

Tanzania Update

Black Rock Mining Limited (ASX: BKT, "the Company") provides a further update on the proposed legislative changes with respect to the recent changes governing the natural resource sector in Tanzania.

The proposed legislation is in the form of "three special bill supplements". All bills have passed the legislature, and are waiting promulgation by the President of Tanzania, His Excellency Dr John Magufuli. Since updating the market on the 10th of July, the Company has now been advised by its advisers in Tanzania that a period of industry consultation around the new regulations relating to this new legislation could start within four weeks, and the final new mining regulations accompanying this new legislation could be ratified within approximately three months.

The Company has completed an initial assessment of the potential impact on the Mahenge Graphite Project Preliminary Feasibility Study ("PFS"), released on 24 April 2017, of the proposed legislative changes. This assessment is restricted to consideration of the impact of a 16% Free Carried interest by the Tanzanian Government on the project and an increase in Royalty contribution, rising to 4.3% (3% Royalty, 1% Inspection Fee, 0.3% Social Contribution).

FOB CHINA 3 YEAR TRAILING INVESTMENT	
CASE	
Pre July Investment Environment	
IRR	49%
Post Tax NPV8	USD\$795m
Post Tax NPV10	USD\$624m
Post July Investment Environment*	
IRR	44%
Post Tax NPV8	USD\$650m
Post Tax NPV10	USD\$506m

* Assumes VAT claw back on exports and duty free import for initial capital as per original investment case

The Company is progressing with an Optimisation Study of the April PFS. This Optimisation Study considers the impact of additional drilling at Cascades, and continued expansion through a third module (*Crawl, Walk, Run* strategy). It is expected this work will be completed by late July to early August, and released to the market at that time.

Black Rock Mining has completed a non-exhaustive assessment of key aspects of potential financing and operational impacts of the proposed legislation, based on the legislation and accompanying information currently available and understood. This assessment is subject to further interpretation through the consultation phase and when regulations become available.

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 ASX: BKT

Issued Capital
 364.7m ordinary shares
 47.3m options
 9m performance rights

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The Company continues to engage with its advisers and stakeholders to further understand the impact of the proposed legislative changes and associated regulations and will update the market when they become available.

The Company's initial assessment of the new legislation and its potential impact on the Company, based on currently available information (ie without the benefit of the proposed regulations) is set out below:

Legislative Change	Potential impact on the Company
<p>The Tanzanian Government shall take not less than a 16% free carried interest in all mining operations under a mining licence or special mining licence.</p>	<p>The Company's pre-feasibility study on the Mahenge Project in April 2017 did not consider the Government holding a free carried interest. The structure and practical implementation of a Government free carried interest, will result in a pro rata reduction in Black Rock Mining's potential attributable share of earnings from Mahenge. This will have a material impact on the valuation of the Company, and our capacity to raise finance for the development of the project. To fully assess the likely impact of this measure, clarity around legislation implementation is required. Any government impost at cash flow level will impact the ability of the project to attract investment capital.</p>
<p>The Government shall be entitled to acquire, in total, up to 50% of the shares of a mining company, commensurate with total tax expenditures incurred by the Government in favour of the mining company.</p>	<p>The potential application of this provision and its impact on Black Rock Mining is unclear. It may be the case that any additional interest that may be acquired by the Government would only be based on the value of tax incentives provided by the Government to the Company. The Company has not yet received the benefit of any tax incentives, however has anticipated that VAT would be rebated as concentrate is exported. If this offset is no longer available, or offset via increased government participation in the project, this will impact Company valuation and the ability of the project to attract investment capital.</p>
<p>The royalty rate on the gross value of metallic minerals and gemstones produced is to be increased from 4% to 6%. This is in addition to the 1% clearing fee on the value of all minerals exported from Tanzania from 1 July 2017 under the terms of the new Finance Act which has been approved by the Tanzanian Parliament.</p>	<p>The royalty as applied to production of industrial minerals is not specifically addressed in the proposed legislative changes, and currently remains 3%. The PFS was completed using a 3.3% royalty (which includes the 0.3% community levy). Any increase in royalty inclusive of the 1% clearing fee, will result in an increase in the all-in costs that have been disclosed by the Company in respect of its PFS.</p>
<p>Any earnings from certain mineral developments must be retained in banks and financial institutions established in Tanzania, unless profits are repatriated in accordance with the laws of Tanzania.</p>	<p>The proposed amendment may limit the Company's freedom to move foreign currency, and may have a negative impact on the financing of the Mahenge Project. Financing is impacted in two manners, the capacity to repay debt to foreign institutions, and the ability to pay dividends to non-Tanzanian equity holders. This measure will have a negative impact on the financing of the Mahenge Project.</p>

Proceedings or disputes that relate to the extraction, exploitation, acquisition or use of natural wealth and resources must be adjudicated in Tanzania in accordance with the laws of Tanzania.

Mineral right holders must participate in the growth of the Tanzanian economy by investing a portion of the returns from mining, and must meet certain requirements in respect of local content, corporate social responsibility and the giving of an integrity pledge.

