

## Quarterly Activities Report

### December 2019

Blackham Resources Limited ("Blackham" or "the Company") provides the following update on its activities for the quarter ended 31 December 2019, and thereafter:

#### Highlights

- **December quarter production of 20,003oz.**
- **Gold production and cost guidance maintained at 70,000 – 80,000 oz @ AISC of \$1,550 to \$1750/oz.**
- **Operational turnaround contributes to significant balance sheet repair for the six months ended Dec'19:**
  - **Total debt reduction of \$9.2m**
  - **Total trade and other payables reduced by \$11.7m.**
- **Stage 1 Expansion Study completed. Indicative non-binding term sheet received for \$40m funding.**
- **Salt Lake Potash exercise option to purchase Southern Borefield Infrastructure for \$3m.**

#### Summary

##### Wiluna Gold Operation

- Dec'19 quarterly gold production of 20,003oz @ an All-In-Sustaining-Cost per ounce ("AISC") of A\$1,527/oz (Sep'19 Qtr: 17,565oz @ A\$1,519/oz).
- Site operating cash flow, excluding capital expenditure and preproduction mining increased to \$20.6m for the Dec'19 quarter (Sep'19 Qtr: \$10.7m). Capital expenditure and preproduction mining costs for the quarter were \$14.3m (Sep'19 Qtr: \$0.9m).
- Mining at Williamson progressed in the Dec'19 quarter with first ore accessed. Further Williamson pre-stripping required in the Mar'20 quarter to deliver steady state ore from the Jun'20 quarter and to become the base load source of free milling ore for the mill.
- Construction of Tailings Storage Facility K advanced.
- Rod Mill refurbishment completed. Commissioning due in January with increased mill throughput benefits of approximately 20% available by the end of January.
- Award of contract to new equipment supplier for mining of the Golden Age zone within the Wiluna underground mine, as part of a defined 12-18 month strategy to sustain production at approximately 10,000 tonnes or more per month.
- Subject to drilling success the Company will investigate the potential to scale up the free-milling underground operations.
- Gold production and cost guidance maintained at 70,000 - 80,000 oz @ AISC of \$1,550 to \$1,750/oz, noting that January production has been impacted by poor weather conditions. Additionally, the Mar'20 quarter will require further investment, which will enable the Company to achieve stronger production in the Jun'20 quarter and maintain cash flow generation from the free milling operations during the transition to its sulphide operations in FY21, including:
  - Pre-stripping activities at the Williamson and Wiluna mining areas expected to be completed in the Mar'20 quarter, improving the availability of high-grade ore.
  - Construction of the Tailings Storage Facility K aimed to be completed in the Mar'20 quarter.

##### BOARD OF DIRECTORS

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

##### ASX CODE

BLK

##### CORPORATE INFORMATION

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

##### PRINCIPAL AND REGISTERED OFFICE

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- High grade ore sources for the Mar'20 quarter include ore currently being accessed from surface at new Wiluna open pits, extensions to the underground operations and existing stockpiles.

### Reserve Development, Resources and Exploration

- Successful grade control drilling completed in the Dec'19 quarter has enabled the fast-tracking of Matilda and Wiluna free-milling pits in the short-term mine plan.
- Drilling is currently underway to target high-grade free-milling ore bodies at the Wiluna underground with results expected in the current quarter.
- Major drill program currently being planned to add reserves and improve the Stage 1 sulphides mine plan.
- Golden West Resources ("GWR") JV feasibility studies are ongoing.

### Stage 1 Sulphide Expansion

- Stage 1 Expansion Study completed.
- Stage 1 gold production rates indicated to be an average of 110,000oz p.a. from FY22 to FY27.
- Stage 1 underpins a strategic pathway to +200,000oz p.a. production associated with Stage 2 expansion.
- Preliminary mining schedules completed.
- Significant exploration programs are currently being planned to add reserves and further enhance the mining schedule developed for Stage 1 and envisaged in Stage 2.
- Concentrator and filtration plant design and costing finalised together with supply chain for containerised product.
- Very strong demand for concentrate offtake.
- Finalisation of funding package expected in the Mar'20 quarter.
- Board approval to commit to the Stage 1 Sulphide Expansion Project to be sought in Mar'20 post the finalisation of the funding package.

