



**Breakaway
Research**

September 2013

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Company Information

ASX Code	BLK
Share Price	A\$0.16
Ord Shares	81.2m
Options	14.1m
Market Cap	A\$13.0m
Cash (August 13)	A\$2.0m
Total Debt	A\$2.0m
Enterprise Value	A\$13.0m

Directors

Non Exec Chairman	Joseph Gutnick
Managing Director	Bryan Dixon
Executive Director	Greg Miles
Executive Director	Alan Thom

Substantial Share Holders

Great Central Gold	19.5%
HSBC	9.8%
Kingsreef Pty Ltd	7.5%
Wilderange.	3.4%

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)

Matilda Gold Project Marching Forward

Recommendation: Speculative BUY

Company Update

Key Points

- **Drilling recommenced at Matilda including high-grade lodes at M1 and oxide extensions of M4**
- **Matilda Gold Project on track to support Blackham's transition from explorer to producer**
- **Resources now 24.8Mt @ 1.9g/t Au (1.5Moz gold) and rising**
- **Major drill programs continue to upgrade resource confidence at the main deposits and successfully test along strike down plunge**
- **Low enterprise value/resource ounce of around \$9.00/oz**
- **\$13M funding from Great Central Gold (controlled by mining entrepreneur Joseph Gutnick) supporting ongoing assessment**

The Matilda Gold Project (MGP) covers a large tenement position in the Wiluna Greenstone Belt. The global resource is 24.8Mt @ 1.9g/t gold (1.5Moz) and Blackham is steadily building confidence to transition into production – either on a stand-alone basis or by accessing the nearby Wiluna gold plant. In a difficult market, Blackham enjoys strong financial support from its cornerstone shareholder Great Central Gold (GCG).

Investment Thesis

Blackham Resources (ASX: BLK) continues to make significant progress in its aspiration of becoming a self-sufficient gold producer, having increased its MGP resource to over 1.5Moz of contained gold at an average grade of 1.9g/t, as well as steadily upgrading the confidence levels for its resources.

Overall, the MGP resource has been increased by 380% since acquisition of the project in November 2011, most recently upgrading the Williamson deposit resource to 6.3Mt @ 1.7g/t Au for 0.35Moz of which 2.7 Mt @ 1.7 g/t Au (0.15 Moz) is now in the Indicated Resource category. Significantly, the geological interpretation associated with the updated resource model has highlighted further exploration targets and opportunities to test for extensions to the mineralisation – in both open pit and underground settings.

Excellent exploration progress has also been achieved at the M1 deposit (Matilda Mine Area) where a thick, high grade intersection (35m at 5.05g/t Au) confirms the potential for a proposed deepening of the existing open pit.

Blackham Resources is well funded to aggressively advance its exploration and assessment plans, having completed \$3.3m of placements at \$0.21 to Great Central Gold (GCG), as well as reaching agreement to raise a further \$10m from GCG via a Convertible Note facility at \$0.25.

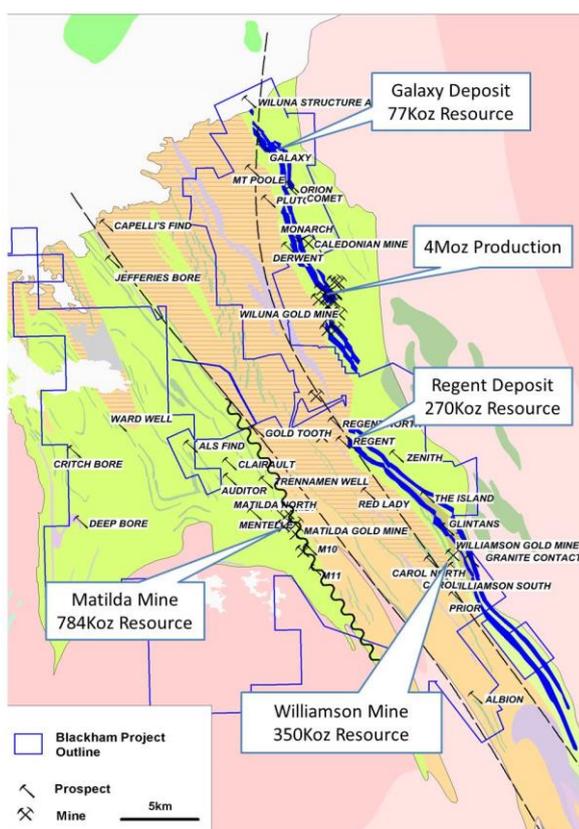


Company Update

Matilda Gold Project

The Matilda Gold Project incorporates around 690 sq km of tenure covering some 40 km of strike along the Wiluna Mine Sequence and 10 km of strike along the Coles Find Sequence that have collectively produced 4 million ounces of gold. These tenements include the Matilda, Williamson, Galaxy and Regent deposits which effectively surround the operating Wiluna Gold Mine (owned by Apex Minerals - currently in receivership). All these deposits are within 26 km by existing haul roads of the Wiluna plant and Blackham is evaluating and expanding these resources to support possible development.

