



ABN 28 001 894 033



ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

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## **CORPORATE DIRECTORY**

### **Directors**

Don Carroll	Non-Executive Chairman
David Turvey	Interim Managing Director
Greg Boulton AM	Non-Executive Director
Peter Huljich	Non-Executive Director

### **Company Secretary**

Kevin Hart

### **Registered Office and Principal Place of Business**

Suite 23, Lincoln House 4 Ventnor Avenue West Perth WA 6005 Tel: +61 8 9200 3456 Fax: +61 8 9200 3455 Email: info@kogiiron.com	Nigeria:	KCM Mining Limited 4 Olu Oworo Road Lokoja, Kogi State Nigeria
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### **Share Register**

Link Market Services Limited  
Central Park  
Level 12, 250 St Georges Terrace  
Perth WA 6000  
Tel: +61 1300 554 474  
Fax: +61 2 9287 0303

### **Auditor**

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

### **Solicitors**

Steinepreis Paganin  
Level 4, The Read Buildings  
16 Milligan Street  
Perth WA 6000

### **Bankers**

Commonwealth Bank

### **Stock Exchange Listing**

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

### **Website address**

[www.kogiiron.com](http://www.kogiiron.com)

Your Directors present their report on the consolidated entity consisting of Kogi Iron Limited and the entities it controlled at the end of, or during, the year ended 30 June 2019. Throughout the report the consolidated entity is referred to as the group.

### Principal activities

During the financial year the principal continuing activities of the group consisted of testwork activities and evaluation studies at the Agbaja Cast Steel Project in Kogi state, Federal Republic of Nigeria ("Nigeria") ("Agbaja Project").

### Review of operations

The loss for the group after tax amounted to \$2,537,274 (30 June 2018: \$3,310,869).

The loss for the year ended 30 June 2019 was primarily attributable to the exploration and evaluation expenditure of \$893,510 (2018: \$1,507,987). Net operating costs for the year were \$1,650,361 (2018: \$1,482,661) associated with the group's ongoing evaluation studies for the Agbaja Cast Steel Project in Nigeria.

During the year, the Company has incurred net cash outflows from operating and investing activities of \$2,752,816 (2018: \$2,455,012) and as at 30 June 2019, the Company had net liabilities of \$419,376 (2018: net assets \$631,378). On the matter of the Company continuing as a going-concern (refer note 26(a)(i) – "going concern" in the attached accounts for details), at the date of this report the Directors believe that there are currently sufficient funds to meet the Company's immediate working capital requirements.

### Agbaja Project

#### Testwork program:

Metallurgical testwork associated with the commercialisation of the Agbaja iron ore deposits in Kogi State, Nigeria were completed in the year. The testwork was conducted by Tenova South Africa and contractor Mintek.

The primary objectives of the testwork were:

- (i) Demonstrate the technical feasibility of producing a cast steel product from Agbaja iron ore;
- (ii) Generate enough process information to commence initial design and development of the process on a commercial scale;
- (iii) Test two sources of domestic coal suitable for use as a reductant in the iron making process;
- (iv) Demonstrate refining of the pig iron to produce a cast steel product suitable for billet steel making; and
- (v) Generate 50 kg of 'on-spec' cast steel for marketing purposes.

The Mintek test work successfully demonstrated a process route to produce a low phosphorus / low sulphur cast steel product suitable for billet steelmaking with specifications of: Fe >99%, C<0.31%, Si <0.30%, Mn <1.10%, P <0.045%, and S <0.0632%. The application of a suitable reagent addition ratio, low reaction temperatures, and a high slag basicity were identified as key process parameters to establish optimum refining condition for removal of impurities.

The pilot smelting testwork successfully demonstrated that it is feasible to process beneficiated Agbaja iron ore into a cast steel product. Testwork on chemical and moisture analysis on the two locally sourced (Nigerian) coal samples was completed during the year. The successful outcome of the Torex coal testwork program proves the viability of producing a suitable metalized product using Nigerian domestic coal sources selected by Kogi for the Agbaja Cast Steel Project. Both coal sources used in the testwork program are located within 70km of the Agbaja Project and have the capacity to supply 100% of the project needs (refer ASX Announcement 19 October 2018: Successful Completion of Torex Coal Testwork Program).

#### Steel Market Study:

The Company engaged Fastmarkets MB (previously Metal Bulletin) ('Fastmarkets') to provide a comprehensive market feasibility study that would be of a bankable standard and would form part of the ongoing Agbaja Cast Steel Project studies. In conducting this study Fastmarkets was required to give a detailed analysis of the steel industry in Nigeria and West Africa, including:

- Steelmaking raw material costs and substitutes
- Competitor and customer analysis
- Existing and future market demand for Kogi cast steel billet products
- Recommend an appropriate product mix and plant size
- Price forecasts

The objective of the Fastmarkets study (titled 'Kogi Iron Market Feasibility') was to confirm the overall level of potential market demand for the Cast Steel Product that Kogi intends to produce from the Agbaja Cast Steel Project. The information from the study will be fed into the

BFS which will amongst other things determine the sizing of the Agbaja Cast Steel Project's processing facility. A summary of the results of this study is included in the ASX Announcements of 16th January 2019 and 6<sup>th</sup> June 2019.

### Next steps in BFS completion:

Following the completion of the testwork by Mintek and Tenova, as well as the marketing study undertaken by Fastmarkets MB, the Company is now in a position to further progress the BFS by commencing the second and final phase of the Environmental Impact Study ("EIS") for the project.

The first phase of the EIS was completed in a prior year where full environmental permits were granted for the proposed Agbaja iron ore mine. This next phase involves bringing the remainder of the project (including the cast steel mill) to full environmental compliance and the already completed comprehensive base line environmental data that has been collected will allow this next phase to be completed in a timely and efficient manner. This work will include: socio-economic study, biodiversity study, water and soil quality, waste management, health, meteorology and air quality and land use management.

The Company estimates that an additional \$10 million will be required to complete the BFS and take the project to financial close for the funding of the construction of processing facilities and associated infrastructure for the Agbaja Cast Steel Project. This will include expenditure to be incurred on pit geotechnical work, carrying out early stage civil works on the project, improving local infrastructure and for general corporate purposes.

Key elements of the BFS to be completed include detailed engineering design as well as overall capital and operating expense estimates. The Company is in negotiations with various parties regarding this targeted amount of funding and will update shareholders when definitive agreements have been reached. Once the Company has secured the funds to complete the BFS, it is estimated that it will take 9 months to complete. The Company is also keeping prospective Export Credit Agencies updated of the progress that is being made.

### **Corporate**

During the year, the Company settled amounts owing to three former directors of the Company for unpaid director fees of \$369,365 by issuing 3,527,843 shares at a deemed issue price of 10.47 cents per share.

In February 2019, the Company completed a placement to sophisticated investors raising \$575,750 (before costs) by issue of 6,773,529 shares.

In late June 2019 the Company closed an Entitlement Offer for listed options with a \$0.10 exercise price expiring on 31 December 2021 (on the basis of 1 new listed option for every 5 ordinary shares held) raising \$1,323,289 (before costs). The offer was underwritten by Patersons Securities Limited. The issue of the listed options entitlements occurred on 28<sup>th</sup> June 2019 (87,444,899 listed options) with the shortfall options (44,884,049 listed options) being issued on 3<sup>rd</sup> July 2019. Following completion of the listed option entitlement offer in July 2019, the company issued an additional 10,000,000 listed options in accordance with the terms the Underwriting Agreement.

Greg Boulton, David Turvey and Peter Huljich were appointed to the Board during the year; with Kevin Joseph, Dr Ian Burston and Martin Wood departing. The Company also established an Audit and Governance Committee and a Remuneration and Nomination Committee. The creation of these Committees is consistent with the Company's objective of continually improving its Corporate Governance standards.

### **Significant changes in the state of affairs**

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

### **Events since the end of the financial year**

On 3 July 2019, the Company issued the short-fall listed options pursuant to the Option Rights issue that closed in late June 2019.

As at the date of this Directors' Report, the directors are not aware of any other matter or circumstance that has arisen that has significantly affected, or may significantly affect, the operations of the group, the results of those operations, or the state of affairs of the group in the financial years subsequent to 30 June 2019.

### **Likely developments and expected results of operation**

The Company is aiming to raise sufficient funds to be able to complete a Bankable Feasibility Study ("BFS") within a nine month period following the raising of those funds.

## Environmental regulation

The Company holds various exploration licences and mining leases granted under the *Nigerian Minerals and Mining Act 2007*, that regulate its exploration activities in Nigeria. These licences include conditions and regulations with respect to the rehabilitation of areas disturbed during the course of the Company's exploration activities.

