

BOARD OF DIRECTORS

Milan Jerkovic
Non-Executive Chairman
Bryan Dixon
Managing Director
Greg Miles
Non-Executive Director

ASX CODE
BLK

CORPORATE INFORMATION
359M Ordinary Shares
9.3M Unlisted Options

ABN: 18 119 887 606

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Matilda-Wiluna Production Update

Highlights

- High grade ore zones accessed from November (M4 pit) and December (Galaxy pit) will continue to provide high grade feed during 2018, underpinning anticipated high grade production and positive cash flows
- 137kt of high grade ore @ 1.6g/t mined from M4 and Galaxy pits during December, with a total of 8,038oz of gold mined for the month being marginally less than the entire September quarter.
- Record milled tonnes of 443kt during the December quarter, with plant recovery increasing to 92.3% (379kt and 91.5% in September 2017 quarter). Current throughput levels are expected to be maintained going forward
- Record weekly gold production of 1,685oz achieved in last week of December at an average mill feed grade of 1.5g/t Au
- Commenced building high grade stockpiles with 51kt @ 1.6 g/t Au as at 31 December 2017, which is expected to continue to grow
- Significant reduction in waste material mined in the quarter, leading to reduced open pit mining costs. Strip ratio for remaining oxide reserves is expected to reduce to 7:1 (waste:ore) from 16.5:1 in first half FY18, providing a step change in project economics
- Both the Galaxy and M4 pits have been grade control drilled to the base of the design pits, supporting 76% of the next six month's gold production
- Current reserves and mine plan support 3.5 years of free milling ore operations targeting gold production of ~250koz, with further extensions and targets being pursued
- Drilling to focus on identifying additional oxide mineralisation as well as increasing the 1.2Moz of gold reserves (currently 15Mt @ 2.5g/t) by converting more of the Company's very large resource base (65Mt @ 3.1g/t for 6.5Moz) to reserves

Blackham Resources Ltd (ASX: BLK) ("Blackham" or "the Company") is pleased to provide the following operations and production update from its 6.5Moz Matilda-Wiluna Gold Operation for the quarter ended 31 December 2017 together with commentary on the strong operational outlook for 2018.

Open Pit Mining

The extensive waste stripping that occurred during calendar year 2017 has now provided access to high grade zones in both the M4 and Galaxy pits, from November and December respectively, with consistent high grade ore expected to be mined from those two pits over the next six months. At M4, there is now 1km of strike being mined at widths of up to 40m. Mining at M4 and Galaxy is expected to underpin strong operational cashflows in 2018.

During December 2017, 137kt of high grade ore @ 1.6g/t was mined from the M4 and Galaxy pits, with the 8,038oz of gold mined from the open pits in December being just below the amount for the entire September quarter.

Table 1 – Open Pit Mining

	September quarter	October	November	December	December quarter
Ore moved (BCM)	91,447	31,544	38,745	85,692	155,981
Waste moved (BCM)	2,449,383	632,974	570,716	436,080	1,639,770
Material moved (BCM)	2,540,830	664,518	609,461	521,772	1,795,751
Stripping ratio (BCM/BCM)	26.8	20.1	14.7	5.1	10.5
Ore mined (t)	212,440	66,746	83,111	182,823	332,680
Mined grade (g/t)	1.2	1.1	1.2	1.4	1.3
Contained Ounces (Oz)	8,368	2,399	3,226	8,038	13,663

Commencement of mining of these high grade zones has enabled Blackham to build high grade stockpiles which amounted to 51kt @ 1.6g/t as at 31 December 2017. High grade stockpiles are expected to continue to grow, together with an expected increase in processed grades, as the M4 and Galaxy pits are mined. This is the first significant high grade stockpile build-up since March 2017.

Total material mined reduced significantly during the quarter to 1.80 million BCM (2.54 million BCM in September 2017 quarter) due to reduced waste stripping, which enabled a meaningful reduction in open pit mining costs. With almost all of M4 and Galaxy waste stripping now completed, lower open pit mining costs are expected to continue for the second half of FY18 and beyond.

