KOGI IRON LIMITED

ABN 28 001 894 033

(Formerly Energio Limited)

Interim financial report

Half Year Report – 31 December 2012

Corporate Directory

Directors	Dr Ian Burston, Chairman Kevin Joseph, Executive Director Don Carroll, Non-Executive Director Nathan Taylor, Non-Executive Director Brian King, Non-Executive Director Giuseppe (Joe) Ariti, Non-Executive Director
Company Secretary	Shane Volk
Registered Office	13 Colin Street West Perth WA 6005 Telephone: (08) 9200 3456 Facsimile: (08) 9200 3455
Share Registry	Link Market Services Limited Level 2, 178 St Georges Terrace Perth WA 6000 Telephone: (08) 9211 6651 Facsimile: (08) 9211 6660
Auditors	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008
Solicitors to the Company	Steinepreis Paganin Lawyers and Consultants Level 4, The Read Buildings 16 Milligan Street PERTH WA 6000
Bankers	Commonwealth Bank
Stock Exchange Listing	Kogi Iron Limited shares are listed on the Australian Securities Exchange (ASX). ASX Codes: KFE KFEO

Contents

Directors Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the "consolidated entity") consisting of Kogi Iron Limited (referred to hereafter as the "company" or "parent entity") and the entities it controlled for the half year ended 31 December 2012.

Directors

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

Dr. Ian Burston	Chairman
Kevin Joseph	Executive Director
Don Carroll	Non-Executive Director
Nathan Taylor	Non-Executive Director
Brian King	Non-Executive Director
Giuseppe (Joe) Ariti	Non-Executive Director

Principal Activities

During the financial half-year the principal activities of the consolidated entity was the continuation of exploration, resource estimation and metallurgical test work on the consolidated entity's wholly owned Exploration Licence EL12124, at the Agbaja Plateau, Nigeria (the "Agbaja Project").

Review of Operations

The loss after tax for the consolidated entity for the half year ended 31 December 2012 was $1,417,627 (31 December 2011:$2,645,662). The loss is primarily attributable to corporate costs of the consolidated entity in support of continued exploration, development and test work for its Agbaja Project.

Corporate

At the Annual General Meeting of the Company held on 30 November 2012, shareholders approved a change of the Company name to Kogi Iron Limited (formerly Energio Limited).

On 14 November 2012, the company announced that it has raised $2.2 million via the placing of 7,857,143 shares at $0.28 each to professional and sophisticated investors. The funds have enabled the consolidated entity to maintain a sound working capital position during the continuation of metallurgical test work and the recommencement of drilling.

At the 30 November 2012 Annual General Meeting shareholders approved the company Loan Share Plan and on 7 December 2012 the company announced the issue of 37,500,000 fully paid ordinary shares to company directors at a price of $0.28, pursuant to the plan (full details of the Loan Share Plan are contained in the company Notice of Annual General Meeting lodged with the ASX on 26 October 2012).

Operational

During the half year the company:

- Announced a Maiden JORC compliant mineral resource estimation for the Agbaja Project of 488 million tonnes with an in-situ iron grade of 42.7% classified as inferred (announced to the ASX on 28 September 2012);
- Commenced a metallurgical test work program on four representative, composite samples prepared from diamond core taken from the Agbaja Project (announced to the ASX on 9 November 2012 and 13 December 2012);
- Initiated various development studies including infrastructure reviews relating to port, marine and rail, the appointment of a consultant for the conduct of base line environmental and social studies, a marketing study for the preliminary review of global iron ore markets to understand market product specifications; and

- Prepared for the re-commencement of exploration drilling at the Agbaja Project, where at 31 December 2012 the company had completed a total of 557 reverse circulation (RC) and 11 diamond drill holes.

On 1 February 2013 the company announced to the ASX the results of the first phase metallurgical test work program and the initiation of a second phase metallurgical test program which is expected to take four to six months to complete.

Exploration drilling at the Agbaja Project recommenced in January 2013 with a planned 138 additional reverse circulation drill holes and approximately 30 diamond drill holes. On 28 February 2013 the company announced that the 138 hole program had been completed, along with a 31 hole wide spaced "step out" reverse circulation drilling program.

Significant changes in the state of affairs

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

Auditors independence declaration

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

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

Ian Burston
Director

15 March 2013
Perth

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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

15 March 2013

Kogi Iron Limited
The Board of Directors
13 Colin Street
WEST PERTH WA 6005

Dear Sirs,

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

As lead auditor for the review of Kogi Iron Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

- no contraventions of any applicable code of professional conduct in relation to the review.