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

## Directors

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

### Current Directors:

<b><u>Name:</u></b>	<b>Don Carroll</b>
Title:	Non-Executive Chairman
Qualifications:	B.Eng
Experience and expertise:	Mr Carroll is a former executive of BHP Billiton with over 30 years of experience in the mining industry, principally overseas in Asia, the United States and West Africa. Throughout his 30 year career Mr Carroll has been responsible for the early development of the Kalimantan coal projects, the marketing of minerals in Asia (including China), held the position of President for BHP Billiton in Japan and India, and also CEO for the Guinea Alumina project in West Africa.
Other current directorships:	European Cobalt Ltd (ASX listed: EUC); Crystal Peak Minerals Inc. (TSX listed: CPM)
Former directorships (in the last 3 years):	None
Interests in securities:	6,095,790 ordinary shares 1,219,159 listed options with a \$0.10 exercise price and 31 December 2021 expiry

<b><u>Name:</u></b>	<b>David Turvey</b>
Title:	Interim Managing Director <i>(appointed 7 May 2019 as Non-Executive Director, and 5 August 2019 as Interim Managing Director)</i>
Qualifications:	B Sc(Hons) Geol, MAusIMM
Experience and expertise:	Mr Turvey is a geologist with over 35 years' experience in the Australian and Asian mining industry. His career has involved business development and corporate M&A activities in precious and base metals, bulk commodities, industrial minerals and speciality metals. He has held key management roles in large international companies, including several international roles based in South East Asia. During the last 20 years, he has conducted independent consulting assignments in mineral exploration, research and development, technical marketing and market entry strategies, mining law and foreign investment policy, and commercial project evaluation.
Other current directorships:	Southern Gold Limited (ASX listed: SAU)
Former directorships (in the last 3 years):	None
Interests in securities:	932,760 listed options with a \$0.10 exercise price and 31 December 2021 expiry

**Name:** **Greg Boulton AM**  
**Title:** Non-Executive Director (*appointed 27 November 2018*), Chairman of Audit & Governance Committee  
**Qualifications:** BA (Accounting), FCA, FCPA, FAICD  
**Experience and expertise:** Mr Boulton has over 30 years' experience as a Director of Public Listed Companies and large Superannuation funds. This experience includes Logistics, Exploration, Mining and Resources sectors both in Australia and overseas.  
**Other current directorships:** Southern Gold Limited (ASX listed: SAU), Kangaroo Island Plantation Timbers Ltd (ASX listed: KPT), Super SA  
**Former directorships (in the last 3 years):** None  
**Interests in securities:** 428,056 ordinary shares

**Name:** **Peter Huljich**  
**Title:** Non-Executive Director (*appointed 7 May 2019*), Chairman of Remuneration & Nomination Committee and Chairman of Finance Committee  
**Qualifications:** BCom/LLB, GD-AppFin, GAICD  
**Experience and expertise:** Mr Huljich has over 25 years' experience in the legal, natural resources and banking sectors with a particular expertise in capital markets, mining, commodities and African related matters. He has worked in London for several prestigious investment banks, including Goldman Sachs, Barclays Capital, Lehman Brothers and Macquarie Bank, with a focus on Commodities and Equity and Debt Capital Markets. He has extensive on-the-ground African mining, oil & gas and infrastructure experience as the Senior Negotiator and Advisor for Power, Mining and Infrastructure at Industrial Promotional Services, the global infrastructure development arm of the Aga Khan Fund for Economic Development (AKFED) whilst resident in Nairobi, Kenya.  
**Other current directorships:** AVZ Minerals Limited (ASX listed: AVZ)  
**Former directorships (in the last 3 years):** None  
**Interests in securities:** 1,399,140 listed options with a \$0.10 exercise price and 31 December 2021 expiry

***Previous Directors:***

**Name:** **Martin Wood**  
**Title:** Chief Executive officer (*resigned 5 August 2019*)  
**Qualifications:** BA MBA  
**Experience and expertise:** Mr. Wood is the founder and Managing Director of Vicarage Capital Limited, a London based full-service brokerage house focused on the resources sector and is a specialist in debt and equity arranging as well as IPO advice. Prior to his current role, he worked at Standard Bank London Limited in deal origination and execution and at N.M. Rothschild & Sons Limited in the structured banking division. He has extensive experience in raising pre-production equity finance and debt-based project finance internationally, and has worked extensively in project finance for both UK and African banks within African jurisdictions. He brings extensive experience required to bring African based projects to fruition and the skill set needed to operate in African jurisdictions  
**Other current directorships:** Brainworks Limited (JSE listed: BWZE)  
**Former directorships (in the last 3 years):** None  
**Interests in securities:** 932,760 listed options with a \$0.10 exercise price and 31 December 2021 expiry

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<b><u>Name:</u></b>	<b>Dr Ian Fred Burston</b>
Title:	Chairman and Non-Executive Director ( <i>resigned 10 December 2018</i> )
Qualifications:	AM, CitWA, B.Eng, Dip AeroEng HonDSc
Experience and expertise:	Dr Burston has more than 30 years of experience in Western Australian and international iron ore mining and export sales, where he has held executive management and Board positions with some of WA's largest and most successful mining operations. His distinguished career includes the development of several multi-million tonnes per year iron ore export operations with outstanding track records in maximising production, transport efficiencies and project development. Dr Burston has also held pivotal roles in industry associations and local government and was awarded Citizen of the Year (Industry and Commerce) 1992, Member of the Order of Australia (General Division) 1993, and Honorary Doctor of Science (Curtin) 1995, he is a Fellow of the Institute of Engineers of Australia, the Institute of Mining and Metallurgy and the Institute of Company Directors.
Other current directorships:	None
Former directorships (in the last 3 years):	NRW Holdings Limited (chairman and non-executive director) and Mincor Resources NL (non-executive director).
Interests in securities:	20,512,355 ordinary shares (as at date of resignation)
<b><u>Name:</u></b>	<b>Michael Tilley</b>
Title:	Non-Executive Director ( <i>resigned 7 May 2019</i> )
Qualifications:	BA FCA
Experience and expertise:	Michael Tilley is the Chairman and a founding director of Terrain Capital Limited. He has worked in the accounting and finance industries for more than 40 years and he has a broad range of senior advisory and project management experience in all facets of corporate finance. Michael is or has previously served as Director of Yarra Valley Water Limited, a member of Vision Super Pty Ltd and the Industry Fund Management Pty Ltd Investor Advisory Board. Michael has also served on the boards of a number of exploration and mining companies during his long career and was a director of North Queensland Metals 2006-2010.
Other current directorships:	None
Former directorships (in the last 3 years):	Elysium Resources Limited (resigned 3 March 2017)
Interests in securities:	1,974,840 ordinary shares (as at date of resignation)
<b><u>Name:</u></b>	<b>Michael Arnett</b>
Title:	Non-Executive Director ( <i>appointed 10 September 2018, resigned 27 November 2018</i> )
Qualifications:	BCom LLB
Experience and expertise:	Mr Arnett has over 25 years of experience as a Lawyer, Corporate Adviser and Director of professional service firms and publicly listed companies. He is a former consultant to, partner of and member of the Board of Directors and national head of the Natural Resources Business Unit of the law firm Norton Rose Fulbright (formerly Deacons). Michael has been involved in significant corporate and commercial legal work for the resource industry for over 25 years.
Other current directorships:	NRW Holdings Limited, Archipelago Metals Limited and Queensland Energy Resources Limited.
Former directorships (in the last 3 years):	None
Interests in securities:	3,653,333 ordinary shares (as at date of resignation)



**Name:** Kevin Joseph  
**Title:** Executive Director (*resigned 2 July 2018*)  
**Qualifications:** B.Chem.Eng  
**Experience and expertise:** Mr Joseph has extensive experience in Nigeria and the West African region. A 25 year resident of Nigeria, he has invaluable in-country relationships which assist the group in executing its exploration and evaluation programs. Mr Joseph is a former Executive Director of Operations for OANDO Petroleum, one of two major local marketers of petroleum in Nigeria. In this role he headed up supply chain development in the West African Region and held executive responsibility for new upstream business development.  
**Other current directorships:** None  
**Former directorships (in the last 3 years):** None  
**Interests in securities:** 8,263,088 ordinary shares (as at date of resignation)

**Company Secretary**

Kevin Hart: Mr Hart is a Chartered Accountant and was appointed to the position of Company Secretary on 12 October 2016. He has over 20 years' experience in accounting and the management and administration of public listed entities in the mining and exploration industry. He is currently a partner in an advisory firm, Endeavour Corporate, which specialises in the provision of company secretarial and accounting services to ASX listed entities.

**Meetings of Directors**

The number of meetings (including circular resolutions) of the Company's Board of directors held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Don Carroll	30	30
David Turvey	6	6
Greg Boulton	18	18
Peter Huljich	6	6
Martin Wood ( <i>resigned 5 August 2019</i> )	30	30
Michael Tilley ( <i>resigned 7 May 2019</i> )	23	23
Ian Burston ( <i>resigned 10 December 2018</i> )	15	15
Michael Arnett ( <i>resigned 27 November 2018</i> )	8	8
Kevin Joseph ( <i>resigned 2 July 2018</i> )	-	-

Held: represents the number of meetings held during the time the director held office that the director was entitled to attend.

## Remuneration Report (Audited)

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the Key Management Personnel of Kogi Iron Limited for the year ended 30 June 2019. The information provided in this remuneration report has been audited as required by Section 308(3C) of the *Corporations Act 2001*.

The remuneration report details remuneration arrangements for Key Management Personnel who are defined as those having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

The report contains the following sections:

- (a) Key management personnel disclosed in this report
- (b) Remuneration governance
- (c) Use of remuneration consultants
- (d) Executive remuneration policy and framework
- (e) Relationship between remuneration and Kogi Iron Limited's performance
- (f) Non-executive director remuneration policy
- (g) Voting and comments made at the Company's 2018 annual general meeting
- (h) Details of remuneration
- (i) Service Agreements
- (j) Equity instruments held by key management personnel
- (k) Other transactions with key management personnel

### (a) Key management personnel disclosed in this report

*Non-executive and executive directors (see pages 5-8 for details about each director)*

Don Carroll

David Turvey (appointed 7 May 2019)

Greg Boulton AM (appointed 27 November 2018)

Peter Huljich (appointed 7 May 2019)

Martin Wood (resigned 5 August 2019)

Dr Ian Burston (resigned 10 December 2018)

Michael Tilley (resigned 7 May 2019)

Michael Arnett (appointed 10 September 2018 resigned 27 November 2018)

Kevin Joseph (resigned 2 July 2018)

Except where noted, the named persons held their current positions for the whole of the financial year and since the financial year end.

### (b) Remuneration governance

The Board established a Remuneration and Nomination Committee in May 2019. The role of the committee is to assist the Board, in particular will:

- Consider Board and committee structure and composition as well as monitoring succession planning and the development of senior management; and
- Ensure that the Company has an appropriate strategy in place for executives that align their interests with that of Company shareholders.

