



High-grade assays build more confidence for Black Mountain

Recent spectacular returns of up to 1,684g/t silver from the Bonanza Drive at **Black Mountain Resources Ltd's (ASX/AIM:BMZ)** New Departure Silver Project in Montana have added even greater confidence to the company's near-term production ambitions in the USA.

Black Mountain chairman Peter Landau says the company is poised to achieve an annual run-of-mine production of over 1.5Moz of silver from 2014 onwards.

The USA-focused silver-mining company has a 70 per cent interest in three highly prospective projects – the New Departure Silver Project and Tabor Gold and Silver Project in Montana and the Conjecture Silver Project in Idaho – with extensive historic resources (non-JORC) and significant exploration upside potential.

Landau said the company had recently further defined its development strategy and the speed at which the New Departure and Conjecture projects could be brought into full production.

He said the commencement of initial mining operations in the Bonanza Zone of the New Departure Silver Mine would enable the company to have a silver concentrate ready for market by the beginning of July 2013. This would be followed in September by concentrate from the Conjecture Project in neighboring Idaho.

Both projects are fully permitted and Landau said Black Mountain would remain focused on bringing them into production to generate cash flow and facilitate the implementation of the company's development strategy.

The company's third interest, the Tabor Gold and Silver Project, near Virginia City, would be the last of the projects to be developed.

"We all know that capital is hard to come by and we think it's prudent to concentrate on New Departure and Conjecture before beginning mining operations at Tabor," Landau said.

He said, taking cash flows into account, the company would require between \$5 million to \$7.5 million to meet capital expenditure commitments in the coming year.

"We're in advanced discussions with a couple of financing options with regard to that amount," he said.

However, Landau said the company had a contingency plan should the financial markets prove unable to fully meet these needs.

"We can manage it at the lower end of that spectrum by focusing on New Departure and using cash flow from that project to complete the development at Conjecture," he said.

However, he said, that was just one of the options open to the company which could also attract off-take financing.

"This would preserve our equity and debt structure and we would consider that as an option for New Departure," he said.

Other considerations however, could preclude a similar



transaction to finance the development at the Conjecture Mine.

"With Black Mountain targeting the Revett formation at the Conjecture Project, such an agreement may be detrimental to shareholders interests in the longer term," he said.

"The Revett could, potentially, host anywhere from 100Moz and 500Moz of silver.

"If we've already given away a life-of-mine off-take it could potentially hurt our chances of achieving a significant premium should a take-over offer be made."

However, he said the potential of future opportunities had to be tempered by the necessity to concentrate on current realities.

He said the company would implement extensive drilling and exploration campaigns throughout the remainder of 2013.

Drilling at Conjecture had already tested an at-width extension of the deposit and, while the mine plan had already incorporated results of that survey, the width of the deposit would be further tested on both sides.

"There were also several other anomalous targets that were revealed in survey work," he said.

Further drilling was also planned to more precisely define the resource and potential extension at New Departure.

"Two of the holes we drilled last year (2012) provided about 650m of width extension which could represent another two years of mine life," Landau said.

"When we did our induced polarization survey on New Departure there were also a couple of analogous zones completely separate to the existing mine," he said.

Work would focus on the down-dip extension of the existing historical reserve with the aim of further defining the outer boundary of that resource.

Black Mountain recently announced that a development drive had successfully accessed the eastern area of the high-grade silver Bonanza Zone at New Departure, where the initial grab samples identified the high-grade silver returns of up to 1,684g/t.

The company said the assay results were an outstanding positive as an initial step in confirming both the extensive historic data available from previous workings and extensions to the historic mineralisation.

Samples taken from shear zones in the Bonanza Drive will be used to determine whether the intercepts contain mineralisation that could potentially extend the historic Bonanza Zone.

Development at New Departure involves initiating mine re-entry and repairs to the existing workings, which were the subject of a technical feasibility study in the early 1980s.

Although the study proved positive, plans to mine the resource were abandoned due to the depressed silver market at the time.

Initial works accessed the high-grade Bonanza Silver Zone by cutting a development drive from the Laczy Tunnel, to enter the eastern area of the zone from beneath the historic workings.

Black Mountain intends to continue the Bonanza Drive through to the side of the mountain to create further access to haul ore and waste to nearby facilities. This would also establish a secondary escape-way for mining operations.

Landau said that with the Bonanza Zone now open, work to access the Main Zone would commence with the main drive being cut through from the Bonanza drive.

Significant data and mapping exists on the historic workings of the Main Zone, where the potential exists for the mining of blending material for milling.

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