

QUARTERLY REPORT – MARCH 2021

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) is pleased to provide the quarterly activities report for the three months ending 31 March 2021 (the “Quarter”).

Capital Planning

On the 26 April 2021, the Company announced details of a capital plan to raise up to \$10.3 million before costs, by way of an institutional share placement to raise up to \$6.5 million (Placement), and a non-renounceable rights issue for existing shareholders to raise up to \$3.8 million (Rights Issue).

These funding arrangements provide the Company with the following benefits:

- Access to tranche 1 of the Placement of \$2 million, subject to shareholder approval, and a flexible pathway to fully fund planned activities, with tranche 2 of the Placement being at the discretion of the Company and tranche 3 being the subject to mutual consent of the Company and the subscriber; and
- The ability to allow existing shareholders to participate in the capital plan through a Rights Issue on the basis of 1 new share for every 4 shares held by eligible shareholders on 7 May 2021. The Rights Issue offer memorandum was lodged with the ASX earlier today and is anticipated to be mailed to shareholders on 12 May 2021.

In addition, to clear the way for the above capital plan, the Company closed-out the existing equity swap and financing facility, with Sorbie Bornholm LP, resulting in a final payment to Kogi of \$65,000.

The Company will provide further information shortly in relation to the extraordinary general meeting of shareholders to consider the approval of tranche 1 of the Placement. The meeting is expected to be held on or around 11 June 2021.

Feasibility Study

The feasibility study for the Company’s 100% owned Agbaja Cast Steel project, located in Kogi State, Republic of Nigeria (the Project), is utilising a base-case flowsheet for the production of steel, adopting an approach that utilises selective mining methods to recover high grade iron ore from the mine wherever possible. KFE’s preliminary studies have indicated the technical viability of the base-case flowsheet utilising a 10 tonne sample for beneficiation, 4.2 tonne sample for pre-reduction, and has manufactured 50 kilograms of on-spec crude steel ingots (refer ASX Announcements of 18 February 2021 and 25 September 2018).

Feasibility Study - Operating Cost Review and Validation

During the Quarter the Company commenced the first phase of the feasibility study, funded by the \$1.4 million placement undertaken in December 2021. This part of the study involves a review and validation of operating costs, including the build-up of a full material and energy balance for the Project. Tenova Pyromet (Tenova) have been appointed to undertake this part of the study. Additional consultants will assist on the process including FLSmidth (FLS) and Uvan Hagfors Teknolgi AB (UHT).

Data has been submitted to FLS and we are awaiting the Direct Reduced Iron (DRI) and mass /energy (M&E) balance analysis. This information will then be fed into the UHT program and then for final accumulation by Tenova. This program is being conducted out of South Africa and initial results are expected to be received during the next quarter.

Feasibility Study – Next Phases

The Company is preparing for the main body of the feasibility process which will commence, subject to shareholder approval of the tranche 1 Placement.

- **Strategy**

The Company has adopted a flexible strategy in progressing the feasibility study. In the first instance this involved commencing critical works within available funding. The Company recognises as each study result is successfully achieved, the Company will review and evaluate the way forward. This of course may result in the requirement to undertake different or further studies. Over the life of the project there has been a considerable amount of work completed, and in many instances reports just need to be refreshed and updated.

- **Energy**

A critical part of the initial stages of the feasibility study will be the commissioning of an energy study along with the reactivation of discussions with the Nigerian authorities in relation to a gas supply and pricing. The Company has been aware for some time of the significance of energy input costs associated with the Project. In June 2020, the Company announced the commissioning of an energy study which, for a number of reasons was not completed.

- **Beneficiation**

The feasibility study will include further test-work utilising the 50 tonne bulk sample presently stored in South Africa. The test-work will include beneficiation test-work to manufacture bulk-scale samples for pre-reduction and refining test-work.

- **Small scale trial mining option**

In June 2020, the Company announced its intention to commence a small scale and trial mining operation. The benefits of doing so included the collection of important data required for Environment, Social and Governance, the establishment of base infrastructure and agronomy and horticultural assessment. Once again, we are mindful of the Covid-19 impact including limitations on visiting the site, the community and regulators. We are evaluating our alternatives and the feasibility of reactivating this activity.

- **Detailed Engineering design**

Progressing to the final and most detailed phase of the feasibility study, detailed engineering design involving the culmination of both new studies and earlier evaluations together with a body of other work including; mineral resources, mine planning, mining costs, infrastructure, geotechnical, hydrology, hydrogeology, environmental impact and economic analysis will be finalised. Towards the end of this phase, the final flowsheet, capital cost estimate and projected operating costs will be prepared.

Activities in Nigeria

KCM is a wholly owned subsidiary of KFE, incorporated in Nigeria, and is the licence holder of the mining and exploration tenements. Key management of KCM are responsible for the liaison with key Nigerian stakeholders, government and regulatory authorities. KFE has made changes to the KCM Board to reflect changes to the KFE Board in December, and to ensure KCM is adequately resourced.

