



ABN 28 001 894 033



ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017



Dear Fellow Shareholders,

On behalf of the Board of Kogi Iron Limited, I am happy to present to you the Company's 2017 Annual Report.

As shareholders would be aware, over the past twelve months the Company has continued to transition the Kogi Project from an iron ore exporter to be a domestic producer of iron. Considerable work has been undertaken to effect this change and the Company is now firmly set on its new path to produce steel billets primarily for consumption in the rapidly growing Nigerian steel market. Both Kogi Iron Limited and KCM Mining Limited have been able to progress this change of direction with the very positive support received from the Nigerian Federal and State Governments and the local community in moving this integrated steel project forward.

The highlights have been:

- A continued high standard of safety has exemplified and demonstrated our determination to encourage and develop an ethical leadership and training culture which will stamp an international "best company" category on our Nigerian Project. Leadership and effort by our local Nigerian staff has been a major contributor in this regard. The effects have also been positive with regard to environmental and community relationship activities.
- The Company has a published JORC Mineral Resource of 586 Million Tonnes, which includes a summary Ore Reserve at Agbaja of 205 Million Tonnes of 45.7% Fe. The reserve and resources are now contained within granted mining leases. In February 2017 the company received from the Federal Republic of Nigeria, Ministry of Mines and Steel Development documentation granting 2 Mining Leases over 91.2 square kilometres.
- The granting of the Mining Leases is another step in and our ability to seriously plan for a 500,000 tonne per annum steel billet feed plant at Agbaja.
- Some 500 tonnes of bulk sample material has been mined of which 100 tonnes is currently en-route to South Africa for extensive pyrometallurgical testing to satisfy commercial production requirements, and to progress engineering and technical design. Test work at Mintek's laboratory in South Africa is expected to commence in November 2017.
- The recent appointment of London based SD Capital Advisory Limited and GBK Ventures Limited as joint finance advisors to assist in the development of debt and equity funding options for the integrated steel project. This will bring us closer to the key UK and European investors with a good understanding of the development potential of Nigeria and the broader regional opportunities in West Africa as we progress the feasibility study.
- The recently announced appointment of a new London based director is also a demonstration of the Company's desire to be able to successfully engage with local financial institutions as the project is advanced.

We look forward to further positive progress in the year ahead and thank our fellow shareholders for their ongoing support

Yours sincerely

Dr Ian Burston  
Chairman  
Kogi Iron Limited

## TABLE OF CONTENTS



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CORPORATE DIRECTORY .....	2
DIRECTORS' REPORT .....	3
Remuneration Report .....	7
AUDITOR'S INDEPENDENCE DECLARATION .....	14
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME .....	15
CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....	16
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	17
CONSOLIDATES STATEMENT OF CASH FLOWS .....	18
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	19
DIRECTORS' DECLARATION .....	37
INDEPENDENT AUDITOR'S REPORT .....	38
MINERAL RESOURCE AND MINERAL RESOURCE ORE RESERVE ESTIMATION STATEMENT.....	42
TENEMENT LISTING.....	43
ADDITIONAL ASX INFORMATION.....	44

**Directors**

Dr Ian Burston  
Kevin Joseph  
Don Carroll  
Michael Tilley

Non-Executive Chairman  
Executive Director  
Non-Executive Director  
Non-Executive Director

**Company Secretary**

Kevin Hart

**Registered Office and Principal Place of Business**

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Email: [info@kogiiron.com](mailto:info@kogiiron.com)

Nigeria: KCM Mining Limited  
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Dolphin Estate  
Ikoyi, Lagos

**Share Register**

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Perth WA 6000  
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**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 and options 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 2017. Throughout the report the consolidated entity is referred to as the group.

### 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:

Dr Ian Burston	Non-Executive Chairman
Kevin Joseph	Executive Director
Don Carroll	Non-Executive Director
Michael Tilley	Non-Executive Director (appointed 8 July 2016)
Brian King	Non-Executive Director (deceased 2 January 2017)

### Company Secretary

Kevin Hart	Company Secretary (appointed 12 October 2016)
Piers Lewis	Company Secretary (resigned 12 October 2016)

### Principal activities

During the financial year the principal continuing activities of the group consisted of evaluation studies at the Agbaja Plateau Exploration Licence (EL12124), in Kogi state, Federal Republic of Nigeria ("Nigeria") ("Agbaja Project").

### Review of operations

The loss for the group after tax amounted to \$1,973,867 (30 June 2016: \$1,625,415).

The loss for the year ended 30 June 2017 was primarily attributable to the exploration and development expenditure of \$702,034 (2016: \$661,563), net operating costs for the year were \$1,095,694 (2016: \$974,538) associated with group's ongoing evaluation studies for the Agbaja iron project in Nigeria.

During the year, the company has incurred net cash outflows from operating and investing activities of \$1,473,017 (2016: \$876,763) and as at 30 June 2017, the company had net current liability position of \$1,163,241 (2016: \$264,326). On the matter of the company continuing as a going-concern (refer note 27(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

The Company finalised the Community Development Program Agreement ('CDA') for the Agbaja iron ore and steel project in December 2016. The CDA was signed at a ceremony in Agbaja by the nominated members of the Agbaja Communities, assigned to do so by the Paramount Ruler, representatives of the Honorable Minister of Mines and Steel Development, and Kevin Joseph, KCM Mining's Chief Executive Officer and Director.

The agreement includes consents and support for the project from the local community – a prerequisite for mining projects in Nigeria – as well as the support KCM Mining proposes to deliver for the local people. This includes local employment, training and education of prospective employees, and assistance with supply of power and water to local villages. The CDA, having met the minimum legal requirements, was approved by the Federal Government of Nigeria in January 2017.

Following the signing of the CDA, the Company was granted two mining licences from the Nigerian Ministry of Mines & Steel Development in February 2017 covering 456 cadastral units over 91.2 square kilometres. The leases are valid for a period of 25 years and are renewable.

The Company continues to work toward progressing the pyrometallurgical testing necessary to satisfy commercial requirements and to progress engineering and technical design. Mining of sufficient tonnage to enable progress of the metallurgical testwork has been completed and delivery of the material is due to arrive at testing facilities in South Africa over the coming weeks.

## Corporate

In October 2016, the Company concluded a private placement funding agreement for up to US\$5.8million with Bergen Global Opportunity Fund, LP ('Bergen') to fund ongoing development of its Agbaja Iron and Steel project. Under the agreement, Bergen will subscribe for shares, on a monthly basis, in the amount of US\$50,000. The monthly subscription can be increased up to US\$250,000 per month by mutual consent.

During the year, the Company issued the following equity instruments in accordance with the agreement:

	No of shares / options:
Commencement fee shares	8,992,527
Collateral Shares on execution of the agreement	4,800,000
Shares subscribed under the agreement	40,028,680
Collateral Shares for additional tranches during the period	11,400,000
Unlisted options – exercise price of \$0.0305 expiring 16 November 2019	9,800,000

Subsequent to the year end, the Company raised \$715,000 (before costs) by private placement of 46,666,667 shares. A further 3 tranches US\$50,000 were also received under the Bergen agreement above.

