ARLINGTON GROUP

Blackham Resources Ltd.

Ticker: BLK:ASX
Share price: A$0.011
Market cap: A$51.1m
Cash: A$5.7m
Debt: A$6.7m (Exc. WCF)
Working Cap. Facility: e. A$13.5m
Enterprise Value: A$65.6m
Shares Outstanding: 4,716m
Options: 864m
Executive Chair: M. Jerkovic
Director Operations: N. Meadows
CFO: A. Rechichi
IR: J. Malone

Prices as of the close of business 30th January 2020

Contact details:

Roger Breuer (Analyst)
+44 (0)20 7389 5010
rbreuer@agam.co.uk

Charlie Cannon-Brookes
+44 (0)20 7389 5017
cbrookes@agam.co.uk

Simon Catt
+44 (0)20 7389 5018
scatt@agam.co.uk

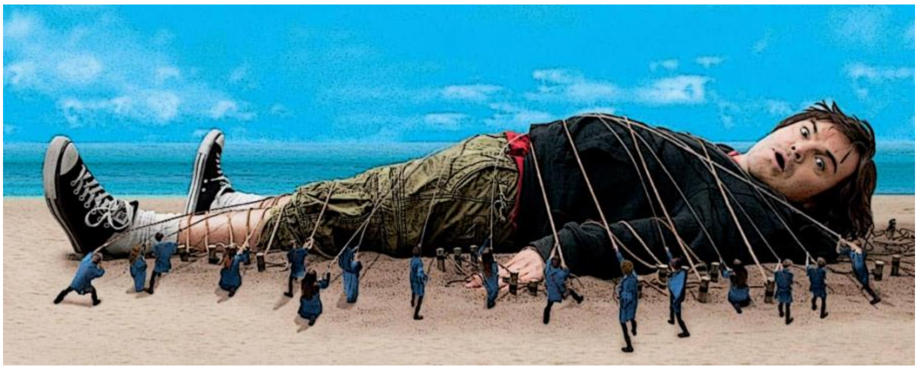
Richard Lockwood
+44 (0)20 7389 5013
rlockwood@agam.co.uk

30th January 2020

Blackham Resources Ltd.

The Giant Wiluna Gold District – Breaking Free.

The Wiluna gold mine, smack bang in the middle of West Australia, has produced over 4.0 million ounces of gold and has approximately 6.4 million ounces remaining in resources and reserves. The company is 'cheap' because it has often disappointed. Blackham Resources and its Wiluna mine may be about to awaken from a multi-decade slumber and join its richly clothed Australian peers including Kirkland Lake's Fosterville mine, Northern Star's Jundee and Bellevue Gold.



Blackham consolidated the concessions around Wiluna into one giant tenement package covering over 1,600km^2. In January 2014, they acquired the strategically-important Wiluna Gold Plant from Apex Minerals which went bust in 2013 as the gold price fell from US$1,700 to US$1,200 an ounce and Apex's under-capitalised balance sheet imploded.

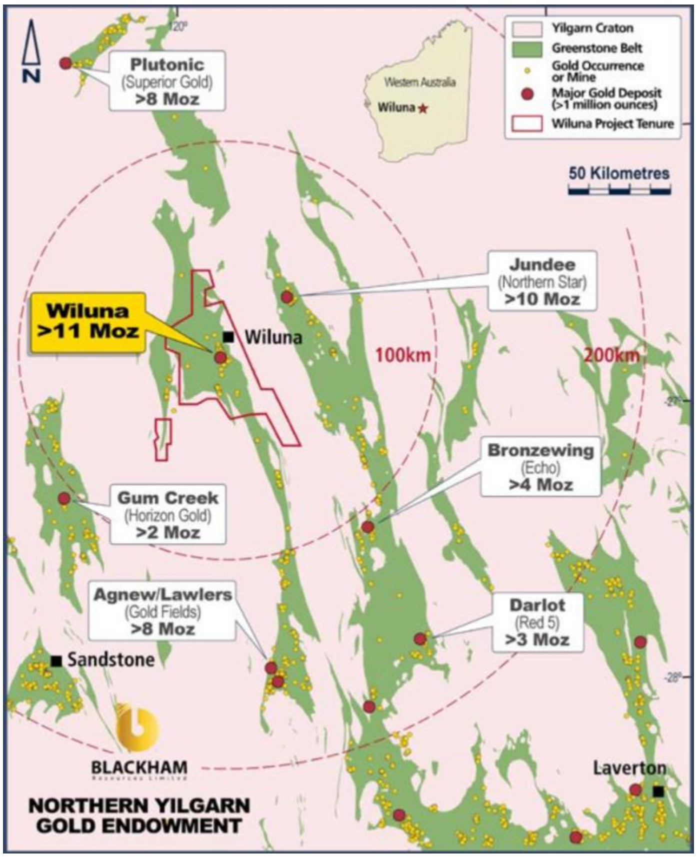
The Wiluna plant was recommissioned and produced first gold in October 2016. **Blackham have invested approximately A$150 million since 2016 refurbishing the mine, plant and growing the reserve and resource.** March and June quarters of 2019 proved operationally challenging but the new Blackham management turned around operations and have since delivered two consecutive quarters of increasing gold production. Blackham recently reiterated their **FY 2020 production guidance of 70,000 to 80,000 ounces of gold at AISC of A$1,550-1,750/ounce**.

Blackham now plan a staged approach to processing the sulphides, by first adding a flotation circuit to the plant and selling a gold concentrate. Sulphide processing and tailings reprocessing will bring total stage 1 expansion plans to ~ **110,000 oz. of gold production per annum**. In addition to the significant reserves and resources, what interests us the most at Arlington Group is the huge exploration potential at Wiluna, particularly at depth. Northern Star and Kirkland Lake have both taken depleted, old Australian mines, Jundee and Fosterville, and reinvigorated them by deeper drilling. This mirrors similar success in Canada around old Archean gold mines that have followed the gold structures deeper. Successful execution of Blackham's growth strategy will provide a platform to identify the next 10 million ounces of gold, which we believe remains undiscovered within the **giant Wiluna gold system**.

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

Explorer Laurence Wells discovered gold at Wiluna in 1892.

The **Wiluna Gold Operation** is located in Western Australia. Geologically, it sits in greenstone belts on the northern edge of the Archean Yilgarn Block.



Source: Blackham Resources.

Reserves & Resources

Blackham Resources' existing reserves and resources differentiate the company from other gold mining juniors.

In September of 2019, Blackham Resources announced a revised Mineral Resource and Reserve Statement as at 30 June 2019. A summary of the statement is provided below. (See Appendix for detailed reserve and resource statements). Total Reserves amounted to 24.7 million tonnes at 1.7 g/t Au for **1,381,000 ounces** of contained gold. And Resources, which are stated inclusive of reserves, amounted to 93.2 million tonnes at 2.13 g/t Au for **6,381,000 ounces** of contained gold.

MATILDA - WILUNA GOLD OPERATION	Measured			Indicated			Inferred			Total 100%		
MINERAL RESOURCES (As at 30 June 2019)	Mt	g/t Au	Ounces Au	Mt	g/t Au	Ounces Au	Mt	g/t Au	Ounces Au	Mt	g/t Au	Ounces Au
Open Pit	0.6	0.8	15,000	59.0	1.3	2,379,000	13.4	2.2	935,000	73.0	1.4	3,330,000
Underground	0.02	6.8	4,000	7.3	5.38	1,254,000	12.9	4.31	1,793,000	20.2	4.71	3,051,000
Total Resources	0.62	0.99	19,000	66.3	1.71	3,633,000	26.4	3.22	2,728,000	**93.2**	**2.13**	**6,381,000**

The stated mineral resource is inclusive of the mineral reserve.

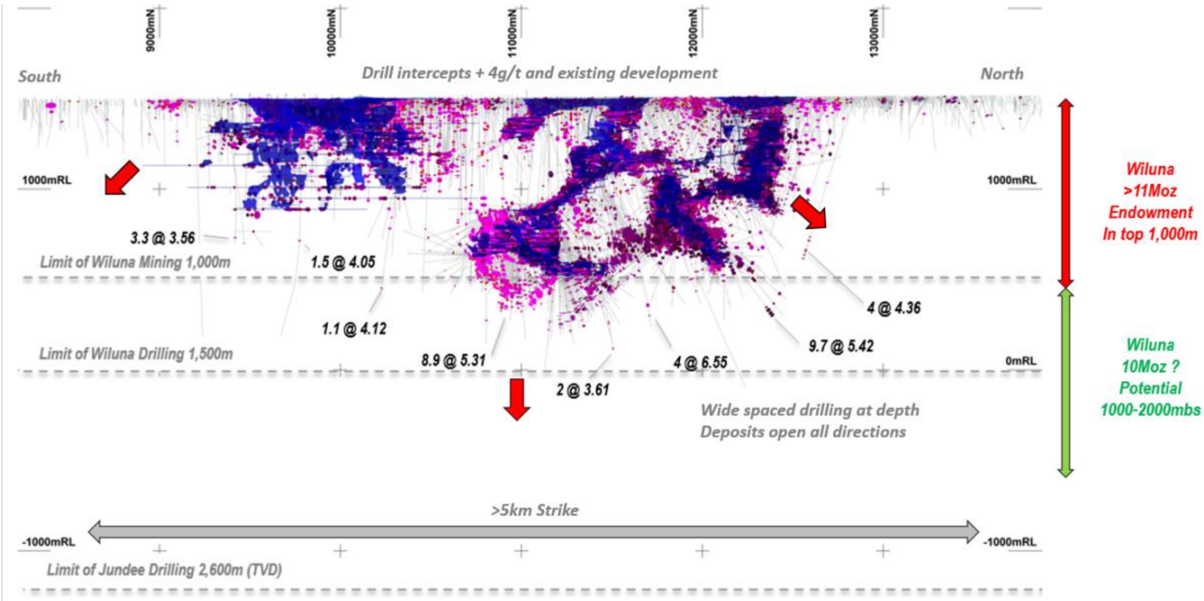
MATILDA - WILUNA GOLD OPERATION	Proven			Probable			Total 100%		
MINERAL RESERVES (As at 30 June 2019)	Mt	g/t Au	Ounces Au	Mt	g/t Au	Ounces Au	Mt	g/t Au	Ounces Au
Open Pit	0.55	0.8	15,000	11.11	2.4	859,000	11.7	2.3	874,000
Underground	-	-	-	1.78	4.8	273,000	1.78	4.8	273,000
Tailings - Wiluna	-	-	-	11.2	0.7	234,000	11.2	0.7	234,000
Total Reserves	0.55	0.8	15,000	24.1	1.8	1,366,000	**24.7**	**1.7**	**1,381,000**

Source: Blackham Resources' ASX release dated 27th September 2019.

