

15 January 2018

ASX Announcement

Recapitalisation to Underpin Transformational 2018

Orion term loan refinanced, underwriting of entitlements issue to be finalised this week

Highlights

- Blackham has successfully refinanced its Orion term loan, via a new \$14.3 million financing arrangement with its key mining contractor, MACA Limited
- Hartleys Limited appointed as Lead Manager and to act as Underwriter in respect of \$36 million entitlements issue; underwriting set to be finalised this week
- Entitlements issue to be undertaken at an issue price of \$0.04 per new share, together with one free attaching listed \$0.08 option for every two new shares issued
- Orion, MACA and PYBAR have provided sub-underwriting commitments totalling up to \$13 million in respect of the proposed entitlements issue
- Blackham Chairman Milan Jerkovic to sub-underwrite up to \$500,000
- Strengthened Balance Sheet to underpin future growth of Company
- Board and Management team to be bolstered
 - Greg Fitzgerald to be appointed as Non Executive Director
 - Linton Kirk and Jonathan Lea to be appointed to Technical Advisory Committee
- Recent operational performance confirms turnaround underway, with record gold production of 3,294oz in the past fortnight

Blackham Resources Ltd (ASX: BLK) (“**Blackham**” or “**the Company**”) is pleased to announce that it has successfully refinanced its non-amortising term loan (“**Term Loan**”) with Orion Fund JV Limited (“**Orion**”), via a new secured \$14.3 million financing arrangement with Blackham’s key mining contractor, MACA Limited (“**MACA**”) (“**MACA Loan**”).

Following the standstill agreement announced on 2 January 2018, which deferred the 31 December 2017 maturity repayment date of the Term Loan to 15 January 2018, Blackham has negotiated a \$14.3 million secured loan facility with MACA, allowing Blackham to satisfy the maturity repayment date of the Term Loan, whilst not having any principal repayment obligations under the MACA Loan until March 2019. The interest rate under the MACA Loan is initially 10% per annum.

The Orion Term Loan is now fully repaid. Blackham has a separate fully drawn Project Financing Facility of \$23 million that remains in place with Orion, which will reduce to \$20.5 million following completion of entitlements issue and which Blackham intends to fully repay in 2018.

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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Entitlements Issue

As previously announced, Blackham intends to undertake an Entitlements Issue to raise ~\$35.9 million (before costs), with underwriting of the Entitlements Issue set to be arranged this week, followed by its launch next week once the prospectus is completed. The Entitlements Issue will be undertaken on the basis of five new shares for every two shares held, at an issue price of \$0.04 per new share, together with one free attaching listed option (exercisable at \$0.08 on or before 31 January 2019) for every two new shares issued (“**Entitlements Issue**”).

Blackham has appointed Hartleys Limited (“**Hartleys**”) as Lead Manager and to act as Underwriter in respect of the Entitlements Issue with an underwriting agreement expected to be signed with Hartleys this week. Tectonic Advisory Partners (acting through Ecoban Securities Corporation) will act as North American Placement Agent.

MACA, Orion and Pybar Mining Services Pty Ltd (“**PYBAR**”) have each provided sub-underwriting commitments in respect of the proposed Entitlements Issue of up to \$8 million, \$2.5 million and \$2.5 million respectively, for a total of \$13m, whereby any monies payable in relation to that sub-underwriting commitment will be satisfied by a corresponding reduction in the amount already owed by the Company to each of MACA, Orion and PYBAR.

Additionally, Blackham Chairman, Mr Milan Jerkovic has committed to sub-underwrite up to \$500,000 of the Entitlements Issue.

Further information will be provided in relation to the proposed Entitlements Issue once relevant details and documentation have been finalised.

Debt Maturity

The table below summarises the amounts payable by the Company to its financiers and key creditors, and the revised payment schedules associated with each of those amounts:

Counterparty / Facility	Amount	Repayment schedule
Orion Term Loan	Nil	<ul style="list-style-type: none"> • N/a – now fully repaid
Orion Project Facility	\$23.0 million	<ul style="list-style-type: none"> • \$2.5m – sub-underwriting commitment for proposed rights issue (combination of stock in rights issue, and cash to the extent their final allocation of stock in the rights issue is less than \$2.5 million) • \$1.25m – monthly from March 2018 to August 2018 • \$7.6m – September 2018 • \$5.4m – November 2018 • Issued 31.25m options exercisable at \$0.08 on or before 31 January 2019
MACA Loan	\$14.3 million	<ul style="list-style-type: none"> • \$1.0m – monthly from March 2019 (it is the intention of Blackham and MACA that Blackham will target early repayment of the MACA Loan)
Working capital normalisation	\$20.9 million	<ul style="list-style-type: none"> • \$10.5m - sub-underwriting commitment for proposed rights issue (combination of stock in rights issue, and cash to the extent their final allocation of stock in the rights issue is less than \$10.5 million) • \$0.5m – upon completion of the proposed rights issue • \$1.65m – monthly from March 2018 to August 2018

Significantly, the Company will maintain a sound cash position once the Entitlements Issue is complete and all relevant payments have been made, with cash set to remain at all times above \$15 million during 2018.

Blackham's Chairman, Milan Jerkovic, said:

“The refinancing of the Orion Term Loan, together with the alignment of key stakeholders, marks a significant milestone which now allows the Company to move forward with the final stage of our recapitalisation strategy. This will ensure that Blackham is well funded with a strong balance sheet to enable it to focus initially on a simple free milling mine plan at its Matilda-Wiluna Gold Operation as it transitions to a period of stable gold production, having recently accessed high grade ore zones, delivered record gold production and achieved a step-change in project economics.

