

## MARCH 2020 QUARTERLY REPORT

- **A new record Iron Valley quarterly EBITDA to BCI of A\$8.6M from 1.3Mt shipments**
- **FY20 year to date Iron Valley EBITDA to BCI of A\$19.5M – on track for record annual result**
- **Mardie Project design optimisation completed; capital and operating costs estimates being finalised. DFS on track to be completed in Q2 2020**
- **Mardie large-scale trial pond construction on track to commence in Q2 2020, subject to implementing new Covid-19 requirements with contractor**
- **Additional non-binding Mardie salt offtake MOUs signed – 13 MOUs now in place for more than 100% of first three years salt production**
- **Positive Mardie funding discussions ongoing with NAIF, Australian banks and international banks**
- **Iron ore transactions agreed with Mineral Resources Ltd delivering A\$10M upfront cash**
- **Cash balance of ~A\$40M (excluding an Iron Valley royalty payment of >A\$9M receivable in April). With a market cap of A\$52M, minimal value is being ascribed by the market to Mardie and the Iron Valley royalty**

BCI Minerals Limited (ASX:BCI) ("BCI" or the "Company") presents its quarterly activities report for the period ended 31 March 2020.

### MARDIE SALT & POTASH PROJECT

The 100% owned Mardie Project will produce salt and sulphate of potash ("SOP") from seawater on the northwest coast of Western Australia, one of the world's premium locations for solar evaporation operations. Mardie is a unique and sustainable opportunity, which will use an inexhaustible seawater resource and apply mainly natural solar and wind energy to drive production of salt and SOP. These products will be supplied into the Asian growth markets over a potential operating life of 60+ years.

A Definitive Feasibility Study ("DFS") on a >4Mtpa salt and >100ktpa SOP project is nearing completion.

#### *DFS Activities*

The DFS design optimisation phase was concluded in the March 2020 quarter, and BCI and the DFS lead engineer, GR Engineering, are currently finalising cost estimates and the DFS report. The DFS remains on track to be completed in Q2 2020.

#### *Evaporation Trials*

BCI is conducting evaporation trials at the Mardie site, which includes a 1:40,000 scale version of the entire future pond and crystalliser layout. The trial ponds continued to operate at steady-state during the quarter and first salt samples are expected to be available for customer and product testwork by mid-2020.

Figure 1: Small-scale Evaporation Ponds



BCI is finalising preparations for commencement of a A\$12M large-scale trial pond programme, which includes a 32-hectare pond with 2.3km of pond walls and the seawater pump station. The main objective of this work is to de-risk final pond construction by testing and confirming pond wall designs as well as the construction methodology, equipment, materials and costs.

A construction contract is in place with a specialist earthworks company and BCI is currently working with the contractor to establish appropriate Covid-19 plans and procedures. Construction is expected to commence in Q2 2020 once these are in place, subject to maintaining compliance with relevant Government restrictions.

### *Tenure and Approvals*

The revised draft Environmental Review Document (“ERD”) which aligns with the DFS design optimisation outcomes was re-submitted to the WA Environmental Protection Authority (“EPA”) in Q1 2020. The ERD is expected to be accepted and released for public comment in Q2 2020 and EPA endorsement of the Mardie Project is targeted by late 2020.

Mining Lease applications and the supporting Mining Proposal and Mine Closure Plan are currently being reviewed by regulators. Mining Leases are expected to be granted by Q3 2020.

BCI continues to work closely with the Pilbara Ports Authority (“PPA”) and the Department of Planning, Lands and Heritage (“DPLH”) to progress the tenure and agreements required to develop the Mardie Port facilities within the new Cape Preston West Port area. The DPLH process to formally secure the port land and marine areas is underway and expected to be completed during 2020. Drafting and negotiation of the port lease documentation is underway with the PPA.

BCI is also working closely with DPLH and the City of Karratha to dedicate a new public road to provide access to the Mardie Project and the Mardie Port facilities from the North West Coastal Highway. This is expected to be completed during 2020.

### *Offtake*

BCI continues to make positive progress with its product marketing efforts. A further three non-binding salt offtake memoranda of understanding (“MOUs”) were signed during the quarter. BCI now has 13 MOUs in place across China, Japan and various South East Asian countries for potential offtake of up to 4.5Mtpa salt, representing more than 100% of production. The MOUs envisage offtake terms of 3-4 years.

BCI has two non-binding SOP MOUs in place with top tier companies for up to 90ktpa over 3-5 years. This includes an MOU with an industry leading Chinese fertiliser company for potential sales to China and other regions.