Four key mine areas of the MGP surround the Wiluna gold mine and processing plant



Blackham's four mining centres (Matilda, Williamson, Regent and Galaxy) are all located within 26km by established haul roads from the Wiluna Gold 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.

MGP resources now contain 1.5Moz gold

Source: Blackham Resources

Blackham have grown the MGP resources by an impressive 380% since acquisition in late 2011.

Total Resource Matilda Gold Project Resources

Deposit	Measured Mt	Grade (g/t)	Indicated Mt	Grade (g/t)	Inferred Mt	Grade (g/t)	Tonnes Mt	Grade (g/t)	Contained Gold Moz
Matilda	0.1	2.4	3.0	2.0	10.7	1.8	13.8	1.8	0.8
Williamson			2.7	1.7	3.6	1.7	6.3	1.7	0.4
Regent			0.7	2.5	3.1	2.1	3.8	2.2	0.3
Galaxy					0.9	2.7	0.9	2.7	0.1
Total	0.1	2.4	6.4	1.9	18.3	1.8	24.8	1.8	1.5

Source: Blackham Resources

*Figures rounded to 1 significant figure



Wiluna Processing Plant Up For Sale

On the 25th June 2013, Apex Minerals (ASX: AXM) went into receivership with an administrator appointed to manage the selloff of the company assets.

Blackham presented with an opportunity to purchase the Wiluna plant

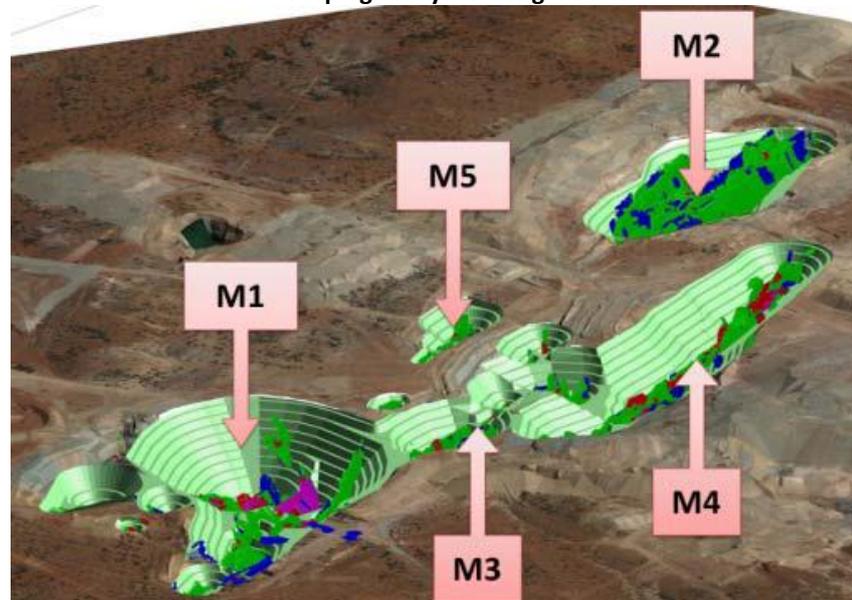
Blackham Resources (and Breakaway Research) have long recognised the significant synergies which exist for processing Matilda ore through the Wiluna plant. The most likely scenario (prior to Apex entering into receivership) was for Blackham to toll treat ore at Wiluna. However, with the plant (and surrounding gold projects) up for sale, Blackham are now presented with a new opportunity if a new operator is found. Blackham holds a strategic and very large tenure package surrounding the Wiluna Plant which may trigger a takeover or consolidation transaction.

The Wiluna plant currently has capacity to treat ~1.1Mtpa of ore through both an oxide and a sulphide circuit (with each circuit capable of treating ~0.55Mtpa). Breakaway estimates the replacement value of a processing plant of this size would be ~A\$100m however the second hand plant and the fact that Apex Minerals are forced sellers suggests, should Blackham elect to bid for the plant, they may get it at a fraction of the cost given that Apex is a distressed seller and there is likely to be limited competition.

Negotiations with Apex's administrator are confidential and it is unclear whether Blackham has even put in a bid for the plant, however, Breakaway sees this as a likely scenario. Assuming they are successful in acquiring the plant, Blackham would then have a clear, low cost, low risk path to production.

