

## Analysts

Stuart Howe 613 9235 1856  
Joseph House 613 9235 1624

## Authorisation

David Coates 612 8224 2887

## Recommendation

**Buy** (unchanged)

## Price

**\$0.55**

## Target (12 months)

**\$0.74** (previously \$0.69)

## GICS Sector

Materials

## Expected Return

Capital growth	35%
Dividend yield	0%
Total expected return	35%

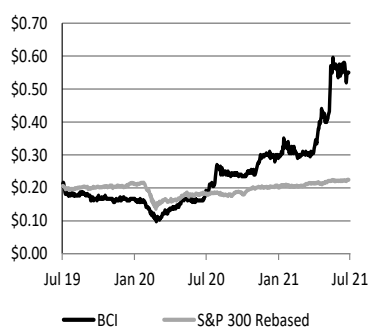
## Company Data & Ratios

Enterprise value	\$250m
Market cap	\$330m
Issued capital	600m
Free float	75%
Avg. daily val. (52wk)	\$244,616
12 month price range	\$0.17-\$0.615

## Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.58	0.30	0.16
Absolute (%)	-4.35	83.33	240.00
Rel market (%)	-5.12	78.01	219.26

## Absolute Price



SOURCE: IRESS

# BCI Minerals Ltd (BCI)

## Q4 FY21: Another record quarter from Iron Valley

### Record quarterly earnings from Iron Valley

BCI has realised record quarterly EBITDA from Iron Valley of \$32m, up 59% on the prior quarter and a beat on our \$28m estimate. Full year EBITDA from Iron Valley was \$70m, a 200% increase on FY20 (\$23m). The quarterly result was driven by strong iron ore prices more than offsetting marginally weaker sales volumes (1.5Mt). BCI ended the quarter with cash of \$79m and no debt, a slight improvement on the prior quarter (net cash \$76m). BCI expects to receive Iron Valley cash flow of \$32m relating to the June 2021 quarter this month.

EPS changes in this report are due to revisions to our iron ore price assumptions, minor operational assumption changes and a provision for pre-development expenses associated with the Mardie Salt and Potash project. These EPS changes are: FY21 now 5.5cps (previously 8.6cps); FY22: +15%; and FY23: +54%.

### Mardie Salt & SOP project progresses, FID this quarter

BCI awaits final environmental approvals for the Mardie Salt and SOP project from the Western Australian Minister of the Environment, following a positive referral to Western Australia's Environmental Protection Authority (EPA) in early July 2021. FID is targeted in the current quarter with major construction activities to commence in the December 2021 quarter. We believe the additional equity required to fund Mardie could be materially less than expected if iron ore prices and Iron Valley earnings remain high. If iron ore prices stay at spot levels (US\$201/t) over FY22-23, our BCI valuation would increase to \$1.13/sh.

### Investment thesis: Buy, Target Price \$0.74/sh

BCI combines an iron ore royalty-like business with a large scale salt and fertiliser project. BCI's current EV is around 4x its 2022 iron ore EBITDA alone. Mardie Salt and SOP Project will add significant further value and has appeal to ESG concerned debt and equity investors. NAIF financing, BCI's supportive share register and continued strength in iron ore prices mitigate some of the Mardie project's financing risks.

## Earnings Forecast

Year ending 30 June	2020a	2021e	2022e	2023e
Sales (A\$m)	77	172	166	91
EBITDA (A\$m)	(4)	31	69	26
NPAT (reported) (A\$m)	(10)	29	69	26
NPAT (adjusted) (A\$m)	0	29	69	26
EPS (adjusted) (cps)	0.1	5.5	10.3	3.2
EPS growth (%)	-97%	5,745%	86%	-69%
PER (x)	581.7x	10.0x	5.4x	17.2x
FCF Yield (%)	4%	-3%	-32%	-71%
EV/EBITDA (x)	-57.7x	8.0x	3.6x	9.7x
Dividend (cps)	-	-	-	-
Yield (%)	0%	0%	0%	0%
Franking (%)	-	-	-	-
ROE (%)	-9%	21%	26%	7%

