

DECEMBER 2019 QUARTERLY REPORT

- **Strong half-year result for Iron Valley – BCI EBITDA of A\$10.9M from 3.5Mt shipments**
- **For the December quarter, BCI's EBITDA was A\$3.2M from 1.5Mt shipments**
- **Mardie Project DFS capital and operating cost optimisation underway. DFS completion expected in Q2 2020**
- **Construction of 36-bed accommodation village completed in preparation for large-scale trial pond construction commencing by Q2 2020**
- **Non-binding term sheet executed with the Pilbara Ports Authority setting out parameters for the Mardie Port lease to be located within a new Cape Preston West Port**
- **Independent reports on renewable energy options and technology applications for Mardie nearing completion as part of the DFS process**
- **Multiple non-binding offtake MOUs signed with selected customers throughout Asia – more than 80% of first three years salt and SOP production now secured**
- **Positive funding discussions – Mardie advancing through penultimate stage of the NAIF assessment process, and debt terms being discussed with Australian and international banks**
- **Cash balance at 31 December 2019 of A\$34M and zero debt**

BCI Minerals Limited (ASX:BCI) ("BCI" or the "Company") presents its quarterly activities report for the period ended 31 December 2019.

MARDIE SALT & POTASH PROJECT

The 100% owned Mardie Project will produce salt and sulphate of potash ("SOP") from seawater on the northwest coast of Western Australia, one of the world's premium locations for solar evaporation operations. Mardie is a unique and sustainable opportunity, which will use an inexhaustible seawater resource and apply mainly natural solar and wind energy to drive production of salt and SOP. These products will be supplied into the Asian growth markets over a potential operating life of 60+ years.

A Definitive Feasibility Study ("DFS") on a 4Mtpa salt and 100ktpa SOP project is due to be completed in Q2 2020.

DFS Activities

Designs and engineering have been completed for all key project areas comprising the ponds and crystallisers, salt & SOP processing plants, port and supporting infrastructure. The production ramp-up schedule has been completed and preliminary capital and operating cost estimates are being compiled and validated. As reported in December 2019, a value engineering phase of the DFS is now underway to optimise designs, and reduce capital costs and operating costs. BCI expects this will be completed by the end of Q1 2020 and the DFS will be finalised during Q2 2020.

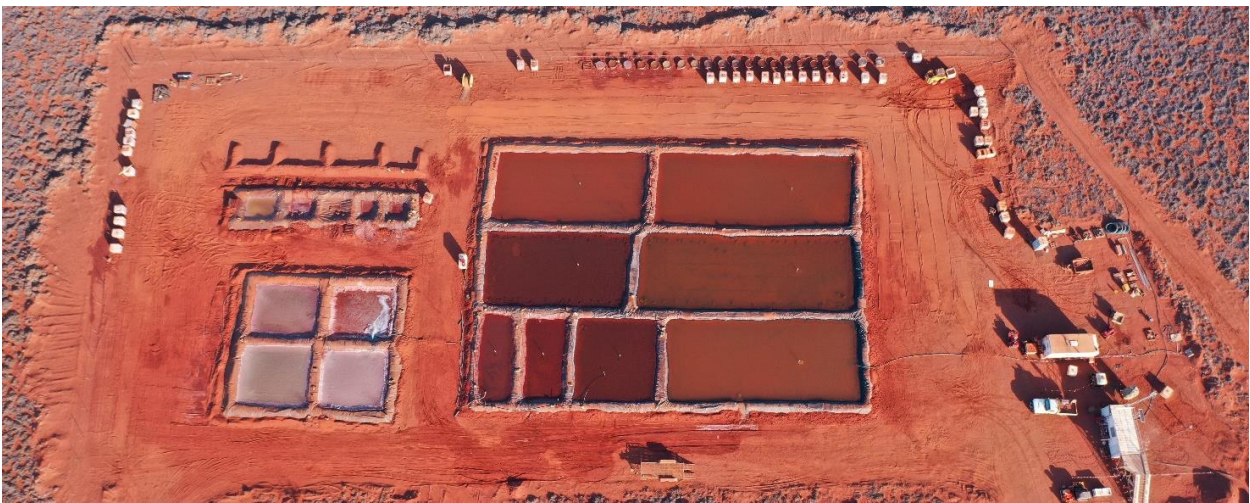
Evaporation Trials

BCI is conducting evaporation trials at the Mardie site comprising 21 pan evaporators plus a 1:40,000 scale version of the entire future pond and crystalliser layout.

The evaporation trials are now operating at steady-state and are providing site-specific evaporation data. It is also simulating the full evaporation process at a reduced scale and will provide raw NaCl salt and kainite-type mixed salts (“KTMS”) for salt and SOP processing test work and marketing samples.

The next harvest of raw NaCl salt is scheduled during Q1 2020 and first samples are expected to be available for customer and product testwork by mid-2020.

