# SEPTEMBER 2020 QUARTERLY ACTIVITIES REPORT

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## HIGHLIGHTS

- **POSCO Strategic Alliance due diligence activities advanced**
- **Discussions ongoing with Govt of Tanzania on Free Carry Interest agreement**
- **Chief Government Valuer's office approves Black Rock's Resettlement Action Plan (RAP)**
- **TIB Development Bank continues due diligence**
- **Black Rock meets Tanzanian Export regulations**
- **Capital raising completed for A$1.65M**

**Tanzanian graphite developer Black Rock Mining Limited** (BKT: ASX) (**Black Rock** or the **Company**) is pleased to provide an update on activities at its Mahenge Graphite Project in Tanzania for the period ending 30 September 2020.

### POSCO Strategic Alliance & Development Relationship

Background

Black Rock announced on 9th June 2020 that it had entered into a Strategic Alliance & Development Memorandum of Understanding (**MOU**) with the POSCO Group for the development of the Mahenge Graphite Project. The MOU was subject to a 90-day due diligence period, which included production and testing of SPG (Spherical Purified Graphite), and third party technical due diligence within their value chain. Subject to POSCO satisfactorily completing their due diligence, the parties would negotiate to enter into an Investment Agreement, which anticipates an initial investment of up to US$10m by way of a subscription for shares and/or convertible notes in Black Rock.

Due Diligence Progress

Due Diligence is being conducted by POSCO, supported by external subject matter experts, including SRK Consulting for technical aspects. COVID-19 related travel restrictions and logistics constraints have impacted the ability for POSCO to achieve timely site access and delayed sample logistics. As a result, Black Rock agreed with POSCO on a sensible revised timeframe for the completion of due diligence work, including POSCO Board approval which is now scheduled to be completed by 20th November 2020.

Battery Performance Testing

As part of its due diligence activities, POSCO undertook independent performance testing of Mahenge graphite. Graphite concentrate from the Mahenge graphite bulk sample (ASX Announcement 23rd April 2019) was spheronized to POSCO battery specifications. Anode for battery cell performance testing was prepared from this spheronized graphite, including coating using POSCO's proprietary Intellectual Property.

Cells were tested for initial First Cycle Efficiency and compared to reference standards. The cells tested passed acceptance standards and are now proceeding into long-term cycle tests. The POSCO test data compares well with cells prepared using uncoated Spherical Graphite (**uSPG**) from Black Rock 2017/18 USA battery program (ASX Announcement 7th February 2017).

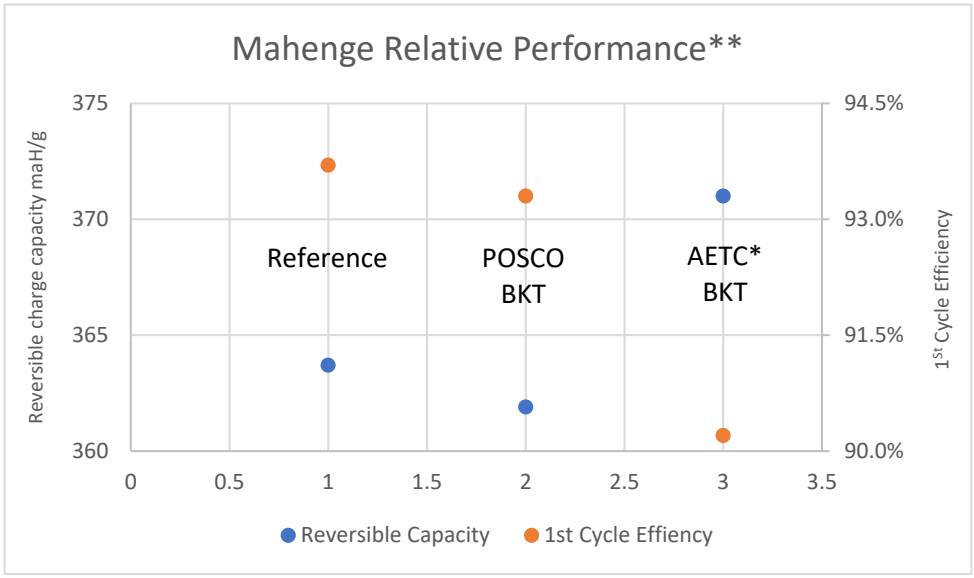



Figure 1: Results from POSCO's first cycle test using coated purified spheroidal graphite (**cSPG**) from Black Rock's Mahenge Graphite Project.