### Corporate

- Cash and Bullion at 31 December 2019 was \$5.7m (Sep'19: \$7.1m).
- Net debt (excluding the MACA Working Capital Facility) at 31 December 2019 was \$1.0m (Sep'19: \$2.4m).
- Total debt reduction of \$9.2m for the six months ended 31 December 2019.
- Total trade and other payables reduced by \$11.7m for the six months ended 31 December 2019.
- Included in the trade and other payables is the MACA working capital facility balance with payments to date ahead of schedule, eliminating the potential \$750k fee payable for slow repayment (refer ASX announcement dated 2 September 2019)
- Lake Way Transaction completed in early October, with \$3.5m of the total \$10m contribution to Williamson mining paid as at 31 December 2019. A further \$1.9m was paid in Jan'20 and Blackham expects that the remaining \$4.6m contribution will be paid in the current financial year.
- During the Dec'19 quarter Salt Lake Potash ("SO4") exercised its option to acquire the Southern Borefield infrastructure for a consideration of \$3m. The consideration is payable before 30 June 2020.
- During the Dec'19 quarter the sale of calcine stockpiles was completed. An initial consideration of \$1.0m has been received and a further \$1.0m is payable within 18 months.
- Blackham's gold production is largely unhedged, with gold forward sales contracts as at the date of this report for 4,000oz at an average price of A\$2,200/oz, maturing by 31 March 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.
- The Company is progressing next steps towards the implementation of the Stage 1 Expansion Project. As part of this, Blackham is seeking credit approval for the A\$40 million debt funding package that it has received an indicative term sheet for. Board approval for the Stage 1 Expansion Project will be sought during the Mar'20 quarter subject to the finalisation of funding.
- The Company intends to perform a share consolidation in due course.

**Table 1 - Production & Cost Summary**

		SEP19 QTR	DEC19 QTR	FY20 YTD
<b>Production</b>	<b>Unit</b>			
<b>Open Pit Mining</b>				
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
<b>Underground Mining</b>				
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
<b>Processing</b>				
Tonnes Processed	t	420,242	368,925	789,167
Grade Processed	g/t	1.6	2.2	1.9
Recovery	%	84%	75%	79%
<b>Gold Produced</b>	<b>oz</b>	<b>17,565</b>	<b>20,003</b>	<b>37,568</b>
Gold Sold	oz	17,783	20,453	38,236
Achieved Gold Price	A\$/oz	1,882	2,072	1,984
<b>Costs</b>	<b>Unit</b>			
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
<b>All - In - Sustaining Costs Per Ounce</b>	<b>A\$/oz</b>	<b>1,519</b>	<b>1,527</b>	<b>1,524</b>

