



**Breakaway
Research**

February 2014

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Company Information

ASX Code	BLK
Share Price	A\$0.23
Ord Shares	89.2m
Options + Con Notes	13.3m
Diluted Market Cap A\$	A\$23.6m
Cash (31 Dec 13)	A\$0.3
Total Debt	A\$0m
Enterprise Value	A\$23.3m

Directors & Management

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

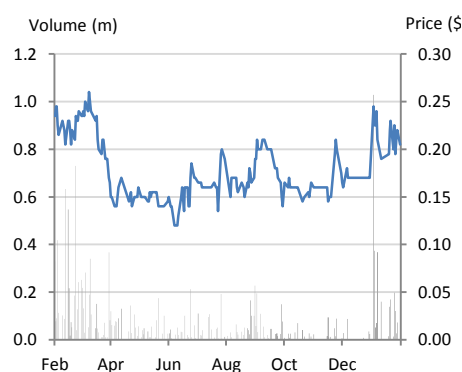
Substantial Share Holders

Great Central Gold	26.7%
HSBC Nominees	9.0%
Kings Reef Pty Ltd	6.9%
Widerange Pty Ltd	3.1%
Top 20	66%

Company Details

Address	Level 2, 38 Richardson St, West Perth, WA 6005
Phone	+618 93226418
Web	www.blackhamresources.com.au

1 Year Price Chart



Blackham Resources (BLK)

*Acquisition of Wiluna processing plant & infrastructure
puts production on the near-term horizon*

Recommendation: Speculative BUY

Key Points

- **Acquisition of the Wiluna Gold Project at a fire-sale price**
- **Combined JORC Resource of 40Mt @ 3.3g/t Au for 4.3Moz via a combination of underground and open pit ore**
- **Fully permitted 1.1 to 1.5Mtpa processing plant**
- **Infrastructure includes 12MW gas power station, 350 man village, sealed airstrip and permitted bore fields**
- **Ongoing drill programs targeting 'free-milling' resources**
- **Significant exploration potential along 55km of prospective strike**
- **A\$7.5M in undrawn converting notes**

Blackham Resources continues to make significant progress as it steadily marches toward production. The recently acquired 1.1Mtpa processing plant represents a game changer, supporting the Company's transition from 'explorer' to 'emerging producer'. Blackham also has a substantial tenement position over highly prospective ground where ongoing drill programs provide potential for resource upgrades in the coming months.

Company Overview

Blackham Resources (ASX: BLK) recently agreed terms to acquire the 'Wiluna Gold Project' under highly favourable terms totalling A\$4.6M. This acquisition is a major step forward for Blackham in its aspirations of becoming a near-term, self-sufficient gold producer.

The Wiluna Gold Project hosts a significant JORC Resource of 16.7Mt @ 5.3g/t Au for 2.8Moz of gold. However, the game changing aspect of the acquisition for Blackham is the fully permitted 1.1Mtpa processing plant and associated infrastructure, located in the middle of its 'Matilda Gold Project'.

With the acquisition of the Wiluna Gold Project now a formality, Blackham intend to continue drill programs designed to prove up oxide and free milling reserves as the principal feed for a refurbished and reconfigured processing plant. Encouragingly, the nearby Williamson and Matilda deposits both host this style of mineralisation and are already within granted Mining Leases (existing haul roads also link the plant to the deposits), thus providing a relatively short time frame and low capex pathway to production. Initial gold production is targeted in mid-2016.

Blackham is now in the enviable position of being a well-funded, emerging gold producer with a significant resource all on the door step of fully permitted processing plant. Significant exploration potential still exists and with drilling campaigns ongoing, resource and reserve upgrades are likely.



Investment Thesis

Funding Agreement

A\$13.3 of funding secured

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 also Blackham's Non-executive Chairman). Overall, GCG has agreements covering \$13.3 million of funding initiatives. The funding had been priced at a premium to the prevailing market and is a validation of the potential of the Matilda Gold Project.

Notes will convert to shares once fully drawn down

The funding agreement has two components. The first, a \$3.3 million placement at \$0.21, has already been completed and increased GCG's ownership of Blackham (which now stands at 26.7%). 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 as required. GCG has agreed that when the facility is fully drawn they will automatically convert into 40 million shares. To date, only 2.5 million of the notes have been drawn down.

Acquisition of Wiluna Gold Mine and Processing Plant

On the 20th January 2014, Blackham announced that it had entered into an agreement to purchase the 'Wiluna Gold Project' from Apex Minerals (ASX: AXM), a company which went into administration in June 2013.

