

## MARCH 2020 QUARTERLY ACTIVITIES REPORT

### HIGHLIGHTS

- **Ongoing and active engagement with Tanzanian Government**
- **EPC Framework Agreement signed with China Railway Seventh Group**
- **Tanzanian Minister for Minerals, Honourable Doto Biteko, opens three village offices constructed by Black Rock Mining**
- **Resettlement Action Plan (RAP) advancing**
- **Corporate Social Responsibility activities**
- **COVID-19 management**
- **Cash Preservation Actions**

Tanzanian graphite developer Black Rock Mining Limited (ASX: BKT) ("**Black Rock**" or the "**Company**") is pleased to provide its March 2020 Quarterly Activities Report.

### Ongoing and active engagement with Tanzanian Government

Discussions are continuing with the Tanzanian Government with the Company working constructively to complete the Government's shareholding and ownership structure of its 16% free-carried interest in the Mahenge Graphite Project.

Completion of the Tanzanian Government ownership structure, in particular its 16% free-carried interest in the Mahenge Graphite Project, remains a critical step in achieving financing conditions precedent.

### EPC Framework Agreement signed with China Railway Seventh Group

In January 2020, the Company announced that it had entered into a non-binding Cooperation Framework Agreement (CFA) with a Chinese state-owned enterprise (SOE), China Railway Seventh Group Co. Ltd (CRSG), a wholly owned subsidiary of China Railway Group Limited.

CRSG will act as head Engineering Procurement and Construction (EPC) contractor for module one of the Mahenge process plant and non-process infrastructure (NPI), with existing partner Yantai Jinyuan (Yantai) to design and supply plant machinery and specific elements of NPI.

Execution of the CFA is expected to deliver Black Rock the following key benefits:

1. **Greater overall certainty.** Alignment with CRSG delivers a project execution partner of global scale, financial strength and proven African operating experience. The CFA allows for the combination of CRSG's major project construction experience with Yantai's specific processing technical expertise.
2. **Lower build execution risk.** The pricing process in the CFA, combined with the performance-based deferred payment terms, seeks to deliver maximum alignment between Black Rock and CRSG/Yantai. This is targeted to translate into a lower overall build execution risk relative to many other similar EPC contract arrangements.
3. **Reduced upfront capital.** The deferred payment terms substantially reduce the upfront capital requirements for development of the Mahenge Graphite Project. This directly enhances both forecast project economics/returns and improved access to finance.
4. **Enhanced access to finance.** The structure and terms of the CFA are designed to deliver a final EPC contract of great robustness, transparency and suitability for project financiers. The

alignment of the Mahenge EPC partners, and their willingness to assist with project financing, combined with the domicile of Black Rock's existing offtake partners, offers the clear potential for enhanced access to Chinese sources of project finance.

5. **Tanzanian Local Content Compliance.** CSRG's long run experience in Tanzania provides a pool of experienced Tanzanian skills available for the project. The CFA anticipates a contract structure that maximises local content and is fully compliant with local content regulations.
6. **Pool of Skilled Tanzanian Based Construction Expertise** – CSRG's access to a pool of skilled Tanzanian construction experience minimises the requirement for expatriate labour. Extensive travel restrictions are likely to reduce the pool of expatriate construction experience for some time, having access to local skills will reduce potential delays and cost overruns as a result of travel bans.

### **Tanzanian Minister for Minerals, Honourable Doto Biteko, opens three village offices constructed by Black Rock**

On Saturday 1 February 2020, Tanzanian Minister for Minerals, Honourable. Doto Biteko, officially opened three village offices constructed jointly between Black Rock's 100%-owned Tanzanian subsidiary, Mahenge Resources Limited, at three local village communities within the Mahenge Project area groups.

Construction of these village offices form a key pillar in Black Rock's current Corporate Social Responsibility (CSR) activities with local communities in the Mahenge region. Black Rock's CSR strategy is to maintain a whole of community engagement with positive and lasting skills and economic legacy. Collaborating with our host communities to work together for the collective good provides a strong message around Company intent and behaviour once operations commence.



*Figure 1 – Honourable Doto Biteko (Minister for Minerals), John de Vries (Black Rock Managing Director and CEO), Raymond Hekima (Black Rock Vice President – Corporate), along with community leaders at the village offices official opening ceremony*

## Resettlement Action Plan advancing

Resettlement Action Plan (RAP) has continued through the quarter. The process involves attributing land ownership and custodianship with owners and traditional users of land impacted by the project. Improvements such as houses and crops are surveyed with valuation ascribed and spatial reference recorded and assigned to individual ownership. Individual claims are reconciled into a valuation report to be submitted to the relevant government department. Tanzania has a robust process whereby standardised rates of compensation are gazetted by the relevant government agencies. Government agencies are embedded into the survey team to ensure the process is conducted transparently and in accordance with national laws and regulations.

Progress has been impacted by the wet season and at quarter end 90% of both mining leases had been surveyed.



*Figure 2 - RAP field activities – Project affected persons (PAPs) and properties are surveyed and recorded. Head of family households are interviewed for their livelihood restoration. Photographic records are used to reconcile claimants to their land holdings*

## Corporate Social Responsibility activities

Mahenge Resources Limited continues to focus on building its relationships with surrounding communities in order to establish a long-term business for the benefit of all local stakeholders.

