KOGI IRON
LIMITED

ABN 28 001 894 033

Interim Report – 31 December 2015

Corporate Directory

Directors	Dr Ian Burston, Chairman Kevin Joseph, Executive Director Don Carroll, Non-Executive Director Brian King, Non-Executive Director
Company Secretary	Piers Lewis (appointed 1 September 2015) Shane Volk (ceased 1 September 2015)
Registered Office	Lincoln House 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

Contents

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 2015.

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
Brian King	Non-Executive Director
Nathan Taylor	Non-Executive Director (ceased 3 July 2015)
Giuseppe (Joe) Ariti	Non-Executive Director (ceased 27 August 2015)

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, and commence the process to realise value from the Agbaja Project.

Review of Operations

The loss after tax for the consolidated entity for the half year ended 31 December 2015 was $1,023,032 (31 December 2014: profit of $1,310,491). Loss for the period included a loss on equity swaps of $384,545 and exploration expenditure of $346,358. The profit in prior period was primarily attributable to the reversal of share based payments expense for the non-attainment of vesting conditions associated with loan shares for $1,934,600, unrealised gains on the fair value movement of financial assets (equity swaps) of $374,999 and a research and development rebate of $235,741, offset by net corporate costs of the consolidated entity of $649,534.

During the period the Group assessed its choice of accounting policy for exploration and evaluation activities and determined that a change in accounting policy was appropriate. Please refer to note 2 and 9 for further details of the impact for this change.

Corporate

During the half year 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 2015 the Company received total proceeds of $98,320 from the settlement of 6 of a total of 18 equity swaps.

The Annual General Meeting of the company held on 19 November 2015, the meeting was well attended with all resolutions put to shareholders approved on a show of hands.

Operational

As announced on 2 September 2015 the Company is of the opinion that additional work should be done to vary the saleable material type by changing the ore treatment processes to include sponge iron production to be directly fed into an electric arc furnace with product initially targeted at the Nigeria domestic market. This proposed configuration will produce a steel product with potential domestic offtake customer markets in Nigeria now at about 2.7million tonnes per annum and to the broader international global steel market. The next step is to undertake a Bankable Feasibility Study (BFS) which will include –

1. Infrastructure design.
2. Marketing report for both internal (Nigeria) sales and potential export tonnages.
3. Updated Environmental statement/approval.
4. Updated economics and financial analysis.
5. Financing.

Confidential discussions are now being undertaken in parallel with international companies experienced in sponge iron production to assist in preparation of the BFS. Consequently the Company is in the process of now evaluating multiple options by which the BFS and working capital requirements can be funded to ensure that the above objectives can be achieved.

Beyond completion of the BFS it will be necessary to arrange project financing to fund development of the proposed project, to this end the Company has commenced discussions with a Nigerian Bank who may act as the leading local bank for the establishment of the required project financing post finalizing the BFS which is scheduled for completion by mid-2016.

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 2015

On 1 March 2016, the Company announced to the ASX that the Company was offering to eligible shareholders new KFE shares at an issue price of $0.013 per new KFE share by way of a Shareholder Purchase Plan (SPP) to raise up to $1,472,912, this represents an approximately 15% discount to the 5 day VWAP of KFE shares. The SPP is progressing well with a closing date of the 18 March 2016. Funds raised to be applied towards metallurgical testing work at the Company's Agbaja iron ore project in Nigeria, to cover the costs of completing a definitive feasibility study and provide working capital.

No other matter or circumstance has arisen since 31 December 2015, 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.

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:

Ian Burston
Non-Executive Chairman

Dated this 15th day of March 2016
Perth

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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 2015, 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, 15 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2015

	Note	31/12/2015 $	31/12/2014 Restated $
Revenue from continuing operations			
Interest income		3,297	7,080
Other Income			
Research and development rebate	7	-	235,741
Unrealised gain on fair value movement on financial assets	4	-	374,999
Total Income		3,297	617,820
Expenses			
Accounting and audit fees		(14,031)	(57,672)
Consultancy fees		(38,167)	(87,800)
Travel and accommodation		(2,999)	(77,449)
Corporate expenses		(54,280)	(109,830)
Director & employee expenses		(170,260)	(174,337)
Exploration and evaluation expenditure	7	(346,358)	(592,395)
Reversal of share based payment expense	6	-	1,934,600
Legal fees		(867)	(49,958)
Occupancy		(10,847)	(46,560)
Realised losses on settlement of financial assets		(184,953)	(36,762)
Unrealised losses on fair value movement of financial assets		(199,592)	-
Other expenses		(3,998)	(9,166)
Profit (loss) before income tax expense		(1,023,055)	1,310,491
Income tax expense/(benefit)		-	-
Profit (loss) from continuing operations		(1,023,055)	1,310,491
Profit (loss) attributable to the owners of Kogi Iron Limited		(1,023,055)	1,310,491
Other comprehensive income		-	-
Items that may be reclassified to the profit and loss account:		-	-
Exchange differences on translation of foreign operations		(14,061)	(28,841)
Total comprehensive income (loss) for the half year attributable to the owners of Kogi Iron Limited		(1,037,116)	1,281,650
Overall Operations			
Basic profit (loss) per share (cents per share)		(0.27)	0.31
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 2015

