

## DFS PROGRESSING, IRON VALLEY CASH FLOWS INCREASING

BCI Minerals Limited (BCI) released its March Quarterly for 2019 yesterday, with solid progress shown on the Mardie Projects Definitive Feasibility Study (DFS) which is on schedule and is expected to be completed in the Dec-19 quarter. The Iron Valley Mine also delivered, providing BCI with royalty EBITDA of A\$2.8M from 1.8Mt shipments.

- The Iron Valley Mine operator, Mineral Resources Ltd, took advantage of the high iron ore prices and lower discounts for 58% Fe products to draw down on existing fines stockpiles. With approximately 65% of the Iron Valley product shipped during the quarter being fines ore, a product which attracts a significantly lower price than lump. The mine delivered to BCI EBITDA of A\$2.8m from 1.8Mt shipments which we believe is a strong outcome considering the weather impact of Cyclone Veronica in late March. With headline iron ore price on the rise we continue to believe that BCI's earnings from the Iron valley will rise in the short term, providing BCI with additional working capital to advance the Mardie project.
- Site activities for the DFS continue to progress, with a geotechnical program and the construction of a small-scale evaporation trial underway at the project site. The trial will comprise pan evaporators plus a 1:40,000 scale version of the entire project layout which will provide site-specific evaporation data to simulate the full evaporation process at a reduced scale. This is expected to be operational by May 2019 (see figure 3).
- BCI have awarded key engineering contracts to GR Engineering who have been appointed as lead DFS Engineer; Worley Parsons who will be designing the evaporation and crystallisation ponds and the sulphate of potash (SOP) plant; and Salt Partners an experienced firm out of Switzerland who will be designing the Mardie salt plant. The Mardie Port proposal was shown support from the WA Minister for Ports and BCI expect to award the contract for the port's design and engineering within the month. Developing the port facilities at Mardie instead of Cape Preston East (PFS case) is BCI's preferred option and will improve project economics by eliminating road haulage costs, which is expected to reduce salt opex by 20%.
- Cash Balance at 31 March 2019 of A\$35.4M and zero Debt.
- Our BCI Valuation is based on the PFS analysis of the Mardie Project, the Iron Valley mine and other assets. We maintain our \$0.25/s price target and **Speculative Buy** rating.

Year End June 30	2017A	2018A	2019F	2020F	2021F
Reported NPAT (A\$m)	5.7	(16.9)	10.9	(6.7)	(5.3)
Recurrent NPAT (A\$m)	5.7	(16.9)	(6.1)	(6.7)	(5.3)
Recurrent EPS (cents)	1.4	(4.3)	(1.5)	(1.7)	(0.7)
EPS Growth (%)	na	na	na	na	na
PER (x)	na	na	na	na	na
EBITDA (A\$m)	9.5	(14.4)	(4.8)	(4.2)	(3.7)
Capex (A\$m)	2.2	10.1	10.1	29.3	51.0
Free Cashflow	11.2	(22.0)	(16.5)	(28.1)	(48.9)
FCFPS (cents)	2.8	(5.5)	(4.2)	(7.1)	(6.2)
PFCF (x)	na	na	na	na	na
DPS (cents)	0.0	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0	0.0
Franking (%)	0.0	0.0	0.0	0.0	0.0

16 April 2019

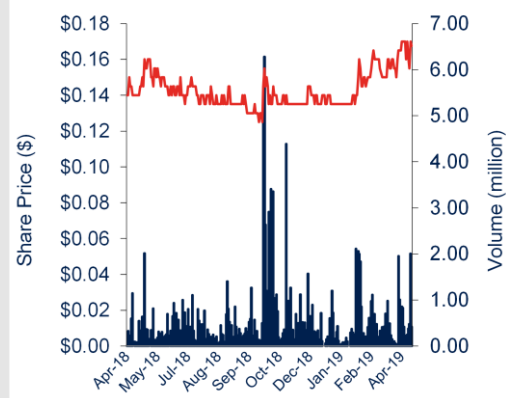
12mth Rating	SPECULATIVE BUY	
Price	A\$	0.17
Target Price	A\$	0.25
12mth Total Return	%	50.4

RIC: BCI.AX		BBG: BCI AU	
Shares o/s	m		397.6
Free Float	%		63.0
Market Cap.	A\$m		66.6
Net Debt (Cash)	A\$m		-35.4
Net Debt/Equity	%		na
3mth Av. D. T'over	A\$m		0.074
52wk High/Low	A\$		0.17/0.13
2yr adj. beta			0.74