The salt and SOP MOUs define an engagement process for the parties to progress towards offtake agreements. BCI is also in discussions with other potential salt and SOP buyers.

### Funding

Despite Covid-19's impact on financial markets in recent months, BCI is making good progress with its funding strategy. Positive discussions are ongoing with the Federal Government's Northern Australia Infrastructure Facility ("NAIF") regarding potential long tenor debt, which is an important part of Mardie's financing strategy. BCI is currently progressing through the Due Diligence Stage, which is the third of NAIF's four-stage assessment process. BCI is also advancing discussions and indicative term sheets with Australian and international banks regarding potential project finance debt, to complement any NAIF debt facilities. Early discussions have commenced with potential new equity investors in the Mardie Project.

## IRON VALLEY MINE

Iron Valley, which is operated by Mineral Resources Ltd (ASX:MIN), shipped 1.3Mt for the March 2020 quarter, comprising 60% fines and 40% lump. Strongly supported iron ore prices resulted in BCI's EBITDA for the quarter being A\$8.6M, which includes a positive prior quarter adjustment of A\$3.6M due to provisionally-priced December quarter shipments finalising at higher levels than expected.

From a cash flow perspective, BCI's December 2019 quarter net receipts of A\$1.5M were received in January 2020 and March 2020 quarter net receipts of A\$9.3M will be received by end of April 2020. Differences between quarterly EBITDA and net receipts arise primarily due to expected pricing relative to the provisional pricing of certain shipments.

The first three quarters of FY20 have been very strong for Iron Valley, with total BCI EBITDA of A\$19.5M from 4.9Mt of shipments. FY20 is on track to be a record year by beating FY17 Iron Valley EBITDA of A\$18.2M from 8.0Mt of shipments.

Figure 2: Iron Valley Quarterly Shipments (M wmt)

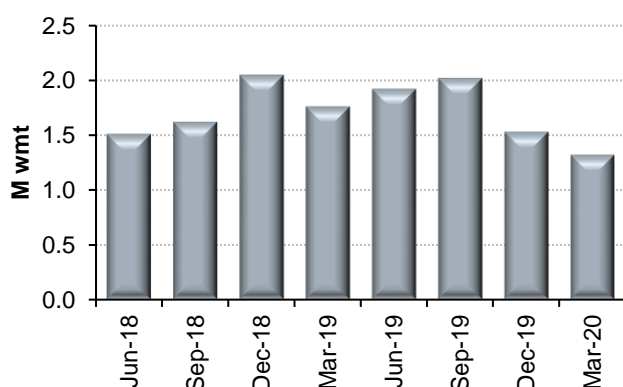
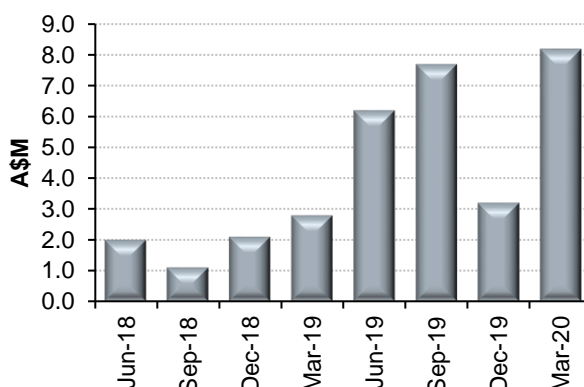


Figure 3: Iron Valley Quarterly EBITDA (A\$M)



## TRANSACTIONS WITH MIN

During the quarter, BCI entered into a series of transactions with MIN, including optimisation of the existing Iron Valley arrangement, sale of the Buckland Project to MIN and acceleration of Kumina deferred consideration payable to BCI.

The transactions build on the strong, long-term relationship between BCI and MIN, which has generated significant value for both companies. The Buckland sale is the fourth major transaction between the companies following the Kumina sale, Iron Valley arrangement (including several optimisations) and Phil's Creek sale.

Under the revised Iron Valley arrangement, BCI will rebate a 40% portion of its net royalties to MIN until the total rebated amount reaches A\$25M. The rebate is subject to BCI receiving a minimum net royalty of A\$1.5M per quarter, and for at least the next two quarters after any future suspension of operations. The revised arrangement improves the longevity of the mine, supports MIN in developing additional mine areas and provides BCI with improved income protection in periods of low iron ore prices and/or reduced Iron Valley production levels.

