



## ASX ANNOUNCEMENT

19 February 2018

### STRATEGIC RESTRUCTURE- DISPOSAL OF NAMEKARA VERMICULITE MINE TO FOCUS ON NAMEKARA PHOSPHATE, COPPER AND RARE EARTHS

Black Mountain Resources Limited (ABN 55 147 106 974) (ASX Code: **BMZ**) (the **Company**) is pleased to update shareholders on the following restructure initiatives that have been agreed to by the Company and its major lender, Richmond Partners Masters Limited, subject to any necessary shareholder approvals, formal documentation and regulatory sign off:

- BMZ to dispose of its interest in the Namekara Vermiculite Mine in exchange for the retirement of circa A\$5.5m of debt (**Transaction**). The Company's debt levels will be reduced to approximately \$A600,000.
- 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.<sup>1</sup>
- Company to renegotiate existing Investmet agreement with Investmet Limited (announced to ASX on 21 June 2017) to facilitate an equity injection to commence phosphate, copper and rare earths exploration programme on the Existing Tenement. Other forms of financing are also being considered to ensure BMZ's exploration programs are adequately funded.
- 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.
- Proposed 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.
- Given major lender, Richmond Partners Masters Limited, is represented on the Board by Luca Bechis, Mr Bechis intends to step down from the Board as part of the Transaction as it progresses through to completion. Upon Mr Bechis' resignation, Mr Sam Jarvis will join the Board as a Non-Executive Director. Mr Jarvis has over 20 years' experience in the resources, bulk commodities and energy sectors and Degrees in Economics and Engineering (Hons). The Company's Acting CEO, Bronwyn Barnes, has stepped down from the role and the Company thanks Bronwyn for her contribution.

<sup>1</sup> 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.

- ASX has confirmed the Transaction is a disposal of a main undertaking and requires shareholder approval pursuant to Listing Rule 11.2. Approval pursuant to ASX Listing Rule 10.1 also required given Luca Bechis' role on the Board. Company to proceed with calling necessary shareholder meeting seeking approval for the proposed Transaction pursuant to ASX Listing Rules 10.1 and 11.2.

### **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 proposes to dispose of the Company's 100% interest in the Namekara Vermiculite Mine as per the proposed Transaction as set out below.

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. 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 will have major repercussions for BMZ in early 2018 with creditor default events potentially occurring.

### **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:

- 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");
- 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;
- 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 the registered holder of five Exploration Licenses EL42, EL147, EL620, EL666, and EL713. 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;
- RPML to be free carried in respect of the residual 25% interest in respect of paragraph (c) above; and
- US\$500,000 to be paid to LB International Limited on or before 31 March 2018 subject to relevant approvals and sign offs referred to above.

### **Overview of the Busumbu Phosphate Project<sup>2</sup>**

The Busumbu Phosphate Project is located on the Busumbu ridge approx. 3km east of the Namekara Vermiculite Mine and on the existing Mining License. The project is hosted within the Bukusu carbonatite located in Eastern Uganda. It hosts the Namekara Vermiculite Mine, the world's largest vermiculite resource, the Busumbu phosphate mine which operated intermittently at Busumbu from 1944 to 1963, the Ngala hills copper prospect as well as identified anomalies for rare earths metals. Research on the Busumbu Phosphate Project in 1995 described the formation of calcium-aluminium phosphates such as crandolite in the regolith to be for "soft phosphate rock" and re-precipitation of apatite to form "hard phosphate rock".

Exploration work was completed by Gulf Industrial Limited (ASX Listed) in 2011 and 2012. The work comprised soil sampling to delineate the potential mineralised target, followed by six diamond drill holes to test for depth extent, determine tenor of phosphate mineralisation and to identify phosphate minerals present. Analyses of the soil samples identified up to 3km of

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strike extent of phosphate mineralisation likely between Busumbu and the Namekara Vermiculite Mine. It also indicated a “substantial phosphate mineralisation footprint for future exploration”.

The Company is proposing to complete further detailed exploration work at the Busumbu Phosphate Project including, resource definition drilling, preliminary mine planning and optimisation studies, broad sampling and metallurgical test work and preliminary processing plant optimisation studies. The project is considered to be one of two “world-class” phosphate deposits in Uganda and is a key focus of the Company.

The Company will commence a pre-feasibility study in Q3 2018, upon completion of the initial resource drilling program Q1 2018 and anticipates completing this study late in 2018. Exploration for copper and rare earths mineralisation will also be pursued.

The Company considers the Busumbu Phosphate Project to be an attractive exploration and development asset which allows BMZ to move forward with a large portion of its existing project base whilst at the same time extinguish a significant debt burden which was potentially going to have major repercussions for BMZ in early 2018. BMZ will also assess other exploration opportunities in Uganda and other countries to strengthen and diversify its asset base.

Interim Chairman Simon Grant-Rennick commented: *“The Board of BMZ considers the Busumbu Phosphate Project to be an attractive exploration and development asset which allows BMZ to move forward with a large portion of its existing project base whilst at the same time extinguishing a significant debt burden which was potentially going to have major financial repercussions for the Company in the first half of 2018. BMZ will also assess other exploration opportunities in Uganda and other countries to strengthen and diversify its asset base.”*

*“The Board looks forward to presenting this opportunity to shareholders for their vote and will advise on the timing of an Extraordinary General Meeting following the completion of the requisite Independent Experts Report and other necessary documentation.”*

**-ENDS-**

**Released through:** Ben Jarvis, Six Degrees Investor Relations: +61 (0) 413 150 448