28 February 2020 ASX Announcement

31 December 2019

Half-Year Financial Report

Blackham Resources Limited ("Blackham") reports its financial results for the half-year ended 31 December 2019.

Summary financial results	Half-year ended Dec 2019 ($'000)	Half-year ended Dec 2018 ($'000)	Change (%)
Revenue from gold & silver sales	75,976	62,351	22%
Gross profit / (loss) from operations	7,370	(4,170)	N/A
Total comprehensive gain/(loss) for the half-year, net of tax	23,996	(10,264)	N/A
Net cash inflows from operating activities	7,336	7,908	-7%
Gold production (ounces)	37,568	38,065	-1%
Gold sales price achieved (A$/oz)	1,984	1,640	21%
All-in sustaining cost (A$/oz)	1,524	1,597	-5%

EXPLANATION OF HALF YEAR RESULTS

- Blackham generated a strong net profit for the half-year ended 31 December 2019 of $24m, including $19m relating to the sale of non-core assets. Gross profit and cash flows from operations of A$7m and A$7m respectively illustrated the operational turnaround from prior periods' mining investments, underpinned by gold production of 37,568oz at an All in Sustaining Cost ('AISC') of A$1,524/oz.
- Owing to a combination of strong operating performance, the realisation of value from the sale of non-core assets, and proceeds from equity transactions, the Company was able to achieve significant balance sheet repair including:
  - Reduction in trade payables of $11m; and
  - total debt reduction of $9m, including the extinguishment of a Convertible Note debt.
- Additionally, there was significant investment into preproduction mining areas, in particular at the Williamson open pit mine where $8m of the total $10m contribution in relation to the Lake Way Transaction[1] was realised.
- Key business development activities in the six months included the successful completion of the Stage 1 Expansion Study[2], the refurbishment of the Rod Mill (providing additional mill throughput)[3] and exploration activities which included the delineation of further Golden Age underground extensions.

A review of the Company's operations is provided in the Directors' Report in the Half-Year Financial Report.

For further information on Blackham please contact:

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Blackham Resources Limited

Jim Malone
Investor Relations Manager
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Blackham Resources Limited

1 See ASX announcement dated 23 July 2017
2 See ASX announcement dated 23 December 2019
3 See ASX announcement dated 12 February 2020

INTERIM FINANCIAL REPORT

For the half-year ended 31 December 2019

This interim report incorporating Appendix 4D is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3

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BLACKHAM
Resources Limited

Company Directory

DIRECTORS

Milan Jerkovic	(Executive Chairman)
Neil Meadows	(Operations Director)
Greg Fitzgerald	(Non-Executive Director)
Anthony James	(Non-Executive Director)

COMPANY SECRETARY

Dan Travers

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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SHARE REGISTER

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SECURITIES EXCHANGE LISTING

Australian Securities Exchange
Code: BLK
Options: BLKOB

SECURITIES ON ISSUE AT DATE OF THIS REPORT

Ordinary shares:	4,716,242,587
Quoted options:	673,638,562
Unquoted options:	189,818,368

AUDITOR

RSM Australia Partners
Level 32, Exchange Tower
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PERTH WA 6000

BANKERS

National Australia Bank
100 St Georges Terrace
PERTH WA 6000

ABN: 18 119 887 606

BLACKHAM Resources Limited

Appendix 4D

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Summary financial results	Half-year ended Dec 2019 ($'000)	Half-year ended Dec 2018 ($'000)	Change (%)
Revenue from gold & silver sales	75,976	62,351	22%
Total comprehensive gain/(loss) for the half-year, net of tax	23,996	(10,264)	N/A
Profit/(loss) after tax attributable to members	23,996	(10,264)	N/A

NET TANGIBLE ASSETS PER SHARE

	31 December 2019	31 December 2018
Net tangible assets per share	$0.018	$0.072

DIVIDENDS/DISTRIBUTIONS

No interim dividend was paid or declared for the period ended 31 December 2019.

DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE HALF-YEAR

No control over entities has been gained or lost in the half-year ended 31 December 2019.

EXPLANATION OF RESULTS

See commentary on results in the Directors' report.

Directors' Report

Your directors submit the financial report of Blackham Resources Limited ('Blackham' or the 'Company') and its controlled entities (the 'Group') for the half-year ended 31 December 2019.

