



**Breakaway
Research**

September 2012

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Company Information

ASX Code	BLK
Share Price	A\$0.20
Ord Shares	53.9m
Options	7.5m
Market Cap	A\$12.7m
Cash (June 12)	A\$0.8m
Total Debt	A\$0m
Enterprise Value	A\$10.0m

Directors

Chairman	Brett Smith
Managing Director	Bryan Dixon
Executive Director	Greg Miles
Non-Executive Director	Alan Thom

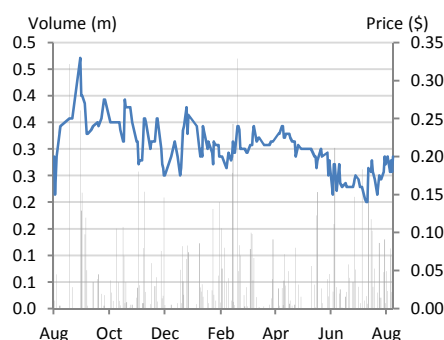
Substantial Share Holders

HSBC	15.7%
Kingsreef Pty Ltd	11.5%
Widerange	4.6%
JP Morgan Nom's	3.8%
Deuk Sung Bae	3.6%

Company Details

Address	Level 2, 38 Richardson Street West Perth WA 6005
Phone	+618 9322 6418
Web	www.blackhamresources.com

1 Year Price Chart



Source: Bloomberg

Blackham Resources (BLK)

*Resource upgrade to +1Moz of gold
and the focus is now on production*

Recommendation: Speculative BUY

Company Update

Key Points

- **Resource upgraded to 18.1Mt @ 1.8g/t Au for 1.1Moz of gold**
- **Additional resource upgrade likely in coming weeks from Matilda M1 and M3 prospects**
- **+2Moz exploration target at Williamson project area from strike and depth extensions**
- **Matilda Project may warrant stand-alone processing plant**
- **Enterprise value of A\$10m substantially undervalues company**

Blackham continues to make steady progress at its flagship Matilda gold project since the acquisition in late 2011. The project currently hosts +1Moz of gold with a further 2Moz exploration target. Now over the 1Moz mark, Blackham has 'critical mass' to potentially justify its own processing plant or, if a deal can be reached, toll-treat ore through the nearby Wiluna gold plant. Blackham has an EV/Resource oz of ~A\$10, which appears significantly undervalued relative to its peers.

Company Overview

Blackham Resources (ASX: BLK) recently reached a significant milestone in its aspirations of becoming a self-sufficient gold producer by increasing its Matilda resource to over 1Moz of contained gold at an average grade of 1.8g/t Au.

The resource has increased by 41% since our last update in May 2012, largely as a result of an upgrade to the Regent and M10 deposits, as well as a maiden resource at the M4 deposit. Additional short term opportunity exists for a further increase with the M1 and M3 prospects currently under assessment.

While the +1Moz mark is significant in giving Blackham 'critical mass' to consider building their own processing plant, it is just the beginning in the overall exploration program. The vast majority the current resource is hosted within 150m from surface and significant opportunity exists to extend the resource at depth, as well as along strike at multiple deposits. The Williamson project area remains the most prospective with a +2Moz exploration target.

The under-utilised 1.1Mtpa Wiluna plant, owned and operated by Apex Minerals, has two circuits capable of treating both oxide and sulphide ores. Potential exists for Blackham to initially toll treat oxide ore through the plant, providing Apex with additional revenue and operational efficiencies while providing Blackham with the opportunity for early cash flow to support additional exploration and development costs.