- **Managers and Advisors**

As part of these changes, Mr Ian Burston has resigned as a Director of KCM but remains available and willing to advise the Board of KCM and KFE and is committed to assist as required.

During the Quarter, the KCM Board was pleased to announce the appointment of Mr Kevin Joseph as General Manager (Africa). Mr Joseph is an experienced chemical engineer with significant African resource and mining operational experience. Mr Joseph has previously been an executive director of KCM and a consultant to KFE. Mr Joseph's appointment as General Manager, his in-country experience, together with his background knowledge of the Project, is proving invaluable to the Company.

Mr Joseph will play an integral role, as the Company progresses the feasibility study, to assist with the management of in-country government, community and environment relationships. Mr Joseph augments the current team led by Mr Alabi Samuel as Country Manager.

Mr Slater who has over 30 years' experience in resource project development has been appointed as project manager to assist with the management of the feasibility study process.

- **Resource Base**

The Company announced its maiden resource in an ASX release in December 2013. While there has been some work done on the published resource since that time, there has been no significant assessment published in relation to the extent in which the resource base could be expanded with further exploration. We are aware that 99 exploration holes have been drilled outside the published Resource boundaries. A review of previous exploration work is planned to be conducted in the next quarter. While we believe there is sufficient iron ore within the published resource to more than adequately supply to the proposed mill during its anticipated production life, the Company believes there is unrecognised value in this exploration potential. In particular, such information could be of interest to future discussions with strategic partners.

- **Intellectual Property**

Over the life of the Company considerable work has been undertaken to understand the metallurgical processes required in iron ore beneficiation and steel production. A review of this information is planned to be conducted over the next 3 months so that the Company can specifically document and articulate its unique intellectual property. Once again, the Company believes there is unrecognised value in its Intellectual property.

Export of Iron Ore

As reported by the Company in its ASX releases of 18 February 2021 and 31 March 2021, the Company has had confirmation by the Nigerian Ministry of Mines and Steel Development that the Nigerian Federal Government current ban on the export of raw ore remains in place.

KFE is fortunate that its strategy is the delivery of a steel importation replacement option for Nigeria. As such, the ban on the exportation of unbeneficiated ore does not impact the Company or its feasibility study.

That current strategy is expected to deliver the best outcome for all stakeholders and incremental shareholder value. However, as previously stated, we will continue to include in our feasibility study options for the export of beneficiated and processed iron ore, in conjunction with the Company progressing with its base case feasibility study and strategy.

Financial

For the Quarter, the Company had:

- Net cash outflows from Operating and Investing activities for the quarter of \$0.39 million;
- Net cash inflows from Financing activities of \$0.10 million for monthly instalments received under the equity swap and financing facility with Sorbie Bornholm LP. This facility has been closed-out subsequent to the end of the Quarter, resulting in a final payment to Kogi of \$65,000;
- Resulting in an ending cash balance of \$1.12 million.

Cashflows for the Quarter include related party payments of \$90,000 to Directors.

Tenements

Following the \$1.4 million capital raising in December 2021, the Company reported that licence fees due and pertaining to the Company's mining and exploration tenements have been paid in full and that all tenements are in good standing.

All the mining and exploration tenements are located in the Federal Republic of Nigeria and KCM has a 100% interest in each tenement:

Mining Lease 24606

Mining Lease 24607

Mining Lease 25376

Mining Lease 29796

Exploration Licence 28784

Exploration Licence 32561

Authorised for release by the Board

For further information, please contact:

Craig Hart

Non-executive Chairman

Kogi Iron Limited

Tel (office): +61 8 7324 4047

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) – Refer ASX announcement 10 December 2013. This mineral resource covers approximately 20% of the prospective plateau area within ML24606 and ML24607.

Appendix 5B

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

Name of entity

Kogi Iron

ABN

28 001 894 033

Quarter ended ("current quarter")

31 March 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation	(221)	(406)
	(b) development		
	(c) production		
	(d) staff costs	(100)	(441)
	(e) administration and corporate costs	(68)	(321)
1.3	Dividends received (see note 3)		
1.4	Interest received		
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives	-	10
1.8	Other (provide details if material)		
1.9	Net cash from / (used in) operating activities	(389)	(1,158)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(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	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	104	1,793
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	-	(89)
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	104	1,704

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,405	573
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(389)	(1,158)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	104	1,704

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 (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	1
4.6	Cash and cash equivalents at end of period	1,120	1,120

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	1,120	1,405
5.2	Call deposits		
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)	1,120	1,405

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(90)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>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.</i>		

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

7. Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(389)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(389)
8.4 Cash and cash equivalents at quarter end (item 4.6)	1,120
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	1,120
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	2.88
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 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:	
8.8.2 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:	

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

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:30 April 2021.....

Authorised by:The Board of Directors.....
(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.