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resources limited

ASX ANNOUNCEMENT

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NAMAKERA VERMICULITE MINE UPDATE – EXPLORATION AND RESOURCE DRILLING PROGRAM COMPLETED



Highlights

- Resource and exploration drilling program completed at the Namekara Vermiculite Mine
- 60 aircore holes for 2,039m and 8 diamond drill holes for 375m diamond have been completed as part of the Company's first drilling program in Uganda
- Drilling completed in the existing open pit ("P1") for both grade control, detailed mine planning,
- Further drilling completed north west ("P2") and north east ("P3") of the current open pit with results to be included as part of the targeted updated to the Minerals Resource estimate published on the 12 December 2016 and new life of mine plan for the Namekara Vermiculite Mine. The aim of the drill program is to update the Minerals Resource estimate with estimation activities being completed by independent mining and geological consulting company CSA Global who advised and oversaw the drilling program.

Black Mountain Resources Limited (ASX:BMZ) (Black Mountain or the Company) is pleased to provide an update on its resource and exploration drilling program that it has completed on its 100% owned Namekara Vermiculite Mine, located in Eastern Uganda.



Fig 1. Air core drilling in P1 -the current open pit

In November 2016, the Company engaged SuperCore Drilling Company Limited and ADT Africa Explorational Drilling Services to complete a planned 65 hole, 2,250m drill program.

Drilling commenced on 26 November 2016 and was completed on 22 December 2016.

A total of 2,415m in 68 holes was drilled in and around the Namekara Vermiculite Mine. Of these, 2,039m (60 holes) were Aircore (“AC”) and 375m (8 holes) were Diamond Core (“DC”). Drill spacing in the open pit was 10m by 10m while around the pit it was 25 by 25m.

Twinning of historical reverse circulation (“RC”) and DC drill holes by both AC and DC drilling was also completed in 11 holes. AC was also used to twin a historical hole as part of a drill sterilization program for the location of a new waste dump closer to the open pit.

Logging and analysis of the samples commenced on 26 December 2016 after verification of sample procedures by the Company’s independent consultants.

The drilling program which was completed over a 3 to 4 week program is the first to be undertaken by the Company at the Namekara Vermiculite Mine.

The purpose of the AC drilling was an in-fill and exploration drilling program, whose results are proposed be used to both upgrade the current resource classification and to provide the basis to develop a more detailed grade control block model for mine planning and scheduling. The Company is targeting completion of the updated resource modelling in Q1, 2017 with the new mine plan expected to be operational in early quarter 2, 2017.

The DC drilling program was undertaken to verify data relating to vermiculite flake size, bulk density and vermiculite grade with flake size being one of the key attribute for the Namekara Vermiculite Mine and the marketing of its vermiculite products.

The drilling program undertaken by the Company is in addition to the historical RC and DC drilling programs completed at the Namakera Vermiculite Mine by Rio Tinto Mining and Exploration Limited (“Rio”) who drilled 3,490m of RC in 72 vertical hole (of which 66 were for resource estimation within the current mining lease and 6 were to test mineralization outside the mining lease), and Gulf Industrials Limited (“Gulf”) who completed 3,408m of DC in 54 NQ3 holes.

DRILL PROGRAM

AC drilling commenced in P1 on 26 November 2016 on a 10m by 10m spacing. Around the current open pit area, P2 and P3, drilling was completed on a larger grid of 25m by 25m as shown in Fig 1. above. The DC Rig was mobilized on the 4 December 2016 and started drilling on the 5 December 2016. All drilling was completed by 22 December 2016.

Bits of 86.65mm internal diameter were used for the AC holes. The outer diameters were 112.70mm and 113.70mm, see fig 3 below. Holes were drilled to the base of the mineralization slightly into the phlogopite/biotite zone or until bit refusal.



Fig 3. HQ3 core being removed from split inner tube

The DC drilling utilized HQ triple tube (“HQ3”) with split inner tube.

HQ3 was chosen to maximize recovery of the core, while a split inner tube was for ease of removing weathered core with minimal disturbance as illustrated in Fig 3 left.

AIRCORE DRILLING

A total of 60 holes for 2,039.19 m of AC were drilled. These include 5 twin holes, of which 2 holes (85.0m) twinned DC drilling completed by Gulf and 1 hole twinned RC drilling completed by Rio in P3. The other 2 holes formed part of a sterilization drilling program to determine a new location for the waste dump.

