

# Agbaja Cast Steel Project to Stop Import of Scrap Steel into Nigeria

David Turvey, is the Managing Director, Kogi Iron Limited. In this interview, he opens up on the activities of the first integrated iron ore to steel development project in Nigeria. Excerpts.

Can you please tell us what Kogi Iron is envisioned to achieve?

**K**ogi Iron Limited through its Nigerian subsidiary, KCM Mining Limited, has a project that will be the first integrated iron ore to steel development project in Nigeria on this scale. Personally, I have been a director of this company for only nine months but I have known about the activities of this company for at least eight years as an investor. The Agbaja Cast Steel Project is designed, planned and envisioned to replace the imports of scrap steel and intermediate steel and help support the growth of the domestic steel fabricating industry.

The company has existed over the past six years engaged in technical work on the discovery and evaluation of a large iron ore resource in the Lokoja area of Kogi State on the Agbaja Plateau. The activities so far has involved a lot of drilling, sampling, chemical analysis and

technical test work. The Company has defined more than 400 million tons of well quantified and qualified iron ore at 45% iron content to the standard of the Australian JORC Code indicated and inferred resource classification. A well quantified resource is what is required for any project to receive appropriate funding - we can call it internationally bankable if you like. That's very important for Nigeria in order to develop professional systems that can be banked and financed appropriately.

Two years ago, the company decided not to export the iron ore as modest grade and declining price would limit commercial returns. Realistically, unless iron ore price stays over a USD\$ 100/tonne delivered to China, it would be a difficult business to export our iron ore. However, this iron ore can be used to produce steel. So, in the last two years, we took an approximately



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200 tonne sample of iron ore along with local coal and local limestone to South Africa and completed steel test work at a laboratory bench scale. Highly professional consulting groups produced international quality steel from the Nigerian raw materials - that was proof of concept.

In addition, the company completed a market survey and introduced ourselves to the market because we are not going to produce final steel products, rather we intend to produce an intermediate steel billet product that will replace the import of scraps. Rather than the industry importing scrap steel at a very high price, we will provide our billet steel to existing customers that melt steel and produce steel products such as rebar and I-bar shapes. Initially, our Company intends not being fully integrated in producing final products because we don't want to put the current people out of business. We want to help them to grow and it's a very important part of our business strategy and vision.

This year 2020, we are funding and conducting a feasibility study to a level that will be public and, more importantly, it can be audited and due diligence done by interested potential investors. Study results will be released so that



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potential investors can review the information and decide whether it's a good project or bad project, not just financially but practically and physically. The report will include relationships and benefits for the community, government policy, markets, infrastructure and a financial model.

Our team and consultants will be busy this year and the truth is, it will take four to five years before any steel can be produced. The feasibility study will take some 10 to 14 months to complete, followed by due diligence by both equity and debt investors over 4-6 months to support project financing before 2 years' construction period and 6 months commissioning. A long process, though that's the vision.

**You said something about spending ten million US dollars this year, can you give a breakdown?**

Yes, the company plans to spend approximately US\$10 million dollars this year as outlined in recent corporate presentations on our website. The presentations summarise in what areas the Kogi Iron/KCM Mining team intends to spend the funds. We have already raised some funds and have started some work, including several community projects.

**Tell us about the community development projects**

At the end of last year 2019, the team started several community development projects based on available funds and the existing community development agreement. The Company commends the government of Nigeria in aligning investment policy, granting of exploration and mining licenses, and conditions of development licenses from the ground up via the local community. In this way a company has to sign up early and continue to make the community happy with the company's performance based on the community development agreement.

I think it's a great way to go because the world these days requires that mining developments should be driven socially from the local level so that the whole country can back the project. For a project like ours, it is the whole country that benefits not just the host community. I'm quite proud that we allocated funds at the end of last year and I know we will continue to spend time and funds to support the Agbaja Plateau communities.

**In what specific area are you spending?**

We asked the local KCM Mining team based on our Community Development Agreement to ask the community to identify their priorities since there was limited funds in the short term. Based on feedback, we eventually spent funds in three specific areas namely; education, water projects and construction of bridges. There were a variety of bursaries given in the 65 different communities around our project. It is a large area and we wanted a fair, equitable and direct impact in all of the communities. So, 2-3 people from each community on the Agbaja Plateau received a bursary for education irrespective of the population of the community. We also funded a water well in the community identified with the greatest needs, where people walk the farthest every day for water. We also noticed that several bridges on the road up to the plateau needed some repairs, and since it was related to their essential infrastructure, we didn't build a big new road rather we made sure that after the rains it was made good and accessible without danger.

**Tell us about your opinion on how MinDiver is handling the Prove of Concept Initiative that involves Kogi Iron?**

The company has only recently started discussions with MinDiver and it's still a bit unclear to

me where MinDiver needs or wants to spend the World Bank and government funds. I agree that MinDiver should continue to spend funds on capacity building in policy administration and the Mining Cadastre. Personally, I am very comfortable and applaud the government for the MinDiver project and how funds are being spent because it is not all about big projects, but about capacity building across the board and from the grassroots up. In effective administration, you need to have strong policy and administrative systems to support investment in the mining sector.

