

2 September 2019

ASX Announcement

OPERATIONS AND CORPORATE UPDATE

Highlights

- Commencement of key mine development work programs that will underpin CY2020 production
- Preparatory work progressing for Blackham's transition to Stage 1 of its Sulphide Expansion Project¹
- Lake Way Transaction² expected to complete in the coming weeks, which will provide Blackham with \$7 million cash and a \$10 million contribution towards Williamson pre-production activities
- Remaining forward sales contracts are anticipated to be delivered in the next 2 months, providing exposure in the coming period to the current record Australian dollar gold price environment
- Lind funding facility to be fully discharged, simplifying Blackham's capital structure

Blackham Resources Limited (ASX: BLK) ("Blackham" or the "Company") is pleased to provide an operations and corporate update, including the commencement of two key mine development work programs.

Blackham's operations are benefitting from a period of improved production in FY2020 following investments in mine development made during the first half of CY2019. Blackham maintains its production guidance for the September 2019 quarter of 17,500-19,500oz @ an AISC of A\$1,550-\$1,750/oz, which will result in a quarter of strong operational cashflow. A similar level of production is also expected in the December 2019 quarter.

Blackham has commenced two key mine development work programs that will underpin CY2020 production:

- **Pre-production activities at the Williamson open pit** in advance of ore production in November 2019, with Williamson then providing the baseload of free milling ore for the remainder of FY2020. Forecast Williamson pre-production expenditure of \$15 million will be offset by a \$10 million contribution from Salt Lake Potash Limited, subject to the completion of the Lake Way Transaction² which is expected in the coming weeks; and
- **Design of a new tailings storage facility** that will provide storage capacity for ongoing free milling operations and contemplated Sulphide Expansion Project¹. The new tailings storage facility represents the majority of Blackham's FY2020 forecast sustaining capital expenditure of \$11 million.

Blackham also continues to progress preparatory work for its Sulphide Expansion Project¹, with underground mine planning and optimisation now well advanced which, together with the engineering design for the sulphide flotation plant, is expected to be completed during September 2019.

Blackham's gold production remains largely unhedged, with current forward sales contracts of only 8,554oz at an average price of A\$1,836/oz, anticipated to be delivered into over the next 2 months. To underpin operational cash flows for the coming period, the Company will look to initiate new hedges with the aim of taking advantage of the current record Australian dollar gold price environment.

BOARD OF DIRECTORS

Milan Jerkovic – Executive Chairman
Greg Fitzgerald – Non-Executive Director
Tony James – Non-Executive Director

CORPORATE INFORMATION

3,996M Ordinary Shares
674M Quoted Options
187M Unquoted Options

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Note 1) Refer to ASX release dated 28 February 2019
Note 2) Refer to ASX release dated 23 July 2019

In order to simplify its capital structure, Blackham has commenced the process to repay and discharge its funding facility with an entity managed by The Lind Partners (“**Lind**”) (refer ASX announcement 25 September 2018). After taking into account a \$375,000 early repayment benefit, the outstanding balance of \$2,925,000 will be settled through a cash payment of \$1,625,000 and the issue of 144,444,445 fully paid ordinary shares in Blackham.

To assist Blackham with the working capital to undertake the development work programs identified above, MACA Limited (“**MACA**”) has agreed to temporarily increase its Working Capital Facility (refer ASX Announcement dated 20 June 2019) to \$19 million. Whilst the Working Capital Facility remains payable by 29 February 2020, the continued improvement in Blackham’s operational performance in the second half of CY2019 and current record Australian dollar gold price environment, together with the \$7 million that will be received by Blackham at completion of the Lake Way Transaction² which is expected over the coming weeks, will allow Blackham to reduce its reliance on the Working Capital Facility throughout the remainder of CY2019.

A facility fee of \$950,000 is payable by Blackham to MACA for the temporary increase in the Working Capital Facility, with a further deferred facility fee of \$750,000 payable if the Working Capital Facility has not reduced below \$12 million by 21 December 2019. Interest at 12.5% p.a. will also now be payable on all amounts above \$10m outstanding on the surface mining contract.

Fully discharging the Lind facility provides Blackham with a simplified capital structure as it continues to progress discussions with a number of parties in relation to a variety of potential funding and corporate transactions that will facilitate Blackham’s transition to Stage 1 of its Sulphide Expansion Project¹. These potential funding and corporate transactions include equity, debt and offtake investment into Blackham, as well as potential strategic investment into Blackham, including change of control transactions.

The Company’s security structure is now limited to the MACA Working Capital Facility and the secured loan previously provided by MACA, which after repaying the Lind Facility will have a balance of \$10.2 million.

Blackham’s Executive Chairman, Mr Milan Jerkovic, said: “The further simplification of the Company’s capital structure and secured debt provides valuable certainty for Blackham as it continues to improve operational performance and achieve ongoing cost reductions to improve operational cash flow and effect its transition to Stage 1 of its Sulphide Expansion Project¹ to unlock the large sulphide reserves and resources at Wiluna.”

For further information on Blackham please contact:

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