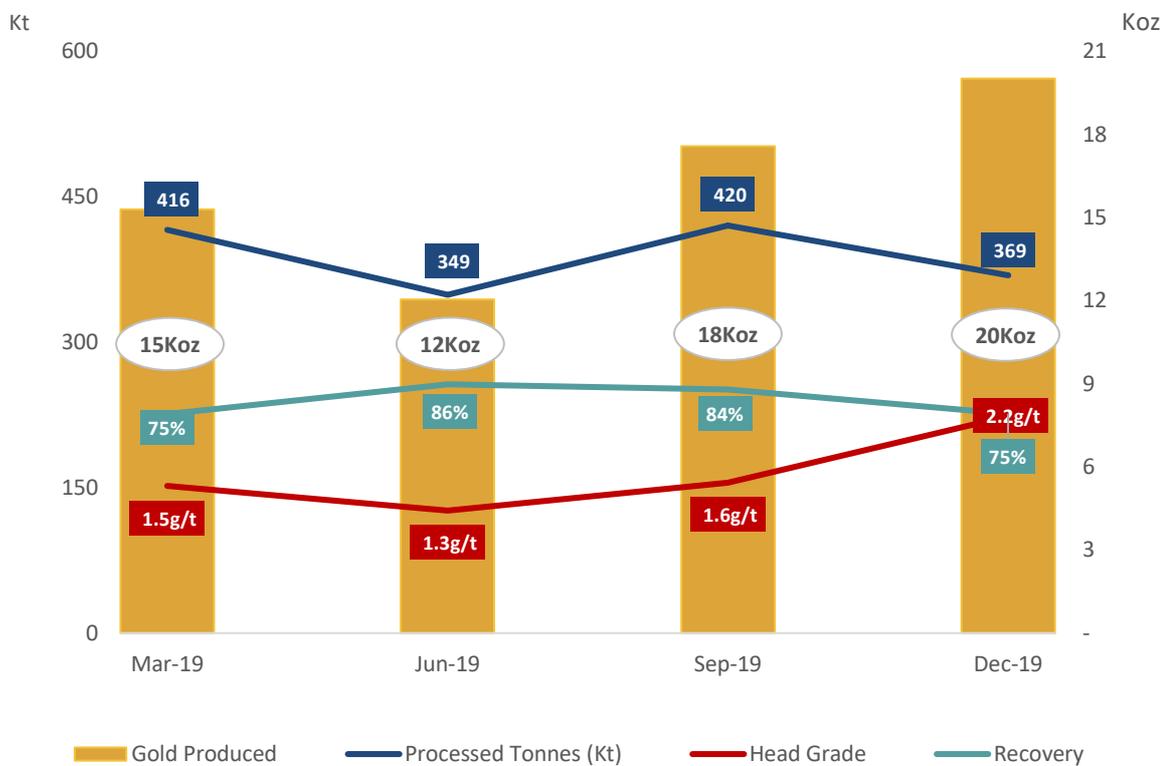
### Gold production

Blackham consolidated its operational turnaround with gold production of 20,003oz for the Dec'19 quarter (Sep'19 Qtr: 17,565oz). Total mined grade for the Dec'19 quarter of 2.4g/t (Sep'19 Qtr: 1.6g/t) reflects higher than expected grades in transitional and fresh material towards the base of the Wiluna open pit mines. Strong performance in the open pit mines and further success in the Golden Age area of the Wiluna underground resulted in processing head grades of 2.2g/t (Sep'19 Qtr: 1.6g/t), the key driver for increased quarter-on-quarter production.

Mill throughput in the Dec'19 quarter of 370kt was low compared to the Sep'19 quarter of 420kt due to a higher proportion of transitional and fresh material being processed. The refurbishment of the rod mill was completed in the Dec'19 quarter ready for commissioning this month. The rod mill will provide immediate throughput benefits once commissioned.

During the Dec'19 quarter a decision was made to deploy a mobile crushing service, enabling the re-crushing and processing of oversized mill scats stockpiles which had accumulated on site. Blackham estimates that by the end of the program it will have processed 80kt of scats at an average head grade of 1.5g/t. Gold recovered from scats will supplement production in the Mar'20 quarter as the Company invests capital into establishing new mines at the Matilda and Wiluna mining camps.

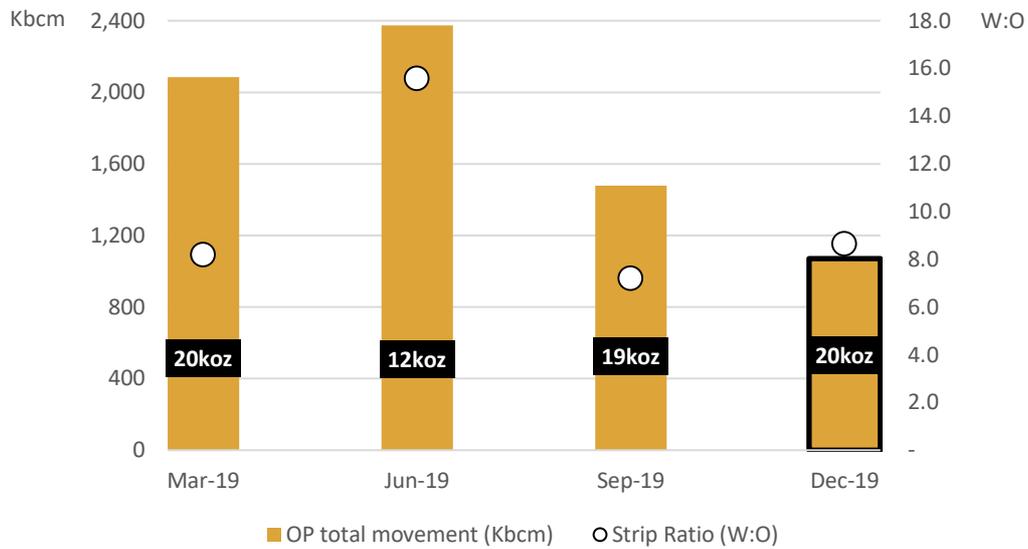
**Chart 1 – Gold production**



### Mining

Stripping ratios for the Dec'19 quarter were 8.7 (Sep'19 Qtr:7.2) with the increase driven by pre-production activities within the Wiluna mining complex. Excluding the preproduction activity, stripping ratios for the Dec'19 quarter were 4.9. Stripping ratios will be higher in the Mar'20 quarter with the benefits of this investment expected to be realised in the Jun'20 quarter and into FY21.

**Chart 2 – Open Pit Mining (Contained Ounces)**



**Photo 1: Cutback progressing on East and West side of Williamson open pit mine, image looking towards the south**

### **Wiluna Underground – Golden Age Exploration & Production Success**

In the Dec'19 quarter the Golden Age Underground delivered 4,043 mined oz (Sep'19 Qtr: 4,958oz). Production was hampered by poor equipment reliability and consequently the decision was made to mobilise new hire equipment. The decision demonstrates the Company's commitment to test extensions to sustain and where possible scale up production over the next 12-18 months.

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 in the current quarter.

