



**Breakaway
Research**

September 2013

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Company Information

ASX Code	BGH
Share Price	A\$0.06
Ord Shares	60.1m
Options	16.0m
Market Cap	A\$3.6m
Cash (end June 13)	A\$1.0m
Secured loan to SR Mining	A\$1.0m
Debt	A\$ -
Enterprise Value	A\$1.6m

Directors

CEO	Robert Benussi
Non-Executive Director	Eric Chan
Non-Executive Director	Peiqi Zhang
Non-Executive Director	Jinle Song

Substantial Share Holders

Rubicon Nom's Pty Ltd	8.3%
Intrepid Concepts	8.2%
Jinle Song	7.8%
Keen Source Hld's Pty Ltd	7.5%
Benjamin Jarvis	6.9%

**Top 20 hold 73%*

Company Details

Address	Suite 804, 84 Pitt Street, Sydney, NSW, 2000
Phone	+612 9233 4677
Web	www.blighresources.com.au

1 Year Price Chart



Source: Bloomberg

Bligh Resources (BGH)

Resource upgrade enhances production potential

Recommendation: Speculative BUY

Key Points

- **Near-term production potential following acquisition of a sizeable stake in the Bundarra Gold Project**
- **Resource upgrade to 7.5Mt @ 2.0 g/t Au for 489,000oz**
- **Scoping Study indicates a 250ktpa operation for 9 years mine life at operating cost of \$1036/oz (based on the pre upgraded resource)**
- **Leonora Gold Project located within a highly prospective region – just 6km from the 3Moz Tarmoola gold project**
- **Acquisition of the Little Wonder Project augments prospective tenure in the region**
- **Portfolio of five active exploration projects prospective for Au and Mn, with extensive historical workings and multiple drill targets**

Bligh Resources is an emerging resource company with active programs across five quality projects. The company not only provides exposure to near-term production and cash flow from its Bundarra gold project and Leonora regional acreage in WA, but also offers strong leverage to exploration success.

Company Overview

Bligh Resources (ASX: BGH) is an Australian-based junior exploration company that currently boasts sizeable stakes in five projects considered prospective for gold and manganese. These projects comprise:

- **Bundarra:** 42.9% stake in an advanced gold project that contains a JORC-compliant resource of 489,000oz (7.5Mt @ 2.0 g/t Au) within the historic gold-producing Leonora region of WA. A Scoping Study (based on the previous 318koz resource) already indicates a viable project however economic parameters of the study are likely to be enhanced following the recent resource upgrade.
- **Leonora:** Prospective for gold, containing numerous historical artisanal workings and large, untested structural targets. The project hosts the Diorite King and Mt Davis prospects.
- **Little Wonder** group of tenements are located within the broader 'Leonora Project'. Prospective for gold, hosting old workings and historical mining dating back to 1894.
- **Bootu Creek Two:** Prospective for manganese in a similar geological setting to OM Holdings' (ASX: OMH) Bootu Creek mine. High priority project, less than 60km from the Darwin-Alice Springs Railway line.
- **Kumarina:** Prospective for manganese, targeting DSO manganese in a similar area to that being evaluated by Montezuma Mining (ASX: MZM) at its adjacent Butcher Bird project.



Investment Review

Bligh has a portfolio of five projects, predominantly prospective for gold and manganese at varying stages of advancement. The projects of particular interest from a Breakaway perspective revolve around the Leonora Goldfields of Western Australia.

Bundarra Project provides potential for near-term gold production

The **Bundarra Gold Project** is a relatively new addition to Bligh's portfolio. The company completed the acquisition during late December 2012, acquiring a 42.9% interest in the project. Bundarra is located within the historic Leonora region of Western Australia and hosts a recently upgraded JORC Resource of 7.48Mt @ 2.0g/t Au for 489,000oz. The Bundarra acquisition provides near-term production and cash flow potential.

Positive Scoping Study results point to a robust mining operation with a 9-year mine life

In April '13, Bligh released the positive results of a **Scoping Study** which confirmed the development potential at Bundarra. The Study was modelled on the previous resource of 318,000oz @ 2.1g/t Au and assumed a 9 year mine life based on 250ktpa process feed rate for 156koz of recovered gold. Cash costs for the four deposits range between \$886 to \$1126/oz, with an average of \$1036/oz. Following the recent ~54% resource upgrade to 489koz @ 2.0g/t Au, the economics parameters of the project are being updated. The resource upgrade also provides sufficient data for a maiden reserve estimate (expected within the coming months).