## 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

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 2017, other than:

- The Company completed a private placement on 18<sup>th</sup> September by issue of 47,666,667 shares raising \$715,000 (before costs). Proceeds from the issue will be used for the Agbaja bulk sample test work and working capital.
- The Company received a further 3 tranches of US\$50,000 under the Bergen agreement.

## Likely developments and expected results of operation

The Company anticipates the metallurgical testwork to be completed within 40-60 days from when the sample material arrives at the testing facility. Successful results from the testing to be undertaken will allow engineering design and further DFS work to be progressed and finalised. The Company looks to complete the feasibility study and progress funding, engineering, construction and approvals for this project in the coming year.

## Environmental regulation

The company holds various exploration licences 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.

## Information on directors

### Name:

**Ian Fred Burston**

### Title:

Chairman and Non-Executive Director

### 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 shares: 20,512,355 ordinary shares.

Interests in options: None

**Name:** Kevin Joseph

**Title:** Executive Director

**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 shares: 8,263,088 ordinary shares

Interests in options: None

**Name:** Don Carroll

**Title:** Non-Executive Director

**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: Crystal Peak Minerals Inc. (TSX listed)

Former directorships (in the last 3 years): None

Interests in shares: 6,095,790

Interests in options: None

**Name:** Michael Tilley (*appointed 8 July 2016*)

**Title:** Non-Executive Director

**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: Elysium Resources Limited (resigned 3 March 2017)

Former directorships (in the last 3 years): None

Interests in shares: 1,974,840 ordinary shares.

Interests in options: None



## DIRECTORS' REPORT



### Former Directors

<b>Name:</b>	<b>Brian King</b> (deceased 2 January 2017)
Title:	Non-Executive Director
Qualifications:	-
Experience and expertise:	Mr King had more than 40 years' experience in technical, management and executive roles within the mining sector. Throughout his career he held various roles including Registered Mine Manager of Rio Tinto's Tom Price and Paraburdoo mining projects from 1982 until 1990.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Interests in shares:	2,224,444 ordinary shares.
Interests in options:	None

### Company Secretary

Kevin Hart: (Appointed 12 October 2016)	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.
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### Former Company Secretary

Piers Lewis: (Resigned 12 October 2016)	Mr Lewis is a Chartered Accountant and Chartered Company Secretary with 20 years global corporate experience. Mr Lewis currently sits on the board of Ardiden Limited, Voyager Global Group Limited and Hawkley Oil and Gas Limited and serves as a Company Secretary on several ASX listed companies, including Grange Resources Limited, Ultima United Limited, and Velpic Limited. Piers has extensive contacts within various financial institutions and broking houses within Australia and the UK.
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### Meetings of Directors

The number of meetings of the company's Board of directors held during the year ended 30 June 2017, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Ian Burston	16	16
Kevin Joseph	16	16
Don Carroll	16	16
Michael Tilley (appointed 8 July 2016)	15	15
Brian King (deceased 2 January 2017)	4	4

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

### Remuneration Report (Audited)

The directors are pleased to present Kogi Iron Limited's 2017 remuneration report, which has been audited, and sets out remuneration information for the company's non-executive directors, executive directors and other key management personnel.

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 2016 annual general meeting
- (h) Details of remuneration
- (i) Service Agreements
- (j) Details of share based compensation
- (k) Equity instruments held by key management personnel
- (l) Loans to key management personnel
- (m) Other transactions with key management personnel

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

*Non-executive and executive directors (see pages 5 –6 for details about each director)*

Ian Burston

Kevin Joseph

Don Carroll

Michael Tilley (*appointed 8 July 2016*)

Brian King (*deceased 2 January 2017*)

#### (b) Remuneration governance

The Board has not formally established a remuneration committee, however the Board establishes a sub-committee as required, to manage matters that would normally be dealt with by a formally constituted remuneration committee.

The Corporate Governance Statement provides further information on how the Board 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.

As discussed in section (b), the group does not have a remuneration committee, rather the Board as a whole 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 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". Mr Joseph was the only executive employed by the Company during the period of this report and his compensation consists of fixed remuneration of US\$25,000 (\$32,516) per month, with currently no variable "at risk" component.

*(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 Mr Joseph's fixed base remuneration, as he resides in Nigeria and is not entitled to such contributions.

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

There was no short term or long term incentive remuneration offered by the Company during the reporting period.

*(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. Executives must not enter into any hedging arrangements over any unvested shares awarded under the company's *Loan Performance Share Plan* and the company would consider a breach of this policy as gross misconduct which may lead to disciplinary action and potential dismissal.

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

The following table shows the key financial indicators for the group since its reinstatement for quotation on the ASX as a mineral exploration and evaluation company:

	2017	2016	2015	2014
<i>Loss attributable to the owners of Kogi Iron Limited</i>	(1,976,867)	(1,625,415)	184,983	(786,821)
Share Price at 30 June	0.023	0.02	0.06	0.02
Increase (Decrease) in share price	15%	(253%)	216%	(178%)

**(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 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 non-executive directors pursuant to the plan.

## DIRECTORS' REPORT



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
Executive Director (Mr Kevin Joseph)	US\$300,000 (\$390,194)

Each non-executive director of Kogi Iron Limited, entered into an individual letter agreement with the Company which acknowledged that individual director fees have been accruing as payable on a monthly basis since 1 January 2014, but have not been paid. Each director that executed a letter agreement acknowledged that their individual director fees would continue to accrue as payable each month and will continue to remain unpaid until a value realisation event occurs for the Agbaja project or the company, and furthermore that the accrued director fees may only be paid following a value realisation event, but only to the extent that the payment of the accrued fees will not give rise to, or be likely to give rise to, an insolvency event for the Company. As at the reporting date the amount of accrued director fees payable to directors that have executed the letter agreement is \$620,000. The payment of executive director Mr Kevin Joseph's has been reduced by US\$7,500 per month from April 2015 as an additional measure for the Company to conserve cash, as at the reporting date the sum of the accrued and unpaid remuneration owed to Mr Joseph is US\$190,000 (\$247,122).

### (g) Voting and comments made at the company's 2016 Annual General Meeting

The company received 89.87% of proxy votes, on a poll, in favour of its 2016 remuneration report at the 2016 Annual General Meeting. The company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices.

### (h) Details of remuneration

The following tables show details of the remuneration received by the group's key management personnel for the current and previous financial year, subject to the disclosure in relation to the accrual of non-executive director board fees and the remuneration payable to Mr Joseph, in paragraph (f), above and note 12 of the financial statements).

2017	Name	Short-term benefits			Post-employment benefits	Long-term benefits	Loan	Total		
		Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long Service leave	Performance Share Plan Equity-settled			
					\$	\$	\$		\$	\$
Non-Executive Directors:										
	Ian Burston <sup>1</sup>	100,000	-	-	-	-	-	100,000		
	Don Carroll <sup>2</sup>	60,000	-	-	-	-	-	60,000		
	Michael Tilley <sup>3</sup> (appointed 8 July 2016)	60,000	-	-	-	-	-	60,000		
	Brian King <sup>4</sup> (deceased 2 January 2017)	30,000	-	-	-	-	-	30,000		
Executive Directors:										
	Kevin Joseph <sup>5</sup>	394,570	-	-	-	-	-	394,570		
		644,570	-	-	-	-	-	644,570		

1- As at 30 June 2017 \$350,000 (2016: \$250,000) is payable to Mr Ian Burston.

