

QUARTERLY REPORT – JUNE 2020

Australian based iron ore and steel development company, Kogi Iron Limited (ASX: KFE) (Kogi, Kogi Iron, or the Company) and its 100% owned Nigerian operating company, KCM Mining Limited (KCM) presents the quarterly activity report for the three months ended 30 June 2020 (the “Quarter”).

COVID-19: UPDATE

Impacts on operations in Nigeria include the lockdown of Abuja (Federal Capital), restrictions to interstate travel and closure of Nigeria’s Mines Department, which has limited business to within the Kogi State. Related financial market uncertainty has delayed the equity fundraising for the Feasibility Study.

However, many operational matters have been progressed despite COVID-19 and a reduced spend, albeit at a slower pace than planned. Further details are included in the relevant sections of the update on the Company’s activities for the Quarter, provided below.

FACILITATION AGREEMENT – GOVERNMENT OF NIGERIA

Despite COVID-19 restrictions, Kogi Iron and KCM Mining have maintained regular communication with the Ministry of Mines and Steel Development (**MMSD**), and other relevant Nigerian Government Departments. The Company is working with MMSD towards a Facilitation Agreement to identify and secure tangible Government support for the Agbaja Steel Project. This agreement recognises the importance of the Agbaja Steel Project as a “Project of National Significance” and its role to support economic growth in Nigeria. Key Project value drivers addressed by this Facilitation Agreement include cost and availability of natural gas and electricity supply, market entry investment policy, security of people and assets, and potential business synergy to recapitalisation of the nearby ‘mothballed’ Ajaokuta Steel Works.

During the Quarter, the KCM team and the Board received a request from high levels in the Nigerian Government (State House) for information on the key needs and constraints for the Agbaja Steel Project. The Company provided a reasoned response including details on the need to progress and finalise the Project value drivers (above).

The Company is focusing communications with MMSD on the near term value drivers for the Agbaja Steel Project. As part of these discussions, David Turvey (Managing Director, Kogi Iron) was an invited panelist at a recent MMSD webinar on downstream processing in the Nigerian mining industry. The Government’s webinar recognises the Agbaja Steel Project as a key example of a ‘pioneer downstream industry’ to replace costly steel imports and stimulate economic growth.

KFE Capital Summary Ordinary Shares: 774,462,336 Listed Options: 142,328,948 Performance Rights: 26m Share price: \$0.03 Market capitalisation: \$23m	Board of Directors Mr Greg Boulton AM – <i>Non-Executive Chairman</i> Mr David Turvey – <i>Managing Director</i> Mr Peter Huljich – <i>Non-Executive Director</i> Mr Ray Ridge – <i>Chief Financial Officer and Company Secretary</i> Mr Alabi Samuel – <i>Country Manager, KCM Mining Limited, Nigeria</i>	Contact 10 George Street Stepney SA 5069 Tel: +61 8 7324 4047 E: info@kogiiron.com W: www.kogiiron.com
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This webinar and subsequent monthly webinars are planned to be conducted by MMSD in the lead up to a virtual Nigeria Mining Week Conference, scheduled for 26-28 October 2020. Weblinks or e-copies of these webinars will be posted on Kogi's website as they become available.

ENVIRONMENT, SOCIAL & GOVERNANCE

The KCM Mining team continues to coordinate activities on our Community Development Agreement (**CDA**). During the Quarter, the KCM team and the Board provided information to the Community on the status and needs of the Feasibility Study and the planned timetable.

The Agbaja Plateau Communities and the Ministry of Mines and Steel Development (MMSD) officials were briefed on KCM's planned small-scale trial iron ore mining commencing in April 2020. Briefing on the scope of work reinforced our ongoing commitment, wherever possible, to local education, employment, health & safety, infrastructure and the environment. Contract employment was provided to members of the local communities in security roles of personnel and equipment and in assisting the contractor.

