

SEPTEMBER 2018 QUARTERLY REPORT

- **Mardie Salt & Potash Project: Definitive Feasibility Study (“DFS”) underway with BCI targeting investment decision and early construction activities during 2019**
- **Iron Valley Mine: 1.6Mt shipments for the quarter with BCI EBITDA of A\$1.1M and net cash receipts of A\$1.8M**
- **Iron ore asset divestment commenced, with good progress made:**
 - **Agreement entered into with Mineral Resources Ltd (“MIN”) in October 2018 for the sale of Kumina for A\$35M cash**
 - **Discussions ongoing with selected parties about potential transactions involving BCI’s other iron ore assets**
- **Cash balance of A\$11.1M and debt free. An additional A\$27M expected to be received in the December 2018 quarter on completion of the Kumina sale**

BCI Minerals Limited (ASX:BCI) (“BCI” or the “Company”) presents its quarterly activities report for the period ended 30 September 2018.

During the quarter, BCI focused its activities on detailed planning and scoping of the Mardie Salt & SOP Project Definitive Feasibility Study (“DFS”) and progressing the approvals process, as well as progressing the divestment process for the Company’s iron ore assets.

MARDIE SALT & POTASH PROJECT

The 100% owned Mardie Project, which is located on the northwest coast of Western Australia in one of the world’s premium locations for solar evaporation operations, aims to produce salt and sulphate of potash (“SOP”) from seawater.

The salt and SOP markets both have a positive long-term outlook. Strong Asian demand growth for salt, driven by expected growth in the chlor-alkali industry, is forecast to result in a supply gap (deficiency) emerging over the next decade. SOP’s positive outlook is linked to an increasing Asian population driving food demand, lifestyle changes requiring high quality food, and the requirement for environmentally friendly fertilisers delivering high crop yields.

Following completion of a positive Pre-Feasibility Study (“PFS”) during the June 2018 quarter, BCI commenced the Mardie DFS with the key focus in the last quarter on critical path environmental approval activities. As well as improving design accuracy and further de-risking the project, BCI is aiming for the DFS to improve on the PFS business case in a number of key areas, including:

- Increasing the production capacity to 4Mtpa salt and 100ktpa SOP;¹

¹ Aspirational objectives for the DFS. Production targets remain as per the PFS announced on 1 June 2018. All material assumptions and technical parameters underpinning the PFS production targets continue to apply and have not materially changed.

- Establishing the tenure, approvals and designs for a fit-for-purpose export facility at the Mardie site, which will eliminate haulage costs to the Cape Preston East Port site; and
- Accelerating production timing by establishing test ponds and completing construction of project support infrastructure.

BCI considers the Mardie Project to be a unique opportunity, which will utilise an inexhaustible resource from the ocean and apply solar energy to economically produce various products in a sustainable manner over many decades.

IRON VALLEY MINE

The Iron Valley mine operator, Mineral Resources Limited (“MIN”), shipped 1.6 million wet metric tonnes (“M wmt”) during the quarter, with approximately 60% being lump product. BCI’s EBITDA from Iron Valley was A\$1.1M which included a negative prior quarter adjustment of A\$0.6M.

Following on from the refund of excess State Government royalties paid by BCI in respect of the March 2018 quarter, the State Government has now provided determinations confirming that Iron Valley royalties will be assessed on FOB received prices rather than index-based values, which will reduce the volatility in BCI’s Iron Valley EBITDA going forward.

An update of Iron Valley Mineral Resources and Ore Reserves as at 30 June 2018 was completed by MIN subsequent to the quarter-end. The Mineral Resource estimate has been revised to 198Mt at 58.1% Fe and Ore Reserves revised to 95Mt at 58.4% Fe.²

IRON ORE DIVESTMENT PROCESS

In August 2018, BCI announced that it had commenced a formal divestment process for its iron ore asset portfolio, which includes Iron Valley, Kumina, Bungaroo South, Cape Preston East port rights and a number of other iron ore exploration tenements. The process was initiated after BCI received strong interest from multiple parties interested in acquiring Kumina and BCI’s other iron ore assets following BCI completing a maiden JORC Mineral Resource estimate for Kumina in June 2018. The divestment process is also consistent with the Company’s primary focus of developing a salt and potash business in the near term.

BCI received multiple offers for various asset packages and recently announced that it had entered into an agreement to sell Kumina to MIN for total cash consideration of A\$35M. Consideration comprises A\$27M upon completion, A\$4M upon first export of iron ore from Kumina and A\$4M 12 months after first export. Completion of the sale is subject to conditions which BCI expects can be satisfied before the end of 2018.

