

# Blackham Resources Ltd.

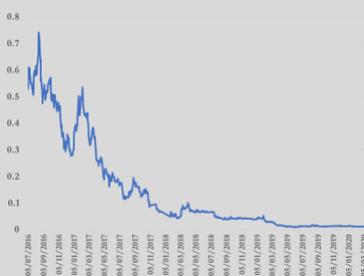
## Finding High Grade Gold Under The Head Frame

### Blackham Resources Ltd.

Ticker: BLK:ASX  
 Share price: A\$0.009  
 Market cap: A\$89.4m\*  
 Cash & Equivalents: A\$35.9m\*  
 Enterprise Value: A\$53.5m\*  
 Shares Outstanding: 9,931m\*  
 Options: 864m

(\*) Pro-forma estimates based on settlement of placement (Tranche 1 & 2) and settlement of fully underwritten rights offer.

Executive Chair: M. Jerkovic  
 Director Operations: N. Meadows  
 CFO: A. Rechichi  
 IR: J. Malone



Prices as of the close of business  
 17 March 2020

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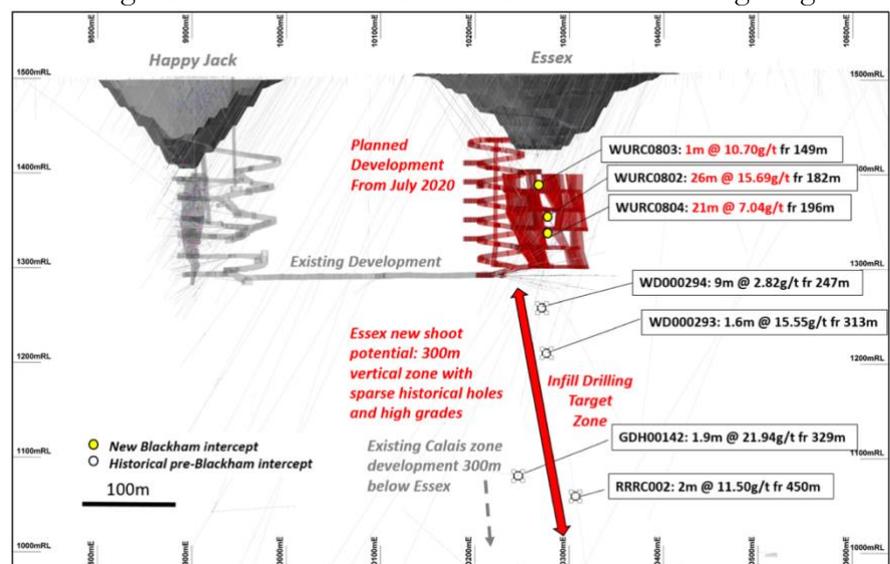
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Blackham Resources have announced more **high-grade gold assays** from drilling within 300 metres of surface. Grades reported in the 17 March 2020 announcement include;

**8m at 10.1 g/t Au at Bulletin**  
**4m at 8.2 g/t Au at Bulletin**  
**21m at 7.0 g/t Au at Essex**

These assays follow hot-on-the-heels of the **26m at 16 g/t Au at Essex** reported last month from the same drill program. Approximately 3,000 metres have been drilled to date, of a **planned 45,000 metre exploration program**. We expect an **extended period** of regular exploration announcements in the weeks and months ahead.

### Essex High Grade Results and Shallow Shoot Infill Drilling Target



Additionally, with the success of the A\$26m equity placement, **Blackham Resources' balance sheet will be able to undergo much-needed repair**. Subject to the mechanics of the fully-underwritten rights issue and receipt of necessary approvals at the upcoming EGM, the Company will be able to simplify their previously complex capital structure. By our calculations, completion of the A\$52m equity raising (A\$26m equity placement and A\$26m rights issue), will leave Blackham with net cash of approximately A\$33m, should all of the secured debt be extinguished and ignoring current operations.

