BELL POTTER

29 April 2021

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BCI Minerals Ltd (BCI)

Q3 FY21: Mardie optimised, Iron Valley record

Recommendation
Buy (unchanged)
Price
$0.32
Target (12 months)
$0.57 (previously $0.50)

GICS Sector

Materials

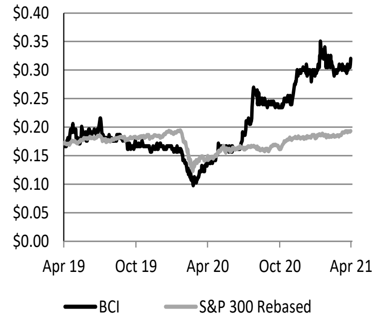
Expected Return	
Capital growth	**78%**
Dividend yield	**0%**
Total expected return	**78%**

Company Data & Ratios	
Enterprise value	**$116m**
Market cap	**$192m**
Issued capital	**559m**
Free float	**71%**
Avg. daily val. (52wk)	**$139,073**
12 month price range	**$0.132-$0.35**

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	0.30	0.30	0.13
Absolute (%)	6.67	6.67	141.78
Rel market (%)	2.74	2.45	105.75

Absolute Price



SOURCE: IRESS

Optimised Mardie feasibility increases project scale

BCI recently released a Mardie Salt and SOP project Optimised Feasibility Study (OFS), highlighting a 20% increase in evaporation area and plant throughput capacity, lifting steady-state salt production from 4.5Mtpa to 5.35Mtpa and SOP production from 120ktpa to 140ktpa. BCI's pre-tax NPV_7 of the project increased by 40% to $1.67b. Offsetting an increase in project capex of 13% to $913m, annual steady-state revenue has increased from $386m to $505m and EBITDA from $197m to $260m. Updated independent analysis on the salt and SOP markets has lifted long term salt price assumptions to US$51/t CIF (previously $45/t) and Mardie SOP is expected to attract a US$40/t premium to the NW European benchmark. The OFS supersedes the July 2020 Definitive Feasibility Study (DFS). BCI expect to take FID on Mardie in mid-2021.

In the March 2021 quarter, BCI's Iron Valley agreement generated record quarterly EBITDA of $20m from 1.6Mt shipped, mostly driven by iron ore price strength. We expect Iron Valley will generate EBITDA of $52m in FY21 ($37m year to date).

Investment thesis: Buy, Target Price $0.57/sh

We have increased our BCI valuation and target price to $0.57/sh (previously $0.50/sh) as a result of BCI's March 2021 quarter report and Mardie OFS update. BCI is funded to complete the early Mardie construction activities by Q3 2021, with $76m in cash at 31 March 2021 and strong cash generation from its Iron Valley agreement with Mineral Resources (ASX:MIN, Buy TP$49.30/sh). EPS changes in this report are driven primarily by higher iron ore price assumptions: FY21 5.9cps (previously 2.5cps); FY22 2.7cps (previously 0.8cps) and FY23 1.0cps (previously 0.6cps).

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. The optimised Mardie Salt and SOP Project has the potential to add significant value and has appeal to ESG concerned debt and equity investors. NAIF financing and BCI's supportive share register will mitigate some of the Mardie project's financing risks.