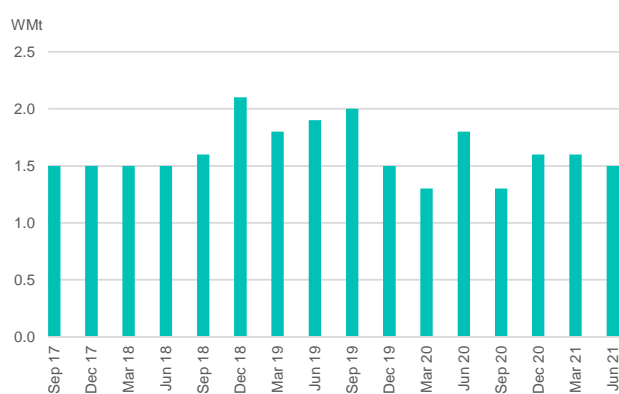
SOURCE: BELL POTTER SECURITIES ESTIMATES

# Q4 FY21: Another record quarter at IV

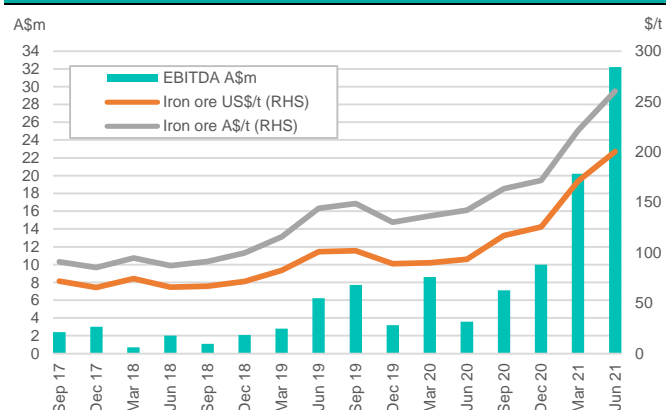
**Table 1 - Quarterly summary**

	Jun-20(a)	Sep-20(a)	Dec-20(a)	Mar-21(a)	Jun-21(a)	QoQ	Jun-21(e)	(a) vs (e)
Iron Valley sales mt	1.8	1.3	1.6	1.6	1.5	-6%	1.7	-12%
<b>Iron Valley EBITDA A\$m</b>	<b>3.6</b>	<b>7.1</b>	<b>10.0</b>	<b>20.2</b>	<b>32.2</b>	<b>59%</b>	<b>28.0</b>	<b>15%</b>
Iron ore 62% Fe benchmark (CFR China) \$US/t	94	117	126	171	200	17%		
A\$:US\$ FX	0.66	0.72	0.73	0.77	0.77	0%		
Iron ore 62% Fe benchmark (CFR China) \$A/t	142	164	172	221	260	18%		
Cash A\$m	42	81	79	76	79	4%	81	-2%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Figure 1 - Iron ore shipments (M wmt)**


SOURCE: BCI QUARTERLY REPORTS

**Figure 2 - Iron Valley EBITDA (A\$m)**


SOURCE: BCI QUARTERLY REPORTS

## Key observations from the quarterly

- Record quarter and full year earnings from Iron Valley:** BCI's Iron Valley royalty stream delivered record quarterly EBITDA of \$32.2m (BPe \$28.0m), a 15% increase on the prior quarter. Full year EBITDA was also a record at \$69.5m (FY20: \$23.1m). During the quarter, stronger iron ore prices more than offset weaker sales volumes. Benchmark iron ore prices (62% Fe CFR china) averaged US\$200/t during the quarter, up 17% on the prior quarter; the current September 2021 quarter-to-date price average is US\$217/t. The June 2021 quarter represented the first full quarter of Iron Valley's true earnings capability following the conclusion of the 40% rebate agreement with Mineral Resources (ASX:MIN, TP\$49.30) in the prior quarter. This rebate was agreed to fund various development works at Iron Valley to ensure sustainable production.
- Mardie project advanced:** FID expected in the current quarter.
  - Positive EPA referral received:** Western Australia's Environmental Protection Authority (EPA) recommended to the Western Australian Minister of the Environment that the Mardie project can be developed and operated, subject to conditions consistent with the company's submitted Environmental Review Document. Tenure and development approvals associated with the project's port facilities were also progressed.
  - Pre-development activities continue:** Contract packages totalling \$129m have been awarded to date. An expansion of the existing accommodation village to 400 beds is underway.