Leonora region remains prospective for further discoveries

The **Leonora Gold Project** encompasses 49km² of prospective tenure and is located just 6km from the 3Moz Tarmoola gold project. The company recently boosted its Leonora acreage position with the acquisition of the **Little Wonder Project**, which hosts old gold workings dating back to 1894. Exploration is at a relatively early stage however these projects augment the company's Leonora exposure and provide numerous high priority targets which will be followed up in due course.

Similar geological setting to nearby Bootu Creek (32Mt @ 22.3% Mn)

The **Bootu Creek Two Project** is strategically located 40km south of the OM Holdings' (ASX: OMH) Bootu Creek manganese mine, which hosts a 32Mt resource @ 22.3% Mn. Bligh has a 100% interest in a 130km² tenement that has been interpreted to host a similar geological and structural setting to that of the Bootu Creek deposit. The Bootu Creek formation is the primary source of manganese mineralisation in the region. Bligh has also recently agreed terms to earn up to 80% in the neighbouring tenement, increasing its possible footprint in the area to ~266km² and ensuring access to rail is not hampered in the event of production.

Kumarina is also highly prospective for manganese

The **Kumarina Project** is highly prospective for manganese mineralisation. A desk-top review examining geology and recent air-core drilling results revealed that the drilling had intercepted paleochannels and supergene manganese enrichment (e.g. 15m @ 17.5% MnO from 46 metres). The supergene manganese enrichment is within the saprolitic shale zones between the Tertiary surface sediments and fresh bedrock. The new interpretation of geology and drill results will be used to plan further exploration.

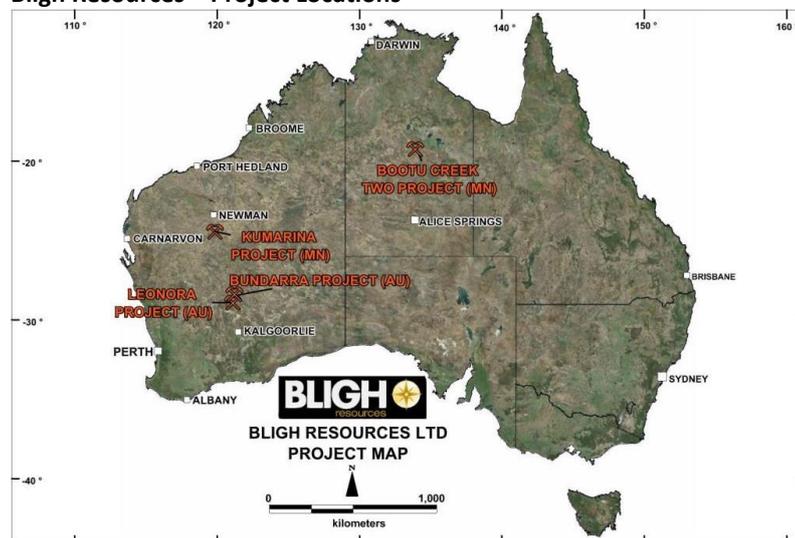
Breakaway's View

Bligh is an active explorer with a strong portfolio of projects located in well-known producing regions. The favourable Scoping Study outcomes provide confidence the Bundarra project has sufficient merit to advance towards production. Our view is reinforced by the recent 54% increase to the JORC Resource which will likely lead to enhanced economics. Bligh has an enterprise value of just A\$ 1.6m and is highly leveraged to positive news flow. The upcoming maiden Reserve estimate and revision of Scoping Study outcomes provides near term impetus for a company re-rating.

Project Review

Bligh Resources has a significant interest in five exploration projects of varying maturity, located in Western Australia and the Northern Territory. Three of these projects are prospective for gold, whilst the other two are prospective for manganese – demonstrating a clear focus on these two particular commodities.

Bligh Resources – Project Locations



Source: Bligh Resources

100% Australian-focused explorer

Bundarra Gold Project (42.9% stake)

Advanced exploration – JORC-compliant resource

The Bundarra project is located in the Leonora region of Western Australia, less than 40km from Bligh's existing Diorite King and Mt Davis packages. Bligh's partners in the project are co-owners of SR Mining - Mr Patrick Schimanski and Mr Adrian Hall - who will retain a 46.5% interest. The remaining interest is held by a small number of minority shareholders.