Grade Control

Grade control drilling has now been completed for all of the M4 pit on 10m x 5m spacing, meaning that both the Galaxy and M4 pits have been grade control drilled to the base of the design pits and hence are significantly de-risked. Grade control drilling ore models have been reconciled within 2% of milled grade.

Recent M4 grade control drilling results confirm historical drilling (Figure 2 and Figure 3) and highlight the continuous high grade nature of the M4 Main lode (Figure 4). Most of the mining at M4 during the December quarter has concentrated on stripping the eastern side of the pit in order to reach the high grade M4 Main lode. As a result, most of the ore from M4 to date has been sourced from the low grade and discontinuous Eastern lodes which form only a minor component of the M4 resource (Figure 3).

Further grade control drilling is in the process of being planned and will be undertaken over the next six months in relation to mining activities planned for July 2018 to December 2018 and beyond.

Chairman comment

Blackham's Chairman, Mr Milan Jerkovic, said:

"The recent mining and production levels support our belief that the delays in accessing high grade open pit ore are now behind us and that 2018 will be a transformational year for Blackham, during which we expect to deliver increased grades and gold production whilst reducing strip-ratios and mining costs, thereby generating strong operational cash flows. Our grade control drilling program is ongoing and will underpin our mine scheduling and allow us to continue to build our high grade stockpiles.

The recently announced recapitalisation strategy is progressing very well with the support of Blackham's secured lender (Orion) and key mining contractor (MACA), and I look forward to providing further updates in the near future."



