



ASX ANNOUNCEMENT

30 April 2018

Quarterly Activities Report for Period Ended 31 March 2018

Commentary:

- **BMZ to dispose of its interest in the Namekara Vermiculite Mine in exchange for the retirement of circa A\$5.5m of debt (Transaction). Relevant Notice of Meeting despatched 12 April with meeting to be held 14 May 2018 to seek various approvals relating to the disposal and restructure.**
- **Company to proceed with a non-renounceable 1 for 1 entitlement issue at an issue price of \$0.02 per Share to raise up to \$3,263,355 (together with 1 free attaching option (\$0.02, 30 June 2020) for every 2 Shares subscribed for.**
- **The Company's debt levels will be reduced to approximately \$A100,000.**
- **BMZ to retain, subject to minimum expenditure obligations, a 75% interest in its existing Busumbu Phosphate Project as well as all other non-vermiculite minerals currently held by its subsidiary company, Namekara Mining Company Limited (Existing Tenements).**
- **Previous exploration on the Busumbu Phosphate Project identified up to a 3km of strike extent of phosphate mineralisation likely between Busumbu and the Namekara Vermiculite Mine. The results also indicated a substantial phosphate mineralisation footprint for future exploration.¹**
- **Comprehensive exploration work previously undertaken identifying key high impact exploration targets for phosphate, copper and rare earths to allow for immediate commencement of exploration activity.**
- **Exclusive due diligence option to earn (by way of farm-in) a 60% legal and beneficial interest in Mining Permits PE 13081, PR 4076 & PR 4072 (Permits), located in south-east of Manono lithium province, Democratic Republic of Congo, from Crown Mining Sarl.**
- **Exclusive due diligence option to earn (by way of farm-in) a 75% legal and beneficial interest in Exploration Licences ZEA 392 and 394 (Licences), located in south-east of Manono lithium province, Democratic Republic of Congo, from Cooperative Miniere de Development de Dikuluwe.**

¹ As referenced in Independent Experts and Technical Valuations Report lodged with ASX on 14 July 2016 (**Expert Report**). The Company confirms that it is not aware of any new information or data that materially affects the information included in the Expert Report and all material assumptions and technical parameters underpinning the estimates in the Expert Report continue to apply and have not materially changed.

- **Permits / Licenses lie within the same geological and structural setting as the AVZ Minerals Limited's (ASX. AVZ) Manono Project – potentially one of the world's largest lithium rich LCT (Lithium Caesium Tantalum) pegmatite deposits.**
- **Due diligence team and independent technical consultant on site first week of May in DRC.**
- **BMZ preparing exploration program for the Bukusu Carbonatite complex which hosts the Busumbu Phosphate Mine, the mapped and sampled Ngala hills copper prospect as well as identified anomalies for rare earths metals (Bukusu Complex).**
- **In addition to the initial work undertaken by BMZ in 2016, the Bukusu Complex contains a significant database of historical work (drilling, soil sampling, geophysics, trenching etc) and data previously undertaken by Rio Tinto Resources and Gulf Industrial on copper, rare earth elements and phosphate. Most of the work has been done on the Mining Lease, PL 1370, and minimal work was undertaken on the Exploration Lease, EL 4501.**
- **Advanced negotiations with strategic partner to progress the Busumbu Phosphate Project (BMZ – 75% interest - see ASX announcement 19 February 2018). Significant exploration and development upside with the Busumbu Phosphate Project (which operated intermittently over a 20 year period up to 1960s). Diamond drilling by ASX listed Gulf Industrials in 2012 at the Busumbu Phosphate Project confirmed high grade and extensive phosphate mineralisation with grades of up to 30.5% P₂O₅ and best intercepts of 35.4m at 25.8% P₂O₅ from 4.7m and 29.2m at 25.1% P₂O₅ from 7.0m respectively.**
- **Proposed restructure transaction greatly assists the Company by removing debt burden that potentially could have severely impacted BMZ whilst at the same time retains the Company's exposure to significant exploration upside on Existing Tenements and potential new lithium opportunities in the DRC.**
- **Vermiculite mine cash flow neutral for BMZ during restructure process under Heads of Agreement with Richmond Partners Masters Limited**

Black Mountain Resources Limited (ASX: BMZ) (Black Mountain or the Company) provides its Quarterly Activities Report for the period ended 31 March 2018.