Bundarra Gold Project – August 2013 JORC Resource

Deposit	Resources	Measured	Indicated	Inferred	Total
Wonder North	Tonnes (kt)	332	2,274	1,284	3,891
	Grade (g/t)	2.1	2.1	1.6	1.9
	Gold (koz)	22	153	67	242
Wonder West	Tonnes (kt)	39	495	291	825
	Grade (g/t)	3.0	3.1	1.8	2.0
	Gold (koz)	4	33	3716	53
Bluebush	Tonnes (kt)	-	200	440	640
	Grade (g/t)	-	1.9	1.8	1.8
	Gold (koz)	-	12	26	38
Great Western	Tonnes (kt)	96	263	327	686
	Grade (g/t)	2.4	2.8	3.0	2.9
	Gold (koz)	8	24	32	63
Celtic	Tonnes (kt)	-	194	1057	2,252
	Grade (g/t)	-	2.5	2.0	2.1
	Gold (koz)	-	15	67	83
Celtic South	Tonnes (kt)	-	78	111	188
	Grade (g/t)	-	2.1	1.4	1.7
	Gold (koz)	-	5	5	10
Total	Tonnes (kt)	468	3,504	3,510	7,482
	Grade (g/t)	2.2	2.2	1.9	2.0
	Gold (koz)	34	242	213	489

Source: Bligh Resources

The resource is hosted around numerous open-pits

Bligh recently released an updated JORC Resource estimate (undertaken by CSA Global) at the flagship Bundarra Gold Project. Encouragingly, the new Resource estimate **increased total contained gold by 54% to 489koz** (from 318koz) whilst also upgrading the total number of ounces within the higher confidence 'Measured and Indicated' categories by 103% to 276koz.

Confidence Bundarra can support production

The upgraded Resource is significant in that it provides further confirmation of the development potential of Bundarra whilst also bolstering the mine life and economics of the project. A review of the recently completed Scoping Study is currently underway with the economic parameters likely to be enhanced.

Scoping Study Confirms Development Potential

Scoping Study delivers positive outcome

Bligh completed a Scoping Study in May 2013 which was modeled on the original JORC Resource of 318,000oz @ 2.1g/t Au, comprising of 136,000 oz Measured and Indicated and 185,000 oz Inferred. This suggests a mine life of 9 years at a 250ktpa process feed rate, with a total material movement of ~26Mt (24Mt waste and 2.26Mt ore) recovering 156Koz of gold at an average grade of 2.2g/t, with an assumed gold price of \$1,600/oz (Gold currently trading at ~A\$1,500/oz). Cash costs for the four deposits range between \$886 to \$1126/oz, with an average of \$1036/oz. There still remains significant exploration upside potential further along strike and at depth for all deposits.

Scoping Study Outcomes

Item	Outcome
Total life of mine (@ \$1,600/oz Au)	~9 years
Total life of mine (@ \$1,500/oz Au)	~8 years
Forecast process feed (@ \$1,600/oz Au)	156,000oz @ 2.25g/t Au
Forecast process feed (@ \$1,500/oz Au)	140,000oz @ 2.25g/t Au
Average cash cost per ounce	\$1,036/oz
Total forecast revenue @ \$1,600/oz Au	\$249.4m
Operating Costs	\$73.93/tonne
Tailings storage facility	\$1.4m
Total direct operating costs @ \$1,600/oz Au	\$161.5m

Source: Bligh Resources

Break-even gold price estimate of \$1,036/oz

Operating costs are estimated at \$73.93/t process feed, with strong overall projected revenues at an assumed gold price of \$1,600/oz estimated at \$249.4 million. Capital costs for tailings storage facilities and site establishment are estimated at \$1.4 million, excluding process plant. Process plant capital estimates were not available for this study. Total direct operating costs (including overheads and royalties) are estimated at \$161.5 million.

Initial mine-life of around 9 years

A break-even gold price of A\$1,036/oz has been estimated for the project and if the assumed gold price is reduced to A\$1,500/oz, process feed is reduced to 1.98Mt with an average grade of 2.2g Au/t, recovering 140k oz of gold. Total life of mine under this scenario is ~8 years. Bligh is now focused on mine permitting and resource modelling. This work will identify areas for further drilling, and fulfil requirements to upgrade the JORC-compliant status of resources to reserves.

These Scoping Study outcomes are currently under review and will likely be enhanced by the resource upgrade.

