

## Operations Update

Blackham Resources Limited ("Blackham" or "the Company") provides the following update on its activities, including its completed Stage 1 Expansion Study:

### Highlights

#### Operations Update

- Gold production and cost guidance maintained
- Continuing strong operating performance further strengthens balance sheet
- Mining rates at Williamson continuing with first ore accessed
- Construction of Tails Storage Facility K well advanced
- Rod mill refurbishment completed ready for recommissioning in January 2020

#### Stage 1 Sulphide Expansion Project

- Stage 1 Expansion Study completed
- Stage 1 gold production rates averaging 110,000oz p.a. from FY22 to FY27
- Stage 1 underpins a strategic pathway to +200,000oz p.a. production associated with Stage 2
- Preliminary mining schedules completed
- Significant exploration programs currently being planned to strengthen existing operations and further enhance the mining schedule developed in Stage 1 and planned in Stage 2.
- Concentrator and filtration plant design finalised
- Strong demand for concentrate offtake
- Finalisation of funding package expected in the March 2020 quarter
- Board approval to commit to the Stage 1 Sulphide Expansion Project to be sought in March 2020 post the finalisation of the funding package

### Operations Update

Blackham's operations continue to benefit from a period of improved production following investments in mine development made during the first half of CY2019. Blackham maintains its production guidance for FY2020 of 70,000-80,000oz @ an AISC of A\$1,550-\$1,750/oz.

Operations at the Golden Age underground mine have continued and expanded. The past two months have seen approximately 1,500oz Au per month being mined from the Golden Age underground. Exploration drilling and resource conversion drilling have recently recommenced to establish further reserves to be mined within Golden Age and adjacent ore shoots with potential for further increases in production rates during 2020.

Production activities at the Williamson open pit have advanced well with first ore production seen in November 2019, ramping up to provide the baseload of free milling ore well into 2020. Williamson pre-production expenditure of \$15 million is being offset by a \$10 million contribution from Salt Lake Potash Limited.

#### BOARD OF DIRECTORS

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

#### CORPORATE INFORMATION

4,716M Ordinary Shares  
 674M Quoted Options  
 190M Unquoted Options

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#### ASX CODE

BLK

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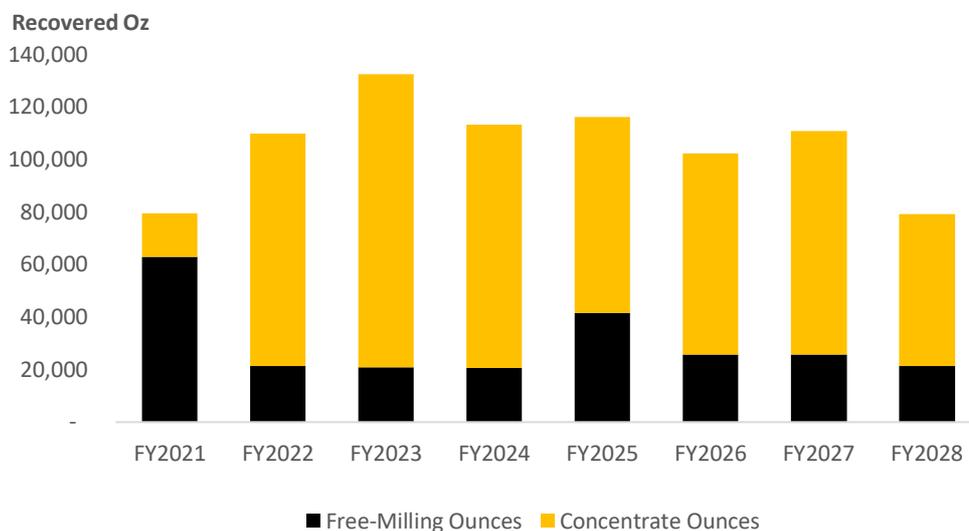
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Construction of the new tailings storage facility “TSF K” is well underway. This construction program is the first stage of construction of a ten-year capacity tailings storage facility, the first stage designed to hold approximately 2.5 years of tailings produced from the Wiluna processing plant.

Refurbishment of the rod mill has largely been completed with recommissioning scheduled post New Year. The rod mill is expected to provide an approximate 20% increase in grinding circuit capacity and a commensurate increase in ore throughput.