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

Phillip Murdoch
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half year ended 31 December 2012

	Note	31/12/2012 $	31/12/2011 $
Revenue			
Interest income		55,793	-
Expenses			
Accounting and audit fees		(100,047)	(170,888)
Consultancy fees		(211,265)	(61,898)
Travel and accommodation		(126,983)	-
Corporate expenses		(140,188)	-
Director & employee expenses		(213,611)	(93,000)
Share based payment expense	9	(545,163)	-
Legal fees		(46,527)	(183,914)
Occupancy		(80,728)	-
Impairment expense		-	(2,000,000)
Other expenses		(8,908)	(135,962)
Profit /(Loss) before income tax expense		(1,417,627)	(2,645,662)
Income tax expense/(benefit)			
Profit /(Loss) from continuing operations		(1,417,627)	(2,645,662)
Profit /(Loss) attributable to the owners of Kogi Iron Limited		(1,417,627)	(2,645,662)
Other comprehensive income			
Items that may be reclassified to the profit and loss account:			
Exchange differences on translation of foreign operations		882,909	-
Total comprehensive income /(loss) for the year attributable to the owners of Kogi Iron Limited		(534,718)	(2,645,662)
Overall Operations			
Basic earnings (loss) per share (cents per share)	12	(0.58)	(2.25)
Diluted earnings (loss) per share (cents per share)		n/a	n/a
Continuing Operations			
Basic earnings (loss) per share (cents per share)		(0.58)	(2.25)
Diluted earnings (loss) per share (cents per share)		n/a	n/a

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

Consolidated Statement of Financial Position for the half year ended 31 December 2012

	Note	31/12/2012 $	30/06/2012 $
Assets			
Current assets			
Cash and cash equivalents	3	3,297,540	4,185,601
Trade and other receivables		123,176	255,289
Total current assets		**3,420,716**	**4,440,890**
Non-current assets			
Property, plant and equipment		312,812	304,661
Exploration and evaluation expenditure	4	52,603,376	50,156,180
Total non-current assets		52,916,188	**50,460,841**
Total assets		**56,336,904**	**54,901,730**
Liabilities			
Current Liabilities			
Trade and other payables		146,931	775,713
Provisions		-	6,386
Total current Liabilities		146,931	**782,099**
Non-current liabilities			
Deferred Tax Liability		14,100,000	14,100,000
Total non-current liabilities		14,100,000	**14,100,000**
Total liabilities		**14,246,931**	**14,882,099**
Net Assets		**42,089,973**	**40,019,631**
Equity			
Issued Capital	5	55,260,454	53,200,557
Reserves	6	5,520,583	4,092,511
Accumulated losses		(18,691,064)	(17,273,437)
Total Equity		**42,089,973**	**40,019,631**

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

Consolidated Statement in Changes in Equity for the half year ended 31 December 2012

	Contributed Equity $	Accumulated Losses $	Reserves $	Total $
Consolidated				
Balance at 1 July 2011	**29,386,502**	**(27,460,986)**	**2,685,922**	**4,611,438**
Profit/(loss) for the half year	-	(2,645,662)	-	(2,645,662)
Foreign exchange movements	-	-	-	-
Contributions of equity, net of transaction costs	856,093	-	-	856,093
Balance at 31 December 2011	**30,242,595**	**(30,106,648)**	**2,685,922**	**2,821,869**

	Contributed Equity $	Accumulated Losses $	Reserves $	Total $
Consolidated				
Balance at 1 July 2012	**53,200,557**	**(17,273,437)**	**4,092,511**	**40,019,631**
Profit/(loss) for the half year	-	(1,417,627)	-	(1,417,627)
Share based payment	-	-	545,163	545,163
Foreign exchange movements	-	-	882,909	882,909
Contributions of equity, net of transaction costs	2,059,897	-	-	2,059,897
Balance at 31 December 2012	**55,260,454**	**(18,691,064)**	**5,520,583**	**42,089,973**

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

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

	Note	31/12/2012 $	31/12/2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,089,585)	(682,641)
Interest received		53,592	-
Net cash (outflow) from operating activities		**(1,035,993)**	**(682,641)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current assets		(16,142)	-
Payments for exploration		(1,895,823)	-
Loans to/(from) other parties		-	(2,000,000)
Net cash (outflow) from investing activities		**(1,911,965)**	**(2,000,000)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares net of cost		2,220,000	832,592
Payment of share issue costs		(160,103)	-
Net cash inflow financing activities		**2,059,897**	**832,592**
Net increase/(decrease) in cash and cash equivalents held		**(888,061)**	**(1,850,049)**
Cash and cash equivalents at beginning of financial half-year		4,185,601	4,728,195
Exchange gain/(loss) on balance		-	-
Cash and cash equivalents at end of financial year	3	**3,297,540**	**2,878,146**

Notes to the Financial Statements

31 December 2012

Note 1. Significant accounting policies

These general purpose financial statements for the interim half year reporting period ended 31 December 2012 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by the company during the interim reporting period in accordance with the continuous discloser requirements of the Corporations Act 2001.

