

## JUNE 2018 QUARTERLY REPORT

- **Mardie Salt & SOP Project: Positive Pre-Feasibility Study completed on a 3.5Mtpa salt and 75ktpa sulphate of potash operation, with Definitive Feasibility Study now underway**
- **Buckland Iron Ore Project: Maiden Mineral Resource at Kumina of 115.2Mt at 58.0% Fe (53% Fe cut-off) or 78.3Mt at 59.1% Fe (57% Fe cut-off). Bungaroo South and Kumina sale and/or partnership discussions underway**
- **Iron Valley Mine: BCI EBITDA for the quarter of A\$2.0M from 1.5Mt shipments**
- **Cash balance of A\$13.1M and debt free**

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

During the quarter, BCI focused its activities on finalising a positive Pre-Feasibility Study ("PFS") for its Mardie Salt & SOP Project and completing initial iron ore drilling on the recently acquired Kumina tenement package resulting in release of a maiden Mineral Resource. These investment activities were funded from Iron Valley earnings and existing cash resources.

### MARDIE SALT & SOP 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, has the potential 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 equal to approximately seven Mardie-sized projects 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 completed a positive PFS during the June 2018 quarter<sup>1</sup>, establishing a technically and financially viable business case for production of 3.5Mtpa of high purity industrial salt and 75ktpa of fertiliser grade SOP. The PFS demonstrated attractive financials including a pre-tax NPV<sub>10</sub> of A\$335M, IRR of 20% and annual EBITDA of >A\$100M.

BCI has now commenced work on a Definitive Feasibility Study ("DFS"), targeting the delivery of an improved project scope and environmental approvals by late 2019. During the quarter, BCI referred Mardie to the Western Australian Environmental Protection Agency ("EPA") and the EPA has agreed to assess the Project at the Public Environmental Review ("PER") level, which was in line with BCI's expectations.

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<sup>1</sup> Refer to BCI's announcement dated 28 June 2018. All material assumptions underpinning the production target and forecast financial information derived from the production target continue to apply and have not materially changed.

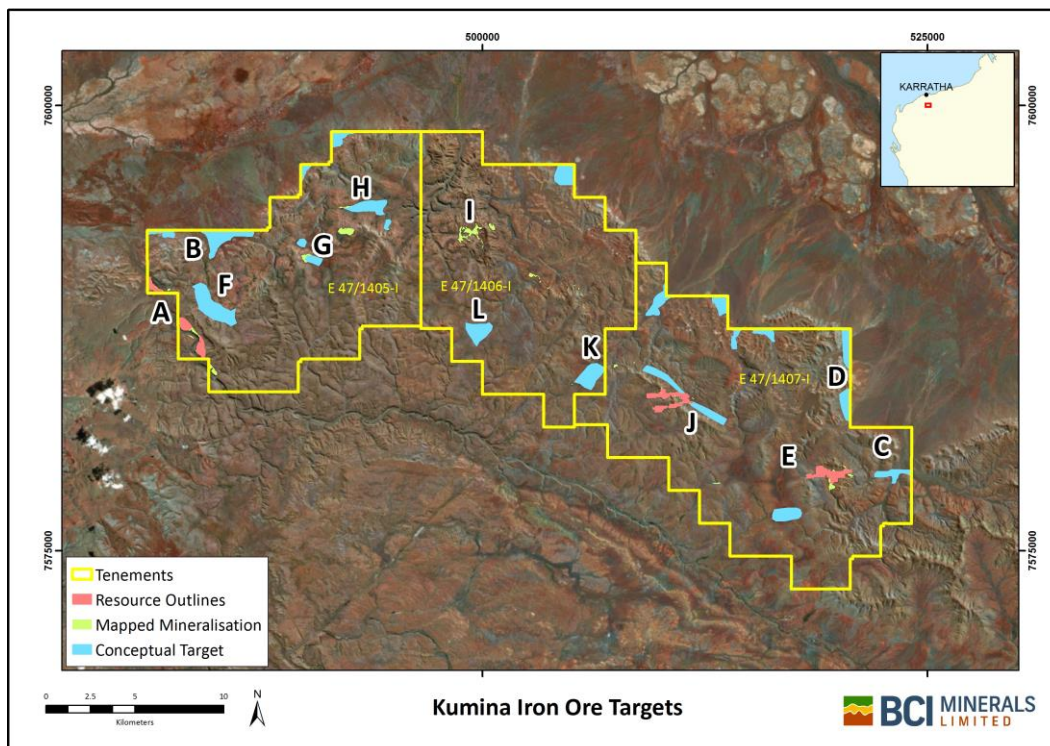
## BUCKLAND IRON ORE PROJECT

Buckland is an iron ore development project located in the West Pilbara region, comprising potential mines at Bungaroo South and Kumina, and a BCI proposed transhipment port at Cape Preston East.

