

SEPTEMBER 2019 QUARTERLY REPORT

- **Iron Valley shipped 2.0Mt of iron ore in the quarter resulting in A\$7.7M EBITDA and A\$10.7M net cash flow to BCI (highest quarterly net cash inflow since operations commenced in 2014)**
- **Mardie Project Definitive Feasibility Study (“DFS”) approximately 75% complete and on target to be finalised during Q1 2020**
- **First raw salt crystallised and samples harvested from the 1:40,000 small-scale trial ponds**
- **Six non-binding offtake MOUs now agreed for 2.4Mtpa of salt and 10ktpa of SOP**
- **Positive funding discussions with the Northern Australia Infrastructure Facility (“NAIF”) and various commercial banks**
- **Cash balance at 30 September 2019 of A\$32.3M and zero debt (this excludes the A\$10.7M Iron Valley royalty net cash flow, which was received after the quarter end)**

BCI Minerals Limited (ASX:BCI) ("BCI" or the "Company") presents its quarterly activities report for the period ended 30 September 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 project life of 60+ years.

A Definitive Feasibility Study (“DFS”) on a 4Mtpa salt and 100ktpa SOP project is due to be completed in Q1 2020.

DFS Activities

The DFS is progressing well across all key areas, with engineering approximately 75% complete as at the end of September 2019.

Design of key salt and SOP production infrastructure (ponds, crystallisers and processing plants) has been completed or is nearing completion and the focus is shifting towards development of the DFS production ramp-up schedules, capital cost and operating cost estimates.

Following revision of the basis of design for the Mardie Port, a trade-off study has confirmed the optimal jetty length to be 3.1km from a cost and operability perspective. BCI and Worley have also been working with potential construction contractors under an early contractor involvement (“ECI”) model to complete detailed jetty and piling design and refine the construction methodology. The marine

geotechnical drilling programme was completed during the quarter and test work results are being incorporated into the design process.

Design and engineering of key support infrastructure components is progressing on schedule. Design of access roads is nearing completion and work on gas and power related infrastructure is underway.

Evaporation Trials

BCI is conducting evaporation trials at site over an area of one hectare, which comprises 21 pan evaporators plus a 1:40,000 scale version of the entire project layout (evaporation ponds, salt crystallisers and SOP crystallisers). The trial will provide site-specific evaporation data at a range of densities and simulate the full evaporation process at a reduced scale. The trial will also produce raw NaCl salt and kainite-type mixed salts (“KTMS”) for salt and SOP processing test work and marketing samples.

During the quarter, brine within the trial evaporation ponds reached sufficient concentration to be transferred into the salt crystallisers. Raw NaCl salt has now started crystallising and BCI has completed its first harvest. Periodic harvesting of raw salt be ongoing and will be subject to quality testing and simple washing to produce marketing samples.

Figure 1: Raw salt crystallising in the small-scale Evaporation Ponds



BCI is also planning to undertake a large-scale Trial Pond Programme, which will include construction of a 32-hectare trial pond (including 2.3km of pond walls), a seawater intake facility with one of the proposed six operating pumps installed, supporting infrastructure, roads and a 36-bed accommodation village.

The large-scale Trial Pond Programme has a number of objectives that will support de-risking of the project, including:

- Test construction materials for and construction methodology of the evaporation pond walls;
- Validate the low permeability of the clay soils on the pond floors over a large area;
- Validate evaporation assumptions over a larger area; and
- Validate pump rates and capabilities.

Design work has been completed, approvals are in place and construction is due to commence in the December 2019 quarter at a total expected cost of ~A\$15M.