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

New, revised or amending Accounting Standards and Interpretations adopted

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

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

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

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income

The consolidated entity has applied AASB 2011-9 amendments from 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarify about the nature of items presented as other comprehensive income and the related tax presentation.

Going concern

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

The Consolidated entity has incurred net cash outflow from operating and investing activities for the half year ended 31 December 2012 of $2,947,958 (2011: $2,682,641). As at 31 December 2012, the Consolidated entity had net current assets of $3,273,785 (30 June 2012: $3,658,791).

The Directors recognise that the ability of the Group to continue as a going concern is dependent on the ability of 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, development, test work and for additional working capital.

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

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into two operating segments: exploration, and head office and administration. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers 'CODM')) in assessing performance and in determining the allocation of resources.

The CODM reviews operating profit/loss. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on at least a monthly basis.

Consolidated – 31/12/2012	Exploration $	Head office & Admin $	Total $
Segment revenue			
Interest income	-	55,793	55,793
Total segment revenue/income	**-**	**55,793**	**55,793**
Segment result			
Profit/(loss) after income tax	-	(1,417,627)	(1,417,627)
Segment assets			
Cash & cash equivalents	180,123	3,117,417	3,297,540
Exploration & evaluation	52,603,376	-	52,603,376
Property, plant and equipment	258,410	54,402	312,812
Other assets	19,427	103,749	123,176
Total assets	**53,061,336**	**3,275,568**	**56,336,904**
Segment liabilities			
Trade and other payables	77,838	69,093	146,931
Deferred tax liability	14,100,000	-	14,100,000
Total liabilities	**14,177,838**	**69,093**	**14,246,931**

Consolidated – 31/12/2011	Exploration $	Head office & Admin $	Total $
Segment revenue			
Interest income	-	-	-
Total segment revenue/income	**-**	**-**	**-**
Segment result			
Profit/(loss) after income tax	-	(2,645,662)	(2,645,662)
Segment assets			
Cash & cash equivalents	-	2,878,145	2,878,145
Exploration & evaluation	-	-	-
Property, plant and equipment	-	-	-
Other assets	-	72,035	72,035
Total assets	**-**	**2,950,180**	**2,950,180**
Segment liabilities			
Trade and other payables	-	128,311	128,311
Total liabilities	**-**	**128,311**	**128,311**

Note 3. Cash and cash equivalents

	31/12/12 $	30/06/12 $
Cash at bank and on term deposit	**3,297,540**	4,185,601

Note 4 . Exploration and evaluation expenditure

	31/12/12 $	30/06/12 $
Exploration expenditure prior periods	2,329,095	-
Current period exploration expenditure	1,564,288	2,329,095
Fair value of exploration upon acquisition	47,000,000	47,000,000
Foreign exchange movements	1,709,993	827,085
	52,603,376	50,156,180

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

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

Note 5. Issued Capital

	31/12/12 $	30/06/12 $
(a) Share Capital:		
Ordinary shares, fully paid	55,036,598	52,976,701
(b) Other equity securities:		
Value of conversion rights – convertible notes (i)	223,856	223,856
Total Contributed Equity	55,260,454	53,200,557
(c) (i) Ordinary shares		
At the beginning of the reporting period	52,976,701	29,162,646
Shares issued during the year	2,220,000	24,614,947
Transaction costs relating to share issues	(160,103)	(800,892)
At the end of the reporting date	55,036,598	52,976,701