Plant acquired under highly favorable terms

The 'Wiluna Gold Project' incorporates:

- A JORC Resource of **16.7Mt @ 5.3g/t Au for 2.8Moz of gold**
- A **1.1 - 1.5Mtpa processing plant** (incorporating two circuits for treatment of both primary and oxide ore) for production of ~80,000 – 100,000oz p.a.
- 350 person accommodation village
- A 12MW gas power station and diesel back up
- Permitted borefields and infrastructure
- Established sealed airstrip and roads
- Operating approvals and licences

Terms of the Agreement

Blackham agreed to purchase the Wiluna Gold Project for total consideration of A\$4.6M under the following terms:

Purchased for total consideration of A\$4.6M in staged payments

- Deposits of A\$330,000 (already paid)
- A\$1.67M in cash on completion of the deal (scheduled for 7th March)
- A\$1.3M in cash (or shares at Blackham's election) on production of 50,000oz from the Wiluna tenements
- A\$1.3M in cash (or shares at Blackham's election) on production of 100,000oz from the Wiluna tenements

Blackham has also agreed to replace the \$3.26M in environmental bonds on transfer of the leases – although the Company will immediately apply for a refund of these bonds under WA's new Mining Rehabilitation Fund legislation.



Capital Structure

As per the funding agreement with Great Central Gold, 40M convertible notes (with a face value of A\$10M) are available for Blackham to use as a source of funds, as and when required. 2.5M of these notes have been drawn down (with a face value of \$500,000). Breakaway expects the remaining A\$7.5M in notes will be drawn down in the near term, with the funds used to complete the purchase of the Wiluna Gold Project, fund further drill programs and for working capital.

Great Central has agreed once all notes have been drawn down, they will convert into shares, increasing the total shares on issue to ~137M (assuming ITM options are also converted to shares).

Notes convert to 40M shares

Anticipated near-term capital structure

ASX Code	BLK
Share price	0.23
Shares on issue	89,16M
Options	12.7M
Con notes	32M
Diluted Shares	133.9M
MCAP	A\$20,5M
Diluted MCAP	A\$30.8M
Cash*	A\$11.3M
Debt	-
Diluted EV	A\$19.5M

*Cash includes funds raised from Con Note draw down, ITM options and cash
Source: Breakaway Research

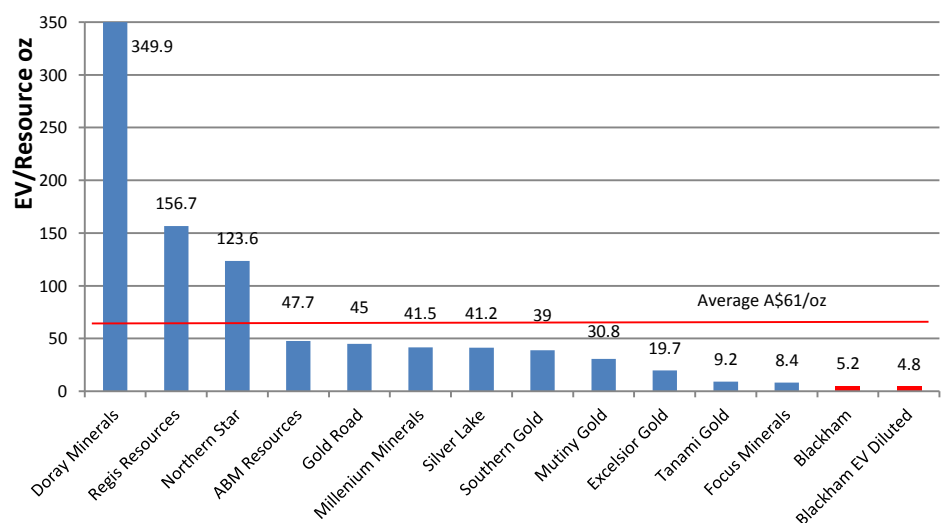
Diluted EV of ~A\$31.3M

Peer Comparison

The chart below compares Blackham with selected Australian gold peers (producers and developers) on the basis of 'Enterprise Value/Resource ounce'. Breakaway has included the current Blackham EV and the 'Diluted EV', both of which starkly illustrate 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 and advances into production.

Significantly undervalued relative to Australian peers

EV/Resource Ounce



Source: Breakaway Research



Blackham's strategy moving forward

Substantial JORC Resource

Blackham has now increased its total JORC Resource to **40Mt @ 3.3g/t Au for 4.3Moz of gold**. This comprises both primary or sulphide resources (typically higher grade, hard ore that is costly to mine and process, and is often refractory) and oxide material (typically lower grade, but cheaper to mine and process).

Blackham proposes to 'moth-ball' the refractory circuit (for possible future use), while dedicating both ball mills to the treatment of free milling ore types (generally oxide resources).

Wiluna Processing Plant



Source: Blackham Resources

Both ball mills to be used for free milling ore

Refractory circuit to be moth balled

87% of Matilda resource is free milling

Exploration will continue while the plant is reconfigured and refurbished

Previous corporate activity valued the Wiluna Gold Project at A\$50M

The majority of the JORC resources acquired through the Wiluna Gold Project acquisition are sulphide hosted; however, Blackham estimates that approximately 87% of its Matilda Resource (**24Mt @ 1.9g/t Au for 1.4Moz Au**) is free milling material (i.e. ~20Mt @ 1.9g/t Au for 1.2Moz of gold).