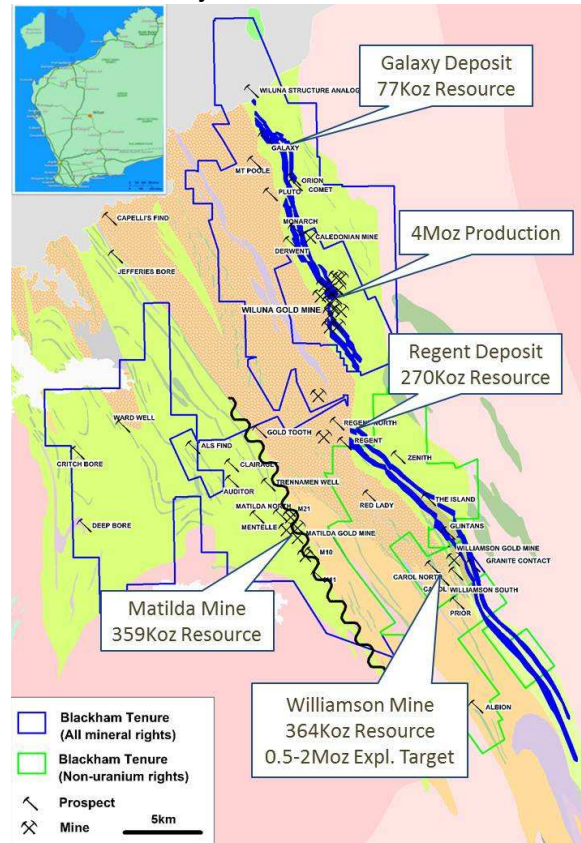


Investment Review

Blackham Resources continues to make steady progress at its flagship Matilda Gold Project located in central WA. The broader Matilda Gold Project encompasses 600km² of project tenure and includes the Galaxy, Regent, Matilda and Williamson deposits which effectively surround the operating Wiluna Gold Mine, owned by Apex Minerals.

Four key project areas surround the Wiluna gold mine and processing plant

Matilda Gold Project



Source: Blackham Resources

Blackham's three main mining centres (Regent, Matilda and Williamson) are all located within 10km of the historic Matilda Mine Infrastructure and 26km from the Wiluna Gold Mine and processing plant.

The Apex owned plant is currently underutilised and has the flexibility to treat both refractory and free milling ore through two different circuits.

When both circuits are fully operational, plant capacity is ~1.1Mtpa.

Since Breakaway's last report on Blackham in May, the company has **increased total resources from 757koz to 1.07Moz**, representing a 41% increase.

