

12 July 2016

The Board of Directors
Black Mountain Resources Limited
Suite 5, 531 Hay Street
SUBIACO WA 6008

Dear Sirs

Re: BLACK MOUNTAIN RESOURCES LIMITED (ABN 55 147 106 974) (“BLACK MOUNTAIN” OR “THE COMPANY”) ON THE PROPOSAL TO ISSUE ACQUIRE 100% OF THE ISSUED CAPITAL OF GLF HOLDINGS LIMITED (“GLF”), A COMPANY THAT VIA VARIOUS SUBSIDIARIES HAS A 100% INTEREST IN THE MAMAKERA VERMICUITE MINE, THE BUSUMBU PHOSPATE PROJECT AND OTHER EXPLORATION INTERESTS IN UGANDA - SHAREHOLDER MEETING PURSUANT TO AUSTRALIAN SECURITIES EXCHANGE (“ASX”) LISTING RULE 10.1

SUMMARY OF THE PROPOSAL PURSUANT TO RESOLUTION 2

After taking into account the factors referred to in 11 below and elsewhere in this report, we are of the opinion that the advantages to the existing shareholders outweigh the disadvantages and thus the proposed Transaction (including the GLF Acquisition) as noted in Resolution 2 in the Notice may be considered, on balance, to be fair and reasonable to the existing non-associated shareholders of Black Mountain.

1. Introduction

1.1 We have been requested by the Independent Committee of the Board of Directors of Black Mountain (“the Independent Committee”) to prepare an Independent Expert’s Report to determine the fairness and reasonableness relating to the proposal as outlined in Resolution 2 in the Notice of Meeting (“the Notice” and more fully described in the Explanatory Memorandum (“EM”) attached to the Notice. Black Mountain will assume the obligation that African Phosphate Pty Limited (“African Phosphate” or “AP”) has to acquire 100% of the issued capital of GLF as part of the Transaction (refer below). The acquisition of all of the shares in GLF is the subject of Resolution 2. However, Resolutions 3, 4, 5 and 6 also involve the acquisition of GLF and shares being issued to various parties associated with the vendors of GLF and African Phosphate.

1.2 African Phosphate, in which Jason Brewer (director of Black Mountain) is Chief Executive Officer and shareholder (through JC Trust Pty Limited, which holds 55 shares out of 185 shares on issue), has an agreement to acquire 100% of the shares in GLF. Black Mountain has entered into an agreement as noted below to acquire 100% of the issued capital of GLF (effectively assuming the obligations of African Phosphate to acquire all of the shares in GLF).

1.3 GLF is a company incorporated in the British Virgin Islands and GLF owns 100% of Industrial Minerals International Corp (“IMIC”) a British Virgin Islands company and 1% of Namakera Mining Company Limited (“NMCL”), a Ugandan registered company. IMIC owns 99% of NMCL, making NMCL a wholly owned subsidiary of GLF. IMIC also owns 100% of East African Vermiculite Pty Ltd (“EAV”) who has lent funds to NMCL.

NMCL owns 100% of the Namakera Vermiculite Mine, the Busumbu Phosphate Project and various exploration targets for vermiculite, copper, iron, zircon and rare earths (“Exploration Targets”) all located in Uganda in Africa. All of the interests are collectively called the Ugandan Projects.

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In effect via the various interests in IMIC and NMCL, GLF controls the Ugandan Projects. Further details on NMCL and its mineral interests are outlined elsewhere in this report, the EM attached to the Notice and the valuation report by Al Maynard & Associates ("Maynard") attached as Appendix B to this report.

1.4 African Phosphate had entered into an agreement to acquire 100% of GLF. The GLF vendors are Jonah Resource Holdings Limited ("JRH") and Richmond Master Partners Limited ("RPM"). All rights and obligations under the agreement between African Phosphate and JRH and RPM were transferred to the Company and an agreement was signed between the Company and JRH and RPM described below as the Share Sale Agreement.

1.5 Summary of the proposals (noted as the Transaction in section 1.4 of the EM).

Composition of Transaction

The material terms of the Transaction are:

- The Company will acquire the obligations secured by African Phosphate to acquire NMCL by acquiring 100% of the issued capital of GLF (by way of an issue of 18,500,000 post-consolidated shares ("AP Agreement Shares") to the shareholders of African Phosphate (of which the interests of Jason Brewer will receive 5,500,000 AP Agreement Shares as noted in Resolution 5).
- The Company has entered into a share sale agreement with JRH and RPM pursuant to which JRH and RPM have agreed to sell and the Company has agreed to purchase all the shares in GLF – and so obtain a 100% interest in NMCL (the Share Sale Agreement);
- Pursuant to the Share Sale Agreement, the Company had agreed to:
 - issue to JRH and RPM shares ("the Consideration Shares") as described in section 1.3 of the EM (in effect JRH is to receive 4,978,803 Consideration Shares and RMP and LB International Limited a related party to RMP are to receive a total between them of 28,211,577 Consideration Shares following completion of the minimum capital raising of \$4,000,000 (at 10 cents per post consolidated share) and at the time of the recommencement of trading on the ASX by the Company (RMP will receive 27,641,577 Consideration Shares and LB International Limited will receive 570,000 Consideration Shares);
 - invest a total of US\$5,000,000 ("Investment Commitment") into GLF within 3 years of the date of the Share Sale Agreement (refer below);
 - in the event the Company does not make the investment Commitment payment, make an additional cash payment to JRH and RPM of US\$250,000 within 3 years. The amount will only be payable if the Vendors continue to hold at least 50% of the Consideration Shares on the third anniversary of the Execution Date; and
 - complete the capital raising (Placement) with binding commitments for equity capital of no less than US\$4,000,000 (subsequently agreed to be altered to be a capital raising of \$4,500,000);

The Investment Commitment is a commitment for the Company to invest US\$5,000,000 in NMCL within 3 years of signing the Share Sale Agreement (of which US\$2,500,000 is to be made by 31 December 2016).

The Company has entered into a deed of assignment of debt with JRH and RPM pursuant to which JRH and RPM have agreed to jointly and severally assign all of their rights, title and interest to the Debt (see below) to the Company ("Deed of Assignment of Debt").

The Debt is the amount owing by GLF to JRH and RPM at the date of settlement of the Share Sale Agreement, including the loans in the sum of US\$10,144,257.37 advanced to GLF by JRH and RPM. The maximum amount of the Debt owing by GLF to JRH and RPM is not expected to exceed US\$13,784,554. On Completion and after the assignment of the

Debt, GLF will owe the Debt to Black Mountain and no funds will be owed by GLF to JRH and RPM.

The interests of Jason Brewer, a non-executive Director, is Chief Executive Officer of African Phosphate and will, subject to Resolution 5, receive 5,500,000 AP Shares as noted in Resolution 5) on Completion. In addition, the interests of Simon Grant-Rennick, a proposed director of Black Mountain will receive 3,500,000 AP Agreement Shares and Resolution 6 refers to such issue.

Royalty Payment

The Company has entered into a Royalty Agreement with various parties who have provided financial assistance, technical assistance and corporate advisory assistance in respect of the Transaction and corporate assistance in relation to the restructuring and recapitalisation of the Company. The consideration for such services is a 1% royalty (allocated between each royalty holder) equal to 1% of all sales revenue received from mineral production by the Company and NMCL and is payable quarterly in arrears. The royalty period is the period from the commencement (after the date of the Royalty Agreement) of production until 31 December 2026. Further details are outlined in the EM attached to the Notice.

The Company has entered into a deed with LB International Limited (LBI) pursuant to which, in consideration of LBI's role in advising and assisting the Company in the settlement of the Share Sale Agreement, the Company has agreed:

- To pay LBI an advisory fee of US\$3,000,000 cash to be paid on a deferred basis quarterly in arrears, with each quarterly payment amount calculated as an amount equal to 66% of NMCL and IMIC's net cash flow after-tax ("Advisory Fee"). The Advisory Fee will accrue interest at the rate of 5% cumulative annual interest rate. If the Advisory Fee is not paid in full by 30 June 2019 then subject to shareholder approval at the time the outstanding balance will automatically convert into Shares which will be issued to LBI at an issue price equivalent to the VWAP for the 6 months prior to the last date due for payment and will be issued within 30 Business Days; and
- To reimburse LBI, by no later than the date of settlement of the acquisition of GLF, an amount of US\$114,400 to settle funds and associated interest and penalties fees, advanced by LBI to NCML from 1 February 2016 to 1 March 2016 ("Working Capital Fee"). The Working Capital Fee will accrue interest at a rate of 2% per month from 30 April 2016 compounding monthly until full repayment is made. It is expected that the interest may approximate US\$6,864.

In the event that the Investment Commitment payments of US\$5,000,000 are not paid within 3 years, then subject to shareholder approval at the time the shortfall in the Investment Commitment will automatically be converted to ordinary fully paid shares in the Company (shares issued to LBI). The issue price will be equivalent to the volume weighted average share price ("VWAP") for the six months prior to the third anniversary date of the agreement with LBI. LBI is a party associated with RPM.

Directors

The current Directors are Jason Brewer, John Ryan and Julian Ford. Subject to Completion and the passing of the relevant resolutions, the Board of the Company will be re-structured so that immediately following Completion, the Board shall consist of:

- Simon Grant-Rennick (Executive Director – Sales and Marketing)
- Jason Brewer as Executive Director;
- John Ryan;
- Julian Ford (Non Executive Chairman); and
- Luca Bechis, as nominee of RPM.

Some details of the proposed new Directors are set out at section 7 of the EM.

Completion of the Transaction is subject to the following key conditions:

- the Company obtains all required Shareholder approvals;
- the Placement is completed and raises \$4,500,000;
- the Company obtains all required regulatory approvals pursuant to the ASX Listing Rules, Corporations Act and other applicable laws or regulations in connection with the Transaction; and
- the various transaction documents remain binding and in full force and effect and none of them are terminated.

1.6 Furthermore, agreement has been reached with various creditors and financiers to accept either cash or shares (or a combination of both) to settle amounts owing to them as at 31 March 2016. Refer paragraph 6.1.1 for details on shares to be issued, cash to be paid and the discount to be provided by the creditors and financiers. The discount applicable to the relevant creditors and financiers will be written back to the statement of comprehensive income as reversal of expenses.

1.7 It is noted that amounts initially shown as owing to a past Director, Peter Landau and his associated entities of approximately \$1,235,835 will be written back to \$nil on the basis of written instructions from Peter Landau and on the basis that services were not properly rendered to Black Mountain as initially claimed by Peter Landau and his associated companies. However, ASIC has a freezing order involving Peter Landau and thus there is always the possibility that the initial claims may be payable. The Company has written back the initial amounts claimed by Peter Landau and his associated companies and these are now disclosed as contingent liabilities. The Company would negotiate to extinguish any debts payable to Peter Landau and his associated companies by way of the issue of new shares in Black Mountain in the event a claim was made at a later stage.

1.8 Consideration Payable for the shares in GLF and acquiring the obligation from African Phosphate:

- A total of 33,190,380 Consideration Shares in Black Mountain will be issued to the vendors of GLF ("Vendors" or "GLF Vendors") (Resolution 3 refers to the issue of Consideration Shares); and
- A total of 18,500,000 AP Agreement Shares will be issued to the shareholders of African Phosphate (of which the interests of Jason Brewer will receive 5,500,000 AP Agreement shares and the interests of Simon Grant- Rennick will receive 3,500,000 AP Consideration Shares). Resolutions 4, 5 and 6 refer to the issue of AP Agreement Shares.

The proposed acquisition of 100% of the issued capital of GLF and the rights and obligations of African Phosphate (and effectively a 100% interest in NMCL) is known as the Acquisition. Part of the Acquisition involving the interests of Jason Brewer is known as the Relevant Acquisition.

1.9 ASX Listing Rule 10.1 provides that an entity (or any of its subsidiaries) must not acquire a substantial asset from, or dispose of a substantial asset to, a related party. An asset is "substantial" if its value, or the value of the consideration for it, is, or in ASX's opinion is, 5% or more of the equity interests of the company as set out in the latest accounts given to ASX under the ASX Listing Rules. The value of the Consideration to be given by Black Mountain to obtain potential control of GLF who indirectly control the Ugandan Projects is greater than 5% of the equity interests of the Company as set out in the latest accounts given to ASX under the ASX Listing Rules.

1.10 The Company is now seeking shareholder approval for the acquisition contemplated in the Transaction under ASX Listing Rule 10.1. ASX Listing Rule 10.1 provides that an entity (or any of its subsidiaries) must not acquire a substantial asset from, or dispose of a substantial

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asset to a related party or a substantial holder or an associate of a related party or a substantial holder without shareholder approval.

Jason Brewer, a Director of the Company, is currently Chief Executive Officer and shareholder in AP (and will, pursuant to the Transaction, be issued certain AP Agreement Shares).

A "substantial asset" is an asset valued at greater than 5% of the equity interests of a company as set out in the latest accounts given to ASX under the Listing Rules. The acquisition the subject of the Transaction is of a substantial asset.

It is proposed that the Company enter into the Transaction on the terms set out in section 1. Accordingly, the Company seeks shareholder approval for the acquisition the subject of the Transaction, pursuant to Listing Rule 10.1.

The Acquisition therefore requires approval under ASX Listing Rule 10.1. ASX Listing Rule 10.1 provides that shareholder approval sought for the purpose of ASX Listing Rule 10.1 must include a report on the proposed acquisition or disposal from an independent expert. Stantons International Securities Pty Ltd has been requested to report on the fairness and/or reasonableness of the Acquisition as noted in Resolution 2 in the Notice (and also considers the fairness and reasonableness of Resolutions 3, 4, 5 and 6 in consideration as to fairness and/or reasonableness as they are interlinked with the Acquisition/Transaction).

- 1.11 It is proposed that the Company will issue 12,714,800 new shares (Debt Conversion Shares) to certain financiers ("Financiers") to the Company (to 31 March 2016) to extinguish debts (principal and interest) of around \$2,612,833 (refer section 1.6 above) and pay cash to the Lenders of \$717,840 (and the balance forgiven by the Lenders). In addition, Gorilla Pit Pty Ltd, a company associated with a Financier will, subject to shareholder approval be issued 800,000 Debt Conversion Shares (refer paragraph 1.15 below). Part of Resolution 12 in the Notice refers to the issue of such shares.
- 1.12 It is planned to consolidate the shares on a 1 for 10 basis and then undertake a new capital raising ("Capital Raising" or "Placement") of \$4,500,000 by way of the issue of 45,000,000 post consolidated shares at 10 cents each ("Capital Raising Shares"). The maximum Capital Raising will be \$7,500,000 (75,000,000 post-consolidated shares).
- 1.13 If the consolidation takes place and the 45,000,000 New Capital Raising Shares are issued, the interests of Jason Brewer in the expanded capital of the Company would approximate 0.36% if the \$4,500,000 Capital Raising is undertaken.

The interests of the GLF Vendors and African Phosphate shareholders collective shareholding in Black Mountain may approximate 33.96%.

- 1.14 There are 12 resolutions being put to the shareholders as noted in the Notice. The resolutions, inter-alia, are as follows:

Resolution 1 - approve the proposed 1 for 10 consolidation of capital;
Resolution 2 – approve entering into the Transaction (as noted in section 1.3 of the EM);
Resolution 3 – approve the issue of 4,978,803 Consideration Shares to JRH, 27,641,577 Consideration Shares to RPM and 570,000 to LBI;
Resolution 4 – approve the issue of 9,500,000 AP Agreement Shares to African Phosphate (or its nominees) (part of the 18,500,000 AP Shares to be issued);
Resolution 5 – approve the issue of 5,500,000 AP Agreement Shares to JC Trust Pty Limited or nominee (part of the 18,500,000 AP Shares to be issued);
Resolution 6 – approve the issue of 3,500,000 AP Agreement Shares to Langleycourt Properties Pty Ltd and Alpha Corporate Services (Bermuda) Limited or their nominees companies associated with Simon Grant (part of the 18,500,000 AP Shares to be issued); and a 20% share of the Royalty to Langleycourt Properties Pty Ltd and Alpha Corporate Services (Bermuda) Limited or their nominees;
Resolution 7 – approve the election of Luca Bechis as a Director of the Company;
Resolution 8 – approve the election of Simon Grant- Rennick as a Director of the Company;
Resolution 9 – approve the election of Simon Julian Ford as a Director of the Company;

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Resolution10 – approve the issue of up to 45,000,000 New Shares pursuant to a Placement (Capital Raising) at 10 cents each;

Resolution 11 – approve the issue of 2,500,000 Finance Options, exercisable at 12.5 cents, on or before 30 June 2018; and

Resolution 12 – approve the issue a total of 15,474,800 Debt Conversion Shares that includes the issue of 5,000,000 Debt Conversion Shares to Nazdell, up to 7,974,800 Debt Conversion Shares (in total) to Seefeld, Tyche and Gorilla Pit Pty Ltd; and up to \$250,000 Debt Conversion Shares to various unrelated creditors of the Company.

1.15 The Company has also entered into various agreements with Gorilla Pit Pty Ltd to secure borrowings from Gorilla Pit Pty Ltd to the extent of up to \$260,000 (includes an existing advance of \$50,000 and US\$28,773). The loan incurs and interest rate of 11.5% per annum and this is fixed at \$30,000 and may be payable, at the option of the Company, in cash or 300,000 post consolidated shares. Furthermore, an establishment fee of \$50,000 is payable and may be payable, at the option of the Company, in cash or 500,000 post consolidated shares. All share issues to Gorilla Pit Pty Ltd are subject to shareholder approval and if not approved, the interest and establishment fees are payable in cash. The termination date is the earlier of 3 month after the advance date of 2 May 2016 and the date on which the Company completes a successful capital raising on ASX. The advance/facility is secured over the assets and undertakings of the Company by way of a fixed and specific charge. The 800,000 post consolidated shares are noted in Resolution 12 as part of the 15,474,800 Debt Conversion Shares.

1.16 We are not reporting on the merits or otherwise of all Resolutions but technically only reporting on the fairness and reasonableness of Resolution 2. Further details on all are outlined in the EM attached to the Notice. However, for us to report on the fairness and reasonableness of the proposal as noted in Resolution 2 involving the Transaction, we have had to consider the overall proposals as noted in Resolutions 3, 4, 5, 6, and 10 to 12).

1.17 Apart from this introduction, this report considers the following:

- Summary of opinion
- Implications of the proposals
- Corporate history and nature of business of Black Mountain, the GLF Group and information on the Ugandan Projects
- Future direction of Black Mountain
- Basis of valuation of Black Mountain shares
- Preferred method of valuing Black Mountain shares
- Value of Consideration
- Basis of valuation of GLF and the Ugandan Projects
- Conclusion as to fairness
- Reasonableness of the Consideration
- Conclusion as to reasonableness
- Shareholders Decision
- Sources of information
- Appendices A and B and our Financial Services Guide

2. Summary of Opinion

2.1 In determining the fairness and reasonableness of the issue of 33,190,380 Acquisition Shares to the GLF Vendors and 18,500,000 AP Agreement Shares to the shareholders of African Phosphate as the Consideration for the Acquisition, we have had regard for the definitions set out by the Australian Securities and Investments Commission (“ASIC”) in its Regulatory Guide 111, “Content of Expert Reports”. Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of “fairness” is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be

made assuming 100% ownership of the “target”, and irrespective of whether the consideration is scrip or cash.

An offer is reasonable if it is fair. An offer may also be reasonable, if despite not being “fair”, there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. Although in this case the proposed Acquisition of GLF is not a takeover offer (of Black Mountain), we have considered the general principals noted above to determine our opinions on fairness and reasonableness pertaining to the proposal under Resolution 2.

Regulatory Guide 111 also provides that such an allotment should involve a comparison of the advantages and disadvantages likely to accrue to non-associated shareholders if the Acquisition proceeds compared with if it does not.

- 2.2 **After taking into account the factors referred to in 11 below and elsewhere in this report, we are of the opinion that the advantages to the existing shareholders outweigh the disadvantages and thus the proposed Transaction (including the GLF Acquisition) as noted in Resolution 2 in the Notice may be considered, on balance, to be fair and reasonable to the existing non-associated shareholders of Black Mountain.**

It is noted that Black Mountain will be required to undertake sufficient capital raisings so GLF can meet its exploration and administration obligations on the Ugandan Projects. As noted elsewhere in this report, the Company plans to undertake a Capital Raising to raise a gross \$4,500,000.

- 2.3 The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this report. To determine our opinion on fairness, we obtained an Independent Valuation Report (“Maynard Valuation Report”) on the Ugandan Projects and Black Mountain’s silver projects in the USA as at 21 June 2016 prepared by Maynard (Al Maynard is the principal author relating to the valuation) and is attached as Appendix B to this report (dated 12 July 2016).

The Maynard Valuation Report should be read in its entirety by the Black Mountain shareholders before deciding on which way to vote on all Resolutions involving the Acquisition.

3. Implications of the Proposals to acquire GLF (and acquiring the obligations of African Phosphate)

- 3.1 As at 30 June 2016, there were 410,515,820 pre-consolidated ordinary shares on issue in Black Mountain. The top 20 shareholders list as at 30 April 2016 discloses the following:

Shareholder	No. of ordinary shares	% of issued ordinary shares
Citicorp Nominees Pty Limited	81,829,296	19.93
Doull Consolidated Limited	81,692,648	19.90
708 Capital Pty Ltd	54,201,847	13.20
Empire Capital Partners Pty Ltd	37,193,804	9.06
	254,917,596	62.09

The top 20 shareholders as per the top 20 shareholders list at 30 April 2016 owned approximately 86.22% of the issued capital of the Company. The interests of Jason Brewer have a beneficial interest in nil shares in Black Mountain at that date.

