KOGI IRON
LIMITED

ABN 28 001 894 033

Interim Report – 31 December 2013

Corporate Directory

Directors	Dr Ian Burston, Chairman Ignatius (Iggy) Kim-Seng Tan, Managing Director Kevin Joseph, Executive Director Don Carroll, Non-Executive Director Nathan Taylor, Non-Executive Director Brian King, Non-Executive Director Giuseppe (Joe) Ariti, Non-Executive Director
Company Secretary	Shane Volk
Registered Office	13 Colin Street West Perth WA 6005 Telephone: (08) 9200 3456 Facsimile: (08) 9200 3455
Share Registry	Link Market Services Limited Ground Floor 178 St Georges Terrace Perth WA 6000 Australia Telephone: +61 1300 554 474 Facsimile: +61 2 9287 0303 Email: registrars@linkmarketservices.com.au Website: www.linkmarketservices.com.au
Auditors	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008
Solicitors to the Company	Gilbert & Tobin 1202 Hay Street West Perth WA 6005
Bankers	Commonwealth Bank
Stock Exchange Listing	Kogi Iron Limited shares are listed on the Australian Securities Exchange (ASX). ASX Code: KFE

Contents

Directors Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the "consolidated entity") consisting of Kogi Iron Limited (referred to hereafter as the "company" or "parent entity") and the entities it controlled for the half year ended 31 December 2013.

Directors

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

Dr Ian Burston	Chairman
Mr Ignatius Tan	Managing Director (appointed 26 August 2013)
Kevin Joseph	Executive Director
Don Carroll	Non-Executive Director
Nathan Taylor	Non-Executive Director
Brian King	Non-Executive Director
Giuseppe (Joe) Ariti	Non-Executive Director

Principal Activities

During the financial half year the principal activities of the consolidated entity was continuation of the evaluation of its wholly owned Agbaja iron ore project in Kogi State, Federal Republic of Nigeria ("Agbaja Project", "Agbaja" or the "Project"). Importantly, in September 2013 the company commenced a Scoping Study (upgraded to a Preliminary Feasibility Study on 13 December 2013) to assess the technical and economic viability for the development and operation of a mine and processing plant to produce 5 million tonnes per annum or iron ore concentrate at Agbaja. The results of the Preliminary Feasibility Study were highly positive and announced on 29 January 2014. The company has since commenced planning for a Definitive Feasibility Study for the Project, which is subject to securing the necessary funding.

Review of Operations

The loss after tax for the consolidated entity for the half year ended 31 December 2013 was $1,359,475 (31 December 2012: $1,417,627). The loss is primarily attributable to corporate costs of the consolidated entity in support of the Preliminary Feasibility Study and other associated evaluation work for the Agbaja Project.

Corporate

On 23 August 2013, the company announced the appointment of Mr Ignatius "Iggy" Tan as Managing Director. Mr Tan is an executive with over 30 years' experience in the mining and chemical industries, and a track record of project development having been involved in the commissioning and start-up of seven resource projects in Australia as well as overseas. Mr Tan commenced with the company on 26 August 2013.

During the half year, the company raised a total of $2.2 million, being: $1.2 million via the placing of 13,642,223 shares at $0.09 each to professional and sophisticated investors, which included personal investments of $500,000 and $100,000 respectively by the company Chairman Dr Ian Burston and Non-Executive Director Mr Don Carroll; and $0.97 million via a Share Purchase Plan whereby 10,972,214 shares were issued to existing shareholders at $0.09. Funds raised from both the placement and the Share Purchase Plan were used to complete the Agbaja Project Preliminary Feasibility Study and general operating expenses.

The Annual General Meeting of the company held on 29 November 2013, the meeting was well attended with all resolutions put to shareholders approved on a show of hands.