	Note	31/12/2015 $	30/06/2015 Restated $
Assets			
Current assets			
Cash and cash equivalents	3	162,401	541,336
Trade and other receivables		5,213	8,102
Financial assets at fair value through profit and loss	4	25,408	508,333
Total current assets		193,022	1,057,771
Non-current assets			
Property, plant and equipment		21,126	40,448
Total non-current assets		21,126	40,448
Total assets		**21,126**	**1,098,219**
Liabilities			
Current liabilities			
Trade and other payables		842,389	672,587
Total current liabilities		842,389	672,587
Total liabilities		**842,389**	**672,587**
Net (liabilities)/assets		**(628,241)**	**425,632**
Equity			
Contributed equity	5	60,282,220	60,298,977
Reserves	6	1,280,076	1,294,137
Accumulated losses		(62,190,537)	(61,167,482)
Total equity/ (total deficiency in equity)		**(628,241)**	**425,632**

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 2015

	Contributed Equity	Accumulated Losses	Reserves	Total
	$	$	$	$
Consolidated (Restated)				
Balance at 1 July 2014	**58,536,640**	**(61,352,464)**	**3,266,520**	**450,696**
Profit (Loss) for the half year	-	1,310,491	-	1,310,491
Foreign exchange movement	-	-	(28,841)	(28,841)
Total comprehensive loss as reported at 31 December 2014	**-**	**1,310,491**	**(28,841)**	**1,281,650**
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**	**(60,041,973)**	**1,303,079**	**1,572,266**
Consolidated				
Balance at 1 July 2015 (Restated)	**60,298,977**	**(61,167,482)**	**1,294,137**	**425,632**
Profit (Loss) for the half year	-	(1,023,055)	-	(1,023,055)
Foreign exchange movements	-	-	(14,061)	(14,061)
Total comprehensive income (loss) as reported at 31 December 2015	**-**	**(1,023,055)**	**(14,061)**	**(1,037,116)**
Contributions of equity, net of transaction costs	(16,757)	-	-	(16,757)
Balance at 31 December 2015	**60,282,220**	**(62,190,537)**	**1,280,076**	**(628,241)**

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 2015

	Note	31/12/2015 $	31/12/2014 Restated $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(180,992)	(681,795)
Payments for exploration		(282,597)	(592,793)
Interest received		3,091	6,186
Net cash (outflow) from operating activities		**(460,498)**	**(1,268,402)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of assets		-	12,012
Net cash (outflow) from investing activities		**-**	**12,012**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	1,719,755
Payment of share issue costs		(16,757)	(95,238)
Receipts from settlement of equity swaps		98,320	152,126
Net cash inflow financing activities		**81,563**	**1,776,643**
Net increase/(decrease) in cash and cash equivalents held		**(378,935)**	**520,253**
Cash and cash equivalents at beginning of financial half year		541,336	117,021
Effects of exchange rate changes on cash and cash equivalents		-	(487)
Cash and cash equivalents at end of half year	**3**	**162,401**	**636,787**

Notes to the Financial Statements

31 December 2015

Note 1. Significant accounting policies

These general purpose financial statements for the interim half year reporting period ended 31 December 2015 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 2015 and any public announcements made by the company during the interim reporting period in accordance with the continuous discloser 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 2015 of $460,498 (2014: $1,256,390). As at 31 December 2015, the consolidated entity had net current liabilities of $649,367 (30 June 2015: net current assets $385,184).

The going concern of the Group is dependent upon it maintaining sufficient funds for its operations and commitments. The Directors continue to be focused on meeting the Group's business objectives and is mindful of the funding requirements to meet these objectives. The Directors consider the basis of going concern to be appropriate for the following reasons:

- Raising additional capital via capital raisings subsequent to the period end (refer note 11);
- The current cash of the Group relative to its fixed and discretionary commitments;
- Of the $842,389 in trade and other payables at 31 December 2015, $822,530 relates to accrued directors fees which the Directors have provided their support to the Group by agreeing to accrue their fees and only call upon the amount outstanding after a realisation event has taken place. A realisation event would be the introduction of a strategic partner and receiving funds from that strategic partner, or a divestment of the Agbaja Project by way of a sale or joint venture or farm out of the project, or a change in control transaction. Taking this amount out as it will not be paid until the Company has had a realization event leaves a net asset position of $194,289 at 31 December 2015,
- The underlying prospects for the Group to raise funds from the capital markets; and
- The fact that future exploration and evaluation expenditure is generally discretionary in nature (ie. at the discretion of the Directors having regard to an assessment of the progress of works undertaken to date and the prospects for the same). Subject to meeting certain expenditure commitments, further exploration activities may be slowed or suspended as part of the management of the Group's working capital.

