

# Black Rock Mining Ltd (BKT)

Rating: Buy | Risk: High | Price Target: \$0.46

15 March 2024

## Additional Project Debt Funding Received

### Key Information

Current Price (\$ps)	0.07
12m Target Price (\$ps)	0.46
52 Week Range (\$ps)	0.06 - 0.15
Target Price Upside (%)	521.6%
TSR (%)	521.6%
Reporting Currency	AUD
Sector	Materials
Avg Daily Volume (m)	0.7
ASX 200 Weight (%)	#VALUE!

### Fundamentals

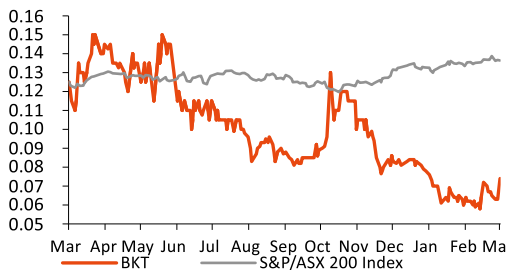
YE 20 Jun (AUD)	FY23A	FY24E	FY25E	FY26E
Sales (\$m)	0	0	0	71
NPAT (\$m)	(9)	(4)	(11)	14
EPS (cps)	(0.9)	(0.4)	(1.0)	1.2
EPS Growth (%)	(38.4%)	56.5%	nm	222.3%
DPS (cps) (AUD)	0.0	0.0	0.0	0.0
Franking (%)	100%	100%	100%	100%

### Ratios

YE 20 Jun	FY23A	FY24E	FY25E	FY26E
P/E (x)	(12.1)	(18.7)	(7.6)	6.2
EV/EBITDA (x)	n/a	n/a	n/a	n/a
Div Yield (%)	0.0%	0.0%	0.0%	0.0%
Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%

### Price Performance

YE 20 Jun	1 Mth	2 Mth	3 Mth	1 Yr
Relative (%)	14.2%	(5.5%)	(14.4%)	(49.9%)
Absolute (%)	15.6%	(2.6%)	(10.8%)	(40.8%)
Benchmark (%)	1.4%	2.9%	3.6%	9.1%



Price performance indexed to 100

Source: FactSet

### Major Shareholders

POSCO Holdings	11.5%
Copulos Group	11.0%

### Event

Black Rock has received loan approval from The Industrial Development Corporation for US\$53.4m, the second part of the targeted US\$113m Term Loan for Mahenge.

### Highlights

- Black Rock Mining is developing its 84% owned Mahenge Graphite Project in Tanzania. Mahenge is favourably positioned to provide low carbon intensity high quality premium graphite feedstock to an emerging supply chain between POSCO and the rest of the world.
- The Industrial Development Corporation of South Africa has approved a senior term loan of US\$53.4m which is expected to form part of the Project debt facilities for Mahenge.
- The IDC loan, together with the US\$59.6m senior loan approved previously by the Development Bank of South Africa in November 2023, are expected to form the total debt package.
- While the loan terms remain subject to documentation, tenor is expected to be seven years and the interest rate will be based on the Secured Overnight Financing Rate plus a margin.
- Once finalised, funding Mahenge will require equity as well. Black Rock is well progressed in this regard given it has already signed an MOU with POSCO International Corporation for a potential cornerstone equity position of up to US\$40m and final approvals for this are expected soon.
- Black Rock may also secure a strategic partner at equity level to assist funding the project.
- Construction of Module 1 is estimated to cost US\$215m including US\$33m for a 70km power line and we assume first product in FY26.
- The combination of high margin and low cost means that Mahenge should be one of the first graphite producers to supply into a tightening graphite market.
- While the graphite market remains challenged as a result of continued uncertainty from China's export controls limiting demand from Chinese anode customers, we note the market outside China continues to develop.
- Recent ex-China offtakes include Syrah Resources (SYR-ASX, Buy, \$1.20) agreement with POSCO Future M for at least 24ktpa and up to 60ktpa Balama concentrate, US-based Westwater's deal with SK-On for AAM, and Nouveau Monde's mammoth 18ktpa and US\$150m financing deal with General Motors.
- We expect more offtakes outside China throughout 2024.
- We also expect the natural graphite price to be well supported in 2024 as the strategic nature of ex-China supply to ex-China battery manufacturers becomes clearer.

