



**blackmountain**  
resources limited

**BLACK MOUNTAIN RESOURCES LIMITED**  
**ACN 147 106 974**

## **PROSPECTUS**

By this Prospectus, the Company invites investors to apply for 10,000,000 Shares at an issue price of \$0.20 each to raise \$2,000,000.

**708**  
**Capital**<sup>Pty</sup><sub>Ltd</sub>

Lead Manager

### **IMPORTANT INFORMATION**

The Offer is conditional on certain Resolutions being passed at the Annual General Meeting of Shareholders to be held on 6 January 2012 and the Company's successful re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

This Prospectus is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy ASX requirements for re-listing following a change to the nature and scale of the Company's activities.

**This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. The Shares offered by this Prospectus should be considered speculative.**

## **CHANGE IN NATURE AND SCALE OF ACTIVITIES AND RE-COMPLIANCE WITH CHAPTERS 1 AND 2 OF THE ASX LISTING RULES**

The Offer is conditional:

- on the Company obtaining Shareholder approval for a change in nature and scale of its activities at the General Meeting of Shareholders to be held on 6 January 2012; and
- the Company's successful re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

ASX requires the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules. This Prospectus is issued to assist the Company to re-comply with these requirements.

The Company will be suspended from Official Quotation from the time of the General Meeting and will not be reinstated until it has successfully recompiled with Chapters 1 and 2 of the ASX Listing Rules.

There is a risk that the Company may not be able to meet the requirements of ASX for re-quotation on the ASX.

**In the event the Company does not obtain Shareholder approval, the conditions to the Offer are not satisfied or the Company does not receive conditional approval for re-quotation on ASX then the Company will not proceed with the Offer and will repay all application monies received.**

### **IMPORTANT NOTICE**

This Prospectus is dated 20 December 2011 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which the Prospectus relates.

The expiry date of this Prospectus is at 5.00pm WST on that date which is 13 months after the date this Prospectus was lodged with the ASIC (**Expiry Date**). No securities may be issued on the basis of this Prospectus after the Expiry Date.

Application will be made to ASX within seven (7) days after the date of this Prospectus for Official Quotation of the Shares the subject of this Prospectus.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered speculative.

## **WEB SITE – ELECTRONIC PROSPECTUS**

A copy of this Prospectus can be downloaded from the website of the Company at [www.blackmountainresources.com.au](http://www.blackmountainresources.com.au). Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company on +61 8 9488 5220.

## **DISCLAIMER**

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus that is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company or any other person in connection with the Offer. You should rely only on information in this Prospectus.

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## 1. INVESTMENT OVERVIEW

### Important Notice

This Section is not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety. The Shares offered under this Prospectus carry no guarantee in respect of return of capital, return on investment, payment of dividends or the future value of the Shares.

### THE COMPANY

#### Business Model – Exploration Company

Black Mountain Resources Limited is a public company listed on the official list of ASX (ASX code: BMZ).

The Company is currently an Australian based mineral exploration company, targeting uranium, gold and other base metals in Western Australia.

On 23 August 2011, the Company announced that it had signed an agreement to acquire a 70% interest in ABM Mining Corporation (**ABM**) and its 3 projects which are highly prospective, former producing silver and gold mines in north-western USA (**US Projects**).

The acquisition of a 70% interest in ABM and its US Projects (**Acquisition**) is subject to the satisfaction of a number of conditions, including approval from Shareholders, which is being sought at a General Meeting of shareholders.

Full details in respect of the Company and its Projects are set out in Section 4.

The Company's main objectives on completion of the Offer are:

- Complete the acquisition of a 70% interest in the US Projects;
- Develop and progress near term production opportunities on the US Projects whilst continuing to undertake further exploration to delineate JORC resources;
- Seek to maximise the value of all the Company's assets;
- Applying the Company's funds in an efficient manner and providing above average and sustainable returns through both capital appreciation and the payment of dividends when in a position to do so.

### PROJECTS

The US Projects consist of the New Departure Project, the Conjecture Project and the Tabor Project. The US Projects contain certain 'patented claims' which allows for immediate re-entry and production as well as being in close proximity to nearby milling and toll treatment facilities which potentially will see the New Departure Project brought into production in the near term.

The Company's objective on successful acquisition of the US Projects is to efficiently develop the New Departure Project into near term production, whilst assessing the long term development and further exploration on the Conjecture Project and the Tabor Project. It is anticipated that production will be achieved on the New Departure Project during the first quarter of 2012 subject to the factors noted above.

## CHANGE IN NATURE AND SCALE OF ACTIVITIES

As a result of the magnitude of the Company's proposed investment pursuant to the Acquisition, it is required to obtain Shareholder approval for a change of nature of activities and to comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the Official List.

This Prospectus is issued to assist the Company to comply with these requirements.

## KEY RISKS

The business, assets and operations of the Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the securities of the Company.

The Company aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can be effectively managed is limited.

Set out below are specific risks that the Company is exposed to, and that may have a direct influence on the Company and its activities or assets.

Risk Area	Risks
<b>Re-Quotation of Shares on ASX</b>	<p>The Acquisition constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the official list of ASX. There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Whilst this is not a risk for new investors in so far as their funds will be returned should the Company not successfully re-comply, it is a risk for existing shareholders in the Company who may be prevented from trading their shares should the Company be suspended until such time as it does re-comply with the ASX Listing Rules.</p>
<b>Exploration and Development Risk</b>	<p>The mining claims are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings.</p> <p>There can be no assurance that exploration of the mining claims, or any other claims that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.</p> <p>The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, native title process, changing</p>

	<p>government regulations and many other factors beyond the control of the Company.</p> <p>The success of the Company will also depend upon the Company having access to sufficient development capital, being able to maintain title to its mining claims and obtaining all required approvals for its activities. In the event that exploration programmes prove to be unsuccessful this could lead to a diminution in the value of the mining claims, a reduction in the case reserves of the Company and possible relinquishment of the mining claims.</p> <p>The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.</p>
<p><b>Mine Development</b></p>	<p>The Company's ability to sustain or increase the proposed levels of production is dependent upon the successful development of new producing mines and/or identification of reserves and resources at existing mining operations. Whilst the Directors consider the US Projects to have good potential for the discovery of resources, there is no guarantee of a discovery or that any discovery will be commercially feasible. If the Company is unable to develop new ore bodies, it will not be able to sustain the proposed production levels.</p> <p>Many factors are involved in the determination of the economic viability of a deposit, including the achievement of satisfactory mineral reserve estimates, the level of estimated metallurgical recoveries, capital and operating cost estimates and the estimate of future metals prices. Capital and operating cost estimates are based upon many factors, including anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, ground and mining conditions, expected recovery rates of the copper from the ore and anticipated environmental and regulatory compliance costs. Each of these factors involves uncertainties and as a result, the Company cannot give any assurance that its development or exploration projects will become operating mines. If a mine is developed, actual operating results may differ from those anticipated in a feasibility study.</p> <p>The proposed development is based on the Company relying on historical mining and resource studies completed by previous owners of the US Projects which are not JORC compliant and additional drilling may be required.</p>

<p><b>Equipment and availability</b></p>	<p>The Company's ability to undertake mining and exploration activities is dependent upon its ability to source appropriate contractors with access to mining equipment. Equipment is not always available and the market for mining equipment experiences fluctuations in supply and demand. If the Company is unable to source appropriate equipment economically or at all then this would have a material adverse effect on the Company's financial or trading position.</p>
<p><b>Reliability of technical information and project data</b></p>	<p>The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits; failure to achieve predicted grades in exploration and mining; operational and technical difficulties encountered in mining; difficulties in commissioning and operating plant and equipment; mechanical failure or plant breakdown; unanticipated metallurgical problems which may affect extraction costs; adverse weather conditions; industrial and environmental accidents; industrial disputes; and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.</p> <p>Should the Company be successful in defining a mineral resource on any of the mining claims, such resource estimate will be an expression of judgment based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.</p>
<p><b>Title and Regulatory Risk</b></p>	<p>Interests in mineral rights in the USA are governed by state and federal legislation. The claims which grants the title to the US Projects is subject to compliance with certain requirements, including lodgement of reports, payment of annual fees and compliance with environmental conditions and environmental legislation. For avoidance of doubt, the prospectus to be issued pursuant to the Capital Raising will include a solicitors report in respect of US Projects.</p> <p>The access to and ability to progress the New Departure and Tabor Projects are dependent on a small mines exemption being granted under the laws of the state of Montana, and other factors such as availability of human resources and local mine services and equipment providers. Progress at the Conjecture Project will be subject to developing a finalized drill program to target known mineralised zones within the</p>



	<p>Conjecture Mine. Should the Company need to drill on unpatented mining claims which are subject to Bureau of Land Management and Forest Service jurisdiction, the Company will have to obtain drill permits from one or more of these agencies in order to conduct its initial drill program.</p> <p>Under US mining law a “patented claim” gives the holder title to the lands within the boundaries of the claim. Title resides with the patented claim owner or his grantee in perpetuity. In addition under Montana state law a mining company may rely on a small mine exemptions to mine without further regulatory approvals where no more than five acres of land are disturbed by the mining activity and no more than two projects are in undertaken in the state and such projects are not closely proximate to each other. The Company intends to rely on this exemption in order to achieve early production at New Departure as planned.</p> <p>An “unpatented mining claim” is a particular parcel of land, valuable for a specific mineral deposit or deposits. It is a parcel for which the grantee has asserted a right of possession, which is restricted to the extraction and development of a mineral deposit. However, unlike a patented mining claim, the interest to extract minerals is leased by the government and no land ownership is conveyed to the holder.</p> <p>For further information on “patented claims” and exemptions, refer to the Solicitor’s Reports in section 7 and Risk Factors in section 8 of this Prospectus.</p>
<p><b>Joint Venture Risk</b></p>	<p>The Company is subject to the risk that changes in the status of any of the company’s joint venture (including changes caused by financial failure or default by a participant in the joint venture) may adversely affect the operations and performance of the Company.</p>
<p><b>Operations</b></p>	<p>The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.</p> <p>No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its claim interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing</p>

	operating losses.
<b>Resource estimates</b>	<p>The Company does not presently have any JORC Code compliant resources on the mining claims in which it is acquiring an interest. In the event a resource is delineated this would be an estimate only. An estimate is an expression of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.</p>
<b>Environmental Risks</b>	<p>The operations and proposed activities of the Company are subject to the laws of the states of Montana and Idaho, and regulations concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.</p> <p>Mining operations have inherent risks and liabilities associated with safety and damage to the environment and the disposal of waste products occurring as a result of mineral exploration and production. The occurrence of any such safety or environmental incident could delay production or increase production costs. Events, such as unpredictable rainfall or bushfires may impact on the Company's ongoing compliance with environmental legislation, regulations and licences. Significant liabilities could be imposed on the Company for damages, clean up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous operations or non-compliance with environmental laws or regulations.</p> <p>There is a risk that environmental laws and regulations become more onerous in the future, making the Company's operations more expensive.</p>
<b>Demand and Supply Risks for Gold and Silver</b>	<p>If the Company achieves success leading to gold and silver production, the revenue it will derive through the sale of these precious metals exposes the potential income of the Company to price and exchange rate risks.</p> <p>Gold and silver prices fluctuate and are affected by many factors beyond the control of the Company. Such factors</p>

	include supply and demand fluctuations for precious metals, technological advancements, forward selling activities and other macro-economic factors. Furthermore, international prices of gold and silver are denominated in United States dollars, exposing the Company to the fluctuations and volatility of the relevant exchange rate for the United States dollar as determined in international markets.
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The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company and Shareholders should refer to the risk factors set out in full in Section 8 of this Prospectus before making a decision to subscribe for Securities under this Prospectus.

## THE OFFER

### Summary of the Offer

By this Prospectus, the Company invites investors to apply for 10,000,000 Shares at an issue price of \$0.20 each to raise \$2,000,000.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue. Refer to Section 10 for further details in relation to the Offer.

### Indicative Timetable

Event	Date
Dispatch of Notice of General Meeting to Shareholders	28 November 2011
Lodgement of Prospectus with ASIC	20 December 2011
Offer Opening Date	21 December 2011
Offer Closing Date	5:00pm WST on 5 January 2012
General Meeting to approve the Acquisition and other matters, and a trading halt to be requested from commencement of trade	6 January 2012
If shareholders approve the Acquisition, then the Company's securities will be suspended from trading on ASX until the Company re-complies with requirements of chapters 1 and 2 of the ASX Listing Rules	6 January 2012
Issue of shares under the Offer and settlement of the Acquisition	18 January 2012
Trading in securities reinstated by ASX (subject to satisfaction of Chapters 1 and 2 of the ASX Listing Rules) <sup>1</sup> .	24 January 2012

#### Notes:

- Trading in securities will only be reinstated by ASX after the Company has completed the Acquisition and the Company has complied with Chapters 1 and 2 of the ASX Listing Rules. The Company will endeavour to minimise the period of suspension as much as possible.
- The above timetable is indicative only and the Directors reserve the right to amend the timetable at any time in consultation with the ASX. Any changes will be released to the ASX.

## Purpose of the Offer and Use of Proceeds

The purpose of this Offer is to:

- (a) meet the requirements of ASX and re-comply with Chapters 1 and 2 of the ASX Listing Rules; and
- (b) provide for the development and further exploration of the US Projects and for general working capital.

On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.

The Company's statement of commitments, subject to shareholder approval and completion of the Offer are as follows:

Commitment	Amount Post Acquisition \$
Total Cash <sup>1</sup>	\$4,940,000
Exploration and Development of the New Departure Project <sup>2</sup>	(\$2,000,000)
Exploration and Development of the Tabor Project <sup>2</sup>	(\$1,500,000)
Exploration and Development of the Conjecture Project <sup>2</sup>	(\$500,000)
Exploration and Development of the existing projects <sup>2</sup>	(\$200,000)
Capital Raising and transaction expenses	(\$250,000)
Administrative expenses and unallocated working capital	(\$490,000)

### Notes:

1. Assuming cash held as at 30 September 2011 as per the Quarterly Report released to ASX on 31 October 2011 plus \$2,000,000 raised pursuant to the Offer.
2. It should be noted that the allocation of funds will be subject to modification based on the outcome and success of the exploration programs.

The above table is a statement of current intentions as of the date of lodgement of this Prospectus with the ASIC. As with any budget, intervening events (including exploration success or failure) and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

## Capital Structure

The capital structure of the Company following completion of the Offer is summarised below:

Proposed Capital Structure			
Securities	Shares	Options	Performance Shares
On issue	27,812,501	2,000,000 <sup>1</sup>	-
To be issued pursuant to Acquisition	25,000,000	-	25,000,000 <sup>2</sup>
To be issued pursuant to Offer	10,000,000	-	-
<b>Total</b>	<b>62,812,501</b>	<b>2,000,000<sup>1</sup></b>	<b>25,000,000<sup>2</sup></b>

### Notes:

1. Exercisable at \$0.30 on or before 14 November 2014
2. Convertible to 25,000,000 fully paid ordinary shares in the capital of Company where the expenditure outlined above has been completed and upon the production of not less than 2,000 ounces of gold or gold equivalent (net smelter) are produced on any one mine within 5 years, and on such other terms as acceptable to ASX. For further details of the terms and conditions of the Performance Shares refer to Section 10.6.

Full details of the terms and conditions of the Shares, Options and Performance Shares are set out in Section 10 of this Prospectus.

### **Option Entitlement Issue**

The Company proposes to undertake an entitlement option issue within six months of its reinstatement to trading on ASX, subject to market conditions (**Loyalty Issue**). All Shareholders registered on the share register of the Company at a date to be announced by the Company to the ASX will be entitled to participate in the Loyalty Issue on the basis of 1 option for every 2 Shares held. The Options are proposed to be issued will be listed Options, exercisable at 20 cents per Option, and within 3 years from their date of issue. The subscription price for the options is yet to be determined by the Board. If required under the Corporations Act, a disclosure document will be issued in respect of the Loyalty Issue when the securities are offered.

### **SUBSTANTIAL SHAREHOLDERS**

As at the date of this Prospectus, the only shareholder holding 5% or more of the Shares on issue is Ravenhill Investments Pty Ltd, an entity associated with Mr Stephen Anastos (a current director of the Company). Ravenhill Investments Pty Ltd holds 2,100,001 Shares, representing a 7.55% interest in the capital of the Company. On completion of the Offer (assuming full subscription and no participation by Ravenhill Investments Pty Ltd) and the Acquisition, the interest held by Ravenhill Investments Pty Ltd would represent a 3.34% interest in the capital of the Company.

The Company will announce to the ASX details of its top 20 Shareholders (following completion of the Offer) prior to the Shares re-commencing to trade on ASX.

### **FINANCIAL INFORMATION**

Further financial information for the Company is included in the Investigating Accountant's Report in section 6 of this Prospectus.

### **DIRECTORS AND KEY MANAGEMENT**

Upon completion of the Acquisition expected to be on 18 January 2012, all the members of the current Board will resign (other Mr Peter Landau), the Board will change to introduce an experienced executive team who will oversee the exploration and development activities of the US Projects. The Board appointments will include Mr Peter Landau as Executive Chairman, Mr Jason Brewer as Non Executive Director and Mr John Ryan as Executive Director. Further details of the Proposed Directors (known as at the date of this Prospectus) are set out below.

#### **Mr Peter Landau (LLB, BComm) (Executive Chairman)**

Mr Landau is a former corporate lawyer and corporate advisor, having previously worked with Grange Consulting Group, Clayton Utz and as general counsel at Co-operative Bulk Handling. Peter was responsible for providing general corporate, capital raising, transaction and strategic advice to numerous ASX listed and unlisted companies. Through Okap Ventures Pty Ltd and Komodo Capital Pty Ltd, Mr Landau has project managed a significant number of oil and gas mining exploration and development transactions around the world including capital raisings, M&A, joint ventures and finance structures. Mr Landau is also a director of several ASX and AIM listed resource companies.

**Mr Jason Brewer** (Masters of Mining Engineering, Masters of Mineral Law and Policy)  
**(Proposed Non Executive Director)**

Mr Jason Brewer has 18 years international experience in mining, equity investment, corporate and project financing, capital raising, investment advising and evaluation of resource companies. He is a qualified mining engineer with operating experience in Canada, South Africa and Australia and has worked for several international investment banks and also managed Australia's largest ASX-listed resources fund. He also holds a number of non-executive directorships with several public resource companies and is an executive director of Okapo Ventures Pty Ltd and Komodo Capital Pty Ltd.

**Mr John Ryan** (B.S Mining Engineering, J.D. Juris Doctor)  
**(Proposed Executive Director)**

Mr. John Ryan is a mining engineering graduate of the University of Idaho and also holds a law degree from Boston College. He has served on a number of US and TSX resource boards as a technical director.

**Management and Consultants**

The Company is aware of the need to have sufficient management to properly supervise the exploration and (if successful) for the development of the projects in which the Company has, or will in the future have, an interest and the Board will continually monitor the management roles in the Company. As the Company's projects require an increased level of involvement the Board will look to appoint additional management and/or consultants when and where appropriate to ensure proper management of the Company's projects.

**Disclosure of Interests**

Directors are not required under the Company's Constitution to hold any Shares. As at the date of this Prospectus, the Directors have relevant interests in Shares and Options as set out in the table below:

Director	Shares	Options <sup>1</sup>
Stephen Anastos <sup>2</sup>	2,100,001 <sup>3</sup>	1,000,000 <sup>3</sup>
David Morris <sup>2</sup>	-	500,000 <sup>3</sup>
Peter Landau	305,000 <sup>4</sup>	-
Jason Brewer <sup>5</sup>	305,000 <sup>4</sup>	-
John Ryan <sup>5</sup>	-	-

Notes:

1. Exercisable at \$0.30 on or before 15 February 2015. Refer to Section 10.5 for the terms of any Options.
2. Messrs Anastos and Morris intend to resign as Directors following completion of the Acquisition.
3. Currently subject to escrow expiring on 15 February 2013.
4. Securities held by Komodo Capital Pty Ltd, an entity which Messrs Landau and Brewer are both a director.
5. The Board intend to appoint Messrs Brewer and Ryan as Directors following completion of the Acquisition.

**AGREEMENTS WITH DIRECTORS OR RELATED PARTIES**

The Company's policy in respect of related party arrangements is:

- (a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and

- (b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

### **Executive Services Agreement**

The Company has entered into an executive services agreement with Mr Peter Landau. Pursuant to which Mr Landau is engaged as the Company's Executive Director to provide services on a part-time basis. Under the terms of the agreement Mr Landau is entitled to be paid a salary of \$60,000 per annum (plus the statutory requirement of an additional 9% in superannuation), subject to review by the Company as at 1 April 2012.

The Company intends to enter into an executive services agreement, on commercial terms, with Mr John Ryan, subject to the successful completion of the Acquisition and Capital Raising.

### **Corporate Advisor Mandate**

The Company has signed a mandate with Okap Venture Pty Ltd to act as Corporate Advisor to the Acquisition, Offer and associated compliance matters. Under the terms of the mandate, the Company will pay Okap Ventures Pty Ltd a fee of \$55,000 (inclusive of GST) on successful completion of the Acquisition, which includes an amount of \$25,000 allocated to services provide in relation to the Offer. Messrs Landau and Brewer are both major shareholders of Okap Ventures Pty Ltd.

### **Indemnity, Insurance and Access Deeds**

The Company has entered an Indemnity, Insurance and Access Deed with each Director.

The Deeds provide that:

- each Director is indemnified by the Company against any liability incurred in that capacity as an officer of the Company to the maximum extent permitted by law subject to certain exclusions;
- the Company must keep a complete set of company documents until the later of:
  - the date which is seven years after the Director ceases to be an officer of the Company; and
  - the date after a final judgment or order has been made in relation to any hearing, conference, dispute, enquiry or investigation in which the Director is involved as a party, witness or otherwise because the Director is or was an officer of the Company (**Relevant Proceedings**);
- the Director has the right to inspect and/or copy a company document in connection with Relevant Proceedings during the period referred to above;
- the Company must maintain an insurance policy insuring the Director against liability as a director and officer of the Company while the Director is an officer of the Company and until the later of:
  - the date which is seven years after the Director ceases to be an officer of the Company; and
  - the date any Relevant Proceedings commenced before the date referred to above have been finally resolved,unless the Company reasonably determines that the type of coverage is no longer available.

## EXPENSES OF THE OFFER

The total expenses of the Offer are estimated to be approximately \$250,000 and are expected to be applied towards the items set out in the table below:

Item of Expenditure	Amount
Lead Manager fee <sup>1</sup>	\$120,000
ASIC fees	\$2,137
ASX Fees	\$50,318
Corporate Advisor fees	\$25,000
Legal fees	\$35,000
Technical expert fees	\$5,000
Investigating accountant fees	\$10,000
Distribution and other expenses	\$2,545
<b>Total</b>	<b>\$250,000</b>

Note:

1. This includes fees to be paid to other financial service licensees and/or any sub-underwriters.

## CORPORATE GOVERNANCE

To the extent applicable, in light of the Company's size and nature, the Company has adopted The Corporate Governance Principles and Recommendations (2nd Edition) as published by ASX Corporate Governance Council (**Recommendations**).

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined in Section 10 of this Prospectus and the Company's compliance and departures from the Recommendations are set out in Section 10 of this Prospectus.

In addition, the Company's full Corporate Governance Plan is available from the Company's website ([www.blackmountainresources.com.au](http://www.blackmountainresources.com.au)).



## 2. CORPORATE DIRECTORY

### Directors

Peter Landau  
Stephen Anastos  
David Morris

Jason Brewer  
*Proposed Non-Executive Director*

John Ryan  
*Proposed Executive Director*

### Joint Company Secretary

Rebecca Sandford  
Shannon Robinson

### Registered Office

Ground Floor  
1 Havelock Street  
West Perth WA 6005

Telephone: +61 8 9488 5220  
Facsimile: +61 8 9324 2400

### Website

[www.blackmountainresources.com.au](http://www.blackmountainresources.com.au)

### Share Registry\*

Computershare Investor Services  
Level 2, 45 St Georges Terrace  
Perth WA 6000

Telephone: 1300 787 272  
Facsimile: +61 8 9323 2033

\* This entity is included for information purposes only and has not been involved in the preparation of this Prospectus.

### Investigating Accountant

RSM Bird Cameron Corporate Pty Ltd  
8 St Georges Terrace  
Perth WA 6000

### Auditor

RSM Bird Cameron Partners  
8 St Georges Terrace  
Perth WA 6000

### Lawyers in Australia

Steinepreis Paganin  
Lawyers and Consultants  
Level 4, the Read Buildings  
16 Milligan Street  
Perth WA 6000

### Lead Manager

708 Capital Pty Ltd  
Level 26  
25 Bligh Street  
Sydney NSW 2000

### 3. DETAILS OF THE OFFER

#### 3.1 Summary of the Offer

By this Prospectus, the Company invites investors to apply for 10,000,000 Shares at an issue price of \$0.20 each to raise \$2,000,000.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue.

#### 3.2 Applications

Applications for Shares offered under this Prospectus must be made using the Application Form. Alternatively, complete a paper copy of the electronic Application Form that accompanies the electronic version of the Prospectus which can be found and downloaded from [www.blackmountainresources.com.au](http://www.blackmountainresources.com.au).

Payment for the Shares must be made in full at the issue price of \$0.20 per Share. Applications for Shares must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares. Applicants who receive a general offer should return their completed Application Form together with application monies in full prior to 5.00pm (WST) on the Closing Date to the Company to:

Posted to:

Black Mountain Resources Limited  
PO Box 684  
West Perth WA 6872  
Australia

Delivered to:

Black Mountain Resources Limited  
Ground Floor  
1 Havelock Street  
West Perth WA 6005  
Australia

Refer to the instructions on the back of the Application Form when completing your application. Cheques should be made payable to “Black Mountain Resources Limited – Share Offer Account” and crossed “Not Negotiable”. All cheques must be in Australian currency.

An original completed and lodged Application Form, together with a cheque for the application monies, constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in the Application Form. The Application Form does not have to be signed to be a valid application. An application will be deemed to have been accepted by the Company upon allotment of the Shares.

The Offer may be closed at an earlier date, and time, at the discretion of the Directors, without prior notice. Applicants are therefore encouraged to submit their Application Forms as early as possible. The Company reserves the right to extend the Offer or accept late applications.

#### 3.3 Allotment

Subject to ASX granting conditional approval for the Company to be admitted to the Official List and the Company raising the minimum subscription under the Offer (being the full subscription), allotment of Shares offered by this Prospectus will take place as soon as practicable after the Closing Date. Prior to allotment, all application monies shall be held by the Company on trust. The Company, irrespective of whether the allotment of Shares takes place, will retain any interest earned on the application monies.

The Directors reserve the right to allot Shares in full for any application or to allot any lesser number of Shares or to decline any application. Where the number of Shares allotted is less than the number

applied for, or where no allotment is made, the surplus application monies will be returned by cheque to the applicant as soon as practicable after the allotment date.

### **3.4 Restricted Securities**

Subject to the Company being admitted to the Official List, certain of the securities on issue may be classified by the ASX as restricted securities and will be required to be held in escrow for such time as prescribed by ASX. During the period in which these securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

The Company will announce to the ASX full details of the quantity and duration for the securities required to be held in escrow prior to re-quotations of the Company on ASX.

### **3.5 Dividend Policy**

The Company does not yet have a dividend policy. The Company anticipates that significant expenditure will be incurred in the evaluation of the Company's US Projects. These activities are expected to dominate the two year period following the issue of this Prospectus. Accordingly, the Company has no immediate intention to declare or distribute dividends and does not expect to declare any dividends during that period. Payment of future dividends will depend upon the future profitability and financial position of the Company.

### **3.6 ASX Listing**

The Company will apply to ASX within seven (7) days after the date of this Prospectus for admission to the Official List and for Official Quotation of the Shares offered under this Prospectus. If ASX does not grant permission for Official Quotation of the Shares within three (3) months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Shares offered by this Prospectus will be allotted or issued. In that circumstance, all applications will be dealt with in accordance with the Corporations Act.

### **3.7 Restrictions on the Distribution of the Prospectus**

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify these Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of applicants outside Australia to obtain all necessary approvals for the allotment and issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained.

### **3.8 Minimum Subscription**

The minimum subscription in respect of the Offer is \$2,000,000.

If the minimum subscription has not been raised within 4 months after the date of this Prospectus, the Company will either repay the application monies to Applicants or issue a supplementary or

replacement prospectus to allow Applicants one month to withdraw their Application Form and be repaid their application money. No interest will be paid on this money.

### **3.9 Underwriting**

This Offer is not underwritten.

### **3.10 Commissions on Application Forms**

The Company reserves the right to pay a commission of 4% (inclusive of goods and services tax) of amounts subscribed to any licensed securities dealers or Australian Financial Services licensee in respect of valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian Financial Services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian Financial Services licensee.

### **3.11 CHESS**

The Company will apply to participate in the Clearing House Electronic Subregister System (CHESS). CHESS is operated by ASX Settlement Pty Ltd (ASX Settlement), a wholly owned subsidiary of ASX, in accordance with the Listing Rules and the ASX Settlement Operating Rules.

Under CHESS, the Company will not issue certificates to investors. Instead, Share and Option holders will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASX Settlement will send a CHESS statement.

### **3.12 Forecast Financial Information**

Given the speculative nature of mineral exploitation and development and the fact the Company is in an early stage of exploration, there are significant uncertainties associated with forecasting future revenues and expenses of the Company. On this basis and after considering ASIC Regulatory Guide 170, the Directors believe that reliable financial forecasts for the Company cannot be prepared and accordingly have not included financial forecasts in this Prospectus.

