

JUNE 2020 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

- **Strategic Alliance and Development MOU Signed with POSCO**
- **Tanzanian Government Initiates Formal Free Carried Interest Negotiations**
- **TIB Development Bank Requests Due Diligence on Mahenge Graphite Project**
- **Field Activities for Resettlement Action Plan Completed**
- **COVID-19 Management**
- **Capital Management and Cash Preservation Actions**

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

Strategic Alliance and Development MOU Signed with POSCO

In June, the Company announced a significant milestone with the execution of a non-binding Memorandum of Understanding (**MOU**) with Korean industrial group, POSCO, to form a Strategic Alliance & Development Relationship for the development of the Mahenge Graphite Project. The POSCO counterparties to the MOU were POSCO International Corporation and POSCO (**POSCO**).

Background

The MOU outlines key terms under which Black Rock and POSCO plan to progress to a binding Investment Agreement. The Investment Agreement anticipates an initial investment of up to US\$10m by way of a subscription for shares and/or convertible notes in Black Rock. The MOU is subject to a 90-day due diligence period. After POSCO satisfactorily completes due diligence and then enters into an Investment Agreement, the initial investment from POSCO will fund a program of engineering works including design, completion of contracts and early site access to establish a construction ready site by the end of calendar year 2020.

Execution of the Strategic Alliance

Subject to due diligence, POSCO can, as one of its ways of investing, obtain the right to a long-term offtake arrangement for up to 100% of fines (sub #100 mesh). This is expected to be up to 40,000 tonnes per annum¹ at full production rates for Module One. The sub #100 mesh portion attributable to POSCO will be processed into battery anode feedstock for POSCO’s LiB business. Contract volumes and pricing are to be determined post due diligence and pre-qualification processes and will form part of Phase 2 of the Investment Agreement with POSCO.

The estimated remaining volume from Mahenge’s Module One Plant of up to 43,000 tonnes¹ of +100 mesh large flake, plus any uncommitted fines will be made available to Black Rock’s existing portfolio of potential customers under the volume provisions of the existing Price and Volume Framework Agreements². It is expected this agreement will support continued large flake market development in the high growth fire retardant and foils markets in Europe and the USA.

1 – Refer ASX release 24th July 2019 – Mahenge DFS Enhanced with Addition of Fourth Module

2 – ASX release of 8th May 2019 – BKT Delivers Binding Offtake Pricing Framework Agreements

Key terms of the MOU:

Prior to undertaking the phased Investment Agreement, POSCO will complete a Due Diligence process of no longer than 90 days. Once complete, parties are to negotiate and enter into a binding Investment Agreement pursuant to which:

- a) POSCO will make an initial investment of up to US\$10m by way of a subscription for shares and/or convertible notes in Black Rock;

- b) Use of the Phase 1 investment is to be applied towards the following works including, without limitation, carrying out a detailed design of the Project, conducting the development of a graphite product, a third party technical due diligence, front-end engineering work and project development, site works and early stage construction;
- c) Subject to performance during the Phase 1 investment, pricing and volumes to be agreed as part of the Phase 2 investment and POSCO will either subscribe for more shares in Black Rock or shares in Mahenge Resources Limited (100% subsidiary of Black Rock and owner of Mahenge Graphite Project), and/or pay to obtain the offtake rights for product to be produced by Mahenge Resources Limited;
- d) The MOU is to remain in effect until the earlier of the date on which the binding Investment Agreement has been entered into between the Parties, one (1) year from the date of the MOU, or the date POSCO gives notice after the Due Diligence that it no longer wants to proceed;
- e) Normal Exclusivity, Confidentiality and Representations and Warranties for an MOU of this nature; and
- f) The MOU does not obligate the Parties to enter into the Investment Agreement.

Tanzanian Government Initiates Formal Free Carried Interest Negotiations

Early in the quarter, Black Rock received written formal advice from the Government of the United Republic of Tanzania (**Government**) confirming preparations to commence formal negotiations on the structure and nature of their 16% Free Carried Interest (**FCI**) in Black Rock's Mahenge Graphite Project. The Tanzanian Mining Code and Regulations introduced in 2017 outlined that all mining developments should make provision for government ownership via a 16% FCI. When the structure and nature of the FCI is resolved, the 16% FCI is expected to be held in the Company's Tanzanian operating subsidiary, Mahenge Resources Ltd.