Matilda Mine Area 2012 Scoping Study Pit Designs

M1 and M4 prospects likely to support a further resource upgrade



Source: Blackham Resources

The M1 deposit represents a key exploration and development target. Encouragingly, recent drilling highlights include MARC0138 (35m @ 5.1 g/t Au) which intersected the 'Central Lode' anticline structure immediately below the existing pit floor and within a deep open pit design proposed in a 2012 Scoping Study. Positive results were also recorded on the limbs of the anticline (e.g. MARC0125 – 21m @ 2.6 g/t Au, MARC0142 – 9m @ 2.6 g/t Au and MARC0140 – 13m @ 3.2 g/t Au) further supporting the mineralisation model.

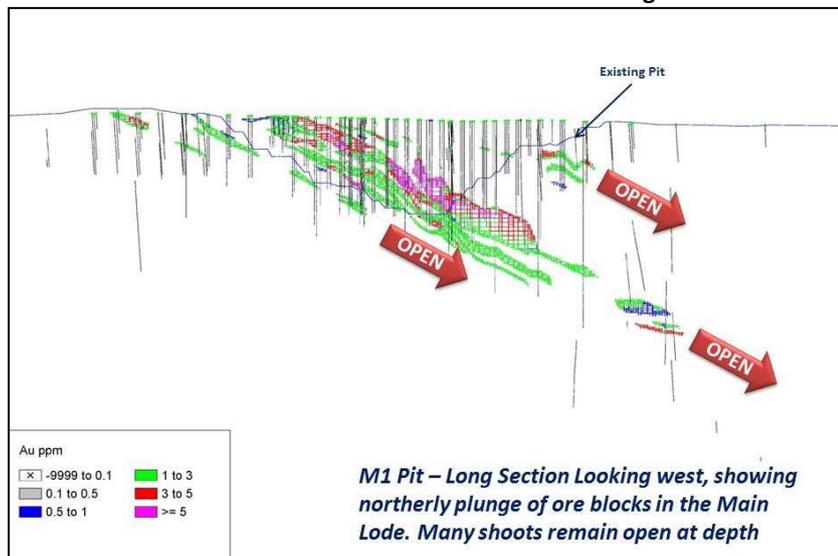


43% of Williamson Resource is now in the Indicated category

Near term targets focussed on depth extensions to the mineralisation

Only limited extensional drilling has been undertaken below this position (as illustrated below) and further drilling is planned that has the potential to generate significant additional open cut or underground resources.

Matilda Mine - M1 Pit and Extensional Mineralisation Targets



Source: Blackham Resources

Williamson Mine Area

Since our last report an upgraded resource has been completed for the Williamson deposit, comprising 6.3 Mt @ 1.7 g/t Au for 0.35 Moz. Importantly, some 43% of this resource is now in the Indicated category (2.7Mt @ 1.7 g/t Au for 0.15 Moz). The improved confidence reflects the addition of grade control data, plus 15 new RC and diamond drill holes, and over 2,000 drill holes are now in the Williamson database.

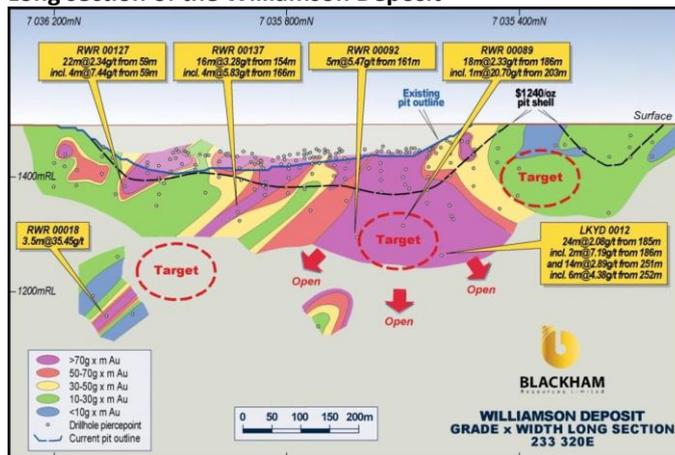
Development options for this near vertical ore body are being assessed and an initial open pit optimisation study has resulted in the design of an open pit cut back containing 1.7Mt at 1.7g/t Au (90koz), with a relatively low strip ratio of 6:1. Further infill drilling is planned to refine this pit design.

High grade mineralisation has also been encountered at depth, highlighting the potential to define future open cut extensions or underground resource positions. The immediate target is to test the continuity of high grade mineralisation below the southern end of the proposed pit. The currently defined targets are illustrated in the section below which uses 'grade x width' metal contours to illustrate trends of the mineralisation:



Williamson warrants further assessment

Long section of the Williamson Deposit



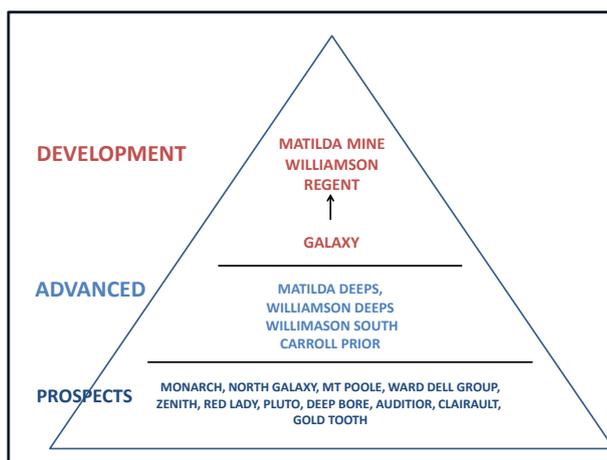
Source: Blackham Resources

1.5km along strike from the Williamson deposit is the Williamson South prospect, which also warrants further assessment.

