

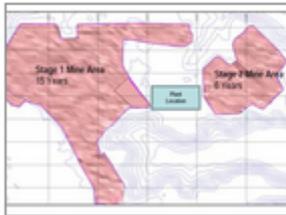
Kogi Iron

15th January 2014

Kogi Iron further reduces strip ratio at Agbaja Iron Ore Project

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Kogi Iron further reduces strip ratio at Agbaja Iron Ore Project



A further reduction in the strip ratio to 0.55 to 1 from 0.72 to 1 and mining cost quotations from African contractors, have allowed Kogi Iron to estimate mining costs of US\$8 per tonne of concentrate for its Agbaja Iron Ore Project in Nigeria.

Analysis

With estimated mining costs of just US\$8 per tonne of concentrate and a 21-year strip ratio of just 0.55 to 1, [Kogi Iron](#)'s Agbaja Iron Ore Mine continues to take shape as a low cost source of iron production in Nigeria.

The company has consistently hit operating targets and delivered innovative methods of reducing costs and increasing mining efficiency and end products.

With the iron ore price holding firm despite mainstream uncertainty over supply/demand metrics, Kogi is an iron ore player to watch as it moves to develop the potential of its Agbaja Project.

The upcoming Preliminary Feasibility Study will provide a clearer picture of the project's economics while the substantial Exploration Target of between 1.8 billion tonnes and 3Bt at 32% to 48% iron offers potential for further growth.

Considering these factors, Kogi's current share price of \$0.096 and market capitalisation of \$16 million is very undemanding.

[Kogi Iron](#)'s ([ASX: KFE](#)) Agbaja Iron Ore Project in Nigeria continues to take shape as a low cost operation with the 21 year strip ratio being reduced to 0.55 to 1 from 0.72 to 1.

Together with cost quotations received from leading mining contractors, this has allowed the company to estimate mining costs at US\$8 per tonne of concentrate.

Waste material movement has been reduced by 23% and overall material movement reduced by 9% after the mine plan was revised based on the Indicated Resource of 466 million tonnes at 41.4% iron.

Budget mining cost quotations have been received from leading African experienced mining contractors, which assisted with the cost estimate.

Managing director Iggy Tan said the company was excited by the results achieved in the mine plan and mining cost estimate.

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“The reduced strip ratio of 0.55 to 1 is low in iron ore mining industry terms. This has always been a distinct advantage of the Agbaja iron ore project, it has now been defined and recognised in the mining study,” he added.

“Reflecting the low stripping regime, pricing received from leading mining contractors with West African experience has resulted very competitive mining costs.

“Mining costs at close to US\$8.00/t of concentrate are very competitive, and puts us in good stead for highly competitive overall operating costs which will be finalised as part of the current PFS.”

He added the accelerated work by the company’s management and project teams meant it was still on track to deliver the Preliminary Feasibility Study by the end of the first quarter 2014.

Mine Plan

Based on the higher geological confidence of an Indicated Resource, [Kogi Iron](#) re-ran and further optimised the Agbaja mine plan.

The 21 year overall strip ratio for both the Stage 1 and Stage 2 mining areas now averages 0.55 to 1.

At an iron ore concentrate production rate of 5.0 million tonnes per annum, this represents an average annual rate of feed of around 10.6Mtpa, with overburden and waste of 5.8Mtpa.

The Stage 1 mining area is approximately 7.2 square kilometres, it is west of the proposed plant site and contains about 158Mt of mineral resources. Targeting the magnetic fraction of the mineral resource, the average grade of material identified for mining is estimated at 46.1% iron, with a corresponding strip ratio of approximately 0.55 to 1.

As currently designed, this area should provide processing plant feed for an initial 15 years.

The Stage 2 mining area covers about 2.2 square kilometres and is to the east of the proposed plant site. This area is estimated to contain approximately 66Mt of mineral resources.

The average grade of material identified for mining is estimated at 44.8% iron, with a corresponding strip ratio of about 0.56 to 1.

As currently designed this area should provide processing plant feed for an additional 6 years, bringing the combined total plant feed from the two areas to 21 years.

The two mining areas have an overall average strip ratio estimated at 0.55 to 1, providing 224Mt of feed (123Mt waste), at an average grade of 45.7% iron.

The low strip ratio has minimised mining costs over the 21 year mine plan and is proving to be a distinct advantage of the project.

Mining Costs

[Kogi Iron](#) has received a budget mining quotations from several leading mining contractors as part of the PFS.

This has allowed it to estimate mining costs – including overheads, overburden, waste and ore – of about US\$8 per tonne of concentrate.

Agbaja Iron Ore Project

Agbaja has an overall resource of 586 million tonnes at 41.3% iron. Notably, 466 million tonnes at 41.4% iron is in the higher confidence indicated category.

There is also potential for large scale expansion given that just 20% of the prospective area has been drilled tested. Kogi had previously estimated an Exploration Target of between 1.8 billion tonnes and 3Bt at 32% to 48% iron that offers further growth potential.

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The project is close to established transport infrastructure, which includes barging along the Niger River to the sea port.

Strengthening the case for Kogi is the recent addition of phosphorous bioleaching to the process plant design at Agbaja as part of the ongoing prefeasibility study.

Testwork has demonstrated that simple bioleaching can reduce phosphorous levels in Agbaja iron ore to 0.25% from 0.9%, potentially increasing prices received and hence cash inflow to Kogi.

This increased cashflow model for Agbaja is further optimised by the expectation that bioleaching will have negligible impact on capital and operating costs.

The proposed design utilises simple and proven pumping technology for the transport of the slurry concentrate and avoids the traditional and more costly heap leaching process.

Analysis

With estimated mining costs of just US\$8 per tonne of concentrate and a 21-year strip ratio of just 0.55 to 1, [Kogi Iron](#)'s Agbaja Iron Ore Mine continues to take shape as a low cost source of iron production in Nigeria.

The company has consistently hit operating targets and delivered innovative methods of reducing costs and increasing mining efficiency and end products.

With the iron ore price holding firm despite mainstream uncertainty over supply/demand metrics, Kogi is an iron ore player to watch as it moves to develop the potential of its Agbaja Project.

The upcoming Preliminary Feasibility Study will provide a clearer picture of the project's economics while the substantial Exploration Target of between 1.8 billion tonnes and 3Bt at 32% to 48% iron offers potential for further growth.

Considering these factors, Kogi's current share price of \$0.096 and market capitalisation of \$16 million is very undemanding.

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