Operational

During the half year the company:

- Commenced a Scoping Study (upgraded to a Preliminary Feasibility Study on 13 December 2013) to assess the technical and economic viability for the development and operation of a mine and processing plant to produce 5 million tonnes per annum of iron ore concentrate at the Agbaja Project. The results of the study were announced on 29 January 2014 and were highly positive.
- Announced a 20% increase in Mineral Resources for the Agbaja Project. The global Mineral Resource for Agbaja increased to 586 million tonnes (previously 488 million tonnes) with an average in-situ iron grade of 41.3% and for the first time included an Indicated Mineral Resource of 466 million tonnes at 41.4% Fe, with the balance of the Mineral

Resource classified as Inferred (120 million tonnes at 41.1% Fe). The Updated Mineral Resource was reported in accordance with the JORC Code (2012) and was on important mile stone for the company.

- Established a significant new Exploration Target for the Agbaja Project and associated exploration licence areas, the new Exploration Target totals 1.8 – 3.0 billion tonnes at a grade of 32 – 48% Fe and represented a 50% increase in tonnage over the previously reported Exploration Target of 1.6 – 1.7 billion tonnes at 35 – 50% Fe (refer to ASX announcement dated 16 September 2013 for details).
- Announced the drill results from the 23 hole scout reverse circulation drilling program (468 metres) completed in March 2013 (refer ASX announcement dated 17 July 2013 for details). The program was designed to test the continuation of iron mineralisation to the south and west of the Stage 1 Resource Area within EL12124 (the Agbaja Project) and the holes were drilled on 2 to 3km spaced traverses oriented roughly east-west, with spacing's of approximately 0.5 to 1km along the traverses.
- Completed an Environmental and Social Impact Assessment for the Agbaja Project. The study was undertaken by Nigerian Environmental consultants Greenwater Environmental Services Limited and commenced in January 2013. Importantly for the Agbaja Project, the ESIA concluded that there are no environmental or social impediments for the development of the Project (refer ASX announcement dated 7 January 2014 for details).

Significant changes in the state of affairs

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

Auditor's Independence Declaration

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

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

Ignatius (Iggy) Kim-Seng Tan
Managing Director

14 March 2014
Perth

Competent Person's Statements

The information in this report that relates to the Mineral Resource for the Agbaja Project is extracted from the report entitled "Mineral Resources at Agbaja Increase 20% to 586Mt includes an Indicated Resource of 466Mt" created on 10 December 2013 and is available to view of the Kogi Iron web site www.kogiiron.com. The Company confirms that it is not aware of any new information or data that materially affect the information included in the original market announcement and that, in the case of estimates of Mineral Resources, all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

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

As lead auditor for the review of Kogi Iron Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

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

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

Phillip Murdoch
Director

Perth, 14 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half year ended 31 December 2013

	Note	31/12/2013 $	31/12/2012 $
Revenue			
Interest income		12,854	55,793
Expenses			
Accounting and audit fees		(77,859)	(100,047)
Consultancy fees		(113,355)	(211,265)
Travel and accommodation		(120,493)	(126,983)
Corporate expenses		(179,978)	(140,188)
Director & employee expenses		(487,643)	(213,611)
Share based payment expense	9	(272,565)	(545,163)
Legal fees		(35,227)	(46,527)
Occupancy		(74,283)	(80,728)
Other expenses	3	(10,926)	(8,908)
Loss before income tax expense		(1,359,475)	(1,417,627)
Income tax expense/(benefit)		-	-
Loss from continuing operations		(1,359,475)	(1,417,627)
Loss attributable to the owners of Kogi Iron Limited		(1,359,475)	(1,417,627)
Other comprehensive income			
Items that may be reclassified to the profit and loss account:			
Exchange differences on translation of foreign operations		1,244,256	882,909
Total comprehensive loss for the year attributable to the owners of Kogi Iron Limited		(115,219)	(534,718)
Overall Operations			
Basic loss per share (cents per share)	13	(0.45)	(0.58)
Diluted earnings (loss) per share (cents per share)		n/a	n/a