The Company in the second half of calendar 2015 undertook a capital raising by way of a rights issue at 1 cent each (planned to issue 687,845,825 shares) with the plan to raise a gross \$6,878,458 (“Rights Issue”). The Company issued 272,946,665 shares under the Rights Issue however only 5,446,655 shares were issued for cash consideration to raise

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\$54,467. 164,880,000 shares were issued on conversion of debt to equity (\$1,648,000) (as part of the Rights Issue) and 102,700,000 shares were issued on conversion of convertible notes (\$1,027,000) under the Rights Issue. Subsequent to the Rights Issue in September 2015, the Company's shares were suspended from trading and remain suspended. The Company was planning to complete the issue of the shortfall shares (414,899,160 Shortfall Shares) from last years' Rights Issue and raise a further \$4,148,991. However, as the time limit to place the Shortfall Shares has now expired, the additional \$4,148,991 will no longer be raised. However, the Company has decided to increase the Capital Raising to \$4,500,000.

3.2 The movement in the issued capital of the Company may be:

	Minimum Number	Maximum Number
Shares on issue at 30 June 2016	<u>410,515,820</u>	<u>410,515,820</u>
Assumed consolidation of capital on a 1 for 10 basis		
Shares on issue post consolidation of capital	41,051,582	41,051,582
Capital Raising Shares	45,000,000	45,000,000
Consideration Shares	33,190,380	33,190,380
AP Agreement Shares	18,500,000	18,500,000
Issue of Debt Conversion shares to Financiers to eliminate debt and as fees to Gorilla Pit	12,974,800	12,174,800
Issue of Debt Conversion Shares to eliminate part creditors and past Director Fees	<u>1,481,935</u>	<u>2,500,000</u>
Ordinary shares on Issue post Acquisition but before the exercise of existing share options and Finance Options	<u>152,198,697</u>	<u>152,416,762</u>

It is noted that amounts initially shown as owing to a past Director, Peter Landau and his associated entities of approximately \$1,235,835 have been written back to \$nil on the basis of written instructions from Peter Landau and on the basis that services were not properly rendered to Black Mountain as initially claimed by Peter Landau and his associated companies. However, ASIC has a freezing order involving Peter Landau and thus there is always the possibility that the initial claims may be payable. The Company has written back the initial amounts claimed by Peter Landau and his associated companies and these are now disclosed as contingent liabilities.

3.3 The share options outstanding as at 30 June 2016 are as follows:

- 500,000 exercisable at 25 cents each, on or before 25 July 2016;
- 1,000,000 exercisable at 10 cents each, on or before 30 November 2016; and
- 3,000,000 exercisable at 12 cents each, on or before 31 March 2017.

If the 1 for 10 consolidation of capital proceeds, the number of options reduces by 90% but the exercise prices rise 10 fold. It is unlikely that any of the share options will be exercised before the relevant expiry dates.

In addition, if Resolution 11 is passed and consummated, there will be 2,500,000 Finance Options on issue, exercisable at 12.5 cents each, on or before 30 June 2018.

3.4 The current Board of Directors of Black Mountain comprise of Julian Ford, Jason Brewer and John Ryan. Mr Peter Landau resigned from the Board on 13 April 2016. Jason Brewer will become an executive director and John Ryan will continue in his role as an executive director in charge of the USA Silver Projects. On Completion (of the Acquisition), Simon Grant-Rennick will be appointed an executive director, Luca Bechis will be appointed a non-executive director and Julian Ford will act as the non-executive chairman of the Company. Details on the proposed new directors are outlined in Section 8 of the EM. The current Company Secretary, Amy Fink was appointed as the new Company Secretary in April 2016 following the resignation of Jane Flegg.

- 3.5 GLF will become a legally wholly owned subsidiary of Black Mountain as will IMIC, EAV and NMCL as noted above. NMCL owns 100% of the Namakera Vermiculite Mine, the Busumbu Phosphate Project and various Exploration Targets all located in Uganda in Africa.
- 3.6 As part of the Acquisition, Black Mountain plans to invest US\$5,000,000 into exploration, resource drilling, evaluation work, mine development; mine planning and feasibility work at Namakera Vermiculite Mine and Busumbu Phosphate Project.
- 3.7 The Company has entered into a Royalty Agreement with various parties who have provided financial assistance, technical assistance and corporate advisory assistance in respect of the Transaction and corporate assistance in relation to the restructuring and recapitalisation of the Company. The consideration for such services is a 1% royalty (allocated between each royalty holder) equal to 1% of all sales revenue received from mineral production by the Company and NMCL and is payable quarterly in arrears. The royalty period is the period from the commencement (after the date of the Royalty Agreement) of production until 31 December 2026.

The Company has entered into a deed with LB International Limited (LBI) pursuant to which, in consideration of LBI's role in advising and assisting the Company in the settlement of the Share Sale Agreement, the Company has agreed to pay LB International Limited ("LBI") an advisory fee of US\$3,000,000 cash to be paid on a deferred basis quarterly in arrears, with each quarterly payment amount calculated as an amount equal to 66% of NMCL and IMIC's net cash flow after-tax ("Advisory Fee"). The Advisory Fee will accrue interest at the rate of 5% cumulative annual interest rate. If the Advisory Fee is not paid in full by 30 June 2019 then subject to shareholder approval at the time the outstanding balance will automatically convert into Shares which will be issued to LBI at an issue price equivalent to the VWAP for the 6 months prior to the last date due for payment and will be issued within 30 Business Days;

- 3.8 As noted above the vast majority of creditors and debts owing as at 31 March 2016 are to be eliminated by the payment of cash, issue of shares, forgiven or written back as the Company claims the services were not rendered. Refer paragraph 6.4.1 below.

4. Corporate History and Nature of Business

Black Mountain

4.1 Principal Activities and Significant Assets

Black Mountain is a public company, incorporated in Australia. The Company's is engaged in the identification, acquisition, exploration and, if warranted, development of mineral assets. Its most significant mineral interests are:

- US Silver Projects – over the past 3 and a half years, the Company (and its subsidiaries) have spent approximately \$8,000,000 on exploration, evaluation and mine permitting and has completed underground mine development, appointed mining contractors and purchased mine equipment at the New Departure Silver Project, the Conjecture Silver Project and the Tabor Gold and Silver Project. The Company has further entered into a lease agreement with a processing facility and has been focused on the recommencement of underground mining activities.

Exploration and development work at the US Silver Projects in the past 12 months has however been limited primarily due to the continued low silver prices and the Company's focus on refinancing its existing indebtedness and recapitalising the Company's balance sheet to permit the Company to proceed with mining operations. As a result, the Company relinquished its interest in the Tabor Gold and Silver Project and activities on the New Departure Silver project have been suspended with the operation placed on care and maintenance with the Company's ongoing involvement in that project under ongoing review.

Work, albeit minimal, is continuing at the Conjecture Silver Project with a view of commencing a further drilling programme, completing refurbishment works at the processing facilities and completing further geological and detailed mine planning work with a view to recommence mine development and operating activities later in 2016, is subject to an appreciation in prevailing silver prices and in the Company recapitalising the Company.

5. Future Directions of Black Mountain

5.1 We have been advised by the directors and management of Black Mountain that:

- There are no proposals currently contemplated either whereby Black Mountain will acquire any further properties or assets from the GLF Vendors or from African Phosphate (however Black Mountain will issue the Consideration Shares and AP Agreement Shares as outlined above in relation to the Acquisition) or where Black Mountain will transfer any of its property or assets to GLF, African Phosphate or its shareholders;
- The composition of the Board of Directors of Black Mountain will change in the short term as noted above;
- The Company will need to raise further financing in 2016 and is planning to complete the placement of the Shortfall Shares and complete the New Capital Raising of up to \$4,500,000;
- No dividends are planned to be paid in the near and medium term future and any dividends payable will only be paid out of positive cash flows from operations;
- The Company plans to consolidate its capital on a 1 for 10 basis;
- The Company, subject to recapitalisation and an improved silver price plans may either recommence mining development in late 2016 or sell the Conjecture Silver Project as described above and dissolve itself from the New Departure Silver Project;
- The Company intends to meet the GLF/NMCL financial and other obligations noted above, however like many mineral projects and option agreements ongoing expenditure is subject to funding and an assessment as to whether exploration results warrant further activity; and
- The Company plans to settle amounts owing to Lenders and creditors as noted above and in paragraph 6.1 below.

6. Basis of Valuation of Black Mountain Shares

6.1 Shares

6.1.1 In considering the proposal to ultimately acquire all of the shares in GLF (and thus a 100% interest in NMCL), we have sought to determine if the considerations payable by Black Mountain to the GLF Vendors and African Phosphate shareholders are fair and reasonable to the existing non-associated shareholders of Black Mountain.

6.1.2 The offer would be fair to the existing non-associated shareholders if the value of the ordinary shares in GLF being acquired by Black Mountain is greater than the implicit value of the shares in Black Mountain being offered as consideration. Accordingly, we have sought to determine a theoretical value that could reasonably be placed on Black Mountain shares for the purposes of this report.

6.1.3 The valuation methodologies we have considered in determining a theoretical value of a Black Mountain share (and also a GLF share) are:

- Capitalised maintainable earnings/discounted cash flow;
- Takeover bid - the price at which an alternative acquirer might be willing to offer;
- Adjusted net asset backing and windup value; and
- The market price of Black Mountain shares.

6.2 Capitalised maintainable earnings and discounted cash flows.

6.2.1 Due to Black Mountain's current operations, a lack of a reliable long term profit history arising from business undertakings and the lack of a reliable future cash flow from current business activities, we have considered these methods of valuation not to be relevant for the purpose of this report.

6.3 Takeover Bid

6.3.1 It is possible that a potential bidder for Black Mountain could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. To our knowledge, there are no current bids in the market place and the directors of Black Mountain and ourselves have formed the view that there are unlikely to be any takeover bids made for Black Mountain in the immediate future. It is noted that collectively the GLF Vendors and African Phosphate shareholders may own approximately 33.96% of the expanded issued capital of Black Mountain post the Acquisition (assumes the completion of the Capital Raising to raise a gross \$4,500,000) but are independent of each other.

6.4 Adjusted Net Asset Backing

6.4.1 We set out below an audit reviewed balance sheet (statement of financial position) of Black Mountain (Balance Sheet "A") as at 31 March 2016, adjusted for estimated exploration, administration and other costs for the period 1 April 2016 to 30 June 2016 of approximately \$50,000 (increase in creditors) and an understatement of USA creditors of US\$28,773 as at 31 March 2016 (approximately \$40,065) (increase in borrowings), increased cash borrowings of \$139,500 and the lending of \$125,000 to NMCL.

In addition, we disclose a pro-forma consolidated Balance Sheet "B" assuming the following:

- The borrowings of a further \$169,935 (estimated) from Gorilla Pit Pty Ltd and then repayment of all loans to Gorilla Pit of \$260,000;
- The completion of the 1 for 10 consolidation of capital;
- The issue of 510,835 Debt Conversion Shares to Shannon Robinson at 10 cents each (\$51,083.50) and the forgiveness of \$51,083.50 by Shannon Robinson to eliminate amounts owing to her regarding past director fees of \$102,167;
- The issue of 7,174,800 Debt Conversion Shares to various Financiers (at 10 cents each - \$717,480) and the payment of \$717,480 cash to eliminate principal amounts owing to the Financiers and forgiveness of interest owing of \$671,216;
- The issue of 5,000,000 Debt Conversion Shares to a Financier at 10 cents each (\$500,000) to eliminate the principal debt of \$500,000 and forgiveness of interest debt of \$36,657;
- The issue of an estimated 480,100 Debt Conversion Shares to eliminate group creditors of \$48,010, the payment of cash to eliminate creditors of \$301,853 (includes estimated \$50,000 of costs incurred post 31 March 2016 as noted above) and carrying forward creditors with an estimated value as at 31 March 2016 of \$480,415 (most of the remaining creditors are disputed and it is expected that most may not be payable and will be written back to the statement of comprehensive income in due course);
- The issue of 45,000,000 post consolidated New Capital Raising Shares to raise a gross \$4,500,000 and incurring of New Capital Raising costs of say \$500,000.
- the acquisition of all of the shares in GLF by way of an issue of 33,190,380 Consideration Shares and 18,500,000 AP Agreement Shares (deemed booked accounting cost approximately \$5,169,038 that assumes inter-alia that the market value of a Black Mountain share approximates 10.0 cents (being the proposed Capital Raising share issue price) (the actual issue price may be different) and applying fair values to the assets and liabilities of the GLF Group (including ascribing a fair value to the mineral tenements of NMCL of \$37,840,000). As a result of fair valuing the interest in Mining Assets under the business combination accounting standard to the preferred fair value of \$37,840,000 as compared with the written down cost of \$1,130,000, the uplift is \$36,710,000 and a deferred tax liability of \$11,013,000 (at 30% of \$36,710,000)

is required to be accounted for. As the \$37,840,000 is amortised on production, the deferred tax liability is reduced by debiting the deferred tax liability and crediting the income statement as a tax credit so that over time the deferred tax liability reduces to \$nil;

- The assignment of the Debt due to the GLF Vendors by GLF to Black Mountain to the extent of US\$13,784,554 (approximately \$19,194,533) and accounting for a gain;
- Accounting for a deferred income tax of approximately \$11,013,000;
- The issue of 2,500,000 Options exercisable at 12.5 cents each by 30 June 2018 with a deemed fair value of \$90,475;
- The raising of a liability in relation to the Advisory Fee commitment to LBI of US\$3,000,000 (approximately \$4,177,000) of which an estimated \$nil is current and \$4,177,000 is non-current;
- The raising of a liability in relation to the Royalty at an estimated discounted value of US\$1,000,000 (approximately \$1,392,000) of which approximately \$92,000 is current and the balance of \$1,300,000 as non-current;
- The write back of amounts initially claimed for services by Peter Landau and his associated companies, to the extent of \$1,235,895;
- The repayment of US\$114,400 (AUS\$159,298) and interest if US\$6,864 (AUS\$9,557) (total estimated at US\$121,264 (AUS\$168,855) owing to LBI;
- The repayment of Other Borrowings of \$89,500 (Black Mountain) and \$61,000 (NMCL);
- The issue of 800,000 shares to Gorilla as Interest and Establishment Fees totalling \$80,000; and
- The issue of 500,000 shares (\$50,000) to Financiers as fees to allow restructure of loans.

In addition, we disclose an audit reviewed consolidated Balance Sheet (Statement of Financial Position) of the GLF Group as at 31 March 2016 after allowing for:

- conversion of NMCL unaudited accounts from Ugandan Shillings to US dollars and then to Australian dollars using Ugandan Shilling/US dollar exchange rates at 30 May 2016 and US/AUS exchange rates on the same date);
- estimated losses 1 April 2016 to 31 July 2016 of \$550,000. The additional loss includes depreciation and amortisation of plant and equipment estimated at \$131,604;
- adjusting the amount owing to GLF to firstly agree with the amount in the books of GLF in US dollars and then converting to Australian dollars using 30 May 2016 exchange rates;
- eliminating the investment (shares and loan funds in the books of IMIC) in EAV totalling US\$3,551,854 (say AUS\$4,945,838) and the loan from EAV to NMCL (approximately equivalent to AUS\$6,315,000);
- accounting for a loan of \$125,000 from Black Mountain in April 2016 (increase cash funds); and
- accounting for funds spent by LBI on behalf of NMCL of US\$114,400 (\$159,928).

	Unaudited Adjusted 31 March 2016 Black Mountain \$000 "A"	Audit Reviewed Pro-forma 31 March 2016 Black Mountain (including GLF Group) \$000 "B"	Audit Reviewed (as adjusted) 31 March 2016 GLF Group \$000
Current Assets			
Cash assets	1	2,710	138
Receivables and prepayments	4	465	461
Inventory, at cost	-	169	169
Total Current Assets	5	3,344	768

	Unaudited Adjusted 31 March 2016 Black Mountain	Audit Reviewed Pro-forma 31 March 2016 Black Mountain (including GLF Group)	Audit Reviewed (as adjusted) 31 March 2016 GLF Group
	\$000	\$000	\$000
	"A"	"B"	
Non Current Assets			
Plant and equipment	-	712	712
Loan to NMCL	125	-	-
Capitalised exploration costs	-	37,840	1,130
Total Non Current Assets	125	38,552	1,842
Total Assets	130	41,896	2,610
Current Liabilities			
Trade and other payables	2,331	1,276	633
Other unsecured borrowings	89	-	221
Owing to Black Mountain	-	-	125
Interest bearing liabilities- secured	90	-	-
Interest bearing liabilities – unsecured (principal and interest)	2,643	-	-
Royalty and advisory fee liabilities	-	92	-
Total Current Liabilities	5,153	1,368	979
Non Current Liabilities			
Environmental make good provision	-	41	41
Loan from East African Vermiculite	-	-	-
Loan from GLF Vendors	-	-	19,195
Royalty liability	-	1,300	-
Advisory fee liability	-	4,177	-
Deferred income tax	-	11,013	-
Total non-current liabilities	-	16,531	19,236
Total Liabilities	5,153	17,899	20,215
Net Assets (Liabilities)	(5,023)	23,997	(17,605)
Equity			
Issued capital	23,627	34,243	-
Reserves	3,385	3,475	(4,006)
Accumulated losses	(29,687)	(11,373)	(13,599)
Parent interest	(2,675)	26,345	(17,605)
Non- controlling interests	(2,348)	(2,348)	-
Total Equity (Deficiency)	(5,023)	23,997	(17,605)
Shares on issue (Pre-consolidation)	410,515,820	N/A	
(Post consolidation)	41,051,582	152,198,797	
Net asset backing per share	nil	15.76	
Post –consolidated (cents)	nil	15.76	

Approximately \$480,000 of pro-forma liabilities are being disputed by the Company as not being payable on the grounds the services were not rendered or inadequately rendered. A portion of such creditors may be written back in due course and/or shares issued at a deemed 10 cents each to extinguish the liabilities (if any shares are issued they would be issued as part of the 2,500,000 Debt Conversion Shares noted in Resolution 11).

- 6.4.3 We have accepted the amounts as disclosed for all current assets and non-current assets. We have been advised by the management of Black Mountain that they believe the carrying value of all current assets, fixed assets and liabilities at 31 March 2016 (as adjusted as noted above) are fair and not materially misstated.

In determining the net tangible asset value on a going concern basis it is necessary to adjust the book values of the exploration assets (the only exploration assets remaining in the Black Mountain Group are the Conjecture Silver Project and the New Departure Silver Project) to reflect the technical (market) fair value of such assets. The USA Silver Projects of the Black Mountain Group have been evaluated by Al Maynard & Associates.

The carrying value of the USA Silver Projects in the books of Black Mountain is \$nil having been impaired by the Directors as at 30 June 2015 to \$nil by \$19,212,249 (includes impairment of the initial acquisition costs as well as exploration and evaluation costs).

- 6.4.4 We have used and relied on the Maynard Valuation Report on the USA Silver Projects and have satisfied ourselves that:

- Maynard is a suitably qualified geological consulting firm and has relevant experience in assessing the merits of mineral projects and preparing mineral asset valuations (also the author and peer reviewer of the report, Mr Al Maynard and Gary R Hemming are suitably qualified and experienced);
- Maynard is independent from Black Mountain; and
- Maynard, to the best of our knowledge has employed sound and recognised methodologies in the preparation of the Maynard Valuation Report on the USA Silver Projects (and the Ugandan Projects).

- 6.4.5 Maynard has ascribed a range of values to the Tenements as follows:

	Low \$	Preferred \$	High \$
USA Silver Projects (all)	<u>400,000</u>	<u>500,000</u>	<u>600,000</u>

- 6.4.6 Using the preferred fair value of the US Silver Projects as ascribed in the Maynard Valuation Report and based on the assumptions/values provided to us of the other assets and liabilities of Black Mountain as at 31 March 2016 as per the adjusted Balance Sheet A above, the net fair value of the Black Mountain Group is expected as follows:

	Paragraph	Preferred \$000's
Exploration Assets	6.4.5	500
Plant and equipment		
Current assets		5
Loan owing by NMCL		125
Total liabilities		<u>(5,153)</u>
Total Net Liabilities at fair values		<u>(4,523)</u>
Number of <u>pre-consolidated</u> shares on issue		410,515,820
Net asset per pre-consolidated share at fair value (of a cent)		nil

On a 1 for 10 consolidation of capital basis, the recapitalisation value of a share in Black Mountain is nil cents.

6.4.7 We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out arrangements entered into between Black Mountain and other parties. We also note it is not the present intention of the Directors of Black Mountain to liquidate the Company and therefore any theoretical value based upon wind up value or even net book value (as adjusted), is just that, theoretical. The shareholders, existing and future, must acquire shares in Black Mountain based on the market perceptions of what the market considers a Black Mountain share to be worth.

