

EPC FRAMEWORK AGREEMENT WITH CHINA RAILWAY SEVENTH GROUP

HIGHLIGHTS

- **Black Rock has entered into a non-binding Cooperation Framework Agreement (CFA) with state-owned enterprise (SOE), China Railway Seventh Group Co. Ltd (CRSG), a wholly owned subsidiary of China Railway Group Limited**
- **China Railway Group is one of the largest construction companies globally**
- **CRSG to act as head Engineering Procurement and Construction (EPC) contractor for module one 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**
- **Approximately 30% or \$US24M in upfront EPC capital costs deferred through combination of CSRG and Yantai**
- **Key terms of the CFA include:**
 - **Typical performance warranties structured with suitable risk allocation, guarantees and contract security package;**
 - **Deferred, performance-based contract payment terms;**
 - **Contract price to be developed in a staged approach with guaranteed maximum price followed by final EPC contract price (targeted as fixed price lump sum basis); and**
 - **CRSG and Yantai to provide assistance in relation to Mahenge project financing**
- **Delivers Black Rock a large, proven EPC partner with substantial African (including Tanzanian) build experience, greater certainty with respect to major capital item pricing and execution risk, and a significant reduction in upfront capital requirements**

Tanzanian graphite project developer Black Rock Mining Limited (BKT: ASX) (**Black Rock** or the **Company**) is pleased to advise of the execution of a non-binding Cooperation Framework Agreement with major Chinese infrastructure contractor, China Railway Seventh Group Co. Ltd.

CRSG is part of a large contractor group with significant operations and experience in Africa. CRSG's parent company (China Railway Group) is a State-Owned Enterprise (**SOE**) and amongst the largest construction businesses globally.

The CFA outlines the key terms under which Black Rock and CSRG plan to progress to execution of a binding Engineering, Procurement and Construction (**EPC**) contract for Module One process plant and Non-Process Infrastructure of Black Rock's Mahenge Graphite Project in Tanzania.

The CFA provides for a coordinated EPC approach between CSRG and Yantai, Black Rock's existing strategic build partner. It also provides for the development of a conventional EPC arrangement containing customary performance warranties and typical risk allocation structures (guarantees, bonding) required by project financiers.

Key agreed terms include a staged approach to the development of a final EPC contract price and a deferred, performance-based payment structure. This deferred payment structure results in over 30% of the total EPC contract value being payable only after completion of final plant performance tests to requisite levels. On an indicative basis, these deferred payment terms would result in approximately US\$24M of the US\$116M¹ module one development capital estimate in the Mahenge Enhanced DFS (July 2019)² being deferred and payable only after effective plant completion (and over a trailing 12-month period from that point).

¹ Refer ASX 24th July 2019 Mahenge DFS Enhanced with Addition of Fourth Module – Forecast capex has been estimated as a Class 3 estimate with accuracy of $\pm 10\%$ as defined by AACE

² 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.

Commenting on the CFA, Black Rock Managing Director and CEO, John de Vries, said:

"This framework agreement is a big step forward for Black Rock and our Mahenge Graphite Project. To have Black Rock aligned with a project execution partner as large, established, Africa-proven and financially robust as China Railway Seventh is materially significant. Our discussions have been highly collaborative to this point, as reflected directly in the specific framework agreement terms.

In short, the agreement delivers us greater certainty on our project execution. It has been deliberately structured to deliver a final EPC contract that maximises both partner alignment and appeal to potential project financiers. This includes with respect to the deferred, performance-based payment terms that would significantly reduce our upfront capital requirement and overall build execution risk. CRSG and Yantai have also agreed to provide assistance in relation to Mahenge project financing, including any related financing based on Chinese content.

We now look forward to advancing rapidly with CRSG and Yantai towards a final EPC contract for development of the world-class Mahenge Graphite Project."

China Railway Seventh Group overview

CRSG is part of a large contractor group of companies with significant operations and experience in Africa. CRSG's parent company (China Railway Group Limited) is a Chinese State Owned Enterprise, and is amongst the largest construction businesses globally. China Railway Group Limited is listed in both Shanghai (601390) and Hong Kong (390).

CRSG has previously undertaken major construction and civil project works in approximately 20 countries across East Africa, West Africa and the Middle East. CRSG has been active in Tanzania for the last 15 years and brings to the Mahenge Graphite project, considerable experience and on ground execution knowledge not available from non-Tanzanian based entities.

Key benefits for Black Rock and the Mahenge Graphite Project

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 also 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 is a direct potential enhancement to both forecast project economics/returns and financeability.
- 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 arrangement, 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.** CRSG'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.

Next steps

While non-binding in nature, the CFA provides a structure and timetable to rapidly move towards an agreed EPC contract price and binding executed agreement. Black Rock and CRSG/Yantai are now targeting the execution of a binding term sheet by 31 March 2020.