Resource upgraded to 1.07Moz @ 1.8g/t Au

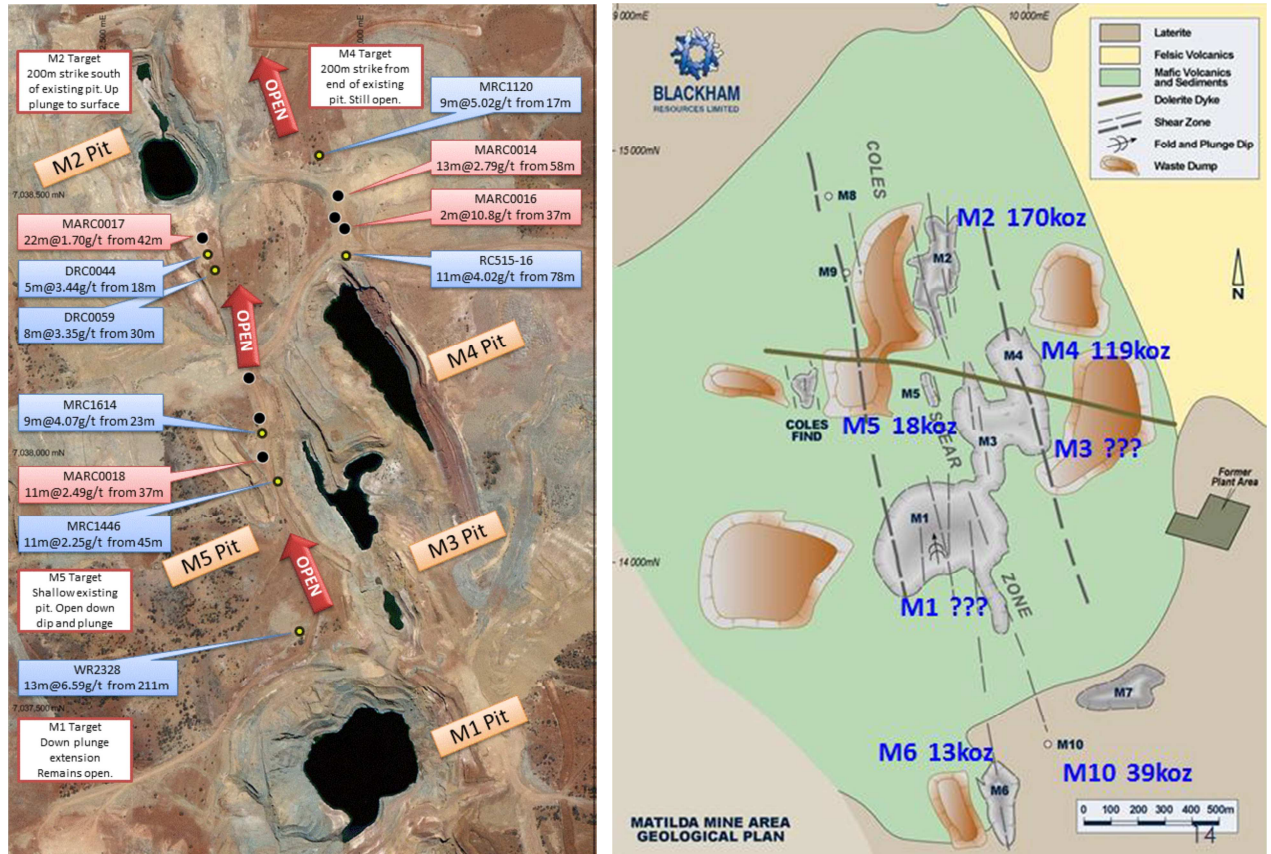
Blackham Resources – Total Resource

Deposit	Indicated Tonnes	Grade (g/t)	Inferred Tonnes	Grade (g/t)	Total Tonnes	Avg Grade	Contained Gold
Williamson	-	-	6,001,000	1.9	6,001,000	1.9	364,000
Matilda	1,735,000	1.8	5,688,000	1.4	7,423,000	1.5	359,000
Regent	738,000	2.5	3,108,000	2.1	3,846,000	2.2	270,000
Galaxy			884,000	2.7	884,000	2.7	77,000
Total	2,473,000	2.0	15,681,000	1.8	18,158,000	1.8	1,070,000

Source: Blackham Resources

The increase in resource is largely due to a review undertaken by Runge Limited (independent geological consultants) of the Regent deposit, as well as the M4 and M10 deposits located around the Matilda mining centre.

Matilda mine area and geological plan



Source: Blackham Resources

The M4 deposit has been upgraded to 1.9Mt @ 2.0g/t Au for 119koz while the M10 deposit has been upgraded to 578kt @2.1g/t Au for 39.5koz.

Breakaway is further encouraged by the relatively shallow nature of the deposits with ~98% of the M4 and M10 resource hosted within 120m from surface. The revised Matilda mine area resources are summarised below:

Matilda Mine Resources – Aug 2012

Deposit	Indicated		Inferred		Total		
	Tonnes	Grade (g/t)	Tonnes	Grade (g/t)	Tonnes	Grade (g/t)	Contained gold Oz
M1	Currently being estimated						
M2	816,600	1.4	3,543,400	1.2	4,360,000	1.2	169,800
M3	Currently being estimated						
M4	363,200	2.1	1,517,700	1.9	1,880,900	2.0	119,400
M5	77,000	2.0	292,000	1.4	369,000	1.5	17,900
M6	12,600	2.5	222,800	1.6	235,400	1.7	12,700
M10	466,000	2.1	112,000	2.3	578,000	2.1	39,500
Total	1,735,400	1.8	5,687,900	1.4	7,423,300	1.5	359,300

Source: Blackham Resources

M1 and M3 prospects likely to support a further resource upgrade



Paving the way to production

The upgraded resource takes Blackham over the 1Moz mark and further upgrades are likely in the short term with the M1 and M3 deposits currently being assessed.

