



QUARTERLY REPORT

June 2011

Australian energy company, Blackham Resources Ltd (Blackham) (“**ASX: BLK**”) continues to advance the development of the Scaddan and Zanthus Coal to Liquids (“CTL”) projects.

The Blackham Board is very pleased to report the following highlights during the quarter:

HIGHLIGHTS

- **Scaddan resource statement revised to over 1 billion tonnes**
- **The current combined resources equate to approximately 40 years worth of feedstock based upon a 60,000 barrel per day CTL facility**
- **Scaddan West coalfield remains open to the north**
- **Preliminary Processing Study underway to confirm oil yields**
- **Confirmation drilling results at Zanthus suggest higher energy zone within the coal seam**
- **Current diesel and crude oil prices offer robust operating margins**
- **Existing resources offers first rate leverage to increasing crude oil and diesel prices**

The Scaddan and Zanthus Energy Projects, located near Esperance, Western Australia, contain world scale coal deposits on 1.4 billion tonnes with over 10,600 PJ of energy at shallow depth and very low mining costs. The project has the potential to produce 860 million barrels oil equivalent, consisting mainly of a clean diesel, as well as additional power available for the region.

The Scaddan Energy Project is surrounded by complimentary infrastructure approximately 60 kilometres north of the town and major port of Esperance and 10 kilometres east of the Esperance to Kalgoorlie highway, gas pipeline and railway line. Blackham has large landholdings in the Esperance region.

Revised Coal Resources

During the quarter, Blackham announced and upgrade to its Scaddan coal resource. Blackham now manages a combined coal resource of 1.4 billion tonnes estimated in accordance with the JORC Code. Blackham’s attributable resource is 1.1 billion tonnes of coal.

Table 1 - Summary of Coal Resources¹

Project	JORC ¹ Resource Category	Total Tonnes (millions)	Blackham Attributable Tonnes (millions)
Scaddan	Measured	80	50
	Indicated	490	340
	Inferred	470	340
Zanthus	Inferred	350	350
Total		1,390	1,080

All figures are rounded to the nearest 10 million tonnes

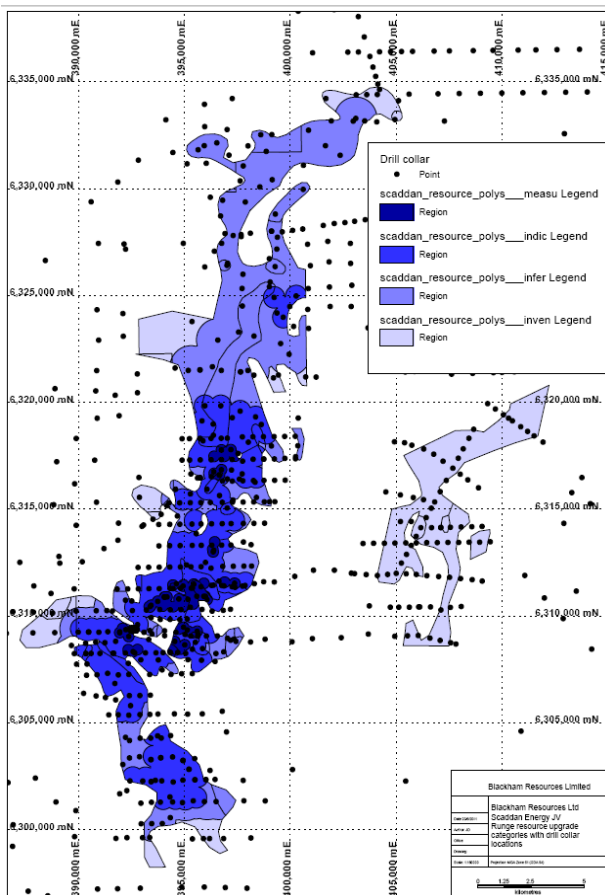
Table 2 - Summary of Inventory Coal (Non JORC)²

Project	Tonnes (millions)	Blackham Attributable Tonnes (millions)
Scaddan	200-320	150-230
Zanthus	460-760	460-760
Total	660-1,080	610-990

All figures are rounded to the nearest 10 million tonnes

Scaddan Coal Resource

Both historical and recent borehole data at Scaddan was reviewed by Runge to calculate the resources contained within the tenements. The data from the drill programme completed in December 2010 has now been included in the reported resource estimates.



Map 1 - Scaddan Coalfield Plan

The Scaddan West coal seam now extends over 35 kilometres in length, is still open to the north and is up to five kilometres wide in places. Thickness in the Scaddan West area varies from up to 19m, thinning rapidly at the edges of the body and around topographic highs. The main seam LGA averages 7.5 metres in thickness and contains 87% of the total coal resource.

The Scaddan resource estimate in Table 1 is reported on a 56% moisture basis and an approximate relative density of 1.2. No thickness or quality cut-offs were applied to the Resource Estimate due to the lignite having reasonable prospects for eventual economic extraction as outlined in the Australian "Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves". Exploration drilling, to define the Scaddan lignite deposit is based upon the historical drill holes and recent drilling programmes over the last three years. It includes a total of 1,547 boreholes, 311 of which cored, and 1,236 drilled as open holes.

For more information on the above please see the ASX announcement of 21st June 2011.

Successful Zanthus drilling results

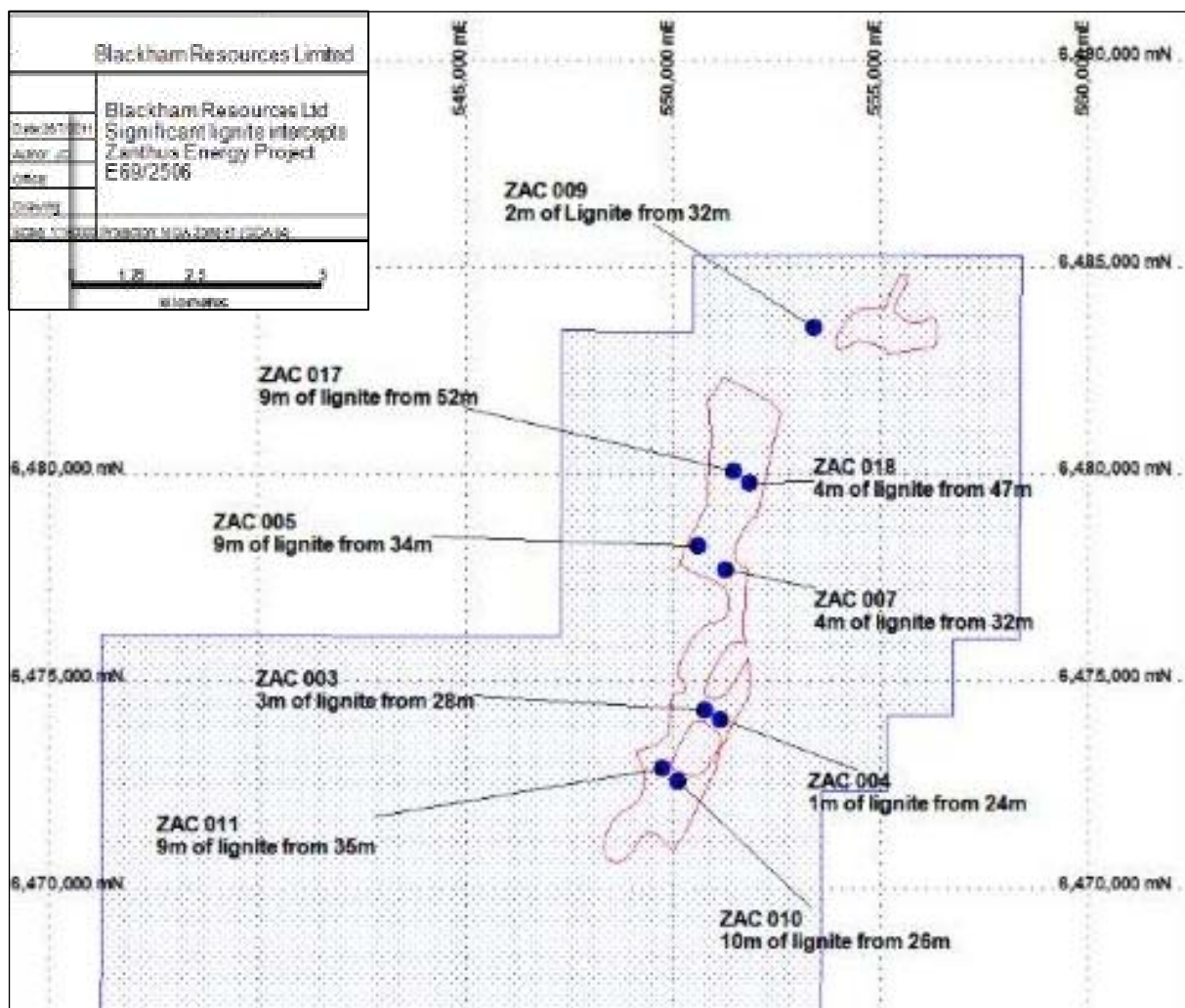
During the quarter, positive drill results were reported from the infill drilling programme at the Zanthus projects near Balladonia, Western Australia. The air core program was aimed at confirming the coal seam quality in the existing resource area.

The drilling results confirm the coalfield extends over 10km in length. The best intercepts are seen in Table 3.

The infill drilling within the resource area has added confidence to the existing resource model (last updated July 2009). The current drilling programme has confirmed the coal seams are thickest in the centre of the coal deposit. For full drilling results please see the ASX Announcement dated 26th July 2011. Drilling suggests the average energy content for the middle of the Zanthus coal seam maybe up to 49% higher than previous resource modelling.

Hole ID	From (m)	Intercept (m)	Gross Dry Calorific Value MJ/kg	Gross Wet Calorific Value MJ/kg
ZAC 003	28	3	22.2	9.6
ZAC 004	24	1	20.2	10.0
ZAC 005	34	9	23.2	10.3
ZAC 007	32	4	21.3	9.9
ZAC 009	33	2	18.6	8.6
ZAC 010	26	10	21.0	10.0
ZAC 011	35	9	23.6	10.5
ZAC 017	52	9	18.5	9.0
ZAC 018	47	4	18.3	8.9
Drill Programme Average		5.7	21.2	9.8
Resource Average		7.9	14.2	7.1

Table 3: Infill drill results



Map 2: Zanthus Coalfield Plan

Coal Upgrading

Further coal upgrading testwork was conducted during the quarter. The drying test work concluded it was possible to remove most of the moisture in the lignite and significantly improve energy levels in Scaddan coal. Previous test work has suggested that up to 99% of the chlorine and sodium in the coal can be removed by washing. The results of this test work significantly increases the quality and energy content of the lignite.



Photo 1: Raw Scaddan Lignite



Photo 2: Upgraded Scaddan Coal

Preliminary Process Study

Following the completion of successful testwork during 2010, Blackham has begun a preliminary process study (PPS). Over the last 2 years Blackham and its consultants have collected coal gasification feed specifications and expected process performance efficiencies.

Stage 1 of the PPS has been completed. Process flow diagrams that included feed pre-treatment requirements for a short list of six gasification technologies were prepared to produce low temperature Fisher Tropsch (LTFT) diesel and other oil products from Scaddan coal.

The second phase of the PPS is well underway and is designed to:

- Prepare an overall mass and energy balance (MEB) model suitable for comparing the equipment requirements, yields and materials usages for each of the gasifier technologies to be assessed.
- Trial calculation test the gasification technologies for which operating data is available. The MEB is to be based on the production of LTFT fuels.
- Assess the proven process options available for reducing, where necessary, the Scaddan coal moisture, ash, sodium and chlorine levels to those specified by the six gasification technology vendors.
- Include a comparison of the pre-treatment process flow diagrams, mass and energy balances, oil yields and advantages and disadvantages of each short listed technologies.

The process flow sheet for the production of LTFT diesel and naphtha from Scaddan coal was prepared in sufficient detail for providing the key streams required for the MEB analyses. This included process units for the reduction, where necessary, of moisture, ash, sodium and chlorine as specified by the selected gasification technology providers.

Potential Oil Production

The Scaddan and Zanthus Energy Projects have a combined coal resource of 1.4 billion tonnes containing over 10,600 PJ of energy and potential for 860 million barrels of oil equivalent mostly in the form of clean diesel. Blackham's attributable resource is 1.1 billion tonnes of coal.

Table 4 – Potential barrels of oil

Project	Resource Mt	Blackham Share Mt
Scaddan Energy Project	1,040	730
Zanthus Energy Project	350	350
Total Resource	1,390	1,080
Potential barrels of oil equivalent	860 million barrels	670 million barrels

All figures are rounded to the nearest 10 million tonnes

* scoping studies for the Scaddan Energy project have estimated 0.64 barrels of oil for every wet tonne of lignite. 68% of the oil product is in the form of diesel. This will be confirmed by testing during the further process studies.

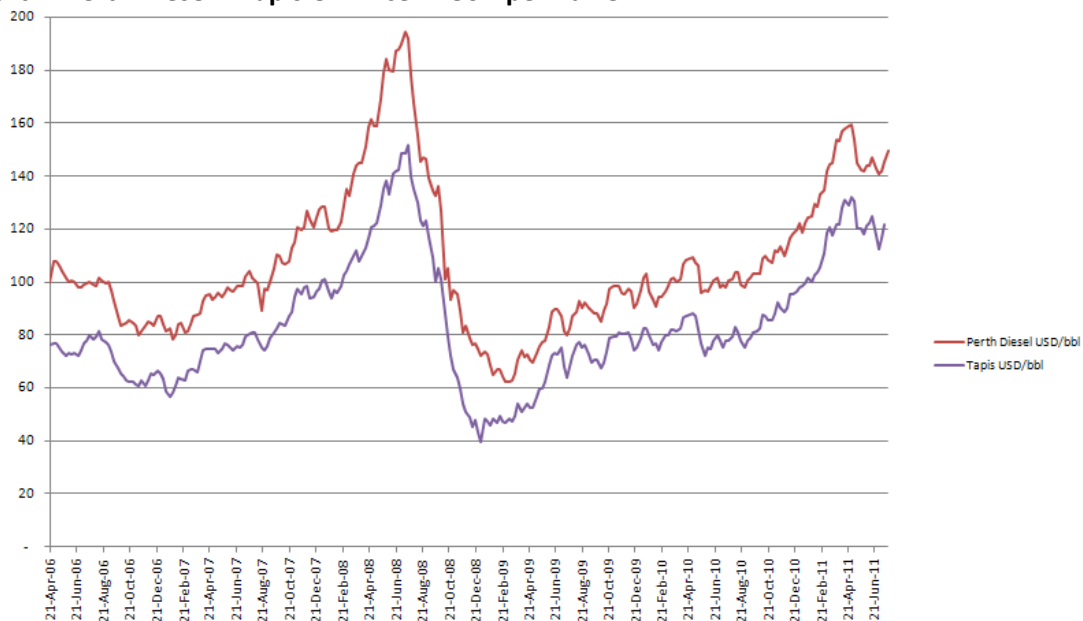
There is also additional production potential from the existing inventory coal which is currently estimated at 0.66 to 1.08 billion tonnes of lignite at the Scaddan and Zanthus projects.

The current Scaddan and Zanthus resource equates to 40 years worth of feedstock for a 60,000 barrel per day potential CTL facility. The initial Scaddan mine plan also confirms most of the resource in the pit area converts to mineable tonnes. The current pit shell would also allow for greater than 20 years worth feedstock for a 40,000 barrel per day operation. Further drilling of the Scaddan deposit is planned to increase the potential capacity of the project.

Diesel Market and Crude Oil Markets

Tapis Crude Oil prices and Perth Diesel Terminal Gate Price (TGP) are now US\$122/bbl and US\$149/bbl, respectively.

Chart 1: Perth Diesel v Tapis Oil Price in USD per Barrel



Perth diesel prices have averaged US\$142/bbl during 2011. These diesel prices provide robust operating margins for the Scaddan Energy Project when compared to a US\$47/bbl operating cost from the Scaddan scoping study. At current oil prices the Scaddan CTL facility has the potential to provide robust operating margins over a 40 years period, producing 19 million barrels of oil product annually.

Access to the goldfields diesel market for the Scaddan Energy Project also gives Blackham a competitive advantage. Diesel prices in the goldfields region are higher than the Perth TGP.

The Scaddan CTL project offers Blackham shareholders significant leverage to rising energy prices as world economies increase their economic growth.

Corporate

Blackham's market capitalisation is currently \$9.3 million based upon a share price of 24 cents per share. The enterprise value of Blackham's coal projects equates to just 0.7 cents per tonne of coal.

The Blackham board continues discussions with various interested potential strategic partners with a view to development of the Scaddan CTL Project.

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Competent Persons Statement

The estimate of Coal Resources for the Scaddan Energy Project areas as presented in this report has been carried out in accordance with the Guidelines of the 'Australasian Code for Reporting of Mineral Resources and Ore Reserves' prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australasian Institute of Geoscientists and Minerals Council of Australia, December 2004.

The information in the report to which this statement is attached, that relates to the Scaddan Project Coal Resources, is based on information reviewed by Mr Simon Bruzzone. Mr Bruzzone is a full time employee of Runge Limited. Mr Bruzzone is a member of the Australasian Institute of Mining and Metallurgy. Mr Bruzzone has reviewed the geological data, including drillhole location, lithology and quality, and has constructed the geological model, and estimated the resources.

The information in the report to which this statement is attached, that relates to the Zanthus Energy Projects Coal Resources, is based on information reviewed by Ms Merryl Peterson and prepared by Mr Andrew Curd. Ms Peterson is a full time employees of Runge Limited and members of the Australasian Institute of Mining and Metallurgy. Mr Curd was a full time employees of Runge Limited and a members of the Australasian Institute of Mining and Metallurgy. Ms Peterson supervised the review of the geological data, construction of the geological model, and the estimation of the resources, and reviewed the modelling and resource estimation procedures.

Mr Bruzzone and Ms Peterson have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 edition of the Australasian Code for Reporting of Mineral Resources and Ore Reserves.

Mr Bruzzone and Ms Peterson are signing off as the Competent Person for this statement. Both consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.

¹ The JORC Code – "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves", the Joint Ore Reserves Committee of the AusIMM AIG and MCA, December 2004.

² An estimate of inventory coal was prepared by Runge based upon the drill hole data. The Estimate of coal inventory is in addition to the Resources. The estimate of inventory coal at Scaddan and Zanthus prepared by Runge based upon the drill hole data is included in Table 2. Drilling of several quality holes of a spacing of no more than 4,000m should readily convert most of the inventory area to an Inferred Resource as there is reasonable confidence in the structural continuity of the lignite from previous drill holes. However the inventory coal tonnage and quality is still considered conceptual in nature and has not had sufficient exploration to define a mineral resource and uncertainty still exists as to whether further exploration will result in the determination of a mineral resource.