Kogi Iron Ltd

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Kogi Iron advised of potential demand for steel billet from proposed Nigerian plant

Kogi Iron Limited (ASX:KFE) and its Nigerian subsidiary KCM Mining have been advised that there is sufficient potential demand at domestic and regional levels to build a steelmaking facility and produce steel billet in Nigeria.

The advice has been provided to Kogi by Fastmarkets MB in a market study being carried out for a definitive feasibility study (DFS) to construct a steelmaking facility as part of the Agbaja Cast Steel Project.

This study provides insight into the overall level of potential demand for the Kogi product founded on a base case scenario in which Nigerian billet demand reaches 2.3 million tonnes per year by 2023 and rises to 2.9 million tonnes by 2030.

READ: Kogi Iron raising up to $1.32 million to advance Agbaja Cast Steel Project

Chairman Don Carroll said: “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.”

Fastmarkets MB, formerly Metal Bulletin, is an independent steel industry consultancy that specialises in steel industry research and is based in London. The market study was completed using Fastmarkets’ and publicly available data, including external sources such as World Steel Association (WSA), International Steel Statistics Bureau (ISSB), Oxford Economic Forecasting (OEF) and the International Monetary Fund (IMF).

READ: Kogi Iron negotiates funding proposals to advance Nigerian cast steel project DFS

Key items in the report:

- Based solely on forecast market demand for steel billets and Fastmarket considers the Nigerian market has a capacity to handle additional new billet production of up to 1.5 million tonnes per year;
- Fastmarkets recommends export markets in Cameroon and Ghana for sales of 100-250,000 tonnes per year;
- The bulk of sales will be to domestic steelmakers as a more profitable option than imported ferrous scrap and iron products; and
- 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.
Fastmarkets further noted that if Nigeria was to reach per capita consumption of 21 kilograms by 2030 then billet demand would be around 4.5 million tonnes per year.

**READ: Kogi Iron establishes Remuneration and Nomination Committee**

It also noted that the global average consumption is more than 200 kilograms per capita while in South Africa consumption was 98 kilograms per capita in 2017.

Given the low levels of current per capita demand and the potential for upside growth, Fastmarkets further recommends that the phase I planning of the facility consider a potential phase II to meet demand of 1.5 million tonnes per year.

Kogi said that while recommendations from Fastmarkets’ report could 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 were several factors which would be considered when determining the initial plant size and market demand, and while extremely important, this was just one of them.

The company would be in a better position to make this decision once the DFS was completed.

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