“The Company plans to repay the remainder of its Orion facilities and normalise working capital using internally generated cash flows by the end of 2018, targeting a net-cash position by the end of the calendar year, whilst continuing exploration aimed at lengthening and improving the free-milling mine plan.

We appreciate the strong support that each of Orion, MACA and PYBAR have given us in order to affect our recapitalisation strategy.”

MACA's Managing Director, Chris Tuckwell, stated in relation to the new MACA Loan and MACA's sub-underwriting commitment in respect of the proposed Entitlements Issue:

“We are pleased to be able to provide this support to Blackham. Following successful completion of the Entitlements Issue, Blackham will be well positioned to execute its forward plans. We look forward to continuing to work with Blackham for many years to come.”

Corporate Matters

Executive and Management Team

Blackham has committed to strengthening the composition of the Board and management team to focus on the successful implementation of the recapitalisation strategy and delivery of the near and longer-term mine plan.

As previously announced, Milan Jerkovic will be assuming the role of Executive Chairman as part of the recapitalisation strategy. The key terms of Mr Jerkovic's proposed employment contract are summarised in Appendix 1.

In addition, Mr Greg Fitzgerald has agreed to join the Board following the successful completion of the Entitlements Issue. Mr Fitzgerald is a Chartered Accountant with more than 30 years of gold mining and resources related experience, and extensive executive experience in managing finance and administrative matters for listed companies. Specifically, he has experience in Gold Mining in Australia and Africa, Debt and Equity Funding, Risk Management, Taxation, Financial Reporting and Analysis, Corporate Restructuring, Strategic Planning, Corporate Governance, Remuneration Frameworks, Team Building and Leadership. For more than 15 years he held the positions of Chief Financial Officer and Company Secretary for ASX 200 company, Resolute Mining Limited, until his resignation in 2017.

Mr Linton Kirk and Mr Jonathan Lea will join a newly formed Technical Advisory Committee and will work with the Blackham Executive team to further de-risk and optimise both the current operations and strong growth opportunities of the 6.5Moz Matilda-Wiluna Gold Operation.

Mr Kirk has more than 35 years' experience in mining, covering both open pit and underground operations in several commodities. He has held technical, operational and management positions in a variety of mining and mining service companies throughout the world prior to becoming a consultant in 1997. Mr Kirk holds a Bachelor of Engineering (Mining) degree from the University of Melbourne, is a fellow and Chartered Professional of the Australian Institute of Mining and Metallurgy and is a graduate of the Australian Institute of Company Directors. Mr Kirk has been an independent Non-Executive Director of MACA since October 2012 and in his role on the Technical Advisory Committee he will assess all aspects of the operations and consider the interests of all shareholders.

Mr Lea is a geologist of more than 30 years' standing. He has spent 20+ years of his career in gold mining with much of this time spent on mine sites focussing on production and near mine exploration. He has worked with a number of companies including Pancontinental, Goldfields, Placer, Rio Tinto and Resolute. Branching out from geological roles Mr Lea became the technical services manager for the Kalgoorlie region for Aurion Gold. Recently he has worked in a corporate capacity heading junior exploration and development companies. Mr Lea brings a diverse and extensive experience in all aspects of mining, development and exploration.

The Company is reserving its rights and considering its options in relation to the Pacific Road Capital funding arrangement announced on 24 November 2017, which did not progress.

Operations Update

Recent weeks have been indicative of a significant operational turn-around at Blackham's Matilda-Wiluna Gold Project with record milling and record gold production.

High grade ore zones accessed in the M4 pit in November and Galaxy pit in December will continue to provide high grade feed during 2018, underpinning anticipated higher production and positive cash flows. 137kt of high grade ore @ 1.6g/t was mined from M4 and Galaxy pits during December, with a total of 7,887oz of gold mined for the month being only 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 with the last fortnight achieving record of gold production 3,294oz.

For the first time Blackham has commenced building high grade stockpiles with 51kt @ 1.6 g/t Au as at 31 December 2017, which is expected to continue to grow this quarter.

There was a significant reduction in waste material mined in the December quarter, leading to reduced open pit mining costs. The strip ratio for remaining free milling 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 support a mine plan of 3.5 years of free milling ore with operations targeting gold production of ~250koz, with further extensions and targets being pursued.

Forward Plan Summary

As previously announced, following the completion of the proposed recapitalisation strategy, Blackham will be well funded as it enters a significantly lower risk period of production, initially focusing on free milling gold production with an expected stripping ratio of less than half of recent levels (7:1 vs 16.5:1) for the current free

milling mine plan providing a significant 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. Due to available carried forward tax losses, Blackham does not expect to pay income tax in the current free milling mine plan. This cash flow will ensure there is a significant level of exploration drilling going forward, focussed on identifying additional free milling 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.

This announcement does not lift the voluntary suspension in trading of Blackham shares. This week Blackham will look to finalise the Underwriting with Hartleys Limited, following which the Company will announce the details of the Underwriting and launch the Entitlements Issue. It is expected at that time Blackham shares will recommence trading.

ENDS

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

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 OP ¹				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
OPTotal	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.

Appendix 1

In accordance with ASX Listing Rule 3.16.4, the material terms of Mr Jerkovic's salary package whilst in the role of Executive Chairman are as follows:

- Fixed Remuneration - \$25,000 per month
- Medium Term Incentive (MTI or pay for performance) and Long Term Incentive (LTI or pay for results) – 10 million Zero Exercise Price Options (ZEPO's). The MTI and LTI performance hurdles and metrics will be formulated by the Board over the next month. Any issue of ZEPO's will require shareholder approval.

The above is in-line with the adoption of the Blackham Executive Remuneration Policy which was based on an independent expert's report commission in April 2017.