Black Rock's Managing Director & CEO, John de Vries said *"The acknowledgement and commencement of a process to formalise the Government's ownership in the Mahenge Graphite Project is a very significant milestone. Resolution of the structure and nature of our partnership with the Tanzanian Government through its Negotiating Team, is a critical step in achieving financing conditions precedent.*

Black Rock is well prepared to follow the Government's process with respect to the mining code and legislation. We look forward to progressing with formal engagement and completion of the FCI process.

The Mahenge Graphite Project will deliver many benefits to our host communities at Mahenge, as well as to the Government and its people through the FCI. We have an alignment of mutual interests which is a key objective of the FCI."

TIB Development Bank Requests Due Diligence on Mahenge Graphite Project

At the end of the quarter, Black Rock received a letter from the TIB Development Bank Limited (**TIB**) (formerly known as Tanzania Investment Bank) that it is undertaking due diligence on the Company's Mahenge Graphite Project in Tanzania.

The collaborative objective of TIB due diligence is to determine its position and appetite for providing and arranging a syndicated loan facility for the development of the Mahenge Graphite Project. Black Rock will provide TIB and its banking partners access to the Mahenge Graphite Project data room and site access.

TIB is a parastatal bank owned by the Government. TIB is also a registered Development Finance Institution (**DFI**) in Tanzania and has a significant track record as a Development Bank. TIB has in the past arranged and participated in numerous syndicated loan facilities for multiple national partners.

The TIB initiative forms part of Black Rock's wider project funding strategy of de-risking the finance process by matching potential financiers across the capital structure to offset unique project risks. This includes options for performance warranties through deferred capital from China Seventh Railway Group and Yantai Jinyuan, potential for cornerstone offtake with the POSCO Group and a strong and visible demonstration of local content with the inclusion of the TIB.

Field Activities for Resettlement Action Plan (RAP) Completed

In May 2020, the Company confirmed that its Tanzanian based consultant had finalised field activities and substantially completed the Mahenge Graphite Project (**the Project**) RAP process. Completion of RAP facilitates continued progress on financing the Project, subject to completion and resolution of the FCI negotiations.

RAP is a well understood process worldwide, including in Africa, and is used to assess land and property values, and to support relocation of people and properties. The RAP field work was conducted in accordance with Tanzanian National Environmental Management Council (**NEMC**) guidelines and is legislated under the Environment Act of 2004, Mining Act of 2010, Land Act No.5 Of 1999, Land acquisition Act of 1970 and Valuation and Valuers Registration no.7 of 2016. The process is designed to meet the International Finance Corporation's (**IFC**) Performance Standards on Social and Environmental Sustainability and is a typically mandated condition precedent for debt funding and Mining Licenses.

Resettlement for the Project includes areas associated with Mdindo, Kisewe, Nawenge and Makanga villages. At the completion of RAP field activities, the Company recorded a 98% acceptance rate. The small number of remaining parcels with appeals were recorded in detail and will complete a resolution process according to the IFC standards and the Government in-country legislation.

A multi-disciplined Tanzanian team including Surveyors, Valuers, Sociologists, Data Entry and Geographic Information Systems (**GIS**) experts completed the study. The team's work was overseen by Government Officials to ensure accuracy and compliance with legislation. A total of 148 meetings have been held in the Mahenge community since December 2019. This followed 11 meetings held during the Resettlement Policy Framework stage.

As part of the Project development activities, Black Rock will acquire some land currently used for subsistence agriculture and relocate some village accommodation proximal to mining operations. This has been well communicated to all stakeholders over several years as part of our ongoing community and Environmental, Social and Governance (**ESG**) initiatives. All affected persons will be compensated where appropriate and moved to better quality properties with vastly improved amenities. All farming landowners will be compensated with cash, permitting them to buy and establish new farms or land of their choosing.

