

DECEMBER 2018 QUARTERLY REPORT

- **Mardie Salt & Potash Project:**
 - Environmental Protection Authority (“EPA”) sets timeline for Mardie environmental assessment by December 2019
 - Extensive infill geotechnical drilling program over pond and port areas commenced
 - Construction of on-site pan evaporation facilities commenced
 - Appointment of experienced Project Director responsible for Mardie studies, early works and development
- **Iron Valley Mine: 2.1Mt shipments for the quarter generating BCI EBITDA of A\$2.1M**
- **Kumina Iron Ore Project sold for total consideration of A\$35M cash, with A\$27M received in late December 2018 upon completion**
- **Cash balance at 31 December 2018 of A\$36.6M, which accounts for approximately two-thirds of BCI’s A\$54M market capitalisation**

BCI Minerals Limited (ASX:BCI) (“BCI” or the “Company”) presents its quarterly activities report for the period ended 31 December 2018.

MARDIE SALT & POTASH PROJECT

The 100% owned Mardie Project, located on the northwest coast of Western Australia in one of the world’s premium locations for solar evaporation operations, will 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 in the industrial and chemical end-uses of salt is forecast to result in a supply deficit 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.

BCI considers the Mardie Project to be a unique opportunity, which will utilise an inexhaustible seawater resource and apply mostly natural energy from the sun and wind to produce various products in a sustainable manner over a project life of 50+ years.

Mardie Definitive Feasibility Study (DFS) Update

A Definitive Feasibility Study (“DFS”) is currently underway, with BCI planning to establish an improved project business case capable of producing 4Mtpa salt and 100ktpa SOP.¹

¹ Project parameters currently remain as announced on 1 June 2018, with the 4Mtpa salt and 100ktpa SOP being aspirational targets for the DFS. All material assumptions and technical parameters underpinning the PFS production targets continue to apply and have not materially changed.

During the quarter, site-based DFS activities commenced, with access tracks under construction and equipment for small-scale site evaporation trials ordered. On-ground preparation has commenced with the pan evaporators, laboratory and other ancillary equipment planned to be operational during the March 2019 quarter.

A final geotechnical program is underway and will be concluded during the March 2019 quarter. The geotechnical work will extend work completed during the Scoping Study and Pre-Feasibility Study phases to confirm mudflat soil composition and permeability characteristics across the entire planned evaporation pond footprint and inform optimal locations for pond walls and port infrastructure.

Contracts for the Lead Engineer and specialised design packages (including salt plant, SOP plant and ponds) are being tendered and will be awarded for during the March 2019 quarter.

Environmental and Approvals

During the December 2018 quarter, the Environmental Protection Authority (“EPA”) approved the Mardie Project’s Environmental Scoping Document (“ESD”), which sets out the scope and content of the Environmental Review Document (“ERD”) required to be submitted as part of the approvals process. On the basis that the ERD is submitted by April 2019, the EPA endorsed a timeline whereby the EPA’s assessment report is released by the end of 2019 allowing full Ministerial approval by early 2020.

Extensive further marine and land surveys were completed during the quarter in support of BCI’s ERD. All surveys and studies required to allow the draft ERD to be submitted are planned to be completed by the end of March 2019.

As part of BCI’s site preparation activities, it is collaborating with State Government departments and the local pastoralists in a campaign aimed at eradicating mesquite vegetation, a weed which is common in the region and is classified as one of 32 “Weeds of National Significance”. BCI has purchased a Homan plough specifically designed for the effective clearing of mesquite, and has deployed the plough with immediate success (see Figure 1).

Figure 1: Mesquite Clearing at Mardie Using the Homan Plough



Heritage

BCI completed a positive heritage survey with the Yaburara & Mardudhunera (“YM”) people during the quarter over an area which covers approximately 90% of the project footprint. The outcome of this survey is that BCI has now received the required heritage-related consents to proceed with construction and operation activity in these areas, subject to relocation of some artefacts and preservation of a heritage site which does not impact the planned project footprint. BCI plans to complete a heritage survey with the Kuruma Marthudunera (“KM”) people in the March 2019 quarter to clear the remaining 10% of the project footprint area. BCI will continue to work closely with the YM and KM people to ensure the heritage values associated with the Project are appropriately protected.

Tenure

BCI is having ongoing positive discussions with the State Government to secure support for a port facility at the Mardie site. Development of a port at Mardie, as opposed to utilising a new Cape Preston East Port, will enhance the viability of the Mardie business case by eliminating road haulage costs (~20% of the total PFS opex) and improving project economics.

Executive Appointment

In early January 2019, BCI appointed Tony Chamberlain as Project Director. Tony, who has a PhD in metallurgy, has been the Chief Operating Officer of Vimy Resources for the past 4 years where he advanced the Mulga Rock Uranium Project from concept to “mine ready status”. Tony will be primarily responsible for all studies, early works and development of the Mardie Salt & Potash Project.

IRON VALLEY MINE

Iron Valley is a mine in the Central Pilbara region that is operated by Mineral Resources Limited (“MIN”) and has Ore Reserves of 95Mt at 58.4% Fe as at 30 June 2018.²

MIN shipped 2.1 million wet metric tonnes (“M wmt”) during the quarter, with approximately 45% being lump product. This is the highest proportion of fines product shipped from Iron Valley in recent times and coincides with the recent improvement in market prices for 58% Fe products. BCI’s EBITDA from Iron Valley for the quarter was A\$2.1M with negligible prior quarter adjustments.

For the half-year ended 31 December 2018, 3.7M wmt of product was shipped from Iron Valley, generating BCI EBITDA of A\$3.2M.