Proposed Disposal of Namekara Vermiculite Mine

The market conditions for consistent sales of vermiculite products have impacted on the Company's ability to achieve the intended cash flow from the Namekara Vermiculite Mine as initially intended, and the Company has been unable to consistently service its debt obligations (without extensions). Given this, and subject to shareholder approval, the Company has agreed to dispose of the Company's 100% interest in the Namekara Vermiculite Mine as per the proposed Transaction previously announced.

The Board continue to progress key initiatives designed to strengthen the Company's balance sheet and to preserve and create value for the Company's shareholders and improve the Company's current position. The Board believes that the Transaction will strengthen the Company's current position and provide funds to develop the Company's other Existing Tenements and the proposed DRC lithium option if pursued. The Transaction will allow the Company to move forward with a large portion of its existing project base, whilst at the same time extinguishing a significant debt burden which would have had major repercussions for BMZ with creditor default events potentially occurring if not for the proposed Transaction.

Restructure Heads of Agreement

The Company has entered into a restructure Heads of Agreement with Richmond Partners Masters Limited (RPML) whereby it will, subject to any necessary shareholder approvals, including approval pursuant to ASX Listing Rules 11.2 and 10.1, formal documentation and regulatory sign offs:

- a) Dispose of its interest in the Namekara Vermiculite Mine in exchange for the cancellation of circa A\$5.5m of debt on the Company's balance sheet, extinguishment of any existing royalty obligations and transfer of interest in subsidiary company, Namekara Mining Company Limited ("NMCL");
- b) RPML to transfer shareholding in BMZ to third party financier to be identified and agreed contemporaneously with the obtaining of relevant shareholder approvals and formal documentation;
- c) Company to retain, subject to minimum expenditure obligation of US\$1m per annum for 3 years, and a commitment to take the project into commercial production within another 2 years, a 75% interest in its existing Busumbu Phosphate Project as well as all other non-vermiculite minerals currently held by NMCL. NMCL is the registered holder of Mining License ML 4651 and Exploration License EL1534. The Mining and Exploration licenses extend over the majority of the Bukusu Complex, which is considered highly prospective for vermiculite, phosphate, copper, iron, zircon and rare earths mineralisation;
- d) RPML to be carried in respect of the residual 25% interest in respect of paragraph (c) above; and
- e) US\$500,000 to be paid to LB International Limited upon completion of the Rights Issue subject to relevant approvals and sign offs referred to above.