Prior to the establishment of the Committee, the Board as a whole or with sub-committee as required, would manage the matters normally dealt with by a formal remuneration committee

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

### (c) Use of remuneration consultants

The Board did not engage a remuneration consultant to make any recommendations in relation to its remuneration policies or any of the key management personnel for the group during the financial year covered by this report.

**(d) Executive Remuneration policy and framework**

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

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

The Remuneration & Nomination Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

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

Alignment to shareholders' interests:

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

Alignment to program participants' interests:

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

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

**(i) Executive remuneration mix**

To ensure that executive remuneration is aligned to company performance, a portion of the executives' target pay may be "at risk". There was no executive remuneration that comprised an "at risk" component during the year.

In the prior year, Mr Wood's remuneration package comprised an "at risk" component relating to the short term and long term incentives described in (iv) below.

**(ii) Base pay and benefits**

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

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

**(iii) Superannuation**

The Company does not make superannuation contributions that are in addition to executive director's fixed base remuneration.

**(iv) Short Term Incentives and Long Term Incentives**

The short term and long term incentive remuneration offered by the Company to Mr Wood comprised the following:

- Short Term Incentive – cash bonus of up to \$150,000 (inclusive of superannuation) for the year ending 31 December 2018 subject to satisfactory achievement of Key Performance Indicators set by the Board
- Long Term Equity Incentive – Up to 6.5m Kogi shares subject to the following vesting conditions:
  - 25% of the Equity Incentive will vest upon the successful completion of a Fund Raising needed to complete a Bankable Feasibility Study for the Agbaja Cast Steel Project;
  - 40% of the Equity Incentive will vest upon the successful completion of a debt and equity raising by no later than 31 December 2018 to fund the Project construction and pre-production phases; and
  - 35% of the Equity Incentive will vest if the Company announces commencement of Construction of the Project prior to 30 June 2019.

At the Company's AGM in 2018; the long term equity incentive was not approved by shareholders; furthermore the vesting conditions and key performance indicators for the short term incentive were not met, therefore no incentive was granted during the period. At 30 June 2018, the Company had accrued for the above incentives based on an estimated probability of being granted. These costs have been reversed in the current year.

(v) *Share Trading Policy*

The Kogi Iron Limited securities trading policy applies to all directors and executives and only permits the purchase or sale of Company securities during certain periods provided trading of the securities is not prohibited by any other law.

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

In considering the Group's performance and benefits for shareholder wealth, the Board have regarded the following key financial indicators:

	2019	2018	2017	2016	2015
<i>Profit/(Loss) attributable to owners of Kogi Iron Limited</i>	(2,537,274)	(3,310,869)	(1,976,867)	(1,625,415)	184,983
Share Price at 30 June	0.068	0.17	0.023	0.02	0.06
Increase (Decrease) in share price	(60%)	639%	15%	(67%)	200%

(f) **Non-executive directors' remuneration policy**

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

Non-executive directors receive a Board fee and historically the non-executive directors have participated in the Company Loan Performance Share Plan, however currently there are no Performance Shares on issue to the directors pursuant to the plan.

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

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

**Board fees (per year)**

Chairman	\$100,000
Other non-executive directors	\$ 60,000

(g) **Voting and comments made at the Company's 2018 Annual General Meeting**

The Company received 59.22% of proxy votes against its 2018 remuneration report at the 2018 Annual General Meeting. The Company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices, however the Company has taken steps to address areas of concern in relation to remuneration such as the establishment of the Remuneration & Nomination Committee, as well as a review of executive remuneration and incentives.

## DIRECTORS' REPORT



### (h) Details of remuneration

The following tables show details of the remuneration of the group's key management personnel for the current and previous financial years:

2019 Name	Short-term benefits			Post-employment benefits		Share based payments	Total	Proportion of remuneration performance related	Proportion linked to share based payments
	Cash salary and fees	Short term incentive	Non-monetary	Super-annuation	Long-term benefits				
	\$	\$	\$	\$	\$	\$	\$	%	%
<i>Non-Executive Directors:</i>									
Don Carroll <sup>1</sup>	82,258	-	-	-	-	-	82,258	-	-
David Turvey <sup>3</sup>	9,385	-	-	-	-	-	9,385	-	-
Greg Boulton <sup>2</sup>	35,500	-	-	-	-	-	35,500	-	-
Peter Huijich <sup>4</sup>	9,385	-	-	-	-	-	9,385	-	-
Ian Burston <sup>5</sup>	44,355	-	-	-	-	-	44,355	-	-
Michael Tilley <sup>6</sup>	50,968	-	-	-	-	-	50,968	-	-
Michael Arnett <sup>7</sup>	-	-	-	-	-	-	-	-	-
<i>Executive Directors:</i>									
Martin Wood <sup>8</sup>	375,000	(32,812) <sup>9</sup>	-	-	-	(146,452) <sup>10</sup>	195,736	-	-
Kevin Joseph <sup>11</sup>	-	-	-	-	-	-	-	-	-
	<b>606,851</b>	<b>(32,812)</b>	-	-	-	<b>(146,452)</b>	<b>427,587</b>	-	-

1- As at 30 June 2019 \$290,000 (2018: \$255,000) is payable to Mr Don Carroll.

2- Appointed on 27 November 2018. As at 30 June 2019 \$35,500 is payable to Mr Greg Boulton.

3- Appointed on 7 May 2019. As at 30 June 2019 \$9,385 is payable to Mr David Turvey

4- Appointed on 7 May 2019. As at 30 June 2019 \$9,385 is payable to Mr Peter Huijich

5- Resigned on 10 December 2018. As at 30 June 2019 \$400,000 (2018: \$425,000) is payable to Dr Ian Burston.

6- Resigned on 7 May 2019. As at 30 June 2019 \$110,968 (2018: \$105,000) is payable to Mr Michael Tilley.

7- Appointed on 10 September 2018 and resigned on 27 November 2018.

8- Resigned 5 August 2019. As at 30 June 2019 \$199,830 (2018: \$12,330) is payable to Mr Martin Wood.

9- This represents the reversal of short-term incentive cash bonus accrual in 2018. The amount is reversed as the performance criteria were not met.

10- This represents the reversal of the long-term incentive equity incentive accrued in 2018. The amount is reversed as the required shareholder approval for the issue of this incentive was not obtained by the Company.

11- Resigned 2 July 2018.

2018 Name	Short-term benefits			Post-employment benefits		Share based payments	Total	Proportion of remuneration performance related	Proportion linked to share based payments
	Cash salary and fees	Short term incentive	Non-monetary	Super-annuation	Long-term benefits				
	\$	\$	\$	\$	\$	\$	\$	%	%
<i>Non-Executive Directors:</i>									
Ian Burston <sup>1</sup>	100,000	-	-	-	-	-	100,000	-	-
Don Carroll <sup>2</sup>	60,000	-	-	-	-	-	60,000	-	-
Michael Tilley <sup>3</sup>	60,000	-	-	-	-	-	60,000	-	-
<i>Executive Directors:</i>									
Martin Wood <sup>4</sup>	180,353	32,812 <sup>6</sup>	-	-	-	146,452 <sup>7</sup>	359,617	49%	41%
Kevin Joseph <sup>5</sup>	389,547	-	-	-	-	-	389,547	-	-
	<b>789,900</b>	<b>32,812</b>	-	-	-	<b>146,452</b>	<b>969,164</b>		

1- As at 30 June 2018 \$425,000 (2017: \$350,000) is payable to Mr Ian Burston.

2- As at 30 June 2018 \$255,000 (2017: \$210,000) is payable to Mr Don Carroll.

3- As at 30 June 2018 \$105,000 (2017: \$60,000) is payable to Mr Michael Tilley.

4- As at 30 June 2018 \$16,110 (2017: \$Nil) is payable to Mr Martin Wood.

5- Resigned 2 July 2018. As at 30 June 2018 \$297,177 (2017: \$247,122) was payable to Mr Kevin Joseph.

6- This represents an estimate of the short-term incentives payable to Mr Martin Wood as at 30 June 2018. The actual amount of short-term incentives to be paid to Mr Martin Wood will be assessed and determined at the completion of the testing period which finishes on 31 December 2018. The performance criteria to be met for the short-term incentives to vest includes suitable progress of capital raisings and the BFS. No amount has been paid at 30 June 2018.

7- This represents an estimate of the value of the long-term equity incentive offered to Mr Martin Wood as at 30 June 2018. The actual value of the long-term incentive will be assessed and determined at the completion of each of the vesting criteria and was subject to shareholder approval.

Remuneration report (continued)

Details of remuneration (continued)

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

Name	Fixed remuneration		At risk remuneration	
	2019	2018	2019	2018
<i>Non-Executive Directors:</i>				
Don Carroll	100%	100%	0%	0%
David Turvey (appointed 7 May 2019)	100%	n/a	0%	n/a
Greg Boulton (appointed 27 November 2018)	100%	n/a	0%	n/a
Peter Huljich (appointed 7 May 2019)	100%	n/a	0%	n/a
Ian Burston (resigned 10 December 2018)	100%	100%	0%	0%
Michael Tilley (resigned 7 May 2019)	100%	100%	0%	0%
Michael Arnett (appointed 10 September 2018 resigned 27 November 2018)	n/a	n/a	n/a	n/a
<i>Executive Directors:</i>				
Martin Wood (resigned 5 August 2019)	100%	51%	0%	49%
Kevin Joseph (resigned 2 July 2018)	n/a	100%	n/a	0%

**Short term incentive cash bonus**

A short-term incentive cash bonus was offered to Mr Wood as remuneration, subject to key performance indicators (KPI) as set by the board being met by 31 December 2018. KPI's include suitable progress of capital raisings, the Bankable Feasibility Study and personal performance. None of the criteria were met, therefore no incentive was paid and the amount included in remuneration to 30 June 2018, was reversed in 2019 to the consolidated statement of profit or loss and other comprehensive income. No cash bonus was paid in the reporting period, nor did the bonus vest in the current reporting period.