Following the collapse of the initial Irimi–Okpaka water borehole, a new geophysical survey was conducted to define the sub-surface aquifer and a replacement borehole was drilled to 100 metres using a local contractor. Ongoing site works include pump drawdown tests and water quality tests, prior to reconnecting and filling of header tanks, to restore availability of clean water for the local community. These works are important tangible evidence of the Company's commitment to the local community.

FUNDING APPLICATION TO MMSD & WORLD BANK - MINDIVER PROJECT (MinDiver)

During the Quarter, on MMSD's request, the Company submitted a revised application for MinDiver Project funding to focus on the Environmental, Social and Governance (**ESG**) aspects of the Company's Feasibility Study activities and the Community Development Agreement.

The MinDiver Project team recently held a six-monthly status review of its activities, the impacts of COVID-19 and for planning of future work programs and budgets. It is understood that the Company's application for MinDiver Project funding was considered, though a detailed response remains pending.

Subject to COVID-19 restrictions, virtual meetings are planned with the World Bank (Washington DC) and the MinDiver Project Committee to progress the Company's funding application. Claire Ireland – Australian High Commissioner, Nigeria, has expressed interest to attend meetings in recognition of support and funding by the Australian Government for World Bank activities.

SMALL-SCALE TRIAL IRON ORE MINING

During April, the Company commenced excavation of a small-scale trial iron ore mining pit ~30m x 30m x 5m deep. The mining will provide stockpiles of overburden and iron ore for use in ore characterisation tests to support iron ore reserve estimates, and mining and beneficiation studies required for the Feasibility Study.

Importantly, the trial pit activities also provide an opportunity for the Company to reinforce its commitment to the ESG aspects of the project, its alignment with the MinDiver Project, and deliver on its Community Development Agreement.

A local Lokoja-based civil engineering company was awarded the contract to ensure local content and mitigate COVID-19 risks. Initial work involved dewatering of the old bulk sample pit to evaluate the thickness of laterite iron ore (hard-pan overburden) and planning of blasting to loosen this material and allow 'free-digging' of higher-grade oolitic iron ore mineralisation (10-25m thick).

Trial iron ore mining slowed early in May due to impacts of daily, heavy monsoonal rains. Following discussions with the Community, the Company requested the local contractor to cease work between mid-May to late June for several reasons:

- pits were being continually filled with surface waters, requiring costly constant pumping;
- the risk that heavy equipment would damage local Community roads and site access roads and infrastructure, especially bridges and drainage culverts; and
- restricted travel of the KCM team, contractors and visiting Government officials to mitigate against introduction of COVID-19 to the Agbaja Plateau Communities.

Mining was restarted in July and is scheduled for completion by the end of August at no additional cost to budget, weather permitting.

BANKABLE FEASIBILITY STUDY (BFS) & STRATEGY UPDATE

As announced earlier in 2020, Kogi Iron estimates the completion of a BFS for the Agbaja Steel Project will require approximately US\$8 million in funding. The COVID-19 pandemic and related uncertain equity market conditions globally have made it difficult and delayed the Company's efforts to raise the full funding for the BFS.

Given continued volatile equity markets, the Company believes that raising funds in the least dilutive manner is best achieved by seeking funding in smaller increments, with initial funding sufficient to commence early work and focus on the key drivers of value creation in the Agbaja Steel Project:

- a) Technical – steel refining test work for removal of phosphorus
- b) Investment Policy – gas / electricity supply and market entry.

In parallel, Kogi's 'in-country' team will continue to progress the project's Environmental, Social and Governance engagement with local communities and the Nigerian Government.

a) Technical – steel test work

During the Quarter, Tenova Pyromet South Africa Pty Ltd (**Tenova**) presented a draft proposal to carry out the required steel test work and plant design engineering for the Agbaja Steel Project BFS. This is being amended to take a staged approach, to be progressed as sufficient funds are raised. Discussions with Tenova, together with recommendations from Kogi's Technical Committee, have resulted in the Board prioritising short term activity to:

- the evaluation of building a steel plant producing 750,000 tonnes per year of steel billet on a phased approach, with a Phase 1 capacity of 250,000 tonnes. The steel plant design will use conventional, well established and 'simple to operate' technology, based on readily available inputs and raw materials.