### Stage 1 Sulphide Reserves Program

Blackham is in the planning stages of a major drill program to improve and 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 1 shows targeted shoot positions on the main East and West structures at Wiluna that 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).

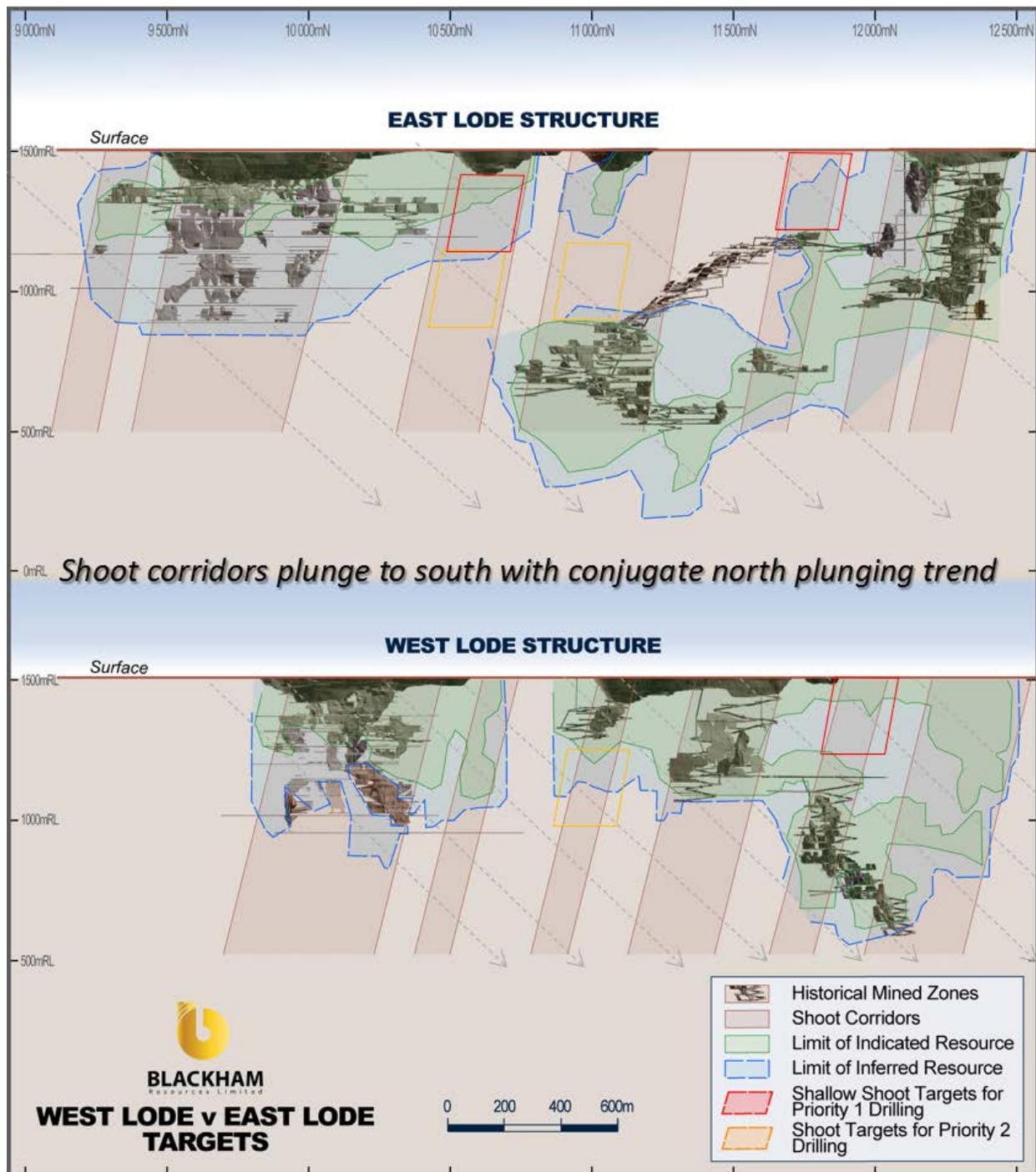
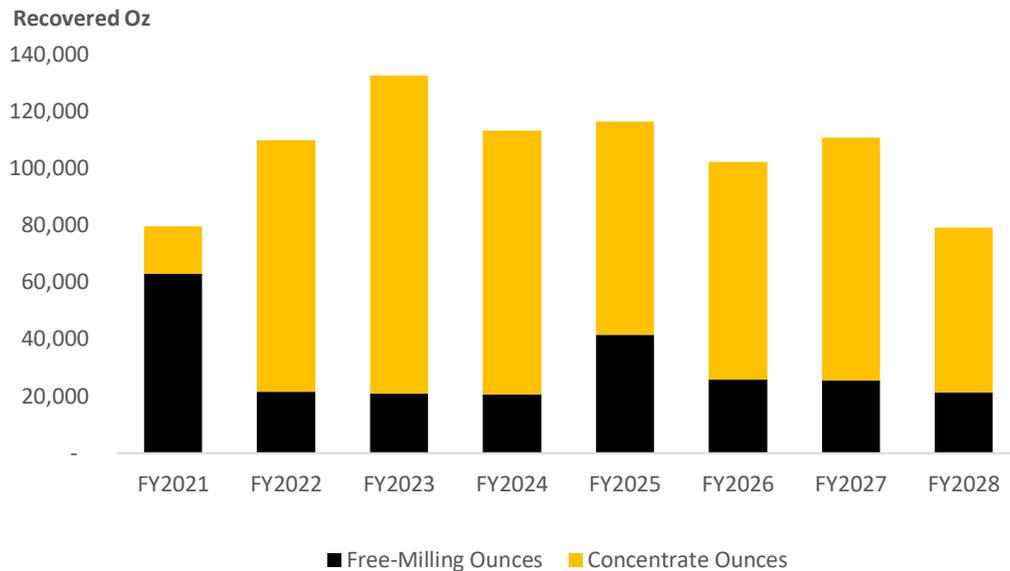