### **3.13 Privacy Statement**

If you complete an application for Shares, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your Shares in the context of takeovers; regulatory bodies, including the Australian Taxation Office; authorised securities brokers; print service providers; mail houses and the Share Registry.

You can access, correct and update the personal information the Company hold about you. If you wish to do so, please contact the Share Registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information are governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASX Settlement and Operating Rules. You should note that if you do not provide the information

required on the application for Shares, the Company may not be able to accept or process your application.

## 4. COMPANY OVERVIEW

### 4.1 Background

Black Mountain is a public company listed on the official list of ASX (ASX code: BMZ).

The Company is an Australian based mineral exploration company which holds exploration tenements in Western Australia. The tenements comprise approximate 187km<sup>2</sup> of exploration ground near Lenora in the north eastern goldfields in the northern part of the Yilgarn Craton, Western Australia. The tenements are prospective for uranium and potentially also for nickel or gold mineralisation. The focus of the Company going forward will be the US Projects and it is proposed that the existing projects will not be a material focus of the Company.

As announced to ASX on 23 August 2011, the Company has entered into an agreement to acquire a 70% interest in the issued capital of ABM Mining Corporation (**ABM**), a wholly owned subsidiary of Abot Mining Corporation (**Abot**), and the holder of 3 projects which are highly prospective, former producing silver and gold mines in north-western USA (**US Projects**) (**Acquisition**).

Further details of the US Projects are set out in Section 4.2 below.

### 4.2 Overview of the US Projects

The Projects have extensive historical data, independent geological reports and significant production and exploration upside. The mines were closed down when silver hit historical lows (approx. US\$5/oz – currently US\$30/oz) and have only recently become available through a private vendor.

Of key importance is the fact that the Projects contain certain 'patented claims' which allow for immediate re-entry and production, as well as being in close proximity to nearby milling and toll treatment facilities. The Company aims to bring one of the Projects in production in the first quarter of the 2012 calendar year.

#### **New Departure Project – Beaverhead County, Montana**

The New Departure Project consists of 8 patented mining claims: the Cliff Lode; Mother Lode; Director; Guardian; Protector; Quien Sabe; Shield and Signal, and 24 federal unpatented mining claims in Beaverhead County, Montana covering 216.48 hectares in total. The property was discovered in the 1880's and has had small production of extremely high grade silver by several small operators since. The mineralisation occurs as veins and replacements within a dolomitic limestone host (analogous to the deposits in Leaderville, CO) and are comprised of high grade silver minerals such as tetrahedrite and high grade silver bearing galena.

An independent report completed in 1998 outlined 6 separate blocks to a depth of only 90 feet (27.4 metres) below the level of existing workings. The current plan with New Departure is to commence small scale mining activities in Q1 2012. The Company is proposes to complete the re-entry of existing workings and minor repairs to the entry adits.

#### **Conjecture Project – Lakeview Mining District, Idaho**

The Conjecture Project consists of 6 patented mining claims and 33 unpatented mining claims in the Lakeview Mining District at the southeast end of Pend Oreille Lake in Bonner County, Idaho covering 88.49 hectares. The property has significant production and development history going back over 100 years, although there has been no significant activity since the 1970's. The producing rocks are

the same group of rocks which host the major ore deposits of the Coeur d'Alene District some 35 mile 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 over a period from 1885 to present. The similarities between the Lakeview District where the Conjecture Mine is located and the neighbouring Coeur d'Alene District have been the subject of numerous professional reports.

By way of background the Conjecture Project was acquired by Federal Uranium in 1956 and encouraged by the high grade ore which had been produced to date, a 2,000 foot (609.6 metres), three compartment, vertical shaft was sunk at a present day equivalent of approximately US\$35m. Exploration drifts were then developed at the 700 ft level (213.3 metres), 1,000 ft level (304.8 metres), 1,600 ft level (487.7 metres) and the 2,000 ft level (609.6 metres).

The initial program to be undertaken, subject to completion of the Acquisition, would include inspection and evaluation of this shaft by a camera survey, followed by further drilling to test the downward extensions of the ore shoots which have been developed to the 2,000 ft level (609.6 metres). Given that no significant exploration work has been undertaken at Conjecture for over 30 years, the full extent and potential of the Conjecture Mine (and surrounding areas) generally remain undiscovered.

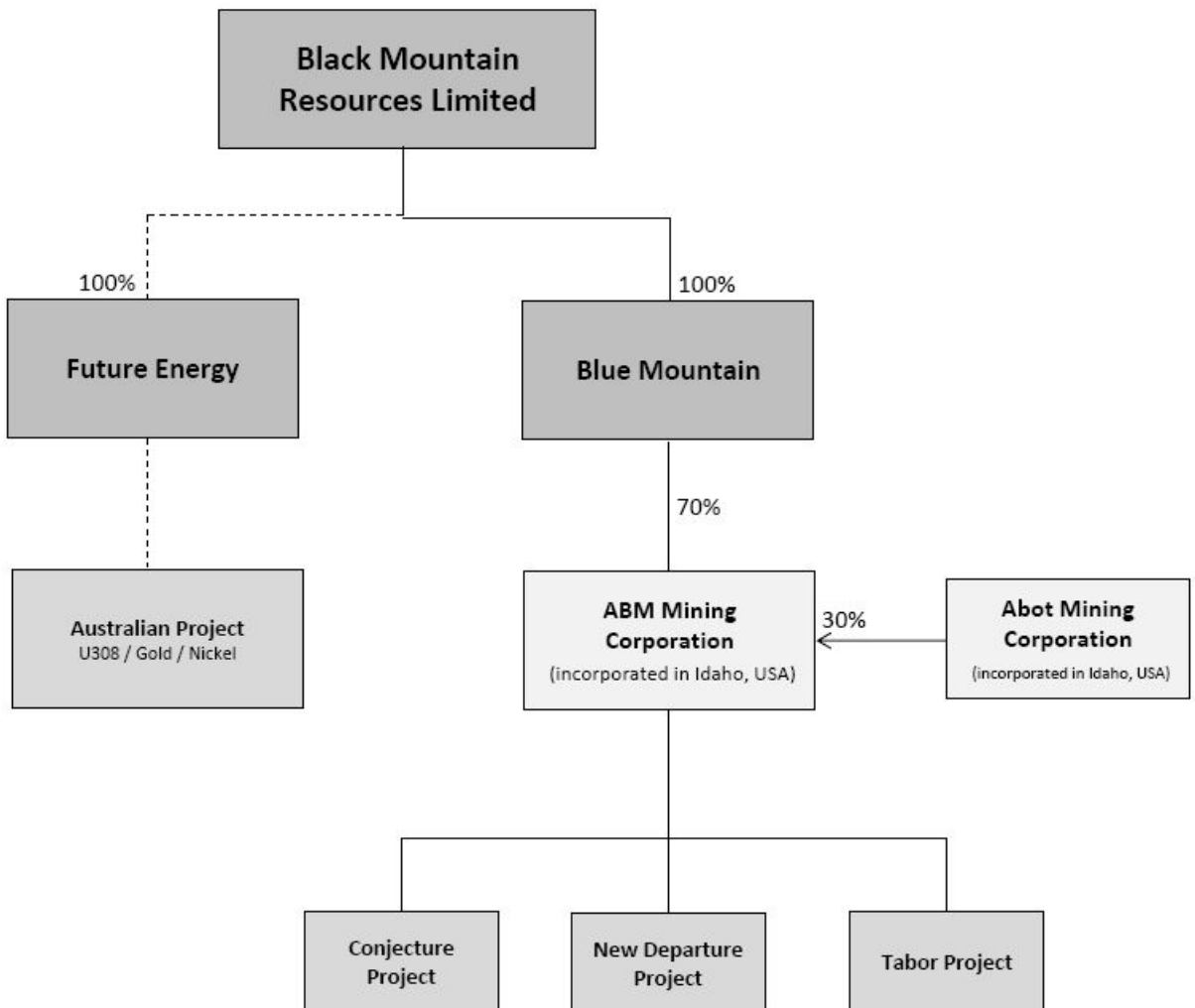
### **Tabor Project**

The Tabor Project is located in the historic mining town of Virginia City, Montana and consists of 10 patented mining claims: Highland, McKinley, Hope, Shenandoah, Bay State, Nellie Bly, AlderFraction, Prescott, Malta, St. John, and Butcher Gulch Placer, and 9 federal unpatented mining claims covering 308.21 hectares. The claims include the historic workings of 6 past producing mines (named by the actual rock vein mined) the Pearl, Nellie Bay, St. John, Don-A-Vera, Eagle Black and Shenandoah . The workings were the subject of an in depth technical feasibility study in the early 80's which analysed the production potential of each vein.

The underground workings are generally shallow and are proposed to be developed from mountain side adits. The priority target is the Pearl Vein which is predominantly a gold vein (85%) and is proposed to be developed in 2012 which, subject to satisfactory results, will result in mine development through re-entry and repair of the former workings. Similar to the New Departure Mine, nearby toll treatment facilities are available for ore processing. In conjunction with the Pearl vein development, an exploration program consisting of approximately 25 holes (20,000 feet (6096 metres)) would be undertaken on the St John vein.

## Ownership Structure

Following completion of the Acquisition, the corporate structure for Black Mountain will be as follows:





## US Projects Location

The US Projects are located in western Montana and northern Idaho. The largest centre in western Montana in proximity to the properties is Butte, Montana with a population of 34,200. The largest centre in northern Idaho in proximity to the properties is Couer d’Alene, Idaho with a population of over 44,000.



Figure 1: US Properties Location Map

## 5. INDEPENDENT TECHNICAL REPORT

**Technical Report  
On Black Mountain Resources Limited's  
New Departure, Tabor  
And Conjecture Properties**

**Montana and Idaho  
USA**

**Prepared for Black Mountain Resources Limited  
West Perth, Western Australia**

Prepared by:  
Gregory Schifrin  
**Minex Exploration**  
120 E Lake St., #401  
Sandpoint, ID  
83864  
**November 17, 2011**

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## 1.0 SUMMARY

Minex Exploration of Sandpoint, Idaho was engaged by Black Mountain Resources Limited (“Black Mt”) of West Perth, Western Australia, to complete an Independent Geologist’s Report on its mineral claims in Montana and Idaho, United States. Black Mt is a listed public minerals resources company incorporated in Australia. Black Mt has entered into an agreement to acquire a 70% interest in the properties that are subject to this report. This report will be included in a prospectus to be released on the Australian Securities Exchange. The projects are the New Departure (“ND”), Tabor (“TB”) and the Conjecture (“CJ”) properties.

This report has been prepared in accordance with the Code and Guidance for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (The VALMIN Code) and the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code).

The properties are located in western Montana and northern Idaho. The largest centre in Western Montana in proximity to the properties is Butte, Montana with a population of 34,200. Butte is a source of adequate labor for, and supplies to, mineral exploration in Western Montana. Butte has commercial airport service and rail support. The largest centre in Northern Idaho in proximity to the properties is Coeur d’Alene, Idaho with a population of over 44,000. Coeur d’Alene is a source of adequate labor for, and supplies to, mineral exploration in Northern Idaho. Coeur d’Alene has rail support and an international airport is present in Spokane, Washington 30 miles to the west.

Following is an overview map showing the location of Properties in Idaho and Montana, USA. (Figure 1 Property Overview Map) The map shows the proximity of the properties to local supply and cultural centers.

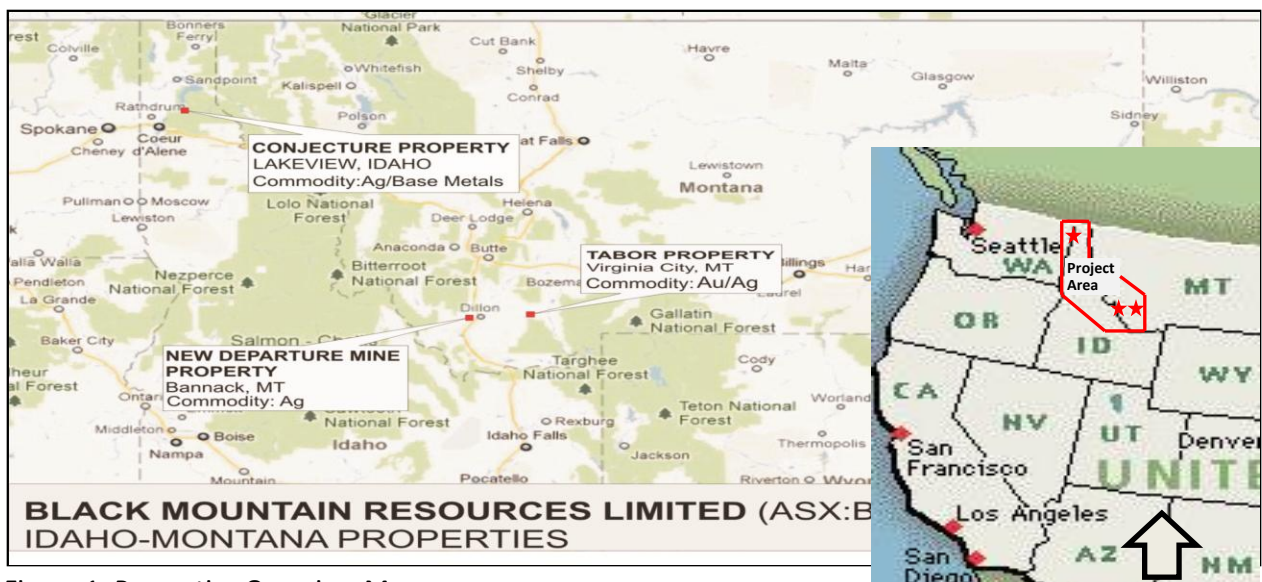


Figure 1: Properties Overview Map

## 1.1 The New Departure Mine Property

The New Departure Property (ND) is centered approximately  $45^{\circ} 11' 50.93''\text{N}$  and  $112^{\circ} 55' 07.51''\text{W}$  WGS84 datum in Beaverhead County, Montana (Figure 2: New Departure Property Map). The New Departure Mine is located at UTM coordinates 349046.3 E., 5006679.0 N., Zone 12 N. WGS 84. The ND Property is on the USGS Bannack Quadrangle Montana, Beaverhead County 7.5 minute series topographical map. The ND property is approximately 94.52 km southwest of Butte, Montana and 22.54 km west of Dillon, Montana. The ND property is off Montana Highway 278. Head west on Montana 278 for 12.58 km to the intersection of the Bon Accord Road. Turn south on the gravel Bon Accord Road for 8.11 km to the New Departure Mine. The property is at an elevation of approximately 1980 meters above mean sea level (MSL).

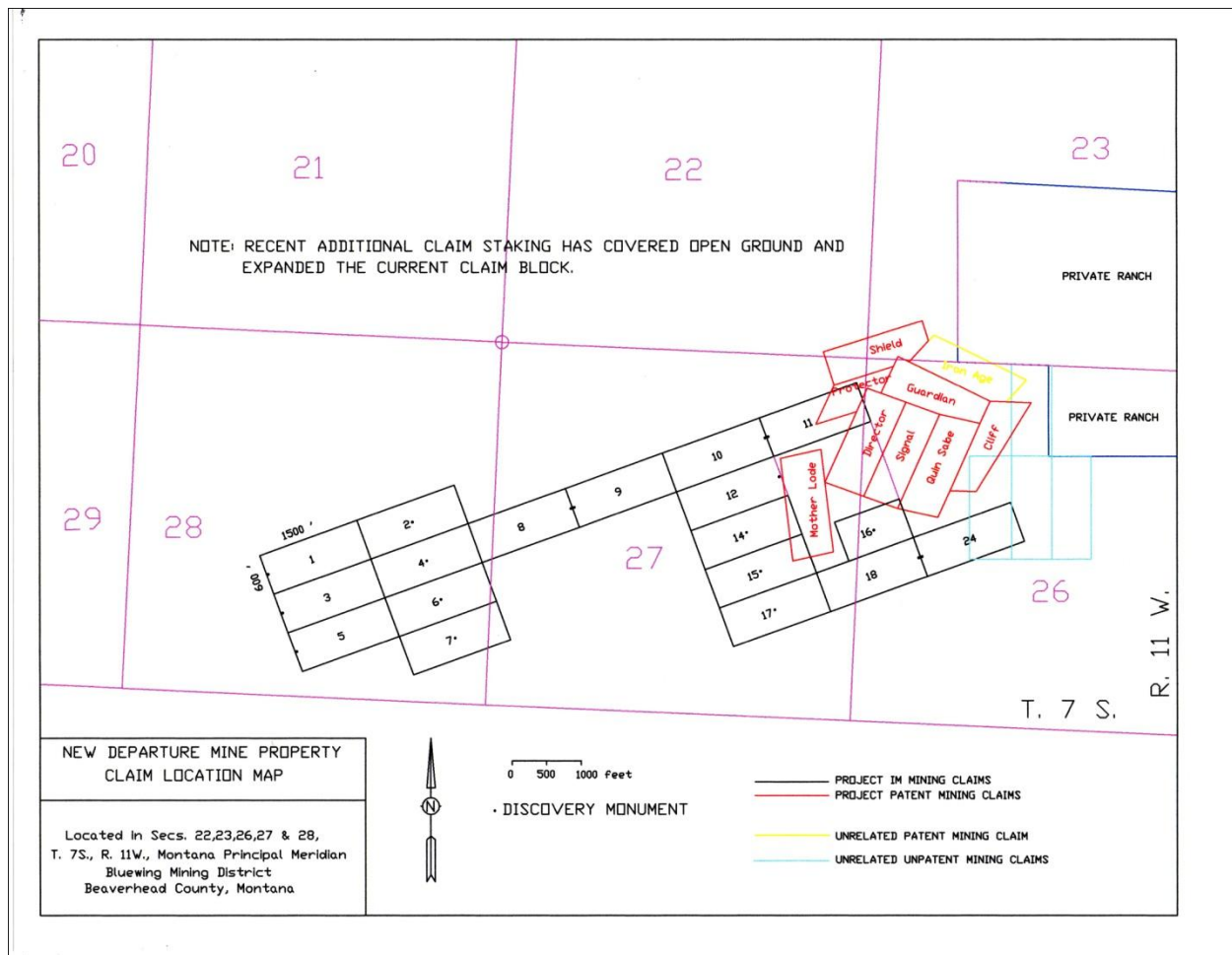


Figure 2: New Departure Mine Property

The ND Property consists of eight patented mining claims: the Cliff Lode, Mother Lode, Director, Guardian, Protector, Quien Sabbe, Shield and Signal. (54.78 hectares) and the IM Group consisting 24 federal unpatented mining claims (161.7 hectares). The ND Property is in sections 22,23,26,27,28, T.7S.,

R.11W., Montana Principal Meridian. The ND Property is in the Blue Wing Mining District, controlling a total of 216.48 hectares of mineral rights. Most of the mine's previous production has come from the Signal and Shield (Geach 1972; Shenon 1931).

Historically the ND Property has been explored and developed with production of silver, lead and zinc with secondary production of copper and gold. The chief commercial minerals of value have been identified as native silver, tetrahedrite, argentite, cerargyrite and pyrargyrite. Less significant minerals present are malachite, azurite, smithsonite, cerussite, pyrite, and galena.

The mine was located by George Washington Stapleton in 1871. He developed an adit in the Quien Sabbe claim. Lawrence A. Brown and Joshua E. Clayton purchased the mine in 1880 for \$2,500. Brown bought out Clayton seven years later for \$3,500. He employed 15 miners and two top men at the mine to drive a 800 foot tunnel onto the vein. In the mid-1880s the mine was the most active in the district. In 1905 the heirs of Lawrence Brown sold the mine to the New Departure Mining Company for \$50,000. In the next two years, New Departure employed up to as many as 40 and as few as nine men extracting ore from a series of adits ranging from 200 to 1000 feet. The ore ran as high as 300 ounces silver per ton. An additional vein of 150-200 ounce of silver per ton ore was located below water level and plans were made to install a plant and sink a shaft. However, this did not come to fruition. After 1907 the mine was worked by lessees until 1918. In that year O. M. Best of Dillon bought the mine. Best leased the property to John Coppin from 1923 until 1928 when the mine was sold. J. L. Templeman of Butte acquired the mine and had it in production until 1941 with the exception of 1930, 1937 and 1938 (Walsh 1906; Sassman 1941; Shoemaker 1894; Shenon 1931; Geach 1972).

After World War II the mine was acquired by C. Gosta Miller of Dillon. In 1952 the Blue Dot Mining Company of Dillon began the Blue Dot adit 800 feet east of the previous activity to explore mineralization in the Signal claim. The adit reached 700 feet when the exploration project was stopped. Under an option, Spokane National Mines extended the Blue Dot adit in 1958. This resulted in the discovery of the lucrative 208 ore body. This ore body was developed from the Blue Dot level, the Stinker incline and the Silver Spring level from which 23,137 tons of ore were extracted by 1965. This amounts to 90 percent of the mine's Twentieth century ore production. However, over half of the silver and almost all of the gold was produced prior to the opening of the Blue Dot (Geach 1972).

Prior to the development of the Blue Dot adit, the oxidized ore was extracted to a depth of 250 feet. This ore was in the form of cerargyrite, cerussite, bindheimite, smithsonite, anglesite, malachite, azurite, gypsum and oxides of manganese and iron. The 208 ores are various sulphide minerals including sphalerite, galena, argentiferous tetrahedrite and probably some argentite (Winchell 1914; Geach 1972).

## **1.2 The Tabor Property**

The Tabor (TB) Property is located approximately 6 Km south of Virginia City, MT, centered on UTM coordinates: 427972.92E, 5011243.86N Zone 12T World Geodetic Survey 1984 (WGS 84) Datum. The property lies partially within the Virginia City and Cirque Lake USGS 7 1/2 quadrangle maps, Madison County, Montana. ([Figure 3: Tabor Property Map](#)) The property is accessible via the county maintained,



Alder Gulch Rd, which departs Montana Highway 287 in Virginia City. The road is asphalt and gravel, open yearlong, and bisects the Tabor property. The TB property is positioned in moderately to steeply rolling, partially treed hills and mountain foothills at an elevation of ~1300-1350 m above mean sea level. The climate ranges from a summer average of 26° C to a winter average of -10° C. Annual precipitation is 40.3 cm.

The TB Property consists of; 9 existing unpatented Federal Mining Claims, Don a Vera, Don a Vera #1, Pearl#1, Pearl#2, Eagle Black #1, Eagle Black #5, New Winnetka, Butcher Gulch Placer and the Tabor Lode Claims, and 10 patented Federal Mining Claims. The existing unpatented group covers 66.88 hectares, and the patented claims cover 41.15 hectares, for an area total of 108.03 hectares. The existing unpatented and the patented claims are semi- contiguous units and are located within the Virginia City Mining District (VCMD).

The Virginia City mining district (VCMD) is in the southern portion of the Tobacco Root Mountains in Madison County, Montana on lands that slope to the north from Ramshorn and South Baldy mountains. The primary rocks are gneiss and schists of igneous and sedimentary origin, which were formed, in the pre-Paleozoic period and are part of the pre-Belt Series. During the late Cretaceous or early Tertiary the intrusion of a quartz monzonite batholith was the most significant event in the geologic history of the region. The metals formed within the batholith were the reason for the mining efforts in the area (Tansley et al. 1933:47).

The Tobacco Root batholith covers an area of about 100 square miles with numerous outliers, one of which is in the Virginia City area. In the Virginia City area the ore deposits occur in fissure filling veins which are independent of the bedding planes in the gneiss or schist and tend to dip to the north. These veins are the basis of the lode development in the VCMD and many of these veins have been mined for considerable distances. The Easton-Pacific vein system is economically the most important vein system in the VCMD. Besides the vein systems there are limestone beds in the Baldy Mountain area which "probably served as an important host rock for numerous high-grade ore lenses, which through erosion, gave rise to much of the Alder Gulch placer gold" (Tansley et al. 1933:47).

Ore deposits in Browns Gulch consist of argentite, auriferous pyrite, native silver, tetrahedrite, native gold, sphalerite, and stibnite. In the Summit district, ores consist of pyrite and coarse native (telluride) gold, with little silver or base metals. In the Fairweather and Highland districts stringers and quartz veins carry pyrite, chalcopryrite, and galena. A fissure vein on the Winnetka mine contains quartz, pyrite, telluride, hematite, limonite, and chalcopryrite. The primary recovered metals for the prolific Virginia City Mining District were Gold and Silver.

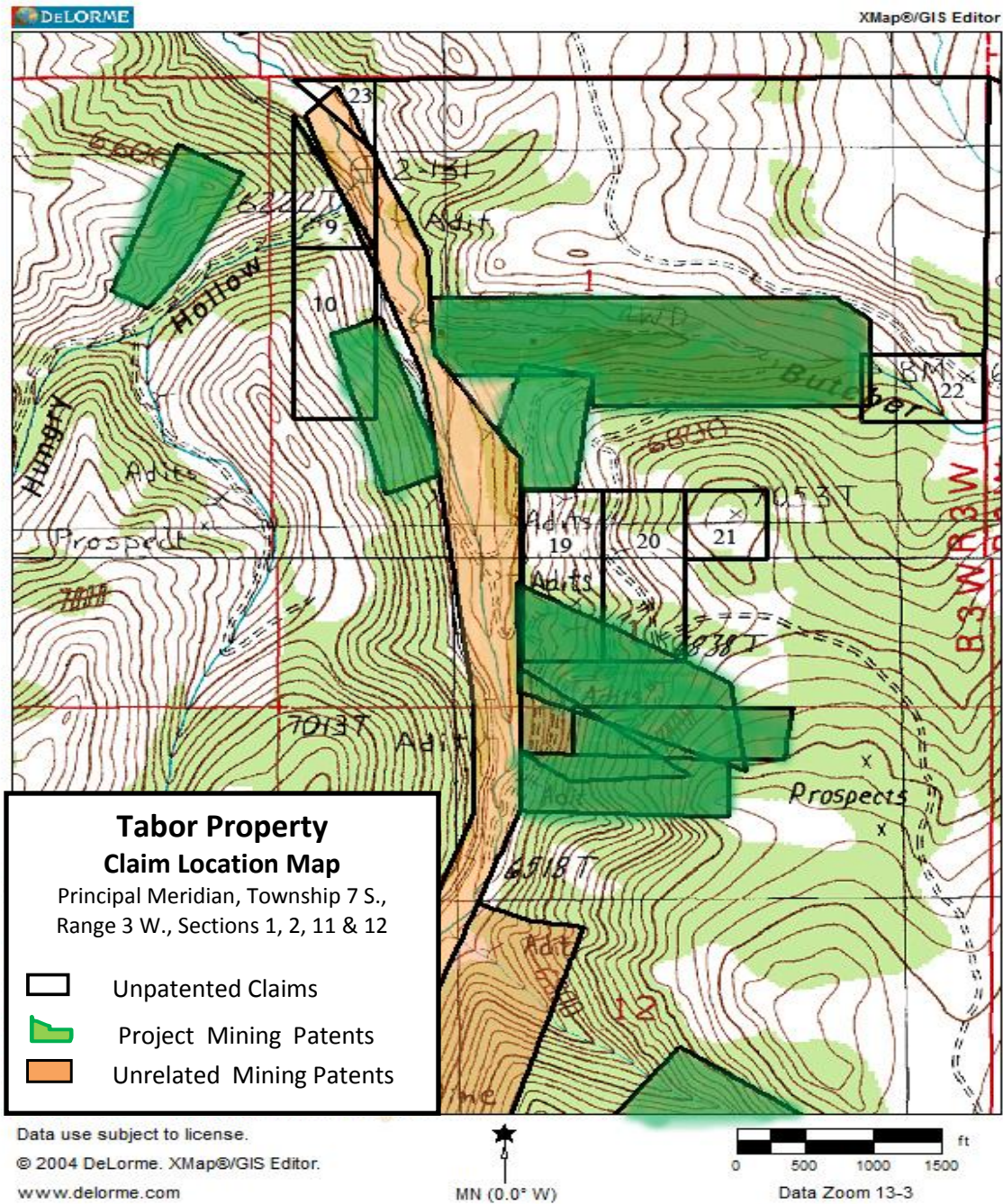


Figure 3: Tabor Property Map

Estimates of the total amount of gold produced in the Virginia City region range from a low of \$30,000,000 to a high of \$150,000,000. Tansley, Schafer and Hart (1933) put the total at over \$54,000,000 in 1933, although this figure was based on conservative estimates of early production from

data published by the United States Geological Survey. Even conservative figures show Alder Gulch and the surrounding area to be one of the richest gold-producing areas in the West.

### **1.3 The Conjecture Mine Property**

The Conjecture Mine property consists of 6 patented mining claims, and 31 unpatented mining claims, totaling 250.91 hectares (6 historic unpatented and 25 new-July 2011 unpatented claims), located in the Lakeview Mining District at the southeast end of Pend Oreille Lake in Bonner County, Idaho. (Figure 4: Conjecture Mine Property) Lakeview is about 35 miles north-west of the Coeur d'Alene mining district and 30 miles north of the city of Coeur d'Alene, and 60 miles south of the Canadian-United States border. The Conjecture Group claims are in Section 23, 26 & 27 of Township 53 North, Range 1 West, Boise Meridian. From the City of Coeur d'Alene, Idaho, the claims can be reached via 36 miles of paved and well-graded gravel roads. Approximately 16 miles north of Coeur d'Alene near the town of Athol on U.S. Highway 95 is the intersection with Bunco Road, which becomes U.S. Forest Service Road #332. Bunco Road traverses east to the Lakeview Mining District 18-22 miles from the highway. Many secondary roads lead from Bunco Road to the mines and prospects of the Lakeview Mining District. Commercial electrical power is available on the property. Water supply is unknown.