2- As at 30 June 2017 \$210,000 (2016: \$150,000) is payable to Mr Don Carroll.

3- As at 30 June 2017 \$60,000 (2016: \$Nil) is payable to Mr Michael Tilley.

4- As at 30 June 2017 \$180,000 (2016: \$150,000) is payable to Mr Brian King.

5- As at 30 June 2017 \$247,122 (2016: \$204,948) is payable to Mr Kevin Joseph.

## DIRECTORS' REPORT



### Remuneration report (continued)

#### (h) Details of remuneration (continued)

2016	Name	Short-term benefits			Post-employment benefits	Long-term benefits	Loan Performance Share Plan	Total
		Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long Service leave	Equity-settled	
		\$	\$	\$	\$	\$	\$	
Non-Executive Directors:								
	Ian Burston <sup>1</sup>	100,000	-	-	-	-	-	100,000
	Don Carroll <sup>2</sup>	60,000	-	-	-	-	-	60,000
	Nathan Taylor <sup>3</sup>	333	-	-	-	-	-	333
	Resigned 3 July 2015							
	Brian King <sup>4</sup>	60,000	-	-	-	-	-	60,000
	Giuseppe (Joe) Ariti <sup>5</sup>	9,032	-	-	-	-	-	9,032
	Resigned 27 August 2015							
Executive Directors:								
	Kevin Joseph <sup>6</sup>	417,719	-	-	-	-	-	417,719
Other Key Management Personnel:								
	Shane Volk	9,600	-	-	-	-	-	9,600
	Resigned 1 September 2015							
		656,684	-	-	-	-	-	656,684

- 1- As at 30 June 2016 \$250,000 (2015:\$150,000) is payable to Mr Ian Burston.
- 2- As at 30 June 2016 \$150,000 (2015:\$90,000) is payable to Mr Don Carroll.
- 3- As at 30 June 2016 \$90,333 (2015:\$90,000) is payable to Mr Nathan Taylor.
- 4- As at 30 June 2016 \$150,000 (2015:\$90,000) is payable to Mr Brian King.
- 5- As at 30 June 2016 \$99,032 (2015:\$90,000) is payable to Mr Joe Ariti.
- 6- As at 30 June 2016 \$204,948 (2015:\$84,884) is payable to Mr Kevin Joseph.

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

Name	Fixed remuneration		At risk remuneration	
	2017	2016	2017	2016
<i>Non-Executive Directors:</i>				
Ian Burston	100%	100%	0%	0%
Don Carroll	100%	100%	0%	0%
Michael Tilley Appointed 8 July 2016	100%	n/a	0%	n/a
Brian King Deceased 2 January 2017	100%	100%	0%	0%
Giuseppe (Joe) Ariti Resigned 27 August 2015	n/a	100%	n/a	0%
Nathan Taylor Resigned 3 July 2015	n/a	100%	n/a	0%
<i>Executive Directors:</i>				
Kevin Joseph	100%	100%	0%	0%

**Remuneration report (continued)**
**(h) 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>Kevin Joseph</b> <i>Executive Director</i>	No fixed term No notice period required	US\$300,000 (\$390,194)	n/a
<b>Ian Burston</b> <i>Non-executive Chairman</i>	No fixed term No notice period required	\$8,333 per month	none
<b>Don Carroll</b> <i>Non-executive Director</i>	No fixed term No notice period required	\$5,000 per month	none
<b>Michael Tilley</b> <i>Non-executive Director</i>	No fixed term No notice period required	\$5,000 per month	none
<b>Kevin Hart</b> <i>Company Secretary</i>	No fixed term 30 days notice	\$6,000 per month	none

\* The notice period applies equally to either party

**(i) Details of share based compensation**
**Loan Performance Shares**

There are no Loan Performance Shares subject to vesting conditions to directors and other key management personnel in 2017.

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

The tables below and on the following page show the number of:

- (i) shares in the company; and
- (ii) options over ordinary shares in the company

that were held during the financial year by key management personnel of the group, including their close family members and entities related to them.

**Ordinary shares**

2017 Name	Balance at start of year	Received as remuneration	Exercise of options	Other Changes During Year	Balance at end of year
Ian Burston	20,512,355	-	-	-	20,512,355
Kevin Joseph	8,263,088	-	-	-	8,263,088
Don Carroll	6,095,790	-	-	-	6,095,790
Michael Tilley Appointed 8 July 2016	1,974,840**	-	-	-	1,974,840
Brian King Deceased 2 January 2017	2,224,444	-	-	-	2,224,444*

\* Balance held at time of death

\*\* Balance held at date of appointment

## Remuneration report (continued)

Options (ASX listed options (Ex \$0.08, Expired 31/05/2017))

2017 Name	Balance at start of year	Received as remuneration	Expired During Year	Balance at end of year
Ian Burston	9,400,000	-	(9,400,000)	-
Kevin Joseph	-	-	-	-
Don Carroll	2,666,666	-	(2,666,666)	-
Michael Tilley**	833,333	-	(833,333)	-
Brian King	1,833,333	-	(1,833,333)	-

\*\* Balance held at date of appointment

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

There have been no other transactions with any key management personnel during the period of this report.

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

## Shares under option

Unissued ordinary shares of Kogi Iron Limited under option at the date of this report are as follows:

Date options issued	Expiry Date	Exercise price	Number under option
16 November 2016	16 November 2019	\$0.0305	9,800,000

On 31 May 2017, 114,716,606 listed options with an exercise price \$0.08 expired. None of these options were exercised prior to expiration.

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

No options were granted to the directors or any of the five highest remunerated officers of the company since the end of the financial year.

### Shares issued on the exercise of options

No ordinary shares of Kogi Iron Limited were issued during the year ended 30 June 2017 on the exercise of options and no further share have been issued from the exercise of options since 30 June 2017 up to the date of this report.

## 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 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 a premium of \$23,002 (inclusive of GST) (2016: \$28,004) to insure the directors, secretary and officers of the company and its Australian-based controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and any other payments arising from liabilities incurred by the officers in

connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers of their position or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

### 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 2017 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 (2016: 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



Ian Burston  
Non-Executive Chairman  
29 September 2017



## 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 2017, 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, 29 September 2017

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017



	Note	30/06/2017 \$	30/06/2016 \$
Revenue from continuing operations			
Interest income	2	1,305	4,819
<b>Other Income</b>			
Other Income	2	-	5,866
<b>Total Income</b>		<b>1,305</b>	<b>10,685</b>
<b>Expenses</b>			
Accounting and audit fees		(27,947)	(39,272)
Consultancy fees		(295,406)	(116,726)
Travel and accommodation		(258,644)	(65,918)
Corporate expenses		(143,643)	(95,449)
Director & employee expenses	3	(267,850)	(230,635)
Legal fees		(75,210)	(10,963)
Occupancy		(21,844)	(22,108)
Realised Profit/(loss) on close out of financial assets		-	(384,525)
Exploration Expense		(702,034)	(661,563)
Other expenses		(5,150)	(8,941)
Finance costs	8	(177,444)	-
<b>Profit / (Loss) before income tax expense</b>		<b>(1,973,867)</b>	<b>(1,625,415)</b>
Income tax benefit	9	-	-
Profit / (Loss) from continuing operations		(1,973,867)	(1,625,415)
<b>Profit / (Loss) attributable to the owners of Kogi Iron Limited</b>		<b>(1,973,867)</b>	<b>(1,625,415)</b>
<b>Other comprehensive income</b>		-	-
<b>Items that may be reclassified to the profit and Profit / (Loss) account:</b>		-	-
Exchange differences on translation of foreign operations		14,460	(16,689)
<b>Total comprehensive Loss for the year attributable to the owners of Kogi Iron Limited</b>		<b>(1,959,407)</b>	<b>(1,642,104)</b>
<b>Loss per share for the year attributable to the owners of Kogi Iron Limited</b>			
Basic loss per share	24	(0.004)	(0.004)
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 2017