Discussions continue in relation to divestment of other BCI iron ore assets with several qualified prospective purchasers. BCI will only enter into further transactions if appropriate value can be realised.

² Refer to BCI’s announcement “Updated Mineral Resources and Ore Reserves” dated 18 October 2018 for further details. BCI is not aware of any new information or data that materially affects the information included in that document.

Figure 1: BCI's Iron Ore Assets



CARNEGIE POTASH PROJECT

The Carnegie Potash Project is an SOP exploration project located approximately 220km north-east of Wiluna. BCI currently holds a 30% interest in a joint venture with Kalium Lakes Limited (“Kalium”) and has rights to earn up to a 50% interest. Kalium, the joint venture manager, is proceeding with a staged Pre-Feasibility Study, with the current focus on securing tenure and access to all required tenements.

EXPLORATION TENEMENTS

BCI has a number of 100% owned early-stage exploration projects located throughout Western Australia, including Marble Bar (gold, lithium), Black Hills (base metals, gold), Peak Hill (base metals, gold), Marda (gold) and Munglinup (graphite, base metals). BCI has completed initial value-adding exploration work and is in discussions with interest parties about potential transactions to monetise these assets.

CORPORATE

Cash and Debt Position

BCI's cash balance as at 30 September 2018 was A\$11.1M (30 June 2018: A\$13.1M) and the Company remains debt free.

Iron Valley contributed a cash inflow of A\$1.8M during the quarter, which reflected net receipts from June 2018 quarter shipments and a refund of excess State Government royalties previously paid. Expenditure on other projects and overheads was A\$3.8M. Following the cost saving initiatives implemented in previous quarters, BCI's overhead costs for the September quarter were substantially lower than previous quarters.

Full Year Financial Results

BCI released its financial results for the year ended 30 June 2018 during the quarter. For further details, refer to BCI's announcements dated 21 August 2018.

Health & Safety

BCI is committed to providing a safe working environment for its staff and contractors. BCI has not recorded a lost time injury ("LTI") for more than 1,250 days.

Company Secretary Change

In July 2018, Ms Susan Hunter was appointed Company Secretary following Ms Rubini Ventouras' resignation.

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ABOUT BCI MINERALS

BCI Minerals Limited (ASX:BCI) ("BCI") is an Australian-based resources company that is developing an industrial minerals business (initially comprising salt and potash) supported by iron ore divestment proceeds (including potential royalty earnings).

BCI's focus is on advancing its 100% owned Mardie Salt & Potash Project, located on the West Pilbara coast in the centre of Australia's key salt production region. BCI has completed a positive Pre-Feasibility Study on a solar evaporation operation producing 3.5Mtpa salt and 75ktpa sulphate of potash. A Definitive Feasibility Study is underway with all approvals and a Final Investment Decision targeted by late 2019.

BCI has commenced a process for the divestment of its iron ore portfolio, which includes Iron Valley, Kumina, Buckland and other assets. BCI has entered into an agreement to sell Kumina to Mineral Resources Limited (ASX:MIN) for total consideration of A\$35M cash.

Iron Valley is an operating iron ore mine located in the Central Pilbara region of Western Australia, which is operated by MIN. Iron Valley is generating quarterly royalty earnings for BCI.

Buckland is an iron ore development project located in the West Pilbara, comprising a potential 8Mtpa mine at Bungaroo South and exclusive lease and development rights for a 20Mtpa port facility at Cape Preston East.

In addition to these projects, BCI is a 30% joint venture partner of Kalium Lakes Limited (ASX:KLL) in the Carnegie Potash Project, and owns exploration tenements at Marble Bar (gold and lithium) and Black Hills (gold and base metals) in the Pilbara, Peak Hill (gold and base metals) in WA's Midwest region, and Munglinup (nickel and graphite) in southern WA. The Company's portfolio also includes potential iron ore royalties over the Nullagine (FMG), Koodaideri South (Rio Tinto) and Extension (AAMC) tenements.

KEY STATISTICS

Shares on issue:	397.6 million	
Cash and cash equivalents:	\$11.1 million	as at 30 September 2018
Board:	Brian O'Donnell	Non-Executive Chairman
	Alwyn Vorster	Managing Director
	Michael Blakiston	Non-Executive Director
	Jenny Bloom	Non-Executive Director
	Martin Bryant	Non-Executive Director
	Andy Haslam	Non-Executive Director
Major shareholders:	Wroxby Pty Ltd	27.6%
Website:	www.bciminerals.com.au	