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

Consolidated Statement of Financial Position
for the half year ended 31 December 2013

	Note	31/12/2013 $	30/06/2013 $
Assets			
Current assets			
Cash and cash equivalents	2	1,199,681	1,693,500
Trade and other receivables		508,123	414,282
Total current assets		1,707,804	2,107,782
Non-current assets			
Property, plant and equipment		238,405	246,730
Exploration and evaluation expenditure	4	42,732,886	40,316,248
Total non-current assets		42,971,291	40,562,978
Total assets		44,679,095	42,670,760
Liabilities			
Current Liabilities			
Trade and other payables		682,631	1,018,482
Provisions		6,399	-
Total current Liabilities		689,030	1,018,482
Non-current liabilities			
Deferred Tax Liability		9,387,621	9,387,621
Total non-current liabilities		9,387,621	9,387,621
Total liabilities		10,076,651	10,406,103
Net Assets		34,602,444	32,264,657
Equity			
Issued Capital	5	57,433,371	55,252,931
Reserves	6	11,898,704	10,381,883
Accumulated losses		(34,729,631)	(33,370,157)
Total Equity		34,602,444	32,264,657

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

Consolidated Statement in Changes in Equity
for the half year ended 31 December 2013

	Contributed Equity $	Accumulated Losses $	Reserves $	Total $
Consolidated				
Balance at 1 July 2012	53,200,557	(17,273,437)	4,092,511	40,019,631
Loss for the half year	-	(1,417,627)	-	(1,417,627)
Foreign exchange movements	-	-	882,909	882,909
Total comprehensive loss as reported at 31 December 2012	-	(1,417,627)	882,909	(534,718)
Contributions of equity, net of transaction costs	2,059,897	-	-	2,059,897
Issue of Loan Performance Shares	-	-	545,163	545,163
Balance at 31 December 2012	55,260,454	(18,691,064)	5,520,583	42,089,973
Consolidated				
Balance at 1 July 2013	55,252,931	(33,370,156)	10,381,883	32,264,658
Loss for the half year	-	(1,359,475)	-	(1,359,475)
Foreign exchange movements	-	-	1,244,256	1,244,256
Total comprehensive loss as reported at 31 December 2013	-	(1,359,475)	1,244,256	(115,219)
Share based payment	-	-	272,565	272,565
Contributions of equity, net of transaction costs	2,180,440	-	-	2,180,440
Balance at 31 December 2013	57,433,371	(34,729,631)	11,898,704	34,602,444

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

Consolidated Statement of Cash Flows
for the half year ended 31 December 2012

	Note	31/12/2013 $	31/12/2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(757,282)	(1,089,585)
Interest received		12,854	53,592
Net cash (outflow) from operating activities		(744,428)	(1,035,993)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current assets		(135)	(16,142)
Payments for exploration		(1,935,280)	(1,895,823)
Net cash (outflow) from investing activities		(1,935,415)	(1,911,965)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares net of cost		2,215,299	2,220,000
Payment of share issue costs		(34,859)	(160,103)
Net cash inflow financing activities		2,180,440	2,059,897
Net increase/(decrease) in cash and cash equivalents held		(499,403)	(888,061)
Cash and cash equivalents at beginning of financial half year		1,693,500	4,185,601
Exchange gain/(loss) on balance		5,584	-
Cash and cash equivalents at end of financial year	2	1,199,681	3,297,540

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

Notes to the Financial Statements

31 December 2013

Note 1. Significant accounting policies

These general purpose financial statements for the interim half year reporting period ended 31 December 2013 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by the company during the interim reporting period in accordance with the continuous discloser requirements of the Corporations Act 2001.

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

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

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

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

The following amended Standards have been adopted from 1 July 2013. Adoption of these Standards did not have any effect on the financial position or performance of the Group.

- Principles of consolidation – new standards AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*

  AASB 10 was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and in Interpretation 112 *Consolidation – Special Purpose Entities.* Under the new principles, the Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvements with the entity and has the ability to affect those returns through its power over the entity.