Metallurgical Results

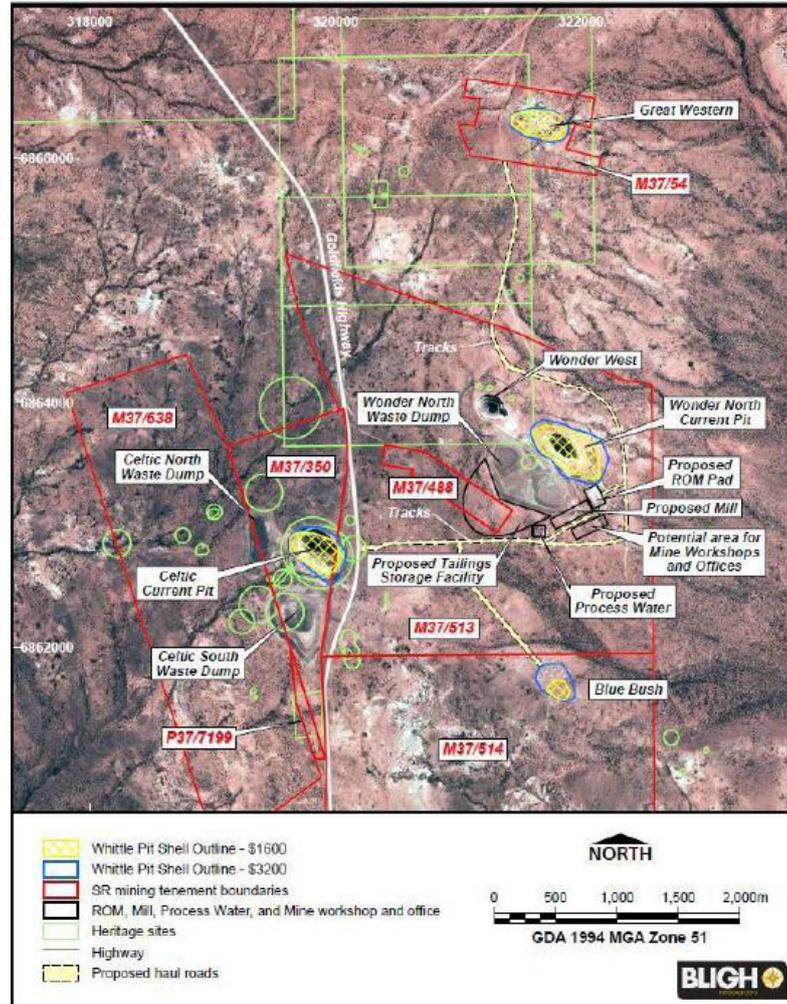
As part of the ongoing assessment of the Bundarra project, metallurgical test work was undertaken by ALS Metallurgy on drill core samples from the Wonder North prospect.

Simple processing

Encouragingly, results indicate a high proportion of the gold can be recovered by a gravity processing route while the remaining gold can be recovered by a simple leaching process for an overall recovery of ~95%. These results are significant in that **they indicate a simple processing flow sheet** minimising operating costs and risks.

Overall recovery of 95% achievable

Proposed Mine Layout – Bundarra Project



Source: Bligh Resources

Provisional sourcing of engineering and equipment underway

Bligh is in discussions with Chinese engineering group

Members of the SR Board have also undertaken a trip to China, where the company's former Non-Executive Director Mr Hanjing Xu facilitated discussions with a leading Chinese technical institute, Beijing General Research Institute of Mining and Metallurgy (BGRIMM). Bligh has targeted this group to assist with engineering, procurement and supervision of the proposed milling plant to process the ore at the Bundarra Gold Project.

BGRIMM is a Chinese institute engaged in R&D and engineering services relating to mineral resource development and utilization, including mineral processing and metallurgy. The company ranks as one of the top national institutes in China in terms of engineering capability.