Following completion of the acquisition, Blackham intends to keep the Wiluna plant on care and maintenance for 12 - 18 months while it aggressively builds up ore reserves, as well as exploring for new oxide and/or free milling shallow underground ore. During this time, feasibility studies and plant refurbishment (to be funded out of debt) will be undertaken.

Breakaway's View

The acquisition of the Wiluna Gold Project is a **game changer** for Blackham. The market has long recognised the natural synergies in processing Matilda ore through the Wiluna plant. However, acquiring a 100% interest in the project on such favourable terms is an important value adding achievement. (The acquisition cost of the WGP equates to A\$1.60per resource ounce) We note that before Apex went into administration (in May 2013), it had signed a MoU which contemplated the sale of the Wiluna Gold Project for A\$50M in cash. Blackham's success in purchasing this asset at fire sale pricing of less than 10% of the MoU's asking price is testament to the Company's management.

While the Capex savings (versus constructing new plant & infrastructure) are obviously important, Blackham has also significantly reduced the timeline to first production and cashflow.



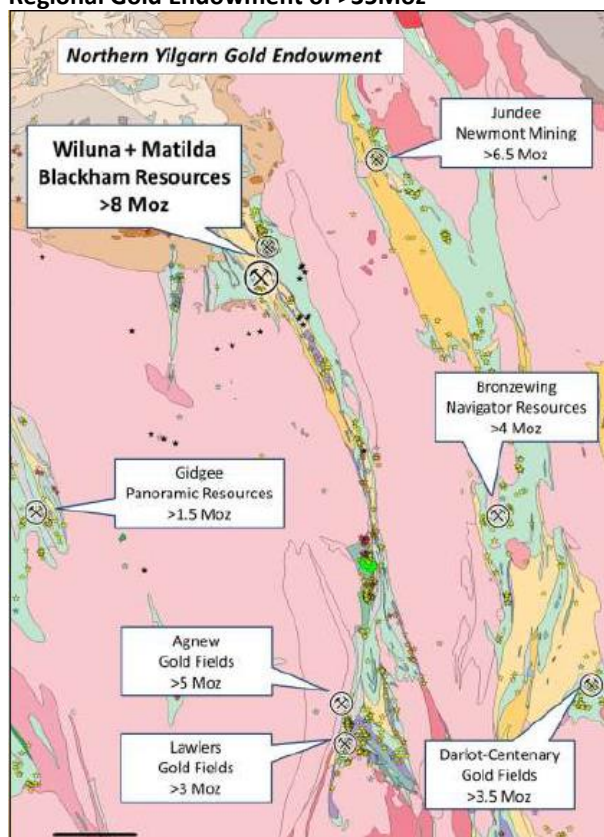
Project Review

The Matilda & Wiluna Gold Project

55km of prospective strike

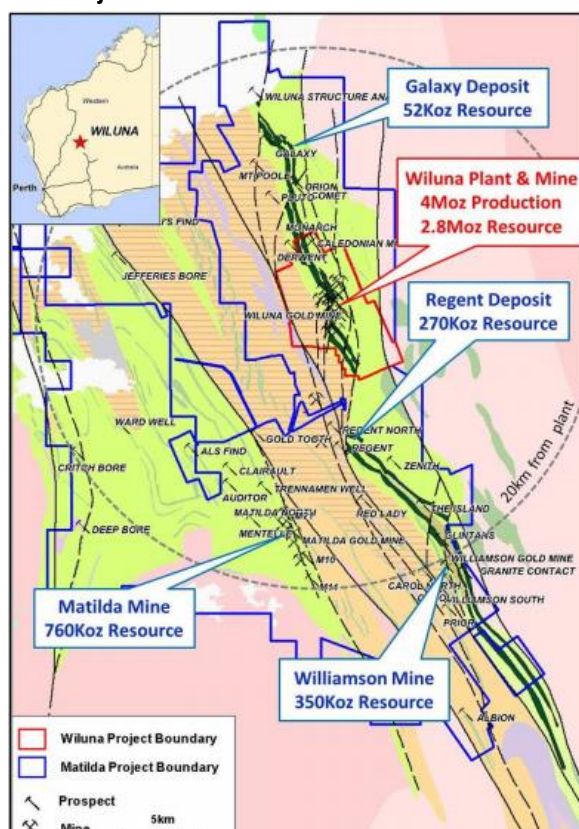
The Matilda Gold Project (MGP) now incorporates ~780km² of tenure and covers 45km of strike along the Wiluna Mine Sequence and a further 10km of strike along the Coles Find Sequence. These two sequences alone have historically produced over 4 million ounces of gold.