This will enable the Company to de-risk the commissioning and operation of the plant, reduce lead times for the build and mitigate the impacts of the economic downturn in Nigeria.

- confirmation of removal of phosphorous from the feedstock iron ore, on an industrial scale in the refining process step, based on the successful preliminary tests undertaken by Tenova / Mintek RSA (refer ASX announcement 25th September 2018).

This further test work is important as it is envisaged that Kogi Iron will require any future contract for the design and construction of the steel plant to contain warranties that the plant will produce steel billets to industry specification. In turn, it is anticipated that these warranties will be required to secure project finance.

b) Investment Policy – gas / electricity supply and market entry

The Company will progress discussions with the Nigerian Government to identify and secure the most cost-effective sources of power for the steel plant and, importantly, for expansion of production capacity to at least 750,000 tonnes per annum.

It is estimated that power will constitute between 40% to 45% of operating costs for the Agbaja Steel Project.

In conjunction, the Company is planning to work with international corporate advisory groups and steel market consultants on a domestic market entry strategy, to align with Government objectives for replacement of steel imports. Kogi Iron's market entry strategy will involve investment policies designed to support growth of the domestic steel industry and the Nigerian economy.

CORPORATE

At the end of the Quarter, the Company had cash at bank of \$573,000.

For the quarter ended 30 June 2020:

- Net Cash outflows for operating and investing activities were \$379,000, including \$73,000 for direct exploration expenditure. Given current volatility in financial markets, the Company has taken prudent fiscal measures including cessation of all non-discretionary expenditure, reducing / deferring fees for contractors and consultants and moving administration functions to Adelaide.
- Net Cash inflows from financing activities of \$194,000, being amounts received under the current equity funding facility with Sorbie Bornholm LP. The Company is pleased to note that, while it is seeking to raise additional capital, the current equity funding facility with Sorbie Bornholm LP continues to provide valuable working capital on a monthly basis. This facility is available through to August 2020, with the amount of the monthly instalments to be received linked to the Company's share price each month.

Section 6.1 of the Appendix 5B includes payments made to related parties and associates of \$132,000. These payments relate to remuneration paid to the Managing Director and Directors' fees payable to Non-executive Directors.

MINERAL TENEMENTS

As at 30 June 2020, the following mineral tenements were held by KCM. All of the mineral tenements are located in the Federal Republic of Nigeria and KCM has a 100% interest in each tenement:

Mining Lease 24606

Mining Lease 29796

Mining Lease 24607

Exploration Licence 28784

Mining Lease 25376

Authorised for release by the Board

For further information, please contact:

David Turvey

Managing Director

Kogi Iron Limited

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Email: info@kogiiron.com

About Kogi Iron (ASX: KFE)

Kogi Iron Limited is an Adelaide-based company with the objective of becoming a producer of cast steel billet product that can be sold to fabricators of finished steel products through the development of its 100% owned Agbaja Cast Steel project located in Kogi State, Republic of Nigeria, West Africa (“Agbaja” or “Agbaja Project”).

Nigeria has substantial domestic demand for steel products, which is currently met largely through imports of scrap steel raw materials. The Agbaja project, located on the Agbaja plateau approximately 15km northwest of Lokoja city in Kogi State and 200km southwest of Abuja, the capital city of Nigeria, opens the opportunity for domestic production of steel.

The Company holds a land position which covers a large part of the Agbaja Plateau. The Agbaja Plateau hosts an extensive, shallow, flat-lying channel iron deposit with an Indicated and Inferred Mineral Resource of 586 million tonnes with an in-situ iron grade of 41.3% reported in accordance with the JORC Code (2012). This mineral resource covers approximately 20% of the prospective plateau area within ML24606 and ML24607.