Wiluna – The Giant Exploration Potential

Wiluna's future probably lies at depth. The historical endowment down to 1km is 11 million ounces of gold, and the 1km limit of historical drilling ended in mineralisation, as shown in the picture below. There are half a dozen potential 4-6 g/t shallow 100,000-200,000 ounce targets to follow up within 500 metres from surface next to existing infrastructure. What really intrigues us at Arlington Group however, is the deeper potential at Wiluna.

Wiluna Mine (Blackham Resources) – Cross Section



Fosterville's (Kirkland Land) 40 g/t gold Swan orebody and Jundee's (Northern Star) Zodiac discovery were both **found at over 1km depth** – essentially extensions of known mineralisation just deeper and along strike.

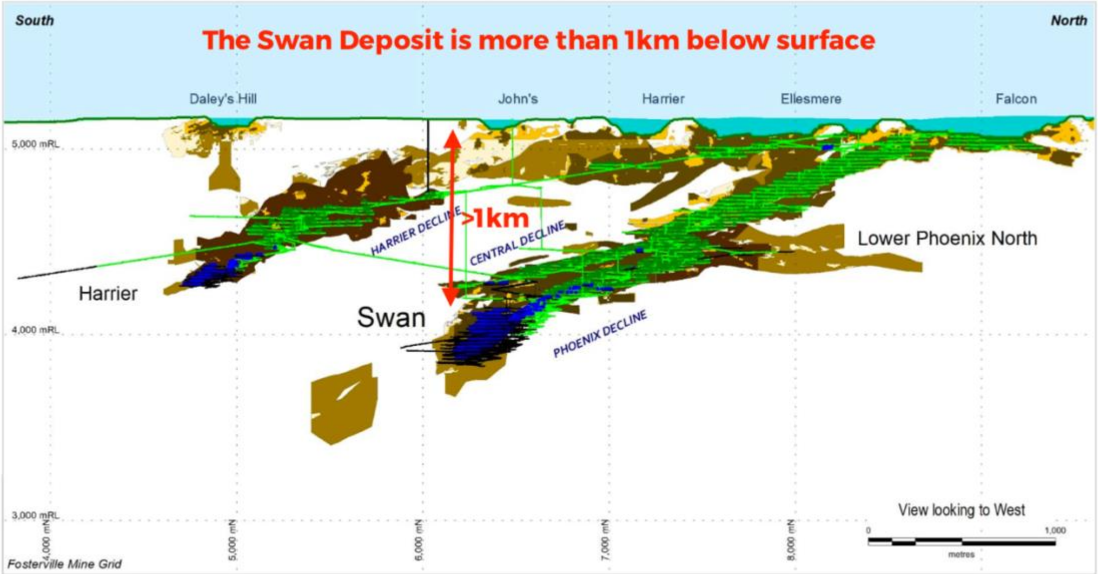
Kirkland Lake's Fosterville Mine – Eagle and Swan Deposits

Crocodile Gold Corp bought the Fosterville and Stawell mines from Aurico Gold in 2012 for C$105m. Two subsequent mergers led to Kirkland Lake Gold's ownership.

The Fosterville Mine has had multiple different owners over its long history. Since 1988 alone, there have been 8 different owners (Bendigo Gold, Brunswick Mining, Perseverance Corp, Northgate Minerals, AuRico Gold, Crocodile Gold Corp, Newmarket Gold and now Kirkland Lake Gold). The mine has produced approximately 2.4 million ounces of gold to date, but with 6.7 million ounces of reserves and resources, the mine's best years appear to be ahead of it.

Back in 2011, things didn't look quite so rosy. The Fosterville mine at that time was owned by AuRico Gold and the reserve statement stood at a mere 364,000 ounces of gold at a grade of 4.7 g/t gold. But by January 2016, a significant milestone in Fosterville's history was reached when the one millionth ounce of gold was poured. As a result of the exploration success **at depth**, Fosterville's reserve statement as at December 2018, stands at 2.72 million ounces at a grade of 31.0 g/t gold with 3.94 million ounces of additional mineral resources - a total of 6.7 million ounces of gold so far.

Fosterville Mine (Kirkland Lake) – Cross Section showing the Swan Deposit



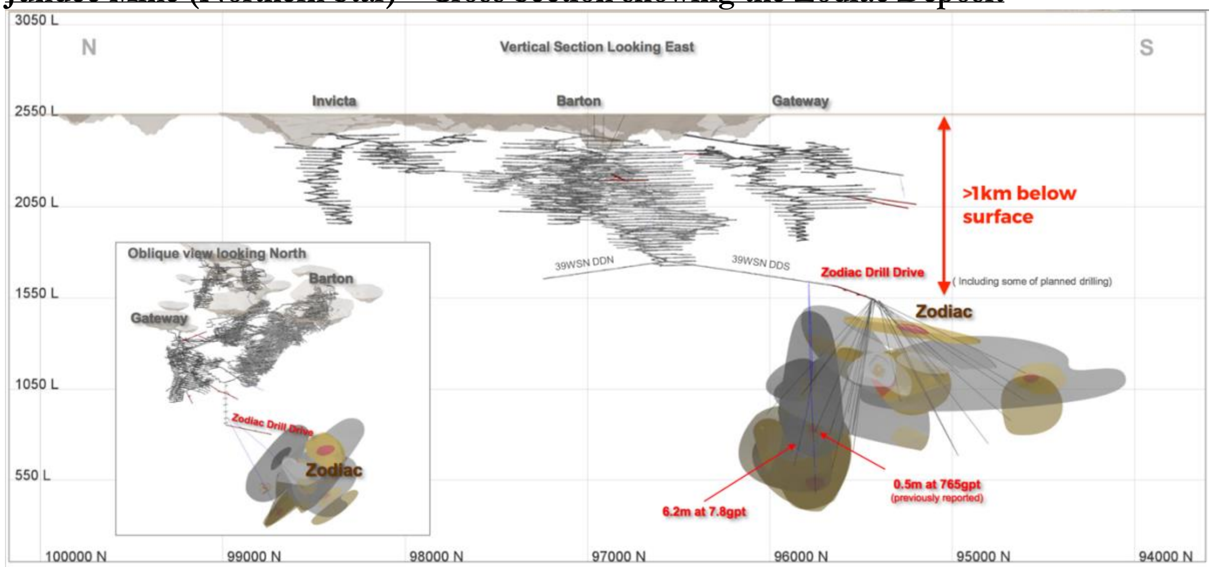
Source: Fosterville Gold Mine Technical Report: December 31, 2018.

Northern Star (Jundee Mine) - Zodiac Deposit

We consider Northern Star's nearby Jundee project (Only 80km north east of Wiluna) as another blueprint for what could be achieved from methodical, deeper exploration, in these prolific gold-belts.

Northern Star acquired the Jundee Mine from Newmont in July 2014 when Jundee's Reserves stood at a mere 383,000 ounces, at a grade of 4.8 g/t gold. In 2017, the company discovered the Zodiac ore body, located 800m east of the Jundee Mine.

Jundee Mine (Northern Star) – Cross Section showing the Zodiac Deposit



Source: Northern Star's Presentation – Jundee Operations Overview – August 2018.

The Zodiac target was initially identified from geophysical work. Northern Star used **seismic technology** from **Hi-Seis** to identify deeper targets. Seismic reflectors were studied to generate targets.

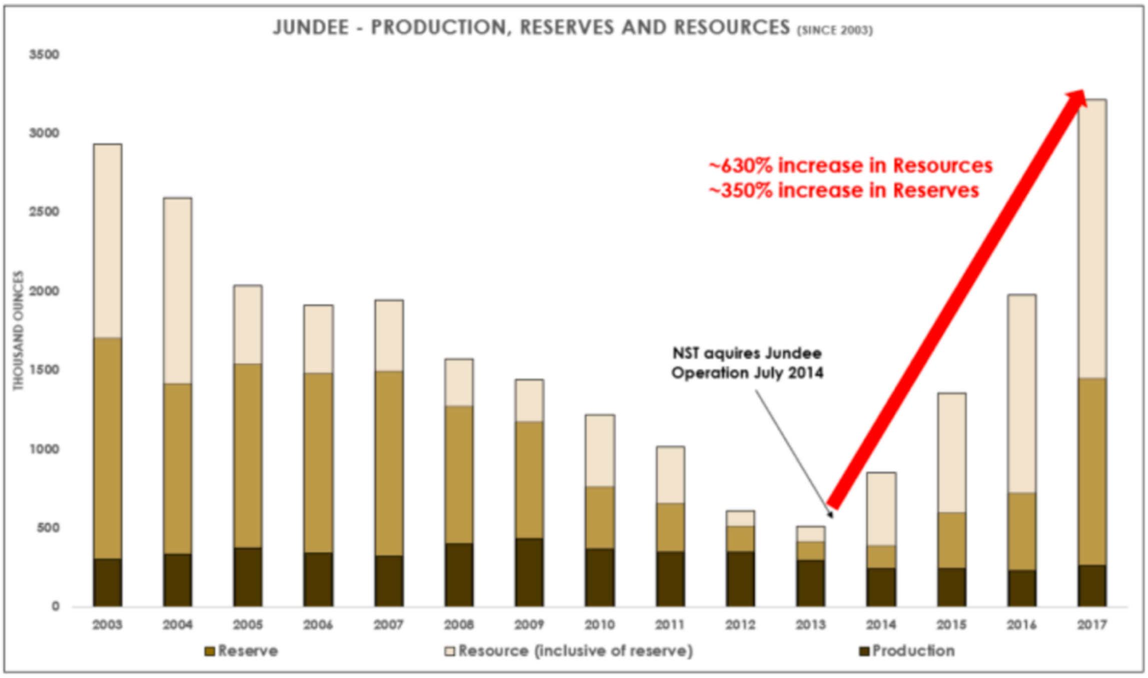
As Bill Beamont, Executive Chairman of Northern Star commented in August 2017;

'With the first drill hole into the 3D seismic data set we made a new discovery – the very first hole –and we've now drilled eight holes into it and we haven't missed it in a single hole.'