Regional Gold Endowment of >35Moz



Source: Blackham Resources

Project Location



Exploration Potential

Blackham has increased resources by 380% since acquiring the Matilda Project

Previous operators in the region largely targeted shallow oxide mineralisation which is easy to process. Accordingly, many operators failed to adequately test potential depth (and sometimes strike) extensions to identified deposits. The exploration success rate has also been constrained by the relatively low level of exploration that has taken place in the 20 years prior to Blackham taking control of the 780km² land package. This provides Blackham with the opportunity to apply modern exploration models and techniques to discover the next generation of deposits.

Exploration has only scratched the surface of a large mineralised system

Since Blackham took control of the Matilda project over 25,000m of drilling has been undertaken over multiple targets and, encouragingly, numerous 'ore grade-width' intercepts have been recorded. Breakaway is encouraged by the success rate in these exploration programs, with the Company having already increased the Matilda JORC Resource by 380%. This supports Blackham's belief that previous mining has only scratched the surface of a large mineralised system. Note; this resource growth excludes the resources acquired with the 'Wiluna Gold Project'.



The Matilda Gold Project

The Matilda project is made up of four nearby deposits, namely; Matilda, Williamson, Galaxy and Regent. These deposits effectively surround the recently acquired Wiluna gold mine and processing plant.

Matilda JORC Resources

Deposit	Measured			Indicated			Inferred			Total		
	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 Mine	0.1	2.4	9	4.7	2	300	8.2	1.7	450	13	1.8	760
Williamson Mine				2.7	1.7	150	3.6	1.7	200	6.3	1.7	350
Regent				0.7	2.5	61	3.1	2.1	210	3.9	2.2	270
Galaxy							0.6	2.9	52	0.6	2.9	52
Total	0.1	2.6	9	8.1	2	510	16	1.8	910	24	1.9	1,400

Source: Blackham Resources

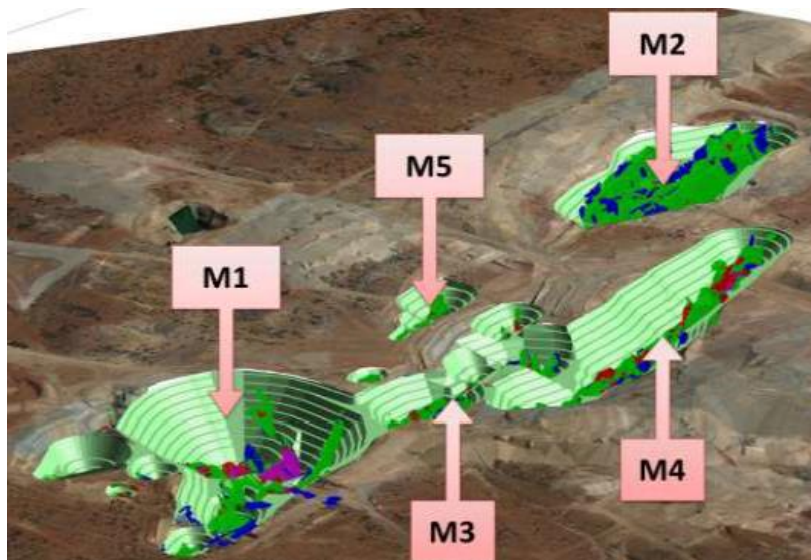
37% of resources are in the Measured or Indicated categories

Matilda Mine

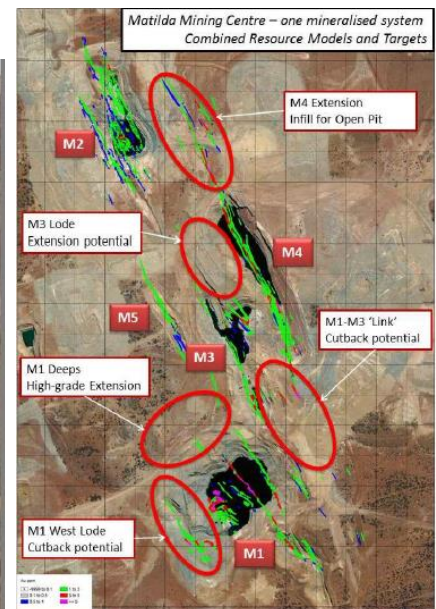
5 adjacent open pits

The 'Matilda Mine' comprises 5 adjacent deposits named 'M1' through to 'M5'. These deposits were mined from 1987-1992, during which time ~2.7Mt @ 2.3g/t for ~163koz was removed from shallow pits, generally no deeper than 50m.

Matilda Mine Area: 2012 Scoping Study Pit Designs



Source: Blackham Resources



Significant exploration potential along strike and down plunge

The Matilda Mine resource was recently upgraded to **13Mt @ 1.8g/t Au for 760koz**, with the majority of the resource reported as free milling material. Encouragingly, significant exploration potential still exists down plunge and along strike from these deposits and ongoing drilling in this area is likely to lead to further resource upgrades.