Most of the area is within Panhandle National Forests is dense forests of conifers and thick brush cover in most of the northern slopes and valley floors. Secondary growth of conifers, replacing forests destroyed by fire and areas that have been logged, are abundant.

The property has had significant production and development history going back over 100 years, although there has been no significant activity since the 1970's.

While the history of the Conjecture Mine dates back to the 19th century, most of the work was done in the first decade of the 20th century, then again in the 1930's and the 1950's. By the mid 1950's the property had been mined and produced high grade silver down to the 500 foot level through an incline shaft. This early production had come from quartzitic beds in the Wallace formation, the uppermost formation in the Belt Supergroup of rocks which are spread from Eastern Washington, through Idaho and into Montana. This Belt Supergroup is the same group of rock which hosts the major ore deposits of the Coeur d'Alene District some 35 mile to the southeast. 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 over a period from 1885 to present. The similarities between the Lakeview District where the Conjecture Mine is located and the neighboring Coeur d'Alene District have been the subject of numerous professional reports.



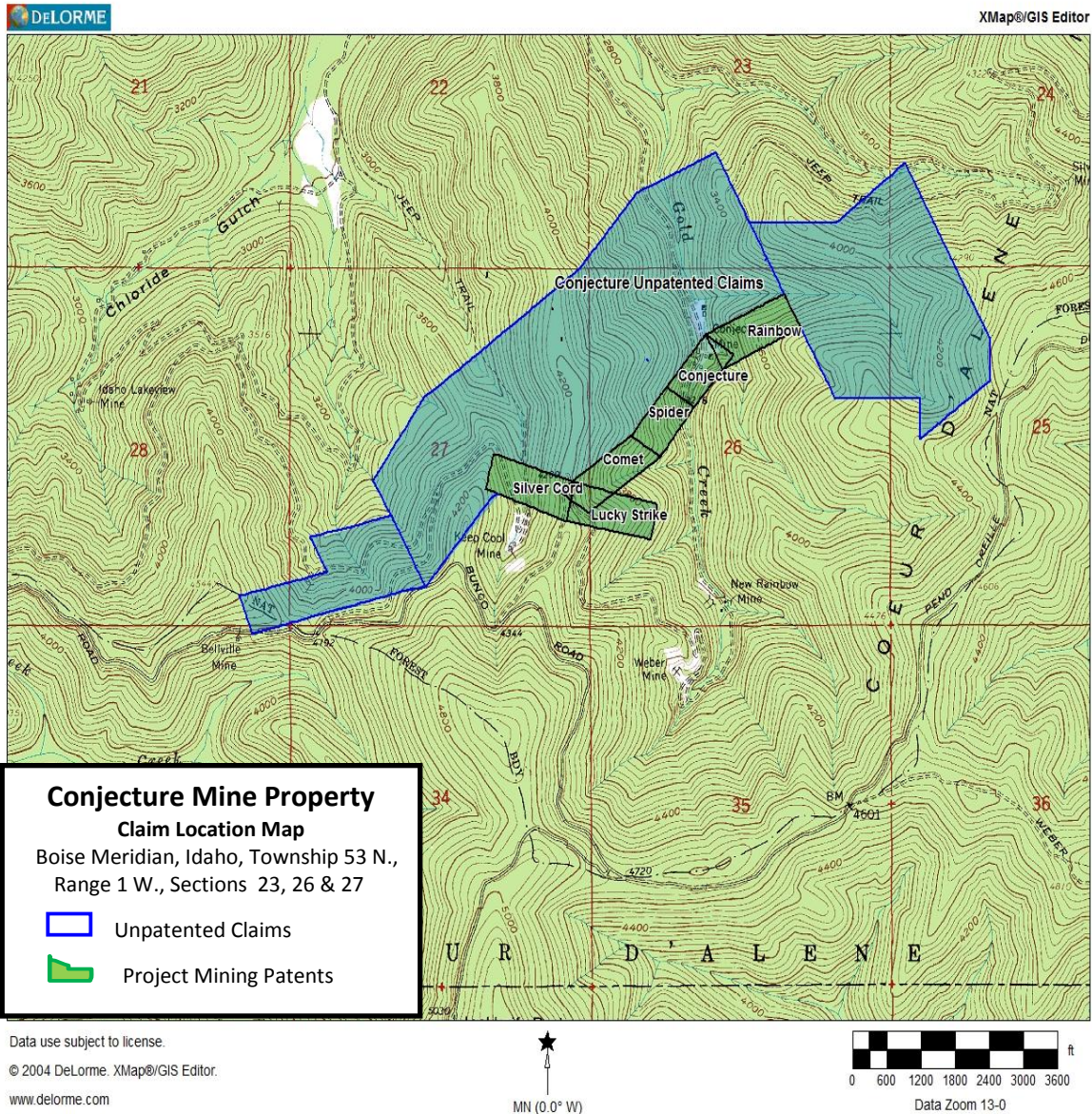


Figure 4: Conjecture Mine Property

Returning to the history of the Conjecture, the mine was acquired by Federal Uranium in 1956, and encouraged by the high grade ore which had been produced to date, they made the decision to sink a 2,000 foot, three compartment vertical shaft to allow them to fully explore and develop the downward projection of the Conjecture Shear Zone and to get access to the deeper rock units of the Lower St. Regis and Revett formations which are known to be the major ore hosts in the Coeur d’Alene District.

Once this shaft was completed (at a cost of over \$35 million in today's dollars) Federal developed exploration drifts at the 700 level, 1000 level, 1600 level and the 2000 level. As a result of this extensive

work, historical non-JORC Code or 43-101 compliant reserves and resources were delineated. Although these efforts were highly successful, a collapse in uranium prices negatively affected Federal's business and caused them to abandon efforts at the Conjecture Mine in the early 1970's.

Although Federal was never able to reap the benefits of their work, the importance of this shaft to the future of the property and the Lakeview District cannot be overstated. The ore deposits and past production of the district had all occurred at levels above 500 feet, in Wallace formation host rocks which are primarily silty, argillites with some quartzitic units interbedded. The vast majority of the major ore deposits in the Coeur d'Alene District have occurred in the thick, quartzite rocks (primarily of the Revett formation). The Conjecture Shaft is the only structure in the Lakeview District which penetrates these more favorable ore host rocks.

A two year budget is being evaluated currently with plan to augment the patented claim land position by staking additional unpatented mining claims around the Conjecture Mine patented claims, and begin to conduct surface exploration of a number of other veins and outcrops that have the same possible ore potential as the main Conjecture Shear. To inspect the shaft by doing a camera survey to evaluate the condition of the shaft (which is believed to be good) and determine where the water level is. To drill 2-3 deep holes (at around 3500 feet of depth) to test the downward extensions of the ore shoots which have been developed to the 2000 level.

## **2.0 INTRODUCTION**

Minex Exploration of Sandpoint, Idaho was engaged by Black Mountain Resources Limited (Black Mt) of West Perth, Western Australia, to complete an Independent Geologist's Report on its mineral claims in Montana and Idaho, United States. Black Mt is an unlisted public minerals resources company incorporated in Australia. Black Mt has entered into an agreement to acquire a 70% interest in the properties that are subject to this report. This report will be included in a prospectus to be released on the Australian Securities Exchange. The projects are the New Departure ("ND"), Tabor ("TB") and the Conjecture ("CJ") properties.

This report has been prepared in accordance with the Code and Guidance for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (The VALMIN Code) and the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code).

The author has not independently verified ownership and current standing of the claims and is not qualified to make legal assessment or representations in this regard.

The independent Geologist's Report is based on information available up to and including the date of the report. The author has endeavored, by making all reasonable inquiries, to confirm the authenticity, accuracy and completeness of the technical data relied on to complete the report.

## **Qualifications, Experience and Independence**

Minex Exploration is an independent, privately owned consulting firm and has provided exploration consulting services to the minerals industry in North America, Canada and Mexico since 1986.

**Author:** Gregory Schifrin, B.Sc. Geology is a Registered Geologist, State of Washington #2146, and Professional Member Society of Mining, Metallurgy and Exploration (SME) # 4053449.

Gregory Schifrin has worked as a geologist in exploration and mining development for 29 years in precious and base metal exploration and is the owner operator of Minex Exploration, a firm established to provide mineral exploration and consulting services. He has provided and completed exploration projects and qualifying reports throughout North America. Mr. Schifrin has worked extensively for major and junior mining companies.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr. Gregory Schifrin, who is a 'Recognized Overseas Professional Organization' ('ROPO') included in a list promulgated by the ASX from time to time to include Professional Member Society of Mining, Metallurgy and Exploration (SME) # 4053449.

Mr. Gregory Schifrin has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Gregory Schifrin consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Mr. Schifrin holds the relevant qualifications and professional associations required by ASX and the JORC and Valmin Codes in Australia. He is also a Qualified Person under the rules of NI-43-101 in Canada.

Neither Minex Exploration or Gregory Schifrin is an insider, associate or affiliate of Black Mt. or any associated company.

Minex Exploration's professional fees are based on work completed in regards to this report and are not contingent on any prior understanding concerning the conclusions to be reached in the report.

The report and recommendations are based on:

1. Public data archived from historical records and data provided by Abbott Mining.
2. Technical data and reports compiled by or derived from work conducted, supervised and/or documented by the exploration staff of the previous property owner.

The properties can be classified as exploration areas where mineralization may or may not have been identified, but where a formal JORC mineral resource has not yet been identified. The author has completed an independent assessment of the quality of the geological data. The author is of the opinion that the absence of site visits to the properties does not have a significant material effect on the conclusions and opinions included in this report.

The author exercised reasonable due diligence coupled with associated inquiries, to confirm the completeness and authenticity of the technical data that formed the basis of this report. Black Mt. was supplied with the final draft of the report and requested to identify any material errors or omissions prior to publishing.

### **3.0 PROPERTY DESCRIPTIONS AND LOCATION**

The properties are located in western Montana and northern Idaho. The largest centre in Western Montana in proximity to the properties is Butte, Montana with a population of 34,200. Butte is a source of adequate labor for, and supplies to, mineral exploration in Western Montana. Butte has commercial airport service and rail support, and is a center to historical and current mining activity. The largest center in Northern Idaho in proximity to the property is Coeur d'Alene, Idaho with a population of over 44,000. Coeur d'Alene is a source of adequate labor for, and supplies to, mineral exploration in Northern Idaho, and is a strategically located within a favorable mining district. Coeur d'Alene has rail support and an international airport is present in Spokane, Washington 30 miles to the west.

Collectively Black Mt. will acquire an interest in a total of 61 claims in three properties comprised of 608.18 hectares.

The unpatented claims have not been legally surveyed. The government of the United State of America owns the surface rights of the unpatented claims.

The government of the United States of America requires annual rental fees of \$140.00 per year per claim, prior to expiry August 31, to keep the claims in good standing for the following year. An assessment report with holding fees must be submitted for Dept. of Interior by the expiry date.

There are no known environmental liabilities associated with the property. For the proposed exploration program no permits are required. Permits are required if, during the course of exploration, waterways are affected and or mechanical equipment such as drilling or excavation is conducted.

#### **3.1 New Departure Mine Property**

The New Departure Mine is located at UTM coordinates 349046.3 E., 5006679.0 N., Zone 12 N. WGS 84. The ND Property is on the USGS Bannack Quadrangle Montana, Beaverhead County 7.5 minute series topographical map. The ND property is approximately 94.52 km southwest of Butte, Montana and 22.54 km west of Dillon, Montana. The ND property is off Montana Highway 278. Head west on Montana 278 for 12.58 km to the intersection of the Bon Accord Road. Turn south on the gravel Bon Accord Road for 8.11 km to the New Departure Mine. The property is at an elevation of approximately 1980 meters above mean sea level (MSL).

The ND Property consists of eight patented mining claims: the Cliff Lode, Mother Lode, Director, Guardian, Protector, Quien Sabbe, Shield and Signal. (54.78 hectares) and the IM Group consisting 24 federal unpatented mining claims (161.7 hectares). The ND Property is in sections 22,23,26,27,28, T.7S., R.11W., Principal Meridian. The ND Property is in the Blue Wing Mining District, controlling a total of 216.48 hectares of mineral rights.

### **3.2 Tabor Property**

The Tabor (TB) Property is located approximately 6 Km south of Virginia City, MT, centered on UTM coordinates: 427972.92E, 5011243.86N Zone 12T World Geodetic Survey 1984 (WGS 84) Datum. The property lies partially within the Virginia City and Cirque Lake USGS 7 1/2 quadrangle maps. The core of the property is accessible via the county maintained, Alder Gulch Rd, which departs Montana Highway 287 in Virginia City. The road is asphalt and gravel, open year-long, and bisects the Tabor property. Access to the periphery of the block is by ATV trails, abandoned mining roads, and cross-country travel.

The TB Property consists of; 9 existing un patented Federal Mining Claims, Don a Vera, Don a Vera #1, Pearl#1, Pearl#2, Eagle Black #1, Eagle Black #5, New Winnetka, Butcher Gulch Placer, and The Tabor Lode, and 10 patented Federal Mining Claims. The existing unpatented group covers 66.88 hectares and the patented claims cover 41.15 hectares, for an area total of 108.03 hectares. The new claim block, the existing un patented and the patented claims are semi- contiguous units and are located within the Virginia City Mining District (VCMD).

### **3.3 Conjecture Mine Property**

The Conjecture Mine property consists of 6 patented mining claims, and 31 unpatented mining claims, totaling 250.91 hectares, located in the Lakeview Mining District at the southeast end of Pend Oreille Lake in Bonner County, Idaho. The block is located 70 Km north-west of the Coeur d'Alene mining district and 50 Km north of the city of Coeur d' Alene, centered on UTM coordinates: 542551.42E 5307127.91N Zone 11 T World Geodetic Survey 1984 (WGS 84) Datum. The block is 100 Km south of the Canadian-United States border. Access is via good gravel roads East off of US Hwy 95. The Conjecture Property has an existing network of roads, workings and existing structures.



## 4.0 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE, AND PHYSIOGRAPHY

**Table 1: Accessibility**

<b>New Departure Mine Property</b>	The ND property is accessed by traveling south on Interstate 15 from Dillon Mt approx 5.7 Km, then West on Highway 278 for 22.5 Km. A gravel road leads south for 3.2 Km to the ND Property.
<b>Tabor Property</b>	Access is by the Alder Gulch Rd, which departs US HWY 287 in Virginia City, MT. The road is county maintained, and is surfaced with asphalt and gravel. Alder Gulch Rd bisects the Tabor property, providing very good access.
<b>Conjecture Mine Property</b>	Access is by Bunco Rd, a good gravel and paved road east off of US Hwy 95. The property is 21 Km East of the cut off at the community of Athol ID, located on US HWY 95.

### **New Departure Mine Property/ Tabor Property**

The climate for the New Departure (ND) property and the Tabor (TB) property is similar as they are separated by approximately 57 Km. The terrain and climate are very similar. The properties are located on the east slope of the Rocky Mountains in high desert, semi arid, partially treed grass and sage lands.

Precipitation is moderate to low for the area, with an annual total of 40.3 cm. Summers are moderate to hot with a summer month average of 20-26° C. Periodic thunderstorms and heavy rain are common throughout the summer months. Winters are characterized by moderate to heavy snow, high winds and cold temperatures. The winter temperature average is -10 to 10°C. First snowfall is commonly Mid to late October, with permanent accumulation starting early to mid November. Snow cover is commonly melted off by late April to early May, but late season snowstorms are very common. Exploration activities could be carried out throughout the year with breaks due to extreme weather conditions.

### **Conjecture Mine Property**

The terrain for the Conjecture (CJ) Property is moderate to thick, evergreen forests on moderate to steep, rocky slopes. Draws and creek bottoms are heavily vegetated with Alder, Willow and other thick underbrush.

Precipitation is moderate to high; with an annual fall of 66 cm. Periodic heavy rain and thunderstorms are common during the summer months. Summer months are moderate to hot with the average temperature being 30-32°C. Winters are moderate to extreme, with the average temperature of -10 to 10°C. Snow fall is heavy with the local average being 135 cm. First snowfall is commonly Mid to late

October, with permanent accumulation starting early to mid November. Snow cover is commonly melted off by late April to Early May, but late season snowstorms are very common. Exploration activities could be carried out throughout the year with breaks due to extreme weather conditions.

### **New Departure Property Infrastructure**

The ND Property is located in an old and established mining district with firm ties to the larger, regional mining culture in Montana. The ownership of patented mining claims in the district will allow for use as an exploration, mining, processing and tailings site. Power is available on private property near the ND Property. All mining personnel, equipment, and supplies can be sourced from Butte MT, located 92 Km to the NNW. Local and short term supplies can be sourced from Dillon, MT, 22.5 Km to the East.

The ND Property has electric power lines on the property, enough private property upon which to build a mill and support facilities with sufficient area to dispose of mine tailings. Butte, Montana is the regional center for mining personnel, equipment and supplies. Dillon, Montana has a railhead and a town with sufficient size to support housing and general supplies for an exploration program. The Butte regional airport provides connecting flights to larger, international carriers.

### **Tabor Property Infrastructure**

The Tabor Property is located in an old and established mining district with firm ties to the larger, regional mining culture in Montana. The ownership of patented mining claims in the district will allow for use as an exploration, mining, processing and tailings site. Power is available on private property near the Tabor Block. All mining personnel, equipment, and supplies can be sourced from Butte MT, located 92 Km to the NNW. Local and short term supplies can be sourced from Virginia City MT, 7 Km to the East, or Dillon MT, ~50Km to the West. Rail service is available in Dillon and Butte. The Butte regional airport provides connecting flights to larger, international carriers.

### **Conjecture Mine Property Infrastructure**

The Conjecture Mine Property has sufficient surface rights for future exploration or mining operations including potential tailings storage areas, potential waste disposal area, and potential processing plant sites. Mining personnel can be sourced from local centers, including the prolific Silver Valley District of North Idaho, Couer D'Alene Idaho, Sandpoint Idaho, Spokane Washington, and Missoula Montana. Air, rail and vehicular support can be sourced out of Spokane WA. Spokane is the largest center of commerce in the region.

**TABLE 2: Physiography**

<b>Property</b>	<b>Vegetation</b>	<b>Topography</b>	<b>Outcrop/Cover</b>
<b>New Departure Mine Property</b>	Sage+grasslands, sparse to moderate Doug fir and Juniper	Moderate to rugged Max elev: 2194 m Part of the Atlantic Watershed	~25%-30% rock outcrop. Limestone, volcanic/detrital sediments, granodiorite intrusive rx. Alluvial cover on OC periphery.
<b>Tabor Property</b>	Sage+grasslands, sparse to moderate Doug fir and Juniper	Moderate to rugged Max elev: 2194 m, Part of the Atlantic Watershed	~25%-30% rock outcrop. Limestone, volcanic/detrital sediments, granodiorite intrusive rx. Alluvial cover on OC periphery
<b>Conjecture Mine Property</b>	Moderate to thick, Douglas Fir, Spruce, Pine trees. Thick Willow and Alder Brush	Moderate to Rugged. 900-1100 m avg elevation Part of Pacific Watershed	~10% outcrop exposure. Pre Cambrian Wallace Fm on surface

## 5.0 PROPERTY HISTORY

### 5.1 New Departure Mine Property

The mine was located by George Washington Stapleton in 1871. He developed an adit in the Quien Sabbe claim. Lawrence A. Brown and Joshua E. Clayton purchased the mine in 1880 for \$2,500. Brown bought out Clayton seven years later for \$3,500. He employed 15 miners and two top men at the mine to drive a 800 foot tunnel onto the vein. In the mid-1880s the mine was the most active in the district. In 1905 the heirs of Lawrence Brown sold the mine to the New Departure Mining Company for \$50,000. In the next two years, New Departure employed up to as many as 40 and as few as nine men extracting ore from a series of adits ranging from 200 to 1000 feet. The ore ran as high as 300 ounces silver per ton. An additional vein of 150-200 ounce of silver per ton ore was located below water level and plans were made to install a plant and sink a shaft. However, this did not come to fruition. After 1907 the mine was worked by lessees until 1918. In that year O. M. Best of Dillon bought the mine. Best leased the property to John Coppin from 1923 until 1928 when the mine was sold. J. L. Templeman of Butte acquired the

mine and had it in production until 1941 with the exception of 1930, 1937 and 1938 (Walsh 1906; Sassman 1941; Shoemaker 1894; Shenon 1931; Geach 1972).

After World War II the mine was acquired by C. Gosta Miller of Dillon. In 1952 the Blue Dot Mining Company of Dillon began the Blue Dot adit 800 feet east of the previous activity to explore mineralization in the Signal claim. The adit reached 700 feet when the exploration project was stopped. Under an option, Spokane National Mines extended the Blue Dot adit in 1958. This resulted in the discovery of the lucrative 208 ore body. This ore body was developed from the Blue Dot level, the Stinker incline and the Silver Spring level from which 23,137 tons of ore were extracted by 1965. This amounts to 90 percent of the mine's Twentieth century ore production. However, over half of the silver and almost all of the gold was produced prior to the opening of the Blue Dot (Geach 1972).

Prior to the development of the Blue Dot adit, the oxidized ore was extracted to a depth of 250 feet. This ore was in the form of cerargyrite, cerussite, bindheimite, smithsonite, anglesite, malachite, azurite, gypsum and oxides of manganese and iron. The 208 ores are various sulphide minerals including sphalerite, galena, argentiferous tetrahedrite and probably some argentite (Winchell 1914; Geach 1972).

## **5.2 Tabor Property**

### **General Overview**

The first discovery of placer gold in Alder Gulch occurred on May 22, 1863, when a small group of prospectors, including William Fairweather, Henry Edgar and Barney Hughes, panned the creek while on their way back to Bannack. The party had discovered what would become the richest placer strike in the history of the Montana Territory. The prospectors, however, had lost most of their supplies in an encounter with the Crow Indians and had to return to Bannack following the initial strike. They tried to keep the discovery a secret, but word inevitably got out and a horde of some 200 men followed them back to Alder Gulch. As word of the rich diggings along Alder Gulch became known, there was a general exodus from Bannack where the placer workings were starting to play out. Miners swarmed up and down Alder Gulch and within a year the population would swell to an estimated 10,000 people, and the Virginia City mining district and its sub-districts were established. Settlements were established along the gulch with Alder at the mouth, Summit at the head, Virginia City in the middle and Adobetown, Central City, Junction and Nevada City scattered in between resulting in a rambling, ramshackled continuous settlement extending up and down the gulch for 14 miles (Figure 1). For this reason the early settlement was also known as Fourteen-mile City. In 1865 the territorial seat of government moved from Bannack to Virginia City which remained the territorial capital until 1875 when the capital was moved to Helena (Malone and Roeder 1976; Wolle 1963).

Several mineralized veins and structures have been identified and mined in the past. These targets are considered to be of interest in the present time

Following are descriptions of examples of specific historic Exploration Targets within the Tabor property area

### ***Nellie Bly***

In August of 1901, the Nellie Bly was reported to have been worked for two months by L. O. Enoch, who had four to five tons of ore ready for shipment. This low grade ore was shipped to Twin Bridges for processing. In November, 1,000 ft of development, mostly tunneling was reported (Western Mining World 1901).

In 1909 interest was renewed in the mine. The Butte-Alder Gulch Exploration Company, with James McKee of Butte as President and M. R. Ostronich as supervisor, took a lease and bond on the mine and prepared for extensive work. They found a vein seven feet wide and blocked out 12,000 tons of ore worth \$10 per ton. Seven men started work after Christmas and drove a 300 foot tunnel on the lead. A raise was started to connect with the upper tunnel, 93 feet above (Mining World 1910; Walsh 1912).

The Nellie Bly was officially located on August 18, 1914. R. L. Ruble, the owner, listed a number of improvements including: a short discovery tunnel, an 87-foot tunnel, a 73-foot tunnel, a 328-foot tunnel, a 70-foot raise and an 85-foot inclined shaft. The mine was the dominant property worked in connection with the Alder Fraction, Prescott and the Malta mines (GLO Mineral Survey).

### ***New Winnekta Mine***

The Winnekta was first described in 1910 as a series of tunnels 200 to 400 feet long whose ore contained high values of free gold. A 10-stamp mill was erected by Fredrick C. Ball. Prior to construction of the mill, the mine was shipping two cars of ore (about 100 tons) monthly to Anaconda to be smelted. Early in 1911, Ball and Associates bought out Ball's partner, D. J. McGrath. The tunnel had been extended to 700 feet and was encountering gold bearing gneiss with some silver values. In September, a main haulage tunnel was begun just above Alder Gulch on a lower vein. Electricity was brought to the site to power a compressor and a saw mill. The mine and mill continued to make regular shipments until 1927 when the mill burned, closing the operation (Mining and Scientific Press 1912; 1918; Mining and Engineering World 1911; Mining World 1910; 1911; Walsh 1912; Winchell 1917).

In 1931, the newly incorporated Winnekta Mining Company bought the mine from Harold Gohn of Virginia City. With backing from American and Chinese American investors, R. A. Brett, the President of the Company, proceeded with construction of a 50-ton mill. Production in the finished mill had to wait until September of 1931 when a water line to the mill was completed. The company also constructed an assay office, boarding house, garage, compressor plant and bunk house. With 90 feet of new drift, the total operation had over 1,400 feet of underground workings. To protect the Chinese interests, Miss Ah Hee Yong, formerly a star on Broadway and successful radio announcer, served the company as secretary and treasurer. This unusual woman had recently obtained a Masters degree in mining engineering from Columbia University. Although capitalized with \$275,000 in stock, the company failed

its option payment and the mine reverted to G. Harold Gohn, the former owner, who also held the positions of trustee and mine superintendent for the Winneka Mining Company. In 1932, Harold Gohn began limited production at the mill. With four men, the mill operated for two production runs and produced 70 ounces of gold. Gohn reported the mine could be profitable if run on a moderate level of development (Mining Journal 1931; 1932; 1933; Mining Truth 1931; 1932; Tansley 1933; Lorain 1937).

In 1936, when the mine and mill were inspected, 600 feet of drift (almost all ore) and 240 feet of stoping were seen in the mine. Both square-sets and cut and fill were used in the stoping. The mill was described as a 25-ton amalgamating-concentrating operation. An Ingersoll-Rand, Type 20, 210-cubic foot compressor was powered by a 30 h.p. motor. Ore was brought from the mine to a 20-ton ore bin; passed through a grizzly; reduced in a 7 x 10 inch Blake jaw crusher; lifted by bucket to a 80-ton ore bin; passed through a 10-foot Lane Chilean mill (8 rpm, 30 mesh); passed over an amalgam plate and processed over a Whifley Table which formed final tails and concentrate. This process recovered 75 percent of the gold. Eight miners, three millmen, one blacksmith, one laborer, and one superintendent were employed at the operation until 1940 (Lorain 1937).

The claim was apparently never patented under the name "Winnetka". Examination of Government Land Office maps show it may have been first claimed as the Alder Fraction. Whatever name, the mine has an extensive history of production from 1909 to 1911, 1915, 1917 to 1919, 1923 to 1927, 1931, 1934, 1935 and 1938 to 1940. From 1909 to 1932, 3,205 ounces of gold and 4,747 ounces of silver were produced from 3,322 tons of ore. In 1931 and 1932, while under the ownership of the Winneka Mining Company, 881 tons were processed for 236 ounces of gold (GLO Records; Mineral Record 1909-1919; Mining Year 1923-1940).

### **5.3 Conjecture Property**

The Conjecture Mine property consists of 6 patented mining claims, and 31 unpatented mining claims, totaling 250.91 hectares, and is located in the Lakeview Mining District at the southeast end of Pend Oreille Lake in Bonner County, Idaho. The property has had significant production and development history going back over 100 years, although there has been no significant activity since the 1970's.

During the early 1970's, the property was leased by Sunshine Mining Company, and a historic non-JORC Code or 43-101 compliant proven and probable reserve was calculated.

While the history of the Conjecture Mine dates back to the 19th century, most of the work was done in the first decade of the 20th century, then again in the 1930's and the 1950's. By the mid 1950's the property had been mined and produced high grade silver down to the 500 foot level through an incline shaft. This early production had come from quartzitic beds in the Wallace formation, the uppermost formation in the Belt Supergroup of rocks which are spread from Eastern Washington, through Idaho and into Montana. This Belt Supergroup is the same group of rock which hosts the major ore deposits of the Coeur d'Alene District some 35 mile to the east. 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 over a period from 1885 to present. The similarities between the Lakeview District where the Conjecture Mine is located and the neighboring Coeur d'Alene District have been the subject of numerous professional reports.

Returning to the history of the Conjecture, the mine was acquired by Federal Uranium in 1956, and encouraged by the high grade ore which had been produced to date, they made the decision to sink a 2,000 foot, three compartment vertical shaft to allow them to fully explore and develop the downward projection of the Conjecture Shear Zone and to get access to the deeper rock units of the Lower St. Regis and Revett formations which are known to be the major ore hosts in the Coeur d'Alene District.

Once this shaft was completed (at a cost of over \$35 million in today's dollars) Federal developed exploration drifts at the 700 level, 1000 level, 1600 level and the 2000 level. As a result of this extensive work, the reserves described above were developed. Although these efforts were highly successful, a collapse in uranium prices negatively affected Federal's business and caused them to abandon efforts at the Conjecture Mine in the early 1970's.

Although Federal was never able to reap the benefits of their work, the importance of this shaft to the future of the property and the Lakeview District cannot be overstated. The ore deposits and past production of the district had all occurred at levels above 500 feet, in Wallace formation host rocks which are primarily silty, argillites with some quartzitic units interbedded. The vast majority of the major ore deposits in the Coeur d'Alene District have occurred in the thick, quartzite rocks (primarily of the Revett formation). The Conjecture Shaft is the only structure in the Lakeview District which penetrates these more favorable ore host rocks.

