



ABN 28 001 894 033

Interim Report – 31 December 2014

Corporate Directory

Directors	Dr Ian Burston, 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	Unit 23, 4 Ventnor Avenue West Perth WA 6005 Telephone: (08) 9200 3456 Facsimile: (08) 9200 3455
Share Registry	Link Market Services Limited Central Park, Level 4, 152 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	Gilbert & Tobin 1202 Hay Street West Perth WA 6005
Bankers	Commonwealth Bank
Stock Exchange Listing	Kogi Iron Limited shares are listed on the Australian Securities Exchange (ASX). ASX Codes: KFE 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 2014.

Directors

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

Dr Ian Burston	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

Principal Activities

During the financial half year the principal activities of the consolidated entity were to continue to maintain the Agbaja iron ore project in Nigeria in good standing, complete a \$1,921,000 capital raising, and commence the process to realise value from the Agbaja Project.

Review of Operations

The profit after tax for the consolidated entity for the half year ended 31 December 2014 was \$1,667,145 (31 December 2013: loss of \$1,359,475). The profit is primarily attributable to the reversal of share based payments expense for the non-attainment of vesting conditions associated with loan shares (\$1,934,600) and unrealised gains on the fair value movement of financial assets (equity swaps)(\$374,999), offset by net corporate costs of the consolidated entity (\$642,454).

Corporate

During the half year, the Company raised a total of \$1,921,000, before costs and the offset of \$300,000 of director loans via a non-renounceable entitlement offer on the basis of 1 new share for every 5 shares held at the record date of 24 June 2014, the new shares were issued at \$0.03 per share and were accompanied by a free option (exercise price \$0.08 and expiry date of 31 May 2017). Since September 2014 the cash position of the Company has benefited from the monthly settlement of the equity swaps which were entered into in June 2014 and announced to the Australian Securities Exchange on 17 June 2014. During the half year ended 31 December 2014 the Company received total proceeds of \$152,126 from the settlement of the first 4 of a total of 18 equity swaps.

The Annual General Meeting of the company held on 20 November 2014, the meeting was well attended with all resolutions put to shareholders approved on a show of hands.

Operational

As announced on 28 August 2014 the Company commenced a process to realise value from its 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 Contributed Equity of the company. As at the date of this report the value realisation process is ongoing, however the timeframe was detrimentally impacted by activities associated with the Nigerian general elections, which are now expected to take place commencing late March 2015.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half year.

Events since 31 December 2014

On 9 January 2015 the company announced that 37,500,000 loan shares issued to directors of the Company in December 2012 had been transferred into the Kogi Iron Employee Incentive Trust ("Incentive Trust") because the vesting conditions associated with the loan shares had not been met. 7,500,000 loan shares were transferred into the Incentive Trust by former Managing Director Mr Iggy Tan on 15 August 2014 and 1,900,000 loan shares were also transferred into the Incentive Trust in January 2015 by various consultants to the company due to the vesting conditions associated with their loan shares not being met, making a total of 46,900,000 shares transferred to the Incentive Trust. In accordance with the terms and conditions of the Company Loan Share Plan, the forfeiture proceeds received by each participant (\$0.04 per share) for transfer of their shares to the Incentive Trust were applied in full to the loan provided by the Company to acquire the shares and in full satisfaction of the loan balance.

On 9 February 2015 the company announced a General Meeting of shareholders to seek their approval for the selective share buy-back of all 46,900,000 shares from the Incentive Trust and the subsequent cancellation of the shares. The effect of the buy-back and cancellation of shares, if approved by shareholders, will be to reduce the number of shares that the company has on issue from 424,569,836 to 377,669,836, a reduction of 11%.

During February 2015 each non-executive director of Kogi Iron Limited entered into an individual letter agreement with the Company which acknowledged that director fees have been accruing as payable on a monthly basis since 1 January 2014. Each director acknowledged that their director fees would continue to accrue as payable each month and will continue to remain unpaid until a value realisation event occurs for the Agbaja project or the Company, and furthermore that the accrued director fees may only be paid following a value realisation event, but only to the extent that the payment of the accrued fees will not give rise to, or be likely to give rise to, an insolvency event for the Company.