DIRECTORS

The names of Directors who held office during or since the end of the half-year:

Milan Jerkovic	Executive Chairman	
Greg Fitzgerald	Non-Executive Director	
Anthony James	Non-Executive Director	
Neil Meadows	Operations Director	(appointed 4 December 2019)

COMPANY SECRETARY

Dan Travers

PRINCIPAL ACTIVITIES

The principal activities of the Group during the half-year were:

- production of gold from the Matilda-Wiluna Gold Operation; and
- gold exploration and development.

REVIEW AND RESULTS OF OPERATIONS

Highlights

- 6-month gold production of 37,568oz
- Profit after tax for the half-year ended 31 December 2019 was $23,996,000
- All in Sustaining Costs per ounce ('AISC') for the 6 months of A$1,524/oz
- Operating cash flow of $7.3m for the half-year
- Significant balance sheet repair including a reduction in trade payables of $11m
- Total debt reduction of $9.2m including the extinguishment of the Lind Convertible Note
- Stage 1 Expansion Study completed
- Rod Mill refurbishment completed
- Further Golden Age UG extensions identified
- Lake Way Transaction completed

Gold Production

Gold production for six months ended 31 December 2019 of 37,568oz and an AISC of A$1,524/oz was reflective of a noticeable operational turnaround. Returns on significant investment in mine development during the Mar'19 and Jun'19 quarters were realised in the six-month period, with improved access to ore from both the Matilda and Wiluna mining areas. As a result, the mill saw an increase in the proportion of high-grade feed, with the average processed grade for the six-month period being 1.9g/t. This represents a 34% increase on the prior six months.

During the half-year, ore from open pit mining was accessed at a strip ratio of 7.8:1, which compared favourably against the prior six months (strip ratio of 12.1:1). The high grades mined from open pits during the half–year of 1.7g/t was contributed to by higher than expected grades in the transitional and fresh material towards the base of the Wiluna mining areas. The metallurgical recovery from these transitional and fresh zones was in line with expectations, with total recovery over the half year of 79% achieved.

Production from Golden Age Underground, the Company's highest grade free-milling ore source, was 60,136 tonnes @ 4.7g/t. Drilling continued during the half year and is ongoing, targeting high-grade free milling extensions, with initial results reported to the ASX on 23 January 2020. The Company continues to be successful in extending the Golden Age Underground and is committed to a strategy to sustain production at 10,000 tonnes or more per month, in parallel with the free-milling open pit mines.

Production & Cost Summary

		SEP19 QTR	DEC19 QTR	FY20 YTD
Production	**Unit**			
Open Pit Mining				
Total Mining	bcm	1,477,656	1,070,642	2,548,298
Strip Ratio	w:o	7.2	8.7	7.8
Ore Mined	t	420,088	278,081	698,169
Mined Grade	g/t	1.4	2.2	1.7
Underground Mining				
Total UG lateral development	m	66	64	131
Ore Mined	t	29,773	30,363	60,136
Mined Grade	g/t	5.2	4.1	4.7
Total Ore Mined	t	449,861	308,444	758,305
Total Mined Grade	g/t	1.6	2.4	1.9
Total OP & UG Contained Gold	oz	23,664	23,728	47,392
Processing				
Tonnes Processed	t	420,242	368,925	789,167
Grade Processed	g/t	1.6	2.2	1.9
Recovery	%	84%	75%	79%
Gold Produced	**oz**	**17,565**	**20,003**	**37,568**
Gold Sold	oz	17,783	20,453	38,236
Achieved Gold Price	A$/oz	1,882	2,072	1,984
Costs	**Unit**			
Mining - net of cost capitalised to preproduction	A$/oz	960	535	734
Processing	A$/oz	453	464	459
Site Administration	A$/oz	81	86	84
Stockpile movements	A$/oz	(160)	20	(64)
Royalties, refining costs & silver sales	A$/oz	129	140	135
Sustaining Capital Expenditure	A$/oz	34	259	154
Overhead costs	A$/oz	22	23	22
All - In - Sustaining Costs Per Ounce	**A$/oz**	**1,519**	**1,527**	**1,524**

Wiluna Stage 1 Expansion Study
On 23 December 2019 the Company announced that it completed its Stage 1 Expansion Study. The Stage 1 Expansion plan defines a low capital intensity transition from current production levels (70,000 – 80,000 oz per annum) to gold production rates averaging 110,000 oz per annum from FY2022 to FY2027. The Stage 1 Expansion is an intermediate step to extract value from the Company's significant sulphide resource and underpins a strategic pathway to +200,000 oz per annum. During the half the Company has received very strong demand for offtake of the gold concentrate produce from the Stage 1 Expansion Plan, and the finalization of a funding package is expected in the coming months.