6.4.8 The market has either generally valued the vast majority of mineral exploration companies at significant discounts or premiums to appraised technical values and this has been the case for a number of years although we also note that trading of shares in Black Mountain is on low volumes (although the market is kept fully informed of the activities of the Company). It is noted that the net fair asset backing is nil cents per share that is below the trading prices of Black Mountain's shares trading on ASX over the six months before the shares were suspended from trading by ASX. However, it is noted that from Black Mountain's point of view as the legal parent company, the value ascribed to the 33,190,380 Consideration Shares to be issued to the GLF Vendors and 18,500,000 AP Agreement Shares to the African Phosphate shareholders would be accounted for at the market value of a Black Mountain share at date of issue. In all probability, the accounting cost may be 10 cents on a post consolidated basis. The actual share price at the date of Acquisition of GLF cannot be determined at this point of time.

For accounting purposes under International Financial Reporting Standards ("IFRS"), the consideration for the issue of Consideration Shares to acquire the shares in GLF will be booked at the fair value of the shares in GLF or at the share price of a Black Mountain share at the date of Acquisition and not any perceived technical value.

6.5 Market Price of Black Mountain Fully Paid Ordinary Shares

6.5.1 As the Company's shares have been suspended from trading effective 10 September 2015, we do not believe it is appropriate to value a Black Mountain share based on prior quoted prices of Black Mountain shares on the ASX.

It is noted that in the one month leading to suspension, the shares in Black Mountain traded between 0.6 cents (last sale on 9 September 2015) and 1.9 cents but on low volumes (all pre-consolidated).

It is also noted that the partly successful Rights Issue was undertaken in August/September 2015 at 1 cent per share (pre-consolidation).

7. Preferred valuation method of valuing a Black Mountain Share

7.1 In assessing the fair value of Black Mountain and a Black Mountain ordinary share pre the Acquisition of GLF we have selected the net assets on a going concern methodology as the preferred methodology as:

- Black Mountain does not generate revenues or profits and per the audited accounts has incurred significant losses to 31 December 2015. Therefore the capitalisation of future maintainable earnings and discounted future cash flows are not appropriate; and
- The shares of Black Mountain are currently suspended.

7.2 As stated at paragraph 6.4.6 we have assessed the value of a Black Mountain pre-consolidated share prior to the proposed Acquisition of GLF on a net asset basis on a going concern basis as follows:

	Preferred
Net asset per share (of a cent)	<u>nil</u>

We note that, the technical net asset value may not necessarily reflect fair values in the current economic circumstances of the Company. Prior to the proposed issue of shares to creditors and Lenders to eliminate debts/liabilities, even taking into account the preferred value of the USA Silver Projects by Maynard, the value per share approximates nil cents.

7.3 As noted above the estimated net asset price per share after adjusting for the valuation of the USA Silver Projects approximates nil cents per pre-consolidated share which is less than the last ASX share price of 0.6 cent on 9 September 2015 (immediately before suspension). The equivalent value on a post consolidated basis (but before the conversions of debt, the Capital Raising and the Acquisition) approximates nil cents.

7.4 The future value of a Black Mountain share will depend upon, inter alia:

- the future success of the USA Silver Projects and the Ugandan Projects owned by NMCL (if acquired);
- the state of Australian and overseas stock markets;
- future silver prices (and other metal and phosphate/Vermiculite prices if the Acquisition proceeds);
- the strength and performance of the Board and management and/or who makes up the Board and management;
- foreign exchange rates;
- general economic conditions;
- settlement of existing creditors and Lenders (Financiers) of the Black Mountain Group;
- the liquidity of shares in Black Mountain; and
- possible ventures and acquisitions entered into by the Black Mountain Group.

8. Value of Consideration

8.1 In our view the technical market value of the Consideration being offered may be as follows:

	\$
Issue of the 33,190,380 Consideration Shares and 18,500,000 AP Agreement Shares	nil
Total deemed accounting cost of acquiring GLF	<u>nil</u>

The Consideration Shares and AP Agreement Shares have been valued at nil cents as noted above (not using ASX share prices prior to suspension). However, the booked value may approximate \$5,169,038 as noted above). In addition, Black Mountain assumes the Debt of approximately US\$13,784,554 (AUS\$19,194,533) that is currently owed by GLF to the GLF Vendors as part of the acquisition of GLF. This from an accounting point of view is a gain on consolidation.

In addition, a 1% royalty on revenue received on mineral production is payable and Black Mountain will commit to investing up to US\$5,000,000 in new capital investment into the operations (exploration, evaluation, mine development and the purchase/upgrade of mine and processing plant equipment) over the next 3 years and will assume Advisory Fee obligations of US\$3,000,000 to LBI that is to be repaid from a percentage of net cash flow over a period to 30 June 2019.

8.2 It is noted that at the time of negotiation of the GLF Acquisition, the Black Mountain directors believed the fair market value of a Black Mountain pre-consolidated share was around 1.0 cent (equivalent to 10 cents on a post consolidated basis) and that the share price of a Black Mountain share would only rise on the basis that the GLF Acquisition would be consummated.

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9. Basis of Valuation of GLF and Ugandan Projects

9.1 The usual approach to the valuation of an asset is to seek to determine what an informed, willing but not anxious buyer would pay to an informed, willing but not anxious seller in an open market.

9.2 GLF is an unlisted private company and therefore valuing the shares on a takeover basis and on a market based approach are not relevant. The shareholders in GLF do not have an active market to trade their shares.

GLF owns 100% of IMIC and 1% of NMCL. IMIC owns 99% of NMCL and 100% of EAV. NMCL owns 100% of the Ugandan Projects being the Namakera Vermiculite Mine, the Busumbu Phosphate Project and various exploration targets Exploration Targets all located in Uganda in Africa. In effect via the various interests in IMIC and NMCL, GLF controls the Ugandan Projects.

9.3 Stantons International Securities Pty Ltd, in conjunction with the Independent Committee of the Board of Directors of Black Mountain, commissioned Maynard (principal author of the Maynard Valuation Report is Al Maynard) to prepare a valuation report of the Ugandan Projects. The Maynard Valuation Report is attached as Appendix B to this report and should be read in its entirety.

The Maynard Valuation Report ascribes a range of values to the interests in the Ugandan Projects and for the purposes of our report we have used the low, high and mid range market valuations referred to in the Maynard Valuation Report.

9.4 Maynard has provided a range of market values of the Ugandan Projects as follows:

	Low \$	Preferred \$	High \$
Namakera Vermiculite Mine	26,500,000	30,290,000	34,100,000
Busumbu Phosphate Project	3,780,000	7,550,000	11,330,000
Exploration Targets	nil	nil	nil
Total Values	30,280,000	37,840,000	45,430,000

9.5 Based on balance sheets of GLF and IMIC and the audit reviewed accounts of NMCL as at 31 March 2016 (as adjusted), the net liabilities of the GLF Group (excluding capitalised exploration costs of \$1,130,000) are \$18,735,000 made up of current assets of approximately \$768,000, plant and equipment at written down values of approximately \$712,000 and liabilities of approximately \$20,215,000 (after conversion to Australian dollars). It is noted that the debts owed by NMCL to GLF total US\$12,864,795 (AUS\$17,913,800) and these are eliminated on consolidation as is the loan due by NMCL to EAV of approximately equivalent to \$6,315,000.

The preferred value of GLF is in effect \$19,105,000 using the preferred fair market value of the Ugandan Projects as advised by Maynard (low value \$11,545,000 and high value \$26,695,000).

However, it is noted that the Ugandan Projects have prospectivity and the ultimate values may rise in the event of commercial success.

10. Conclusion as to Fairness

10.1 The proposal to acquire the shares in GLF for the consideration noted in paragraph 8.1 is believed to be fair to Black Mountain's non-associated shareholders if the value of the considerations offered is equal to or less than the value of the shares in GLF being acquired.

10.2 Due to the nature of the business of GLF, valuations are dependent upon the value placed on the Ugandan Projects. The valuation of mineral interests and valuing future profitability and cash flows is extremely subjective as it involves assumptions regarding future events that are not capable of independent substantiation.

10.3 As noted above, GLF Group's fair market value of net assets prior to the issue of the Consideration Shares and AP Agreement Shares will approximate \$19,105,000 (that assumes the Ugandan Projects that as noted above have a current preferred value of \$37,840,000).

10.4 Currently the existing shareholders of Black Mountain own 100% of the Company and thus have an interest in net liabilities of \$4.523 million as noted in paragraph 6.4.6 above (negative prior to the completion of the issue of shares to eliminate debts).

After the Acquisition the existing shareholders interests reduce to approximately 26.97% assuming a Capital Raising of \$4,500,000 but the net assets at preferred fair values are approximately \$23,997,000 and a 26.97% share approximates \$6,472,000. Thus the existing shareholders would be better off by approximately \$6,472,000.

10.5 The preferred share consideration payable by Black Mountain is \$5,169,038 compared with a deemed fair value of the GLF Group of \$19,105,000. In addition, a 1% royalty on revenue received on mineral production is payable and Black Mountain will commit to investing up to US\$5,000,000 in new capital investment into the operations (exploration, evaluation, mine development and the purchase/upgrade of mine and processing plant equipment) over the next 2 years and will assume Advisor Fee obligations of US\$3,000,000 that are to be repaid from a percentage of net cash flows to June 2019 (refer paragraph 1.5 above).

However, it is noted that the Ugandan Projects have prospectivity and the ultimate value may rise in the event of commercial success.

Real value to GLF (and thus value to the existing Black Mountain shareholders) is only added if the Ugandan Projects proves to be of commercial success and in particular the Namakera Vermiculite Mine and the Busumbu Phosphate Project.

10.6 **After taking into account the factors referred to above based on prices and fair values only, we are of the opinion that the proposed Transaction (including the GLF Acquisition) as noted in Resolution 2 in the Notice may be considered, on balance, to be fair to the existing non-associated shareholders of Black Mountain.**

11. Reasonableness of the Transaction (including the GLF Acquisition)

11.1 We set out below some of the advantages and disadvantages and other factors pertaining to the proposed GLF Acquisition that we considered in arriving at our conclusion on the reasonableness of the Transaction (including the GLF Acquisition).

Advantages

11.2 The Company, in effect moves from a company with an interest in USA Silver Projects currently under care and maintenance and only with upside potential with a rise in the silver price to a new expanded vermiculite/phosphate exploration company with some exciting prospects by way of the potential to obtain an effective 100% interest in the Ugandan Projects.

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The Namakera Vermiculite Mine is currently in operation with mining equipment, power generators, mine office and all associated site infrastructure and equipment. The Acquisition provides the Company (via the operations of the Namakera Vermiculite Mine) with an immediate producing and cash flow capable of supporting a low cost, long life mining operations with significant expansion and exploration opportunity. However, due to under capitalisation, the Namakera Vermiculite Mine is incurring losses but after recapitalisation by Black Mountain, profits are expected in future years. Further details on the Ugandan Projects and their prospectivity are outlined in the Maynard Valuation Report and in the EM attached to the Notice.

- 11.3 The Company may be better placed to raise further funds by way of share equity as a result of acquiring all of the shares in GLF.
- 11.4 There is an incentive to Black Mountain and GLF and the Black Mountain shareholders, to successfully exploit the Ugandan Projects as the GLF Vendors and African Phosphate shareholders (including the interests of Jason Brewer) will have significant shareholding interests in Black Mountain. The Maynard Valuation Report notes the upside potential of the Ugandan Projects.
- 11.5 Black Mountain currently has only the USA Silver Projects – the New Departure Silver Project and the Conjecture Silver Project with the former under care and maintenance and limited activities taking place at the latter. Should these projects prove not to be commercially viable, diversification by acquiring GLF may reduce the risk, (but at the same time, Black Mountain may take on significant exploration, evaluation and re-development commitments as noted above.
- 11.6 Existing shareholders may be given the opportunity to sell their shares in excess of the share prices existing prior to the GLF Acquisition. The Company is currently suspended from the ASX but completion of the Acquisition and recapitalisation should allow the Company's shares to re-commence trading on ASX. Those shareholders who consider the risk of acquiring GLF too high may wish to sell their shareholdings in Black Mountain.
- 11.7 Maynard has ascribed a range of current values to the Ugandan Projects that on a low, preferred and high basis is above the total of the consideration payable to acquire GLF.

Disadvantages

- 11.8 The existing shareholders of Black Mountain will be substantially diluted from owning a 100% shareholding interest in Black Mountain and its underlying assets (in fact a net liability position) to a shareholding interest of approximately 26.97% post the GLF Acquisition and Capital Raising). However, the shares in Black Mountain have limited value pre the recapitalisation of the Company even after the issue of shares to Creditors and Financiers (which are possibly only being completed as a result of the planned Acquisition).
- 11.9 The exploration commitments, planned expenditures and expenditure obligations pursuant to the Ugandan Project are quite high. The Company plans invest US\$5,000,000 into exploration, resource drilling, evaluation work, mine development, mine planning and feasibility work at the Namakera Vermiculite Mine and the Busumbu Phosphate Project. Should commercial minerals and phosphate be proven, proceeding to development or increase production (in the case of the Namakera Vermiculite Mine) may require significant additional capital which would dilute the current shareholders even further. The number of shares that may be issued to raise additional capital to meet commitments (but not legal liabilities) is not yet known.
- 11.10 In general terms, investments in mineral exploration companies are high risk however for those shareholders who consider that the proposed GLF Acquisition is a risk worth taking, then the proposed GLF Acquisition may be reasonable. Further risks (disadvantages) are outlined in the EM.

Other Factors

- 11.11 In the absence of the proposals to complete the Acquisition (of GLF) and recapitalise the Company, there is a real risk that the Company could be placed into Administration or even be liquidated. Section 1.8 of the EM also outlines advantages of the Transaction (including the Acquisition) and these appear reasonable.
- 11.12 The number of fully paid post-consolidated ordinary shares on issue initially rises from 41,051,582 shares to 152,198,797 shares (and may be 153,416,762 shares) following completion of the Acquisition and Capital Raising. This represents a substantial increase in the ordinary shares of the Company based on the number of shares on issue prior to the announcement of the proposed GLF Acquisition and Capital Raising. Further shares may be on issue if a capital raising or a series of capital raisings are implemented post the Acquisition. However, as noted above, the opportunity to raise further capital in a tight and difficult market for junior exploration companies is enhanced by entering into the Acquisition.
- 11.13 It is noted that for accounting purposes in the books of Black Mountain, the Consideration Shares will be booked at the market value of the ordinary shares in Black Mountain at the date the Consideration Shares are issued to the GLF shareholders. Black Mountain as the legal parent entity will account for the value of the Consideration Shares at the deemed market value (not assessed value as noted above) of the ordinary shares in Black Mountain that may be considered to approximate 10 cent per post consolidated share. Thus, as the legal potential owner of the shares in GLF, Black Mountain may record an investment in GLF of approximately \$5,169,038. The ultimate fair value of an investment in GLF is at this stage unknown and write downs in the investment may be required at a later stage (particularly if commercial success is not forthcoming).
- 11.14 In the event that the Investment Commitment payments of US\$5,000,000 are not paid within 3 years, then subject to shareholder approval at the time the shortfall in the Investment Commitment will automatically be converted to ordinary fully paid shares in the Company (shares issued to LBI). The issue price will be equivalent to the volume weighted average share price ("VWAP") for the six months prior to the third anniversary date of the agreement with LBI.

12. Conclusion as to Reasonableness

- 12.1 **After taking into account the factors referred to in 10 above and elsewhere in this report, we are of the opinion that the advantages to the existing shareholders outweigh the disadvantages and thus the proposed Transaction (including the GLF Acquisition) as noted in Resolution 2 and more fully described in the EM attached to the Notice may be considered, on balance, to be reasonable to the existing non-associated shareholders of Black Mountain.**

13. Shareholder Decision

- 13.1 Stantons International Securities Pty Ltd has been engaged to prepare an independent expert's report setting out whether in its opinion the proposals outlined in Resolution 2 are fair and reasonable and state reasons for that opinion. Stantons International Securities Pty Ltd has not been engaged to provide a recommendation to shareholders in relation to the proposal under the Resolution 2 (and all other Resolutions) but we have been requested to determine whether the proposal pursuant to the Resolution 2 is fair and/or reasonable. The responsibility for such a voting recommendation lies with the directors of Black Mountain.
- 13.2 In any event, the decision whether to accept or reject Resolution 2 (and all other resolutions) is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure and tax position.

If in any doubt as to the action they should take in relation to the proposals under Resolution 2 (and all other Resolutions), shareholders should consult their own professional adviser.

- 13.3 Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Black Mountain. This is an investment decision upon which Stantons International Securities Pty Ltd does not offer an opinion and is independent on whether to accept the proposals under Resolution 2 (and all other Resolutions). Shareholders should consult their own professional adviser in this regard.

14. Sources of Information

- 14.1 In making our assessment as to whether the proposed Transaction (including the GLF Acquisition) as noted in paragraph 1.5 is fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company, GLF and the Ugandan Projects that is relevant to the current circumstances. In addition, we have held discussions with the management of Black Mountain about the present and future operations of the Company.

Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors and management of Black Mountain and GLF.

- 14.2 Information we have received includes, but is not limited to:

- a) Drafts of the Notice of Meetings of Black Mountain and Explanatory Statements to Shareholders to 12 July 2016;
- b) Discussions with management of Black Mountain and the Independent Committee on the GLF Acquisition;
- c) Details of historical market trading of Black Mountain ordinary fully paid shares recorded by ASX for the period 1 January 2015 to 9 September 2015;
- d) Shareholding details of Black Mountain as supplied by the Company's share registry as at 30 April 2016;
- e) Black Mountain's annual financial statements for the year ended 30 June 2015;
- f) Audit Reviewed balance sheet of Black Mountain as at 31 December 2015 and management accounts (reviewed by us) to 31 March 2016;
- g) Announcements made by Black Mountain to the ASX from 1 January 2014 to 22 June 2016;
- h) The Share Sale Agreement (and associated exhibits) between Black Mountain and the GLF Vendors and various amendment letters;
- i) Accounts of GLF and IMIC for the year ended 30 June 2015 and the nine months ended 31 March 2016;
- j) Audited accounts of NMCL for the two years ended 30 June 2015, audit reviewed accounts of NMCL for the six months ended 31 December 2015, unaudited accounts of NMCL for the seven months ended 31 January 2016 and audit reviewed accounts for the nine months ended 31 March 2016;
- k) Accounting work papers prepared by Black Mountain and GLF management;
- l) The Maynard Valuation Report of 12 July 2016 prepared by AI Maynard & Associates ;
- m) A shareholders list for African Phosphate and GLF;
- n) Discussions with the solicitors of Black Mountain;
- o) The Binding Heads of Agreement between African Phosphate and JRH and RPM regarding the acquisition of all of the shares in GLF;
- p) The Binding Heads of Agreement between Black Mountain and African Phosphate to assume the obligations and commitments of African Phosphate to acquire the shares in GLF;
- q) The Assignment of Debt Agreement between Black Mountain and JRH and RPH regarding the Debt due by GLF to JRH and RPH;
- r) A disclosure letter from GLF dated 15 March 2016 regarding possible tax disputes, rents and royalties due, VAT refund claim and compensation to Henson Mambo;

- s) Various agreements with Lenders and certain creditors regarding settlement of amounts due to them by Black Mountain (including agreements with Peter Landau and his associated companies);
- t) The Royalty Deed;
- u) The Loan Agreement, Deed of Guarantee and Indemnity and General Security Agreement between Black Mountain and Gorilla Pit;
- v) The Deed between Black Mountain and LBI regarding Advisory Fees; and
- w) Various exchange rates information.

14.3 Our report includes Appendices A and B and our Financial Services Guide attached to this report.

Yours faithfully

STANTONS INTERNATIONAL SECURITIES PTY LTD



J P Van Dieren (FCA)
Director

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AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities Pty Ltd dated 12 July 2016, relating to the proposed acquisition of 100% of the issue capital of GLF as outlined in paragraph 1.5 of the report and Resolution 2 in the Notice of Meeting to Shareholders and the EM proposed to be distributed to the Black Mountain shareholders in July 2016 for a shareholders' meeting in August 2016.

At the date of this report, Stantons International Securities Pty Ltd does not have any interest in the outcome of the proposals. There are no relationships with Black Mountain, African Phosphate and GLF other than acting as an independent expert for the purposes of this report. Before accepting the engagement Stantons International Securities Pty Ltd considered all independence issues and concluded that there were no independence issues in accepting the assignment to prepare the Independent Experts Report. There are no existing relationships between Stantons International Securities Pty Ltd and the parties participating in the Acquisitions detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at a maximum of \$30,000 plus GST. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities nor John P Van Dieren or Martin Michalik have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report.

Stantons International Securities Pty Ltd, John P Van Dieren and Martin Michalik do not hold any securities in Black Mountain, African Phosphate or GLF. There are no pecuniary or other interests of Stantons International Securities Pty Ltd that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities Pty Ltd, John Van Dieren and Martin Michalik have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Stantons International Securities Pty Ltd is the holder of an Australian Financial Services Licence (no 448697) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. The directors of Stantons International Audit and Consulting Pty Ltd are the directors of Stantons International Securities Pty Ltd. Stantons International Securities Pty Ltd has extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr John P Van Dieren, FCA, the primary person responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

DECLARATION

This report has been prepared at the request of the Independent Committee in order to assist them to assess the merits of the proposal to acquire 100% of the issue capital of GLF as outlined in Resolution 2 in the Notice and the EM attached to the Notice. This report has been prepared for the benefit of Black Mountain's shareholders and does not provide a general expression of Stantons International Securities Pty Ltd's opinion as to the longer term value of Black Mountain, its subsidiaries and their assets, GLF and its subsidiaries and the Ugandan Projects. Stantons International Securities Pty Ltd does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of the Black Mountain Group or the GLF Group. Neither the whole nor any part of this report, nor any reference thereto may be included in

or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities Pty Ltd to the form and context in which it appears.