(c) (ii) Movements in Ordinary Share Capital

Date	Details	No of shares	Issue price	Value
30/06/2011	**Balance**	**1,124,270,485**		**30,590,764**
01/08/2011	issue	20,000,000	0.025	500,000
01/08/2011	issue	29,000,000	0.01	290,000
30/09/2011	Issue	5,050,000	0.01	50,500
20/12/2011	issue	59,950,000	0.01	599,500
30/12/2011	Issue	500,000	0.01	5,000
30/12/2011	Consolidation of shares	(1,114,893,236)		
07/03/2012	Issue	14,500,000	0.20	2,900,000
07/03/2012	Issue	85,766,667	0.20	17,153,333
07/03/2012	issue	15,583,067	0.20	3,116,613
30/06/2012	**Balance**	**239,726,983**		**55,205,710**
02/11/2012	Issue	100,000	0.20	20,000
21/11/2012	Issue	7,857,143	0.28	2,200,000
07/12/2012	Issue (Loan Shares)	37,500,000	0.28	-
31/12/2012	**Balance**	**285,184,126**		**57,425,710**
	Less transaction costs			(2,389,112)
	At reporting date	**285,184,126**		**55,036,598**

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

	31/12/12 (number of shares)	30/06/12
At the beginning of the reporting period	239,726,983	1,124,270,485
Shares issued during the year pre-consolidation	n/a	114,500,000
Shares consolidated during the year	n/a	(1,114,893,236)
Shares issued during the year post consolidation	45,457,143	115,849,734
At reporting date	**285,184,126**	**239,726,983**

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has a vote on a show of hands.

Note 5. Issued Capital (continued)

(d) Options

	31/12/12	30/06/12
	(number of options)	
At the beginning of the reporting period	16,638,829	199,487,599
During September 2011	-	(34,050,000)
During December 2011	-	(59,950,000)
Options exercised during the period:		
During November 2012	(100,000)	-
Options consolidated during the period	-	(88,738,770)
Options lapsed during the period	(21,500)	(110,000)
At reporting date	**16,517,329**	**16,638,829**

(e) Value of conversation rights – Convertible Notes

	31/12/12 $	30/06/12 $
Value of conversion rights	244,248	244,248
Initial transaction cost	(20,392)	(20,392)
	223,856	223,856

(i) On 15 January 2010, the Company obtained the approval of its creditors to enter into a Deed of Company Arrangement (DOCA). The secured convertible notes were settled via an issue of 50,000,000 Shares and 30,000,000 Options exercisable at 1 cent each and expiring on 30 November 2013.

Note 6 . Reserves

	31/12/12 $	30/06/12 $
Share based payments reserve	1,778,403	1,233,240
Options issue reserve	2,032,187	2,032,187
Foreign currency translation reserve	1,709,993	827,084
	5,520,583	4,092,511
Movements:		
Share based payments reserve		
Balance at beginning of period	1,223,240	1,233,240
New shares issued (Loan Share Plan)	545,163	-
Balance at end of period	1,778,403	1,233,240
Options issue reserve		
Balance at beginning of period	2,032,187	1,452,682
New options granted	-	579,505
Balance at end of period	2,032,187	2,032,187
Foreign currency translation reserve		
Balance at beginning of period	827,084	-
Currency translation differences arising during the period	882,909	827,084
Balance at end of period	1,709,993	827,084
Total Reserves	**5,520,583**	**4,092,511**

(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 Group to directors as part of remuneration.

(ii) Option Issue reserve

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

(iii) Foreign Currency Translation Reserve

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

Note 7. Contingencies

There have been no changes in contingent liabilities or contingent assets since the end of the previous annual reporting period, 30 June 2012.

Note 8. Commitments

There have been no material changes in commitments since the end of the previous annual reporting period, 30 June 2012.

Note 9. Share Based Payments (Loan Share Plan)

Summary of the Loan Share Plan

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

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

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

Following shareholder approval at the Company's 2012 Annual General Meeting of the Loan Share Plan and the proposed issue of shares to directors under the plan, on 7 December 2012, 37,500,000 shares were issued to the six directors of the Company as part of their remuneration and having regard to their past and potential contribution to the Company. The shares were issued subject to the following vesting conditions:

- 1/3rd of the shares will vest when an ASX announcement is made by the Company of a JORC compliant mineral resource estimation of 500Mt or more with an in-situ iron ore grade of 40% or more to an indicated (or higher) level of confidence at the Agbaja Project, on or before 31 December 2014;
- 1/3rd of the shares vest when an ASX announcement is made by the Company that it has secured at least $15 million of funding to enable commencement of a pre-feasibility (or equivalent) study into the development of mining operations of the Agbaja Project, on or before 31 December 2014; and
- 1/3rd of the shares will vest when an ASX announcement is made by the Company that it has entered into a formal agreement to access the existing heavy haul rail infrastructure currently running from Lakoja to Warri for the purpose of transporting of iron ore from the Agbaja Project, on or before 31 December 2014.