	Note	30/06/2017 \$	30/06/2016 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	135,182	740,446
Trade and other receivables	6	60,615	61,744
<b>Total current assets</b>		<b>195,797</b>	<b>802,190</b>
<b>Non-current assets</b>			
Deferred facility costs	8	431,971	-
Property, plant and equipment		4,992	11,568
<b>Total non-current assets</b>		<b>436,963</b>	<b>11,568</b>
<b>Total assets</b>		<b>632,760</b>	<b>813,758</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	7	1,379,324	1,078,084
<b>Total current Liabilities</b>		<b>1,379,324</b>	<b>1,078,084</b>
<b>Non-current Liabilities</b>			
Derivative liabilities	8	416,677	-
<b>Total non-current Liabilities</b>		<b>416,677</b>	
<b>Total liabilities</b>		<b>1,796,001</b>	<b>1,078,084</b>
<b>Net Assets</b>		<b>(1,163,241)</b>	<b>(264,326)</b>
<b>Equity</b>			
Contributed Equity	10	62,175,602	61,233,354
Reserves	11	1,427,921	1,295,217
Accumulated losses		(64,766,764)	(62,792,897)
<b>Total Equity</b>		<b>(1,163,241)</b>	<b>(264,326)</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 2017



	Contributed Equity	Accumulated Losses	Reserves	Total
	\$	\$	\$	\$
<b>Consolidated</b>				
Balance at 1 July 2015	60,298,977	(61,167,482)	1,294,137	425,632
Loss for the year	-	(1,625,415)	-	(1,625,415)
Foreign exchange movements	-	-	(16,689)	(16,689)
<b>Total comprehensive loss as reported at 30 June 2016</b>	<b>-</b>	<b>(1,625,415)</b>	<b>(16,689)</b>	<b>(1,642,104)</b>
Share based payment	-	-	17,769	17,769
Contributions of equity, net of transaction costs	934,377	-	-	934,377
<b>Balance at 30 June 2016</b>	<b>61,233,354</b>	<b>(62,792,897)</b>	<b>1,295,217</b>	<b>(264,326)</b>
<b>Consolidated</b>				
Balance at 1 July 2016	61,233,354	(62,792,897)	1,295,217	(264,326)
Loss for the year	-	(1,973,867)	-	(1,973,867)
Foreign exchange movements	-	-	14,460	14,460
<b>Total comprehensive loss as reported at 30 June 2017</b>	<b>-</b>	<b>(1,973,867)</b>	<b>14,460</b>	<b>(1,959,407)</b>
Share based payment	-	-	118,244	118,244
Contributions of equity, net of transaction costs	942,248	-	-	942,248
<b>Balance at 30 June 2017</b>	<b>62,175,602</b>	<b>(64,766,764)</b>	<b>1,427,921</b>	<b>(1,163,241)</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 2017



	Note	30/06/2017 \$	30/06/2016 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(840,802)	(352,352)
Payments for exploration		(633,520)	(529,231)
Interest received		1,305	4,819
<b>Net cash (outflow) from operating activities</b>	14	<b>(1,473,017)</b>	<b>(876,764)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		888,797	1,053,000
Payment of share issue costs		(21,044)	(100,854)
Receipts from settlement of equity swaps		-	123,728
<b>Net cash inflow financing activities</b>		<b>867,753</b>	<b>1,075,874</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		<b>(605,264)</b>	<b>199,110</b>
Cash and cash equivalents at beginning of financial year		740,446	541,336
Effects of exchange rate changes on cash and cash equivalents		-	-
<b>Cash and cash equivalents at end of year</b>	5	<b>135,182</b>	<b>740,446</b>

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 2017



## 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 18.

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 statement were authorised for issue by the directors on 29 September 2017. The directors have the power to amend and reissue the financial statements.

All press releases, financial reports and other information are available at our Investor Centre on our website: [www.kogiiiron.com](http://www.kogiiiron.com).

## Note 2. Revenue

From continuing operations

Interest received

Other income

**Total Income**

2017	2016
\$	\$
1,305	4,819
-	5,866
<b>1,305</b>	<b>10,685</b>

## Note 3. Director and employee expenses

Director fees

Other

**Total**

2017	2016
\$	\$
248,730	230,635
19,120	-
<b>267,850</b>	<b>230,635</b>

## Note 4. Other expenses

Bank fees and charges

Depreciation expense

**Total**

2017	2016
\$	\$
3,217	1,657
1,933	7,284
<b>5,150</b>	<b>8,941</b>

## Note 5. Cash and cash equivalents

Cash at bank and on term deposit

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

**Total**

2017	2016
\$	\$
135,182	740,446
<b>135,182</b>	<b>740,446</b>
135,182	740,446
<b>135,182</b>	<b>740,446</b>

Refer to note 17 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 2017



**Note 6. Trade and other receivables**

GST refundable  
Sundry Debtors  
Prepaid insurance

2017	2016
\$	\$
8,332	11,827
-	603
52,283	49,314
<b>60,615</b>	<b>61,744</b>

None of the above trade and other receivables are past due or require impairment.

**Note 7. Trade and other payables**

**CURRENT - unsecured liabilities**

Trade & other payables  
Accrued director fees <sup>note1</sup>  
Other accrued expenses  
Sundry creditors  
Total trade and other payables

2017	2016
\$	\$
68,448	94,753
1,236,487	944,313
20,900	39,018
53,489	-
<b>1,379,324</b>	<b>1,078,084</b>

*Note 1 - Each non-executive director of Kogi Iron Limited entered into an individual letter agreement with the Company which acknowledged that individual director fees have been accruing as payable on a monthly basis since 1 January 2014, but have not been paid. Each director that executed a letter agreement acknowledged that their individual director fees would continue to accrue as payable each month and will continue to remain unpaid until a value realisation event occurs for the Agbaja project or the company, and furthermore that the accrued director fees may only be paid following a value realisation event, but only to the extent that the payment of the accrued fees will not give rise to, or be likely to give rise to, an insolvency event for the Company. As at the reporting date the amount of accrued director fees payable to directors that have executed the letter agreement is \$620,000. In addition, the payment of executive director Mr Kevin Joseph's month remuneration was reduced by US\$7,500 per month from April 2015 as an additional measure for the Company to conserve cash, as at the reporting date the sum of the accrued and unpaid remuneration owed to Mr Joseph is US\$190,000.*

**Note 8. Other financial assets and liabilities**

- (a) Deferred finance facility costs
- (b) Derivative liabilities
  - Collateral shares at fair value through profit or loss
  - Convertible advances at fair value through profit or loss

2017	2016
\$	\$
431,971	-
183,827	-
232,850	-
<b>416,677</b>	<b>-</b>

In October 2016, the Company concluded a private placement funding agreement for up to US\$5.8million with Bergen Global Opportunity Fund, LP ('Bergen') to fund ongoing development of its Agbaja Iron and Steel project. Under the agreement, Bergen will subscribe for shares, on a monthly basis, in the amount of US\$50,000, which can be increased up to US\$250,000 per month by mutual consent. On execution and in accordance with the agreement the company issued the following securities to Bergen:

- 8,992,527 shares in settlement of a non-refundable commencement fee of US\$116,000
- 9,800,000 unlisted options (refer note 22)
- 4,800,000 shares as security over the agreement.

