

INVESTMENT CASE ANALYSIS INITIATION

June 10, 2020

Case Analyst(s):	Mr. Rába Zoltán Tamás head of Trading & Research, chief economist Torridon Investments Research LLC. BVI – Hungary
Company:	Kogi Iron Ltd.
Domicile:	Australia
Primary exchange:	Australian Securities Exchange (ASX) as KFE
Accounting currency:	AUD
Business line(s):	exploring/developing: iron
Deposit location(s):	Nigeria - Africa
On the Net:	https://www.kogiiron.com/
Managers, title(s):	David Turvey , managing director
Last contact date:	Tuesday, 09 th of June, 2020
Last contact type:	initial call, introducing case
Case recommended by:	external source: German Mining Networks GmbH.
Rating:	BUY
Outlook:	positive
Investment grade:	4 ★

Evaluation of business case

I am of the opinion that the Kogi Iron value proposition, with its fantastic embedded iron project in Nigeria is an absolutely above-average global commodity story. Especially in the emerging resource space. There are risks, of course, but it is normal given the potential pay-out. One has to work for the gain, after all. Thus I issue an initial investment grade of a **4** ★ with a **positive** outlook.

Kogi Iron is a corporate story with a highly professional and globally first-class management and technical team that keeps a firm hand on the company finances and keeps the company on track and close to the general business model. They are smart to have developed an excellent local network, never hurts in this part of the world. Nigeria is definitely a risky country to do business I, but not overly so. The appeal of the project is just – I assume – too attractive to too many local players to derail it. I would say: it is even in the national interest to succeed. I still cannot give a full 5 as there is no final BFS, thus final picture on the project economics. And capex financing is still an issue to resolve. So it is a promising project in the making and in an advanced development stage. And this is what the 4 stars expresses. Nothing less, nothing more.

This means that the company is investable without any reservations in the commodity universe of Torridon Investments in terms of both the Portfolio-Managed mandates and the Research & Advisory client base. It also means that **Kogi Iron** will soon become a full-fledged and potentially pretty valued part of Torridon's Research & Advisory universe, being a recommended and covered stock in the mid-risk commodity equities asset class.

This Case Analysis was accepted by the Torridon Investment Committee (IC) on its 2020 June 11th session. Compliance & Legal then issued its Statement of Consent with the below guidance:

The Commodity Desk has already included **Kogi Iron** in its own competency universe. Investment volume, mandates and timing of potential transactions are at its discretion according to current Compliance Pronouncements.

We also recommend **Kogi Iron** to be included in the global company investment universe for the entire Equity Desk in the Asset Management business line.

We also recommend **Kogi Iron** to be considered for the Managed Accounts business line in the Vol-2 (moderate risk) category. Institutional R&A clients, such as Private Bankers, Brokerage Desks and Family Offices will receive a copy of this document in 48 hours after issue.

Risk Management level: Level 2 – with moderate reservation.

Warning: legal and contractual limits may apply; each manager is responsible for contacting Compliance before investing.

Pages 4 and 5 describe [Torridon Investments Research](#), then follows the Case Analysis on **Kogi Iron** from Page 6.

This Case Analysis is a buy-side and very subjective and informal research paper prepared by Torridon Investments Research LLC. for the sole purpose of expressing, in a relaxed professional manner, its own views and recommendations on the advisability on investment in the analysed company in relation to its - and those of affiliated and strategic partner companies- respective Research & Advisory (R&A) client bases. This research is an open-domain document and can be disseminated freely. This measure is part of Torridon's "total possible transparency" and disclosure policy.