In P1, 624.61m of grade control drilling in 29 holes was completed as part of the in-pit in-fill drilling program. A summary of the P1 AC drilling is included in Table 1. In P2 a total of 275.76m of drilling in 7 holes was completed.

In P3, 19 infill holes were drilled for 914.82m. This has reduced the 80m by 120m section line spacing to an approximate 25m by 25 m grid. Visual inspection of the drilling completed has confirmed the high grade and large flake size which is consistent with the historical drilling completed in this area.

In addition, in P3, a further 5 holes for 224m was completed. These holes twinned RC hole NAM-009 completed by Rio and DC holes ND45 and ND46 completed by Gulf to verify data relating to vermiculite flake size, bulk density and vermiculite grade.

Two further holes were drilled to twin the RC hole NAM-64 completed by Rio and RC hole Nam-64 and ND03AC twinned Gulf DD hole ND03. Both holes returned poor visual mineralization effectively sterilizing the area and confirming its suitability for the new waste dump.



Fig 4. Grade control Aircore Drilling in P1, Hole NGC0012



Fig 5. Infill Aircore drilling in P2, hole NGC0039

DIAMOND CORE DRILLING

A total of 8 DC holes were drilled and completed for 375.4 m as part of the drilling program completed by the Company. All DC holes were twins in P1, P2 and P3.

2 holes of the DC were completed in P1. These were drilled to twin AC holes NGC0012 and NGC0015. A single DC hole was drilled in P2 to twin a historic Rio RC hole.

The DC holes drilled in P3 showed good visible mineralization supporting the already reported results from the previous drilling campaigns. The assays from these holes will be used for bulk density and assay verifications and are proposed to be incorporated into the current resource and reserve work and estimations.

RESOURCE UPGRADE AND ESTIMATION WORK PLANNED

The Company and its consultants CSA Global are currently completing the logging and assaying of the drilling and will incorporate the results in an updated resource estimate and classification upgrade that is scheduled to be completed in the current quarter.

The results of the in-fill drilling completed in P1, P2 and P3 will further be used to establish a detailed grade control block model from which mine scheduling and planning that is to be included in the new mine plan to be implemented at the Namekara Vermiculite Mine in 2017.

Results from the drilling program will be announced to the ASX with completed details and results of the assays in mid to late February once these results completed and at hand.

ENDS

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Competent Person's Statement

The information in this report that relates to Exploration Results has been compiled by Andrew Scogings and Patrick Takaedza. Dr Scogings is a full-time employee of CSA Global Pty Ltd. Mr Takaedza is a full-time employee of Namekara Mining Company Ltd. Dr Scogings is a Member of the Australian Institute of Geoscientists and the Australian Institute of Mining and Metallurgy. Mr Takaedza is a member of the Australian Institute of Mining and Metallurgy. Both Dr Scogings and Mr Takaedza have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the JORC Code (2012). Both Dr Scogings and Mr Takaedza consent to the disclosure of this information in this report in the form and context in which it appears.

The information in this report that relates to Mineral Resources has been compiled by Matthew Cobb, who is a full-time employee of CSA Global Pty Ltd. Dr Cobb is a Member of both the Australian Institute of Geoscientists and the Australian Institute of Mining and Metallurgy. Dr Cobb has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012). Dr Cobb consents to the disclosure of this information in this report in the form and context in which it appears.

Forward Looking Statements

Information included in this release constitutes forward-looking statements. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "continue", and "guidance", or other similar words and may include, without limitation, statements regarding plans, strategies and objectives of management, anticipated production or construction commencement dates and expected costs or production outputs.

Forward looking statements inherently involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance and achievements to differ materially from any future results, performance or achievements. Relevant factors may include, but are not limited to, changes in commodity prices, foreign exchange fluctuations and general economic conditions, increased costs and demand for production inputs, the speculative nature of exploration and project development, including the risks of

obtaining necessary licences and permits and diminishing quantities or grades of reserves, political and social risks, changes to the regulatory framework within which the company operates or may in the future operate, environmental conditions including extreme weather conditions, recruitment and retention of personnel, industrial relations issues and litigation.

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