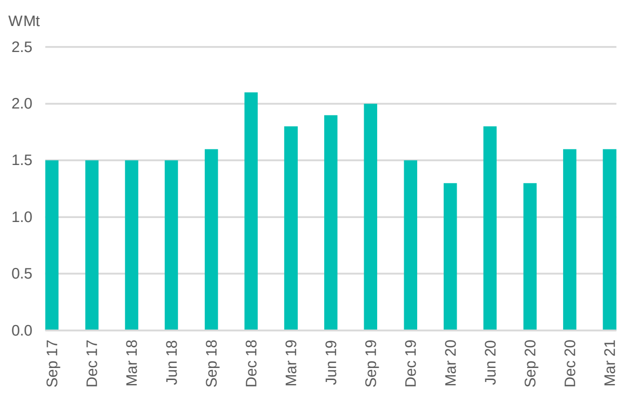
Earnings Forecast

Year ending 30 June	2020a	2021e	2022e	2023e
Sales (A$m)	77	145	126	83
EBITDA (A$m)	(4)	34	27	16
NPAT (reported) (A$m)	(10)	31	23	13
NPAT (adjusted) (A$m)	0	31	23	13
EPS (adjusted) (¢ps)	0.1	5.9	2.8	1.1
EPS growth (%)	-97%	6139%	-53%	-62%
PER (x)	338.4x	5.4x	11.6x	30.3x
FCF Yield (%)	6%	-23%	-61%	-83%
EV/EBITDA (x)	-26.6x	3.4x	4.2x	7.2x
Dividend (¢ps)	-	-	-	-
Yield (%)	0%	0%	0%	0%
Franking (%)	-	-	-	-
ROE (%)	-9%	22%	10%	4%

SOURCE: BELL POTTER SECURITIES ESTIMATES

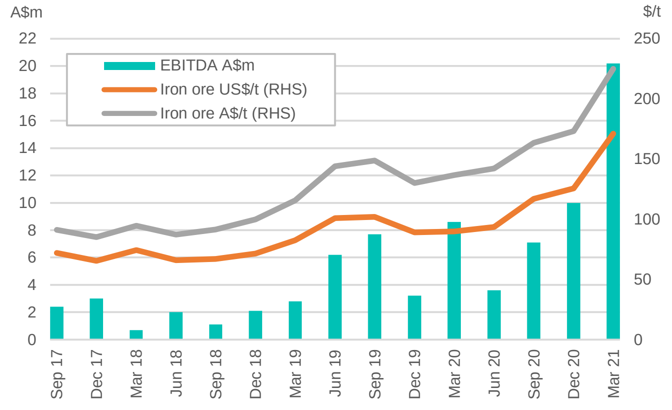
Q3 FY21: Mardie optimised, IV record

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

- **Iron Valley:** EBITDA for the March 2021 quarter was $20.2m from 1.6Mt shipped, up 102% on the prior quarter, and compares favourably with FY20 Iron Valley EBITDA of $23m. The improving performance at Iron Valley is driven by a 24% increase in iron ore prices, which averaged US$166/t over the quarter. The current quarter-to-date iron ore price average is US$178/t, with spot prices now around US$191/t.
- **Iron Valley royalty rebate:** The royalty rebate arrangement with Iron Valley operator, MIN, reached the agreed cap of $25m during the quarter. BCI will now benefit from full cash flow generation from Iron Valley. Iron Valley has generated BCI $37.3m in EBITDA (before rebates) in FY21 to date.
- **Funding:** BCI has satisfied the requirement of meaningful progress by 31 March 2021 for the conditional, 15-year, $450m Northern Australia Infrastructure Facility (NAIF) loan for the Mardie project. BCI is required to finalise facility documentation by Q3 2021. BCI has also received initial credit approval from a Tier 1 Australian bank to support medium tenor debt financing for Mardie.
- **Marketing**: Two additional non-binding Memoranda of Understanding ('MOUs') have been signed with Chinese chemical companies for up to 0.5Mtpa salt. BCI is covered for 100% and 80% of salt and SOP sales for the first three years of production, respectively.
- **Financial position:** BCI closed the quarter with net cash of $76.1m and no debt (31 December 2020: $78.5m). BCI noted $22.0m in receivables from the March 2021 quarter expected in April 2021.

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

Changes to earnings estimates

Following BCI's March 2021 quarterly report, we have made the following adjustments to our financial model:

- Mark-to-market March 2021 quarter iron ore prices.
- Upgraded our average iron ore price forecasts from US$93/t to US$133/t for the June to December 2021 quarters. We have upgraded our 2022 iron ore price forecasts from US$85/t to US$100/t and long run prices from US$85/t to US$95/t.
- Made minor adjustments to our Iron Valley royalty assumptions.
- Adjusted our equity raising assumptions to a staged approach over the three year construction period.

The EPS upgrades mostly reflect our higher revised iron ore price assumptions.