No raw resources or mineral concentrates shall be exported from Tanzania, including for beneficiation.

The Government may renegotiate existing arrangements or agreements relating to the extraction, exploitation and use of natural resources.

Provision of goods and services by Tanzanian entrepreneurs, and where not available a requirement to develop a minimum supply joint venture of 25% local equity.

This provision is introduced despite Tanzania being party to various multilateral Investment treaties such as the New York Convention and the ICSID Convention and bilateral agreements such as the Tanzanian China, Tanzania UK, and Tanzanian Canadian Bilateral Agreements. These agreements provide access to International dispute resolution mechanisms. This provision will have a negative impact on the financing of the Mahenge Project. The impact this has on the good standing of Free Trade Agreements and other bilateral agreements entered into by the Government of Tanzania is unknown.

The law is not specific on the manner in which, an investor is expected to participate in the growth of the country's economy although the law allows for a licence holder to agree with the Commission (Government) on a planned investment to enhance the economy. The company believes that a sustainable investment is fundamentally founded on maintaining our social licence through equitable relationships and building industrial and human capacity in country.

Graphite is normally traded as a concentrate, and is used for input into many different manufacturing processes. Black Rock Mining will refine Mahenge concentrate to 98% to 99% TGC. This compares to most currently traded concentrates of 94% to 95% TGC. As such we believe we are already compliant with this aspect of the legislation.

The Company is seeking a Mining Licence and has commenced application for such, but has not entered into a Mineral Development Agreement with the Government. The Company understands that His Excellency Dr John P. Magufuli has directed the Ministry of Energy and Minerals to postpone the issue and renewal of mining licences while the new Mining Commission is being established and the Proposed Legislation and supporting regulations are implemented. The company understands that all new mining licence applications will ultimately be approved by Cabinet. The Company is seeking further clarification on the practical requirements of these changes in particular, the timing and form of the Company's intended licence application.

This implies that use of any foreign goods and services would require the foreigner to engage with local companies otherwise the mineral right holder would be in breach of the Act. The application of this provision to imported goods such as earth moving machinery and heavy plant is not understood.

The Proposed Legislation amends the VAT Act 2015 so that no input tax credit can be claimed for the exportation of raw minerals, with effect from 20 July 2017.

Stabilisation arrangements must be time bound and must make provision for renegotiation from time to time. Such arrangements must also quantify the value of any tax expenditures of the Government in favour of the Company, and include an option for the Government to convert those quantified values into equity holdings. Stabilisation arrangements which involve the freezing of laws or contracting away from the sovereignty of Tanzania are prohibited.

Government shall have a lien over materials extracted from mining operations or mineral processing, including mineral concentrates.

Establishment of a Government Warehouse and a requirement to deposit all produced materials in the Warehouse within 5 days of production.

The Company will continue to assess whether this may apply to the exportation of graphite concentrate. Where VAT claw back is not available, this will impact company valuation and the ability of the project to attract investment capital.

These provisions may increase the level of uncertainty during the project payback period and may have a negative impact on the financing of the Mahenge Project.

Depending on the nature and terms of the lien, the proposed amendment suggests that the ownership of natural resources both in situ and after extraction may vest in the State. This may have a negative impact on the financing of the Mahenge Project and on the Company's ability to attract finance through trade creditor arrangements.

It is unclear if the requirement for bonded storage of concentrate in government warehouses applies to graphite and other industrial minerals. In the advent, bonded storage does apply, such a requirement makes blending and production of concentrate specific to customer requirements, operationally difficult to achieve. The volume of material travelling through the bonded warehouse and the requirement for specific storage conditions is likely to be an onerous and costly commitment on behalf of the government.

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About Black Rock Mining

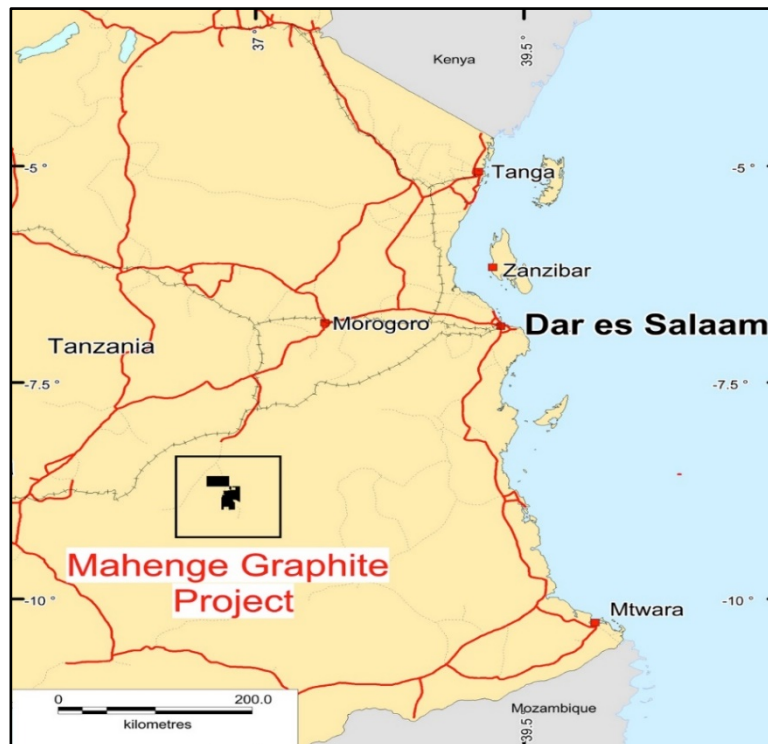
Black Rock Mining Limited is an Australian based company listed on the Australian Securities Exchange. The Company owns graphite tenure in the Mahenge region of Tanzania.

