

BCI Minerals Limited

Bulk Materials - Producer

Rating
SPECULATIVE BUY
unchanged

Price Target
A\$0.70
unchanged

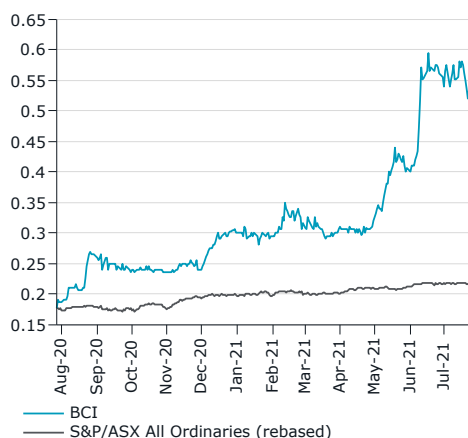
BCI-ASX

Price
A\$0.55

Market Data

52-Week Range (A\$) :	0.17 - 0.62
Avg Daily Vol (000s) :	2,166
Market Cap (A\$M) :	328.4
Shares Out. (M) :	597.0
Dividend /Shr (A\$) :	0.00
Dividend Yield (%) :	0.0
Net Debt (Cash) (A\$M) :	(79.0)
Enterprise Value (A\$M) :	251

FYE Jun	2020A	2021E	2022E	2023E
EBITDA (A\$M)	3.6	41.2	44.7	15.8
Net Income (A\$M)	0.4	27.8	38.0	11.1



Priced as of close of business 25 July 2021

BCI Minerals Ltd is a resource company, which engages in the exploration and development of assets in the Pilbara region of Western Australia. It operates through the following segments: Iron Valley, Mardie, Buckland and Other. The Other segment include corporate and other assets. The company was founded in 2006 and is headquartered in West Perth, Australia.

Canaccord Genuity (Australia) Limited has received a fee as Joint Lead Manager to the BCI Minerals Limited Capital Raising announced 14 September 2020.

James Bullen | Analyst | Canaccord Genuity (Australia) Ltd. | jbullen@cgf.com | +61.2.9263.2728
James Farr | Associate Analyst | Canaccord Genuity (Australia) Ltd. | jfarr@cgf.com | +61.2.9263.2714

JunQ'21 result - bulking up

BCI generated a record \$32.2mn operating EBITDA result from its Iron Valley royalty during the JunQ, on the back of ongoing strength in headline 62% Fe iron ore prices, which averaged nearly US\$200/t, and a positive prior period adjustment of \$6.0mn. With a positive EPA board recommendation, strong iron ore price and \$79mn in cash (\$101mn inclusive of JunQ iron ore royalty to be received in July), momentum at the company's flagship Mardie Salt project remains positive and supports our constructive investment thesis.

We retain our SPEC BUY rating and \$0.70ps price target.

Approvals update: The EPA has recommended to the WA Minister for the Environment that the Mardie Project can be implemented as proposed in its Environmental Review Document (ERD), subject to certain conditions. BCI has advised that these conditions are materially consistent with BCI's designs, costings and implementation plans. The company is on track, in our view, for Ministerial approval in the SepQ'21.

Additionally, BCI continues to work closely with the Pilbara Ports Authority (PPA) and the Department of Planning, Lands and Heritage (DPLH) to finalise the tenure and agreements required to develop the Mardie Port facilities within the new Port of Cape Preston West.

Early works continue, additional contracts awarded: Site activities commenced at Mardie during the period, including expansion of the accommodation village to 80beds, access roads, geotechnical work and continuation of embankment trials. All up, contracts totaling \$129mn have been awarded in 2021 to date.

Evaporation trials update: Approximately 22 tonnes of raw salt have now been harvested from the small-scale trial ponds at Mardie and processed through the salt wash pilot plant at Nagrom's facilities in Perth. Furthermore, Kainite-Type Mixed Salt (KTMS) brine continues to be generated and the sulphate of potash ('SOP') samples processed at SRC's laboratories in Canada have met market specifications.

Iron Valley: The 40% rebate to Min Resources completed during March paves the way for increased royalty payments to BCI. Iron Valley EBITDA totaled \$69.5mn during FY21 (+300% vs FY20) and with 62% Fe pricing still above US\$200/t BCI, this hugely valuable royalty is shrinking the Mardie funding gap every month.

As a reminder, if iron ore prices average US\$200 in FY22, Iron Valley will generate ~ \$140mn of EBITDA for BCI (assumes 6.5Mt shipped).