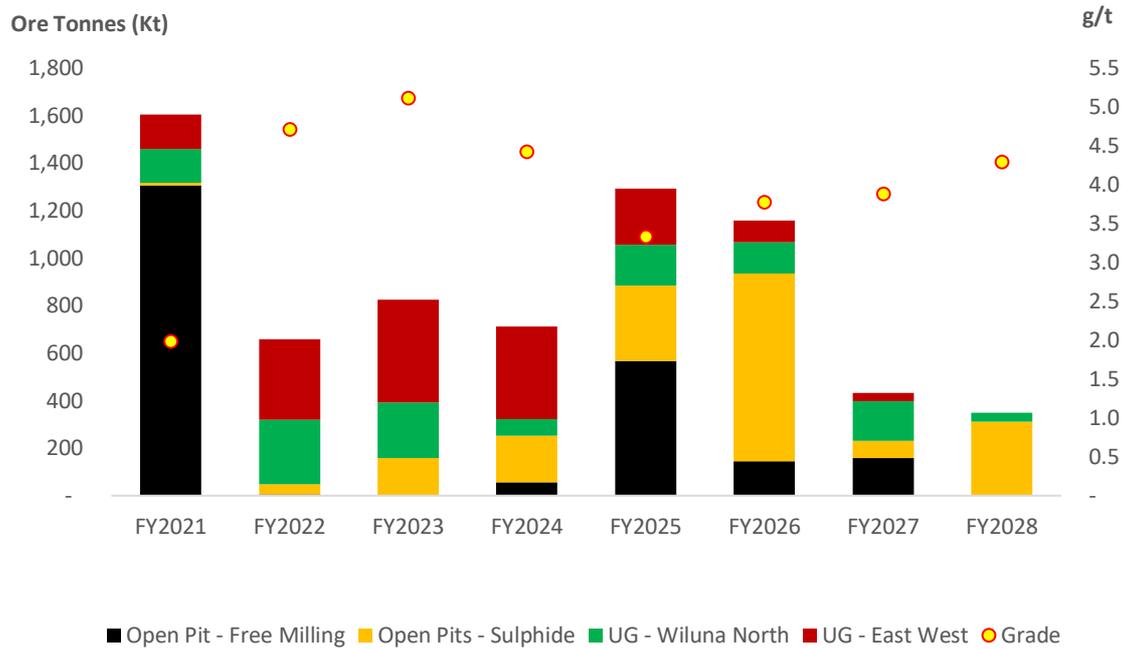
### Stage 1 Sulphide Expansion Project

Blackham has completed its Stage 1 Sulphide Expansion Project study. Preliminary underground mine planning and scheduling supplemented by open pit mining during the ramp up period for the underground development has been completed. The next stage of optimisation of these plans will commence in January. An indicative production profile for the stage 1 expansion project is presented in Figure 1.