Valuation:		
Methodology		DCF
Value per share	A\$	0.25

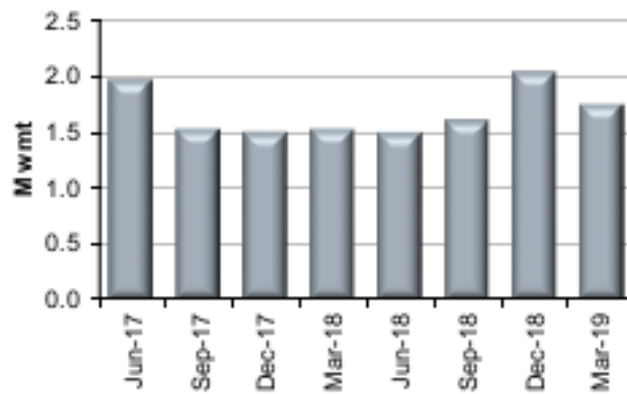
**Analyst:** James Farr  
**Phone:** (+61) 8 9263 1215  
**Email:** jfarr@psl.com.au

### 12 Month Share Price Performance



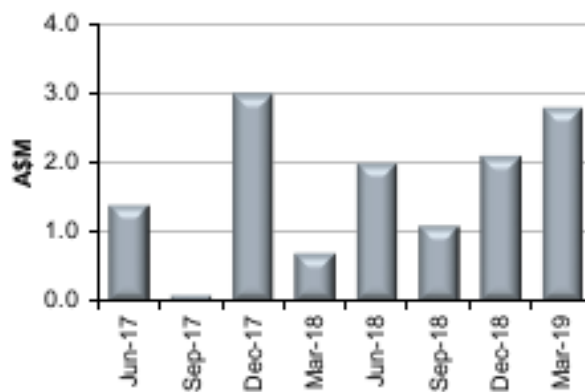
Performance %	1mth	3mth	12mth
Absolute	4.7	24.1	19.6
Rel. S&P/ASX 300	3.3	16.8	12.2

**Figure 1: Iron Valley Quarterly Shipments (M wmt)**



Source: BCI Minerals Limited

**Figure 2: Iron Valley Quarterly EBITDA (A\$M)**

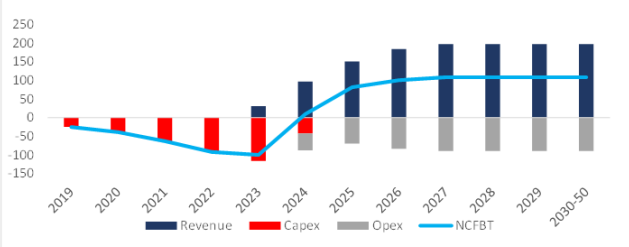


Source: BCI Minerals Limited

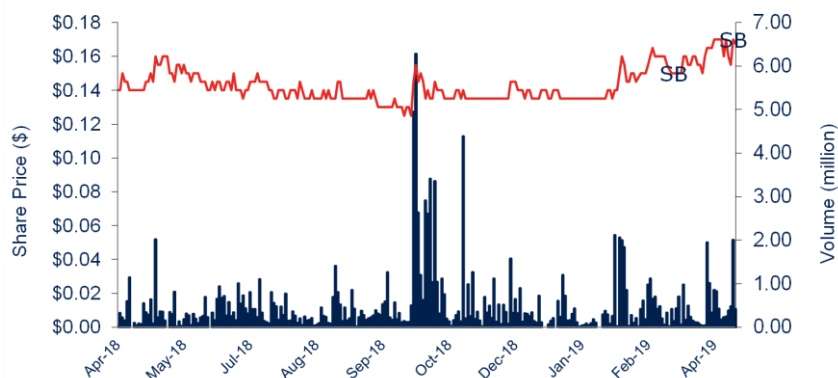
**Figure 3: Small-scale Evaporation Trial Under Construction**