In December 2016, the Company announced a JORC compliant Mineral Resource Estimate of 203m tonnes at 7.8% TGC for 15.9m tonnes of contained Graphite, making this one of the largest JORC compliant flake graphite Mineral Resource Estimates globally. 50% of the Mineral Resource is in the Measured and Indicated categories.

In April 2017, Black Rock announced results of a Preliminary Feasibility Study (PFS) for its Mahenge Graphite Project which confirmed its potential as a long-life, low capex, high margin operation. The PFS estimated a post-tax, unlevered, internal rate of return ("IRR") for the Project of 48.7%; and a net present value (NPV) using a discount rate of 10% (NPV10) of US\$624m. Black Rock confirms that except for the proposed legislative changes outlined on page 1 of this announcement relating to 16% free carry position of the Tanzanian Government and the royalty fee increasing to 4.3%, the key assumptions used in the PFS have not materially changed and that the material assumptions continue to apply per the PFS announcement released to the ASX on 24 April 2017.

Black Rock is moving towards commencing a Definitive Feasibility Study (DFS). With a successful DFS and associated financing, construction could commence in 2018 with first production in 2019.

For further information on the company's development pathway, please refer to the company's website at the following link: <http://www.blackrockmining.com.au> and the corporate video presentation at <http://www.blackrockmining.com.au/#video>.



Mahenge Global Resource summary reporting table

CATEGORY	TONNES (MILLIONS)	TGC (%)	CONTAINED TGC (MILLIONS TONNES)
Measured	21.2	8.6	1.8
Indicated	81.1	7.8	6.4
Inferred	100.7	7.7	7.7
TOTAL	203.0	7.8	15.9

Table 5: Resource breakdown by prospect

PROSPECT	CATEGORY	TONNES (MILLIONS)	TGC (%)	CONTAINED TGC (MILLIONS TONNES)
Ulanzi	Measured	13.3	8.9	1.2
	Indicated	48.0	8.2	3.9
	Inferred	50.5	8.0	4.0
	Sub-total	111.8	8.2	9.2
Epanko	Measured			
	Indicated	17.6	6.4	1.1
	Inferred	20.8	5.9	1.2
	Sub-total	38.4	6.1	2.3
Cascades	Measured	7.8	8.0	0.6
	Indicated	15.5	8.4	1.3
	Inferred	29.4	8.4	2.5
	Sub-total	52.8	8.3	4.4
COMBINED	MEASURED	21.2	8.6	1.8
	INDICATED	81.1	7.8	6.4
	INFERRED	100.7	7.7	7.7
	TOTAL	203.0	7.8	15.9

JORC Compliance Statement
Resource

The information in this report that relates to Mineral Resources is based on and fairly represents information compiled by Mr Lauritz Barnes, (Consultant with Trepanier Pty Ltd), Mr Aidan Platel (Consultant with Platel Consulting Pty Ltd) and Mr Steven Tambanis (previous Managing Director of Black Rock Mining Limited). Mr Barnes, Mr Platel and Mr Tambanis are members of the Australian Institute of Mining and Metallurgy and have sufficient experience of relevance to the styles of mineralisation and types of deposits under consideration, and to the activities undertaken to qualify as Competent Persons as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Specifically, Mr Tambanis is the Competent Person for the database and geological model, Mr Barnes is the Competent Person for the resource. Both Mr Platel (independent of Black Rock Mining) and Mr Tambanis completed the site inspections.

Mr Barnes, Mr Platel and Mr Tambanis consent to the inclusion in this report of the matters based on their information in the form and context in which they appear. Mr Tambanis holds performance rights in the company as part of his total remuneration package.

The information in this report that relates to the Ore Reserve Statement, has been compiled in accordance with the guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code – 2012 Edition).

Reserve

The Ore Reserves have been compiled by Oreology Consulting Pty Ltd, under the direction of Mr John de Vries, who is a Member and Chartered Professional of the Australasian Institute of Mining and Metallurgy. Mr de Vries is the interim CEO and an Executive Director of Black Rock Mining and holds performance rights in the company as part of his total remuneration package. Mr de Vries has sufficient experience in Ore Reserve estimation relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves."