



## Shareholder Letter From The Managing Director

Dear Shareholder,

As 2020 draws to a close, I would like to take this opportunity to sincerely thank all shareholders for your support of Black Rock Mining during the year. It has been an extremely challenging and busy year for our Company as we have worked hard to continue toward building the world-class Mahenge Graphite Mine.

It is pleasing to see the market now starting to realise the value of milestones delivered through the year, with over 70% appreciation in the Company share price since the beginning of the year. Within the context of our strategy of de-risking the Project to support the best access to debt finance, we head into the 2021 year with significant momentum.

We welcomed 2020 with the signing of an Engineering, Procurement and Construction (EPC) Framework Agreement with China Railway Seventh Group (CRSG), one of the largest construction companies globally. CRSG delivers Black Rock a large, proven EPC partner with substantial African (including Tanzanian) building experience. Importantly, the partnership includes a deferred, performance-based payment structure, which results in over 30% (~US\$24M) of the total EPC contract value being payable only after completion of final plant performance tests to requisite levels. Combined with the existing Yantai Jinyuan agreement, we have a total of US\$35 of deferred capital to support project development.

In February, Tanzanian Minister for Minerals, Honourable Doto Biteko, officially opened three village offices constructed jointly between Black Rock Mining's 100%-owned Tanzanian subsidiary, Mahenge Resources Limited, and three local village communities within the Mahenge Project area. These offices are now an important resource for the local community and are an important demonstration of our social licence.

Positive discussions continued throughout the year with the Government of the United Republic of Tanzania (Government), following receipt in April of written advice confirming commencement of formal negotiations on the structure and nature of their 16% Free Carried Interest (FCI) in Black Rock's Mahenge Graphite Project. Our whole-of-government approach has supported an engaged dialogue, with negotiations ongoing on a Draft Framework Agreement (DFA), as prepared by the Tanzanian Government. We believe that we have an alignment of mutual interests, and now with the recent Tanzanian national election and the subsequent new Cabinet being sworn in completed, we are confident that we may see a resolution on the FCI early in CY2021.

In the same quarter, the TIB Development Bank Limited (TIB) (formerly known as Tanzania Investment Bank) advised that it would undertake due diligence on the Mahenge Graphite Project. The engagement with TIB forms part of Black Rock's wider project funding strategy of de-risking the finance process by matching potential financiers across the capital structure.

In May, the Company confirmed completion of the Resettlement Action Plan (RAP) field activities, recording a staggering 98% acceptance rate. Black Rock's finalised RAP Valuation Report was subsequently accepted and approved by the Chief Government Valuer's office in September. 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. Resettlement for the Project includes areas associated with Mdindo, Kisewe, Nawenge and Makanga villages. When fully implemented over the planned four modules, the Project's enhanced Definitive



Feasibility Study (eDFS) envisages the creation of at least 970 full-time jobs for Tanzanian citizens, and an estimated US\$3.6 billion (assumes \$US1,301 FOB Dar es Salaam as per eDFS release 24 July 2019) contribution to the Tanzanian economy over the 26-year project life.

Unique to Black Rock, is our upstream and customer focused operating model. The geology of Mahenge is fortunate in that it is low in deleterious impurities and has favourable metallurgy which allows Black Rock to produce very high purity graphite concentrates (up to 99%) using simple low-cost conventional flotation. Very few of our peers can produce such high-grade concentrates, or at scale. This is why our operating model allows us to focus purely on producing the best quality graphite concentrate in the world. Black Rock does not need to prop up the concentrate business by running a downstream operation to transform its raw graphite concentrates into finished specialty anode graphite to be used by battery manufacturers.

Instead, the Company will partner with downstream battery manufacturer customers, adding value to their global and well-established supply chain. With this, Black Rock announced a strategic alliance partnership with Korean industrial group, POSCO, a US\$20bn diversified Korean steel-making company and one of the world's largest producers of anode feedstock, and a major participant in the global Lithium-Ion Battery industry.

The POSCO partnership is critical, for a number of reasons. The first, is that the deal provides real evidence of customer demand for our graphite product. Secondly, validation of our graphite product by a credible blue chip player represents strong customer validation. And lastly, qualifying Mahenge graphite concentrate to meet battery grade requirements as Lithium-Ion Battery anode pre-cursor means that we know our plant will work, as designed, in production to make saleable product from day one.

This culminated in Black Rock announcing that POSCO had agreed to take a 15% equity stake in the Company via a placement of US\$7.5m in shares, which is expected to be finalised on or before 15 January 2021. Further, the companies are currently negotiating an offtake and prepayment agreement where POSCO will acquire between 20,000 to 40,000 tonnes per annum of -195 flake graphite, indicating a prepayment facility of between US\$10-20 million. This long-form offtake & prepayment agreement is aimed to be completed by 31 March 2021.

Another feature of our agreement with POSCO is price discovery. Mahenge -195 concentrate will be priced using a reported index from Asianmetals.com, a widely reported transparent industry e-marketplace. This has positive implications for us as we can now direct financiers and investors to an independent and transparent pricing source.

In developing Mahenge, we have built relationships and processes that will support a debt package. Three key elements of this package are; the ability to defer capital payments through our EPCM syndicate, soft capital through customer prepayment from POSCO, and strong in-country relationships to support inbound debt through our relationship with TIB. We are confident that through this front end loading of our finance process, we will be successful in developing a best-in-class outcome to support development of the Project.

I said 12 months ago that we were here to build a long-life, world-class graphite mine. Now, after a difficult and challenging year, we are significantly closer to realising that ambition. Black Rock represents a Tier 1 graphite resource. We've completed the test work, at commercial scale, that demonstrates the quality of our concentrate. We've shown that our proposed plant can produce a higher-purity, high-margin graphite concentrate. And now, we have a major global customer, in POSCO, that has backed that up.



The Company continues to believe that Mahenge represents the best undeveloped Graphite project globally, and in 2021, we expect to be in construction.

In summary, Black Rock Mining is in exceptional shape. I look forward to the next few months that will setup a transformational year for the Company in 2021, and I thank you again, the owners of our business, for your continued support.

Yours faithfully,

**John de Vries**

CEO and Managing Director  
Black Rock Mining

**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<sub>10</sub> of US\$1.16bn (A\$1.65bn<sup>\*\*</sup>)

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
<b>Total Ore Reserves</b>	<b>69.6</b>	<b>8.5</b>	<b>6.0</b>
Mineral Resources			
- Measured	25.5	8.6	2.2
- Indicated	88.1	7.9	6.9
<b>Total M&amp;I</b>	<b>113.6</b>	<b>8.1</b>	<b>9.1</b>
- Inferred	98.3	7.6	7.4
<b>Total M, I&amp;I</b>	<b>211.9</b>	<b>7.8</b>	<b>16.6</b>



Location of Black Rock's Mahenge Graphite Project in Tanzania

For further information on Black Rock Mining Ltd, please visit [www.blackrockmining.com.au](http://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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