- 3. Further project optimisation from pilot plant testing:** Test works on salt and SOP produced from pilot plant campaigns continued, providing further scope for project optimisation via flow sheet design improvements and to support potential offtake discussions.
- **Cash position:** BCI ended the quarter with cash of \$79.4m, slightly higher than prior quarter (\$76.1m) and no debt. BCI expects to receive payments totalling \$32.2m in the current quarter relating to Iron Valley's June 2021 quarterly earnings.
  - **Board strengthened:** Chris Salisbury, a former Rio Tinto (ASX:RIO, not rated) Executive Director, was appointed to the BCI Board. Mr Salisbury was involved in the management of RIO's Dampier Salt business, which is capable of producing 10mtpa of industrial salt.

### Historical and expected Iron ore price

The following chart represents historical and expected iron ore prices (62% Fe, CFR China). Consensus Economics' estimates have been adjusted from nominal to real 2021 dollars.

**Figure 3 - Iron ore Fe 62% US\$/t CFR Qingdao, - Historical & expected prices**



SOURCE: BLOOMBERG, CONSENSUS ECONOMICS & BELL POTTER SECURITIES ESTIMATES

### News flow & value catalysts

- **September 2021 quarter:**
  1. Environmental Ministerial approval and granting of project land tenure.
  2. BCI Board to take Mardie project FID.
- **2H 2021:** Updates on debt funding arrangements: We expect further commercial lenders to join in Mardie project debt financing.
- **Ongoing:** Further Mardie project salt and SOP offtake MoUs and the conversion of existing MoUs to conditional binding offtake agreements.

# Iron Valley supplements Mardie funding

BCI's latest presentations outline a maximum new equity funding requirement for the Mardie Project of \$300m. Under our iron ore price outlook, we expect that cash flows from Iron Valley may reduce this new equity requirement to \$250m. Should iron ore prices remain elevated at current spot levels, our estimate for the new equity requirement drops to \$100m.

Persistently high iron ore prices provide another benefit: A stronger BCI share price and therefore less capital raising dilution.

The benefits of higher iron ore prices to lower the total equity requirement and to reduce equity dilution are examined below.

## Proposed Mardie funding mix: 60% debt / 40% equity

BCI's July 2021 corporate presentation outlines the company's financing strategy for the Mardie project; the \$1.2b total funding requirement is currently expected to be funded by around 60% debt (\$720m) and 40% equity (\$480m).

### NAIF \$450M FACILITY CONDITIONALLY APPROVED; OTHER BANKS ENGAGED

A conditionally approved \$450m, 15 year tenor NAIF loan will support much of the total debt financing, with the remainder to be sourced from Australian and international banks and other debt providers.

### MAXIMUM \$300M EQUITY REQUIREMENT EXPECTED

BCI is anticipating a **minimum** \$180m from current cash at bank and Iron Valley earnings will support the \$480m equity requirement, with a **maximum** \$300m to be sourced from new equity.

### HIGH IRON ORE PRICES BOOST CASH RESERVES & REDUCE DILUTION

We calculate that BCI's call for new equity could be materially lower (than \$300m) should iron prices and Iron Valley's earnings remain elevated. Persistently high iron ore prices should also support higher BCI equity valuation, meaning that any new equity raised will be less dilutive.