Figure 1 – Currently mining 1km of strike of ore up to 40m wide

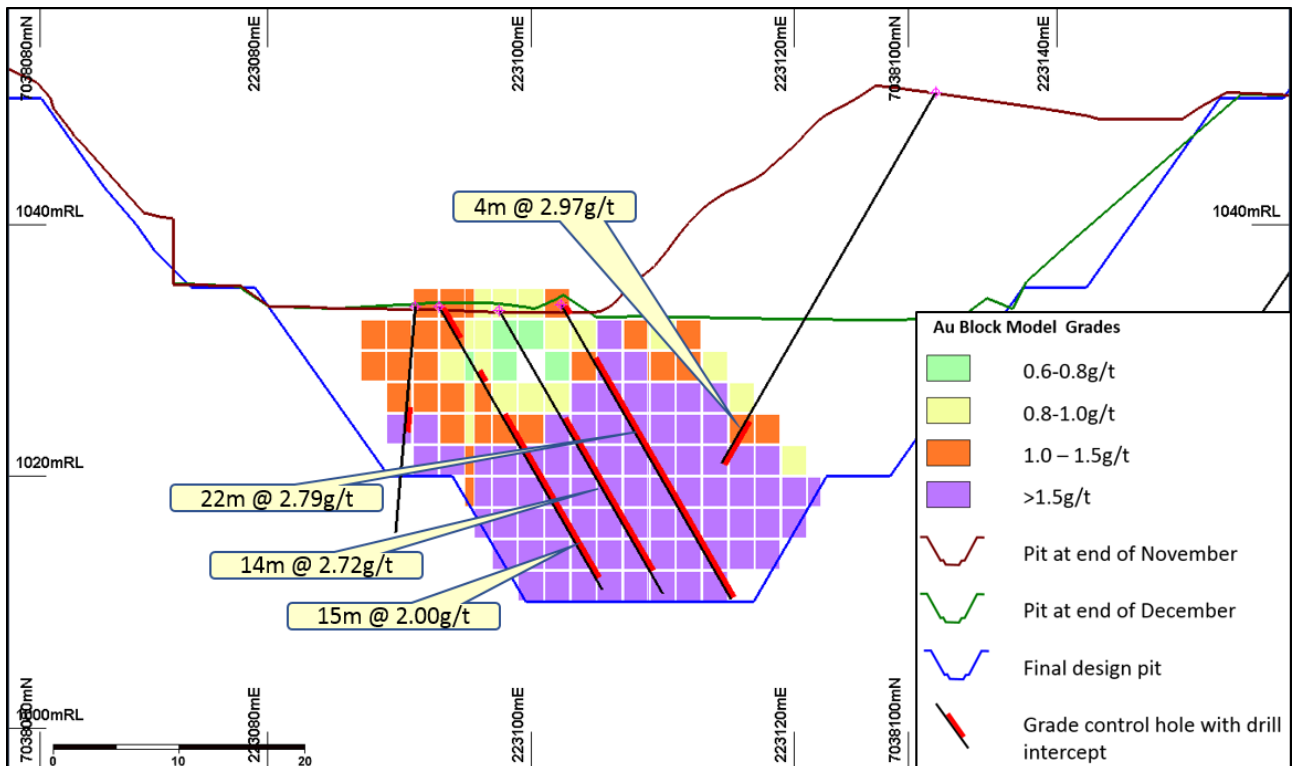


Figure 2 - Cross section through the central portion of M4 looking north showing recent grade control drilling results and the grade block model

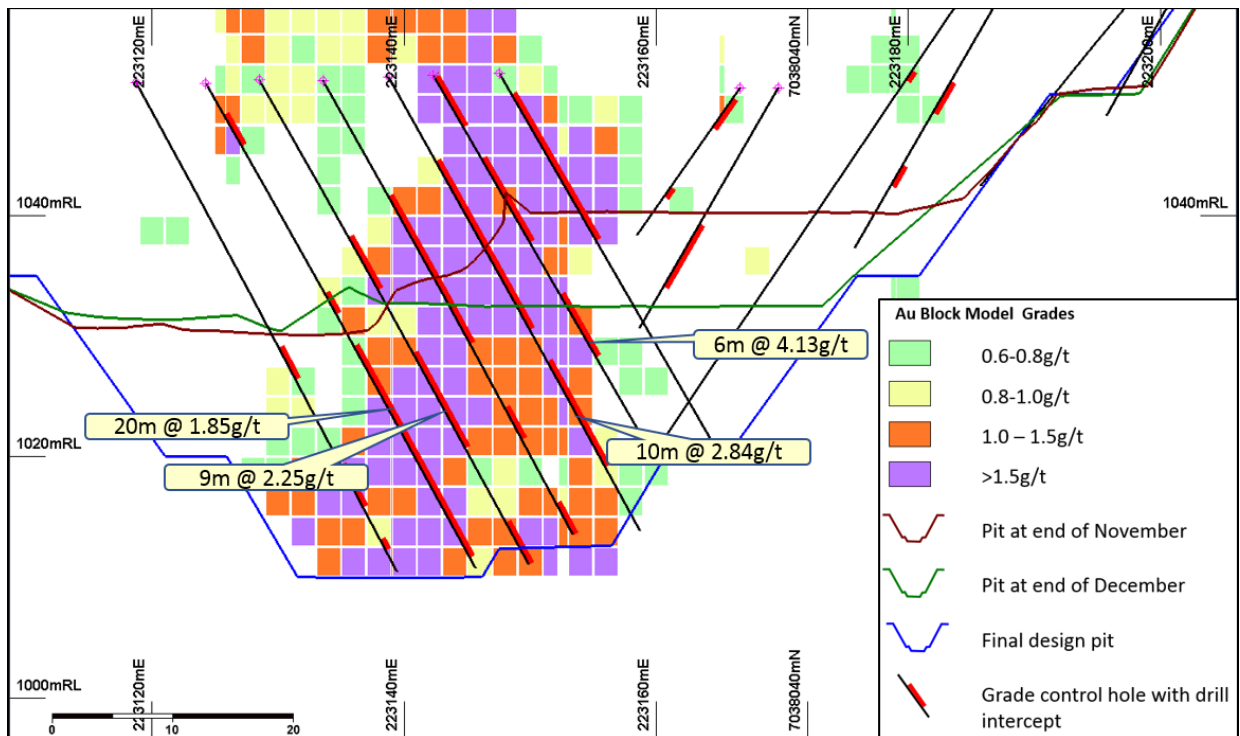


Figure 3 - Cross section of central portion of M4 looking north (70m south of Figure 2) showing recent grade control drilling results and grade block model. Note the discontinuous and lower grade Eastern Lodes mineralisation.