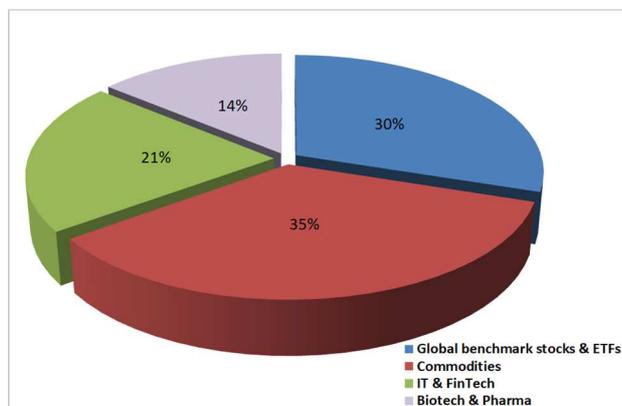
Torrison Investments Research LLC. started its operations in early **2014** as a pure investments analysis, **research** and financial **advisory** company focusing on a client base in Central- and Eastern-Europe (CEE). The service we rendered was so successful that the need soon arose from our client base that we actually practice what we preach. So we, from mid-**2016**, **started** offering active **wealth management** and **trading** services (investment funds, asset management and managed accounts) to our institutional and individual clients. While also retaining the original research and analysis business line. Our **Asset under Management (AuM)** has kept **growing consistently** ever since:

In million USD	end of 2016	end of 2017	end of 2018	end of 2019
Cash on margin*	42	75	92	105
Cash & MM	42	38	25	34
Bonds	145	161	123	97
Funds & ETFs	43	35	28	31
Equities, own mandates	152	226	410	489
Equities, 3rd party	42	124	279	354
Equities, total	194	350	689	843
Total AuM, own	466	659	678	756
Total AuM, w 3rd party	508	783	957	1 110

At the **end of 2019** we managed 756 million USD of own assets. Of which 489 million was in equities. With the third-party mandates we disposed over **1.1 Billion** USD of assets. Of which **843m** USD was in **equities**. One of the reasons for this success is that several **large EU-based global equity funds** realised that for lack of in-house expertise and resources, they are better off to **contract out to us** the **specialty parts** of their overall **equity portfolio**. As a result **we manage** numerous such “3rd party sub-funds” in the commodity, IT and biotech fields, or 3 expertise areas.

When it comes to our market **mentality**: we are sceptic and **critical thinkers**. We **never assume** and **always ask**. This faculty of ours made us to develop an **unorthodox** approach to the markets as we believe in the **non-Efficient Markets Hypothesis**. Thus we **recognise** the importance of the **human element** in market behaviour and **see markets** as naturally **irrational** as the humans that move them. Therefore our primary analytical tool is **technical analysis** and **behavioural economics**. We also heavily employ classic **fundamental analysis** in our individual final stock-picking process.

We **recognise** that it is a **huge** and **complex world**. Thus we do not assert that we are experts in everything. Rather: **we focus** on our **strengths** and **do only** what we are **good** in. We are good in **futures** and **equities**. In equities we have **3 expertise** areas of focus: 1) Commodities, 2) IT&FinTech and 3) Biotech & Pharma. See below our equity portfolio by asset-class, early 2020:



We go from **top to bottom**: we first look at the main global **megatrends**, then **the best sectors**, and then we pick the **individual stocks** best fit to the picture. At that level we **constantly search** for **new corporate stories** and re-evaluate

existing ones. We **reach out** to the **management**, correspond, talk and often meet them to better understand the stock. It is indeed a very **dynamic** process.

Given that **all portfolio managers** at Torrison are **ex-traders** and/or **–equity analysts**, our **speciality** in **equities** is the **small-to mid-cap** companies. The **world** of the potentially **hidden gems**. We see it **our job** to **unlock** this gem and thus **increase** the **wealth** of our **Investors** and Research & Advisory (**R&A**) **Clients**. We thus **focus** on our **3** expertise areas in these **2** market cap segments in the **Anglo-Saxon** world. That is where we are at home given our education, work experience and professional qualifications.