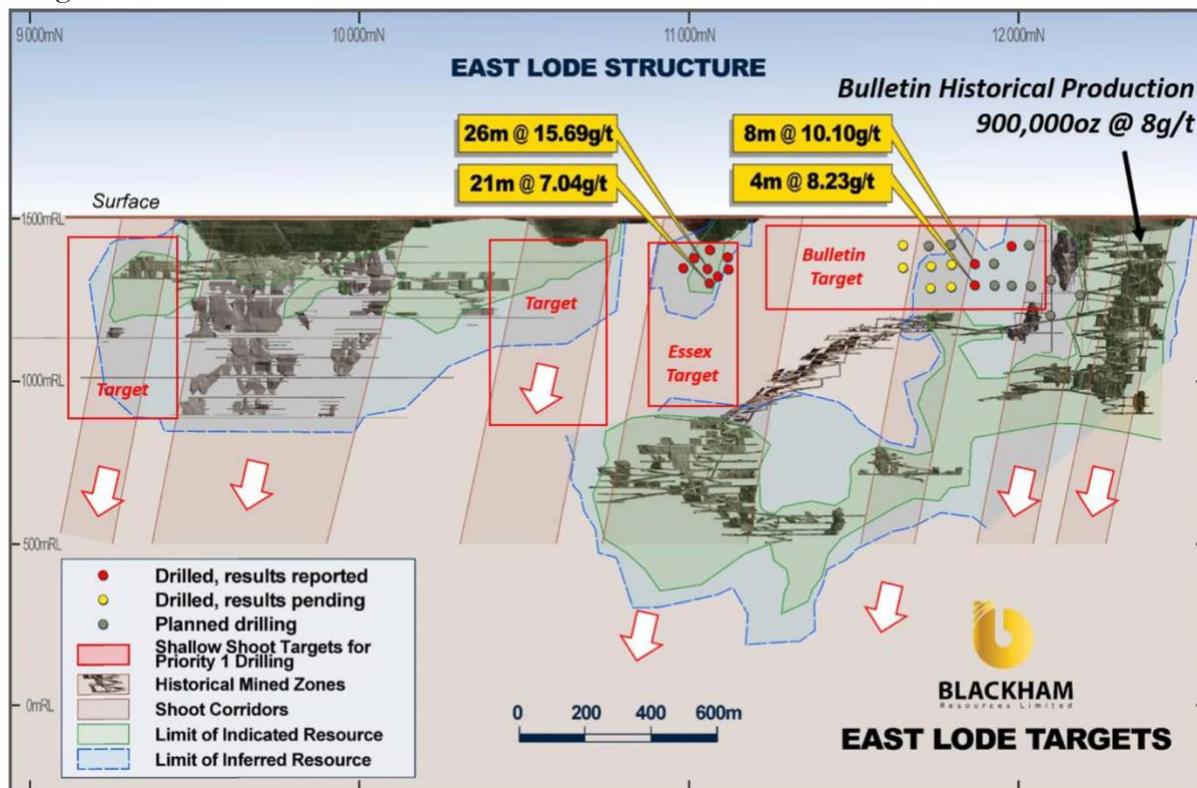
**With a rebuilt capital structure and a significant exploration program ahead, the journey is just beginning.**

Prepared by Arlington Group Asset Management Limited  
 47/48 Piccadilly, London, W1J 0DT  
 See important disclosures at end of this report

## Exploration Results

The following long section shows the recent drilling within the **Essex** and **Bulletin** targets.

Long Section of the East Lode Structure



Blackham current guidance on drilling and exploration budget;

Drilling program to expand reserves and resources: **A\$9m**,

and an additional;

Ongoing regional and brownfields exploration program: **A\$8m**.