Figure 1 – Location Plan: Agbaja Cast Steel Project. Nigeria.

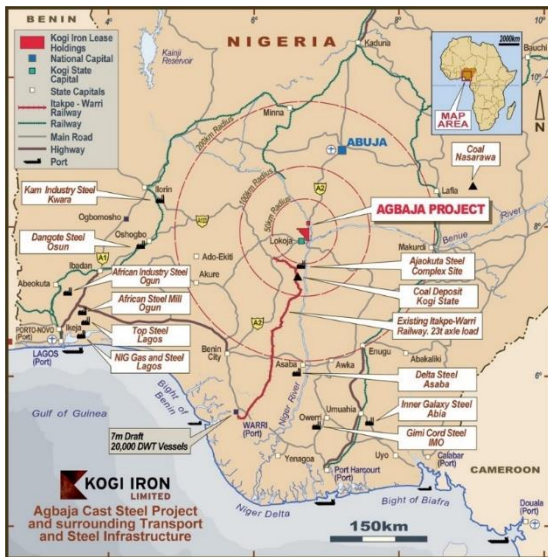


Table 1 – Summary Grade and Tonnage for Agbaja Iron Ore Resource

Laterite (Zone A) and Oolitic (Zone B) Horizons (20% Fe lower cut off is applied)
Refer ASX announcement 10 December 2013.

Classification	Tonnes (Mt)	Fe (%)
Zone A (Laterite Mineralisation)		
Indicated	147.5	33.2
Inferred	33.9	31.7
Total Indicated + Inferred (Zone A)	181.4	32.9
Zone B (Oolitic Mineralisation)		
Indicated	318.7	45.2
Inferred	86.3	44.7
Total Indicated + Inferred (Zone B)	405.0	45.1
Combined Zone A and Zone B		
Total Indicated	466.2	41.4
Total Inferred	120.1	41.1
Total Indicated + Inferred	586.3	41.3

The Company confirms that it is not aware of any information or data that materially affects the information included in the original market announcements and, in the case of estimated Mineral Resources, which all material assumptions and technical parameters underpinning the estimates in the relevant market announcements 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 announcements.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

KOGI IRON LIMITED

ABN

28 001 894 033

Quarter ended ("current quarter")

30 JUNE 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(73)	(665)
(b) development	-	-
(c) production	-	-
(d) staff costs	(141)	(923)
(e) administration and corporate costs	(167)	(761)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(380)	(2,336)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	(9)
(d) exploration & evaluation (if capitalised)	-	-
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	1	1
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	1	(8)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	194	1777
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(287)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	194	1,490

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	758	1,427
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(380)	(2,336)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1	(8)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	194	1,490

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	573	573

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	573	308
5.2	Call deposits	-	450
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	573	758

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

132

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<p>The Company's current equity swap facility with Sorbie Bornholm LP continues to provide valuable working capital on a monthly basis through to August 2021. At 30 June 2020, the equity swap facility consists of 14 remaining equity swaps for total consideration receivable of \$1,322,222 to be settled over 14 monthly payments of \$94,444. The monthly settlement amounts actually payable to the Company by the counter-party is determined by reference to a monthly VWAP (volume weighted average price of the Company's shares traded on the ASX), relative to the swap benchmark price.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(380)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(380)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	573
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	573
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1.50
8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: Yes	
2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: The Company has an existing equity facility noted at Item 7.6 with a face value of \$94,444 receivable per month, although the actual amount received each month will be higher or lower than this amount depending on a monthly VWAP calculation. In addition, the Company is seeking to raise capital over the next 3 to 5 months..	
3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	

Answer: Yes, with the measures currently in place to remove or reduce all non-discretionary expenditure, combined with the plan to raise further capital in the coming months, and the existing equity funding facility in place (refer item 7.6), the Directors are of the opinion that the entity will be able to continue its operations and meet its business objectives.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 July 2020

Authorised by: The Board of Kogi Iron Limited
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.