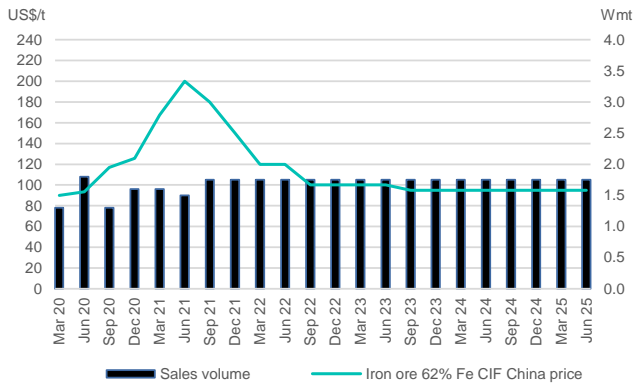
The following charts outline our estimate of BCI's Mardie capital requirements and the likely sources of those funds under two price scenarios:

1. Bell Potter Securities' iron ore price outlook; and
2. Benchmark iron ore prices holding at current spot levels (US\$201/t) over FY22-23.

## Scenario 1: Bell Potter Securities' iron ore price outlook

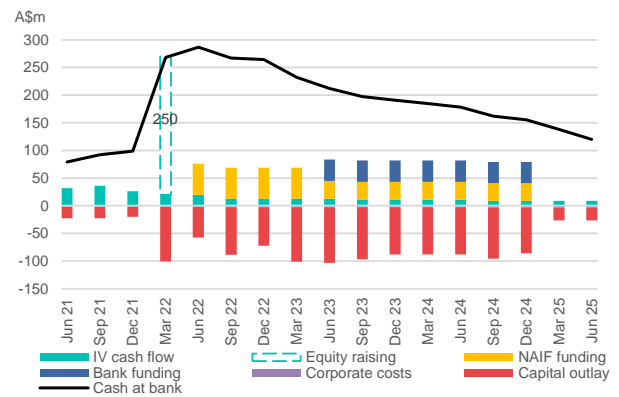
We assume iron ore prices to average US\$143/t in FY22, US\$100/t in FY23 and US\$95/t in the long run. Iron Valley shipments are held constant at 7.0Mtpa. Our analysis shows that BCI will require \$250m by the end of the March 2022 quarter.

**Figure 4 - BPe base case: iron ore price vs sales volume**



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Figure 5 - BPe base case: capital costs and financing**

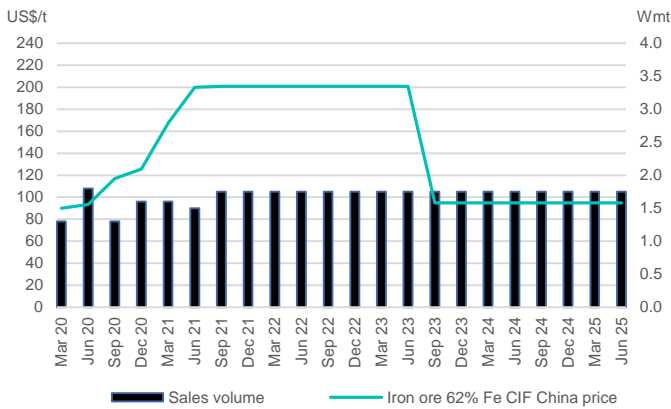


SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Scenario 2: Prices at spot US\$201/t over FY22-FY23**

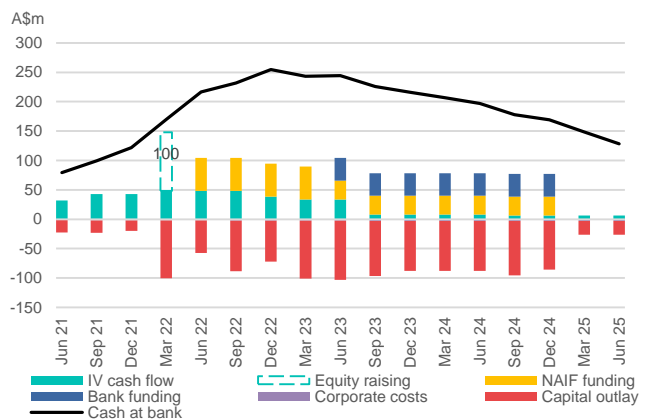
Under this scenario, prices remain at current spot levels in the short term (US\$201/t in FY22-23), before decreasing to our long run price estimate of US\$95/t. Iron Valley shipments are also constant at 7.0Mtpa. If prices remain at spot levels over FY22-23, higher cash flow generation from Iron Valley could significantly contribute to Mardie project financing. BCI could raise a minimum of \$100m by the March 2022 quarter to meet all Mardie project capital outlays.