Table 1 - Changes to earnings estimates

	Previous			New			Change		
Year ending 30 Jun	2021e	2022e	2023e	2021e	2022e	2023e	2021e	2022e	2023e
Production (wmt)	6.5	7.6	7.6	6.2	7.6	7.6	-5%	0%	0%
Sales (A$m)	105	71	68	145	126	83	39%	79%	22%
EBITDA (A$m)	16	13	12	34	27	16	113%	109%	30%
NPAT (reported) (A$m)	13	10	9	31	23	13	138%	134%	43%
NPAT (adjusted) (A$m)	13	10	9	31	23	13	138%	134%	43%
EPS (adjusted) (¢ps)	2.5	0.8	0.6	5.9	2.7	1.0	138%	246%	84%
Dividend (¢ps)	-	-	-	-	-	-	0%	0%	0%
Valuation ($/sh)	0.50			0.57			14%		

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

News flow & value catalysts

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

OFS points to project enhancements

Comparison of DFS and OFS

The following table outlines key project parameter assumptions for the Mardie project as defined in the Definitive Feasibility Study in July 2020 and the Optimised Feasibility Study in April 2021.

In general, BCI have more than offset capital and operating cost inflation with larger project scale and higher assumed commodity prices. These higher assumed prices are supported by independent market experts engaged to as part of the project's debt funding process.

Table 2 - DFS (July 2020) and OFS (April 2021) key parameter comparison

Project parameters	DFS (July 2020)	OFS (April 2021)	Change %
Production rate			
Salt (>99.5% NaCl)	**4.4Mtpa**	**5.35Mtpa**	**22%**
SOP (>52% K2O)	**120ktpa**	**140ktpa**	**17%**
Operating life	Minimum 60 years	Minimum 60 years	nc
Capital items			
No. of evaporation ponds	9	9	nc
No. of Salt crystallisers	34	42	24%
No. of SOP crystallisers	18	20	11%
Salt and SOP plant capacity	700tph salt; 110tph KTMS*	800tph salt; 150tph KTMS*	14% salt; 36% KTMS*
Capex and opex			
Total capital cost	**$807m**	**$913m**	**13%**
Early construction capital	$28m	$63m	125%
Main construction capital	$779m	$850m	9%
Salt all-in sustaining costs (AISC)	$20.3/t FOB	$21.5/t FOB	6%
SOP AISC	$310/t FOB	$337/t FOB	9%
Project NPV and financials			
Pre-tax NPV (7% discount rate)	**$1,197m**	**$1,670m**	**40%**
Steady-state annual revenue	$386m	$505m	31%
Steady-state annual EBITDA	$197m	$260m	32%
Salt price 2024 (LT price) CIF	US$40/t; (US$45/t)	US$45/t; (US$51/t)	13%; (13%)
SOP price 2025 (LT price) FOB	US$458/t; (US$550/t)	US$477/t; (~US$550/t)	4%; (0%)

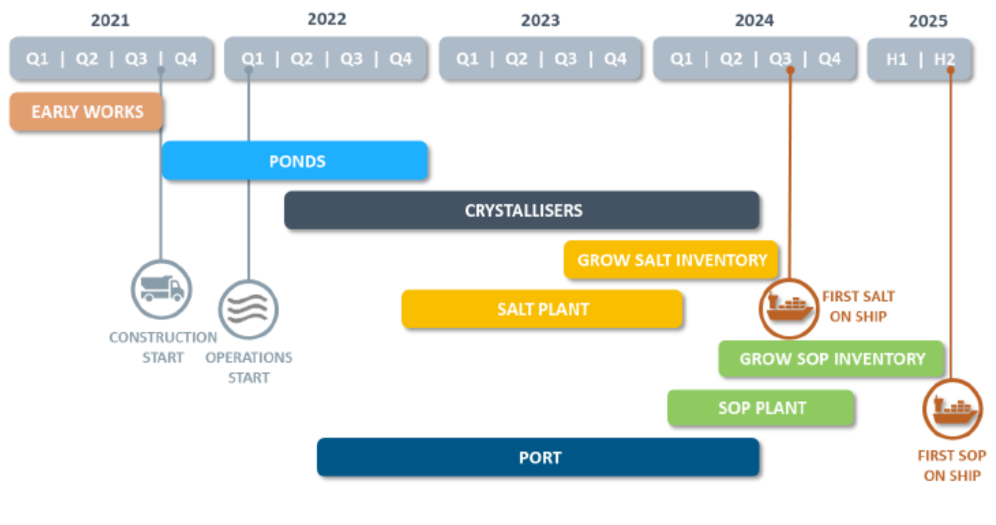
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES
NOTE: * KAINITE-TYPE MIXED SALTS