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. This equates to an estimated economic benefit of US\$380,000 per day for the life of the Project. The Project is expected to deliver significant opportunities for Tanzanian State Owned Enterprises in ports, rail and power distribution. Additional business opportunities are also expected to be available for Tanzanian businesses through local content obligations.

Once the data has been validated and disclosure conducted, the finalised Valuation Report for expected compensation will be submitted to the Chief Government Valuer's office for approval before the payment inventory exercise.

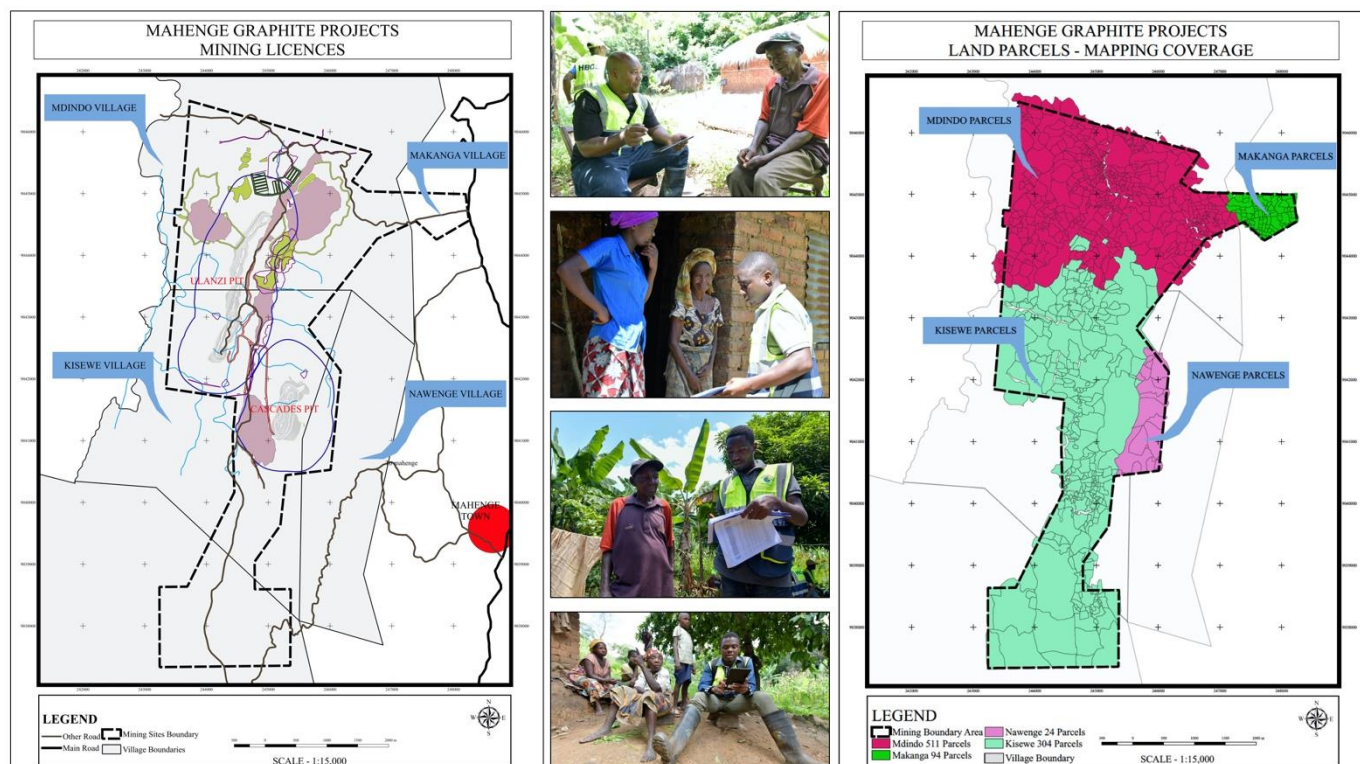


Figure 1 – RAP coverage area relative to Black Rock's mining licence zone, and engagement in villages with Project Affected Persons (PAP's)

COVID-19 Management

Black Rock has experienced limited impact to normal operations, with effects of COVID-19 limited to capital markets interaction and the ability of Company executives to travel to Tanzania and Asia. Tanzania has not adopted a lock down strategy although it has limited some public gatherings. The Company continues to actively monitor developments in Tanzania.

