

BLACK ROCK MINING LIMITED (BKT)

WAKE UP CALL: GRAPHITE PRICES COULD GO PARABOLIC

Analyst

Carlos Crowley Vazquez

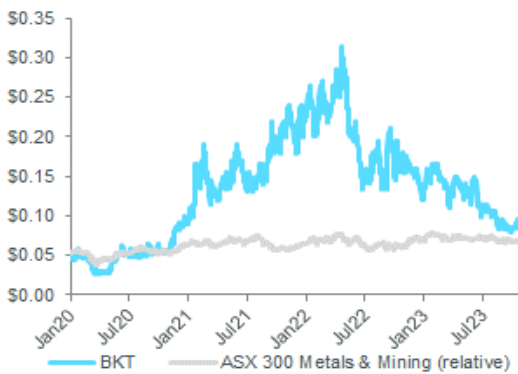
Date

23 October 2023

BUY

SHARE PRICE	TARGET PRICE	IMPLIED RETURN
\$0.10	\$0.67	598%

SHARE PRICE CHART – LAST 2 YEARS



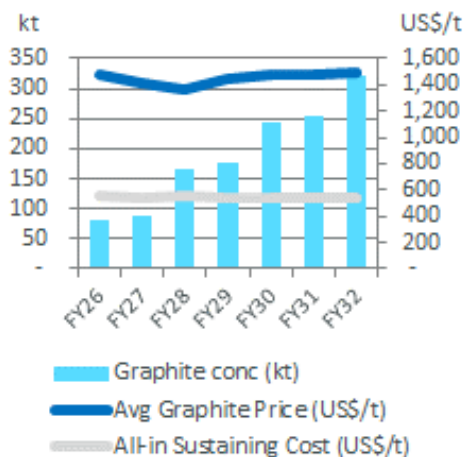
COMPANY DATA & RATIOS

Share Price (\$ per share)	0.10
Risk Adjusted NAV (\$ per share)	0.67
Implied Return (%)	598
Enterprise Value (\$m)	99
Diluted MCap (\$m)	111
Diluted Shares (m)	1,156
Avg Daily Value (\$m)	0.31
Free Float (%)	88%
GICS	Materials
Commodity	Graphite

MAJOR SHAREHOLDERS

POSCO	12%
Copulos Group	11%
Board & Management	6%

PRODUCTION AND COST PROFILE



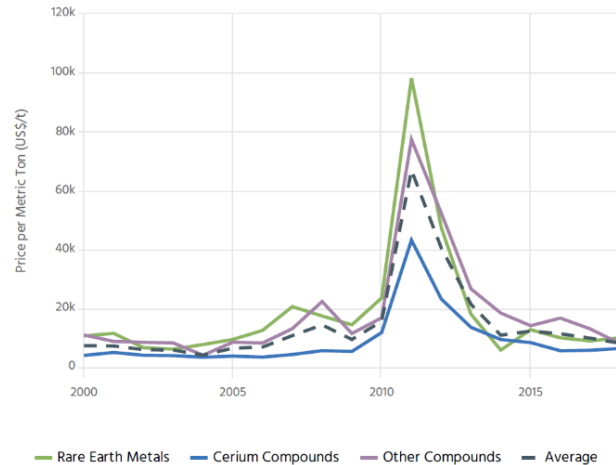
CHINA ANNOUNCES GRAPHITE EXPORT RESTRICTIONS

China's Ministry of Commerce and the General Administration of Customs announced last Friday that from 1 December 2023 exports of three types of graphite would not be allowed without permits, to protect its "security and interests." These include synthetic graphite as well as natural flake graphite and products including spherical and expanded graphite.

GRAPHITE PRICES: LITHIUM 2.0 PLUS RARE EARTHS 2.0?

A key concept in economics is the equilibrium price: where supply and demand curves intersect. Price changes are driven by supply/demand changes and the magnitude is driven by supply/demand elasticities... For lithium, prices increased 10x between October 2020 and October 2022 driven by material demand growth (Li Batteries) and slow supply response... but what happens when supply of critical minerals is materially restricted? We believe that rare earths provide the best precedent for critical minerals where China has flexed export restrictions. China controls close to 85% of the world's rare earths processing capacity (in 2010 the figure was nearly 100%). For graphite, China processes 98% of natural graphite and 83% of anodes! In 2010, China imposed export restrictions of nearly 40% to Rare Earths. Average prices increased by +550% (from under \$10k/t in 2009 to over \$65k/t in 2011)...

Average Price of Global Rare Earth Imports



Source: CSIS China Power Project, UN Comtrade Database

NOT MANY CHANNELS TO MARKET EXCLUDE CHINA

The outlook over the medium and long-term for supply/demand of natural graphite is robust (strong EV penetration growth, long timeframes to qualify graphite through LiB supply chains and mine funding complexities). In respect of the short-term outlook, it has now turned on a dime... We expect strong short-term build-up of ex-China stockpiles until December and then a race to build ex-China graphite processing capacity. However, without an alliance with established expertise operating mid-stream facilities, the default position still relies on China. We believe BKT is uniquely positioned to succeed due to POSCO's technical and financial capabilities...

RETAIN BUY, TP \$0.67

We retain our Buy recommendation and price target of \$0.67.

