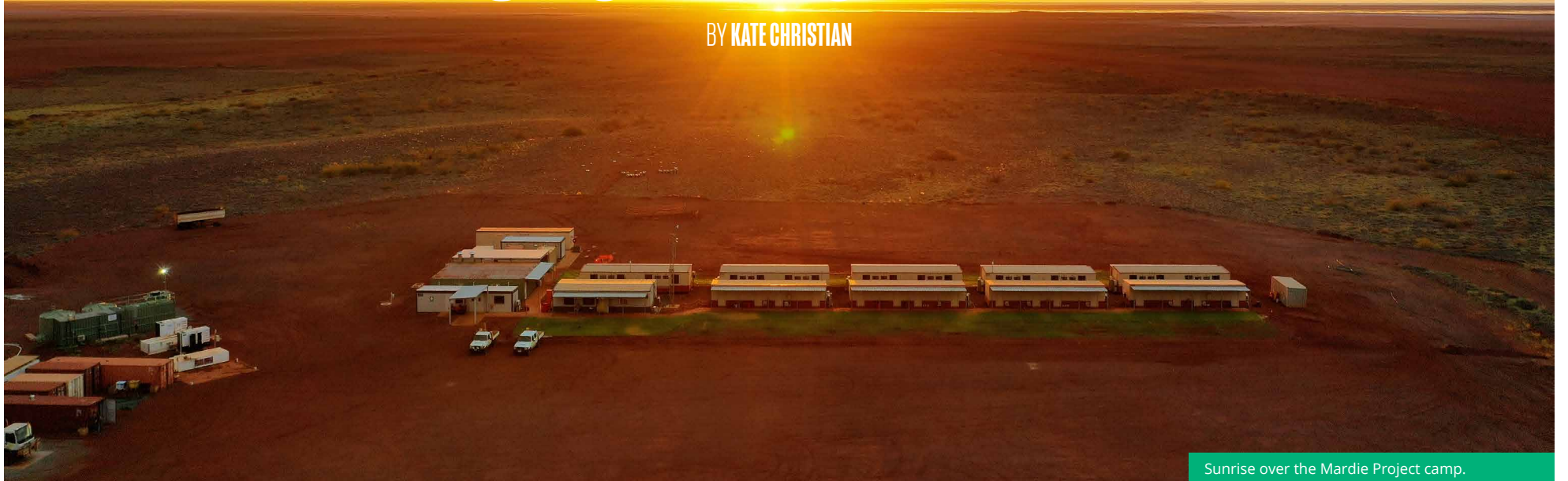


MILESTONE FOR MARDIE

BY KATE CHRISTIAN



Sunrise over the Mardie Project camp.

BCI Minerals is set to start early construction work on its flagship project next month after a study demonstrated it has the potential to be a “globally significant” Tier 1 operation.

The positive Definitive Feasibility Study (DFS) released on July 1 demonstrated the Mardie Salt and Potash Project could produce 4.4Mtpa of high purity salt and 120ktpa of premium sulphate of potash (SOP) fertiliser.

BCI Minerals managing director Alwyn Vorster said another important parameter established by the study was the mine has an “infinite” life as it would run off an inexhaustible seawater resource, due to its ideal location on the west Pilbara coast in the heart of Australia’s key salt producing region.

“We are working to a 60-year mine life but its arguably a 100-year mine life or longer because it is different from inland SOP projects that pump water from ancient aquifers underground,” he said.

“The economic results from the DFS include a pre-tax NPV of more than \$1b.

“Importantly for most investors who look at this type of project, it has an annual Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) of nearly \$200m, which for an annuity for the next 100 years, is quite significant.

“We are really pleased with the result of the DFS and really the confirmation that Mardie has the potential to be a globally significant Tier 1 salt and potash fertiliser project.”

The project has received major project status from the Federal Government following a six-month process with the Departments of Resources and Industry.

It is the first large scale solar evaporation salt project to be undertaken in Australia in two decades.

“It is important to reflect on the fact that there hasn’t been a project of this nature constructed for more than 20 years in Australia,” Mr Forster said.

“Mardie is a relative novelty in the Australian industry so the Department of Industry looked at it from that perspective and measured it in terms of what benefits it can bring to the community.”

The project ticked the boxes on six major criteria, including the economic benefits to WA and Australia through taxes and royalties as well as the creation of 500 new

construction jobs.

From a regional development point of view, KPMG produced a study showing the project would contribute a Gross Regional Product of more than \$2b to the Pilbara region over 60 years.

The project would also be powered by renewables, deriving 99% of its energy from natural solar and wind energy.

It would also provide new infrastructure such as a new port facility.

“We will also be the first Australian salt project where we are planning to do a secondary processing for the salt waste, which will be converted into the SOP fertiliser on site,” Mr Vorster said.

The WA-based BCI Minerals successfully completed a \$48m capital raise in October which will enable early construction work on Mardie to start next month (December).

This would involve construction of a trial pond to test different construction materials and methodology.