* 2017/18 USA battery program
** First cycle efficiency is the ratio of the initial charge of a new Lithium-ion Battery (**LiB**) compared to the second charge. The irreversible losses are a function of permanent electrolyte binding.
** Charge capacity is a measure of energy density of LiB.

**Govt of Tanzania Free Carry Interest agreement**

Formal negotiations commenced and a Draft Framework Agreement (**DFA**), as prepared by the Tanzanian Government, was received by Black Rock. The DFA is being reviewed and the Company continues to work constructively with the Tanzanian Government and is pleased with the progress made to date.

Development of the Mahenge Graphite Project will provide significant economic and social benefits for Tanzania driven by the creation of full-time jobs, direct contribution to the Tanzanian economy, and new opportunities for Tanzanian businesses including ports, rail and power supply.

Black Rock is, and continues to be, focused on resolving the Free Carried Interest agreement with the Tanzanian Government, which is a critical step in achieving financing conditions precedent.

**Resettlement Action Plan (RAP) approved by the Tanzanian Chief Government Valuer's office**

During the quarter, Black Rock's 100% owned Tanzanian subsidiary completed community engagement associated with RAP. At quarter end, the Company was formally advised that the RAP submission to the Office of the Chief Government Valuer has been accepted and approved.

The Company now has clear title to the project area following settlement of agreed compensation payments as approved by the Office of the Chief Government Valuer.

**TIB Development Bank continues due diligence**

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In June, the Company announced that it had received a letter from the TIB Development Bank Limited (formerly known as Tanzania Investment Bank) (**TIB**) advising that it was undertaking due diligence on Black Rock's Mahenge Graphite Project in Tanzania. The collaborative objective of TIB due diligence is to determine its position and appetite for providing and arranging a syndicated loan facility for the development of the Mahenge Graphite Project.

Black Rock has provided TIB and its banking partners access to the Mahenge Graphite Project data room as well as site access. Discussions and due diligence activities are on-going.

TIB is parastatal bank owned by the government of Tanzania. TIB is also a registered development finance institution (**DFI**) in Tanzania and has a significant track record as a Development Bank. TIB has in the past arranged and participated in numerous syndicated loan facilities for multiple national partners.

The TIB initiative forms part of Black Rock's wider project funding strategy of de-risking the finance process by matching potential financiers across the capital structure to offset unique project risks. This includes options for performance warranties through deferred capital from China Seventh Railway Group and Yantai Jinyuan, potential for cornerstone offtake with the POSCO Group and a strong and visible demonstration of local content with the inclusion of the TIB.

**Black Rock meets Tanzanian Export regulations**

The Government of Tanzania officially published regulations in September concerning graphite concentrate exports, issuing Government Notice 687 of 2020 "The Mining (Value Addition) Regulations, 2020". The updated regulation continues the policy of maintaining a minimum graphite concentration of 65% total graphitic carbon and payment of royalties as a condition of export. The 2020 regulations revoke the 2019 "The Mining (Mineral Value Addition) Guidelines of 2019".

Black Rock has demonstrated in two independent pilot plant operations that Mahenge can produce graphite concentrate at grades of up to 98% Carbon by Loss on Ignition (**LOI**). This confirms Black Rock's Definitive Feasibility Study view that Mahenge graphite concentrate is suitable for export.

**Capital raising**

During the quarter, the Company completed a fully underwritten Entitlement Issue on the basis of one (1) New Share for every sixteen (16) shares held by eligible shareholders on the record date at an issue price (**Issue Price**) of $0.042 per New Share to raise A$1.65 million (**Offer**) before costs.