Optimised Feasibility Study highlights

- **Salt and SOP production uplift:** The revised Mardie layout includes larger evaporation ponds and salt crystallisers, covering 20% and 40% more area, respectively. The salt wash plant capacity has increased from 700tph to 800tph, enabling 5.35Mtpa of salt production (previously 4.5Mtpa). SOP processing plant production capacity has also increased from 110tph to 150tph, increasing annual SOP production from 120ktpa to 140ktpa.
- **Salt and SOP price outlook:** Updated salt and SOP market analysis conducted by Roskill (for salt) and Argus (for SOP) highlights improving prices in the medium and long term compared with DFS price estimates. Roskill now expect prices of around US$45/t CIF in 2024 (previously US$40/t) and a long term price of US$51/t CIF (previously US$45/t). SOP price forecasts are now around US$477/t FOB in 2025 (previously US$458/t) to a long term price of about US$550/t FOB (no change).
- **SOP price premium:** The OFS now quantifies an assumption that Mardie SOP sales can realise a premium of around US$40/t from higher product quality specifications and freight advantages compared with the forecast NW Europe SOP price benchmark.

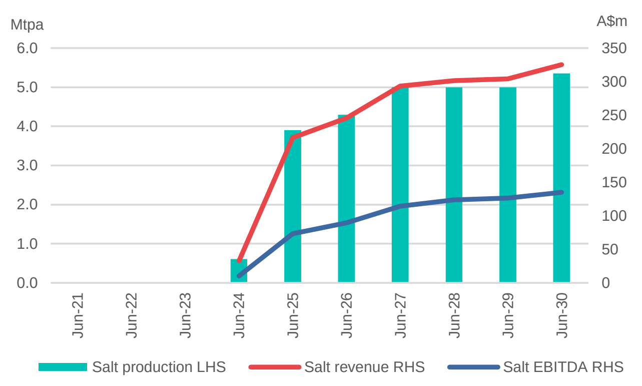
- **Operating expenditure:** Life-of-mine all in sustaining operating costs are now expected to be US$21.5/t FOB for salt and US$337/t FOB for SOP, a slight increase on DFS operating cost estimates (US$20.3/t FOB salt and US$310/t FOB SOP). Higher operating costs reflect higher market rates for labour and are partially offset by scale benefits.
- **Capital expenditure:** The larger Mardie project is expected to cost $913m (previously $807m). BCI have noted a 5% increase in labour rates and equipment costs based on current market conditions.
- **Infrastructure:** Much of the port and shipping and supporting infrastructure planning are unchanged.
- **Tenure:** Still required for major construction activities to commence. BCI anticipates all tenure to be granted by Q3 CY21.
- **Timeline:** The project timeline is largely unchanged. Major construction activities are to commence from Q3 CY21 following the receipt of all approvals, and are expected to take three years. First salt and SOP sales are expected in Q3 CY24 and H2 CY25, respectively.

Figure 4 - Project construction timeline



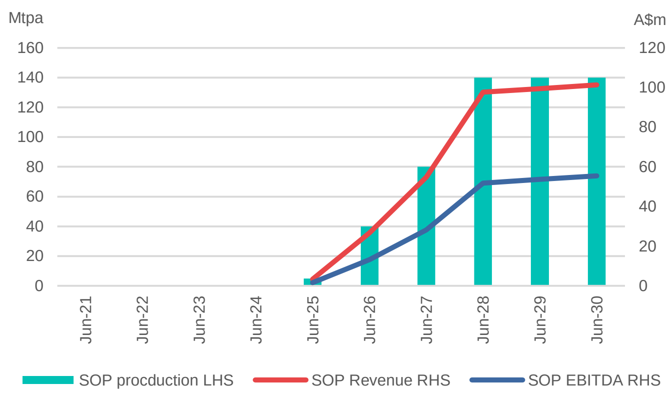
SOURCE: COMPANY DATA – OPTIMISED FEASABILITY STUDY

Figure 5 – Mardie salt production and related financials



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 6 - Mardie SOP production and related financials