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:



Brian King
Director

12 March 2015
Perth

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

As lead auditor for the review of Kogi Iron Limited for the half-year ended 31 December 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 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.



Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 12 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2014

	Note	31/12/2014 \$	31/12/2013 \$
Revenue from continuing operations			
Interest income		7,080	12,854
Other Income			
Unrealised gain on fair value movement on financial assets	4	374,999	-
Total Income		382,079	12,854
Expenses			
Accounting and audit fees		(57,672)	(77,859)
Consultancy fees		(87,800)	(113,355)
Travel and accommodation		(77,449)	(120,493)
Corporate expenses		(109,830)	(179,978)
Director & employee expenses		(174,337)	(487,643)
Reversal of share based payment expense	11	1,934,600	(272,565)
Legal fees		(49,958)	(35,227)
Occupancy		(46,560)	(74,283)
Realised losses on settlement of financial assets		(36,762)	-
Other expenses	5	(9,166)	(10,926)
Profit (loss) before income tax expense		1,667,145	(1,359,475)
Income tax expense/(benefit)		-	-
Profit (loss) from continuing operations		1,667,145	(1,359,475)
Profit (loss) attributable to the owners of Kogi Iron Limited		1,667,145	(1,359,475)
Other comprehensive income		-	-
Items that may be reclassified to the profit and loss account:		-	-
Exchange differences on translation of foreign operations		1,263,949	1,244,256
Total comprehensive income (loss) for the half year attributable to the owners of Kogi Iron Limited		2,931,094	(115,219)
Overall Operations			
Basic profit (loss) per share (cents per share)		0.004	(0.450)
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

For the half year ended 31 December 2014

	Note	31/12/2014 \$	30/06/2014 \$
Assets			
Current assets			
Cash and cash equivalents	2	636,787	117,021
Trade and other receivables	3	250,634	256,070
Financial assets at fair value through profit and loss	4	849,999	354,166
Total current assets		1,737,420	727,257
Non-current assets			
Financial assets as fair value through profit and loss	4	216,667	526,390
Property, plant and equipment		87,632	148,141
Exploration and evaluation expenditure	8	42,572,338	40,962,894
Total non-current assets		42,876,637	41,637,425
Total assets		44,614,057	42,364,682
Liabilities			
Current Liabilities			
Trade and other payables		429,453	651,092
Borrowings		-	300,000
Total current Liabilities		429,453	951,092
Non-current liabilities			
Deferred Tax Liability		9,387,621	9,387,621
Total non-current liabilities		9,387,621	9,387,621
Total liabilities		9,817,074	10,338,713
Net Assets		34,796,983	32,025,969
Equity			
Contributed Equity	6	60,311,160	58,536,640
Reserves	7	4,943,468	5,614,119
Accumulated losses		(30,457,645)	(32,124,790)
Total Equity		34,796,983	32,025,969

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

Consolidated Statement in Changes in Equity

For the half year ended 31 December 2014

	Contributed Equity	Accumulated Losses	Reserves	Total
	\$	\$	\$	\$
Consolidated				
Balance at 1 July 2013	55,252,931	(33,370,156)	10,381,883	32,264,658
Profit (Loss) for the half year	-	(1,359,475)	-	(1,359,475)
Foreign exchange movement	-	-	1,244,256	1,244,256
Total comprehensive loss as reported at 31 December 2013	-	(1,359,475)	1,244,256	(115,219)
Share based payments	-	-	272,565	272,565
Contributions of equity, net of transaction costs	2,180,440	-	-	2,180,440
Balance at 31 December 2013	57,433,371	(34,729,631)	11,898,704	34,602,444
Consolidated				
Balance at 1 July 2014	58,536,640	(32,124,790)	5,614,119	32,025,969
Profit (Loss) for the half year	-	1,667,145	-	1,667,145
Foreign exchange movements	-	-	1,263,949	1,263,949
Total comprehensive income (loss) as reported at 31 December 2014	-	1,667,145	1,263,949	2,931,094
Share based payments	-	-	(1,934,600)	(1,934,600)
Contributions of equity, net of transaction costs	1,774,520	-	-	1,774,520
Balance at 31 December 2014	60,311,160	(30,457,645)	4,943,468	34,796,983