Drill results for Zodiac included **0.5m at 765 g/t Au** and in February 2017, the Company announced that mineralisation had been identified over 2km and remained open in all directions.

The following, was taken from Northern Star's website;

'Since the acquisition of Jundee in July 2014, Northern Star has successfully concentrated on growing Resources, Reserves and production profile (see the chart below). This has restored Jundee back to the world class status it had during the 10-year period of 2002-2011. The expanded inventory and upgraded production capacity positions Jundee to be a ~300,000oz pa producer with current mine life visibility of 10 years.' The following chart shows Jundee's expanded inventory since acquisition;



Source: Northern Star's Jundee Gold Operations – Fact Sheet – July 2018.

In FY 2019, Northern Star's Jundee operation produced 295,053 ounces of gold at an All In Sustaining Cost (AISC) of A$981/oz and produced A$274 million in EBITDA.

Both Jundee and Fosterville are mines with a long history and significant past production. Both mines were sold when reserves had dwindled but both new owners reinvigorated exploration and, in the case of Northern Star employed new seismic technology, which they've been richly rewarded for.

<u>Wiluna Mine – Blackham Resources</u>

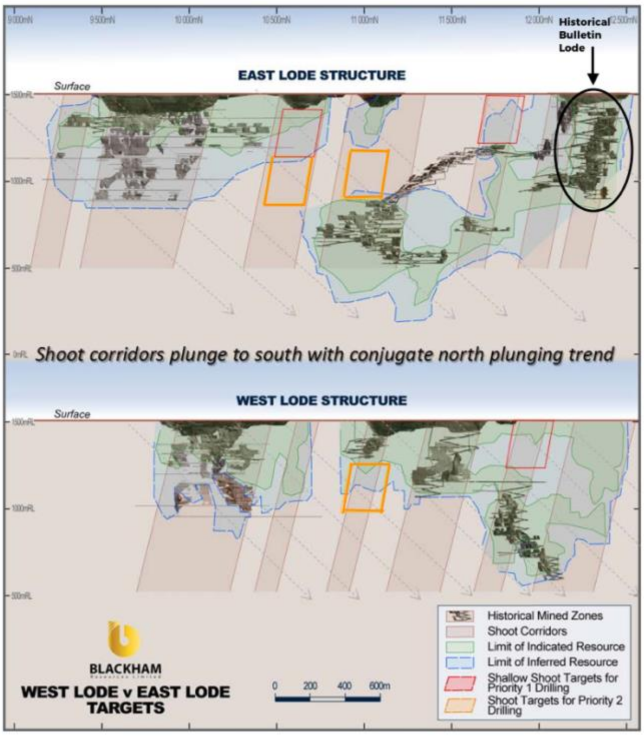
Returning to Blackham Resources, with the restart of production at Wiluna focused on free-milling (oxide) ore, exploration was similarly focused on finding additional free-milling (oxide) mineralisation. Blackham's discovery of new oxide lodes at surface has proved that new discoveries are still being made at Wiluna.

Blackham are now shifting focus to target underground shoots, starting at shallow levels of less than 500m and then chasing the structures deeper. It's worth noting that these is negligible drilling below 1,000m and only 1 hole at Wiluna has been drilled to greater than 1,500m below surface.

The Company have an aggressive reserve development and exploration program planned for the next 18 months.

If testing of these high-grade shoots is successful, it would have the advantage of being relatively near infrastructure.

Blackham's geologists have modelled the position of several new shoots within 500m of surface, targeting 100,000 - 150,000 ounces at 6-7 g/t Au for each shoot. It's worth noting that the main Bulletin lode discovered in the 1990's (and now mined out) contained approximately 900,000 ounces of gold. Data from Portergeo states a historical Probable Reserve for the Bulletin lode in 1998 of 1.9Mt at 8.5 g/t gold.



Source: Blackham Resources ASX 23 December 2019.

Blackham's geological team view the East and West Lode structures as showing good continuity of mineralisation and believe that high grade shoots have a tendency to occur in predictable locations at the intersection of the gold structure with favourable geological units.

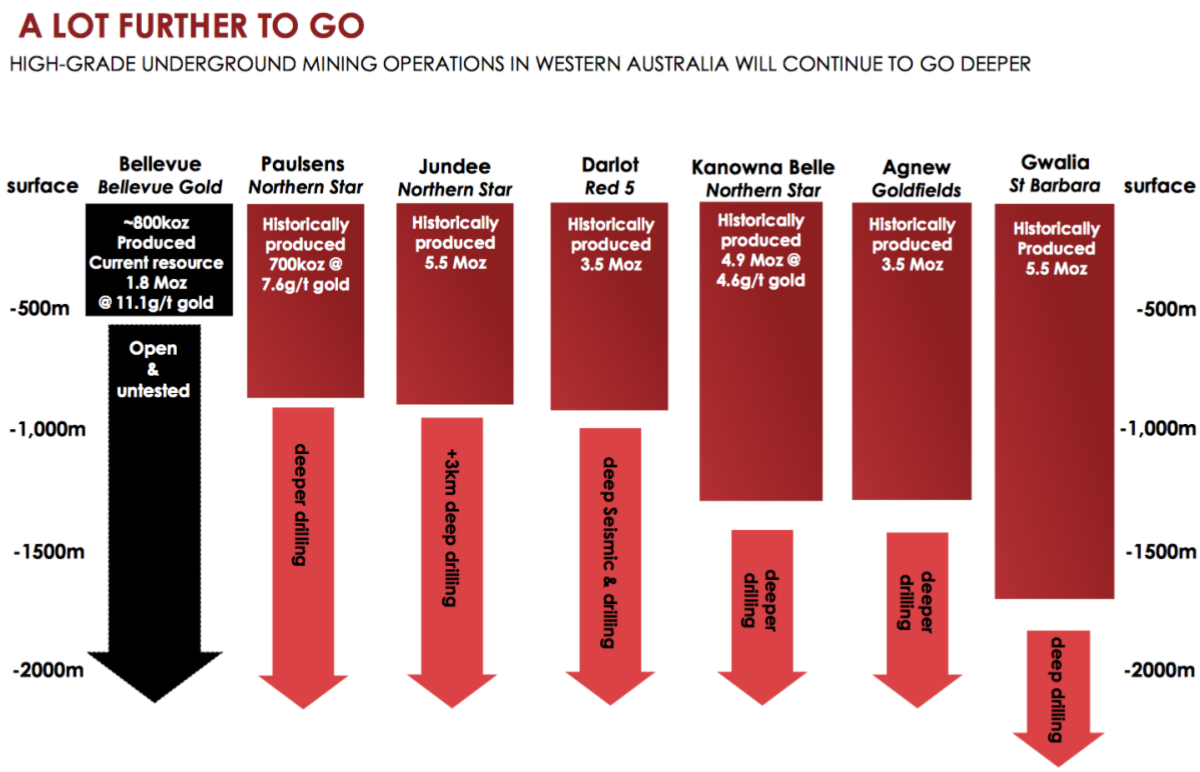
Infill drilling of inferred resources at Wiluna is planned to upgrade the resources and to convert to reserves, with further drilling to test the gaps between the main resource areas.

The potential for an additional 10 million ounces at Wiluna.

At Arlington Group, we see the greatest opportunity from testing the continuity of mineralisation from 500m to 2,000m. As the figure below illustrates, the 11 million ounces at Wiluna have come from the top 1,000m, yet extensive drilling at depth is still to be undertaken. **Considering the strike length at Wiluna of greater than 7.5 km on just two main structures and good continuity of mineralisation shown to date, we consider this deeper drilling having the potential to deliver the next 10 million ounces of gold.**

Bellevue Gold - Another Australian Success in the Yilgarn

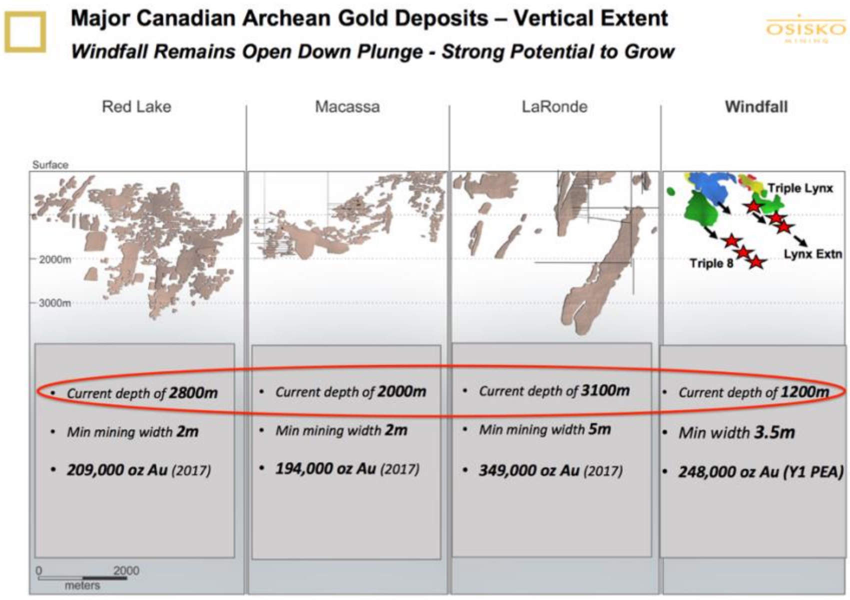
Bellevue's Bellevue Gold Project is located approximately 100km south of Wiluna. In 2017, their discovery hole assayed 7m at 27.4 g/t gold. As at September 2019, Bellevue had only drilled to 600m below surface and had defined a resource of 1.8million ounces at 11.1g/t gold. One of Bellevue's presentation slides makes a similar case that '**high-grade underground mining operations in Western Australia will continue to go deeper**.' The company have a market cap of A$290m (Jan 2020).



Source: Bellevue Gold Ltd's September 2019 presentation.

Similarities with Canada

One final point on the Wiluna exploration potential. We see similarities with the success seen at some of the major Canadian Archean gold deposits. As Osisko Mining's slide below shows, several of the largest mines are at depths of much greater than 1km.