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

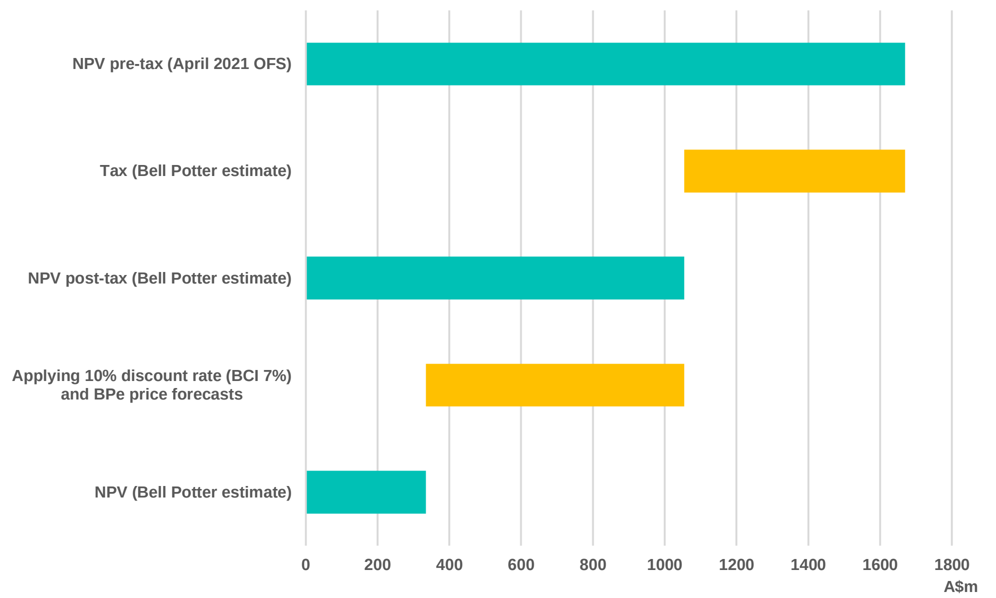
Valuation & methodology

Enhanced Mardie Salt & Potash project

We have modelled the Mardie Salt & Potash project using project parameters consistent with the April 2021 Optimised Feasibility Study, with the exception of:

- Long-term exchange rate of AUD:USD 0.74 (OFS assumes AUD:USD 0.70);
- A discount rate of 10% real (OFS assumes 7% real);
- Long-term salt price of US$48/t (OFS around US$51/t);
- Long-term SOP price of US$550/t (consistent with OFS), however, a lower Mardie price premium of US$20/t (OFS assumes US$40/t); and
- A 15% project NPV risk discount to consider the project's stage of development, (approaching FID, early construction underway) consistent with our approach to modelling similar resources projects.

Figure 7 - Mardie value bridge



SOURCE: BELL POTTER SECURITIES ESTIMATES

Mardie project sensitivity analysis

The following table outlines our Mardie project's model sensitivity to a +/-5% variation in salt and SOP prices. The analysis compares steady-state EBITDA and the project's post-tax NPV at a 10% discount rate.

Table 3 - Mardie salt and SOP price sensitivity analysis

Price sensitivity – applied to Salt and SOP	Steady-state EBITDA (>2030)	Post-tax NPV_{10}
-5%	188 (-11%)	217 (-35%)
0%	210 (0%)	335 (0%)
5%	232 (11%)	443 (32%)

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Risked valuation summary

The table below outlines our BCI valuation after incorporating BCI's March 2021 quarter update, the Mardie project OFS, mark-to-market March 2021 quarter iron price and applying our revised forward iron ore price assumptions.

Our BCI valuation now incorporates dilution from an equity raise ($100m at a 15% discount to the current share price) to fund part the Mardie project capital cost.

Our revised target price is $0.57/sh (previously $0.50/sh) and our Buy recommendation is unchanged.

Table 4 - Risked valuation summary

	Previous	New
Mardie Salt & Potash project (unrisked) $m	188	335
Risk discount to account for project stage %	15%	15%
Mardie Salt & Potash project (risked) $m	160	284
Iron Valley agreement $m	93	118
Value of core projects (risked) $m	252	403
Corporate & admin $m	-25	-25
Enterprise value (risked) $m	227	378
Net debt / (cash) $m	-79	-76
Equity value (risked, undiluted) $m	**306**	**454**
Assumed near-term capital raise $m		$100m
Assumed raise price $/sh (15% discount)		$0.27/sh
Current shares on issue m		599m
In the money options & rights m		9m
Assumed capital raising dilution m		370m
Diluted shares on issue m		**979m**
Net debt / (cash) (including raising) A$m		-176m
Equity value (risked, undiluted) $m		554m
Equity value (risked, undiluted) $/sh		**$0.57/sh**
Current share price		$0.32/sh
Equity value upside to current share price %		78%