Figure 1: Modelled sulphide shoot targets on the main East and West structures.

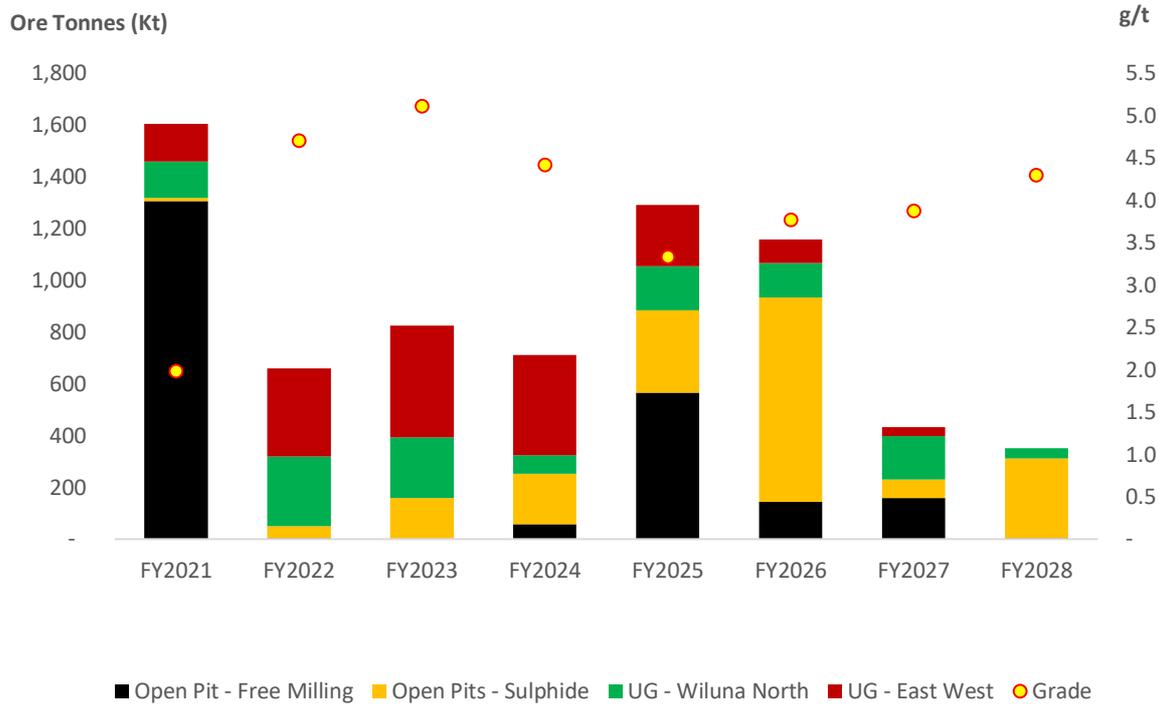
### Wiluna Expansion Studies

During the Dec'19 quarter Blackham reported that it had completed its Stage 1 Expansion Project Study. Preliminary underground mine planning and scheduling supplemented by open pit mining during the ramp up period for underground development has been completed. An indicative production profile for Stage 1 Expansion Project is presented in Chart 3.