Little Wonder Gold Project (initial 50% interest)

Advanced exploration, historic workings

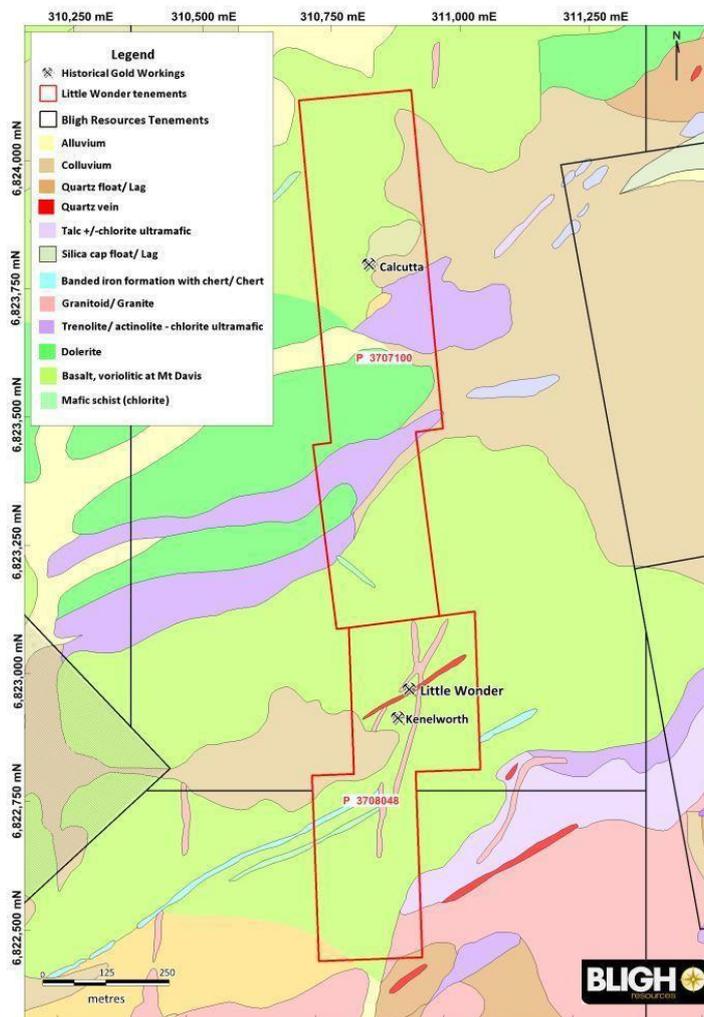
Acquired following positive recent sampling results

The company recently completed the acquisition of The Little Wonder tenements within the Mt Margaret goldfields of Leonora, complementing its landholding in the area. The acquisition followed on from the release of encouraging soil sampling results during May from Bligh's neighboring Leonora Project, which extended the existing 2.2km anomalous zone previously identified at the project during 2012.

Bligh recently issued 400,000 f.p. ordinary shares at \$0.10 cents to earn an immediate 50% interest in both tenements. A \$25,000 cash payment (P37/8048) and \$15,000 (P37/7100) will be triggered upon the commencement of drilling operations. Drilling operations are not restricted by any time limit and the vendors will retain a 1% gross production royalty from all minerals mined.

Little Wonder Prospect – Local Geology

Historic production dates back to 1894



Source: Bligh Resources

The Little Wonder project has a long history of exploration, with the project area subject to extensive activity from the late 19th century through to the early 20th century. During this time, a significant amount of gold was recovered by prospectors using primitive techniques.

Bligh has commenced a section 18 process and a preliminary Heritage Survey has been completed. On ground exploration work is set to commence in due course.

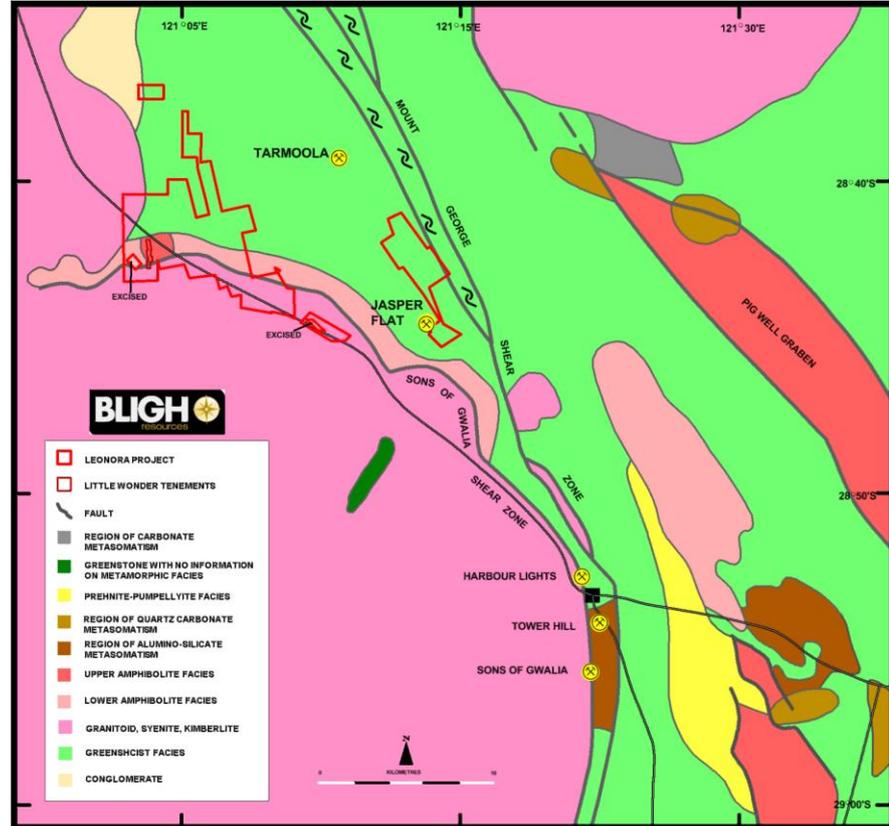
Leonora Gold Project (100% interest)

