ASX ANNOUNCEMENT

13 February 2017

NAMAKERA VERMICULITE MINE AND CORPORATE UPDATE

Highlights

- **Prompt reordering from existing clients for Namekara vermiculite secured in January and February from European customers**
- **Logistics operations streamlined resulting in major reduction in working capital requirements and much improved future cash flow performance**
- **AUD$800,000 of product stockpiled for future sales**
- **Land acquisition completed to facilitate pit extension and optimisation**
- **Updated Inferred Mineral Resource published by the end of March**
- **Progress on production, the processing plant, mining and mine planning and other cost saving initiatives to be reported by the end of the month of February**

Black Mountain Resources Limited (ASX: BMZ) (Black Mountain or the Company) is pleased to provide this update to shareholders on progress at its 100%-owned Namekara Vermiculite Mine in Eastern Uganda.

Recent operational and corporate initiatives are expected to deliver much greater value to BMZ's Uganda project and reduce the Company's overall cost base following three months of production ramp-up.

<u>Repeat orders increasing and vermiculite stockpiles growing</u>

Black Mountain is pleased to confirm prompt repeat product orders in the months of January and February 2017 from a number of strategic customers in Europe that originally purchased product in November and December 2016. This is excellent validation of the Company's product and underpins future demand.

Given this development, Black Mountain has been able to strengthen its logistics and distribution arrangements, resulting in much improved future cash flow and lower associated costs. As a result, the Company will now be able to reduce its working capital requirements - a major catalyst to facilitate the expansion of production.

This is especially important as the Company ramps up product stockpiles in order to build stable sales channels into four key markets – Europe, the Middle East, Asia and North America. At 31 January 2017, the mine stockpiles at realised sale value are estimated at AUD$800,000.

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Cost reduction initiatives

Black Mountain is realising and has initiated numerous cost reductions following the initial three months' production to the end of January 2017. The Board and senior management have undertaken a detailed review of the cost base and identified a number of immediate and sustainable cost savings.

Following the commencement of operations in November 2016, the Company has now sustained consistent container shipments and shipped a total of 1472t of product in January and 424t of product to date in February. A total of 1602t of product is forecast to be shipped in February.

The increased and sustained sales volumes have delivered savings of up to 20% on shipping and logistics costs for the Company's product deliveries to Asia.

Further savings are expected to be realised after Black Mountain establishes a new warehouse facility in Tororo, near the Ugandan mine site, and a planned logistics office in Mombasa early in the 2nd quarter of calendar 2017.

Successful land acquisitions and resource definition works

The acquisition of land at P3 which is adjacent to Namekara's open pit (P1) was successfully completed on 20 January 2017. This will allow for the stripping of this area and mining commencement once the upgraded Mineral Resource Estimate and Mine Plan has been completed. The upgraded Mineral Resource estimate and mine plan are scheduled for completed at the end of March 2017. This formal upgrade has taken two months longer than expected as a decision was made to assay for four size fraction splits rather than two size fractions. This will allow for the consolidation drill database to tie together all the drilling, comprising 2,415 metres of BMZ drilling in December 2016 and the historical drilling. The historical drilling database consists of 3,490 metres drilled by Rio Tinto and 3,408 metres drilled by Gulf Minerals Limited.

Management commentary

Black Mountain's Chairman and Chief Executive Officer Julian Ford commented: "As an industrial minerals producer, marketing and market acceptance is critical, and we have successfully balanced stock build-up, working capital and cash-flow, particularly pleasing given the impact of the Christmas and New Year period on ramp up.

"I am pleased to say we held our nerve and the product acceptance has been fantastic, added to which our proportion of coarse and medium grade material has exceeded our expectations and is more than 70% of production. The coarse and medium grade material is globally in short supply and attracts a price that is a multiple of the fines and super fines. With the return of our customers after the Christmas break, we have witnessed sales and re-orders rapidly increase. This has allowed us to leverage our market and logistics relationships to effectively monetise our stockpiles against sales-orders which will now significantly improve Black Mountain's cash-flow.

"At the operational level, the ramp-up of production in the beneficiation plant was initially slightly below plan which impacted cash-flow. However, with the latest set of plant modifications and operating procedures implemented in late January, we have witnessed daily annualised production go through 25,000 tpa which is our nominal break even point. As only 30% of site costs are variable, the increased production is mostly profit margin, so the continuous ramp-up to target is critical for profitability. Our focus now is to deliver a Mineral Resource estimate upgrade and then converting this into a mine plan. Following this, Black Mountain is well placed to determine profitability and forecast production levels.

"Black Mountain is well placed to deliver on its growth objectives. We have aggressively trimmed our fixed cost base which positions the Company well to significantly improve the bottom line. We look forward to updating shareholders on a steady stream of progress from this point onwards."

-ENDS-

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