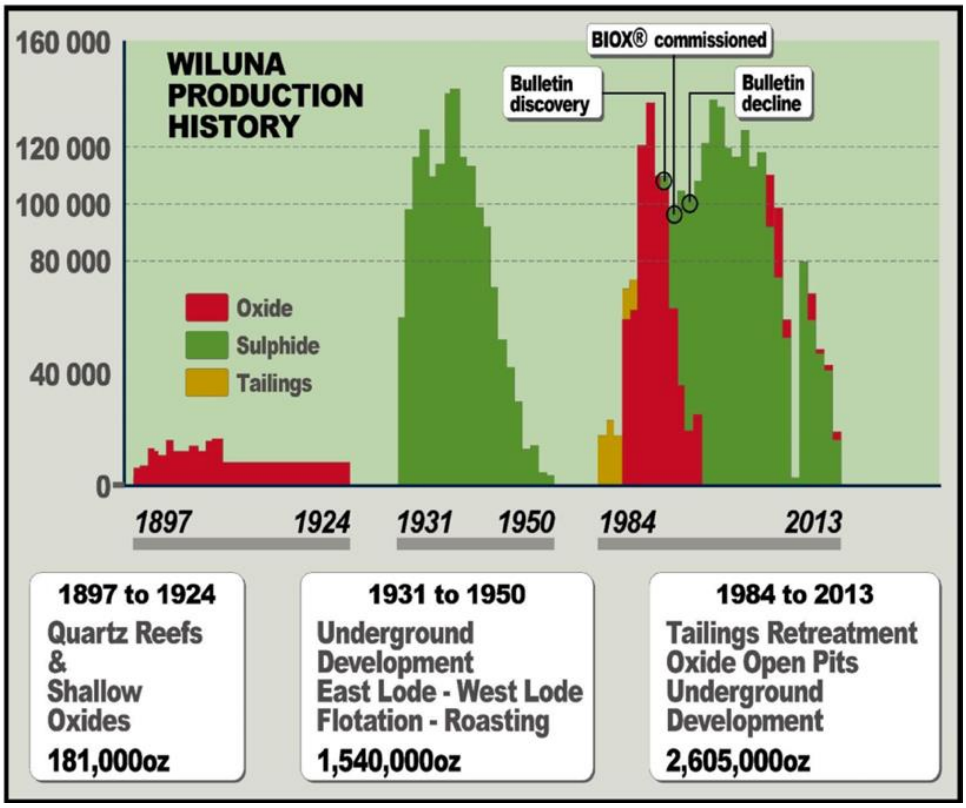


Source: Osisko Mining Presentation, October 2019.

Interestingly, early last year Osisko Mining, who have seen great success at their Windfall project, announced that they've contracted seismic specialists **Hi Seis Pty** and were 'conducting preliminary work on the potential use of high-definition seismic technology to identify deep gold-bearing structures and potentially directly detect certain styles of mineralisation in and around the Windfall and Lynx deposits.'

Wiluna Production History

Ore at Wiluna is a combination of refractory (sulphide ore) and free-milling (oxide and quartz reef ore). Both types of ore have been successfully processed at Wiluna over its long-history.



Source: Blackham Resources Presentation.

Of the 1.38 million ounces of gold in reserves, approximately 32% is free-milling (oxide and quartz reef ore) and 68% is refractory (sulphide ore).

The 2016 Restart

Free-milling (oxide) ore offered the first growth opportunity at Wiluna.

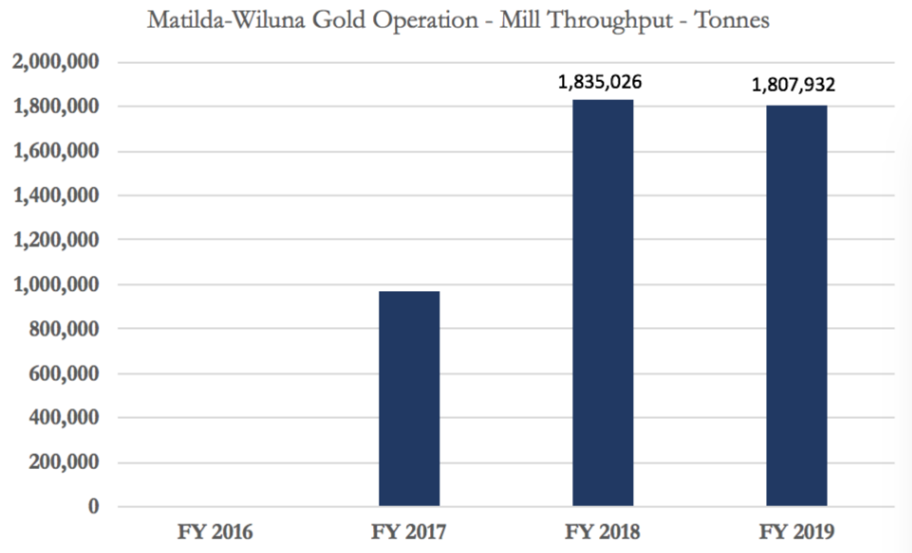
The strategy to re-start production focused on **free-milling** (oxide) resources which Blackham intended to process through the relatively straight-forward Carbon-In-Pulp (CIP) circuit at Wiluna. This involved crushing, grinding, gravity and CIP.

In February 2016, Blackham Resources finished a Definitive Feasibility Study (DFS) considering the restart of the Wiluna gold project, based on free-milling (oxide) ore. An updated DFS was released a few months later in June 2016.

After successfully financing the project, first gold was poured in October 2016.

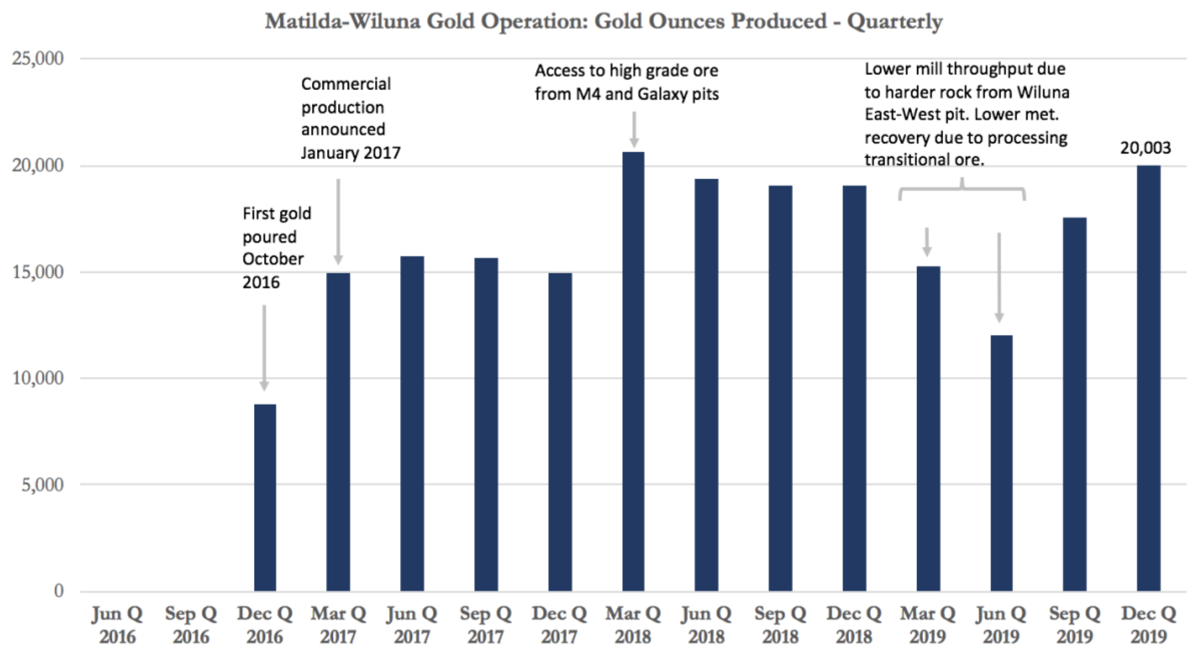
The rod-mill is now refurbished.

Over the last two years, the free-milling circuit has achieved **steady throughput of 1.8 million tonnes per annum**. According to the December 2019 quarterly the rod-mill refurbishment was completed in December 2019, offering '**an approximate 20% increase** in grinding circuit capacity and a commensurate increase in ore throughput.'. The quarterly stated that commissioning was due in January 2020 with 'mill throughput benefits of approximately 20% available by the end of January.'



Source: Blackham Resources / Arlington Group

The chart below summarises gold production since the 2016 restart, on a **quarterly basis**;



Source: Blackham Resources / Arlington Group

August 2017 – Wiluna Expansion PFS

Initially, Blackham planned to process the sulphide ore by reinstating BIOX processing.

In August 2017, Blackham announced details of a Preliminary Feasibility Study examining expansion plans for the Matilda-Wiluna Gold Operation. The study focused on adding sulphide ore processing capability and integrating this with the current free-milling (oxide) processing. The expansion plan would involve;

1) Construction of a new crushing and grinding circuit to increase throughput by 1.5Mtpa to 3.3Mtpa.
2) Construction of a new flotation circuit.
3) Refurbishment of the existing sulphide treatment plant (which has operated for 20 years)
4) Construction of a new carbon in leach (CIL) circuit.

The base-case BIOX sulphide processing estimated a capex requirement of **A$114 million** (including an 18% contingency).

Key metrics of the Wiluna expansion plan were as follows;

Wiluna Expansion PFS - August 2017	
Mine Life	9 Years
Gold Production Average (Years 1-6)	207,000
Oxide Throughput	1.8 Mtpa
Sulphide Throughput	1.5 Mtpa
Expanded Combined Throughput	3.3 Mtpa
Total Gold Production (Over initial 9 years)	1.47 Moz Au
Open Pit Mining Inventory	15Mt @ 2.3 g/t for 1.1Moz Au
Underground Mining Inventory	4Mt @ 4.7 g/t for 608,000 oz Au
LOM All In Sustaining Costs (ASIC)	A$1,058/oz or A$836/oz
Initial Capex (Base Case)	A$114m
IRR*	123%
NPV 8%*	A$360m

* assumes A$1,600/oz gold price and before tax

Source: Blackham Resources ASX release 30th August 2017.