EXCLUSIVE OPTIONS TO FARM INTO DRC LITHIUM LICENSES

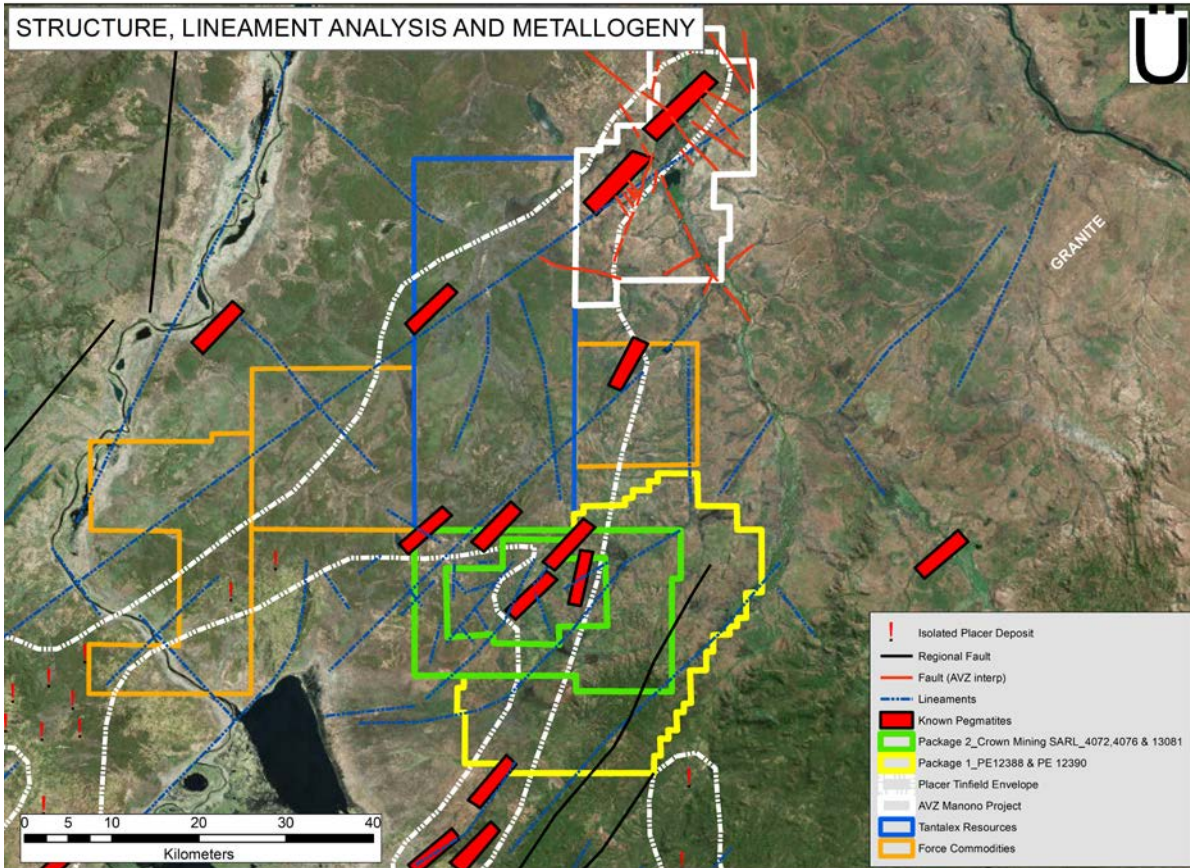
Black Mountain has secured the following two exclusive option agreements:

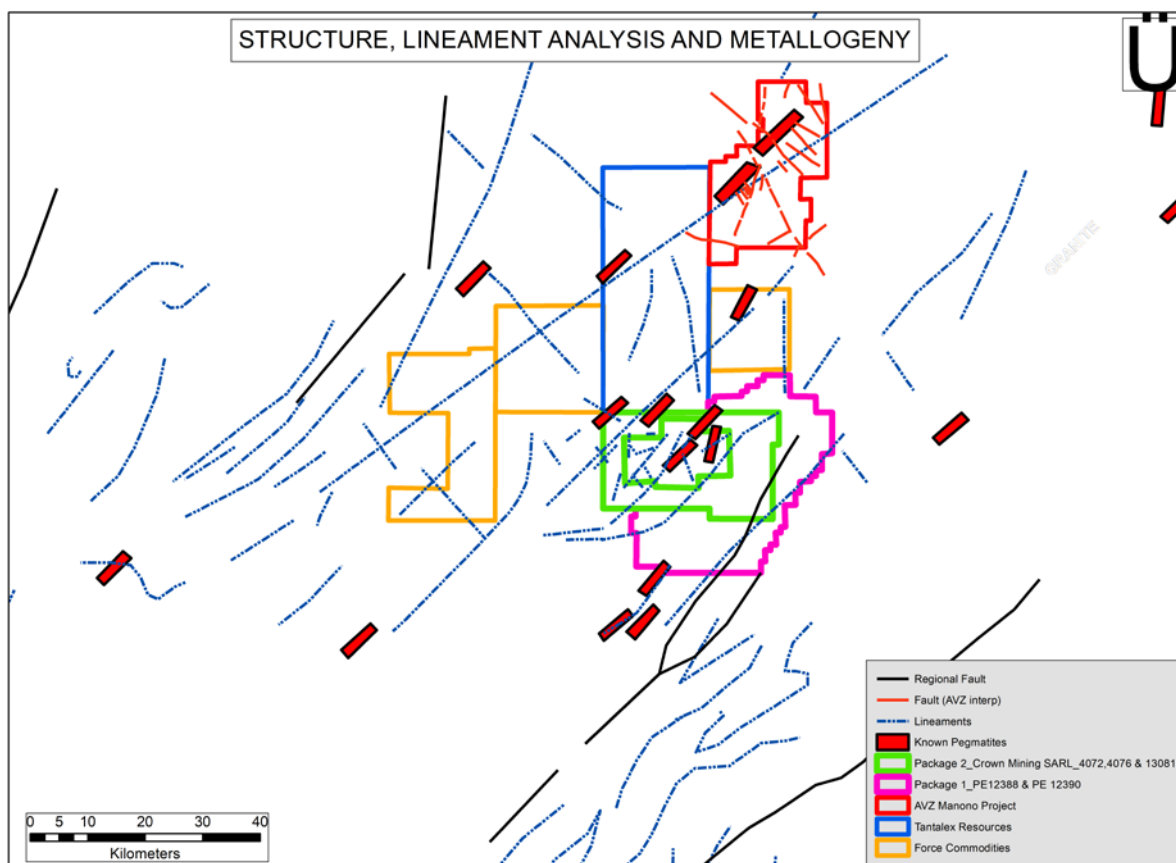
- i. Exclusive 90 day due diligence option to earn (by way of farm-in) a 60% legal and beneficial interest in Mining Permits PE 13081, PR 4076 & PR 4072 (**Permits**), located in south-east of Manono lithium province, Democratic Republic of Congo, from Crown Mining Sarl; and
- ii. Exclusive 45 day due diligence option to earn (by way of farm-in) a 75% legal and beneficial interest in Exploration Licences ZEA 392 and 394 (**Licences**), located in south-east of Manono lithium province, Democratic Republic of Congo, from Cooperative Miniere de Development de Dikuluwe.