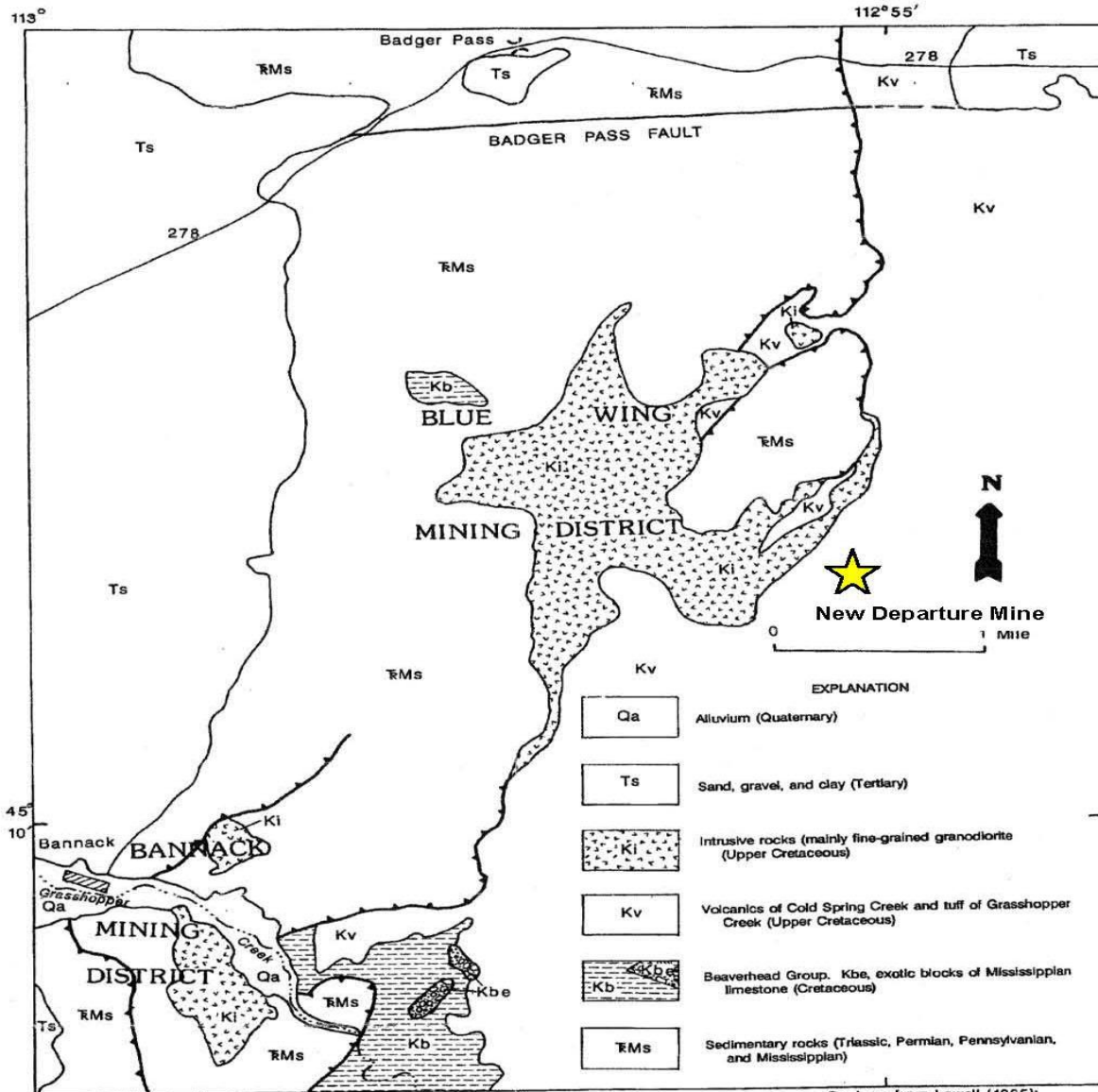
## **6.0 GEOLOGICAL SETTING**

### **6.1.1 New Departure Mine Property: Regional Geology**

The lode mines of the Blue Wing district ([Figure 5: New Departure Geologic Map](#)) are along the sides of a north-trending ridge (Badger Ridge) of folded and thrust-faulted strata of Mesozoic and Paleozoic age. The bulk of the rocks exposed in the ridge are Mississippian through Triassic age. They have been thrust over Upper Cretaceous detrital sedimentary and volcanic rocks exposed along the east flank of the ridge. Most of the mines are localized in limestone on the periphery of a granodiorite stock. The chief sedimentary rocks in the district are cliff-forming beds of the Mississippian Lodge Pole Limestone and Mission Canyon Limestone, which constitute the Madison Group. For more than 3.2 km north of the district, these two units cap the ridge. Within the district, however, contact metamorphism has caused recrystallization of the normally light to dark gray limestone to produce fine-to coarse-grained white to light-gray marble to such an extent that the identification of the formations at many places is at present in doubt. Locally, calc-silicate skarn is present at the contact of the marble and the granodiorite. Also exposed are the Upper Mississippian Lombard Limestone and Kibbey Sandstone on the east and south sides of the district, and the Pennsylvanian Quadrant Quartzite on the west side of the district. All of the Paleozoic formations are in complex fault relations with one another. On the northeast side of

Grasshopper Creek east of the district, a thrust plate consisting of the Mississippian limestones lays on an Upper Cretaceous sequence, consisting of Beaverhead Group, tuff of Grasshopper Creek, and volcanics of Cold Spring Creek. These units have been tilted to vertical beneath the thrust, but in less than a 1.6 km farther to the east the dip has flattened to a gentle southeast dip, and deformation of the rocks seems to be insignificant. Within the Beaverhead, which is chiefly red-weathering limestone-pebble conglomerate with a quartz-sand matrix, are elongate masses of Mississippian limestone as much as 1.6 km long that are interpreted as exotic blocks similar to those described in the Beaverhead Group in the Tendoy Range to the south (Perry and Sando, 1982). Near Bannack, these blocks have previously been interpreted as klippe (Lowell, 1965). East of Bannack, well exposed contacts of these blocks with sandstone and conglomerate of the Beaverhead show clearly that they are not tectonic contacts. The masses are tentatively interpreted as blocks broken off of the overlying thrust plate after it broke through to the surface and became an erosion thrust. If this is true, the thrust probably did not continue eastward much farther than its present eastern trace.





Geology from Lowell (1965);  
modified by R.C. Pearson, 1988

**Generalized Geology Map**  
Blue Wing Mining District  
Beaverhead County, Montana  
Geology from Lowell (1965);  
Modified by R.C. Pearson, 1988

Figure 5: New Departure Geologic Map

The igneous rocks in the district consist of medium-gray fine-grained granodiorite that forms a stock about 1.6 km long and 0.8 km wide, a smaller stock about 0.4 km in diameter, and numerous dikes and small irregular bodies. The lode mines are associated spatially with both of the stocks, which are 0.32 km apart and hence probably apophyses of a single, large body at depth. The two stocks intrude Mississippian limestone, but the dikes and other small bodies are especially abundant in the Cretaceous

volcanic rocks. In general, the intrusive rocks are slightly altered and do not crop out well. Although the age of these intrusive rocks has not been determined directly, they are probably Late Cretaceous (about 75 Ma) on the basis of K/Ar determinations on similar rocks a few miles to the east and north (oral commun., L.W. Snee, 1988). The age of the intrusive rocks with respect to thrusting has likewise not been determined directly. The evidence is conflicting and can be interpreted to indicate two ages of faulting, two ages of intrusion, or both; however, most thrusting was probably over before intrusion began.

### **6.1.2 New Departure Property: Property Geology**

The Blue Wing district was discovered in 1864, and the first mine developed, the Kent, became the first silver mine in Montana. In contrast to the Bannack District, the Blue Wing District is chiefly a silver district, and its total production is much smaller but probably in excess of \$2,000,000. The geology of the Blue Wing main ore bodies are replacement deposits and short veins in Mississippian limestone near the contact with fine-grained granodiorite. In addition, a few veins in granodiorite in the district are strikingly similar to the Bannack District. The intrusive body is more than 2.4 km wide and 3.2 km long but is probably relatively thin, as it seems to have been intruded along a flat or low west-dipping thrust fault (the same thrust exposed on the east side of the Bannack District). If this intrusive body has a root or feeder pipe beneath it, as seems likely, its location is unknown. The largest mine in the District is the New Departure that was developed in a klippe of Mississippian rocks. In part, the klippe, which is about 0.8 km wide and 1.6 km long, rests in fault contact with Cretaceous volcanic rocks and in part is underlain by the intrusive body that is inferred to have intruded along the thrust contact. The ore bodies are in limestone near the intrusive. Much of the richer ore mined was oxidized to a brown to black aggregate of iron and manganese oxides. Primary ore minerals include sphalerite, galena, chalcopyrite, pyrite, polybasite, tetrahedrite, and pyrargyrite in a gangue of quartz, calcite, and rhodochrosite.

### **6.2.1 Tabor Property: Regional Geology**

The Virginia City Mining District, ([Figure 6: Tabor Property Geology Map](#)) a past producer of 2.5 - 10 million ounces of placer gold and nearly 200,000 ounces of lode gold, is characterized by complexly deformed and metamorphosed Archean rocks which are composed of numerous different lithologies, the majority of which are thought to have a sedimentary origin. Abundant Proterozoic pegmatite and rare diabase dikes cut the Archean rocks. Locally, Paleozoic rocks rest unconformably and/or in fault contact with the Archean and Proterozoic rocks. No Laramide intrusions are known in this District. The District is localized within a major northeast-trending gravity/magnetic lineament in southwest Montana known as the Malta Low. This lineament may represent a deep crustal break in the Archean basement. The Butte District and Golden Sunlight Mine lie within the lineament. Lode gold mineralization in the District is principally associated with N30E and N60W structural trends. The mineralization consists of sulfide-bearing quartz veins, or successions of veins, and/or broad (locally 150' + in width) silicified to carbonaceous shear zones. The lodes, in general, appear to slightly to severely crosscut the penetrative

foliation and may themselves be isoclinally folded. The lode gold production in the District has been minimal in part due to the bad underground mining conditions as evidenced from old reports and by the number of caved adits. Because of poor exposures, continuous outcropping mineralization is rare, but regional soil sampling has been very useful in delineating drill targets. Leaching of some gold from surface samples (and secondary enrichment) is suspected from evidence gained in drilling in the Kearsarge area.

In 1992 and 1993, Kennecott completed sixteen core holes and nineteen reverse circulation holes for a total of 16,685' of drilling in the Kearsarge/Upper Alder Gulch area under a 1992 agreement with Hanover Gold. The geologic resource, from limited Kennecott drilling in Upper Alder Gulch is estimated to be 6 m.t. of 0.083 opt at the Kearsarge prospect, 1.9 m.t. of 0.028 opt Au at the South Bachelor prospect, and 18 m.t. of 0.055 opt on the Atlas- Lucas prospects. In 1994, Kennecott conducted surface studies including regional geologic mapping plus rock and soil sampling in the Easton- Pacific/Brown's Gulch area to the west of the Alder Gulch area. By combining previous drilling by other companies with rock and soil sampling, four large bulk-tonnage gold-silver targets have been identified on the Easton-Pacific/Brown's Gulch side. Based on surface soil and rock sampling, limited drilling, and cross section construction, the four principal historical targets and their upside potential include the Easton-Pacific Mine (40+ m.t. of 0.025-0.08 opt Au), the Skid Row/South Easton prospect (10-20 m.t. of 0.05-0.1 opt Au), the Pacific Pit (10+ m.t. of 0.05-0.06 opt Au), and the High-Up Marietta prospect (20 m.t. of 0.05-0.1 opt Au equivalent). Silver/gold ratios are in the 10:1 range in the Easton-Pacific/Brown's Gulch area, thus silver represents a significant credit. Total lode potential for the unitized District exceed three million ounces of gold.

Gold-Silver mineralization in the Virginia City District (VCMD), occurs in Archean age gneiss's. Both Orthogneiss (Igneous derived), and Paragneiss (Sedimentary derived) are present. The rocks have been dated at approximately 2.75 billion.

The gold-silver mineralization in the Archean Gneiss occurs primarily in two different types of structures. The first type consists of quartz filled fissure veins that pinch and swell in width, both along strike and down dip. Width varies on these veins from several centimeters, to over 3.5 m, and occur in lenticular shaped deposits up to several hundreds of meters in length. The Pearl vein has been traced for more than 900 m, and potentially continues for a greater distance under cover. These veins are the product of hydrothermal fluids depositing quartz, gold, silver and other minerals along a fracture or fault in the rock.

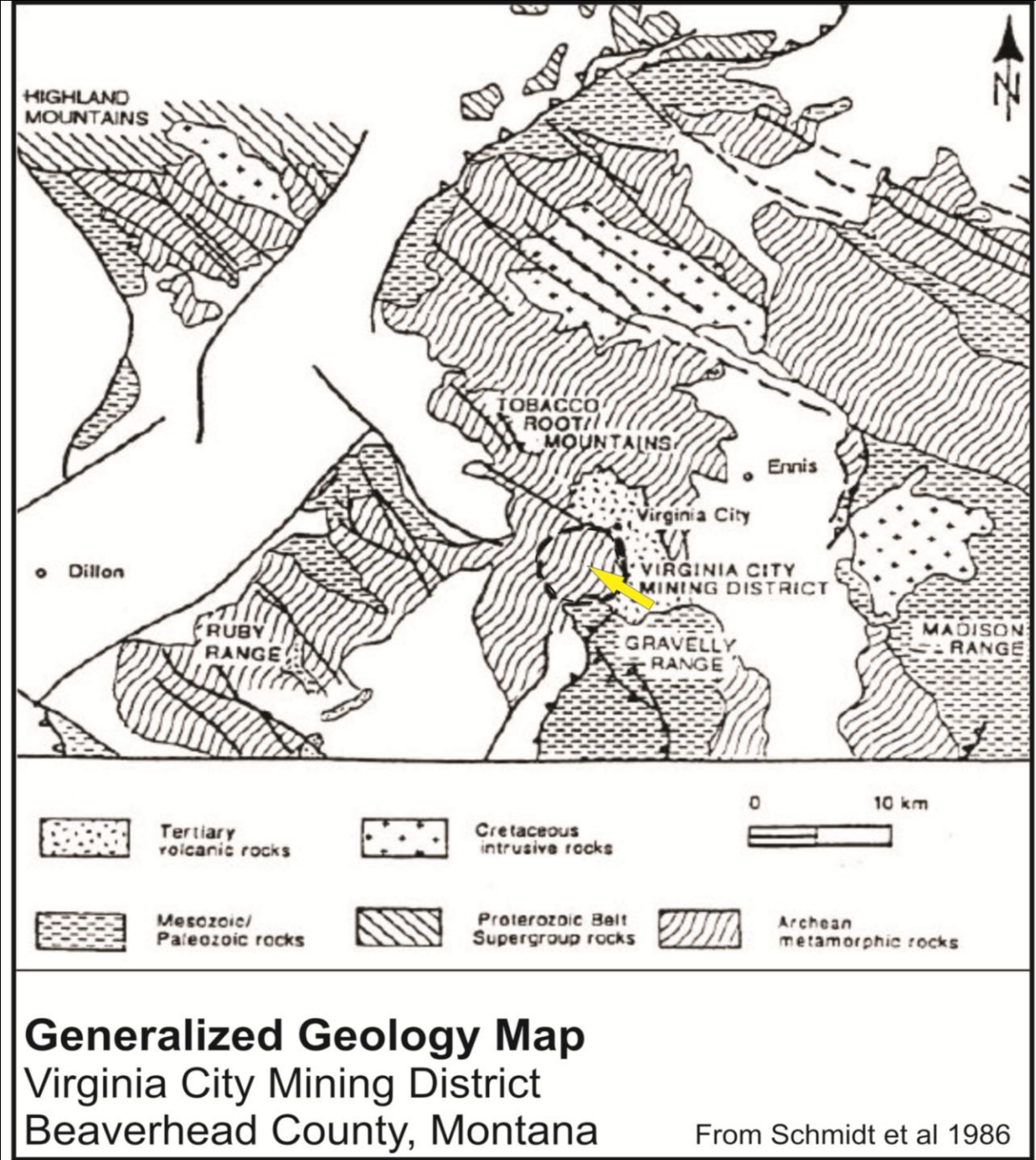


Figure 6: Tabor Property Geologic Map

### **6.2.2 Tabor Property: Property Geology**

The second type of mineralization occurs in potassically altered shear zones that carry disseminated sulfides, primarily as Pyrite. In some areas, such as the West Jayhill, the altered shear zones are wide and need to be examined in order to determine extent and grade.

The Tobacco Root batholith covers an area of about 100 square miles with numerous outliers, one of which is in the Virginia City area. In the Virginia City area the ore deposits occur in fissure filling veins which are independent of the bedding planes in the gneiss or schist and tend to dip to the north. These veins are the basis of the lode development in the VCMD and many of these veins have been mined for considerable distances. The Easton-Pacific vein system is economically the most important vein system in the VCMD. Besides the vein systems there are limestone beds in the Baldy Mountain area which "probably served as an important host rock for numerous high-grade ore lenses, which through erosion, gave rise to much of the Alder Gulch placer gold" (Tansley et al. 1933:47).

Ore deposits in Browns Gulch consist of argentite, auriferous pyrite, native silver, tetrahedrite, native gold, sphalerite, and stibnite. In the Summit district, ores consist of pyrite and coarse native (telluride) gold, with little silver or base metals. In the Fairweather and Highland districts stringers and quartz veins carry pyrite, chalcopyrite, and galena. A fissure vein on the Winnetka mine contains quartz, pyrite, telluride, hematite, limonite, and chalcopyrite. The primary recovered metals are gold and silver (Winchell 1914:163-164).

### **6.3.1 Conjecture Mine Property: Regional Geology**

The Conjecture Mine is located within the Middle Wallace Formation of the Belt Super group Series. ([Figure 7: Conjecture Geology Map](#)).

The Wallace is defined by the USGS as: A heterogeneous unit that includes dark-gray argillite, arenaceous and argillaceous limestone, in part dolomitic, and gray limy quartzite, with shale and sandstone in large areas. The argillaceous and sandy or quartzitic rocks are commonly slightly calcareous. The dominantly carbonate-rich rocks contain "molar tooth" or segregation structures commonly characterized by thin laminae. Locally red rocks near the top may represent a transition into the Missoula group.

Geologists have long noted similarities between the Precambrian belt series (i.e., Wallace, St. Regis, Revett) of the Lakeview District and those found in the world-class silver deposits of the Coeur d'Alene mining district, and the same important ore minerals (tetrahedrite, galena, sphalerite) define productive ore shoots in the Conjecture and the Coeur d'Alene District. Within the Lakeview District, only the Conjecture shaft has been driven deep enough to penetrate the less favorable Wallace formation into the better quartzite units.



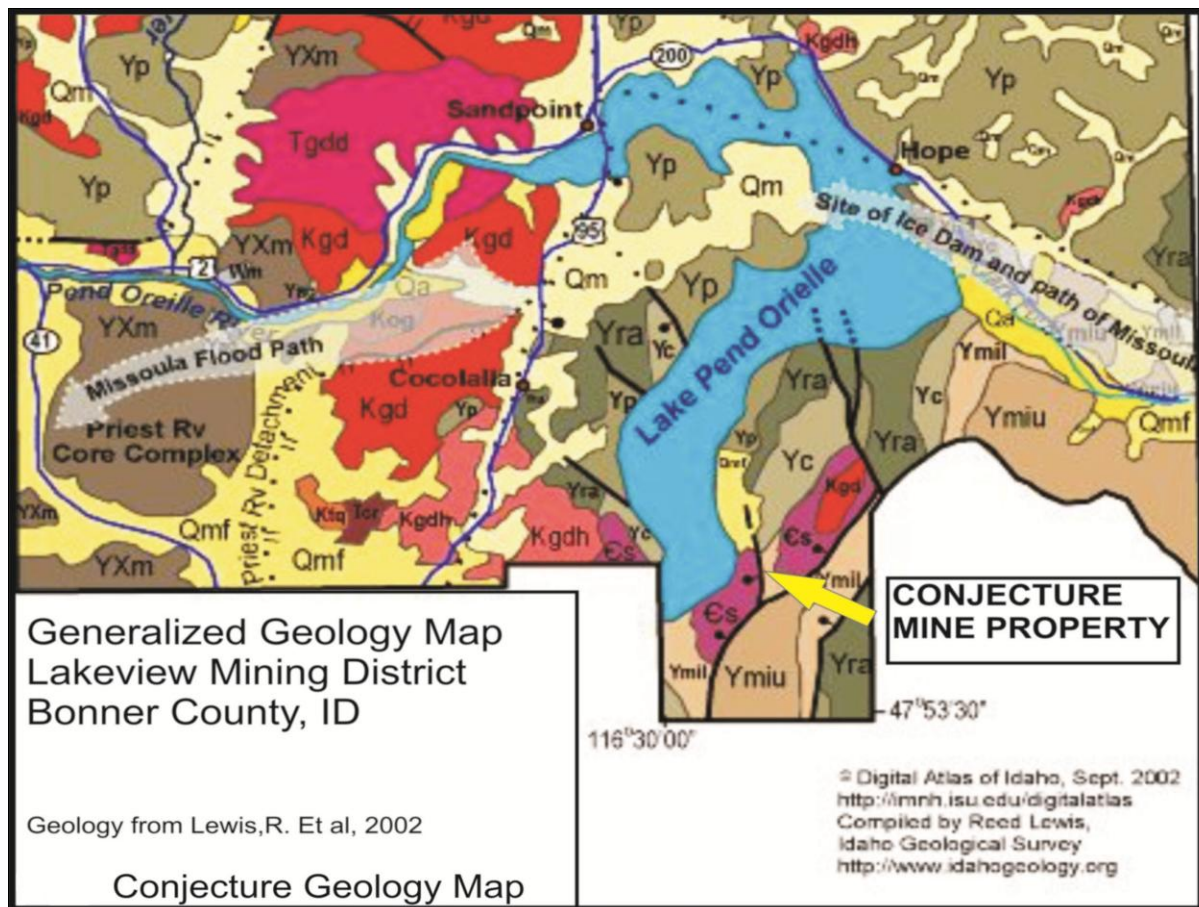


Figure 7: Conjecture Geologic Map

### 6.3.2 Conjecture Mine Property: Property Geology

The Conjecture Mine was discovered in 1894 in a slate shale and quartzite host rock (IGS,2000). Two main veins formed in shear zones were targeted for mining (the Conjecture Vein and the Weber Vein). Typical ore from the mine included galena, sphalerite and pyrite (IGS,2000). In 1953, IGS (2000) reports that a 60-tons-per-day (tpd) flotation mill was constructed at the site. The duration of milling is not apparent, but by 1962 plans to reactivate a 100-tpd mill at the site were reported in IGS (2000).

Total production from the Conjecture Mine was 12,663 tons of ore yielding 111 ounces of gold, 81,333 ounces of silver, 13,825 pounds of copper, 90,983 pounds of lead, and 53,778 pounds of zinc (IGS, 1997).

## **7.0 MINERALIZATION TYPES**

### **7.1 New Departure Mine Property**

The principal rock type is a series of undifferentiated dolomitic limestone beds varying in color from light grey to almost black, with a known thickness of at least 152 meters at the historic workings, with no penetration as yet into the underlying Boulder Batholith. The strike of the limestone beds is north to northwest dipping 20°-35° to the west. The mineralization occurs in steeply dipping fault controlled fissures, with offsets of a less than one meter to three meters displacement between mineralized shoots. Mineralization also occurs along receptive beds within the limestone.

Considerable silicification has occurred in the limestone along the fault planes and receptive beds into the wall rock. Historic mine production exploited the high grade veins but left the silicified-mineralized halos around the veins. The mineralized halos are a potential exploration target.

A review of previous reports on ND Property has outlined potential zones of economic mineralization of silver. Five silver zones have been outlined by geologist P. Lacey in 1998.

### **7.2 Tabor Property**

Ore deposits in Browns Gulch consist of argentite, auriferous pyrite, native silver, tetrahedrite, native gold, sphalerite, and stibnite. In the Summit district, ores consist of pyrite and coarse native (telluride) gold, with little silver or base metals. In the Fairweather and Highland districts stringers and quartz veins carry pyrite, chalcopryrite, and galena. A fissure vein on the Winnetka mine contains quartz, pyrite, telluride, hematite, limonite, and chalcopryrite. The primary recovered metals for the prolific Virginia City Mining District were Gold and Silver. The indicated, probable and possible ore reserve projections were outlined for the Tabor Mines & Metals, Butler Report, 1985.

### **7.3 Conjecture Mine Property**

The Lakeview District mines are located within the same Belt metamorphic rocks (the Wallace, St. Regis, and Revett Formations) and have similar mineralization as the world-class Coeur d'Alene District, just 25 miles south. However, exploration at the Lakeview District has been minimal compared to the Coeur District, and many geologists believe that mineralization at Lakeview, like Coeur, may grow much richer at depth. Lead-zinc-silver mineralization occurs, in shoots, along the Conjecture Shear Zone, the main structural feature in the mine. It is a zone of variable width trending approximately N30°E and dips about 65°NW. Mineralization consists of galena, tetrahedrite, rhodochrosite, pyrite, arsenopyrite and quartz that fill fractures in the brecciated, host rocks. The North-South trending Spider Fault offsets the Conjecture Shear Zone and Lamprophyre dikes were seen during exploration of the lowest level.

## **8.0 MINERALIZATION**

### **8.1 New Departure Mine**

A review of previous reports on ND Property has outlined potential zones of economic mineralization of silver. Five silver zones were outlined by geologist P. Lacey.

### **8.2 Tabor Property**

Gold-Silver mineralization in the Virginia City District (VCMD), occurs in Archean age gneiss's. Both Orthogneiss (Igneous derived), and Paragneiss (Sedimentary derived) are present. The rocks have been dated at approximately 2.75 billion.

The gold-silver mineralisation in the Archean Gneiss occurs primarily in two different types of structures. The first type consists of quartz filled fissure veins that pinch and swell in width, both along strike and down dip. Widths vary on these veins from several centimeters, to over 3.5 m, and occur in lenticular shaped deposits up to several hundreds of meters in length. The Pearl vein has been traced for more than 900 m, and potentially continues for a greater distance under cover. These veins are the product of hydrothermal fluids depositing quartz, gold, silver and other minerals along a fracture or fault in the rock.

The Tabor Property is underlain by a series of veins and mineralized shear zones that appear to intersect and potentially widen at depth. Veins observed on the Pearl, Nellie Bly, and New Winnetka areas dip toward each other, providing an intersection, and possibly a drill target of interest.

The second type of mineralization occurs in potassically altered shear zones that carry disseminated sulphides, primarily as Pyrite. In some areas, such as the West Jayhill, the altered shear zones are wide and need to be examined in order to determine extent and grade.

### **8.3 Conjecture Mine Property**

The Conjecture Group lies within the Lakeview Mining District. The Lakeview mining district is predominantly underlain by Precambrian metasedimentary rocks of the Belt Super-group represented by the Wallace Formation. The Wallace formation consists of black or grey, very thinly laminated argillites and siltites containing interbedded blue-grey dolomite or limestone horizons. Total thickness of the Wallace formation is in excess of 5,000 ft. The Conjecture Mine is hosted by the Calcareous member of the PreCambrian – Lower Wallace Formation. Exploration work during the mid-to-late 1950's revealed that rocks of the St. Regis Formation were also found. Lead-zinc-silver mineralization occurs, in shoots, along the Conjecture Shear Zone, the main structural feature in the mine. It is a zone of variable width trending approximately N30°E and dips about 65°NW. Mineralization consists of galena, tetrahedrite, rhodochrosite, pyrite, arsenopyrite and quartz that fill fractures in the brecciated, host rocks. The North-South trending Spider Fault offsets the Conjecture Shear Zone and Lamprophyre dikes were seen during exploration of the lowest level.



The property currently is without known JORC Code compliant reserves and the proposed program, as described below, is exploratory in nature and is intended to verify the historic reserves reported.

## **9.0 DATA VERIFICATION**

The data presented in this Report has come primarily from numerous reports archived and provided by Abot Mining Company. The author has reviewed the historical data, and can verify that the information has been presented accurately as it exists in those files and reports the best of his ability. Those reports contain the supporting documentation for the data presented for the most recent work on the Properties.

The author has not visited the Properties but relied on the visits of Geologists under employment; Jesse Jennings and Peter Laczay to the ND and CJ Properties.

## **10.0 OTHER RELEVANT DATA AND INFORMATION**

The author is unaware of any further data or relevant information that could be considered of any practical use in this report. The author is not aware of any material fact or material charge with respect to the subject matter of the Technical Report that is not reflective in the Technical Report, the omission to disclose, which makes the Technical Report misleading.

## **11.0 INTERPRETATIONS RECOMMENDATIONS AND CONCLUSIONS**

### **11.1 New Departure Mine Property**

The New Departure Mine Property lies within the Historic Blue Wing Mining District of Montana. The district is historically prolific with regard to Silver mineralization. Reexamination and evaluation of the property is necessary as a step toward economically sound development and production.

It is recommended that the following actions be carried out on the property.

#### **PHASE 1**

- Geochemical Sampling of known areas, in order to confirm past results and establish a working baseline.
- Expand Geochemical sampling to cover the property in its entirety.
- Carry out ground based Geophysical Surveys.