DUE CARE AND DILIGENCE

This report has been prepared by Stantons International Securities Pty Ltd with due care and diligence. The report is to assist shareholders in determining the fairness and reasonableness of the proposal set out in Resolution 2 to the Notice and each individual shareholder may make up their own opinion as to whether to vote for or against Resolution 2 (and all other Resolutions).

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities Pty Ltd may rely on information provided by Black Mountain and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities Pty Ltd's experience and qualifications), Black Mountain has agreed:

- (a) To make no claim by it or its officers against Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) to recover any loss or damage which Black Mountain may suffer as a result of reasonable reliance by Stantons International Securities Pty Ltd on the information provided by Black Mountain; and
- (b) To indemnify Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) against any claim arising (wholly or in part) from Black Mountain or any of its officers providing Stantons International Securities Pty Ltd any false or misleading information or in the failure of Black Mountain or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities Pty Ltd.

A draft of this report was presented to Black Mountain Directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

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**FINANCIAL SERVICES GUIDE
FOR STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)
Dated 12 July 2016**

1. Stantons International Securities Pty Ltd ABN 42 128 908 289 and Financial Services Licence 448697 ("SIS" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. **Financial Services Guide**

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 448697;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. **Financial services we are licensed to provide**

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. **General Financial Product Advice**

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. **Benefits that we may receive**

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

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Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by our employees

SIS has no employees and Stantons International Audit and Consulting Pty Ltd charges a fee to SIS. All Stantons International Audit and Consulting Pty Ltd employees receive a salary. Stantons International Audit and Consulting Pty Ltd employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations and relationships

SIS is ultimately a wholly subsidiary of Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. From time to time, SIS and Stantons International Audit and Consulting Pty Ltd (trading as Stantons International) and/or their related entities may provide professional services, including audit, accounting, secretarial and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints resolution

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities Pty Ltd
Level 2
1 Walker Avenue
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited ("FOSL"). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 8007

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Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details set out above.

Telephone 08 9481 3188
Fax 08 9321 1204
Email jvdieren@stantons.com.au

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APPENDIX B

**VALUATION REPORT BY AL MAYNARD & ASSOCIATES ON BLACK MOUNTAIN'S AND
NMCL'S MINERAL INTERESTS**

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AL MAYNARD & ASSOCIATES Pty Ltd

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Australian & International Exploration & Evaluation of Mineral Properties

**INDEPENDENT TECHNICAL VALUATION
OF**

Black Mountain Resources Limited's (ASX:BMZ)

MINERAL ASSETS

Located in the Republic of Uganda and in the U.S.A.

PREPARED FOR

STANTON INTERNATIONAL SECURITIES PTY LTD

Authors: Allen J Maynard BAppSc(Geol), MAIG, MAusIMM
Garry R Hemming BAppSc(AppGeol),
Company: Al Maynard & Associates Pty Ltd
Date: 12 July 2016

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EXECUTIVE SUMMARY

Namakera Vermiculite Project, Uganda

The Namakera Vermiculite Project which is located in the Manafwa District in South Eastern Uganda comprises Mining License (“ML”) 4651 and Exploration Licence (“EL”) 1534 which is located adjacent to the ML (Fig.1).



Executive Summary - Figure 1: Location of the Namakera Vermiculite Project

The bulk of the available project data was generated by Rio Tinto Mining and Exploration Limited (“RIO”) including exploration work and Mineral Resource estimates completed on the vermiculite potential. Later SRK Consulting – Eastern Africa (Pty) Limited [“SRK-EA”] were engaged by previous holder Gulf Industrials Limited (“Gulf”) to conduct a site visit in 2009 and then review and comment on the resource statement.

The Vermiculite mineralisation at Namakera is closely associated with the occurrence of alkali and carbonatite intrusives in ultramafic rock. RIO stated that vermiculite formation is predominantly attributable to the weathering and alteration of primary biotite and phlogopite in mica-rich rocks by chemical reaction with downward percolating surface water. The best vermiculite development occurred down to a depth of >50 metres (m) below surface. The overburden in the Namakera area averages 6.5 m thickness and up to 12 m.

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Exploration work completed indicated that vermiculite occurs in near-surface, flat lying zones which contain sub-vertical, coarse-grained, high grade zones. It was concluded that an area of over 1.0 km² within ML4651 contains an average thickness of 31 m containing >10% vermiculite, free of phlogopite, from a depth of 10 m to 53 m below surface. This vermiculite rich zone may extend for over another ±2 kilometres (km) towards the north, although probably at reduced grade.

Previous independent verification work was undertaken by SRK-EA who were engaged by Gulf to review the exploration work and Mineral resource estimates completed by RIO on the vermiculite potential of the Namakera project. A site visit was undertaken by SRK-EA from the 16th to the 18th of May 2009.

The Mineral Resource Estimate (JORC Code 2004) for the Namakera projects as reported by RIO and Gulf is presented in Table 1. No material change has occurred since that estimate thus no update to JORC Code 2012 guidelines has been prepared.

Classification	Million Tonnes	Grade > 180µm	Grade > 425µm
Inferred Resources	54.9	26.7%	18.8%

Marketing Grade	Size	Distribution	Mt Vm (> 180µm)	Mt Vm (> 425µm)
Premium	>9.5mm	8%	1.2	0.8
Large	>5.6mm <9.5mm	21%	3.1	2.2
Medium	>2.0mm <5.6mm	30%	4.4	3.1
Fine	>1.18mm <2.0mm	20%	2.9	2.1
Super Fine/Micron	<1.18mm	21%	3.1	2.2
TOTAL			14.7	10.3

Table 1: Mineral Resources for the Namakera Project based on 15% vermiculite (180-V) cut-off

Grade Tonnage curves calculated by SRK support the Mineral Resource inventory reported by RIO. Uncertainties in the data quality support the SRK decision to classify the Namakera estimates into the JORC Code (2004) Inferred category. SRK also made several suggestions pertaining to collection of additional data in order to upgrade the resource category; namely drilling on more closely spaced centres.

In the current open pit operation, enriched, very coarse-grained vermiculite zones developed containing ±80% vermiculite as compared with a consistent ±25% elsewhere. An additional deposit of high concentration, coarse grade vermiculite, with a low strip ratio also occurs to the ESE of the present open pit.

Prior to 2007 only coarser-grained, higher grade material was mined and processed by disaggregating large or premium grade feed due to the market requirement to yield the medium grade product. As a result, the waste generated characteristically contained ±35% vermiculite. Approximately 15 – 20% of this waste is medium grade which is marketable and provides further income rather than being regarded as waste.

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Mining and processing operations first commenced in 2001 and have continued largely uninterrupted since that date, other than between October 2012 and July 2013 and March 2015 and September 2015 when activities were initially placed on care and maintenance and then suspended due to restrictions on the sales and marketing agreement of its vermiculite product with the operations exclusive distributor and temporary restrictions that were placed on exports from Uganda.

The current mining and processing operations are generally well run and employ a total workforce of 68, comprising 66 Ugandan and 2 expatriate workers.

Current open pit mining operations are focused on a single pit approximately 1.0 km by 400 m and to a depth of up to 35 m. The vermiculite is mined by open pit mining methods in a free dig operation using hydraulic excavators and haul trucks that move the ore from the open pit to a ROM stockpile at the processing plant.

Generally, near surface ore and ore from the top benches is stockpiled separately from the ore that is mined from the deeper levels due to differences in colour and exfoliation rates. The ore is then blended prior to processing. In this manner, a consistent product can be produced both in terms of the product colour as well as the exfoliation ratios.

Monthly mining rates of 25,000 t of vermiculite ore are targeted by existing mine management with a strip ratio of 0.5:1. The current mining operations are unable to achieve these targets at present, largely due to the low utilisation rates achieved from the mining fleet and in particular the haul trucks, which require high levels of maintenance and servicing as a result their age and which cannot operate effectively in the open pit during the wet season. The mining fleet and haul trucks are proposed to be replaced by new leased or purchased equipment once new funding is secured for the operation, and thereafter the targeted mining rates are considered achievable. The planned expenditure on mining fleet is considered appropriate and sufficient to purchase or lease the mine equipment with the necessary production capabilities to achieve the monthly ore mining and waste mining volumes identified.

Historical Mine and Process Plant Performance				
	2012¹	2013¹	2014	2015²
Total Material Mined (tonnes)	105,000	3,000	113,900	26,590
Plant Throughput (tonnes)	64,100	1,800	15,870	5,920
Sales Production (tonnes)	11,221	352	2,844	1,066
Plant Yields	18	20	18	18

Table 2: Historical Production Tonnes 2012-2015

¹ Mine records indicate that mining and processing operations were suspended between October 2012 and July 2013 due to restrictions on the sales and marketing agreement of Namakera vermiculite product with the operations exclusive distributor. This agreement was subsequently cancelled.

² Mine records indicate that mining and processing operations were suspended between March 2015 and September 2015 due to restrictions on exports from Uganda, that were subsequently lifted in September 2015.

The processing of the vermiculite is through a processing plant that was constructed and upgraded by Gulf between 2010 and 2012.

The processing is a simple beneficiation plant that involves a sequential process involving drying, screening, winnowing, re-screening and then bagging of the final product. The processing plant has a design capacity to produce 30,000tpa of vermiculite product comprising a large, medium, fine and super-fine grades. The process plant is currently not achieving the design capacity of 30,000tpa.

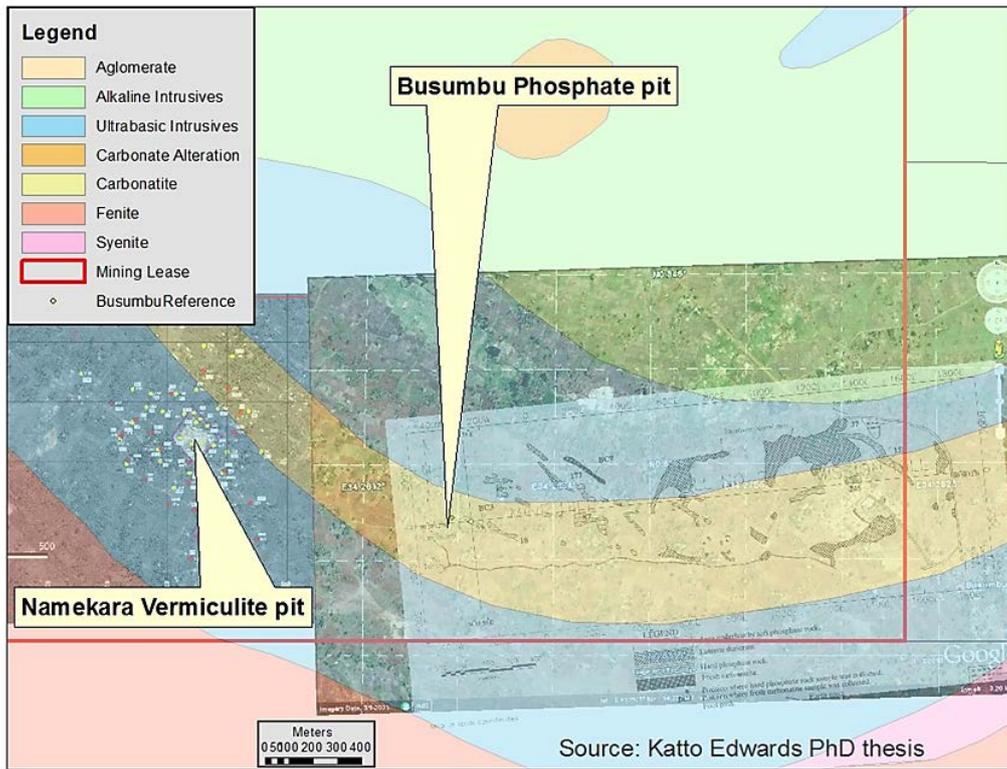
Based on the current mine and mining fleet constraints, the process plant condition and availability of working capital to pay for key consumables, the process plant is only capable of operating at levels capable of producing between 10,000 to 15,000tpa of saleable vermiculite product. With the acquisition of new mining equipment, the process plant should be capable to achieve 15,000 to 20,000tpa of saleable vermiculite production (approx. 50-66% of design capacity). To further increase annual saleable vermiculite production up to the design capacity of 30,000tpa, further process plant capital works and maintenance work is required. This proposed work includes installation of an impact crusher and wet screening circuit ahead of the current ROM bin, the recalibration and maintenance of all the process controls and instrumentation to improve control feed rates, essential maintenance of the dust extraction system, modifications to the rotary dryer and screening and winnowing process flows to eliminate overloading and additional material handling. The planned capital expenditure on process plant capital and maintenance works is necessary and considered sufficient for the plant to achieve the previously reported design capacity of the plant.

The final bagged product is packed into 1.1 tonne bulk bags for all grades of vermiculite product, for storage and dispatching to clients. The bagged product is loaded on 40 foot sided or container trucks at the mine site and is transported under contract to Mombasa in Kenya, where it is sold under contract to customers in Europe, Asia and Australia under fixed price contracts.

The Busumbu Phosphate Prospect, Uganda

The Busumbu Phosphate deposit, located a kilometre to the southeast of the Namaeara vermiculite mine, is a residual fluoro-apatite deposit overlying a carbonatite lithology which is presumed to be the source of the phosphate. The deposit consists of a hard rock and a soft rock category. Soft rock refers to the phosphate in residual soils and saprolite and has a grade of 5% to 15% P_2O_5 . The hard rock refers to a re-cemented deposit, the cement being secondary phosphate minerals. The primary and secondary apatite differs slightly in composition with the primary hard rock apatite being the higher grade; 25% to 35% P_2O_5 . The reported grade has been confirmed by Gulf when a grab sample from this unit assayed 31% P_2O_5 .

The deposit was studied in detail by a number of researchers. An aeromagnetic survey was used to guide further exploration. A large number of pits were dug, sampled and mapped and a resource estimated (not differentiated between hard rock and soft rock) of 3 million tonnes (Mt) at a grade of 11% P_2O_5 in the soil and 5.5 Mt at a grade of 15% P_2O_5 in the saprolite to a depth of 6 metres. The resource present in the underlying carbonatite was ignored.



Executive Summary - Figure 2: Busumbu Phosphate Location in relation to the Namakera Vermiculite open cut, Uganda.

Earlier pitting and drilling (1942 to 1945), reported “about 5 million tonnes of phosphate rock with grades between 8% and 35% P_2O_5 . The average P_2O_5 content from samples of 430 m of pitting was 11.9% (Davies 1947, 1956.)” A joint team from the Department of Geological Survey and Mines (DGSM) and the United Nations Department for Development Support and Management reported higher grade ‘hard’ phosphates of 332,000 tonnes averaging 28.5 % P_2O_5 , and 2,468,000 tonnes of lower grade ‘soft’ phosphates grading 13.5 % P_2O_5 (Celenk and Katto 1993) based on limited pit excavations to a depth of 6 m. Another report states 8.4 million tons grading of 12.6% P_2O_5 is present on Hill # 2.

Work completed by MSA Group in 2012 included the preparation of an initial resource definition program that incorporated historical aeromagnetic surveys over the Busumbu Phosphate Project area.

Subsequent RC drilling in 2012 confirmed historical results averaging 34.8m grading 21.48% P_2O_5 (Table 2). The thicknesses of mineralisation varied from several layers of 3 m thickness to a massive zone 59.2 metres in thickness from 5.2 m depth.

Further investigations confirmed the presence of up to 35% P_2O_5 in the laterite profile and up to 16% P_2O_5 in the soft saprolite profile below the laterite. Also observations in the Namekara vermiculite pit indicated extensive presence of several generations of late stage, cross cutting iron/phosphate rich carbonatite dykes, intruded into the country rock at shallow angles. Assays returned 16 to 24% P_2O_5 . This suggests that substantial additional medium to high grade reserves are present at both projects.

HOLE ID	FROM	TO	interval	P2O5 %	Lithology
ND03	5.00	40.14	35.1	25.6	Phosphatic carbonatite
ND13	17.50	62.04	44.5	19.31	Includes;
ND13	17.5	24.4	6.9	18.9	Massive carbonatite
ND13	24.4	26.3	1.9	21.2	Phosphatic carbonatite
ND13	26.3	27.3	1.0	21.4	Massive carbonatite
ND13	27.3	36.1	8.8	19.7	Phosphatic carbonatite
ND13	36.1	62.04	25.9	19.0	Massive carbonatite
ND43	7.00	36.20	29.2	25.3	Massive carbonatite
ND55	24.00	33.50	3.2	23.4	Phosphatic carbonatite
ND55	33.50	36.50	3.0	25.9	Massive carbonatite
ND57	5.20	64.44	59.2	18.3	Includes;
ND57	5.20	23.10	17.9	18.0	Massive carbonatite
ND57	23.10	29.20	6.1	22.3	Phosphatic carbonatite
ND57	29.20	56.60	27.4	19.9	Massive carbonatite
ND57	56.60	64.44	7.8	10.3	Phosphatic carbonatite
AVERAGE			13.4m	28.2%	

Table 3: Drilling results from the 5 holes testing the Busumbu Phosphate Project.

Valuation

It is the writer's opinion that the current cash value for 100% of tenements is considered to be A\$38.5 million from within the range of A\$31.0 million to A\$46 million as at 21st June 2016.

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The Directors
Stantons International Securities Pty Ltd
Level 2/1 Walker Avenue,
West Perth, WA 6005
Australia

12 July, 2016

Dear Sirs,

1.0 Introduction

This report has been prepared by Al Maynard and Associates (“AM&A”) at the request of Mr J. Van Dieren of Stantons International Securities Pty Ltd (“Stantons”) to provide an independent appraisal of the cash value of the Black Mountain Resources Ltd’s (“BMZ”) proposed relevant mineral interests in Uganda and the Silver in the USA as at 21st June, 2016.

1.1 Scope and Limitations

This Report is valid as of 21st June, 2016 which is the date of the latest review of the data and technical information and there have been no material changes to this data or valuation since that date. The valuation can be expected to change over time having regard to political, economic, market and legal factors. The valuation can also vary due to the success or otherwise of any mineral exploration that is conducted either on the mineral assets concerned or by other explorers on prospects in the near environs. The valuation could also possibly be affected by the consideration of other exploration data from adjacent licences with production history affecting the mineral assets which have not been made available to the writer.

In order to form an opinion as to the value of any mineral asset, it is necessary to make assumptions as to certain future events, which might include economic and political factors and the likelihood of exploration success. The writer has taken all reasonable care in formulating these assumptions to ensure that they are appropriate to the case. These assumptions are based on the writers’ technical training and 40 years’ experience in the exploration and mining industry. Whilst the opinions expressed represent the writers’ professional opinion at the time of this Report, these opinions are not however, forecasts as it is never possible to predict accurately the many variable factors that need to be considered in forming an opinion as to the value of any mineral asset.

The information presented in this Report is based on technical reports provided by BMZ supplemented by our own inquiries as to the reasonableness of the supplied data. At the request of AM&A, copies of relevant technical reports and agreements were readily made available. There is also information available in the public domain and relevant references are listed in Section 6.0 –References. A site visit was undertaken from 21st to 26th February, 2016 by A. Maynard accompanied by BMZ technical personnel and sufficient technical information is provided to enable an informed opinion to be derived.

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BMZ will be invoiced and expected to pay a fee, estimated to be \$9,000 for the preparation of this Report. This fee comprises a normal, commercial daily rate plus expenses. Payment is not contingent on the results of this report. Except for these fees, neither the writer nor any family members nor Associates have any interest, nor the rights to any interest in BMZ nor any interest in the mineral assets reported upon. BMZ has confirmed in writing that all technical data known it was made available to the writer.

The valuation presented in this Report is restricted to a statement of the fair value of the mineral asset package. The Valmin Code defines fair value as “The estimated amount of money, or the cash equivalent of some other consideration, for which, in the opinion of the Expert reached in accordance with the provisions of the Valmin Code, the mineral asset or security shall change hands on the Valuation date between a willing buyer and a willing seller in an arms’ length transaction, wherein each party had acted knowledgeably, prudently and without compulsion”.

It should be noted that in all cases, the fair valuation of the mineral assets presented is analogous with the concept of “valuation in use” commonly applied to other commercial valuations. This concept holds that the assets have a particular value only in the context of the usual business of the company as a going concern. This value will invariably be significantly higher than the disposal value, where, there is not a willing seller. Disposal values for mineral assets may be a small fraction of going concern values.

In accordance with the Valmin Code, we have prepared the “Range of Values” as shown in Table 5, Section 6. Regarding the Project it is considered that sufficient geotechnical data has been provided from the reports covering the previous exploration of the relevant area to enable an understanding of the geology. This provides adequate information to enable an informed opinion as to the current value of the mineral assets. A site visit was not undertaken since the authors are familiar with the terrane type from visits to other similar coastal environs over previous years for other clients.