Considering the way we work it is no wonder that by now **we have** amassed a rather **large global equity universe**. It consists of all the companies that we have ever looked at and found interesting enough at least to monitor (or more). It is our wider universe of equity interest. We are the **strongest** in **Commodities**, where we are considered a sort of **regional experts**. We even run a much sought after weekly **research newsletter** for commodity **CEOs**, the list has close to 300 names on it by now. See below our global equity universe by asset-class and depth of commitment:

Asset Class	in our Equity universe	in our Research coverage	in our Investment mandates
Commodities	175	142	114
IT & FinTech	94	78	65
Biotech & Pharma	68	52	36
Total	337	272	215

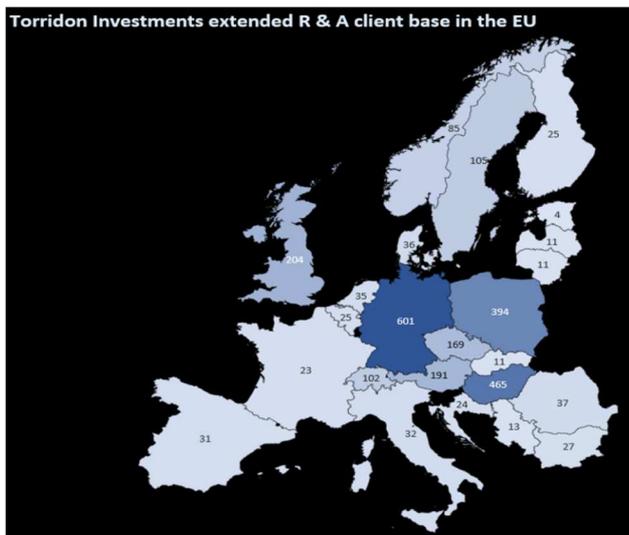
Torrison as a regional **Commodity Expert** maintains an exceptionally **large** and **diversified** small- and mid-cap commodity **equities portfolio** in **both** of its business **segments**: in its **investment** mandates and in its **research** coverage universe:

our small- and mid-cap Commodity equities universe, start of 2020		
Segment	Research coverage	of which Invested in
precious metals	27	23
uranium, nuclear	12	11
battery minerals	38	32
other rare-earths	16	12
base metals	46	35
other	3	1
Total	142	114

In these 3 asset-classes we are already **invested** in over **200 companies**, with **more than half** in **commodities**, and follow an additional 100+ stories and the **coverage** is **expanding**. With this extra-wide gamut of companies on our investment radar we are in a **unique position** in the **CEE** region. No wonder that we define ourselves as a “**niche & speciality**” **investment manager** and **research** company.

But there is **much more value** behind our sheer AuM numbers, which is: our **direct investment reach**. Our **indirect** investments **reach** is a **full magnitude larger** via our thriving **Research & Advisory (R&A)** business segment and **service** to both **clients** and **companies**. Our individual company **R&A coverage** currently services the emerging **equity** story appetite of between **6 and 7 Billion USD** worth of money in two regions of the world (**Central- & Eastern-Europe: CEE**)

into which most of these value proposals normally would never find a way into. **Torridon's extended** (with our Polish affiliate) **Research & Advisory client base** in the EU:



Overall, at the end of 2019 our **research** subscription base consisted of **50 institutional** clients (including 8 FOs) with 17 Billion USD Assets under Management (AuM). We also serviced more than **2,000 private** (HNWIs and retail) and **small business** clients directly from our distribution list. Here the estimated AuM was between 1.3 and 1.6 Billion USD. Mostly equity and high-risk oriented. So our **follower base** really carries a **substantial weight** in these regions.

The **total AuM** of our Research & Advisory client base amounted to **18.5 Billion USD**, of which **equity** dedicated mandate was approx. **6.5 Billion USD**. Of that between **2 and 2.5 Billion USD** was **commodity focused** and within that roughly **half** of that specifically **geared** toward the **small- to mid-cap** junior exploration, development and start-up mining segment. Around 65% represented by **Canadian** companies (TSX-V and CSE) and 35% by **Australian** ones (ASX) by way of market capitalisation:

Torridon Investments & Research CEE coverage at the end of 2019				
Investor Group	Number of Entites	AuM, USD Billion	of which Equity dedicated	of which Commo focused
Institutional Investors	42	14,8	4 to 5	1 to 1,5
Family Offices	8	2,2	1,5	0,5
HNWIs	167	0,5	0,4	0,1
Prime retail investor & trader	1923	0,8 to 1,1	0,5 to 0,8	0,3 to 0,5
Altogether	2140	18,3 to 18,6	6,4 to 6,7	1,9 to 2,6

And our **R&A coverage** does **not even stop** in the CEE. It **reaches far beyond the CEE** region, well into developed **Western- and Northern-Europe**. Due to our regional commodity expert status, by now, already **two** European private **wealth management** and **advisory** operations have **teamed up with us**. We realise a classic **mutually beneficial exchange**. **Both** of them **have an excellent sales network** and a solid **client base** in their respective regions.

But both lack a solid **research and analysis engine**. And that is what **we exactly have**. So in the context of our **Strategic Partnership Agreement** **we provide** both operations with the **full range** of our **R&A products** and insights that are then passed onto **their entire client base**. **In return, we have access** to that **client base** with respect to our Fund Management and Research & Advisory services.

The **first operation** is a Malta-based **private wealth management** and **advisory** firm with a strong **commodity equity** focus. This operation manages and advises private wealth mandates for private banking networks, fund managers, family offices and HNWIs. It **exclusively** does **equities** and within that **specialises** in **commodities**. It manages and influences around **3 Billion USD** worth of **equity** wealth and within that at least **2 Billion USD** directly in **commodities**. It has clients in the **UK, France, Benelux, Germany, Swiss, Italy and Spain**. Most of **core developed Europe**.

The **second operation** is a Poland-based **private wealth management** and **advisory** firm with a management focus. It also is heavily **equity-focused** and manages private wealth for clients in **Poland, the Baltics, Germany and Scandinavia**. So we pretty much have **Northern-Europe covered**. It manages and to a lesser extent: advises (end of 2019 data) around **1 Billion USD** worth of **equity** wealth and within that around **0.4 Billion USD** in **commodities**.

When we **include** these two **Strategic Partners** of Torriron in the **R&A space in Europe**, our **R&A equity coverage** (commodity also) in Europe **expands** by almost **two-fold**. See below the summary table reflecting the end of 2019, start of 2020 status:

AuM in Billion USD	Equity	Commodity
Torriron Investments Research	6.4 to 6.7	2.0 to 2.5
our Western-European strategic partner	3	2
our Northern-European affiliated partner	1	0.4
Total direct and indirect Torriron R&A reach	10.4 to 10.7	4.4 to 4.9

Based on this **impressive** direct and indirect **equity** investments **reach** in Europe, **Torriron** started a **third business** segment in late **2017** that since has attained **great success** and gained great **popularity** among **commodity companies** (currently we only offer it to this segment).

It is the organising and management of **Market Support (MS)** (Buying and Liquidity Support phases in combination or alone) and **Research & Advisory (R&A) Programmes** for corporations. **Both** these market promotion Programmes are **exclusively connected to Torriron's** genuine professional and **due-diligence based conduct** of its two core **businesses**.

It entails either **recommending** and **promoting** the **stock** to its and its Partners' **R&A client** bases. Or in the **MS Programme** initially **investing** into a given company story and subsequently **trading** the equity stock for the **primary purpose** of **improving** general **market optics: stabilising** and then **increasing** trading **volume** and providing constant baseline **liquidity** for the stock, while as a secondary purpose generating additional trading profits for Torriron and its clients.

Historical **statistics**: since the inception of this business segment we have successfully **concluded 23 MS** Programmes and are currently managing and administering **5 ongoing** ones. We also have **concluded 41 R&A** Programmes and are currently managing and administering **9 ongoing** ones.

These Programmes are **managed** by **Torriron** and its Strategic Partners, while **administered** by Torriron's Western European Strategic Partner.

CASE ANALYSIS: Kogi Iron Ltd.

Kogi Iron is the classic mid-cap (37m AUD market cap at 5c on June 12, 2020) junior resource company with a world-class project up in the sleeves coupled with an able management team that actually is able to turn that hidden gem into a visible success on the world commodity scene.