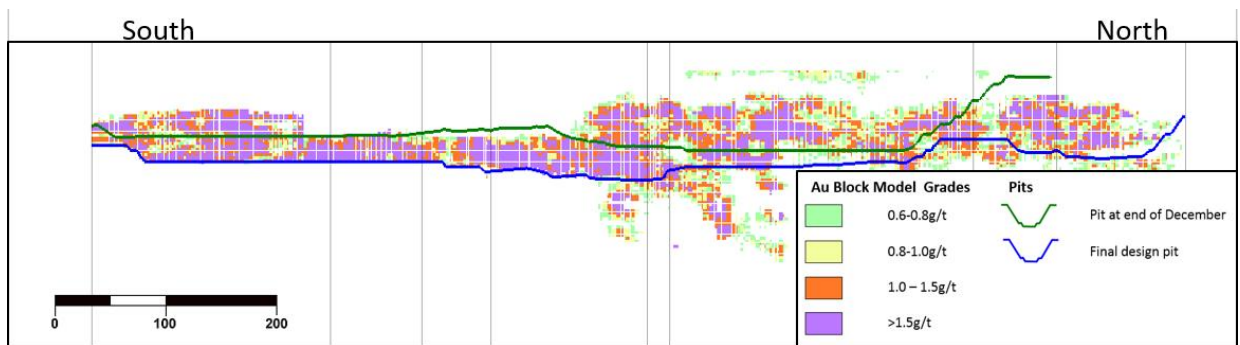


Figure 4 - Composite long section through the M4 Main lode looking west

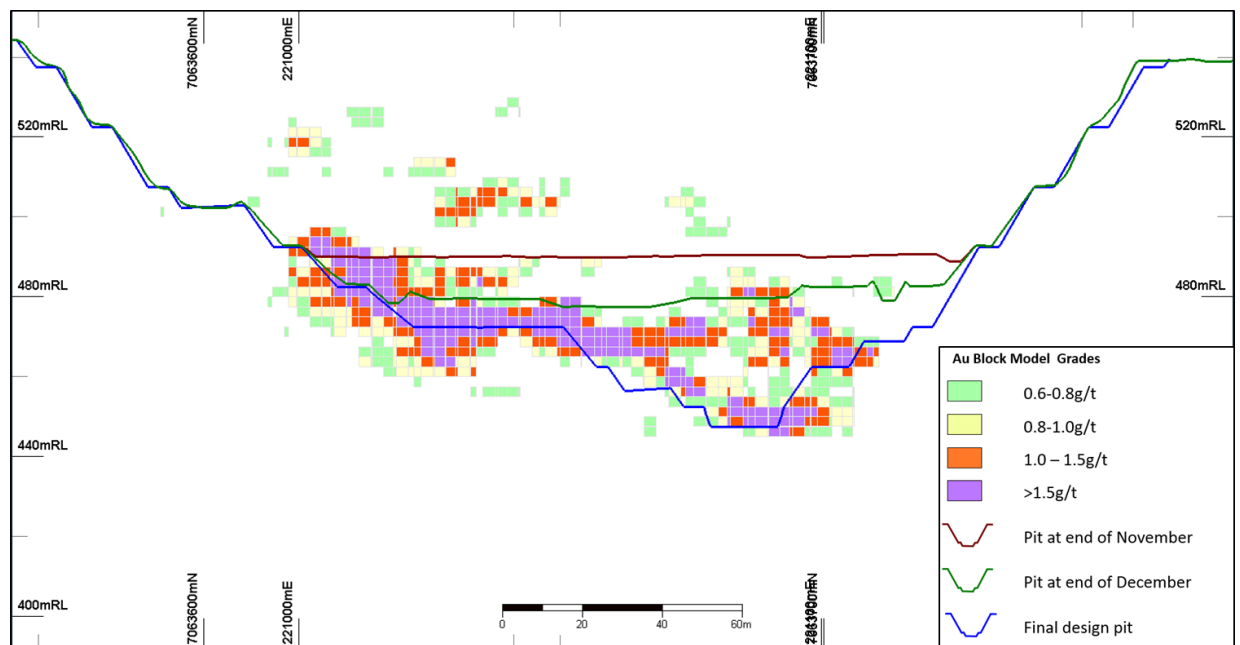


Figure 5 - Cross section of Galaxy pit looking north

Underground Mining

Golden Age underground mining was above budget in terms of tonnage and grade for the quarter and has now been cash flow positive for the past two quarters.

