## BLACKHAM RESOURCES LIMITED ACN 119 887 606

## NOTICE OF GENERAL MEETING

**TIME**: 9:30am (WST)

**DATE**: 6 June 2013

PLACE: The Celtic Club 48 Ord Street WEST PERTH WA 6005

This Notice of General Meeting and Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of General Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9322 6418.

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## IMPORTANT INFORMATION

#### TIME AND PLACE OF MEETING

Notice is given that the General Meeting of the Shareholders convened by this Notice of Meeting will be held at 9:30am (WST) on 6 June 2013 at:

The Celtic Club 48 Ord Street WEST PERTH WA 6005

#### YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your Shareholding and your vote is important.

#### ATTENDANCE AND VOTING ELIGIBILITY

For the purposes of regulation 7.11.3 of the *Corporations Regulations 2001* (Cth) the Directors have determined that the Shares quoted on the ASX at 9:30am WST on 4 June 2013 will be taken, for the purposes of this General Meeting, to be held by the persons who held them at that time. Accordingly those persons are entitled to attend and vote (if not excluded) at the Meeting.

#### **VOTING IN PERSON**

To vote in person, attend the General Meeting at the time, date and place set out above.

#### VOTING BY PROXY

To vote by proxy, please complete and sign the Proxy Form enclosed (and the power of attorney or other authority (if any) under which it is signed (or a certified copy)) and either:

- (a) deliver the Proxy Form to the Company's registered office at Level 2, 38 Richardson Street, West Perth, Western Australia 6005;
- (b) send the Proxy Form by post to Blackham Resources Limited, PO Box 1412, West Perth, Western Australia 6872; or
- (c) send the Proxy Form by facsimile to the Company on facsimile number (08) 9322 6398,

so that it is received not later than 9:30am (WST) on 4 June 2013.

Proxy Forms received later than this time will be invalid.

## NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of Shareholders will be held in the **Celtic Club**, **48 Ord Street**, **West Perth**, **Western Australia at 9:30am WST on Thursday 6 June 2013**.

The Explanatory Memorandum to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Memorandum and the Proxy Form are part of this Notice of Meeting.

In addition to the accompanying Explanatory Memorandum, the Independent Expert's Report is attached to this Notice of Meeting and should be read in conjunction with it.

Terms and abbreviations used in this Notice of Meeting and Explanatory Memorandum (including the Annexures) are defined in the Glossary unless defined elsewhere in the Explanatory Memorandum.

## MANAGING DIRECTOR'S LETTER TO SHAREHOLDERS

#### Dear Shareholder

Blackham announced on 4 February 2013 the Placement whereby Great Central will be issued 15,790,000 Shares at \$0.21 per Share, to raise \$3,320,000. The proceeds of the first tranche of the Placement (\$2,306,220) have now been received and Shares issued. The first tranche, being 10,982,000 Shares at \$0.21 per Share, represents the maximum available to be issued under Blackham's existing capacity to issue Shares without Shareholder approval, with 4,874,926 Shares being issued pursuant to the Company's remaining capacity under Listing Rule 7.1 and a further 6,107,074 Shares being issued pursuant to the Company's capacity under Listing Rule 7.1A. The second tranche, being of 4,808,000 Shares, will be completed following receipt of necessary regulatory and Shareholder approvals. At completion of the Placement Great Central will have a 19.3% interest in the Company.

In addition to the Placement, Great Central has agreed to subscribe for \$10 million in Convertible Notes. The Convertible Notes have a conversion price of 25 cents, a maturity date five (5) years from the date of issue and have an interest rate of 8%. The key terms of the Convertible Notes are summarised in Annexure "A".

Most the funding package will be used for the development of the Company's 100%owned Matilda Gold Project in Western Australia. The Matilda Gold Project has 1.5 million ounces of gold resources in a major Western Australian gold belt.

Great Central is a private company controlled by leading mining industry entrepreneur Mr Joseph Gutnick. Mr Gutnick has joined the Board as Non-executive Chairman of the Company. Mr 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. GCM also previously owned the Rosemont, Wiluna, and Matilda Gold Projects 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.

The Company considers that the Transaction (Resolutions 5, 6 and 7) has a number of benefits for Shareholders, as summarised below:

- 1) The Transaction provides the Company with important funding in uncertain global economic conditions, which will be used particularly for the continued exploration and development of the Company's Matilda Gold Project.
- 2) The Shares issued and to be issued pursuant to the Placement were and will be issued at a 37% premium to the VWAP of Shares trading on the ASX for the 5 Trading Days preceding the date of the Subscription Deed.
- 3) The Convertible Note issue price is at a 63% premium to the VWAP of Shares trading on the ASX for the 5 Trading Days preceding the date of the Convertible Note Deed.
- 4) If the Transaction is not approved, the Company may need to source alternative funding arrangements in what remains a difficult market for emerging resource companies.
- 5) The Transaction strengthens the Company's relationship with Great Central, a strong, well funded partner, and with Mr Joseph Gutnick.

- 6) The appointment of Mr Joseph Gutnick to the Board and as non-executive chairman of the Company brings significant experience in the financing, development and operation of mineral resource projects.
- 7) The Board (except for Mr Joseph Gutnick who has a material personal interest in the outcome of Resolutions 5, 6 and 7) supports the Transaction and recommends that Shareholders vote in favour of Resolutions 5, 6 and 7 to give effect to the Transaction.
- 8) In respect of Resolutions 6 and 7, the Independent Expert has concluded that the proposed issue of securities under those resolutions is not fair but reasonable for non-associated Shareholders.

Since acquiring the Matilda Gold Project in November 2011, the Company has accomplished the following:

- 9,000m of drilling completed.
- Resource grown from 310,000oz to 1.50 Moz Au (of which 9 KOz is measured, 251 KOz is indicated and 1,235 KOz is inferred) (24.5Mt @ 1.90 g/t).<sup>1</sup>
- Identified Williamson Exploration Target 0.5 to 2Moz Au (4.4-11Mt, 2 -6g/t).<sup>2</sup>
- Completed scoping and preliminary feasibility level metallurgical studies.
- Completed initial scoping study for the Matilda Mine.

All of this was accomplished on an exploration and development budget of \$2,800,000. The \$13,320,000 funding package proposed under this transaction will ensure that Blackham is fully funded to continue adding value at the Matilda Gold Project.

Please read carefully the Notice of Meeting and accompanying Explanatory Memorandum, together with the annexed Independent Expert's Report.

Yours sincerely

Bryan Dixon Managing Director Blackham Resources Ltd

## **Important Notes**

<sup>1</sup> This information is based on information reviewed by Mr Greg Miles, who is an employee of the Company. Mr Miles is a Member of the Australasian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Miles has given consent to the inclusion in this notice of the matters based on his information in the form and context in which it appears.

<sup>2</sup> The exploration target includes potential quantity and grade and is conceptual in nature. There has been insufficient exploration to define this mineral resource and it is uncertain if further exploration will result in the determination of a mineral resource.

#### AGENDA

## 1. RESOLUTION 1 – RATIFICATION OF ISSUE OF SHARES BY PRIVATE PLACEMENT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify and approve the issue and allotment of 2,500,000 Shares to the persons, on the terms and conditions and in the manner set out in the Explanatory Memorandum."

**Voting Exclusion Statement**: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## 2. RESOLUTION 2 – RATIFICATION OF ISSUE OF SHARES TO THE AUSTRALIAN SPECIAL OPPORTUNITY FUND, LP

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify and approve the issue and allotment of 555,556 Shares to The Australian Special Opportunity Fund, LP on the terms and conditions and in the manner set out in the Explanatory Memorandum."

**Voting Exclusion Statement**: The Company will disregard any votes cast on this Resolution by The Australian Special Opportunity Fund, LP and any of its associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## 3. RESOLUTION 3 – APPROVAL OF ISSUE OF SHARES TO THE AUSTRALIAN SPECIAL OPPORTUNITY FUND, LP

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the issue and allotment of 441,176 Shares to The Australian Special Opportunity Fund, LP and/or its nominee(s) on the terms and conditions and in the manner set out in the Explanatory Memorandum." **Voting Exclusion Statement**: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue, as set out in the Explanatory Memorandum, and any person who may obtain a benefit (other than a benefit solely in the capacity as holder of ordinary Shares), and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## 4. RESOLUTION 4 – RATIFICATION OF ISSUE OF SHARES TO GREAT CENTRAL GOLD PTY LTD

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify and approve the issue and allotment of 10,982,000 Shares to Great Central Gold Pty Ltd, a company controlled by Mr Joseph Gutnick, who is a Director, on the terms and conditions and in the manner set out in the Explanatory Memorandum."

**Voting Exclusion Statement**: The Company will disregard any votes cast on this Resolution by Great Central Gold Pty Ltd and any of its associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## 5. RESOLUTION 5 – APPROVAL OF ISSUE OF SHARES TO GREAT CENTRAL GOLD PTY LTD

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Company is authorised to issue and allot up to 4,808,000 Shares to Great Central Gold Pty Ltd, a company controlled by Mr Joseph Gutnick, who is a Director, on the terms and conditions and in the manner set out in the Explanatory Memorandum."

**Voting Exclusion Statement**: The Company will disregard any votes cast on this Resolution by Great Central Gold Pty Ltd and any of its associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## 6. RESOLUTION 6 – APPROVAL OF ISSUE OF CONVERTIBLE NOTES AND SHARES ON CONVERSION TO GREAT CENTRAL GOLD PTY LTD

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolution 5, for the purposes of item 7 of section 611 of the Corporations Act and ASX Listing Rule 10.11 and for all other purposes, the Company is authorised to issue and allot up to 40,000,000 Convertible Notes with a total face value of \$10,000,000 (each Convertible Note having a face value of \$0.25) and to issue and allot Shares upon the conversion of those Convertible Notes to Great Central Gold Pty Ltd, a company controlled by Mr Joseph Gutnick, who is a Director, on the terms and conditions and in the manner set out in the Explanatory Memorandum."

**Voting Exclusion Statement**: The Company will disregard any votes cast on this Resolution by Great Central Gold Pty Ltd and any of its associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## 7. RESOLUTION 7 – APPROVAL OF ISSUE OF DIRECTOR OPTIONS AND SHARES ON EXERCISE TO MR JOSEPH GUTNICK

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of Part 2E.1 of the Corporations Act, item 7 of section 611 of the Corporations Act and ASX Listing Rule 10.11, and for all other purposes, the Company is authorised to issue and allot up to 2,000,000 Director Options and to issue and allot Shares upon the exercise of those Director Options to Mr Joseph Gutnick, who is a Director, and/or his nominee(s), on the terms and conditions and in the manner set out in the Explanatory Memorandum."

**Voting Exclusion Statement:** The Company will disregard any votes cast on the Resolution by Mr Joseph Gutnick and/or his nominee(s) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above (the "voter") may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

(c) the voter is appointed as a proxy appointed by writing that specifies the way the proxy is to vote on the Resolution; and

- (d) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.

## 8. **RESOLUTION 8 – APPROVAL OF ISSUE OF DIRECTOR OPTIONS TO MR CRAIG MICHAEL**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of Part 2E.1 of the Corporations Act and ASX Listing Rule 10.11 and for all other purposes, the Company is authorised to issue and allot up to 1,500,000 Director Options to Mr Craig Michael, who is an alternate Director, and/or his nominee(s), on the terms and conditions and in the manner set out in the Explanatory Memorandum."

**Voting Exclusion Statement:** The Company will disregard any votes cast on the Resolution by Mr Craig Michael and/or his nominee(s) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above (the "voter") may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (c) the voter is appointed as a proxy appointed by writing that specifies the way the proxy is to vote on the Resolution; and
- (d) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel

for the Company, or if the Company is part of a consolidated entity, for the entity.

## 9. **RESOLUTION 9 – APPROVAL OF ISSUE OF DIRECTOR OPTIONS TO MR BRYAN DIXON**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of Part 2E.1 of the Corporations Act and ASX Listing Rule 10.11 and for all other purposes, the Company is authorised to issue and allot up to 1,000,000 Director Options to Mr Bryan Dixon, who is a Director, and/or his nominee(s), on the terms and conditions and in the manner set out in the Explanatory Memorandum."

**Voting Exclusion Statement:** The Company will disregard any votes cast on the Resolution by Mr Bryan Dixon and/or his nominee(s) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above (the "voter") may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (c) the voter is appointed as a proxy appointed by writing that specifies the way the proxy is to vote on the Resolution; and
- (d) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.

## 10. RESOLUTION 10 – APPROVAL OF ISSUE OF DIRECTOR OPTIONS TO MR ALAN THOM

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of Part 2E.1 of the Corporations Act and ASX Listing Rule 10.11 and for all other purposes, the Company is authorised to issue and allot up to 1,000,000 Director Options to Mr Alan Thom, who is a Director, and/or his nominee(s), on the terms and conditions and in the manner set out in the Explanatory Memorandum."

**Voting Exclusion Statement:** The Company will disregard any votes cast on the Resolution by Mr Alan Thom and/or his nominee(s) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above (the "voter") may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (c) the voter is appointed as a proxy appointed by writing that specifies the way the proxy is to vote on the Resolution; and
- (d) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.

## 11. RESOLUTION 11 – APPROVAL OF ISSUE OF DIRECTOR OPTIONS TO MR GREG MILES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of Part 2E.1 of the Corporations Act and ASX Listing Rule 10.11, and for all other purposes, the Company is authorised to issue and allot up to 1,000,000 Director Options to Mr Greg Miles, who is a Director, and/or his nominee(s), on the terms and conditions and in the manner set out in the Explanatory Memorandum."

**Voting Exclusion Statement:** The Company will disregard any votes cast on the Resolution by Mr Greg Miles and/or his nominee(s) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a

proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

#### Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above (the "voter") may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (c) the voter is appointed as a proxy appointed by writing that specifies the way the proxy is to vote on the Resolution; and
- (d) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.

## 12. RESOLUTION 12 – APPROVAL OF ISSUE OF OPTIONS TO CASIMIR CAPITAL, LP

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the issue and allotment of 1,663,180 Annexure E Options to Casimir Capital, LP and/or its nominee(s) on the terms and conditions and in the manner set out in the Explanatory Memorandum."

**Voting Exclusion Statement**: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue, as set out in the Explanatory Memorandum, and any person who may obtain a benefit (other than a benefit solely in the capacity as holder of ordinary Shares), and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## **OTHER BUSINESS**

To deal with any business that may be lawfully brought forward.

## PROXIES

A Shareholder entitled to attend and vote at the Meeting has a right to appoint a proxy to attend and vote instead of the Shareholder. A proxy need not be a Shareholder and can be either an individual or a body corporate. If a Shareholder appoints a body corporate as a proxy that body corporate will need to ensure that it:

- a) appoints an individual as its corporate representative to exercise its powers at the Meeting, in accordance with section 250D of the Corporations Act; and
- b) provides the Company with satisfactory evidence of the appointment of its corporate representative prior to commencement of the Meeting.

If such evidence is not received before the Meeting, then the body corporate (through its representative) will not be permitted to act as proxy.

A Shareholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the Shareholder's votes. Fractions of votes will be disregarded.

In order to vote on behalf of a company that is a Shareholder, a valid Power of Attorney in the name of the attendee, must be either lodged with the Company prior to the Meeting, or be presented at the Meeting before registering on the attendance register for the Meeting.

Forms to appoint proxies, and the Power of Attorney (if any) under which they are signed, must be lodged at the registered office of the Company, at Level 2, 38 Richardson Street, West Perth WA 6005, or by facsimile (61 8) 9322 6398 not less than 48 hours before the time of the Meeting or resumption of an adjourned meeting at which the person named in the instrument proposes to vote.

An instrument appointing a proxy:

- a) shall be in writing under the hand of the appointor or of his attorney, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney;
- b) may specify the manner in which the proxy is to vote in respect of a particular Resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the Resolution except as specified in the instrument;
- c) shall be deemed to confer authority to demand or join in demanding a poll;
- d) shall be in such form as the Directors determine and which complies with section 250A of the Corporations Act; and
- e) which appoints the Chair as proxy but does not specify the way in which the proxy is to vote on a particular Resolution will be recorded as voting in favour of the Resolutions (subject to the other provisions of these notes on proxies and any required voting exclusions including those in the Notice) as this is the Chair's voting intention.

## Corporations

A corporation may elect to appoint a representative in accordance with the Corporations Act in which case the Company will require written proof of the representative's appointment, which must be lodged with, or presented to, the Company before the commencement of the Meeting.

Proxies given by corporate Shareholders must be executed in accordance with their constitutions, or signed by a duly authorised attorney. A proxy may decide whether to vote on any motion, except where the proxy is required by law or the Constitution to vote, or abstain from voting, in their capacity as proxy.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

## **Proxy Restrictions**

Shareholders (who are not a member of the Key Management Personnel details of whose remuneration are including in the Remuneration Report or a Closely Related Party of that member) appointing a proxy for Resolutions 7, 8, 9, 10 or 11 should note the following:

## If you appoint a member of the Key Management Personnel as your proxy

If you elect to appoint a member of Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of that member, you must direct the proxy how they are to vote. Undirected proxies granted to these persons will not be included in any vote on Resolutions 7, 8, 9, 10 or 11.

## If you appoint the Chair as your proxy

If you elect to appoint the Chair as your proxy, you do not need to direct the Chair how you wish them to exercise your vote on Resolutions 7, 8, 9, 10 or 11 however if you do not direct the Chair how to vote, you acknowledge that the Chair may exercise his or her discretion in exercising your proxy even though Resolutions 7, 8, 9, 10 and 11 are connected directly or indirectly with the remuneration of Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for that entity.

The Chair intends to vote all undirected proxies in favour of Resolutions 7, 8, 9, 10 and 11.

## If you appoint any other person as your proxy

You do not need to direct your proxy how to vote.

DATED: 26 APRIL 2013

BY ORDER OF THE BOARD

JULIE HILL COMPANY SECRETARY

#### **EXPLANATORY MEMORANDUM**

#### INTRODUCTION

This Explanatory Memorandum has been prepared for the information of shareholders of Blackham in connection with the business specified to be conducted in the Notice of General Meeting at the general meeting of Shareholders to be held at the Celtic Club, 48 Ord Street, West Perth, Western Australia 6005 at **9:30am WST** on **6 June 2013**.

The purpose of this Explanatory Memorandum is to provide information that the Directors believe to be material to Shareholders in deciding whether or not to pass the resolutions contained in the Notice of Meeting.

This Explanatory Memorandum is accompanied by an Independent Expert's Report prepared by BDO Corporate Finance (WA) Pty Ltd in relation to Resolutions 6 and 7 at Annexure "F" which concludes that the proposed issue of securities under those Resolutions is not fair but reasonable for non-associated Shareholders.

The Notice of Meeting, Explanatory Memorandum, Independent Expert's Report and Proxy Form are all important documents. The Directors recommend that you should read them carefully in their entirety before you make a decision on how to vote at the General Meeting.

A Glossary of terms frequently used in this Notice and Explanatory Memorandum can be found at the end of this Explanatory Memorandum.

## PART A

#### SUMMARY OF THE PROPOSED RESOLUTIONS

At the Meeting, Shareholders will be asked to consider the following Resolutions:

- (a) Ratifying the issue and allotment of 2,500,000 Shares pursuant to a private placement (**Resolution 1**).
- (b) Ratifying the issue and allotment of 555,556 Shares to The Australian Special Opportunity Fund, LP (**Resolution 2**).
- (c) Approving the issue and allotment of 441,176 Shares to The Australian Special Opportunity Fund, LP (**Resolution 3**).
- (d) Ratifying the issue and allotment of 10,982,000 Shares to Great Central, being the Tranche 1 Placement Shares, pursuant to the Subscription Deed (**Resolution 4**).
- (e) Approving the issue and allotment of 4,808,000 Shares to Great Central, being the Tranche 2 Placement Shares, pursuant to the Subscription Deed (**Resolution 5**).
- (f) Approving the issue and allotment of 40,000,000 Convertible Notes with a total face value of \$10,000,000, each Convertible Note having a face value of \$0.25, and the issue and allotment of Shares upon conversion of the

Convertible Notes, to Great Central pursuant to the Convertible Note Deed (subject to the passing of Resolution 6) (**Resolution 6**).

- (g) Approving the issue and allotment of 2,000,000 Director Options to Mr Joseph Gutnick, who is a Director, and/or his nominee(s) (**Resolution 7**).
- (h) Approving the issue and allotment of 1,500,000 Director Options to Mr Craig Michael, who the alternate Director for Mr Joseph Gutnick, and/or his nominee(s) (**Resolution 8**).
- (i) Approving the issue and allotment of 1,000,000 Director Options to Mr Bryan Dixon, who is a Director, and/or his nominee(s) (**Resolution 9**).
- (j) Approving the issue and allotment of 1,000,000 Director Options to Mr Alan Thom, who is a Director, and/or his nominee(s) (**Resolution 10**).
- (k) Approving the issue and allotment of 1,000,000 Director Options to Mr Greg Miles, who is a Director, and/or his nominee(s) (**Resolution 11**).
- (I) Approving the issue and allotment of 2,663,180 Annexure E Options to Casimir Capital, LP, and/or its nominee(s) (**Resolution 12**).

The Resolutions are ordinary resolutions, which means they are each required to be passed by a simple majority (more than 50%) of votes cast by the Shareholders entitled to vote on them.

## RESOLUTIONS 5, 6 AND 7

On 4 February 2013 the Company announced that it had agreed to a \$13,320,000 funding package with Great Central.

As part of the funding package the Company has agreed under the Subscription Deed to a private placement of Shares with Great Central. Under the Subscription Deed Great Central has agreed to subscribe for 15.79 million Shares at a price of \$0.21 per Share, to raise \$3,320,000 ("**the Placement**"). The Shares issued, or to be issued, pursuant to the Placement have been, or will be, issued at a price calculated at a 37% premium to the VWAP of the Shares for the 5 Trading Days preceding 1 February 2013, being the date of the Subscription Deed.

The Placement is to be completed in two tranches. The first tranche has been completed and consisted of the issue and allotment of 10,982,000 Shares ("**Tranche 1 Placement**"), under Blackham's existing capacity to issue securities without Shareholder approval under ASX Listing Rules 7.1 and 7.1A. The issue and allotment of the second tranche, consisting of 4,808,000 Shares ("**Tranche 2 Placement**") will be completed following the receipt of necessary regulatory and Shareholder approvals. The ratification of the Tranche 1 Placement is the subject of Resolution 4 and the approval of the Tranche 2 Placement is the subject of Resolution 5. A summary of the key terms of the Subscription Deed is contained in Annexure "B".

Upon completion of the Placement, Great Central will have a voting power in the Company of 19.5% (based on its relevant interest in 15,790,000 Shares). As at the date of the Meeting it has a voting power in the Company of 14.4% (based on its relevant interest in 10,982,000 Shares).

In addition to the Placement, Great Central has agreed under the Convertible Note Deed to subscribe for 40,000,000 Convertible Notes at an issue price of \$0.25, being a 63% premium to the VWAP of the Shares for the five (5) Trading Days preceding 1 February 2013, being the date of the Convertible Note Deed. Each Convertible Note has a maturity date of five (5) years from the date of its issue and interest is payable at a rate of 8% per annum (paid half yearly). If converted, each Convertible Note converts into one (1) Share. A summary of the key terms of the Convertible Notes and the Convertible Note Deed is contained in Annexure "A".

Subject to the receipt of necessary regulatory and Shareholder approvals, the Convertible Notes will be drawn down and issued. The Convertible Notes are categorised into two tranches of 20,000,000, with each tranche having a total face value of \$5 million. The first tranche of 20,000,000 Convertible Notes ("**Tranche 1 Convertible Notes**") will have a draw down date that is 10 Business Days from the date of the Meeting. The second tranche of 20,000,000 Convertible Notes ("**Tranche 2 Convertible Notes**") will have a drawn down date within 24 months of the draw down date of the Tranche 1 Convertible Notes on the receipt of a written draw down notice giving 90 days' notice. Each draw down notice will be for a maximum of 10,000,000 Convertible Notes.

Under the Subscription Deed and the Convertible Note Deed, Great Central is entitled to a pre-emptive right to subscribe for its pro-rata proportion of any securities proposed to be issued to a third party. The effect of this right is to enable Great Central to maintain its then percentage holding in the Company and to prevent its interest from being diluted as a result of the issue of Shares to another party. Great Central will have a period of between 3 and 30 days (depending on the urgency) in which to notify the Company of whether or not it wishes to take its pro-rata proportion of the Shares that are proposed to be issued. This pre-emptive right is subject to the Company obtaining prior Shareholder approval under Listing Rule 10.11 for any future issue of Company securities to Great Central, Mr Joseph Gutnick or any of their associates. Any Convertible Notes not drawn down within that 24 month period by the Company will be drawn down without any notice to Great Central, and be subscribed for by Great Central and issued by the Company.

The Company is seeking Shareholder approval for the following proposed transactions ("**the Transaction**") under the:

- (a) ASX Listing Rules for the proposed issue and allotment of the Shares under the Tranche 2 Placement (**Resolution 5**);
- (b) ASX Listing Rules and the Corporations Act for the proposed issue and allotment of the Convertible Notes and Shares on conversion of the convertible Notes (subject to the passing of Resolution 5) (**Resolution 6**); and
- (c) ASX Listing Rules and the Corporations Act for the proposed issue and allotment of 2,000,000 Director Options, and Shares on exercise of those Director Options, to Mr Joseph Gutnick, a Director, and/or his nominee(s) (**Resolution 7**).

Mr Joseph Gutnick controls Great Central as he is its sole director and shareholder. He is therefore an associate of Great Central for the purposes of the Corporations Act in calculating the voting power of Great Central in the Company.

## **INCREASE IN VOTING POWER**

Resolutions 6 and 7 are necessary in order to comply with the specific requirements of the Corporations Act regarding the extent to which Great Central and Mr Joseph Gutnick will increase their respective voting power in the Company in excess of 20% which is the basic threshold beyond which increases are prohibited by the Corporations Act unless shareholder approval is obtained or another exception applies. Shareholder approval is sought for the increase in Great Central and Mr Joseph Gutnick's respective voting power in the Company as a result of any conversion of the Convertible Notes into Shares and of any exercise of the Gutnick Options into Shares. Full details of the Company's proposed capital structure if all of the Resolutions are passed and the change in voting power of Great Central and Mr Joseph Gutnick are set out in section 6.

## KEY REASONS WHY YOU SHOULD VOTE IN FAVOUR OF THE TRANSACTION

The Company considers that the Transaction has a number of benefits for Shareholders, as summarised below:

- 1) The Transaction provides the Company with important funding in uncertain global economic conditions, which will be used particularly for the continued exploration and development of the Company's Matilda Gold Project. If the Transaction is not approved, the Company may not be able to proceed as effectively with the planned exploration and development of the Matilda Gold Project.
- 2) The Shares issued and to be issued pursuant to the Placement were and will be issued at a 37% premium to the VWAP of Shares trading on the ASX for the five (5) Trading Days preceding the date of the Subscription Deed.
- 3) The Convertible Note issue price is at a 63% premium to the VWAP of Shares trading on the ASX for the five (5) Trading Days preceding the date of the Convertible Note Deed.
- 4) If the Transaction is not approved, the Company may need to source alternative funding arrangements. There can be no guarantee that alternative funding will be available to the Company or, if available, that it will be offered on terms that are better than, or comparable, to those proposed under the Transaction.
- 5) The Transaction strengthens the Company's relationship with Great Central, a strong, well funded partner, and with Mr Joseph Gutnick.
- 6) The appointment of Mr Joseph Gutnick to the Board and as non-executive chairman of the Company as a condition of the Transaction has the potential to strengthen and add value to the Board by the addition of Mr Gutnick's significant experience in the financing, development and operation of mineral resource projects.
- 7) The Board (except for Mr Joseph Gutnick, who controls Great Central and therefore has a material personal interest in the outcome of Resolutions 5, 6 and 7) supports the Transaction and recommends that Shareholders vote in favour of Resolutions 5, 6 and 7 to give effect to the Transaction. Mr Joseph Gutnick declines to make a recommendation to Shareholders in relation to the Transaction due to his material personal interest in the outcome of Resolutions 5, 6 and 7.
- 8) In respect of Resolutions 6 and 7, the Independent Expert has concluded that the proposed issue of securities under those resolutions is not fair but reasonable for non-associated Shareholders.