Source: BCI Minerals Limited

BCI MINERALS (BCI.ASX)			Price		\$0.17	Year End 30 June				
Valuation	\$m	\$/sh	Commodity Assumptions			2017A	2018A	2019F	2020F	2021F
Mardie Project (Risked at 50%)	121	0.09	US\$/A\$			0.75	0.77	0.72	0.73	0.73
Iron Valley	45	0.03	Platts 62%Fe (US\$/dmt CFR)			72	70	76	69	69
Other Assets	14	0.01	NaCl Price (FOB) (US\$/t)			30	30	30	30	30
Net Cash (Post DFS Spend)	17	0.01	SOP Price (FOB) (US\$/t)			500	500	500	500	500
Unpaid Capital	170	0.13	<b>Iron Valley</b>			<b>2017A</b>	<b>2018A</b>	<b>2019F</b>	<b>2020F</b>	<b>2021F</b>
Corporate costs	(30)	(0.02)	Annual production (Mt)			8.0	6.1	7.0	7.0	7.0
<b>Total Valuation</b>	<b>336</b>	<b>0.25</b>	Royalty A\$/t			2.3	0.9	1.2	1.1	1.1
<b>Cash Flow Mardie Project</b>			EBITDA A\$m			18.3	5.6	7.4	7.4	7.4
			<b>Profit &amp; Loss (A\$m)</b>			<b>2017A</b>	<b>2018A</b>	<b>2019F</b>	<b>2020F</b>	<b>2021F</b>
			Total revenue			63.5	33.0	44.7	46.3	46.3
			Cost of Sales			(54.0)	(47.4)	(49.5)	(50.5)	(50.0)
			<b>EBITDA</b>			<b>9.5</b>	<b>(14.4)</b>	<b>(4.8)</b>	<b>(4.2)</b>	<b>(3.7)</b>
			DD&A			(3.0)	(2.9)	(3.0)	(3.0)	(3.0)
			<b>EBIT</b>			<b>6.5</b>	<b>(17.3)</b>	<b>(7.9)</b>	<b>(7.2)</b>	<b>(6.6)</b>
			Net interest income (expense)			0.6	0.4	0.2	0.5	1.3
			<b>NPAT (Before abnormals)</b>			<b>5.7</b>	<b>(16.9)</b>	<b>(6.1)</b>	<b>(6.7)</b>	<b>(5.3)</b>
			<b>NPAT (Reported)</b>			<b>5.7</b>	<b>(16.9)</b>	<b>10.9</b>	<b>(6.7)</b>	<b>(5.3)</b>
			Diluted EPS (cps)			1.4	(4.3)	(1.5)	(1.7)	(0.7)
			DPS (cps)			0.0	0.0	0.0	0.0	0.0
			<b>Cash Flow (A\$m)</b>			<b>2017A</b>	<b>2018A</b>	<b>2019F</b>	<b>2020F</b>	<b>2021F</b>
			<b>Operating Cashflow</b>			<b>11.9</b>	<b>(12.0)</b>	<b>(6.5)</b>	<b>1.2</b>	<b>2.1</b>
			Capex (+exploration)			(0.6)	(10.0)	(10.0)	(29.3)	(51.0)
			Property, plant & equipment			(1.6)	(0.1)	(0.1)	0.0	0.0
			Divestment of Assets			0.0	0.0	27.0	10.0	0.0
			<b>Cash Flows from Investing activities</b>			<b>(2.2)</b>	<b>(10.1)</b>	<b>16.9</b>	<b>(19.3)</b>	<b>(51.0)</b>
			Proceeds from equity issues			24.2	0.0	0.0	70.0	50.0
			Proceeds from borrowings			0.0	0.0	0.0	0.0	0.0
			Repayment of borrowings			(2.0)	0.0	0.0	0.0	0.0
			other			(5.2)	(1.3)	0.0	0.0	0.0
			<b>Cash Flows from Financing activities</b>			<b>17.1</b>	<b>(1.3)</b>	<b>0.0</b>	<b>70.0</b>	<b>50.0</b>
			Net increase in cash and cash equivalents			26.7	(23.3)	10.4	51.9	1.1
			Cash at beginning			9.7	36.4	13.0	23.4	75.4
			<b>Cash at end</b>			<b>36.4</b>	<b>13.0</b>	<b>23.4</b>	<b>75.4</b>	<b>76.5</b>
			<b>Balance Sheet (A\$m)</b>			<b>2017A</b>	<b>2018A</b>	<b>2019F</b>	<b>2020F</b>	<b>2021F</b>
			Cash			36.4	13.1	23.4	75.4	76.5
			<b>Total Assets</b>			<b>119.6</b>	<b>100.5</b>	<b>111.4</b>	<b>187.5</b>	<b>235.2</b>
			Creditors			12.1	9.4	11.5	11.5	11.5
			Current Borrowings			0.0	0.0	0.0	0.0	0.0
			Non-current Borrowings			0.0	0.0	0.0	0.0	0.0
			Provisions			5.2	6.1	(2.4)	10.4	13.4
			<b>Total Liabilities</b>			<b>17.3</b>	<b>15.4</b>	<b>9.1</b>	<b>21.9</b>	<b>24.8</b>
			<b>Shareholders Funds</b>			<b>102.2</b>	<b>85.1</b>	<b>102.3</b>	<b>165.7</b>	<b>210.3</b>
<b>Iron Valley Reserves &amp; Resources</b>										
<b>Iron Valley Ore Reserves</b>			<b>Mt</b>	<b>%Fe</b>	<b>%Si</b>					
Proved - In-situ	56.6	58.4	4.6							
Proved - Stockpiles	5.2	56.1	8.3							
Probable	33.6	58.6	5.0							
<b>Total</b>	<b>95.4</b>	<b>58.4</b>	<b>5.0</b>							
<b>Iron Valley Mineral Resources</b>			<b>Mt</b>	<b>%Fe</b>	<b>%Si</b>					
Measured - In-situ	86.8	57.9	5.2							
Measured - Stockpiles	5.2	56.1	8.3							
Indicated	79.6	58.4	5.2							
Inferred	26.1	57.8	6.6							
<b>Total</b>	<b>197.7</b>	<b>58.1</b>	<b>5.4</b>							
<b>Directors &amp; Management</b>										
<b>Name</b>	<b>Position</b>									
Mr Brian O'Donnell	Chairman: Non-Executive									
Mr Alwyn Vorster	Managing Director									
Mr Michael Blakiston	Director: Non-Executive									
Ms Jennifer Bloom	Director: Non-Executive									
Simon Hodge	Chief Financial Officer									
Susan Hunter	Company Secretary									
<b>Top Shareholders</b>			<b>Shares (m)</b>	<b>%</b>						
Wroxby Pty Ltd			110	27.6						
One Managed Investment Funds Limited			10	2.6						
Mineralogy Pty Ltd.			6	1.5						
Pacific Level Pty Ltd			5	1.2						
Alwyn Vorster			4	1.0						
<b>Top 5 Shareholders</b>			<b>134.4</b>	<b>34</b>						