**Figure 6 - Spot price scenario: iron ore price vs sales volume**



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Figure 7 - Spot price scenario: capital costs and financing**



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**BCI valuation comparison**

The table below outlines potential upside to our BCI valuation from lower dilution as higher iron ore prices assumptions are considered, compared with our price forecasts.

**Table 2 - Scenario comparison: BCI valuation**

	New equity required	New shares at current share price	Dilution compared with base case	Valuation uplift from base case	Implied valuation
	\$m	m	%	%	\$/sh
Base case	250	540			0.74
Spot price scenario	100	183	-35%	53%	1.13

SOURCE: BELL POTTER SECURITIES ESTIMATES

# Earnings change & valuation summary

## Changes to earnings estimates

We have updated our BCI financial model for the June 2021 quarterly report and have made the following adjustments:

- Mark to market the June 2021 quarter iron price.
- Increased our iron price assumptions: FY22: +9% to US\$143/t; and FY23: +5% to US\$100/t, and are conservative compared with consensus price assumptions.
- Minor adjustments to AUD:USD currency assumptions over FY22-23.
- Minor adjustments to our Iron Valley arrangement assumptions.
- Assumed a \$20m expense in 2H FY21 relating to pre-development activities at the Mardie project.

The EPS changes mostly reflect changes to our iron ore price assumptions. However, the \$20m provision for expenses relating to the Mardie project in 2H FY21 has resulted in a downgrade in our FY21 EPS estimate. We've also made a minor upward revision in our annual corporate expense assumptions to reflect a growing business. Positive EPS changes in FY22-23 due to positive dilution effects from a higher BCI share price now factored into our equity raising assumptions.

**Table 3 - Changes to earnings estimates**

Year ending 30 June	Previous			New			Change		
	FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23
Production (wmt)	6.2	7.0	7.0	6.0	6.4	7.0	-3%	-9%	0%
Iron ore price (62% CFR China) (US\$/t)	152	131	95	155	143	100	2%	9%	5%
Sales (A\$m)	171	157	78	172	166	91	1%	5%	17%
EBITDA (A\$m)	48	62	18	31	69	26	-34%	11%	44%
NPAT (reported) (A\$m)	46	62	18	29	69	26	-36%	11%	44%
NPAT (adjusted) (A\$m)	46	62	18	29	69	26	-36%	11%	44%
EPS (adjusted) (cps)	8.6	8.9	2.1	5.5	10.2	3.2	-36%	15%	54%
Dividend (cps)	-	-	-	-	-	-	0%	0%	0%
Valuation (\$/sh)	0.69			0.74			7%		

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

## Risked valuation summary

The table below outlines our BCI valuation after incorporating BCI's June 2021 quarter update, marking-to-market the June 2021 quarter iron price, revising our forward iron ore price assumptions, and increasing BCI's corporate cost allowance. Our BCI valuation applies a higher raising price for an assumed near-term capital raise, leading to dilution benefits.

Our revised target price is \$0.74/sh (previously \$0.69/sh) and our Buy recommendation is unchanged.

**Table 4 - Risked valuation summary**

	Previous	New
Mardie Salt & Potash project (unrisked) \$m	335	335
Risk discount to account for project stage %	15%	15%
Mardie Salt & Potash project (risked) \$m	284	285
Iron Valley agreement \$m	179	204
Value of core projects (risked) \$m	463	488
Corporate & admin \$m	-25	-60
Enterprise value (risked) \$m	438	428
Net debt / (cash) \$m	-76	-79
<b>Equity value (risked, undiluted) \$m</b>	<b>514</b>	<b>508</b>
Assumed near-term capital raise \$m	\$100m	\$100m
Assumed raise price \$/sh (15% discount)	\$0.36/sh	\$0.47/sh
Current shares on issue m	599m	600m
In the money options & rights m	9m	9m
Assumed capital raising dilution m	278m	213m
<b>Diluted shares on issue m</b>	<b>886m</b>	<b>821m</b>
Net debt / (cash) (including raising) A\$m	-176m	-179m
Equity value (risked, undiluted) \$m	614m	608m
<b>Equity value (risked, undiluted) \$/sh</b>	<b>\$0.69/sh</b>	<b>\$0.74/sh</b>
Current share price		\$0.55/sh
Equity value upside to current share price %		35%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