A further 11,400,000 shares as security over additional funding provided during the year.

Advances received prior to the year end and future tranches under the agreement will be convertible into new Ordinary Shares of the Company at the 'Purchase price', being at the election of Bergen:

- (a) 90% of the average of 5 daily VWAPs per Company Share during the 20 consecutive trading days immediately prior to the relevant conversion notice date selected by Bergen; and
- (b) 135% of the average of each of the daily VWAPs during the 20 trading days immediately prior to 9 October 2016 calculated as 3.1 cents.

In addition to the above, should the relevant purchase price at date of notice for tranche amounts to issue shares, fall below the floor price (which is \$0.015), then the company have the option to repay in cash at 105% of the tranche amount.

During the year, the Company recognised \$177,444 finance costs in relation to the unwinding of the deferred finance facility costs.

**Note 9. 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 28.5% (2016: 28.5%)
Tax effect of amounts that are not deductible /(taxable) in calculating taxable income
Timing differences and income tax benefit not recognised
Income tax benefit

2017	2016
\$	\$
(1,973,867)	(1,625,415)
(562,552)	(463,243)
562,552	463,243
-	-
19,612,476	17,737,302
5,589,556	5,055,131
19,612,476	17,737,302
131,307	131,307

**(b) Tax losses**

Unused tax losses for which no deferred tax assets has been recognised
Potential tax benefit at 28.5% (2016: 28.5%)

**(c) Unrecognised temporary differences**

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

**Deferred tax assets**

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

(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.

The Company has deemed that it will not be able to use all of the income tax losses due to the change in the beneficial ownership of the Company and the failure of the same business test, as the losses incurred by the Company prior to the acquisition of its interests in KCM Mining Holdings Pty Ltd and KCM Mining Limited, which finalised on 17 February 2012.

**Note 10. 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**

2017	2016
\$	\$
61,951,746	61,009,498
223,856	223,856
62,175,602	61,233,354
61,009,498	60,075,121
1,089,635	1,053,000
(147,387)	(118,623)
61,951,746	61,009,498



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 June 2017



**Note 10. Contributed Equity** (continued)

(c) (ii) Movements in Ordinary Share Capital

	No. of shares 30/06/2017	\$ 30/06/2017	No. of shares 30/06/2016	\$ 30/06/2016
On issue at 1 July	453,069,815	61,009,498	377,669,836	60,075,121
Shares issued for commencement fee on share subscription agreement	8,992,527	151,974	-	-
Shares issued as collateral shares for share subscription agreement	4,800,000	124,800	-	-
Shares issued for Tranche 1	4,027,354	80,547	-	-
Shares issued for Tranche 2	4,630,916	83,357	-	-
Shares issued for Tranche 3	4,452,162	89,043	-	-
Shares issued for Tranche 4	6,006,944	84,097	-	-
Shares issued as collateral shares for additional tranches*	6,600,000	-	-	-
Shares issued for Tranche 5	3,313,014	89,451	-	-
Shares issued for Additional Tranche	9,595,456	230,291	-	-
Shares issued for Tranche 6	3,982,636	75,670	-	-
Shares issued for Tranche 7	4,020,198	80,404	-	-
Shares issued as collateral shares for additional tranches*	4,800,000	-	-	-
Shares issued pursuant to share purchase plan	-	-	38,999,979	507,000
Shares issued on private placement	-	-	36,400,000	546,000
Share issue costs	-	(147,386)	-	(118,623)
	<b>518,291,022</b>	<b>61,951,746</b>	<b>453,069,815</b>	<b>61,009,498</b>

\*Collateral shares have been issued to Bergen Global Opportunity Fund LP and are held as security in accordance with the terms of the private placement funding agreement.

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

At the beginning of the reporting period  
Shares issued during the reporting period  
Shares cancelled during the reporting period  
**At reporting date**

30/06/2017	30/06/2016
(number of shares)	
453,069,815	377,669,736
65,221,207	75,399,979
-	-
<b>518,291,022</b>	<b>453,069,815</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  
Options lapsed during the period  
**At reporting date**

2017	2016
(number of options)	
114,716,606	102,704,606
9,800,000	12,012,000
-	-
(114,716,606)	-
<b>9,800,000</b>	<b>114,716,606</b>

**Note 11. Reserves**

Share based payments reserve  
Foreign currency translation reserve

Movements:

**Share based payments reserve**

Balance at beginning of period  
Options issued during the period

Balance at end of period

**Foreign currency translation reserve**

Balance at beginning of period  
Currency translation differences arising during the period

Balance at end of period

**Total Reserves**

2017	2016
\$	\$
1,479,574	1,361,330
(51,653)	(66,113)
<b>1,427,921</b>	<b>1,295,217</b>
1,361,330	1,343,561
118,244	17,769
<b>1,479,574</b>	<b>1,361,330</b>
(66,113)	(49,424)
14,460	(16,689)
<b>(51,653)</b>	<b>(66,113)</b>
<b>1,427,921</b>	<b>1,294,137</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017



## Note 11. Reserves (continued)

### (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 and to consultants for the provision of services settled in equity. The share based payment reserve is also used to recognise the fair value of options issued on 16 November 2016 to Bergen Global Opportunity Fund, LP, as per the terms and conditions of the private placement funding agreement. Refer to note 22.

#### (ii) Foreign Currency Translation Reserve

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

## Note 12. 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:

	2017 \$	2016 \$
Short-term employee benefits	644,570	656,684
Post-employment benefits	-	-
Share based payments (Loan Performance Shares)	-	-
<b>Total key management personnel compensation</b>	<b>644,570</b>	<b>656,684</b>

## Note 13. 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 12 months ended 30 June 2017 is as follows:

2017	Exploration and Evaluation	Total
<b>Segment revenue</b>		
Interest Income	1,305	4,819
<b>Total segment revenue/income</b>	<b>1,305</b>	<b>4,819</b>
<b>Segment result</b>		
Profit (loss) after income tax	(1,973,867)	(1,973,867)
<b>Segment assets</b>		
Cash and cash equivalents	135,182	135,182
Property, plant and equipment	4,992	4,992
Other assets	492,586	492,586
<b>Total assets</b>	<b>632,760</b>	<b>632,760</b>
<b>Segment liabilities</b>		
Trade and other payables	1,379,324	1,379,324
<b>Total Liabilities</b>	<b>1,379,324</b>	<b>1,379,324</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 June 2017