### Recommendation

We maintain our Buy recommendation and \$0.46 price target.

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## Black Rock Mining Ltd

### Materials Materials

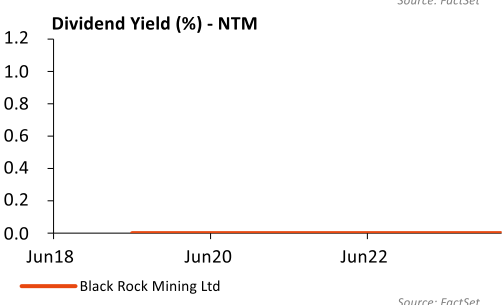
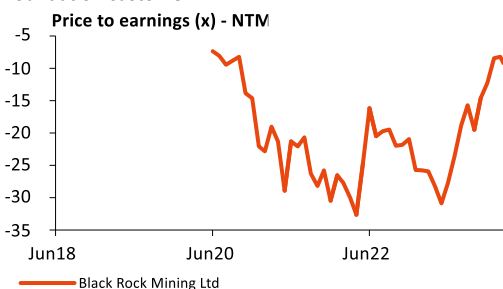
FactSet: BKT-AU / Bloomberg: BKT AU

#### Key Items

Key Items	Data
Recommendation	BUY
Risk	HIGH
Price (\$ps)	0.07
Target Price (\$ps)	0.46
52 Week Range (\$ps)	0.06 - 0.15
TSR (%)	521.6%

#### Company Description

Blackrock Mining is developing the Mahenge Graphite Project in Tanzania. Mahenge is a world-class deposit in terms of size and grade. Blackrock aims to become a leading producer of graphite for lithium-ion batteries. Posco is a foundation customer.



## Financial Year End: 20 June

Investment Summary (AUD)	FY22A	FY23A	FY24E	FY25E	FY26E
EPS (Reported) (cps)	(0.7)	(0.9)	(0.4)	(1.0)	1.2
EPS (Underlying) (cps)	(0.7)	(0.9)	(0.4)	(1.0)	1.2
EPS (Underlying) Growth (%)	(0.2%)	(38.4%)	56.5%	nm	222.3%
PE (Underlying) (x)	(22.1)	(12.1)	(18.7)	(7.6)	6.2
DPS (cps) (AUD)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Franking (%)	100%	100%	100%	100%	100%
Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Profit and Loss (AUD) (m)	FY22A	FY23A	FY24E	FY25E	FY26E
Sales	0	0	0	0	71
Net Interest	0	0	(6)	(16)	(22)
Pretax Profit	(6)	(9)	(6)	(16)	20
Tax	0	0	2	5	(6)
Tax Rate (%)	0.0%	0.0%	(30.0%)	(30.0%)	(30.0%)
NPAT Underlying	(6)	(9)	(4)	(11)	14
Significant Items	0	0	0	0	0
NPAT Reported	(6)	(9)	(4)	(11)	14
Cashflow (AUD) (m)	FY22A	FY23A	FY24E	FY25E	FY26E
Balance Sheet (AUD) (m)	FY22A	FY23A	FY24E	FY25E	FY26E
Total Assets	57	61	303	409	435
Short Term Debt	0	0	0	0	0
Long Term Debt	0	0	120	240	240
Total Liabilities	2	4	120	237	249
Ratios	FY22A	FY23A	FY24E	FY25E	FY26E
ROE (%)	(13.6%)	(16.6%)	(3.7%)	(6.3%)	7.7%

### Key risks

- The graphite price is opaque, volatile and driven as much by China-centric demand as fundamental supply and demand. As such, the price of graphite is relatively difficult to forecast and the actual price may differ substantially from our forecasts.
- Availability of funding is not guaranteed and a lack of sufficient funding is a significant risk.
- Current battery technology is such that all lithium-ion batteries use substantial amounts of graphite. However, risk remains in the long-term should next generation batteries use alternative chemistries such as silicon anode or solid-state lithium batteries.
- Key person risk. If senior management depart the company then it could delay projects or exacerbate operational risks.