  The Group has reviewed its investments in other entities to assess whether the consolidation conclusion in relation to these entities is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

  Under AASB 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. The Group has not entered into any joint arrangements.

- Accounting for employee benefits – revised AASB 119 *Employee Benefits*

  The changes to this standard did not have any impact on the Group.

Comparatives have been reclassified to be consistent with the current year presentation. The reclassification does not have an impact on the results presented.

Impact of standards issued but not effective

(a) From 1 July 2014, the Group is required to adopt Standards and Interpretations mandatory for annual periods beginning on or after 1 January 2014. The Group has reviewed the impact of these Standards and Interpretations and are continuing to assess whether they will have a significant effect on the financial position or performance of the Group.
(b) The Company has not elected to early adopt any new standards or amendments.

Going concern

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

The Consolidated entity has incurred net cash outflow from operating and investing activities for the half year ended 31 December 2013 of $2,679,843 (2012: $2,947,958). As at 31 December 2013, the consolidated entity had net current assets of $1,018,774 (30 June 2013: $1,089,300).

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

Based on the above, the consolidated entity is confident that it will successfully raise additional funds, if required, to meet its financial obligations in future periods. As a result the financial report has been prepared on a going concern basis. However should the consolidated entity be unsuccessful in securing further working capital the consolidated entity may not be able to continue as a going concern.

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

Note 2. Cash and cash equivalents

	31/12/13 $	30/06/13 $
Cash at bank and on term deposit	1,199,681	1,693,500

Note 3. Other Expenses

	31/12/13 $	31/12/12 $
Depreciation	8,461	7,757
Bank Charges	1,149	964
Other	1,316	187
	10,926	8,908

Note 4. Exploration and evaluation expenditure

	Total $
Balance at 30 June 2012	50,156,180
Exploration and evaluation expenditure	3,478,834
Impairment of exploration and evaluation expenditure	(15,707,929)
Research and development tax refund	(528,058)
Foreign exchange movements	2,917,221
Balance at 30 June 2013	40,316,248
Exploration and evaluation expenditure (current period)	1,529,391
Research and development tax refund	(357,009)
Foreign exchange movement	1,244,256
Balance at 31 December 2013	42,732,886

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the consolidated entity's rights of tenure to that area of interest are current and that the costs are expected to be recouped through the successful development of the area or where activities in the area have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area of interest are written off in full against profit in the year in which the decision to abandon the area of interest is made.

Note 5. Issued Capital

	31/12/13 $	30/06/13 $
(a) Share Capital		
Ordinary shares, fully paid	57,209,515	55,029,075
(b) Other equity securities:		
Value of conversion rights – convertible notes	223,856	223,856
Total Contributed Equity	57,433,371	55,252,931
(c) (i) Ordinary shares		
At the beginning of the reporting period	55,029,075	52,976,701
Shares issued during the year	2,215,299	2,220,000
Transaction costs relating to share issues	(34,859)	(167,626)
At the end of the reporting date	57,209,515	55,029,075

(c) (ii) Movements in Ordinary Share Capital

Date	Details	No. of shares	Issue price	Value
01/07/2012	Balance	239,726,983		55,205,710
02/11/2012	Issue	100,000	0.20	20,000
14/11/2012	Issue	7,857,143	0.28	2,200,000
10/12/2012	Issue (Loan Performance Shares)	37,500,000	0.28	-
31/12/2012	Balance	285,184,126		57,425,710
15/04/2013	Issue (Loan Performance Shares)	2,900,000	0.14	-
30/06/2013	Balance	288,084,126		57,425,710
01/10/2013	Issue	6,975,556	0.09	627,800
04/11/2013	Issue	10,972,214	0.09	987,499
04/12/2013	Issue	6,666,667	0.09	600,000
04/12/2013	Issue (Loan Performance Shares)	7,500,000	0.11	-
	Less transaction costs			(2,431,494)
	At reporting date	320,198,563		57,209,515