**Note 13. Segment Reporting (Continued)**

2016	Exploration and Evaluation	Total
Segment revenue		
Interest Income	4,819	4,819
Total segment revenue/income	4,819	4,819
Segment result		
Profit (loss) after income tax	(1,625,415)	(1,625,415)
Segment assets		
Cash and cash equivalents	740,446	740,446
Property, plant and equipment	11,568	11,568
Other assets	61,744	61,744
Total assets	813,758	813,758
Segment liabilities		
Trade and other payables	1,078,086	1,078,086
Total Liabilities	1,078,086	1,078,086

**14. Cash flow information**

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

	2017 \$	2016 \$
Profit/(Loss) after income tax	(1,973,867)	(1,625,415)
Cash flows excluded from profit attributable to operating activities		
Fair value gain/loss on financial assets at fair value through profit or loss	-	-
Non-cash flows in profit from ordinary activities		
Depreciation	1,933	28,880
Depreciation included exploration and evaluation expenditure	4,643	-
Finance costs	177,444	-
Changes in assets and liabilities,		
(Increase)/decrease in receivables	1,129	314,273
Increase/(decrease) in payables	300,407	405,498
Increase/(decrease) in financial assets and liabilities	15,294	-
Cash flow used in operations	(1,473,017)	(876,764)

**Non-cash investing and financing activities**

	2017 \$	2016 \$
Equity issued for capital raising services	126,342	17,769
	126,342	17,769

Equity issued for capital raising services in 2017 comprises amortisation of the deferred facility costs relating to the Bergen agreement.

**15. 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 obligation 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 \$51,340 (2016:\$9,451) 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:

2017/18	\$1,150
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The group has no other operating lease commitments.

**Contractual capital commitments**

There are no contractual capital commitments.

## 16. Events subsequent to balance date

No matters or circumstance have arisen since 30 June 2017 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, except for:

- The Company completed a private placement on 18th September by issue of 47,666,667 shares raising \$715,000 (before costs). Proceeds from the issue will be used for the Agbaja bulk sample test work and working capital.
- The Company received a further 3 tranches of US\$50,000 under the Bergen agreement.

## 17. Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including interest rate 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.

### *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  
Other financial assets

#### **Financial liabilities**

Trade and other payables  
Derivative liabilities

	2017 \$	2016 \$
Cash and cash equivalents	135,182	740,446
Trade and other receivables	60,615	61,744
Other financial assets	431,971	-
	<b>627,768</b>	<b>802,190</b>
Trade and other payables	1,379,324	1,078,084
Derivative liabilities	416,677	-
	<b>1,796,001</b>	<b>1,078,084</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.

### **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 purchased 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 arises from cash and cash equivalents held, due to the small amount of funds on hand at balance date. The group does not have any deposits, but does have 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 17.

#### *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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017



## 17. Financial risk management (continued)

The Board of directors' monitor the cash levels of the group on an on-going basis against budget and the maturity profiles of financial assets and liabilities to manage liquidity risk.

As at reporting date the group had sufficient cash reserves to meet its immediate requirements. The group has no access to credit standby facilities or arrangements for further funding or borrowings in place at balance date and will need to secure additional equity or debt funding to enable it to meet its ongoing requirements.

### 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.

At 30 June 2017	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	\$	\$	\$	\$	\$	\$	\$
<b>Non-derivatives</b>							
Non-interest bearing	1,379,324	-	-	-	-	1,379,324	1,379,324
Variable rate	-	-	-	-	-	-	-
Fixed rate	-	-	-	-	-	-	-
<b>Total non-derivatives</b>	<b>1,379,324</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,379,324</b>	<b>1,379,324</b>
<b>Derivatives</b>							
Derivative liabilities	-	-	416,677	-	-	-	416,677
<b>Total derivatives</b>	<b>-</b>	<b>-</b>	<b>416,677</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>416,677</b>
At 30 June 2016	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	\$	\$	\$	\$	\$	\$	\$
<b>Non-derivatives</b>							
Non-interest bearing	1,078,085	-	-	-	-	1,078,085	1,078,085
Variable rate	-	-	-	-	-	-	-
Fixed rate	-	-	-	-	-	-	-
<b>Total non-derivatives</b>	<b>1,078,085</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,078,085</b>	<b>1,078,085</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.

### Recognised fair value measurements

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

At 30 June 2017	Note	Level 1 \$'s	Level 2 \$'s	Level 3 \$'s	Total \$'s
<b>Recurring fair value measurements</b>					
<b>Financial Liabilities</b>					
Collateral shares		-	183,827	-	183,827
Convertible advances		-	232,850	-	232,850
<b>Total Financial Liabilities</b>		<b>-</b>	<b>416,677</b>	<b>-</b>	<b>416,677</b>

Note: Refer to note 22 of these financial statements for inputs used in determining the fair value of the level 3 financial instruments. There were no financial instruments as at 30 June 2016.

The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

### Valuation techniques used to determine fair values

Fair value of financial instruments has been determined by using the Black Scholes valuation model.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017



## 18. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 27. 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. The country of incorporate

Name of entity	Principal activities	Country of incorporation	Ownership interest	
			2017	2016
KCM Mining Holdings Pty Ltd	Mineral exploration and evaluation studies	Australia	100%	100%
KCM Mining Limited	Iron ore exploration and associated activities	Nigeria	100%	100%

## 19. Dividends

No dividends have been declared or paid during the period

## 20. Contingent liabilities and expenses

There are no contingent liabilities as at 30 June 2017 (2016: none).

## 21. Capital commitments

There are no capital commitments as at 30 June 2017 (2016: none).

## 22. Share based payments

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

### Unlisted options

In October 2016, the Company announced the establishment of a private placement funding agreement for up to US\$5.8 million with Bergen Global Opportunity Fund, LP ('Bergen'). The agreement included the issue of 9,800,000 unlisted options with an exercise price of 135% of the volume weighted average share price (VWAP) of the Company's shares for the 5- day period prior to the date of the agreement; to be issued on the first business day following shareholder approval. The options have a term of 36 months. Shareholder approval was obtained at the annual general meeting on 15 November 2016 and the options issued on 16 November 2016.

The valuation of the options has been determined based upon a Black Scholes calculation on date of grant giving a total value of \$118,244. The following are the inputs of the Black Scholes valuation:

Grant date	16 November 2016
Number of options	9,800,000
Expiry date	16 November 2019
Estimated volatility (%)	164.84%
Risk-free interest rate (%)	1.82%
Exercise price	\$0.0305
Share price at grant date	\$0.0210
Valuation per option	\$0.0121
Total Fair Value	\$118,244

### Summary of shares based payments

	2017 \$	2016 \$
Share based payments – consultants & contractors	-	17,769
Share based payments – deferred facility cost	118,244	-
<b>Total share based payment expense</b>	<b>118,244</b>	<b>17,769</b>

## 23. Related party transactions

### Parent entity

Kogi Iron Limited is the parent entity.

### Subsidiaries

Interests in subsidiaries are set out in note 18.

### 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

During the year there were no related party transactions with key management personnel.