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

Consolidated Statement of Cash Flows

For the half year ended 31 December 2014

Note	31/12/2014	31/12/2013
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(681,795)	(757,282)
Interest received	6,186	12,854
Net cash (outflow) from operating activities	(675,609)	(744,428)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current assets	-	(135)
Proceeds from sale of assets	12,012	-
Payments for exploration	(592,793)	(1,935,280)
Net cash (outflow) from investing activities	(580,781)	(1,935,415)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	1,719,755	2,215,299
Payment of share issue costs	(95,238)	(34,859)
Receipts from settlement of equity swaps	152,126	-
Net cash inflow financing activities	1,776,643	2,180,440
Net increase/(decrease) in cash and cash equivalents held	520,253	(499,403)
Cash and cash equivalents at beginning of financial half year	117,021	1,693,500
Effects of exchange rate changes on cash and cash equivalents	(487)	5,584
Cash and cash equivalents at end of half year	636,787	1,199,681

Notes to the Financial Statements

31 December 2014

Note 1. Significant accounting policies

These general purpose financial statements for the interim half year reporting period ended 31 December 2014 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit entities. 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. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2014 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.

The principal accounting policies adopted are consistent with those of the previous financial year and correspondence interim reporting period.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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 Consolidated entity has incurred net cash outflow from operating and investing activities for the half year ended 31 December 2014 of \$1,256,390 (2013: \$2,679,843). As at 31 December 2014, the consolidated entity had net current assets of \$1,307,967 (30 June 2014: net current liabilities \$223,835).

The Directors recognise that the ability of the consolidated entity to continue as a going concern is dependent on the ability of the consolidated entity being able to secure additional funding through either the issue of further shares and/or options, convertible notes or a combination thereof as required to fund ongoing exploration, development, test work and additional working capital.

The Directors of the Company are confident the Company will be able to successfully raise additional funds, if 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 consolidated entity be unsuccessful in securing further working capital there is a material uncertainty that the consolidated entity may not be able to continue as a going concern and realise its assets and liabilities at the amounts stated in the Financial Statements.

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

Note 2. Cash and cash equivalents

	31/12/14	30/06/14
	\$	\$
Cash at bank and on term deposit	636,787	117,021

Note 3. Trade and other receivables

	31/12/14	30/06/14
	\$	\$
Research and Development tax refund	235,741	-
GST refundable	13,999	17,050
Sundry Debtors	894	52,260
Bond – office premises	-	36,760
Receivable – share placement	-	150,000
	250,634	256,070

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

	31/12/14	30/06/14
	\$	\$
Financial assets at fair value through profit and loss - current	849,999	354,166
- non current	216,667	526,390
	1,066,666	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.

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

The fair value of the equity swaps at 31 December 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 31 December 2014. The share price at the time of measurement was \$0.04.
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 125.692%. 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 125.692% 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 31 December 2014 was estimated as \$1,066,666 and the difference between the determined fair value of the equity swaps and the fair value of the 14 remaining equity swaps as determined at 30 June 2014 (\$691,667) 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 31 December 2014 the company has recognised an amount of \$374,999 as an unrealised gain on the fair value of the equity swaps.

Note: The price of the company's shares as traded on the ASX post 31 December 2014 has been less than \$0.04 per share, which was the share price that was used to determine the fair value of the equity swaps as at 31 December 2014. Consequently, whilst the price of the company's shares remains at less than \$0.04, the amount that the company will actually receive on a monthly basis upon settlement of the remaining equity swaps will be less than the 31 December 2014 fair value estimate for the swaps, an estimate of the financial impact cannot be made due to the fluctuation of the company's share price.