FINANCIAL MODEL SUMMARY



Black Rock Mining Limited

Code: BKT

Stock Details				Enterprise Value	\$99m
Recommendation:	BUY			Diluted MCap	\$111m
Target Price	\$0.67	Share Price	\$0.10	Diluted Shares	1156m
NAV	\$0.67	52 Week High	\$0.20	Free Float	88%
Implied Return	598%	52 Week Low	\$0.08	Avg Daily Value	\$0.23m

Macro Assumptions	FY22	FY23E	FY24E	FY25E	FY26E
Graphite Price, net (US\$/t conc)	1,203	1,138	1,266	1,452	1,472
Exchange Rate (A\$/US\$)	0.74	0.65	0.67	0.70	0.72

Profit & Loss (A\$m)	FY22	FY23E	FY24E	FY25E	FY26E
Revenue	-	-	-	-	168
Operating Costs	-	-	-	-	(61)
Operating Profit	-	-	-	-	107
Corporate & Other	(5)	(13)	(5)	(5)	(5)
Exploration Expense	-	-	-	(1)	(2)
EBITDA	(5)	(13)	(5)	(6)	100
D&A	(0)	(0)	-	(8)	(15)
EBIT	(5)	(13)	(5)	(14)	86
Net Interest Expense	-	-	-	-	(6)
Pre-Tax Profit	(5)	(13)	(5)	(14)	80
Tax Expense	-	-	-	-	(24)
Minorities	-	-	-	-	-
Underlying Profit	(5)	(13)	(5)	(14)	56
Significant Items (post-tax)	-	-	-	-	-
Reported Profit	(5)	(13)	(5)	(14)	56

Cash Flow (A\$m)	FY22	FY23E	FY24E	FY25E	FY26E
Operating Cashflow	(4)	(13)	(5)	(5)	102
Tax	-	-	-	-	(24)
Net Interest	-	-	-	-	(6)
Net Operating Cash Flow	(4)	(13)	(5)	(5)	72
Exploration	(11)	-	-	(2)	(2)
Capex	(0)	(12)	(115)	(163)	(154)
Acquisitions / Disposals	-	-	-	-	-
Other	-	-	-	-	-
Net Investing Cash Flow	(11)	(12)	(115)	(164)	(156)
Equity Issue	28	10	150	8	-
Borrowing / Repayments	-	-	148	148	49
Dividends	-	-	-	-	-
Other	-	-	-	-	-
Net Financing Cash Flow	28	10	297	155	49
Change in Cash Position	13	(15)	178	(14)	(34)
FX Adjustments	3	-	-	-	-
Cash Balance	27	12	190	176	141

Balance Sheet (A\$m)	FY22	FY23E	FY24E	FY25E	FY26E
Cash	27	12	190	176	141
Other Current Assets	1	1	1	1	1
PP&E	0	12	119	267	405
Exploration & Development	30	30	30	31	31
Other Non Current Assets	-	-	-	-	-
Total Assets	58	55	340	475	579
Debt	-	-	148	296	345
Other Liabilities	2	2	2	2	2
Net Assets	56	53	190	176	231

Ratio Analysis		FY22	FY23E	FY24E	FY25E	FY26E
Diluted Shares	m	977	1,156	2,881	2,916	2,916
EPS - Diluted	Ac	(1.1)	(0.6)	(0.3)	0.8	1.6
P/E	x	n.m.	n.m.	n.m.	12.3x	5.9x
CFPS - Diluted	Ac	(0.4)	(0.9)	(0.2)	(0.2)	2.5
P/CF	x	n.m.	n.m.	n.m.	n.m.	3.9x
FCF - Diluted	Ac	(0.4)	(2.2)	(4.1)	(5.8)	(2.6)
P/FCF	x	n.m.	n.m.	n.m.	n.m.	n.m.

Dividends	Ac	-	-	-	-	-
Dividend yield	%	-	-	-	-	-
Payout Ratio	%	-	-	-	-	-
Franking	%	-	-	-	-	-
Enterprise Value	A\$m	84	99	235	400	484
EV/EBITDA	x	(15.9x)	(7.8x)	(47.0x)	(64.2x)	4.8x
ROE	%	(10%)	(24%)	(3%)	(8%)	24%
ROA	%	(9%)	(23%)	(1%)	(3%)	10%
Debt	A\$m	-	-	148	296	345
Gearing (D/(D+E))	%	-	-	44%	63%	60%
Gearing (D/E)	%	-	-	78%	168%	149%

Reserves & Resources			
Resource	Tonnes mt	Grade % TGC	Contained kt
Measured	31.8	8.6	2.7
Indicated	84.6	7.8	6.6
Inferred	96.7	7.4	7.2
Total	213.1	7.8	16.6
Reserve	mt	% TGC	kt
Probable	70.5	8.5	6.0
Total	70.5	8.5	6.0

Earnings Sensitivity		FY25E	FY26E	FY25E	FY26E
Graphite Price	US\$/t conc +10%	A\$m 8	A\$m 12	% 22%	% 22%
FX Translation	A\$/US\$ -10%	5	7	12%	13%

Valuation	Discount	Stake	A\$m	A\$/sh
Mahenge (unrisked)	-	84%	1,348	1.17
Mahenge (risk-adjusted)	40%	84%	809	0.70
Exploration / Other projects	-	-	-	-
Corporate & Other	-	-	(44)	(0.04)
Debt	-	-	-	-
Cash	-	-	12	0.01
Cash from option strikes	-	-	-	-
Risk adjusted NAV	-	-	776	0.67

Source: Blue Ocean Equities

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Blue Ocean Equities Pty Limited acted as Joint Lead Manager for the BKT Placement in June 2023.

The Analyst of this report owns shares in Black Rock Mining Limited.

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