

BLACK ROCK MINING LIMITED (BKT)

POSCO FUNDING DE-RISKS MAHENGE'S DEVELOPMENT RAISE

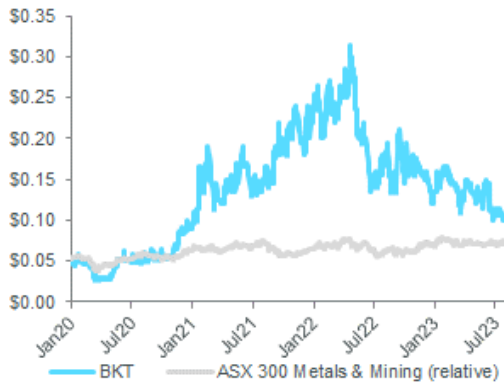
Analyst
Date

Carlos Crowley Vazquez
4 September 2023

BUY

SHARE PRICE	TARGET PRICE	IMPLIED RETURN
\$0.09	\$0.67	628%

SHARE PRICE CHART – LAST 3 YEARS



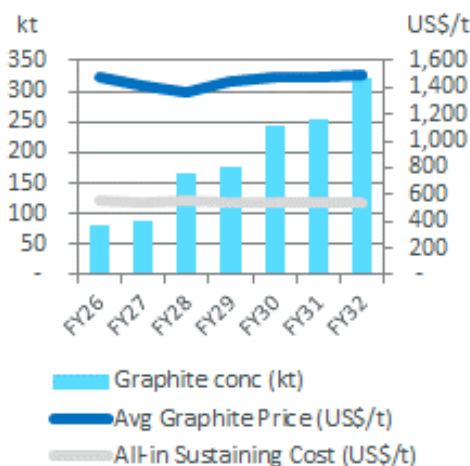
COMPANY DATA & RATIOS

Share Price (\$ per share)	0.09
Risk Adjusted NAV (\$ per share)	0.67
Implied Return (%)	628%
Enterprise Value (\$m)	95.0
Diluted MCap (\$m)	106.0
Diluted Shares (m)	1,156
Avg Daily Value (\$m)	0.342
Free Float (%)	88%
GICS	Materials
Commodity	Graphite

MAJOR SHAREHOLDERS

POSCO	12%
Copulos Group	11%
Board & Management	3%

PRODUCTION AND COST PROFILE



POSCO TO INVEST ~US\$40M TO DEVELOP MAHENGE

POSCO International Corporation (POSCO) has entered into a MOU with Black Rock Mining to:

- Secure long term fines offtake for Mahenge's Module 2
- Provide additional equity investment in BKT of up to US\$40M, or a stake of 19.99% in BKT (whichever is lower) and
- Explore additional opportunities to develop IRA compliant anode supply chain

We expect a binding agreement to be reached next quarter (Dec 2023 quarter) and these funds to support the construction of Mahenge Module 1.

POSCO's commitment to increase its holding in Black Rock to 19.99% illustrates the strategic nature of Mahenge for POSCO's anode strategy as it would double the existing fines offtake, following expansion from Module 2 production, and materially de-risks the development raising for Module 1:

- US\$40 million represents circa 20% of Mahenge's ~US\$215 million Capex (including power line to project site).
- we expect a positive outcome from Black Rock's senior debt process this quarter (~50% of capex) which makes POSCO'S commitment a significant contribution towards Black Rock's development equity raise (capex and other costs).

This level of support from an end user is comparable to what we have seen in lithium and points to the expected deficits for customer qualified and IRA compliant graphite.

POSCO's commitment also provides positive feedback to senior debt financiers as credit approvals are sought by illustrating strong funding support intentions from a credit-worthy strategic partner as well as strong interest in additional offtake via a Stage 2 project expansion.

We note that the MOU was signed in Dar es Salaam by representatives of POSCO, Black Rock Mining the Tanzanian Government.

KEY CATALYSTS

Short term news flow includes: (i) credit approved debt term sheets, (ii) completion of strategic partnership process and/or development equity raise and (iii) Final Investment Decision.

RETAIN BUY, TP \$0.67

We retain our Buy recommendation and price target.