Figure 1: Small-scale Evaporation Ponds



Construction of a 36-bed accommodation village was completed in mid-January 2020 to support construction of a ~A\$12M large-scale trial pond, which is planned to commence in Q2 2020 after the wet season.

Figure 2: New Accommodation Village for Early Works



BCI is finalising construction contracts for the large-scale trial pond programme, which includes a 32-hectare pond with 2.3km of pond walls and the seawater pump station. The main objective of this work is to de-risk final pond construction by testing and confirming pond wall designs as well as the construction methodology, equipment, materials and costs.

KPMG has been engaged to prepare reports on future renewable energy options and future technology applications for Mardie. Natural sun and wind energy, which drives the evaporation and crystallisation process, provides more than 99% of Mardie's total energy requirement. The energy report will assess future options for the Mardie Project to further minimise its carbon footprint through potential adoption of renewable or clean energy alternatives. The technology report will review market trends and identify technologies relevant to Mardie to ensure it is technologically competitive and cost efficient. Both reports are nearing completion and findings will be included in the DFS reporting.

Tenure and Approvals

Due to project design improvements, BCI has continued to revise the draft Environmental Review Document ("ERD") which was submitted to authorities in 2019. The final ERD is expected to be submitted to the WA Environmental Protection Authority ("EPA") in Q1 2020 and released for public comment in Q2 2020. EPA endorsement of the Mardie Project is targeted in the second half of 2020.

Mining Lease applications and the supporting Mining Proposal and Mine Closure Plan were submitted to the regulator during the December quarter. Mining Leases are expected to be granted by Q3 2020.

BCI made good progress during the quarter regarding the tenure and agreements required to develop the Mardie Port facilities within the new Cape Preston West Port area. The required port land and marine areas were agreed with the Pilbara Ports Authority ("PPA") during 2019, with the Department of Planning, Lands and Heritage ("DPLH") expected to formally secure tenure during 2020.

A non-binding term sheet with the PPA was executed in December 2019, setting out the agreed key principles and the process and timeline for finalisation of the Mardie Port lease documentation. Drafting and review of the lease documentation has commenced.

To facilitate access to the Mardie Project and the Mardie Port facilities, the existing access road from the North West Coastal Highway to site is planned to be dedicated as a public road. BCI is working with the City of Karratha and DPLH to finalise this during 2020.

Offtake

BCI continues to make positive progress with its product marketing efforts against a backdrop of improving salt prices. Recent international trade data has confirmed that for the 10 months to October 2019, the average value of Australian salt traded to Asian countries was ~US\$39/t CIF, representing a 20% increase to the 2018 average price.

A further four non-binding salt offtake memoranda of understanding ("MOUs") were signed during the quarter. BCI now has 10 MOUs in place across China, Japan and various South East Asian countries for potential offtake of up to 2.8Mtpa salt, representing more than 80% of the first three years of production.

Subsequent to the end of the quarter, BCI signed a non-binding SOP offtake MOU with an industry leading Chinese fertiliser company. BCI now has two SOP MOUs in place with top tier companies for more than 80% of the first three years of production.

The salt and SOP MOUs define an engagement process for the parties to progress towards offtake agreements. BCI is in advanced discussions with other salt and SOP buyers and expects to sign additional MOUs in coming months.

Funding

Positive discussions with the Federal Government's Northern Australia Infrastructure Facility ("NAIF") continue regarding potential long tenor debt, which is an important part of Mardie's financing strategy. BCI is currently progressing through the Due Diligence Stage, which is the third of NAIF's four-stage assessment process. BCI is also advancing discussions and indicative term sheets with Australian and international banks regarding potential project finance debt, to complement any NAIF debt facilities.

IRON VALLEY MINE

Iron Valley is a mine in the Central Pilbara region with Ore Reserves of 89Mt at 58.3% Fe as at 30 June 2019.¹ The mine is operated by Mineral Resources Limited ("MIN"), BCI receives a quarterly gross royalty from MIN and BCI pays WA State Government royalties, Native Title royalties and a private royalty.

Iron Valley produced a strong result for the first half of FY20. MIN shipped 3.5Mt of iron ore which generated a BCI EBITDA of A\$10.9M.

Iron Valley shipments for the December 2019 quarter totalled 1.5Mt, with 60% fines and 40% lump. BCI's EBITDA for the quarter was A\$3.2M, including a negative prior quarter adjustment of A\$1.6M as provisionally-priced September quarter shipments finalised at lower levels than expected.

From a cash flow perspective, BCI's September 2019 quarter net receipts of A\$10.7M were received in October 2019. The December quarter net receipts of A\$1.5M to be received by the end of January 2020 reflect provisional December quarter net receipts less total finalisation adjustments relating to the September quarter.