**Share-based remuneration granted as compensation**

There was no share-based remuneration granted as compensation during the year ended 30 June 2019.

**Options**

There were no options granted as remuneration during the current or previous reporting period. No options were exercised by key management personnel and there were no options forfeited or lapsed during the reporting period.

**(i) Service Agreements**

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

Name	Term of agreement and notice period *	Base salary (including superannuation)	Termination payments
<b>Don Carroll</b> <i>Non-executive Chairman</i>	No fixed term No notice period required	\$8,333 per month	none
<b>David Turvey</b> Interim Managing Director (appointed 7 May 2019)	No fixed term No notice period required	\$5,000 per month whilst a Non-executive Director	none
<b>Greg Boulton AM</b> Non-executive Director (appointed 27 November 2018)	No fixed term No notice period required	\$5,000 per month	none
<b>Peter Huljich</b> Non-executive Director (appointed 7 May 2019)	No fixed term No notice period required	\$5,000 per month	none

Name	Term of agreement and notice period *	Base salary (including superannuation)	Termination payments
<b>Martin Wood</b> Chief Executive Officer (resigned 5 August 2019)	3- year term from appointment date of 24 January 2018 3-month notice period. Short term incentive –key performance indicators set by the Board not met Long term equity incentive – shareholder approval not obtained	\$375,000 p.a.	none
<b>Ian Burston</b> <i>Non-executive Chairman</i> (resigned 10 December 2018)	No fixed term No notice period required	\$8,333 per month	none
<b>Michael Tilley</b> <i>Non-executive Director</i> (resigned 7 May 2019)	No fixed term No notice period required	\$5,000 per month	none

\* The notice period applies equally to either party

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

The tables below show the number of shares and options in the Company that were held during the financial year by key management personnel of the group. The shares and options nominally held are included in the balance at end of the year and includes holdings by their close family members and entities related to them.

**Ordinary shares**

2019 Name	Balance at start of year	Shares Held at Date of Appointment or Resignation	Other Changes During Year	Balance at end of year	Changes subsequent to year end	Balance at date of report
Don Carroll	6,095,790	-	-	6,095,790	-	6,095,790
David Turvey (appointed 7 May 2019)	-	-	-	-	-	-
Greg Boulton AM (appointed 27 November 2018)	-	328,056	100,000	428,056	-	428,056
Peter Huljich (appointed 7 May 2019)	-	-	-	-	-	-
Martin Wood (resigned 5 August 2019)	-	-	-	-	-	-
Ian Burston (resigned 10 December 2018)	20,512,355	20,512,355	n/a	n/a	n/a	n/a
Michael Tilley (resigned 7 May 2019)	1,974,840	1,974,840	n/a	n/a	n/a	n/a
Michael Arnett (appointed 10 September 2018 resigned 27 November 2018)	-	3,653,333	n/a	n/a	n/a	n/a
Kevin Joseph (resigned 2 July 2018)	8,263,088	8,263,088	n/a	n/a	n/a	n/a

**Listed options – Exercise price \$0.10 expiry 31 December 2021**

2019 Name	Balance at start of year	Options Held at Date of Appointment or Resignation	Other Changes During Year	Balance at end of year	Changes subsequent to year end	Balance at date of report
Don Carroll	-	-	1,219,159	1,219,159	-	1,219,159
David Turvey (appointed 7 May 2019)	-	-	-	-	932,760	932,760
Greg Boulton AM (appointed 27 November 2018)	-	-	-	-	-	-
Peter Huljich (appointed 7 May 2019)	-	-	-	-	1,399,140	1,399,140
Martin Wood (resigned 5 August 2019)	-	-	-	-	932,760	932,760
Ian Burston (resigned 10 December 2018)	-	-	-	-	-	-
Michael Tilley (resigned 7 May 2019)	-	-	-	-	-	-
Michael Arnett (appointed 10 September 2018 resigned 27 November 2018)	-	-	-	-	-	-
Kevin Joseph (resigned 2 July 2018)	-	-	-	-	-	-

**(k) Other transactions with key management personnel**

Unpaid director fees

The table below details as at the reporting date the amount of accrued director fees owing to Board members serving during the financial year to 30 June 2019. Subsequent to the year end, outstanding accrued fees payable to Martin Wood and Michael Tilley were paid in full following their respective resignations.

Name	Balance 01/07/18	Remuneration incurred for the period	Remuneration paid during the period	Balance as at 30/06/2019
	\$			\$
Don Carroll	255,000	82,258	(47,258)	290,000*
David Turvey	-	9,385	-	9,385
Greg Boulton	-	35,500	-	35,500
Peter Huljich	-	9,385	-	9,385
Martin Wood	12,330	375,000	(187,500)	199,830
Dr Ian Burston	425,000	44,355	(69,355)	400,000*
Michael Tilley	105,000	50,968	(45,000)	110,968
Kevin Joseph^	297,177	-	(297,177)	-
<b>Total</b>	<b>1,094,507</b>	<b>606,851</b>	<b>(646,290)</b>	<b>1,055,068</b>

^amount paid to Mr Kevin Joseph was US\$220,000

\* Mr Carroll and Dr Burston have agreed that, for the outstanding amounts of \$240,000 and \$400,000 respectively, they will not call in the debt until such time as an Asset Realisation event occurs on the Agbaja Project or sufficient funds are raised and as long as the repayment will not cause any insolvency issue to the Company.

Office Facilities and support costs:

During the period, the Company incurred costs pursuant to an agreement for office facilities and support costs for the Chief Executive Officer, Martin Wood located in London with Vicarage Capital Limited a company associated with Martin Wood. Total costs incurred during the period were \$104,384 (2018: \$45,734). There were no amounts outstanding at period end.

Sub-Underwriting of Entitlement Offer:

During the period, Martin Wood, David Turvey and Peter Huljich, each a Director of the Company, or their respective nominees, entered into agreements with the Underwriter of the Entitlement Offer to part sub-underwrite the Offer. The Entitlement Offer was made to Shareholders in May 2019 as a non-renounceable entitlement issue of 1 New Listed Option for every 5 Ordinary shares held.

Martin Wood and David Turvey agreed to sub-underwrite the Offer up to \$27,500 each (2,750,000 New Options each) and Peter Huljich agreed to sub-underwrite the Offer up to \$41,250 (4,125,000 New Options). Pursuant to the terms of the sub-underwriting, the Underwriter shall pay each sub-underwriter a fee of 3% (excluding GST) of the sub-underwriter's respective sub-underwritten value.

Issue of options to Directors:

Pursuant to the Entitlement Offer and Sub-Underwriting agreements described above the following directors were issued Listed Options at an issue price of \$0.01 each with an exercise price of \$0.10 expiring 31 December 2021.

Listed Options exercise price \$0.10 expiry 31 December 2021		
Name	No. of Options Issued on 28 June 2019 pursuant to the Entitlement Offer	No. of Options Issued on 3 July 2019 pursuant to Sub- Underwriting agreement
Don Carroll	1,219,159	-
David Turvey	-	932,760
Peter Huljich	-	1,399,140
Martin Wood	-	932,760

*This concludes the remuneration report, which has been audited*



### Shares under option

Following the Entitlement Offer in June 2019 the Company issued listed options with an exercise price of \$0.10 and expiry of 31 December 2021. 87,444,899 listed options were issued at an issue price of \$0.01 each on 28 June 2019 with the remainder of the short-fall options being issued on 3 July 2019. In addition to the above, 10,000,000 listed options were also issued on 3 July 2019 in accordance with the terms of the Underwriting agreement for the Entitlement Offer. Directors participation in the Entitlement Offer is disclosed in the table in section (j) of the remuneration report.

No options were granted to the directors or any of the key management personnel of the Company as compensation during or since the end of the financial year.

Options issued to directors pursuant to the Entitlement Offer during the year and subsequent to the year end as part of the shortfall issue are shown in the table in section (j) and (k) of the remuneration report.

### Shares issued on the exercise of options

No ordinary shares were issued on the exercise of options during or since the end of the financial year.

### Corporate governance

In recognising the need for the highest standards of corporate behaviours and accountability, the Directors support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the ASX Corporate Governance Council and considers the Company is in compliance with those guidelines which are of importance to the operations of the Company. Where a recommendation has not been followed, that fact has been disclosed together with the reasons for the departure.

The Company's Corporate Governance Statement and disclosures are available on the Company's website at [www.kogiiron.com](http://www.kogiiron.com).

### Insurance of officers

During the financial year, Kogi Iron Limited paid an insurance premium to insure the directors, secretary and officers of the Company and its Australian-based controlled entities.

The Directors and Officers Liability insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the officers in their capacity as officers of the Company. The insurance policy does not contain details of the premium paid in respect of individual officers of the Company.

Disclosure of the nature of the liability cover and the amount of the premium is subject to a confidentiality clause under the insurance policy.

### Indemnity of auditors

Kogi Iron Limited has made no indemnity to the auditors of the Group.

### Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

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

### Non-audit services

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

During the financial year ended 30 June 2019 the Company did not engage the auditor to provide any non-audit services and no amounts were paid or are payable to the auditor for non-audit services (2018: Nil).