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. Changes in accounting policy, estimates, disclosures

The accounting policies adopted are consistent with those of the previous financial year except as outlined below:

Exploration and evaluation
The Group previously accounted for acquisition, exploration and evaluation expenditure relating to an area of interest by carrying forward that expenditure where rights to tenure of the area of interest are current.

The Group has assessed its choice of accounting policy for exploration and evaluation activities and has determined that a change in accounting policy is appropriate and will result in the financial report providing more relevant and no less reliable information.

The Group now accounts for exploration and evaluation activities as follows:

- Acquisition and exploration and evaluation costs

Costs arising from acquisitions and ongoing exploration and evaluation activities are expensed as incurred.

It is considered that the new accounting policy is more reflective of the Groups exploration and evaluation activities and allows better comparison with peer mining companies, while still complying with the requirements of AASB 6 Exploration for and Evaluation of Mineral Resources.

As required under *AASB 108 Accounting policies, changes in accounting estimates and errors*, the change in accounting policy has been applied retrospectively. As a consequence, adjustments were recognised in the balance sheet of 1 July 2014 and comparative figures have been restated accordingly. Refer to note 9 for further details.

Accounting estimates have been made on a consistent basis with those of the previous financial year.

Note 3. Cash and cash equivalents

	31/12/15	30/06/15
	$	$
Cash at bank and on term deposit	162,401	541,336

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

		31/12/14	30/06/15
		$	$
Financial assets at fair value through profit and loss	- current	25,408	508,333
		25,408	**508,333**

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.

Note 5. Contributed Equity

	31/12/15	30/06/15
(a) Share Capital	$	$
Ordinary shares, fully paid	60,058,364	60,075,121
(b) Other equity securities:		
Value of conversion rights – convertible notes	223,856	223,856
Total Contributed Equity	**60,282,220**	**60,298,977**
(c) (i) Ordinary shares		
At the beginning of the reporting period	60,075,121	58,312,784
Shares issued during the year	-	1,921,138
Transaction costs relating to share issues	(16,757)	(158,801)
At the end of the reporting date	**60,058,364**	**60,075,121**

(c) (ii) Movements in Ordinary Share Capital

Date	Details	No. of shares	Issue price	Value
31-Dec-14	**Balance**	**424,569,836**		**60,087,307**
18-Mar-15	Cancellation	(46,900,000)	Nil	Nil
30-Jun-15	**Balance**	**377,669,836**		**60,851,010**
	Less transaction costs			(2,713,784)
31-Dec-15	**At reporting date**	**424,569,836**		**60,282,220**

(c) (iii) Number of ordinary shares (summary)	31/12/2015 (number of shares)	30/06/2015 (number of shares)
At the beginning of the reporting period	377,669,836	360,531,896
Shares issued during the reporting period	-	64,037,940
	-	(46,900,000)
At reporting date	**377,669,836**	**377,669,836**

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 6. Reserves

	31/12/2015 $	30/06/2015 Restated $
Share based payments reserve	1,343,561	1,343,561
Foreign currency translation reserve	(63,485)	(49,424)
	1,280,076	**1,294,137**
Movements:		
Share based payments reserve		
Balance at beginning of period	1,343,561	3,278,161
Fair value adjustment, based on probability of vesting conditions being achieved	-	(1,934,600)
Balance at end of period	**1,343,561**	**1,343,561**
Foreign currency translation reserve		
Balance at beginning of period	(49,424)	(11,641)
Currency translation differences arising during the period	(14,061)	(37,783)
Balance at end of period	**(63,485)**	**(49,424)**
Total Reserves	**1,280,076**	**1,294,137**

(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 7. Exploration and evaluation expenditure

	Total Restated $
Balance at 30 June 2015	**-**
Exploration and evaluation expenditure (current period)	-
Research and development tax refund	-
Foreign exchange movement	-
Balance at 31 December 2015	**-**

Change in accounting policy

During the period the Group changed its accounting policy for exploration and evaluation activities. Refer to note 2 for further details. As a result, certain comparative information has been adjusted to reflect the change in accounting policy retrospectively. A summary of the financial statement line items affected is provided below.

Exploration and evaluation expenditure that is expensed is included as part of cash outflows from operating activities, and exploration and evaluation expenditure that is capitalised is included as cash flows from investing activities. This change in accounting policy has resulted in additional cash outflows from operating activities for the period to 31 December 2014 to be increased by $592,793 with a corresponding decrease in cash outflows from investing activities of $592,793.