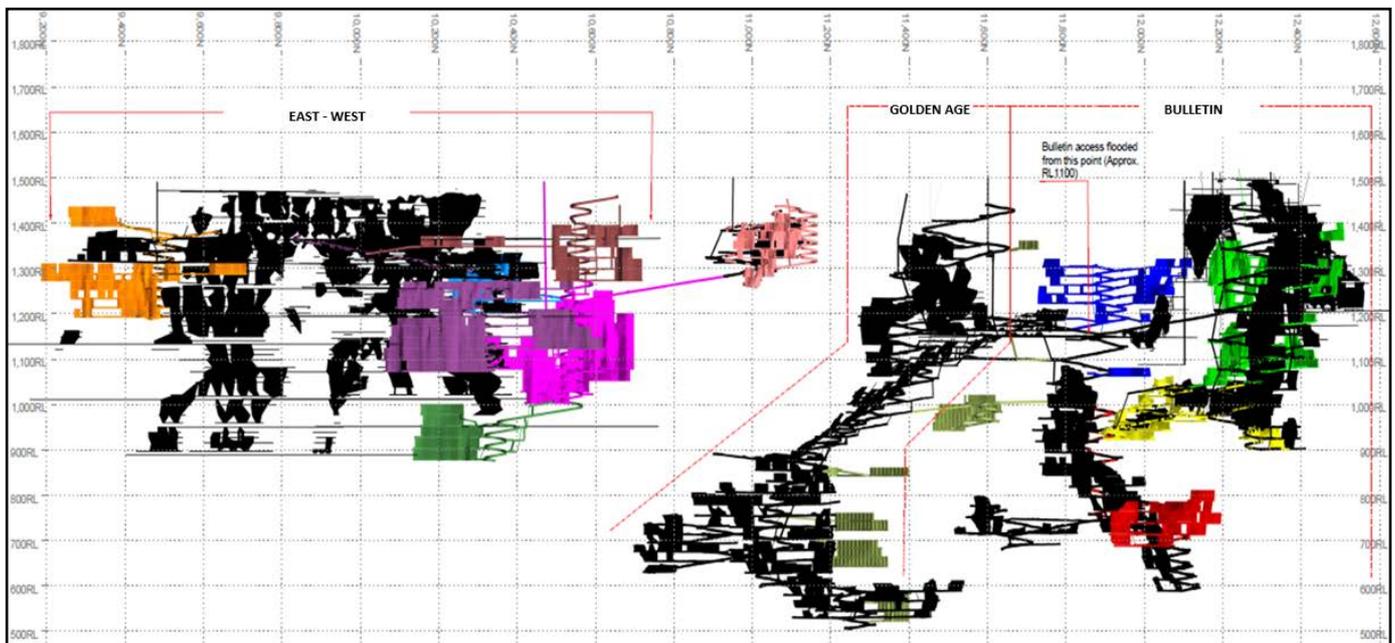
**Chart 3 – Indicative Stage 1 Expansion Production Profile**

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 that will be mined concurrently with the sulphide ore. Stage 1 sulphide ore processing will enable the Company to process both material types as required moving forward. The investment in sulphide processing infrastructure provides the Company optionality that both de-risks and optimises the value of its total resource base. 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.



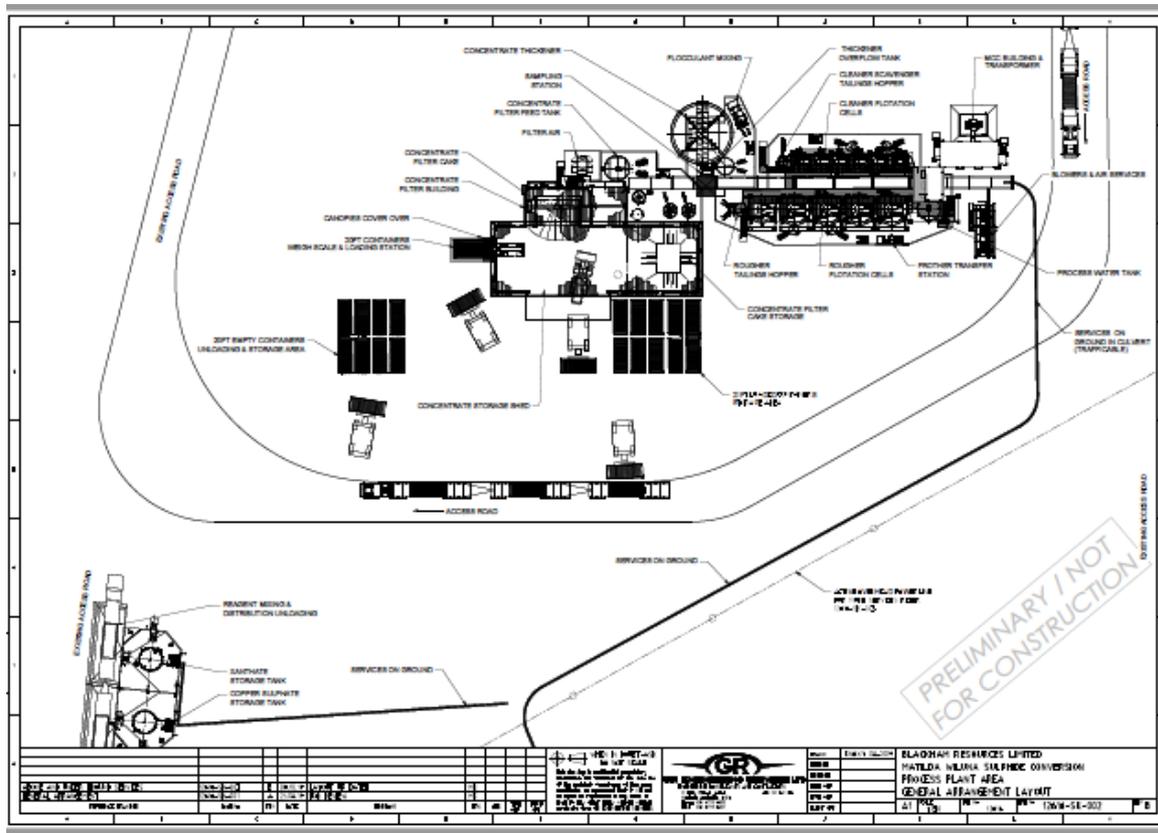
**Chart 4: Preliminary Stage 1 expansion mining schedule**