### Auditor's independence declaration

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

### Auditor

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

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

On behalf of the directors



Non-Executive Chairman  
25 September 2019

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

As lead auditor of Kogi Iron Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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



Dean Just  
Director

BDO Audit (WA) Pty Ltd  
Perth, 25 September 2019

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019



	Note	30/06/2019 \$	30/06/2018 \$
<b>Continuing Operations</b>			
<b>Revenue</b>			
Interest income	2	6,597	3,274
Other Income	2	-	275
<b>Total Income</b>		<b>6,597</b>	<b>3,549</b>
<b>Expenses</b>			
Accounting and audit fees		(32,282)	(34,007)
Consultancy fees		(489,655)	(456,075)
Travel and accommodation		(166,984)	(91,779)
Corporate expenses		(424,011)	(228,447)
Director & employee expenses	3	(457,423)	(609,573)
Legal fees		(54,968)	(35,078)
Occupancy		(22,017)	(21,828)
Exploration and evaluation expense		(893,510)	(1,507,987)
Other expenses		(3,021)	(5,874)
Finance costs		-	(323,770)
<b>Profit / (Loss) before income tax expense</b>		<b>(2,537,274)</b>	<b>(3,310,869)</b>
Income tax benefit	8	-	-
<b>Profit / (Loss) from continuing operations</b>		<b>(2,537,274)</b>	<b>(3,310,869)</b>
<b>Profit / (Loss) attributable to the owners of Kogi Iron Limited</b>		<b>(2,537,274)</b>	<b>(3,310,869)</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to the profit or loss account:</b>			
Exchange differences on translation of foreign operations		(11,843)	(31,964)
<b>Total comprehensive Loss for the year attributable to the owners of Kogi Iron Limited</b>		<b>(2,549,117)</b>	<b>(3,342,833)</b>
<b>Loss per share for the year attributable to the owners of Kogi Iron Limited</b>			
Basic loss per share	23	(0.004)	(0.006)
Diluted earnings (loss) per share		n/a	n/a

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 30 June 2019



	Note	30/06/2019 \$	30/06/2018 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	1,427,491	2,360,897
Trade and other receivables	6	49,416	95,149
<b>Total current assets</b>		<b>1,476,907</b>	<b>2,456,046</b>
<b>Non-current assets</b>			
Property, plant and equipment		905	1,311
<b>Total non-current assets</b>		<b>905</b>	<b>1,311</b>
<b>Total assets</b>		<b>1,477,812</b>	<b>2,457,357</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	7	1,897,188	1,825,979
<b>Total current Liabilities</b>		<b>1,897,188</b>	<b>1,825,979</b>
<b>Total liabilities</b>		<b>1,897,188</b>	<b>1,825,979</b>
<b>Net Assets / (Liabilities)</b>		<b>(419,376)</b>	<b>631,378</b>
<b>Equity</b>			
Contributed Equity	9	67,931,280	66,988,802
Reserves	10	2,264,251	1,720,209
Accumulated losses		(70,614,907)	(68,077,633)
<b>Total Equity</b>		<b>(419,376)</b>	<b>631,378</b>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the year ended 30 June 2019



	Contributed Equity	Accumulated Losses	Reserves	Total
	\$	\$	\$	\$
<b>Consolidated</b>				
Balance at 1 July 2017	62,175,602	(64,766,764)	1,427,921	(1,163,241)
Loss for the year	-	(3,310,869)	-	(3,310,869)
Foreign exchange movements	-	-	(31,964)	(31,964)
<b>Total comprehensive loss as reported at 30 June 2018</b>	-	<b>(3,310,869)</b>	<b>(31,964)</b>	<b>(3,342,833)</b>
Share based payments	-	-	324,252	324,252
Contributions of equity, net of transaction costs	4,813,200	-	-	4,813,200
<b>Balance at 30 June 2018</b>	<b>66,988,802</b>	<b>(68,077,633)</b>	<b>1,720,209</b>	<b>631,378</b>
<b>Consolidated</b>				
Balance at 1 July 2018	66,988,802	(68,077,633)	1,720,209	631,378
Loss for the year	-	(2,537,274)	-	(2,537,274)
Foreign exchange movements	-	-	(11,843)	(11,843)
<b>Total comprehensive loss as reported at 30 June 2019</b>	-	<b>(2,537,274)</b>	<b>(11,843)</b>	<b>(2,549,117)</b>
Contributions of equity, net of transaction costs	942,478	-	702,337	1,644,815
Share based payments reversal	-	-	(146,452)	(146,452)
<b>Balance at 30 June 2019</b>	<b>67,931,280</b>	<b>(70,614,907)</b>	<b>2,264,251</b>	<b>(419,376)</b>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the year ended 30 June 2019



Note	30/06/2019	30/06/2018
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(1,498,237)	(974,112)
Payments for exploration, evaluation and development	(1,261,176)	(1,484,174)
Interest received	6,597	3,274
<b>Net cash outflow from operating activities</b>	<b>(2,752,816)</b>	<b>(2,455,012)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	575,750	4,861,586
Proceeds from issue of options*	1,323,289	-
Payment of issue costs	(79,629)	(180,859)
<b>Net cash inflow from financing activities</b>	<b>1,819,410</b>	<b>4,680,727</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>	<b>(933,406)</b>	<b>2,225,715</b>
Cash and cash equivalents at beginning of financial year	2,360,897	135,182
<b>Cash and cash equivalents at end of year</b>	<b>1,427,491</b>	<b>2,360,897</b>

\*includes amounts received prior to 30 June 2019 for shortfall options issued on 3<sup>rd</sup> July 2019.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 June 2019



**Note 1. General information**

These financial statements are consolidated financial statements for the group consisting of Kogi Iron Limited and its subsidiaries. A list of subsidiaries is included in note 17.

The financial statements are presented in the Australian currency.

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

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

The financial statements were authorised for issue by the directors on 25 September 2019. The directors have the power to amend and reissue the financial statements.

All ASX announcements, financial reports and other information are available at the Company's Investor Centre on its website: [www.kogiron.com](http://www.kogiron.com).

**Note 2. Revenue**

From continuing operations  
Interest received  
Other income  
**Total Income**

	2019	2018
	\$	\$
From continuing operations		
Interest received	6,597	3,274
Other income	-	275
<b>Total Income</b>	<b>6,597</b>	<b>3,549</b>

**Note 3. Director and employee expenses**

Director remuneration  
Other  
**Total**

	2019	2018
	\$	\$
Director remuneration	427,587	579,617
Other	29,836	29,956
<b>Total</b>	<b>457,423</b>	<b>609,573</b>
Director remuneration included in exploration and evaluation expenditure	20,533	389,547

**Note 4. Other expenses**

Bank fees and charges  
Depreciation expense  
**Total**

	2019	2018
	\$	\$
Bank fees and charges	2,615	4,974
Depreciation expense	406	900
<b>Total</b>	<b>3,021</b>	<b>5,874</b>

**Note 5. Cash and cash equivalents**

Cash at bank and on term deposit

	2019	2018
	\$	\$
Cash at bank and on term deposit	1,427,491	2,360,897
	<b>1,427,491</b>	<b>2,360,897</b>
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	1,427,491	2,360,897
<b>Total</b>	<b>1,427,491</b>	<b>2,360,897</b>

Refer to note 16 for the group's exposure to interest rate risk. Credit risk is limited to the carrying amount of cash and cash equivalents above.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 June 2019



**Note 6. Trade and other receivables**

GST refundable  
Prepaid insurance  
Sundry debtors

	2019	2018
	\$	\$
	10,772	21,693
	37,792	73,456
	852	-
	<b>49,416</b>	<b>95,149</b>

None of the above trade and other receivables are past due or require impairment.  
Refer to note 16 for the group's exposure to credit and currency risks.

**Note 7. Trade and other payables**

**CURRENT - unsecured liabilities**

Trade & other payables  
Accrued director fees (refer Note 22)  
Other accrued expenses  
Advanced proceeds from short-fall options issued post year end\*  
Sundry creditors  
Total trade and other payables

	2019	2018
	\$	\$
	479,805	243,484
	861,633	1,536,814
	102,312	37,812
	452,840	-
	598	7,869
	<b>1,897,188</b>	<b>1,825,979</b>

\*This amount was settled via the issue of equity in the form of options following the completion of the allotment of shortfall options relating to the Entitlement Offer.  
Refer to note 16 for the group's exposure to currency and liquidity risks.

**Note 8. Income tax expense**

**(a) Numerical reconciliation of income tax benefit to prima facie tax payable**

Loss before income tax expense  
Tax at the Australian tax rate of 27.5% (2018: 28.5%)  
Tax effect of amounts that are not deductible /(taxable) in calculating taxable income  
    Non-deductible share based payments  
    Other non-deductible items  
    Timing differences and income tax benefit not recognised  
Income tax benefit

	2019	2018
	\$	\$
	(2,537,274)	(3,310,869)
	(697,750)	(943,598)
	(40,275)	41,739
	161,760	-
	576,265	901,859
	-	-

**(b) Tax losses**

Unused tax losses for which no deferred tax assets has been recognised  
Potential tax benefit at 27.5% (2018: 28.5%)

	22,766,754	22,261,615
	<b>6,260,857</b>	<b>6,344,560</b>

**(c) Unrecognised temporary differences**

Deferred tax assets and liabilities not recognised relate to the following:

**Deferred tax assets**

Tax losses <sup>(i)</sup>  
Other

	22,766,754	22,261,615
	644,754	131,307

(i) The taxation benefits of tax losses not brought to account will only be obtained if:

- (a) assessable income is derived of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;
- (b) conditions for deductibility imposed by the law are complied with; and
- (c) no changes in taxation legislation adversely effect the realisation of the benefit from the deductions.