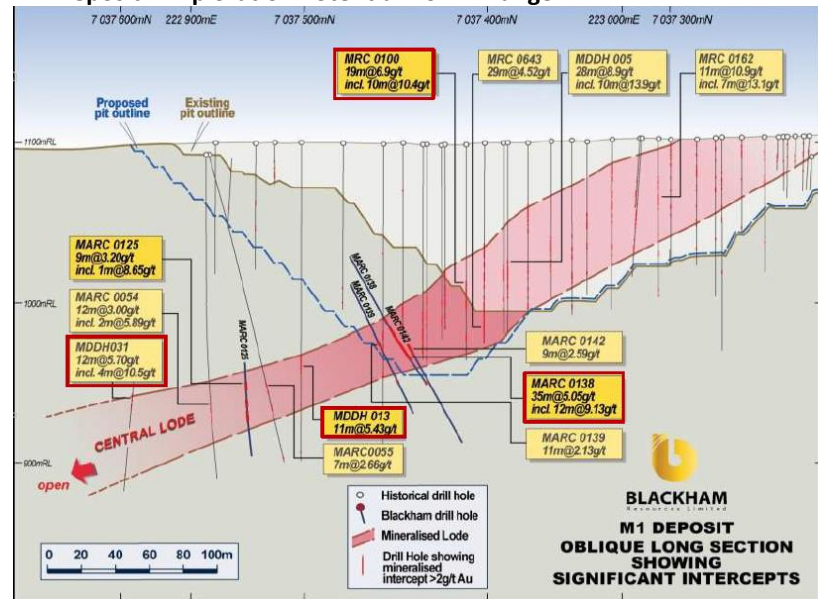


The M1 deposit represents a key exploration and development target. Drilling undertaken in late 2013 intersected **35m @ 5.1 g/t Au** (including 12m @ 9.1g/t Au) which tested the 'Central Lode' anticline structure immediately below the existing pit floor and within a deepened open pit design proposed 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.

Only limited extensional drilling has been undertaken below this position (as illustrated in the following long section) however, further drilling is planned which has significant potential to generate additional open cut or underground resources.

M1 Deposit – Exploration Potential Down Plunge

Further drilling targeting mineralisation down plunge



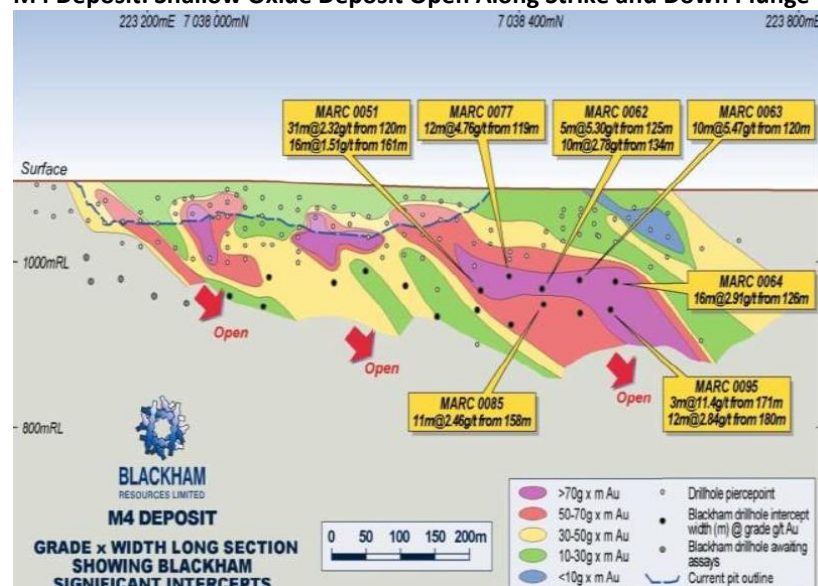
Source: Blackham Resources

While the M1 deposit is clearly the Company focus, the M4 deposit is also shaping up to be a significant deposit in its own right. Historic mining extracted ~380kt @ 2.2g/t Au for ~27koz gold from a shallow open pit <50m in depth. Drilling undertaken by Blackham has identified a further 204koz gold with approximately 93% of the resource within 160m from surface.

M4 Deposit: Shallow Oxide Deposit Open Along Strike and Down Plunge

Recent highlights from drilling at M4 include:

- 10m @ 5.5g/t Au from 120m
- 5m @ 5.3g/t Au from 125m
- 12m @ 4.8g/t Au from 119m
- 31m @ 2.3g/t Au from 120m