# BCI Minerals Ltd (BCI)

## Company description

BCI's key assets are the Mardie Salt and SOP project and a portfolio of iron ore tenements. A DFS on Mardie was published in July 2020 outlining a project capable of producing 4.4Mtpa salt and 120ktpa SOP and with a pre-tax NPV (7% discount rate) of \$1,197m. BCI's key iron ore asset is its Iron Valley Resource which is mined under agreement by Mineral Resources Ltd (MIN) and provides a royalty-like earnings stream. BCI also has a number of royalty agreements on other iron ore tenements at earlier stages of development.

## Investment thesis: Buy, Target Price \$0.74/sh

BCI combines an iron ore royalty-like business with a large scale salt and fertiliser project. BCI's current EV is around 4x its 2022 iron ore EBITDA alone. Mardie Salt and SOP Project will add significant further value and has appeal to ESG concerned debt and equity investors. NAIF financing, BCI's supportive share register and continued strength in iron ore prices mitigate some of the Mardie project's financing risks.

## Valuation methodology

Principal inputs into our valuation of BCI are discounted cash flow models of:

- Mardie Salt & SOP project, applying parameters consistent with the July 2020 DFS, however, using more conservative discount rate and foreign exchange assumptions and a risk discount applied to account for project stage.
- Iron Valley agreement with MIN, operating at on average 7.6Mtpa and generating annual EBITDA of around \$13m until 2030 assuming a long term iron ore price of US\$75/t (real).
- Other assets assessed on the basis of the royalty agreement, the in-ground value of the iron ore and a discount to account for risks associated with timing and development.
- Corporate costs and tax assets.



# Investment risks

Risks include, but are not limited to:

- Commodity price and exchange rate fluctuations. The future earnings and valuations of exploration, development and operating resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- Infrastructure access. Bulk commodity producers are particularly reliant upon access to transport infrastructure. Access to infrastructure is often subject to contractual agreements, permits, and capacity allocations. Agreements are typically long-term in nature (+10 years). Infrastructure can be subject to outages as a result of weather events or the actions of third party providers.
- Operating and capital cost fluctuations. Markets for exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour markets.
- Resource growth and mine life extensions. Future earnings forecasts and valuations may rely upon resource and reserve growth to extend mine lives.
- Sovereign risks. Mining companies' assets can be located in countries other than Australia and are subject to the sovereign risks of that country.
- Regulatory changes risks. Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies.
- Environmental risks. Resources companies are exposed to risks associated with environmental degradation as a result of their exploration and mining processes. Fossil fuel producers (coal) may be particularly exposed to the environmental risks of end markets including the electricity generation and steel production industries.
- Operating and development risks. Resources companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single operation company. Development assets can be subject to approvals timelines or weather events, causing delays to commissioning and commercial production.
- Occupational health and safety risks. Resources companies are particularly exposed to OH&S risks given the physical nature and human resource intensity of operating assets.
- Funding and capital management risks. Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments, and managing debt repayments.
- Merger/acquisition risks. Risks associated with value transferred during merger and acquisition activity.
- COVID-19 risks: Resources companies' rely on freedom of movement of workforces, functioning transport routes, reliable logistics services including road, rail, aviation and ports in order to maintain operations and get their products to market. They also rely on liquid, functioning markets to sell their products. Measures being put in place to combat the COVID-19 pandemic are posing risks to these conditions.