Note 5. Other Expenses

	31/12/14	31/12/13
	\$	\$
Depreciation	5,703	8,461
Bank Charges	593	1,149
Other	2,870	1,316
	9,166	10,926

Note 6. Contributed Equity

(a) Share Capital	31/12/14	30/06/14
	\$	\$
Ordinary shares, fully paid	60,087,304	58,312,784
(b) Other equity securities:		
Value of conversion rights – convertible notes	223,856	223,856
Total Contributed Equity	60,311,160	58,536,640
(c) (i) Ordinary shares		
At the beginning of the reporting period	58,312,784	55,029,075
Shares issued during the year	1,921,138	3,425,300
Transaction costs relating to share issues	(146,615)	(141,591)
At the end of the reporting date	60,087,307	58,312,784

(c) (ii) Movements in Ordinary Share Capital

Date	Details	No. of shares	Issue price	Value
31-Dec-13	Balance	320,198,563		59,641,010
25-Jun-14	Issue	40,333,333	0.03	1,210,000
30-Jun-14	Balance	360,531,896		60,851,010
22-Jul-14	Issue	40,376,156	0.03	1,211,284
29-Jul-14	Issue	8,997,117	0.03	269,914
08-Jul-14	Issue	14,664,667	0.03	439,940
	Less transaction costs			(2,684,841)
	At reporting date	424,569,836		60,087,307

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

	31/12/2014	30/06/2014
	(number of shares)	
At the beginning of the reporting period	360,531,896	288,084,126
Shares issued during the reporting period	64,037,940	72,447,770
At reporting date	424,569,836	360,531,896

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.

Note 7. Reserves

	31/12/2014	30/06/2014
	\$	\$
Share based payments reserve	1,343,561	3,278,161
Foreign currency translation reserve	3,599,907	2,335,958
	<u>4,943,468</u>	<u>5,614,119</u>
Movements:		
Share based payments reserve		
Balance at beginning of period	3,278,161	4,605,390
Fair value adjustment, based on probability of vesting conditions being achieved	(1,934,600)	(1,327,229)
Balance at end of period	<u>1,343,561</u>	<u>3,278,161</u>
Foreign currency translation reserve		
Balance at beginning of period	2,335,958	3,744,306
Currency translation differences arising during the period	1,263,949	(1,408,349)
Balance at end of period	<u>3,599,907</u>	<u>2,335,958</u>
Total Reserves	<u>4,943,468</u>	<u>5,614,119</u>

(a) Nature and Purpose of Reserves

(i) *Share based payment reserve*

(ii) *Foreign Currency Translation Reserve*

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

Note 8. Exploration and evaluation expenditure

	Total
	\$
Balance at 30 June 2014	40,962,894
Exploration and evaluation expenditure (current period)	592,395
Research and development tax refund	(235,741)
Foreign exchange movement	1,252,790
Balance at 31 December 2014	<u>42,572,338</u>

Note 9. Contingencies

There have been no changes in contingent liabilities or contingent assets since the end of the previous annual reporting period, 30 June 2014.

Note 10. Commitments

There have been no material changes in commitments since the end of the previous annual reporting period, 30 June 2014.

Note 11. Share Based Payments (Loan Share Plan)

Summary of the Loan Share Plan

Shares issued pursuant to the company Loan Share Plan are for incentivising and retaining directors, Key Management Personnel, employees and consultants ("Eligible Persons") in a manner which promotes alignment with shareholder interests. The company considers that this type of equity-based compensation is an integral component of the company's remuneration platform enabling it to offer market-competitive remuneration arrangements.

The Loan 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 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 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.