## POTENTIAL DISADVANTAGES OF THE TRANSACTION

Although the Board (except for Mr Joseph Gutnick, who controls Great Central and therefore has a material personal interest in the outcome of Resolutions 5, 6 and 7) recommends Shareholders vote in favour of the Transaction, you should be aware that there are some potential disadvantages of the Transaction as set out below:

- 1) Dilution of the existing interests of Shareholders from the issue of Shares pursuant to the Placement.
- 2) Dilution of the existing interests of Shareholders if the Convertible Notes are converted into Shares or the Gutnick Options are exercised into Shares.
- 3) If the Convertible Notes are converted into Shares by Great Central, and/or the Gutnick Options are exercised into Shares, Great Central and Mr Joseph Gutnick will substantially increase their respective voting power in the Company. The exact voting power of Great Central and Mr Joseph Gutnick will depend upon a number of factors including the extent to which the Convertible Notes are converted into Shares by Great Central, the extent to which the Gutnick Options are exercised into Shares by Mr Joseph Gutnick and the number of Shares on issue at the time that the Convertible Notes are converted into Shares and/or Gutnick Options are exercised into Shares. Shareholders should also be aware that under the Subscription Deed and Convertible Note Deed, Great Central is entitled to a pre-emptive right which may be used to prevent the dilution of its interests in the Company. This pre-emptive right is subject to the Company obtaining prior Shareholder approval under Listing Rule 10.11 for any future issue of Company securities to Great Central, Mr Joseph Gutnick or any of their associates. The key terms of the Subscription Deed and the Convertible Note Deed are summarised in Annexure "B" (Subscription Deed) and Annexure "A" (Convertible Note Deed).
- 4) The increase in the voting power of Great Central and Mr Joseph Gutnick will enable Great Central and/or Joseph Gutnick to exercise significant influence on the operations of the Company, including through Board appointments. The maximum extent of the potential increase in Great Central's and Mr Joseph Gutnick's voting power in the Company is 32.4% (from 14.4% at the date of this Notice).
- 5) In respect of Resolutions 6 and 7, the Independent Expert has concluded the proposed issue of securities under those resolutions is not fair but reasonable for non-associated Shareholders.

For further information concerning Resolutions 5, 6 and 7, please refer to sections 5, 6 and 7 respectively of this Explanatory Memorandum.

## CONDITIONALITY OF RESOLUTION 6

Shareholders should note that Resolution 6 is conditional on the passing of Resolution 5. Resolution 6 will not have any force or effect unless and until Resolution 5 is passed. Resolution 5 will be passed if at least 50% of the votes cast on that Resolution (either in person, proxy, attorney or by a corporate representative) are in favour of that Resolution. In the event that Resolution 5 is not passed, the Chairman intends to move that Resolution 6 be withdrawn from the Meeting and Resolution 6 will not be put to the Meeting.

The Directors (other than Mr Gutnick, for the reasons set out above), take the view that the advantages of the Transaction substantially outweigh any disadvantages and recommend that Shareholders vote in favour of Resolutions 4, 5 and 6.

## PART B

## 1. RESOLUTION 1 – RATIFICATION OF ISSUE OF SHARES BY PRIVATE PLACEMENT

The Company completed a private placement of Shares on 3 January 2013 by the issue of 2,500,000 Shares at \$0.16 each to raise \$400,000 (before costs). The ratification of the issue and allotment of the Shares issued pursuant to that placement is sought under Resolution 1 in accordance with the requirements of ASX Listing Rule 7.4.

## 1.1 ASX Listing Rule 7.4

ASX Listing Rule 7.1 prohibits a listed company from issuing, or agreeing to issue, equity securities (which includes shares) that exceed 15% of the total number of fully paid ordinary securities on issue in any 12 month period, unless approval is obtained from the holders of the company's ordinary securities. ASX Listing Rule 7.4 provides that the approval of holders of the company's ordinary securities may be obtained after the issue of equity securities. The effect of such ratification is to restore the company's discretionary power to issue further securities up to 15% of the number of fully paid ordinary securities on issue at the beginning of the relevant 12 month period without obtaining shareholder approval.

## 1.2 ASX Listing Rule disclosure requirements

The following information is provided in accordance with ASX Listing Rule 7.5:

(a) Number of securities issued

2,500,000 Shares.

(b) Price at which the securities were issued

\$0.16 per Share.

(c) Terms of the securities

The Shares issued are fully paid ordinary shares ranking equally in all respects with all other Shares on issue and are listed on ASX.

(d) The names of the persons to whom Blackham issued the securities or the basis upon which those persons were determined

These persons are sophisticated investors who participated in the private placement and who are not related parties of the Company or their associates.

(e) Use (or intended use) of the funds raised

The net funds raised have been or will be used for:

- exploration and development of the Company's Matilda Gold Project; and
- working capital requirements of the Company.

## 1.3 Directors' Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 1, as it allows the Company to retain the flexibility to issue further securities representing up to

15% of the total number of Shares on issue in any 12 month period during the next 12 months without Shareholder approval.

## 2. RESOLUTION 2 – RATIFICATION OF ISSUE OF SHARES TO THE AUSTRALIAN SPECIAL OPPORTUNITY FUND, LP

Resolution 2 seeks Shareholder ratification for the issue of 555,556 Shares to The Australian Special Opportunity Fund, LP pursuant to the Funding Agreement (see the Company's announcement to the ASX dated 26 April 2012 for a summary of the Funding Agreement) in accordance with ASX Listing Rule 7.4. The key terms of the Funding Agreement and the Company's reasons for entering into the Funding Agreement are set out in the Company's announcement to the ASX on 26 April 2012.

## 2.1 ASX Listing Rule 7.4

ASX Listing Rule 7.1 prohibits a listed company from issuing, or agreeing to issue, equity securities (which include shares) that exceed 15% of the total number of ordinary securities on issue in any 12 month period, unless approval is obtained from the holders of the company's ordinary securities. ASX Listing Rule 7.4 provides that the approval of holders of the company's ordinary shares may be obtained after the issue of equity securities. The effect of such ratification is to restore the company's discretionary power to issue further shares up to 15% of the number of ordinary shares on issue at the beginning of the relevant 12 month period without obtaining shareholder approval.

## 2.2 ASX Listing Rule disclosure requirements

The following information is provided in accordance with ASX Listing Rule 7.5:

(a) Number of securities issued

555,556 Shares.

(b) Price at which the securities were issued

\$0.135 per Share.

(c) Terms of the securities

The Shares are fully paid ordinary shares ranking equally in all respects with all other Shares on issue and are listed on the ASX.

(d) The name of the persons to whom Blackham issued the securities or the basis on which those persons were determined

The Australian Special Opportunity Fund, LP which is not a related party of the Company.

(e) Use (or intended use) of the funds raised

The net funds raised have been used for:

- exploration and development of the Company's Matilda Gold Project; and
- working capital requirements of the Company.

## 2.3 Directors' Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 2, as it allows the Company to retain the flexibility to issue further securities representing up to 15% of the total number of Shares on issue in any 12 month period during the next 12 months without Shareholder approval.

# 3. RESOLUTION 3 – APPROVAL OF ISSUE OF SHARES TO THE AUSTRALIAN SPECIAL OPPORTUNITY FUND, LP

Resolution 3 seeks Shareholder approval for the issue and allotment of 441,176 Shares to The Australian Special Opportunity Fund, LP in accordance with the requirements of ASX Listing Rule 7.1. The Shares were issued as part of the Funding Agreement. The key terms of the Funding Agreement and the Company's reasons for entering into the Funding Agreement are set out in the Company's announcement to the ASX on 26 April 2012.

## 3.1 ASX Listing Rule 7.1

ASX Listing Rule 7.1 requires the Company to obtain Shareholder approval in order to issue equity securities representing more than 15% of the Shares on issue (unless one of the exceptions in ASX Listing Rule 7.2 applies). The Company's proposed issue of the Shares that are the subject of Resolution 3 falls within this requirement as none of the exceptions apply.

## 3.2 ASX Listing Rule disclosure requirements

The following information is provided in accordance with ASX Listing Rule 7.3:

(a) Maximum number of securities the entity is to issue (if known) or the formula for calculating the number of securities the entity is to issue

441,176 Shares.

(b) Date by which the entity will issue the securities (which must be no later than 3 months after the date of the meeting)

The Shares will be issued not later than 3 months after the date of the Meeting.

(c) Issue price of the securities, which must be either a fixed price or a minimum price

\$0.17 per Share.

(d) Names of the persons to whom Blackham will issue the securities (if known) or the basis upon which those persons will be identified or selected

The Australian Special Opportunity Fund, LP and/or its nominee(s).

(e) The terms of the securities

The Shares will be fully paid ordinary shares ranking equally in all respects with all other Shares on issue and are, or will be, listed on ASX.

(f) Intended use of the funds raised

The funds raised will be used for:

- exploration and development of the Company's Matilda Gold Project;
- exploration and development of the Company's Scaddan Coal Project; and
- the working capital requirements of the Company.
- (g) The dates of allotment or a statement that allotment will occur progressively

Allotment of the Shares will occur immediately following the receipt of Shareholder approval at the General Meeting.

## 3.3 Directors' Recommendation

The Board unanimously recommends Shareholders vote in favour of Resolution 3 as it allows the Company greater flexibility to issue further securities representing up to 15% of the total number of Shares on issue in any 12 month period without Shareholder approval.

# 4. RESOLUTION 4 – RATIFICATION OF ISSUE OF SHARES TO GREAT CENTRAL GOLD PTY LTD

Resolution 4 seeks Shareholder ratification of the issue and allotment of 10,982,000 Shares to Great Central which Shares constitute Tranche 1 of the Shares to be issued pursuant to the Placement ("**Tranche 1 Placement Shares**") announced to the ASX on 4 February 2013 for the issue of up to 15,790,000 Shares at an issue price of \$0.21 to raise \$3,320,000 million (before costs) in accordance with the requirements of ASX Listing Rule 7.4.

Great Central has agreed that the Tranche 1 Placement Shares will be subject to a six (6) month voluntary escrow period during which time they may not be traded, dealt with or otherwise transferred or disposed of.

Shareholders should note that prior to the issue and allotment of the Tranche 1 Placement Shares, Great Central Mr Joseph Gutnick were not related parties of the Company. It was only by virtue of the transaction that is the subject of Resolution 4 that Great Central and Mr Joseph Gutnick became related parties of the Company, as a result of which exception 6 to Listing Rule 10.11 states that shareholder approval of the transaction is not required under Listing Rule 10.11. As Great Central and Mr Joseph Gutnick became related parties of the Company upon the issue and allotment of the Shares, all subsequent Resolutions concerning the issue of securities to Great Central and/or Mr Joseph Gutnick seek Shareholder approval pursuant to Listing Rule 10.11.

A summary of the key terms of the Subscription Deed is contained in Annexure "B".

## 4.1 ASX Listing Rule 7.4

ASX Listing Rule 7.1 prohibits a listed company from issuing, or agreeing to issue, equity securities (which includes shares) that exceed 15% of the total number of fully paid ordinary securities on issue in any 12 month period, unless approval is obtained from the holders of the company's ordinary securities. ASX Listing Rule 7.4 provides that the approval of holders of the company's ordinary securities may be obtained after the issue of equity securities. The effect of such ratification is to restore the company's discretionary power to issue further securities up to 15% of the number of fully paid ordinary securities on issue at the beginning of the relevant 12 month period without obtaining shareholder approval.

## 4.2 ASX Listing Rule 7.1A

Where an eligible entity obtained shareholder approval to increase its placement capacity under Listing Rule 7.1A, any additional equity securities issued under that additional placement capacity will not be counted in the variable upon which the 10% placement capacity is based until that issue has been ratified under ASX Listing Rule 7.4 (or 12 months has passed since their issue). In addition, any equity securities issued under that additional placement capacity will reduce the balance of equity securities able to be issued under that additional capacity without prior shareholder approval until that issue has been ratified under ASX Listing Rule 7.4 (or 12 months has passed since their issue).

The Company sought and obtained Shareholder approval to increase its placement capacity under Listing Rule 7.1A at its 2012 annual general meeting.

By ratifying the issue of the Tranche 1 Placement Shares that is the subject of Resolution 4, the Company will increase the variable upon which its 10% placement capacity is based and retain the flexibility to issue equity securities in the future up to the 10% placement capacity set out in Listing Rule 10.1 without the requirement to obtain prior Shareholder approval.

## 4.3 ASX Listing Rule disclosure requirements

The following information is provided in accordance with ASX Listing Rule 7.5:

(a) Number of securities issued

10,982,000 Shares.

(b) Price at which the securities were issued

\$0.21 per Share.

(c) Terms of the securities

The Tranche 1 Placement Shares are fully paid ordinary shares ranking equally in all respects with all other Shares on issue and are listed on ASX.

(d) The names of the persons to whom Blackham issued the securities or the basis upon which those persons were determined

Great Central Gold Pty Ltd.

(e) Use (or intended use) of the funds raised

The net funds raised will be used for:

- exploration and development of the Company's Matilda Gold Project;
- exploration and development of the Company's Scaddan Coal Project; and
- working capital requirements of the Company.

## 4.4 Directors' Recommendation

The Board (other than Mr Gutnick, who declines to make a recommendation as he controls Great Central and therefore has a material personal interest in the outcome of Resolution 4) recommends that Shareholders vote in favour of Resolution 4, as it allows the Company to retain the flexibility to issue further securities representing up to 15% of

the total number of Shares on issue in any 12 month period without Shareholder approval.

## 5. RESOLUTION 5 – APPROVAL OF ISSUE OF SHARES TO GREAT CENTRAL GOLD PTY LTD

Resolution 5 seeks Shareholder approval for the issue and allotment of 4,808,000 Shares to Great Central which Shares constitute Tranche 2 of the Shares to be issued pursuant to the Placement ("**Tranche 2 Placement Shares**") in accordance with the requirements of ASX Listing Rule 10.11. The issue of the Tranche 2 Placement Shares forms part of the Transaction outlined in Part A of this Explanatory Memorandum.

Mr Joseph Gutnick, a Director, controls Great Central and therefore Great Central is a related party of the Company.

Great Central has agreed that the Tranche 2 Placement Shares will be subject to a six (6) month voluntary escrow period during which time they may not be traded, dealt with or otherwise transferred or disposed of.

A summary of the key terms of the Subscription Deed is contained in Annexure "B".

## 5.1 ASX Listing Rule 10.11

ASX Listing Rule 10.11 provides that, subject to certain exemptions (none of which are relevant here), a company must not issue equity securities to a related party without shareholder approval. Resolution 5 seeks this approval in respect of the issue of the Tranche 2 Placement Shares to Great Central. If approval is obtained under Listing Rule 10.11 the Company is not required to seek further shareholder approval pursuant to Listing Rule 7.1. If approval is obtained under Listing Rule 10.11, the grant of securities will not be included in the 15% calculation for the purposes of Listing Rule 7.1.

Information required for the purposes of ASX Listing Rule 10.13 in relation to the Shareholder approval sought under ASX Listing Rule 10.11 pursuant to Resolution 5 is set out below.

## 5.2 ASX Listing Rule disclosure requirements

The following information is provided in accordance with ASX Listing Rule 10.13:

(a) The name of the person

Great Central.

(b) The maximum number of securities to be issued (if known) or the formula for calculating the number of securities to be issued to the person

4,808,000 Shares.

(c) The date by which the entity will issue the securities, which must be no later than one month after the date of the meeting

The Tranche 2 Placement Shares will be issued not later than one (1) month after the date of the Meeting.

(d) If the person is not a director, a statement of the relationship between the person and the director that requires the approval to be obtained

The person to whom it is proposed to issue the Tranche 2 Placement Shares is Great Central. Great Central is a private company controlled by Mr Joseph Gutnick, who is a Director, and Great Central is therefore a related party of the Company.

(e) The issue price of the securities and a statement of the terms of the issue

\$0.21 per Share. The Tranche 2 Placement Shares will be fully paid ordinary shares ranking equally in all respects with all other Shares on issue and will be listed on ASX.

(f) The intended use of the funds raised

The net funds raised will be used for:

- exploration and development of the Company's Matilda Gold Project;
- exploration and development of the Company's Scaddan Coal Project; and
- the working capital requirements of the Company.

## 5.3 Directors' Recommendation

The Board (other than Mr Gutnick, who declines to make a recommendation as he controls Great Central and therefore has a material personal interest in the outcome of Resolution 5) recommends Shareholders vote in favour of Resolution 5 as it allows the Company greater flexibility to issue further securities representing up to 15% of the total number of Shares on issue in any 12 month period without Shareholder approval.

## 6. RESOLUTION 6 – APPROVAL OF ISSUE OF CONVERTIBLE NOTES AND SHARES ON CONVERSION TO GREAT CENTRAL GOLD PTY LTD

Resolution 6 seeks Shareholder approval for the proposed issue to Great Central of Convertible Notes having a face value of \$10 million, categorised into two tranches of 20 million Convertible Notes with a face value of \$0.25 each. This issue of Convertible Notes and the issue of Shares upon their conversion forms part of the Transaction as outlined previously in Part A of this Explanatory Memorandum.

Shareholders should note that Resolution 6 is conditional on the passing of Resolution 5. Resolutions 6 will not have any force or effect unless and until Resolution 5 is passed. Resolutions 5 will be passed if at least 50% of the votes cast on that Resolution (either in person, proxy, attorney or by a corporate representative) are in favour of that Resolution. In the event that Resolution 5 is not passed, the Chairman intends to move that Resolution 6 be withdrawn from the Meeting and Resolution 6 will not be put to the Meeting.

Neither the Company nor the Directors are aware of any additional information not set out in this Explanatory Memorandum that would be relevant to Shareholders in deciding how to vote on this Resolution 6 and Resolution 7.

## 6.1 Approval under the Corporations Act for Resolutions 6 and 7

Resolutions 6 and 7 are necessary in order to comply with the specific requirements of the Corporations Act regarding the extent to which Great Central and Mr Joseph Gutnick will increase their respective voting power in the Company in excess of 20% which is the basic threshold beyond which increases are prohibited by the Corporations Act unless shareholder approval or other exceptions apply. Shareholder approval is sought for the increase in voting power in the Company as a result of any conversion of the Convertible Notes into Shares and of any exercise of the Gutnick Options into Shares. Full details of the Company's proposed capital structure if all of the Resolutions are passed and the change in voting power of Great Central and Mr Joseph Gutnick are set out in section 6.4.

## Section 611 of the Corporations Act

Section 606 of the Corporations Act provides that a person must not acquire a relevant interest in voting shares in a company if the acquisition will result in that person's or another person's voting power in the Company increasing from less than 20% to more than 20%.

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the Company in which the person **and** the person's associates have a relevant interest.

A person has a relevant interest in securities if they, individually or jointly:

- are the holder of the securities;
- have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- have the power to dispose of, or control the exercise of a power to dispose of, the securities.

Section 611 of the Corporations Act provides certain exceptions to this requirement. Relevantly, under item 7 of section 611, an acquisition of a company's voting shares will not be prohibited under section 606 of the Corporations Act if the proposed acquisition has the prior approval of the shareholders of the company.

Under section 608(3) of the Corporations Act, a person having a voting power of 20% or more in a company has the same relevant interest that the company has in another entity. Mr Joseph Gutnick has a voting power in Great Central in excess of 20% (he is the sole shareholder of Great Central) and therefore Mr Joseph Gutnick is deemed by section 608(3) of the Corporations Act to have the same relevant interest in Blackham which Great Central has in Blackham.

Associates are determined as a matter of fact. Mr Joseph Gutnick controls Great Central (he is its sole director and shareholder) and is an associate of Great Central. He is a person with whom the Great Central has, or proposes to enter into, a relevant agreement for the purposes of controlling or influencing the composition of Great Central's board or the conduct of Great Central's affairs, and/or is he is a person who is acting or proposing to act in concert in relation to Great Central's affairs. As a result:

- (a) in calculating the voting power of Great Central in the Company, the relevant interest of Mr Joseph Gutnick must be added to the relevant interest of Great Central; and
- (b) in calculating the voting power of Mr Joseph Gutnick in the Company, the relevant interest of Great Central must be added to the relevant interest of Mr Joseph Gutnick.

The proposed issue of Convertible Notes to Great Central under Resolution 6 will, if converted into Shares by Great Central, increase Great Central's voting power in the

Company to more than 20% as set out below and in section 6.4. Accordingly the Company is seeking Shareholder approval under item 7 of section 611 of the Corporations Act to:

- (a) issue and allot the Convertible Notes to Great Central and to issue and allot of Shares upon the conversion of those Convertible Notes under Resolution 6; and
- (b) issue and allot the Gutnick Options to Mr Joseph Gutnick and/or his nominee(s) and to issue and allot of Shares upon the exercise of those Gutnick Options under Resolution 7.

The Company has set out in Part A of this Explanatory Memorandum and in this section 6 all information known to the Company, Great Central and Mr Joseph Gutnick which may be material to Shareholders in deciding whether or not to approve Resolution 6 and Resolution 7.

#### 6.2 Information for Shareholders under the Corporations Act and ASIC Regulatory Guide 74

In addition to the information set out above in this section 6 and in Part A of this Explanatory Memorandum, the following information is provided to Shareholders in accordance with the requirements under the Corporations Act and ASIC Regulatory Guide 74 for the purpose of obtaining approval for a transaction pursuant to item 7 of section 611 of the Corporations Act:

(a) The identity of the person proposing to make the acquisition of securities and their associates

The Convertible Notes, and any Shares issued upon their conversion, are proposed to be issued to Great Central. Great Central is principally an investment company with a focus on gold mining investments. It is a private company controlled by Mr Joseph Gutnick, a leading figure in the Australian mining industry. Mr Gutnick is the sole director of Great Central and Mr Peter Lees is the company secretary. The sole shareholder of Great Central is Joseph Gutnick.

Mr Joseph Gutnick controls Great Central (he is its sole director and shareholder) and is an associate of Great Central. He is a person with whom the Great Central has, or proposes to enter into, a relevant agreement for the purposes of controlling or influencing the composition of Great Central's board or the conduct of Great Central's affairs, and/or is he is a person who is acting or proposing to act in concert in relation to Great Central's affairs.

As Mr Joseph Gutnick has a voting power in Great Central in excess of 20% (he is the sole shareholder of Great Central) he is therefore deemed by section 608(3) of the Corporations Act to have the same relevant interest in Blackham which Great Central has in Blackham. Mr Joseph Gutnick therefore has a relevant interest in Shares currently held by Great Central, and in any Shares to be issued to Great Central in the future including the Tranche 2 Placement Shares and any Shares that may be issued to Great Central upon conversion of the Convertible Notes by Great Central. He also has a relevant interest in any Shares that may be issued upon the exercise of the Gutnick Options proposed to be issued and allotted under Resolution 7.

Great Central's voting power in the Company includes the voting power of its associate, Mr Joseph Gutnick.

(b) The maximum extent of the increase in that person's voting power in the company that would result from the acquisition of securities

As at the date of this Notice Great Central holds 10,982,000 Shares which represents a voting power in the Company of 14.4%. A total of 40,000,000 Convertible Notes are proposed to be issued to Great Central, and are categorised into two tranches each of 20,000,000 Convertible Notes (the "**Tranche 1 Convertible Notes**" and the "**Tranche 2 Convertible Notes**" respectively). The Convertible Notes may be converted to Shares at a rate of one Share per Convertible Note, meaning a maximum of 40,000,000 Shares may be issued upon conversion if the Convertible Notes are converted by Great Central. If Resolutions 5 and 6 are passed and the Tranche 2 Placement Shares (4,808,000 Shares) are issued to Great Central and all of the Convertible Notes are issued to and converted by Great Central, Great Central will have a voting power in the Company of 45.9% based on its relevant interest in 55,790,000 Shares, being an increase of 31.5% in its voting power from its current holding. This also assumes the capital structure of the Company otherwise remains the same (ie no Options are exercised and no other Shares are issued).

If Resolution 7 is passed and all of the Gutnick Options are issued to and exercised by Mr Joseph Gutnick, Great Central will have a voting power in the Company of 46.8% (based on the aggregate of its own relevant interest in 55,790,000 Shares and the relevant interest of its associate Mr Joseph Gutnick in 2,000,000 Shares), being an increase of 32.4% in its voting power from its current holding. This also assumes the capital structure of the Company otherwise remains the same (ie no Options other than the Gutnick Options are exercised and no other Shares are issued).

Further information concerning the voting power of Great Central and its associates is set out in section 6.4 of this Explanatory Memorandum.

(c) The voting power that person would have as a result of the acquisition of securities

If Resolutions 5 and 6 are passed and the Tranche 2 Placement Shares are issued to Great Central and all of the Convertible Notes are issued to and converted by Great Central, Great Central will have a voting power in the Company of 45.9% based on its relevant interest of 55,790,000 Shares. This also assumes the capital structure of the Company otherwise remains the same (ie no Options are exercised and no other Shares are issued).

If Resolution 7 is passed and all of the Gutnick Options are issued to and exercised by Mr Joseph Gutnick, Great Central will have a voting power in the Company of 46.8% (based on the aggregate of its own relevant interest in 55,790,000 Shares and the relevant interest of its associate Mr Joseph Gutnick in 2,000,000 Shares). This also assumes the capital structure of the Company otherwise remains the same (ie no Options other than the Gutnick Options are exercised and no other Shares are issued).

Further information concerning the voting power of Great Central and its associates is set out in section 6.4 of this Explanatory Memorandum.

(d) The maximum extent of the increase in voting power of each of that person's associates that would result from the acquisition of securities

Mr Joseph Gutnick is an associate of Great Central.

As at the date of this Notice the aggregate voting power of Great Central and also that of Mr Joseph Gutnick is 14.4% based on a relevant interest of Great Central and of Mr Joseph Gutnick in 10.982,000 Shares.

If Resolutions 5 and 6 are passed and the Tranche 2 Placement Shares are issued to Great Central and all of the Convertible Notes are issued to and converted by

Great Central, Mr Joseph Gutnick will have a voting power in the Company of 45.9% based on his relevant interest of 55,790,000 Shares, being an increase of 31.5% in his voting power from his current holding. This also assumes the capital structure of the Company otherwise remains the same (ie no Options are exercised and no other Shares are issued).

If Resolution 7 is passed and all of the Gutnick Options are issued to, and exercised by, Mr Joseph Gutnick, he will have a voting power in the Company of 46.8% (based on his relevant interest in 57,790,000 Shares), being an increase of 32.4% in his voting power from his current holding. This also assumes the capital structure of the Company otherwise remains the same (ie no Options other than the Gutnick Options are exercised and no other Shares are issued).

Further information concerning the voting power of Mr Joseph Gutnick is set out in section 6.4 of this Explanatory Memorandum.

(e) The voting power that each of that person's associates would have as a result of the acquisition of securities

Mr Joseph Gutnick is an associate of Great Central.

As at the date of this Notice the aggregate voting power of Great Central and also that of Mr Joseph Gutnick is 14.4% based on a relevant interest of Great Central and of Mr Joseph Gutnick in 10.982,000 Shares.