Table 5 - Financial summary

Date	26/07/21					Bell Potter Securities								
Price	A\$/sh	0.55				Stuart Howe (showe@bellpotter.com.au, +61 3 9235 1856)								
Target price	A\$/sh	0.74				Joseph House (jhouse@bellpotter.com.au, +61 3 9235 1624)								
<b>PROFIT AND LOSS</b>						<b>FINANCIAL RATIOS</b>								
Year ending 30 June	Unit	2019a	2020a	2021e	2022e	2023e	Year ending 30 June	Unit	2019a	2020a	2021e	2022e	2023e	
Revenue	\$m	54	77	172	166	91	<b>VALUATION</b>							
Expenses	\$m	(59)	(81)	(141)	(97)	(65)	EPS	Ac/sh	3.3	0.1	5.5	10.3	3.2	
<b>EBITDA</b>	\$m	<b>(5)</b>	<b>(4)</b>	<b>31</b>	<b>69</b>	<b>26</b>	EPS growth (Acps)	%	0%	-97%	5745%	86%	-69%	
Depreciation & amortisation	\$m	(3)	(6)	(2)	-	-	PER	x	16.9x	581.7x	10.0x	5.4x	17.2x	
EBIT	\$m	(8)	(10)	29	69	26	DPS	Ac/sh	-	-	-	-	-	
Net interest expense	\$m	1	0	0	-	-	Franking	%	0%	0%	0%	0%	0%	
Profit before tax	\$m	(8)	(10)	29	69	26	Yield	%	0%	0%	0%	0%	0%	
Tax expense	\$m	2	-	-	-	-	FCF/share	Ac/sh	5.2	2.0	(1.5)	(17.7)	(38.9)	
<b>NPAT (reported)</b>	\$m	<b>(6)</b>	<b>(10)</b>	<b>29</b>	<b>69</b>	<b>26</b>	FCF yield	%	9%	4%	-3%	-32%	-71%	
<b>NPAT (adjusted)</b>	\$m	<b>13</b>	<b>0</b>	<b>29</b>	<b>69</b>	<b>26</b>	EV/EBITDA	x	-48.5x	-57.7x	8.0x	3.6x	9.7x	
<b>CASH FLOW STATEMENT</b>						<b>LIQUIDITY &amp; LEVERAGE</b>								
Year ending 30 June	Unit	2019a	2020a	2021e	2022e	2023e	Net debt / (cash)	\$m	(34)	(42)	(79)	(57)	259	
<b>OPERATING CASH FLOW</b>							Net debt / Equity	%	-33%	-40%	-44%	-17%	70%	
Receipts from customers	\$m	40	82	143	188	97	Net debt / Net debt + Equity	%	-48%	-66%	-79%	-20%	41%	
Payments to suppliers and employees	\$m	(48)	(78)	(104)	(122)	(71)	Net debt / EBITDA	x	6.5x	9.6x	-2.5x	-0.8x	10.0x	
Tax paid	\$m	2	-	-	-	-	EBITDA / net int expense	x	-8.2x	-10.1x	215.0x	0.0x	0.0x	
Net interest	\$m	1	0	0	-	-	<b>PROFITABILITY RATIOS</b>							
Other	\$m	-	-	(0)	-	-	EBITDA margin	%	-10%	-6%	18%	41%	28%	
<b>Operating cash flow</b>	\$m	<b>(6)</b>	<b>4</b>	<b>39</b>	<b>66</b>	<b>27</b>	EBIT margin	%	-15%	-13%	17%	41%	28%	
<b>INVESTING CASH FLOW</b>							Return on assets	%	-	-7%	15%	22%	4%	
Capex	\$m	(0)	(7)	(44)	(184)	(342)	Return on equity	%	-	-9%	21%	26%	7%	
Disposal of assets	\$m	27	11	0	-	-	<b>ASSUMPTIONS - Prices (nominal)</b>							
Other	\$m	(0)	-	(3)	-	-	Year ending 30 June	Unit	2019e	2020e	2021e	2022e	2023e	
<b>Investing cash flow</b>	\$m	<b>27</b>	<b>3</b>	<b>(47)</b>	<b>(184)</b>	<b>(342)</b>	Iron ore price (62% CFR China)	US\$/t	80	94	155	143	100	
<b>FINANCING CASH FLOW</b>							Salt price (CFR Asia)	US\$/t	-	-	-	-	-	
Debt proceeds/(repayments)	\$m	-	-	-	-	531	SOP price (FOB Australia)	US\$/t	-	-	-	-	-	
Dividends paid	\$m	-	-	-	-	-	FX	US\$/A\$	0.72	0.67	0.75	0.74	0.73	
Proceeds from share issues (net)	\$m	-	-	46	96	-	<b>ASSUMPTIONS - Sales (equity)</b>							