During the quarter, BCI continued with its initial exploration programme at the Kumina tenements, which were acquired in September 2017. Kumina is a large landholding of approximately 480km<sup>2</sup> which hosts numerous channel iron deposit (“CID”) targets and higher grade bedded iron deposit (“BID”) targets with associated detrital iron deposit (“DID”) mineralisation (refer to Figure 1).

A major drilling campaign was completed during the quarter and BCI estimated a maiden Mineral Resource at Kumina A, E and J of 115.2Mt at 58.0% Fe (53% Fe cut-off) or 78.3Mt at 59.1% Fe (57% Fe cut-off).<sup>2</sup>

Figure 1: Kumina Iron Ore Targets



## IRON VALLEY MINE

The Iron Valley mine operator, Mineral Resources Limited (“MIN”), shipped 1.5 million wet metric tonnes (“M wmt”) during the quarter, with approximately 80% being lump product.

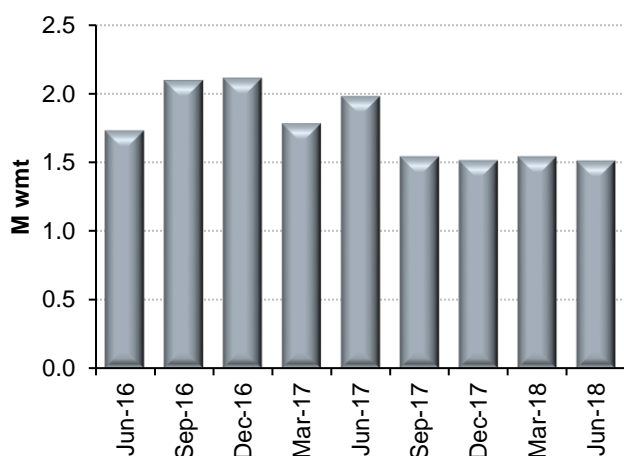
BCI’s EBITDA from Iron Valley was A\$2.0M which included a positive prior quarter adjustment of A\$0.6M, comprising pricing-related adjustments and a partial refund of March 2018 quarter State Government royalties.

During the quarter, BCI concluded discussions with the relevant regulatory bodies regarding the misalignment of Iron Valley FOB received prices and the index price on which royalties are assessed. This resulted in an amendment to BCI’s March 2018 quarter royalty assessment and a refund to BCI

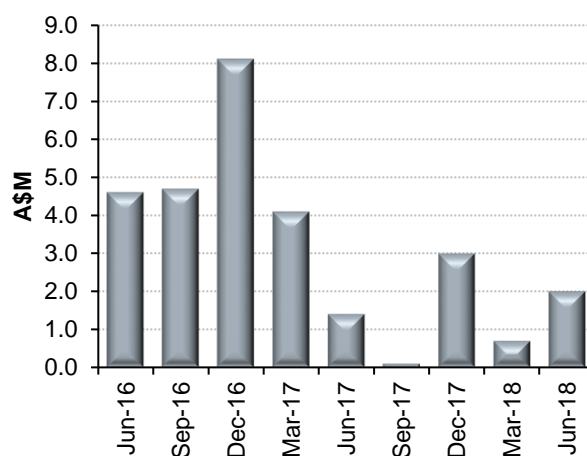
<sup>2</sup> Refer to BCI’s announcement dated 28 June 2018. BCI is not aware of any new information or data that materially affects the information included in that announcement.

of excess royalties previously paid. A permanent solution to this issue is being sought, which would reduce the volatility in BCI's Iron Valley EBITDA going forward.