Numerous high-grade historical workings highlight exploration prospectivity

Leonora region is highly prospective for gold mineralisation

The Leonora gold project, formally held by Jupiter Mines (ASX: JMS), is located in the highly prospective Leonora district that hosts numerous multi-million ounce gold projects, including the 3Moz Tarmoola gold project (owned by St Barbara Mines) located just 6km away. The project is divided into two prospect areas namely; Diorite King (LHS tenements) and Mt Davis, covering a total area of 49km².

Local Geology – Diorite King and Mt Davis



Source: Bligh Resources

Numerous artisanal workings occur within Bligh's tenements

Major structural targets remain untested

The geology over both prospect areas is similar, with the gold mineralisation associated with quartz veins in sheared mafic volcanics. There are numerous old workings within the tenements; however no projects with any scale have yet been mined. Historical records indicate approximately 2,500t of ore was processed at an average grade of 42.8g/t Au for ~100kg of gold. Jupiter Mines previously conducted a sparse RAB drilling campaign but appear to have missed major structural targets which Bligh now intends to follow up.

During 2012 Bligh collected almost 1,300 multi-element soil samples, which have highlighted anomalous geochemistry on the Diorite King line of workings and southern area near the Little Wonder workings. In particular the soils program has highlighted areas south of the historical Diorite King line of workings where three anomalies have been delineated within a 2.2km north-south corridor. The corridor is open to north towards the historical Diorite King, and Diorite Queen Line of workings.

Small gold nuggets recovered

During May 2013 a further 111 soil samples were collected from the Leonora project on the northern extension of the Diorite King Workings, which are being subjected to multi element assaying. The soil samples were collected on a 50m x 100m grid pattern across two lines of workings. The soil samples from this and last year's program will be used to assist in designing an air-core drilling program.

During the sampling program a number of small gold pieces were located around some of the historical workings.

Gold nuggets from historical workings

Gold nuggets recovered from recent surface sampling



Source: Bligh Resources

Project lies in close proximity to OMH's Bootu Creek mine

Bootu Creek Two Manganese Project (100% stake)

Large area prospective for manganese, adjacent to established infrastructure

The project lies ~40km south of OM Holdings' world-class Bootu Creek manganese mine, which currently hosts a resource comprising 30Mt @ 24% Mn and produces ~1Mtpa @ ~37% Mn of a beneficiated product for the export market.

Manganese mineralisation responds well to electro-magnetic surveys

The Bootu Creek Two prospect (so called due to the similar geological and structural setting as Bootu Creek), covers a major north-northwest trending basin composed of the Attack and Bootu Creek formations. Historical rock-chip sampling undertaken by Carpentaria Exploration during 1990 recorded values of up to 21.4% Mn within a 17km long zone of strata-bound manganese mineralisation.