Blackham has now switched to an owner operator air leg mining method to mine the Golden Age orebody, which has resulted in a lower amount of ore being mined. Air leg mining is considered a lower risk mining method for Golden Age due to the pinching, swelling and nuggetty nature of the orebody.

Table 2 – Underground Mining

	September quarter	December quarter
Ore Mined – Dev (t)	1,756	-
Ore Mined – Stope (t)	39,564	15,519
Ore Mined (t)	41,320	15,519
Au Grade Mined (g/t)	4.7	5.3
Mined Metal (Oz)	6,302	2,653

Golden Age reserves of 60kt @ 6.4g/t for 12,000oz (as at 30 June 2017), are planned to be mined by June 2018. Significant high grade resources remain at Golden Age and the Company is currently evaluating the deposit from a geology and mining perspective to assess opportunities for extending the reserves into FY19.

Gold Production and Plant Performance

Record milled tonnes were achieved through the plant during the quarter with throughput increasing 17% from the September 2017 quarter and both the crushing and milling circuits achieving record throughput.

Table 3 – Gold Production

	September quarter	October	November	December	December quarter
Total Milled (t)	379,400	151,788	147,596	143,888	443,272
Mill Feed Grade (g/t Au)	1.4	1.2	1.0	1.3	1.1
Overall Plant Recovery	91.5%	92.6%	92.9%	91.2%	92.3%
Gold Produced (Oz)	15,619	5,228	4,233	5,461	14,922

Mill feed head grade during the quarter was hampered by 49% of feed being sourced from low grade stockpiles. Access to high grade zones in the M4 and Galaxy pits was achieved late in the quarter, which resulted in record weekly gold production of 1,685oz being achieved in the last week of December, (average mill feed grade of 1.5g/t Au) together with the building of high grade stockpiles.

Gold production is expected to increase during the second half of FY18 and beyond due to high grade ore from the M4 and Galaxy open pits being available to feed the process plant on a continuous basis, followed by M1 and M2 coming into production.

The leach circuit is working very well and total plant recoveries have been strong at 92.3% during the quarter (91.5% in September 2017 quarter).

Exploration and Infill Drilling

Reserve Definition Drilling will continue this quarter as the Company seeks to increase its gold reserves (currently 15Mt @ 2.5g/t for 1.2Moz) by converting more of its ~6.5Moz of gold resources (65Mt @ 3.1g/t) to reserves. Funds raised from the planned Entitlements Issue will facilitate Blackham undertaking significant ongoing exploration drilling including the acceleration of this reserve conversion

drilling as well as exploration drilling targeted at new oxide deposits to extend the current oxide mine life. Over the last 12 months, Blackham has successfully added reserves at less than \$22/reserve ounce.

Corporate Matters

Cash & Bullion

As at 31 December 2017, the Company had \$10 million in cash and bullion (30 September 2017 - \$10 million).

Interest Bearing Liabilities

Interest bearing liabilities were \$39 million as at 31 December 2017, comprising \$38 million of debt facilities with Orion Fund JV Limited ("Orion") and \$1 million finance lease liabilities. Following the proposed refinancing of the Orion non-amortising term loan ("Term Loan") (refer announcement dated 2 January 2018), remaining Orion debt facilities will be reduced to the \$23 million project financing facility only.

Entitlements Issue

As previously announced, Blackham intends to undertake an entitlements issue to raise ~\$36 million (before costs), to be launched in mid-January following the refinancing of the Orion Term Loan. This recapitalisation, along with what is anticipated to be a period of strong operational cashflow, will ensure Blackham is well funded to execute its forward plans that will include ongoing exploration drilling, as well as to position the Company for the Orion project financing facility to be repaid during calendar year 2018.