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**Note 9. Contributed Equity**

(a) Share Capital

Ordinary shares, fully paid

(b) Other equity securities:

Value of conversion rights – convertible notes

**Total Contributed Equity**

(c) (i) Ordinary shares

At the beginning of the reporting period

Shares issued during the year

Transaction costs relating to share issues

At the end of the reporting date

	2019	2018
	\$	\$
Ordinary shares, fully paid	67,707,424	66,764,946
Value of conversion rights – convertible notes	223,856	223,856
<b>Total Contributed Equity</b>	<b>67,931,280</b>	<b>66,988,802</b>
At the beginning of the reporting period	66,764,946	61,951,746
Shares issued during the year	999,090	5,533,364
Transaction costs relating to share issues	(56,612)	(720,164)
At the end of the reporting date	67,707,424	66,764,946

(c) (ii) Movements in Ordinary Share Capital

	No. of shares 2019	\$ 2019	No. of shares 2018	\$ 2018
At the beginning of the reporting period	651,343,370	66,764,946	518,291,022	61,951,746
Shares issued in settlement of liabilities	3,527,843	423,340	-	-
Shares issued on private placement	6,773,529	575,750	-	-
Shares issued for Bergen Tranche 8	-	-	3,885,306	73,821
Shares issued for Bergen Additional Tranche	-	-	5,959,191	113,225
Shares issued for Bergen Tranche 9	-	-	4,238,186	76,287
Shares issued for Bergen Tranche 10	-	-	5,760,302	144,008
Shares issued for Bergen Tranche 11	-	-	4,041,645	161,665
Shares issued for Bergen Tranche 12	-	-	2,312,366	184,989
Bergen Collateral shares paid up	-	-	-	216,600
Shares issued on private placement	-	-	47,666,667	715,000
Shares issued on private placement	-	-	20,000,000	2,000,000
Shares issued pursuant to share purchase plan	-	-	9,388,685	938,869
Shares issued on exercise of options	-	-	29,800,000	908,900
Share issue costs	-	(56,612)	-	(720,164)
<b>At reporting date</b>	<b>661,644,742</b>	<b>67,707,424</b>	<b>651,343,370</b>	<b>66,764,946</b>

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

At the beginning of the reporting period  
Shares issued during the reporting period

At reporting date

	30/06/2019	30/06/2018
	(number of shares)	
At the beginning of the reporting period	651,343,370	518,291,022
Shares issued during the reporting period	10,301,372	133,052,348
<b>At reporting date</b>	<b>661,644,742</b>	<b>651,343,370</b>

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.

(d) Options

At the beginning of the reporting period

Options issued during the period:

Options exercised during the period

At reporting date

	2019	2018
	(number of options)	
At the beginning of the reporting period	-	9,800,000
Options issued during the period:	87,444,899	20,000,000
Options exercised during the period	-	(29,800,000)
<b>At reporting date</b>	<b>87,444,899</b>	<b>-</b>

Options were issued during the period pursuant to an Entitlement Offer. These options are listed and have an exercise price of \$0.10 and an expiry date of 31 December 2021. 44,884,049 Listed options in relation to the shortfall of the Entitlement Offer and 10,000,000 listed options for corporate advisory were issued on 3<sup>rd</sup> July 2019 on the same terms and conditions of the Entitlement Offer options.

**Note 10. Reserves**

	2019	2018
	\$	\$
Share based payments reserve	1,657,374	1,803,826
Options reserve	702,337	-
Foreign currency translation reserve	(95,460)	(83,617)
	<b>2,264,251</b>	<b>1,720,209</b>
<b>Movements:</b>		
<b>Share based payments reserve</b>		
Balance at beginning of period	1,803,826	1,479,574
Options issued during the period	-	177,800
Long term equity incentive	(146,452)	146,452
Balance at end of period	<b>1,657,374</b>	<b>1,803,826</b>
<b>Options Reserve</b>		
Balance at beginning of period	-	-
Options issued during the period	874,449	-
Issue costs	(172,112)	-
Balance at end of period	<b>702,337</b>	<b>-</b>
<b>Foreign currency translation reserve</b>		
Balance at beginning of period	(83,617)	(51,653)
Currency translation differences arising during the period	(11,843)	(31,964)
Balance at end of period	<b>(95,460)</b>	<b>(83,617)</b>
<b>Total Reserves</b>	<b>2,264,251</b>	<b>1,720,209</b>

**(a) Nature and Purpose of Reserves**

*(i) Share based payment reserve*

The share based payments reserve is used to record the fair value of securities issued by the consolidated entity to directors as part of remuneration and to consultants for the provision of services settled in equity. Refer to note 21.

*(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 11. Key management personnel disclosures**

**Compensation**

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

	2019	2018
	\$	\$
Short-term employee benefits	574,039	822,712
Post-employment benefits	-	-
Share based payments *	(146,452)	146,452
<b>Total key management personnel compensation</b>	<b>427,587</b>	<b>969,164</b>

\*Reversal of share based payments relates to long term equity incentive that was accrued in 2018 but not granted

## Note 12. Segment Reporting

AASB 8 Operating Segments requires segment information presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision maker (the Chief Executive Officer who makes strategic decisions).

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 and evaluation. The Company's results are analysed as a whole by the Chief Executive Officer.

### Segment information

Segment information for the 12 months ended 30 June 2019 is as follows:

2019	Exploration and Evaluation	Total
<b>Segment revenue</b>		
Interest Income	6,597	6,597
<b>Total segment revenue/income</b>	<b>6,597</b>	<b>6,597</b>
<b>Segment result</b>		
Loss after income tax	(2,537,274)	(2,537,274)
<b>Segment assets</b>		
Cash and cash equivalents	1,427,491	1,427,491
Property, plant and equipment	905	905
Other assets	49,416	49,416
<b>Total assets</b>	<b>1,477,812</b>	<b>1,477,812</b>
<b>Segment liabilities</b>		
Trade and other payables	1,897,188	1,897,188
<b>Total Liabilities</b>	<b>1,897,188</b>	<b>1,897,188</b>

2018	Exploration and Evaluation	Total
<b>Segment revenue</b>		
Interest Income	3,274	3,274
Other Income	275	275
<b>Total segment revenue/income</b>	<b>3,549</b>	<b>3,549</b>
<b>Segment result</b>		
Loss after income tax	(3,310,869)	(3,310,869)
<b>Segment assets</b>		
Cash and cash equivalents	2,360,897	2,360,897
Property, plant and equipment	1,311	1,311
Other assets	95,149	95,149
<b>Total assets</b>	<b>2,457,357</b>	<b>2,457,357</b>
<b>Segment liabilities</b>		
Trade and other payables	1,825,979	1,825,979
<b>Total Liabilities</b>	<b>1,825,979</b>	<b>1,825,979</b>

### 13. Cash flow information

#### Reconciliation of Cash Flow from Operations with Profit/(Loss) after Income Tax

	2019 \$	2018 \$
Profit/(Loss) after income tax	(2,537,274)	(3,310,869)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit from ordinary activities		
Depreciation	406	900
Depreciation included exploration and evaluation expenditure	-	2,781
Finance costs	-	323,770
Foreign exchange differences	(11,843)	(14,873)
Loss on settlement of liabilities by issue of equity	53,976	-
Share based payments	(146,452)	146,452
Changes in assets and liabilities,		
(Increase)/decrease in receivables	45,733	(34,534)
Increase/(decrease) in payables	(157,362)	446,655
Increase/(decrease) in financial assets and liabilities	-	(15,294)
<b>Cash flow used in operations</b>	<b>(2,752,816)</b>	<b>(2,455,012)</b>

#### Non-cash investing and financing activities

	2019 \$	2018 \$
Equity issued for settlement of liabilities	423,341	-
Equity issued for capital raising services	-	539,306
	<b>423,341</b>	<b>539,306</b>

The company issued equity to settle outstanding fees payable to previous directors.

In 2018 Equity issued for capital raising services comprises amortisation of the deferred facility costs relating to the Bergen agreement of \$268,006 and other securities issued in settlement of capital raising services during the reporting period of \$271,300 including value of options issued of \$177,800.

### 14. Commitments

#### Future exploration

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

Annual licence fees of \$207,110 (2018: \$178,869) are payable to the government of Nigeria for the Mining and Exploration Licences that the group plans to retain in the next 12 months.

#### Operating leases

##### Office Premises

The Company leases office premises in West Perth, Western Australia and Agbaja, Nigeria. The Perth office lease is on a month to month basis and the Agbaja office lease was paid in advance in April 2016 (\$3,980) for a period of 4 years, expiring 30 April, 2020. Annual commitments payable under these leases are:

2019/20	\$1,150
---------	---------

The group has no other operating lease commitments.

### 15. Events subsequent to reporting date

On 3 July 2019, the Company issued the short-fall listed options pursuant to the Option Rights issue that closed in late June 2019.

Other than the above, no matters or circumstance have arisen since 30 June 2019 that have significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

## 16. Financial instruments and risk management

### *Financial Instruments*

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

The group holds the following financial instruments:

#### **Financial assets**

Cash and cash equivalents  
Trade and other receivables

#### **Financial liabilities**

Trade and other payables

	2019 \$	2018 \$
Cash and cash equivalents	1,427,491	2,360,897
Trade and other receivables	49,416	95,149
	<b>1,476,907</b>	<b>2,456,046</b>
Trade and other payables	1,897,188	1,825,979
	<b>1,897,188</b>	<b>1,825,979</b>

The group's principal financial instruments comprise cash and short-term deposits.

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

The Board reviews and agrees policies for managing each of these risks and they are summarised below.

#### ***Financial Risk Management***

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

#### ***Market risk***

##### *Foreign currency risk*

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

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

##### *Interest rate risk*

The group has minimal interest rate risk arising from cash and cash equivalents held. At 30 June 2019, the group have any deposits held with banks at fixed interest rates and funds on current accounts held with banks at variable interest rates, exposing the group to immaterial interest rate risk. The group does not consider the interest rate risk to be material to the group and have therefore not undertaken any further analysis of risk exposure.

#### ***Credit risk***

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

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

The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets as summarised at the start of note 16.

#### ***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 reporting date and will need to secure additional equity or debt funding to enable it to meet its ongoing requirements.