Let me start with the key manager: **David Turvey** is a geologist with over 35 years' experience in the Australian and Asian mining industry. His career has involved business development and corporate M&A activities in precious and base metals, bulk commodities, industrial minerals and speciality metals. He has held key management roles in large international companies, including several international roles based in South East Asia. During the last 20 years, David has conducted independent consulting assignments in mineral exploration, research & development, technical marketing and market entry strategies, mining law and foreign investment policy, and commercial project evaluation. David has been a Non-Executive Director at listed Australian public company Southern Gold Limited since 2011, prior to which he was Executive Director of Lawson Gold and Managing Director of FerrAus Limited.

When it comes to the company genesis and that of the underlying corporate case, the story is really one of a kind. It all starts and is rooted in a very special contradictory situation: Nigeria, though is one of the largest economies in Africa (and even a globally significant one), does not produce its own iron and steel. Rather it imports scrap iron in large quantities annually and then processes it locally. Due to that it pays the highest price globally for scrap metal.

And this is where Kogi Iron, an ASX-listed company comes into play. Kogi has the intent to build a cast steel plant on the Agbaja Plateau in Kogi State, Nigeria. The project will supply a cast steel feedstock to steel manufacturing and product fabricators primary for Nigerian domestic use. In essence it is going to be an integrated production of iron ore (from a domestic mine) and steel (from domestic foundries) for import-replacement.

To that effect Kogi Iron owns the mineral right to the world-class Agbaja iron ore resource and reserve. It is the local source of iron ore. It can also be processed locally given that a major gas pipeline is just 5km from the proposed mine site. Then in a 400 Km radius we have 10 steel mills, ready to receive the raw steel billet bars from the proposed Kogi plant on or near the mine site. And beyond local mining and production, we also have local market for the end-product. It is just an ideal vertically integrated industrial value proposition.

The Agbaja Iron Project is located on the Agbaja Plateau in Kogi State, Nigeria, approximately 200 kilometres from the capital city, Abuja. The Plateau hosts an extensive, shallow, flat-lying channel iron deposit (CID) and Kogi Iron has determined a Probable Ore Reserve of 205 million tonnes at a grade of 45.7% iron (Fe), estimated in accordance with the JORC (2012) code. Mineral Resources on the plateau are 586 million tonnes with an in-situ grade of 41.3% and comprise an Indicated Mineral Resource of 466 million tonnes at 41.4% Fe and an Inferred Mineral Resource of 120 million tonnes at 41.1% Fe, all estimated in accordance with the JORC (2012) code. See the project location map on the next page:



The Agbaja Project is uniquely positioned proximal to existing, under-utilised infrastructure including road, river and power suitable to facilitate a major cast steel project. Since 2016, the Company has advanced its intention to develop an integrated steel plant utilising the company leased iron ore deposit and nearby coal and limestone sources. The results of a laboratory scale test on the iron ore demonstrated that it could be converted to a steel feedstock suitable for electric arc furnaces. In November 2017, the Company commenced a Pilot Plant Test Program on a large bulk sample to demonstrate the process in a continuous batch mode. Successful completion of this extensive test work in September 2018 confirmed the feasibility of producing a marketable cast steel product, together with the development of a flowsheet for the processing of Agbaja iron ore into cast steel suitable for billet making.

So far the Company's wholly owned subsidiary in Nigeria, KCM Mining Limited, has secured a Community Development Agreement and Mining Licences have been granted for the mining of iron ore and its conversion into cast steel for steel making.