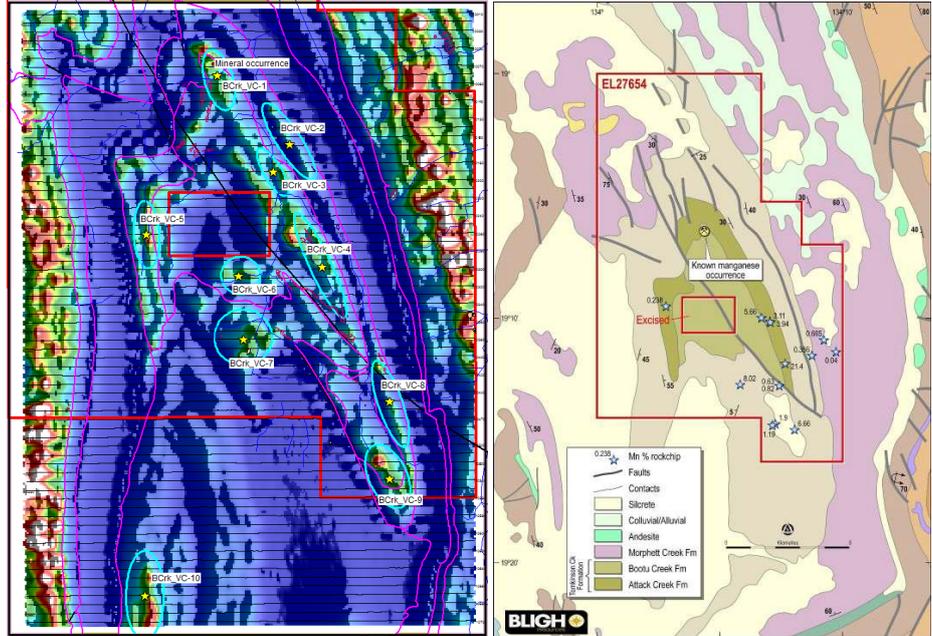
10 anomalies identified

Manganese mineralisation typically responds well to electromagnetic surveys, and accordingly Bligh undertook a 785 line km VTEM geophysical survey. The survey identified 10 anomalies on or within the interpreted Bootu Creek Formation, which potentially represents high-grade manganese mineralisation.

Four rock-chip samples were recently submitted for mineralogical examination. Pyrolusite was the common manganese mineral identified, while the presence of potassium and barium manganese oxides was also noted. The VTEM anomalies have been geophysically modelled to better define the potential geometry (dip, plunge) of the VTEM anomalies, to aid in planning a drill program.

Bootu Creek Two – Local Geology with Rock Chip Locations and VTEM anomalies

Anomalies highlighted with a 'blue ring'



Source: Bligh Resources

Option agreement over neighbouring licence

Bligh **has** entered into an option agreement with Universal Splendour International Pty Ltd (USI), to acquire an 80% interest in a 136km² exploration licence adjacent to Bootu Creek Two, with the remaining 20% to be retained by USI. Universal Splendour International is a 100%-owned subsidiary of Hanan Zhenxing Co., Ltd, which is a Chinese owned manganese exploration, mining and processing company.

Bligh now has access to ~266km² of prospective exploration ground and has also ensured access to the 'Adelaide to Darwin' rail link will not be hampered in the event of eventual production.

Breakaway is encouraged by the agreement, as Bligh's partner is part of a proven manganese exploration, mining and processing company which will bring valuable expertise as well as providing access to potential additional project opportunities

Unimpeded access to infrastructure

Bootu Creek Two – Project Location Map



Source: Bligh Resources

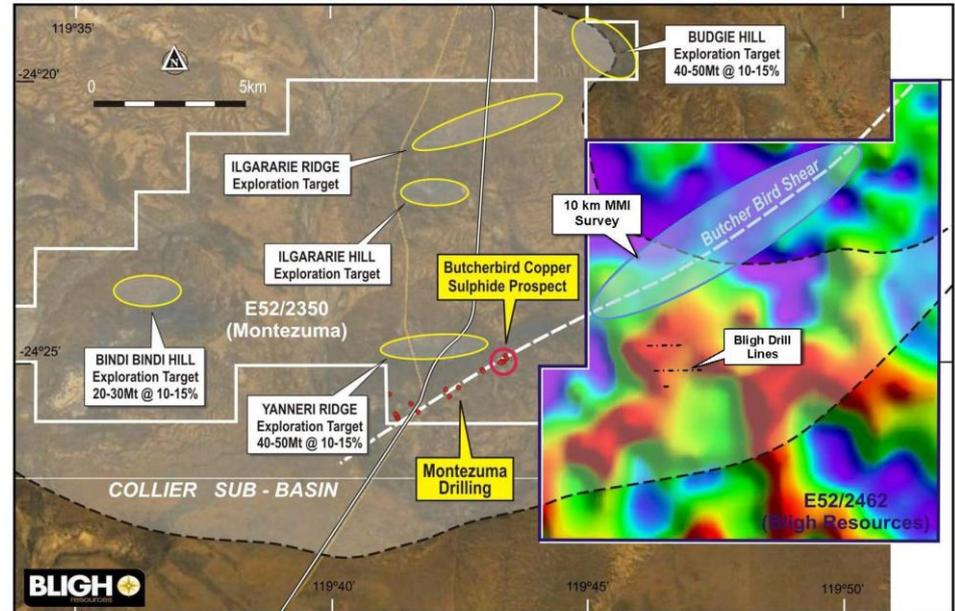
Kumarina Manganese Project (100% stake)
Recent drilling confirms manganese mineralisation