Executive and Management Team

In addition to Milan Jerkovic taking the role of Executive Chairman as part of the recapitalisation strategy, the Company is continuing to seek opportunities to further strengthen its Board and management team to focus on the successful implementation of the recapitalisation strategy and delivery of the near-term oxide mine plan.

Forward Plan Summary

Following the completion of the proposed recapitalisation strategy, Blackham will be well funded as it enters a significantly lower risk period of production, initially targeting 250oz of oxide gold production over the next 3.5 years with expected stripping ratio of less than half of recent levels (7:1 vs 16.5:1) providing a meaningful step change in project economics. This, in conjunction with continued access to high grade ore zones that are supported by extensive grade control drilling and which will provide ongoing mill supply and continued growth in high grade stockpiles, is expected to deliver a period of strong operational cash flows.

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**Matilda-Wiluna Gold Operation October 2017
Measured, Indicated & Inferred Resources (JORC 2012)**

Matilda Gold Project Resource Summary												
OPEN PIT RESOURCES												
Mining Centre	Measured			Indicated			Inferred			Total 100%		
	Mt	g/t Au	Koz Au	Mt	g/t Au	Koz Au	Mt	g/t Au	Koz Au	Mt	g/t Au	Koz Au
Matilda Mine OP	0.9	1.5	44	6.1	1.7	340	4.1	1.4	185	11.1	1.6	569
Galaxy	0.7	1.4	32	0.1	3.7	5	0.2	2.8	16	1.0	1.6	53
Williamson Mine				3.3	1.6	170	3.8	1.6	190	7.1	1.6	360
Wiluna OP¹				13.6	2.6	1150	3.3	3.3	355	16.9	2.8	1,505
Regent				0.7	2.7	61	3.1	2.1	210	3.8	2.2	271
Stockpiles				0.4	0.9	11				0.4	0.9	11
OP Total	1.6	1.5	76	24	2.2	1,737	15	2.1	956	40	2.1	2,769
UNDERGROUND RESOURCES												
Mining Centre	Measured			Indicated			Inferred			Total 100%		
	Mt	g/t Au	Koz Au	Mt	g/t Au	Koz Au	Mt	g/t Au	Koz Au	Mt	g/t Au	Koz Au
Golden Age	0.1	4.2	8	0.2	7.1	46	0.6	3.8	75	0.9	4.5	129
Wiluna				8.2	5.5	1441	14.6	4.4	2086	23	4.8	3,527
Matilda Mine UG				0.1	2.5	10	0.6	3.6	70	0.7	3.6	80
UG Total	0.1	4.2	8	9	5.5	1,497	16	4.4	2,231	24	4.8	3,736
Grand Total	1.7	1.5	84	33	3.1	3,234	30	3.3	3,187	65	3.1	6,505

Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location shape and continuity of the occurrence and on the available sampling results. The figures in the above table are rounded to two significant figures to reflect the relative uncertainty of the estimate.

Competent Persons Statement

The information contained in the report that relates to all other Mineral Resources is based on information compiled or reviewed by Mr Marcus Osiejak, who is a full-time employee of the Company. Mr Osiejak, is a Member of the Australian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Osiejak has given consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.

With regard to the Matilda/Wiluna Gold Operation Mineral Resources, the Company is not aware of any new information or data that materially affects the information included in this report and that all material assumptions and parameters underpinning Mineral Resource Estimates as reported in the market announcements dated 12 October 2017 continue to apply and have not materially changed.

Forward Looking Statements

This announcement includes certain statements that may be deemed 'forward-looking statements'. All statements that refer to any future production, resources or reserves, exploration results and events or production that Blackham Resources Ltd ('Blackham' or 'the Company') expects to occur are forward-looking statements. Although the Company believes that the expectations in those forward-looking statements are based upon reasonable assumptions, such statements are not a guarantee of future performance and actual results or developments may differ materially from the outcomes. This may be due to several factors, including market prices, exploration and exploitation success, and the continued availability of capital and financing, plus general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance, and actual results or performance may differ materially from those projected in the forward-looking statements. The Company does not assume any obligation to update or revise its forward-looking statements, whether as a result of new information, future events or otherwise.