If Resolutions 5 and 6 are passed and the Tranche 2 Placement Shares are issued to Great Central and all of the Convertible Notes are issued to and converted by Great Central, Mr Gutnick will have a voting power in the Company of 46.9% based on his relevant interest of 55,790,000 Shares. This also assumes the capital structure of the Company otherwise remains the same (ie no Options are exercised and no other Shares are issued).

If Resolution 7 is passed and all of the Gutnick Options are issued to and exercised by Mr Joseph Gutnick, he will have a voting power in the Company of 46.8% assuming no other options are exercised (based on his relevant interest in 57,790,000 Shares). This also assumes the capital structure of the Company otherwise remains the same (ie no Options other than the Gutnick Options are exercised and no other Shares are issued).

Further information concerning the voting power of Mr Joseph Gutnick is set out in section 6.4 of this Explanatory Memorandum.

(f) The reasons for the proposed acquisition of securities

The Transaction provides the Company with important funding, which will be used particularly for the continued exploration and development of the Company's Matilda Gold Project. For further information about the advantages and disadvantages of the Transaction please refer to Part A of this Explanatory Memorandum. The reason for the proposed issue and allotment of the Gutnick Options is set out in section 7 of this Explanatory Memorandum.

- (g) When the proposed acquisition of securities is to occur
  - i. The Tranche 1 Convertible Notes will be drawn down within one month after gaining Shareholder approval under Resolution 6 at the General Meeting.

- ii. The Tranche 2 Convertible Notes will be drawn down within 24 months of the date of issue of the Tranche 1 Convertible Notes and only after gaining Shareholder approval under Resolution 6 at the General Meeting and on the receipt of a written draw down notice giving 90 days' notice. Each draw down notice will be for a maximum of 10,000,000 Convertible Notes. Any Tranche 2 Convertible Notes that have not been drawn down within that 24 month period by the Company will be drawn down without any notice to Great Central, and be subscribed for by Great Central and issued by the Company. The Company has applied to ASX for, and been granted by ASX, a waiver from the application of Listing Rule 10.13.3 to enable up to 10,000,000 of the Tranche 2 Convertible Notes to be issued pursuant to the Shareholder approval obtained by the passing of Resolution 6 at any time within six (6) months after the date of the Meeting. The Company will seek Shareholder approval at a general meeting of the Company for each separate draw down of the remaining 10,000,000 Tranche 2 Convertible Notes, and of any of the 10,000,000 Tranche 2 Convertible Notes in respect of which a waiver of Listing Rule 10.13.3 has been granted but which are not issued within six (6) months after the date of the Meeting (if any), prior to their issue.
- iii. The Gutnick Options will be issued and allotted within 1 month after gaining Shareholder approval under Resolution 7 at the General Meeting.
- (h) The material terms of the proposed acquisition of securities

A summary of the material terms of the Convertible Note Deed under which Convertible Notes are proposed to be issued pursuant to Resolution 6, is contained in Annexure "A" and a summary of important information is contained in Part A and section 6 of this Explanatory Memorandum. For a summary of the terms of the Gutnick Options please refer to section 7 of this Explanatory Memorandum and Annexure E to this Explanatory Memorandum.

(i) Details of the terms of any other relevant agreement between the acquirer of the securities and the Company (or any of their associates) that is conditional on (or directly or indirectly depends on) members' approval of the proposed acquisition of securities

The Company and Great Central are also parties to the Subscription Agreement, which sets out the terms of the Transaction generally and which gives rise to the Convertible Note Deed. A summary of the key terms of the Subscription Agreement is contained in Annexure "B". The Subscription Agreement is not conditional upon the passing of Resolution 6 however Resolution 6 is conditional upon the passing of Resolution 5, which seeks approval for the issue and allotment of the Tranche 2 Placement Shares pursuant to the Subscription Agreement.

(j) A statement of the acquirer of securities' intentions regarding the future of the Company if members approve the acquisition of securities

The Company has been advised by Great Central and Mr Joseph Gutnick that each of them:

- i. has no current intention to change the business of the Company;
- ii. intends to retain the employ of the present employees of the Company;
- iii. has no current intention to transfer any Company property between the Company and Great Central or any of its associates;

- iv. has no current intention to redeploy the fixed assets of the Company;
- v. has no current intention to change the financial or dividend distribution policies of the Company; and
- vi. has no current intention to remove one or more persons as Directors.
- (k) Any intention of the acquirer of securities to significantly change the financial or dividend distribution policies of the Company

Please see paragraph (j) of this section 6.2 above.

(I) The interests that any director has in the acquisition of securities or any relevant agreement

Apart from Mr Joseph Gutnick (who controls Great Central) and his alternate Director Mr Craig Michael, the Directors do not have an interest in the outcome of Resolution 6 or 7 other than in their capacity as holders of Shares and Options.

Upon completion of the subscription for the Tranche 1 Placement Shares, the Company agreed that it would offer the role of non-executive chairman of the Company to Mr Joseph Gutnick as the nominee of Great Central, with Mr Craig Michael to be appointed as his alternate. The issue and allotment of the Tranche 1 Placement Shares has taken place and these Director appointments (which are not dependent upon the passing of Resolution 6) have been made and announced (see the Company's announcements to the ASX dated 19 February 2013 and 28 February 2013).

Mr Joseph Gutnick has an interest in Resolution 7 as it relates to the issue of Director Options to himself and/or his nominee(s).

(m) Independent Expert's Report

In order to assist Shareholders to assess the proposal the subject of Resolutions 6 and 7, and in accordance with ASIC Regulatory Guide 74, the Company appointed BDO Corporate Finance (WA) Pty Ltd to prepare the Independent Expert's Report (which report included a Valuation Report and the Independent Geologist's Report provided by RM Corporate Finance Pty Ltd to assess whether or not, in the independent expert's opinion, the proposal is fair and reasonable to Shareholders not associated with the proposal. The Independent Expert's Report compares the likely advantages and disadvantages to Shareholders not associated with the proposal if Resolutions 6 and 7 are approved, with the advantages and disadvantages to these Shareholders if it is not.

The Independent Expert's Report has concluded that the proposed issue of securities under Resolutions 6 and 7 is not fair but reasonable for non-associated Shareholders. Shareholders are strongly encouraged to read the Independent Expert's Report in full. A copy of the Independent Expert's Report is included as Annexure "F".

## 6.3 ASX Listing Rule 10.11

Mr Joseph Gutnick, a Director, controls Great Central (he is the sole shareholder) and therefore Great Central is a related party of the Company.

ASX Listing Rule 10.11 provides that, subject to certain exemptions (none of which are relevant here), a company must not issue equity securities to a related party of the company without shareholder approval. Resolution 6 seeks this approval in respect of the issue of the Convertible Notes to Great Central. If approval is obtained under Listing Rule 10.11 the listed company is not required to seek further shareholder approval pursuant to Listing Rule 7.1. If approval is obtained under Listing Rule 10.11, the grant of securities will not be included in the 15% calculation for the purposes of Listing Rule 7.1.

Information required for the purposes of ASX Listing Rule 10.13 in relation to the Shareholder approval sought under ASX Listing Rule 10.11 pursuant to Resolution 6 is provided below as well as in Part A and section 6 of this Explanatory Memorandum.

(a) The name of the person

Great Central.

(b) The maximum number of securities to be issued (if known) or the formula for calculating the number of securities to be issued to the person

40,000,000 Convertible Notes. Each Convertible Note may be converted to one (1) Share, meaning a maximum of 40,000,000 Shares can be issued upon conversion (if any) of the Convertible Notes.

- (c) The date by which the entity will issue the securities, which must be no later than one month after the date of the meeting
  - a. The Tranche 1 Convertible Notes will be drawn down within one month after gaining Shareholder approval under Resolution 6.
  - b. The Tranche 2 Convertible Notes will be drawn down within 24 months of the date of issue of the Tranche 1 Convertible Notes and only after gaining Shareholder approval under Resolution 6, on the receipt of a written draw down notice giving 90 days' notice. Each draw down notice will be for a maximum of 10,000,000 Convertible Notes. Any Tranche 2 Convertible Notes that have not been drawn down within that 24 month period by the Company will be drawn down without any notice to Great Central, and be subscribed for by Great Central and issued by the Company.

ASX Listing Rule 10.13.3 requires that any securities issued with Shareholder approval under ASX Listing Rule 10.11 be issued within one (1) month of the date of the Shareholder approval. As the Tranche 2 Convertible Notes may be drawn down any time within 24 months after the date of issue of the Tranche 1 Convertible Notes on 90 days prior written notice, the Tranche 2 Convertible Notes will be issued more than one (1) month after the date of the Meeting. The Company has applied to ASX for, and been granted by ASX, a waiver from the application of Listing Rule 10.13.3 to enable up to 10,000,000 of the Tranche 2 Convertible Notes to be issued pursuant to the Shareholder approval obtained by the passing of Resolution 6 at any time within six (6) months after the date of the Meeting. The Company will seek Shareholder approval at a general meeting of the Company for each separate draw down of the remaining 10,000,000 Tranche 2 Convertible Notes, and of any of the 10,000,000 Tranche 2 Convertible Notes in respect of which a waiver of Listing Rule 10.13.3 has been granted but which are not issued within six (6) months after the date of the Meeting (if any), prior to their issue.

(d) If the person is not a director, a statement of the relationship between the person and the director that requires the approval to be obtained

The person to whom it is proposed to issue the Convertible Notes and any Shares that may be issued upon conversion of the Convertible Notes, is Great Central. Great Central is a private company controlled by Mr Joseph Gutnick, who is a Director, and Great Central is therefore a related party of the Company.

(e) The issue price of the securities and a statement of the terms of the issue

The Convertible Notes have an issue price of \$0.25 each and a total face value of \$10,000,000 and have a maturity date of five (5) years from the date of their issue. The key terms of the Convertible Notes and the Convertible Note Deed are summarised in Annexure "A".

The Shares issued upon conversion of the Convertible Notes will be fully paid ordinary shares ranking equally in all respects with all other Shares on issue and will be listed on ASX.

(f) The intended use of the funds raised

The net funds raised will be used for:

- exploration and development of the Company's Matilda Gold Project; and
- the working capital requirements of the Company.

#### 6.4 Impact on the Company's Capital Structure and effect of the Transaction on Control and Voting Power

If Shareholders pass all of the Resolutions, and if all the other conditions to the Transaction are satisfied, the capital structure of the Company will be as follows:

	As at the date of this Notice	Securities that are the subject of Resolutions	Upon completion of the Meeting (assuming all Resolutions are passed, all securities are issued under all Resolutions and no Options are exercised or convertible notes converted between the date of the Notice and the Meeting
Shares	76,355,789	5,249,176	81,604,965
Options	7,790,000	8,163,180	15,953,180
Convertible Notes	Nil	40,000,000	40,000,000

The current Shareholding and voting power of Great Central and Mr Joseph Gutnick as at the date of this Notice, their Shareholding and voting power upon the issue of the Shares that are the subject of Resolution 5, their Shareholding and voting power upon the issue to Great Central of the Convertible Notes the subject of Resolution 6 and if it converts all of the Convertible Notes into Shares, and their Shareholding and voting power upon the issue to Mr Joseph Gutnick of the Gutnick Options the subject of Resolution 7 and if it exercises all of the Gutnick Options into Shares are set out below.

#### Shares on Issue

	Number of Shares	Total Shares on Issue
Current Shares on issue	76,355,789	76,355,789
Tranche 2 Placement Shares	4,808,000	81,163,789
Issue of Shares to The Australian Special Opportunity Fund	441,176	81,604,965
Maximum Shares issued upon conversion of Tranche 2 Convertible Notes	20,000,000	101, 604,965
Maximum Shares issued upon conversion of Tranche 2 Convertible Notes	20,000,000	121, 604,965
Maximum Shares issued upon conversion of Gutnick Options	2,000,000	123,604,965
Total Shares on issue following issue of Tranche 2 Placement Shares, conversion of Tranche 1 Convertible Notes and Tranche 2 Convertible Notes and exercise of Gutnick Options		123,604,965

Current and Potential Voting Power of Great Central and Mr Joseph Gutnick in				
the Company				

	Number of Voting Power Shares	Voting power
Voting Power Shares currently held	10,982,000	14.4%
Voting Power Shares following issue of Tranche 2 Placement Shares	15,790,000	19.3%
Maximum Voting Power Shares following conversion of Tranche 1 Convertible Notes	35,790,000	35.2%
Maximum Voting Power Shares following conversion of Tranche 2 Convertible Notes	55,790,000	45.9%
Maximum Voting Power Shares following exercise of Gutnick Options	57,790,000	46.8%
Total Maximum Voting Power of Great Central and Mr Joseph Gutnick as a result of securities		46.8%

The voting power percentages above assume that no Shares other than those that are the subject of the Resolutions are issued by the Company (including that no Options other than the Gutnick Options are exercised) and that Great Central or Mr Joseph Gutnick do not acquire or sell any Shares from or to a third party before the dates on which those percentages are calculated, all Convertible Notes are issued to Great Central and converted by Great Central into Shares, and all Gutnick Options are issued to Mr Joseph Gutnick and exercised by him into Shares.

The difference between the total maximum voting power of 46.8% in the above table and that of 45.1% in the Independent Expert's Report is due to the fact that the Independent Expert's Report reasonably assumes that all of the Director Options (6,500,000) and not just the Gutnick Options (2,000,000) will be exercised, as all Director Options (including the Gutnick Options) have the same terms. This results in a total of 128,104,956 Shares being on issue rather than 123,604,965.

In these circumstances, the voting power in the Company of Great Central and Mr Joseph Gutnick will be close to 50%. If their voting power exceeds 50%, they will have the power to pass an ordinary resolution at a general meeting of the Company, including resolutions to appoint or remove Directors. As their voting power will exceed 25% they will also have the ability to block any special resolutions of the Company if it does not vote in favour of them. Accordingly, Great Central and Mr Joseph Gutnick will be able to have a significant influence on the Company and its activities.

In accordance with the Corporations Act, a Shareholder with a voting power in excess of 20% and less than 90% may acquire an additional 3% voting power every six (6) months without Shareholder approval and without being required to make a takeover bid. While the maximum power Great Central and Mr Joseph Gutnick may obtain as a result of the Transaction is less than 50%, it could acquire Shares over the 12 months after completion of the Transaction which could result in their voting power increasing above 50%.

Great Central and Mr Joseph Gutnick may, in practice, have the power to control the Company even though their voting power is less than 50% depending on the number of Shares which are voted on any particular resolution. Accordingly Great Central and Mr Joseph Gutnick will have significant influence on the Company. The current intentions of Great Central and Mr Joseph Gutnick with regard to the Company are set out above. However those intentions may change and Great Central and Mr Joseph Gutnick could use their voting power to pursue intentions which differ from those set out above.

## 6.5 Impact on the Company's financial position

	Blackham Resources Limiłed	Proforma Adjustment Post approval of Resolutions 1,2,3,4 & 5	Proforma Adjustment Post approval of Resolution 6	Proforma Adjustment Post approval of Resolutions 7,8,9,10 & 11	Proforma after all adjustments
	Reviewed 31 Dec 12				31 Dec 12
	\$'000	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS					
Cash and cash equivalents Trade and other receivables	173 221	3,618	10,000	-	13,791 221

Financial assets	48	-	-	-	48
TOTAL CURRENT ASSETS	442	3,618	10,000	-	14,060
NON-CURRENT ASSETS	29				20
Plant and equipment Receivables	27	-	-	-	29 27
Exploration and evaluation	27	-	-	-	27
expenditure	10,297	_	_	_	10,297
TOTAL NON-CURRENT ASSETS	10,353	-	-	-	10,353
TOTAL ASSETS	10,795	3,618	10,000	-	24,413
	1.070	(75)			005
Trade and other payables Provisions	1,070 2,249	(75)	-	-	995 2,249
TOTAL CURRENT LIABILITES	3,319	(75)			3,244
	0,017	(73)	_	_	0,244
NON-CURRENT LIABILITES					
Convertible notes	-	-	10,000		10,000
Provisions	297	-	-	-	297
TOTAL NON-CURRENT LIABILITES	297	-	10,000	-	10,297
	0 (1) (	(75)	10.000		
TOTAL LIABILITIES	3,616	(75)	10,000	-	13,541
NET ASSETS	7,179	3,693	-	-	10,872
EQUITY					
Issued Capital	11,839	3,693	-	831	16,363
Reserves	1,914	-	-	-	1,914
Accumulated losses	(6,574)	-	-	(831)	(7,405)
TOTAL EQUITY	7,179	3,693	-	-	10,872

# 6.6 Consequences if the Transaction is not approved or does not otherwise proceed

The majority of the Board considers that the Transaction (if Resolutions 5, 6 and 7 are approved by Shareholders) represents an excellent outcome for the Company. Mr Joseph Gutnick, who controls Great Central and therefore has a material personal interest in the outcome of Resolutions 5, 6 and 7 and so does not express a view in respect of those Resolutions or the Transaction generally.

If Resolutions 5, 6 and 7 are not approved, or the Transaction does not proceed for any other reason, the majority of the Board (other than Mr Gutnick) consider that there will be an opportunity cost borne by the Company, but note that in those circumstances the Company will continue to operate in the same way as it did prior to the entry into the Transaction.

If Resolution 5 and/or 6 and/or 7 are not approved, and if the Transaction does not proceed, the Company may need to seek alternative funding opportunities with other parties in order to provide it with the funds necessary to develop its Matilda Gold Project. There can be no guarantee that alternative funding will be available on terms better than or comparable to the Transaction, or at all.

## 6.7 Directors' Recommendation

The Board (other than Mr Gutnick, who declines to make a recommendation as he controls Great Central and therefore has a material personal interest in the outcome of Resolution 6) recommends Shareholders vote in favour of Resolution 6 for the reasons set out in Part A and section 6 of this Explanatory Memorandum and also for the reason that

it allows the Company greater flexibility to issue further securities representing up to 15% of the total number of Shares on issue in any 12 month period without Shareholder approval.

### 7. RESOLUTIONS 7 TO 11 – APPROVAL OF ISSUE OF DIRECTOR OPTIONS TO MR JOSEPH GUTNICK AND SHARES ON EXERCISE OF THOSE OPTIONS), MR CRAIG MICHAEL, MR BRYAN DIXON, MR ALAN THOM & MR GREG MILES

## **Resolution 7**

The proposed issue of the Gutnick Options to Mr Joseph Gutnick under Resolution 7 will, if exercised into Shares by Mr Joseph Gutnick, will increase his (and Great Central's) voting power in the Company as set out in section 6.4. Section 606 of the Corporations Act provides that a person must not acquire a relevant interest in voting shares in a company if the acquisition will result in that person's or another person's voting power in the Company increasing from less than 20% to more than 20% or from a starting point that is above 20% and below 90%.

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the Company in which the person **and** the person's associates have a relevant interest.

Accordingly the Company is seeking Shareholder approval under item 7 of section 611 of the Corporations Act to issue and allot the Gutnick Options to Mr Joseph Gutnick under Resolution 7 and to the issue and allotment of Shares upon the exercise of those Gutnick Options. Item 7 of section 611 of the Corporations Act provides a mechanism by which shareholders may approve an issue of shares in the company to a person which would otherwise result in that person's, or another person's, voting power in the company increasing from less than 20% to more than 20% or from a starting point that is above 20% and below 90%.

This issue of the Gutnick Options and the issue of Shares upon their exercise forms part of the Transaction as outlined previously in Part A of this Explanatory Memorandum.

Information has also been provided under section 6 of this Explanatory Memorandum for Resolution 6 in relation to the increase in voting power in the Company caused by the proposed issue of the Gutnick Options. Please refer to that section 6.

## Resolutions 7 to 11

Resolutions 7 to 11 inclusive seek the approval of Shareholders for the issue of 6,500,000 Director Options to Directors and/or their nominee(s) as follows:

Director	# of Director Options
Joseph Gutnick	2,000,0001
Craig Michael	1,500,0001
Bryan Dixon	1,000,000 1
Alan Thom	1,000,000 1
Greg Miles	1,000,000 1

1. Expiry date on or before 5.00pm WST on the date that is 3 years less one day following the date of issue at an exercise price equal to 134% of the VWAP for the 5 Trading Days preceding the date of the Meeting. Accordingly the exercise price is not known as at the date of this Notice. The exercise price will be announced when known, but in any case prior to the Meeting.

Shareholder approval of the grant of the Director Options the subject of Resolutions 7 to 11 is sought for the purposes of:

- 1. Part 2E.1 of the Corporations Act, which governs the giving of financial benefits to directors and other "related parties" of a company; and
- 2. ASX Listing Rule 10.11, which provides that, subject to certain exceptions (none of which are relevant here), a company must not issue or grant securities to a director without shareholder approval.

The object of Resolutions 7 to 11 is to provide the Directors with a mechanism to participate in the future development of the Company and an incentive for their future involvement with, and commitment to, the Company. Accordingly it is important that the Company is able to attract and retain people of the highest calibre. The Directors consider that the most appropriate means of achieving this is to provide Directors with an opportunity to participate in the Company's future growth and an incentive to contribute to that growth.

If Shareholder approval is obtained for Resolutions 7 to 11, the Director Options will be granted within one month of the receipt of Shareholder approval.

# 7.1 Terms of Director Options

Subject to the receipt of Shareholder approval, the Director Options will be granted on the terms and conditions set out in Annexure "C".

## 7.2 Part 2E.1 of the Corporations Act

Part 2E.1 of the Corporations Act prohibits the Company from giving a financial benefit to a "related party" of the Company (such as a Director) unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the relevant provisions of the Corporations Act; or
- (b) prior Shareholder approval is obtained to the giving of the benefit.

For the purposes of Part 2E.1, Messrs Gutnick, Dixon, Thom and Miles (and/or their nominee(s)) are considered to be related parties of the Company as they are Directors, and Mr Michael (and/or his nominee(s)) is considered to be a related party of the Company as he is an alternate Director and, therefore, the proposed grant of Director Options to them (and/or their nominee(s)) requires prior Shareholder approval.

The annual total remuneration packages including superannuation and non-cash benefits payable to each of Messrs Gutnick, Michael, Dixon, Thom and Miles are as follows:

Director	Position	Total Remuneration Package (p.a.)	Estimated value of Director Options to be issued (Refer to Annexure "D")
Joseph Gutnick	Non-Executive Chairman	\$50,000	\$181,208

Craig Michael	Alternate Director for Mr Joseph Gutnick	Nil	\$135,906
Bryan Dixon	Managing Director	\$196,200	\$90,604
Alan Thom	Executive Director	\$200,000	\$90,604
Greg Miles	Executive Director	\$196,200	\$90,604

The following table sets out Messrs Gutnick, Michael, Dixon, Thom and Miles' respective beneficial interests in the securities of Blackham:

	Current							Proposed (a)
Director	Ordinary Shares	\$0.361 Options expiring 30/11/13	\$0.266 Options expiring 29/11/13	\$0.238 Options expiring 29/6/14	\$0.285 Options expiring 29/11/14	\$0.255 Options expiring 29/6/15	\$0.228 Options expiring 29/11/15	Ordinary Shares
Joseph Gutnick	10,982,000	-	-	-	_	-	-	57,790,000 (f)
Craig Michael	-	-	-	-	-	-	-	1,500,000
Bryan Dixon	580,000	(b)	-	(c)	-	(d)	(e)	1,580,000
Alan Thom	-	500,000	-	100,000	-	100,000	500,000	2,200,000
Greg Miles	304,500	-	500,000	-	500,000	-	500,000	2,804,500

- (a) Assuming Shareholders approve the issues of the Director Options to Directors that are the subject of Resolutions 7 to 11 (inclusive) and all Director Options are exercised.
- (b) 500,000 Options exercisable at \$0.361 on or before 30/12/2013 were issued to Mr Dixon's nominee in accordance with the terms and conditions of those Options. The relationship between the nominee to which the Options were issued and Mr Dixon does not give rise to Mr Dixon having a relevant interest in those Options in accordance with section 205G of the Corporations Act.
- (c) 400,000 Options exercisable at \$0.238 Options on or before 29/6/2014 were issued to Mr Dixon's nominee in accordance with the terms and conditions of those Options. The relationship between the nominee to which the Options were issued and Mr Dixon does not give rise to Mr Dixon having a relevant interest in those Options in accordance with section 205G of the Corporations Act.
- (d) 400,000 Options exercisable at \$0.255 on or before 29/6/2015 were issued to Mr Dixon's nominee in accordance with the terms and

conditions of those Options. The relationship between the nominee to which the Options were issued and Mr Dixon does not give rise to Mr Dixon having a relevant interest in those Options in accordance with section 205G of the Corporations Act.

- (e) 500,000 Options exercisable at \$0.228 on or before 29/11/2015 were issued to Mr Dixon's nominee in accordance with the terms and conditions of those Options. The relationship between the nominee to which the Options were issued and Mr Dixon does not give rise to Mr Dixon having a relevant interest in those Options in accordance with section 205G of the Corporations Act.
- (f) Mr Gutnick controls, and therefore is an associate of, Great Central, to which Shares and Convertible Notes are proposed to be issued pursuant to this Notice. Assuming all of the Resolutions are passed, Mr Gutnick will have a relevant interest in 57,790,000 Shares, being 55,790,000 Shares (on a fully diluted basis) held by Great Central and 2,000,000 held by Mr Gutnick directly.

In accordance with the requirements of Part 2E.1 and, in particular, sections 219 and 221 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided to Shareholders to allow them to assess the proposed grant of Director Options:

- 1. Messrs Gutnick, Michael, Dixon, Thom and Miles, being Directors, are related parties of the Company to whom the financial benefit would be given by virtue of section 228(2)(a) of the Corporations Act (or in the case of their respective nominee(s), section 228(4) of the Corporations Act);
- 2. the nature of the financial benefit to be given is the grant of 6,500,000 Director Options (being 2,000,000 Director Options issued to Mr Gutnick, 1,500,000 Director Options issued to Mr Craig Michael and 1,000,000 Director Options issued to each of Messrs Dixon, Thom and Miles) on the terms set out in Annexure "C";
- 3. an estimate of the value of the Director Options is set out in the Annexure "D";
- 4. neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision as to whether it is in the best interests of the Company to pass Resolutions 7 to 11 other than as follows:
  - (a) if all the Director Options the subject of Resolutions 7 to 11 are granted and exercised, then the Company's fully paid Share capital (based on the existing number of Shares) will be diluted by 7.8%;
  - (b) the Directors consider that the incentive represented by the grant of Director Options is a cost effective and efficient incentive when compared to other forms of incentive such as cash, bonuses or increased remuneration;
  - (c) the primary purpose of the grant of Director Options is to provide an incentive to Messrs Gutnick, Michael, Dixon, Thom and Miles. Given this purpose, the Directors do not consider that there is any opportunity cost or benefit foregone to the Company in granting the Director Options that are the subject of Resolutions 7 to 11 (other than as set out below); and
  - (d) the Board has examined carefully the individual remuneration packages of Directors to determine the fairness and reasonableness of the remuneration package. As part of the examination, the Board has reviewed the remuneration packages of industry executives and nonexecutives in similar roles; and
- 5. the Board considers the grants to Messrs Gutnick, Michael, Dixon, Thom and Miles are appropriate in the circumstances for the reasons set out below.

Based on the examination, the Board has concluded that the totality of Messrs Gutnick, Michael, Dixon, Thom and Miles' remuneration packages, including the equity component of such number of Director Options proposed to be issued to each of Messrs Gutnick, Michael, Dixon, Thom and Miles under Resolutions 7 to 11 respectively (now to be considered for approval by Shareholders), is fair and reasonable in the circumstances of Blackham given its size and stage of development, market practice of other companies in the mineral exploration industry and given the necessity to attract and retain the highest calibre of skilled professionals to the Company whilst maintaining the Company's cash reserves, and in light of Messrs Gutnick, Michael, Dixon, Thom and Miles' management experience and knowledge of the mineral exploration industry.