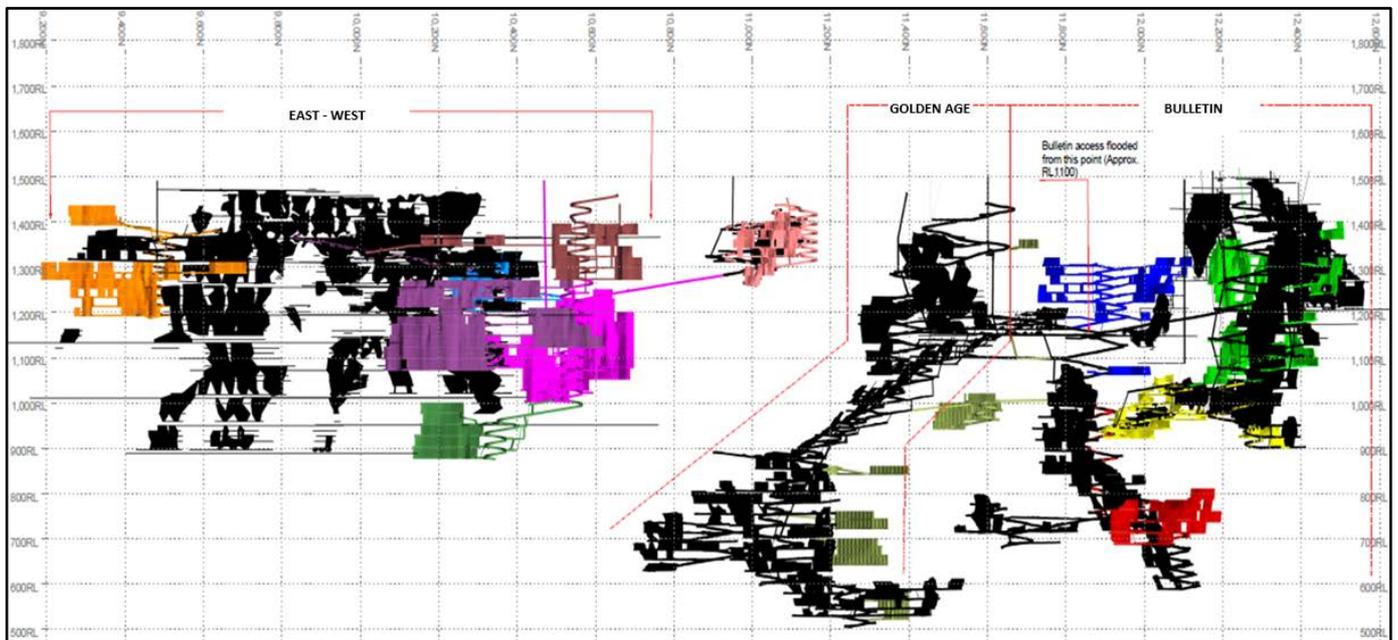
**Figure 1: Indicative Stage 1 expansion production profile**

The production profile shows the transition from free milling processing occurring during FY21. Some free milling ore will continue to be processed in campaigns throughout the project lifetime as the free milling ore exists in several areas and will be mined concurrently with the sulphide ore. Stage 1 sulphide ore processing will enable the Company to be able to process both material types as required moving forward. Given the Operation will maintain the free milling circuit’s availability, the transition from sulphide ore to short campaigns of free milling ore will be possible. The overall mining schedule is shown in Figure 2 which further highlights these ore sourcing considerations.



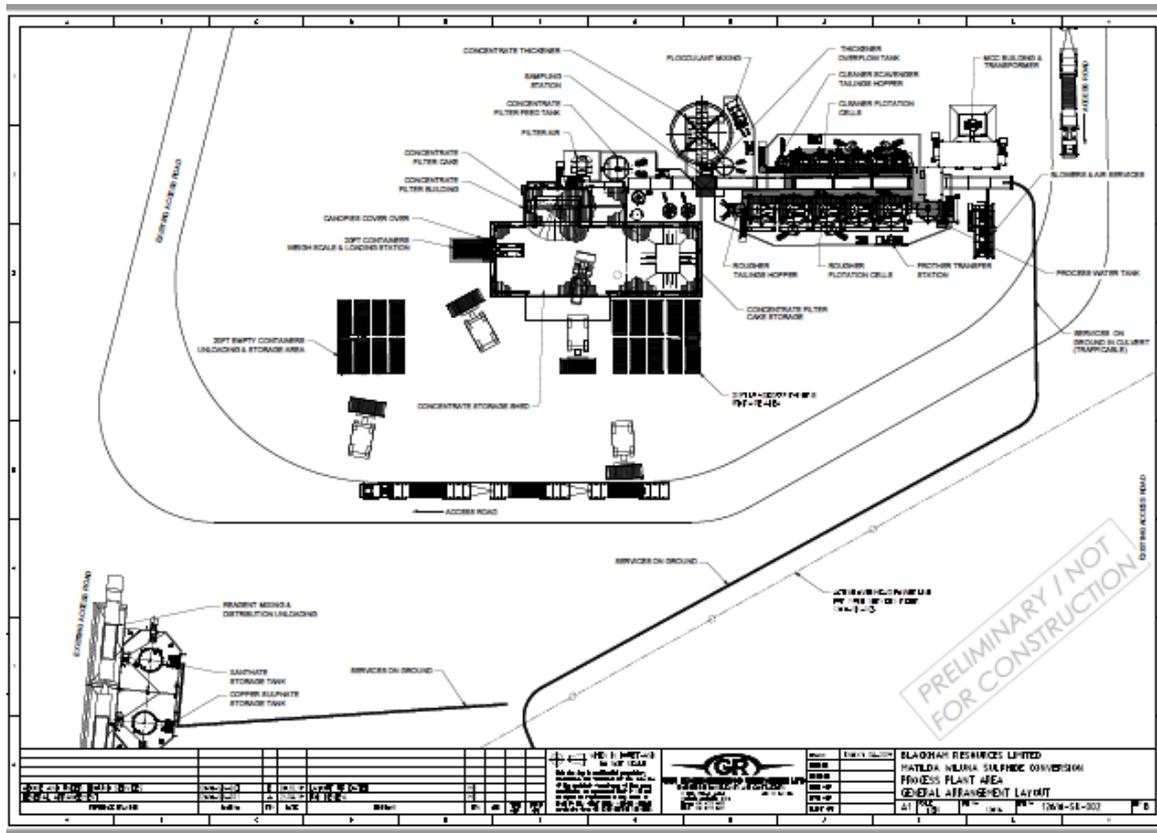
**Figure 2: Preliminary Stage 1 expansion mining schedule**