Activities undertaken during the quarter, outside of the opening of the village offices referred to above, included:

- **Stakeholder engagement** - Regular village meetings are held to encourage direct engagement between local communities and the Company
- **Local Government** – The Company maintains a strong, effective and open dialogue with local government with respect to project progress and permitting

## COVID-19 Response and Management

The impact thus far of COVID-19 on Black Rock's normal operations has been limited to capital markets and the ability of Company executives to travel to Tanzania and Asia. The Company notes that Tanzania has not adopted a lock down strategy although it has limited some public gatherings and is actively monitoring the spread of COVID-19. The Company will continue to actively monitor developments in Tanzania.

## Cash Preservation Actions

Black Rock has continued to review and monitor operating expenditure during the quarter. The Company is prioritising expenditure on activities supporting project financing and government engagement.

In November 2019, as part of a prudent cash management strategy, all Board, Executive and contractor remuneration was cut by 50%. In response to capital market developments in the wake of COVID-19, all Board, Executive and contractors remuneration was further reduced to 25% of nominal rates, effective from 1<sup>st</sup> April 2020. In addition, corporate service agreements and mandates considered non-essential to planned activities over the next quarter have been terminated or placed in abeyance. Non-business critical activities have also been suspended.

The Company has cash reserves of A\$1.2M as at 31 March 2020.

**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 Mining

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 (the "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 Resource Estimate.

In October 2018, the Company released a Definitive Feasibility Study (DFS) for the Project, which was based on strong customer demand. This DFS was enhanced in 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\*\*)

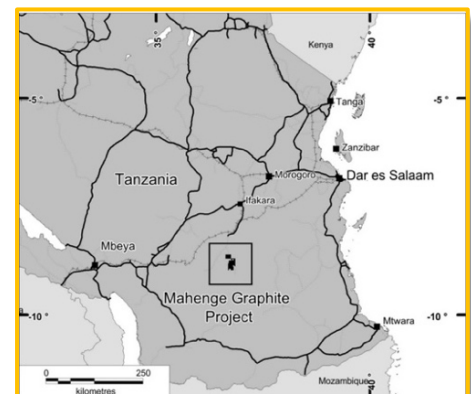
Following release of the Enhanced DFS in July 2019, the Company confirms that it is not aware of any new data or information that materially affects the results of the Enhanced DFS and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements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

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. The company is progressing these agreements into binding offtake commitments.

The Company is currently advancing 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	70	8.5	6.0
<b>Total Ore Reserves</b>	<b>70</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

\*\* SAUD/USD 0.70

## Appendix 5B

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

#### Name of entity

Black Rock Mining Limited

#### ABN

59 094 551 336

#### Quarter ended ("current quarter")

31 March 2020

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(127)	(581)
	(e) administration and corporate costs	(176)	(514)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	1
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	(158)	(355)
	- Product market studies	-	(23)
	- Marketing	(38)	(290)
	- Foreign subsidiary costs	(88)	(437)
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(587)</b>	<b>(2,199)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	(4)

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
(d) exploration & evaluation (if capitalised)	(463)	(1,375)
(e) investments	-	-
(f) other non-current assets	-	-
<b>2.2 Proceeds from the disposal of:</b>		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>	-	-
<b>2.4 Dividends received (see note 3)</b>	-	-
<b>2.5 Other (provide details if material)</b>	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(463)</b>	<b>(1,379)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	3,000
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	-	(135)
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)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>2,865</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	2,244	1,907
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(587)	(2,199)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(463)	(1,379)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	2,865
4.5	Effect of movement in exchange rates on cash held	23	23
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,217</b>	<b>1,217</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	241	718
5.2	Call deposits	931	1,481
5.3	Bank overdrafts	-	-
5.4	Other (provide details): - Cash backing credit cards	45	45
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,217</b>	<b>2,244</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	79 <sup>1</sup>
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

<sup>1</sup> Payments relate to executive director salary, non-executive director fees and company secretary fee.



7. <b>Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		-
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. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(587)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(463)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	1,050
8.4 Cash and cash equivalents at quarter end (Item 4.6)	1,217
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	1,217
8.7 <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	1.1

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

- 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: The company has implemented a reduced cost base, involving a decrease in the salaries of its executives, directors and key contractors. Refer ASX announcement on 27 March 2020. The company has implemented a cash-cost reduction of 75% to base salaries and director fees, together with key contractors. As part of this cost reduction plan, all non-core activities have been either deferred, reduced or cancelled.

- 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: In addition to the answer above, the company is continuing to refine, review and assess costs to determine what costs can be deferred and/or removed from operations. If required, the company will review its requirement to raise additional funds to supplement its working capital.

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: Yes, the Company has 3 core priorities that it will focus on: 1. finalise Resettlement Action Plan<sup>(i)</sup>, 2. agreement on Tanzanian 16% free carry interest accord and 3. the advancement of the Company's strategic alliance with partners. All other non-core commitments and activities have been deferred or cancelled.

(i) survey and field work 95%+ completed as at date of this report

## 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 the: Audit & Risk Committee

30 April 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.