The Directors do not consider that there are any opportunity costs to the Company or benefits forgone by the Company in respect of the proposed issue of Director Options pursuant to Resolutions 7 to 11, other than, if the Director Options are exercised when the market price of the Shares is greater than the exercise price of the Director Options, there will be a detriment insofar as the Company will be required to issue Shares at a price lower than it might otherwise have been able to, with the result that less funds will be raised. Any funds raised from the exercise of Director Options will supplement the Company's working capital requirements.

The latest available price of Shares quoted on the ASX prior to the date of this Notice of Meeting on 23 April 2013 was \$0.14. The highest price for Shares trading on the ASX over the last 12 months was \$0.265 and the lowest price in that period was \$0.14.

# 7.3 ASX Listing Rule 10.11

ASX Listing Rule 10.11 provides that, subject to certain exemptions (none of which are relevant here), a company must not issue options to a related party without shareholder approval. Resolutions 7 to 11 seek this approval.

Information required for the purposes of ASX Listing Rule 10.13 in relation to the Shareholder approval sought under ASX Listing Rule 10.11 pursuant to Resolutions 7 to 11 is set out below and is also provided in the Notice of Meeting and the Explanatory Memorandum above.

(a) The name of the person

Messrs Gutnick, Dixon, Thom and Miles, who are Directors, and Mr Michael, who is an alternate director for Mr Gutnick.

(b) The maximum number of securities to be issued (if known) or the formula for calculating the number of securities to be issued to the person.

6,500,000 Director Options, being 2,000,000 Director Options to be issued to Mr Gutnick, 1,500,000 Director Options to be issued to Mr Michael and 1,000,000 Director Options to be issued to each of Messrs Dixon, Thom and Miles.

(c) The date by which the entity will issue the securities, which must be not be more than 1 month after the date of the meeting.

The Director Options will be issued within one month of the date of the Meeting;

(d) The issue price of the securities and a statement of the terms of the issue.

The Director Options are being issued for no consideration. The terms and conditions of the Director Options are set out in Annexure "C". An estimate of the value of the Director Options is set out in the Annexure "D".

# (e) The intended use of the funds raised

The Director Options are to be granted for nil consideration and therefore no funds will be raised from their issue.

# 7.4 ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that prior approval of shareholders is required for an issue of equity securities if the equity securities will, when aggregated with the equity securities issued by a company during the previous 12 months, exceed 15% of the number of ordinary shares on issue at the commencement of that 12 month period.

Approval pursuant to ASX Listing Rule 7.1 is not required (under Exception 14 to ASX Listing Rule 7.1) in order to issue the Director Options to Messrs Gutnick, Michael, Dixon, Thom and Miles and/or their nominee(s) as approval is being obtained under ASX Listing Rule 10.11.

Shareholders should note that the issue of securities to Messrs Gutnick, Michael, Dixon, Thom and Miles and/or their nominee(s) will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

# 7.5 Directors' Recommendation

Mr Joseph Gutnick declines to make a recommendation to Shareholders in relation to Resolution 7 due to his material personal interest in the outcome of the Resolution.

The Directors (other than Mr Joseph Gutnick) recommend that, for the reasons set out above, Shareholders vote in favour of Resolution 7.

Mr Craig Michael is the alternate Director for Mr Joseph Gutnick. Mr Joseph Gutnick declines to make a recommendation to Shareholders in relation to Resolution 8 due to the material personal interest of his alternate Director Mr Craig Michael in the outcome of the Resolution.

The Directors (other than Mr Joseph Gutnick) recommend that, for the reasons set out above, Shareholders vote in favour of Resolution 8.

Mr Bryan Dixon declines to make a recommendation to Shareholders in relation to Resolution 9 due to his material personal interest in the outcome of the Resolution.

The Directors (other than Mr Bryan Dixon) recommend that, for the reasons set out above, Shareholders vote in favour of Resolution 9.

Mr Alan Thom declines to make a recommendation to Shareholders in relation to Resolution 10 due to his material personal interest in the outcome of the Resolution.

The Directors (other than Mr Alan Thom) recommend that, for the reasons set out above, Shareholders vote in favour of Resolution 10.

Mr Greg Miles declines to make a recommendation to Shareholders in relation to Resolution 11 due to his material personal interest in the outcome of the Resolution.

The other Directors (excluding Mr Greg Miles) recommend that, for the reasons set out above, Shareholders vote in favour of Resolution 11.

# 8. RESOLUTION 12 – APPROVAL OF ISSUE OF SHARES TO CASIMIR CAPITAL, LP

Resolution 12 seeks Shareholder approval for the issue and allotment of 2,663,180 Annexure E Options to Casimir Capital, LP and/or its nominee(s) in accordance with ASX Listing Rule 7.1. The issue and allotment of the Annexure E Options is consideration for services rendered to the Company in connection with the Company's funding arrangements with Great Central.

# 8.1 ASX Listing Rule 7.1

ASX Listing Rule 7.1 requires the Company to obtain Shareholder approval in order to issue equity securities representing more than 15% of the Shares on issue (unless one of the exceptions in ASX Listing Rule 7.2 applies). The Company's proposed issue of Annexure E Options that are the subject of Resolution 12 falls within this requirement as none of the exceptions apply.

Under ASX Listing Rule 7.3, the notice of meeting to approve the issue of the equity securities must include certain information, which information is set out below.

(a) The maximum number of equity securities the entity is to issue (if known) or the formula for calculating the number of Shares the entity is to issue

2,663,180 Annexure E Options.

(b) The date by which the entity will issue the equity securities (which must be no later than 3 months after the date of the meeting)

Within three (3) months from the date of the Meeting.

(c) The issue price of the equity securities, which must be either a fixed price or a minimum price

The Annexure E Options will be issued for no consideration as they will be issued to Casimir Capital, LP as consideration for services rendered to the Company in connection with the Company's funding arrangements with Great Central.

(d) The names of the persons to whom Blackham will issue the securities (if known) or the basis upon which those persons will be identified or selected

Casimir Capital, LP and/or its nominee(s).

(e) The terms of the equity securities

The terms of the Annexure E Options are outlined in Annexure "E" to this Notice.

(f) The use of the funds raised

No funds were raised by the issue of the Annexure E Options, however, any funds raised from the exercise of Annexure E Options will supplement the Company's working capital requirements.

(g) The issue date or a statement that the issue will occur progressively

The issue of the Annexure E Options will occur progressively but will occur within three (3) months from the date of the General Meeting.

# 8.2 Directors' Recommendation

The Board unanimously recommends Shareholders vote in favour of Resolution 12 as it allows the Company greater flexibility to issue further securities representing up to 15% of the total number of Shares on issue in any 12 month period without Shareholder approval.

## GLOSSARY

In the Notice of Meeting (including the Annexures thereto) and the Proxy Form, the following terms have the following meanings unless they are otherwise defined or the context otherwise requires:

\$ means Australian dollars.

**Annexure** means an annexure to this Explanatory Memorandum.

Annexure E Option means an Option issued on the terms and conditions set out in Annexure "E".

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited ACN 008 624 691 or the market operated by it, as the context requires.

**ASX Listing Rules** or **Listing Rules** means the Listing Rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the official list of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

**Board** means the board of Directors.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chairperson of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the Company;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) that may be made for this purpose.

Company or Blackham means Blackham Resources Limited ACN 119 887 606.

**Constitution** means the Company's constitution.

**Convertible Note Deed** means the convertible note deed of subscription dated 1 February 2013 entered into between the Company and Great Central in respect of the issue of the Convertible Notes, a summary of the key terms of which is contained in Annexure "A". **Convertible Notes** means the Tranche 1 Convertible Notes and the Tranche 2 Convertible Notes.

**Corporations Act** means the Corporations Act 2001 (Cth) and the regulations promulgated under it, each as amended from time to time.

Director means a director of the Company.

**Director Option** means an Option issued on the terms and conditions set out in Annexure "C".

**Explanatory Memorandum** means the explanatory memorandum accompanying and forming part of the Notice.

**Funding Agreement** means the funding agreement dated 26 April 2012 between the Company and The Australian Special Opportunity Fund, LP.

**General Meeting** or **Meeting** means the general meeting of the shareholders of the Company convened by the Notice.

Great Central means Great Central Gold Pty Ltd ACN 162 134 063.

**Gutnick Options** means the 2,000,000 Director Options proposed to be issued and allotted to Mr Joseph Gutnick and/or his nominee(s) under Resolution 7.

**Independent Expert's Report** means the report commissioned by the Company and prepared by BDO Corporate Finance (WA) Pty Ltd in connection with Resolutions 6 and 7, a copy of which is contained in Annexure "B".

**Key Management Personnel** has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

**Notice** or **Notice of Meeting** or **Notice of General Meeting** means this notice of general meeting including the Explanatory Memorandum and the Proxy Form.

**Option** means an option to acquire a Share.

**Placement** is defined in section 1 of the Explanatory Memorandum.

**Proxy Form** means the proxy form accompanying and forming part of the Notice.

**Remuneration Report** means the remuneration report set out in the Director's report section of the 2012 Financial Report.

**Resolutions** means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

**Share** means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

**Subscription Deed** means the subscription deed entered into between the Company and Great Central in connection with the Placement, a summary of the key terms of which is contained in Annexure "F".

**Trading Day** means a day determined by ASX to be a trading day and notified to market participants being:

- (a) a day other than:
  - (i) a Saturday, Sunday, New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day; and
  - (ii) any other day which ASX declares and publishes is not a trading day; and
- (b) notwithstanding (a), a day which for the purposes of settlement, ASX declares is a trading day notwithstanding that dealings between market participants are suspended on that day.

Tranche 1 Convertible Notes is defined in section 6 of this Explanatory Memorandum.

Tranche 2 Convertible Notes is defined in section 6 of this Explanatory Memorandum.

Tranche 1 Placement is defined in Part A of this Explanatory Memorandum.

Tranche 2 Placement is defined in Part A of this Explanatory Memorandum.

Tranche 1 Placement Shares is defined in section 4 of this Explanatory Memorandum.

Tranche 2 Placement Shares is defined in section 5 of this Explanatory Memorandum.

**Transaction** is defined in Part A of this Explanatory Memorandum.

**VWAP** means in relation to a class of securities quoted on the ASX, the volume weighted average price of that class of securities sold on the ASX during the prescribed number of Trading Days immediately preceding and including the date on which such price is to be determined, but does not include any transactions defined in the ASX Operating Rules as 'special' crossings prior to the commencement of normal trading, crossings during the after hours adjust phase nor any overseas trades pursuant to the exercise of Options.

WST means Western Standard Time as observed in Perth, Western Australia.

Where a word or phrase is given a defined meaning, another part of speech or other grammatical form in respect of that word or phrase has a corresponding meaning.

# ANNEXURE A

Investor	Great Central Gold Pty Ltd.
Issue Price	The issue price of the Convertible Notes is \$0.25 ('Issue Price').
Issue Size	Placement of Convertible Notes to the value of A\$10 million, calculated with reference to the Issue Price, categorised in two tranches of 20,000,000 Convertible Notes, together ' <b>the Note Placement</b> '.
Purpose of the Note	Funds raised by the Note Placement will be used for:
Placement	<ul> <li>Completion of continued exploration and development of the Company's Matilda Gold Project.</li> </ul>
	Reasonable working capital requirements of the Company.
	Under the Convertible Note Deed the Company has warranted that it will not use funds raised by the issue and conversion of the Convertible Notes for any substantial purpose other than as set out above, or for the acquisition of any asset having a value in excess of \$100,000, unless agreed to in writing by Great Central (which agreement shall not be unreasonably withheld or delayed). The Company will comply with Listing Rule 10, if necessary, in the circumstances of an acquisition or disposal of a substantial asset (as that term is defined in the Listing Rules) from or to a related party of the Company.
Draw Down Dates	Tranche 1
Dales	Tranche 1 Convertible Notes (\$5 million face value) will be issued, and subscribed for by Great Central, within 10 Business Days after satisfaction of the last of the conditions precedent (which include gaining approval for the issue of the Tranche 1 Convertible Notes at a general meeting of Shareholders, which is the subject of Resolution 6).
	Tranche 2
	Tranche 2 Convertible Notes (\$5 million face value) will be drawn down within 24 months of the draw down date of Tranche 1 Convertible Notes and only after gaining any necessary approval for their issue at a general meeting of Shareholders.
Voluntary Draw Down	At any time after the issue of the Tranche 1 Convertible Notes, the Company may by giving 90 days' written notice to Great Central require Great Central to subscribe for the number of Convertible Notes specified (' <b>Draw Down Notice</b> ').
	A Draw Down Notice may not seek to require Great Central to subscribe for more than 10,000,000 Convertible Notes in any 3 month period, and any Draw Down Notice which purports to do so will be invalid and have no force or effect.
Compulsory	Any Tranche 2 Convertible Notes that have not been issued by the date that is 24 months after the draw down date of the Tranche 1 Notes

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Draw Down	shall, without any notice being required, be subscribed for by Great Central and be issued by the Company.
Maturity Date	The Convertible Notes will be redeemed at their Issue Price 5 years after the date of their issue (' <b>Issue Date</b> ') unless Great Central or the Company elects to convert them to Shares. If Great Central has not converted the Convertible Notes prior to the date that is 4 years after the Issue Date the Company has a right to redeem the Convertible Notes at any time prior to the Maturity Date.
Interest Rate	Until the Convertible Notes are converted into Shares or redeemed, the Convertible Notes will incur interest at the rate of 8.0% per annum.
	Interest on the Convertible Notes is payable in cash and in arrears on 30 June and 31 December of each calendar year until and including the Maturity Date. However the first interest payment date is 30 June 2013, with the first payment being accrued interest to that date. Accrued interest will also be paid in the event of the early conversion of a Convertible Note.
Early Conversion Rights	If the Shares trade for 45 consecutive Trading Days at above A\$0.40, the Company will have the right to convert some or all of the Convertible Notes to Shares at its election and upon 7 days' notice to Great Central.
Conversion Rights	Convertible Notes may be converted by Great Central into Shares at any time, at the rate of one (1) Share for every Convertible Note held, up until the Maturity Date or until such time as the Company elects to exercise its early conversion right.
	The Company may convert the Convertible Notes before the Maturity Date in the event of a takeover event.
	Great Central may at any time up to (but not including) the Maturity Date, give notice in writing to the Company in the form set out in Schedule 5 to the Convertible Note Deed (' <b>Conversion Notice</b> ') that seven days after receipt of the Conversion Notice, some or all of the Convertible Notes will convert into Shares.
	Convertible Notes must be converted in multiples of 1,000,000 Convertible Notes unless Great Central has less than 1,000,000 unconverted Convertible Notes, in which case Great Central must convert all unconverted Convertible Notes. Conversion of the Convertible Notes is subject to the receipt of any necessary Shareholder and regulatory consents or approvals. In the event that the issue of Shares upon conversion of Convertible Notes requires regulatory approval or the consent of a third party, the Company will use its best endeavours to procure such approval or consent. The conversion of the Convertible Notes will be suspended until such time as the approval or consent is obtained and, if it is not obtained within 90 days of the date of conversion, then all those Convertible Notes on issue at that time and which have not been converted will become immediately due and payable, together with all interest payable thereon (which interest shall also be paid in cash).
	In the event of a reorganisation of the capital of the Company, or the issue of further securities by the Company to a third party, the conversion factor of the Convertible Notes will be adjusted so as to

	ensure that Great Central's rights in respect of the Convertible Notes are not diluted and to ensure compliance with ASX Listing Rule 7.21.
Ranking on Conversion	Each Share issued on conversion of a Convertible Note will rank equally with all existing Shares then on issue, except that such Shares will not be entitled to any dividend that has been declared or determined but not paid as at the conversion date.
Non dilution and no advantage	In the event of a reorganisation event in respect of the Company (being a consolidation of subdivision of the Shares on issue) or the issue of any further securities by the Company to a third party, the conversion factor of the Convertible Note will be adjusted to ensure compliance with ASX Listing Rule 7.21 and to ensure there is no dilution of the rights attaching to the Convertible Notes.
Participation Rights	Before conversion, Great Central is not entitled to participate in any rights issue, return of capital, bonus issue or capital reconstruction undertaken by the Company. However, the conversion ratio of the Convertible Notes will be adjusted in the case of a rights issue, return of excess capital or bonus issue. In the case of a capital reconstruction, the Convertible Notes will re-constructed in accordance with the ASX Listing Rules.
Voting Rights	Great Central is not entitled to vote at general meetings of the Company, unless provided for by the ASX Listing Rules or the Corporations Act.
Unsecured	The Convertible Notes are unsecured and rank ahead of all Shares.
Listing of the Notes	The Company will not apply for the Convertible Notes to be quoted on the ASX.
Quotation of Shares upon Conversion of Notes	The Company will apply for the Shares issued upon conversion of the Convertible Notes to be quoted on ASX and will do whatever is reasonably required to ensure they are freely tradable.
Pre-Emptive Right and Restrictions on Share Issuance	<ul> <li>In the event that any Convertible Notes are converted to Shares in accordance with the Convertible Note Deed, the following provisions concerning non-dilution will apply to the parties.</li> <li>(a) At least three (3) days prior to entering into any funding agreement or scheme which is intended to result in the issuing of securities to a third party, the Company must provide Great Central with a written notice setting out all details of and information concerning the proposed issue, including the number of securities to be issued, the price and terms and conditions of the proposed securities are proposed to be issued ("Proposed Issue Notice") and advising Great Central of its right to take up its prorata proportion of the securities referred to in the Proposed Issue Notice.</li> <li>(b) Great Central has a period of 3 to 30 days in which case Great Central can elect to participate in a Fund Raising on identical terms to the Proposed Issue Notice in order to maintain its proportional interest in the Company (Pro-rata Agreement).</li> </ul>

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Consents and approvals	It is a condition precedent to the Convertible Note Deed that each party obtain all regulatory approvals or consents (including ASX and ASIC approvals or consents) necessary for it to enter into the Convertible Note Deed and to complete the transactions contemplated by it including the issue of the Convertible Notes and the conversion of the Convertible Notes to Shares including Shareholder approval for the purposes of item 7 of section 611 of the Corporations Act.
Negative Pledge	At all times while Convertible Notes remain outstanding and have not been converted to Shares in accordance with the Convertible Note Deed, the Company will not create or permit the creation of any security interest in respect of the whole or part of the issued and paid up capital of the Company and/or its subsidiaries, or the assets of the Company without the prior written consent of Great Central, which consent will not be unreasonably withheld or delayed.
	The Company shall not enter into any agreement to purchase any asset on terms under which some or all of the consideration payable is the issue of Shares or other securities of any kind in the Company without the prior written consent of Great Central. The Company will comply with Listing Rule 10, if necessary, in the circumstances of an acquisition or disposal of a substantial asset (as that term is defined in the Listing Rules) in the circumstances set out in Listing Rule 10.1 including from or to a related party of the Company or any associates of a related party of the Company.
Events of Default	The Convertible Note Deed sets out a number of major events of default including but not limited to the making of an order for the winding up of the Company, the appointment of a liquidator in respect of the Company, the de-registration of the Company under the Corporations Act, a distress or other process of a government agency being issued against an asset of the Company exceeding \$1,000,000 which is not set aside or satisfied within 10 Business Days or the suspension of payments by the Company.
	The Convertible Note Deed also provides that a breach of an obligation to pay money payable under, or a material breach of certain specified clauses in, the Convertible Note Deed will constitute a major event of default.
Consequences of Default	The occurrence of a major event of default will entitle Great Central to immediately serve notice on the Company terminating the Convertible Note Deed.
	Where an event of default (being an event of default that is not a major event of default) occurs, where the default is capable of remedy, the non-defaulting party shall be entitled to serve notice on the defaulting party requiring the breach be remedied within 14 days. In the event that the breach is not remedied within that time, or if the default is not capable of remedy, the non-defaulting party may serve notice terminating the Convertible Note Deed in accordance with its terms.
	Upon the termination of the Convertible Note Deed for reason of a major event of default, the Company will be required to repay the subscription price plus any interest payable in respect of each outstanding Convertible Note within 14 days of receipt of the notice of

termination.
Where the Convertible Note Deed is terminated for an event of default other than a failure to make a payment due under the Convertible Note Deed, the non-defaulting party will be entitled to recover any damages to which it would have otherwise been entitled had the Convertible Note Deed not been terminated.
The Convertible Note Deed also establishes that where that deed is terminated for the failure to by Great Central make certain payments thereunder, the amount outstanding must be paid by the Noteholder to the Company and the Company must issue ordinary Shares to Great Central at a conversion price equal to the VWAP for the 5 Trading Days prior to the issue of those Shares, subject to the receipt of any necessary Shareholder or other approvals.

## **ANNEXURE B**

### Summary of Key Terms of Subscription Deed

- 1. The Company has entered into a subscription deed dated 1 February 2013 with Great Central which sets out the funding arrangements between the Company and Great Central including, amongst other things, the terms and conditions of the Placement.
- 2. The Company offered, and Great Central accepted, a private placement of 15.79 million Shares at \$0.21 per Share for a total consideration of \$3,315,900 on the terms and conditions set out in the Subscription Deed. The Placement consists of two tranches, the first being of 12,215,000 Shares and the second being of 3,575,000 Shares.
- 3. The Subscription Deed also sets out the terms and conditions upon which the Company and Great Central would enter into a convertible note agreement in respect of a \$10 million convertible note, convertible into Shares.
- 4. Great Central's subscription obligations are conditional upon the satisfaction of a number of conditions precedent including the passing of a resolution of Shareholders exempting the acquisitions made by Great Central under the Subscription Deed from the takeover prohibitions contained in section 606 of the Corporations Act by virtue of the exemption contained in item 7 of section 611 of the Corporations Act.
- 5. The Subscription Deed is conditional upon the receipt of all necessary approvals including those required by laws applicable to the Company and/or Great Central.
- 6. The Company is required to convene the Meeting and to put resolutions seeking Shareholder approval for the issue and allotment of the Tranche 2 Placement Shares before the Meeting. Resolution 5 seeks this approval.
- 7. The Shares issued under the Subscription Deed are, or will be, subject to a six month voluntary escrow period during which time they may not be traded, dealt with or otherwise transferred or disposed of.
- 8. Great Central is not required to complete the transactions that are the subject of the Subscription Deed if all of the consents and approvals required for the issue of the Tranche 1 Placement Shares were not obtained by 17 February 2013 or such later time as the Company and Great Central may agree. As at the date of this Notice those consents and approvals have been obtained and the Tranche 1 Placement Shares have been issued to Great Central (the ratification of which issue is the subject of Resolution 4).

Great Central is not required to subscribe for the Tranche 2 Placement Shares or to complete the transactions contemplated by the agreement concerning the issue of the Convertible Notes unless the Shareholder approvals required for the issue of the Tranche 2 Placement Shares are obtained by 11.00pm WST on 18 April 2013 or such later date as the Company and Great Central may agree in writing. The parties have agreed to extend this date to 6 June 2013. Those approvals are the subject of Resolution 5.

9. Great Central and the Company each provided representations and warranties under the Subscription Deed that are normally found in agreements of this type, including a warranty by Great Central that it is a professional investor for the purposes of section 9 of the Corporations Act or a person who meets either of the tests in section 708(8) of the Corporations Act to be considered a sophisticated investor for the purposes of that act.

- 10. Great Central has been granted a pre-emptive right (which shall not apply to a rights issue) in respect of certain funding transactions for the Company. The terms and conditions of that right include that:
  - (a) The pre-emptive right does not apply to a rights issue of securities of the Company.
  - (b) At least three (3) days prior to entering into any funding agreement or scheme which is intended to result in the issuing of securities to a third party, the Company must provide Great Central with a written notice setting out all details of and information concerning the proposed issue, including the number of securities to be issued, the price and terms and conditions of the proposed securities and the identity of the person or persons to whom the securities are proposed to be issued ("Proposed Issue Notice") and advising Great Central of its right to take up its pro-rata proportion of the securities referred to in the Proposed Issue Notice.
  - (c) Great Central has a period of 3 to 30 days during which time Great Central can elect to participate in a Fund Raising on identical terms to the Proposed Issue Notice in order to maintain its proportional interest in the Company. This right is exercisable subject to the receipt of Shareholder approval under Listing Rule 10.11, as set out in Part A of the Explanatory Memorandum.
- 11. Upon completion of the issue and allotment of the Tranche 1 Placement Shares, the Company was required to offer the role of non-executive chairman of the Company to Mr Joseph Gutnick, with Mr Craig Michael being his alternate Director.
- 12. The Convertible Note Deed must be executed by the Company and Great Central immediately upon execution of the Subscription Deed.

# ANNEXURE C

### Terms and Conditions of Director Options

The terms and conditions of 6,500,000 Director Options proposed to be issued and allotted and the subject of proposed Resolutions 7 to 11 (inclusive) are as follows:

- (a) Each Director Option gives the Director Option holder the right to subscribe for one Share. To obtain the right given by each Director Option, the Director Option holder must exercise the Director Options in accordance with the terms and conditions of the Director Options. The Director Options will have an expiry date that is 3 years less one day following the date of issue and the exercise price will be equal to 134% of the VWAP for the 5 Trading Days preceding the date of the Meeting.
- (b) Any Director Option not exercised before the relevant Director Option Expiry Date will automatically lapse on that Director Option Expiry Date.
- (c) A Director Option holder may exercise their Director Options by lodging with the Company, before the relevant Director Option Expiry Date:
  - a. written notice of exercise of Director Options specifying the number of Director Options being exercised (**Director Option Exercise Notice**); and
  - b. cheque or electronic funds transfer for the relevant Director Option Exercise Price for the number of Director Options being exercised.
- (d) A Director Option Exercise Notice is only effective when the Company has received the full amount of the relevant Director Option Exercise Price in cleared funds.
- (e) Within 14 Business Days of receipt of the Director Option Exercise Notice accompanied by the relevant Director Option Exercise Price for the number of Director Options being exercised, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Director Options specified in the Director Option Exercise Notice.
- (f) All Shares allotted upon the exercise of Director Options will upon allotment rank pari passu in all respects with other Shares.
- (g) In the event the Company is listed on ASX at the time of exercise of the Director Options the Company will apply for quotation on ASX of all Shares allotted pursuant to the exercise of Director Options within 10 Business Days after the date of allotment of those Shares.
- (h) If at any time the issued capital of the Company is reconstructed, all rights of a Director Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules (if applicable) at the time of the reconstruction.
- (i) There are no participating rights or entitlements inherent in the Director Options and Director Option holders will not be entitled to participate in new issues of capital

offered to Shareholders during the currency of the Director Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Director Option holders the opportunity to exercise their Director Options prior to the date for determining entitlements to participate in any such issue.

- (j) In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Director Options, the exercise price of the Director Options will be treated in accordance with the Listing Rules (if applicable).
- (k) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issues of the Director Options, the number of securities over which a Director Option is exercisable may be increased by the number of securities which the Director Option holder would have received if the Director Option had been exercised before the record date for the bonus issue.

# **ANNEXURE D**

### Estimate of the Value of Director Options

An estimate of the value of the Director Options that are proposed to be granted to Directors on the terms set out in Annexure "C" (pursuant to the passing of Resolutions 7 to 11 inclusive) using the theoretical Black Scholes Option Pricing Model has been calculated as set out below:

Director	# Director Options	Estimated Value A\$
Joseph Gutnick	2,000,000	\$181,208
Craig Michael	1,500,000	\$135,906
Bryan Dixon	1,000,000	\$90,604
Alan Thom	1,000,000	\$ 90,604
Greg Miles	1,000,000	\$ 90,604
Total	6,500,000	\$588,926

The estimated value of the Director Options was calculated using the following assumptions:

- 1. the date of the valuation is 23 April 2013;
- 2. the risk free rate is approximately 3.00% (represented by the current Reserve Bank of Australia, Cash rate);
- 3. Share price of A\$0.158 (which represents the ASX VWAP per Share for the 5 Trading Days preceding 23 April 2013);
- 4. dividend yield of 0%;
- 5. forecast volatility of 100%. The volatility rate based on the range to which the Shares have been trading on the ASX and other comparable company volatilities;
- 6. the Director Options will expire 3 years less one day from date of their issue;
- the exercise price of the Director Options for the purpose of this valuation is: \$0.212 (based on 134% of the VWAP for the 5 Trading Days prior to 23 April 2013);
- 8. nil discount factor; and
- 9. indicative value per Director Option \$0.09.