Eligible Participants: All shares issued pursuant to the company Loan Share Plan

The following Eligible Participants have been issued with Loan Performance Shares pursuant to the company Loan Share Plan:

Name	Issue date	Shares issued	Issue price	Balance 01/07/14	Granted in period	Forfeited in period	Lapsed in period	Vested at 31/12/14	Balance 31/12/14
Dr Ian Burston	7/12/12	7,500,000	\$0.28	7,500,000	-	-	7,500,000	-	-
Ignatius Tan	4/12/13	7,500,000	\$0.11	7,500,000	-	7,500,000	-	-	-
Kevin Joseph	7/12/12	6,000,000	\$0.28	6,000,000	-	-	6,000,000	-	-
Joe Ariti	7/12/12	6,000,000	\$0.28	6,000,000	-	-	6,000,000	-	-
Don Carroll	7/12/12	6,000,000	\$0.28	6,000,000	-	-	6,000,000	-	-
Brian King	7/12/12	6,000,000	\$0.28	6,000,000	-	-	6,000,000	-	-
Nathan Taylor	7/12/12	6,000,000	\$0.28	6,000,000	-	-	6,000,000	-	-
Shane Volk	15/04/13	1,500,000	\$0.14	1,500,000	-	-	1,500,000	-	-
Employees and Consultants	15/04/13	1,400,000	\$0.14	1,400,000	-	-	400,000	1,000,000	1,000,000
Totals		47,900,000		47,900,000	-	7,500,000	39,400,000	1,000,000	1,000,000

On 2 January 2015 each of the directors and key management personnel listed in the above table transferred all of the lapsed loan shares, previously awarded to them, to the Kogi Iron Limited Employee Incentive Trust in full consideration of the loans provided for the acquisition of the shares. \$1,934,600 was reversed through the profit and loss account for the period, which represented the amount that had previously been expensed through this account on the assumption that the loan shares would vest to the recipients by the vesting date.

Equity Settlement of Consultancy fees

During the half year the Company issued 1,712,767 of shares at \$0.03 per share (\$51,353) in lieu of cash payments, to two consultants for services rendered to the Company in relation to the Entitlement Offer.

Note 13. Fair value measurement of financial instruments

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The company did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2014 and did not transfer any fair value amounts between the fair value hierarchy during the half year.

At 31 December 2014 the Group carries the following financial instruments:

- Current receivables
- Current payables
- Cash & cash equivalents

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.

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

Note 13. Fair value measurement of financial instruments (continued)

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.

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 classified its financial instrument in the three levels prescribed under the accounting standards. An explanation of each level follows:

At 31 December 2014	Note	Level 1 \$'s	Level 2 \$'s	Level 3 \$'s	Total \$'s
<i>Recurring fair value measurements</i>					
Financial Assets					
Financial assets at fair value through profit and loss	4				
Equity Swaps		-	-	1,066,666	1,066,666
Total Financial Assets		-	-	1,066,666	1,066,666
At 30 June 2014	Note	Level 1 \$'s	Level 2 \$'s	Level 3 \$'s	Total \$'s
<i>Recurring fair value measurements</i>					
Financial Assets					
Financial assets at fair value through profit and loss					
Equity Swaps	4	-	-	880,556	880,556
Total Financial Assets		-	-	880,566	880,566

Note: The price of the company's shares as traded on the ASX post 31 December 2014 has been less than \$0.04 per share (the share price as at the 31 December 2014 equity swap fair value date), consequently the amount that the company has actually received for the January 2015, February 2015 and March 2015 equity swap settlements has been less than the 31 December 2014 valuation of these 3 swaps. Unless the price of the company's shares trades above \$0.04 per share during the 5 day period used to determine the settlement price for the remaining unsettled equity swaps, the company shall continue to receive settlement amounts less than the valuation amounts for the swaps as calculated at 31 December 2014.

Key inputs used to determine the fair value of level 3 financial assets:

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 to 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 31 December 2014. The share price at the time of measurement was \$0.04.
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 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 125.692%. 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 125.692% 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 31 December 2014 was estimated as \$1,066,666 and the difference between the determined fair value of the equity swaps and the fair value of the 14 remaining equity swaps as determined at 30 June 2014 (\$691,667) 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 31 December 2014 the company has recognised an amount of \$374,999 as an unrealised gain on the fair value of the equity swaps.

Note 13. Fair value measurement of financial instruments (continued)

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.