Key terms of the Cooperation Framework Agreement

Key terms are summarised below:

Collaboration	<p>CRSG nominated as preferred EPC contractor for the Project. Discussions to progress with respect to CRSG supporting Black Rock in developing the Project by undertaking the following activities:</p> <ol style="list-style-type: none"> a) Prepare, agree and execute an EPC term sheet. b) Undertake an Early Contractor Involvement (ECI) phase which shall include undertaking Front End Engineering Design (FEED) and agreeing the terms of an EPC contract for the Project. c) Detailed design in accordance with the terms of an EPC contract once the ECI phase has been completed. d) Preparation of a contract price for the EPC contract in accordance with the outlined pricing process.
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Scope	The scope of the proposed EPC contract is for the Module One process plant (85ktpa graphite concentrate) and NPI (including plant site bulk earthworks, dams, access roads, accommodation village, administration buildings and workshops, water, power distribution, communications, and product transport logistics) of the Project.
Financeability	The EPC arrangement is required to provide a contracting structure, risk allocation, performance guarantees and contract security package (ie payment terms and bonding, liability for delay and performance liquidated damages regime) that are acceptable to Black Rock's preferred prospective financier(s).
Yantai	Yantai to be Black Rock's nominated subcontractor for the supply of the processing plant technology and equipment supplier to CRSG. The Yantai sub-contract to be developed on an open book basis as between CRSG and Black Rock.
Pricing process	EPC contract price to be developed in a staged approach where each stage has a higher level of certainty as the project scope and design is developed and finalised. All stages of EPC contract price development to be on an open book basis. Proposed stages are: <ul style="list-style-type: none"> a) Guaranteed Maximum Price (GMP): During the ECI phase, CRSG to prepare a GMP for the full EPC contract scope including the process plant design and supply. The GMP is to include fixed price and re-measurable components and be subject to a rise and fall mechanism to be agreed for the key material components and to be applied at the execution of the EPC contract. b) EPC contract price: CRSG will provide a contract price at the completion of the detailed design phase based on the final design quantities on a fixed price lump sum basis.
Payment terms	EPC contract payment terms to CRSG to be as follows: <ul style="list-style-type: none"> a) Yantai scope: 30% within 30 days of a direction from Black Rock to commence fabrication, 40% of the value of each shipment of parts and equipment on the provision of a bill of lading for that shipment, and 30% over the 12-month period following satisfactory completion of required performance tests. b) Non-Yantai scope: 20% on commencement of on-site works, 80% of the residual subject to monthly progress payments of which 40% will be deferred over the 12-month period following satisfactory completion of required performance tests.
Performance warranties	CRSG to provide a customary plant performance warranty to Black Rock. Yantai to provide a plant performance warranty to CRSG which is back-to-back with the performance warranty that CRSG provides to Black Rock, and to also provide that warranty directly to Black Rock. The EPC contract to include quality assurance requirements, including inspection rights, and detailed testing, commissioning, completion and handover processes. Yantai to provide commissioning and performance testing services to CRSG.
Local content	CRSG to ensure compliance with Tanzanian local content rules including with respect to the activities of Yantai.

Financing assistance	CRSG and Yantai to provide assistance to Black Rock in relation to any financing in respect of the Project, including any related financing based on Chinese content.
Contract mining	CRSG to be invited to participate in the contract mining tender process for the Project.
Timetable	Target dates for completion of key commercial outcomes are: <ul style="list-style-type: none"> a) Execute EPC term sheet: 31 March 2020 b) Guaranteed Maximum Price and agreement of EPC contract terms ready for execution: 12 weeks from approval to commence ECI

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 NPV₁₀ of US\$1.16bn (A\$1.65bn**).

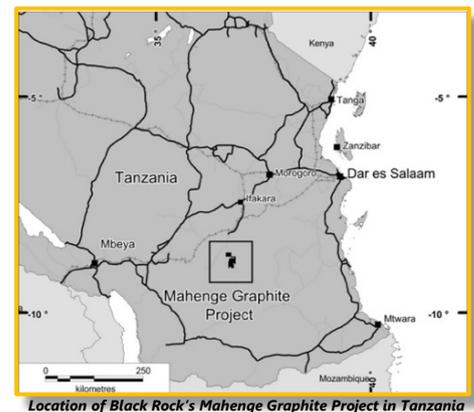
Following release of the Enhanced DFS in July 2019, the Company confirms that it is not aware of any new data or information that materially affects the results of the Enhanced DFS and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements 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 currently progressing financing discussions and detailed engineering with a view to commencing construction of the Project.

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
Total Ore Reserves	70	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



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