1.2 Statement of Competence

This Report has been prepared by Allen J. Maynard and Garry R. Hemming. Maynard is the Principal of AM&A, a qualified geologist, a Member of the Australasian Institute of Mining & Metallurgy (“AusIMM”) (# 104986) and a Member of the Australian Institute of Geoscientists (“AIG” #2062). He has had over 35 years of continuous experience in mineral exploration and evaluation and more than 30 years’ experience in mineral asset valuation. Garry R. Hemming, BAppSc(AppGeol), MAusIMM, is a geologist with over 40 years in the industry and 30 years in mineral asset valuation.

The writers hold the appropriate qualifications, experience and independence to qualify as an independent “Expert” and “Competent Person” under the definitions of the Valmin Code.

2.0 Valuation of the Mineral Assets – Methods and Guides

With due regard to the guidelines for assessment and valuation of mineral assets and mineral securities as adopted by the AusIMM Mineral Valuation Committee on 17th February, 1995 – the Valmin Code (updated 1999 & 2005). AM&A has derived the estimates listed below using the MEE method for the current technical value of the mineral assets since no JORC Code compliant reserves have been declared for any of the tenements.

The ASIC publications “Regulatory Guides 111 & 112” have also been referred to and duly considered in relation to the valuation procedure. The subjective nature of the valuation task is kept as objective as possible by the application of the guideline criteria of a “fair value”. This is a value that an informed, willing, but not anxious, arms’ length purchaser will pay for a mineral (or other similar) asset in a transaction devoid of “forced sale” circumstances.

2.1 General Valuation Methods

The Valmin Code identifies various methods of valuing mineral assets, including:

- Discounted cash flow,
- Joint Venture and farm-in terms for arms’ length transactions,
- Precedents from similar comparable asset sales/valuations,
- Multiples of exploration expenditure,
- Ratings systems related to perceived prospectivity,
- Real estate value and rule of thumb or yardstick approach.

2.2 Discounted Cash Flow/Net Present Value

This method provides an indication of the value of a mineral asset with identified reserves. It utilises an economic model based upon known resources, capital and operating costs, commodity prices and a discount for risk estimated to be inherent in the project.

Net present value (“NPV”) is determined from discounted cash flow (“DCF”) analysis where reasonable mining and processing parameters can be applied to an identified ore reserve. It is a process that allows perceived capital costs, operating costs, royalties, taxes and project financing requirements to be analysed in conjunction with a discount rate to reflect the perceived technical and financial risks and the depleting value of the mineral asset over time. The NPV method relies on reasonable estimates of capital requirements, mining and processing costs.

2.3 Joint Venture Terms

The terms of a proposed joint venture agreement may be used to provide a market value based upon the amount an incoming partner is prepared to spend to earn an interest in part or the entire mineral asset. This pre-supposes some form of

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subjectivity on the part of the incoming party when grass roots mineral assets are involved.

2.4 Similar Transactions

When commercial transactions concerning mineral assets in similar circumstances have recently occurred, the market value precedent may be applied in part or in full to the mineral asset under consideration.

2.5 Multiple of Exploration Expenditure

The multiple of exploration expenditure method ('MEE') is used whereby a subjective factor (also called the prospectivity enhancement multiplier or 'PEM') is based on previous expenditure on a mineral asset with or without future committed exploration expenditure and is used to establish a base value from which the effectiveness of exploration can be assessed.

Where exploration has produced documented positive results a MEE multiplier can be selected that take into account the valuer's judgment of the prospectivity of the mineral asset and the value of the database.

PEMs can typically range between 'zero' to 3.0 and occasionally up to 5.0 where very favourable exploration results have been achieved, applied to previous exploration expenditure to derive a dollar value. Typical PEM Factors are shown below.

PEM Range	Criteria
0.2 – 0.5	Exploration has downgraded the tenement prospectivity, no mineralisation identified
0.5 – 1.0	Exploration potential has been maintained by past and present activity from regional mapping
1.0 – 1.3	Exploration has maintained, or slightly enhanced the prospectivity
1.3 – 1.5	Exploration has considerably increased the prospectivity
1.5 – 2.0	Scout Drilling has identified interesting intersections of mineralisation
2.0 – 2.5	Detailed Drilling has defined targets with potential economic interest.
2.5 – 3.0	An Inferred Resource has been defined - no feasibility study has been completed
3.0 – 4.0	Indicated Resources identified that are likely to form the basis of a prefeasibility study
4.0 – 5.0	Indicated and Measured Resources

2.6 Ratings System of Prospectivity (Kilburn)

The most readily accepted method of this type is the modified Kilburn Geological Engineering/Geoscience Method and is a rating method based on the basic acquisition cost ('BAC') of the mineral asset that applies incremental, fractional or integer ratings to a BAC cost with respect to various prospectivity factors to derive a value. Under the Kilburn method the valuer is required to systematically assess four

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key technical factors which enhance, downgrade or have no impact on the value of the mineral asset. The factors are then applied serially to the BAC of each mineral asset in order to derive a value for the mineral asset. The factors used are; off-property attributes on-property attributes, anomalies and geology. A fifth factor that may be applied is the current state of the market.

2.7 Empirical Methods (Yardstick – Real Estate)

The market value determinations may be made according to the independent expert's knowledge of the particular mineral asset. This can include a discount applied to values arrived at by considering conceptual target models for the area. The market value may also be rated in terms of a dollar value per unit area or dollar value per unit of resource in the ground. This includes the range of values that can be estimated for an exploration mineral asset based on current market prices for equivalent assets, existing or previous joint venture and sale agreements, the geological potential of the mineral assets, regarding possible potential resources, and the probability of present value being derived from individual recognised areas of mineralisation.

This method is termed a "Yardstick" or a "Real Estate" approach. Both methods are inherently subjective according to technical considerations and the informed opinion of the valuer.

2.8 General Comments

The aims of the various methods are to provide an independent opinion of a "fair value" for the mineral asset under consideration and to provide as much detail as possible of the manner in which the value is reached. It is necessarily subjective according to the degree of risk perceived by the mineral asset valuer in addition to all other commercial considerations. Efforts to construct a transparent valuation using sophisticated financial models are still hindered by the nature of the original assumptions where no known resource exists and are not applicable to mineral assets without an identified resource or reserve.

The values derived for this Report have been concluded after taking into account the general geological environment for the mineral assets under consideration with respect to the exploration potential of each tenement.

2.9 Environmental implications

Information to date is that there are no identified existing material environmental liabilities on the mineral assets. Accordingly, no adjustment was made during this Report for environmental implications.

2.10 Indigenous Title Claims

Neither the Company nor the authors are aware of any indigenous title claims within the project areas. Accordingly, no adjustment was made during this Report for

indigenous title implications.

2.11 Commodities-Metal prices

Where appropriate, current vermiculite and phosphate prices are used sourced from the usual market publications or commodity price reviews.

2.12 Resource/Reserve Summary

There are JORC Code (2004) compliant Resources declared for the Projects.

2.13 Previous Valuations

AM&A provided a previous valuation for Gulf Industrials Ltd in June, 2013 of only part of Ugandan tenement package (ML4651; EL0042 & EL0147) during June, 2013.

Then the valuation range was ascribed at A\$1.5M to A\$2.3M. The reason for this particular earlier valuation range is that:

- only part of the Uganda tenement package was then valued;
- no valuation of the Busumbu Phosphate Project was completed at that time;
- the Namakera Vermiculite Mine had been on care and maintenance for several months and mining and processing operations had been suspended;
- a large proportion of the workforce had been reduced on site; and
- Gulf were unable to sell any vermiculite product as it was in a contractual dispute over the 25 year exclusive marketing agreement that it had entered into with a UK based group.

The Namakera Vermiculite Mine was included in this earlier valuation and Gulf had invested in establishing mining and processing operations since 2010. However, the operation had been on care and maintenance for a sustained period of time prior to and on the date that the earlier valuation was completed and had no means to sell any of its product. The intrinsic value per tonne of insitu vermiculite and discount factor used in determining the valuation of the Namakera Vermiculite Mine in this earlier valuation was materially different to that used in the current valuation.

The intrinsic value per tonne of insitu vermiculite used in the valuation of the Namakera Vermiculite Mine in this earlier valuation was less than 10% of the intrinsic value per tonne of insitu vermiculite used in the current valuation.

AM&A notes that Gulf did not report any mine production in its Quarterly Activities Report for the December 2012, March 2013, June 2013 and September 2013 as its operations were on “care and maintenance”.

AM&A notes that the Namakera Vermiculite Mine only resumed operations after this earlier valuation was completed, under new management and only after a termination payment had been made under the 25 year exclusive marketing agreement to allow the operation to resume sales of its vermiculite product in the

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December 2013 Quarter.

2.14 Encumbrances/Royalty

Mining operations in Uganda are subject to government royalties based on the gross value of the minerals based on the prevailing market price of the minerals. For industrial minerals the applicable royalty rates are up to 3% of the gross value of the mineral.

Royalty payments were not considered in this valuation, as the valuation was determined based on a discounted value per tonne of in situ vermiculite and in situ phosphate, and not on a discounted cash flow/ net present value basis which would have incorporated the royalty payments as an expense.

3.0 Background Information

3.1 Introduction

This valuation has been provided by way of a detailed study of information provided by BMZ on the projects up to 21st June, 2016.

3.2 Specific Valuation Methods

There are several methods available for the valuation of a mineral prospect ranging from the most favoured DCF analysis of identified Reserves to the more subjective rule-of-thumb assessments such as the Yardstick or Empirical methods or Comparative Value/Similar Transactions method. These methods are discussed above in Section 2.0.

4.0 Background Information

4.1 Uganda Introduction

ML4651 and EL 1534 are in the vicinity of Namakera, Manafwa Province, SE Uganda where the bulk of the available project data was generated RIO covering exploration work and Mineral Resource estimates completed on the vermiculite potential. Later SRK-EA were engaged by Gulf Industrials Ltd (ASX-GLF) to conduct a site visit in 2009 and then review and comment on the resource statement.

4.2 Location, Access and Infrastructure

The Namakera vermiculite deposit is located in Manafwa district in SE Uganda (Fig. 1). The nearest major towns are Tororo (27 km SW), situated adjacent to the international border with Kenya and Mbale (40 km NW). The area is connected by a well maintained gravel road to the tarred highway which heads westwards via Mbale and Jinja to Kampala and eastwards to the major coastal port of Mombasa in Kenya. A spur of the main railroad, which also serves the port at Mombasa, passes within 20 km of the deposit. The main electricity power line to Mbale traverses the area and the plant is already connected to the grid.

4.3 Tenement Details

Two tenements; one ML and one EL are held over the Namakera prospect area by Namakera Mining Co. Limited (“NMCL”), (Fig 1). Copies of the current licenses and permits, details of which are provided in Table 2, are included in the Independent Solicitors Report completed by Ugandan legal firm Adukule and Co Advocates dated 1 May 2016. On the basis of this report AM&A is satisfied that the licenses are in good standing and BMZ has lawful access to the mineral and exploration rights provided under Uganda mining and exploration legislation.

Licence	Name	Area (km ²)	Issued	Holder	Expiry
ML4651	Namekara	17.3	15-May-03	NMCL	14-May-24
EL1534	Butiru	30.8	24-Nov-15	“	23-Nov-18

Table 1: Exploration and Mining Licenses held over the Namekara Vermiculite Area

In 2006 the tenements were provisionally evaluated by RIO with the objective of establishing a sales and marketing agreement between Canmin Resources Limited (“CRL”) and the Palabora Mining Company (“PMC”). However, it was subsequently determined that the RIO interests would be best served by purchase.

Following transfer of ownership on 31st March 2007, in order that a technical evaluation could be undertaken, permission to suspend mining operations, as required under Section 53 of the Mine and Minerals Act of Uganda (2003), was obtained from the Government of Uganda for a period of one year. A renewal of this suspension was granted by the Commissioner of Mines, Minerals and Energy, in the Geological Survey and Mines Department of Uganda, until 30th September 2008. A further extension was successfully applied for as listed in Table 2.

4.4 Geological setting

The regional and project geology presented here is summarised from Hester (1996), RIO (2008) and Van Stratten (1988).

4.4.1 Regional geology

Seven carbonatite complexes occur along a ±65km long NNE-trend in south-eastern Uganda (Fig. 3). The most extensive of these is the Busuku Carbonatite Complex which, with a diameter of ±13km, is the world’s largest known carbonatite (Fig. 4). The older group of carbonatites, which include Busuku, have been dated at 26 ±2.5Ma. These carbonatites are typified by having central vent agglomerate surrounded by poorly exposed broad zones of ijolite, melteigite and nepheline syenites and an outer fringe of pyroxenite, micro-pyroxenite and hornblendite. Discontinuous rings of carbonatite and arcuate masses of carbonatised silicate rock, phoscorite and magnetite-melanite syenite occur within both the ultramafic and alkaline rocks.

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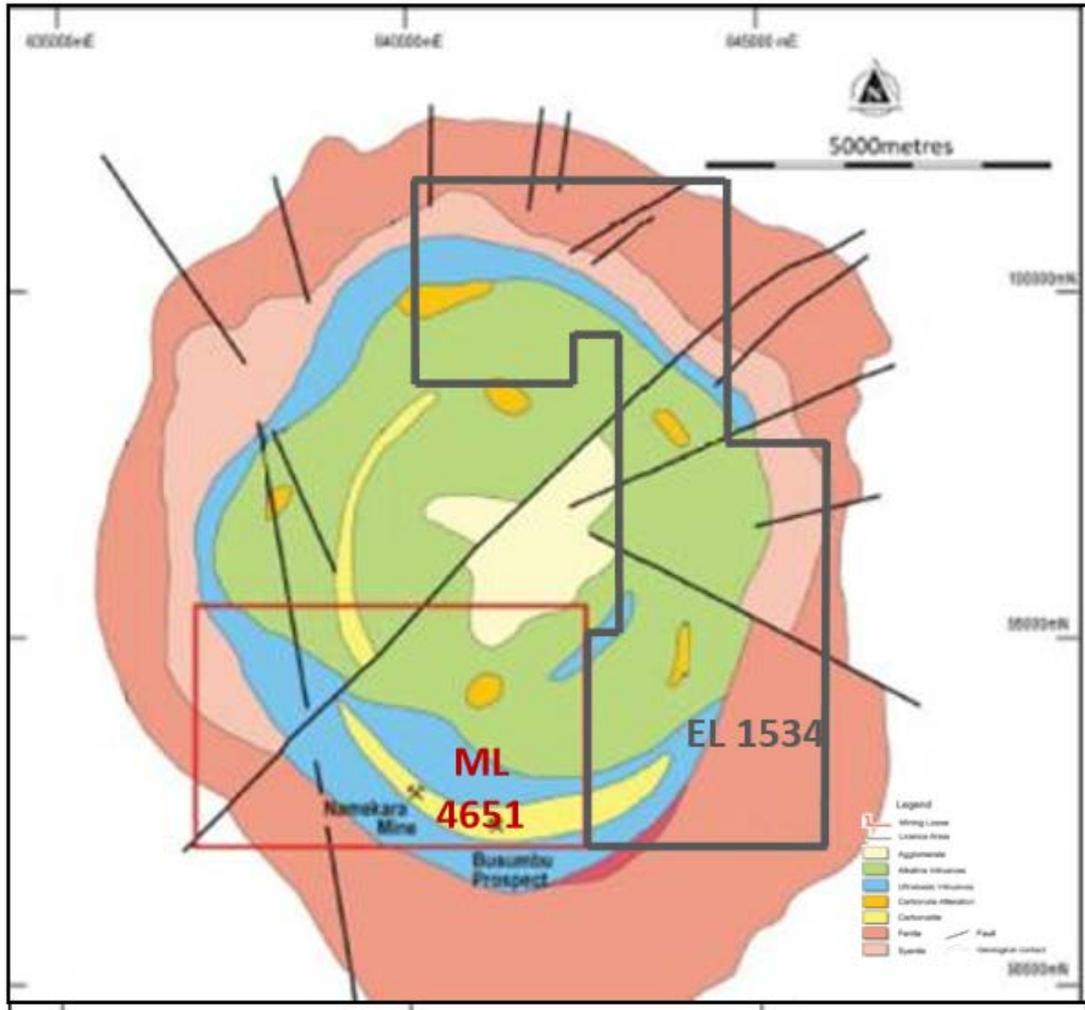


Figure 1: Geology of the Busuku Carbonatite Complex, SE Uganda, and the Namakera Prospect to its SW.

The Busuku Carbonatite Complex consists of alkaline and ultrabasic ring structures surrounding an agglomerate vent (Fig. 5). It is surrounded by a broad zone of feldspathisation in which leucocratic granite, syenite and quartz pegmatoid have developed from the alteration of the gneissic granodiorite basement.

The rocks of the complex, which are commonly concealed beneath a cover of residual soil, are generally poorly exposed. Van Stratten (1988) reported that the average depth to unweathered bedrock is some 40 – 45 metres below surface.

It has been established that the Busuku Carbonatite Complex contains economically significant deposits of carbonate, phosphate and vermiculite with sub-economic copper, iron and pyrochlore mineralisation.

RIO reported that chalcopyrite, coincident with a known copper soil anomaly, was observed in rock chips of basement rock intersected during the Reverse Circulation (“RC”) drilling program undertaken to evaluate the vermiculite potential of the Namekera area (Baldock, 1966).

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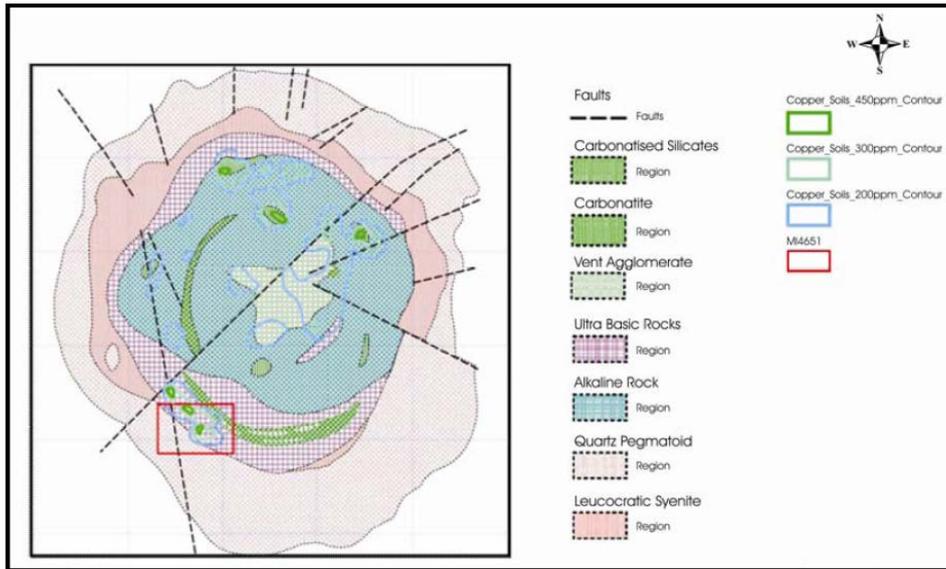


Figure 2: Geology of the Busuku Carbonatite Complex, SE Uganda, and the Namakera Prospect to its SW.

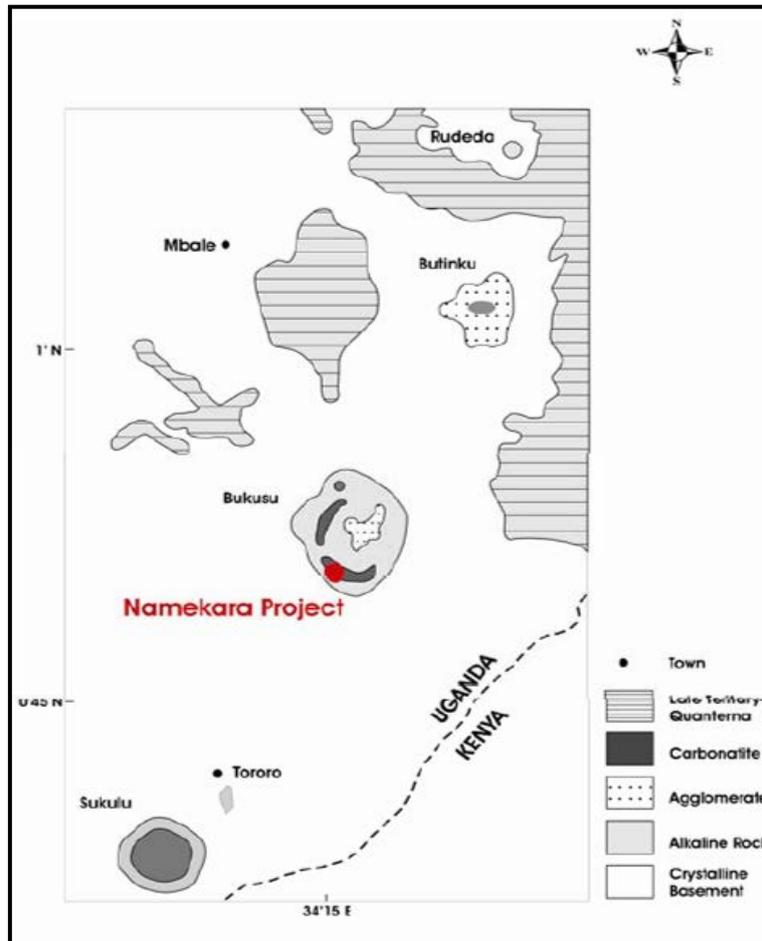


Figure 3: Carbonatites and Alkali Igneous Complexes in SE Uganda.