\* The actual exercise prices of the Director Options will be determined on the date of the Meeting. They will be based on 134% of the VWAP for the 5 Trading Days prior to the date of the Meeting. The intended grant date of the Director Options is a future date yet to be decided though expected to be on 6 June 2013 or thereafter. However, since the actual Share price is not known, for the purposes of the valuation, the Director Options have been valued as though granted on 23 April 2013. The Director Options have been valued using market data current at that time. Accordingly the actual exercise price (and also the value of the Director Options as at the date of issue) could vary having regard to the

fluctuations in the market price of the Shares between the date of this Notice and the date upon which the Director Options are offered to Messrs Gutnick, Michael, Dixon, Thom and Miles following the General Meeting in which case the valuation of the Director Options may vary.

# **ANNEXURE E**

### Terms and Conditions of Annexure E Options

The terms and conditions of 2,663,180 Annexure E Options proposed to be allotted and issued and the subject of proposed Resolution 11 are as follows:

- (a) Each Annexure E Option gives the Annexure E Option holder the right to subscribe for one Share. To obtain the right given by each Option, the Annexure E Option holder must exercise the Annexure E Options in accordance with the terms and conditions of the Annexure E Options. The Annexure E Options will have an expiry date that is 2 years following the date of their issue (Expiry Date) and the exercise price will be \$0.35 (Exercise Price).
- (b) Any Annexure E Option not exercised before the relevant Expiry Date will automatically lapse on that Expiry Date.
- (c) An Annexure E Option holder may exercise their Options by lodging with the Company, before the relevant Expiry Date:
  - a. written notice of exercise of Annexure E Options specifying the number of Annexure E Options being exercised (**Option Exercise Notice**); and
  - b. cheque or electronic funds transfer for the relevant Exercise Price for the number of Annexure E Options being exercised.
- (d) An Option Exercise Notice is only effective when the Company has received the full amount of the relevant Exercise Price in cleared funds.
- (e) Within 14 Business Days of receipt of the Option Exercise Notice accompanied by the relevant Exercise Price for the number of Annexure E Options being exercised, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Annexure E Options specified in the Option Exercise Notice.
- (f) All Shares allotted upon the exercise of Annexure E Options will upon allotment rank pari passu in all respects with other Shares.
- (g) In the event the Company is listed on ASX at the time of exercise of the Annexure E Options the Company will apply for quotation on ASX of all Shares allotted pursuant to the exercise of Annexure E Options within 10 Business Days after the date of allotment of those Shares.
- (h) If at any time the issued capital of the Company is reconstructed, all rights of an Annexure E Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules (if applicable) at the time of the reconstruction.
- (i) There are no participating rights or entitlements inherent in the Annexure E Options and Annexure E Option holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Annexure E Options.

However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Annexure E Option holders the opportunity to exercise their Annexure E Options prior to the date for determining entitlements to participate in any such issue.

- (j) In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Annexure E Options, the exercise price of the Options will be treated in accordance with the Listing Rules (if applicable).
- (k) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issues of the Annexure E Options, the number of securities over which an Annexure E Option is exercisable may be increased by the number of securities which the Annexure E Option holder would have received if the Annexure E Option had been exercised before the record date for the bonus issue.

# **ANNEXURE F**

Independent Expert's Report

# BLACKHAM RESOURCES LIMITED Independent Expert's Report

**OPINON:** 

# NOT FAIR BUT REASONABLE

23 April 2013







### Financial Services Guide

#### 23 April 2013

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ("we" or "us" or "ours" as appropriate) has been engaged by Blackham Resources Limited ("Blackham") to provide an independent expert's report on the proposal to issue shares to Great Central Gold Pty Ltd ("Great Central Gold") and its associates on conversion of \$10 million of convertible notes. You will be provided with a copy of our report as a retail client because you are a shareholder of Blackham.

#### Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

#### Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

#### Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

#### General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.



# **Financial Services Guide**

Page 2

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$20,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

#### Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Blackham for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

#### Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

#### Complaints resolution

#### Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

#### Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website <u>www.fos.org.au</u> or by contacting them directly via the details set out below.

Financial Ombudsman Service GPO Box 3 Melbourne VIC 3001 Toll free: 1300 78 08 08 Facsimile: (03) 9613 6399 Email: info@fos.org.au

Contact details You may contact us using the details set out on page 1 of the accompanying report.



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Appendix 1 - Glossary

Appendix 2 - Valuation Methodologies

Appendix 3 - Independent Valuation Report prepared by RM Corporate Finance



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23 April 2013

The Directors Blackham Resources Limited Level 2, 28 Richardson Street West Perth, 6005

Dear Sirs

# INDEPENDENT EXPERT'S REPORT

# 1. Introduction

On 4 February 2013, Blackham Resources Limited ("Blackham" or "the Company") announced it had secured \$13 million of funding by way of a capital raising from Great Central Gold Pty Ltd ("Great Central Gold") to further progress the Matilda Gold Project. The capital raising comprises the issue of 15.79 million ordinary shares at \$0.21 per share to raise \$3.32 million ("the Placement") and the issue of \$10 million in convertible notes convertible at \$0.25 ("Convertible Notes") to Great Central Gold and its associates.

The conversion of Great Central Gold's convertible notes into fully paid ordinary shares in the Company will be subject to shareholder approval, to be sought under item 7 of section 611 of the Corporations Act 2001("the Act") to the extent that it may result in Great Central Gold and its associates gaining an interest in the Company of greater than 20%.

The Company is also seeking shareholder approval under item 7 of section 611 of the Act for the issue of Director Options to Mr Joseph Gutnick. The options to be issued to Mr Joseph Gutnick are exercisable at a premium of 34% to the twenty day volume weighted average price ("VWAP") at the date of the Shareholder Meeting and expire in three years less one day following issue ("Director Options").

# 2. Summary and Opinion

# 2.1 Purpose of the report

The directors of Blackham have requested that BDO Corporate Finance (WA) Pty Ltd ("BDO") prepare an independent expert's report ("our Report") to express an opinion as to whether or not the issue of shares to Great Central Gold on conversion of the Convertible Notes and the issue of Director Options to Joseph Gutnick ("the Transaction") is fair and reasonable to the non-associated shareholders of Blackham ("Shareholders").

Our Report is prepared pursuant to item 7 of section 611 of the Act and is to be included in the Notice of Meeting for Blackham in order to assist the Shareholders in their decision whether to approve the Transaction.

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 AFS Licence No 316158 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Corporate Finance (WA) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.



# 2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111 ("RG 111"), 'Content of Expert's Reports' and Regulatory Guide 112 ("RG 112") 'Independence of Experts'.

In arriving at our opinion, we have assessed the terms of the Transaction as outlined in the body of this report. We have considered:

- How the value of the consideration received by Blackham upon conversion of the Convertible Notes compares to the value of a Blackham share;
- How the value of the consideration received by Blackham upon exercise of the Director Options compares to the value of a Blackham share;
- The likelihood of a superior alternative offer being available to Blackham;
- Other factors which we consider to be relevant to Shareholders in their assessment of the conversion of the Convertible Notes; and
- The position of Shareholders should the Transaction not be approved.

# 2.3 Opinion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is not fair but reasonable to Shareholders.

In our opinion, the Transaction is not fair because the conversion price of the Convertible Notes and the exercise price of the Director Options is less than the value of a Blackham share. However, we consider the Transaction to be reasonable because the advantages of the Transaction to Shareholders are greater than the disadvantages.

The Company will require additional funding to further progress the Matilda Gold Project. Blackham may be able to source additional capital from equity markets however this is likely to be at a discount to the current market price, therefore diluting Shareholders' interests. Alternatively Blackham could seek debt financing however, the cost of borrowing is likely to be significantly greater than the cost of the debt component of the Convertible Notes. Combining these reasons with the other advantages in Section 13.4, we consider the Transaction to be reasonable to Shareholders.



# 2.4 Fairness

In Section 12 we determined that the Transaction consideration compares to the value of Blackham, as detailed hereunder.

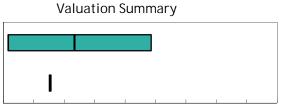
	Ref	Low \$	Preferred \$	High \$
Value of a share in Blackham	11.3	0.115	0.340	0.585
Conversion price for Convertible Notes	4	0.25	0.25	0.25

The above valuation ranges are graphically presented below:

Value of a Blackham share

Value of consideration on conversion of

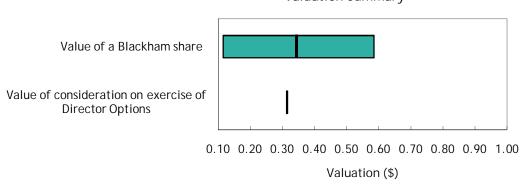
**Convertible Notes** 



0.10 0.20 0.30 0.40 0.50 0.60 0.70 0.80 0.90 1.00 Valuation (\$)

	Ref	Low \$	Preferred \$	High \$
Value of a share in Blackham	11.3	0.115	0.340	0.585
Exercise Price of Director Options	4	0.313	0.313	0.313

The above valuation ranges are graphically presented below:



Valuation Summary



The above pricing indicates that, in the absence of any other relevant information the Transaction is not fair for Shareholders.

# 2.5 Reasonableness

We have considered the analysis in Section 13 of this Report, in terms of both

- advantages and disadvantages of the Transaction; and
- other considerations, including the position of Shareholders if the Transaction does not proceed and the consequences of not approving the Transaction.

In our opinion, the position of Shareholders if the Transaction is approved is more advantageous than the position if the Transaction is not approved. Accordingly, in the absence of any other relevant information and/or a superior proposal we believe that the Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.4	Funds received can be used to develop the Matilda Gold Project	13.5	Dilution of Shareholders' interests
13.4	Availability and cost of alternative funding	13.5	Loss of control
13.4	The Company requires cash in order to meet its short term obligations.	13.5	Potential lower liquidity of shares
13.4	The Transaction strengthens the relationship with Great Central Gold and Joseph Gutnick		
13.4	No changes to current operating arrangements		

Other key matters we have considered include:

Section	Description
13.6	Decreases the likelihood of a takeover offer
13.6	Possible delayed conversion of Convertible Notes



# 3. Scope of the Report

# 3.1 Purpose of the Report

Section 606 of the Corporations Act Regulations ("the Act") expressly prohibits the acquisition of shares by a party if that acquisition will result in that person (or someone else) holding an interest in 20% or more of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

Section 611 permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

Accordingly, an independent experts' report is required for the Transaction. The report should provide an opinion by the expert stating whether or not the terms and conditions in relation thereto are fair and reasonable to non-associated shareholders of Blackham.

Regulatory Guide 74 issued by ASIC deals with "Acquisitions Agreed to by Shareholders". It states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of Blackham, by either:

- undertaking a detailed examination of the Transaction themselves, if they consider that they have sufficient expertise; or
- by commissioning an Independent Expert's Report.

The directors of Blackham have commissioned this Independent Expert's Report to satisfy this obligation. Mr Gutnick was appointed a director on 18 February 2013 in accordance with the Funding Agreement signed with Great Central Gold on 1 February 2013.

# 3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act define the meaning of "fair and reasonable". In determining whether the Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Transaction is a control transaction as defined by RG 111 and we have therefore assessed the Transaction as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

# 3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at



arm's length. When considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of a Blackham share prior to the Transaction and the value of the consideration provided being the conversion price of the Convertible Notes and the exercise price of the Director Options (fairness see Section 12 "Is the Transaction Fair?"); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the Transaction, after reference to the value derived above (reasonableness see Section 13 "Is the Transaction Reasonable?").

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ("APES 225").

A Valuation Engagement is defined by APES 225 as follows:

"an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time."

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.



## 4. Outline of the Transaction

On 4 February 2013, Blackham announced it had secured \$13 million of funding by way of a capital raising, from Great Central Gold to further progress the Matilda Gold Project. The capital raising comprises the issue of 15.79 million ordinary shares at \$0.21 per share to raise \$3.32 million. The Placement was conducted in two tranches with both tranches of shares issued at \$0.21 per share. The first tranche of the Placement comprises 10,982,000 shares with the second tranche comprising 4,808,000 shares.

Blackham will also issue \$10 million in Convertible Notes to Great Central Gold and its associates in two tranches. The first tranche comprises 20 million Convertible Notes, convertible to one share each at \$0.25 ("Tranche 1 Convertible Notes"). If shareholder approval is obtained, the Tranche 1 Convertible Notes will be issued within ten days of the general meeting of the Company. The second tranche comprises 20 million Convertible Notes, convertible to one share each at \$0.25 ("Tranche 2 Convertible Notes, convertible to one share each at \$0.25 ("Tranche 2 Convertible Notes will be issued within 24 months of the Tranche 1 Convertible Notes after gaining shareholder approval at the general meeting of the Company. Both tranches of Convertible Notes have a maturity date of five years from their respective dates of issue. The Convertible Notes will incur interest at a rate of 8% per annum, paid biannually. The Convertible Notes have a conversion feature which entitles the Company to convert some, or all, of the Convertible Notes at its sole election if the Company's shares trade at above \$0.40 for forty consecutive trading days.

The Company is also seeking shareholder approval under item 7 of section 611 of the Act for the issue of Director Options to Mr Joseph Gutnick. The Director Options are exercisable at a premium of 34% to the twenty day volume weighted average price ("VWAP") at the date of the Shareholder Meeting and expire in three years less one day following issue. The following table sets out the capital structure of the Company assuming full conversion of the Convertible Notes and exercise of all Director Options. In our assessment of the fairness of the Director Options we have assumed an exercise price of \$0.313 based on 134% of the twenty day VWAP at 14 March 2013.

The capital structure of the Company following the conversion of the Convertible Notes and the exercise of the Director Options is set out in the table below.



	Existing Shareholders and Directors	Great Central	Total
Issued Shares as at the date of this Report	65,373,789	10,982,000	76,355,789
% holdings as at date of this Report	85.62%	14.38%	100.00%
Issued Shares in Blackham following the Transaction			
Shares to be issued under the Tranche 2 Placement	-	4,808,000	4,808,000
Shares issued to Special Opportunity Fund	441,176	-	441,176
Conversion of Tranche 1 Convertible Notes	-	20,000,000	20,000,000
Conversion of Tranche 2 Convertible Notes	-	20,000,000	20,000,000
Issued Shares in Blackham following the conversion of the Convertible Notes	65,814,965	55,790,000	121,604,965
% holdings following the conversion of the Convertible			
Notes	54.1%	45.9%	100.00%
Exercise of Director Options	4,500,000	2,000,000	6,500,000
Issued Shares in Blackham following the conversion of the Convertible Notes and exercise of options	70,314,965	57,790,000	128,104,965
% holdings following the conversion of the Convertible			
Notes and exercise of Director Options	54.9%	45.1%	100.00%

We note that the number of Director Options includes 2 million options to Joseph Gutnick, 1.5 million to Craig Michael and 1 million to each of Bryan Dixon, Alan Thom and Greg Miles. The table above assumes that all of the Director Options are exercised as they all have the same terms. However, if only Joseph Gutnick was to exercise his options then Great Central and its associates would have the capacity to hold a 46.8% interest in Blackham.

# 5. Profile of Blackham

## 5.1 Overview

Blackham is a Western Australian resources company that is focused on exploration and development at the Matilda and Williamson Gold Mines in the Wiluna gold belt of Western Australia. The Company was incorporated on 25 May 2006 and later listed on the ASX on 28 September 2006. The Blackham board comprises Joseph Gutnick as Non-Executive Chairman, Brett Smith as Non-Executive Director, Bryan Dixon as Managing Director and Greg Miles and Alan Thom as Executive Directors, with Craig Michael an Alternate Director.

Blackham is evaluating the development of the Scaddan and Zanthus Coal Projects for coal export and the building of a coal to liquid facility. The Scaddan Coal Project is surrounded by complimentary infrastructure approximately 60 kilometres north of the town and major port of Esperance and 10 kilometres east of the Esperance to Kalgoorlie highway, gas pipeline and railway line.



## 5.2 Projects

## Matilda Gold (100%)

Blackham acquired the Matilda Gold Project in November 2011, including the Matilda, Williamson, Galaxy and Regent Gold Mines. The project covers over 570km<sup>2</sup> surrounding the operating Wiluna Gold Mine owned by Apex Minerals NL. The Wiluna mine sequence hosts the Matilda, Williamson and Regent mines with each respective mine located 19km, 26km and 9km from the Wiluna Gold Plant. These mines are accessible by existing haul roads.

### Scaddan Coal (70%)

The Scaddan Energy Project is a joint venture between Blackham and Wesfarmers Resources Coal Limited ("Wesfarmers Resources") which hold a 70% and 30% contributing interest respectively. The joint venture was entered into on 16 January 2008. Blackham and Wesfarmers Resources contribute proportionately to all costs incurred in furthering exploration and evaluating the development of the coal to liquids processing for the project. The joint venture covers the exploration, mining and downstream processing associated with the development of the Scaddan Energy Project.

## Zanthus Lignite Project (100%)

Blackham's subsidiary, Zanthus Energy Pty Ltd owns the 100% interest in the Zanthus lignite deposit approximately 240km's north east of Esperance in Western Australia's Eucla Basin near Balladonia.

Refer to the Independent Valuation Report in Appendix 3 for additional information on these projects.



## 5.3 Historical Balance Sheet

	Reviewed as	Audited as	Audited as	Audited as
Statement of Financial Position	at	at	at	at
	31-Dec-12	30-Jun-12	30-Jun-11	30-Jun-10
	\$	\$	\$	\$
CURRENT ASSETS	172 000	7/0 114	1 400 ( 40	2 5 40 011
Cash and cash equivalents	173,239	769,114	1,409,643	2,548,911
Trade and other receivables	220,106	325,452	172,912	349,818
Financial assets	48,460	54,824	137,327	95,744
TOTAL CURRENT ASSETS	441,805	1,149,390	1,719,882	2,994,473
NON-CURRENT ASSETS				
Property, plant and equipment	28,989	40,663	7,778	3,855
Trade and other receivables	27,325	26,345	25,318	24,000
Exploration, evaluation and development expenditure	10,297,207	7,733,113	2,707,047	1,897,459
TOTAL NON-CURRENT ASSETS	10,353,521	7,800,121	2,740,143	1,925,314
TOTAL ASSETS	10,795,326	8,949,511	4,460,025	4,919,787
· · · · · · · · · · · · · · · · · · ·			.,	
CURRENT LIABILITIES				
Trade and other payables	1,069,524	2,575,070	111,799	109,956
Provisions	2,249,000	137,627	-	-
TOTAL CURRENT LIABILITIES	3,318,524	2,712,697	111,799	109,956
NON-CURRENT LIABILITIES				
Provisions	296,983	-	-	-
TOTAL NON-CURRENT LIABILITIES	296,983	-	-	-
TOTAL LIABILITES	3,615,507	2,712,697	111,799	109,956
NET ASSETS	7,179,819	6,236,814	4,348,226	4,809,831
EQUITY				
Issued capital	11,839,741	10,477,935	7,672,749	7,672,749
Reserves	1,914,546	1,858,158	1,475,570	1,450,560
Accumulated losses	(6,574,468)	(6,099,279)	(4,800,093)	(4,313,478)
TOTAL EQUITY	7,179,819	6,236,814	4,348,226	4,809,831

Source: Blackham Annual and Half-year accounts

Blackham's cash balance decreased from \$1.41 million at 30 June 2011 to \$0.17 million at 31 December 2012 which was due to an increase in exploration, evaluation and development expenditure. Over the same period, the exploration, evaluation and development expenditure asset increased to \$10.30 million, \$3.32 million of which was acquired from Kimba Resources Pty Ltd in November 2011.

In order to further finance exploration expenditure, Blackham has undertaken a number of capital raisings since 30 June 2010. These capital raisings have raised approximately \$3.99 million and seen the



Company's issued capital increase from \$7.67 million at 30 June 2010 to \$11.84 million at 31 December 2012.

At 30 June 2012, the trade and other payables balance increased to \$2.58 million from \$0.11 million at 30 June 2011 after Blackham assumed the \$2.27 million rehabilitation liability associated with the Matilda Gold project. At 31 December 2012 the rehabilitation provision of \$2.25 million was moved from trade and other payables into provisions.

The trade and other receivables balance mainly comprises tax concessions relating to research and development.

Statement of Comprehensive Income	Reviewed for the half year ended 31-Dec-12 \$	Audited for the year ended 30-Jun-12 \$	Audited for the year ended 30-Jun-11 \$	Audited for the year ended 30-Jun-10 \$
Revenue				
Other income	82,243	155,450	347,180	240,488
Expenses				
Administration expenses	(285,795)	(373,556)	(260,704)	(191,966)
Compliance and regulatory expenses	(109,437)	(314,737)	(182,896)	(107,495)
Depreciation expense	-	(11,082)	(4,653)	(2,547)
Employee and consultant costs	(60,170)	(190,518)	(306,516)	(318,585)
Directors fees	(31,053)			
Equity based payments	(305,777)	(425,239)	(25,010)	(476,488)
Exploration expenditure written off	(4,225)	(160,287)	(54,016)	(52,487)
Fair value loss on financial assets	(10,364)	-	-	-
Loss from continuing operations before income tax	(724,578)	(1,319,969)	(486,615)	(909,080)
Income tax expense	-	-	-	-
Loss from continuing operations after income tax	(724,578)	(1,319,969)	(486,615)	(909,080)
Loss attributable to members of parent entity	(724,578)	(1,319,969)	(486,615)	(909,080)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	(724,578)	(1,319,969)	(486,615)	(909,080)

## 5.4 Historical Statement of Comprehensive Income

The revenue earned by Blackham relates primarily to the tax concessions for research and development and the disposal of tenements. Blackham also receives interest revenue and has made gains on share trading.



Equity based payments relate to options issued to key management personnel and employees. No options were issued in the 2011 financial year, which resulted in a significant decline in the expense when compared with 2010. During the 2012 financial year Blackham issued 1.50 million options to key management personnel and employees. An additional 1.7 million options were issued to key management personnel and employees during the half year ended 31 December 2012.

In the year ended 30 June 2012, Blackham wrote off \$160,287 of exploration expenditure from non-core tenure which was considered non-recoverable.

The Company made losses of \$0.91 million in 2010, \$0.49 million in 2011 and \$1.32 million in 2012. For the six months ended 31 December 2012, Blackham has made a loss of \$0.72 million.

### 5.5 Capital Structure

The share structure of Blackham as at 8 March 2013 is outlined below:

	Number
Total Ordinary Shares on Issue	76,355,789
Top 20 Shareholders	35,251,460
Top 20 Shareholders - % of shares on issue	46.17%
Source: Share registry information	

#### The range of shares held in Blackham as at 8 March 2013 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	56	21,641	0.03%
1,001 - 5,000	178	576,671	0.76%
5,001 - 10,000	138	1,185,178	1.55%
10,001 - 100,000	344	12,601,285	16.50%
100,001 - and over	94	61,971,014	81.16%
TOTAL	810	76,355,789	100.00%

Source: Share registry information



Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Great Central Gold Pty Ltd	10,982,000	14.38%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,174,726	12.02%
N.MCMAHON/KINGSREEF PTY LTD	6,592,646	8.63%
WIDERANGE CORPORATION PTY LTD	2,725,056	3.57%
BUCKLAND CAPITAL PTY LTD	1,300,000	1.70%
Subtotal	30,774,428	40.30%
Others	45,581,361	59.70%
Total ordinary shares on Issue Source: Share registry information	76,355,789	100.00%

The ordinary shares held by the most significant shareholders as at 8 March 2013 are detailed below:

# 6. Profile of Great Central Gold

#### 6.1 Overview

Great Central Gold is a private Australian gold mining company, which is controlled by mining industry entrepreneur Joseph Gutnick.

Mr Gutnick has been Chairman of the Board, President and Chief Executive Officer of numerous public listed companies in Australia and the USA specialising in the mining sector since 1980. Mr Gutnick was previously a Director of the World Gold Council. He is a Fellow of the Australasian Institute of Mining & Metallurgy and the Australian Institute of Management and a Member of the Australian Institute of Company Directors.

Mr Gutnick was Chairman and Managing Director of 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. GCM produced over 780,000oz of gold per annum at its peak. GCM also previously owned the Wiluna and Matilda Gold Projects and he was also Chairman and Managing Director of Regis Resources Limited that discovered the Rosemont gold mine. He was awarded the Diggers award at the 1997 Diggers and Dealers Industry Awards



# 7. Economic analysis

Global growth is forecast to be a little below average for a time, but the downside risks appear to have lessened over recent months. The United States is experiencing a moderate expansion and financial strains in Europe are considerably reduced compared with the situation through much of last year. Growth in China has stabilised at a fairly robust pace. Around Asia generally, growth was dampened by the earlier slowing in China and the weakness in Europe, but again there are signs of stabilisation. Commodity prices are little changed recently, at reasonably high levels.

Sentiment in financial markets is much improved compared with the middle of last year. Risk spreads have narrowed and funding conditions for financial institutions are more favourable. Long-term interest rates faced by highly rated sovereigns, including Australia, remain at exceptionally low levels. Borrowing conditions for large corporations are very attractive. Share prices have risen substantially from their low points. However, the task of putting private and public finances on sustainable paths in several major countries is far from complete. Accordingly, as seen most recently in Europe, financial markets remain vulnerable to occasional setbacks.

In Australia, most indicators available for this meeting suggest that growth was close to trend over 2012, led by very large increases in capital spending in the resources sector, while some other sectors experienced weaker conditions. Looking ahead, the peak in resource investment is approaching. As it does, there will be more scope for some other areas of demand to strengthen.

Present indications are that moderate growth in private consumption spending is occurring, though a return to the very strong growth of some years ago is unlikely. The near-term outlook for non-residential building investment, and investment generally outside the resources sector, is relatively subdued, though recent data suggest some prospect of a modest increase during next financial year. Dwelling investment appears to be slowly increasing, with higher dwelling prices and rental yields. Exports of natural resources have been strengthening, though recent bad weather is affecting some shipments at present. Public spending, in contrast, is forecast to be constrained.

Inflation is consistent with the medium-term target, with both headline CPI and underlying measures at around 2¼ per cent on the latest reading. Looking ahead, with the labour market softening somewhat and unemployment edging higher, conditions are working to contain pressure on labour costs, as was confirmed in the most recent data. Moreover, businesses are focusing on lifting efficiency under conditions of moderate demand growth. These trends should help to keep inflation low, even as the effects on prices of the earlier exchange rate appreciation wane. The Reserve Bank of Australia's assessment remains that inflation will be consistent with the target over the next one to two years.

During 2012, there was a significant easing in monetary policy. Though the full impact of this will still take more time to become apparent, there are signs that the easier conditions are having some of the expected effects. On the other hand, the exchange rate remains higher than might have been expected, given the observed decline in export prices, and the demand for credit is low, as some households and firms continue to seek lower debt levels.

The Reserve Bank of Australia's view is that with inflation likely to be consistent with the target, and with growth likely to be a little below trend over the coming year, an accommodative stance of monetary policy is appropriate. The inflation outlook, as assessed at present, would afford scope to ease policy further, should that be necessary to support demand.