- Produce a Geologic Map at a scale that represents the structural and lithologic complexities of the property.
- Drill target Delineation.
- Prospecting

**New Departure Budget Phase 2**

Portal & Existing Tunnel Repair (underground equipt.)	\$500,000
Road & Mine Dump Improvement	\$100,000
Mine Facilities	\$200,000
Topside Equipment	\$200,000
Mine Electric, Air & Water	\$250,000
Underground Drilling, Sampling, Mapping & Assays	\$400,000
New Mine Development	\$500,000
Working Capital	\$350,000
<b>Total Budget</b>	<b>\$2,500,000</b>

**11.2 Tabor Property**

The Tabor Property lies within the Historic Virginia City Mining District, (VCMD) of Montana. The District is historically prolific with regard to Silver and Gold mineralization. Reexamination and evaluation of the property is necessary as a step toward economically sound development and production.

It is recommended that the following actions be carried out on the property.

**PHASE 1**

- Geochemical Sampling of known above and underground to confirm past results and establish a working baseline.
- Expand Geochemical surface and underground sampling to cover the property in its entirety.
- Carry out ground based Geophysical Surveys.
- Produce a Geologic Map at a scale that represents the structural and lithologic complexities of the property.
- Drill target Delineation.

- Prospecting

### **Tabor Budget Phase 2**

Portal & Existing Tunnel Repair (underground equipt.)	\$400,000
Road & Mine Dump Improvement	\$50,000
Mine Facilities	\$100,000
Topside Equipment	\$200,000
Mine Electric, Air & Water	\$150,000
Underground Drilling, Sampling, Mapping & Assays	\$300,000
New Mine Development	\$200,000K
Working Capital	\$350,000
<b>Total Budget</b>	<b>\$1,500,000</b>

### **11.3 Conjecture Mine Property**

The Conjecture Mine Property lies within the Historic Lakeview Mining District of North Idaho.. The district is historically prolific with regard to Silver, Base Metal and Gold mineralization. Reexamination and evaluation of the property is necessary as a step toward economically sound development and production.

It is recommended that the following actions be carried out on the property.

#### **PHASE 1**

- Geochemical Sampling of known above and underground to confirm past results and establish a working baseline.
- Expand Geochemical surface and underground sampling to cover the property in its entirety.
- Carry out ground based Geophysical Surveys.
- Produce a Geologic Map at a scale that represents the structural and lithologic complexities of the property.
- Drill target Delineation.
- Prospecting

### Conjecture Budget Phase 2

Initial Drill Program	\$975,000
Tenement Maintenance	\$25,000
<b>Total Budget</b>	<b>\$1,000,000</b>

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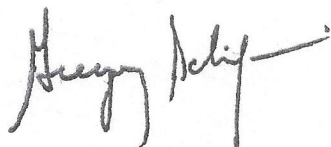
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### 13.0 DATE AND SIGNATURE PAGE

This report titled "Technical Report On Black Mountain Resources Limited's New Departure, Tabor and Conjecture Properties, Montana and Idaho, USA". , and dated October 27, 2011 was prepared and signed by the following author:

Dated at Sandpoint, Idaho, USA.



Gregory Schifrin



**Gregory Schifrin**



## 14.0 GLOSSARY OF TERMS

**Aeromagnetic** A survey undertaken by helicopter or fixed-wing aircraft for the purpose of recording magnetic characteristics of rocks by measuring deviation of the Earth's magnetic field.

**Airborne Geophysical Data** Data pertaining to the physical properties of the Earth's crust at or near surface and collected from an aircraft.

**Alluvial** Relating to alluvium which is sediment deposited by flowing water, as in a riverbed, flood plain, or delta.

**Alluvium** A general term for clay, silt, sand, gravel, or similar unconsolidated sorted or semi-sorted sediment deposited during comparatively recent time by a stream or other body of running water.

**Amphibolite Facies** A degree of metamorphism at moderate to high pressures and temperatures from 450 to 700 degrees Celsius.

**Anomalies** An area where exploration has revealed results higher than the local background level.

**Anomaly** A departure from the expected norm. In mineral exploration this term is generally applied to either geochemical or geophysical values higher or lower than the norm.

**Anticline** A convex upward rock fold in which strata have been bent into an arch; the strata on each side of the core of the arch are inclined in opposite directions away from the axis or crest; the core contains older rocks than does the perimeter of the structure.

**Archean** A geological period to time before 2500 Ma.

**Assayed** The testing and quantification of metals of interest within a sample.

**Au** Symbol for the chemical element gold.

**Auriferous** Containing gold.

**Basalt** Volcanic rock (or lava) that characteristically is dark in color, contains 45% to 54% silica, and is generally rich in iron and magnesium.

**Base Metals** A non precious metal, usually referring to copper, lead and inc.

**Bedrock** The solid rock (sedimentary, igneous, or metamorphic) that underlies the unconsolidated (non-indurated) surface materials (for example, soil, sand, gravel, glacial till, etc.).

**BIF** A rock consisting essentially of iron oxides and cherty silica and possessing a marked banded appearance.

**Boudins** Typical features of sheared veins and shear zones where, due to stretching along the shear foliation and compression perpendicular to this, rigid bodies break up.

**Carbonate** Rock of sedimentary or hydrothermal origin, composed primarily of calcium, magnesium or iron and CO<sub>3</sub>. Essential component of limestones and marbles.

**Chert** Silicon dioxide (SiO<sub>2</sub>); a compact, massive rock composed of minute particles of quartz and/or chalcedony; it is similar to flint but lighter in color.

**Chlorite** A green colored hydrated aluminum-iron-magnesium silicate mineral common in metamorphic rock.

**Clastic** Said of rocks composed of particles of other rocks or minerals, including broken organic hard parts as well as rock substances of any sort, transported and deposited by wind, water, ice, or gravity.

**Craton** A craton is an old and stable part of the continental crust that has survived the merging and splitting of continents and supercontinents for at least 500 million years.

**Deformation** The alteration such as faulting, folding, shearing compressional and extension of rock formations by tectonic forces.

**Diamond Drilling (DD)** An exploration drill method which results in the extraction of a small diameter length of rock core for further geological logging and laboratory assaying.

**Disseminated Sulphide** Sulphide mineralization where sulphide grains are dispersed widely between other mineral grains in the rock.

**Electromagnetic Survey** Traverses carried out along equally spaced lines that input an electrical field to the ground.

**Eluvial** Weathered material which is at or near its point of formation.

**Epigenetic** Minerals introduced into pre-existing rocks.

**Fault** A fracture surface or zone of fractures in Earth materials along which there has been vertical and/or horizontal displacement or movement of the strata on opposite sides relative to one another.

**Fe** Symbol for the chemical element iron.

**Feldspar** A group of rock forming minerals.

**Felsic** An igneous rock having abundant light-colored minerals in its mode; also, applied to those minerals (quartz, feldspars, feldspathoids, muscovite) as a group. It is the complement of mafic.

**Folding** A term applied to the bending of strata or a planar feature about an axis.

**Foliated** Banded rocks, usually due to crystal differentiation as a result of metamorphic processes.

**g/t** Grams per ton.

**Gabbro** A group of dark-colored, basic intrusive igneous rocks composed principally of basic plagioclase and clinopyroxene with or without olivine and orthopyroxene.

**Geochemical** Pertains to the concentration of an element.

**Geophysical** Pertains to the physical properties of a rock mass.

**Granite** A plutonic rock in which quartz constitutes 10 to 50 percent of the felsic components and in which the alkali feldspar/total feldspar ratio is generally restricted to the range of 65 to 90 percent.

**Granulite** The granulite facies is part of a metamorphic facies series with the term granulite used to include a group of metamorphic rocks recrystallized under a range of high temperature conditions.

**Greenschist** A metamorphosed basic igneous rock which owes its color and schistosity to abundant chlorite.

**Greenstone Belt** A broad term used to describe an elongate belt of rocks that have undergone regional metamorphism to greenschist facies.

**Hematite** An oxide mineral with the general formula  $\alpha \text{Fe}_2\text{O}_3$ .

**Hydrothermal** Of or pertaining to heated water, to its actions, or products related to its actions.

**Igneous** Said of a rock or mineral that solidified from molten or partly molten material, (that is from magma).

**Intermediate** A descriptive term applied to igneous rocks that are transitional between basic and acidic with silica ( $\text{SiO}_2$ ) between 54% and 65%.

**Intrusions** A body of igneous rock which has forced itself into pre-existing rocks.

**Isoclinal** Describes a folded unit where the two adjacent limbs of the fold are parallel.

**JORC** Joint Ore Reserves Committee (of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Minerals Council of Australia).

**Lineament** A significant linear feature of the earth's crust, usually equating a major fault or shear structure.

**Lithological Contacts** The contrast between different rock types.

**Lithology** The description of rocks on the basis of color, structure, mineral composition, and grain size; the physical character of a rock.

**Lode** Mineral deposit consisting of an entire zone of dissemination.

**Ma** A symbol for millions of years before the present time.

**Mafic** General term to describe igneous rocks consisting mainly of ferro-magnesian minerals.

**Magnetite** A magnetic oxide mineral with the general formula  $Fe+Fe_3O_4$ .

**Metamorphic Rock** Any rock derived from pre-existing rocks by mineralogical, chemical, and structural changes, essentially in the solid state, in response to marked changes in temperature, pressure, shearing stress, and chemical environment at depth in Earth's crust (for example, gneisses, schists, marbles, quartzites, etc.).

**Sedimentary Rock** A rock resulting from the consolidation of loose sediment that has accumulated in layers (e.g., sandstone, siltstone, limestone).

**Stratigraphic Unit** A stratum or body of strata recognized as a unit in the classification of the rocks of Earth's crust with respect to any specific rock character, property, or attribute or for any purpose such as description, mapping, and correlation.

**Unconformity** A surface of erosion or nondeposition that separates younger strata from older strata; most unconformities indicate intervals of time when former areas of the sea bottom were temporarily raised above sea level.

**Weathering** The group of processes, chemical and physical, whereby rocks on exposure to the weather, change in character, decay, and finally crumble into soil.

**Xenoliths** A foreign inclusion in an igneous rock.

## 6. INVESTIGATING ACCOUNTANT'S REPORT

Direct Line: (08) 9261 9447  
Email: andy.gilmour@rsmi.com.au  
AJG/AB/SB

20 December 2011

The Directors  
Black Mountain Resources Limited  
945 Wellington Street  
West Perth WA 6005

Dear Sirs

## Investigating Accountant's Report ("Report")

### 1. Introduction

- 1.1 This Report has been prepared at the request of the Directors of Black Mountain Resources Limited ("Black Mountain" or "the Company") for inclusion in a Prospectus to be dated on or about 20 December 2011 relating to the proposed offer of 10,000,000 fully paid ordinary shares in the Company at an issue price of \$0.20 per share, to raise \$2.0 million.
- 1.2 This Report has been prepared in accordance with the general disclosure requirements of the Corporations Act 2001 to assist investors to make an informed assessment of the financial position and performance of Black Mountain.
- 1.3 The future prospects of Black Mountain, other than the preparation of a Consolidated Pro-forma Unaudited Statement of Financial Position of Black Mountain and its subsidiaries, assuming completion of the transactions summarised in Sections 5 and 6 of this Report, are not addressed in this Report. This Report also does not address the rights attaching to the shares to be issued pursuant to this Prospectus, nor the risks associated with the investment.

### 2. Background

- 2.1 The Company was incorporated on 29 October 2010 with the issue of one share for \$1.
- 2.2 Options were granted on 15 November 2010 to purchase fully paid shares exercisable at \$0.30 each on or before five years from the date of issue to directors as follows:-
  - Stephen Anastos – 1,000,000 options;
  - Jeremy Bond – 500,000 options; and
  - David Morris – 500,000 options.
- 2.3 The Company issued seed capital on 23 November 2010 worth \$175,000 equating to 8,750,000 ordinary shares valued at \$0.02 each.

RSM Bird Cameron  
Corporate Pty Ltd  
ABN 82 050 508 024  
AFS Licence No 255847

Major Offices in:  
Perth, Sydney,  
Melbourne,  
Adelaide and  
Canberra

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the Directors of RSM Bird Cameron. RSM Bird Cameron is an independent member firm of RSM International, an affiliation of independent accounting and consulting firms. RSM International is the name given to a network of independent accounting and consulting firms each of which practices in its own right. RSM International does not exist in any jurisdiction as a separate legal entity.

- 2.4 The Company entered into a Tenement Sale Agreement with Liberty Resources Ltd and Rhodes Resources Pty Ltd on 25 November 2010 to acquire tenements E36/563, E37/834 and E37/950 to explore for uranium subject to the completion of the public listing of the Company's shares.
- 2.5 On the 17 February 2011 the Company was admitted to the official list of the Australian Securities Exchange ("ASX"), following an Initial Public Offering ("IPO") of its shares. The Company issued 18,750,000 shares at \$0.20 each raising approximately \$3.75 million under the IPO.
- 2.6 On 23 August 2011 the Company announced that it had entered into a heads of agreement to acquire a 70% interest in ABM Mining Corporation ("ABM") ("the Acquisition"), which holds 3 mineral projects, Conjecture Project, New Departure Project and Tabor Project that are prospective former producing silver and gold mines located in North Western USA ("the US Silver Projects"). The acquisition consideration is:
- i) An advance payment of US\$1,250,000 to be spent on a due diligence program which will include preliminary feasibility work, securing tenure and additional ground and an independent geological report required as part of the acquisition;
  - ii) Black Mountain will commit to spending US\$1,500,000 on each Project or a total of US\$4,500,000 across the Projects within 3 years. In the event that the Acquisition proceeds, then the Advance already paid by the Company will be offset against its Expenditure Commitment. In the event that the Acquisition does not proceed and is terminated, then the Advance already paid by the Company will convert into a 10% equity interest in ABM. If the Acquisition does not proceed due to misrepresentation or gross negligence by the vendor (being Abot), then the Advance already paid by the Company is repayable in full;
  - iii) The issue of 25,000,000 ordinary Black Mountain shares;
  - iv) The issue of 25,000,000 Black Mountain performance rights which shall convert into fully paid ordinary shares in the capital of Company when the Expenditure Commitment has been satisfied and production is achieved on any one of the US Projects of not less than 2,000 ounces of gold or gold equivalent (net smelter) within 5 years of settlement of the Acquisition, and on such other terms as acceptable to ASX; and
  - v) The grant of a 3% net smelter royalty on all mineral production.

### 3. Scope of Examination

- 3.1 You have requested RSM Bird Cameron Corporate Pty Ltd to prepare an Investigating Accountant's Report for inclusion in the Prospectus covering the following information ("the Financial Information"):
- The Audited Consolidated Statement of Comprehensive Income of Black Mountain for the year ended 30 June 2011;
  - The Audited Consolidated Statement of Financial Position of Black Mountain as at 30 June 2011;
  - The Pro-forma Unaudited Consolidated Statement of Financial Position of the Company as at 30 June 2011, assuming completion of the transactions summarised in Section 5 and 6 of this Report; and
  - The relevant notes to this Financial Information.
- 3.2 The Financial Information has been prepared and presented in accordance with the accounting policies set out in Note 1 to the Financial Information.
- 3.3 Our review of the Historical Financial Information has been conducted in accordance with Australian Auditing Standards applicable to review engagements. We made such enquiries and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances including:-

- an analytical review of all the financial information presented, including a review of the reasonableness of the adjustments used to compile the Unaudited Consolidated Pro-forma Statement of Financial Position as at 30 June 2011;
- a comparison of consistency in the application of the recognition and measurement principles in Australian Accounting Standards (including Australian Accounting Interpretations) and the accounting policies adopted by the Company and disclosed in Note 1 of the Appendix to this Report;
- inspection of financial records; and
- enquiries of directors and management.

## 4. Responsibility

4.1 The Directors are responsible for the preparation of the Historical and Pro-forma Financial Information.

4.2 It is our responsibility to review the Historical and Pro-forma Financial Information and report thereon. We disclaim any responsibility for any reliance on this Report or the Financial Information to which it relates for any other purpose other than for which it is prepared. This Report should be read in conjunction with the rest of the Prospectus.

## 5. Subsequent Events

5.1 The Company has paid US\$1,002,625 of the US\$1,250,000 advance payment, in three instalments, which equated to \$971,188 AUD, as part consideration, in relation to the Acquisition, calculated as follows:

- US\$500,000 paid in August 2011, at an AUD:USD rate of 1.0471, converting to \$477,500 AUD;
- US\$252,625 paid on 7 October 2011, at an AUD:USD rate of 1.0105, converting to \$250,000 AUD; and
- US\$250,000 paid on 15 November 2011, at an AUD:USD rate of 1.0259, converting to \$243,688 AUD.

5.2 Apart from the matters dealt with in this Report, having regard to the scope of our work, to the best of our knowledge and belief, no material transactions or events outside the ordinary business of the Company have come to our attention that are not otherwise disclosed in this Prospectus, which require further comment upon, or adjustment to the information referred to in this Report, or which would cause the information in this Report to be misleading.

## 6. Assumptions adopted in compiling the Unaudited Consolidated Pro-forma Statement of Financial Position

6.1 The Unaudited Consolidated Pro-forma Statement of Financial Position of Black Mountain has been included for illustrative purposes only. The Unaudited Consolidated Pro-forma Statement of Financial Position as at 30 June 2011 has been prepared by adjusting the Audited Consolidated Statement of Financial Position to reflect the financial effects of the following transactions as if they had occurred at 30 June 2011:

- i) The issue of 10,000,000 ordinary fully paid Black Mountain shares at \$0.20 each to raise \$2,000,000 share capital pursuant to this Prospectus (“the Capital Raising”);
- ii) The payment of costs associated with the Capital Raising, estimated to be \$250,000. These costs have been netted against share capital raised;
- iii) The Acquisition proceeding, with consideration being:



- The advance payment of US\$1,250,000, with the remaining payment of US\$247,375 to be paid, which equates to \$247,945 AUD, to be spent on a due diligence program which will include preliminary feasibility work, securing tenure and additional ground and an independent geological report required as part of the Acquisition;
- Commit to spending US\$1,500,000 on each Project or a total of US\$4,500,000 across the Projects within 3 years. In the event that the Acquisition proceeds, then the Advance already paid by the Company will be offset against its Expenditure Commitment. In the event that the Acquisition does not proceed and is terminated, then the Advance already paid by the Company will convert into a 10% equity interest in ABM. If the Acquisition does not proceed due to misrepresentation or gross negligence by the vendor (being Abot), then the Advance already paid by the Company is repayable in full;
- The issue of 25,000,000 ordinary Black Mountain shares;
- The issue of 25,000,000 Black Mountain performance rights which shall convert into fully paid ordinary shares in the capital of Company when the Expenditure Commitment has been satisfied and production is achieved on any one of the US Projects of not less than 2,000 ounces of gold or gold equivalent (net smelter) within 5 years of settlement of the Acquisition, and on such other terms as acceptable to ASX; and
- The grant of a 3% net smelter royalty on all mineral production.

## **7. Review Statement of Audited Historical and Unaudited Pro-forma Financial Information**

7.1 Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Financial Information set out in the Appendix to this Report does not present fairly:

- The Audited Consolidated Statement of Comprehensive Income of Black Mountain for the period ended 30 June 2011 prepared as if the transactions summarised in Section 5 and 6 of this Report had taken place prior to the commencement of the period;
- The Audited Consolidated Statement of Financial Position of Black Mountain as at 30 June 2011; and
- The Unaudited Consolidated Pro-forma Statement of Financial Position of Black Mountain as at 30 June 2011 adjusted to include the effects of the Capital Raising proposed in the Prospectus and the completion of the other transactions summarised in Section 5 and 6 of this Report.

## 8. Declaration

- 8.1 RSM Bird Cameron Corporate Pty Ltd is a licensed investment adviser under the Corporations Act 2001 and is beneficially owned by the directors of RSM Bird Cameron, a large national firm of chartered accountants.
- 8.2 Mr A J Gilmour CA is a director and representative of RSM Bird Cameron Corporate Pty Ltd and a director of RSM Bird Cameron. He has professional qualifications and experience appropriate to the advice offered.
- 8.3 RSM Bird Cameron Corporate Pty Ltd has acted as Investigating Accountant for the Company but has not been involved in the preparation of any other part of this Prospectus. Accordingly, we make no representations as to the completeness and accuracy of the information in any other part of this Prospectus. RSM Bird Cameron Corporate Pty Ltd has not made and will not make any recommendation, through the issue of this Report, to potential investors in the Company as to the merits of the investment.
- 8.4 RSM Bird Cameron Corporate Pty Ltd will receive a fee for the preparation of this Report based on actual hours spent on the assignment at normal professional rates. With the exception of the above fees, neither Mr A J Gilmour nor RSM Bird Cameron Corporate Pty Ltd will receive any other benefits, either directly or indirectly, from the preparation of this Report and have no pecuniary or other interest which could be regarded as affecting the ability to provide an unbiased opinion in relation to the proposed transaction.
- 8.5 RSM Bird Cameron Corporate Pty Ltd has consented to the inclusion of this Report in the Prospectus in the form and context in which it appears. At the date of this Report, this consent has not been withdrawn.

Yours faithfully



A J GILMOUR  
Director

Appendix A – Historical and Pro-Forma Financial Information

BLACK MOUNTAIN RESOURCES LIMITED  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD 29 OCTOBER 2010 TO 30 JUNE 2011

	Audited Period ended 30-Jun-11 \$	Subsequent Events \$	Pro-forma Transactions \$	Unaudited Period ended 30-Jun-11 \$
<b>Revenue</b>				
Interest received	90,367	-	-	90,367
Finance costs	(851)	-	-	(851)
Employee and director benefits expense	(43,890)	-	-	(43,890)
Financial and company secretarial expenses	(28,875)	-	-	(28,875)
Audit fees	(13,000)	-	-	(13,000)
Insurance	(8,233)	-	-	(8,233)
ASX and share registry fees	(6,326)	-	-	(6,326)
Share based payment expense	(24,000)	-	-	(24,000)
Consultants	(20,000)	-	-	(20,000)
Travel	(45,375)	-	-	(45,375)
Other expenses	(67,687)	-	-	(67,687)
<b>Loss before income tax</b>	<u>(167,870)</u>	<u>-</u>	<u>-</u>	<u>(167,870)</u>
Income tax expense	-	-	-	-
<b>Loss for the year</b>	<u>(167,870)</u>	<u>-</u>	<u>-</u>	<u>(167,870)</u>
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the year</b>	<u>(167,870)</u>	<u>-</u>	<u>-</u>	<u>(167,870)</u>
Loss attributable to the members of Black Mountain Resources Limited	(167,870)	-	-	(167,870)

The Statement of Comprehensive Income should be read in conjunction with the notes to the Financial Information.

Appendix A – Historical and Pro-Forma Financial Information

BLACK MOUNTAIN RESOURCES LIMITED  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 June 2011

	Notes	Audited 30 June 2011	Subsequent Events	Pro-forma transactions	Pro-forma
		\$	\$	\$	\$
<b>Assets</b>					
<b>Current Assets</b>					
Cash	2	3,466,366	(971,188)	1,502,055	3,997,232
Trade and other receivables		4,087	-	-	4,087
Other assets		8,233	-	-	8,233
<b>Total Current Assets</b>		<b>3,478,686</b>	<b>(971,188)</b>	<b>1,502,055</b>	<b>4,009,552</b>
<b>Non-Current Assets</b>					
Exploration and evaluation	3	119,828	971,188	10,247,945	11,338,962
<b>Total Non-current assets</b>		<b>119,828</b>	<b>971,188</b>	<b>10,247,945</b>	<b>11,338,962</b>
<b>Total Assets</b>		<b>3,598,514</b>	<b>-</b>	<b>11,750,000</b>	<b>15,348,514</b>
<b>Liabilities</b>					
Trade and other payables		64,765	-	-	64,765
<b>Total Liabilities</b>		<b>64,765</b>	<b>-</b>	<b>-</b>	<b>64,765</b>
<b>Net Assets</b>		<b>3,533,749</b>	<b>-</b>	<b>11,750,000</b>	<b>15,283,749</b>
<b>Equity</b>					
Issued Capital	4	3,677,619	-	6,750,000	10,427,619
Reserves	5	24,000	-	5,000,000	5,024,000
Accumulated losses		(167,870)	-	-	(167,870)
<b>Total Equity</b>		<b>3,533,749</b>	<b>-</b>	<b>11,750,000</b>	<b>15,283,749</b>

The Unaudited Consolidated Pro-forma Statement of Financial Position represents the Audited Statement of Financial Position as at 30 June 2011 adjusted for the subsequent events and Pro-forma transactions outlined in Sections 5 and 6 of this Report. It should be read in conjunction with the notes to the Financial Information.

## Appendix A – Historical and Pro-Forma Financial Information

### BLACK MOUNTAIN RESOURCES LIMITED NOTES TO THE FINANCIAL INFORMATION AS AT 30 JUNE 2011

#### 1. Summary of Significant Accounting Policies

The significant accounting policies that have been adopted in the preparation of the historical and Pro-forma financial information are:

- **Basis of Preparation**

The historical and Pro-forma financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements of Australian Accounting Standards (including Australian Accounting Interpretations), and the *Corporations Act 2001*.

##### **Historical cost convention**

The financial information has been prepared under the historical cost convention, as modified by the revaluation of certain assets, where appropriate. Cost is based on the fair value of the consideration given in exchange for assets.

##### **Critical accounting estimates and judgments**

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

- **Mineral Exploration and Evaluation Expenditure**

Mining tenements are carried at cost, less accumulated impairment losses.

Mineral exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area of interest or sale of that area of interest, or where exploration and evaluation activities have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active or significant operations in or in relation to the area of interest, are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

- **Revenue recognition**

The Company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company.

Revenue is measured at the fair value of the consideration received or receivable.

## Appendix A – Historical and Pro-Forma Financial Information

### BLACK MOUNTAIN RESOURCES LIMITED NOTES TO THE FINANCIAL INFORMATION AS AT 30 JUNE 2011

#### 1. Summary of Significant Accounting Policies (cont.)

- **Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the Reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

- **Impairment of assets**

Intangible assets that have an infinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each Reporting date.

- **Share-based payments**

Share-based compensation benefits are provided to employees of Black Mountain Resources Limited at the Directors discretion.

The fair value of options granted by Black Mountain Resources Limited is recognised as an option benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

## **Appendix A – Historical and Pro-Forma Financial Information**

### **BLACK MOUNTAIN RESOURCES LIMITED NOTES TO THE FINANCIAL INFORMATION AS AT 30 JUNE 2011**

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statement of comprehensive income with a corresponding adjustment to equity.

## Appendix A – Historical and Pro-Forma Financial Information

### BLACK MOUNTAIN RESOURCES LIMITED NOTES TO THE FINANCIAL INFORMATION AS AT 30 JUNE 2011

#### 2. Cash and cash equivalents

	Audited 30-Jun-11 \$	Pro-forma After Issue \$
Cash and cash equivalents	3,466,366	3,997,232
Cash and cash equivalents as at 30 June 2011		3,466,366
<i>Subsequent events</i>		
US\$1,002,625 advance paid as:		
US\$500,000 converted to AUD at 1.0471		(477,500)
US\$252,625 converted to AUD at 1.0105		(250,000)
US\$250,000 converted to AUD at 1.0259		(243,688)
<i>Adjustments arising in the preparation of the Pro-forma Statement of Financial Position are summarised as follows</i>		
Proceeds from the minimum issue of ordinary shares pursuant to the Prospectus		2,000,000
Remaining advance payment of US\$247,375, converted at 0.9977 for 70% interest in ABM		(247,945)
Cash component of capital raising costs		(250,000)
		1,502,055
Pro-forma balance		3,997,232

#### 3. Mining Exploration and Evaluation Expenditure

	Audited 30-Jun-11 \$	Pro-forma After Issue \$
Mineral Exploration and Evaluation expenditure	119,828	11,338,962
Mineral Exploration and Evaluation expenditure as at 30 June 2011		119,828
<i>Subsequent events</i>		
Cash consideration for 70% interest in AGM (i)		971,188
<i>Adjustments arising in the preparation of the Pro-forma Statement of Financial Position are summarised as follows</i>		
Remaining advance payment for 70% interest in AGM (ii)		247,945
<i>Equity consideration for acquisition of US Silver Projects</i>		
Issue of 25,000,000 Black Mountain shares at an issue price of \$0.20 each		5,000,000
Issue of 25,000,000 Black Mountain performance rights valued at \$0.20 each		5,000,000
		10,000,000
Pro-forma balance		11,338,962



## Appendix A – Historical and Pro-Forma Financial Information

### BLACK MOUNTAIN RESOURCES LIMITED NOTES TO THE FINANCIAL INFORMATION AS AT 30 JUNE 2011

- (i) The advance payment component of the transaction is equal to US\$1,250,000 with US\$1,002,625 paid to date as:
- US\$500,000 paid in August 2011, at a rate of 1.0471, converting to \$477,500 AUD;
  - US\$252,625 paid on 7 October 2011, at a rate of 1.0105, converting to \$250,000 AUD; and
  - US\$250,000 paid on 15 November 2011, at a rate of 1.0259, converting to \$258,184 AUD.
- (ii) The remaining advance payment component of the transaction is equal to US\$247,375, this has been converted into \$247,945 AUD based on a \$US:AUD exchange rate of 0.9977.