The Lead Manager and Underwriter to the Offer was Lazarus Corporate Finance Pty Ltd (**Lazarus**). Subscribers to the Offer received one (1) free-attaching option (**New Option**) for every one (1) New Share subscribed for and issued, exercisable at $0.084 per Option on or before the date which is three years from the date of issue. The options are unlisted.

Post quarter end, Black Rock also completed a Placement to raise a further A$2.0 million (before costs) by issuing 40,816,327 shares at $0.049 per share (**Placement**). The Placement was completed to ensure the Company has the flexibility and the capacity to move to the next stage of Mahenge's project development.

Funds raised from the raisings are being used for progressing the POSCO Strategic Alliance & Development MOU, progressing the process on reaching an accord on the Tanzanian Government's 16% Free Carry Interest and Working Capital.

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**Capital management**

The Company had cash reserves of A$1.7M as at 30 September 2020.

**Payments to, or to an associate of, a related party of the entity during quarter**

During the quarter $48,000 was paid to related parties of the Company relating to executive director salary, non-executive director fees and company secretary fee.

**Summary of the exploration expenditure incurred during the quarter**

| | A$'000 |
|---|---|
| RAP | 118 |
| Tailings Test work | 6 |
| Site Expenses | 1 |
| Consultancy | 33 |
| SPG test work | 25 |
| **Total** | **183** |

**Tenement summary**

| License number | Opening | Additions | Disposals | Closing |
|---|---|---|---|---|
| ML 611/2019 * | 100% | - | - | 100% |
| ML 612/2019 * | 100% | - | - | 100% |
| PL 11486/2020 *~ | 100% | - | - | 100% |
| PL 10111/2014 * | 100% | - | - | 100% |
| PL 10426/2014 * | 100% | - | - | 100% |
| PL 10427/2014 * | 100% | - | - | 100% |

* Located in the Mahenge region of Tanzania. No farm-in or farm-out agreements were entered into during the quarter.
~ Licence number updated from PL 13752/2019 to PL 11486/2020. No change in area.

**This ASX release was authorised on behalf of the Black Rock Board by:**
John de Vries, Managing Director & CEO

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## About Black Rock

Black Rock Mining Limited is an Australian based company listed on the Australian Securities Exchange (ASX:BKT). The Company has a 100% interest in the Mahenge Graphite Project (**Project**) located in Tanzania. The Project has a JORC compliant Mineral Resource Estimate of 212m tonnes at 7.8% TGC. It also has Ore Reserves of 70m tonnes at 8.5% TGC. The Ore Reserves support a mine life of up to 350k tonnes of graphite per annum for a reserve life of 16 years. Since the release of the Mineral Resource Estimate, the Company confirms that it is not aware of any new information or data that materially affects the mineral resources estimate.

In October 2018, the Company released a Definitive Feasibility Study (DFS) for the Project, which was based on strong customer demand. This was enhanced in July 2019 (refer to ASX release 25 July 2019), and demonstrates exceptional financial metrics including:

- *Low Capex*: Lowest peak capital expenditure of US$116M for phase one*;
- *High Margin*: AISC margin of 63.1%;
- *Low Technical Risk*: Substantial pilot plant operations run of 110 tonnes; and
- *Superior Economics*: IRR of 44.8% with $NPV_{10}$ of US$1.16bn (A$1.65bn**)

In February 2019, the Company announced receipt of its mining licence for the DFS project.

In May 2019, the Company announced it had substantially allocated planned production with up to 255k tonnes per annum of graphite committed to sale by year three of production, through Pricing Framework Agreements (refer to ASX release 8 May 2019). The Company is progressing these agreements into binding offtake commitments.