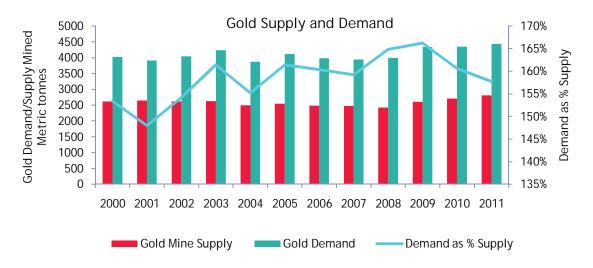
Source: www.rba.gov.au Statement by Glenn Stevens, Governor: Monetary Policy Decision 5 March 2013



# 8. Industry analysis- Gold

Gold is both a commodity and an international store of monetary value. Once mined, gold continues to exist indefinitely, often melted down and recycled to produce alternative or replacement products. This characteristic means that gold demand is supported by both mine production and gold recycling.

As illustrated in the chart below, gold mine production was approximately 2,812 metric tonnes in 2011 and gold consumption was 4,436 metric tonnes. Demand for gold has consistently exceeded supply over the last 10 years, and the escalated level of economic and financial uncertainly during the past 24 months has caused investors to move capital from risky assets to gold assets, which are perceived to be a good store of monetary value. As a result, total gold demand increased by 8% between 2009 and 2011, with demand as a percentage of supply remaining at over 150% for the same period.

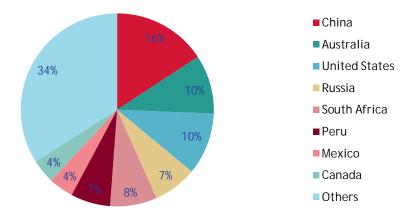


Source: Bloomberg and BDO Analysis

Until the late 1980's, South Africa produced approximately half of the total gold produced. More recently however, gold production has become geographically segmented, as shown in the chart below, with production dominated by China, Australia and the United States.



# Production by Country - 2012



Source: Bloomberg and BDO Analysis

#### Gold prices

The price of gold fluctuates on a daily basis depending on global demand and supply factors. The price trend over the last two years is reflective of weak global economic conditions driving demand. As can be seen in the graph below, the value of gold peaked at US\$1,900 per ounce on 5 September 2011. This peak was largely caused by the recent debt market crisis in Europe, but it was also driven by the Standard and Poor's downgrade of the US credit rating. This sent global stock markets tumbling and a flood of investors towards safer havens such as gold. Prices contracted in December 2011 reaching a low of US\$1,545 per ounce; however 2012 a recovery of the gold price with it reaching US\$1,790 on 4 October 2012, before declining to \$1,675 at 31 December 2012. Price declined in January 2013 and February 2013 saw the gold price fall below US\$1,600.

Gold prices are forecast to fall over the next three years to below US\$1,600 per ounce in 2015. Nevertheless, growth in global money supply, US dollar depreciation and overall uncertainty in global financial markets may continue to drive investors toward using precious metals as a store of value. This could be further fuelled by the rapidly increasing appetite for precious metals from China.





Source: Bloomberg and BDO Analysis

### Recent gold transactions

The emergence of a new generation of mid-tier miners and the resurgent gold price has been driving the increase in the number of announced gold acquisitions in 2012.

In the last half of 2012, several large deals have been announced to the market involving gold companies:

- On 29 June 2012, it was announced that Allied Gold Mining Plc and St Barbara Ltd had reached an agreement in which the two companies would merge, worth \$594 million. This deal was completed on 7 September 2012.
- In August 2012, Zijin Mining Group announced that it had made a cash offer to acquire its remaining 83.02% share in Norton Gold Fields Ltd for \$198 million. This deal was completed on 21 August 2012.
- On 6 August 2012, Silver Lake Resources announced it planned to merge with Integra Mining Ltd in a deal worth \$417 million. The merger between Integra and Silver Lake was completed on 11 January 2013.
- On 9 August 2012, Regis Resources Limited announced it had executed a letter of agreement to acquire the McPhillamys Gold Project from joint venture owners, Newmont Exploration Pty Ltd and Alkane Resources Limited. The consideration to be paid is \$150 million to be satisfied by the issue of Regis shares based on an issue price of \$4.20 per share.
- On 19 September 2012, CGA Mining Limited and B2Gold Corp announced they had entered into a Merger Implementation Agreement to combine the two companies. The transaction was valued at \$939 million.



- On 13 December 2012, Primero Mining Corp, a Canada based mining corporation announced that it had signed a definite agreement to acquire Cerro Resources, an Australian based mining company that specialised in global gold and silver exploration in a deal worth \$111 million.
- On 28 September 2012, Cortona Resources Limited and Unity Mining Limited jointly announced that they had entered into an agreement whereby Unity will acquire 100% of the issued capital of Cortona. The approval of the scheme was announced to the market on 21 December 2012.

# 9. Industry analysis - Coal

Coal deposits are found below the earth's surface with the quality of a coal deposit determined by the length of time in formation, commonly known as its 'organic maturity', temperature and pressure. The rank of coal refers to the physical and chemical properties that coals of different maturities possess. Lower rank coals such as lignite generally possess a much lower organic maturity, have a soft texture, a dull earthly appearance and are characterized by high moisture levels and low energy (carbon) content. Higher ranked coals such as Anthracite, which is the highest ranking coal, are harder, stronger, contain less moisture, and produce more energy.

The two major coal types are coking coal and thermal coal. Coking coal is used for the production of metallurgical coke, which is used as a reductant in the production of both iron and steel. It is primarily used because of its high carbon content and coking characteristics, however it is also used for the smelting and casting of base metals. Of the different types of coking coal, hard coal is the most valuable as it produces the highest quality coke. Semi soft coking coal and Pulverised Coal Injection are used more in blending with hard coking coal to be used as an auxiliary fuel source to increase the effectiveness of blast furnaces.

Thermal coal, also referred to as steaming coal generally contains less carbon than coking coal therefore it cannot be used in the production of steel. It is therefore primarily used as an energy source for coal fired power plants, which generate approximately 42% of the world's electricity output. The major producers of thermal coal are China, USA and India, with the largest importers being China, Japan and South Korea.

## 9.1 Prices

Coal is a global commodity and, as such, prices are determined by global supply and demand factors. With both the international community and the world's dependency on energy growing, fuel products are the single most important input affecting global economic growth. As a result coal is a highly marketable commodity, and with world consumption estimated to increase 60% by 2030, the long term price outlook is strong.

During 2007-2008, elevated demand for coal as the cheapest source of power caused prices to increase by around 200%. This diverged from historical trends where coal has generally traded at a lower, more stable price than more volatile commodities such as oil and gas. Speculation about sustainability of prices in light of the economic slowdown and a slackening steel market caused the correction from the highs experienced, however in comparison to an average between US\$20/t to US\$40/t throughout the 1990's, the current price is still well above historical levels.





#### Source: Bloomberg

Coal prices have retracted substantially since the commodity boom from 2005 to 2008. This spike was not only fuelled by the surge in demand from developing economies such as China but was also exacerbated by supply side factors. Disruptions to global supply occurred as a result of extremely heavy snowfall in China and long term power shortages in South Africa.

Prices are expected to remain fairly stable at current levels as is shown by the consensus forecast in the chart above. This is primarily due to expectations of a recovery in the world economy over the coming years with the continued expansion of India and China in particular driving demand for both energy and iron and steel production.

2011 saw a significant reduction in global coal prices, evidenced by a 16% fall in the price between January 2011 and January 2012. The coal price fell to a low of USD 84.8 per ton in October of 2012, a significant reduction compared with the USD 131.4 per ton observed in January 2011.

Experts have attributed the falling prices to a fall in global demand and an increase in the global supply of coal. Contributing factors include China's economic slowdown and high inventory levels, an oversupply of coal exports from Australia and Indonesia and the fact that cheap natural gas has displaced coal used in US power generation, causing increased exports by US coal producers.

Whilst the global oversupply situation is not expected to correct in the near future, coal prices are not expected to fall much more below their current levels. Analysts speculate that Australian and US producers would consider limiting the global supply of coal through production cuts if the global coal price continued to fall in 2013, we would expect this to assist in the recovery of the coal price.



## 9.2 Outlook

World coal consumption grew by 5.4% for 2011, with production increasing 6.1% from 2010 levels. Coal now accounts for 29.6% of global energy consumption, up from 25.6% ten years ago.

As the major source of electricity generation and a vital input for the production of iron and steel, coal will continue to play a major role in the industry. Longer term, consumption of steam coal is projected to grow by 1.5% per year until 2030 and demand for coking coal is expected to increase by 0.9% per year over this period.

Growth is expected to be strongest in the steam and coking coal markets, stemming from electricity demand, car production, and demand for household appliances. Demand and supply are set to remain fairly tight into the future, substantiating a positive outlook for the industry.

# 10. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ("FME")
- Discounted cash flow ("DCF")
- Quoted market price basis ("QMP")
- Net asset value ("NAV")
- Market based assessment

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of Blackham shares we have chosen to employ the following methodologies:

- NAV on a going concern basis as our primary valuation; and
- QMP as our secondary valuation.

We have chosen these methodologies for the following reasons:

- Being an exploration company, the core value of Blackham is in the exploration assets it holds. We have instructed RM Corporate Finance Pty Ltd ("RM Corporate Finance") to act as independent specialist to value the Company's exploration assets and have considered this in the context of Blackham's other assets and liabilities on a NAV basis.
- The QMP basis is a relevant methodology to consider because Blackham's shares are listed on the ASX. This means there is a regulated and observable market where Blackham's shares can be traded. However, in order for QMP to be considered appropriate, the company's shares should be liquid and the market should be fully informed as to its activities. We have considered these factors in section 11.2.
- Future Maintainable Earnings are not appropriate for a company with only exploration assets and sufficient information is not available for a DCF valuation approach to be undertaken.

Our assessment of the value of Blackham share prior to the conversion of the Convertible Notes has been undertaken in Section 10.2. We have compared this value obtained to the value of the consideration to be received by Blackham upon conversion of the Convertible Notes, being \$0.25 per share.



# 11. Valuation of Blackham

# 11.1 Net Asset Valuation of Blackham

The value of Blackham's assets on a going concern basis is reflected in our valuation below:

Net Asset Valuation	Note	31-Dec-12 \$	Low value \$	Preferred value \$	High value \$
CURRENT ASSETS					
Cash and cash equivalents	1	173,239	2,479,459	2,479,459	2,479,459
Trade and other receivables		220,106	220,106	220,106	220,106
Financial assets		48,460	48,460	48,460	48,460
TOTAL CURRENT ASSETS		441,805	2,748,025	2,748,025	2,748,025
NON-CURRENT ASSETS					
Property, plant and equipment		28,989	28,989	28,989	28,989
Trade and other receivables		27,325	27,325	27,325	27,325
Exploration, evaluation and development expenditure	2	10,297,207	9,620,000	26,790,000	45,500,000
TOTAL NON-CURRENT ASSETS		10,353,521	9,676,314	26,846,314	45,556,314
TOTAL ASSETS		10,795,326	12,424,339	25,594,339	48,304,339
CURRENT LIABILITIES					
Trade and other payables		1,069,524	1,069,524	1,069,524	1,069,524
Provisions		2,249,000	2,249,000	2,249,000	2,249,000
TOTAL CURRENT LIABILITIES		3,318,524	3,318,524	3,318,524	3,318,524
NON-CURRENT LIABILITIES					
Provisions		296,983	296,983	296,983	296,983
TOTAL NON-CURRENT LIABILITIES		296,983	296,983	296,983	296,983
TOTAL LIABILITES		3,615,507	3,615,507	3,615,507	3,615,507
NET ASSETS		7,179,819	8,808,832	25,978,832	44,688,832
Number of shares on issue			76,355,789	76,355,789	76,355,789
Value per share (\$)			\$0.115	\$0.340	\$0.585



We have been advised that there has not been a significant change in the net assets of Blackham since 31 December 2012 other than the adjustments set out below.

#### Note1: Issue of shares under the Placement

We have adjusted the 31 December 2012 cash and cash equivalents balance by \$2,306,220 for the issue of 10,982,000 ordinary shares at \$0.21 per share under the Placement that was announced to the market on 18 February 2013. The number of ordinary shares on issue of 76,355,789 includes the shares issued under this Placement.

#### Note 2: Valuation of Blackham's mineral assets

We instructed RM Corporate Finance to provide an independent market valuation of the exploration assets held by Blackham. RM Corporate Finance considered a number of different valuation methods when valuing the exploration assets of Blackham. RM Corporate Finance applied the market value of JORC resources and the comparable transaction methods in valuing the Matilda Project. RM Corporate Finance valued the Scaddan and Zanthus Energy Projects using the market value of JORC Resources. The market value of JORC resources method uses the Enterprise Value per ounce of resources found for comparable listed companies. The comparable transaction method involves calculating a value per common attribute in a comparable transaction and applying that value to the subject asset. A common attribute could be the amount of resource or the size of a tenement. We consider these methods to be appropriate given the stage of development for Blackham's exploration assets.

The range of values for each of Blackham's exploration assets as calculated by RM Corporate Finance is set out below:

Mineral Asset	Low Value \$m	Preferred Value \$m	High Value \$m
Matilda Project	8.54	22.49	38.48
Scaddan/Zanthus Energy Projects	1.08	4.30	7.02
Total	9.62	26.79	45.50

The table above indicates a range of values between \$9.62 million and \$45.5 million, with a preferred value of \$26.79 million.



## 11.2 Quoted Market Prices for Blackham Securities

To provide a comparison to the valuation of Blackham in Section 11.1, we have also assessed the quoted market price for a Blackham share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of s611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

Whilst Great Central Gold will not be obtaining 100% of Blackham, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13.

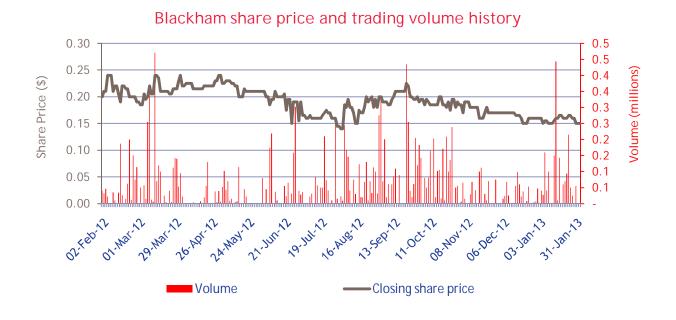
Therefore, our calculation of the quoted market price of a Blackham share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

#### Minority interest value

Our analysis of the quoted market price of a Blackham share is based on the pricing prior to the announcement of the Transaction. This is because the value of a Blackham share after the announcement may include the effects of any change in value as a result of the Transaction. However, we have considered the value of a Blackham share following the announcement when we have considered reasonableness in Section 13.

Information on the Transaction was announced to the market on 4 February 2013, however a trading halt on Blackham shares was imposed on 1 February 2013. Therefore, the following chart provides a summary of the share price movement over the 12 months to 31 January 2013, which was the last trading day prior to the announcement.





Source: Bloomberg

The daily price of Blackham shares from 31 January 2012 to 31 January 2013 has ranged from a low of \$0.14 on 2 August 2012 to a high of \$0.24 on 20 September 2012.

During this period a number of announcements were made to the market. The key announcements are set out below:

		Closing Share Price Following Announcement	Closing Share Price Three Days After Announcement
Date	Announcement	\$ (movement)	\$ (movement)
31/01/2013	Dec 2012 Quarterly Activities Report	0.150 (▶nil)	0.170 (▶nil)
31/01/2013	Dec 2012 Quarterly Cashflow Report	0.150 (▶nil)	0.170 (▶nil)
14/01/2013	Matilda upgraded to 1.5Moz gold	0.160 ( 🔺 3.2%)	0.165 (🔺 3.1%)
13/12/2012	Funding announcement	0.165 (-2.9%)	0.165 (▶nil)
13/12/2012	Reinstatement to Official Quotation	0.165 (-2.9%)	0.165 (▶nil)
12/12/2012	Suspension from Official Quotation	0.170 (▶nil)	0.165 (-2.9%)
7/12/2012	Trading Halt	0.170 (▶nil)	0.170 (▶nil)
28/11/2012	Matilda Mine Scoping Study Demonstrates Robust Economics	0.170 (▶nil)	0.170 (▶nil)
7/11/2012	Matilda Drill Results	0.190 (▶nil)	0.180 (-5.3%)
31/10/2012	Sep 2012 Quarterly Cashflow Report	0.185 (-2.6%)	0.190 (   2.7%)
31/10/2012	Sep 2012 Quarterly Activities Report	0.185 (-2.6%)	0.190 (   2.7%)
30/10/2012	Broad mineralisation intersected at M1	0.190 (	0.170 (-10.5%)



11/10/2012	Outstanding Matilda Drill Results	0.185 (▶nil)	0.185 (▶nil)
8/10/2012	Metallurgy Testwork Confirms Matilda Ore as Free Milling	0.190 (~2.6%)	0.185 (-2.6%)
20/09/2012	Matilda Project Grows to 1.4Moz Au	0.225 ( 🔺 7.1%)	0.200 ( 🕶 11.1%)
19/09/2012	Blackham Agrees Placement	0.210 ( <b>)</b> nil)	0.200 (-4.8%)
19/09/2012	Reinstatement to Official Quotation	0.210 ( <b>)</b> nil)	0.200 ( 🕶 4.8%)
18/09/2012	Suspension from Official Quotation	0.210 ( <b>)</b> nil)	0.200 (-4.8%)
17/09/2012	Trading Halt	0.210 (▶nil)	0.225 ( 🔺 7.1%)
4/09/2012	1.35Moz Gold Resource at Matilda	0.190 (▶nil)	0.185 ( 🕶 2.6%)
4/09/2012	Trading Halt	0.190 (▶nil)	0.185 ( 🕶 2.6%)
21/08/2012	1Moz Matilda Resource	0.200 ( 🔺 11.1%)	0.200 (▶nil)
7/08/2012	Fraser Range Exploration Update	0.195 ( 🔺 8.3%)	0.170 ( 🕶 12.8%)
6/08/2012	Matilda Gold Resource	0.180 (-2.7%)	0.180 (▶nil)
31/07/2012	June 2012 Quarterly Activities Report	0.145 (▶nil)	0.185 (   27.6%)
31/07/2012	June 2012 Quarterly Cashflow Report	0.145 (▶nil)	0.185 (   27.6%)
2/07/2012	Blackham identifies large exploration target	0.190 (▲22.6%)	0.160 (▼15.8%)
5/06/2012	Blackham adds to confidence and size of Regent resource	0.200 ( - 4.8%)	0.195 (-2.5%)
8/05/2012	Drill Results Matilda Gold Project	0.230 (▶nil)	0.220 ( 🗸 4.3%)
30/04/2012	Mar 2012 Quarterly Activities Report	0.240 ( 🔺 4.3%)	0.225 (~6.2%)
30/04/2012	Mar 2012 Quarterly Cashflow Report	0.240 ( 🔺 4.3%)	0.225 (~6.2%)
30/04/2012	Drilling Identifies High Grade Extensions to M10 Deposit	0.240 (  4.3%)	0.225 (~6.2%)
26/04/2012	Blackham Applies for Mining License over Regent	0.230 (▲4.5%)	0.240 ( 4.3%)
26/04/2012	BLK Secures up to \$9.15m to Advance Matilda Gold Project	0.230 (▲4.5%)	0.240 ( • 4.3%)
20/04/2012	Trading Halt	0.220 ( <b>)</b> nil)	0.220 (▶nil)
10/04/2012	Drilling Recommences at Matilda	0.215 (-4.4%)	0.215 (▶nil)
2/04/2012	Blackham increases Regent Resource	0.220 ( 🕶 8.3%)	0.225 (   2.3%)
20/03/2012	Matilda Drilling Defines Oxide Targets	0.210 ( <b>)</b> nil)	0.205 ( 🗸 2.4%)
12/03/2012	More High Grade Hits at Matilda	0.240 ( 🔺 17.1%)	0.210 ( 🕶 12.5%)
7/03/2012	Matilda Drilling Results	0.220 (   10%)	0.240 (   9.1%)
9/02/2012	Drilling Programme Commences at Matilda Mine	0.220 ( ▲ 4.8%)	0.205 (~6.8%)
31/01/2012	Dec 2011 Quarterly Cashflow Report	0.200 ( - 5%)	0.240 (   20.0%)
31/01/2012	Dec 2011 Quarterly Activities Report	0.200 (- 5%)	0.240 (   20.0%)



On 30 October 2012, Blackham announced drilling results at its Matilda Gold project. The results assisted Blackham in raising the level of confidence from inferred to indicated and added to the global resource. As a result of this announcement, Blackham's share price increased 5.6%.

On 20 September 2012, Blackham announced revised gold resources for the Matilda Gold Project following an independent geological report into the resource estimate for the M3 Deposit. Blackham announced its new gold resource to be 1.4Moz at an average grade of 1.9g/t. Following this announcement Blackham's share price rose 7.1%.

On 21 August 2012, Blackham announced an increase to the resource estimate for its Matilda Gold Project following an independent geological review of the mineral resource for the Matilda Mining Centre gold deposits. The revised resource estimates are for 1.1Moz Au at 1.8g/t. Following this announcement Blackham's share price rose 11.1%.

On 7 August 2012, Blackham announced that it was conducting a review of the nickel potential at its Fraser Range Project following the discovery by Sirius Resources Limited of the Nova Deposit which lies 20km from the Fraser Range Project. The announcement contained results from the drilling conducted in January 2011 and hinted at the possibility of a joint venture over the Fraser Range Project. Following this announcement the share price increased 8.3%.

On 2 July 2012, Blackham announced the results of its geological investigations at the Williamson area. The market viewed this news positively with the Company's share price rising 22.6% following the announcement.

On 2 April 2012, Blackham announced a 193% increase to the resources at the Regent Gold Deposit following an independent geological review. Despite this seemingly positive news, Blackham's share price fell 8.3% which we consider to be an unexplained price movement.

On 12 March 2012, Blackham announce the results of the first 12 drill holes at M10 Prospect in the Matilda Gold Project. The results listed high-grade intercepts at shallow depths at grades between 3.48g/t and 14.0g/t. Following this announcement, Blackham's share price increased by 17.1%.

On 7 March 2012, Blackham announced the results of the first 7 drill holes for the M10 Prospect at the Matilda Gold Project. The drilling results were viewed positively by the market with the price of Blackham shares increasing 10% following the announcement.

To provide further analysis of the market prices for a Blackham share, we have also considered the volume weighted average market price for 10, 30, 60 and 90 day periods to 31 January 2013.

	31 January 2013	10 Days	30 Days	60 Days	90 Days
Closing Price	\$0.150				
Volume Weighted Average Price		\$0.162	\$0.159	\$0.160	\$0.162

The above volume weighted average prices are prior to the date of the announcement of the Transaction, to avoid the influence of any increase in price of Blackham shares that has occurred since the Transaction was announced.



An analysis of the volume of trading in Blackham shares for the twelve months to 31 January 2013 is set out below:

	Share price	Share price	Cumulative volume	As a % of
	low	high	traded	Issued capital
1 Trading Day	\$0.150	\$0.150	-	0.00%
10 Trading Days	\$0.150	\$0.165	568,500	0.74%
30 Trading Days	\$0.150	\$0.165	1,803,151	2.36%
60 Trading Days	\$0.150	\$0.180	2,716,739	3.56%
90 Trading Days	\$0.150	\$0.200	5,069,421	6.64%
180 Trading Days	\$0.140	\$0.240	11,056,684	14.48%
1 Year	\$0.140	\$0.250	15,006,403	19.65%

This table indicates that Blackham's shares display a low to moderate level of liquidity, with approximately 15% of the Company's current issued capital being traded in the 180 trading days prior to the announcement of the Transaction. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Blackham, although their shares display a low to moderate level of liquidity, we do not consider there to be a deep market for Blackham shares. This is reflected by the fact only 19.65% of the Company's current issued capital had been traded in the twelve months prior to the announcement of the Transaction. Also Blackham shares exhibit movements in share price that are not explained by the Company's announcements to the market. For example on 3 August 2012, despite there being no company specific news released to the market, Blackham's share price opened at \$0.140 and closed at \$0.185, representing a 32.1% increase.

Our assessment is that a range of values for Blackham shares based on market pricing, after disregarding post announcement pricing, is between \$0.15 and \$0.17.



## Control Premium

The concept of a premium for control reflects the additional value that attaches to a controlling interest. We have reviewed the announced control premiums paid by acquirers of gold mining companies listed on the ASX since 2006. We have summarised our findings below:

Year	Number of Transactions	Average Deal Value (A\$m)	Average Control Premium (%)
2012	9	247.99	34.03
2011	8	1119.33	22.56
2010	10	1364.83	56.11
2009	13	128.61	21.39
2008	3	446.27	28.54
2007	10	191.36	29.36
2006	9	62.96	12.99
Median		247.99	28.54
Mean		508.76	29.28

Source: BDO Analysis and Bloomberg



We have also reviewed the announced control premiums paid by acquirers of 22 coal mining companies listed on the ASX since 2005. We have summarised our findings below:

Target company	Acquirer	Transaction date	Deal Value (\$m)	Control Premium (%)
Bowen Energy Ltd	Bhushan Steel Ltd	14-Dec-12	1.17	18.76
Rocklands Richfield Ltd	Shandong Energy Group Co Ltd	21-May-12	182.61	51.60
Coalworks Ltd	Whitehaven Coal Ltd	07-May-12	137.13	18.34
Gloucester Coal Ltd	Yanzhou Coal Mining Co Ltd	22-Dec-11	1,281.75	(17.41)
Aston Resources Ltd	Whitehaven Coal Ltd	12-Dec-11	1,975.33	11.10
Hunnu Coal Ltd	Banpu PCL	12-Sep-11	370.52	50.65
Northern Energy Corp Ltd	New Hope Corp Ltd	29-Aug-11	50.09	33.89
Coal & Allied Industries Ltd	Rio Tinto Ltd,Mitsubishi Corp	08-Aug-11	1,524.97	23.65
MacArthur Coal Ltd	ArcelorMittal, Peabody Energy Corp	11-Jul-11	3,793.22	5.22
Rocklands Richfield Ltd	Jindal Steel & Power Ltd	20-Apr-11	13.56	106.54
Riversdale Mining Ltd	Rio Tinto Ltd	06-Dec-10	3,409.48	27.84
Caledon Resources PLC	Guangdong Rising Assets Management Co Ltd	08-Nov-10	419.27	58.98
Northern Energy Corp Ltd	New Hope Corp Ltd	08-Oct-10	158.59	79.12
Bowen Energy Ltd	Bhushan Steel Ltd	22-Sep-10	1.14	88.92
Centennial Coal Co Ltd	Banpu PCL	05-Jul-10	2,209.19	38.32
Gloucester Coal Ltd	Noble Group Ltd	07-Apr-10	251.46	42.31
Yancoal Resources Ltd	Yanzhou Coal Mining Co Ltd	13-Aug-09	3,083.75	9.26
Bowen Energy Ltd	Bhushan Steel Ltd	10-Jul-09	5.56	8.23
Gloucester Coal Ltd	Noble Group Ltd	26-Feb-09	352.28	102.87
Resource Pacific Holdings Ltd	Xstrata PLC	05-Dec-07	985.31	35.25
Excel Coal Ltd	Peabody Energy Corp	05-Jul-06	2,299.06	13.09
Austral Coal Ltd	Centennial Coal Co Ltd	23-Feb-05	378.13	12.19
			Average	37.21

Median 30.87

Source: BDO Analysis & Bloomberg

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:



- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.