### Core drivers and catalyst

- The next catalyst is the delivery of a complex funding package for Mahenge that involves project debt, equity and confirmation of Posco's involvement as strategic partner.
- Rightly or wrongly, Syrah Resources' Balama deposit is seen as the bellweather for the entire graphite sector. A decision to restart Balama would be positive for all ASX-listed graphite companies.
- Black Rock's key differentiation is its upstream and customer-focussed operating model. The geology of Mahenge is low in deleterious impurities and has favourable metallurgy which allows Black Rock to produce very high purity graphite concentrates up to 99% using simple low-cost conventional flotation
- Black Rock has chosen to focus on producing graphite concentrate rather than running a simultaneous downstream operation. In so doing, BKT also avoids competing with its key customer.

## Rating Classification

<b>Buy</b>	Expected to outperform the overall market
<b>Hold</b>	Expected to perform in line with the overall market
<b>Sell</b>	Expected to underperform the overall market
<b>Not Rated</b>	Shaw has issued a factual note on the company but does not have a recommendation

## Risk Rating

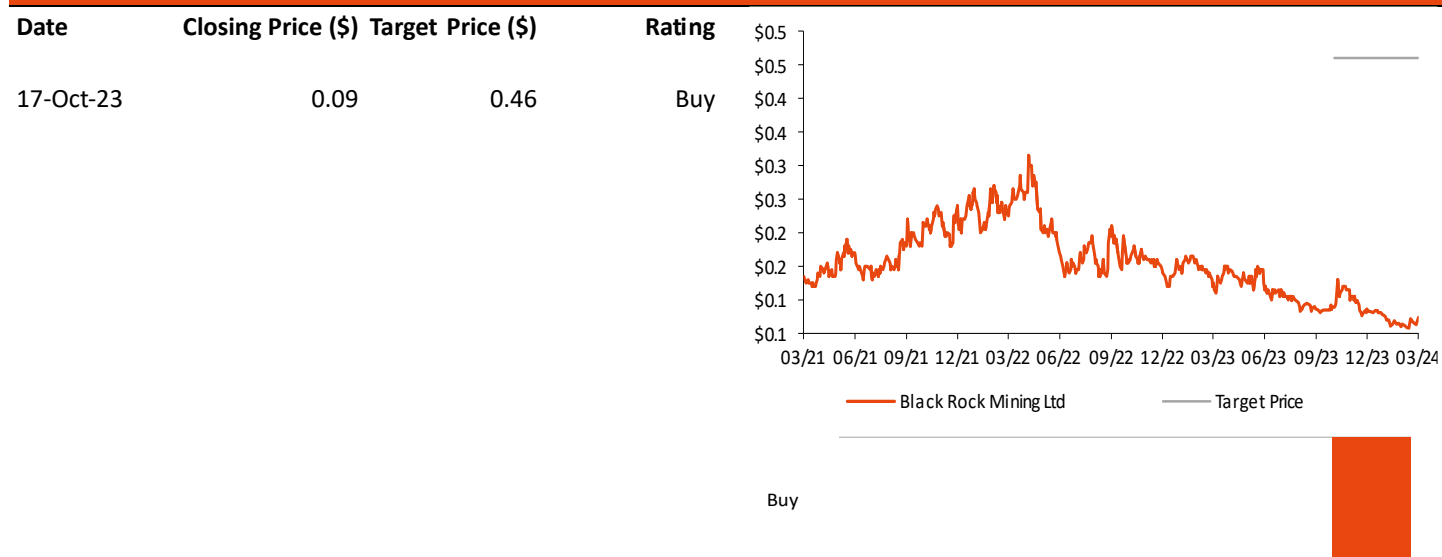
<b>High</b>	Higher risk than the overall market – investors should be aware this stock may be speculative
<b>Medium</b>	Risk broadly in line with the overall market
<b>Low</b>	Lower risk than the overall market

**RISK STATEMENT:** Where a company is designated as ‘High’ risk, this means that the analyst has determined that the risk profile for this company is significantly higher than for the market as a whole, and so may not suit all investors. Clients should make an assessment as to whether this stock and its potential price volatility is compatible with their financial objectives. Clients should discuss this stock with their Shaw adviser before making any investment decision.

### Distribution of Investment Ratings

Rating	Count	Recommendation Universe
Buy	65	92%
Hold	6	8%
Sell	0	0%

### History of Investment Rating and Target Price - Black Rock Mining Ltd



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