The iron ore resource itself is quite large at 405 million tonnes with a 45% average iron content. This resource is professionally qualified by JORC standards. But the exploration target potential is estimated at 1.8-3.0 billion tonnes of ore in the 32-48% iron content range. So, it is potentially a globally significant iron ore resource and reserve. See the resource base below:

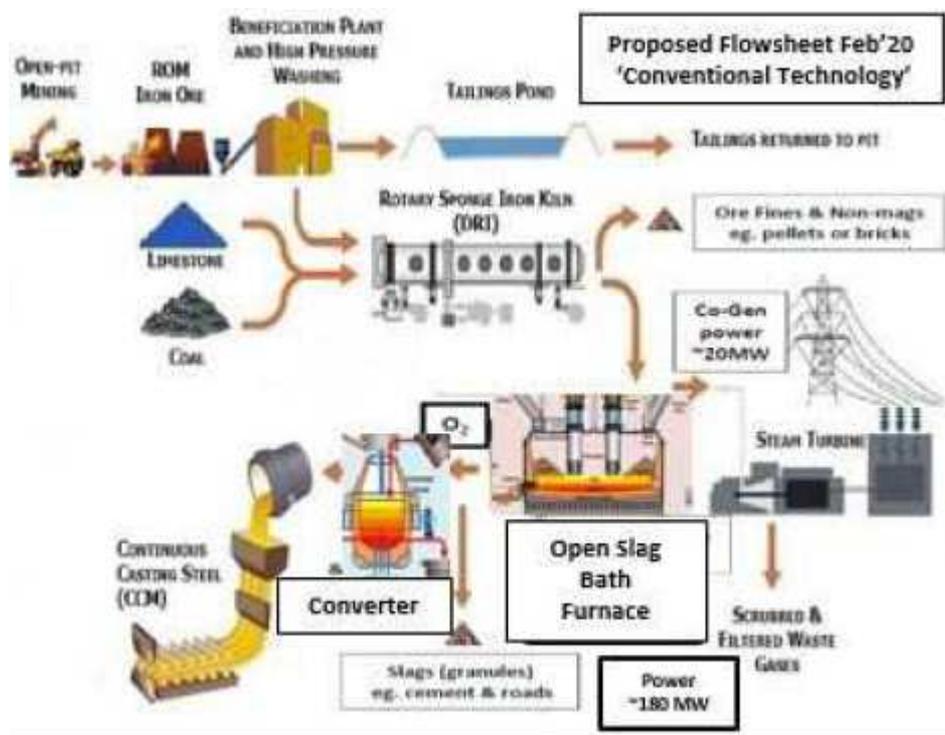
**Summary Grade and Tonnage for the
Agbaja Iron Ore Resource**
Laterite (Zone A) and Oolitic (Zone B) Horizons
(20% Fe lower cut off is applied)
Refer ASX announcement 10 December 2013.

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 iron ore is relatively high in phosphorus content, but metallurgy tests so far demonstrated that it can be removed, albeit with some added cost. The pre-Feasibility Study (PFS) is already done and shows very favourable project economics. The next step now is to finish the final Bankable Feasibility Study (BFS) that is a prerequisite for the final capex financing for the project. To finance that an 8m USD non-brokered private placement is already going on this very June. Possible finish of the BFS is in 3Q of 2021.

Once the financing is complete construction can start. It will be a low-cost and open-pit mine design. Local crushing and the pre-screening to increase sorting effectiveness. Anything below a 3mm diameter will be removed. Then use locally available cheap coal and gas to increase the iron content to the desired iron concentrate level. Then follows the smelting and refining for removal of the phosphorus and other pollutants. So, the proposed

process will follow the basic universal iron bar making flowsheet design. See the proposed flow-sheet on the following page:



SD Capital and GKB Ventures Ltd were jointly engaged in October 2017 to secure debt funding for the Project as well as equity finance to complete the DFS and Project financing. The majority of the debt funding is expected to come from Export Credit Agency funds and a detailed program is underway to ensure agencies are well aware of the Project.

After the issuance and subsequent circulation of this initial Case Analysis we will keep it updated and reach out from time to time to the management of **Kogi Iron** to keep abreast of the latest company developments and plans. We will send these updated research outputs to our Research & Advisory (R&A) Client Base and will keep you up-to-date at all times. Please, feel free to contact the Torricon Commodity Desk with all investment- and research-related inquiries regarding the **Kogi Iron** corporate case.



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