#### ***Maturities of financial liabilities***

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

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There were no Derivative Liabilities as at 30 June 2019 or 30 June 2018.

At 30 June 2019							Total contractual cash flows	Carrying amount (assets)/ liabilities
Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years				
\$	\$	\$	\$	\$	\$			
<b>Non-derivatives</b>								
Non-interest bearing	933,245	963,943	-	-	-	1,897,188	1,897,188	
Variable rate	-	-	-	-	-	-	-	
Fixed rate	-	-	-	-	-	-	-	
<b>Total non-derivatives</b>	<b>933,245</b>	<b>963,943</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,897,188</b>	<b>1,897,188</b>	
At 30 June 2018							Total contractual cash flows	Carrying amount (assets)/ liabilities
Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years				
\$	\$	\$	\$	\$	\$			
<b>Non-derivatives</b>								
Non-interest bearing	1,028,650	797,329	-	-	-	1,825,979	1,825,979	
Variable rate	-	-	-	-	-	-	-	
Fixed rate	-	-	-	-	-	-	-	
<b>Total non-derivatives</b>	<b>1,028,650</b>	<b>797,329</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,825,979</b>	<b>1,825,979</b>	

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

**Fair value measurement**

**Measured at fair value on recurring basis**

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 observe ability 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).

At 30 June 2019 and 30 June 2018, there were no financial assets or financial liabilities measured at fair value.

**17. Subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 26. Unless otherwise stated each of the subsidiaries have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group.

Name of entity	Principal activities	Country of incorporation	Ownership interest	
			2019	2018
KCM Mining Holdings Pty Ltd	Mineral exploration and evaluation studies	Australia	100%	100%
KCM Mining Limited	Iron ore exploration and evaluation activities	Nigeria	100%	100%

**18. Dividends**

No dividends have been declared or paid during the period.

**19. Contingent liabilities and expenses**

There are no contingent liabilities as at 30 June 2019 (2018: none).

**20. Capital commitments**

There are no capital commitments as at 30 June 2019 (2018: none).

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**21. Share based payments**

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

**Summary of share-based payments**

	2019 \$	2018 \$
Share based payments – unlisted options consultants & contractors	-	177,800
Share based payments – long term incentive chief executive officer	(146,452)*	146,452
<b>Total share based payment expense / (gain)</b>	<b>(146,452)</b>	<b>324,252</b>

\*reversal of 2018 share based payment expense accrual.

Long Term Incentives in the form of Share based payments

The long term incentive remuneration offered by the Company to Mr Wood upon his appointment of Chief Executive Officer on 24 January 2018 comprised up to 6.5m Kogi shares was subject to the following vesting conditions and shareholder approval:

- o 25% of the Equity Incentive will vest upon the successful completion of a Fund Raising needed to complete a Bankable Feasibility Study for the Agbaja Cast Steel Project;
- o 40% of the Equity Incentive will vest upon the successful completion of a debt and equity raising by no later than 31 December 2018 to fund the Project construction and pre-production phases; and
- o 35% of the Equity Incentive will vest if the Company announces commencement of Construction of the Project prior to 30 June 2019.

At the 2018 AGM, shareholders did not approve the long term incentive detailed above, therefore the amount expensed in the prior year has been reversed in the current year.

**22. Related party transactions**

**Parent entity**

Kogi Iron Limited is the parent entity.

**Subsidiaries**

Interests in subsidiaries are set out in note 17.

*Terms and conditions of transactions with subsidiaries*

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

**Key management personnel and directors**

**Unpaid director fees**

The table below details as at the reporting date the amount of accrued director fees owing to Board members serving during the financial year to 30 June 2019. Subsequent to the year end, outstanding accrued fees payable to Martin Wood and Michael Tilley were paid in full following their respective resignations.

Name	Balance 01/07/18 \$	Remuneration incurred for the period	Remuneration paid during the period	Balance as at 30/06/2019 \$
Don Carroll	255,000	82,258	(47,258)	290,000*
David Turvey	-	9,385	-	9,385
Greg Boulton	-	35,500	-	35,500
Peter Huljich	-	9,385	-	9,385
Martin Wood	12,330	375,000	(187,500)	199,830
Dr Ian Burston	425,000	44,355	(69,355)	400,000*
Michael Tilley	105,000	50,968	(45,000)	110,968
Kevin Joseph <sup>^</sup>	297,177	-	(297,177)	-
Ajakpovi Mena <sup>^^</sup>	72,943	20,533	(72,943)	20,533
<b>Total</b>	<b>1,167,450</b>	<b>627,384</b>	<b>(719,233)</b>	<b>1,075,601<sup>^^^</sup></b>

<sup>^</sup>amount paid to Mr Kevin Joseph was US\$220,000

<sup>^^</sup> amount accrued as payable to Mr Mena as local director of Nigerian subsidiary KCM Mining Limited. Mr Mena is not considered a key management personnel of the Group.

<sup>^^^</sup>director fees included in accruals is \$861,633 (refer note 7) the balance of \$213,968 is included in trade and other payables (refer note 7) for invoices received for services rendered.

\* Mr Carroll and Dr Burston have agreed that, for the outstanding amounts of \$240,000 and \$400,000 respectively, they will not call in the debt until such time as an Asset Realisation event occurs on the Agbaja Project or sufficient funds are raised and as long as the repayment will not cause any insolvency issue to the Company.



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Name	Balance 01/07/17 \$	Remuneration incurred but not paid for the period \$	Loan balance as at 30/06/2018 \$
Dr Ian Burston	350,000	75,000	425,000
Martin Wood	-	12,330	12,330
Kevin Joseph*	247,122	50,055	297,177
Don Carroll	210,000	45,000	255,000
Michael Tilley	60,000	45,000	105,000
Ajakpovi Mena^^	-	72,943	72,943
<b>Total</b>	<b>867,122</b>	<b>300,328</b>	<b>1,167,450</b>

\*amount accrued as payable to Mr Kevin Joseph is US\$220,000

^^ amount accrued as payable to Mr Mena as local director of Nigerian subsidiary KCM Mining Limited. The fees of \$72,943 accrued include fees not paid or accrued for in prior periods of \$53,492, and fees relating to services for the year ended 30 June 2018 were \$19,452.

**Other transactions with key management personnel**

**Office Facilities and support costs:**

During the period, the Company incurred costs pursuant to an agreement for office facilities and support costs for the Chief Executive Officer, Martin Wood located in London with Vicarage Capital Limited a company associated with Martin Wood. Total costs incurred during the period were \$104,384 (2018: \$45,734). There were no amounts outstanding at period end.

**Sub-Underwriting of Entitlement Offer:**

During the period, Martin Wood, David Turvey and Peter Huijich, each a Director of the Company, or their respective nominees, entered into agreements with the Underwriter of the Entitlement Offer to part sub-underwrite the Offer. The Entitlement Offer was made to Shareholders in May 2019 as a non-renounceable entitlement issue of 1 New Listed Option for every 5 Ordinary shares held.

Martin Wood and David Turvey agreed to sub-underwrite the Offer up to \$27,500 each (2,750,000 New Options each) and Peter Huijich agreed to sub-underwrite the Offer up to \$41,250 (4,125,000 New Options). Pursuant to the terms of the sub-underwriting, the Underwriter shall pay each sub-underwriter a fee of 3% (excluding GST) of the sub-underwriter's respective sub-underwritten value.

**Issue of options to Directors:**

Pursuant to the Entitlement Offer and Sub-Underwriting agreements described above the following directors were issued Listed Options at an issue price of \$0.01 each with an exercise price of \$0.10 expiring 31 December 2021.

**Listed Options exercise price \$0.10 expiry 31 December 2021**

Name	No. of Options Issued on 28 June 2019 pursuant to the Entitlement Offer	No. of Options Issued on 3 July 2019 pursuant to Sub-Underwriting agreement
Don Carroll	1,219,159	-
David Turvey	-	932,760
Peter Huijich	-	1,399,140
Martin Wood	-	932,760

**23. Earnings per share**

(a) Reconciliation of earnings used to calculate EPS to net profit or loss  
Net Loss

2019 \$	2018 \$
(2,537,274)	(3,310,869)

(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS

Number	Number
656,413,440	588,188,910

**24. Remuneration of auditors**

During the year the following fees were paid or payable for services provided by the auditor of the group, its related practices and non-related audit firms.

Auditing or reviewing the financial reports (BDO Audit (WA) Pty Ltd)  
**Total**

2019 \$	2018 \$
32,282	34,007
<b>32,282</b>	<b>34,007</b>

## 25. Parent entity information

Information relating to Kogi Iron Limited

	2019	2018
	\$	\$
Current assets	1,473,481	2,449,381
Non-current assets	434,460	-
<b>Total assets</b>	<b>1,907,941</b>	<b>2,449,381</b>
Current liabilities	(1,874,477)	(1,442,550)
<b>Total liabilities</b>	<b>(1,874,477)</b>	<b>(1,442,550)</b>
Issued capital	67,931,280	66,988,802
Accumulated losses	(70,257,527)	(67,786,533)
Option Reserve	702,337	-
Share based payments reserve	1,657,374	1,657,374
<b>Total shareholder equity</b>	<b>33,464</b>	<b>859,643</b>
Profit (loss) of parent entity	(2,470,994)	(3,216,816)
Total comprehensive profit (loss) of parent	(2,470,994)	(3,216,816)

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

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

### Details of contingent liabilities of the parent entity

Refer to note 19 for details.

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

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

### Tax consolidation

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

## 26. Summary of Significant accounting policies

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

### (a) Basis of preparation

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

These financial statements have been approved for issue by the Board of Directors of Kogi Iron Limited on 25 September 2019.