Figure 2: Iron Valley Quarterly Shipments (M wmt)

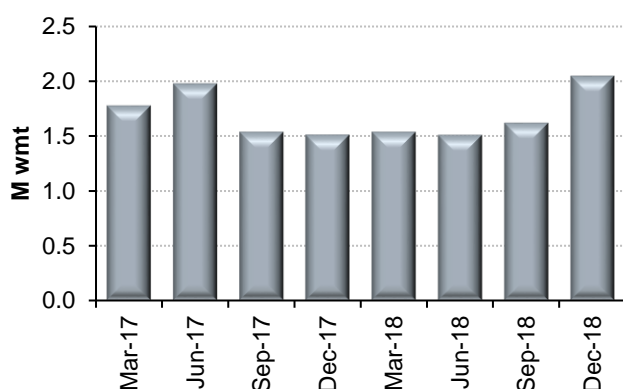
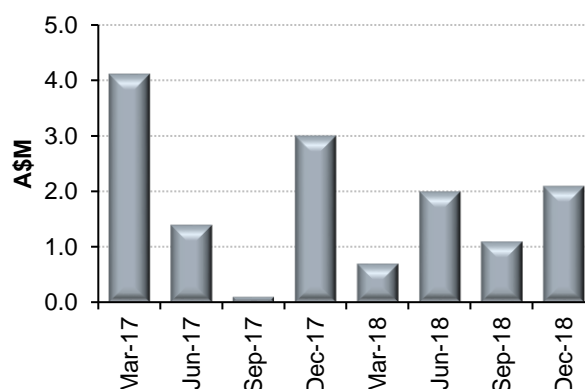


Figure 3: Iron Valley Quarterly EBITDA (A\$M)



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.

ASSET DIVESTMENT PROCESS

BCI is undertaking a process to divest its iron ore assets and exploration tenements, with the aim of providing additional funding and management time to advance the Mardie Salt & Potash Project.

In October 2018, BCI entered into an agreement to sell the Kumina Iron Ore Project to MIN for total cash consideration of A\$35M. The transaction completed in December 2018 and BCI received the first cash payment of A\$27M from MIN. A further two cash payments of A\$4M each are due upon first export of iron ore from Kumina and 12 months after first export.

Discussions are ongoing about potential transactions in relation to its other assets, which include:

- Bungaroo South tenements and the Cape Preston East (CPE) port rights – 283Mt JORC Mineral Resource² with a Feasibility Study and all required primary approvals in place;
- Other iron ore exploration assets including the Maitland River Magnetite Project, a 1.1Bt JORC Mineral Resource² located 20km from CPE;
- BCI's Western Australian exploration tenements, including Marble Bar (lithium and gold), Black Hills (base metals and gold) and Peak Hill (base metals and gold).

CORPORATE

Cash and Debt Position

BCI's cash balance as at 31 December 2018 was A\$36.6M (30 September 2018: A\$11.1M) and the Company remains debt free.

Board Changes

Andy Haslam and Martin Bryant resigned from their positions as Non-Executive Directors effective 30 November 2018. Andy and Martin contributed significantly to the BCI Board during their tenures, having been with the Company since 2011 and 2015 respectively.

Annual General Meeting

BCI's Annual General Meeting was held on 22 November 2018 and was attended by a range of shareholders, investors, brokers and the media. All resolutions were passed by a show of hands.

Health & Safety

BCI has not recorded a lost time injury ("LTI") for more than 3.5 years and is committed to providing a safe working environment for its staff and contractors. This will remain a key focus for the Company as on-site activities increase during 2019 in line with Mardie DFS and early works activities.

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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 royalty earnings and divestment proceeds.

BCI is rapidly advancing its 100% owned Mardie Salt & Potash Project, located on the West Pilbara coast in the center of Australia's key salt production region. Following a positive Pre-Feasibility Study in 2018, a Definitive Feasibility Study is underway targeting completion of all designs and primary approvals for a 4Mtpa salt and 100ktpa sulphate of potash operation in late 2019. Selected early construction works on site infrastructure and a large-scale trial pond is planned during 2019, with a Final Investment Decision (FID) targeted by Q1 2020.

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) (95Mt JORC Ore Reserve¹). BCI remains the tenement owner and the royalty earnings are based on realised sales prices of Iron Valley ore. BCI's EBITDA from Iron Valley was ~\$18M in FY17 and ~\$6M in FY18.

A process for the divestment of BCI's iron ore and exploration portfolio commenced in 2H 2018. The first transaction completed in December 2018, with the sale of the Kumina iron ore tenements to MIN for total consideration of A\$35M cash, of which \$8M is conditional on the commencement of mining.

Other assets being considered for divestment include the Bungaroo South iron ore tenements (134Mt JORC Ore Reserve¹) together with lease and development rights for a 20Mtpa port facility at Cape Preston East; Maitland River magnetite tenements (1.1Bt JORC Mineral Resource¹); and numerous exploration tenements in Western Australia that are prospective for lithium, gold and base metals.

BCI's other assets include a 30% joint venture interest with Kalium Lakes Limited (ASX:KLL) in the Carnegie Potash Project, and 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:	\$36.6 million	as at 31 December 2018
Board:	Brian O'Donnell	Non-Executive Chairman
	Alwyn Vorster	Managing Director
	Michael Blakiston	Non-Executive Director
	Jenny Bloom	Non-Executive Director
Major shareholders (>5%):	Wroxby Pty Ltd	27.6%
Website:	www.bciminerals.com.au	

1: 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 announcement.