FINANCIAL MODEL SUMMARY



Black Rock Mining Limited

Code: BKT

Stock Details				Enterprise Value	\$95m
Recommendation:	BUY			Diluted MCap	\$106m
Target Price	\$0.67	Share Price	\$0.09	Diluted Shares	1156m
NAV	\$0.67	52 Week High	\$0.23	Free Float	87%
Implied Return	628%	52 Week Low	\$0.08	Avg Daily Value	\$0.32m

Macro Assumptions	FY22	FY23E	FY24E	FY25E	FY26E	Ratio Analysis	FY22	FY23E	FY24E	FY25E	FY26E		
Graphite Price, net (US\$/t conc)	1,203	1,138	1,266	1,452	1,472	Diluted Shares	m	977	1,156	2,955	2,990	2,990	
Exchange Rate (A\$/US\$)	0.74	0.65	0.67	0.70	0.72	EPS - Diluted	Ac	(1.1)	(0.6)	(0.3)	0.8	1.6	
Profit & Loss (A\$m)	FY22	FY23E	FY24E	FY25E	FY26E	P/E	x	n.m.	n.m.	n.m.	12.1x	5.8x	
Revenue	-	-	-	-	168	CFPS - Diluted	Ac	(0.4)	(0.9)	(0.2)	(0.2)	2.4	
Operating Costs	-	-	-	-	(61)	P/CF	x	n.m.	n.m.	n.m.	n.m.	3.8x	
Operating Profit	-	-	-	-	107	FCF - Diluted	Ac	(0.4)	(2.2)	(4.0)	(5.6)	(2.5)	
Corporate & Other	(5)	(13)	(5)	(5)	(5)	P/FCF	x	n.m.	n.m.	n.m.	n.m.	n.m.	
Exploration Expense	-	-	-	(1)	(2)	Dividends	Ac	-	-	-	-	-	
EBITDA	(5)	(13)	(5)	(6)	100	Dividend yield	%	-	-	-	-	-	
D&A	(0)	(0)	-	(8)	(15)	Payout Ratio	%	-	-	-	-	-	
EBIT	(5)	(13)	(5)	(14)	86	Franking	%	-	-	-	-	-	
Net Interest Expense	-	-	-	-	(6)	Enterprise Value	A\$m	80	95	230	395	479	
Pre-Tax Profit	(5)	(13)	(5)	(14)	80	EV/EBITDA	x	(15.0x)	(7.4x)	(46.0x)	(63.4x)	4.8x	
Tax Expense	-	-	-	-	(24)	ROE	%	(10%)	(24%)	(3%)	(8%)	24%	
Minorities	-	-	-	-	-	ROA	%	(9%)	(23%)	(1%)	(3%)	10%	
Underlying Profit	(5)	(13)	(5)	(14)	56	Debt	A\$m	-	-	148	296	345	
Significant Items (post-tax)	-	-	-	-	-	Gearing (D/(D+E))	%	-	-	44%	63%	60%	
Reported Profit	(5)	(13)	(5)	(14)	56	Gearing (D/E)	%	-	-	78%	168%	149%	
Cash Flow (A\$m)	FY22	FY23E	FY24E	FY25E	FY26E	Reserves & Resources							
Operating Cashflow	(4)	(13)	(5)	(5)	102		Tonnes	Grade	Contained				
Tax	-	-	-	-	(24)	Resource	mt	% TGC	kt				
Net Interest	-	-	-	-	(6)	Measured	31.8	8.6	2.7				
Net Operating Cash Flow	(4)	(13)	(5)	(5)	72	Indicated	84.6	7.8	6.6				
Exploration	(11)	-	-	(2)	(2)	Inferred	96.7	7.4	7.2				
Capex	(0)	(12)	(115)	(163)	(154)	Total	213.1	7.8	16.6				
Acquisitions / Disposals	-	-	-	-	-	Reserve	mt	% TGC	kt				
Other	-	-	-	-	-	Probable	70.5	8.5	6.0				
Net Investing Cash Flow	(11)	(12)	(115)	(164)	(156)	Total	70.5	8.5	6.0				
Equity Issue	28	10	150	8	-	Earnings Sensitivity				FY25E	FY26E	FY25E	FY26E
Borrowing / Repayments	-	-	148	148	49	Graphite Price	US\$/t conc	+10%	A\$m	A\$m	%	%	
Dividends	-	-	-	-	-	FX Translation	A\$/US\$	-10%	8	12	22%	22%	
Other	-	-	-	-	-			5	7	12%	13%		
Net Financing Cash Flow	28	10	297	155	49	Valuation				Discount	Stake	A\$m	A\$/sh
Change in Cash Position	13	(15)	178	(14)	(34)	Mahenge (unrisked)				-	84%	1,348	1.17
FX Adjustments	3	-	-	-	-	Mahenge (risk-adjusted)				40%	84%	809	0.70
Cash Balance	27	12	190	176	141	Exploration / Other projects						-	-
Balance Sheet (A\$m)	FY22	FY23E	FY24E	FY25E	FY26E	Corporate & Other						(44)	(0.04)
Cash	27	12	190	176	141	Debt						-	-
Other Current Assets	1	1	1	1	1	Cash						12	0.01
PP&E	0	12	119	267	405	Cash from option strikes						-	-
Exploration & Development	30	30	30	31	31	Risk adjusted NAV						776	0.67
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								

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.