Capital management and Cash Preservation Actions

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

To support ongoing prioritisation of investments, effective 1 April 2020, remuneration for all Directors, staff and Full Time Equivalent (FTE) contractors was deferred by a further 25% (down from 50% of agreed packages adopted in November 2019 to a cumulative 75% deferral). Non-business critical activities have also been suspended. This remains in place at quarter end.

Subsequent to the quarter end, Black Rock has announced a fully underwritten entitlement issue to existing holders to raise AUD \$1.65m. Funds raised are for general working capital and to advance negotiations with POSCO and the Government.

The Company had cash reserves of A\$0.77M as at 30 June 2020.

Payments to, or to an associate of, a related party of the entity during quarter

During the quarter \$33,000 was paid to related parties of the Company relating to executive director salary, non-executive director fees and company secretary fee.

Summary of the exploration expenditure incurred during the quarter (AUD\$'000)

RAP	192
Tailings Test work	10
Site Expenses	4
Consultancy	16
Total	222

Tenement summary

License number	Opening	Additions	Disposals	Closing
ML 611/2019*	100%	-	-	100%
ML 612/2019*	100%	-	-	100%
PL 13752/2019*	100%	-	-	100%
PL 10111/2014*	100%	-	-	100%
PL 10426/2014*	100%	-	-	100%
PL 10427/2014*	100%	-	-	100%

* Located in the Mahenge region of Tanzania. No farm-in or farm-out agreements were entered into during the quarter.

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 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
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 $\pm 10\%$ 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")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(42)	(623)
(e) administration and corporate costs	(81)	(595)
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	(2)	(357)
- Product market studies	-	(23)
- Marketing	(15)	(305)
- Foreign subsidiary costs	(76)	(513)
1.9 Net cash from / (used in) operating activities	(216)	(2,415)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(c) property, plant and equipment	-	(4)
(d) exploration & evaluation (if capitalised)	(222)	(1,597)
(e) investments	-	-
(f) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(222)	(1,601)

3. Cash flows from financing activities		
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)	-	-
3.10 Net cash from / (used in) financing activities	-	2,865

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,217	1,907
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(216)	(2,415)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(222)	(1,601)
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	(13)	10
4.6	Cash and cash equivalents at end of period	766	766

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	295	241
5.2	Call deposits	426	931
5.3	Bank overdrafts	-	-
5.4	Other (provide details): - Cash backing credit cards	45	45
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	766	1,217

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	33 ¹
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

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
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. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(216)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(222)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	438
8.4 Cash and cash equivalents at quarter end (Item 4.6)	766
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	766
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1.7
8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
1. 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 is continuing to operate a cash-cost reduction of 75% to base salaries and director fees and key contractors.	
2. 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: The company announced a fully underwritten non - renounceable entitlements offer on 3 July 2020 which could result in the company raising gross proceeds of AU\$1.65m.	
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. Finalisation of the entitlement offer as referred to above could gross AUD\$1.65m which would enable the company to further advance the strategic alliance with POSCO as announced on 9 June 2020 and continue to focus on obtaining agreement with respect of the Tanzanian 16% free carry interest.

9. Tenement summary

In accordance with ASX Listing Rule 5.3.3 below is the Company's tenement holdings at quarter end.

License number	Opening	Additions	Disposals	Closing
ML 611/2019 *	100%	-	-	100%
ML 612/2019 *	100%	-	-	100%
PL 13752/2019 *	100%	-	-	100%
PL 10111/2014 *	100%	-	-	100%
PL 10426/2014 *	100%	-	-	100%
PL 10427/2014 *	100%	-	-	100%

* Located in the Mahenge region of Tanzania. No farm-in or farm-out agreements were entered into during the quarter.

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: Gabriel Chiappini
 Non- executive Director and Company Secretary
 29 July 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.