(c) (iii) Number of ordinary shares (summary)	31/12/13 (number of shares)	30/06/13 (number of shares)
At the beginning of the reporting period	288,084,126	239,726,983
Shares issued during the reporting period	32,114,437	48,357,143
At reporting date	320,198,563	288,084,126

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	31/12/13 (number of options)	30/06/13 (number of options)
At the beginning of the reporting period	15,020,002	16,638,829
Options exercised during the period:		
During November 2012	-	(100,000)
Options lapsed during the period	(15,020,002)	(1,518,827)
At reporting date	-	15,020,002

Note 6. Reserves

	31/12/13 $	30/06/13 $
Share based payments reserve	4,877,955	4,605,390
Options issue reserve	2,032,187	2,032,187
Foreign currency translation reserve	4,988,562	3,744,306
	11,898,704	10,381,883
Movements:		
Share based payments reserve		
Balance at beginning of period	4,605,390	1,233,240
Shares issued (Loan Share Plan)	272,565	3,372,150
Balance at end of period	4,877,955	4,605,390
Options issue reserve		
Balance at beginning of period	2,032,187	2,032,187
New options granted	-	-
Balance at end of period	2,032,187	2,032,187
Foreign currency translation reserve		
Balance at beginning of period	3,744,306	827,084
Currency translation differences arising during the period	1,244,256	2,917,222
Balance at end of period	4,988,562	3,744,306
Total Reserves	11,898,704	10,381,883

(a) Nature and Purpose of Reserves

(i) *Share based payment reserve*

The share based payments reserve is used to record the fair value of shares issued by the consolidated entity to directors as part of remuneration.

(ii) *Option Issue reserve*

The options issue reserve is used to record the fair value of options issued by the consolidated entity to directors as part of remuneration and to consultants for services provided.

(iii) *Foreign Currency Translation Reserve*

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

Note 7. Contingencies

There have been no changes in contingent liabilities or contingent assets since the end of the previous annual reporting period, 30 June 2013.

Note 8. Commitments

There have been no material changes in commitments since the end of the previous annual reporting period, 30 June 2013.

Note 9. Share Based Payments (Loan Share Plan)

Summary of the Loan Share Plan

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

The Loan Share Plan is intended to enable Eligible Persons to participate in any increase in the company’s value (as measured by share price) beyond the date of allocation of shares under the Loan Share Plan, provided any pre-determined specific performance hurdles are achieved pertaining to vesting of the allocated shares. Where the company offers shares to an Eligible Person under the Loan Share Plan, the company may offer to provide the Eligible Person with a limited recourse, interest free loan to be used for the purpose of subscribing for the shares.

Note 9. Share Based Payments (Loan Share Plan) (continued)

Shares issued to Eligible Persons pursuant to the company Loan Share Plan

Shareholders approved the issue of 7,500,000 Loan Performance Shares to the Managing Director (Mr Iggy Tan) at the company's 2013 Annual General Meeting on 29 November 2013. The shares were issued subject to the following vesting conditions:

- 2,500,000 Loan Shares will vest upon the completion of a Scoping Study by the company in relation to its Agbaja Project on or before 31 March 2014 (or an alternate later date determined at the discretion of the Board); and Mr Tan completes a minimum of 1 year of service with the company;
- 2,500,000 Loan Shares will vesting upon the completion of a Definitive Feasibility Study and an Environmental and Social Impact Assessment by the company in relation to its Agbaja Project on or before 30 June 2015 (or an alternate later date determined at the discretion of the Board) and Mr Tan completes a minimum of 2 years of service with the company; and
- 2,500,000 Loan Shares will vest when the company completes the sale of its first commercial cargo of iron ore from its Agbaja Project on or before 30 June 2016 (or an alternate later date determined at the discretion of the Board); and Mr Tan completes a minimum of 3 years of service with the company.