Figure 3: Iron Valley Quarterly Shipments (M wmt)

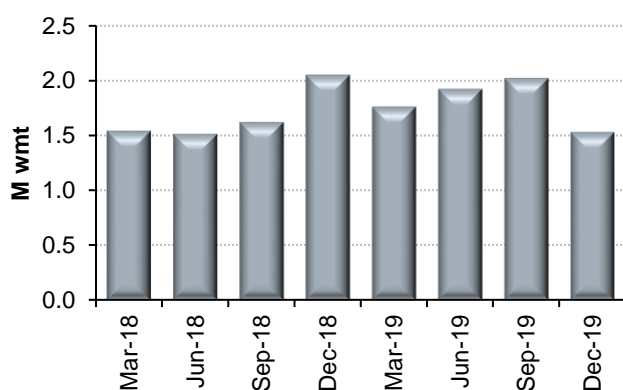
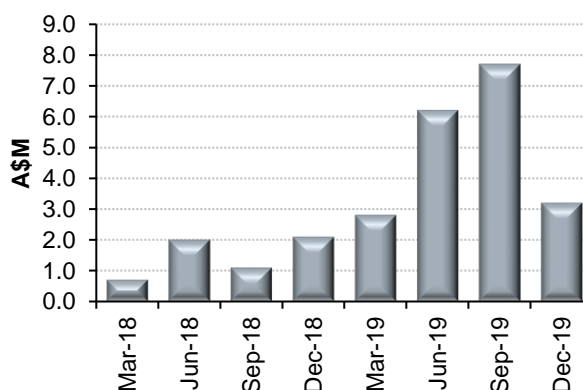


Figure 4: Iron Valley Quarterly EBITDA (A\$M)



¹ Refer to BCI's announcement "Updated Mineral Resources and Ore Reserves" dated 25 October 2019 for further details. MIN has advised BCI that the additional approvals required to continue road haulage operations beyond December 2019 have been secured. BCI is otherwise not aware of any new information or data that materially affects the information included in that announcement.

CORPORATE

Cash and Debt Position

BCI's cash balance as at 31 December 2019 was A\$34.0M (31 September 2019: A\$32.3) and the Company remains debt free. With a current market capitalisation of A\$68M, this implies an enterprise value of only A\$34M, including the value of the Iron Valley royalty and the 100% owned Mardie Project.

Health & Safety

No lost time injuries ("LTI") were recorded during the quarter and BCI's LTI-free period exceeds 4.5 years. BCI is committed to providing a safe working environment for its staff and contractors and is progressively enhancing its safety process and systems as site activities at the Mardie Project ramp-up.

Annual General Meeting

BCI's Annual General Meeting was held on 27 November 2019. All resolutions were passed.

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This ASX announcement has been authorised for release by the Board of BCI Minerals Limited.

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ABOUT BCI MINERALS

BCI Minerals Limited (ASX:BCI) ("BCI") is an Australian-based company that is developing a salt and potash business supported by iron ore royalty earnings.

BCI is focused on rapidly advancing its 100% owned Mardie Salt & Potash Project, a potential Tier 1 project located on the West Pilbara coast in the centre of Australia's key salt production region.

Mardie will produce high-purity salt (typically >99.5% NaCl) and sulphate of potash ("SOP") (typically >51% K₂O) via solar evaporation of seawater. Using an inexhaustible resource and a production process driven mainly by natural solar and wind energy, Mardie is a sustainable opportunity to supply the salt and potash growth markets in Asia over many decades.

The long-term demand outlook for both salt and SOP is positive. Salt is an essential mineral used extensively in modern life. High purity salt produced at Mardie will be used in chemical and industrial processes that create thousands of everyday products. Demand in this market segment, particularly in Asia, is expected to grow strongly over the next decade and result in a supply deficit.

Increasing population and urbanisation requires more and better-quality food to be produced from less arable land. SOP is a premium fertiliser providing two key nutrients – potassium and sulphur – which improves plant growth and makes it drought resistant. SOP is mostly used on high value crops where yield increases deliver larger financial benefits.

Following a positive Pre-Feasibility Study in 2018, a Definitive Feasibility Study on a 4Mtpa salt and 100ktpa SOP operation is underway and due to be completed in Q2 2020. A Final Investment Decision is targeted mid-2020 and first construction in early 2021.

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) (89Mt JORC Ore Reserve¹). BCI's EBITDA from Iron Valley has ranged from A\$5.6-18.3M per annum, with FY19 delivering A\$12.3M.

KEY STATISTICS

Shares on issue:	398.9 million	
Cash and cash equivalents:	\$34.0 million	as at 31 December 2019
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	29.3%
Website:	www.bciminerals.com.au	

1: Refer to BCI's announcement "Updated Mineral Resources and Ore Reserves" dated 25 October 2019 for further details. MIN has advised BCI that the additional approvals required to continue road haulage operations beyond December 2019 have been secured. BCI is otherwise not aware of any new information or data that materially affects the information included in that announcement.