Staged-Approach to Sulphide Expansion Plan (Stage 1/Stage 2)

A modular, staged approach offers a lower capex growth strategy.

A Blackham Resources presentation released in February 2019, mentioned that while progressing the Wiluna Expansion DFS, the Company had identified a '**staged-approach**' to the sulphide expansion plans for a lower initial capital cost.

New Sulphide Expansion Plan

Source: Blackham Resources Presentation.

Stage 1 Expansion

Stage 1 expansion plans avoid the need to increase throughput capacity immediately.

Stage 1 of the revised approach considers adding **a new sulphide flotation circuit and concentrate thickener** to the mill in order to produce a sulphide concentrate and then selling the gold concentrate. The February Sulphide Expansion Presentation highlighted that the mill would use the existing 2 ball mills and a refurbished rod mill to process 750,000 tonnes of sulphide ore, to produce 46ktpa of gold concentrate at approximately 70 g/t gold, based on 90% flotation recovery. This is the only data we could find on concentrate grade and recovery which we view as preliminary in nature and likely subject to change.

Capital Expenditure Summary - Dec 19 to Mar 21	A$m
Sulphide Processing Plant	25
Wiluna Tailings Retreatment Infrastructure	5
Underground Mine Establish. & Infrastructure	6
Subtotal Hard (Physical) Infrastructure	36
Open Pit Preproduction Mining	2
Underground Preproduction Mining	24
Subtotal Preproduction Mining	26
Total Expansion Capital Expenditure	62
Less net cash inflows before financing activites	-9
Net Operations' Expansion requirements	53

Source: Blackham Resources Presentation.

Supporting the capital expenditure budget summarised on the previous page, Blackham have engaged the following mining service providers;

Byrnecut are underground mining contractors at Jundee, Gwalia Deeps, Telfer, Thunderbox, Prominent Hill, amongst others.

Mining consultants, **Byrnecut Australia** have provided an underground mine schedule which includes underground capital costs and operating costs. The studies were conducted to a Pre-Feasibility Study (PFS) standard which gives a level of accuracy of +/- 25%.

Crushing and milling costs for the sulphide expansion used actual costs from the current 1.8Mt throughput but adjusted proportionately for the 0.75Mt throughput for the sulphide expansion phase.

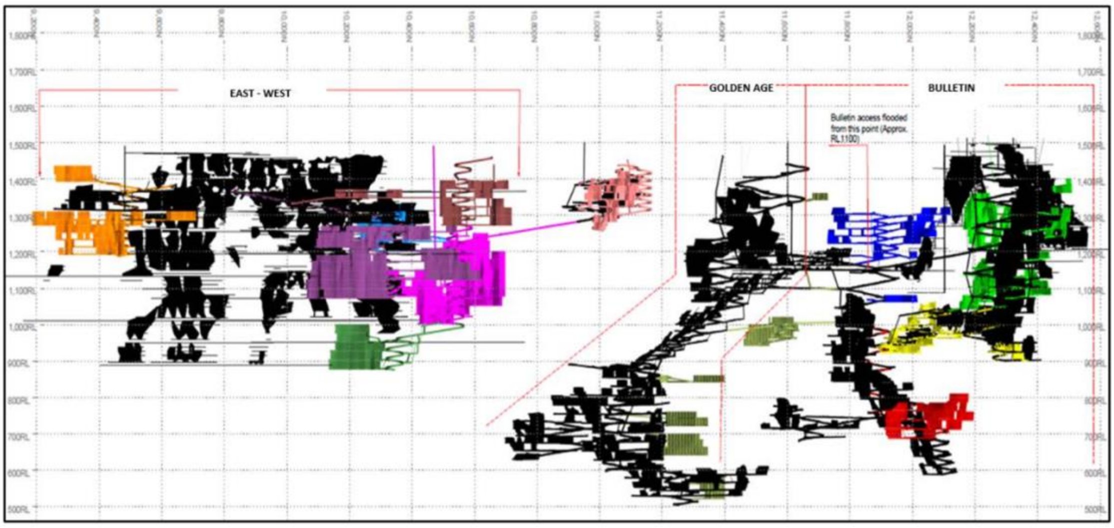
GR Engineering have provided sulphide work on the Nova Nickel Project (IGO Ltd) and the Deflector Copper Gold Project (Silver Lake Resources) amongst other projects.

Engineering consultants, **GR Engineering** were contracted to provide pre-feasibility level costs (+/- 25%) to provide the sulphide flotation circuit and concentrate thickener. An EPC turnkey and process guarantee arrangement has been considered.

Mining consultancy **Mining Plus** have reviewed block models for all 9 company mines (7 underground and 2 open-pit). Note: Mining Plus is 50% owned by The Byrnecut Group.

The mine plan for the stage 1 expansion was outlined in a recent ASX news release, highlighting the underground ore sources.

Stage 1 Expansion: Planned Areas To Be Mined (Coloured Areas)



Source: Blackham Resources, ASX release dated 23rd December 2019.

The new flotation circuit will leave the leach tanks available.

The figure below, shows the existing configuration of the Wiluna plant which is currently processing free milling ore. Interestingly, once the plant starts producing a sulphide concentrate via the milling and flotation circuit (dotted red line), the latter part of the plant (the leach and adsorption tanks and the elution circuit) would become available (dotted blue line) to process the tailings (Indicated Resource: 34 million tonnes @ 0.62 g/t Au for 680,000 ounces of gold).

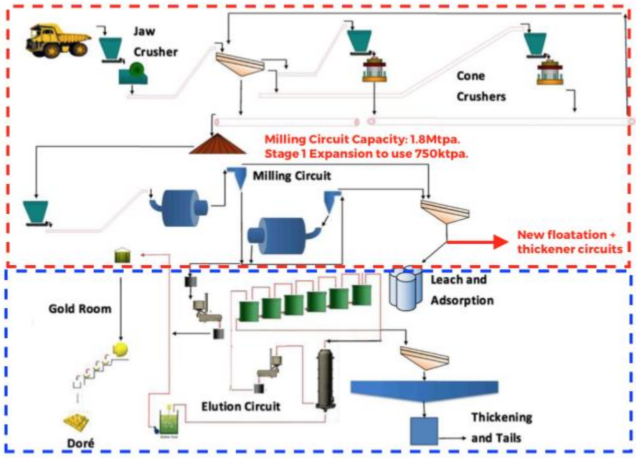


Figure 7: Wiluna Free Milling Plant Flowsheet

Tailings Reprocessing Opportunity – Wiluna Tailings Project

A regulatory release on the 24th July 2018, announced a maiden resource for the historic tailings at Wiluna which was based on 2017 and 2018 drilling campaigns that completed 89 holes.

The news release stated;

'Initial test works have confirmed the tailings material is sized between 38-75 micron **removing the need for further grinding** - significantly reducing re-processing costs. **The tailings can be treated through the current operating CIL circuit without the need for further milling or concentration**, making reprocessing a simple, low cost option.'

And that;

'Metallurgical test work completed to date indicates a recovery of between 42-50% for the historical tailings gold.'

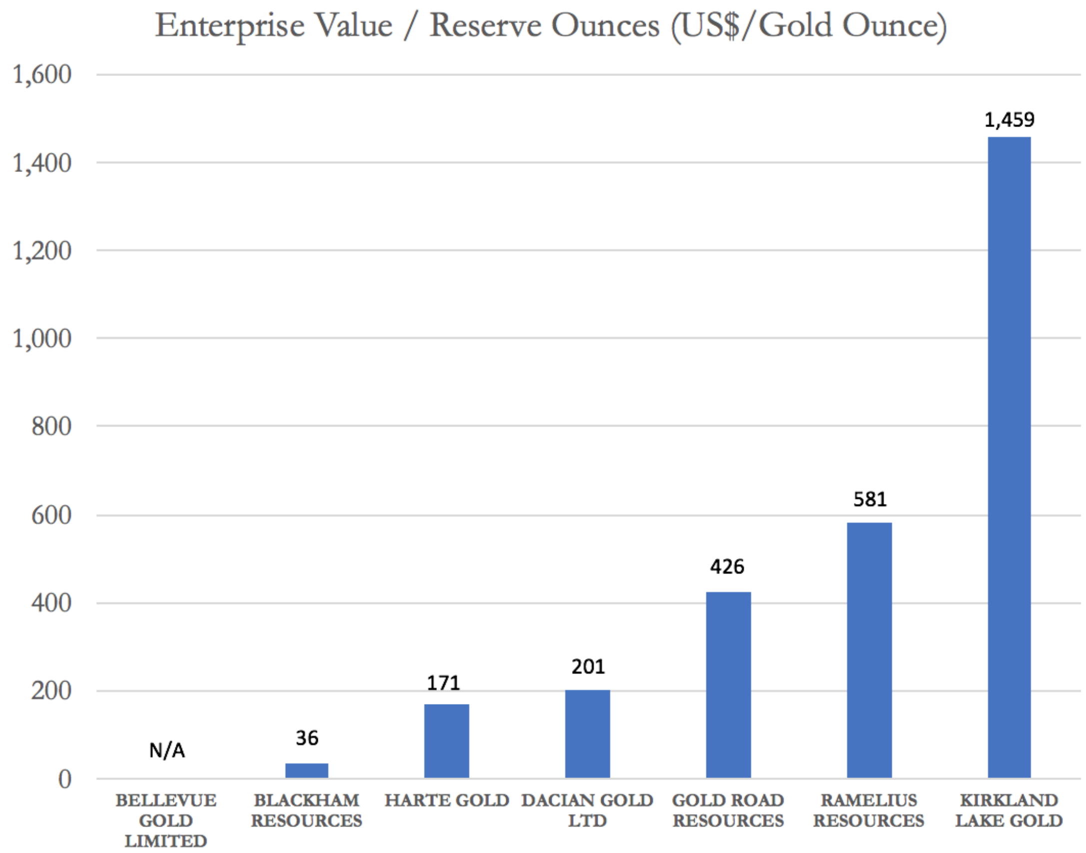
TAILINGS	Measured			Indicated			Inferred			Total 100%		
MINERAL RESOURCES (As at 30 June 2019)	Mt	g/t Au	Ounces Au	Mt	g/t Au	Ounces Au	Mt	g/t Au	Ounces Au	Mt	g/t Au	Ounces Au
Tailings	-	-	-	34.0	0.6	680,000	-	-	-	34	0.6	680,000