4.4.2 Project Geology

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The Namakera Prospect occurs in a region of low rolling hills on the south-western margin of the Busuku Carbonatite Complex (Fig. 5). RIO (2008) observed that vermiculite formation, as developed at the contact between mica-rich pyroxenites and carbonatite, is closely associated with the occurrence of localised alkali and carbonatite intrusives in ultramafic rock.

This is a similar geological setting to that of many of the better documented worldwide vermiculite deposits, including Libby in the USA and Palabora in South Africa. These, like Namakera, formed within a concentrically zoned complex of earlier ultramafic intrusive bodies, which include biotite-pyroxenite and biotite that are cut by later intrusions of carbonatite and syenite (RIO 2008).

Such syenitic rocks, which are more resistant to erosion, form low lying hills such as those in the vicinity of Busuku.

At Namakera, as common throughout the Busuku Carbonatite Complex, bedrock is concealed beneath a $\leq 12\text{m}$, but on average 6.5m thick layer of overburden. This includes a hematite-rich goethite, locally termed 'murrum', development of which indicates significant ferruginisation and laterisation. As a consequence vermiculite mineralisation is best observed in the surface pit developed by CRL.

Fresh vermiculite from the Namakera Prospect area is a pale golden colour, with a silvery sheen, and is highly reflective. A pinkish tinge is developed upon weathering (Figs 6 & 7). Fresh flakes are readily delaminated and although pliable commonly break moderately easily along small cracks visible on the surface. When exfoliated the vermiculite becomes a dark cream colour.

RIO (2008) concluded that vermiculite formation was predominantly attributable to the weathering and alteration of primary biotite and phlogopite in mica-rich rocks by chemical reaction over time with a downward percolating water surface.

The work completed established that phlogopite is almost completely altered to vermiculite to a depth of 50-55m below surface. Vermiculite mineralisation is followed by a transitional zone of 'vermiculitised' phlogopite, and presumably unaltered phlogopite, at greater depth.

RIO recorded that phlogopite bearing material was encountered in 16 drillholes. In one of these holes a low phlogopite/high vermiculite bearing 'raft' was intersected within a vermiculite dominant mass. The borehole logs indicate that the boundary between non-phlogopite and phlogopite bearing vermiculite is sharp, with the phlogopite content commonly increasing from nil to $>10\%$ over a distance of $\pm 5\text{m}$.



Photo 1: Slightly weathered very coarse grained vermiculite - north wall of the Namekara Prospect open pit

The exploration completed indicates that the vermiculite in the Namekara Prospect occurs in flat lying zones which contain sub-vertical, coarse-grained, high grade developments (Fig. 7).

The underlying biotite is cut by carbonatite and mica-pyroxenite dykes. It is postulated that these structures acted as conduits for hydrothermal fluids which mobilised and re-crystallised coarse grained biotite in zones which, being permeable to groundwater flow, were subsequently altered to vermiculite.

In addition, RIO also concluded that:

- in the open pit the enriched, often very coarse-grained zones developed contain $\pm 80\%$ vermiculite as opposed to a consistent $\pm 25\%$ elsewhere.
- when exploited by CRL, as the processing plant required disaggregating large or premium Grade feed to yield the Medium Grade product required by market, only coarser grained, higher grade material was processed. As a result the waste generated characteristically contained $\pm 35\%$ vermiculite. Approximately 15 – 20% of this waste material is medium grade.



Photo 2: Very coarse grained vermiculite zone - NW wall of the Namakera Prospect open pit.

4.5 Exploration History

Van Stratten (1988) recorded that vermiculite was discovered near Namakera, approximately 1 km west of the Busumbu Phosphate Mine, in the early 1950s by the British Geological Survey in conjunction with the Uganda Geological Survey.

The investigations included trenching, the excavation of 71 shallow pits and the drilling of 10 diamond drillholes that delineated a limited tonnage of vermiculite. Mining on a restricted scale in the late 1950s proved uneconomic.

Records indicate that the quality of the vermiculite at Namakera was good with a cation exchange capacity $>110\text{cmol}/\text{kg}$ and an exchangeable Mg_{2+} content of $\leq 4,390\text{mg}/\text{kg}$. The trenching and pitting was deemed to have indicated the presence of $\pm 500,000$ tonnes of vermiculite beneath up to 15m of overburden. The amount of recoverable vermiculite was then estimated at $\pm 350,000$ tonnes.

Investigations completed to greater depth in the late 1980s are reported to have delineated additional quantities of vermiculite. Van Stratten (1988) noted that the occurrence of vermiculite in the Namakera area is spatially related to mica-rich rocks in the pyroxenite zone of the Busuku Carbonatite Complex.

CRL, a Ugandan registered subsidiary of the IBI Corporation in Canada who initially focused on the phosphate potential of Busumbu, investigated the apparent high grade

vermiculite potential of the Namakera area by means of 17 trenches and/or pits and 12 NQ size diamond drillholes totalling 490 m, which were drilled to depths ranging from 22.5–51.0 m at unknown locations. Based on the results of these investigations a processing plant was installed in 2001.

The location of the processing plant in relation to the open pit developed is indicated in Fig 5. Plant feed, reputedly obtained by mining higher quality areas of vermiculite mineralisation, was obtained from the open pit developed nearby.

Between 2002 and 2006 a total of 16,000 tonnes of predominantly medium grade vermiculite was exported, while in addition a small tonnage of micron grade vermiculite exfoliated on-site was sold on the local market, as a soil conditioner and insulating material in the manufacture of fuel efficient stoves, under the product name of V-Gro.

4.5.1 Investigation undertaken by Rio Tinto

RIO completed acquisition of the property in 2007/8 and instituted a technical study designed to evaluate the quality and quantity of vermiculite mineralisation and review options for mine development.

The project team that undertook the work included experienced personnel from Rio Tinto Exploration, Rio Tinto Minerals, the Palabora Mining Company (“PMC”) and outside consultants. During these investigations a total of 72 vertical RC drillholes totalling 3,490 m were drilled in two phases within an area of ± 1.3 km² to depths of predominantly 40- 60 m at spacing of 50-150 m. No twinned holes were drilled to investigate geological and analytical variance.

RIO concluded that the exploration completed determined that:

- Vermiculite enriched and phlogopite depleted mineralisation occurs near surface;
- Lower grade vermiculite occurs between coarser grained, higher grade zones;
- Unweathered bedrock is encountered at depths of 41-56 m;
- An area of over 1 km² within Mining Lease 4651 contains an average thickness of 31 m of >10% vermiculite, free of phlogopite, from a depth of 10-53 m below surface. This may extend over a length of ± 5 km;
- A deposit of high, coarse grade vermiculite, with a low strip ratio, occurs to the ESE of the present open pit;
- Further work is required to establish the potential of vermiculite intersected in drillholes NAM-027, -029 and elsewhere;

Despite this, during the global rationalisation completed by Rio Tinto in November 2007, the strategic decision was made by the group to divest out of a significant portion of its Industrial Minerals holdings including the Namakera Vermiculite Prospect. RIO stressed that this, “in no way implies a negative view regarding the quality of the Namakera resource”.

4.5.2 SRK- EA

SRK-EA were engaged by Gulf to review the exploration work and Mineral resource estimates completed by RIO on the vermiculite potential of the project. A site visit was undertaken by SRK-EA from the 16th to the 18th of May, 2009.

SRK-EA sub-contracted SRK Consulting South Africa (SRK-SA) to review the Mineral Resources and compile a report. The vermiculite mineralisation at Namakera is understood to be closely associated with the occurrence of alkali and carbonitic intrusives in ultramafic rock. Rio concluded that vermiculite formation, predominantly attributable to the weathering and alteration of primary biotite and phlogopite in mica-rich rocks by chemical reaction with downward percolating surface water, occurred to a depth of >50 m below surface. The overburden in the Namakera area is up to ≤12 m, but on average 6.5 m thick.

The exploration work completed indicated that vermiculite occurs in flat lying zones near surface. It was stated that:

- an area of over 1.0 km² within ML4651 contains an average thickness of 31 m containing >10% vermiculite, free of phlogopite, from a depth of 10- 53 m below surface. This zone may extend over for another ±2.3 km northwards with vermiculite, although probably at reduced grade, extending over a total distance of ±5 km;
- in the open pit the enriched, often very coarse-grained zones developed contain ±80% vermiculite as opposed to a consistent ±25% elsewhere;
- a deposit of high, coarse grade vermiculite, with a low strip ratio, occurs to the ESE of the present open pit;

Work undertaken on an unidentified number of samples collected in the current open pit, which had an average vermiculite content of 49%, tentatively indicated that 59% of the vermiculite reported to the +2 mm size fraction. This finding is supported by the results obtained on bulk samples of selectively mined medium grade +2mm product by the reported recoveries of 47.1% and 61.7% vermiculite.

Grit contents ranging from 8.1% to 9.5% by weight, consisting of non-exfoliating mica and gangue minerals, were reported in the bulk samples of medium grade vermiculite investigated. Some of these materials occur as inclusions within vermiculite flakes. Investigations completed on a -4 mm to +2.8 mm sample of vermiculite, from which the grit fraction was hand removed, indicated an inherent grit flake content of 1.8%. This result, as grit content may vary from location to location and with coarseness and depth, etc. requires additional investigation.

The RIO assessment indicated that fibres identified were mineralogically not presently classified as asbestiform. In addition, the occurrence of these fibres was considered to be associated with geological lineations and to be of localised extent only which, to mitigate risk, could be avoided during mining if required.

The relatively low exfoliation yields reported on the bulk samples of vermiculite evaluated were attributed to the high Loss-On-Ignition and grit contents. It was noted that significant improvement could be attained by additional drying, screening and heating.

This is supported by the increased exfoliation yield of 9.3m³/t that was obtained when the temperature of exfoliation was raised from 720-±800⁰C. It was concluded that, at the industry standard temperature range, the exfoliation yields for the medium grade vermiculite evaluated from Namakera was <10m³/t.

A reviewing the RIO exploration completed concluded that:

- Namakera could be considered to be the world's largest resource of coarser grained vermiculite, and;
- The overall quality of the vermiculite investigated was well suited to meet the specifications of both local and world markets.

The review of the Mineral Resource estimates indicated that the Namakara database contains the logging descriptions of 72 RC holes, of which only 66 have analytical data available. The database is subdivided into 2 drilling phases; each one sampled using different criteria. The Phase 1 drilling samples were collected at 1 m intervals, and then composited over 5 m covering all mineralised and non-mineralised intervals regardless of the grade, and shipped to the PMC labs for assaying. The Phase 2 drilling samples were collected over 1 m intervals and only intervals logged as containing visible vermiculite were analysed.

A “gap-fill value” was applied to the non-analysed intervals within the mineralised zone of the Phase 2 drilling. This “gap-fill value” was obtained by extracting all the samples within the Phase 1 drilling with vermiculite content in the 180 µm fraction (“180_V”) less than 20% and calculating the average grade of these samples.

The database was domained using lithological as well as grade definitions. Lithologically the database is domained into the overburden (“OVB”), an ore section (“OS”), a lower grade ore section (“OSNV”) and a biotite or basement unit (“BTT”). The OS lithological unit in turn is sub-domained into OS domain, containing <10% vermiculite, an (“OSM”) unit, containing >10vermiculite, and an (“OSL”) unit which is described as lenses of OS within the OSM unit.

Two potential shortcomings were identified in the sampling procedures that could influence confidence of the grade estimation. These are compositing of samples during the first drilling phase and sections of the drillholes inside the ore section that were not sampled during the second phase of drilling.

It is expected that the inconsistent sampling criteria used between the two drilling phases could influence the sub-domaining of the OS lithological unit. OSL layers that are visible within the Phase 2 drilling database (“gap-fill values” removed), are in some instances not seen within the Phase 1 drilling. This is due to the mixing of high grade

and lower grade samples during the Phase 1 sample compositing, the latter being upgraded by the former.

All the data falling within the OSM upper and lower contact wireframes were selected. In an ideal situation all the selected data should have the OSM unit code but Instances were found where the unit codes are given as OS, BT, and OSNV.

The design of the OSM unit wireframe has to be re-considered, taking into account that the Phase 2 drilling, with the “gap-filled” values removed, indicated a higher number of low grade lenses, the “OSL” unit, occurring within the OSM unit.

Density determination is an important aspect of the Mineral Resources because it is used to convert measured volumes into tonnes. In the Namakera resource model the blocks with the highest vermiculite grade (180_V) have the lowest density value assigned to it. SRK felt that more samples across a broader grade range needed to be analysed for bulk densities.

The percentage difference in mean grade between the estimates and the sample data is 1%, which is considered good. The interpolation method used was ID². Whereas the estimates compare well with the data, SRK is of the opinion that the use of geostatistical techniques would provide robust local estimates.

4.6 Mining and Processing Operations

Vermiculite mineralisation has been known in the project area since the 1950s following joint exploration work by both the British and Uganda Geological Survey departments. Minor production was made from the site in the late 1950's, but was halted due to market limitations at the time.

CRL recommenced production and sales of vermiculite from the Namakera mine in 2002. Mining was carried out by manual hand sorting of the ore, focusing mainly on the rich outcrops within the vermiculite orebody.

From the commencement of production in 2002 until the sale of the asset to RIO in 2007, records show an estimated 16,000 tonnes of vermiculite concentrate were produced and sold.

When Gulf acquired the asset in 2009, they recommissioned and upgraded the processing plant and recommenced open pit mining operations. Between 2011 and 2013 Gulf produced and sold 42,045 tonnes of vermiculite flake product >0.5mm size into the European markets.

Historical Mine and Process Plant Performance				
	2012¹	2013¹	2014	2015²
Total Material Mined (tonnes)	105,000	3,000	113,900	26,590
Plant Throughput (tonnes)	64,100	1,800	15,870	5,920
Sales Production (tonnes)	11,221	352	2,844	1,066

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Plant Yields	18	20	18	18
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Table 2: Historical Production Tonnes 2012-2015

¹ Mining and processing operations were suspended between October 2012 and July 2013 due to restrictions on the sales and marketing agreement of Namakera's vermiculite product with the operations exclusive distributor. This agreement was subsequently cancelled in 2014.

² Mining and processing operations were suspended between March 2015 and September 2015 due to restrictions on exports from Uganda, that were subsequently lifted in September 2015.

Since 2013, and including a period under care and maintenance in 2012 and 2013 and a suspension of operations for 6 months in 2015 the project has mined 143,500 tonnes of material, processed 23,600 tonnes and sold 4,260 tonnes of vermiculite flake product >0.5 mm size into the European markets.



Photo 3: Current open pit mining operations on the western side of the open pit.

The current mining and processing operations employ a total workforce of 68, comprising 66 Ugandan and 2 expatriate workers.

The overall operation is generally well run, with experienced mining engineers, geologists, mineral processing and plant engineers employed in all the key areas.

Mining of the vermiculite is currently excavated from a shallow open pit using conventional earthmoving equipment including excavators, front end loaders, bulldozers and tipper trucks. The mining fleet currently comprises:

- 1 x Caterpillar 330C excavator
- 1 x Caterpillar 320B excavator
- 1 x D6H Caterpillar Bulldozer
- 3 x 10 tonne Haulmatic Rigid Dump Trucks
- 1 x 10 tonne Fuso Tipper Truck

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No blasting is required in the open pit. The ore is “free dig” and is transported in open trucks to the processing plant located less than 1km from the mine where it is either placed on the ROM stockpile or fed directly into the process plant.

Current open pit mining operations are focused on a single pit approximately 1.0 km by 400m and to a maximum depth of 35 m, with bench heights of 2.5 m

Generally, near surface ore and ore from the bottom benches is stockpiled separately from the ore that is mined from the deeper levels due to differences in colour and exfoliation rates.

The ore is then blended prior to processing. In this manner, a consistent product can be produced both in terms of the product colour as well as the exfoliation ratios.

The mine is currently operating for 6 days/week on a single shift basis only. During day shift, trucks tip ore directly into the ROM bin with excess production being placed upon ROM stockpiles to facilitate blending and to cater for processing when the pit is not operating. When ore from trucks is not available the run of mine material is fed into the ROM bin by a front end loader.

Monthly mining rates of 25,000 t of vermiculite ore are targeted by existing mine management with a strip ratio of 0.5:1. The current mining operations are unable to achieve these targets at present, largely due to the low utilisation rates achieved from the mining fleet and in particular the haul trucks, which require high levels of maintenance and servicing as a result their age and which cannot operate effectively in the open pit during the wet season, when the condition of the haul roads make ore and waste transportation difficult.

Management have proposed that the existing mining fleet and haul trucks are replaced by new leased or purchased equipment once new funding is secured for the operation, and thereafter the targeted mining rates are considered achievable.

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Photo 4: Open pit mining methods are employed using standard truck and shovel operation



Photo 5: Pit Face showing vermiculite mineralisation

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Photo 6: Current Trucking Operations from the Open Pit



Photo 7: Plant Crushing and Screening Operations

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Photo 8: Feed Conveyer and Rotary Kiln



Photo 9: Kiln Drive Mechanism



Photo 10: View of Plant from Top of Fired Product Conveyer

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Photo 11: View of Plant Showing Blowers and Heating Furnaces

The processing of the vermiculite is through a processing plant that was constructed and upgraded between 2010 and 2012.

The processing of the vermiculite is through a conventional beneficiation plant that involves a sequential process involving drying, screening, winnowing, re-screening and then bagging of the final product.

The processing of vermiculite is a sequential process in the plant involving drying, screening, winnowing, re-screening and then bagging of the final product.

a. Drying

The blended ore is fed into a ROM bin that feeds a rotary dryer. Drying reduces the moisture content in the ore from a range of 8 to 15 % to less than 5%. The dried product from the dryer is transported by a belt conveyor to a bank of screens where the product is classified into the different product grades according to their particle sizes.

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Photo 12: View of Plant Showing Feed Hopper

b. Screening

During the screening process, the first bank of screens removes the dust from the ore to ensure that the final product is free of dust. The subsequent screens then classify the ore into the different product grades according to particle size.

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Photo 13: Raw Feed going into Production Process

c. Winnowing

Winnowing is the process by which the vermiculite that would have been classified into the different size fractions is concentrated through a process of removing the gangue material that is normally associated with vermiculite. This is a gravity separation technique whereby the process takes advantage of the density differences to separate vermiculite from the other none vermiculite materials that are normally associated with it. This process is carried out in winnowers. The output from this process is a vermiculite concentrate with a minimum purity of 95% vermiculite content.

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Photo 14: Final Screening and Bagging

d. Final Screening and Bagging

The output from the winnowing process is run through a final screening section that removes any residual dust that may still be present in the ore before the product is bagged. The current packaging practice is that all grades are packed into bulk bags with a carrying capacity of 1.1 tonnes per bag, for all grades.

The processing plant has a design capacity to produce 30,000tpa of vermiculite product comprising a large, medium, fine and super-fine grades.

The process plant is currently not achieving the design capacity of 30,000tpa in part due to the lower tonnages delivered to the ROM stockpile from the mine and in part due to essential maintenance work and optimisation work that is outstanding and required on the drying, screening and winnowing processes. This work is proposed to be undertaken once new funding is secured for the operation, and thereafter the targeted design capacity of 30,000tpa is considered achievable.

The process plant is only capable of operating at levels to produce between 10,000 to 15,000tpa of saleable vermiculite product. With the acquisition of new mining equipment, the process plant should be capable to achieve up to between 15,000 to 20,000tpa of saleable vermiculite production. To further increase annual saleable vermiculite production up to the design capacity of 30,000tpa, further process plant capital works and maintenance work is required.

The capital and maintenance works program is planned to raise throughput by installing an impact crusher and wet screening circuit ahead of the current ROM bin, by recalibrating and completing maintenance on all the variable speed flow meters, weightometers, temperature monitors and control and instrumentation to optimise and control feed rates to and from the plants key processes, essential maintenance of the dust extraction system and a series of work programs on the rotary dryer and further optimisation and simplification of the screening and winnowing process flows to eliminate overloading and additional material handling.

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Photo 15: Final Screening and Bagging

The bagged vermiculite product is loaded on 40 foot sided or container trucks at the mine site and is transported under contract to the port at Mombasa in Kenya. The bagged product is maintained in a warehouse at the port before transloading into 20 foot shipping containers.

A new load out and storage facility for the bagged vermiculite product is required and proposed to address the limited storage capacity for stock and to allow for truck and container loading without impacting on process plant operations.

Sales of the vermiculite product are sold under fixed price contract to customers and trading houses in Europe, Asia and Australia. Over the past 24 months, sales of vermiculite product have been made to customers in Spain, Belgium, Germany, Switzerland, Slovenia, Poland, France, Saudi Arabia, United States, Japan and Australia. The operation is currently contracted for the sale of vermiculite product to 10 customers, predominantly in Europe, Japan and Australia, are in place.

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4.6 Namakera Vermiculite Resource Conclusions

The Mineral Resource for the Namakera project as reported by Rio has been presented in Table 1 above and is repeated here as Table 3.