Figure 2: 3D Image of the Large-Scale Trial Pond

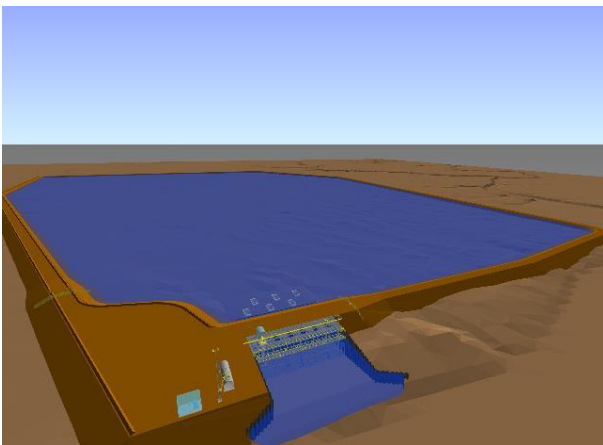
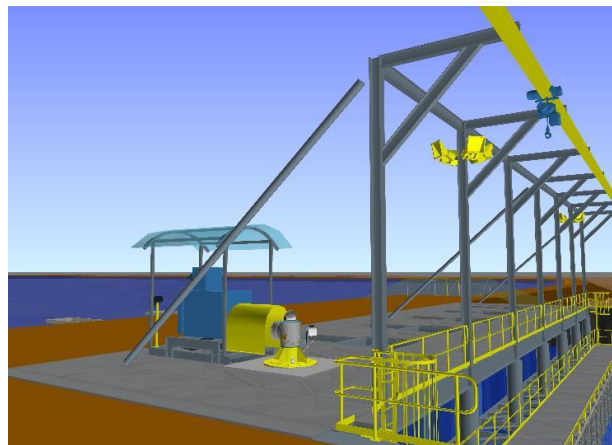


Figure 3: 3D Image of the Seawater Intake Facility



Tenure and Approvals

BCI continued to advance the tenure and approvals for the Mardie Project during the quarter.

Mining Lease applications and supporting documents for the evaporation ponds, crystallisers and production plants areas are being progressed and will be submitted later in 2019. BCI continues to work closely with the Pilbara Ports Authority (“PPA”) and other Government departments to establish tenure and agreements required for BCI to develop the Mardie Port as foundation proponent.

BCI has been revising the draft Environmental Review Document (“ERD”) for the Mardie Project that was originally submitted to the WA Environmental Protection Authority (“EPA”) in April 2019 to incorporate refinement of the project layout and feedback from the EPA and other Government departments and agencies. The ERD is now targeted to be released for public comment in Q4 2019 and EPA endorsement is targeted for Q2 2020.

Funding and Offtake

BCI is actively working on funding and offtake solutions for Mardie in parallel with the DFS and approvals workstreams, to facilitate timely development of the Project.

Securing long tenor debt is an important part of Mardie’s financing strategy and BCI is progressing discussions with the Federal Government’s Northern Australia Infrastructure Facility (“NAIF”) on this. BCI is also progressing discussions with commercial banks regarding the provision of project finance debt, to complement any NAIF debt facilities.

Securing suitable product offtake support will be an essential requirement of raising debt and equity. Additional salt MOUs were agreed with Asian end-users and traders of salt during the quarter. BCI has now agreed six MOUs which cover 2.4Mtpa (or 60%) of Mardie’s planned steady-state salt output and 10ktpa (or 10%) of the planned steady-state SOP output, over a period of three years. The MOUs define an engagement process for the parties to achieve offtake agreements in the future.

Positive discussions are ongoing with a number of other salt and SOP end-users and traders and BCI is aiming to secure additional salt MOUs by the end of 2019.

IRON VALLEY MINE

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

Iron Valley had a strong operational quarter, with MIN shipping 2.0Mt. Fines accounted for ~65% of product shipped as MIN continued to draw down the existing fines stockpile.

BCI’s EBITDA from Iron Valley for the quarter was A\$7.7M, which included a negative prior quarter adjustment of A\$0.1M. MIN achieved strong provisional pricing for Iron Valley product during the quarter, but BCI expects provisionally-priced September quarter shipments will potentially finalise at lower levels given the Platts CFR 62% Fe iron ore price has retreated from its peak of ~US\$120 per tonne and is currently trading in the mid US\$80’s per tonne range.

The net cash inflow received from Iron Valley in October 2019 reflects provisional pricing and will be A\$10.7M, with an expected negative price finalisation adjustment of ~A\$3.0M to be realised in the December 2019 quarter reducing BCI’s cash receipts in January 2020.

