



## Black Rock Mining Limited (BKT.ASX)

*Optimised PFS reaffirms Mahenge quality*

### Event:

- **Optimised PFS; battery test results; updated Resource; CEO appointment.**

### Investment Highlights:

- **BKT is an ASX listed graphite play with a high grade resource in Tanzania.**
- **The company has released its optimised PFS enabling modularity and flexibility in approach.** BKT now contemplate a three stage development of the Mahenge asset to produce 250ktpa concentrate at steady state (project year 5), instead of a two-stage for 163ktpa.
- The company has **maintained initial capital development cost of US\$90.1M**, the lowest pre production capex of East African peers with 100+ktpa production. The latter two stages will be self funded from early year project cash flows out of Mahenge.
- **Tanzanian government negotiations due to be finalised; the time frame is within the next two months**, although any earlier notification of sovereign certainty will be a positive for BKT.
- Announced appointment of **John de Vries as CEO**, previously Acting CEO, and with deep experience in various resource projects across the world, including in Africa.
- **The company released battery test results confirming Mahenge graphite allows more stable lithium-ion batteries at a lower cost and longer cycle life**, confirming the graphite quality at Mahenge.

### Earnings and Valuation:

- We have an increased **unrisked valuation of A\$1,152M for the Mahenge asset** (previously A\$974M), as a result of the additional third module and increased production, and in spite of the assumed 16% free carried interest to the Tanzanian Government and increased royalty rate of 4.3%.
- **We have a revised valuation of \$0.13 per share (previously \$0.25/sh)**, as a result of a change to a 100% equity finance assumption and increased risk due to Tanzanian Government uncertainty, and despite the increased unrisked valuation increase due to the contemplated production uplift.
- **We have added to our risk factor as the company negotiates a State Agreement with the Tanzanian Government**, although we note certainty surrounding this will be a positive catalyst for the company in the short term. Even with the assumed 16% free carry and increased royalty rate, the Mahenge project is attractively valued.

### Recommendation:

- **We maintain coverage with a Speculative Buy recommendation and a 12-month price target of \$0.13 per share** (previously \$0.25/sh), in line with our DCF valuation but note the upside potential should a State Agreement be negotiated with the Tanzanian Government.
- **Catalysts for the share price** include: primarily the State Agreement or equivalent certainty from the Tanzanian Government to enable BKT to develop the asset further.

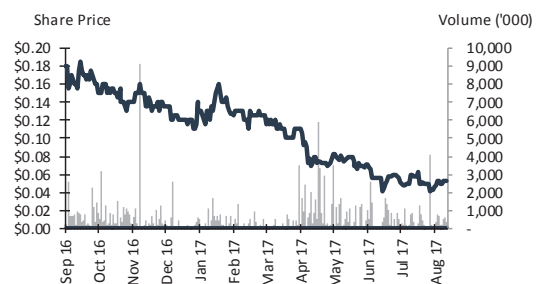
Recommendation	Speculative Buy
Previous	Speculative Buy
Risk	Very High
Price Target	\$0.13
Previous Target	\$0.25
Share Price (A\$)	\$ 0.053
ASX Code	BKT
52 week low - high (A\$)	0.041-0.185
Capital structure	
Shares on Issue (M)	365
Market Cap (A\$M)	19
Net Cash/(Debt) (A\$M)	2
EV (A\$m)	17
Options on issue (M)	57
12mth Av Daily Volume ('000)	589

Forecasts	2016a	2017e	2018e	2019e
Revenue A\$M	0.0	0.0	0.0	0.0
EBITDA, A\$M	-1.6	-1.8	-2.3	-2.9
NPAT, A\$M	-1.6	-1.8	-2.3	-2.9
EPS, cps	-0.6	-0.4	-0.4	-0.1
PER, x	nm	nm	nm	nm
EV/EBITDA, x	nm	nm	nm	nm

Board	
Mr Stephen Copulos	Non-Executive Chairman
Mr John de Vries	Managing Director
Mr Gabriel Chiappini	Non-Executive Director

Major Shareholders	
Copulos Group	25.7%

### Share Price Graph



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 The analyst owns no BKT shares.

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