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

On 9 January 2015 the company announced that 37,500,000 loan shares issued to directors of the Company in December 2012 had been transferred into the Kogi Iron Employee Incentive Trust ("Incentive Trust") because the vesting conditions associated with the loan shares had not been met. 7,500,000 loan shares were transferred into the Incentive Trust by former Managing Director Mr Iggy Tan on 15 August 2014 and 1,900,000 loan shares were also transferred into the Incentive Trust in January 2015 by various consultants to the company due to the vesting conditions associated with their loan shares not being met, making a total of 46,900,000 shares transferred to the Incentive Trust.

On 9 February 2015 the company announced a General Meeting of shareholders to seek their approval for the selective share buy-back of all 46,900,000 shares from the Incentive Trust and the subsequent cancellation of the shares. The effect of the buy-back and cancellation of shares, if approved by shareholders, will be to reduce the number of shares that the company has on issue from 424,569,836 to 377,669,836, a reduction of 11%.

During February 2015 each non-executive director of Kogi Iron Limited entered into an individual letter agreement with the Company which acknowledged that director fees have been accruing as payable on a monthly basis since 1 January 2014. Each director acknowledged that their director fees would continue to accrue as payable each month and will continue to remain unpaid until a value realisation event occurs for the Agbaja project or the Company, and furthermore that the accrued director fees may only be paid following a value realisation event, but only to the extent that the payment of the accrued fees will not give rise to, or be likely to give rise to, an insolvency event for the Company.

The price of the company's shares as traded on the ASX post 31 December 2014 has been less than \$0.04 per share, which was the share price that was used to determine the fair value of the equity swaps as at 31 December 2014. Consequently, whilst the price of the company's shares remains at less than \$0.04, the amount that the company will actually receive on a monthly basis upon settlement of the remaining equity swaps will be less than the 31 December 2014 fair value estimate for the swaps, an estimate of the financial impact cannot be made due to the fluctuation of the company's share price.

Note 15. Segment Reporting

The company engages in single main operating segment, being mineral exploration, from which it currently earns no revenues and incurs costs associated with carrying out exploration. The company's results are analysed as a whole by the board.

Segment information

Segment information for the 6 months ended 31 December 2014 is as follows:

31 December 2014	Exploration and Evaluation	Total
Segment revenue		
Interest Income	7,080	7,080
Total segment revenue/income	7,080	7,080
Segment result		
Profit (loss) after income tax	1,667,145	1,667,145
Segment assets		
Cash and cash equivalents	636,787	636,787
Exploration and evaluation	42,572,338	42,572,338
Property, plant and equipment	87,632	87,632
Other assets	1,317,300	1,317,300
Total assets	44,614,057	44,614,057
Segment liabilities		
Trade and other payables	429,453	429,453
Provisions	-	-
Deferred tax liability	9,387,621	9,387,621
Total Liabilities	9,817,074	9,817,074

Note 15. Segment Reporting (continued)

30 June 2014	Exploration and Evaluation	Total
Segment revenue		
Interest Income	18,231	18,231
Total segment revenue/income	18,231	18,231
Segment result		
Loss after income tax	(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		
Trade and other payables	951,092	951,092
Deferred tax liability	9,387,621	9,387,621
Total Liabilities	10,338,713	10,338,713

Declaration by Directors

The Directors of the company declare that:

- (a) The financial statements and notes set out on pages 1 to 18 are in accordance with the Corporations Act 2001 and:
 - (i) comply with accounting standard AASB134 "Interim Financial Reporting", the Corporations Regulations 2001 and other mandatory professional standards; and
 - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half year ended on that date.
- (b) In The directors' opinion, there are reasonable grounds to believe that the group will be able to pay its debts as and when they become due and payable.

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



Brian King
Director

Dated this 12th day of March 2015

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Kogi Iron Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Kogi Iron Limited, which comprises the consolidated statement of financial position as at 31 December 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kogi Iron Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, 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 review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Kogi Iron Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent on the ability of the consolidated entity being able to secure additional funding through either the issue of further shares and/or options, convertible notes or a combination thereof as required to fund ongoing exploration, development, test work and additional working capital. These conditions, along with other matters as set out in Note 1, 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.

BDO Audit (WA) Pty Ltd

BDO



Phillip Murdoch
Director

Perth, 12 March 2015