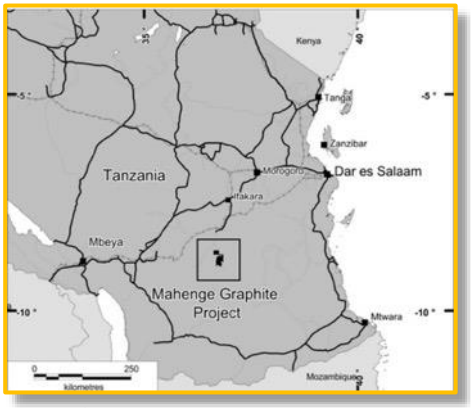
Following release of the enhanced DFS (eDFS) in July 2019, the Company confirms that it is not aware of any new data or information that materially affects the results of the eDFS and that all material assumptions and, in the case of estimates of Mineral Resources or Ore Reserves, technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed.

The estimated Ore Reserves and Mineral Resources underpinning the production target has been prepared by competent persons in accordance with the requirements in Appendix 5A (JORC Code).

The Company is currently progressing financing discussions and detailed engineering with a view to commencing construction of the mine.

**JORC Compliant Mineral Resource Estimate and Ore Reserve*****

| **Ore Reserves** | Tonnes (Mt) | Grade (% TGC) | Contained Graphite (Mt) |
|---|---|---|---|
| - Proven | 0 | 0.0 | 0.0 |
| - Probable | 69.6 | 8.5 | 6.0 |
| **Total Ore Reserves** | **69.6** | **8.5** | **6.0** |
| **Mineral Resources** | | | |
| - Measured | 25.5 | 8.6 | 2.2 |
| - Indicated | 88.1 | 7.9 | 6.9 |
| **Total M&I** | **113.6** | **8.1** | **9.1** |
| - Inferred | 98.3 | 7.6 | 7.4 |
| **Total M, I&I** | **211.9** | **7.8** | **16.6** |




*Location of Black Rock's Mahenge Graphite Project in Tanzania*

For further information on Black Rock Mining Ltd, please visit **www.blackrockmining.com.au**

* Forecast Capex has been classified as a Class 3 estimate with accuracy of ±10% as defined by AACE
** $AUD/USD 0.70
*** Resource and Ore Reserve Estimates as released to ASX on 8 August 2017 Optimised PFS

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**Directors**
Richard Crookes - Chairman
John de Vries – Managing Director & CEO
Gabriel Chiappini – Non-Executive Director/Company Secretary
Ian Murray – Non-Executive Director

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# Appendix 5B

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

| Name of entity | |
|---|---|
| Black Rock Mining Limited | |
| **ABN** | **Quarter ended ("current quarter")** |
| 59 094 551 336 | 30 September 2020 |

| Consolidated statement of cash flows | | Current quarter $A'000 | Year to date (3 months) $A'000 |
|---|---|---|---|
| **1.** | **Cash flows from operating activities** | | |
| 1.1 | Receipts from customers | - | - |
| 1.2 | Payments for | | |
| | (a) exploration & evaluation (if expensed) | - | - |
| | (b) development | - | - |
| | (c) production | - | - |
| | (d) staff costs | (68) | (68) |
| | (e) administration and corporate costs | (87) | (87) |
| 1.3 | Dividends received (see note 3) | - | - |
| 1.4 | Interest received | - | - |
| 1.5 | Interest and other costs of finance paid | - | - |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Government grants and tax incentives | - | - |
| 1.8 | Other (provide details if material): | - | - |
| | - Project financing | (60) | (60) |
| | - Marketing | (11) | (11) |
| | - Foreign subsidiary costs | (127) | (127) |
| **1.9** | **Net cash from / (used in) operating activities** | **(353)** | **(353)** |

| | | | |
|---|---|---|---|
| **2.** | **Cash flows from investing activities** | | |
| 2.1 | Payments to acquire: | | |
| | (a) Entities | - | - |
| | (b) Tenements | - | - |
| | (c) property, plant and equipment | - | - |
| | (d) exploration & evaluation (if capitalised) | (183) | (183) |
| | (e) investments | - | - |
| | (f) other non-current assets | - | - |
| 2.2 | Proceeds from the disposal of: | | |
| | (a) entities | - | - |
| | (b) tenements | - | - |
| | (c) property, plant and equipment | - | - |
| | (d) investments | - | - |
| | (e) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other (provide details if material) | - | - |
| **2.6** | **Net cash from / (used in) investing activities** | **(183)** | **(183)** |

| | | | |
|---|---|---|---|
| **3.** | **Cash flows from financing activities** | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | 1,651 | 1,651 |
| 3.2 | Proceeds from issue of convertible debt securities | - | - |
| 3.3 | Proceeds from exercise of options | - | - |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | (148) | (148) |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | - | - |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | - | - |
| **3.10** | **Net cash from / (used in) financing activities** | **1,503** | **1,503** |