Significant resource potential along strike and at depth

Blackham continues to review the technical data inherited with the Matilda project and is remodelling the known mineralisation (open pit design) as part of a broader Scoping Study. Mineralisation at Matilda largely remains open along strike and at depth with high grade mineralisation structurally controlled and typically plunging 20-30° to the north. Further drilling campaigns are planned to test the extent of the mineralisation in due course.

May justify its own processing plant

With Blackham now surpassing the 1Moz mark, it may well have the 'critical mass' to justify putting a processing plant at the historical Matilda mine site. In addition to this, significant resource potential still exists around the Williamson Mining Centre.

The historically mined Williamson open pit has a strike length of 700m and an average depth of 80m with a 'remaining' Inferred Resource of **6Mt @ 1.9g/t Au for 364,000oz of gold**. There is significant exploration potential below the base of the open pit (**Williamson Deeps**) with previous drilling highlights of 26m @ 6.1g/t Au from 128 m, 10m @ 5.8g/t Au from 155m and 6m @ 5.8g/t Au from 170m.

Additional oxide mineralisation along strike at Williamson South

Shallow air core drilling (~70m) at **Williamson South** has delineated an additional 1.5km gold zone of near surface, oxide (free milling) mineralisation with a JORC resource of 1.1Mt @ 1.9g/t for 63,000oz of gold. Additional opportunity exists to extend this resource along strike and at depth.

>4km of strike with 'ore grade mineralisation'

The **Carroll Prior** prospect lies ~1km south west of Williamson South and appears to be a large gold mineralised shear zone extending over a 4km strike length. Previous drilling campaigns have intersected broad zones of 'ore grade' gold mineralisation, however further drilling is required to define a JORC resource. Blackham is currently in the process of updating its database to capture all the historical drilling before planning further drill campaigns and completing resource estimates.

Williamson Mining Centre – Exploration Target

+2Moz exploration target

Deposit	Low (Mt)	High (Mt)	Low (g/t)	High (g/t)	Low (Oz Au)	High (Oz Au)
Williamson Deeps	1.76	4.48	4.0	6.0	230,000	860,000
Williamson South	1.26	3.36	4.0	6.0	160,000	650,000
Carroll Prior	1.34	3.6	2.0	5.0	90,000	580,000
Total	4.37	11.4	3.3	5.7	480,000	2,090,000

Source: Blackham Resources

The table above highlights a low (~480koz) and high (2.1Moz) range exploration targets for these three priority prospects. With ongoing exploration, significant resource upgrades are likely, further warranting a stand-alone processing plant.

Cheap relative to peers

EV/Resource Oz ~A\$10

Blackham continues to appear cheap relative to its peers with an EV/Resource oz of ~A\$10. A sizable resource is already in place and there is significant opportunity to increase this still further. The nearby Apex owned Wiluna gold plant provides Blackham a real opportunity to realise early cash flow. Both the Williamson and Matilda deposits are within granted mining leases and have existing haul roads linking the deposits to the plant. Accordingly, relatively small capex is required to become operational.



Analyst Verification

We, Grant Craighead and Andrew McLeod, as the Research Analysts, hereby certify that the views expressed in this research accurately reflect our personal views about the subject securities or issuers and no part of analyst compensation is directly or indirectly related to the inclusion of specific recommendations or views in this research.

Disclosure

Breakaway Investment Group (AFSL 290093) may receive corporate advisory fees, consultancy fees and commissions on sale and purchase of the shares of Blackham Resources and may hold direct and indirect shares in the company. It has also received a commission on the preparation of this research note.

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