Basic loss per share has also been restated, this resulted in a decrease in the profit per share by 0.1 cents per share for the period ended 31 December 2014.

	Prior half-year restatement		
Income statement (extract)	December 2014 (previously stated) $	Profit increase / (decrease) $	December 2014 (Restated) $
Other Income - Research and Development rebate	-	235,741	235,741
Exploration and evaluation expenditure	-	(592,395)	(592,395)
Profit after income tax	**1,667,145**	**(356,654)**	**1,310,491**

Balance sheet (extract)	June 2014 (previously stated) $	Increase / (decrease) $	June 2014 (Restated) $	June 2015 (previously stated) $	Increase / (decrease) $	June 2015 (Restated) $
	Prior half-year restatement					
Non-current assets						
Exploration and evaluation expenditure	40,962,894	(40,962,894)	-	6,100,000	(6,100,000)	-
Non-current liabilities						
Deferred tax liabilities	(9,387,621)	9,387,621	-	-	-	-
Net assets	32,025,969	(31,575,273)	450,696	6,525,632	(6,100,000)	425,632
Shareholder's equity						
Foreign currency translation reserve	2,335,958	(2,347,599)	(11,641)	183,112	(232,546)	(49,424)
Retained earnings	(32,124,790)	(29,227,674)	(61,352,464)	(55,300,024)	(5,867,458)	(61,167,482)
Total shareholders' equity	32,025,969	(31,575,273)	450,696	6,525,632	(6,100,000)	425,632

Note 8. Contingencies

There have been no changes in contingent liabilities or contingent assets since the end of the previous annual reporting period, 30 June 2015.

Note 9. Commitments

There have been no material changes in commitments since the end of the previous annual reporting period, 30 June 2015.

Note 10. 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 2015 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

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.

Note 10. Fair value measurement of financial instruments *(continued)*

Recognised fair value measurements

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

At 31 December 2015	Note	Level 1 $'s	Level 2 $'s	Level 3 $'s	Total $'s
Recurring fair value measurements					
Financial Assets					
Financial assets at fair value through profit and loss	4				
Equity Swaps		-	-	25,408	**25,408**
Total Financial Assets		**-**	**-**	**25,408**	**25,408**

At 30 June 2015	Note	Level 1 $'s	Level 2 $'s	Level 3 $'s	Total $'s
Recurring fair value measurements					
Financial Assets					
Financial assets at fair value through profit and loss					
Equity Swaps	4	-	-	508,333	**508,333**
Total Financial Assets		**-**	**-**	**508,333**	**508,333**

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 11. Events subsequent to the end of the reporting period

On 1 March 2016, the Company announced to the ASX that the Company was offering to eligible shareholders new KFE shares at an issue price of $0.013 per new KFE share by way of a Shareholder Purchase Plan (SPP) to raise up to $1,472,912, this represents an approximately 15% discount to the 5 day VWAP of KFE shares. The SPP is progressing well with a closing date of the 18 March 2016. Funds raised to be applied towards metallurgical testing work at the Company's Agbaja iron ore project in Nigeria, to cover the costs of completing a definitive feasibility study and provide working capital.

No other matter or circumstance has arisen since 31 December 2015, 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.

Note 12. 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 2015 is as follows:

31 December 2015	Exploration and Evaluation	Total
Segment revenue		
Interest Income	3,297	3,297
Total segment revenue/income	**3,297**	**3,297**
Segment result		
Profit (loss) after income tax	(1,023,555)	(1,023,555)
Segment assets		
Cash and cash equivalents	162,401	162,401
Property, plant and equipment	21,126	21,126
Other assets	30,620	30,620
Total assets	**214,148**	**214,148**
Segment liabilities		
Trade and other payables	842,389	842,389
Total Liabilities	**842,389**	**842,389**

31 December 2014 (Restated)	Exploration and Evaluation	Total
Segment revenue		
Interest Income	13,587	13,587
Research and development rebate	235,741	235,741
Total segment revenue/income	**242,821**	**242,821**
Segment result		
Loss after income tax	(1,125,509)	(1,125,509)
30 June 2015 (Restated)		
Segment assets		
Cash and cash equivalents	541,336	541,336
Exploration and evaluation	-	-
Property, plant and equipment	40,448	40,448
Other assets	516,435	516,435
Total assets	**1,098,219**	**1,098,219**
Segment liabilities		
Trade and other payables	672,587	672,587
Deferred tax liability	-	-
Total Liabilities	**672,587**	**672,587**

Declaration by Directors

The Directors of the company declare that:

(a) The financial statements and notes set out on pages 7 to 17 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 2015 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.

Ian Burston
Non-Executive Chairman

Dated this 15th day of March 2016

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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 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2015 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 2015 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 describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern, and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch
Director

Perth, 15 March 2016