The areas of the Wiluna underground mine that are captured within the stage 1 expansion preliminary mining schedule are shown coloured in Figure 2. A significant expansion of reserves is expected to be returned from reserve drilling programs in these initial development areas during 2020.



**Figure 2: 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 3.



**Figure 3: 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 to enable access to the underground areas for development has been accelerated. The presence of water in the underground workings is not expected to impede 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 A\$40 million debt funding package the Company has received
- Execution of exploration programs to enhance to the Stage 1 Expansion 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 logistic agreements

Board approval for the project will be sought during the Mar'20 quarter subject to finalisation of financing.

## Corporate & Treasury

As at 31 December 2019 Blackham had \$5.7m in cash and bullion. The Company's strong operational performance contributed to the continued balance sheet repair and the face value of debt decreased to \$6.6m (Sep'19 Qtr: \$9.6m).

**Table 2: Quarterly Cash Flows**

<b>Qtrly Cash flows</b>	<b>Dec'19 (A\$000)</b>	<b>Sep'19 (A\$000)</b>
Operating cash flow before capex and preproduction mining	20,563	10,741
Capex and preproduction mining	(14,252)	(902)
<b>Site operating cash flow, including capex and preproduction mining</b>	<b>6,311</b>	<b>9,838</b>
Net corp/admin costs	(1,164)	(1,220)
Development expenditure (studies, resource development and other projects)	(1,172)	(1,265)
Treasury activities (hedging, offtake discount & working capital movements)	(13,132)	(7,940)
Proceeds from equity issued	2,889	3,820
Debt drawdowns	-	1,625
Debt service (principal & interest)	(3,272)	(4,853)
Net proceeds from sale of noncore assets	8,100	2,925
<b>Net Cash Flows</b>	<b>(1,439)</b>	<b>2,930</b>
<b>Opening Cash &amp; Bullion</b>	<b>7,127</b>	<b>4,198</b>
<b>Closing Cash &amp; Bullion</b>	<b>5,689</b>	<b>7,127</b>

Total debt reduction was \$9.2m for the six months ended 31 December 2019 and total trade and other payables decreased by \$11.7m for the six months ended 31 December 2019.

As at the date of this report Blackham's gold production is largely unhedged, with gold forward sales contracts for 4,000oz at an average price of A\$2,200/oz, maturing by 31 December 2019. Furthermore, 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.

This announcement has been approved for release by the Board of Blackham Resources Limited.

For further information on Blackham please contact:

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**Table 3: Mineral Resources as at 30 June 2019**