Corporate
As at 31 December 2019, the Company had $5.7m in cash and bullion (cash of $0.7m, bank guarantees of $0.6m and bullion of $4.4m) (30 June 2019 - $4.2m).

Net debt at 31 December 2019 was $1m (30 June 2019 - $11.8m). The face value of debt decreased to $6.5m having fully discharged the funding facility held with an entity managed by The Lind Partners ("Lind"), which was settled through a cash payment of $1.625m and the issue of 144,444,445 fully paid ordinary shares in Blackham. Debt as at 31 December 2019 was comprised of the loan payable to MACA (face value of $6.2m) and leases ($0.3m). In addition, total trade and other payables reduced by $11.0m for the period.

Gold sold during the half-year was 38,236oz @ A$1,984/oz. There were 2,000oz of forward gold sales contracts in place at 31 December 2019, at an average price of $2,162/oz, maturing 31 January 2020. In addition, Blackham has purchased further revenue protection via put options, which provide the Group the right (but not the obligation) to sell 24,000oz at a minimum price of $2,019/oz between Jan'20 and Jun'20 inclusive.

The Lake Way Transaction was completed in early October, with $8m of the total $10m contribution to Williamson mining incurred as at 31 December 2019. During the Dec'19 quarter Salt Lake Potash ("S04") also exercised its option to acquire the Southern Borefield infrastructure for consideration of $3m. The consideration is payable before 30 June 2020.

Results
The profit after tax for the half-year ended 31 December 2019 was $23,996,000 (December 2018: loss after tax of $10,264,000). The Group's net assets at 31 December 2019 were $98,206,000 (June 2019: $62,177,000).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group during the half-year.

EVENTS SUBSEQUENT TO REPORTING DATE

On 26 February 2020, the Company announced a two-tranche Placement and a proposed, fully underwritten, non-renounceable Entitlement Offer to raise a total of $52m, before costs (Capital Raising). Arlington Group Asset Management Limited has been appointed Lead Manager, and are being supported by Ironbridge Capital Partners LLP, and Tectonic Advisory Partners (acting through Ecoban Securities Corporation).

The Capital Raising comprises:

- a placement to sophisticated and professional investors using the Company's placement capacities, which does not require shareholder approval under ASX Listing Rule 7.1 and ASX Listing Rule 7.1A (Tranche 1);
- a placement to sophisticated and professional investors in excess of the Company's placement capacities under ASX Listing Rule 7.1 and ASX Listing Rule 7.1A, therefore requiring shareholder approval (Tranche 2); and,
- a non-renounceable pro-rata entitlement offer to existing shareholders.

The Company is particularly encouraged by the support of tier 1, international institutions who are participating in the Capital Raising, indicating their backing and endorsement of Blackham's expansion and growth strategy, and the renewed management team.

In addition to the Capital Raising, the Company intends to pursue an indicative, non-binding term sheet it has executed with Mercuria, a large, European based trading group, for a A$40m project loan facility. The Company is seeking to agree terms and obtain final credit approval from the potential lender in the coming months.

ROUNDING

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 and in accordance with that class order, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the period ended 31 December 2019 has been received and is included within this financial report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001.*

Signed in accordance with a resolution of the Board of Directors.

Milan Jerkovic
Director
Perth, 28 February 2020

Competent Persons Statement

The information contained in the report that relates to Exploration Targets and Exploration Results at the Wiluna Gold Project is based on information compiled or reviewed by Mr Cain Fogarty, who is a full-time employee and security holder of the Company. Mr Fogarty 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 Fogarty 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.

The information contained in the report that relates to Mineral Resources is based on information compiled or reviewed by Mr Marcus Osiejak, who is a full-time employee and security holder 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 27 September 2019 continue to apply and have not materially changed.