Farm-in terms are to be negotiated and finalised during the due diligence option periods. Due diligence team and independent technical consultant on site first week of May in DRC.

Location of the Permits and Licences is set out in green below and also shows the proximity to AVZ Minerals Limited (ASX. AVZ) and Force Commodities Limited (ASX. 4CE) respectively.

STRUCTURE, LINEAMENT ANALYSIS AND METALLOGENY





Figures 1 & 2: Above Figure (and other published information) show that the regional and local structures that control the Manono Pegmatites is similar to that which controls the pegmatites on the Project Area.

The Permits and Licences (“**Project Area**”) lie within the same geological and structural setting as the AVZ Mineral’s Manono Project. The Manono Project is potentially one of the world’s largest lithium rich LCT (Lithium Caesium Tantalum) pegmatite deposits. It was initially mined for its tin content between 1919 and 1980. The strike extent of the Manono pegmatites is at least 13km, with only a small shallow portion tested by historical exploration activities. The historical exploration activity indicates potential thickness of pegmatites is up to 250m in places. Historical geological work previously published confirms that the Project Area under option has geological and mineralization characteristics identical to those of the much explored Manono-Kitotolo deposits namely, the presence and extraction of Sn-Nb-Ta in alluvium and laterite, the occurrence of undeformed type 3 granites, and the identification of a quartz-feldspar-mica pegmatite, possibly greisen, near the type 3 granites. These characteristics suggest an LCT pegmatite is the source of that Sn-Nb-Ta in the Project Area, and that a rare-element Li pegmatite exists below laterite and alluvial cover. It is worth noting that the Manono-Kitotolo pegmatites were not discovered until the thick laterites and alluvium were removed.

CONVERTIBLE NOTE

During the quarter, the Company raised \$500,000 by way of convertible note. The note is for a 6 month period, attracts a 10% repayment or conversion premium (\$550,000 in total) and automatically converts on the same terms (subject to all necessary shareholder and regulatory approvals) upon the Company’s current Rights Issue referred to above.

-ENDS-

Further information, please contact:

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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.

Forward looking statements are based on the Company and its management’s good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect the Company’s business and operations in the future. The Company does not give any assurance that the assumptions on which forward looking statements are based will prove to be correct, or that the Company’s business or operations will not be affected in any material manner by these or other factors not foreseen or foreseeable by the Company or management or beyond the Company’s control.