TAILINGS	Proven			Probable			Total 100%		
MINERAL RESERVES (As at 30 June 2019)	Mt	g/t Au	Ounces Au	Mt	g/t Au	Ounces Au	Mt	g/t Au	Ounces Au
Tailings	-	-	-	11.2	0.7	234,000	11.2	0.7	234,000

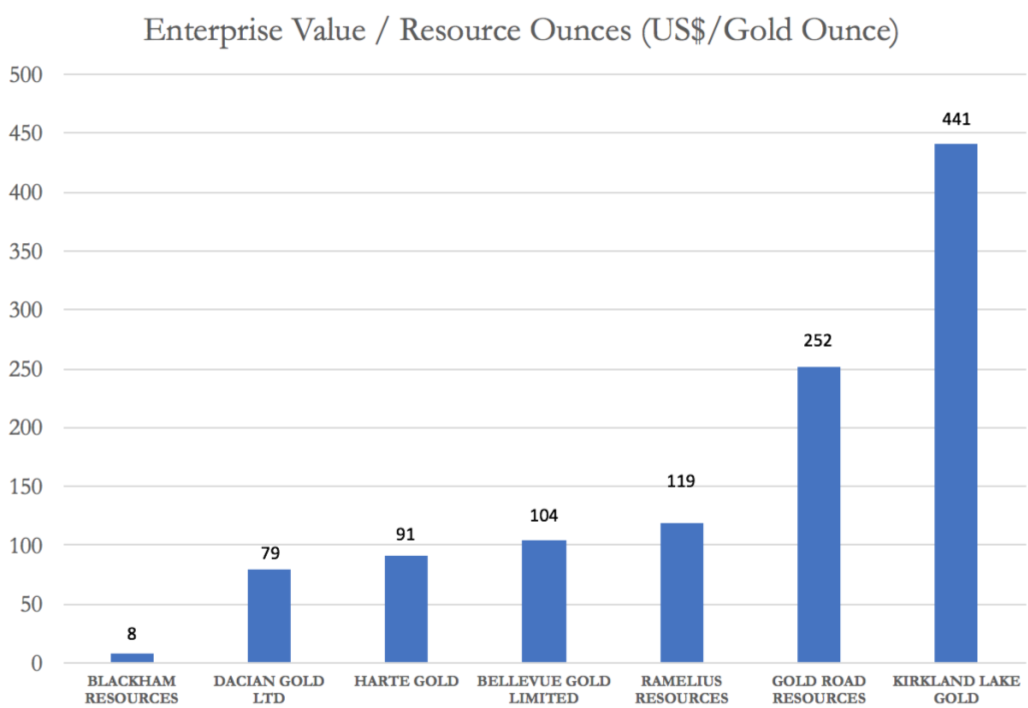
The interesting point about the tailings project is that the operating costs are likely to be low.

Valuation Metrics

Enterprise Value / Reserve Ounce



Enterprise Value/ Resource Ounce



Financials

Cash

Cash and bullion as at 31st December 2019 was A$5.7m.

Debt

Blackham Resources has a loan outstanding with MACA Mining Limited with a **maturity repayment date of 31st May 2020**. The loan is secured against the Group's assets. (Source: FY 2019 Annual report)

The debt initially paid interest at 10% per annum, but increased to 12.5% as of 31st March 2019. (Source: FY 2019 Annual report)

Net debt as at 31st December 2019 was A$1.0m (Source: December 2019 Quarterly), implying **A$6.7m** in gross debt. This number excludes the Working Capital Facility (WCF) discussed below.

As at 30th September 2019, the Company announced that the face value of debt decreased to A$9.6 million (versus A$15.9 million at the end of June 2019).

Convertible Note with Lind Partners Is Now Extinguished

In September 2019, the Company made significant progress cleaning up its capital structure. Back in September 2018, the Company announced a funding agreement with Lind Partners that included a secured redeemable convertible note with a face value of A$9 million.

The note was repayable from February 2019 onwards, in either cash or shares, by monthly instalments.

In September 2019, the Company discharged the funding facility with Lind Partners by repaying the outstanding balance on the convertible note of A$2,925,000 through a cash payment of A$1,625,000 and the issue of 144,444,445 shares.

Working Capital Facility

On the 20th June 2019, mining contractor MACA Limited announced that it had extended a A$12 million Working Capital Facility (WCF) to Blackham Resources. This facility provides extended payment terms and is repayable by 29th February 2020. On 2nd September 2019, the facility was increased to A$19 million. This facility sits on top of a 'normal' level of payables with MACA of A$9 million, giving a maximum mining services contract payables with MACA of A$28 million.

BLACKHAM
Resources Limited

Consolidated Statement of Financial Position

AS AT 30 JUNE 2019

		Consolidated	
	Note	2019 $'000	2018 $'000
Current liabilities			
Trade and other payables	25	41,375	29,399
Provisions	26	1,342	844
Financial liabilities	19	4,478	-
Interest-bearing liabilities	18	11,933	21,823
Total current liabilities		**59,128**	**52,066**

Source: Blackham Resources FY 2019 annual report.

Trade and other payables, as at 30th June 2019, were A$41.4 million. The December 2019 quarterly report stated that 'Total trade and other payables reduced by A$11.7 million for the six months ended 31 December 2019'.

This implies trade and other payables, as at 31st December 2019, of A$29.7 million.

The December 2019 quarterly went on to say that; 'Included in the trade and other payables is the MACA working capital facility with payments to date ahead of schedule, **eliminating the potential $750k fee payable for slow repayment**.'

According to the 2nd September 2019 release, a deferred facility fee was payable if the WCF had **not** reduced below A$12 million by 21 December 2019.

If we estimate A$12 million remaining on the WCF, and consider a A$950,000 facility fee that has been capitalised and estimate A$0.5million of capitalised interest, then we estimate that approximately **A$13.5 million is due to be paid down on the facility between 1st January 2020 and 29th February 2020**.

This would bring payables on the MACA mining services contract to A$9million.

<u>**Tax Losses**</u>

Corporate tax rates in Australia are levied at 30%. According to Blackham Resources FY 2019 annual report, as at 30th June 2019, the Company had **gross tax losses of approximately A$136 million**, that were not recognised on the balance sheet but that are '**available indefinitely for offset against future taxable income.**'

6. INCOME TAX (CONT'D)

(c) Tax losses

	Consolidated	
	2019 $'000	**2018 $'000**
The group has estimated carried forward tax losses which are available indefinitely for offset against future taxable income, subject to meeting the relevant statutory tests:		
Revenue losses		
Income tax losses	135,927	111,532
Losses used against deferred tax liabilities	-	(42,585)
Gross tax losses for which no deferred tax asset has been recognised	135,927	68,947
Tax effected at 30%	40,778	20,684
Capital losses		
Estimated capital losses for which no deferred tax asset is recognised	-	-

Source: Blackham Resources FY 2019 annual report, financial year ended 30th June 2019.

At Arlington Group, we expect these tax losses to shield near-term taxable income and enhance project NPV's.

Hedging

Blackham Resources have steadily unwound their hedges and now only have **4,000 ounces forward sold at an average price of A$2,200/oz maturing by 31st March 2020**. (December 2019 Quarterly).

The company have purchased some put options providing the right (but not the obligation) to sell 24,000 oz at a minimum price of A$2,019/oz between January 2020 and June 2020 inclusive.

Blackham have indicated that '**the Company will look to initiate new hedges where appropriate** with the aim of taking advantage of the current record Australian dollar gold price environment.

REPORT CONTINUES ON NEXT PAGE

Board of Directors

Milan Jerkovic – Executive Chairman
B.App.Sc. (Geology), GDip. (Mining), GDip. (Mineral Economics), FAusImm MAICD.

Mr Jerkovic is a geologist with over 30 years' experience in the mining industry including resource evaluation, operations, financing, acquisition, project development and general management. Mr Jerkovic is also principal of the Xavier Group. He was previously the CEO of Straits Resources Ltd and has held positions with WMC, BHP, Nord Pacific, Hargraves, Tritton and Straits Asia and was the founding chairman of Straits Asia Resources.

Neil Meadows – Director of Operations (Appointed December 2019)
Masters of App. Sc. In Metallurgy, GDip. (Business Administration)

Mr Meadows was Chief Operating Officer (COO) for European Metals Holdings on the Cinovec lithium and tin project in the Czech Republic. He previously held the positions of COO for Karara Mining and Queensland Nickel. And previously held the position of Managing Director of IMX Resources and General Manager at the Murrin Murrin operation for Minara Resources.

Greg Fitzgerald - Non-Executive Director (Appointed Feb 2018)
BBus, CA

Mr Fitzgerald is a Chartered Accountant with more than 30 years' gold mining and resources related experience, and extensive executive experience in managing finance and administrative matters for listed companies. He held the position of Chief Financial Officer and Company Secretary for ASX 200 company, Resolute Mining Ltd, for more than 15 years until his resignation in 2017.

Anthony James - Non-Executive Director (Appointed June 2018)
BEng, AWASM, FAusImm

Mr James is a mining engineer with considerable operational, new project development and corporate experience including roles as Managing Director of Carbine Resources, Atherton Resources and Mutiny Gold. At Atherton Resources, Mr James achieved a favourable outcome for shareholders following the takeover by Auctus Minerals. At Mutiny Gold, Mr James led the implementation of a revised development strategy for the Deflector copper-gold deposit in Western Australia that resulted in the successful merger of Mutiny Gold and Doray Minerals Ltd.

Key Management:

Anthony Rechichi – Chief Financial Officer

Mr Rechichi is Chartered Accountant with over 20 years of experience with public companies and in professional services, predominantly in the gold mining industry. Mr Rechichi held the position of General Manager of Finance with Resolute Mining for over 10 years, playing a key role in the long-term budgeting and forecasting across three operational mines.

Cain Fogarty – Gen. Manager, Exploration & Business Development.

An exploration geologist with post-graduate qualifications in mineral economics and 20 years of experience in the mining industry. Worked on the successful exploration and development of Equinox Mineral's copper projects in Zambia, with CSA Global on the Caijiaying Zn-Au mine in China, and with Barrick Gold in the near-mine exploration at WA gold mines.

Guy Simpson – General Manager – Operations & Planning.