*Iron Valley Quarterly Shipments (M wmt)*



*Iron Valley Quarterly EBITDA (A\$M)*



For the full year to 30 June 2018, MIN shipped 6.1M wmt (approximately 70% lump). BCI's full-year Iron Valley EBITDA was A\$5.7M, which included a negative prior year adjustment of A\$2.3M.

Under the agreements with MIN, BCI's annual Iron Valley EBITDA for the next two years will at minimum be in-line with FY18.

## **CARNEGIE POTASH PROJECT**

The Carnegie Potash Project is an exploration project located approximately 220km north-east of Wiluna, hosting a sub-surface brine deposit which could potentially be developed into a solar evaporation and processing operation that produces sulphate of potash ("SOP").

BCI holds a 30% interest in the Carnegie Potash Project in a joint venture with ASX-listed potash development company, Kalium Lakes Limited ("Kalium"), who is the joint venture manager. BCI has rights to earn up to a 50% interest by sole-funding the Pre-Feasibility Study and Feasibility Study phases.

During the quarter, Kalium progressed the Scoping Study, which was completed in July with a maiden Resource and Exploration Target estimate. The Scoping Study, which leveraged Kalium's technical knowledge, experience and intellectual property from their Beyondie Sulphate of Potash Project, confirmed Carnegie has the potential to be a technically and economically viable project.

BCI and Kalium have agreed to proceed to a staged Pre-Feasibility Study, with an initial 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, which are prospective for a range of minerals. BCI has completed initial value-adding exploration work at a number of these projects and now intends to monetise these assets. Sale processes are currently underway for the Black Hills (base metals, gold) and Marble Bar (gold, lithium) tenements. BCI also plans to monetise its Peak Hill (base metals, gold), Marda (gold) and Munghlinup (graphite, base metals) tenements during FY19.

## **CORPORATE**

### *Cash and Debt Position*

BCI's cash balance as at 30 June 2018 was A\$13.1M (31 March 2018: A\$17.5M) and the Company remains debt free.

Iron Valley contributed a cash inflow of A\$1.3M during the quarter, which reflected net receipts from March 2018 quarter shipments. Expenditure on other projects and overheads was A\$5.7M, incorporating the significant activity undertaken to finalise the Mardie PFS, complete the Kumina drilling programme and Mineral Resource estimation, and cash contributions for Carnegie.

Moving forward, near term project expenditure will focus on Mardie DFS activities, mainly funded through income from Iron Valley and tenement sales. A number of initiatives have also been implemented to significantly reduce overhead costs (including personnel reductions) to ensure the company achieves an operating profit (excluding Mardie DFS activities).

### *Health & Safety*

BCI is committed to providing a safe working environment for its staff and contractors. In May, BCI reached the major milestone of no lost time injuries ("LTI") for a three-year period and is now >1,150 days LTI-free.

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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 supported by iron ore earnings.

BCI's focus is on advancing its 100% owned Mardie Project, a potential salt and sulphate of potash ("SOP") operation 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 SOP and intends to complete a Definitive Feasibility Study in 2019.

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

Buckland is an iron ore development project located in the West Pilbara region of Western Australia, comprising potential mines at Bungaroo South (258Mt Resource<sup>3</sup>) and Kumina (115Mt Resource<sup>4</sup>), and a proposed 20Mtpa Cape Preston East Port facility.

In addition to these projects, BCI is a joint venture partner of Kalium Lakes Limited (ASX:KLL) in the Carnegie Potash Project, and owns exploration tenements at Marble Bar and Black Hills in the Pilbara, Peak Hill in WA's Midwest region, and Munglinup 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

<b>Shares on issue:</b>	395.0 million	
<b>Cash and cash equivalents:</b>	\$13.1 million	as at 30 June 2018
<b>Board:</b>	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
<b>Major shareholders:</b>	Wroxby Pty Ltd	27.7%
<b>Website:</b>	<a href="http://www.bciminerals.com.au">www.bciminerals.com.au</a>	

<sup>3</sup> Refer to BCI's 2017 Annual Report for further details. BCI is not aware of any new information or data that materially affects the information included in that document about the Bungaroo South Resource.

<sup>4</sup> Refer to BCI's announcement dated 28 June 2018. BCI is not aware of any new information or data that materially affects the information included in that announcement.