Although the Company attempts and has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in forward looking statements, there may be other factors that could cause actual results, performance, achievements or events not to be as anticipated, estimated or intended, and many events are beyond the reasonable control of the Company. Accordingly, readers are cautioned not to place undue reliance on forward looking statements. Forward looking statements in these materials speak only at the date of issue. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, in providing this information the company does not undertake any obligation to publicly update or revise any of the forward looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.

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 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 the Australian Institute of Geoscientists and 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.

Table A: Tenement Schedule

Mining Tenement (Claim)	Reference No.	Interest Held
Namekara Mining Company Limited, Uganda		
MINING LICENSE 4651	ML 4651	100%
EXPLORATION LICENSE 1534	EL 1534	100%

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

BLACK MOUNTAIN RESOURCES LTD

ABN

55 147 106 974

Quarter ended ("current quarter")

31 March 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	1,157
1.2 Payments for		
(a) exploration & evaluation	(74)	(95)
(b) development	-	-
(c) production	-	(812)
(d) staff costs	-	(514)
(e) administration and corporate costs	(158)	(530)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	(1)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other	-	(25)
1.9 Net cash from / (used in) operating activities	(232)	(820)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(16)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (net cash flow of subsidiary held for disposal) ¹	222	222
2.6 Net cash from / (used in) investing activities	222	206

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	400
3.2 Proceeds from issue of convertible notes	350	350
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(21)
3.5 Proceeds from borrowings	-	200
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	350	929

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	31	57
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(232)	(820)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	222	206
4.4 Net cash from / (used in) financing activities (item 3.10 above)	350	929
4.5 Effect of movement in exchange rates on cash held	-	(1)
4.6 Cash and cash equivalents at end of period	371	371

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	145	31
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (cash held by subsidiary held for disposal) ¹	226	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	371	31

¹ The company will not retain any cash held by its wholly owned subsidiary Namekara Mining Company Ltd (NMCL) in respect to items 2.5 and 5.4 above following completion of the proposed restructure which will see the disposal of NMCL from the consolidated group.

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	Nil
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
Nil	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	Nil
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	
Nil	

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	1,288 ¹	1,138
8.2 Credit standby arrangements	Nil	
8.3 Other (loan facilities – subsidiary held for disposal)	2,458	2,458
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

¹ Total loan facilities available before drawdown

- a) Convertible Notes issued 5 April 2017 – Unsecured – 10% p/a interest - \$535,000 with a maturity of 30 April 2020, convertible at \$0.05 per share. Interest accrued of \$52,767 to quarter end.
- b) LB International Ltd US\$750,000 loan facility – Unsecured – 10% p/a interest with a 6% facility fee payable on maturity. Interest accrued and facility fee total US\$253,375 to quarter end.
- c) InvestMet Ltd \$200,000 loan facility – Unsecured – 0% p/a interest
- d) Convertible Notes April 2018 – Unsecured – 0% p/a interest - \$350,000 (\$500,000 facility) with a maturity of 6 Months, convertible on the same terms of the next capital raising with a 10% premium.
- e) LB International Ltd US\$884,000 loan facility – Unsecured – 0% p/a interest.

LB International Ltd has provided ongoing funding of US\$884,000 to Namekara Mining Corporation Ltd (NMCL) as part of the proposed restructure, which will see the disposal of NMCL from the consolidated group. No amounts will remain payable by the company to LB International Ltd in respect of points b and e above following completion of the proposed restructure.

In addition to the above finance facilities, the company also has deferred advisory fees of USD\$3,327,264 and capital investment fees of US\$250,000 outstanding as at the end of the quarter. These amounts will be forgiven following completion of the proposed restructure.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	75
9.2 Development and capital expenditure	-
9.3 Production	-
9.4 Logistics	-
9.5 Staff costs	-
9.6 Administration and corporate costs	100
9.7 Interest paid to convertible note holders	-
9.8 Total estimated cash outflows	175

Mining exploration entity and oil and gas exploration entity quarterly report

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A	N/A	N/A	N/A
10.2	Interests in mining tenements and petroleum tenements acquired or increased	N/A	N/A	N/A	N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Director)

Date: 30 April 2018

Print name: Maurice Feilich

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.