Matilda-Wiluna Gold Operation Resource Summary												
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 <sup>1</sup>	-	-	-	6.1	1.45	285	3.6	1.30	149	9.7	1.40	435
Wiluna <sup>2</sup>	-	-	-	15.6	2.48	1,245	5.3	3.00	510	20.9	2.61	1,755
Williamson <sup>3</sup>	-	-	-	2.6	1.30	108	1.5	1.40	66	4.1	1.34	174
Regent	-	-	-	0.7	2.71	61	3.1	2.11	210	3.8	2.22	271
Tailings	-	-	-	34.0	0.62	680	-	-	-	34.0	0.62	680
Stockpiles	0.6	0.80	15	-	-	-	-	-	-	0.6	0.80	15
<b>OP Total</b>	<b>0.6</b>	<b>0.80</b>	<b>15</b>	<b>59.0</b>	<b>1.25</b>	<b>2,379</b>	<b>13.4</b>	<b>2.16</b>	<b>935</b>	<b>73.0</b>	<b>1.42</b>	<b>3,330</b>
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
Matilda <sup>1</sup>	-	-	-	0.1	2.51	10	0.5	3.66	61	0.6	3.44	71
Wiluna <sup>2</sup>	-	-	-	6.9	5.49	1,210	11.7	4.42	1,664	18.5	4.82	2,874
Williamson <sup>3</sup>	-	-	-	-	-	-	0.3	2.61	23	0.3	2.61	23
Golden Age <sup>4</sup>	0.02	6.80	4	0.2	4.91	28	0.3	3.20	28	0.5	4.01	61
Galaxy <sup>5</sup>	-	-	-	0.1	3.70	6	0.2	2.80	16	0.2	2.98	22
<b>UG Total</b>	<b>0.02</b>	<b>6.80</b>	<b>4</b>	<b>7.3</b>	<b>5.38</b>	<b>1,254</b>	<b>12.9</b>	<b>4.31</b>	<b>1,793</b>	<b>20.2</b>	<b>4.71</b>	<b>3,051</b>
<b>Grand Total</b>	<b>0.6</b>	<b>0.99</b>	<b>20</b>	<b>66.2</b>	<b>1.71</b>	<b>3,633</b>	<b>26.4</b>	<b>3.22</b>	<b>2,728</b>	<b>93.2</b>	<b>2.13</b>	<b>6,381</b>

<sup>1</sup> Matilda Resource Estimate reported above 0.6g/t cut-off above 950mRL and 2g/t below 950mRL. Coles Find reported above 0.75g/t cut-off above 900mRL and 2.00g/t below 900mRL.

<sup>2</sup> OP Reported within A\$2400/oz shell above 0.5g/t cut-off for oxide and transitional 1.00g/t cut-off for fresh. UG above 2.00g/t below A\$2400/oz shell.

<sup>3</sup> OP Reported within A\$2400/oz shell above 0.5g/t cut-off for oxide and transitional and fresh. UG above 2.00g/t below 1290mRL.

<sup>4</sup> Reported above 3.00g/t cut-off.

<sup>5</sup> Reported above 2.00g/t cut-off in fresh below OP pit depletion.

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. Note rounding errors may occur.

**Table 4: Ore Reserves as at 30 June 2019**

OPEN PIT RESERVES										
Mining Centre	Proved			Probable			Total 100%			
	Mt	g/t Au	Koz Au	Mt	g/t Au	Koz Au	Mt	g/t Au	Koz Au	
Matilda	-	-	-	0.30	2.2	21	0.30	2.2	21	
Williamson	-	-	-	1.05	1.6	53	1.05	1.6	53	
Wiluna Free Milling	-	-	-	2.05	1.8	116	2.05	1.8	116	
Wiluna Sulphide	-	-	-	7.71	2.5	669	7.71	2.5	669	
Stockpiles	0.6	0.8	15	-	-	-	0.60	0.8	15	
<b>OP Total</b>	<b>0.55</b>	<b>0.8</b>	<b>15</b>	<b>11.11</b>	<b>2.4</b>	<b>859</b>	<b>11.70</b>	<b>2.3</b>	<b>874</b>	
UNDERGROUND RESERVES										
Mining Centre	Proved			Probable			Total 100%			
	Mt	g/t Au	Koz Au	Mt	g/t Au	Koz Au	Mt	g/t Au	Koz Au	
Wiluna Free Milling	-	-	-	0.03	4.2	3	0.03	4.2	3	
Wiluna Sulphide	-	-	-	1.75	4.8	270	1.75	4.8	270	
<b>UG Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.78</b>	<b>4.8</b>	<b>273</b>	<b>1.78</b>	<b>4.8</b>	<b>273</b>	
WILUNA TAILINGS										
Mining Centre	Proved			Probable			Total 100%			
	Mt	g/t Au	Koz Au	Mt	g/t Au	Koz Au	Mt	g/t Au	Koz Au	
Tailings Total	-	-	-	11.2	0.7	234	11.2	0.7	234	
<b>Grand Total</b>	<b>0.55</b>	<b>0.8</b>	<b>15</b>	<b>24.1</b>	<b>1.8</b>	<b>1,366</b>	<b>24.7</b>	<b>1.7</b>	<b>1,381</b>	

Note rounding errors may occur.

### **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 AIG 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.

### **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.