500,000)	-	-
David Turvey ¹	9,000,000	-	(9,000,000)	-	-
Peter Huljich ²	7,500,000	(750,000)	(6,750,000)	-	-
	24,000,000	(750,000)	(23,250,000)	-	-

¹ The unvested performance rights held by Messrs Boulton and Turvey were relinquished 9 November 2020 before the vesting dates. Messrs Boulton and Turvey retired as directors following the Annual General Meeting on 15 December 2020. \$153,523 previously expensed in the year ended 30 June 2020 was reversed as a credit through profit or loss and other comprehensive income in the period ended 31 December 2020.

² In the case of the unvested performance rights held by Peter Huljich:

- 750,000 performance rights lapsed as the vesting conditions had not been met by the vesting date of 9 December 2020 (Class B Performance Rights). The remaining unexpensed value of these performance rights of \$5,511 was expensed in the period ended 31 December 2020; and
- The remaining performance rights were relinquished and replaced with the options issued to continuing directors on 16 December 2020, following shareholder approval at the Company's Annual General Meeting held 15 December 2020 (refer below).

Note 8. Share based payments (continued)

Director options

56,000,000 unlisted options were issued to continuing directors on 16 December 2020, following shareholder approval at the Company's Annual General Meeting held 15 December 2020. The options are expensed over the vesting periods.

Name	Tranche 1	Tranche 2	Tranche 3	Total	Fair Value	Share Based Payment Expense to 31/12/2020	Remaining fair value in vesting period
	No.	No.	No.	No.	\$	\$	\$
Craig Hart	5,000,000	5,000,000	10,000,000	20,000,000	283,450	(90,592)	192,858
Richard Little	3,000,000	3,000,000	6,000,000	12,000,000	170,070	(54,355)	115,715
Sean Gregory	3,000,000	3,000,000	6,000,000	12,000,000	170,070	(54,355)	115,715
Peter Huljich ¹	3,000,000	3,000,000	6,000,000	12,000,000	201,238	(69,222)	132,015
	14,000,000	14,000,000	28,000,000	56,000,000	824,828	(268,524)	556,303

¹ The options issued to Peter Huljich replace the 6,750,000 relinquished performance rights. In line with Accounting Standards, the fair value of the unvested performance rights of \$110,990 (revalued as at 15 December 2020 based on the closing price of Ordinary Shares traded on the ASX on 14 December 2020) together with the \$59,080 incremental fair value of the new director's options over and above the revalued performance rights. The total value of \$201,238 is expensed over the modified vesting period of the new options (being to 31 December 2021).

The fair value of the director options were estimated at the date of approval by shareholders on 15 December 2020, based on a Black-Scholes model using an underlying ordinary share price of \$0.022 at the date of shareholder approval, a volatility of 109%, a risk free rate of 0.35%, expiry dates of 15 December 2025 and otherwise taking into account the terms and conditions upon which the options were granted:

	Exercise price	Vesting conditions	Fair value Per option
Tranche 1	\$0.03	Vests immediately.	\$0.01635
Tranche 2	\$0.05	Vest upon successful capital raises of \$4,000,000 or more, prior to 15 December 2021.	\$0.01490
Tranche 3	\$0.10	Vest upon the earlier of: the volume weighted average price of the Company's Shares traded on the ASX for 30 consecutive business days exceeding A\$0.15; or 31 December 2021.	\$0.01272

Corporate advisor options

5,000,000 unlisted options were granted to the Company's corporate advisor on 1 December 2020, in part payment for services provided. The options vested immediately, have an exercise price of \$0.03 and expire 1 December 2023. The fair value of the options was estimated at the Board approval date, based on a Black-Scholes model using an underlying ordinary share price of \$0.024 at the date of Board approval, a volatility of 109%, a risk free rate of 0.11%. The estimated fair value of \$74,200 or \$0.01484 per option, has been expensed in full in the period ending 31 December 2020.