## Recommendation History



Date	Type	Target Price	Share Price	Recommendation	Return
21 Mar 17	Research Note	0.34	0.21	SB	
24 Apr 17	Hot off the Press	0.34	0.15	SB	-28.6%
21 Jun 17	Ceased Coverage	0.34	0.13	SB	-16.7%
12 Mar 19	Research Note	0.25	0.15	SB	20.0%
16 Apr 19	Research Note	0.25	0.17	SB	13.3%
	Current Share Price		0.17		-1.5%

**Stock recommendations:** Investment ratings are a function of Patersons expectation of total return (forecast price appreciation plus dividend yield) within the next 12 months. The investment ratings are Buy (expected total return of 10% or more), Hold (-10% to +10% total return) and Sell (> 10% negative total return). In addition we have a Speculative Buy rating covering higher risk stocks that may not be of investment grade due to low market capitalisation, high debt levels, or significant risks in the business model. Investment ratings are determined at the time of initiation of coverage, or a change in target price. At other times the expected total return may fall outside of these ranges because of price movements and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. This Document is not to be passed on to any third party without our prior written consent.



1300 582 256  
 patersons@psl.com.au  
 www.psl.com.au

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1300 582 256  
patersons@psl.com.au  
www.psl.com.au

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## Research

Cathy Moises - Head of Research	Phone: (+61 3) 9242 4030	Email: cmoises@psl.com.au
James Farr - Associate Analyst	Phone: (+61 8) 9263 1215	Email: jfarr@psl.com.au
Daniel Veasey - Research Assistant	Phone: (+61 8) 9225 2818	Email: dveasey@psl.com.au

## Strategy & Economics

Greg Galton - Director Private Wealth	Phone: (+61 8) 9263 1612	Email: ggalton@psl.com.au
---------------------------------------	--------------------------	---------------------------

## Commodities

Cathy Moises - Head of Research	Phone: (+61 3) 9242 4030	Email: cmoises@psl.com.au
Cam Hardie - Analyst	Phone: (+61 3) 9242 4153	Email: chardie@psl.com.au
Xavier Braud - Analyst	Phone: (+61 8) 9225 2813	Email: xbraud@psl.com.au

## Industrials

Martyn Jacobs - Analyst	Phone: (+61 3) 9242 4153	Email: mjacobs@psl.com.au
Phil Carter - Analyst	Phone: (+61 8) 9225 2819	Email: Pcarter@psl.com.au
Allan Franklin - Analyst	Phone: (+61 3) 9242 4155	Email: afranklin@psl.com.au

## Institutional Dealing

Dan Bahen	Phone: (+61 8) 9263 1274	Email: dbahen@psl.com.au
Michael Brindal	Phone: (+61 8) 9263 1186	Email: mbrindal@psl.com.au
Tom Bahen	Phone: (+61 8) 9263 1180	Email: tbahen@psl.com.au
Artie Damaa	Phone: (+61 2) 8238 6215	Email: adamaa@psl.com.au
Paul Doherty	Phone: (+61 3) 8803 0108	Email: pdoherty@psl.com.au
Chris Kelly	Phone: (+61 3) 9242 4078	Email: ckelly@psl.com.au
Jeremy Nugara	Phone: (+61 3) 8803 0166	Email: jnugara@psl.com.au
Phil Schofield	Phone: (+61 2) 8238 6223	Email: pschofield@psl.com.au
Sandy Wylie	Phone: (+61 8) 9263 1232	Email: swylie@psl.com.au

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