The assets held by Blackham predominantly relate to gold and as such we have placed a greater emphasis on announced control premia paid by acquirers of gold companies The long-term median and average control premium paid by acquirers of gold mining targets is between 28.54% and 29.28%. The long-term median and average control premium paid by acquirers of coal mining companies is 30.87% and 37.21% respectively. We note that the sample size of announced control premia for coal transactions is relatively small. The median represents a more accurate measure of central tendency as the mean will tend to be skewed by outliers in a smaller sample.

Taking the factors above into consideration in a applying a control premium to Blackham's quoted market share price we believe an appropriate range to be 25% - 35%, with a midpoint value of 30%.

### Quoted market price including control premium

Applying a control premium to Blackham's quoted market share price results in the following quoted market price value including a premium for control:

	Low	Preferred	High
	\$	\$	\$
Quoted market price value	0.150	0.160	0.170
Control premium	25%	30%	35%
Quoted market price valuation including a premium for control	0.188	0.208	0.230

Therefore, our valuation of a Blackham share based on the quoted market price method and including a premium for control is between \$0.188 and \$0.230, with a preferred value of \$0.208.



## 11.3 Assessment of Blackham Value

The results of the valuations performed are summarised in the table below:

	Low	Preferred	High
	\$	\$	\$
Net assets value (Section 11.1)	0.115	0.340	0.585
ASX market prices (Section 11.2)	0.188	0.208	0.230

The NAV methodology has been deemed the most reliable due to the core value of Blackham being in the gold and coal exploration assets that it holds in its balance sheet, for which we have received an independent specialist valuation. Our QMP valuation assesses the price of a Blackham share up until the announcement of the Transaction, in order to disregard any post announcement pricing effects. Our share price analysis in Section 11.2 indicates that there is not a deep market for the Company's shares with only 20% of the Company's share capital traded in the twelve months prior to the announcement. We have therefore relied on the NAV methodology in valuing a Blackham share. We note that the NAV value range is higher than the ASX prices, we attribute this difference to the market prices reflecting that investors recognise that further funding will be required which will dilute their exposure to the project.

Based on the results above we consider the value of a Blackham share to be between \$0.115 and \$0.585, with a preferred value of \$0.340.

# 12. Is the Transaction fair?

## Conversion of the Convertible Notes

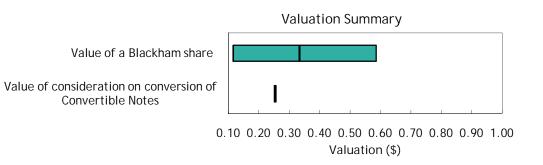
The value of a Blackham share compares to the consideration to be received from the conversion of the Convertible Notes as shown below:

	Ref	Low \$	Preferred \$	High \$
Value of a Blackham share prior to conversion of the Convertible Notes	11.3	0.115	0.340	0.585
Value of consideration on conversion of Convertible Notes	4	0.250	0.250	0.250

We note from the table above that the preferred value of a Blackham share is greater than the consideration to be received from the conversion of the Convertible Notes.



The above valuation ranges are graphically presented below:



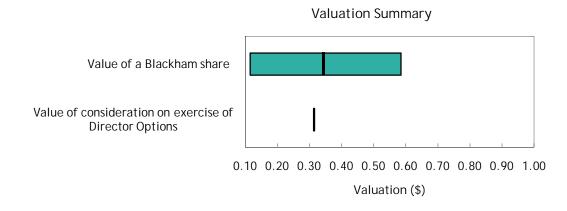
## Issue of Director Options

The value of a Blackham share compares to the consideration to be received from the exercise of the Director Options as shown below:

	Ref	Low \$	Preferred \$	High \$
Value of a Blackham share prior to exercise of Director Options	11.3	0.115	0.340	0.585
Value of consideration on exercise of Director Options	4	0.313	0.313	0.313

We note from the table above that the preferred value of a Blackham share is greater than the consideration to be received from the exercise of Director Options.

The above valuation ranges are graphically presented below:





The valuation analysis above indicates that the preferred value of a Blackham share is greater than both the value of cash consideration received on conversion of the Convertible Notes and the cash consideration received on exercise of the Director Options. We therefore consider the Transaction to be not fair to Shareholders.

## 13. Is the Transaction reasonable?

#### 13.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Blackham a premium over the value ascribed to, resulting from the Transaction.

#### 13.2 Practical Level of Control

If the Transaction is approved then Great Central Gold will hold an interest of approximately 46% in Blackham. In addition to this, following the Placement on 18 February 2013, Mr Joseph Gutnick was appointed Non-executive Chairman of the Company.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter. If the Transaction is approved and the Convertible Notes are converted then Great Central Gold will be able to block special resolutions.

Blackham's Board currently comprises five directors including Joseph Gutnick as Non-Executive Chairman. This means that Great Central Gold nominated directors make up 20% of the Board.

Great Central's control of Blackham following the Transaction will be significant when compared to all other shareholders. Assuming that the Convertible Notes are converted then Great Central Gold will hold approximately 46% of the issued capital in Blackham. The percentage of Blackham shares controlled by Joseph Gutnick following the conversion of the Convertible Notes and the exercise of all Director Options will be approximately 45% as documented in Section 4 of this report. However, if only Jospeh Gutnick was to exercise his options then Great Central Gold and its associates would have the capacity to hold a 46.8% interest in Blackham. Great Central Gold is controlled by Mr Joseph Gutnick, who following the Placement, was appointed as Non-Executive Chairman of the Company.



## 13.3 Consequences of not Approving the Scheme

#### Potential decline in share price

We have analysed movements in Blackham's share price since the Transaction was announced. A graph of Blackham's share price since the announcement is set out below.



#### Blackham post announcment share price and trading volume

Source: Bloomberg

On the day of the announcement of the Transaction the share price of Blackham increased from \$0.15 to \$0.25. The share price of Blackham closed lower at \$0.22 on 8 March 2013 however this still represents a 46.7% increase to Blackham's pre-announcement share price at 1 February 2013.

Given the above analysis it is possible that if the Transaction is not approved then Blackham's share price may decline back to pre-announcement levels.

#### 13.4 Advantages of Approving the Transaction

We have considered the following advantages when assessing whether the Transaction is reasonable.

Advantage	Description
Funds received can be used to develop the Matilda Gold Project	The funding received as a result of the issue of the Convertible Notes and the exercise of the Director Options can be used to further develop the Matilda Gold Project and be used to satisfy the working capital requirements of the Company.
Availability and cost of alternative funding	The cash balance of Blackham as at 31 December 2012 was \$173,239. If the Transaction is not approved then Blackham would require an alternative funding source to further develop the Matilda Gold Project. Blackham may be able to source additional financial capital from



	equity markets however this is likely to be at a discount to the current market price and therefore will dilute existing Shareholders' interests.
	Alternatively, Blackham could seek debt financing. If such debt financing is available the borrowing cost of this debt is likely to be significantly greater than 8% per annum, being the cost of the debt component of the Convertible Notes.
	If the Transaction is approved these funds will be available to Blackham immediately whereas there would likely be considerable time involved in negotiating and obtaining the alternative funding sources outlined above.
The Company requires cash in order to meet its short term obligations.	At 31 December 2012 the Company is in a current net liability position, therefore the Company requires a future cash injection to meet its short term obligations. The core value of Blackham lies in the exploration assets that it holds. If the Company is to remain in a current net liability position, the Company may be forced to sell all or part of its exploration assets. A forced sale by the Company is unlikely to realise the full that RM Corporate Finance ascribed to its exploration assets therefore reducing value to Shareholders.
The Transaction strengthens the relationship with Great Central Gold and Joseph Gutnick	The issue of the Convertible Notes may strengthen the relationship with Great Central, which is controlled by Joseph Gutnick. This relationship may benefit the Company going forward in the form of potential availability of future funding from either Great Central Gold or Joseph Gutnick. By further strengthening this relationship, the Company may also benefit from the expertise and experience that Joseph Gutnick can bring to the board of Blackham going forward.
No changes to current operating arrangements	Great Central Gold is supportive of Blackham's management and its current operating plan. There has been no indication from Great Central Gold that it intends to change Blackham's business as conducted by the current management.



## 13.5 Disadvantages of Approving the Transaction

If the Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
Dilution of Shareholders' interests	If the Transaction is approved and the Convertible Notes are converted existing Blackham Shareholders will go from holding 100% of Blackham to owning a maximum of approximately 54% of Blackham. We note that if the Convertible Notes are not issued then alternative funding would be required which may also be dilutionary.
Loss of control	If the Transaction is approved and the Convertible Notes are converted then Great Central Gold will hold approximately 46% of the issued capital of Blackham, thus giving Great Central Gold the ability to block special resolutions. In addition to this significant shareholding, Mr Joesph Gutnick, who has a controlling interest in Great Central, was appointed as the Non-executive Chairman of Blackham following the Placement. This indicates that if the Convertible Notes are converted then Great Central Gold will have significant influence over the operations of Blackham.
Potential lower liquidity of shares	If the Transaction is approved and the Convertible Notes are converted then trading in Blackham shares may be negatively affected by the presence of a major shareholder with approximately a 46% ownership. The shares will have a materially lower free float on a proportional basis which may reduce liquidity. However, as we note in section 11.2 trading in the Company's shares already demonstrate a low level of liquidity.

Other matters	Description
Decreases the likelihood of a takeover offer	If the Convertible Notes are converted, Great Central Gold will hold approximately 46% of the issued capital of Blackham. This may discourage any other potential bidder from making a takeover bid in the future as Great Central Gold will have significant control over the Company. This may have an adverse effect on the share price of Blackham and reduces the opportunity for Shareholders to receive a takeover premium in the future.
Possible delayed conversion of Convertible Notes	If the Transaction is approved then Great Central Gold can immediately convert the Convertible Notes into ordinary shares, however the Convertible Notes have a maturity of five years, allowing Great Central Gold to defer conversion for up to five years. We note that the Convertible Notes have a conversion feature which entitles the Company to convert some or all of the Convertible Notes at its sole election if the Company's shares trade at above \$0.40 for forty consecutive trading days.

## 13.6 Other matters for consideration



# 14. Conclusion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is not fair but reasonable to the Shareholders of Blackham.

# 15. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Memorandum on or about the date of this report;
- Audited financial statements of Blackham for the years ended 30 June 2010, 30 June 2011 and 30 June 2012;
- Reviewed financial statements for the half year ended 31 December 2012;
- Independent Valuation Report of Blackham's mineral assets dated 15 April 2013 performed by RM Corporate Finance;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of Blackham.

## 16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$20,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Blackham Resources Limited in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by Blackham Resources Limited, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Blackham Resources Limited and Great Central Gold Pty Ltd and any of their respective associates with reference to ASIC Regulatory Guide 112 "Independence of Experts". In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Blackham Resources Limited and Great Central Gold Pty Ltd and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with Blackham Resources Limited, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to Blackham Resources Limited and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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# 17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Adam Myers and Sherif Andrawes of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 15 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 200 public company independent expert's reports under the Corporations Act or ASX Listing Rules. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

# 18. Disclaimers and consents

This report has been prepared at the request of Blackham Resources Limited for inclusion in the Notice of Meeting which will be sent to all Blackham Resources Limited Shareholders. Blackham Resources Limited engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the issue of the Convertible Notes to Great Central Gold Pty Ltd and the issue of the Director Options to Joseph Gutnick.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Notice of Meeting other than this report.



We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to the Transaction. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Blackham Resources Limited, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Blackham Resources Limited.

The valuer engaged for the mineral asset valuation, RM Corporate Finance Pty Ltd, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully BDO CORPORATE FINANCE (WA) PTY LTD

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Adam Myers Director

Al Im

Sherif Andrawes Director



# Appendix 1 - Glossary of Terms

Reference	Definition
The Act	The Corporations Act
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
Blackham	Blackham Resources Limited
The Company	Blackham Resources Limited
Convertible Notes	Tranche 1 and Tranche 2 Convertible Notes
DCF	Discounted Future Cash Flows
Director Options	2 million options to be issued to Mr Joseph Gutnick, exercisable at a 34% premium to the 20 day VWAP prior to the date of the meeting. The options have an expiry of three years less one day.
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings
Great Central Gold	Great Central Gold Pty Ltd
NAV	Net Asset Value
Our Report	This Independent Expert's Report prepared by BDO
The Placement	Capital raising comprising the issue of 15.79 million ordinary shares at \$0.21 per share to raise \$3.32 million
RG111	Content of expert reports (March 2011)
RG112	Independence of experts (March 2011)
RM Corporate Finance	RM Corporate Finance Pty Ltd



The Transaction	The issue of 40 million convertible notes, convertible at \$0.25 to raise \$10 million
Shareholders	Shareholders of Blackham Resources Limited
Tranche 1 Convertible Notes	The issue of 20 million convertible notes, convertible at \$0.25 to raise \$5 million, which will be drawn down 10 business days after shareholder approval is obtained, if it is obtained.
Tranche 2 Convertible Notes	The issue of 20 million convertible notes, convertible at \$0.25 to raise \$5 million, which will be drawn down within 24 months of the draw down date of the Tranche 1 Convertible Notes
VWAP	Volume Weighted Average Price
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
Wesfarmers Resources	Wesfarmers Resources Coal Limited



# Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

# 1 Net asset value ("NAV")

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

# 2 Quoted Market Price Basis (" QMP" )

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a "deep" market in that security.

# 3 Capitalisation of future maintainable earnings ("FME")

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.



The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ("EBIT") or earnings before interest, tax, depreciation and amortisation ("EBITDA"). The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

# 4 Discounted future cash flows ("DCF")

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

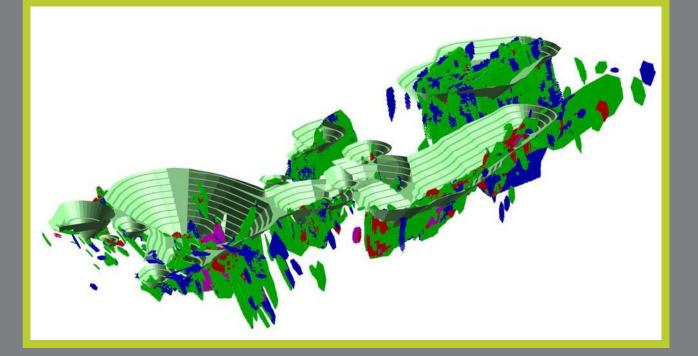
DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

# 5 Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.



# Appendix 3 - Independent Valuation Report Prepared by RM Corporate Finance



# INDEPENDENT EXPERT REPORT

PREPARED ON BEHALF OF

BDO CORPORATE FINANCE (WA) PTY LTD

15 April 2013

By

Guy T. Le Page, MAUSIMM, FFin RM Corporate Finance

This report has been commissioned from and prepared by **RM Corporate Finance** for the exclusive use of BDO Corporate Finance (WA) Pty Ltd. Each statement or opinion in this report is provided in response to a specific request from BDO Corporate Finance (WA) Pty Ltd to provide that statement or opinion. Each such statement or opinion is made by **RM Corporate Finance** in good faith and in the belief that it is not false or misleading. Each statement or opinion contained within this report is based on information and data supplied by Blackham Resources Limited to **RM Corporate Finance**, or otherwise obtained from public searches conducted by **RM Corporate Finance** for the purposes of this report.

15 April 2013

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BDO Corporate Finance (WA) Pty Ltd 38 Station Street SUBIACO WA 6008 <u>AUSTRALIA</u>

Dear Sirs,

# Independent Expert Report

# 1.0 BACKGROUND

At the request of BDO Corporate Finance (WA) Pty Ltd ("**BDO**") **RM Corporate Finance Pty Ltd** ("**RM Corporate Finance**") (ABN 82 120 947 319) has been engaged to complete an Independent Technical Valuation (where exploration is sufficiently advanced) and an independent technical assessment (where exploration is not sufficiently advanced) of the mining assets of Blackham Resources Limited ("**Blackham Resources**", "the Company" or "**BLK**") ("A.C.N. 119 887 606") in relation to the proposed investment of A\$13 million by Great Central Gold Pty Ltd ("**Great Central**") announced to the Australian Securities Exchange limited ("**ASX**") on 4<sup>th</sup> February 2013 ("the Transaction").

The mining assets of the Company include the Matilda Gold Project situated near the town of Wiluna (Northern Yilgarn Province of Western Australia) and the Scaddan and Zanthus Energy Projects situated approximately 60 kilometres and 240 kilometres respectively north of the town of Esperance (Southern Western Australia).

The Independent Expert Report will be included in a notice of General Meeting to be sent to **Blackham Resources** shareholders in Late May/early June 2013. I understand that the shareholders will vote as to whether the Transaction is Fair and Reasonable.

The Matilda Project is a 100% undivided interest in approximately 570 square kilometres of Prospecting Licenses, Exploration Licenses, Mining Leases and one Retention License (Table 2, Annexure C).

**Blackham Resources** also has a 70% interest in the Scaddan Energy Project and a 100% interest in the Zanthus Energy Project (Annexure C).

For the specific purpose of this valuation, site visits were not carried out to either the Matilda or Scaddan and Zanthus Energy Projects. However, **RM Corporate Finance** has examined various experts' reports, ASX releases and technical information provided by **Blackham Resources** in formulating an opinion. Furthermore we have interviewed key staff and technical personnel in regard to the much of the material and where necessary independently verified the data referred to in this report.

Blackham Resources has advised RM Corporate Finance that there have been no material developments on its projects on which to form an opinion over and above that presented in the technical information provided. On this basis, a field visit was not considered warranted. RM Corporate Finance has satisfied itself that Blackham Resources has disclosed all material information pertaining to its mineral assets. A draft version of this report was provided to the directors of Blackham Resources and BDO for comment in respect of omission and factual accuracy.

**RM Corporate Finance** has not independently verified the ownership and legal standing of the mineral tenements of **Blackham Resources** that are the subject of this valuation and is not qualified to make legal representations in this regard. Rather we have relied upon documents and information provided by **Blackham Resources** in particular a tenement report by McMahon Mining Title Services Pty Ltd ("McMahon's") (Annexure C). With reference to the McMahon's report, **RM Corporate Finance** understands that all of **Blackham Resources**' tenements are in good standing and that there is no cause to doubt the eventual granting of any tenement applications.

Furthermore, **RM Corporate Finance** has not attempted to establish the legal status of the tenements within each project, Native Title or potential environmental and land access restrictions.



**RM Corporate Finance**'s opinion of the valuation of the assets of **Blackham Resources** is relevant as at 15 April 2013 using the methodologies described in this report.

**RM Corporate Finance** is a Perth based independent firm providing corporate finance, with an emphasis on mining and energy related transactions. The company has prepared Independent Expert's Reports and mineral asset valuations on a variety of mineral commodities in a number of countries.

This report was prepared by Guy T. Le Page (Director **RM Corporate Finance**) in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Experts Reports ("the VALMIN Code 2005") and in particular paragraph 26 and 67 of the Valmin Code 2005. In addition the Report complies with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves - the JORC Code 2012 ("JORC Code").

Neither **RM Corporate Finance** nor those involved in the preparation of this report have any material interest in any of the companies or mineral assets considered in this report that could be reasonably regarded as being capable of affecting their independence. **RM Corporate Finance** is remunerated for this report by way of a professional fee determined according to a standard schedule of rates that is not contingent on the outcome of this report.

Yours faithfully

Guy Le Page

Guy T. Le Page, FFIN, MAUSIMM DIRECTOR RM Corporate Finance

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# 4.0 SUMMARY

**RM Corporate Finance** has completed a valuation of the Matilda Gold Project ("Matilda") and Scaddan and Zanthus Energy Projects based on Comparable Transactions (Matilda) and Market Valuation of JORC Resources (Matilda, Scaddan, Zanthus).

The valuation of the Matilda and Scaddan/Zanthus Projects are set out in Table 4.1 below.

SCENARIO	Matilda Project	Scaddan/Zanthus Energy Projects	Totals
	(A\$m)	(A\$m)	(A\$m)
Low	\$8.54	\$1.08	\$9.62
Mid Case	\$22.49	\$4.30	\$26.79
High	\$38.48	\$7.02	\$45.50

 
 Table 4.1 Blackham Resources' Matilda Gold Project and Scaddan/Zanthus Energy Project valuation summary (source: RM Corporate Finance, internal modelling, April 2013).

**RM Corporate Finance** considers that the range of valuations is A\$8.54 to A\$38.48 million for the Matilda Gold Project and A\$1.08 to A\$7.02 million for Scaddan and Zanthus Energy Projects (Table 4.1). The preferred valuation (mid case) of **Blackham Resources** is A\$26.79 million. The broad range of values reflects the subjective nature of the valuation methodologies employed and both projects status as JORC Resources without any detailed economic analysis (that is permitted to be used) to enable more precise valuations to be undertaken.

# 5.0 TRANSACTION and BACKGROUND

# 5.1 Introduction

**BDO** approached **RM Corporate Finance** to undertake an Independent Experts Report ("the Report") comprising a valuation of certain mining assets of **Blackham Resources** on the Matilda Gold Project and Scaddan and Zanthus Energy Projects, situated in the Northern Yilgarn District and southern Yilgarn District of Western Australia respectively.

**Blackham Resources** announced on 4<sup>th</sup> February 2013 that it intends to undertake a series of placements in the Company to **Great Central Gold** that required, *inter alia*, shareholder approval and consideration by the shareholders of an Independent Expert Report pursuant to s606 and 611 Corporations Act (Cwth) 2001 as outlined in paragraph 5.2 and 5.3 below.

# 5.2 Scope of Study

**RM Corporate Finance** understands that the Report will be relied on by **BDO** and will be released to shareholders at a General Meeting to be convened in Late May/early June 2013 in relation to the proposed investment by **Great Central** of:

- (i) **Convertible Note Placement**: up to 40 million 8% Convertible Notes (25 cents, 5 years) for a total value of A\$10 million, and
- (ii) Share Placement: The approval for the balance of a placement in two tranches ("Placement") of 15,790,000 ordinary fully paid shares ("Shares") of which 10,982,000 (Tranche 1) were issued pursuant to Chapter 3.1 ASX Listing Rules (25% placement capacity) with the balance of 4,808,000 (Tranche 2) Shares to be issued subject to shareholder approval at a General Meeting.

As the conversion of all or part of the Convertible Note (in Tranches of not less than 1,000,000 Notes) will take **Great Central** over 19.9%, then a Fair and Reasonable Report is required pursuant to s606 Corporations Act (Cwth) 2001. This section prohibits the acquisition of shares by a party if that acquisition will result in that person (or someone else) holding an interest in 20% or more of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

Following the Share Placement, **Great Central** will hold 19.3% of the issued capital (with the Convertible Notes taking **Great Central** over 19.9%) of the Company (undiluted). Section 611 permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a General Meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the Company must be given all information that is material to the decision on how to vote at the meeting.

Regulatory Guide 74 issued by ASIC deals with "Acquisitions Agreed to by Shareholders". It states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of the Company, by either:

- (i) undertaking a detailed examination of the Placement themselves, if they consider that they have sufficient expertise; or
- (ii) by commissioning an Independent Expert's Report.

The directors of the Company have therefore commissioned **RM Corporate Finance** to undertake this Report. As it is intended for public release, the Report has been completed under the guidelines of the VALMIN Code, which incorporates the JORC Code.

**RM Corporate Finance** has selected the most appropriate valuation technique for the assets, based on the development stage of the project and the amount of available information.

### 5.3 General Meeting Resolutions

Under the terms of the acquisition, shareholders of **Blackham Resources** will be required to vote on the following resolutions at a General Meeting of **Blackham Resources** to be convened in Late May/early June 2013. This Report, as outlined in paragraph 5.2 above, deals principally with the issue of securities pursuant to Resolutions 5, 6 and 7 as set out below:

RESOLUTION 5 - ratification of issue of shares to Great Central Gold Pty Ltd

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary** resolution:

"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify and approve the issue and allotment of 10,982,000 Shares to Great Central Gold Pty Ltd, a company controlled by Mr Joseph Gutnick, who is a Director, on the terms and conditions and in the manner set out in the Explanatory Memorandum."

#### RESOLUTION 6 - Approval of the issue of shares to Great Central Gold Pty Ltd

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary** resolution:

"That for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Company is authorised to issue and allot up to 4,808,000 Shares to Great Central Gold Pty Ltd, a company controlled by Mr Joseph Gutnick, who is a Director, on the terms and conditions and in the manner set out in the Explanatory Memorandum."

**RESOLUTION 7** – Approval of the issue of convertible notes and shares to Great Central Gold Pty Ltd To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolution 6, for the purposes of item 7 of section 611 of the Corporations Act 2001 (Cth) and ASX Listing Rule 10.11 and for all other purposes, the Company is authorised to issue and allot up to 40,000,000 Convertible Notes with a total face value of \$10,000,000 (each Convertible Note having a face value of \$0.25) and to issue and allot Shares upon the conversion of those Convertible Notes to Great Central Gold Pty Ltd, a company controlled by Mr Joseph Gutnick, who is a Director, on the terms and conditions and in the manner set out in the Explanatory Memorandum."

# 5.4 Mineral Assets

The primary asset of the Company is the Matilda Gold Project (total JORC Resources of 1.50 million ounces of gold-Table 6.1, Page 15) covering approximately 570 square kilometres surrounding the old Wiluna Mine in the Northern Yilgarn of Western Australia. The Scaddan Coal Project is situated just north of the Port of Esperance in the southwest of Western Australia and has total JORC attributable lignite resources of approximately 700 million tonnes (Table 6.6). The Zanthus Energy Project is situated 240 kilometres north of Esperance with total JORC attributable lignite resources of 350 million tonnes (Table 6.5, Page 26).

# 5.5 Company History

**Blackham Resources** listed on the Australia Securities Exchange Limited ("**ASX**") in September 2006 raising A\$4.0 million on the back of the Carbine North Gold Project in Western Australia. In March 2007 the Company applied for tenements over the Scaddan Coal Deposit and proceeded over a number of years to increase its foothold in the

area. JORC attributable lignite resources at the Scaddan Project now stand at approximately 1 billion tonnes (700 million tonnes attributable to **Blackham Resources**) and a number of studies have been undertaken relating to a potential Coal to Liquids project and a later study that examined the potential for a lignite export operation through the nearby Port of Esperance.

A confrontation over disputed tenements with Wesfarmers Resources Coal Limited ("Wesfarmers Premier Coal") saw an eventual resolution in January 2008 and the parties agreed on a 70% (Blackham Resources): 30% ("Wesfarmers Premier Coal") contributing joint venture. Later in 2008, Blackham Resources exercised an option to acquire a 100% interest in the Zanthus Energy Project for cash and shares. It was believed at the time that this project had the potential as a complimentary feed for a coal to liquids project with the Scaddan Energy Project.

Following an unsuccessful bid for further coal resources in the Russian Federation in 2009, the Company then turned its attention to the Matilda Gold Project in late 2011. This project now represents the primary focus for the Company. Through a series of acquisitions and applications and several phases of RC and diamond drilling, **Blackham Resources** now controls a large portfolio of tenements containing approximately 1.5 million ounces of gold JORC Resources within trucking distance of the Wiluna Gold Plant currently operated by **Apex Minerals Limited** ("**Apex**").

The Company is now looking to accelerate the development of the Matilda Gold Project and is endeavouring to find nearby processing options to enable an early start up, subject to the outcome of a positive Feasibility Study.

# 6.0 MINING ASSETS

# 6.1 Matilda Gold Project

#### 6.1.1 Background

#### **Kimba Resources Acquisition**

In October 2011, **Blackham Resources** announced (**Blackham Resources**, ASX Announcement, 18 October 2011) the acquisition of **Kimba Resources Pty Ltd** ("**Kimba**") which provided the company with an initial 500 square kilometre holding in the Wiluna gold belt. It announced earlier in the same month that it had acquired an additional 140 square kilometres of gold and all non-uranium mineralisation rights adjacent to its Matilda Gold Project at no extra cost.