As the major drilling campaigns, focused on Matilda and Williamson, are finalised Blackham will complete further resource upgrades and revised open pit designs as key inputs to an updated Scoping Study.

Matilda Gold Project – Development Pipeline

Strong pipeline of projects



Source: Breakaway Research and Blackham Resources

Exploration Philosophy

Numerous 'ore grade-width' intercepts have been recorded

Previous operators of the MGP have primarily targeted shallow oxide mineralisation at the various known deposits and targets within the tenure and have not adequately tested potential depth (and strike) extensions. Plus, the majority of the 690 sq km land package hasn't had any form of exploration for nearly 20 years, presents Blackham with the opportunity to apply new exploration models and techniques to discover the next generation of deposits. Since Blackham took control of the project some ~22,000m of drilling (150 drill holes) has been completed testing these targets and numerous 'ore grade-width' intercepts have been recorded.

Breakaway is encouraged by the success rate in these programs, which supports Blackham's belief that previous mining has only scratched the surface of a large mineralised system. This belief is further evidenced by the rapid rate of growth in resources that has already been achieved.



Funding Agreement

Only 2 million drawn down

A critical strength of Blackham, relative to many junior resource companies, is the funding support it is receiving from its cornerstone shareholder Great Central Gold (GCG), a private company led by mining entrepreneur Joseph Gutnick (who is now Blackham's Non-executive Chairman). Overall, GCG has agreements covering \$13.3 million of funding initiatives. The funding has been priced at a premium to the prevailing market and is a validation of the potential of the Matilda Gold Project.

The funding agreement has two components. The first, a \$3.3 million placement at \$0.21, has already been completed and has increased GCG's ownership of Blackham to 19.5%.

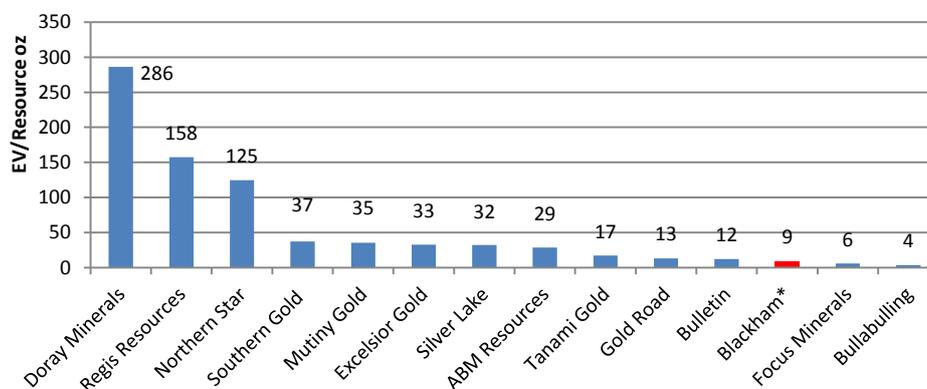
The second is a \$10 million Convertible Note facility whereby GCG will subscribe to 40m Notes with a face value of \$10 million. The Notes have a five year term, carry an 8% p.a. interest rate and are being drawn down at a rate of \$1m per month. GCG has agreed that when the facility is fully drawn they will automatically convert into 40 million shares. Only 2 million of the Notes have been drawn down.

Peer Analysis

Low EV/Resource oz

In the chart below we have compared the value of Blackham with selected Australian gold peers on the basis of 'Enterprise Value/Resource Ounce'. This chart starkly illustrates the discount currently being applied to Blackham and highlights upside potential available to investors as the Company demonstrates the technical and financial viability of its project.

Enterprise Value per resource ounce peer comparison:



*Assumes zero value for the companies coal assets
Source: Breakaway Research

Blackham appears cheap relative to its peers

Breakaway's View

Blackham appears cheap relative to its peers with an EV/Resource oz of around A\$9.00/oz. A sizable resource has already been delineated at the Williamson and Matilda deposits which are within granted mining leases, the region has well established development infrastructure and the Company is fully funded through its next phase of assessment.

Breakaway believes Blackham Resources represents an attractive 'value' proposition for gold investors.



Analyst Verification

We, Grant Craighead and Geoff Reed, 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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