Note 9. Related party transactions

Directors remuneration and service contracts

The Company appointed the following directors during the period:

Mr Craig Hart, Non-Executive Director & Chairman (appointed 15th September 2020). Contract terms:

- Annual salary of \$90k p.a. + GST to be invoiced in equal monthly instalments.
- The annual salary increased to \$100,000 p.a. + GST from 1 December 2020, following Mr Hart's appointment as Chairman on 9 November 2020
- The Board approved an additional salary of \$5,000 per month from 1 November 2020, whilst the Company elects not to appoint a Chief Executive Officer as a cost saving initiative. This is in recognition of the increased workload for the Chairman during this period.
- Directors fees payable subject to periodic review by the board of the Company and approval by shareholders (if required)
- The constitution allows resignation from office at any time by notice in writing to the Company

Mr Richard Little, Non-Executive Director (appointed 9th November 2020). Contract terms

- Annual salary of \$60k p.a. + GST to be invoiced in equal monthly instalments.
- Directors fees payable subject to periodic review by the board of the Company and approval by shareholders (if required)
- The constitution allows resignation from office at any time by notice in writing to the Company

Mr Sean Gregory, Non-Executive Director (appointed 9th November 2020). Contract terms

- Annual salary of \$60k p.a. + GST to be invoiced in equal monthly instalments.
- Directors fees payable subject to periodic review by the board of the Company and approval by shareholders (if required)
- The constitution allows resignation from office at any time by notice in writing to the Company

In addition to the above, 56,000,000 unlisted options were granted to the above three directors, together with continuing director Mr Peter Huljich. All pre-existing performance rights held by directors were relinquished. Refer to Note 8 for further details.

Note 10. Operating segments

Identification of reportable segments

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Company engages in a single operating segment, being mineral exploration and development in the Republic of Nigeria, from which it currently earns no revenues and incurs costs associated with carrying out exploration and evaluation. The Company's results are analysed as a whole. Accordingly, the Board has concluded that at this time, there are no separately identifiable operating segments.

Note 11. Financial instruments

Carrying amounts and fair values

At 31 December 2020 the Group carries the following financial instruments:

- Current receivables
- Current payables
- Cash & cash equivalents
- Financial assets at fair value through profit and loss

Current receivables, current payables and cash & cash equivalents are not measured at fair value. Due to their short- term nature, the carrying amount of current receivables, current payables and cash and cash equivalents is assumed to approximate their fair value.

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy.

The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below summarises financial assets and liabilities at fair value at each level of measurement:

At 31 December 2020	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets at fair value through profit and loss (refer Note 4)				
Equity Swaps - Current	-	-	331,983	331,983
Equity Swaps – Non-current	-	-	-	-
	-	-	331,983	331,983
At 30 June 2020				
Financial assets at fair value through profit and loss	-	-	1,016,647	1,016,647

Refer to Note 4 for the valuation technique and inputs used for Financial assets at fair value through profit and loss - Equity Swaps.

Note 12. Contingencies

There have been no changes in contingent liabilities or contingent assets since the end of the previous annual reporting period, 30 June 2020.

Note 13. Commitments

There have been no material changes in commitments since the end of the previous annual reporting period, 30 June 2020.

Note 14. Events subsequent to the end of the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Other than as disclosed elsewhere in this report, no other matter or circumstance has arisen since 31 December 2020, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

Declaration by Directors

In the opinion of the Directors of Kogi Iron Limited:

- (a) The interim financial statements and notes thereto are in accordance with the Corporations Act 2001 and:
 - (i) comply with Australian Accounting Standard AASB134 "Interim Financial Reporting", the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half year ended on that date.
- (b) There are reasonable grounds to believe that the group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Craig Hart
Non-Executive Chairman

Dated this 16th day of March 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Kogi Iron Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Kogi Iron Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, 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 half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 1(d) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

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Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Dean Just', written over the printed name.

Dean Just

Director

Perth, 16 March 2021