Source: Blackham Resources



Williamson Mine Area

Williamson open pit



Source: Blackham Resources

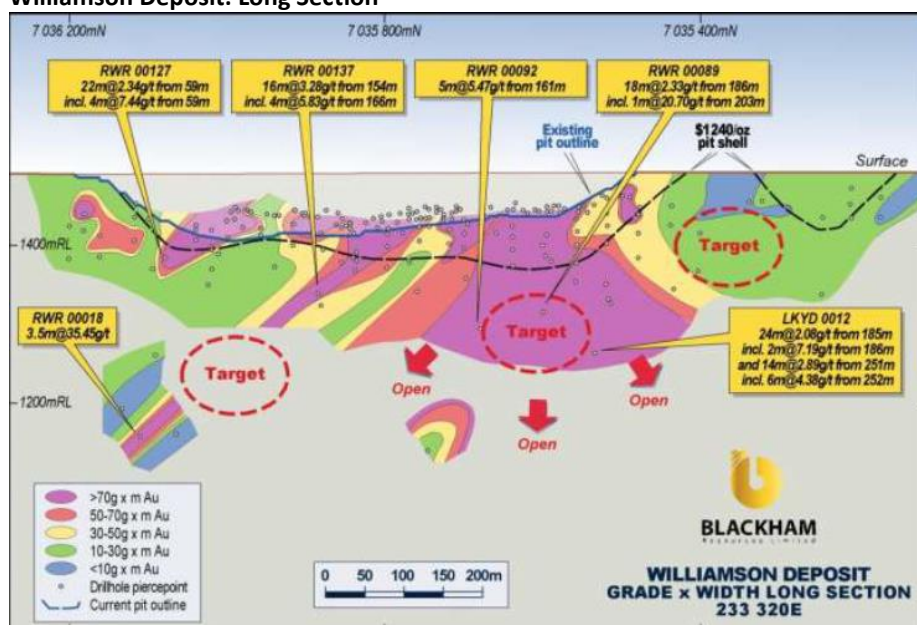
Blackham also recently upgraded the resource at the Williamson deposit to **6.3 Mt @ 1.7g/t Au for 350koz**. Importantly, some 43% of this resource is now in the Indicated category (2.7Mt @ 1.7 g/t Au for 150koz).

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.

Williamson Deposit: Long Section

Drilling to target southern end of the open pit



Source: Blackham Resources

The currently defined targets are illustrated in the section above which uses 'grade x width' metal contours to illustrate trends of the mineralisation.

Additional nearby targets

Potential for multiple cluster deposits

The structural setting around the Williamson deposit is similar to that of Wiluna, opening up the potential for multiple 'cluster' deposits to be identified. Numerous targets have already been identified. However, currently there is insufficient drilling for a JORC resource to be estimated.

Historic highlights include the 'Carroll' target (20m @ 2.7g/t Au from surface) and the 'Prior' target (9m @ 5.3g/t Au from 104m).



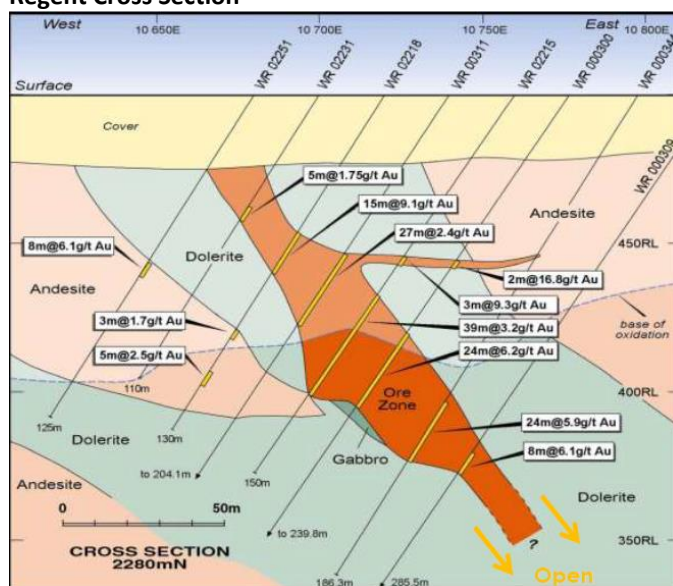
Regent Deposit

The Regent deposit is located ~9km south of the Wiluna gold processing plant and currently hosts a JORC Resource of **3.9Mt @ 2.2g/t Au for 270,000oz of gold**.

Regent Cross Section

Near surface deposit

Open at depth



Source: Blackham Resources

As illustrated in the section above, significant widths of 'ore grade' mineralisation have been identified in a steeply dipping structure which remains open at depth. Further drilling is required to test down plunge extensions to this deposit.