No tranche of Loan Shares (as set out above) is conditional upon the vesting of another tranche.

The Loan Shares were issued at the price of $0.11 per share and a corresponding limited recourse loan of $825,000 was entered into between the company and Mr Tan.

Summary of key loan terms:
- Loan amount: $0.11 per share
- Interest rate: 0%
- Term of loan: due and payable on the earlier of:
  a) 31 December 2020;
  b) the date on which the shares have been forfeited in accordance with the Plan Rules;
  c) the date that the shares have otherwise disposed of, or attempted to be dispose of, in accordance with the rules of the Loan Share Plan.

The loan is limited recourse in that the company will accept the issued shares in full satisfaction of the loan amount, regardless of the market price of the shares.

Value of Loan Shares issued during the period

The fair value of the Loan Shares issued to Mr Tan during the period was calculated using the Black Scholes pricing model that took into account the term, the underlying value of the shares, the exercise price, the expected dividend yield, the impact of dilution and the risk-free interest rate. The assessed fair value at grant date was $0.019 for each of the Tranche 1 Loan Shares, $0.031 for each of the Tranche 2 Loan Shares and $0.04 for each of the Tranche 3 Loan Shares.

Inputs used to value the shares granted included:

- exercise price for the shares: $0.11
- market price for the shares at date of issue: $0.11
- volatility of company share price: 74.4%
- dividend yield: 0%
- risk free rate: 3.45%
- maximum time to loan maturity: 7 years and 84 days

The expected volatility during the term of the options is base around assessments of the historical volatility of the company share price and the dividend yield of 0% is on the basis that the company does not anticipate paying dividends in the period between the issue date and the final vesting date for the shares.

The value of the Loan Shares has been expensed on a proportionate basis for each period from grant date to vesting date. The proportion of the value of the shares that has been expensed during the 6 months to 31 December 2013 and accounted for in the share option reserve is $22,625.

Vesting of the Loan Shares is subject to the three performance milestones (described above).

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

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

Name	Issue date	Shares issued	Issue price	Balance 01/07/13	Granted during period	Forfeited during period	Balance 31/12/13	Vested at 31/12/13
Dr Ian Burston	7/12/12	7,500,000	$0.28	7,500,000	-	-	7,500,000	-
Ignatius Tan	4/12/13	7,500,000	$0.11	-	7,500,000	-	7,500,000	-
Kevin Joseph	7/12/12	6,000,000	$0.28	6,000,000	-	-	6,000,000	-
Joe Ariti	7/12/12	6,000,000	$0.28	6,000,000	-	-	6,000,000	-
Don Carroll	7/12/12	6,000,000	$0.28	6,000,000	-	-	6,000,000	-
Brian King	7/12/12	6,000,000	$0.28	6,000,000	-	-	6,000,000	-
Nathan Taylor	7/12/12	6,000,000	$0.28	6,000,000	-	-	6,000,000	-
Shane Volk	15/04/13	1,500,000	$0.14	1,500,000	-	-	1,500,000	-
Employees and Consultants	15/04/13	1,400,000	$0.14	1,400,000	-	-	1,400,000	-
Totals		47,900,000		40,400,000	7,500,000	-	47,900,000	-

Note 10. Related party transactions

Details of loans made to the directors of the company and other Key Management Personnel, including their personally related parties are set out below:

Loans to Directors and Key Management Personnel

Name	Balance 01/07/13	Loans provided during period	Interest paid and payable during period	Interest not charged this period	Loan balance as at 31/12/13
Dr Ian Burston	$2,100,000	-	-	$82,775	$2,100,000
Ignatius Tan	-	$825,000	-	$4,811	$825,000
Kevin Joseph	$1,680,000	-	-	$66,220	$1,680,000
Joe Ariti	$1,680,000	-	-	$66,220	$1,680,000
Don Carroll	$1,680,000	-	-	$66,220	$1,680,000
Brian King	$1,680,000	-	-	$66,220	$1,680,000
Nathan Taylor	$1,680,000	-	-	$66,220	$1,680,000
Shane Volk	$210,000	-	-	$8,278	$210,000

All loans to key management personnel are under the terms and conditions as set out in Note 9 relating to the company Loan Share Plan.