Other	\$m	-	-	(0)	-	-	Year ending 30 June	Unit	2019e	2020e	2021e	2022e	2023e	
<b>Financing cash flow</b>	\$m	<b>-</b>	<b>-</b>	<b>46</b>	<b>96</b>	<b>531</b>	Iron ore sales	Mt	7.4	7.2	6.0	6.4	7.0	
<b>Change in cash</b>	\$m	<b>13</b>	<b>34</b>	<b>42</b>	<b>79</b>	<b>57</b>	Salt sales	Mt	-	-	-	-	-	
Free cash flow	\$m	21	8	(8)	(118)	(316)	SOP sales	kt	-	-	-	-	-	
<b>BALANCE SHEET</b>						<b>SEGMENT EBITDA</b>								
Year ending 30 June	Unit	2019a	2020a	2021e	2022e	2023e	Year ending 30 June	Unit	2019a	2020a	2021e	2022e	2023e	
<b>ASSETS</b>							Iron Valley	\$m	10	21	69	75	32	
Cash	\$m	34	42	79	57	272	Mardie Salt & SOP	\$m	-	-	-	-	-	
Receivables	\$m	22	16	45	23	17	Other	\$m	(15)	(25)	(38)	(6)	(6)	
Inventories	\$m	-	-	-	-	-	<b>Total</b>	\$m	<b>(5)</b>	<b>(4)</b>	<b>31</b>	<b>69</b>	<b>26</b>	
Capital assets	\$m	42	46	91	275	617	<b>VALUATION</b>							
Other assets	\$m	32	32	32	32	32	Shares on issue m						600	
<b>Total assets</b>	\$m	<b>130</b>	<b>136</b>	<b>248</b>	<b>388</b>	<b>940</b>	Shares and rights on issue m						609	
<b>LIABILITIES</b>							Diluted shares on issue (following assumed raising) m						821	
Creditors	\$m	18	18	54	29	24	<b>Valuation</b>						<b>A\$m</b>	<b>A\$/sh</b>
Borrowings	\$m	-	-	-	-	531	Mardie Salt & Potash project (unrisksd)						\$335m	
Provisions	\$m	8	12	13	13	13	Risk discount to account for project stage						15%	
Other liabilities	\$m	0	1	2	2	2	Mardie Salt & Potash project (risksd)						\$285m	
<b>Total liabilities</b>	\$m	<b>27</b>	<b>32</b>	<b>68</b>	<b>44</b>	<b>570</b>	Iron Valley agreement						\$204m	
<b>NET ASSETS</b>							<b>Value of core projects (risksd)</b>						<b>\$488m</b>	
Share capital	\$m	267	267	313	409	409	Corporate & admin						-\$60m	
Reserves	\$m	5	5	6	6	6	Enterprise value (risksd)						\$428m	
Accumulated losses	\$m	(169)	(169)	(139)	(71)	(45)	Net debt / (cash) (including raising)						-\$179m	
Non-controlling interest	\$m	-	-	-	-	-	<b>Equity value of core projects (risksd)</b>						<b>\$608m</b>	<b>0.74</b>
<b>SHAREHOLDER EQUITY</b>	\$m	<b>104</b>	<b>104</b>	<b>180</b>	<b>344</b>	<b>370</b>								
Weighted average shares	m	397	399	532	669	811								

SOURCE: BELL POTTER SECURITIES ESTIMATES

**Recommendation structure**

**Buy:** Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

**Hold:** Expect total return between -5% and 15% on a 12 month view

**Sell:** Expect <-5% total return on a 12 month view

*Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.*

*Such investments may carry an exceptionally high level of capital risk and volatility of returns.*

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Analyst, Joseph House, has a long position in BCI.

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