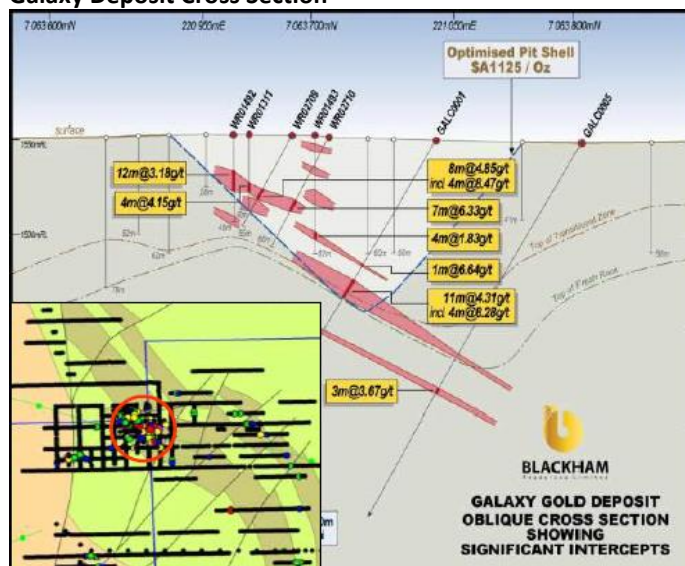
Galaxy Deposit

Small open pitiable deposit

The Galaxy deposit is a shallow, moderate grade deposit which currently hosts a JORC Resource of **0.6Mt @ 2.9g/t Au for 52,000oz of gold**. Exploration potential remains strong with numerous Wiluna mine 'lookalike' targets identified and little to no systematic exploration ever undertaken. The already defined resource is likely to be one of the first deposits to be mined in Blackham's development strategy due to the shallow nature of the deposit. Drilling has now commenced to extend this deposit up dip and along strike.

Galaxy Deposit Cross Section

Little systematic exploration undertaken in the area



Source: Blackham Resources



The Wiluna Gold Project

The Wiluna Gold Project covers an area ~44km² and 8km of strike along the Wiluna Mine Sequence and hosts numerous deposits with resources totalling **16.7Mt @ 5.3g/t Au for 2.85Moz of gold.**

*Large resource
acquired as part of
the Wiluna Gold
Project*

*16.7Mt @ 5.3g/t Au
for 2.8Moz Au*

Wiluna JORC Resources

Lode	Indicated			Inferred			Total		
	Mt	g/t Au	koz Au	Mt	g/t Au	koz Au	Mt	g/t Au	koz Au
Henry 5 - Woodley Bulletin	2.1	5.9	404	0.8	4.6	112	2.9	5.6	516
Burgundy – Calais	1.3	6	250	0.3	5.7	58	1.6	6	309
East Load	102	5.4	213	2.6	5.5	453	3.8	5.4	667
West Lode Calvert	1.2	5.3	198	2.3	5.3	383	3.4	5.3	581
Happy Jack - Creek Shear	105	5.9	289	1.3	4.8	205	2.9	5.4	494
Other Deposits	0.8	4	109	1.3	4.1	172	2.1	4.1	281
Wiluna Total	8.2	5.6	1,465	8.6	5.0	1,384	16.7	5.3	2,848

Source: Blackham Resources

*Resource reported as at June 2012. Mining depletion is estimated at less than 1%

The deposits listed in the table above are predominantly deep and refractory in nature. Given Blackham's stated approach to advance free milling and oxide deposits as a priority, these deposits are unlikely to receive much exploration in the near term. Blackham will evaluate the economics for the future mining of these deposits.

Near surface exploration potential

Golden Age North

Within the 44km² land package, Blackham has identified numerous targets which require investigation. The Golden Age Mine historically produced 160koz of gold at an average grade of 9.07g/t from open pit operations. However the best ore occurred at a structural inflection 200-800m below surface, terminating against the East Load Fault. The Golden Age North prospect is interpreted to be an off-set extension of the Golden Age ore body, on the other side of the East Load Fault. This will prospect is yet to be drill tested.

Geological structural studies also indicate potential for parallel loads to the Golden Age deposit. The Golden Age deposit was located at an oblique angle (neither parallel nor at right angles) to the predominant north to north east structure which hosts the main Wiluna mineralisation and as such, may explain why no exploration parallel to the Golden Age Load has yet been undertaken.

These prospects will be considered alongside the Matilda prospects and drill tested in due course.

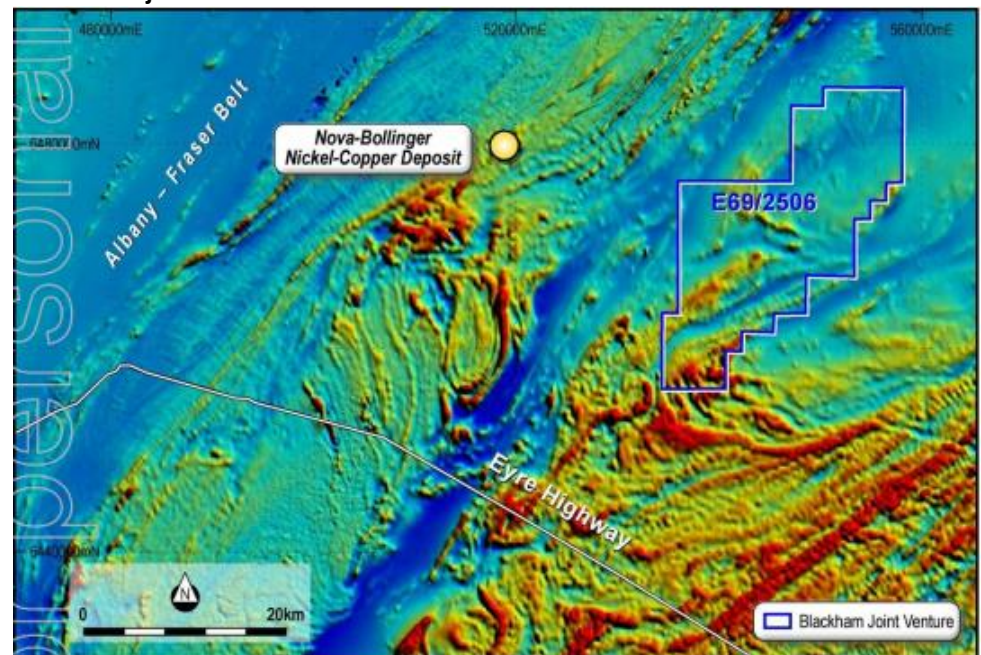
*Wiluna Gold Project
hosts multiple
exploration
opportunities*