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

The shares were issued at the price of $0.28 per share and corresponding limited recourse loans totalling $10,500,000 were entered into.

Summary of key loan terms:

- Loan amount: $0.28 per share
- Interest rate: 0%
- Term of loan: due and payable on the earlier of:
  a) 31 December 2020;
  b) the date on which the shares have been forfeited in accordance with the Plan Rules;
  c) the date that the shares have otherwise disposed of, or attempted to be dispose of, in accordance with the rules of the Loan Share Plan.

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

Eligible Participants: Shares issued pursuant to the Loan Share Plan

Name	Issue date	Shares issued	Issue price	Balance 01/07/12	Granted during period	Forfeited during period	Balance 31/12/12	Vested at 31/12/12
Dr Ian Burston	7/12/12	7,500,000	$0.28	-	7,500,000	-	7,500,000	-
Kevin Joseph	7/12/12	6,000,000	$0.28	-	6,000,000	-	6,000,000	-
Joe Ariti	7/12/12	6,000,000	$0.28	-	6,000,000	-	6,000,000	-
Don Carroll	7/12/12	6,000,000	$0.28	-	6,000,000	-	6,000,000	-
Brian King	7/12/12	6,000,000	$0.28	-	6,000,000	-	6,000,000	-
Nathan Taylor	7/12/12	6,000,000	$0.28	-	6,000,000	-	6,000,000	-

Value of loan shares issued

The fair value of the loan shares issued at the issue was calculated using the Black Scholes pricing model that took into account the term, the underlying value of the shares, the exercise price, the expected dividend yield, the impact of dilution and the risk-free interest rate.

Inputs used to value the shares granted included:

- exercise price for the shares: $0.28
- market price for the shares at date of issue: $0.28
- volatility of Company share price: 100%
- dividend yield: 0%
- risk free rate: 2.73%
- maximum time to loan maturity: 8 years and 24 days

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

The value of the loan shares has been expensed on a proportionate basis for each period from grant date to vesting date. The proportion of the value of the shares that has been expensed during the 6 months to 31 December 2012 and accounted for in the share option reserve is $545,163.

Vesting of the loan shares is subject to the three performance milestones (described above), whereby 1/3 of the loan shares issued to each recipient vests upon the attainment of each performance milestone, to be achieved on or before 31 December 2014.

Note 10. Related party transactions

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

Loans to Directors and Key Management Personnel

Name	Balance 01/07/12	Loans provided during period	Interest paid and payable during period	Interest not charged	Loan balance as at 31/12/12
Dr Ian Burston	-	$2,100,000	-	$11,530	$2,100,000
Kevin Joseph	-	$1,680,000	-	$9,224	$1,680,000
Joe Ariti	-	$1,680,000	-	$9,224	$1,680,000
Don Carroll	-	$1,680,000	-	$9,224	$1,680,000
Brian King	-	$1,680,000	-	$9,224	$1,680,000
Nathan Taylor	-	$1,680,000	-	$9,224	$1,680,000

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

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

Note 11. Events subsequent to the end of the reporting period

On 1 February 2013 the company announced to ASX the results of the first phase of metallurgical test work from diamond drill hole samples from its Agbaja Project. The company also announced that it has initiated a second phase metallurgical test program with the aim of increasing iron recovery and grade and minimising the grade of deleterious elements reporting to concentrate. Apart from the announcement of the phase 1 metallurgical test results and second phase testing program, no other matter or circumstance has arisen since 31 December 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 12. Profit/(loss) per share

	31/12/12 $	31/12/11 $
Reconciliation of earning used to calculate EPS to net profit or loss		-
Net Profit/(Loss)	(1,417,627)	(2,645,662)
Weighted number of ordinary shares outstanding during the period used for the calculation	245,994,063	117,585,000

Declaration by Directors

The Directors of the Company declare that:

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

  (i) comply with the Corporations Regulations 2001 and other mandatory professional standards; and

  (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half year ended on that date.

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

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

Ian Burston
Non-Executive Chairman

Dated this 15 day of March 2013

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF KOGI IRON LIMITED

We have reviewed the accompanying half-year financial report of Kogi Iron Limited, which comprises the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kogi Iron Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

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

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the half year financial report, which indicates that the consolidated entity incurred net cash outflow from operating and investing activities for the half-year ended 31 December 2012 of $2,947,958. The company will have to seek additional funding in order to progress its ongoing exploration and meet additional working capital requirements. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business at values stated in the interim financial report.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch
Director

Perth, Western Australia
Dated this 15th day of March 2013