Figure 1: Financial summary

FY Jun 30	2019A	2020A	2021E	2022E	2023E		2019	2020	2021E	2022E	2023E						
PROFIT & LOSS (A\$m)						KEY ASSUMPTIONS											
Revenue	54	77	160	150	98	Salt (US\$/tonne)	30	30	30	30	38						
Operational Costs & Royalty	-42	-53	-102	-91	-68	SOP (US\$/tonne)	500	500	500	525	509						
Other Income	20	11	2	2	2	Iron ore fines (US\$/tonne)	75	90	155	130	102						
Business Devt & Expl	-10	-19	-13	-10	-10	Iron ore lump (US\$/tonne)	93	105	165	152	112						
Corporate & Other	-8	-11	-6	-7	-7	A\$/US\$	0.71	0.72	0.76	0.75	0.75						
EBITDA	14	4	41	45	16	PRODUCTION											
DD&A	-3	-3	-5	0	0							Salt (kt)	0	0	0	0	0
Other	0	0	0	0	0							SOP (kt)	0	0	0	0	0
EBIT	11	0	36	45	16	RESERVES AND RESOURCES											
Net Financing	0	0	0	0	0							Iron Valley Resources	182.0Mt at 58.0% Fe				
NPBT	11	0	36	45	16							Iron Valley Reserves	82.3Mt at 58.3% Fe				
Tax	2	0	-9	-7	-5	PER SHARE DATA											
Normalised NPAT	13	0	28	38	11							Average Shares (Diluted, M)	199	397	689	1347	1347
Sig Items, Discon Ops & Mins	0	0	0	0	0							EOP Shares (Diluted, mn)	397	397	1347	1347	1347
Reported NPAT	13	0	28	38	11	Normalised EPS (A¢/sh)	6.5	0.1	4.0	2.8	0.8						
Effective income tax rate	-13%	0%	24%	15%	30%	CF PS (A¢/sh)	-3.1	1.1	-3.8	5.4	2.5						
CASHFLOW (A\$m)						FCF PS (A¢/sh)	10.4	2.0	-10.0	-12.8	-21.5						
						RATIOS											
												Dividend Yield					
PE																	
						PCF (Debt Adj)											
												EV / EBITDA					
Gearing (ND / ND + E)																	
						Net Debt / EBITDA											
												Interest Cover					
ROE (Reported Profit / Av Equity)																	
						ROIC											
												ROACE					
FCF Yield																	
						DIVIDEND AND FRANKING											
												Dividend (A¢/sh)					
Payout ratio																	
						Franking Balance (A\$m)											
												VALUATION					
Iron Valley																	
						Mardie											
												EV adjustments					
TOTAL																	
						PREMIUM/(DISCOUNT)											
												PRICE TARGET					
Net Assets																	
						Total Cash											
												Total Debt					
Net Debt																	

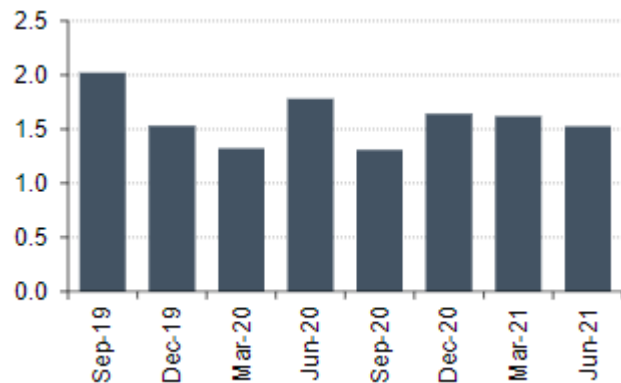
Source: Company Reports, Canaccord Genuity estimates

Figure 2: Our sum-of-the parts valuation for BCI

Asset	Equity %	Net Capacity ktpa	NPV A\$m	Risking %	Riskd NPV A\$m	A\$ps
Iron Valley		7500	148.4	100%	148	0.25
PRODUCTION ASSETS					148	0.25
Mardie		5,350	415.8	50%	208	0.35
DEVELOPMENT ASSETS					208	0.35
RESEOURCES					0	0.00
EXPLORATION					0	0.00
Net Debt, Balance sheet adj. & corp. overhead						0.11
Premium / (Discount)						0.00
Price Target						0.70

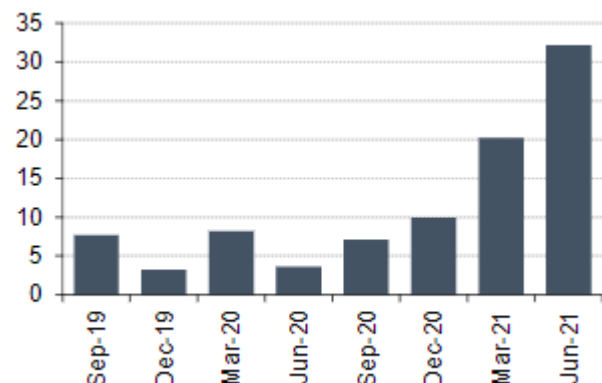
Source: Company Reports, Canaccord Genuity estimates

Figure 3: Iron Valley Quarterly Shipments (M wmt)



Source: Company Reports, Canaccord Genuity estimates

Figure 4: Iron Valley Quarterly EBITDA (\$mn)