The information contained in the report that relates to Ore Reserves for the Wiluna underground mines are based on information compiled or reviewed by Matthew Keenan. Mr Keenan confirmed that he has read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012 JORC Edition). He is a Competent Person as defined by the JORC Code 2012 Edition, having more than five years' experience which is relevant to the style of mineralisation and type of deposit described in the Report, and to the activity for which he is accepting responsibility. Mr Keenan is a Member of The Australasian Institute of Mining and Metallurgy, has reviewed the Report to which this consent statement applies and is a full time employee working for Entech Pty Ltd having been engaged by Blackham Resources Ltd to prepare the documentation for the Matilda Gold Project on which the Report is based, for the period ended 30 June 2019. He disclosed to the reporting company the full nature of the relationship between himself and the company, including any issue that could be perceived by investors as a conflict of interest. Mr Keenan verifies that the Report is based on and fairly and accurately reflects in the form and context in which it appears, the information in his supporting documentation relating to Ore Reserves.

The information contained in the report that relates to Ore Reserves for the Open Pits at the Wiluna Gold Operation is based on information compiled or reviewed by Simon Hewson. Mr Hewson confirmed that he has read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012 JORC Edition). He is a Competent Person as defined by the JORC Code 2012 Edition, having more than five years' experience which is relevant to the style of mineralisation and type of deposit described in the Report, and to the activity for which he is accepting responsibility. Mr Hewson is a Member of The Australasian Institute of Mining and Metallurgy, has reviewed the Report to which this consent statement applies and is a full time employee working for Intermine Engineering Consultants having been engaged by Blackham Resources Ltd to prepare the documentation for the Matilda Gold Project on which the Report is based, for the period ended 30 June 2019. He disclosed to the reporting company the full nature of the relationship between himself and the company, including any issue that could be perceived by investors as a conflict of interest. Mr Hewson verifies that the Report is based on and fairly and accurately reflects in the form and context in which it appears, the information in his supporting documentation relating to Ore Reserves.

The information relating to the Ore Reserve estimate was reported to the ASX on the 27 September 2019. 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 the estimates have not materially changed.

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Blackham Resources Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) The auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) Any applicable code of professional conduct in relation to the review.

DAVID WALL
Partner
RSM AUSTRALIA PARTNERS

Perth, WA
Dated: 28 February 2020

BLACKHAM
Resources Limited

Consolidated Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	Consolidated 31 December 2019 $'000	Consolidated 31 December 2018 $'000
Continuing operations			
Revenue from gold and silver sales	1	75,976	62,351
Cost of production relating to gold sales	2	(50,011)	(57,059)
Gross profit/(loss) before depreciation and amortisation		**25,965**	**5,292**
Depreciation and amortisation relating to gold sales	2	(18,595)	(9,462)
Gross profit/(loss) from operations		**7,370**	**(4,170)**
Administration expenses		(2,471)	(2,379)
Non-capital exploration expenditure		(69)	(856)
Depreciation of non-mine-site assets		(26)	(32)
Share-based payments		(210)	(204)
Finance costs	4	(6,018)	(2,769)
Other income	5	20,693	2,917
Other expenses		-	(12)
Treasury – realised gain		(3)	2,460
Treasury – unrealised gain/(loss)		4,730	(5,219)
Profit/(loss) before income tax expense for the period from continuing operations		**23,996**	**(10,264)**
Income tax expense		-	-
Profit/(loss) after income tax expense for the period from continuing operations		**23,996**	**(10,264)**
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the period, net of tax		**23,996**	**(10,264)**
Basic profit/(loss) per share attributable to ordinary equity holders of the parent (cents per share)		0.56	(0.79)
Diluted profit/(loss) per share attributable to ordinary equity holders of the parent (cents per share)		0.56	(0.79)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

BLACKHAM Resources Limited

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2019

		Consolidated	
		31 December 2019	30 June 2019
	Note	$'000	$'000
Current assets			
Cash and cash equivalents		659	693
Gold bullion awaiting settlement		4,460	2,939
Trade and other receivables		6,679	2,994
Inventories		17,943	16,308
Financial assets		262	10
Total current assets		**30,003**	**22,944**
Non-current assets			
Plant and equipment		49,731	45,166
Mine properties – areas in production		70,964	69,780
Mine properties – areas in development		4,333	3,581
Exploration and evaluation expenditure		5,662	5,209
Right of use asset	10	13,225	-
Total non-current assets		**143,915**	**123,736**
Total assets		**173,918**	**146,680**
Current liabilities			
Trade and other payables		30,337	41,375
Provisions		1,324	1,342
Financial liabilities		-	4,478
Interest-bearing liabilities	7	4,959	11,933
Lease liability on right of use assets	10	6,702	-
Total current liabilities		**43,322**	**59,128**
Non-current liabilities			
Interest-bearing liabilities	7	108	207
Provisions		25,332	25,168
Lease liability on right of use assets	10	6,950	-
Total non-current liabilities		**32,390**	**25,375**
Total liabilities		**75,712**	**84,503**
Net assets		**98,206**	**62,177**
Equity			
Issued capital	8	186,844	175,285
Reserves	9	6,121	5,647
Accumulated losses		(94,759)	(118,755)
Total equity		**98,206**	**62,177**

The above statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Consolidated			
	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total $'000
At 1 July 2019	**175,285**	**5,647**	**(118,755)**	**62,177**
Profit for the period	-	-	23,996	23,996
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive profit for the period	-	-	23,996	23,996
Transactions with owners in their capacity as owners:				
Share based payments expense	-	474	-	474
Shares issued, net of transactions costs	11,559	-	-	11,559
At 31 December 2019	**186,844**	**6,121**	**(94,759)**	**98,206**
At 1 July 2018	**145,459**	**4,621**	**(46,954)**	**103,126**
Loss for the period	-	-	(10,264)	(10,264)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive loss for the period	-	-	(10,264)	(10,264)
Transactions with owners in their capacity as owners:				
Share based payments expense	-	1,131	-	1,131
Shares issued, net of transactions costs	2,235	-	-	2,235
At 31 December 2018	**147,694**	**5,752**	**(57,218)**	**96,228**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Consolidated	
	31 December 2019 $'000	31 December 2018 $'000
Cash flows from operating activities		
Proceeds from gold and silver sales	74,455	60,341
Payments to suppliers and employees	(65,350)	(53,943)
Interest received	9	40
Interest paid	(1,778)	(1,190)
Hedge premium income	-	2,460
Other	-	200
Net cash from operating activities	**7,336**	**7,908**
Cash flows from investing activities		
Purchase of plant and equipment	(7,603)	(4,598)
Payments for exploration and evaluation	(1,650)	(4,450)
Payments for mine properties	(5,814)	(7,355)
Proceeds from pre-production gold sales	-	571
Proceeds from sale of non-core assets	10,335	-
Other	-	4
Net cash used in investing activities	**(4,732)**	**(15,828)**
Cash flows from financing activities		
Proceeds from issue of equities	6,985	1
Payment of share issue costs	(276)	(32)
Proceeds from loan, net of fees	1,625	7,086
Repayment of loans	(7,862)	(18,169)
Repayment of finance lease	(104)	(79)
Change in bank guarantees	-	(116)
Repayment of lease liabilities	(3,006)	-
Net cash used in financing activities	**(2,638)**	**(11,309)**
Net decrease in cash held	(34)	(19,229)
Cash and cash equivalents at beginning of the period	693	20,742
Cash and cash equivalents at end of the period	**659**	**1,513**

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Basis of preparation

These consolidated interim financial statements and notes represent those of Blackham Resources Limited (the 'Company' or 'Blackham') and its controlled entities (the 'Group').

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

This financial report is a general purpose financial report which:

- has been prepared in accordance with AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.
- has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'), International Financial Reporting Standards ('IFRS') and the *Corporations Act 2001*;

CHANGES IN ACCOUNTING POLICIES

The Group has adopted all the new, revised and amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

Any new, revised or amended Accounting Standards and Interpretations that are not yet mandatory have not been early adopted by the Group.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The Group has adopted AASB 16 'Leases' (AASB 16) from 1 July 2019. The standard replaces AASB 117 'Leases' (AASB 117) and for lessees, eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term;

certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Transition

Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss.

For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

In accordance with the transition provisions of AASB 16, the Group has adopted the modified retrospective transition approach to implementing the new standard. Under this approach, comparatives are not restated. Instead, the reclassifications and adjustments arising from the new leasing rules are recognised in the statement of financial position on 1 July 2019.

The impact on the statement of financial position as at 1 July 2019 on the adoption of AASB16 are noted below:

	$'000
Right of use assets	
Buildings	617
Plant & equipment	16,040
Total right of use assets	**16,657**
Lease liabilities	
Current	6,234
Non-current	10,423
Total lease liabilities	**16,657**
Impact on opening accumulated losses as at 1 July 2019	**-**

The leases recognised by the Group under AASB 16 predominantly relate to contractor-provided equipment and office premises.

GOING CONCERN

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business.

As disclosed in the 31 December 2019 financial statements, the consolidated entity had net current liabilities of $13.3m, which includes the lease liability of $6.7m (relating to Right of Use Assets). Despite the net current liability position as at 31 December 2019, the Group had positive net cash inflows from operating activities of $7.3m for the six months and had net assets of $98.2m at that date. Therefore, the Directors believe that the going concern basis of preparation of the financial report remains appropriate, after consideration of the following mitigating factors:

- The Company has secured a total of $11.7m via the Tranche 1 Placement as announced to the ASX on 26 February 2020[1]. In addition, the Company expects to receive $26.2m following completion of the Offer given it is fully underwritten. Those funds exceed short term debt repayments and working capital commitments (included in those capital raisings' use of funds), as well as enabling the Group to commence activities relating to the Stage 1 Expansion[2];
- The Group's mining operation has generated positive operating cash flows since the Group's capital restructure in early 2018, and the Group has forecasted to continue to achieve positive cash flows from its operations which, following the headroom created by the new funds to meet short-term debt repayments and working capital commitments, will generate sufficient cash inflows to meet the repayment of trade debts and other liabilities when they become due and payable; and
- The Company has executed an indicative non-binding term sheet for a project loan facility totalling $40m[1]. This transaction is not critical to maintain the going concern assumption, however it furthers the Company's ability to complete the transition to sulphide gold concentrate production via the Stage 1 Expansion.

Accordingly, the Directors believe that it is reasonably foreseeable that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the 31 December 2019 Half-Year Financial Report.

[1] *Refer to the ASX release dated 26 February 2020.*

[2] *Refer to the ASX release dated 3 February 2020.*

Performance for the year

1. REVENUE FROM GOLD AND SILVER SALES

	Consolidated	
	31 December 2019 $'000	31 December 2018 $'000
Gold and silver sales		
- Gold sales at spot[(i)]	81,745	63,537
- Loss on gold forward contracts	(5,883)	(1,293)
Total gold sales	**75,862**	**62,244**
- Silver sales	114	107
Total gold and silver sales	**75,976**	**62,351**

(i) Pre-production gold sales are capitalised and are not included in sales revenue

2. COST OF GOODS SOLD

	Consolidated	
	31 December 2019 $'000	31 December 2018 $'000
Cost of goods sold		
Costs of production[(i)]	44,188	53,585
Royalties	4,967	3,606
Depreciation of mine plant and equipment[(i)]	6,445	1,285
Amortisation of mine properties	12,150	8,177
Open pit waste movements – Amortisation/(Deferral)	928	(186)
Underground costs capitalised	(155)	-
Stockpile movements (build up)/draw down	(2,401)	(374)
Gold in circuit draw down	2,484	428
Total	**68,606**	**66,521**

(i) Straight-line operating lease expenses previously recognised within costs of production are replaced with a depreciation charge for the right-of-use assets and an interest expense included within finance costs, in line with the newly adopted AASB 16. In accordance with AASB 16, there is no adjustment to the corresponding period.

3. OPERATING SEGMENT INFORMATION

The Group had one reportable segment, which is gold production, in the half-year ended 31 December 2019 (31 December 2018: gold production). The Chief Operating Decision Makers are the Board of Directors and the Executives of the Group. There is currently one operating segment identified, being the Matilda-Wiluna Gold Operation based on internal reports reviewed by the Chief Operating Decision Maker in assessing performance and allocation of resources.

4. FINANCE COSTS

	Note	Consolidated 31 December 2019 $'000	Consolidated 31 December 2018 $'000
Finance costs			
Interest		997	1,940
Borrowing costs		3,768	476
Unwinding on discount of rehabilitation provision		141	353
Interest on right of use assets	10	1,112	-
Total		**6,018**	**2,769**

5. OTHER INCOME

	Consolidated 31 December 2019 $'000	Consolidated 31 December 2018 $'000
Other income		
- interest revenue	11	40
- sale of non-core assets	19,515	2,850
- other income	1,167	27
Total	**20,693**	**2,917**

6. DIVIDENDS PAID OR PROVIDED FOR

There were no dividends paid or provided for during the period.

7. INTEREST-BEARING LIABILITIES

	Consolidated	
	As at 31 December 2019 $'000	As at 30 June 2019 $'000
Current interest-bearing liabilities		
Secured loan – MACA	4,798	7,506
Convertible note, net of fees & collateral shares	-	4,277
Equipment lease liabilities	161	150
	4,959	**11,933**
Non-current interest-bearing liabilities		
Equipment lease liabilities	108	207
	108	**207**

INTEREST-BEARING LIABILITIES

SECURED LOANS – MACA LIMITED ("MACA")

At balance date, the Group had a loan outstanding with MACA Mining Limited with a face value of $6.2m (June 2019: face value of $10.3m), secured against the Group's assets. Following the changes to the Working Capital Facility announced on 2 September 2019, the repayment schedule for the outstanding loan has been extended to end on 31 August 2020. The facility interest rate is 12.5% per annum, with a penalty interest rate increasing to 18% per annum if the repayment schedule is not maintained in accordance with the agreement.

The Group has entered into a general security deed to secure the Group's obligations under the relevant documents encompassing the MACA Loan and Working Capital Facility.

In addition to the MACA loan amount, there were $15.6m of mining contractor costs included in trade payables which were also secured against the Group's assets, in accordance with the loan agreements. This amount includes $6.6m pertaining to the Working Capital Facility.

SECURED CONVERTIBLE NOTE – LIND PARTNERS ("LIND")

As announced on 25 September 2018, the Company executed an agreement with an entity managed by The Lind Partners, a New York based institutional fund manager.

The funding commitment of A$7.5m was provided as a Secured Convertible Note ("Convertible Note 1") with a 24 month term, the proceeds of which were used to fully repay the short term secured debt owed to Orion Fund JV Limited. The Funding Agreement included repayment provisions that allowed for conversion into Blackham shares, optional cash payments or early repayment, at the Company's sole discretion, at any time. A lock-up provision restricted conversion of debt into shares for four and a half months until 14 February 2019.

In order to simplify its capital structure, Blackham finalized the process to repay and discharge its funding facility with The Lind Partners. The outstanding balance of $2,925,000 on 2 September 2019 was settled through a cash payment of $1,625,000 and the issue to Lind of 144,444,445 fully paid ordinary shares in Blackham.

8. ISSUED CAPITAL

	Consolidated	
	Half-year ended 31 December 2019	
	Number ('000s)	$'000
Movement in ordinary shares on issue		
On issue at 1 July 2019	3,440,646	175,285
Share Purchase Plan (24 Oct 19)	300,000	3,000
Placement (11 Sept 19)	410,875	4,109
Issued in lieu of payment	564,722	4,940
Transaction costs	-	(490)
On issue at 31 December 2019	**4,716,243**	**186,844**

9. RESERVES

	Note	Consolidated	
		As at 31 December 2019 $'000	As at 30 June 2019 $'000
Share-based payments reserve consist of:			
Share options		4,711	4,237
Performance rights		1,410	1,410
		6,121	**5,647**
		Number (000's)	**Number (000's)**
Movement in options on issue:			
At beginning of reporting period		766,677	589,627
Options expired		-	(535,819)
Options issued		100,951	745,639
Options exercised		-	(3,188)
Options forfeited		(4,171)	(29,582)
At closing of reporting period		**863,457**	**766,677**

Options and performance rights are issued to suppliers, directors, employees and consultants. The options and performance rights issued may be subject to performance criteria and are issued to directors and employees of the Company to increase goal congruence between executives, directors and shareholders. Options and performance rights granted carry no dividend or voting rights.

Summary of Options Granted during the half year

Allottee	No. of options issued	Fair value at grant date	Estimated volatility	Vesting date	Expiry date	Exercise price	Share price	Risk free interest rate
Directors & employees	100,951,392	$0.013	N/A	30/06/2022	30/06/2023	$0.00	$0.013	N/A

10. LEASES

This note provides information for leases where the Group is a lessee.

Amounts recognised in statement of financial position

	As at 31 December 2019 $'000	As at 30 June 2019 $'000
Right of use assets		
Buildings	618	-
Plant & equipment	16,040	-
Less: Accumulated depreciation	(3,433)	
Total right of use assets	**13,225**	**-**
Lease liabilities		
Current	6,702	-
Non-current	6,950	-
Total lease liabilities	**13,652**	**-**

Amounts recognised in statement of profit or loss and other comprehensive income

	31 December 2019 $'000	31 December 2018 $'000
Depreciation of right of use assets	3,433	-
Interest expense (included in finance costs)	1,112	-

Other disclosures

11. COMMITMENTS AND CONTINGENCIES

Commitments

The Company has a limited commitment to deliver and sell 1.65% of its monthly gold production to Osisko Bermuda Limited at a 70% discount to the prevailing spot gold price (but limited to at a price not higher than US$600 per ounce). As at 31 December 2019, the Company had 5,051 ounces of gold remaining to be delivered under this arrangement.

Contingent Liabilities

As part of the sale and purchase agreement of the Wiluna Gold Project from Apex Minerals NL (Receivers and Managers Appointed)(In Liquidation) and Apex Gold Pty Ltd (Receivers and Managers Appointed) (In Liquidation), the following contingent liabilities exist:

- $1,300,000 in cash (or shares at Blackham's election) on production of 100,000 ounces of gold from the Wiluna tenements.

Contingent Assets

As part of the farm-in and Joint Venture Agreement with A-Cap Resources Limited on the exploration tenements ("project") owned by the Group, the following contingent assets exist:

- $500,000 in cash and incurred Exploration expenditure of not less than $5m on exclusive right to earn 35% participant interest on the project by A-Cap Resources Limited (Second Earn in Interest).
- $1m in cash and issuing A-Cap Resources Limited' shares equal to $1.5m on exclusive right to earn 20% participant interest on the project by A-Cap Resources Limited (Third Earn in Interest).

12. RELATED PARTIES

Mr Milan Jerkovic, a Director of the Company, is also an officer of Xavier Group Pty Ltd, a company who provides consulting services to the Group. During the half-year, $226,105 (30 June 2019 twelve months: $176,030) was paid (or is payable) to Xavier for consulting services provided to the Group. All transactions were made on normal commercial terms and conditions, and at market rates.

13. SUBSEQUENT EVENTS

On 26 February 2020, the Company announced a two-tranche Placement and a proposed, fully underwritten, non-renounceable Entitlement Offer to raise a total of $52m, before costs (Capital Raising). Arlington Group Asset Management Limited has been appointed Lead Manager, and are being supported by Ironbridge Capital Partners LLP, and Tectonic Advisory Partners (acting through Ecoban Securities Corporation).

The Capital Raising comprises:

- a placement to sophisticated and professional investors using the Company's placement capacities, which does not require shareholder approval under ASX Listing Rule 7.1 and ASX Listing Rule 7.1A (Tranche 1);
- a placement to sophisticated and professional investors in excess of the Company's placement capacities under ASX Listing Rule 7.1 and ASX Listing Rule 7.1A, therefore requiring shareholder approval (Tranche 2); and,
- a non-renounceable pro-rata entitlement offer to existing shareholders.

The Company is particularly encouraged by the support of tier 1, international institutions who are participating in the Capital Raising, indicating their backing and endorsement of Blackham's expansion and growth strategy, and the renewed management team.

In addition to the Capital Raising, the Company intends to pursue an indicative, non-binding term sheet it has executed with Mercuria, a large, European based trading group, for a A$40m project loan facility. The Company is seeking to agree terms and obtain final credit approval from the potential lender in the coming months.

Directors' Declaration

In the opinion of the directors:

a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:
   i. giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and
   ii. complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the *Corporations Regulations 2001*.

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the board

Milan Jerkovic
Director
Perth, 28 February 2020

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Independent Auditor's Review Report
To the Members of Blackham Resources Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Blackham Resources Limited, which comprises the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Blackham Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Blackham Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Blackham Resources Limited is not in accordance with the *Corporations Act 2001*, including:

(a) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DAVID WALL
Partner
RSM AUSTRALIA PARTNERS

Perth, WA
Dated: 28 February 2020