Classification	Million Tonnes	Grade > 180µm	Grade > 425µm
Inferred Resources	54.9	26.7%	18.8%

Marketing Grade	Size	Distribution	Mt Vm (> 180µm)	Mt Vm (> 425µm)
Premium	>9.5mm	8%	1.2	0.8
Large	>5.6mm <9.5mm	21%	3.1	2.2
Medium	>2.0mm <5.6mm	30%	4.4	3.1
Fine	>1.18mm <2.0mm	20%	2.9	2.1
Super Fine/Micron	<1.18mm	21%	3.1	2.2
TOTAL			14.7	10.3

Table 3: Mineral Resources for the Namekara Project based on a 15% vermiculite (180_V) cut-off

Grade Tonnage curves calculated by SRK in 2009 as part of their verification work for Gulf supported the Mineral Resource inventory reported by RIO. Uncertainties in the data quality and application further supported the SRK decision to classify the Namakera estimates into the JORC Code compliant Inferred category. SRK also made several suggestions pertaining to collection of additional data in order to upgrade the resource category. Based on a review of the verification of RIO's work by SRK, AM&A believes that the quality of the estimates, as reported, is of acceptable standards and also reasonable.

The Vermiculite mineralisation at Namakera is understood to be closely associated with the occurrence of alkali and carbonatite intrusives in ultramafic rock. RIO concluded that vermiculite formation, predominantly attributable to the weathering and alteration of primary biotite and phlogopite in mica-rich rocks by chemical reaction with downward percolating surface water, occurred to a depth of >50m below surface. The overburden in the Namakera area is up to ≤12 m, but on average 6.5 m thick.

The exploration work completed indicated that vermiculite occurs in flat lying zones near surface which contain sub-vertical, coarse-grained, high grade developments. It was concluded that an area of over 1km² within ML4651 contains an average thickness of 31 m containing >10% vermiculite, free of phlogopite, from a depth of 10-53 m below surface. This zone may extend over for another ±2.3 km northwards with vermiculite, although probably at reduced grade, extending over a total distance of ±5 km.

In the open pit the enriched, often very coarse-grained zones developed contain ±80% vermiculite as compared with a consistent ±25% elsewhere. A deposit of high, coarse grade vermiculite, with a low strip ratio also occurs to the ESE of the present open pit;

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When previously exploited, since the processing plant required disaggregating large or premium grade feed to yield the medium grade product required to be marketed, only coarser-grained, higher grade material was processed. As a result, the waste generated characteristically contained $\pm 35\%$ vermiculite. Approximately 15–20% of this waste is medium grade.

For this valuation report the Inferred Mineral Resource Estimate (JORC Code 2004) extending over an area of over 1km² within ML4651 as reported by RIO and Gulf, and as released to the ASX on 23 July 2009 and as presented in Table 3 has been included. No material change has occurred since that estimate, thus no update to JORC Code 2012 guidelines has been prepared.

In addition, for this valuation report, a previous estimate which was prepared under the JORC Code 2004 guidelines by AM&A in 2013 for Gulf for the Namakera Vermiculite Mine over an area of 2.3km² within ML4651 and northwards of the existing Inferred Mineral Resource Estimate (JORC Code 2004) has been included. This previous estimate is in the range of 20Mt to 25Mt at grades between 20% to 25% vermiculite. This information was prepared under the JORC Code (2004) guidelines. It has not been subsequently updated to comply with the JORC Code 2012 guidelines on the basis that the information has not materially changed since. **The potential quantity and grade of this estimate is therefore conceptual in nature. There has been insufficient work to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.**

This previous estimate was based on exploration work and drilling programs completed by Rio Tinto between 2007 and 2008 and Gulf Industrial between 2010 and 2012. The Rio Tinto work included drilling of 72 vertical RC drill holes totalling 3,490m to depths of 40- 60m at spacing of 50-15 m. Of this drilling program 6 holes, NAM029 to NAM034 and NAM037 were drilled to test the occurrence of vermiculite outside the area upon which the JORC Code 2004 Inferred Mineral Resource had been determined and within the previous estimate area. It also included re-examination and logging of previously excavated small pits located in several areas north of the existing open pit and within the previous estimate area. The Gulf Industrial work included drilling of 54 drill holes totalling 3,408m that were drilled at an angle of between 50 and 55 degrees off horizontal and the directions of drilling were 29 and 205 degrees on average. The drill hole density and or trenching density in the previous estimate area is not sufficient to warrant this being classified as an Inferred Mineral Resource Estimate (JORC Code 2012). A Competent Person has not done sufficient work to classify the previous estimate as mineral resources or ore reserves in accordance with the JORC Code 2012 and it is uncertain that following evaluation and/or further work by the Company that the previous estimate will be able to be reported as mineral resources or ore reserves in accordance with the JORC Code 2012,

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4.7 The Busumbu Phosphate Deposit

4.7.1 Introduction

The Busumbu Phosphate deposit, is a residual fluoro-apatite deposit overlying a carbonatite lithology which is presumed to be the source of the phosphate. The deposit consists of a hard rock and a soft rock category. Soft rock refers to the phosphate in residual soils and saprolite and has a grade of 5% to 15% P_2O_5 . The hard rock refers to a re-cemented deposit, the cement being secondary phosphate minerals. The primary and secondary apatite differs slightly in composition with the primary apatite being the higher grade. In total the hard rock deposit has a grade of 25% to 35% P_2O_5 . The reported grade has been confirmed by Gulf when a grab sample from this unit assayed 31% P_2O_5 .

4.7.2 Location, Access and Infrastructure

The Busumbu Phosphate deposit is located 1.0 km to the southeast of the Namekara vermiculite mine (Fig. 4).

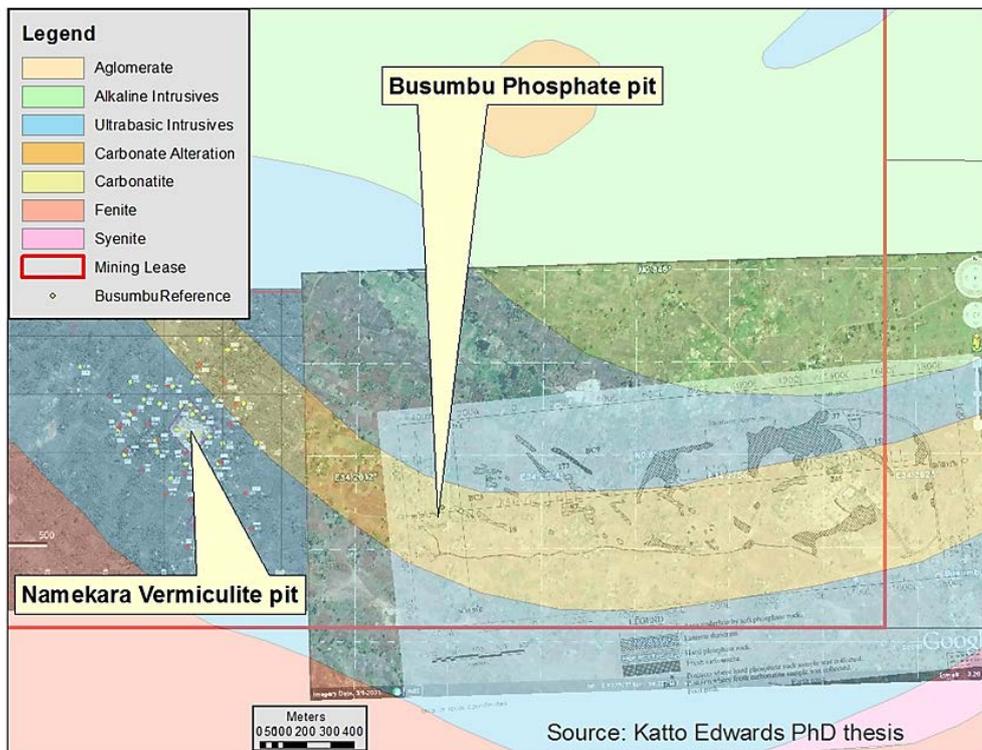


Figure 4: Location of Busumbu Phosphate deposit

4.7.3 Tenement Details

The Busumbu Phosphate deposit is located on ML 4651.

Licence	Name	Area (km ²)	Issued	Holder	Expiry
ML4651	Namekara	17.3	15-May-03	NMCL	14-May-24

Table 4: Busumbu Phosphate Deposit Tenement Details.

4.7.4 Local Geological setting

The deposit was studied in detail by a number of researchers. Katto Edwards' thesis is the most complete study currently available. Figure 10 below shows the distribution of hard rock phosphate at the surface as mapped by Edwards in 1995. During the study a large number of pits were dug, sampled and mapped. The position of these pits can be reconstructed and the assay data is available from his thesis. Edwards estimated a resource from his results. The kriging process did not differentiate between the hard rock and soft rock deposits and returned a resource of 3 million tons at a grade of 11% P₂O₅ in the soil and 5.5 million tons at a grade of 15% P₂O₅ in the saprolite to a depth of 6 m. The resource present in the underlying carbonatite was ignored. Figure 11 below shows the position of pits forming part of Edwards' study.

The following excerpt from “Rocks for Crops, chapter 59 – Uganda” (Van Straaten) adequately describes earlier work done on the deposit:

“Davies discovered carbonate rocks at Busumbu in the early 1930s. A pitting and drilling program, conducted between 1942 and 1945, revealed about 5 million tonnes of phosphate rock with grades between 8 and 35% P₂O₅. The average P₂O₅ content from samples of 430 m of pitting was 11.9% (Davies 1947, 1956). After Davies, the deposit has been studied by a succession of geologists, including Taylor (1955, 1960), Baldock (1969), Bloomfield (1973), Celenk and Katto (1993) and Mathers (1994). A joint team from the Department of Geological Survey and Mines (DGSM) and the United Nations Department for Development Support and Management carried out detailed geological investigations at Busumbu. Findings indicate that proven reserves of higher grade ‘hard’ phosphates (average grade 28.5 % P₂O₅) are 332,000 tonnes, and lower grade ‘soft’ phosphates with an average grade of 13.5 % P₂O₅ account for more than 2,468,000 tonnes (Celenk and Katto 1993). These initial and preliminary reserve estimates were based on limited pit excavations to a depth of 6 m from the surface.”

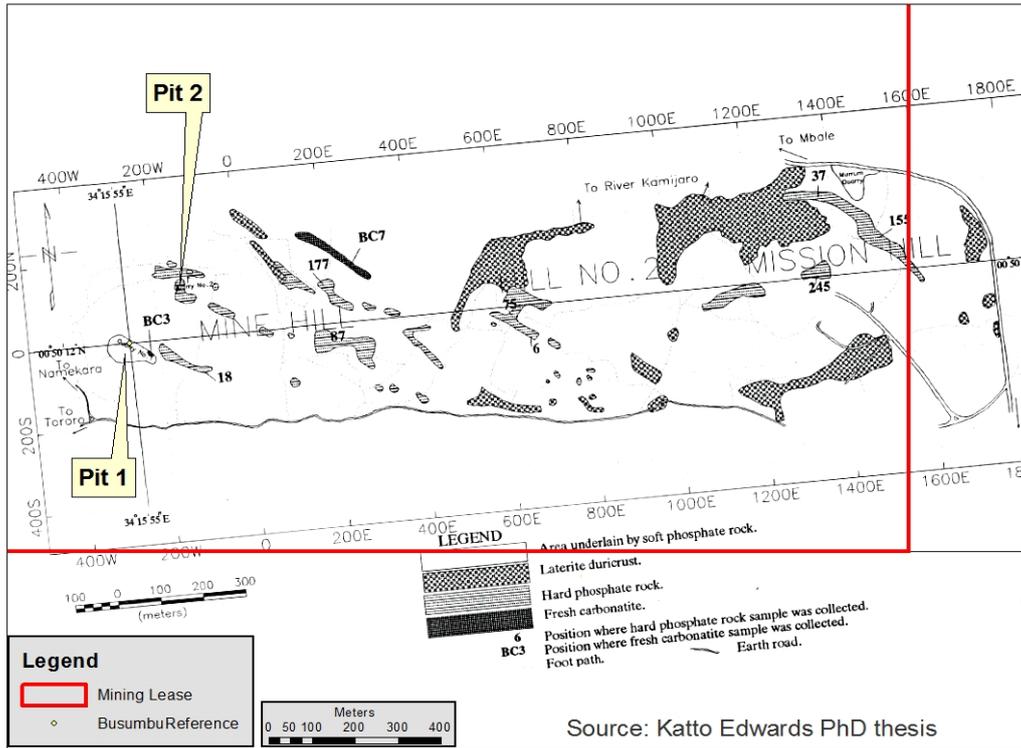


Figure 5: Surface mapping of the Busumbu Phosphate project.

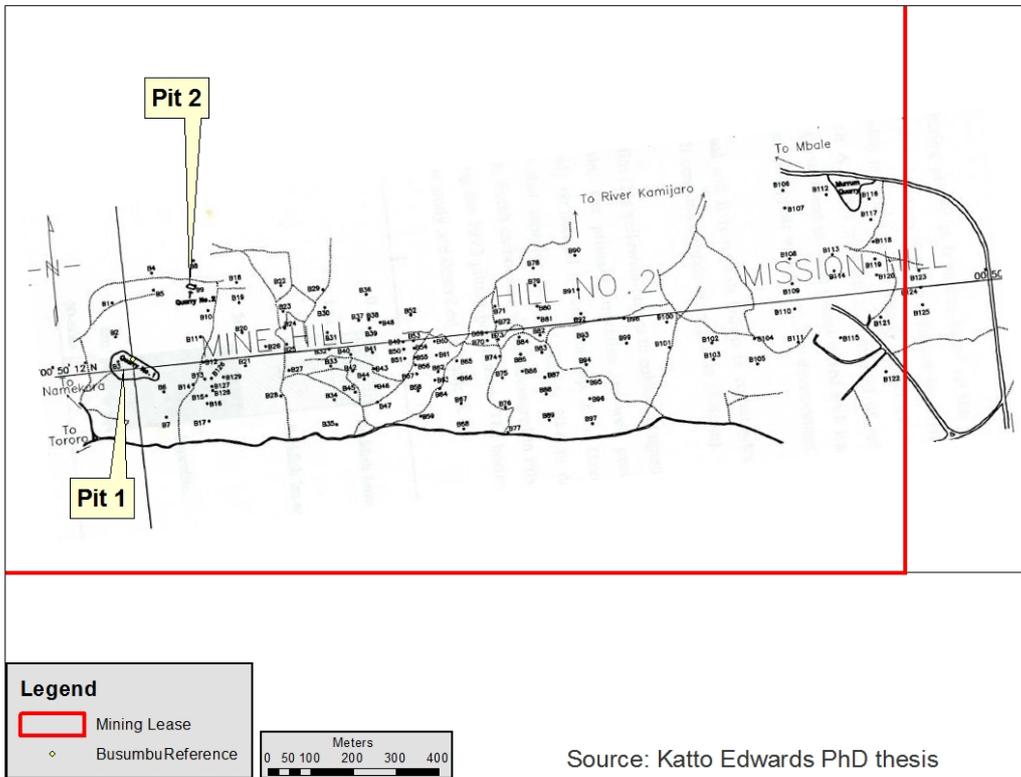


Figure 6: Pit Locations for the Busumbu Phosphate evaluation.

Other sources indicate that the hard rock deposit consists of 332,000 tons at a grade of 28.5% P_2O_5 and another report that 8.4 Mt at a grade of 12.6% P_2O_5 is present on Hill no 2 alone.

RC drilling in 2012, Figure 12, confirmed historical results from 5 drillholes (details Table 2) returning up to;

- 35.1 m @ 25.6% P_2O_5 from 5 m,
- 44.5 m @ 19.3% P_2O_5 from 17.5 m,
- 29.2 m @ 25.3% P_2O_5 from 7 m and
- 59.2 m @ 18.3% P_2O_5 from 5.2 m.

Further investigations confirmed the presence of up to 35% P_2O_5 in the laterite profile and up to 16% P_2O_5 in the soft saprolite profile below the laterite (Figure 13). Also observations in the Namekara vermiculite pit indicated extensive presence of several generations of late stage, cross cutting iron/phosphate rich carbonatite dykes, intruded into the country rock at shallow angles. Assays returned 16 to 24% P_2O_5 . This suggests that substantial additional medium to high grade reserves are present at both projects.

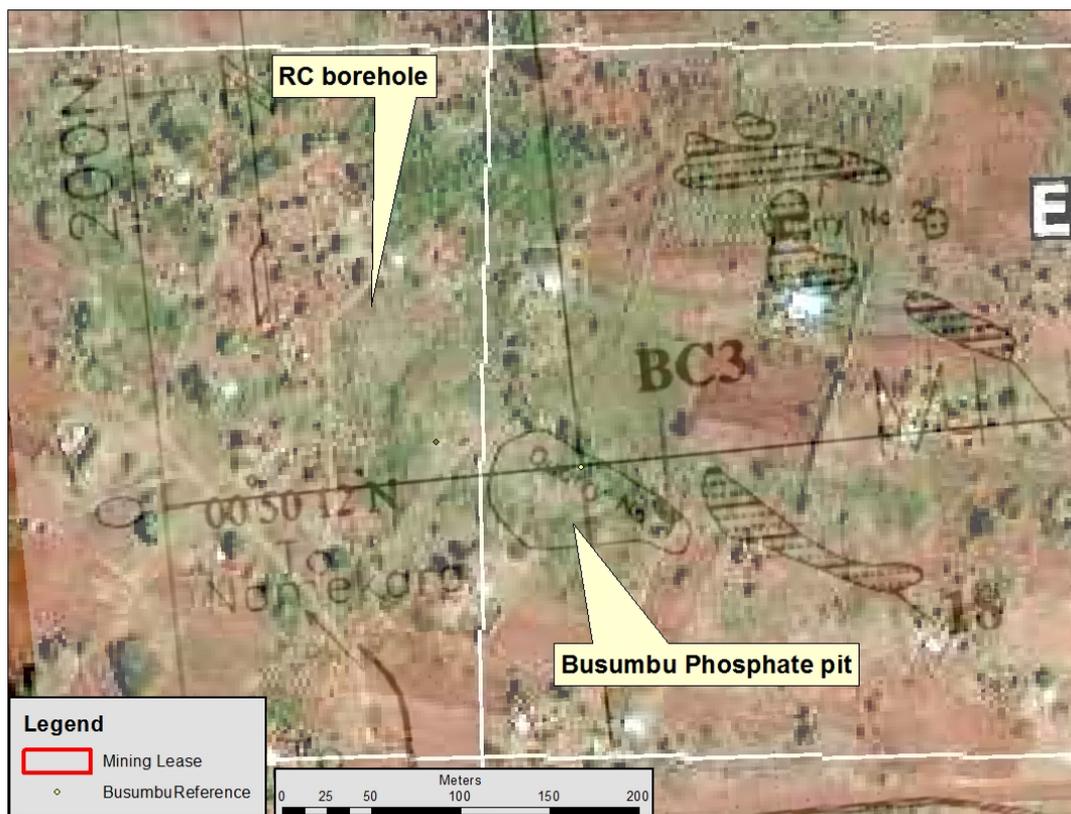


Figure 7: Position of Phosphate RC borehole

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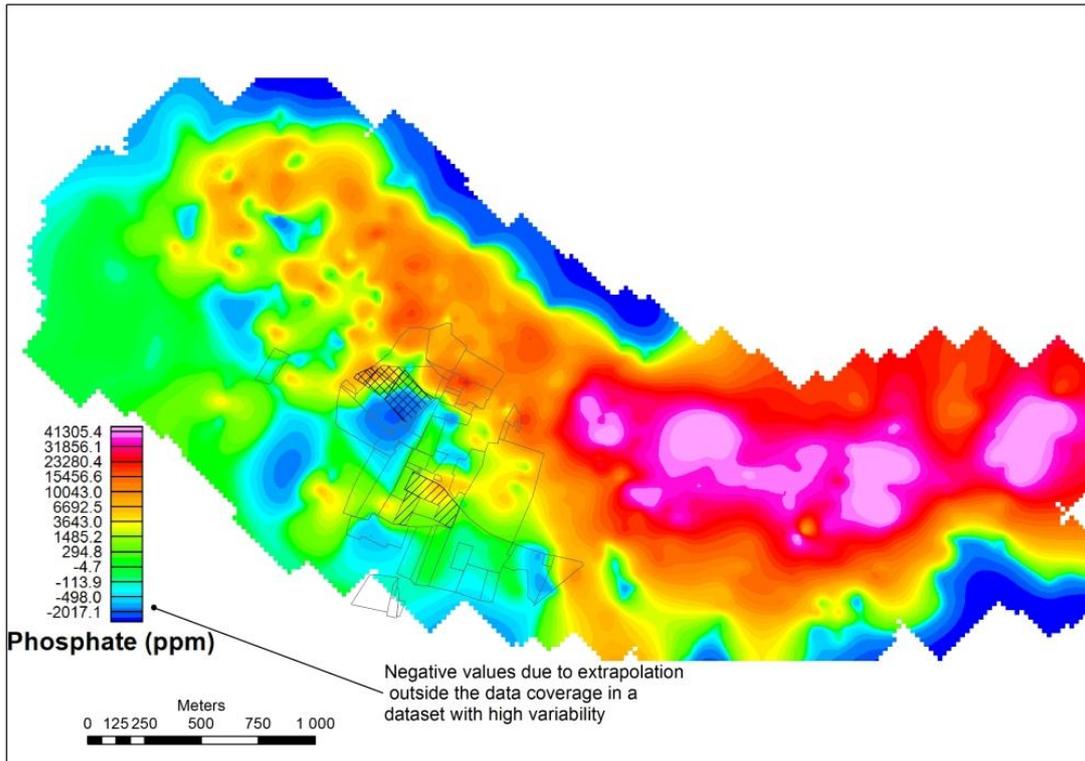


Figure 8: Geochemical soil sampling for phosphate in 2011.

