

6 June 2019

## **KOGI RECOMMENDED TO CONSTRUCT BILLET FACILITY TO MEET DOMESTIC DEMAND**

The Directors of Kogi Iron Limited and its Nigerian subsidiary KCM Mining (ASX: KFE, 'Kogi', 'the Company') are pleased to provide an update on its ongoing Definitive Feasibility Study to build a steelmaking facility and produce steel billet for sale to the domestic Nigerian and regional markets.

Further to the ASX release of 16<sup>th</sup> January 2019, Kogi provides additional insight into the Market Study from Fastmarkets MB ('Fastmarkets')<sup>1</sup>.

The key items in the report were:

- *Based solely on forecast market demand for steel billets, Fastmarkets considers the Nigerian market has a capacity to handle additional new billet production of up to 1.5m tpy*
- *Fastmarkets recommends export markets in Cameroon and Ghana for sales of 100-250,000 tpy.*
- *The bulk of sales will be to domestic steelmakers as a more profitable option than imported ferrous scrap and iron products.*
- *If technically possible, Fastmarkets recommends the sale of Direct Reduced Iron as an option, notably during the start-up phase or if billet demand is below the base case scenario.*

While the above recommendations from the Fastmarkets report can be taken as an encouraging indication of the overall level of potential demand for Kogi product, it should not be seen as an indication of the initial plant size. There are several factors which will be considered when determining the initial plant size and market demand, and while extremely important, is just one of them. The Company will be in a better position to make this decision once the DFS is completed.

The Fastmarkets recommendations are based on a base case scenario in which Nigerian billet demand reaches 2.3m tpy by 2023 and rises to 2.9mtpa by 2030.

Fastmarkets further noted that if Nigeria were to reach per capita consumption of 21kg by 2030 (up from 11kg in 2017), then billet demand would be ~4.5m tpy. Fastmarkets also noted that the global average consumption is over 200kg per capita, and in South Africa (perhaps the best 'comparison market' for Nigeria) consumption was 98kg per capita in 2017.

With this in mind and given the low levels of current per capita demand (compared to historic demand levels) and the potential for upside growth, Fastmarkets further recommend that the Phase I planning of the facility take into account a potential Phase II that contemplates meeting additional demand of 1.5m tpy.

In addition to the information given in the previous ASX release, the study also outlines several other key factors in determining the market in Nigeria.

## Conservative Price Assumptions

Price forecasts remain unchanged from the previous Fastmarkets ASX release but it is worth noting that the forecast long term prices applied by Fastmarkets are conservative compared to current market prices. Furthermore, Fastmarkets calculate a theoretical import price for steel billet of US\$855 per tonne and given this price level it would make the introduction of imported billet unlikely. The import price is theoretical as there are currently no imports arriving in the market.

## Little Competition

Currently, the majority of rolling mills in Nigeria produce their own billet feed from recycled scrap and Kogi will likely represent the only supply of (non-recycled scrap) billet to sell to rolling mill operations in Nigeria. This places the Company in a strong competitive position. Many rolling mill representatives indicated to Fastmarkets they would be willing to buy billet supplied by Kogi. In addition, Fastmarkets also suggested that Kogi can assist in the development of a domestic integrated steel industry by supplying billet to the Ajaokuta and Delta Steel mills that have not been in operation for some time.

## Multiple Potential Offtake Partners

Fastmarkets carried out an analysis of over a dozen potential customers (off takers) for Kogi product, the largest of which is Inner Galaxy. Inner Galaxy is the main steel producer in the region with no competitors geographically, and they have benefited from the presence of Chinese construction companies in Nigeria and have won an increased share of construction contracts in recent years. On 31 January 2019, Kogi announced a Letter of Intent to reach an offtake agreement with Inner Galaxy.

## Large upside to demand forecast

Fastmarkets note that Nigeria currently has ~193,000km of road with most of it in poor condition. They also state that concrete roads are vastly more steel intensive than asphalt roads and suggest that a two-lane concrete road may require up to 15 tonnes per km of rebar. They also note that when compared to asphalt roads, concrete roads have an extended life, cost less to maintain, and are less vulnerable to damage. Fastmarkets have not forecast any concrete road construction into their steel demand forecast.

## Steel Making and Raw Material Costs

The Fastmarkets study noted that significant economic advantage is available to Kogi in that it controls its own supply of iron ore and has access to nearby suitable sources of coal. The Fastmarkets study further noted that these advantages are not only in terms of economic cost control of inputs but also represent significant potential savings in terms of reduced logistical costs.

Kogi Chairman Don Carroll commented “the Company welcomes the additional insight from the Fastmarkets Report which reinforces the view that Kogi is well positioned to meet the increasing demand of billet to an undersupplied market. The Company will continue to update shareholders as it progresses the DFS of its 100% owned Agbaja Cast Steel Project”.

For more information, please contact:

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KFE Capital Summary	Board of Directors	Contact
Ordinary Shares: 661,644,742	Mr Don Carroll – <i>Non-Executive Chairman</i>	Unit 23, 4 Ventnor Avenue, West Perth WA 6005
Share price: \$0.068	Mr Martin Wood – <i>Managing Director</i>	Tel : +61 8 9200 3456
Market capitalisation: \$45m	Mr Greg Boulton AM – <i>Non-Executive Director</i>	Email: <a href="mailto:info@kogiiron.com">info@kogiiron.com</a>
	Mr David Turvey – <i>Non-Executive Director</i>	W: <a href="http://www.kogiiron.com">www.kogiiron.com</a>
	Mr Peter Huljich – <i>Non-Executive Director</i>	

## 1. About Fastmarkets MB

Fastmarkets MB, formerly Metal Bulletin, is an independent steel industry consultancy that specialises in steel industry research, based in London, United Kingdom. Fastmarkets has over 130 years of commodity expertise and is a leading and trusted price reporting and intelligence service. Its price reporters are required to follow robust pricing procedures, clearly defined methodologies and price specifications during their market reporting and pricing sessions. All calculations or assessments are verified through their integrated peer review system, to guarantee quality control and compliance.

The market study was completed using Fastmarkets and publicly available data. External sources include World Steel Association (WSA), International Steel Statistics Bureau (ISSB), Oxford Economic Forecasting (OEF), International Monetary Fund (IMF) as well as publicly available company data. Analysts from Fastmarkets travelled to Nigeria in November 2018 to interview potential customers and steel market participants.

### About Kogi Iron (ASX: KFE)

Kogi Iron Limited is a Perth-based company with the objective of becoming an African iron ore and steel producer through the development of its 100% owned Agbaja iron ore and 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. The Agbaja project, located about 200km south of the Nigerian capital Abuja, opens the opportunity for domestic production of pig iron products.

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.

Table 1 – Summary Grade Tonnage for 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 (%)
<b>Zone A (Laterite Mineralisation)</b>		
Indicated	147.5	33.2
Inferred	33.9	31.7
Total Indicated + Inferred (Zone A)	181.4	32.9
<b>Zone B (Oolitic Mineralisation)</b>		
Indicated	318.7	45.2
Inferred	86.3	44.7
Total Indicated + Inferred (Zone B)	405.0	45.1
<b>Combined Zone A and Zone B</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.