

BLACK ROCK SIGNS STRATEGIC ALLIANCE & DEVELOPMENT MOU WITH POSCO

HIGHLIGHTS

- Black Rock has entered into a Strategic Alliance & Development Memorandum of Understanding with the POSCO Group for the development of the Mahenge Graphite Project;
- POSCO is one of the world's largest producers of anode feedstock and a major participant in the global LiB (Lithium ion Battery) industry;
- Key terms of the Strategic Alliance & Development MOU include:
 - (i) Completion of a Due Diligence period of up to 90 days to support the negotiation and entry into a two-phase binding Investment Agreement;
 - (ii) Phase 1 – POSCO is to subscribe up to US\$10m for either shares and/or convertible notes in Black Rock, with the funds to be applied to works including:
 - (a) an early works program, including completion of all engineering and design; and
 - (b) provision of all-weather site access;
 - (iii) Phase 2 – POSCO may make a second investment of an amount yet to be determined, with funds to be applied to works including project construction, by way of:
 - (a) subscribing for additional shares in Black Rock or taking an interest in Mahenge Resources Limited, (100% subsidiary of Black Rock and owner of Mahenge Graphite Project); and/or
 - (b) obtaining the offtake rights for up to 100% of a sub #100 mesh concentrate (~40,000 tpa²) from Mahenge Module One.

Tanzanian graphite developer Black Rock Mining Limited (ASX:BKT) (Black Rock or the Company) is pleased to announce 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 are 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 be to 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. Please refer to page 3 for key terms of the MOU.

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 annum² 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 tonnes² 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 Agreements³. 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.

Commenting on the MOU, Black Rock Managing Director and CEO, John de Vries, said:

"The POSCO Strategic Alliance & Development MOU represents another significant step forward for Black Rock's Mahenge Graphite Project. The proposed alliance with POSCO de-risks the Project through significant financial capacity and geographic diversity. We anticipated key elements of this alliance and a need to complete detailed due diligence as part of our project development strategy completed back in 2018. This was achieved through a best in class Definitive Feasibility Study supported by the biggest pilot plant in the sector.

Our ability to deliver Mahenge concentrate into POSCO's existing China based supply chain supports Black Rock's existing relationships with Chinese construction and mining partners, China Seventh Railway Group and Yantai Jinyuan.

It is pleasing to see that Black Rock's strategic focus on upstream assets and the demonstration of product efficacy has been recognised through the POSCO Strategic Alliance & Development MOU. Ultimately, we are miners, not a down-stream processor, and we now look forward to advancing the POSCO relationship towards a final Investment Agreement for development of the world-class Mahenge Graphite Project."

Key benefits for Black Rock's Mahenge Graphite Project

Progression of the MOU to a binding Investment Agreement delivers significant benefits for the Mahenge Graphite Project:

- 1) **Greater overall financing certainty:** Alignment with POSCO, a partner with global scale and significant financial strength, strongly differentiates Black Rock's position in accessing project finance. This approach builds on Black Rock's overall strategy of developing partner and alliance relationships through the Project value chain. If Black Rock and POSCO proceed to a Phase 2 investment, then this in turn will assist with supporting external debt financing.
- 2) **Brand and market channel development:** Formation of a Strategic Alliance with POSCO is a strong endorsement of Mahenge's product and branding, and significantly reduces the Project's offtake credit risk which is a prerequisite to secure future debt financing. Strong branding reduces the potential for other customers to renegotiate agreements and reduces the potential for value destructive behaviour to secure market share.
- 3) **Access to early works funding:** Allows the Project to advance engineering design and contract formation to fixed priced style contracts. Establishment of all-weather access significantly reduces execution risk and permits the Project to proceed when funding is completed.
- 4) **Reaffirms clarity of business model:** The proposed Strategic Alliance is for a partnership to supply concentrate into POSCO's value chain. This is a strong affirmation of Black Rock's stated strategy which is first and foremost a miner and concentrate producer and not a competitor against its customers in downstream processing. Should POSCO proceed to make the Phase 2 investment, then it gives POSCO access to high quality graphite concentrate volumes at agreed prices.
- 5) **Pricing process:** Pricing mechanisms to be determined during Phase 1 investment process based on validation of performance. Transparent pricing and volume commitments from POSCO in turn should support Black Rock's access to international debt markets.

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.

1 – Refer ASX release 23rd April 2018 – BKT Bulk Sample Rail Haulage Completed

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

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

This ASX release was authorised on behalf of the Black Rock Board by:

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About POSCO

POSCO is a diversified Korean industrial company and the world's fourth largest steel producer, with a market capitalisation of ~A\$20 billion. POSCO, through its speciality chemicals unit, POSCO Chemical Co Ltd, is a global participant in the LiB supply chain with dedicated manufacturing facilities for both anode and cathode materials. In March 2020, POSCO Chemical Co Ltd committed US\$178 million to a 16,000 tonne per annum synthetic graphite facility in the Pohang Blue Valley National Industrial Complex, in North Gyeongbuk Province Korea. The POSCO group also holds lithium assets in Argentina and nickel assets in Madagascar.

About Black Rock Mining

Black Rock Mining Limited is an Australian based company listed on the Australian Securities Exchange (ASX:BKT). The Company currently 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**).

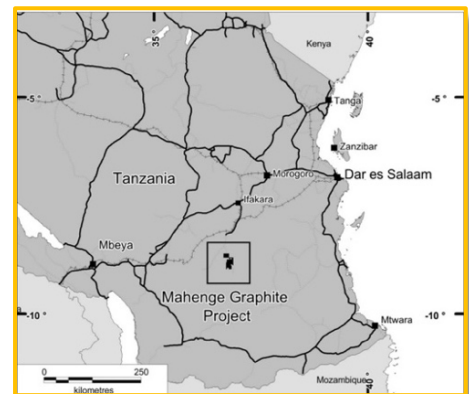
Following release of the Enhanced DFS in July 2019, the Company confirms that it is not aware of any new data or information that materially affects the results of the Enhanced DFS and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements 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 currently progressing financing discussions and detailed engineering with a view to commencing construction of the Project.

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 ±10% as defined by AACE
 ** SAUD/USD 0.70