The areas of the Wiluna underground mine that are captured within the stage 1 expansion preliminary mining schedule are shown coloured in Figure 3. A significant expansion of reserves is expected to be returned from reserve drilling programmes in these initial development areas during 2020.



**Figure 3: Stage 1 expansion planned areas to be mined (various coloured areas).**

The engineering design for the sulphide flotation plant is also complete as are considerations of transport logistics for the containerised concentrate product. The current planned plant layout is shown in Figure 4.



**Figure 4: Stage 1 expansion concentrator and filtration plant layout**

The construction of the concentrator and filtration plant is expected to take 11 months from approval.

Demand has continued to be strong for the offtake of the gold concentrate with numerous parties making preliminary offers to Blackham. The final negotiations with up to 3 to 4 of the prospective offtake partners are planned to take place in early 2020.

Finally, dewatering activities to enable access to the underground areas for development has been accelerated. The presence of water in the underground workings is not expected to be an impediment to development and is not on the project's critical path.

### Next Steps

The next steps towards the implementation of the stage 1 expansion project include:

- Obtaining credit approval for the debt funding package the Company has received
- Commencement of exploration programs for the conversion of resources to reserves and strengthening and lengthening of the mine plan
- Consolidation and strengthening of the management team who will progress the project through to production
- Finalisation of key contracts for mining operations and the construction of the concentrator and filtration plant
- Finalisation of offtake and logistics agreements

Board approval for the project will be sought during the March 2020 quarter subject to finalisation of financing.

## Exploration update

Blackham is in the planning stages of a major drill program to lengthen sulphide reserves and enhance the Stage 1 sulphides mine plan. Wiluna is endowed with a large underground sulphide resource that currently stands at 18.5Mt @ 4.82 g/t for 2.9Moz, including 42% in the Indicated category (see ASX release 27<sup>th</sup> September 2019).

Reserve development programs will focus on highest-value underground Mineral Resources, and compelling conceptual targets that have the potential to deliver new shallow shoot discoveries. Figure 5 shows targeted shoot positions on the main East and West structures at Wiluna, which have a combined strike length of 7.5km and host most of the Wiluna sulphide resources and reserves; only limited drilling has occurred in the modelled shoot positions and at depths greater than 500m below surface (1000m RL).