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 $0.57/sh

We have increased our BCI valuation and target price to $0.57/sh (previously $0.50/sh) as a result of BCI's March 2021 quarter report and Mardie OFS update. BCI is funded to complete the early Mardie construction activities by Q3 2021, with $76m in cash at 31 March 2021 and strong cash generation from its Iron Valley agreement with Mineral Resources (ASX: MIN, Buy TP$49.30/sh). EPS changes in this report are driven mostly by higher iron ore price assumptions: FY21 5.9cps (previously 2.5cps); FY22 2.7cps (previously 0.8cps) and FY23 1.0cps (previously 0.6cps).

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. The optimised Mardie Salt and SOP Project has the potential to add significant value and has appeal to ESG concerned debt and equity investors. NAIF financing and BCI's supportive share register will 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, with 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.

BCI Minerals Ltd
as at 29 April 2021

Recommendation	Buy
Price	$0.32
Target (12 months)	$0.57

Table 5 - Financial summary

Date		**29/04/21**
Price	**A$/sh**	**0.32**
Target price	**A$/sh**	**0.57**

Bell Potter Securities
Stuart Howe (showe@bellpotter.com.au, +61 3 9235 1856)
Joseph House (jhouse@bellpotter.com.au, +61 3 9235 1624)

PROFIT AND LOSS

Year ending 30 June	**Unit**	**2019a**	**2020a**	**2021e**	**2022e**	**2023e**
Revenue	$m	54	77	145	126	83
Expenses	$m	(59)	(81)	(111)	(99)	(67)
EBITDA	$m	**(5)**	**(4)**	**34**	**27**	**16**
Depreciation & amortisation	$m	(3)	(6)	(3)	(4)	(3)
EBIT	$m	(8)	(10)	31	23	13
Net interest expense	$m	1	0	0	-	-
Profit before tax	$m	(8)	(10)	31	23	13
Tax expense	$m	2	-	-	-	-
NPAT (reported)	$m	**(6)**	**(10)**	**31**	**23**	**13**
NPAT (adjusted)	$m	**13**	**0**	**31**	**23**	**13**

CASH FLOW STATEMENT

Year ending 30 June	**Unit**	**2019a**	**2020a**	**2021e**	**2022e**	**2023e**
OPERATING CASH FLOW						
Receipts from customers	$m	40	82	121	144	88
Payments to suppliers and employees	$m	(48)	(78)	(91)	(111)	(72)
Tax paid	$m	2	-	-	-	-
Net interest	$m	1	0	0	-	-
Other	$m	-	-	(0)	-	-
Operating cash flow	$m	**(6)**	**4**	**30**	**33**	**16**
INVESTING CASH FLOW						
Capex	$m	(0)	(7)	(66)	(197)	(337)
Disposal of assets	$m	27	11	0	-	-
Other	$m	(0)	-	(3)	-	-
Investing cash flow	$m	**27**	**3**	**(69)**	**(197)**	**(337)**
FINANCING CASH FLOW						
Debt proceeds/(repayments)	$m	-	-	-	100	500
Dividends paid	$m	-	-	-	-	-
Proceeds from share issues (net)	$m	-	-	46	96	96
Other	$m	-	-	(0)	-	-
Financing cash flow	**$m**	-	-	46	196	596
Change in cash	**$m**	**13**	**34**	**42**	**49**	**80**
Free cash flow	$m	21	8	(39)	(164)	(321)