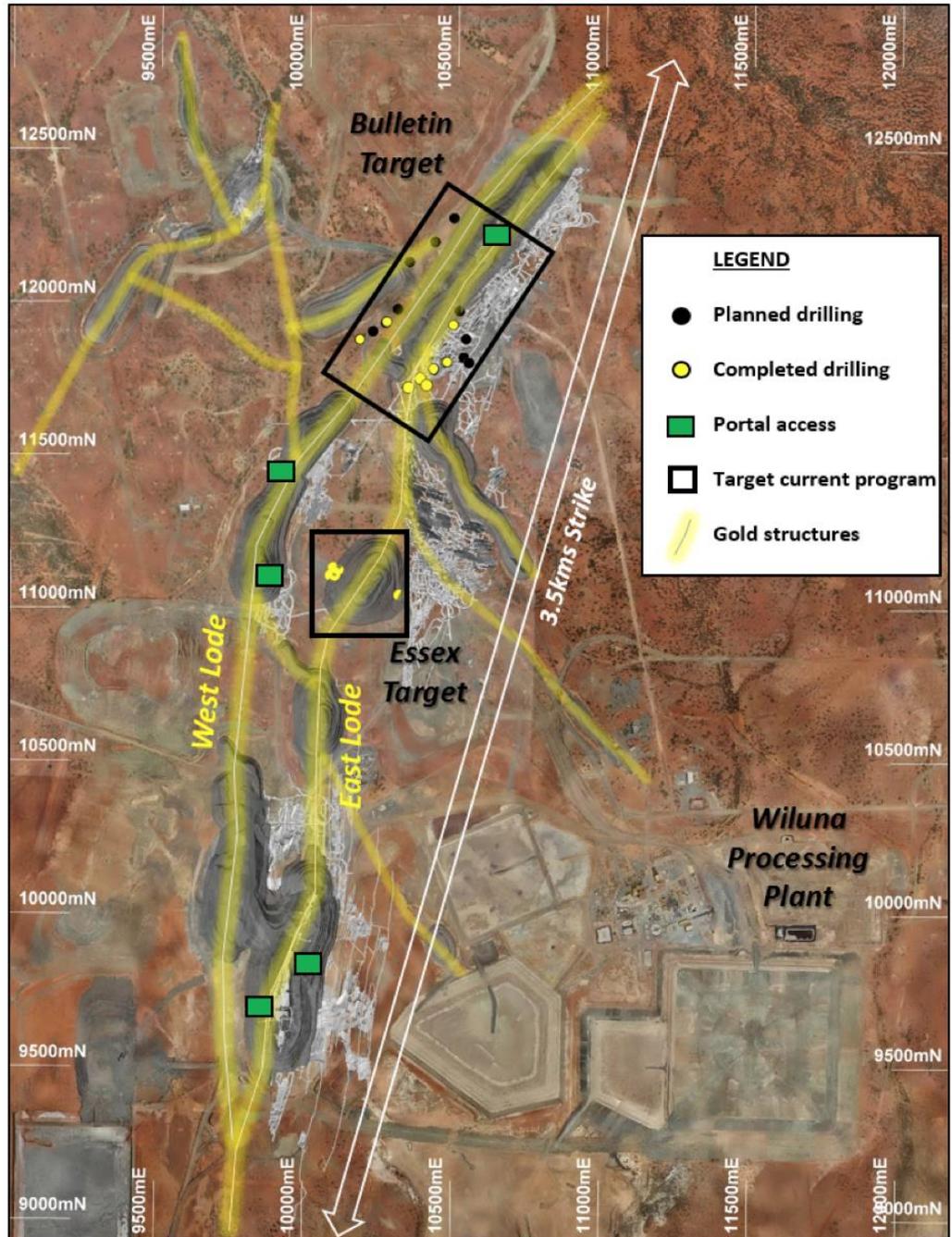
The Long Section above illustrates that we await assays from 6 holes adjacent to the Bulletin shoot and decline. Blackham have yet to drill approximately half of the first phase 7,000 metre RC program which it started in February and will complete in April.

As Executive Chairman, Milan Jerkovic says; “**It’s early days – we have drilled only 3,000m of a 45,000m planned reserve and new shoot discovery program.**”

**This is a big exploration program**, even before considering the additional A\$8m budgeted in the Prospectus for ‘Ongoing regional and brownfield exploration’.

The plan view below shows the East Lode Structure running parallel to the West Lode Structure and the Bulletin and Essex targets where recent drilling has taken place. Both structures are approximately 3.5km in strike length, totalling approximately 7km of exploration strike from these two structures alone. The plan view also highlights the infrastructure with 5 portals and the nearby Wiluna Processing Plant.

**Wiluna Mine Infrastructure & Planned Drilling**



Source: Blackham Resources

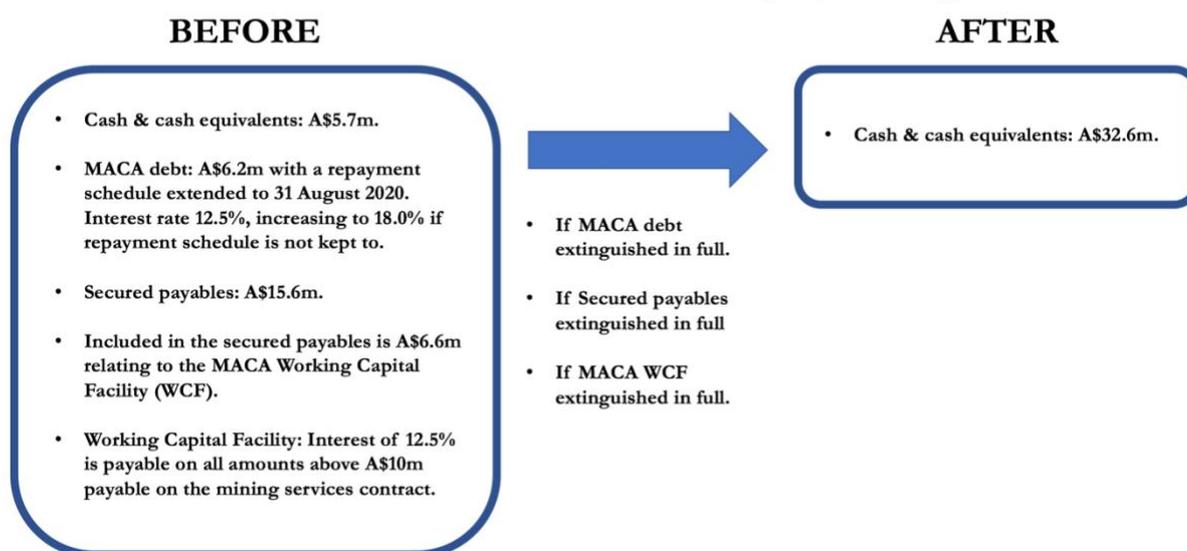
### **Balance Sheet Under Repair**

The A\$52m equity financing announced at the end of February (placement A\$26m and rights issue A\$26m) paves the way for the Stage 1 Expansion and will **repair** and **simplify** the balance sheet.