The amounts shown for interest not charged in the table above represents the difference between the amount paid and payable for the 6 months and the amount of interest that would have been charged on an arms-length basis.

Note 11. Fair value measurement of financial instruments

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

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

The company did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2013 and did not transfer any fair value amounts between the fair value hierarchy during the half year.

At 31 December the Group carries the following financial instruments:

- Current receivables
- Current payables
- Cash & cash equivalents

Due to their short term nature, the carrying amount of current receivables, current payables and cash and cash equivalents is assumed to approximate their fair value

Note 12. Events subsequent to the end of the reporting period

On 29 January 2014 the company announced to the ASX the positive and robust outcome for the Preliminary Feasibility Study to assess the technical and economic viability of the development and operation of a mine and processing plant at the company's Agbaja Project to produce 5 million tonnes per annum of iron ore concentrate. The company also advised that the Board of directors had approved to proceed to a Definitive Feasibility Study which is expected to be completed by the end of Q4, 2014.

Note 13. Loss per share

	31/12/13 $	31/12/12 $
Reconciliation of earning used to calculate EPS to net profit or loss		
Net Loss	(1,359,475)	(1,417,627)
Weighted number of ordinary shares outstanding during the period used for the calculation	297,060,584	245,994,063

Note 14. Segment Reporting

The company has adopted AASB 8 Operating Segments from 1 July 2009 whereby segment information is 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 managing director 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. The company's results are analysed as a whole by the managing director.

Segment information

Segment information for the 6 months ended 31 December 2013 is as follows:

2013	Exploration and Evaluation	Total
Segment revenue		
Interest Income	12,854	12,854
Total segment revenue/income	**12,854**	**12,854**
Segment result		
Loss after income tax	(1,359,475)	(1,359,475)
Segment assets		
Cash and cash equivalents	1,199,681	1,199,681
Exploration and evaluation	42,732,886	42,732,886
Property, plant and equipment	238,405	238,405
Other assets	508,123	508,123
Total assets	**44,679,095**	**44,679,095**
Segment liabilities		
Trade and other payables	682,631	682,631
Provisions	6,399	6,399
Deferred tax liability	9,387,621	9,387,621
Total Liabilities	**10,076,651**	**10,076,651**

2012	Exploration and Evaluation	Total
Segment revenue		
Interest Income	55,793	55,793
Total segment revenue/income	**55,793**	**55,793**
Segment result		
Loss after income tax	(1,417,627)	(1,417,627)
Segment assets		
Cash and cash equivalents	3,297,540	3,297,540
Exploration and evaluation	52,603,376	52,603,376
Property, plant and equipment	312,812	312,812
Other assets	123,176	123,176
Total assets	**56,336,904**	**56,336,904**
Segment liabilities		
Trade and other payables	146,931	146,931
Deferred tax liability	14,100,000	14,100,000
Total Liabilities	**14,246,931**	**14,246,931**

Declaration by Directors

The Directors of the company declare that:

(a) The financial statements and notes set out on pages 1 to 17 are in accordance with the Corporations Act 2001 and:

  (i) comply with accounting standard AASB134 "Interim Financial Reporting", the Corporations Regulations 2001 and other mandatory professional standards; and

  (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half year ended on that date.

(b) In The directors' opinion, there are reasonable grounds to believe that the group will be able to pay its debts as and when they become due and payable.

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

Ignatius (Iggy) Kim-Seng Tan
Managing Director

Dated this14th day of March 2014

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Kogi Iron Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Kogi Iron Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kogi Iron Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of Kogi Iron Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the ability of the consolidated entity 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, development, test work and for additional working capital. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch
Director

Perth, 14 March 2014