Source: Company Reports, Canaccord Genuity estimates

Figure 5: Iron Valley sensitivity

ANNUAL EBITDA (A\$M)		Iron Ore Price (CFR 62% Fe, US\$/dmt)					
		75	100	125	150	175	200
Tonnes Shipped (Mt, wet)	6.0	8	23	50	77	104	130
	6.5	8	25	54	83	112	141
	7.0	9	27	58	90	121	152
	7.5	10	29	63	96	129	163
	8.0	10	31	67	102	138	174

Source: Company Reports, Canaccord Genuity estimates

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Investment Recommendation

Date and time of first dissemination: July 25, 2021, 17:54 ET

Date and time of production: July 25, 2021, 17:54 ET

Target Price / Valuation Methodology:

BCI Minerals Limited - BCI

The price target of A\$0.70 is set using a SOTP-based methodology.

Risks to achieving Target Price / Valuation:

BCI Minerals Limited - BCI

BCI's exploration properties may never be brought into production

The exploration for, and development of, mineral deposits involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. To mitigate this risk, the company has undertaken systematic and staged exploration and testing programs on its mineral properties and progressively undertaken a number of technical and economic studies with respect to its projects. However, given a formal decision on development is yet to be taken, there can be no guarantee that the properties will be ultimately brought into production.

BCI's activities will require further capital

The development of the company's exploration properties will require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration, and any development of the company's properties or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the company.

BCI is yet to receive the required environmental permits

An ERD has been submitted and the public consultation period is now closed, but there is no guarantee that the company will receive the requisite permits in a timely fashion.

BCI may be adversely affected by fluctuations in commodity prices

The price of salt and potash fluctuates and is affected by numerous factors beyond the control of the company. Future production and revenue, if any, from the company's mineral properties will be dependent upon the price of salt and potash being adequate to make these properties economic. The company does not currently engage in any hedging or derivative transactions to manage commodity price risk. This policy will be reviewed periodically going forward, as the company's operations change.

Global financial conditions may adversely affect BCI's growth and profitability

Many industries, including the mineral resource industry, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. Due to the current nature of the company's activities, a slowdown in the financial markets or other economic conditions may adversely affect the Company's growth and ability to finance its activities.

Distribution of Ratings:

Global Stock Ratings (as of 07/25/21)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	643	65.95%	42.92%
Hold	157	16.10%	22.29%
Sell	12	1.23%	33.33%
Speculative Buy	154	15.79%	65.58%
	975*	100.0%	

*Total includes stocks that are Under Review

Canaccord Genuity Ratings System

BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

HOLD: The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

SELL: The stock is expected to generate negative risk-adjusted returns during the next 12 months.

NOT RATED: Canaccord Genuity does not provide research coverage of the relevant issuer.

"Risk-adjusted return" refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

Risk Qualifier

SPECULATIVE: Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

12-Month Recommendation History (as of date same as the Global Stock Ratings table)

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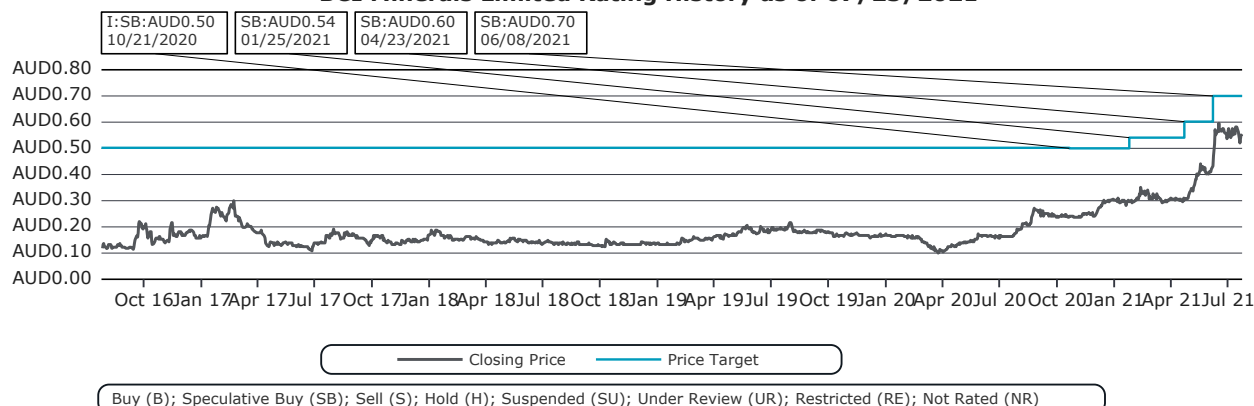
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An analyst has visited the material operations of BCI Minerals Limited. Partial payment was received for the related travel costs.

Canaccord Genuity (Australia) Limited has received a fee as Joint Lead Manager to the BCI Minerals Limited Capital Raising announced 14 September 2020.

BCI Minerals Limited Rating History as of 07/23/2021



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