#### 4. Share capital

	Number of ordinary shares	\$
Issued at incorporation (29 October 2010)	1	1
Seed capital and promoter shares issued at \$0.02 per share (22 November 2010)	8,750,000	175,000
Shares issued to vendors for purchase of tenements at \$0.20 per share (14 January 2011)	312,500	62,500
Initial public offering at \$0.20 per share (14 January 2011)	18,750,000	3,750,000
Less capital raising costs	-	(309,882)
Share Capital as at 30 June 2011	27,812,501	3,677,619
 <i>Adjustments arising in the preparation of the Pro-forma Statement of Financial Position are summarised as follows</i>		
Fully paid ordinary shares issued at \$0.20 pursuant to the Prospectus	10,000,000	2,000,000
Fully paid ordinary shares issued to vendors at \$0.20 in relation to the acquisition of the US Silver Projects	25,000,000	5,000,000
Costs associated with the share issue pursuant to the Prospectus	-	(250,000)
Pro-forma balance as at 30 June 2011	62,812,501	10,427,619

## Appendix A – Historical and Pro-Forma Financial Information

### BLACK MOUNTAIN RESOURCES LIMITED NOTES TO THE FINANCIAL INFORMATION AS AT 30 JUNE 2011

#### 5. Reserves

	Note	Option Reserve Number	\$	Performance rights Number	\$	Total Reserves \$
Reserves as at 30 June 2011		2,000,000	24,000	-	-	24,000
<i>Adjustments arising in the preparation of the Pro-forma Statement of Financial Position are summarised as follows</i>						
25,000,000 performance rights issued as consideration for US Silver Projects	(a)	-	-	25,000,000	5,000,000	5,000,000
Pro-forma balance		<u>2,000,000</u>	<u>24,000</u>	<u>25,000,000</u>	<u>5,000,000</u>	<u>5,024,000</u>

(a) Using a Binomial Valuation Model the fair value of the 25,000,000 performance rights, to be issued to the vendors of the US Silver Projects has been assessed at \$0.20 per performance right, based on the following assumptions:-

Underlying share price	20 cents
Exercise price	0 cents
Expected volatility	130%
Maximum Option life	5 years
Risk-free interest rate	3.02%
Dividend yield	0%

The performance rights vest into ordinary shares in the Company upon the meeting each of the following non-market based performance conditions:-

1. Completion of expenditure of US\$1,500,000 on each of US Silver Projects or \$4,500,000 in total across all 3 US Silver Projects within 3 years after the date of settlement of the Acquisition; and
2. The production of not less than 2,000 ounces of gold or gold equivalents (net smelter) at any one mine within 5 years of settlement of the Acquisition.

The Directors are of the opinion that there is a greater than 95% probability that the non market based performance conditions set out above will be achieved. On this basis the Directors have concluded, as at the date of this Report, that the number of performance rights expected to vest into ordinary shares is 25,000,000 and as such a share based payment of \$5,000,000 has been recognised as part consideration for the acquisition of the US Silver Projects.

## Appendix A – Historical and Pro-Forma Financial Information

### BLACK MOUNTAIN RESOURCES LIMITED NOTES TO THE FINANCIAL INFORMATION AS AT 30 JUNE 2011

Should the performance conditions not been met, the performance rights would expire and not vest into ordinary shares in the Company. In accordance with AASB 2 Share Based Payments, if this scenario were to occur the share based payment outlined above would be reversed as the performance conditions attached to the performance rights are non-market based, and as such both the value of the Company's option reserve and mineral exploration and evaluation expenditure assets would decrease by \$5,000,000.

#### 6. Related Party Disclosure

- (a) The Directors of Black Mountain at the date of this Report are Stephen Anastos, Peter Landau and David Morris.
- (b) Directors' holdings of shares, directors' remuneration and other directors' interests are set out in Section 10 "Additional Information" of the Prospectus.

#### 7. Commitments and Contingent Liabilities

Black Mountain has budgeted approximately \$3,500,000 for exploration and development expenditure on the US Silver Projects in the next 2 years, assuming minimum subscription to the Prospectus. However, it is at Black Mountain's option as to whether the expenditure is incurred.

Pursuant to acquiring 70% of ABM, Black Mountain has agreed to grant a 3% net smelter royalty over its 70% interest in the US Silver Projects for all minerals extracted, milled and sold. In addition there are existing royalties payable by ABM prior to distribution of profits as follows:

- Conjecture Project 2.5%;
- New Departure Project 3%; and
- Tabor Project 4%.

## 7. SOLICITOR'S REPORT

December 19, 2011

Peter Landau  
Black Mountain Resources Limited  
Ground Floor  
1 Havelock Street  
West Perth WA 6005, Australia

**Re: Limited Title Opinion – Patented and Unpatented Mining Claims, Beaverhead and Madison Counties, Montana.**

Dear Ladies and Gentlemen:

Pursuant to your request, we have prepared this Limited Title Opinion for the purpose of inclusion in a prospectus to be released by Black Mountain Resources Limited on the Australian Securities Exchange. Therefore, we conducted a review with respect to certain patented mining claims located in Beaverhead County, Montana (the “Beaverhead County Claims”), certain patented mining claims located in Madison County, Montana (the “Madison County Claims”), certain unpatented mining claims located in Madison County, Montana (the “Madison County Unpatented Claims”) and certain unpatented mining claims located in Beaverhead County, Montana (the “Beaverhead County Unpatented Claims”) (all of the aforementioned patented and unpatented claims are hereafter collectively known as the “Claims” and individually a “Claim”) all of which are more particularly identified in Appendix A attached hereto (collectively, the “Property”). In accordance with your instructions, we have examined only the materials listed in Appendix B hereto (the “Title Materials”) in rendering this limited title opinion.

This limited title opinion summarizes the results of our review with respect to the Property, based upon and limited to our review of the Title Materials as of the dates stated in Appendix B.

**Holland & Hart LLP Attorneys at Law**

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## I. OWNERSHIP

Based solely on our examination of the Title Materials, and based on and subject to the requirements, comments, limitations, assumptions and exceptions contained herein, we believe title to the Claims to be held as follows:

### A. Beaverhead County Claims

#### **Surface and Minerals, as follows:**

Mother Lode Claim: Lucky Friday Extension Mining Company.

Director, Protector, Shield Lode, Cliff Lode, Guardian Lode, Quien Sabe Lode and Signal Lode Claims: *see* discussion in Section III. A, describing a gap in the chain of title to establish Lucky Friday Extension Mining Company as the current owner of these Claims based on the Title Materials examined.

### B. Madison County Claims

#### **Surface and Minerals all Madison County Claims:**

Brush Prairie Minerals, Inc.

### C. Madison County Unpatented Claims

#### **Surface:**

United States of America: 100.0%, subject to the rights granted to the owner of the Madison County Unpatented Claims to possess all surface areas within the unpatented mining claims for mining purposes.

#### **Minerals:**

United States of America: 100.0%, subject to the rights of the owner of the Madison County Unpatented Claims.

#### **Record Title to the Claims:**

Brush Prairie Minerals, Inc.

**D. Beaverhead County Unpatented Claims**

**Surface:**

United States of America: 100.0%, subject to the rights granted to the owner of the Beaverhead County Unpatented Claims to possess all surface areas within the unpatented mining claims for mining purposes.

**Minerals:**

United States of America: 100.0%, subject to the rights of the owner of the Beaverhead County Unpatented Claims.

**Record Title to the Claims:**

Abot Mining Company, subject to BLM's receipt and confirmation of the amended location notices discussed in Section II.C.3 below.<sup>1</sup> Abot Mining Company has indicated that they intend to file "Amended Notice and Certificate of Location" documents with the BLM to reflect that the "Claimant" is now ABM for each of these claims.

**II. GENERAL DISCUSSION**

**A. The Beaverhead County Claims**

*See discussion of title comments, exceptions and requirements for these Claims in Section III. A.*

**B. Madison County Claims**

*See discussion of title comments, exceptions and requirements for these Claims in Section III B.*

**C. Location and Status of the Unpatented Claims.**

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<sup>1</sup> The Beaverhead County Unpatented Claims were located in the name of "Abbott Mining Company." Amended location certificates were filed for these Claims on December 5, 2011 to correct the name to "Abot Mining Company."



1. Location of the Madison County Unpatented Claims and the Beaverhead County Unpatented Claims

We made no examination of the location certificates and procedures for the Madison County Unpatented Claims and the Beaverhead County Unpatented Claims.

2. Status of the Madison County Unpatented Claims

The Bureau of Land Management (“BLM”) serial register pages for the Unpatented Claims indicate the following: (i) all of the Unpatented Claims have an “active” status; (ii) the Unpatented Claims were located on February 27, 1990 and recordation notice was timely received by the BLM on March 7, 1990; and (iii) maintenance fees have been paid from the date of the first required payment through the current assessment year, with the most recent maintenance fees paid on August 4, 2011 for the assessment year 2012.

3. Status of the Beaverhead County Unpatented Claims

The BLM serial register pages for the Beaverhead County Unpatented Claims indicate the following: (i) all of the Unpatented Claims have an “active” status; (ii) the Beaverhead County Unpatented Claims were located on September 29 and 30, 2011 and recordation notice was timely received by the BLM on October 19, 2011; (iii) the Beaverhead County Unpatented Claims were amended to correct the spelling of the locator’s name on December 5, 2011 to change the name of the locator to “Abot Mining Company”; and (iv) first year maintenance fees were paid with the location and fees are current for the assessment year 2012. Abot Mining Company has indicated that they intend to file “Amended Notice and Certificate of Location” documents with the BLM to reflect that the “Claimant” is now ABM for each of these claims.

**D. Encumbrances**

1. Taxes, Liens, UCC Filings

We made no examination of taxes, liens or UCC filings for any of the Claims.

2. Leases

a. Beaverhead County Claims

*New Departure Mine Lease, dated effective November 30, 2011, between ABM Mining Company, as Lessee, and Lucky Friday Extension Mining Company, as Lessor (“New Departure Lease”). The property subject to the New Departure Lease includes all Beaverhead County Claims. The initial lease term is fifteen years with up to two successive terms and so*



long thereafter as ores or minerals from the leased premises are being developed, mined, processed or marketed on a continuing basis, or when exploration activities have advanced such that construction activities related to the start up of ore production are expected to commence within two to three years. Payment for the lease consists of: (i) \$2.5 million shares of common stock of Abot Mining Company; (ii) a previously paid signing bonus of \$15,000 in cash; (iii) a quarterly payment of \$1,200 per month (\$14,400 per year) as an advance against royalties; and (ii) a 3% Net Smelter Royalty as further described in Section II.D.3.a.ii below.

b. Madison County Claims

*Tabor Mineral Properties Lease dated effective November 30, 2011*, between ABM Mining Company, as Lessee, and Brush Prairie Minerals, Inc., as Lessor (“Tabor Lease”). The property subject to the Tabor Lease includes all Madison County Claims and the Madison County Unpatented Claims. The initial lease term is fifteen years with up to two successive terms and so long thereafter as ores or minerals from the leased premises are being developed, mined, processed or marketed on a continuing basis, or when exploration activities have advanced such that construction activities related to the start up of ore production are expected to commence within two to three years. Payment for the lease consists of: (i) \$2.5 million shares of common stock of Abot Mining Company; (ii) a previously paid signing bonus of \$20,000 in cash; (iii) a quarterly payment of \$1,750 per month (\$21,000 per year) as an advance against royalties; and (ii) a 4% Net Smelter Royalty as further described in Section II.D.3.b.ii below.

c. Madison County Unpatented Claims<sup>2</sup>

The Madison County Unpatented Claims are subject to the Tabor Lease, described in Section II.D.2.b above.

3. Royalties

a. Beaverhead County Claims

*3% Net Smelter Royalty (“3% NSR”)*, granted pursuant to the New Departure Lease described in Section II.D.2.a above. The 3% NSR is granted on all development and production ores and minerals extracted, milled and sold from the property subject to the New Departure Lease, as calculated and paid according to the terms set forth in Appendix B to the New Departure Lease.

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<sup>2</sup> We received no other documents for review for the Unpatented Claims other than the Tabor Lease.

b. Madison County Claims

*4% Net Smelter Royalty* (“4% NSR”), granted pursuant to the Tabor Lease described in Section II.D.2.b above. The 4% NSR is granted on all development and production ores and minerals extracted, milled and sold from the property subject to the New Departure Lease, as calculated and paid according to the terms set forth in Appendix B to the Tabor Lease.

c. Madison County Unpatented Claims

*4% NSR*. The Madison County Unpatented Claims are subject to the 4% NSR described in Section II.D.3.b.ii, as granted in the Tabor Lease, described in Section II.D.2.b above.

4. Easement

a. Butcher Gulch Placer Claim.

i. *Grant Deed, dated January 26, 1982* (“Jones Grant Deed”).

Chester Lloyd Jones conveyed title to the Butcher Gulch Placer Claim to Steven J. Kilwein and Judith A. Kilwein, subject to a non-exclusive easement for access and utilities 30 feet in width to be practically located over and across said tract of land for the purposes of providing access and a utility easement running from the west side of Tract 1 to the east side of Tract 3 on the certificate of Mineral Survey No. 1268; and together with an easement for such purposes through the remaining tracts on the certificate of survey.

ii. *Grant Deed, dated February 12, 1982*. Steven J. Kilwein and Judith A. Kilwein conveyed title in the Butcher Gulch Placer Claim to Tabor Mines & Metals Corporation, subject to the easement described in the Jones Grant Deed, discussed in Section II.D.3.a.i.

### III. TITLE COMMENTS, EXCEPTIONS AND REQUIREMENTS

#### A. Beaverhead County Claims

Gap in Title to the Director, Protector, Shield Lode, Cliff Lode, Guardian Lode, Quien Lode, and Signal Lode Claims.

Based on our review of the Title Materials, for these Claims, there is a gap in the chain of title to the current owner, Lucky Friday Extension Mining Company. The Claims were patented by the United States to Lawrence A. Brown on December, 5, 1899. Caroline W. Brown, Lawrence A. Brown’s widow, conveyed all title in these Claims to A. P. Brown on August 16, 1901. On October 29, 1928, the First National Bank of Dillon conveyed its interest in the



Claims to J. L. Templeman. Beginning with J. L. Templeman's acquisition of the claims from the bank, an unbroken chain of title can be traced to Lucky Friday Extension Mining Company as the current owner. However, it is not certain from the Title Materials, how the First National Bank of Dillon obtained title to the Claims or whether there were additional owners of the Claims for the period from August 16, 1901 until October 29, 1928.

**Requirement:** conduct additional title research to determine how the First National Bank of Dillon obtained its ownership of these Claims and complete the chain of title from the patentee, Lawrence A. Brown, to the current owner, Lucky Friday Extension Mining Company.<sup>3</sup> The failure to establish an unbroken chain of title could subject these Claims to a quiet title action brought by unknown parties who may assert ownership rights in the Claims.

## **B. Madison County Claims**

### Contraction of the Original Butcher Gulch Claim

The Butcher Gulch Claim was patented as a claim comprising 60.94 acres. On December 15, 1981 the owners of the Butcher Gulch Claim conveyed their interests in the claim to Chester Lloyd Jones. The conveyance described the Claim as covering three Tracts shown on the Certificate of Survey recorded in Plat Book 7, Page 253, Madison County, Montana in the NE1/4NW1/4 of Section 1, Township 7 South, Range 3 West, M.P.M. On January 28, 1982, Chester Lloyd Jones reconveyed the claim to one of the prior owners, but the reconveyance was limited to a 20.463 acre tract described as Tract 3 of Certificate of Survey, recorded in Plat Book 7, Page 253, Madison County, Montana. As a result, the Butcher Gulch Placer Claim appears to be limited to the 20.463 acres contained in Tract 3.

**Requirement:** none, advisory only.

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<sup>3</sup> Beaverhead Title, Inc. has indicated that they have conducted additional research and have not located any additional documentation that would establish First National Bank of Dillon's ownership rights in these Claims. They believe that the bank may have obtained its interest based on a foreclosure, but the bank apparently did not record a foreclosure deed at the time it took ownership of these Claims. Beaverhead Title, Inc. indicates that it was not customary practice for this time period for a bank to record such deeds. The bank is no longer in business and thus, it will be difficult to conduct further research regarding the bank's acquisition of ownership for these Claims. As a result, we cannot determine with certainty how the bank obtained its ownership interest in these Claims. Moreover, if the bank acquired ownership through a foreclosure, the party subject to the foreclosure is unknown.

### **C. The Madison County Unpatented Claims and the Beaverhead County Unpatented Claims**

#### 1. Status of Rights Held Under Unpatented Mining Claims.

The holder of an unpatented mining claim has a unique property interest. A person who complies with the statutory requirements for locating an unpatented mining claim -- physically staking the claim on open public land, making a discovery of valuable minerals, and filing the required documents -- automatically acquires the full interest in the claims, without any action by the government. The locator receives the “exclusive right of possession and enjoyment” of all “veins, lodes, and ledges throughout their entire depth” which have apexes within the mining claim, as well as the exclusive right to possess all surface areas within the claim for mining purposes.<sup>4</sup> A locator’s possessory rights are considered vested property rights in real property with full attributes and benefits of ownership exercisable against third parties, and these rights may be sold, transferred and mortgaged. Upon compliance and proof of further requirements the locator may be eligible for a conveyance from the United States of the full fee simple estate in the lands (known as a “patent” of the land). A locator’s possessory right to mine all of the minerals to exhaustion are complete in unpatented mining claims, and the locator is never required to apply for or obtain a patent in order to fully mine the minerals found on the claims.

The United States remains the legal title holder to the lands on which an unpatented mining claim is located. *See* 30 U.S.C. §26, and 1 Am. L. Mining 2d §36.01 – 36.04. While the locator has full possessory rights to the surface and the minerals under the surface, these rights are subject to certain statutory requirements and limitations (*i.e.*, performance of annual assessment work or payment of annual maintenance fees, making annual filings with the Bureau of Land Management, etc.). *See* 1 Am. L. Mining 2d §36.04. Failure to perform these ongoing requirements can result in loss of the right to maintain the claims. *Id.*

**Requirement:** none, advisory only.

#### 2. Third Party Rights and Encumbrances.

The Madison County Unpatented Claims and the Beaverhead County Unpatented Claims could be subject to royalties, easements and other encumbrances that would be revealed by an examination of the physical files at the BLM offices in Dillon, Montana and the files of the Madison County Clerk and Recorder’s Office.

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<sup>4</sup> These statutorily granted rights include extralateral rights. These are rights associated with a valid lode claim that give a claimant rights to the dip of a vein based on ownership of its apex. In effect, extralateral rights give the locator rights to pursue the extralateral extension of a vein beyond the side line limits of a lode location. *See* 30 U.S.C. §26.



**Requirement:** a search of the BLM files and Madison County Clerk and Recorder's records may be conducted to determine the existence of royalties or other encumbrances related to the Madison County Unpatented Claims and the Beaverhead County Unpatented Claims.

3. Quitclaim Deed of Madison County Unpatented Claims.

Brush Prairie Minerals, Inc., acquired all right, title and interest in the Madison County Unpatented Claims from Tabor Resources Corporation pursuant to a Quitclaim Deed, entered into on November 28, 2011. The Quitclaim Deed describes the Madison County Unpatented Claims by name and BLM serial number. This description includes the "New Winetka" claim, with the serial number "175381." The correct spelling for that claim is: "New Winnetka." The correct serial number for the claim is "175384."

**Requirement:** a correction deed should be prepared, executed and recorded with the correct name and serial number for the New Winnetka claim.

4. Location Certificates for Beaverhead County Unpatented Claims.

The location certificates for the Beaverhead County Unpatented Claims identify the name of the locator as "Abbott Mining Company." The location certificates were amended on December 5, 2011 to change the name of the locator to "Abot Mining Company." Our examination of the BLM serial register pages for these Claims indicates that the amendment and name change have not been registered in the BLM database. Abot Mining Company has indicated that they intend to file "Amended Notice and Certificate of Location" documents with the BLM to reflect that the "Claimant" is now ABM for each of these claims.

**Requirement:** Confirm with the BLM that they have received the amended location certificates reflecting the locator name change and that BLM will register the amendments and name changes in its database.

#### IV. LIMITATIONS, ASSUMPTIONS AND EXCEPTIONS

**A. No Examination of Surface Title to Patented Lands.** We did not conduct an examination of the United States' title to the surface of the lands subject to the patented Claims.

**B. No Examination of Location of Madison County Unpatented Claims and the Beaverhead County Unpatented Claims.** We did not conduct an examination of the original notices and certificates of location and the process of location for the Madison County Unpatented Claims and the Beaverhead County Unpatented Claims and make no conclusions as to whether these were properly located, monumented and recorded and whether the locator made

a discovery of valuable minerals on each of the Unpatented Claims as required by the General Mining Law (we note the Madison County Unpatented Claims and the Beaverhead County Unpatented Claims are not valid without a discovery).

**C. Recording Data.** Unless otherwise indicated herein, all references to recording data refer to the real property records of Beaverhead and Madison Counties, Montana.

**D. Exceptions.** This limited title opinion is based solely upon the Title Materials and is, therefore, necessarily subject to any materials not disclosed thereby, which might include particularly the following:

1. Rights that would be shown by an accurate survey of the captioned land.
2. Rights that would be shown by a careful inspection of the captioned land, and rights of all parties in actual possession of the captioned land or any part thereof, including in particular easements and rights-of-way not disclosed by the Title Materials.
3. Mechanics' and materialmen's liens later perfected under the laws of Montana.
4. Voluntary or involuntary petitions in bankruptcy against the present owners or their predecessors in title.
5. Any zoning, environmental or land use regulations or restrictions imposed by governmental authority.
6. Any documents recorded in Beaverhead and Madison Counties, Montana subsequent to October 20, 2011.

**E. Use and Benefit of this Limited Title Opinion.** The views expressed herein are limited in all respects to the laws of the State of Colorado and Montana and are rendered as of the date and time specified herein. This limited title opinion has been solely prepared for inclusion in a prospectus of Black Mountain Resources Limited to be issued on or about December 19, 2011. As noted above, this limited title opinion does not constitute a guarantee of title or a complete title opinion and cannot be relied upon as such.

Respectfully,

  
Karl L. Kahalley

**Appendix A**

to

**Limited Title Opinion Dated December 19, 2011**

**PROPERTY**

**Beaverhead County Claims**

The following patented mining claims located in Beaverhead County, Montana

<u>Claim name</u>	<u>Mineral Survey #</u>
Mother Lode	8431
Director	5600
Protector	5601
Shield Lode	5602
Cliff Lode	2264
Guardian Lode	2411
Quien Sabe Lode	2265
Signal Lode	2505 A

**Madison County Claims**

The following patented mining claims located in Madison County, Montana

<u>Claim name</u>	<u>Mineral Survey #</u>
Highland Lode	7295
McKinley Lode	7292
Hope	6623
Shenandoah	6624
Bay State Lode	6625
Nellie Bly	9722
Alder Fraction	9722
Prescot	9722
Malta Lode	9722
St. John	5984
Butcher Gulch Placer	Tract 3 of Book 7 Surveys, page 253



**Madison County Unpatented Claims**

The following unpatented mining claims located in Madison County, Montana.

<u>Claim name</u>	<u>BLM Serial Register #</u>
Don-A-Vera	MMC 175327
Don-A-Vera No. 1	MMC 175328
Pearl No. 1	MMC 175355
Pearl No. 2	MMC 175356
Eagle Black No. 1	MMC 175363
Eagle Black No. 5	MMC 175367
New Winnetka	MMC 175384
Tabor Lode	MMC 175409

**Beaverhead County Unpatented Claims**

The following unpatented mining claims located in Beaverhead County, Montana.

<u>Claim name</u>	<u>BLM Serial Register #</u>
IM 1	NMC 224987
IM 2	NMC 224988
IM 3	NMC 224989
IM 4	NMC 224990
IM 5	NMC 224991
IM 6	NMC 224992
IM 7	NMC 224993
IM 8	NMC 224994
IM 9	NMC 224995
IM 10	NMC 224996
IM 11	NMC 224997
IM 12	NMC 224998
IM 14	NMC 225000
IM 15	NMC 225001
IM 16	NMC 225002
IM 17	NMC 225003
IM 18	NMC 225004
IM 23	NMC 225009
IM 24	NMC 225010



**Appendix B**

to

**Limited Title Opinion Dated December 19, 2011**

**Title Materials**

1. Title Report for Beaverhead County records, prepared by Beaverhead Title, Inc., dated October 20, 2011, and documents attached.
2. Title Report for Madison County records, prepared by Beaverhead Title, Inc., dated October 20, 2011, and documents attached.
3. Serial Register pages for the Madison County Unpatented Claims, obtained from the BLM, LR2000 on-line database, reviewed on October 27, 2011.
4. E-mail correspondence from Martha T. Roletto, dated November 3, 2011 summarizing results of Beaverhead Title, Inc.'s additional research conducted for the following Claims: Director, Protector, Shield Lode, Cliff Lode, Guardian Lode, Quien Sabe Lode and Signal Lode.
5. Quitclaim Deed, dated November 28, 2011, by and between Tabor Resources Corporation and Brush Prairie Minerals, Inc.
6. New Departure Mine Lease, dated effective November 30, 2011, between ABM Mining Company and Lucky Extension Mining Company.
7. Tabor Mineral Properties Lease, dated effective November 30, 2011, between ABM Mining Company and Brush Prairie Minerals, Inc.
8. Serial Register pages for the Beaverhead County Unpatented Claims, obtained from the BLM, LR2000 on-line database, reviewed on December 8, 2011.

# RAMSDEN & LYONS, LLP

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December 19, 2011

Black Mountain Resources Limited  
c/-Ground Floor  
1 Havelock Street  
West Perth WA 6005  
Australia

Re: Title Opinion With Respect To Six Patented And Thirty Three Unpatented Mining Claims Situated In Sections 26 and 27, T. 53 N., R. 1 W., B.M., in Bonner County, Idaho

Ladies and Gentlemen:

You asked that I provide a legal opinion with respect to the status of title to certain patented and unpatented mining claims, known generally as the Conjecture Mine, that are owned by Chester Mining Company ("Chester"), an Idaho corporation.

This Report is prepared for inclusion in a prospectus to be issued by Black Mountain Resources Limited ("Black Mountain") on or about December 19, 2011 for the issue of 10,000,000 fully paid ordinary shares in the capital of the Company ("Shares") at an issue price of \$0.20 per Share to raise up to \$2,000,000 ("Prospectus").

ABM Mining Corporation has an interest in the Conjecture Mine through a mining lease made effective November 30, 2011 between Chester as Lessor, and ABM Mining Corporation, an Idaho corporation, as Lessee (the "Lease"). It is planned that Black Mountain will acquire a 70% interest in ABM Mining Corporation and provide initial funding for a joint venture that will explore and develop the Conjecture Mine.

The legal description of the real property to which this opinion applies is attached as **Exhibit A** (the "Property").

## Patented Mining Claims

Exhibit A describes six patented mining claims. In the United States the mining law of 1872, a series of statutory provisions, is the basis for the law pertaining to ownership of patented mining claims. The law permits a mining claim holder to obtain a "patent" to public lands encompassed by the claim. A patent is a conveyance from the United States to the claim holder

December 19, 2011

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of what is, essentially, fee title to the lands within the boundaries of the claim. Title then resides in the patented claim owner or his grantee in perpetuity.

An investigator of title to patented claims may request a report from a title insurance company doing business in the geographic area where the claims are situated. The title insurance company reviews its records, which include the documents on file with the County Recorder, to then issue a report showing the chain of title to the parcels of real property of interest. Lawyers commonly rely on such reports as a basis for legal opinions concerning title, rather than undertaking the time consuming task of searching the public records themselves.

In this case, the patented claims described in Exhibit A are covered by a report issued by Alliance Title & Escrow Corp. dated October 15, 2011. The report is attached as **Exhibit B**. I have the documents referred to in the report, although I am not attaching them to this letter. I have dealt with Alliance Title & Escrow Corp. for numerous years. It has been my experience that Alliance Title is reputable and thorough. Therefore I expect that the report, Exhibit B, is complete.

Based on my review of the documents attached to the Alliance Title & Escrow Corp. report that is Exhibit B, it is my opinion that Chester has good and merchantable title to the patented mining claims described in Exhibit A.

Alliance Title & Escrow Corp. furnished an additional report attached as **Exhibit C**. It lists five potential encumbrances upon the Property by virtue of written instruments of record. One is an option and purchase agreement made in 1950 between certain Fennels as the sellers and Majer as the buyer. A second is an option to lease and purchase made in 1951 between certain Fennels as grantors and Majer as grantee. These two documents do not, in my opinion, constitute encumbrances because they have been either performed or terminated, as shown by the documents in the report that is Exhibit B, which reveal title vested in Chester. A third instrument is a chattel mortgage made in 1956 in which personal property at the Conjecture Mine was encumbered in favor of Federal Uranium Corporation, the lender of \$65,000. There is no evidence of record that the note or mortgage was extended and, unless they were, the statute of limitations has run with respect to the obligation. Another document is a record of survey dated October 1981. It shows reestablishment of two mining claim corners, with the Moonlight claim depicted on the plat where one corner for the Keep Cool and Flash claims were redone. I note that the Moonlight claim is adjacent to the Lucky Strike claim, which is a part of the Property. So, the record of survey may implicate, so to speak, the Lucky Strike claim, but in my opinion it is of no significance. The fifth and final document is an easement granted in April 1988 by Conjecture Mines, Inc. to the U.S. upon and across the Lucky Strike and Silver Cord claims for the purpose of a road right-of-way. The easement has been in existence for over 20 years with no indication of which I am aware that it adversely impacts operations, or planned operations, upon the Property. It is common for roads to cross the surface of mining property with no significant adverse impact.