However, it is important that some MinDiver funds are allocated to support important mining projects for the country like the Segilola Gold Mine and Kogi Iron's Agbaja Steel Project. We have heard from and believe the Minister understands that these are two advanced mining projects that are vital and of importance to the country. We all need to freely and often communicate about all aspects of our mining projects and their administration, so that there can be improved understanding and less misunderstandings. We welcome the opportunity to discuss our feasibility study as it progresses, with the government and the public and especially with the local communities. We believe the World Bank and government will see valid reasons via the MinDiver Project to support growth in the mining sector at all levels, from artisanal local miners to small junior companies and to larger foreign mining companies.

The company congratulates the government of Nigeria on MinDiver and its many efforts over the last ten years to develop an information data base to be made available and workable for investors. The MinDiver mandate and World Bank's mind set on the funding of community-based projects in relation

to mining has significant merit and validity. This helps the whole community to understand what impacts and benefits can be realised from the mining industry. Our Company wants to meet MinDiver's charter and ensure best practice in environmental and water management as the first step, not the last.

**You mentioned something about having 400 million tons of iron ore in your project, what does that indicate?**

The Agbaja iron ore deposit contains an indicated and inferred resource under the Australian JORC Code classification which means we have an internationally bankable professional number. This is the first well quantified iron ore resource in Nigeria and it has taken some 20 to 30 million US dollars in expenditure over more than 6 years to realise this milestone. So, it's a significant mineral asset the company has defined in this country, and we are happy with the security of our mining titles.

**With the kind of market you have for this product, yet not thinking of export, what strategy have you put in place to market it locally?**

Nigeria's steel market is already big enough. Five to ten years ago according to the UN trade database, Nigeria imported approximately 4.7 million tons of scrap steel at a very high price by world standards. Currently, scrap is less available and suppliers do not want to sell to customers in Nigeria even at the highest price. In 2018, steel fabricators in Nigeria only bought about 2.7million tons of scrap steel at very high prices. Every fabricating plant that is buying this scrap and re-melting it to reproduce rebar products is only at 30% capacity. So, Nigeria has current demand, historic demand and latent demand of different scales of 2.7 million tons up to 5 million tonnes per year. The Company has completed a market study of who has the smelters and who could be a

customer for our billet. We plan to provide steel billet that is cost competitive and if purchased will improve the capacity of local smelters to grow their businesses.

**You raised a fundamental issue about confidence and transparency in the system, how far do you want to see that taken seriously?**

Our Company and any foreign investor want to see Nigeria being internationally comparable and competitive; to some degree, operate with professional and commercial best practices. Nigeria is working towards that and I am very happy. We came in the early days into the mining sector before the current systems and we were asked "are you comfortable with the security of title?" We have been in Nigeria for about ten years now and have managed with the evolving administrative systems, while retaining and progressing our exploration titles to mining titles. I believe the administrative system will further improve and I think things need to be more commercially oriented and timely in application to attract investment. By that I mean a situation where everybody benefits and the foreign investment is supported.

**What's your take on the erroneous narrative out there that steel is not sellable in the international market?**

Nigeria is in a unique situation as a big economy with great need. If you go to the western world and to developed countries, companies are closing down steel mills because they are already industrialized, have over-capacity and are not cost competitive. The world is awash with relatively cheap steel.

Nigeria is different as it has no domestic steel production and has the right and the need to have a steel industry. At any time in history anywhere in the world, the first steel industry in a country is always supported by Government due to its

strategic value to the economy. For example, the domestic steel industry in both the USA and China has been and continues to be significantly subsidized. In Australia, we had five steel plants and have closed down three, with the remaining two plants focussed on value added steel products. This is because we are already a developed country with limited demand, whereas Nigeria is different and in fact unique in being a large economy that doesn't have domestic steel production.

**How do you feel to be the pioneer of a project?**

Being an exploration geologist by training, the pioneering aspect of a project is what excites me. When people say you can't do it, my answer is that it hasn't been done yet. It could be done and let's work together to get it done.

**How do you see Nigeria going on production of iron ore?**

Nigeria has a large and growing demand and it has some iron ore deposits. However, there is no integrated iron ore to steel production. Nigeria's economy and potential for economic growth is dangerously exposed to the poor structure of the domestic steel industry. As such, it is an imperative for Nigeria to produce some steel internally. The Minister talked about the importance of infrastructure corridors, especially a central corridor because it can go east or west and north or south to sell products. So, our company is very lucky to have the Agbaja iron ore deposit located centrally.

Back to iron ore in Nigeria, it is important for the geological survey to quantify all the iron ore occurrences and deposits and publish comparative information on which are the good deposits that warrant investment and development, based on sound professional and commercial principles. Our company is happy to be involved in this evaluation process in Nigeria.