Rumble Resources farm into Zanthus Project

The Zanthus Project incorporates a 370km² exploration licence (E69/2506) located ~18km east of Sirius' Nova-Bollinger nickel-copper deposit.

Zanthus Project Location



Source: Rumble Resources

Risk free exploration upside

Blackham originally acquired the project based on its prospectivity for coal/lignite resources, proving up a JORC Inferred Resource of ~350Mt of lignite. However, little exploration has been undertaken to test the prospective bedrocks (which start from ~20 - 55m below surface).

Blackham recently agreed terms for the farm out of up to a 75% interest in the Zanthus Project to ASX listed Rumble Resources (ASX:RTR).

The key terms of the agreement are:

- Rumble acquires all basement mineral rights. Blackham retains mineral sands, heavy minerals rights and the coal (lignite) resource
- Rumble acquire an initial 20% in the project for 2M RTR shares (valuing the 20% at A\$60k @ \$0.03/share)
- Rumble will increase their interest to 50% by spending \$1M on exploration over the first two years. On meeting the 50% interest, RTR will make a further A\$250k payment to BLK (30% in cash and 70% shares)
- RTR can earn up to a 75% interest in the project by spending a further A\$1.5M on exploration in years 3 and 4. Once a 75% interest has been reached, RTR will make a further A\$500k payment to BLK (30% in cash, 70% in RTR shares)
- BLK will then be free carried to completion of a BFS at which point it may elect to contribute at its relative interest or revert to a 2% net smelter royalty.

This farm out agreement gives Blackham exposure to risk free exploration upside.



Directors

*Non-Executive
Chairman*

Joseph Gutnick

Joseph Gutnick has been a director of numerous mining companies including Great Central Mines Ltd (GCM) which he built into one of Australia's most successful gold mining companies. Under his stewardship, GCM discovered the Plutonic Gold Mine and explored, developed and operated the Bronzewing and Jundee Gold Mines, three world-class gold mines that continue to operate today. GCM produced over 780,000oz of gold per annum at its peak. He was awarded the Diggers award at the 1997 Diggers and Dealers Industry Awards and is a former Director of the World Gold Council. He is also a Fellow of the AusIMM

Managing Director

Bryan Dixon

Bryan Dixon has substantial experience in the mining sector and in the management of public and listed companies. Previously, Mr Dixon has been employed by KPMG, Resolute Samantha Limited, Société Générale and Archipelago Resources Plc. Mr Dixon also holds non executive director roles with Hodges Resources Limited and Midwinter Resources Limited. Mr Dixon is a Chartered Accountant and brings additional project development, project acquisition, financing and corporate skills to the Company. Mr Dixon is also Chairman of the Scaddan Energy JV Committee.

Executive Director

Greg Miles

Greg Miles has had a successful career in mineral exploration and development of over 16 years in numerous commodities and mineral provinces. Broad technical expertise as a Geologist and Exploration Manager, directing a small, dynamic team as well as Board level experience as a Non-Executive Director. Highlights include the discovery and development of the 40Mt Mount Caudan Iron Ore Deposit, Parker Range Project (Cazaly) and exploration and development of gold resources at West Kalgoorlie (now owned by Phoenix).

*Non-Executive
Director*

Alan Thom

Alan Thom has extensive experience as a senior manager and executive working in Australia, United Kingdom, Africa and Bangladesh. Alan has managed a number of definitive and bankable feasibility studies for significant resource projects. Mr. Thom has worked alongside major international investment banks including the World Bank, IFC and the Asian Development Bank. Alan holds a Western Australian First Class Mine Mangers Certificate and previously held statutory mine management positions for Newmont in both underground and open pit operations. Mr Thom has consulted to a number of resource companies on project and business development.

*CFO and Company
Secretary*

Mike Robbins

Mike Robbins has well over 20 years resource industry experience gathered at both operational and corporate levels, both within Australia and overseas. During that time, he has held numerous project level management positions as well as CFO and Company Secretarial roles with Hodges Resources Ltd, Bannerman Resources Ltd, Moto Gold Mines Ltd and Asian Mineral Resources Limited.

**CV's extrapolated from company annual report*



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

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