It would also involve the construction of major roads, a large accommodation village, power and communications infrastructure needed for the final construction work.

The early construction program is due for completion in May 2021, to coincide with when BCI wants the main capital raising completed by.

“The DFS shows the project has a \$780m capital cost, so if we assume two thirds of that comes from debt and one third from equity, we are talking about \$250m that needs to be raised by April or May next year for final construction to start,” Mr Vorster said.

The plan is for BCI to obtain all required funding and approvals allowing full project construction to commence by May 2021.

“It is a three-year construction program and that is the nature of a solar evaporation project,” Mr Vorster said.

“It is a three-year period from filling the first pond to putting the first salt on ship, so it is a long natured project, and that is why we’re focusing on a certain type of shareholder who is patient and prepared to wait.

“Investors will get decades-long annuities but they will need to understand it takes a while to get into production.”

The company’s major shareholder Wroxby Pty Ltd (Wroxby), which currently has a voting power of about 29%, has committed to taking up its full pro rata entitlement of approximately \$14m.

An ASX statement released on August 20 stated that with a cash balance of \$41.5m at June 30, zero debt and ongoing Iron Valley royalty earnings, BCI is in a strong position to advance the Mardie Project to a final investment decision targeted by early 2021.

The Iron Valley iron ore mine delivered strong earnings for BCI in the year ending June 30, with a record EBITDA of \$23m off the back of high iron ore prices.

“The Iron Valley royalties is valuable at the moment for BCI for doing all the studies and the initial de-risking for the project,” Mr Vorster said.

“But given the history of Iron Valley royalties is between \$10-20m a year, it is clearly not enough to fund the Mardie development.

“So while it will always be a very healthy supporting funding mechanism for the company it is not the main funding source for Mardie.”

Mr Vorster said he was still “absolutely comfortable” with the company’s decision to diversify beyond iron ore. BCI had earlier emerged from a fight for survival due to operating a high cost iron ore mine (Nullagine) at a time when the iron ore prices were declining rapidly.

“As BCI found 10 years ago with the Nullagine deposit, it looks excellent when the prices are \$100/t, but once they drop below \$50/t then the company is in trouble so we never wanted to be in that position again,” Mr Vorster said.

He said there were many important

milestones to look forward to over the next six months, such as the EPA assessment which would pave the way for final environmental approval.

“Then we also have important target milestones for the debt component of the project so we hope we can have an announcement with the banks we are negotiating with,” he said.

“That will give investors some confidence to see we have made tangible progress on the funding.

“We are also hoping to show more regional presence by opening an office in the Karratha towards the end of the year, to have people on the ground there to assist us in our regional engagement and make sure local contracting becomes a priority for us.”

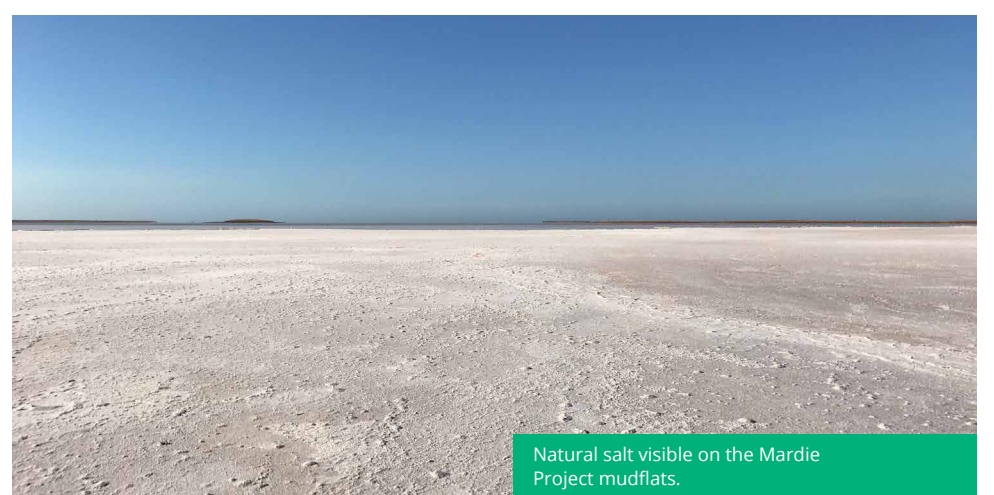
Mr Vorster said BCI had reached “a very important pivot point” after making the transition from being an exploration company three years ago.

“We are now at the cusp of developing into construction and then hopefully into being an operating company and with that will come big changes,” he said.

“We are appointing significantly more people into the company and with that transition comes a change in culture so it is a very exciting time for BCI.”

Mr Vorster said Mardie would supply the salt and potash growth markets in Asia over many decades, with the salt to be used to create tens of thousands of end products, including PVC piping for the construction industry and electric vehicles, glass, paper, paints, parts for aircrafts and more.

“Anything that you touch on an everyday basis that isn’t wood contains an element of salt,” Mr Vorster said. **AMR**



Natural salt visible on the Mardie Project mudflats.