I reviewed the Lease referred to above, that was made effective November 30, 2011. It is legally binding based on the fact that all necessary corporate formalities were carried out to

December 19, 2011

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authorize the parties to execute it. It is my opinion, therefore, that ABM Mining Corporation has a valid, legal and binding leasehold interest in the patented mining claims described in Exhibit A. Unpatented Mining Claims

Exhibit A also describes 33 unpatented mining claims. A holder of an unpatented mining claim in the United States has a nonexclusive possessory interest in the land for the purpose of mining. The U.S. retains the right to manage and dispose of surface resources. The public has the right to enter upon the surface of the land for recreation and other purposes, so long as they do not interfere with mining. While the mining law of 1872 would allow an unpatented claim to advance to a patented claim, a moratorium was adopted by Congress in 1994 that prevents conversion of an unpatented claim to a patented claim.

The owner of an unpatented lode claim, which these are, is required to pay to the U.S., annually, a claim holding fee which is currently the sum of \$140 per claim. The owner of an unpatented claim possesses title for an indefinite term; that is, he owns the claim for so long as he complies with all of the laws associated with ownership of such a claim, including making payment of the annual claim holding fee. It can be noted that prior to 1994 the law required labor upon the claim in the amount of \$100 per year, which labor was supported by filing, annually, a written "proof of labor" with respect to the claim.

With respect to the unpatented mining claims listed in Exhibit A, I checked the claim status reports for each claim that are available through the U.S. Bureau of Land Management (BLM) on the telephone with Mr. Tanner Hartman, BLM public contact officer in Boise, Idaho, and through use of the BLM website and its claim register. The records show that each of the unpatented claims listed in Exhibit A are in good standing, in that the claim holding fees have been paid on time, and are current. Also, the Confed 1-6 unpatented claims are shown to be owned by Chester Mining Company, while the 27 other claims are shown to be owned by Abot Mining Company. Each year an "adjudicator" looks at the file for each claim. In this case, there is nothing noted in the claim files to indicate there is now, or that there has been, any dispute or controversy involved with the described claims.

Based on the explanation given above, it is my opinion that the unpatented mining claims described in Exhibit A have been located and maintained in compliance with applicable laws of the State of Idaho and of the United States; that the land subject to the claims is not now being claimed by any third party; that there are no native American legal issues associated with these claims; that all required proofs of labor have been filed or claim holding fees have been paid; and that the unpatented mining claims listed in Exhibit A are owned by Chester Mining Company or Abot Mining Company, and those owned by Chester Mining Company are subject to a valid, binding and enforceable lease to ABM Mining Corporation. Abot Mining Company has indicated that it intends to file amended documents with the BLM to reflect that the claimant for the 27 unpatented claims is ABM Mining Corporation. This would revise the official record to reveal that ABM Mining Corporation is the owner of those claims.

#### Recent Superfund Activity

December 19, 2011

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In July 2010 the Federal District Court for the District Of Idaho entered a Consent Decree in a case titled U.S v. Shoshone Silver Mining Co. and Lakeview Consolidated Silver Mines, Inc., Case No 2:08-CV-00495-EJL-CWD. The action was brought for cost recovery under CERCLA, 42 U.S.C. § 9607. The cost recovery had to do with clean-up work associated with mining property, including the Conjecture Mine. At the time of the Consent Decree, Shoshone Silver Mining Co., one of the defendants, held a lease on the mine. The Consent Decree places certain obligations on Shoshone Silver, but not on third parties who are not named defendants.

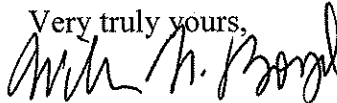
However, the suit by the U.S. alerts one interested in the condition of title to the Conjecture Mine that new operations must, of course, be conducted in compliance with all applicable laws involving protection of the environment, and that the U.S. may, in the future, decide to perform additional work at the mine. I am aware that the U.S. Justice Department is currently making demands on Chester for payment of cost recovery under CERCLA, in addition to the demands made upon the two companies referred to in the paragraph immediately above. To date, no suit has been filed against Chester.

#### Qualifications Of Opinion

The Title Opinion expressed above is qualified, as follows:

- a. I do not express an opinion with respect to extralateral rights associated with any of the property described in **Exhibit A**. However, in the course of writing this letter I have not come across any information that causes me to conclude there is some latent issue involving the subject of extralateral rights.
- b. I have not researched the public records myself. My Title Opinion is based on the records provided by others, as related in this letter. Therefore, I am assuming the work done by others is complete and accurate.
- c. My Title Opinion does not constitute a guarantee of title, and it is not title insurance.

Very truly yours,



William F. Boyd

Exhibit A

The following described real estate, situated in the County of Bonner, State of Idaho

Patented Mining Claims

Spider	Surveyor General's Survey #2683
Conjecture	Surveyor General's Survey #2683
Rainbow	Surveyor General's Survey #2689
Comet	Surveyor General's Survey #3071
Lucky Strike	Surveyor General's Survey #2744
Silver Cord	Surveyor General's Survey #2744

Parcel #: RP 53N01W264301 A

Unpatented Mining Claims

Confed 1 thru 6, IMC#s 173253, 173254, 173255, 173256, 173257, 173258

IMC#s 206019-206045

Lakeview Mining District

Bonner County, Idaho



105 Pine Street Sandpoint, ID 83864 (208) 263-2125 Fax No. (208) 263-1784

We hereby certify this to be a true and correct chain of title for the following parcel, according to the official Bonner County records.

Spider, Conjecture, Rainbow, Comet, Lucky Strike and Silver Chord being a portion of Sections 26 & 27, Township 53 North, Range 1 West, Boise Meridian, Bonner County, Idaho.  
Parcel No. RP 53N01W264301 A

**Patent:**

Grantor: United States of America  
Grantee: Empire Tungsten Mining Company  
Dated: July 12, 1912  
Recorded: February 20, 1915  
Book 30 of Deeds at Page 215

**Patent:**

Grantor: United States of America  
Grantee: The Lakeview Mining and Milling Company  
Dated: October 27, 1915  
Recorded: November 11, 1915  
Book 31 of Deeds at Page 98

**Patent:**

Grantor: United States of America  
Grantee: The Pittsburg Mining Company  
Dated: June 10, 1916  
Recorded: June 19, 1919  
Book 34 of Deeds at Page 577

**Indenture:**

Grantor: Pittsburg Mining Company  
Grantee: Lakeview Silver Mines Co.  
Dated: May 4, 1921  
Recorded: May 27, 1921  
Book 37 of Deeds at Page 399

**Tax Deed:**

Grantor: Lakeview M. & M. Co.  
Grantee: Bonner County, State of Idaho  
Dated: March 7, 1927  
Recorded: April 8, 1927  
Book 41 of Deeds at Page 419

**Patent:**

Grantor: United States of America  
Grantee: Gerald M Fennell  
Dated: June 14, 1927  
Recorded: July 21, 1927  
Book 46 of Deeds at Page 481

Continued on next page

Deed of County Property:  
Grantor: County of Bonner, State of Idaho  
Grantee: R. E. M. Strickland  
Dated: October 24, 1931  
Recorded: October 24, 1931  
Book 52 of Deeds at Page 338

Indenture:  
Grantor: R. E. M. Strickland  
Grantee: Gardner Chamberlin  
Dated: December 9, 1931  
Recorded: December 15, 1931  
Book 52 of Deeds at Page 373

Sheriff's Deed:  
Grantor: Henry C Traue, Sheriff  
Grantee: Spokane and Eastern Trust Company  
Dated: December 12, 1931  
Recorded: December 18, 1931  
Book 52 of Deeds at Page 379

Deed:  
Grantor: Spokane and Eastern Trust Company  
Grantee: John L Davis  
Dated: September 21, 1932  
Recorded: May 15, 1935  
Book 54 of Deeds at Page 615

Deed:  
Grantor: Elizabeth Guss Scott  
Grantee: Frank C Weber  
Dated: February 23, 1943  
Recorded: April 15, 1943  
Book 3 of Mining Deeds at Page 102

Deed:  
Grantor: Henry A Guss  
Grantee: Frank C Weber  
Dated: February 23, 1943  
Recorded: April 15, 1943  
Book 3 of Mining Deeds at Page 103

Deed:  
Grantor: Frank C Weber  
Grantee: Gerald M Fennell and Cecil G Fennell  
Dated: March 12, 1943  
Recorded: April 22, 1943  
Book 3 of Mining Deeds at Page 105

Deed:  
Grantor: Clinton H Hartson  
Grantee: Frank C Weber  
Dated: March 31, 1943  
Recorded: May 1, 1943  
Book 3 of Mining Deeds at Page 106

Continued on next page



Deed:  
Grantor: Frank C Weber  
Grantee: Gerald M Fennell and Cecil G Fennell  
Dated: May 4, 1943  
Recorded: May 29, 1943  
Book 67 of Deeds at Page 383

Mining Deed:  
Grantor: Gardner Chamberlin  
Grantee: Walter Blossom  
Dated: December 8, 1938  
Recorded: June 14, 1943  
Book 3 of Mining Deeds at Page 107

Mining Deed:  
Grantor: Walter Blossom  
Grantee: John Barclay  
Dated: December 8, 1938  
Recorded: June 14, 1943  
Book 3 of Mining Deeds at Page 108

Deed:  
Grantor: Gerald M Fennell, Cecil G Fennell and Grace E Fennell  
Grantee: Frank C Weber  
Dated: November 10, 1943  
Recorded: December 1, 1943  
Book 3 of Mining Deeds at Page 109

Deed:  
Grantor: Mary Walker Graves, formally Mary Walker Harrington  
Grantee: Gerald M Fennell and Cecil G Fennell  
Dated: July 14, 1943  
Recorded: August 16, 1943  
Book 67 of Deeds at Page 554

Deed:  
Grantor: Spokane Childrens Home  
Grantee: Gerald M Fennell and Cecil G Fennell  
Dated: July 9, 1943  
Recorded: August 16, 1943  
Book 67 of Deeds at Page 555

Deed:  
Grantor: Samaritan Home Association, Incorporated  
Grantee: Gerald M Fennell and Cecil G Fennell  
Dated: June 29, 1943  
Recorded: August 16, 1943  
Book 67 of Deeds at Page 556

Deed:  
Grantor: St. Joseph's Childrens' Home of Spokane  
Grantee: Gerald M Fennell and Cecil G Fennell  
Dated: June 28, 1943  
Recorded: August 16, 1943  
Book 67 of Deeds at Page 557

Continued on next page

Deed:

Grantor: Mrs. Marion Luhn Sheehy  
Grantee: Gerald M Fennell and Cecil G Fennell  
Dated: June 24, 1943  
Recorded: August 16, 1943  
Book 67 of Deeds at Page 558

Deed:

Grantor: The Salvation Army  
Grantee: Gerald M Fennell and Cecil G Fennell  
Dated: August 31, 1943  
Recorded: September 14, 1943  
Book 67 of Deeds at Page 605

Deed:

Grantor: Empire Tungsten Mining Company  
Grantee: Gerald M Fennell  
Dated: March 20, 1943  
Recorded: January 20, 1945  
Book 70 of Deeds at Page 238

Assignment and Conveyance:

Grantor: Donald E Majer and L Glorian Majer and Lyle H Fennell and Martha M Fennell and Ernie Majer, Inc.  
Grantee: Conjecture Mines, Inc.  
Dated: April 1, 1955  
Recorded: June 2, 1955  
Instrument No.: 52806

Deed:

Grantor: Conjecture Mines, Inc.  
Grantee: Federal Uranium Corporation  
Dated: November 15, 1956  
Recorded: May 26, 1958  
Instrument No.: 65683

Warranty Deed:

Grantor: Pittsburg Mining Company  
Grantee: The Estate of Gerald M Fennell, deceased  
Dated: July 23, 1959  
Recorded: August 18, 1959  
Instrument No.: 71896

Decree:

Grantor: Norris N Benson  
Grantee: Geraldine Elliot and Norris N Benson  
Dated: March 21, 1960  
Recorded: April 1, 1960  
Instrument No.: 75049

Quitclaim Deed:

Grantor: Federal Resources Corporation  
Grantee: Conjecture Mines, Inc.  
Dated: March 14, 1964  
Recorded: August 20, 1965  
Instrument No.: 102503

Continued on next page

Quitclaim Deed:

Grantor: Cecil G Fennell and Grace Fennell  
Grantee: Conjecture Mines, Inc.  
Dated: June 4 1955  
Recorded: July 31, 1974  
Instrument No.: 159245

Deed:

Grantor: N. N. Benson  
Grantee: Don E Majer and Lyle H Fennell  
Dated: May 1, 1961  
Recorded: July 31, 1974  
Instrument No.: 159246

Quitclaim Deed:

Grantor: Geraldine F Elliot  
Grantee: Conjecture Mines, Inc.  
Dated: April 22, 1975  
Recorded: May 2, 1975  
Instrument No.: 165262

Quitclaim Mining Deed:

Grantor: Don E Majer and L Glorian Majer and Lyle H Fennell and Martha M Fennell  
Grantee: Conjecture Mines, Inc.  
Dated: April 15, 1975  
Recorded: May 2, 1975  
Instrument No.: 165263

Quitclaim Deed:

Grantor: Combined Metals Reduction Company, successor in interest to Minerals Management, Inc.  
Grantee: Conjecture Mines, Inc.  
Dated: May 12, 1986  
Recorded: August 15, 1986  
Instrument No.: 322874

Corporation Deed:

Grantor: The Coeur D' Alene Company, successor in interest to Conjecture, Inc.  
Grantee: Washington Mining Co.  
Dated: October 22, 1993  
Recorded: November 5, 1993  
Instrument No.: 435127

Mining Deed:

Grantor: Washington Mining Company  
Grantee: Consolidated Royal Mines, Inc.  
Dated: August 30, 1995  
Recorded: September 1, 1995  
Instrument No.: 471584

Quitclaim Deed:

Grantor: Consolidated Royal Mines, Inc.  
Grantee: Conjecture Silver Mines, Inc.  
Dated: March 18, 1998  
Recorded: March 25, 1998  
Instrument No.: 521162

Continued on next page

Quitclaim Deed:

Grantor: Conjecture Silver Mines, Inc.

Grantee: Chester Mining Company

Dated: January 8, 2004

Recorded: January 13, 2004

Instrument No.: 642183

Dated: October 15, 2011

Alliance Title & Escrow Corp.

A handwritten signature in black ink, appearing to read "Dan Hunt", is written over a horizontal line.

By: Dan Hunt | Title Officer



105 Pine Street Sandpoint, ID 83864 (208) 263-2125 Fax No. (208) 263-1784

We hereby certify the following matters to be potential encumbrances against the following parcel,  
according to the official Bonner County records.

Spider, Conjecture, Rainbow, Comet, Lucky Strike and Silver Chord being a portion of Sections 26 & 27,  
Township 53 North, Range 1 West, Boise Meridian, Bonner County, Idaho.  
Parcel No. RP 53N01W264301 A

Option to lease and purchase:  
Dated: January 1, 1951  
Recorded: October 18, 1951  
Book 18 of Miscellaneous at Page 89

Chattel Mortgage:  
Dated: November 15, 1956  
Recorded: January 24, 1957  
Instrument No.: 60001

Option and purchase agreement:  
Dated: October 23, 1950, November 24, 1950 and December 4, 1950  
Recorded: August 27, 1968  
Instrument No.: 117791

Record of survey:  
Dated: October 15, 1981  
Recorded: October 21, 1981  
Instrument No.: 248354

Easement:  
Dated: April 15, 1988  
Recorded: May 19, 1988  
Instrument No.: 348813

Dated: November 1, 2011

Alliance Title & Escrow Corp.

A handwritten signature in black ink, appearing to read "Dan Hunt", is written over a horizontal line.

By: Dan Hunt | Title Officer

## 8. RISK FACTORS

### 8.1 Introduction

**THE RISKS CONTAINED BOTH IN THE INVESTMENT OVERVIEW SECTION AND THIS SECTION 8 SHOULD BE CONSIDERED CAREFULLY BY POTENTIAL INVESTORS.**

The Shares offered under this Prospectus should be considered speculative because of the nature of the Company's business.

Whilst the Directors recommend the Offer, there are numerous risk factors involved in the Company's operations. The following is a summary of the more material matters to be considered. However, this summary is not exhaustive and potential investors should examine the contents of this Prospectus in its entirety and consult their professional advisors before deciding whether to apply for the Shares.

There are numerous widespread risks associated with investing in any form of business and with investing in the share market generally. There is also a range of specific risks associated with the Company's activities. These risk factors are largely beyond the control of the Company and its Directors because of the nature of the proposed activities of the Company.

Based on the information available, a non-exhaustive list of risk factors which may affect the Company's financial position, prospects and the price of its listed securities include the following.

### 8.2 Key Risks

**The Key Risks identified in the Investment Overview section of the Prospectus are as follows:**

Risk Area	Risks
<b>Re-Quotation of Shares on ASX</b>	The Acquisition constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the official list of ASX. There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotations of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Whilst this is not a risk for new investors in so far as their funds will be returned should the Company not successfully re-comply, it is a risk for existing shareholders in the Company who may be prevented from trading their shares should the Company be suspended until such time as it does re-comply with the ASX Listing Rules.
<b>Exploration and Development Risk</b>	<p>The mining claims are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings.</p> <p>There can be no assurance that exploration of the mining claims, or any other claims that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee</p>

	<p>that it can be economically exploited.</p> <p>The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, native title process, changing government regulations and many other factors beyond the control of the Company.</p> <p>The success of the Company will also depend upon the Company having access to sufficient development capital, being able to maintain title to its mining claims and obtaining all required approvals for its activities. In the event that exploration programmes prove to be unsuccessful this could lead to a diminution in the value of the mining claims, a reduction in the case reserves of the Company and possible relinquishment of the mining claims.</p> <p>The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.</p>
<p><b>Mine Development</b></p>	<p>The Company's ability to sustain or increase the proposed levels of production is dependent upon the successful development of new producing mines and/or identification of reserves and resources at existing mining operations. Whilst the Directors consider the US Projects to have good potential for the discovery of resources, there is no guarantee of a discovery or that any discovery will be commercially feasible. If the Company is unable to develop new ore bodies, it will not be able to sustain the proposed production levels.</p> <p>Many factors are involved in the determination of the economic viability of a deposit, including the achievement of satisfactory mineral reserve estimates, the level of estimated metallurgical recoveries, capital and operating cost estimates and the estimate of future metals prices. Capital and operating cost estimates are based upon many factors, including anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, ground and mining conditions, expected recovery rates of the copper from the ore and anticipated environmental and regulatory compliance costs. Each of these factors involves uncertainties and as a result, the Company cannot give any assurance that its development or exploration projects will become operating</p>

	<p>mines. If a mine is developed, actual operating results may differ from those anticipated in a feasibility study.</p> <p>The proposed development is based on the Company relying on historical mining and resource studies completed by previous owners of the US Projects which are not JORC compliant and additional drilling may be required.</p>
<b>Equipment and availability</b>	<p>The Company's ability to undertake mining and exploration activities is dependent upon its ability to source appropriate contractors with access to mining equipment. Equipment is not always available and the market for mining equipment experiences fluctuations in supply and demand. If the Company is unable to source appropriate equipment economically or at all then this would have a material adverse effect on the Company's financial or trading position.</p>
<b>Reliability of technical information and project data</b>	<p>The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits; failure to achieve predicted grades in exploration and mining; operational and technical difficulties encountered in mining; difficulties in commissioning and operating plant and equipment; mechanical failure or plant breakdown; unanticipated metallurgical problems which may affect extraction costs; adverse weather conditions; industrial and environmental accidents; industrial disputes; and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.</p> <p>Should the Company be successful in defining a mineral resource on any of the mining claims, such resource estimate will be an expression of judgment based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.</p>
<b>Title and Regulatory Risk</b>	<p>Interests in mineral rights in the USA are governed by state and federal legislation. The claims which grants the title to the US Projects is subject to compliance with certain requirements, including lodgement of reports, payment of annual fees and compliance with environmental conditions and environmental legislation. For avoidance of doubt, the prospectus to be issued pursuant to the Capital Raising will include a solicitors report in respect of US Projects.</p>



	<p>The access to and ability to progress the New Departure and Tabor Projects are dependent on a small mines exemption being granted under the laws of the state of Montana, and other factors such as availability of human resources and local mine services and equipment providers. Progress at the Conjecture Project will be subject to developing a finalized drill program to target known mineralised zones within the Conjecture Mine. Should the Company need to drill on unpatented mining claims which are subject to Bureau of Land Management and Forest Service jurisdiction, the Company will have to obtain drill permits from one or more of these agencies in order to conduct its initial drill program.</p> <p>Under US mining law a “patented claim” gives the holder title to the lands within the boundaries of the claim. Title resides with the patented claim owner or his grantee in perpetuity. In addition under Montana state law a mining company may rely on a small mine exemptions to mine without further regulatory approvals where no more than five acres of land are disturbed by the mining activity and no more than two projects are in undertaken in the state and such projects are not closely proximate to each other. The Company intends to rely on this exemption in order to achieve early production at New Departure as planned.</p> <p>An “unpatented mining claim” is a particular parcel of land, valuable for a specific mineral deposit or deposits. It is a parcel for which the grantee has asserted a right of possession, which is restricted to the extraction and development of a mineral deposit. However, unlike a patented mining claim, the interest to extract minerals is leased by the government and no land ownership is conveyed to the holder.</p> <p>For further information on “patented claims” and exemptions, refer to the Solicitor’s Reports in section 7 and Risk Factors in section 8 of this Prospectus.</p>
<p><b>Joint Venture Risk</b></p>	<p>The Company is subject to the risk that changes in the status of any of the company’s joint venture (including changes caused by financial failure or default by a participant in the joint venture) may adversely affect the operations and performance of the Company.</p>
<p><b>Operations</b></p>	<p>The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and</p>

	<p>environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.</p> <p>No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its claim interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.</p>
<p><b>Resource estimates</b></p>	<p>The Company does not presently have any JORC Code compliant resources on the mining claims in which it is acquiring an interest. In the event a resource is delineated this would be an estimate only. An estimate is an expression of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.</p>
<p><b>Environmental Risks</b></p>	<p>The operations and proposed activities of the Company are subject to the laws of the states of Montana and Idaho, and regulations concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.</p> <p>Mining operations have inherent risks and liabilities associated with safety and damage to the environment and the disposal of waste products occurring as a result of mineral exploration and production. The occurrence of any such safety or environmental incident could delay production or increase production costs. Events, such as unpredictable rainfall or bushfires may impact on the Company's ongoing compliance with environmental legislation, regulations and licences. Significant liabilities could be imposed on the Company for damages, clean up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous operations or non-compliance with environmental laws or regulations.</p> <p>There is a risk that environmental laws and regulations become more onerous in the future, making the Company's operations more expensive.</p>

<b>Demand and Supply Risks for Gold and Silver</b>	<p>If the Company achieves success leading to gold and silver production, the revenue it will derive through the sale of these precious metals exposes the potential income of the Company to price and exchange rate risks.</p> <p>Gold and silver prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious metals, technological advancements, forward selling activities and other macro-economic factors. Furthermore, international prices of gold and silver are denominated in United States dollars, exposing the Company to the fluctuations and volatility of the relevant exchange rate for the United States dollar as determined in international markets.</p>
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***INVESTORS SHOULD NOTE THAT DETAIL RELATING TO THESE RISK FACTORS HAS NOT BEEN REPEATED IN THIS SECTION.***

### 8.3 Specific Risks

(a) Exploration and production risks

The business of silver, gold and base metal exploration, project development and production involves risks by its very nature. To prosper, it depends on the successful exploration appraisal and development of ore reserves. Operations, such as design and construction of efficient recovery and processing facilities, competent operational and managerial performance and efficient distribution and marketing services are required to be successful. In particular, exploration is a speculative endeavour whilst production operations can be hampered by force majeure circumstances, engineering difficulties, cost overruns, inconsistent recovery rates and other unforeseen events.

The outcome of exploration programs will affect the future performance of the Company and its Shares. If, and when, the Company commences production, the production may be curtailed or shut down for considerable periods of time due to any of the following factors:

- disruptions to the transport chain being road and rail;
- a lack of market demand;
- government regulation;
- production allocations; and
- force majeure.

These curtailments may continue for a considerable period of time resulting in a material adverse effect on the results of operations and financial condition of the Company.

Further, the exploration for and production of minerals involves certain operating hazards, such as:

- failure and or breakdown of equipment;
- adverse geological, seismic and geotechnical conditions;
- industrial accidents;
- labour disputes;
- adverse weather conditions;
- pollution; and
- other environmental hazards and risks.

Any of these hazards could cause the Company to suffer substantial losses if they occur.

The future exploration activities of the Company may not be successful. Unsuccessful exploration activities could have a material adverse effect on the results of operations and financial condition.

Under Montana State Law a mining company may rely on an exemption from the normal permitting procedure which would be required for a larger scale mine. If the company meets certain small mine exemptions. The Montana Law provides that a Company can undertake up to two projects in the state which cannot be closely proximate to each other. Furthermore, the exemption is valid so long as no more than five acres of land are disturbed by the mining activity. Importantly there is no limit on the tonnes which may be produced per annum or cumulatively.

The Company intends to rely on this exemption in order to achieve early production at New Departure as planned. The historic workings of the New Departure have about nine acres of disturbance. The Company and its advisors are interpreting the statute to read that we may disturb up to five acres of new disturbance and still qualify for the exemption. It is possible that the State of Montana may deny the exemption should they find that the historic disturbance would preclude application of the exemption by reason of the past level of disturbance. Since the Small Mine Exemption is in fact an exemption and not a permit application, the Company is unlikely to find out how the State will rule on this question until the Company has filed its affidavit of exemption (which it intend to file within the next thirty days) and the State of Montana officials have studied our affidavit and make a finding.

(b) Commodity price volatility

Upon completion of the Acquisition and subsequent development of the US Projects (if developed), a significant proportion of the Group's revenues and cash flows are likely to be derived from the sale of silver, gold and other base metals from the US Projects. Therefore, the financial performance of the Company will be sensitive to the silver and gold price. Commodity prices are affected by numerous factors and events that are beyond the control of the Company. These factors and events include general economic activity, world demand, costs of production by other producers and other matters such as inflationary expectations, interest rates, currency exchange rates (particularly the strength of the US dollar) as well as general global economic conditions and political trends.

If silver or gold prices should fall below or remain below the Group's future costs of production for any sustained period due to these or other factors and events, the Group's exploration and production could be delayed or even abandoned. A delay in exploration or production or the abandonment of the Group's project may have a material adverse effect on the Company's production, earnings and financial position.

(c) Exchange rate risk

If the Group achieves success leading to mineral production, the revenue it will derive through the sale of silver, gold and other base metals exposes the potential income of the Company to commodity price and exchange rate risks.

(d) Unforeseen expenditure risk

Expenditure may need to be incurred that has not been taken into account in the preparation of this Notice. Although the Company is not aware of any such additional expenditure

requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

(e) Additional requirements for capital

The Directors expect that the Company will have sufficient capital resources to enable the Company to achieve its initial business objectives upon settlement of the Acquisition Agreement.

However, the Directors can give no assurances that such objectives will in fact be met without future borrowings or capital raisings. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its expansion and development programs. If the Company is successful in meeting its initial objectives with respect to the US Projects, then additional capital will be required to further develop its operations and pursue business opportunities.

(f) Government policy changes and legal risk

Government action or policy change (in particular, by USA state or federal governments) in relation to access to lands and infrastructure, compliance with environmental regulations, export restrictions, taxation, royalties and subsidies may adversely affect the Company's operations and financial performance.

The Group's operations will be governed by a series of USA state and federal laws and regulations. Breaches or non-compliance with these laws and regulations can result in penalties and other liabilities. These may have a material adverse impact on the financial position, financial performance, cashflows, growth prospects and share price of the Company.

These laws and regulations may be amended from time to time, which may also have a material adverse impact on the financial position, financial performance, cashflows, growth prospects and share price for the Company.

The introduction of new legislation or amendments to existing legislation by governments, developments in existing common law, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial performance of the Company and the value of its Shares. In addition, there is a commercial risk that legal action may be taken against the Company in relation to commercial matters.

(g) Reliance on key management

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel.

In particular, the Company intends that the day-to-day management of the US Projects will remain with the existing senior management and key personnel of ABM, who have the experience and knowledge required to manage silver and gold exploration and production in the USA. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these personnel cease their employment.

(h) Competition

There is a risk that the Company will not be able to continue to compete profitably in the competitive industry in which it intends to operate. The potential exists for the nature and extent of the competition to change rapidly, which may cause loss to the Company.

(i) Third party risks

The operations of the Company will require the involvement of a number of third parties, including suppliers, contractors and customers. Financial failure, default or contractual non-compliance on the part of such third parties may have a material impact on the Company's operations and performance. It is not possible for the Company to predict or protect itself against all such risks.

(j) Management of growth

There is a risk that management of the Company will not be able to implement the Company's growth strategy after completion of the Acquisition. The capacity of the new management to properly implement and manage the strategic direction of the Company may affect the Company's financial performance.

(k) Insurance

The Company will, where possible and economically practicable, endeavour to mitigate some project and business risks by procuring relevant insurance cover. However, such insurance cover may not always be available or economically justifiable and the policy provisions and exclusions may render a particular claim by the Company outside the scope of the insurance cover.

While the Company will undertake all reasonable due diligence in assessing the creditworthiness of its insurance providers, there will remain the risk that an insurer defaults in payment of a legitimate claim by the Company under an insurance policy.

(l) Economic risks

General economic conditions, movements in interest and inflation rates, commodity prices and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

Further, share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- general political and economic outlook in Australia and the USA;
- interest rates and inflation rates;
- currency fluctuations;
- changes in investor sentiment toward particular market sectors (in particular silver);
- industrial and landowner issues and disputes; and
- terrorism or other hostilities.