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

### Unpaid director fees

Each non-executive director of Kogi Iron Limited entered into an individual letter agreement with the Company which acknowledged that individual director fees have been accruing as payable on a monthly basis since 1 January 2014, but have not been paid. Each director that executed a letter agreement acknowledged that their individual director fees would continue to accrue as payable each month and will continue to remain unpaid until a value realisation event occurs for the Agbaja project or the company, and furthermore that the accrued director fees may only be paid following a value realisation event, but only to the extent that the payment of the accrued fees will not give rise to, or be likely to give rise to, an insolvency event for the Company. As at the reporting date the amount of accrued director fees payable to directors that have executed the letter agreement is \$620,000. In addition, the payment of executive director Mr Kevin Joseph's month remuneration was reduced by US\$7,500 per month from April 2015 as an additional measure for the Company to conserve cash, as at the reporting date the sum of the accrued and unpaid remuneration owed to Mr Joseph is US\$190,000.

Name	Balance 01/07/16 \$	Remuneration incurred but not paid for the period \$	Loan balance as at 30/06/17 \$
Dr Ian Burston	250,000	100,000	350,000
Kevin Joseph	204,948	42,174	247,122
Don Carroll	150,000	60,000	210,000
Michael Tilley	-	60,000	60,000
Brian King (deceased 4 January 2017)	150,000	30,000	180,000
<b>Total</b>	<b>754,948</b>	<b>292,174</b>	<b>1,047,122</b>

There were no other transactions with key management personnel during the year.

## 24. Earnings per share

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

Net Loss  
Loss used in the calculation of basic EPS

Continuing Operations

2017 \$	2016 \$
(1,973,867)	(1,625,415)
(1,973,867)	(1,625,415)
(1,973,867)	(1,625,415)

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

Number	Number
476,302,208	391,410,653

## 25. 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**

2017 \$	2016 \$
27,947	33,943
<b>27,947</b>	<b>33,943</b>

## 26. Parent entity information

Information relating to Kogi Iron Limited

	2017 \$	2016 \$
Current assets	194,538	711,439
Non-current assets	431,971	-
<b>Total assets</b>	<b>626,509</b>	<b>713,910</b>
Current liabilities	(1,541,049)	(871,973)
<b>Total liabilities</b>	<b>(1,541,049)</b>	<b>(871,973)</b>
Issued capital	62,175,603	61,178,763
Accumulated losses	(64,569,717)	(62,752,747)
Share based payments reserve	1,479,574	1,415,921
<b>Total shareholder equity</b>	<b>(914,540)</b>	<b>(158,063)</b>
Profit (loss) of parent entity	(1,816,970)	(1,577,962)
Total comprehensive profit (loss) of parent	(1,816,970)	(1,577,962)

### 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 20 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 subsidiaries have formed a tax consolidation group.

## 27. 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 29 September 2017

#### (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 group has incurred net cash outflow from operating and investing activities for the year ended 30 June 2017 of \$1,473,017 (2016: \$876,764). As at 30 June 2017, the Group had net current liability of \$1,183,527 (2016: \$275,894).

The ability of the Group to continue as a going concern is dependent on securing additional funding. 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 discharged 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 \$867,122 of the total \$1,379,324 in trade and other payables due are owed to the current and existing Board members who will not call in the debt until such time as an Asset Realisation event occurs on the Agbaja Project and as long as the repayment will not cause any insolvency issue to the Company. In addition, the Group has US\$5 million undrawn facility under the Bergen Agreement.

Subsequent to the year end, the Company completed a private placement on 18th September by issue of 47,666,667 shares raising \$715,000 (before costs), and received a further 3 tranches of US\$50,000 under the Bergen agreement. Proceeds from the funding received will be used for the Agbaja bulk sample test work and working capital.

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.

Should the company not be successful in obtaining adequate funding or cashflows are not as planned, there is a material uncertainty as to the ability of the group to continue as a going concern and to realise its assets and extinguish its liabilities in the ordinary course of business.



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

### *(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 27.

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

The Company 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.

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 for application in future periods*

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 2017. 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 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. 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 Company will adopt 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 will adopt this standard from 1 July 2017 and the impact is not material to the group.

#### *(iii) 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;
- 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017



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

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.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### (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.

#### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017



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

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 recognition*

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The specific accounting policies for the group's main types of revenue are explained below.

Revenue for other business activities is recognised on the following basis:

### *(i) Interest income*

Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

### *(f) 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.

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.

### *(g) Investment allowances and similar tax incentives*

Companies within the group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g. the Research and Development Tax Incentive regime in Australia or other investment allowances). The group accounts for such allowances as other income in the profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017



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

### (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 receivables

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

### (l) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and
- highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

The group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

#### *(i) Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

### (m) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### (n) Share purchase facility advances and embedded derivatives

As part of a share purchase agreement (see note 8), which includes embedded derivatives, the group has received tranches in advance which are convertible to a variable number of shares in the Group. These convertible amounts are recognised as financial liabilities at fair value through profit or loss. On initial recognition, the fair value of the advances received and value of the Equity components (options issued at commencement of facility) will equate to the proceeds received and subsequently the liability is remeasured at fair value each reporting period. The fair value movements are recognised on the profit or loss as finance costs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017



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

### (o) 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 22.

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. 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 terminations 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.

### (p) 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.

### (q) 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.

### (r) Earnings per share

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

AASB133 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.

### (s) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017



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

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.

### **(t) Parent entity financial information**

The financial information for the parent entity, Kogi Iron Limited, disclosed in note 26 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.

## 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.

### *Share purchase facility advances carried at fair value through profit or loss*

On initial recognition the value of advances was calculated based on the difference between the proceeds received under the share purchase agreement and the fair value of the equity component (being the options issued at the commencement of the facility). The Options were valued using a Black Scholes option pricing model which takes into account the share price of the group and share price volatility (see details in note ). Subsequently the fair value of the convertible note liability is accreted up to its face value by taking into account the discount on the conversion of the shares in the future and share price, see details of the term of the funding facility in Note 8 and its fair value disclosures in Note 17.

### *Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

The group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017



### 28. Critical accounting judgements, estimates and assumptions *(continued)*

#### *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.

### Directors' Declaration:

- (a) the financial statements and notes set out on pages 3 to 36 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 2017 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 27 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 dark ink, appearing to read 'Ian Burston'.

Ian Burston  
Non-Executive Chairman  
29 September 2017



## 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 2017, 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 2017 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 27 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.

### Accounting for Share Purchase Subscription Agreement

Key audit matter	How the matter was addressed in our audit
During the year Kogi Iron Limited entered into a share purchase subscription agreement with Bergen Global Opportunity Fund, LP (Bergen) whereby the Group could issue shares in 24 tranches up to USD\$5.8 million as consideration. In entering the agreement the group issued shares, options, and collateral shares to Bergen. See Note 8, Note 10, Note 17, Note 22 and Note 28 in the financial report for details. We have identified the accounting and the valuation of the share purchase subscription agreement as a key audit matter due to complexity and judgments involved in determining the various conversion features which can have a significant effect on the appropriate classification of the components of this instrument together with complexities as to the initial and subsequent valuations of the identified components.	<p>Our audit procedures in this area included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Holding discussions with management and reviewing the share purchase subscription agreement to understand the key terms and conditions of the transaction;</li> <li>• Inspecting Board minutes and other appropriate documentation to assess whether the transactions were appropriately authorised;</li> <li>• Assessing whether management's assessment of the classification of the components contained within the instrument was in accordance with accounting standards;</li> <li>• Checking management's calculations carried out in respect of the valuation of the debt and equity components of instrument; and</li> <li>• Involving our valuation specialists to assess the appropriateness of the volatility assumption used in the Company's option pricing model;</li> </ul> <p>We also assessed the adequacy of the related disclosures in the financial report.</p>

## Other information

The directors are responsible for the other information. The other information comprises the information contained in the Directors' report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

### **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 7 to 12 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Kogi Iron Limited, for the year ended 30 June 2017, 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**

A handwritten signature in blue ink, appearing to read 'Dean Just', is written over a faint, stylized 'BDO' logo.