The project is located in central WA, 125km south of Newman and encompasses a total area of ~165km².

Geophysical survey highlighted large anomaly

During 2010, Bligh commissioned a XTEM helicopter survey over the project area, which generated a broad electromagnetic anomaly (warm colours) in the central and southern part of the exploration licence. Following interpretation of this data, Bligh initiated a 44-hole drilling program to test the anomalous zone.

Bligh Resources licence (RHS) and Montezuma Mining licence (LHS)



Kumarina Project - 30metre Conductivity Depth Slice Image

Source: Bligh Resources

Only 11 holes of the planned 44 were completed

Bligh completed 11 air-core holes (of the planned 44) for a total of 864m before wet season weather conditions set in. From the 11 holes drilled, highlights include:

Initial results provide optimism for additional mineralisation

- **15m @ 17.5% MnO** from 46m to 61m (including **2m @ 24.6%** from 54-56m)
- **12m @ 7% MnO** from 58-70m
- **8m @ 10.4% MnO** from 18-26m

Success on neighbouring licences provide further reason for optimism

The drill target being tested by Bligh is similar to those being tested in the neighbouring Montezuma (ASX: MZM) licence, where an Inferred Resource of 119Mt @ 11.7% Mn was recently estimated. Further opportunity also exists along the Butcherbird Shear which runs through both exploration licences, but is concealed within the Bligh tenement. Drilling by Montezuma has intersected 61m @ 1.96% copper (including 6m @ 6.08% copper), highlighting the prospectivity of area.

Further exploration programs planned

A desk-top review was completed during late 2012 that examined the geology and air core drilling results. The review concluded that the drill program had intercepted paleochannels and supergene manganese enrichment (15m @ 17.5% MnO from 46 metres in 12KA004). The supergene manganese enrichment is within the saprolitic shale zones between the Tertiary surface sediments and fresh bedrock. The new interpretation of geology and drill results will be used to plan further exploration programs.

Directors

Chief Executive Officer

Robert Benussi

Robert Benussi has held the positions of Chief Executive Officer, Chief Financial Officer, Company Secretary and General Manager of Jupiter Mines Ltd. Mr Benussi has an extensive background in finance, corporate advisory, stockbroking and business development with companies such as Olin Corporation, Lend Lease, Dalgety and Lion Nathan. Mr Benussi holds a Diploma from the Institute of Public Accountants and remains a member of this Organisation. He has been a Non-Executive Director of Resource Star Limited (ASX: RSL) since 2009 and a Non-Executive Director of Connxion Limited (ASX: CXN) since May 2011.

Non-Executive Director

Peiqi Zhang

Peiqi Zhang has more than 30 years' experience and knowledge in the Chinese mining industry. Mr Zhang is the Chairman and founder of China Shanxi Guxian Jin Yu Coking Co., Ltd, Chairman of Inner Mongolia Jiyuan Iron and Steel Company, a senior member of Shanxi Province Federation of Industry and the Standing Committee, and a senior member of the CPPCC Standing Committee of Linfen City.

Non-Executive Director

Jinle Song

Jinle Song is the owner of Shanxi Jiaocheng Yiwang Ferroalloy Co., Ltd, a company that is a specialist producer of manganese alloys. In 2007, Yiwang developed a new process of refining manganese metal and low-carbon ferro-manganese. The process has been appraised by The Chinese Society for Metals and China Iron & Steel Association. Yiwang received the "National Metallurgical Science and Technology Award" for technological advancement.

Non-Executive Director

Eric Chan

Eric Chan was recently appointed to the board (in September 2013). He is a Co-founder and director of Aura Capital Group, a company instrumental to Bligh Resources' acquisition of the Bundarra Gold Project. Aura Capital have been long term supporters of the company since initial IPO in December 2011.



Analyst Verification

We, Grant Craighhead 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 Bligh 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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