(m) No profit to date and uncertainty of future profitability

The Company has incurred losses in the past and it is therefore not possible to evaluate the Company's future prospects based on past performance. The Company expects to make losses in the foreseeable future. Factors that will determine the Company's future profitability are its

ability to manage its costs, its ability to execute its development and growth strategies, the success of its activities in a competitive market, the actions of competitors and regulatory developments. As a result, the extent of future profits, if any, and the time required to achieve sustainable profitability, is uncertain. In addition, the level of any such future profitability (or loss) cannot be predicted and may vary significantly from period to period.

## 9. MATERIAL CONTRACTS

### 9.1 Acquisition Agreement

The Acquisition Agreements set out the terms upon which the Company is to acquire its 70% interest in ABM. The material terms of the Acquisition Agreement are as follows:

- (a) **(Conditions Precedent)**: settlement of the Acquisition Agreements is subject to and conditional upon the Company obtaining all necessary shareholder approvals required by the Corporations Act and the ASX Listing Rules in relation to the Acquisition. All other conditions precedent to the Acquisition Agreement have been satisfied.
- (b) **(Consideration)**: in consideration of the acquisition of a 70% interest in the US Projects, the Company will:
  - (i) commit to an initial US\$1,250,000 due diligence program which will include preliminary feasibility work, securing tenure and additional ground and an independent geological report required as part of the Acquisition (**Advance**). The Company has paid approximately US\$1 million as at the date of this Prospectus;
  - (ii) spend US\$1,500,000 on each Project or a total of US\$4,500,000 across the Projects within 3 years of settlement of the Acquisition (**Expenditure Commitment**). In the event that the Acquisition proceeds, then the Advance already paid by the Company will be offset against its Expenditure Commitment. In the event that the Acquisition does not proceed and is terminated, then the Advance already paid by the Company will convert into a 10% equity interest in ABM. If the Acquisition does not proceed due to misrepresentation or gross negligence by the vendor (being Abot), then the Advance already paid by the Company is repayable in full;
  - (iii) issue 25,000,000 Shares to the nominees of Abot;
  - (iv) issue 25,000,000 Performance Shares, which shall convert into fully paid ordinary shares in the capital of Company when the Expenditure Commitment has been satisfied and production is achieved on any one of the US Projects of not less than 2,000 ounces of gold or gold equivalent (net smelter) within 5 years of settlement of the Acquisition, and on such other terms as acceptable to ASX; and
  - (v) the grant of a 3% net smelter royalty (**Royalty**),  
  
(together, the **Consideration**);
- (c) **(Operation of US Projects)**: following satisfaction of the Expenditure Commitment, BMZ agrees to finance carry Abot in respect of its pro-rata share of up to:
  - (i) \$4.5 million of costs incurred in respect of exploration and development across the US Projects; and
  - (ii) a further \$6 million of costs incurred in respect of exploration and development of a second mine on either the Conjecture Project or the Tabor Project.
- (d) **(Settlement)**: settlement of the Acquisition Agreements is to occur on that date which is 10 business days after the Company obtaining shareholder approval for the Acquisition (**Settlement**);



- (e) **(Change to Board)**: with effect from Settlement, the current Directors (other than Mr Peter Landau) will resign and Mr Jason Brewer and Mr John Ryan (together, the **Proposed Directors**) will be appointed to the Board. Refer to Section 1.12 for further details of the Proposed Directors;
- (f) **(Existing Royalty Arrangements)**: the parties acknowledge and agree that ABM has agreed to the existing royalty arrangements with the owner of each US Project as set out in Section 9.3 below.
- (g) **(Warranties)**: ABM and Abot have provided standard warranties and representations in favour of the Company in relation to the ABM, Abot, and ABM's interests in the US Projects. The Acquisition Agreements otherwise contains standard clauses typical for an agreement of this nature.

## 9.2 Royalty Deed

In accordance with the terms of the Acquisition Agreement (and as referred to in Section 9.1(b)(v) above), the Company has entered into a royalty deed with TED Investments Limited and ABM (**Royalty**).

Pursuant to the Royalty, the Company agrees to pay to TED Investments Limited a royalty equal to 3% of the Net Smelter Return on all Minerals extracted, milled and sold from each of the US Projects in any Quarter attributable only from the Company's 70% interest in the US Projects. The Royalty ceases and terminates in the event that all of the mining claims in respect of each of the US Projects are transferred by ABM to a third party or are otherwise surrendered or relinquished.

## 9.3 US Project Leases

ABM has entered into lease arrangements (**Leases**) with each of the owners of the New Departure Project, Tabor Project and Conjecture Project, being Lucky Friday Extension Mining Corporation, Brush Prairie Minerals Inc and Chester Mining Corporation respectively (**Lessor** as applicable).

Each of the Leases are for a period of 15 years and may be extended for 2 successive terms of 15 years on written notice 30 days prior to expiry of each term.

The ongoing obligations of ABM pursuant to the Leases include:

- (a) in respect of the **New Departure Project**:
  - (i) quarterly payment of at least US\$1,200 per month (US\$14,400 per annum) as an advance against royalties upon signing and thereafter on each anniversary of the agreement. Except in the first year where the advance royalty payment must be paid in cash, thereafter, said advance royalty payments may be in the form of cash or stock or combination as agreed by the parties;
  - (ii) a royalty equal to 3.0% of the Net Smelter Return on all Minerals extracted, milled and sold from the New Departure Project in any Quarter;
  - (iii) undertaking of a minimum of US\$400,000 of exploration or development work on the New Departure Project within the first 4 years of the Lease.

- (b) in respect of the **Tabor Project**:
- (i) quarterly payment of at least US\$1,750 per month (US\$21,000 per annum) as an advance against royalties upon signing and thereafter on each anniversary of the agreement. Except in the first year where the advance royalty payment must be paid in cash, thereafter, said advance royalty payments may be in the form of cash or stock or combination as agreed by the parties;
  - (ii) a royalty equal to 4.0% of the Net Smelter Return on all Minerals extracted, milled and sold from the Tabor Project in any Quarter;
  - (iii) undertaking of a minimum of US\$400,000 of exploration or development work on the Tabor Project within the first 4 years of the Lease.
- (c) in respect of the **Conjecture Project**:
- (i) quarterly payment of at least US\$1,200 per month (US\$14,400 per annum) as an advance against royalties upon signing and thereafter on each anniversary of the agreement. Except in the first year where the advance royalty payment must be paid in cash, thereafter, said advance royalty payments may be in the form of cash or stock or combination as agreed by the parties;
  - (ii) a royalty equal to 2.5% of the Net Smelter Return on all Minerals extracted, milled and sold from the Conjecture Project in any Quarter.

#### **9.4 Lead Manager Mandate**

The Company has signed a mandate letter engaging 708 Capital Pty Ltd to act as lead manager of the Offer. Under the terms of the mandate the Company will pay 708 Capital Pty Ltd a 6% placement fee on funds raised under the Prospectus. 708 Capital Pty Ltd will be responsible for paying all capital raising fees with any other financial service licensees and any sub-underwriters. The mandate otherwise contains terms and conditions which are standard for an agreement of this nature.

## **10. ADDITIONAL INFORMATION**

### **10.1 Corporate Governance**

The Directors monitor the business affairs of the Company on behalf of Shareholders and have formally adopted a corporate governance policy which is designed to encourage Directors to focus their attention on accountability, risk management and ethical conduct.

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted The Corporate Governance Principles and Recommendations (2nd Edition) as published by ASX Corporate Governance Council (**Recommendations**).

In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

Full details of the corporate governance policies adopted by the Board can be found on the Company's website, [www.blackmountainresources.com.au](http://www.blackmountainresources.com.au).

### **10.2 Remuneration**

The Company's Constitution provides that the remuneration of non-executive Directors will be not more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration for non-executive Directors has been set at an amount not to exceed \$150,000 per annum.

The remuneration of executive Directors will be fixed by the Directors and may be paid by way of fixed salary or consultancy fee.

### **10.3 Departures from Recommendations**

Following admission to the Official List of ASX, the Company will be required to report any departures from the Recommendations in its annual financial report.

The Company's compliance and departures from the Recommendations as at the date of this Prospectus are set out on the following pages.

PRINCIPLES AND RECOMMENDATIONS		COMMENT
<b>1.</b>	<b><i>Lay solid foundations for management and oversight</i></b>	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	<p>Satisfied. Refer the Corporate Governance section on the Group website. The Company's Corporate Governance Plan includes a Board Charter, which discloses the specific responsibilities of the Board.</p> <p>The Board delegates responsibility for the day-to-day operations and administration of the Company to the executive Director.</p>
1.2	Companies should disclose the process for evaluating the performance of senior executives.	<p>Satisfied. The Company's Corporate Governance Plan includes a section on performance evaluation practices adopted by the Company.</p> <p>The Board has established formal processes to review its own performance and the performance of individual directors, any executive directors and any committees of the Board at least annually.</p>
1.3	Companies should provide the information indicated in the <i>Guide to reporting on Principle 1</i> .	<p>Satisfied. Refer to Annual Report and the Corporate Governance section on the Group website.</p> <p>Performance evaluation of senior executives has taken place and this process is conducted annually. Details of these evaluations have been previously set out in the Company's 2011 annual report.</p>
<b>2.</b>	<b><i>Structure the board to add value</i></b>	
2.1	A majority of the board should be independent directors.	<p>Not satisfied. There are currently a majority of non executive directors on the board; however Mr Anastos is a substantial shareholder of the Company. Following completion of the Acquisition the Board will consist of a majority of executive directors (two executive and one non-executive).</p> <p>The Board believes that it is able to exercise independence and judgement and does possess the necessary skills, expertise and experience required to effectively discharge their duties. The focus has been on the ability of the Board to add value by effectively exercising independence and discharging their duties, rather than on meeting the independence test in the guidelines.</p>
2.2	The chair should be an independent director.	Not satisfied. The chair of the Board is a substantial shareholder. It is intended that following completion of the Acquisition the chair will be a non-executive director.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Satisfied. The Company has an executive director (considered to be the Chief Executive Officer) who is separate from the chair.
2.4	The board should establish a nomination committee.	<p>Not satisfied. The Board considers that given the current size of the board, this function is efficiently achieved with full Board participation. Accordingly, the Board has resolved not to establish a nomination committee at this stage.</p> <p>The Company's Corporate Governance Plan includes a Nomination Committee Charter, which discloses the</p>

PRINCIPLES AND RECOMMENDATIONS		COMMENT
		<p>specific responsibilities of the committee.</p> <p>In addition, The Board, Board Committees or individual Directors may seek independent external professional advice as considered necessary at the expense of the Group, subject to prior consultation with the Chairman. A copy of any such advice received is made available to all members of the Board.</p>
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Satisfied. Refer to Annual Report and the Corporate Governance section on the Company's website.
2.6	Companies should provide the information indicated in the <i>Guide to reporting on Principle 2</i> .	Satisfied. Refer to Annual Report and the Corporate Governance section on the Company's website.
<b>3.</b>	<b><i>Promote ethical and responsible decision-making</i></b>	
3.1	<p>Companies should establish a code of conduct and disclose the code or a summary of the code as to:</p> <ul style="list-style-type: none"> <li>▪ the practices necessary to maintain confidence in the company's integrity</li> <li>▪ the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</li> <li>▪ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	Satisfied. Refer to Annual Report and the Corporate Governance section on the Company's website. The Company's Corporate Governance Plan includes a ' <i>Corporate Code of Conduct</i> ', which provides a framework for decisions and actions in relation to ethical conduct in employment.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	<p>Not Satisfied. The Company recognises that a talented and diverse workforce is a key competitive advantage and that an important contributor to the Company's success is the quality, diversity and skills of its people.</p> <p>Under the Company's Code of Conduct, employees must not harass, discriminate or support others who harass and discriminate against colleagues or members of the public on the grounds of sex, pregnancy, marital status, age, race (including their colour, nationality, descent, ethnic or religious background), physical or intellectual impairment, homosexuality or transgender. Such harassment or discrimination may constitute an offence under legislation.</p> <p>Due to the small scale of the Company's operations and the limited number of employees, the Company has not yet established a Diversity Policy. However, as the Company develops the Board will consider adopting such a policy.</p>
3.3	Companies should disclose in each annual report the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress in achieving them.	Not Satisfied. Given the size of the Company, the Company has not yet set measurable objectives for achieving gender diversity. In addition, the Board will review progress against any objectives identified on an annual basis.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Satisfied. Given the size of the Board and the Company, the Board considers that this function is efficiently achieved with Ms Sandford and Ms Robinson as joint Company Secretary holding senior executive positions in the Company. There are currently 2 women in senior executive positions

PRINCIPLES AND RECOMMENDATIONS		COMMENT
		within the Company, representing 40% of total senior executive positions within the Company. The Company does not currently have any employees.
3.5	Companies should provide the information indicated in the <i>Guide to reporting on Principle 3</i> .	Satisfied. Refer to Annual Report and the Corporate Governance section on the Company's website.
<b>4.</b>	<b><i>Safeguard integrity in financial reporting</i></b>	
4.1	The board should establish an audit committee.	Not Satisfied. The Directors believe that it would not increase efficiency or effectiveness to have a separate audit committee, and that audit matters are of such significance that they should be considered by the full Board. The Board may seek independent external professional advice as considered necessary if it requires assistance in this area.
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>▪ consists only of non-executive directors</li> <li>▪ consists of a majority of independent directors</li> <li>▪ is chaired by an independent chair, who is not chair of the board</li> <li>▪ has at least three members.</li> </ul>	Not satisfied. Refer 4.1.
4.3	The audit committee should have a formal charter.	The Company's Corporate Governance Plan includes an Audit and Risk Committee Charter, which discloses the manner and process to consider audit and risk management matters..
4.4	Companies should provide the information indicated in the <i>Guide to reporting on Principle 4</i> .	Satisfied. Refer to Annual Report and the Corporate Governance section on the Company's website.
<b>5.</b>	<b><i>Make timely and balanced disclosure</i></b>	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Satisfied. Continuous disclosure policy is available in the Corporate Governance section on the Group website.
5.2	Companies should provide the information indicated in <i>Guide to Reporting on Principle 5</i> .	Satisfied. Refer to the Corporate Governance section on the Company's website.
<b>6.</b>	<b><i>Respect the rights of shareholders</i></b>	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Satisfied. Communications with Shareholders policy is available in the Corporate Governance section on the Company's website, which aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.
6.2	Companies should provide the information indicated in the <i>Guide to reporting on Principle 6</i> .	Satisfied. Refer to the Corporate Governance section on the Company's website.
<b>7.</b>	<b><i>Recognise and manage risk</i></b>	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Satisfied. Risk management policy is available in the Corporate Governance section on the Company's website.
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Satisfied. Refer 7.1 & 7.3.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in	Satisfied.

PRINCIPLES AND RECOMMENDATIONS		COMMENT
	accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	
7.4	Companies should provide the information indicated in <i>Guide to Reporting on Principle 7</i> .	Satisfied. Refer 7.1.
<b>8.</b>	<b><i>Remunerate fairly and responsibly</i></b>	
8.1	The board should establish a remuneration committee.	Not satisfied. The Board considered this recommendation and formed the view that it would not increase efficiency or effectiveness to have a separate committee, and that remuneration matters are of such significance that they should be considered by the full Board. The Board may seek independent external professional advice as considered necessary if it requires assistance in this area.  The Company's Corporate Governance Plan includes a Remuneration Committee Charter, which discloses its specific responsibilities.
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>▪ consists of a majority of independent directors</li> <li>▪ is chaired by an independent director</li> <li>▪ has at least three members</li> </ul>	Not satisfied. Refer to 8.1.
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Satisfied. Details of executive and non-executive remuneration are outlined in the Annual Report.
8.4	Companies should provide the information indicated in the <i>Guide to reporting on Principle 8</i> .	Satisfied.

## 10.4 Rights Attaching to Shares

Full details of the rights attaching to Shares are set out in the Company's Constitution, a copy of which can be inspected, free of charge, at the Company's registered office during normal business hours.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders.

### (a) General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

### (b) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (iii) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

### (c) Dividend Rights

Subject to the rights of persons (if any) entitled to shares with special rights to dividends the Directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the shareholders of such a dividend. The Directors may authorise the payment or crediting by the Company to the shareholders of such interim dividends as appear to the Directors to be justified by the profits of the Company. Subject to the rights of persons (if any) entitled to shares with special rights as to dividends, all dividends are to be declared and paid according to the amounts paid or credited as paid on the shares in respect of which the dividend is paid. Interest may not be paid by the Company in respect of any dividend, whether final or interim.

### (d) Winding-Up

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of



the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, shares classified by ASX as restricted securities at the time of the commencement of the winding up shall rank in priority after all other shares.

**(e) Transfer of Shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

**(f) Variation of Rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

## **10.5 Terms of Options**

The following is a broad summary of the rights, privileges and restrictions attaching to all Options. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Optionholders. The Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Optionholder the right to subscribe for one Share.
- (b) The Options will expire 5 years after the date of issue (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Option will be \$0.30 (**Exercise Price**).
- (d) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
  - (i) a written notice of exercise of Options specifying the number of Options being exercised; and

- (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised,

**(Exercise Notice).**

- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (i) The Company will not apply for quotation of the Options on ASX. The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (j) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (k) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (l) In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Options, the exercise price of the Options may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
- (m) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issues of the Options, the number of securities over which an Option is exercisable may be increased by the number of securities which the Optionholder would have received if the Option had been exercised before the record date for the bonus issue.

## **10.6 Terms of Performance Shares**

The terms and conditions of the Performance Shares are as follows:

### ***Rights attaching to the Performance Shares***

- (a) **(Performance Shares)** Each Performance Share is a share in the capital of the Black Mountain.
- (b) **(General Meetings)** The Performance Shares shall confer on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Black Mountain that are circulated to shareholders. Holders have the right to attend general meetings of shareholders of the Black Mountain.
- (c) **(No Voting Rights)** The Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of the Black Mountain.

- (d) **(No Dividend Rights)** The Performance Shares do not entitle the Holder to any dividends.
- (e) **(Rights on Winding Up)** The Performance Shares participate in the surplus profits or assets of the Black Mountain upon winding up of the Black Mountain only to the extent of \$0.000001 per Performance Share.
- (f) **(Not Transferable)** The Performance Shares are not transferable.
- (g) **(Reorganisation of Capital)** If at any time the issued capital of the Black Mountain is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.
- (h) **(Application to ASX)** The Performance Shares will not be quoted on ASX. However, upon conversion of the Performance Shares into fully paid ordinary shares (Shares), the Black Mountain must within seven (7) days after the conversion, apply for the official quotation of the Shares arising from the conversion on ASX.
- (i) **(Participation in Entitlements and Bonus Issues)** Holders of Performance Shares will not be entitled to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.
- (j) **(No Other Rights)** The Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

#### Conversion of the Performance Shares

- (k) **(Conversion on achievement of milestone)** Each Performance Share will convert into one (1) Share upon satisfaction of the following performance hurdles to the reasonable satisfaction of the Black Mountain:
  - (i) Black Mountain completing exploration and development on each US Project in the total amount of not less than US\$1,500,000, or exploration and development in the amount of US\$4,500,000 across all of the US Projects, within three (3) years from the date of issue of the Performance Shares (being Black Mountain's Expenditure Commitment pursuant to the ABM Shareholders Agreement); and
  - (ii) production from the Project of not less than 2,000 ounces of gold or gold equivalent within five (5) years from the date of issue of the Performance Share,  
  
(with both of the above performance hurdles constituting the **Milestone**).
- (l) **(Redemption if Milestone not Achieved)** If a Milestone is not achieved by the required date, or by such later date as the Parties may have agreed upon in writing prior to that date, then each Performance Share held by a Holder will be automatically redeemed by the Black Mountain for the sum of \$0.000001 within 10 Business Days of non satisfaction of the Milestone.
- (m) **(Conversion Procedure)** Black Mountain will issue the Holder with a new holding statement for the Shares as soon as practicable following the conversion of the Performance Shares into Shares.

- (n) **(Ranking of Performance Shares)** The Shares into which the Performance Shares will convert will rank pari passu in all respects with existing Shares.

## 11. ADDITIONAL MATTERS

### 11.1 Fees and Benefits

Other than as set out below or elsewhere in this Prospectus, no:

- (a) Director of the Company;
- (b) person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (c) promoter of the Company; or
- (d) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

has, or had within 2 years before lodgement of this Prospectus with the ASIC, any interest in:

- (i) the formation or promotion of the Company;
- (ii) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the offer of Shares under this Prospectus; or
- (iii) the offer of Shares under this Prospectus,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons as an inducement to become, or to qualify as, a Director of the Company or for services rendered in connection with the formation or promotion of the Company or the offer of Shares under this Prospectus.

Minex Exploration has prepared the Technical Report included in Section 5 of this Prospectus. The Company estimates that it will pay approximately \$5,000 for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Minex Exploration are expected to be paid approximately \$15,000 in respect of preparing the Technical Report included in the Notice of Meeting and has not received any other fees from the Company.

RSM Bird Cameron has acted as Investigating Accountant and has prepared an Investigating Accountant's Report which has been included in Section 6 of this Prospectus. The Company estimates it will pay RSM Bird Cameron a total of \$10,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, RSM Bird Cameron has received approximately \$28,900 for services provided to the Company.

Steinepreis Paganin has acted as the Australian solicitors to the Company in relation to the Offer, and has been involved in due diligence enquiries on legal matters. The Company estimates it will pay Steinepreis Paganin \$20,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has received approximately \$27,500 for legal services provided to the Company.

Holland & Hart has acted as the international solicitors to the Company in respect of the New Departure and Tabor Projects and has prepared a title opinion which has been included in Section 7

of this Prospectus. The Company estimates that it will pay a total of \$5,000 for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Holland & Hart have not received any fees for legal services provided to the Company.

Ramsden & Lyons LLP has acted as the international solicitors to the Company in respect of the Conjecture Project and has prepared a title opinion which has been included in Section 7 of this Prospectus. The Company estimates that it will pay a total of \$10,000 for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Ramsden & Lyons LLP have not received any fees for legal services provided to the Company.

708 Capital Pty Ltd (**708 Capital**) has acted as the lead manager to the Company in relation to the Offer. The Company estimates it will pay 708 Capital \$120,000 for these services (being a fee of 6% of the amount raised pursuant to the Offer, including fees to be paid to other financial service licensees and/or any sub-underwriters). During the 24 months preceding lodgement of this Prospectus with the ASIC, 708 Capital has received approximately \$82,500 (exclusive of GST) for capital raising services provided to the Company. This amount includes fees paid to other financial service licensees and/or any sub-underwriters in respect of capital raisings undertaken by the Company.

Okap Ventures Pty Ltd (**Okap**) has acted as corporate advisors to the Company in relation to the Offer. The Company estimates it will pay Okap \$25,000 for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Okap expected to be paid a further approximately \$30,000 for additional corporate advisory services provided to the Company in relation to the Acquisition. It is noted that Messrs Landau and Brewer directors of Okap.

## 11.2 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Minex Exploration has given its written consent to being named as the Technical Expert to the Company in this Prospectus and to the inclusion of the Technical Report in Section 5 in the form and context in which the report is included. Minex Exploration has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

RSM Bird Cameron has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 6 in the form and context in which the report is included. RSM Bird Cameron has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

RSM Bird Cameron has given its written consent to being named the Company's Auditor in this Prospectus. RSM Bird Cameron has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Holland & Hart has given its written consent to being named as the Company's International lawyers in this Prospectus and to the inclusion of the Solicitor's Report in relation to the New Departure and Tabor Projects in Section 7 in the form and context in which the overview is included. Holland & Hart has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Ramsden & Lyons LLP has given its written consent to being named as the Company's International lawyers in this Prospectus and to the inclusion of the Solicitor's Report in relation to the Conjecture Project in Section 7 in the form and context in which the overview is included. Ramsden & Lyons LLP has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the Company's lawyers in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

708 Capital has given, and not withdrawn, its written consent to being named as lead manager to the Company in this Prospectus. 708 Capital has not authorised or caused the issue of this Prospectus or the making of the Offer and takes no responsibility for any part of the Prospectus. 708 Capital makes no representation regarding, and to the extent permitted by law, excludes responsibility for, any statements in or omissions from any part of this Prospectus.

Okap has given, and not withdrawn, its written consent to being named as corporate advisor to the Company in this Prospectus. Okap has not authorised or caused the issue of this Prospectus or the making of the Offer and takes no responsibility for any part of the Prospectus. Okap makes no representation regarding, and to the extent permitted by law, excludes responsibility for, any statements in or omissions from any part of this Prospectus.

### **11.3 Litigation**

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

### **11.4 Electronic Prospectus**

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the relevant application forms. If you have not, please email the Company at [info@blackmountainresources.com.au](mailto:info@blackmountainresources.com.au) and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both. Alternatively, you may obtain a copy of the Prospectus from the Company's website at [www.blackmountainresources.com.au](http://www.blackmountainresources.com.au).

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

### **11.5 Taxation**

The acquisition and disposal of Shares in the Company will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

#### **11.6 Continuous Disclosure Obligations**

Following the re-quotation of the Company to the Official List, the Company will be a “disclosing entity” (as defined in Section 111AC of the Corporations Act) and, as such, will be subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company will be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

Price sensitive information will be publicly released through ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants will also be managed through disclosure to the ASX. In addition, the Company will post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.



## 12. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.



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**Peter Landau**  
**Executive Director**

For and on behalf of  
**Black Mountain Resources Limited**

### 13. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

**A\$ or \$** means an Australian dollar.

**ABM** means ABM Mining Corporation incorporated in Idaho, USA.

**Abot** means Abot Mining Corporation incorporated in Idaho, USA.

**Acquisition** means the proposed acquisition of a 70% interest in ABM and its US Projects by the Company from Abot in accordance with the terms and conditions of the Acquisition Agreements.

**Acquisition Agreements** mean the Subscription Agreement and the Shareholder Agreement.

**Applicant** means a person who submits an Application Form.

**Application Form** means the application form accompanying this Prospectus relating to the Offer.

**Associated Body Corporate** means:

- (a) a related body corporate (as defined in the Corporations Act) of the Company;
- (b) a body corporate which has an entitlement to not less than 20% of the voting Shares in the Company;  
or
- (c) a body corporate in which the Company has an entitlement to not less than 20% of the voting shares.

**ASIC** means Australian Securities & Investments Commission.

**ASX** means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange (as the context requires).

**Blue Mountain** means a wholly owned subsidiary of Black Mountain incorporated in Idaho, USA for the purpose of holding a 70% interest in ABM and the US Projects.

**Board** means the board of Directors as constituted from time to time.

**Business Day** means a week day when trading banks are ordinarily open for business in Perth, Western Australia.

**Company** means Black Mountain Resources Limited (ACN 147 106 974).

**Closing Date** means the closing date of the Offer as set out in the Investment Overview Section.

**Constitution** means the constitution of the Company.

**Conjecture Project** means the 6 patented mining claims and 33 unpatented mining claims on the Conjecture Mine in Bonner County, Idaho, and includes the lease interest relating to that project.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** mean the directors of the Company at the date of this Prospectus.

**Expenditure Commitment** has the meaning given in section 9.1.

**Independent Expert's Report** means the Independent Expert's Report summarised in Section 5 of this Prospectus and previously released to ASX on 2 December 2011 as part of the Notice of Meeting.

**JORC Code** means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004) prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

**Leases** means the leases in respect of the US Projects as described in section 9.3.

**Listing Rules** means the official listing rules of ASX.

**Minerals** means all naturally occurring substances obtained or obtainable by mining operations carried out on or under the surface of the land the subject of the US Projects, including precious metals.

**New Departure Project** means the 8 patented mining claims and 24 unpatented mining claims on the New Departure Mine in Beaverhead County, Montana, and includes the lease interest relating to that project.

**Net Smelter Return** means the revenue generated from all Minerals extracted, milled and sold from the US Projects after deducting costs associated with smelting, refining, penalties, transportation and insurance, as defined in the respective Lease.

**Notice of Meeting** means the notice of annual general meeting in respect of a shareholder meeting to be held on 6 January 2012, as released to ASX on 2 December 2012.

**Offer** means the offer of Shares pursuant to this Prospectus as outlined in Investment Overview Section.

**Official List** means the Official List of ASX.

**Official Quotation** means official quotation by ASX in accordance with the Listing Rules.

**Option** means an option to subscribe for a Share.

**Performance Shares** means performance shares convertible into fully paid ordinary shares in the capital of Company where the Expenditure Commitment has been satisfied and upon the production of not less than 2,000 ounces of gold or gold equivalent (net smelter) are produced on any one mine within 5 years, and on such other terms as acceptable to ASX.

**Project or Projects** means US Projects.

**Proposed Directors** means the identified proposed Directors of the Company following completion of the Acquisition as set out in Section 9.1.

**Prospectus** means this prospectus.

**Royalty** has the meaning given in section 9.3.

**Securities** mean Shares and Options.

**Share** means a fully paid ordinary share in the capital of the Company.

**Share Registry** means Computershare Investor Services Pty Limited.

**Shareholder** means a holder of Shares.

**Shareholder Agreement** means the shareholder agreement between Abot and Black Mountain in respect of their proposed respective holdings in ABM.

**Solicitor's Report** means the Solicitor's Report included in Section 7 of this Prospectus.

**Subscription Agreement** means the subscription agreement between Black Mountain and ABM in respect of the subscription for shares in the capital of ABM representing a 70% interest Blue Mountain.

**Tabor Project** means the 10 patented mining claims and 9 unpatented mining claims on the Tabor Mine in Virginia City, Montana, and includes the lease interest relating to that project.

**US Projects** means the New Departure Project, the Conjecture Project and the Tabor Project, collectively.

**US\$ or USD** means the currency of the United States of America.

**WST** means Western Standard Time, Perth, Western Australia.