**Dean Just**

**Director**

Perth, 29 September 2017

## MINERAL RESOURCE AND MINERAL RESOURCE ORE RESERVE ESTIMATION STATEMENT



The following Annual Statement of Mineral Resources and Ore Reserves (MROR) statement reflects the Company's mineral resources and ore reserves as at 30 June 2017.

For the purpose of preparing this Annual Statement of Mineral resources and Ore Reserves as at 30 June 2017, the Company has completed a review of its resources and reserves taking into account long term metal price, foreign exchange rates, cost assumptions based on current industry conditions, any changes that may affect the capability for these resources to be exploited or which may result in material changes to cut-off grades and physical mining parameters. It should be emphasised that this is a summary only and for further detail the reader is referred to the respective ASX releases.

The tables below set out Mineral Resources and Ore Reserves as at 30 June 2017.

Mineral Resources (JORC 2012) as at 30 June 2017		
Classification	Tonnes (Mt)	Fe (%)
<b>Zone A (Laterite Mineralisation)</b>		
Indicated	147.5	33.2
Inferred	33.9	31.7
<b>Total Indicated + Inferred (Zone A)</b>	<b>181.4</b>	<b>32.9</b>
<b>Zone B (Oolitic Mineralisation)</b>		
Indicated	318.7	45.2
Inferred	86.3	44.7
<b>Total Indicated + Inferred (Zone B)</b>	<b>405.0</b>	<b>45.1</b>
<b>Combined Zone A and Zone B</b>		
Total Indicated	466.2	41.4
Total Inferred	120.1	41.1
<b>Total Indicated + Inferred</b>	<b>586.3</b>	<b>41.3</b>

20% Fe lower cutoff is applied

There have been no changes to mineral resources since the 2016 MROR statement. Refer to ASX announcement 10 December 2013.

Ore Reserves (JORC 2012) as at 30 June 2017		
Classification	Tonnes (Mt)	Fe (%)
Probable	205	45.7

There have been no changes to ore reserves since the 2016 MROR statement. Refer to ASX announcement 4 March 2014.

In September 2017 the Company engaged Al Maynard & Associates Pty Ltd to undertake an independent review of the data used by Coffey Mining in relation to the mineral resource and ore reserve reports, which resulted in no change to the estimates.

### Competent Person's Statements

The information in this Annual Mineral Resources Statement is based on, and fairly represents, information and supporting documentation prepared by the competent persons named below.

The Mineral Resources and Ore Reserves Statement as a whole has been approved by Mr Phil Jones (BAppSc(AppGeol), MAIG, MAusIMM) a Senior Mine & Resource Geologist for Al Maynard & Associates Pty Ltd. Mr Jones has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity currently being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Mr Jones consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the Mineral Resources is based on information compiled by David Slater, formerly Principal Resource Geologist of Coffey Mining who is a Chartered Professional Member of The Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists and by Dr Warwick Crowe, of International Geoscience who is a Member of the Australian Institute of Geoscientists.

Information in this announcement that relates to the Ore Reserves is based on information compiled by Mr. Harry Warries, Mining Manager of Coffey Mining who is a Fellow of the Australasian Institute of Mining and Metallurgy.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of the estimated Mineral Resources that 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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### List of mineral tenements held by Kogi Iron Limited 100% owned Nigerian subsidiary KCM Mining Pty Ltd

All tenements are held in Nigeria.

Mining Lease 24606

Mining Lease 24607

Exploration Licence 8583 \*

Exploration Licence 8886 \*

Exploration Licence 6350 \*

Exploration Licence 14847 \*

Exploration Licence 16998

\*Exploration Licences are in process of being converted to a Mining Lease.

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 4 October, 2017.

**(a) Distribution of equity securities**

*(i) Ordinary share capital*

584,800,674 fully paid ordinary shares are held by 2,033 individual shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

*(ii) Options*

There were no listed options on issue

*(iii) The number of security holders, by size of holding, in each class are:*

Holding	Fully Paid Ordinary Shares	
	Shares	Holders
1-1,000	142,391	445
1,001-5,000	742,010	261
5,001-10,000	1,204,740	149
10,001-100,000	26,523,113	605
100,001 and over	556,188,420	573
	<b>584,800,674</b>	<b>2,033</b>
Holdings less than a marketable parcel	4,859,379	1,030

**(b) Substantial Holders**

	Fully Paid	
	Number	Percentage
Timothy Owen Lebbon and related parties Noble Investments Superannuation Fund Pty Ltd and Leadenhall Australia Pty Ltd	36,383,077	6.22%

**(c) Twenty Largest holders of equity securities**

Ordinary shareholders	Fully Paid	
	Number	Percentage
Noble Investments Superannuation Fund Pty Ltd	20,000,000	3.42%
Scorpius Nominees Pty Ltd	16,095,000	2.75%
Dr Ian Burston	14,722,223	2.52%
Mr Rodney Malcolm Hogg & Mr Matthew Hogg	13,830,157	2.36%
Mr Jamie Wayne Shevlin & Mrs Lee-Anne Maree Shevlin	10,200,000	1.74%
Leadenhall Australia Pty Limited	10,000,000	1.71%
TGP Australia Limited	9,437,667	1.61%
Investment Portfolio (WA) Pty Ltd	8,950,095	1.53%
Mr Rodney Malcolm Hogg	8,746,235	1.50%
Caprice Fishing Company P/L	8,000,000	1.37%
Mr Guy Langdon Collison & Mrs Philippa Burdon Collison	7,581,589	1.30%
Marilei International Ltd	7,168,000	1.23%
Maslin Creek Pty Ltd	6,625,630	1.13%
Mr Richard Herman Rykers & Mrs Jacqueline Rykers	6,400,000	1.09%
Noble Investments Superannuation Fund Pty Ltd	6,382,810	1.09%
Mr Charles Robert Todd & Ms Andrea Michelle Treble	5,924,435	1.01%
Kevin Joseph	5,650,841	0.97%
Gakaye Pty Ltd	5,603,846	0.96%
Arina Management Pty Limited	5,153,846	0.88%

## ASX ADDITIONAL INFORMATION



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CJF Super Pty Ltd	4,905,317	0.84%
	181,377,691	31.01%

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### (d) Unquoted securities

#### Ordinary shares

Loan Performance Shares	1,000,000
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#### Options

9,800,000 unlisted options (exercise price \$0.0305, expiring 16 November 2019) are held by 1 option holder.

Options do not carry a right to vote.

### (e) Restricted Securities

None