

BCI

AUD \$0.160

Spec.

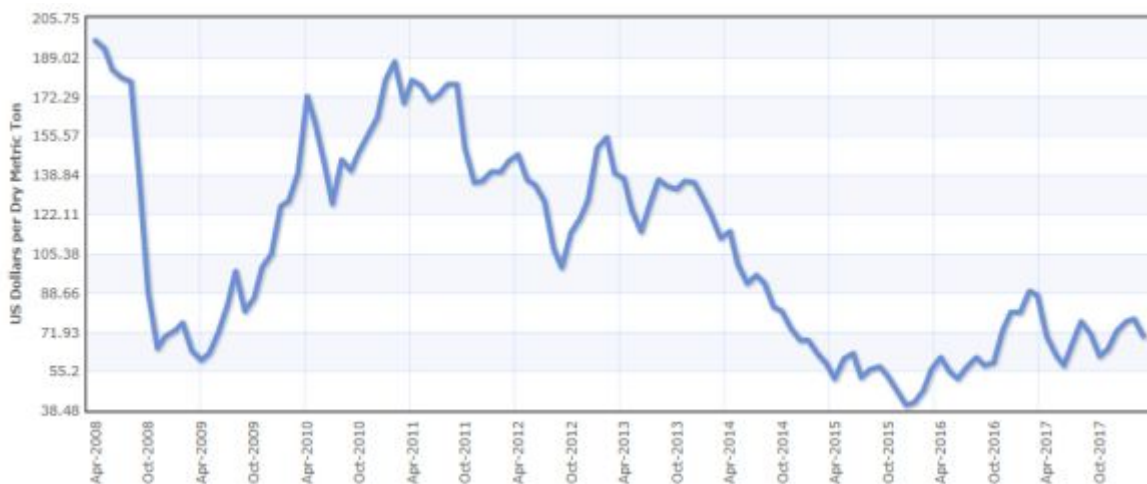
HIGH



Moving on

Exposure to BCI Minerals came via our holding in Iron Ore Holdings, following the acquisition by BCI Minerals of Iron Ore Holdings in 2012. Our interest in Iron Ore Holdings lay in the potential for the iron miners in the region to consolidate the players, given the buoyant iron ore price at the time. The BCI Minerals/Iron Ore Holdings merger looked to be the first of this scenario playing out.

The iron ore price did not remain buoyant over the period; instead it fell and heavily. The following chart shows the iron ore price:



Source: Index mundi

The heavy price fall saw the sector go into survival mode not consolidation mode. The big miners cut capital spending, costs and any thought of making acquisitions.

A flight to developing brownfield projects saved the miners capital and so this approach became the mainstay of growth for a number of years.

BCI Minerals Limited - BCI (ASX) - 1 Day CandleStick Chart - AUD



We already have exposure to the likes of BHP Billiton and Rio Tinto with each having substantial iron ore exposure. Both BHP Billiton and Rio Tinto are leading producers of iron ore in terms of quality of product, product life and especially leading in the operating costs stakes.

BCI Minerals Limited - BCI (ASX) - 1 Month CandleStick Chart - AUD



With a scenario around BCI Minerals not playing out as we expected, we have taken advantage of an improvement in the iron ore price to exit BCI Mineral. **We have changed our recommendation on BCI Minerals to a sell, with coverage of the stock to cease immediately.**

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Snapshot BCI

BCI Minerals

BC Iron has a new name effective from 6 December 2017, the company's name will be BCI Minerals Ltd. The ASX code will remain unchanged.

BCI Minerals holds a 75% interest in and operates the Nullagine iron ore mine in the Pilbara, Western Australia. The mine has a nameplate capacity of six million tonnes of iron ore per annum, all of which is exported. The mine commenced operations in October 2010 and had an initial life of mine of 8.5 years. BCI Minerals is also advancing the Bungaroo South iron ore project in the Pilbara. This project is in the advanced study stage of its development. BCI Minerals is in a 50:50 alliance with Cleveland Mining to evaluate, with an emphasis on iron ore, exploration projects in Brazil. BCI Minerals holds a 5% interest in Cleveland Mining. With the acquisition of Iron Ore Holdings in 2014, the company secured two advanced iron ore projects in the Pilbara. Iron Valley was the prized asset with a 20 year mine life and was, at the time of the acquisition, about to commence direct shipping ore shipments at an annual run rate of six million tonnes. While the Buckland project, with a mine life of 15 years is in the advanced study stage of its development.

Market Capitalisation: \$63.2m

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