Consideration for the sale of the Buckland Project to MIN comprises A\$6M upfront, A\$14M upon future milestones and a 1% FOB revenue royalty. The sale completed in early April 2020 and BCI received the initial A\$6M.

The Kumina iron ore transaction between BCI and MIN in late 2018 included an upfront cash payment of A\$27M (paid by MRL in December 2018) and two deferred cash payments of A\$4M each upon certain production milestones. MIN agreed to pay the first of the deferred A\$4M payments to BCI on 31 March 2020, a number of years earlier than due.

BCI will continue to work collaboratively with MIN to explore opportunities that can benefit BCI's development of the Mardie Salt & Potash Project and MIN's development of its West Pilbara iron ore projects.

## CORPORATE

### *Cash and Debt Position*

BCI's cash balance as at 31 March 2020 was A\$33.7M (31 December 2019: A\$34.0M), which increases to A\$39.7M on a pro-forma basis including the A\$6M Buckland sale proceeds received in early April. A further A\$9.3M of Iron Valley net receipts are due in later April.

BCI's current market capitalisation of A\$52M therefore implies that almost no net value is being attributed by the market to future Iron Valley royalties and the 100% owned Mardie Project.

### *Health & Safety*

BCI continues to have an excellent safety record as site activities at the Mardie Project increase. No lost time injuries ("LTI") were recorded during the quarter and BCI's LTI-free period is approaching 5 years.

BCI has reviewed its safety practices and policies in light of the Covid-19 situation, both in relation to head office and site activities. A number of measures have been put in place aligned with Government recommendations and restrictions to increase safety for BCI's staff, contractors and the community.

-END-

This ASX announcement has been authorised for release by the Board of BCI Minerals Limited.

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## ABOUT BCI MINERALS

BCI Minerals Limited (ASX:BCI) ("BCI") is an Australian-based company that is developing a salt and potash business supported by iron ore royalty earnings.

BCI is focused on rapidly advancing its 100% owned Mardie Salt & Potash Project, a potential Tier 1 project located on the West Pilbara coast in the centre of Australia's key salt production region.

Mardie will produce high-purity salt (typically >99.5% NaCl) and sulphate of potash ("SOP") (typically >51% K<sub>2</sub>O) via solar evaporation of seawater. Using an inexhaustible resource and a production process driven mainly by natural solar and wind energy, Mardie is a sustainable opportunity to supply the salt and potash growth markets in Asia over many decades.

The long-term demand outlook for both salt and SOP is positive. Salt is an essential mineral used extensively in modern life. High purity salt produced at Mardie will be used in chemical and industrial processes that create thousands of everyday products. Demand in this market segment, particularly in Asia, is expected to grow strongly over the next decade and result in a supply deficit.

Increasing population and urbanisation requires more and better-quality food to be produced from less arable land. SOP is a premium fertiliser providing two key nutrients – potassium and sulphur – which improves plant growth and makes it drought resistant. SOP is mostly used on high value crops where yield increases deliver larger financial benefits.

Following a positive Pre-Feasibility Study in 2018, a Definitive Feasibility Study on a 4Mtpa salt and 100ktpa SOP operation is underway and due to be completed in Q2 2020. A Final Investment Decision is targeted mid-2020 and first construction in early 2021.

BCI receives quarterly royalty earnings from Iron Valley, an iron ore mine located in the Central Pilbara region of Western Australia which is operated by Mineral Resources Limited (ASX:MIN) (89Mt JORC Ore Reserve<sup>1</sup>). BCI's EBITDA from Iron Valley has ranged from A\$5.6-18.3M per annum, with FY19 delivering A\$12.3M.

## KEY STATISTICS

<b>Shares on issue:</b>	398.9 million	
<b>Cash and cash equivalents:</b>	A\$39.7 million	as at 31 March 2020 (pro-forma <sup>2</sup> )
<b>Board:</b>	Brian O'Donnell	Non-Executive Chairman
	Alwyn Vorster	Managing Director
	Michael Blakiston	Non-Executive Director
	Jenny Bloom	Non-Executive Director
<b>Major shareholders (&gt;5%):</b>	Wroxby Pty Ltd	29.3%
<b>Website:</b>	<a href="http://www.bciminerals.com.au">www.bciminerals.com.au</a>	

1: Refer to BCI's announcement "Updated Mineral Resources and Ore Reserves" dated 25 October 2019 for further details. BCI is not aware of any new information or data that materially affects the information included in that announcement.

2: Includes A\$6M Buckland sale proceeds received in early April.