BALANCE SHEET

Year ending 30 June	**Unit**	**2019a**	**2020a**	**2021e**	**2022e**	**2023e**
ASSETS						
Cash	$m	34	42	49	80	355
Receivables	$m	22	16	41	23	18
Inventories	$m	-	-	-	-	-
Capital assets	$m	42	46	112	305	639
Other assets	$m	32	32	32	32	32
Total assets	**$m**	**130**	**136**	**234**	**442**	**1,044**
LIABILITIES						
Creditors	$m	18	18	38	26	20
Borrowings	$m	-	-	-	100	600
Provisions	$m	8	12	13	13	13
Other liabilities	$m	0	1	2	2	2
Total liabilities	**$m**	**27**	**32**	**52**	**140**	**635**
NET ASSETS	**$m**					
Share capital	$m	267	267	313	409	505
Reserves	$m	5	5	6	6	6
Accumulated losses	$m	(169)	(169)	(137)	(114)	(101)
Non-controlling interest	$m	-	-	-	-	-
SHAREHOLDER EQUITY	**$m**	**104**	**104**	**182**	**301**	**410**
Weighted average shares	m	397	399	532	845	1,215

FINANCIAL RATIOS

Year ending 30 June	**Unit**	**2019a**	**2020a**	**2021e**	**2022e**	**2023e**
VALUATION						
EPS	Ac/sh	3.3	0.1	5.9	2.8	1.1
EPS growth (Acps)	%	0%	-97%	6139%	-53%	-62%
PER	x	9.8x	338.4x	5.4x	11.6x	30.3x
DPS	Ac/sh	-	-	-	-	-
Franking	%	0%	0%	0%	0%	0%
Yield	%	0%	0%	0%	0%	0%
FCF/share	Ac/sh	5.2	2.0	(7.3)	(19.4)	(26.4)
FCF yield	%	16%	6%	-23%	-61%	-83%
EV/EBITDA	x	-22.4x	-26.6x	3.4x	4.2x	7.2x
LIQUIDITY & LEVERAGE						
Net debt / (cash)	$m	(34)	(42)	(49)	20	245
Net debt / Equity	%	-33%	-40%	-27%	7%	60%
Net debt / Net debt + Equity	%	-48%	-66%	-36%	6%	37%
Net debt / EBITDA	x	6.5x	9.6x	-1.4x	0.7x	15.2x
EBITDA /net int expense	x	-8.2x	-10.1x	235.0x	0.0x	0.0x
PROFITABILITY RATIOS						
EBITDA margin	%	-10%	-6%	24%	22%	20%
EBIT margin	%	-15%	-13%	21%	19%	16%
Return on assets	%	-	-7%	17%	7%	2%
Return on equity	%	-	-9%	22%	10%	4%

ASSUMPTIONS - Prices (nominal)

Year ending 30 June	**Unit**	**2019e**	**2020e**	**2021e**	**2022e**	**2023e**
Iron ore price (62% CFR China)	US$/t	80	94	145	125	95
Salt price (CFR Asia)	US$/t			-	-	-
SOP price (FOB Australia)	US$/t			-	-	-
FX	US$/A$	0.72	0.67	0.74	0.73	0.73

ASSUMPTIONS - Sales (equity)

Year ending 30 June	**Unit**	**2019e**	**2020e**	**2021e**	**2022e**	**2023e**
Iron ore sales	Mt	7.4	7.2	6.2	7.6	7.6
Salt sales	Mt	-	-	-	-	-
SOP sales	kt	-	-	-	-	-

SEGMENT EBITDA

Year ending 30 June	**Unit**	**2019a**	**2020a**	**2021e**	**2022e**	**2023e**
Iron Valley	$m	10	21	52	32	21
Mardie Salt & SOP	$m	-	-	-	-	-
Other	$m	(15)	(25)	(18)	(5)	(5)
Total	**$m**	**(5)**	**(4)**	**34**	**27**	**16**

VALUATION

Shares on issue			599
Shares and rights on issue			608
Valuation		**A$m**	**A$/sh**
Mardie Salt & Potash project (unrisked)	$335m		
Risk discount to account for project stage	15%		
Mardie Salt & Potash project (risked)		$284m	0.47
Iron Valley agreement		$118m	0.19
Value of core projects (risked)		**$403m**	**0.66**
Corporate & admin		-$25m	(0.04)
Enterprise value (risked)		$378m	0.62
Net debt / (cash)		-$76m	(0.13)
Equity value of core projects (risked)		**$454m**	**0.75**
Other projects (risked)		$37m	0.06
Tax losses (present value)		$48m	0.08
Equity value of all assets (risked)		$539m	0.89

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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Disclosure: Bell Potter Securities acted as joint lead manager for BCI's $48m equity raising in September 2020 and received fees for that service.

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

ANALYST CERTIFICATION

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.