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KOGI IRON SECURES AN UP TO US$5.8m INVESTMENT AGREEMENT WITH US INSTITUTIONAL INVESTOR BERGEN

Highlights

- A private placement agreement for up to US$5.8 million (subject to shareholders' approval) to fund the ongoing development of its iron ore mine and integrated steel project in Nigeria.
- Potential for limited share value dilution
- Inbuilt flexibility with right to terminate and competitive terms

Kogi Iron Limited (ASX: KFE) ("**Kogi**" or the "**Company**") is pleased to announce the execution of a private placement agreement (the "**Agreement**") with Bergen Global Opportunity Fund, LP ("**Bergen**" or the "**Investor**"), a New York institutional investor managed by Bergen Asset Management, LLC ("**Bergen Asset Management**").

Under the Agreement, the Investor will subscribe for shares in the Company, on a monthly basis, in the amount of US$50,000 per monthly tranche. The Company and the Investor may further increase the amount of each tranche to up to US$250,000 by mutual consent.

This investment will provide the Company with funding for its operational expenses and the ongoing development of its Agbaja iron ore mine and integrated steel project in Nigeria. Importantly, the Company has the right to terminate the Agreement at any time. The key aspects of the Agreement and the Company's rationale for securing this funding are set out in the Appendix below.

Kogi's Chairman, Dr Ian Burston said "The Board has opted to fund the Company's operations through the staged funding given the proximity to development of Agbaja. This conservative approach to funding has the potential to limit dilution to the shareholders and thus maximise shareholder value. At this stage, it makes more sense to have this flexible facility rather than pursue a dilutive equity raising."

As project milestones are reached, we expect the value of Agbaja to be re-set by the market.
We expect to utilize this funding only to the extent we need funding for operational reasons prior to reaching the point of procuring major project funding".

Kogi expects to receive the first tranche of funding in the week commencing 17 October 2016.

Currently, the Company may not issue more than 55,495,453 shares to the Investor, being the maximum number of equity securities issuable under the existing placement capacity of the Company as at the date of the Agreement, without first obtaining shareholder approval. The Company will seek shareholder approval of further share issues to the Investor pursuant to the Agreement within the next two months.

About Bergen Asset Management

Based in New York, Bergen Asset Management is an institutional investor with a particular focus on direct investments in small-cap companies around the world, and a track record of success in the Australian market.

The Appendix

1. **Certainty of access to funding**. The Agreement provides the Company with certainty of access to funding in a tight capital markets environment over the next 24 months. The investment will be made in US$50,000 monthly tranches of equity, each of which could be increased to up to US$250,000 by mutual consent of the Company and the Investor, for a total of up to US$5,800,000 (the "**Total**").

2. **Minimizing dilution**. The issuance price of the shares in each tranche will be 90% of the average of five daily volume-weighted average prices ("**VWAPs**") of the Company's shares during a specified period immediately prior to the date of the issuance of the shares. The Investor may elect to have one of the tranches issued at 135% of the average of daily VWAPs for 20 trading days prior to the date of execution of the Agreement.

   This allows the Company to potentially issue new shares at prices that are linked to the prices prevailing at the time of the issuance (i.e. potentially at a premium to the current share price) and minimise the dilution for its shareholders.

3. **Additional safeguards for the Company**. The Company has a number of additional safeguards, with a particular focus on safeguards against dilution. These include the following:

   A. The Company can opt not to issue further tranches, and terminate the Agreement. This ensures that the Company can avoid dilution at below a level that is acceptable to it.

   B. The Company has avoided dilution at today's levels, while retaining substantial flexibility.

   C. The Company may easily terminate the Agreement thus avoiding the need for further tranches all together, if its developments would result in a better funding option available elsewhere or if funding was no longer required all together.

   D. The investment is not subject to any financial ratio covenants other than the Company securing it against 4.8 million shares.

   F. The Investor is a passive financial investor with no board participation rights.

4. **Focus on capital appreciation**. The Investor's return on investment depends on the Company's share price appreciation.

5. **Options priced at a premium.** Subject to shareholder approval, the Investor will be granted 9.8 million options with a term of 3 years to acquire ordinary shares in the Company at an exercise price of 135% of the average of the VWAPs of the Company's shares for the five trading days immediately prior to the date of the Agreement, which maximises the Investor's interests in the Company's share price appreciation.

6. **Further Funding**. The Agreement does not restrict the Company from raising additional funding.

7. **Other.** The Investor will receive a commencement fee in connection with its investment in the Company, to be satisfied by way of issuance of 8,992,527 shares in the Company.