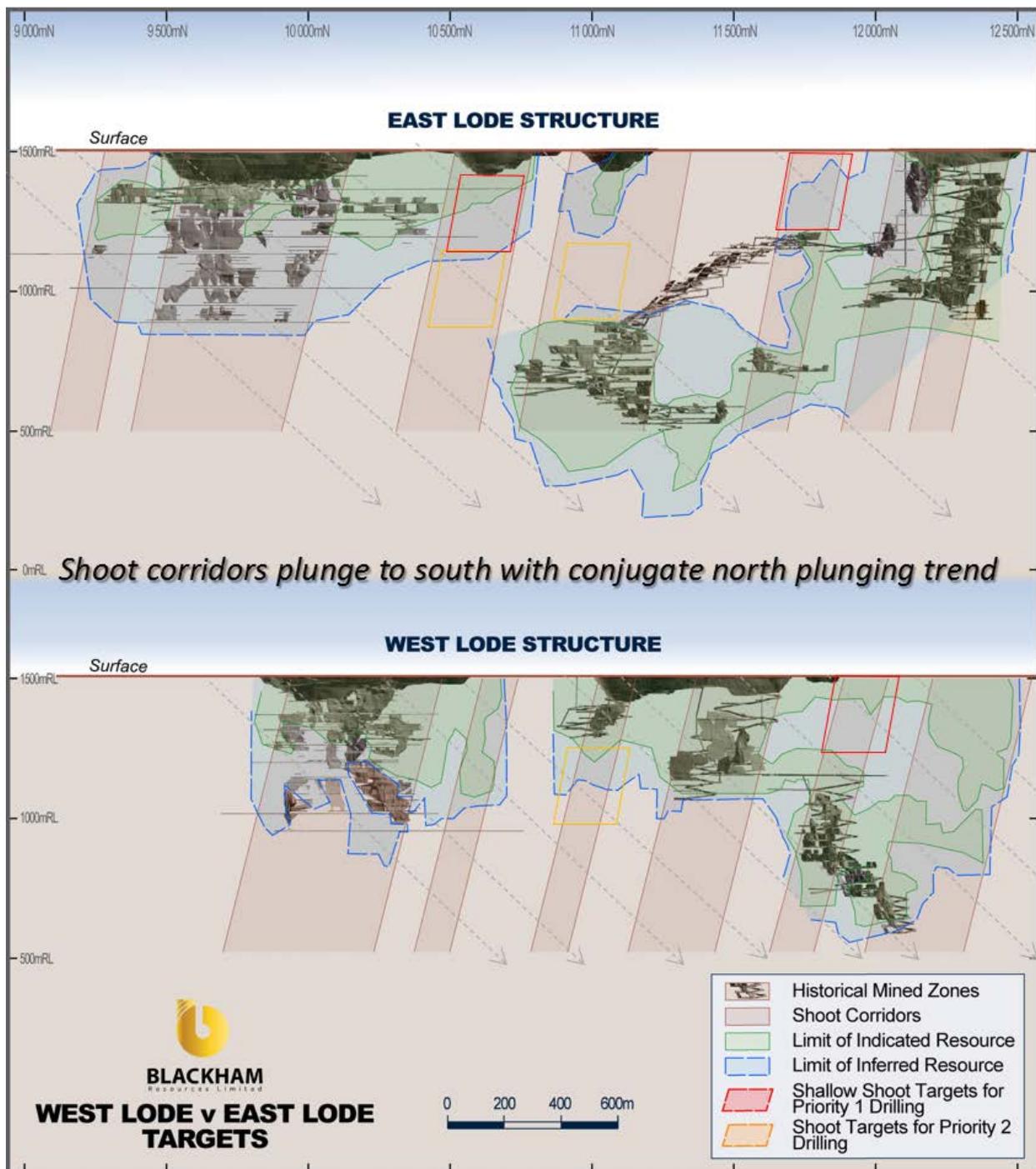


Figure 5: Wiluna West Lode and East Lode sulphide reserve development targets.

Drilling is underway targeting high-grade, free-milling ore bodies at the Golden Age area of the Wiluna underground mine (see ASX release dated 13<sup>th</sup> November 2019), with results to be reported at the completion of the program next quarter. Golden Age is currently Blackham's highest-grade producing orebody, and the Company continues to test extensions to sustain current levels of production over the next 12-18 months.

## Corporate Update

Blackham's gold production remains largely unhedged, with current forward sales contracts of only 1,000oz at an average price of A\$2,158/oz, maturing in January 2020. Blackham has purchased additional revenue protection via put options, which provide the Company 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. To underpin operational cash flows for the coming period, the Company will look to initiate new hedges where appropriate with the aim of taking advantage of the current record Australian dollar gold price environment.

Blackham's Executive Chairman, Mr Milan Jerkovic, said: "The operations continue to perform well in this quarter following on from the September '19 quarter which is very encouraging.

This will allow us to achieve ongoing cost reductions to improve operational cash flow and effect our transition to Stage 1 of its Sulphide Expansion Project<sup>1</sup> as outlined in this announcement and unlock the considerable value of the large sulphide reserves and resources at Wiluna."

This ASX announcement was approved and authorised for release by the Board of Blackham Resources Limited.

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