

# EUREKA *report*



## The Speculator

By David Haselhurst  
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**PORTFOLIO POINT: Junior prospector Black Mountain Resources plans to re-open historically rich silver mines based in the United States.**

Until late last year, Black Mountain Resources (BMZ) was just another junior prospector scratching around Western Australia looking for gold, nickel or uranium mineralisation within 187 square kilometres of exploration tenements near Leonora.

But in August 2011, it was introduced to an opportunity to buy control of a group of silver/gold mines and prospects in the north-west US states of Idaho and Montana.

Perth-based corporate lawyer Peter Landau was appointed as an executive director (now executive chairman) and the company entered into a heads of agreement to acquire a 70% interest in three silver and gold projects linked with former rich-producing mines.

At that time, Black Mountain had 27.8 million shares on issue and remaining cash at the end of the September quarter of \$2.94 million.

A shareholders meeting in January approved a deal to:

- Acquire 70% of ABM Mining Corporation, with the remaining 30% retained by the vendor Abot Mining Corporation of Idaho;
- Issue 25 million BMZ shares to the vendor, escrowed from trade until February 2013;
- Spend \$US1.5 million on each of the three projects (total \$4.5 million within three years); and
- Issue 25 million BMZ shares to the vendors when the expenditure commitment has been satisfied and production of not less than 2000oz of gold or gold/silver equivalent achieved on any one of the US projects.

BMZ's issued capital now stands at 62 million shares which, at 30c, gives the company a market capitalisation of \$18.6 million, following a \$2 million capital raising at 20c a share completed in February. Remaining cash is estimated at \$4.4 million.

The January meeting also approved a board reshuffle, with Landau becoming executive chairman, mining engineer Jason Brewer becoming a non-executive director and American mining engineer John Ryan appointed as an executive director.

Ryan grew up in Wallace, Idaho, in the heart of the world-famous Coeur d'Alene mining district, which has yielded more than 1.2 billion ounces of silver in its storied history since the nineteenth century.

He is a mining engineering graduate from the University of Idaho, who also spent four years as a US Navy officer, before completing a Juris Doctor degree at Boston College Law School. He has had 25 years' operating experience in North America, with specific focus on major silver mining projects.

### -The Speculator portfolio, as at April 18

Company	ASX	No of shares	Bought	Purchase price	Current price	Current value
Image Resources	IMA*	15,000	31/12/2010*	0.362 av	\$0.330	\$4,950
Viralytics	VLA	19,995	20/12/2011	\$0.308	\$0.350	\$6,998
Robust Resources	ROL	6,000	31/12/2010*	\$1.49 av	\$1.250	\$7,500
Scotgold Resources	SGZ	27,500	31/12/2010*	5.5 av	\$0.081	\$2,228
Coalworks	CWK	10,000	31/12/2010*	\$0.830	\$0.800	\$8,000
GoConnect Ltd	GCN	250,000	31/12/2010*	0.034 av	\$0.030	\$7,500

Minemakers	MAK	20,000	25/01/2011*	0.425 av	\$0.245	\$4,900
Platsearch	PTS	20,000	8/02/2011*	\$0.130	\$0.081	\$1,620
Broken Hill	BPL	20,000	22/02/2011*	\$0.160	\$0.086	\$1,720
Prospecting						
Austpac Resources	APG	40,000	2/03/2011*	\$0.060	\$0.038	\$1,520
Potash West	PWN	11,050	30/03/2011*	\$0.200	\$0.280	\$3,094
Cortona Resources	CRC	20,000	13/04/2011*	0.146 av	\$0.125	\$2,500
Golden Gate	GGP	408,500	20/04/2011*	0.0145 av	\$0.019	\$7,762
Petroleum						
TNT Mines	TNT	4,440	22/07/2011*	\$0.000	\$0.250	\$1,110
uickstep Holdings	HL	20,000	23/11/2011*	\$0.185	\$0.165	\$3,300
Orpheus nergy	OG	19,250	17/08/2011*	0.164 av	\$0.125	\$2,406
Black Mountain	BMZ	10,000	17/04/2012	\$0.300	\$0.300	\$3,000
Resources						
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Total value of portfolio						\$70,108
Cash at bank						-\$16,950
Total						\$53,158
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Portfolio change since January 3, 2012 (started with \$50,000)						6.32%
All Ordinaries change since January 3 2012 (then 4155.22)						5.14%
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\*Shares held from previous year, carried at their December 30, 2011 closing price.

### The three silver projects

The three projects being acquired have historically significant production from high-grade ores and ready access to targeted resources. They have been owned by a private investor since the 1990s, when mining ceased as the silver price slumped to historic lows of around \$US5/oz (the price now stands at \$31/oz plus).

The first mine targeted for production from mid-2012 is the New Departure Silver Mine in Montana, which had a historic resource of 3.9 million ounces ranging around 50oz/tonne.

It contains six undeveloped ore blocks, from which the company believes it can extract annual production of 1.4 million ounces (from just two blocks) over the first three years, at a cash cost including toll treatment of just \$US6-8/oz. Resource estimates, while acceptable in the US, are not necessarily compliant with Australian JORC standards and further drilling may be needed to upgrade their status.

In March, the company appointed a mining contractor to rehabilitate access and a decline into the resource blocks, with a \$US2 million capital expenditure budget and a further \$US500,000 to test high-grade intercepts at depth.

The second project, the Conjecture Silver Mine contained within 310 hectares of mining claims in Idaho, has a yet-to-be-verified proven resource of 326,000 tonnes grading 366g/t silver, 0.9 g/t gold, 3% zinc and 0.5% lead, plus a probable resource of 370,000 tonnes of 369g/t silver, 1.4 g/t gold and 0.4% lead.

The Tabor Gold and Silver project is contained within 20 granted claims over 100 hectares, with initial mine re-entry in the second half of 2012 and planned production of 300,000oz of gold (at 9 g/t grade) and 3.1 million ounces of silver (at 85g/t) from the so-called Pearl vein, over an initial eight-year mine life.

At the current gold price of \$US1650/oz, this should yield a robust profit margin, with projected cash costs of \$US430/oz (including toll treatment). At a presentation to investors in April, the company forecast annual free cash flow from this project of \$US8 million. Capital expenditure to bring the Tabor into production is budgeted at \$US1.75 million.

Sydney broker 708 Capital Pty Ltd has been the successful lead manager in the recent capital raisings and a current one-for-two loyalty options issue to shareholders registered at April 16. This aims to raise an initial \$979,688 (before costs), with options issued at 3c and exercisable at 20c before May 7, 2015. Future exercise of those 32.65 million options would add \$6.53 million to Black Mountains' coffers.

Although I've missed out on the options entitlement, I've added 10,000 BMZ shares to the portfolio at 30c a share.



*David Haselhurst writes a monthly column for Money magazine. Please note that he is not able to provide personal replies to emails.*

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