4.7.5 Potential

RC drilling in 2012 by Gulf Industrials confirmed historical results averaging 34.8m grading 21.48% P₂O₅. The thicknesses of mineralisation in the drilling varied from several layers of 3 m thickness to a massive zone 59.2 metres in thickness from 5.2 m depth. Table 2 above shows drilling results from the 5 drill holes testing the Busumbu Phosphate Project.

Observations in the Namekara vermiculite pit indicated extensive presence of several generations of late stage, cross cutting iron/phosphate rich carbonatite dykes, intruded into the country rock at shallow angles. Assays returned 16 to 24% P₂O₅ from sampling in these dykes. It is postulated that the Busumbu Phosphate deposit is a residual soil deposit with some supergene enrichment developed over a concentration of such late stage dykes. This interpretation suggests that substantial additional medium to high grade reserves are hidden below the residual soils of Busumbu.

4.7.6 Busumbu Phosphate Deposit Conclusion

The reported historical resource estimates detailed above by Van Stratten, Katto Edwards and Gulf Industrials over a period from 1942 to 2012 are not reported in accordance with the JORC Code 2012 guidelines; a competent person has not done sufficient work to classify the historical estimates as mineral resources or ore reserves in accordance with the JORC Code (2012); and it is uncertain that following evaluation and/or further work that the historical estimates will be able to be reported as mineral resources or ore reserves in accordance with the JORC Code (2012).

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The authors consider that there is very high potential to outline a substantial high quality phosphate deposit at Busumbu.

For the purpose of this valuation report, the historic resource estimated by Katto Edwards in 1995 has been used. It has not been updated since to comply with the JORC Code (2012) on the basis that the information has not materially changed since it was last reported.

The historical resource estimated by Katto Edwards in 1995 was determined based on trenching, sampling, surface mapping, geochemical and aeromagnetic surveys and RC drilling programs and mining and processing activities that had been completed at the Busumbu Phosphate Project since 1942. The potential dimensions of the apatite deposit at Busumbu are well defined and at this time the resource estimate has been conservatively extended to a vertical depth of 40m below surface. Upper and lower grade estimates of 11% to 15% P₂O₅ are inferred from Katto Edwards work completed between 1993 and 1995 and are below the results achieved from 510 soil samples along approx. 4km of strike and six diamond drill hole program totalling 301m completed in 2011 and 2012 by Gulf Industrials, which confirmed historical results and averaged 34.8m grading 21.48% P₂O₅. The thicknesses of mineralisation in the drilling varied from several layers of 3m thickness to a massive zone 59.2 m in thickness from 5.2 m depth. Other advanced apatite phosphate deposits which are currently under development in Africa host indicated and inferred resources in the range of 12.6Mt at 21% P₂O₅ and 87Mt at 21% P₂O₅ (Avenir Limited's Gadde Bissik deposit in Senegal) to indicated resources of 105.6Mt at 28.4% P₂O₅ (GB Minerals Limited's Farim Phosphate Project in Guinea Bissau).

4.8 Silver Projects located in the USA

The Company holds a 70% interest in two prospective silver and gold projects, namely the New Departure Silver Project and the Conjecture Silver Project located in Idaho and Montana, north-western USA.

4.8.1 New Departure Project – Beaverhead County, Montana

The 427 hectare New Departure Silver Project comprises 68 patented and unpatented claims located in Montana, US which is under a 45 year lease from the Lucky Friday Extension Mining Company. Since it was discovered in the 1880s, the project has produced high grade silver through several operators, although production ceased in the 1980s.

Geological reports completed in 1998 identified six separate undeveloped ore blocks within the historic mine estimated to contain 100,000 – 120,000 tonnes of Ag mineralisation at an estimated average grade of 700 – 750 g/t Ag. The undeveloped ore blocks are located 30 m below the existing workings.

The mineralisation occurs as veins and replacements within a dolomitic limestone host (analogous to the deposits in Leaderville, Co.) and comprise high grade silver minerals such as tetrahedrite and high grade silver bearing galena.

The Company has completed a 3,000 m drill program comprising of 13 drill holes targeting the extension of historical workings and Induced Polarisation anomalies.

Sampling of the newly opened level returned silver grades of up to 5,194 g/t Ag. The samples were taken from the newly opened Blue Dot Level to access both the Bonanza Zone and Main Zone historical mining blocks. Initial metallurgical test work from bulk samples yielded up to 79% recovery producing 359 oz/t (11,160 g/t) silver concentrate recoverable from flotation processing.

No significant exploration or development work has been undertaken at the New Departure Silver Project over the past 12 months and the project has been placed on care and maintenance by the Company.

4.8.2 Conjecture Silver Project, Lakeview mining District, Idaho

The Conjecture Silver Project consists of 59 patented and unpatented mining claims covering over 700 hectares in the Lakeview Mining District, a prolific silver region.

The property has a history of production and development for over 100 years, with no significant activity since the 1970s. The geology is the same as that hosting the major ore deposits of the Coeur d'Alene District some 35 miles to the east of the Conjecture mine. The Coeur d'Alene District has the distinction of being the most productive silver district in North America having produced in excess of 1.2 billion ounces of silver since 1885 to the present.

The Conjecture Project, which is leased for a maximum 45 years from Chester Mining Company, has infrastructure including a three compartment shaft. Exploration drifts exist at the 700 ft level (213.3m), 1,000 ft level (304.8m), 1,600 ft level (487.7m) and the 2,000 ft level (609.6m).

In addition, a 'mineral reserve study' completed in 1981 on the Conjecture Mine provided highly detailed historical reserve block information calculated from data available at that time. This study reported that historic mining blocks were estimated to contain 650,000 – 700,000 tonnes of Ag mineralisation at an estimated grade of 280 – 370 g/t Ag.

The Company completed a 16 hole diamond core drilling programme (1,800 m) at the targeting confirmation of historic mining blocks and previously undrilled sections of the Conjecture Shear Zone. Initial assay results for intercepts returned grades of 300-1,100 g/t silver. These results are consistent with the previous historic data for mining block 31 identified in the 1981 Reserve Report which estimated the block to contain 50,000 - 60,000 t of mineralisation at an estimated grade of 350-375 g/t silver.

BMZ began development with a culvert at the portal entry for the Graham Adit and commenced work on the construction of a decline parallel to the vein zone to enable

further exploration and development of historic workings as well as new ground. Cross cuts were proposed to be driven from the decline to the vein zones approximately every 200 feet (61.2 m) assess production targeting up to 300 tpd.

No significant exploration work or development activities have been undertaken at the the Conjecture Silver Project over the past 6 months.

5.0 Valuation of the Projects

5.1 Introduction

To determine a fair market value several aspects need to be considered. As no Mineral Reserve estimates are outlined the DCF method is not applicable. The Kilburn Method is considered to generate such a wide range of values that it is not relevant here. Therefore a form of the Empirical Method is considered appropriate and described below.

5.2 Empirical Method

We consider Inferred Resources or Exploration Potential as a measure of worth by applying a very high discount to the theoretical potential value of insitu mineralisation to then represent a cash value range for the various properties.

Each project was considered from the geological point of view; firstly for the area of outcropping or sub-cropping mineralised sequences and then, appropriate discounting factors were applied to reduce the total volume potential of each licence including any relevant mining, grade variation or plant recovery factors, where applicable, to a commercial volume.

Various internet sites were checked to establish the current price for vermiculite and phosphate products, and resources were accepted from the SRK-EA report. The product of resource tonnes, grade and mining recovery, as listed in the 6th column of Appendix 1 below, provides a valuation tonnage estimate.

This tonnage estimate was then further modified by the application of a low, medium or high intrinsic value in order to derive the cash range of values.

For the vermiculite the range in values per tonne of insitu vermiculite was from A\$3.50 to \$4.50 cents, as shown in in Appendix 1 for the inferred resource and between 1-3 cents for additional potential.

For the phosphate the range in values per tonne of insitu material is \$0.01 to \$0.02/tonne. For the USA Silver assets a nominal value was ascribed as it is effectively mothballed.

The results from this estimation process are summarised in Table 6. Comparable transactions or other methods are not considered applicable here as we are valuing the

Inferred Resource or the exploration potential and not higher category resources and have not sighted any recent similar comparable transactions.

Accordingly, for the Inferred Resources and the exploration potentials, it is the writer's opinion that the current cash value for 100% of tenements is considered to be A\$38.5 million from within the range of A\$31.0 million to A\$46 million as at 21st June 2016.

Appendix 1 and Table 5 below shows the valuation estimate ranges in detail.

Project	Preferred (A\$M)	Low (A\$M)	High (A\$M)
Namakera Vermiculite	30.29	26.5	34.1
Busumbu Phosphate	7.55	3.78	11.33
US Silver Assets	0.50	0.40	0.50
ROUNDED TOTAL	38.5	31.0	46.0

Table 5: Current Value Ranges for the BMZ Projects.

6.0 CONCLUSION

The current cash values, as at 21st June, 2016, for the relevant variable proportions are summarised in Table 5 with the combined vermiculite and phosphate values ascribed at A\$38.5M within the range of A\$31.0M to A\$46M.

Yours faithfully,



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8.0 Glossary

Augite	Common rock-forming mineral; $(Ca,Na)(Mg,Fe,Al,Ti)(Si,Al)_2O_6$
Basalt	A fine-grained volcanic rock composed primarily of plagioclase feldspar and mafic minerals.
Bedding	A rock surface parallel to the surface of deposition.
Cleavage	The tendency of a rock and minerals to split along closely spaced, parallel planes.
Country rock	A general term applied to rock surrounding or penetrated by mineral veins.
Dip	The angle at which a rock layer, fault or any other planar structure is inclined from the horizontal.
Domain	The areal extent of given lithology or environment.
Dyke	A tabular intrusive body of igneous rock that cuts across bedding at a high angle.
Fault	A fracture in rocks on which there has been movement on one of the sides relative to the other, parallel to the fracture.
Fold	A bend in the rock strata or planar structure.
Foliation	The laminated structure resulting from the parallel arrangement of different minerals.
Footwall	Rocks underlying mineralisation .
Igneous	Formed by solidification from a molten or partly molten state.
Inferred Resource	A resource inferred from geoscientific evidence, drill holes, underground openings or other sampling procedures where lack of data is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability.
Ijolite	Igneous rock consisting of nepheline and augite.
Isocline	An anticline or syncline so closely folded that the two sides have the same dip.
JORC Code	Joint Ore Reserves Committee- Australasian Code for Reporting for Identified Resources and Ore Reserves.
Mineralisation	In economic geology, the introduction of valuable elements into a rock body.
Nepheline	Silica undersaturated aluminosilicate; $Na_3KAl_4Si_4O_{16}$.
Open pit	Descriptive of a mine worked open from the surface.
Ore	A mixture of minerals, host rock and waste material which is expected to be mineable at a profit.
Orebody	A continuous, well-defined mass of ore.
Outcrop	The surface expression of a rock layer (verb: to crop out).
Plunge	Angle of the axis of folding with a horizontal plane.
Primary mineralisation	Mineralisation which has not been affected by near-surface oxidising process.
RAB	Rotary Air Blast (as related to drilling)—A drilling technique in which the sample is returned to the surface outside the rod string by compressed air.

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RC	Reverse Circulation (as relating to drilling)—A drilling technique in which the cuttings are recovered through the drill rods thus minimising sample losses and contamination.
Resource	In-situ mineral occurrence from which valuable or useful minerals may be recovered, but from which only a broad knowledge of the geological character of the deposit is based on relatively few samples or measurements.
Reverse Fault	A fracture in rocks in which the strata above the fracture have been displaced up the fracture plane relative to the strata below the fracture.
Shear (zone)	A zone in which shearing has occurred on a large scale so that the rock is crushed and brecciated.
Silicified	Containing a high proportion of silicon dioxide.
Soil sampling	Systematic collection of soil samples at a series of different locations in order to study the distribution of soil geochemical values.
Strike	The direction or bearing of the outcrop of an inclined bed or structure on a level surface.
Strike-slip fault	Faults parallel to the strike of the rock strata.
Stringer	A narrow vein or irregular filament of mineral traversing a rock mass.
Subcrop	The surface expression of a mostly concealed rock layer.
Syncline	A fold where the rock strata dip inwards towards the axis (antonym: anticline).
Unconformity	Lack of parallelism between rock strata in sequential contact, caused by a time break in sedimentation.
Vein	A narrow intrusive mineral body.

Abbreviations

Au	Gold
Pb	Lead
g	gram
kg	kilogram
km	kilometre
km ²	square kilometre
m	metre
m ²	square metre
m ³	cubic metre
mm	millimetre
MMI	Mobile Metal Ions
t	tonne
oz	troy ounce, equivalent to 31.1035g.
ppb	parts per billion
ppm	parts per million

Appendix 1: Valuation Worksheet.

AL MAYNARD AND ASSOCIATES CONSULTING GEOLOGISTS

CLIENT: Black Mountain Resources Limited
 REPORT: Independent Technical Valuation
 REPORT DATE: 21 June 2016

1. NAMAKERA VERMICULITE MINE

	Project Area	Resource/Exploration Target	Grade	Discount Factor/Recovery	Contained Vermiculite	Intrinsic value			Valuation		
	km ²	Mt	% Vm	%	Mt	Low A\$/t	Medium A\$/t	High A\$/t	Low A\$M	Medum A\$M	High A\$M
Existing Inferred Resource	1.30	54.90	26.70%	50%	7.33	3.50	4.00	4.50	25.65	29.32	32.98
Previous Estimate	2.30	24.28	20.00%	50%	2.43	0.35	0.40	0.45	0.85	0.97	1.09
SUB-TOTAL	3.60	79.18	24.65%	50%	9.76	2.72	3.10	3.49	26.50	30.29	34.07

2. BUSUMBU PHOSPHATE PROJECT

	Project Area	Resource/Exploration Target	Grade	Discount Factor/Recovery	Contained Phosphate Rock	Intrinsic value			Valuation		
	km ²	Mt	% P ₂ O ₅	%	Mt at 30% P ₂ O ₅	Low A\$/t	Medium A\$/t	High A\$/t	Low A\$M	Medum A\$M	High A\$M
Historic Resource	n.a.	0.33	28.50%	n.a.	0.31	0.75	1.50	2.25	0.24	0.47	0.71
Historic Resource	n.a.	2.10	13.50%	n.a.	0.95	0.75	1.50	2.25	0.71	1.42	2.13
Historic Resource	n.a.	7.55	15.00%	n.a.	3.78	0.75	1.50	2.25	2.83	5.66	8.49
SUB-TOTAL	n.a.	9.98	3.78%	n.a.	5.03	0.75	1.50	2.25	3.78	7.55	11.33

3. US SILVER PROJECTS

	Project Area	Resource/Exploration Target	Grade	Discount Factor/Recovery	Contained Silver	Intrinsic value			Valuation		
	km ²	Mt	g/t Ag	%	Ounces	Low A\$/oz	Medium A\$/oz	High A\$/oz	Low A\$M	Medum A\$M	High A\$M
New Departure	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Conjecture	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
SUB-TOTAL	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.40	0.50	0.60

	Low A\$M Low Value	Medum A\$M Likely Value	High A\$M High Value
1. NAMAKERA VERMICULITE MINE	26.50	30.29	34.07
2. BUSUMBU PHOSPHATE PROJECT	3.78	7.55	11.33
3. US SILVER PROJECTS	0.40	0.50	0.60
TOTAL PROJECTS	30.7	38.3	46.0

Notes:

1. Namakera Vermiculite Mine

The Inferred Mineral Resource Estimate (JORC Code 2004) extends over an area of over 1km² within ML4651 as reported by RIO and Gulf, and as released to the ASX on 23 July 2009 and as presented in Table 3 has been included. No material change has occurred since that estimate, thus no update to JORC Code 2012 guidelines has been prepared.

A previous estimate which was prepared under the JORC Code 2004 guidelines is included for the Namakera Vermiculite Mine over an area of 2.3km² within ML4651 and northwards of the existing Inferred Mineral Resource Estimate (JORC Code 2004). This previous estimate is estimated in the range of 20Mt to 25Mt at grades between 20% to 25% vermiculite. This information was prepared under the JORC Code (2004) guidelines. It has not been

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subsequently updated to comply with the JORC Code 2012 guidelines on the basis that the information has not materially changed since. The potential quantity and grade of this previous estimate is therefore conceptual in nature. There has been insufficient work to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

The previous estimate was based on exploration work and drilling programs completed by Rio Tinto between 2007 and 2008 and Gulf Industrial between 2010 and 2012. The Rio Tinto work included drilling of 72 vertical RC drill holes totalling 3,490m to depths of 40- 60m at spacing of 50-15 m. Of this drilling program 6 holes, NAM029 to NAM034 and NAM037 were drilled to test the occurrence of vermiculite outside the area upon which the JORC Code 2004 Inferred Mineral Resource had been determined and within the previous estimate area. It also included re-examination and logging of previously excavated small pits located in several areas north of the existing open pit and within the previous estimate area. The Gulf Industrial work included drilling of 54 drill holes totalling 3,408m that were drilled at an angle of between 50 and 55 degrees off horizontal and the directions of drilling were 29 and 205 degrees on average. The drill hole density and or trenching density in the previous estimate area is not sufficient to warrant this being classified as an Inferred Mineral Resource Estimate (JORC Code 2012). A Competent Person has not done sufficient work to classify the previous estimate as mineral resources or ore reserves in accordance with the JORC Code 2012 and it is uncertain that following evaluation and/or further work by the Company that the previous estimate will be able to be reported as mineral resources or ore reserves in accordance with the JORC Code 2012,

The Inferred Resources and previous estimate were considered as a measure of worth by applying a very high discount to the theoretical potential value of insitu mineralisation to then represent a cash value range

The insitu mineralisation tonnage was determined based on multiplying tonnage and grade of the applicable resources and exploration potential. This is then multiplied by the discount factor and a low, medium and high intrinsic value per tonne of insitu vermiculite to determine a low, medium/likely and high valuation.

The intrinsic values were determined following a review of current and historical US Dollar denominated market prices for vermiculite on a 'free-on-board' basis (refer to table below).

These market prices were further discount by +90% in respect to historical Inferred Resources and a discount of +99% applied to the Exploration Potential.

Grade	Europe	United States	Australia	Japan
Large	US\$350-450/t	US\$450/t	US\$440/t	US\$450/t
Medium	US\$260-305/t	US\$330/t	US\$325/t	US\$350/t
Fine	US\$160-180/t	US\$235/t	US\$250/t	US\$240/t
Super-Fine	US\$140-150t	US\$180-210/t	US\$200-225/t	US\$200-220

	Low	Medium	High
Historic Resource	A\$3.50/t	A\$4.00/t	A\$4.50/t
Exploration Potential	A\$0.35/t	A\$0.40/t	A\$0.45/t

2. Busumbu Phosphate Project

The historical resource estimated by Katto Edwards in 1995 has been used. It has not been updated since to comply with the JORC Code (2012) on the basis that the information has not materially changed since it was last reported

The historical resource estimated by Katto Edwards in 1995 that was determined based on trenching, sampling, surface mapping, geochemical and aeromagnetic surveys and RC drilling programs and mining and processing activities that had been completed at the Busumbu Phosphate Project since 1942. The potential dimensions of the apatite deposit at Busumbu are well defined. Upper and lower grade estimates from Katto Edwards work completed between 1993 and 1995 and supported by the 510 soil samples along approx. 4km of strike and six diamond drill hole program totalling 301m completed in 2011 and 2012 by Gulf Industrials, which confirmed historical results and averaged 34.8m grading 21.48% P₂O₅. The thicknesses of mineralisation in the drilling varied from several layers of 3m thickness to a massive zone 59.2 m in thickness from 5.2 m depth. Other advanced apatite phosphate deposits which are currently under development in Africa host indicated and inferred resources in the range of 12.6Mt at 21% P₂O₅ and 87Mt at 21% P₂O₅ (Avenira Limited's Gadde Bissik deposit in Senegal) to indicated resources of 105.6Mt at 28.4% P₂O₅ (GB Minerals Limited's Farim Phosphate Project in Guinea Bissau).

The insitu mineralisation tonnage was determined based on multiplying tonnage and grade of the applicable historic reserves, resources and exploration potential and multiplying by the factor to achieve a representative tonnage at the benchmark P₂O₅ grade of 30.00%. This is then multiplied by a determined low, medium and high intrinsic value per tonne of insitu phosphate rock (P₂O₅ grade of 30.00%). to determine a low, medium/likely and high valuation.

The intrinsic values were determined following a review of current and historical A\$ Dollar denominated market prices for phosphate on a 'free-on-board' basis (refer to chart below).



A price of A\$150/t was used which was discounted by 99.5%, by 99% and by 98.5% to determine a low, medium and high intrinsic value per tonne of insitu phosphate rock at a P₂O₅ grade of 30.00%.

3. US Silver Assets

As the assets are currently on care and maintenance and/or very limited work is being conducted, notional values of A\$0.40M, A\$0.50M and A\$0.60M were assigned to the assets to represent a low, medium/likely and high valuation.

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