A mining engineer from the Western Australia School of Mines with 25 years' experience in underground and open pit gold mines in Australia and Internationally. Formerly, General Manager of Jerritt Canyon Gold Mine in Nevada and General Manager Technical Services at Norton Goldfields.

Jim Malone - General Manager, Investor Relations

Mr Malone has over 30 years' experience in the mining, resources, financial, broking and sports industries. He has listed, advised, managed and been on the Boards of a number of ASX resource and oil and gas companies and has worked in Perth, Melbourne, London, Santiago and New York. Mr Malone has raised over A$200m in equity and debt for ASX listed companies and was CEO of Richmond Football Club from 1994 – 2000.

REPORT CONTINUES ON NEXT PAGE

Conclusion

Blackham Resources have turned around and appear to have stabilised operations, having recently reiterated FY 2020 production guidance of 70,000 to 80,000 ounces of gold at AISC of A$1,550-1,750/ounce.

At Arlington, we view the exploration potential as being the key opportunity at Wiluna. Northern Star's success at Jundee and Kirkland Lake's success at Fosterville are two great examples of how reinvigorated exploration can bring create significant value for shareholders. Northern Star's Zodiac deposit was discovered at depth using HiSeis 3D Seismic Technology. Intriguingly, Blackham Resources have yet to deploy this technology at Wiluna but Blackham's geologists are now shifting focus to target high-grade mineralisation from underground, starting at shallow levels of less than 500m and then chasing the structures deeper.

With past production of over 4.4 million ounces of gold and current reserves and resources totalling 6.4 million, we view Blackham's Wiluna as the perfect environment to deploy 3D seismic technology. NorthernStar's Jundee and Kirkland Lake's Fosterville are the blueprint for what can be achieved by exploring deeper within old established mining camps.

APPENDIX ON FOLLOWING PAGES

APPENDIX

Wiluna Resources

MATILDA - WILUNA GOLD OPERATION												
OPEN PIT RESOURCES	**Measured**			**Indicated**			**Inferred**			**Total 100%**		
MINERAL RESOURCES (As at 30 June 2019)	**Mt**	**g/t Au**	**Ounces Au**	**Mt**	**g/t Au**	**Ounces Au**	**Mt**	**g/t Au**	**Ounces Au**	**Mt**	**g/t Au**	**Ounces Au**
Mining Centre												
Matilda 1	-	-	-	6.1	1.45	285,000	3.6	1.3	149,000	9.7	1.4	435,000
Wiluna 2	-	-	-	15.6	2.48	1,245,000	5.3	3	510,000	20.9	2.61	1,755,000
Williamson 3	-	-	-	2.6	1.3	108,000	1.5	1.4	66,000	4.1	1.34	174,000
Regent	-	-	-	0.7	2.71	61,000	3.1	2.11	210,000	3.8	2.22	271,000
Tailings	-	-	-	34	0.62	680,000	0	0	0	34	0.62	680,000
Stockpiles	0.60	0.80	15,000	-	-	-	-	-	-	0.6	0.8	15,000
OPEN PIT TOTAL	**0.60**	**0.80**	**15,000**	**59.0**	**1.25**	**2,379,000**	**13.4**	**2.16**	**935,000**	**73.0**	**1.42**	**3,330,000**

UNDERGROUND RESOURCES	**Measured**			**Indicated**			**Inferred**			**Total 100%**		
MINERAL RESOURCES (As at 30 June 2019)	**Mt**	**g/t Au**	**Ounces Au**	**Mt**	**g/t Au**	**Ounces Au**	**Mt**	**g/t Au**	**Ounces Au**	**Mt**	**g/t Au**	**Ounces Au**
Mining Centre												
Matilda 1	-	-	-	0.1	2.51	10,000	0.5	3.66	61,000	0.6	3.44	71,000
Wiluna 2	-	-	-	6.9	5.49	1,210,000	11.7	4.42	1,664,000	18.5	4.82	2,874,000
Williamson 3	-	-	-	-	-	-	0.3	2.61	23,000	0.3	2.61	23,000
Golden Age 4	0.02	6.80	4,000	0.2	4.91	28,000	0.3	3.2	28,000	0.5	4.01	61,000
Galaxy 5	-	-	-	0.1	3.7	6,000	0.2	2.8	16,000	0.2	2.98	22,000
UNDERGROUND TOTAL	0.02	6.80	4,000	7.3	5.38	1,254,000	12.9	4.31	1,793,000	20.2	4.71	3,051,000
GRAND TOTAL	**0.60**	**0.99**	**20,000**	**66.2**	**1.71**	**3,633,000**	**26.4**	**3.22**	**2,728,000**	**93.2**	**2.13**	**6,381,000**

The stated mineral resource is inclusive of the mineral reserve.

1 Matilda Resource Estimate reported above 0.6 g/t cut-off above 950mRL and 2 g/t below 950mRL. Coles Find reported above 0.75 g/t cut-off above 900mRL and 2.00 g/t below 900mRL

2 OP Reported within A$2,400/oz shell above 0.5 g/t cut-off for oxide and transitional 1.00 g/t cut-off for fresh. UG above 2.00 g/t below A$2,400/oz shell.

3 OP Reported within A$2,400/oz shell above 0.5g/t cut-off for oxide and transitional and fresh. UG above 2.00g/t below 1290mRL

4 Reported above 3.00 g/t cut-off.

5 Reported above 2.00 g/t cut-off in fresh below OP pit depletion.

Wiluna Reserves

OPEN PIT RESERVES	**Proved**			**Probable**			**Total 100%**			**Free Milling**		
MINERAL RESERVES (As at 30 June 2019)	**Mt**	**g/t Au**	**Ounces Au**	**Mt**	**g/t Au**	**Ounces Au**	**Mt**	**g/t Au**	**Ounces Au**	**Mt**	**g/t Au**	**Ounces Au**
Matilda	-	-	-	0.3	2.2	21,000	0.3	2.2	21,000	0.30	2.2	21,000
Williamson	-	-	-	1.05	1.6	53,000	1.05	1.6	53,000	1.05	1.6	53,000
Wiluna	-	-	-	9.75	2.5	785,000	9.75	2.5	785,000	2.05	1.8	116,000
Stockpiles	0.55	0.8	15,000	-	-	-	0.55	0.8	15,000	0.55	0.8	15,000
OPEN PIT TOTAL	0.55	0.8	15,000	11.1	2.4	859,000	11.65	2.3	873,000	3.94	1.6	205,000
UNDERGROUND RESERVES	**Proved**			**Probable**			**Total 100%**			**Free Milling**		
MINERAL RESERVES (As at 30 June 2019)	**Mt**	**g/t Au**	**Ounces Au**	**Mt**	**g/t Au**	**Ounces Au**	**Mt**	**g/t Au**	**Ounces Au**	**Mt**	**g/t Au**	**Ounces Au**
Golden Age	-	-	-	0.03	4.2	3,000	0.03	4.2	3,000	0.03	4.2	3,000
East West	-	-	-	0.72	5	115,000	0.72	5	115,000	0	0	0
Bulletin 1	-	-	-	1.03	4.6	155,000	1.03	4.6	155,000	0	0	0
UNDERGROUND TOTAL	-	-	-	1.78	4.8	273,000	1.78	4.8	273,000	0.03	4.2	3,000
TAILINGS	**Proved**			**Probable**			**Total 100%**			**Free Milling**		
MINERAL RESERVES (As at 30 June 2019)	**Mt**	**g/t Au**	**Ounces Au**	**Mt**	**g/t Au**	**Ounces Au**	**Mt**	**g/t Au**	**Ounces Au**	**Mt**	**g/t Au**	**Ounces Au**
Wiltails (Wiluna Tailings)	-	-	-	11.2	0.7	234,000	11.2	0.7	234,000	11.2	0.7	234,000

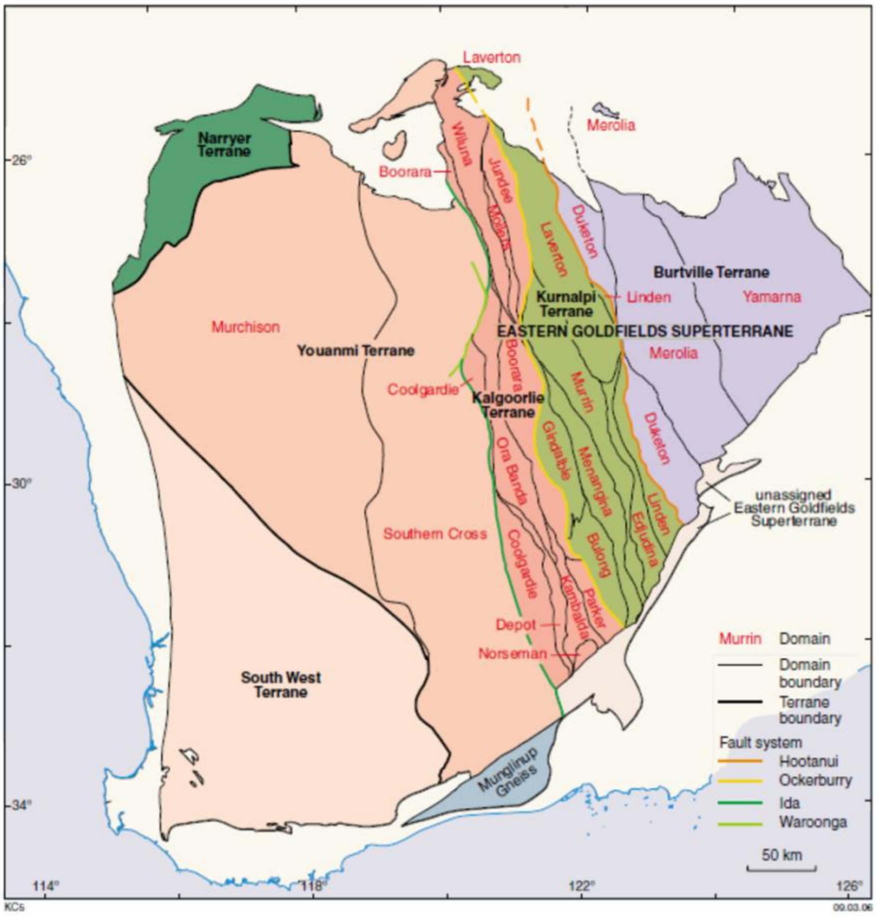
GRAND TOTAL	**Proved**			**Probable**			**Total 100%**			**Free Milling**		
MINERAL RESERVES (As at 30 June 2019)	**Mt**	**g/t Au**	**Ounces Au**	**Mt**	**g/t Au**	**Ounces Au**	**Mt**	**g/t Au**	**Ounces Au**	**Mt**	**g/t Au**	**Ounces Au**
GRAND TOTAL	**0.55**	**0.8**	**15,000**	**24.1**	**1.8**	**1,366,000**	**24.6**	**1.7**	**1,381,000**	**15.2**	**0.9**	**442,000**

1 Bulletin Underground includes reserves from the Essex, Creek Shear and Lennon underground mining areas.

Note rounding errors may occur.