#### (i) Going Concern

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

The ability of the Group to continue as a going concern is dependent on securing additional funding. For the year ended 30 June 2019, the group has recorded a loss from continuing operations of \$2,537,274, had net cash outflows from operations of \$2,752,816 and net liabilities of \$419,376. 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.

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

The directors note that \$640,000 (2018: \$729,329) of the \$1,897,188 (2018: \$1,825,979) in total liabilities due are owed to the current and previous Board members who will not call in the debt until such time as an Asset Realisation event occurs on the Agbaja Project or the Board determines the Company has sufficient cash reserves available and as long as the repayment will not cause any insolvency issue to the Company. Total liabilities include \$448,840 relating to shortfall options which were settled by issue of equity on 3<sup>rd</sup> July 2019 following the completion of the allotment of shortfall options under the Entitlement Offer that closed in June 2019.

The directors have reviewed the Group's financial position and forecast cash flows and have assessed that the Group will be required to raise additional funds by way of issuing equity to continue its exploration and evaluation program as forecast or alternatively reduce its discretionary expenditure. The directors reasonably expect that the Group will be able to raise additional funds as required to meet future costs associated with its operating and exploration activities for at least the next 12 months but is able to curtail expenditure if required. The directors are therefore of the opinion that the use of the going concern basis is appropriate in the circumstances.

## 26. Summary of Significant accounting policies *(continued)*

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.

### *(ii) Compliance with IFRS*

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

### *(iii) Historical cost convention*

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

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

### *(iv) Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires the Board to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 28.

### *(v) New and amended standards adopted by the group*

In the year ended 30 June 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant to the Group and effective for the current annual reporting period.

#### *(i) AASB 9 Financial Instruments*

The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group has adopted AASB9 from 1 July 2018 retrospectively with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018 and has elected not to restate comparative information accordingly, the information presented for 30 June 2018 has not been restated. The impact of the adoption of this standard is disclosed in note 27.

The Company has adopted this standard from 1 July 2018 and the impact is not material to the group.

#### *(ii) AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Company has adopted this standard from 1 July 2018 and the impact is not material to the group.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

### *(vi) New accounting standards and interpretations not yet adopted*

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2019. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

#### *(i) AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).*

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;

## 26. Summary of Significant accounting policies *(continued)*

- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

AASB16 is effective for annual reporting periods beginning on or after 1 January 2019 with early adoption permitted. The impact on the Group's financial assets and financial liabilities of the adoption of AASB 16 has yet to be determined and will depend upon the leases in place on transition.

### *(ii) Interpretation 23 Uncertainty over Income Tax Treatments*

This Interpretation clarifies how to apply the recognition and measurement requirements in AASB 112 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in AASB 112 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation.

Interpretation 23 is effective from annual reporting periods beginning on or after 1 July 2019.

### **(b) Principles of consolidation**

#### *(i) Subsidiaries*

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

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

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

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

#### *(ii) Associates*

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

#### *(iii) Equity method*

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

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

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Kogi Iron Limited.

#### *(iv) Changes in ownership interests*

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

### **(c) Segment reporting**

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

### **(d) Foreign currency translation**

#### *(i) Functional and presentation currency*

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

## 26. Summary of Significant accounting policies *(continued)*

### *(ii) Transactions and balances*

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

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

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

### *(iii) Group companies*

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

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

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

### **(e) Revenue from contracts with customers**

*Applicable to 30 June 2019*

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

The revenue and profits recognised in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer.

### **(f) Interest income**

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### **(g) Income tax**

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

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

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

## 26. Summary of Significant accounting policies *(continued)*

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

### (h) Leases

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

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

### (i) Impairment of assets

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

### (j) Cash and cash equivalents

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

### (k) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit loss. See note 6 for further information about the group's accounting for trade receivables.

### (l) Financial instruments

#### *Investment and other financial assets*

#### *Classification*

From 1 July 2018 the Group classifies its financial assets in the following measurement categories:

- those measured subsequently at fair value (either through OCI, or through profit or loss), and
- those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

#### *Measurement*

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

#### *Debt instruments:*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments: The Group subsequently measures all equity investments at fair value. Where the Company's/Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's/Group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

## 26. Summary of Significant accounting policies *(continued)*

### *Impairment*

From 1 July 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### **(m) Trade and other payables**

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

### **(n) Employee benefits**

#### *(i) Short-term obligations*

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

#### *(ii) Other long-term employee benefit obligations*

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

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

#### *(iii) Share-based payments*

Share-based compensation benefits are provided to employees via the Kogi Iron Limited Loan Share Plan and an employee share scheme. Information relating to these schemes is set out in note 21.

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

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

#### *(vi) Termination benefits*

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

### **(n) Contributed equity**

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019



## 26. Summary of Significant accounting policies *(continued)*

### (o) Dividends

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

### (p) Earnings per share

#### *(i) Basic earnings per share*

Basic earnings per share is calculated by dividing:

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

#### *(ii) Diluted earnings per share*

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

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

### (q) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

### (r) Parent entity financial information

The financial information for the parent entity, Kogi Iron Limited, disclosed in note 25 has been prepared on the same basis as the consolidated financial statements, except as set out below.

#### *(i) Investments in subsidiaries, associates and joint venture entities*

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

#### *(ii) Tax consolidation legislation*

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

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

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

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

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

#### *(iii) Financial guarantees*

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



## 27. Changes in accounting policies

This note explains the impact of the adoption of AASB 9 Financial Instruments on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods.

### *Impact on the financial statements*

As a result of the changes in the Group's/Company's accounting policies, AASB 9 and AASB 15 were adopted without restating comparative information.

### *AASB 9 Financial Instruments – Impact of adoption*

AASB 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out below. Comparative figures have not been restated in accordance with transitional provisions.

On 1 July 2018, the Company assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate AASB 9 categories. The adoption of this standard has not had a material impact on the financial statements.

	Note	Measurement Category		Carrying amount		
		AASB 139 category	AASB 9 category	Closing balance 30 June 2018	Adoption of AASB9	Opening balance 1 July 2018 (AASB 9)
<b>Current financial assets</b>						
Cash and cash equivalents		Amortised cost	Amortised cost	2,360,897	-	2,360,897
Trade and other receivables		Amortised cost	Amortised cost	95,149	-	95,149
<b>Current financial Liabilities</b>						
Trade and other payables		Amortised cost	Amortised cost	1,825,979	-	1,825,979

### *AASB 9 Financial Instruments – Accounting policies applied from 1 July 2018*

#### *Investments and other financial assets*

#### *Classification*

From 1 July 2018 the Group classifies its financial assets in the following measurement categories:

- those measured subsequently at fair value (either through OCI, or through profit or loss), and
- those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

#### *Measurement*

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

#### *Debt instruments:*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

**Equity instruments:** The Group subsequently measures all equity investments at fair value. Where the Company's/Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's/Group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### *Impairment*

From 1 July 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### *IFRS 15 Revenue from Contracts with Customers – Impact of adoption*

The Company/Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 July 2018 which has no material impact to the amounts recognised in the financial statements.

## 28. Critical accounting judgements, estimates and assumptions

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

### *Share-based payment transactions*

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

### *Income tax*

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

### *Recovery of deferred tax assets*

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

### *Entitlement offer shortfall proceeds*

The group completed an entitlement offer which closed on 24 June 2019 with the entitlement options (other than the shortfall options) being allotted and issued on 28 June 2019. The entitlement offer was underwritten, and prior to 30 June 2019 the shortfall options under the underwriting agreement determined. Administratively, the allotment of the shortfall options was completed on 3 July 2019. The Board has made judgements as to the treatment of the proceeds of the entitlement offer and the obligation under the prospectus and the underlying underwriting agreement for the issue of options. The amount received in relation to the shortfall allotment completed on 3 July 2019 is considered to be an underlying obligation as at 30 June 2019 and subject to terms set out in the prospectus where in certain circumstances funds may be refundable, so the group has included this amount in liabilities as at 30 June 2019 and subsequent to year end, included this amount in equity on completion of the allotment. Furthermore, as settlement conditions were satisfied and confirmed, the proceeds from the shortfall allotment have been recognised in cash and cash equivalents as unrestricted funds as at 30 June 2019.

### Directors' Declaration:

- (a) the financial statements and notes set out on pages 19 to 41 are in accordance with the *Corporations Act 2001*, including:
- Complying with the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - Giving a true and fair view of the group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 26 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'L. B. Roll'.

Non-Executive Chairman  
25 September 2019

## INDEPENDENT AUDITOR'S REPORT

To the members of Kogi Iron Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Kogi Iron Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of the Group in accordance with 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 (the Code) that are relevant to our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

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

#### Material uncertainty related to going concern

We draw attention to Note 26 (a)(i) 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 opinion is not modified in respect of this matter.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

#### Entitlement Issue offer - Funds received in advance

Key audit matter	How the matter was addressed in our audit
<p>During the financial year ended 30 June 2019, the Company received funds in advance as disclosed in Note 7, Note 9(d) and Note 28 in connection with an entitlement issue offer (options). The Company issued the respective options subsequent to the reporting date, refer to Note 7, Note 9(d) and Note 28.</p> <p>Given the nature and significant balance of the funds received in advance and the judgement applied in the classification thereof we considered the issue of options as a key audit matter.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the underlying transaction through discussions with management;</li> <li>• Reviewing the arrangement and contracts in place in connection with the options issue;</li> <li>• Verifying the funds received from this underlying transaction to the corresponding bank statements;</li> <li>• Reviewing the accounting for options issued to the underwriter and associated recognition as a cost of the offer;</li> <li>• Obtaining client workings of the underlying transaction to ensure that the accounting treatment is appropriate; and</li> <li>• Assessing the adequacy of the related disclosures in notes 7, 9(d) and 28 to the Financial Report.</li> </ul>

### Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf)

This description forms part of our auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 15 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Kogi Iron Limited, for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd



Dean Just  
Director

Perth, 25 September 2019