For the first time in at least twenty years Blackham has ample balance sheet liquidity PLUS additional operating cash-flow to fund BOTH an aggressive exploration programme ‘under the head frame’ and fund its new ‘Sulphide Expansion Plan’ at the Wiluna Gold Mine.

Since, the rights issue is **fully underwritten**, and assuming the necessary ratifications at the EGM, we are now looking ahead to the next Quarterly Activity Report from Blackham Resources. The following figure shows Arlington’s estimate of Blackham’s simplified capital structure once the A\$52m equity raising has settled in full – **this estimate ignores current operations and Blackham may retire the debt and secured payables at a slower pace than our estimate.**

### **Blackham Resources’ Pro-forma Capital Structure Before And After The A\$52m Equity Raising.**



Source: Arlington Group

The Half Year Financial Report as at 31 December 2019 (released 28 February 2020), showed the following balance sheet items;

Cash & cash-equivalents:	A\$5.7m
MACA debt – (Face Value)	A\$6.5m
Secured payables (including WCF of A\$6.6m) *	A\$15.6m

\* “there were A\$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.”  
Page 20, Blackham Half Year Report, released 28 February 2020.

With the equity raising of A\$52m, the Company have the ability to pay down the MACA debt of A\$6.5m and the secured payables of A\$15.6m.

On settlement of the equity raising and ignoring cash contributions from operations (see section below on current operations), **if the MACA debt is extinguished in full and if the secured payables is extinguished in full, which would include extinguishment of the WCF (Working Capital Facility), this would leave Blackham Resources with;**

Cash & cash equivalents (31 Dec 2019)	A\$5.7m
Equity Raising	A\$52.0m
Total:	A\$57.7m

Less:	
MACA debt – (Face Value)	(A\$6.5m)
Secured payables (including WCF of A\$6.6m)	(A\$15.6m)
Expenses relating to capital raising	(A\$3.0m)

**Pro forma Cash & Cash-Equivalents Estimate     A\$32.6m**

### Current Operations

If we now turn our attention to current free-milling operations, Blackham continue to target 70,000 to 80,000 ounces of gold at A\$1,550 to A\$1,750/oz for the Financial Year (FY) 2020. Free-Milling operations will continue while the Stage 1 Expansion for the sulphides operation is under construction. The flotation tanks and concentrate thickeners will be built alongside the mill and CIL tanks. We expect sulphide production to begin at the end of March 2021.

### Timeline of Operation at Wiluna



Source: Arlington Group / Blackham Resources' Prospectus

In the Blackham's presentation from 25 February 2020, the Company showed A\$9m of net cash inflows before financing requirements for this period up to the start of the Stage 1 Expansion.

#### Extract of Sources and Uses of Fund for Stage 1 Expansion

Use of funds	A\$m
Commencement of the Stage 1 Expansion:	
Sulphide Processing Plant	25
Wiluna Tailings Retreatment Infrastructure	5
Underground Mine Establish. & Infrastructure	6
Pre-production Mining Activities	26
Less net cash inflows before financing requirements	(9)
<b>Net Operations' Expansions Requirements</b>	<b>53</b>

Source: Blackham Resources Presentation, 25 February 2020.

The Prospectus released 5 March 2020 went into further detail and stated;

“This use of funds has been determined by the Company using a gold price of **A\$2,050/oz** in its economic modelling.”

Gold is currently trading around A\$2,500/oz which implies significantly more cash inflows from current operations. If we assume the same production forecast for FY 2021 of approximately 75,000 ounces of gold and multiply this by the delta of Blackham's financial modelling and current gold prices of A\$2,500 we get an additional A\$33.8m of cash inflows. Add this to the net cash inflows before financing requirements of A\$9.0m and current operations would generate A\$42.8m in cash.

#### **Conclusion:**

Blackham's shallow shoots exploration program has got off to an excellent start and provides evidence of the significant high-grade exploration near infrastructure at Wiluna. This program is just getting going. The settlement of the recent equity raising will allow Blackham to simplify the capital structure to a net cash position helping the investment case. Current free-milling operations have the potential to generate significant additional cash flow helping to provide protection while the stage 1 expansion gets under way. This is a reinvigorated Company with a large opportunity to create significant value for shareholders.

REPORT END

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