Geology

Map of the Yilgarn Craton Showing Major Craton regions (Cassidy et al.)



Source: Controls on Giant Mineral Systems in Yilgarn Craton by Professor T. Campbell McCuaig et al.

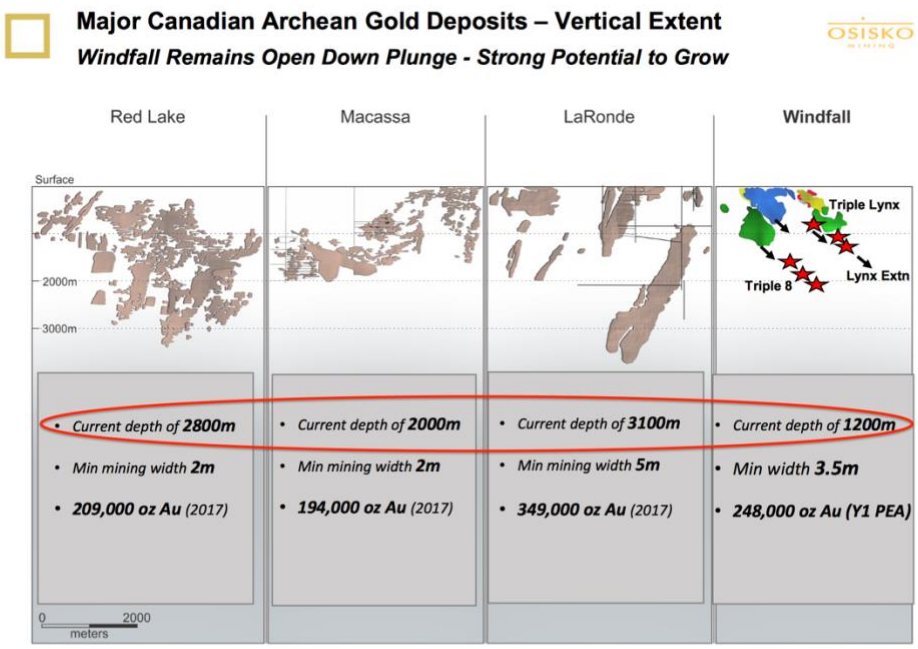
The Wiluna Greenstone Belt can be divided into two metamorphic domains, the Wiluna domain in the east and the Matilda domain in the west. The major northwest trending Erawalla Fault separates the domains. Rocks in the Wiluna Domain have experienced greenshist-facies regional metamorphism and brittle deformation.

The Wiluna Domain is comprised of a fairly monotonous sequence of foliated basalts and high-magnesian basalts, with intercalated felsic intrusions, lamprophyre dykes, metasediments, and dolerites. Gold mineralisation is related to quartz vein emplacement, typically along stratigraphic boundaries, and the lodes have also been disrupted by later cross-faults.

The Matilda domain is a greenschist to lower amphibolite facies metamorphic terrain with predominantly ductile deformation. It comprises a volcano-sedimentary sequence in an interpreted major north-west trending synclinal structure, with the axis close to the Perseverance Fault. The sequence comprises basal banded iron formation in the west, overlain by komatiitic volcanics with limited basal peridotite members, grading upwards into high-magnesium basalt and basalt with interflow chert and graphitic sediments. Metabasalt predominates in the project area. Felsic volcanic rocks and sediments are interpreted to form the core of the syncline.

The Canadian Deep Mine Analogue

Osisko Mining make the same point about the vertical depth of mines at major Canadian Archean gold deposits.



Source: Osisko Mining Presentation, October 2019.

REPORT END

Copyright and risk warnings

Blackham Resources Limited ("**Blackham**" or the "Company") is a corporate client of Arlington Group Asset Management Limited ("Arlington"). Arlington will receive compensation for providing fundraising, and other services to the Company including the publication and dissemination of marketing material from time to time.

This note reflects the objective views of Arlington. However, the Company covered in this note pays Arlington a fee, commission or other remuneration in order that this research may be made available. This note meets the requirements of an acceptable minor non-monetary benefit under COBS 2.3A.19 R (5)(b).

This note is a marketing communication and NOT independent research. As such, it has not been prepared in accordance with legal requirements designed to promote the independence of investment research and this note is NOT subject to the prohibition on dealing ahead of the dissemination of investment research.

Not an offer to buy or sell:

Under no circumstances is this note to be construed to be an offer to buy or sell or deal in any security and/or derivative instruments. It is not an initiation or an inducement to engage in investment activity under section 21 of the Financial Services and Markets Act 2000.

Note prepared in good faith and in reliance on publicly available information:

Comments made in this note have been arrived at in good faith and are based, at least in part, on current public information that Arlington considers reliable, but which it does not represent to be accurate or complete, and it should not be relied on as such. The information, opinions, forecasts and estimates contained in this document are current as of the date of this document and are subject to change without prior notification. No representation or warranty either actual or implied is made as to the accuracy, precision, completeness or correctness of the statements, opinions and judgements contained in this document.

Arlington's and related interests:

The approved persons who produced this note may be directors, employees and/or associates of Arlington. Arlington and/or its employees and/or directors and associates may or may not hold shares, warrants, options, other derivative instruments or other financial interests in **Blackham Resources Ltd.** and reserve the right to acquire, hold or dispose of such positions in the future and without prior notification to **Blackham Resources Ltd.** or any other person.

Information purposes only:

This document is intended to be for background information purposes only and should be treated as such. This note is furnished on the basis and understanding that Arlington is under no responsibility or liability whatsoever in respect thereof, to **Blackham**, or any other person.

Investment Risk Warning:

The value of any potential investment made in relation to companies mentioned in this document may rise or fall and sums realised may be less than those originally invested. Any reference to past performance should not be construed as being a guide to future performance.

Investment in small companies, and especially mineral exploration companies, carries a high degree of risk and investment in the companies or minerals mentioned in this document may be affected by related currency variations. Changes in the pricing of related currencies and or commodities mentioned in this document may have an adverse effect on the value, price or income of the investment.

Distribution:

This note is not for public distribution, nor for distribution to, or to be used by, or to be relied upon by any person other than the Company. Without limiting the foregoing, this note may not be distributed to any persons (or groups of persons), to whom such distribution would contravene the UK Financial Services and Markets Act 2000 or would constitute a contravention of the corresponding statute or statutory instrument in any other jurisdiction.

Disclaimer

This report has been forwarded to you solely for information and should not be considered as an offer or solicitation of an offer to sell, buy or subscribe to any securities or any derivative instrument or any other rights pertaining thereto ("financial instruments"). This report is intended for use by professional and business investors only. This report may not be reproduced without the consent of Arlington Group Asset Management Limited.

The information and opinions expressed in this report have been compiled from sources believed to be reliable but, neither Arlington Group Asset Management Limited, nor any of its directors, officers, or employees accepts liability from any loss arising from the use hereof or makes any representations as to its accuracy and completeness. Any opinions, forecasts or estimates herein constitute a judgement as at the date of this report. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or estimates. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied is made regarding future performance. This information is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company and its subsidiaries. Arlington is not agreeing to nor is it required to update the opinions, forecasts or estimates contained herein.

The value of any securities or financial instruments mentioned in this report can fall as well as rise. Foreign currency denominated securities and financial instruments are subject to fluctuations in exchange rates that may have a positive or adverse effect on the value, price or income of such securities or financial instruments. Certain transactions, including those involving futures, options and other derivative instruments, can give rise to substantial risk and are not suitable for all investors. This report does not have regard to the specific instrument objectives, financial situation and the particular needs of any specific person who may receive this report.

The value of any securities or financial instruments mentioned in this report can fall as well as rise. Foreign currency denominated securities and financial instruments are subject to fluctuations in exchange rates that may have a positive or adverse effect on the value, price or income of such securities or financial instruments. Certain transactions, including those involving futures, options & other derivative instruments, can give rise to substantial risk & are not suitable for all investors. This report does not have regard to the specific instrument objectives, financial situation and the particular needs of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities, financial instrument or investment strategies discussed in this report.

Arlington Group Asset Management Limited (or its directors, officers or employees) may, to the extent permitted by law, own or have a position in the securities or financial instruments (including derivative instruments or any other rights pertaining thereto) of any company or related company referred to herein, and may add to or dispose of any such position or may make a market or act as principle in any transaction in such securities or financial instruments. Directors of Arlington Group Asset Management Limited may also be directors of any of the companies mentioned in this report. Arlington Group Asset Management Limited may from time to time provide or solicit investment banking or other financial services to, for or from any company referred to herein. Arlington Group Asset Management Limited (or its directors, officers or employees) may, to the extent permitted by law, act upon or use the information or opinions presented herein, or research or analysis on which they are based prior to the material being published.

To our readers in the United Kingdom, this report has been issued by Arlington Group Asset Management Limited, a firm authorised and regulated by the Financial Conduct Authority. This report is not for distribution to private customers.

This report is not intended for use by, or distribution to, US corporations that do not meet the definition of a major US institutional investor in the United States or for use by any citizen or resident of the United States.

This publication is confidential for the information of the addressee only and may not be reproduced in whole or in part, copies circulated, or disclosed to another party, without the prior written consent of Arlington Group Asset Management Limited. Securities referred to in this research report may not be eligible for sale in those jurisdictions where Arlington Group Asset Management Limited is not authorised or permitted by local law to do so. In particular, Arlington Group Asset Management Limited does not allow the redistribution of this report to non-professional investors and cannot be held responsible in any way for third parties who affect such redistribution. © 2020