BCI’s September 2019 quarter EBITDA is the second highest since operations commenced in 2014 and the net cash inflow to be received in October 2019 is the highest to-date.

Figure 4: Iron Valley Quarterly Shipments (M wmt)

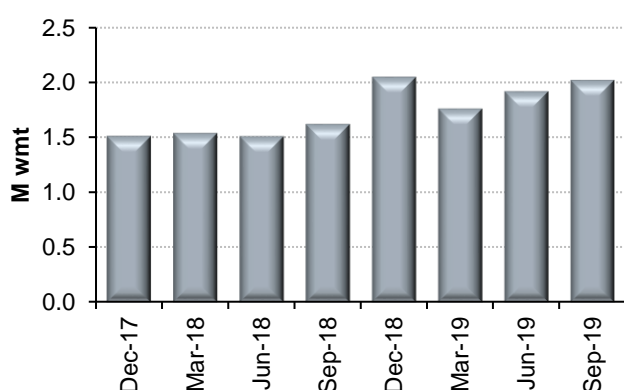
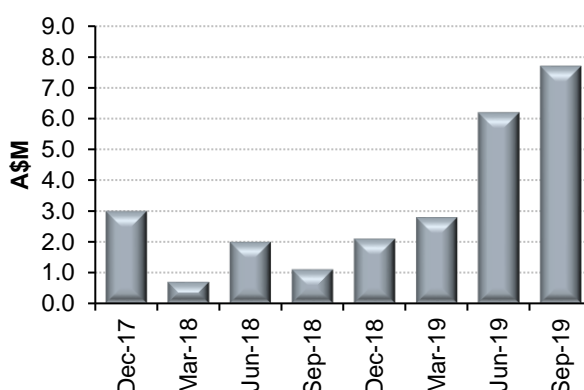


Figure 5: Iron Valley Quarterly EBITDA (A\$M)



MIN completed its annual update of Iron Valley Mineral Resources and Ore Reserves.¹ The MIN Competent Persons determined that Mineral Resources total 189.9Mt at 58.0% Fe as at 30 June 2019, with the reduction of 7.9Mt due to mining depletion. Ore Reserves total 89.0Mt at 58.3% Fe,

¹ Refer to BCI’s announcement “Updated Mineral Resources and Ore Reserves” dated 25 October 2019 for further details. BCI is not aware of any new information or data that materially affects the information included in that document.

with the reduction of 6.4Mt effectively reflecting annual mining depletion. According to the MIN Competent Person, “*all required approvals are in place for the current operation to the end of December 2019. Additional approvals will be required to continue road train haulage beyond 2019 between Iron Valley and Port Hedland, and MIN is in the process of securing these. The current timeline for that process is not anticipated to delay or impede achievement of the mine plan*”. BCI notes that if the required additional approvals process results in higher transport cost or delays in ore haulage to port, it may have a negative impact on the assumptions applied for estimating the Ore Reserves, and on the economic viability of the mine.

CORPORATE

Cash and Debt Position

BCI’s cash balance as at 30 September 2019 was A\$32.3M (30 June 2019: A\$33.7) and the Company remains debt free. With a current market capitalisation of A\$67.8M, this implies an enterprise value of only A\$35.5M, including the value of the Iron Valley royalty and the 100% owned Mardie Project.

BCI will receive a net cash injection from Iron Valley during October 2019 of A\$10.7M from the September 2019 quarter’s operations, with the current expectation that approximately A\$3.0M will be unwound in January 2020 due to provisionally-priced shipment finalising based on lower iron ore prices. This cash injection will be offset by an ongoing ramp-up in Mardie Project expenditure as the DFS draws nearer to finalisation and site works increase.

Health & Safety

No lost time injuries (“LTI”) were recorded during the quarter and BCI’s LTI-free period is now approaching 4.5 years. BCI is committed to providing a safe working environment for its staff and contractors and is continuing to enhance its safety process and systems as site activities at the Mardie Project ramp-up.

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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 Q1 2020. Key approvals are expected to be in place by Q2 2020 and a Final Investment Decision is targeted by Q2 2020.

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:	\$32.3 million	as at 30 September 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. BCI is not aware of any new information or data that materially affects the information included in that announcement.