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| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
|---|---|---|---|
| 4.1 | Cash and cash equivalents at beginning of period | 766 | 766 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (353) | (353) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (183) | (183) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 1,503 | 1,503 |
| 4.5 | Effect of movement in exchange rates on cash held | (9) | (9) |
| **4.6** | **Cash and cash equivalents at end of period** | **1,724** | **1,724** |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter $A'000 | Previous quarter $A'000 |
|---|---|---|---|
| 5.1 | Bank balances | 416 | 295 |
| 5.2 | Call deposits | 1,263 | 426 |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details): | | |
| | - Cash backing credit cards | 45 | 45 |
| **5.5** | **Cash and cash equivalents at end of quarter (should equal item 4.6 above)** | **1,724** | **766** |

| 6. | Payments to related parties of the entity and their associates | Current quarter $A'000 |
|---|---|---|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 48[1] |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | - |

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

[1] Payments relate to executive director salary, non-executive director fees and company secretary fee.

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| ` | Financing facilities<br>*Note: the term "facility' includes all forms of financing arrangements available to the entity.*<br>*Add notes as necessary for an understanding of the sources of finance available to the entity.* | Total facility amount at quarter end $A'000 | Amount drawn at quarter end $A'000 |
|---|---|---|---|
| 7.1 | Loan facilities | - | - |
| 7.2 | Credit standby arrangements | - | - |
| 7.3 | Other (please specify) | - | - |
| 7.4 | **Total financing facilities** | - | - |

| | | |
|---|---|---|
| 7.5 | **Unused financing facilities available at quarter end** | - |

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Not applicable

| 8. | Estimated cash available for future operating activities | $A'000 |
|---|---|---|
| 8.1 | Net cash from / (used in) operating activities (Item 1.9) | (353) |
| 8.2 | Capitalised exploration & evaluation (Item 2.1(d)) | (183) |
| 8.3 | Total relevant outgoings (Item 8.1 + Item 8.2) | (536) |
| 8.4 | Cash and cash equivalents at quarter end (Item 4.6) | 1,724 |
| 8.5 | Unused finance facilities available at quarter end (Item 7.5) | - |
| 8.6 | Placement completed October 2020 (refer ASX announcement 12 Oct 2020) | 1,867 |
| 8.7 | Total available funding (Item 8.4 + Item 8.5 + Item 8.6) | 3,591 |
| 8.8 | **Estimated quarters of funding available (Item 8.7 divided by Item 8.3)** | 6.7 |

8.9 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Not applicable

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Not applicable

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Not applicable

## 9. Tenement summary

In accordance with ASX Listing Rule 5.3.3 below is the Company's tenement holdings at quarter end.

| License number | Opening | Additions | Disposals | Closing |
|---|---|---|---|---|
| ML 611/2019 * | 100% | - | - | 100% |
| ML 612/2019 * | 100% | - | - | 100% |
| PL 11486/2020 *~ | 100% | - | - | 100% |
| PL 10111/2014 * | 100% | - | - | 100% |
| PL 10426/2014 * | 100% | - | - | 100% |
| PL 10427/2014 * | 100% | - | - | 100% |

* Located in the Mahenge region of Tanzania. No farm-in or farm-out agreements were entered into during the quarter.

~ Licence number updated from PL 13752/2019 to PL 11486/2020. No change in area.

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## Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Authorised by:

Gabriel Chiappini, Non- executive Director and Company Secretary

For and on behalf of Black Rock Mining Limited Board

28 October 2020

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.