In late 2011, **Blackham Resources** subsidiary **Kimba** signed a Deed of Assignment with **Apex**, essentially confirming the acquisition of all the minerals covering Mining Lease M53/797, including the Williamson Gold Mine. The Deed of Assignment also confirmed **Kimba's** rights to explore and mine nickel and uranium on **Apex's** tenure and **Apex's** right to explore and mine calcrete on part of **Kimba's** tenure.

The Project now includes the old Matilda Gold Mine, the Williamson Gold Mine, the Regent and Galaxy deposits and exploration prospects at Mt Poole, Monarch, Carroll Prior, Red Lady, Zenith, Island and Albion gold prospects in the Lakeway area.

The rationale behind the acquisition was to process ore from the Matilda Gold Project at the Wiluna Gold Plant which has streams to treat both refractory and free milling ore. Furthermore, the supply of free milling ore from the Matilda Gold Project had the potential to justify a plant expansion. The plant had previously processed up to 1.1 million tonnes of ore per annum.

The adjacent Wiluna Mine operated by **Apex** has produced over 4 million ounces of gold from only 5 kilometres of the mine sequence. **Apex's** JORC Reserves are currently 1.60 million tonnes @ 4.7 g/t gold for a total of 242,000 ounces (**Apex**, website, March 2013). The recent operational performance of **Apex** has been challenging with C1 operating costs from 30,386 ounces of gold averaging over A\$1,700 per ounce since June 2012 (**Apex**, December 2012 Quarterly Report).

# 6.1.2 Location and Access

The Matilda Mining Centre is located approximately 19 kilometres south of the township of Wiluna in the Northern Yilgarn of Western Australia. The region has produced 35 million ounces from its discovery in 1886 with over 4 million ounces of gold produced by a number of operators at the nearby Wiluna operations (Figure 6.1 and 6.2).

The Matilda Gold Project incorporates over 570 square kilometres of tenements including the old Matilda, Regent and Williamson Gold Mines. Importantly the tenements cover around 40 kilometres of strike along the Wiluna Mine Sequence and 10 kilometres of strike along the Coles Find Sequence. All the deposits are within 26 kilometres by existing haul roads of the Wiluna Gold Plant (Figure 6.3).

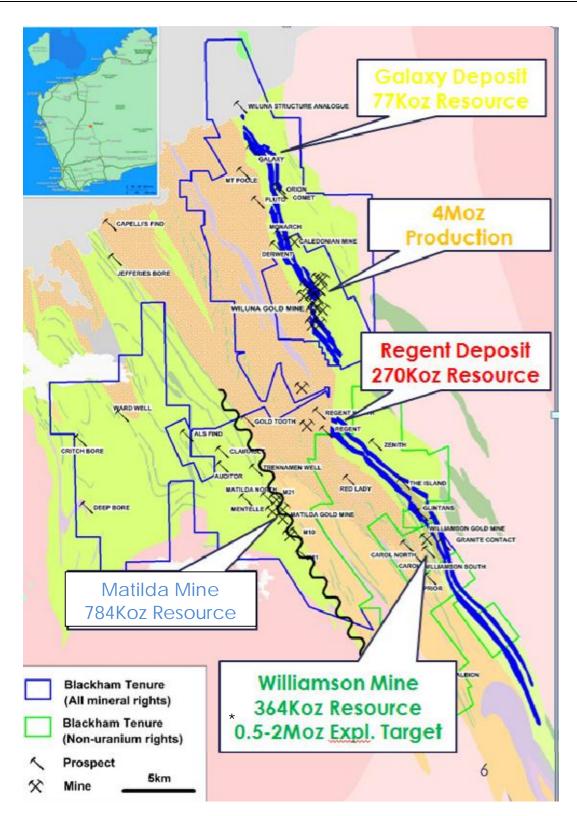


Figure 6.1 Matilda, Williamson, Regent and Galaxy Projects. (*source:* Blackham Resources, Presentation, September 2012).

\*The potential quantity and grade are conceptual in nature, since there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result eventually in the determination of Mineral Resources.

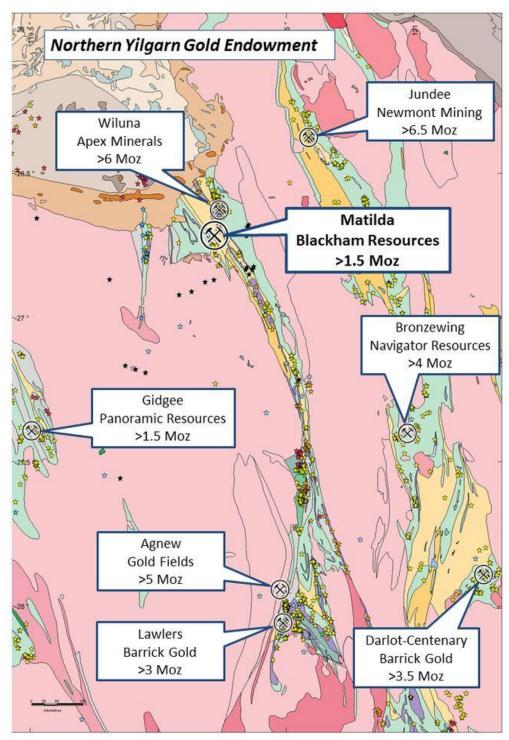


Figure 6.2: North Yilgarn mineral endowment. (*source:* Blackham Resources, Presentation, September 2012).

Relevant tenements of the Company covering the Matilda Gold Project are set out in Annexure C.

# 6.1.3 Climate and Physiography

The tenements are located just south of Wiluna on the edge of the Western Desert at the gateway to the Canning Stock Route and Gunbarrel Highway. It is the service centre of the local area for the local Aboriginal people, the pastoral industry and mining. Wiluna's climate is hot and dry with an annual rainfall of just 254 mm. Mean maximum temperatures range from 19°C in July, to 38°C in January. Wiluna experiences a desert climate (Köppen climate classification *BWh*), though like most of inland Western Australia, it has seen its rainfall increase by around 40 percent since 1967 (Water Corporation, 2004).

# 6.1.4 Mining and Exploration History

### **First Discovery**

Gold was initially discovered at Wiluna in 1896 by three prospectors, George Woodley, James Wotton and Jimmy Lennon in an area known as Lake Way. In December 1897, a 460 ounce nugget was found in the town of Wiluna and became the site of the Wiluna Gold Mine operated by **Wiluna Gold Mines Limited**. Mining took place up until the First World War when refractory ores resulted in a cessation of production (**Blackham Resources**, Website 2013).

#### Second phase

The second phase of the mine commenced in the 1920's when Claude de Bernales floated a company that would undertake a drilling program and the Wiluna Mine was revived. By 1939, the town had grown to a population of 9,000.

Mine workers were in short supply however during the Second World War with a large number of men called to the services. This second phase of mining ceased in 1947, when all machinery was disposed of (**Blackham Resources**, Website 2013).

## Third phase

The nickel boom saw exploration commence again in the 1960's and from 1973 to 1980, exploration for gold, nickel, copper and uranium was undertaken by a number of explorers.

From 1987 to 1994, oxide ore at the Wiluna Gold mine was mined by Asarco Limited ("**Asarco**") from open pit operations; from 1994 onwards, underground operations commenced. By 1996 however mining ceased. Scoping studies on nickel laterite deposits were also undertaken by **Asarco** during this period.

In August 1997, **Great Central Mines** made an offer for **Wiluna Mines Limited** ("**Wiluna Mines**"), owner of Wiluna at the time which was eventually successful in early January 1998. From 1997 to 2000, Great Central Mines Limited ("**Great Central Mines**") undertook regional exploration, principally for gold.

The mine went through a number of owners during this time, being sold in a package with the Bronzewing Gold Mine and the Jundee Gold Mine when **Great Central Mines** was taken over by Normandy Mining Limited ("**Normandy Mining**") in June 2000. Subsequent exploration by **Normandy Mining** focused on the Wiluna mine sequence and Lake Way. **Normandy Mining**, in turn, was taken over by the **Newmont Mining Corporation** in February 2002 which attempted to generate mine plans for the Galaxy and Regent Deposits.

In December 2003 the project was sold to Agincourt Mining Limited ("Agincourt Mining") which focused its development activities on the definition of the Lake Way deposits. Agincourt Mining was subsequently taken over by Oz Minerals Limited ("OZ Minerals") in April 2007. In June 2007, the Wiluna Mine assets of Oz Minerals were sold to Apex (Blackham Resources, Website 2013).

#### 2011 to Present

In May 2011, following the takeover of **Oz Minerals** by **Minmetals**, **Kimba** acquired the Wiluna Gold Mine assets. **Kimba** was subsequently acquired by **Blackham Resources**.

Since finalising the acquisition of **Kimba** and a 100% interest in the Matilda Gold Project, the Company has been actively exploring the tenements. This has included over 9,000 metres of RC and Diamond drilling at the Matilda Mine and completing a Scoping mine design over the Regent Deposit. In addition, a Scoping Study was completed to examine the possible recommissioning of the Matilda Mine. Recent exploration at the Matilda Mine has been successful in increasing JORC Resources (Inferred and Indicated) from approximately 68,000 to 784,000 (Table 6.1, Page 15) million ounces of gold. Synthesis of previous exploration has been successful in creating a database of over 39,000 drill holes and 371 reports covering departmental and various technical reports.

# 6.1.5 Geology and Mineralisation

The project area lies in the northern region of the Archaean Norseman-Wiluna greenstone belt (Figure 6.2 and 6.3), an irregular but continuous complex of metamorphosed ultramafic, mafic and felsic volcanic rocks and associated intrusives and sediments extending over more than 700 kilometres from south to north. The belt contains significant deposits of gold and nickel.

The Wiluna Gold Mines are located adjacent to the town of Wiluna near the northern extremity of the Archaean Norseman-Wiluna greenstone belt of the Yilgarn Craton. Wiluna is situated 500 kilometres north of Kalgoorlie which is in the same greenstone belt, and 50 kilometres SW of Jundee. In addition to the Wiluna mine, the Wiluna lodes have produced 4 million ounces of gold since the late 1800's. The Wiluna mines exploited a series of individual lode hosted gold deposits within a series of low grade metamorphosed (prehnite-pumpellyite facies) mafic and ultramafic lava flows controlled by the Wiluna strike-slip fold system - a north and north-east trending, west and east dipping set of dextral principal and subsidiary faults (with minor oblique reverse or oblique normal movement) and an overall maximum cumulative displacement of 1350 metres. The mineralised lodes are located on dilational jogs, divergent bends and horsetail splays, with shoots plunging moderately to steeply south. Fault hosted ore breccias, net veined breccias and brecciated veins are significant loci for gold and contain mainly quartz (chalcedony), carbonates, fuchsite, arsenopyrite, pyrite and/or stibnite.

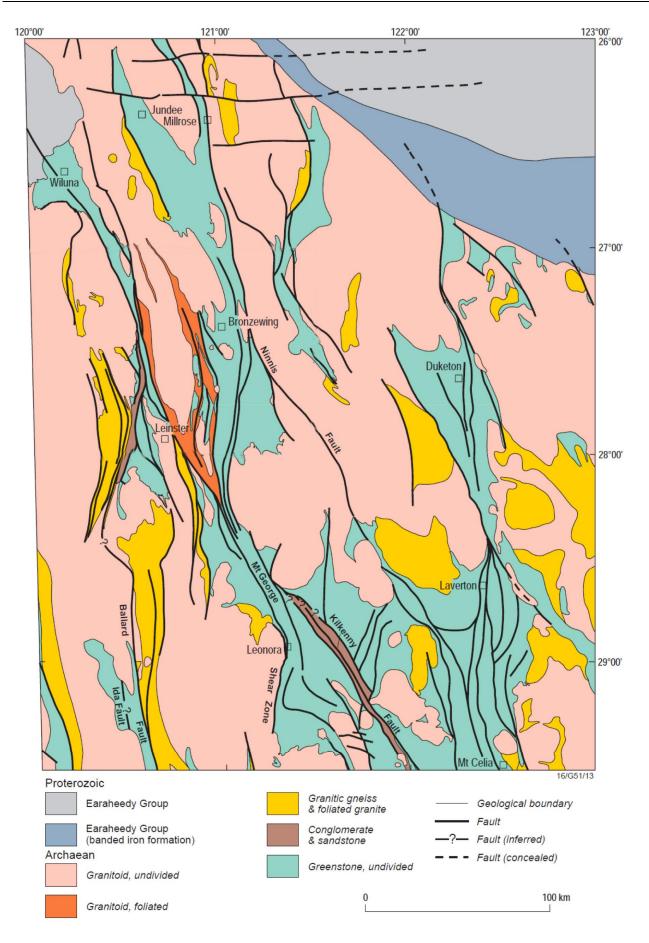


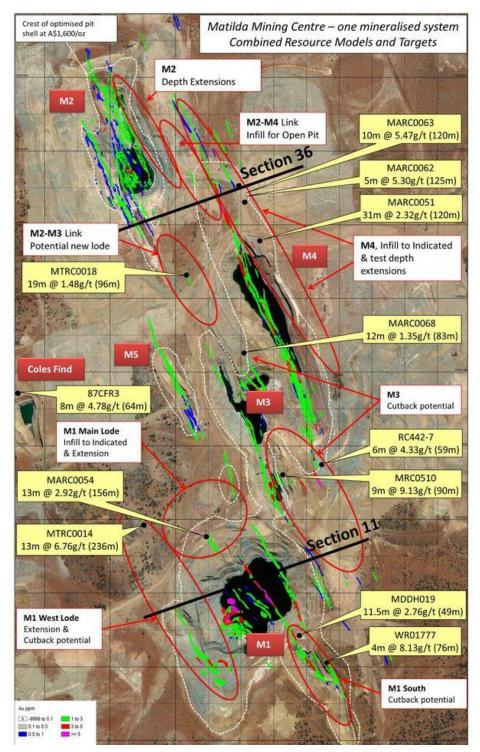
Figure 6.3 Regional Geology-Norseman-Wiluna Belt. (*source* Geosc. Australian Record, 2002/14).

# 6.1.6 Key Mines, Deposits and Prospects

#### Matilda Mine

The Matilda Mine (Figure 6.1, 6.4) comprises a series of shallow workings to an average depth of 50 metres over a strike length of approximately 3.5 kilometres. Gold mineralisation is associated with mafic shear zones and saddle reefs with supergene gold occurring within the zone of oxidation. Mineralisation remains open both along strike and at depth.

**Eon Metals** ceased production in 1992 due to low gold prices with total combined production (since the 1900's) of approximately 2.66Mt @ 2.3 g/t gold for 163,000 ounces of gold. Recent exploration by the Company since the project acquisition as significantly increased JORC gold Resources (see paragraph 6.1.8).



**Figure 6.4**: Ore mineralised systems at the Matilda Mining Centre showing key deposits and prospects. (*source:* **Blackham Resources**, AGM Presentation, November 2012).

#### Williamson Mine

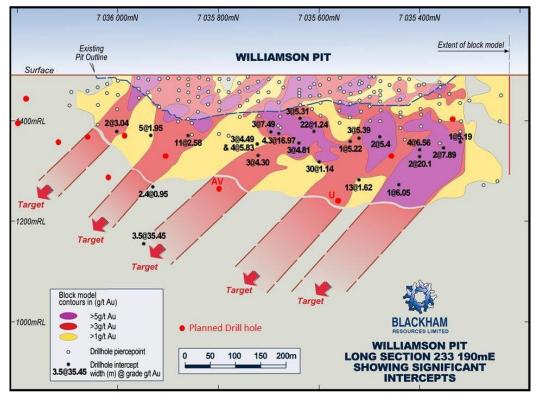
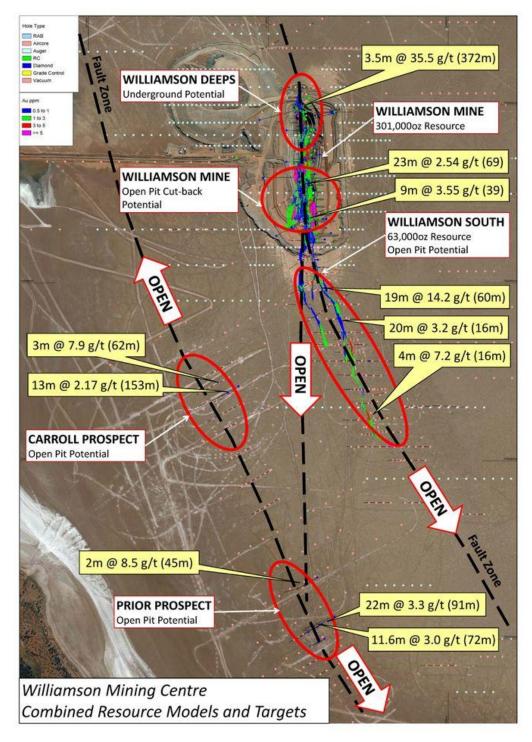


Figure 6.5: Williamson Mine Long Section

(source: Blackham Resources, AGM Presentation, 30<sup>th</sup> November 2012).

The Williamson Mine (Figure 6.1, 6.5, 6.6 and 6.7) is also situated on the Wiluna Mine sequence and strikes for over 2.50 kilometres to a depth of approximately 200 metres. The mine is situated 26 kilometres south of the Wiluna Gold Plant (10 kilometres from the Matilda Mine by existing haul roads) and was last operated by **Agincourt** that produced around 668,000 tonnes @ 1.98 g/t gold for a total of 42,000 ounces.

Current Inferred JORC Resources stand at 6 million tonnes @ 1.9 g/t gold for a total of 364,000 ounces, (Table 6.1, Page 15) up from 98,000 ounces of JORC Inferred Resources at the time of acquisition by the Company. (November 2011).



**Figure 6.7**: Williamson Mining Centre, combined resource models and targets (*source*: **Blackham Resources**, AGM Presentation, 30<sup>th</sup> November 2012).

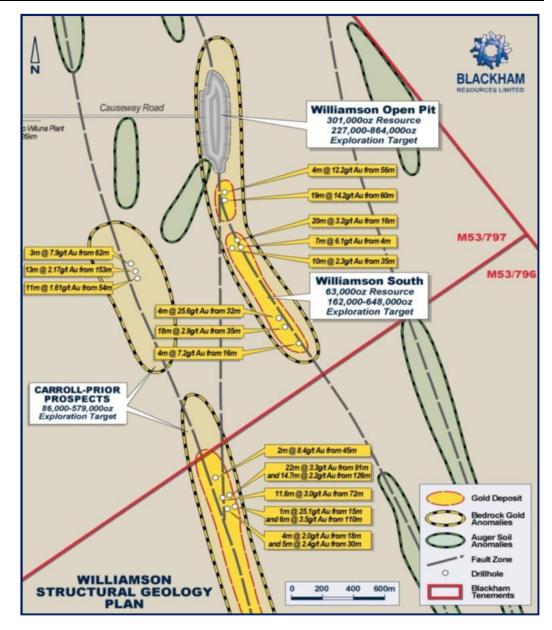
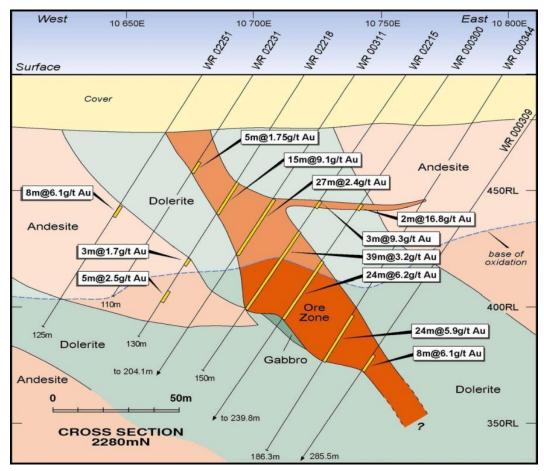


Figure 6.8: Williamson Mining Centre-structural study. (*source*: Blackham Resources, AGM Presentation, 30<sup>th</sup> November 2012).

# **Regents Deposit**

The Regents Deposit (Figure 6.1 and 6.8) is also hosted within the Wiluna Mine sequence, directly along strike from the old Wiluna Mine. Current JORC Inferred and Indicated resources (paragraph 6.1.7) total 3.8 million tonnes @ 2.2 g/t gold for 270,000 ounces (67,000 ounces of gold, November 2011). Please refer Table 6.1, Page 15.

A number of high grade intersections including 24 metres @ 6.2 g/t gold from 96 metres downhole and 24 metres @ 5.9 g/t gold from 119 metres downhole remain to be followed up.



**Figure 6.10** Cross section of Regents Deposit showing significant drill intercepts. (*source:* **Blackham Resources**, AGM Presentation, 30<sup>th</sup> November 2012).

#### **Galaxy Deposit**

The Galaxy Deposit (Figure 6.1) is also hosted within the Wiluna Mine sequence just north of the old Wiluna Mine. Recent exploration and resource modelling has downgraded JORC Inferred and Indicated resources from 884,000 tonnes @ 2.7 g/t gold (paragraph 6.1.8) for 77,000 ounces of gold (Table 6.1, Page 15). Similarly, much of the historical drilling is very shallow (<60 metres vertical depth) with numerous high-grade intercepts such as 4 metres downhole @ 11.05 g/t gold remaining to be followed up.

# **Carroll Prior**

The Carol Prior Prospect (Figure 6.7), situated immediately south-west of the Williamson pit, covers over 6 kilometres of strike length with previous drilling intersecting gold mineralisation associated with felsic volcanics bounded by mafic intrusives. Similarly there are numerous intersections to be followed up including 22 metres @ 3.3 g/t gold from 91 metres downhole.

# 6.1.7 Metallurgy

Metallurgical testwork on six composite samples (both oxide and transitional ore) was undertaken by Independent Metallurgical Operations Pty Ltd ("**IMO**") as part of the recent Scoping Study and returned average recoveries of approximately 89.9%. This compared favourably to historical recoveries in the order of 84% from the processing of ore by **Chevron/Eon Metals** of approximately 2.66 million tonnes @ 2.35 g/t gold (163,000 ounces of gold) at the Matilda carbon in leach plant from 1986 to 1992. The best results were returned from a combined gravity/carbon-in-leach process which resulted in low reagent consumptions and accelerated extraction kinetics.

Completion of the Matilda preliminary feasibility metallurgical testwork and Process Design Criteria was announced at the beginning of March 2013 (**Blackham Resources**, ASX Announcement, 1 March 2013) and was also supervised and undertaken by **IMO**. The overall plant recovery from the process design criteria report based on the Matilda Mine Scoping Study feed profile increased to 92.8%.

#### 6.1.8 **Reserves and Resources**

JORC Resources (Table 6.1, Page 15) at the Matilda Gold Project were recently upgraded to 24 million tonnes @ 1.9 g/t gold (Blackham Resources, ASX Announcement, 14/1/2013). The report was completed by geological consultants RungePincockMinarco Pty Ltd ("Runge') and incorporated a recent 3,000 metre RC drilling program focussing on the M1 and M4 lodes.

This estimate includes JORC Measured, Indicated and Inferred Resources at the Matilda Mine of 14Mt @ 1.8 g/t gold for a total of 784,000 ounces of gold (Table 6.1, Page 15. This JORC resource upgrade represents an increase of approximately 1.20 million ounces of gold since the acquisition of the project by the Company in late 2011. Added reference to Resource Table and Page

		MEASURE	D		INDICATE	D		INFERREI	D		TOTALS	
MINING CENTRE	Mt	Au g/t	Koz	Mt	Au g/t	Koz	Mt	Au g/t	Koz	Mt	Au g/t	Koz
Matilda Mine	0.12	2.4	9	2.98	2	190	10.7	1.7	585	13.8	1.8	784
Williamson Mine							6	1.9	364	6	1.9	364
Regent				0.74	2.5	61	3.1	2.1	209	3.8	2.2	270
Galaxy							0.9	2.7	77	0.9	2.7	77
TOTALS	0.12	2.4	9	3.72	2.1	251	20.7	1.9	1,235	24.5	1.9	1,495

 Table 6.1 Blackham Resources Matilda Project, Resources and Reserves.

 (source: Blackham Resources, Presentation, 26<sup>th</sup> September 2012).

# 6.1.9 Exploration Potential

There appears to be exploration upside on all of the prospects that comprise the Matilda Project however near term exploration upside for both open cut and underground JORC Resources appears to be more promising at the Matilda Mine environs and at the Williamson Prospect.

#### Matilda Gold Project

JORC Resources at the Matilda Gold Project (Figure 6.4) were recently upgraded to 24 million tonnes @ 1.9 g/t gold (Table 6.1, Page 15). The majority of the gold deposits remain open along strike and down plunge with limited drilling below 100 metres from surface. In particular the M1 Prospect long section in Figure 6.9 demonstrates the high-grade potential down plunge from the M1 West ore body.

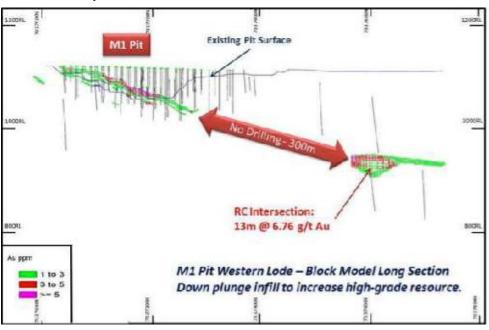


Figure 6.11. Long section showing mineralisation extending beneath the pit floor of M1 and the potential for additional resources at depth.

(source: Blackham Resources, ASX Announcement, 14th January 2013).

The M1, M2, M3, M4 & M5 at the Matilda Project comprise a series of up to six stacked lodes. Historical RAB drilling was successful in outlining near surface mineralisation and recent drilling by the Company at M4 has identified further gold shallow lodes beneath old RAB holes. The identification of near surface depletion may have made the identification of near surface mineralisation challenging. It appears there are many "gaps" along strike and down plunge which are likely to lead to an increase in JORC Resources once exploration resumes (Figures 6.10).

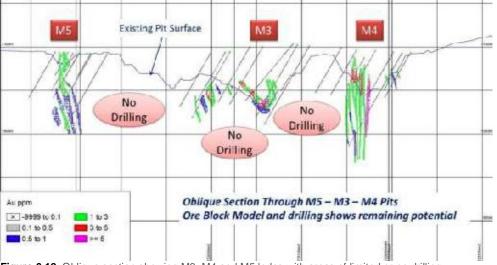


Figure 6.12. Oblique section showing M3, M4 and M5 lodes with areas of limited or no drilling. (*source*: **Blackham Resources**, ASX Announcement, 14 January 2013).

JORC Resources have increased by in excess of 382% since the Matilda Gold Project was acquired in late 2011. The majority of the exploration success has come from the Matilda Mine which has increased from 68,000 ounces to 784,000 ounces over this period (Table 6.1, Page 15). The Williamson Mine is the next likely target for follow up drilling with numerous high-grade intercepts remaining to be followed up.

Subject to the results of a Feasibility Study, results to date indicate that the M4 lode (Figure 6.11) represents one of the most promising near term target for the Company with a number of high-grade intercepts including MARC 0063 with 10 metres @ 5.47 g/t gold (Figure 6.12) remaining to be followed up.

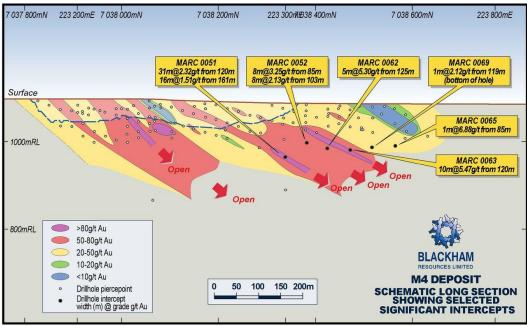
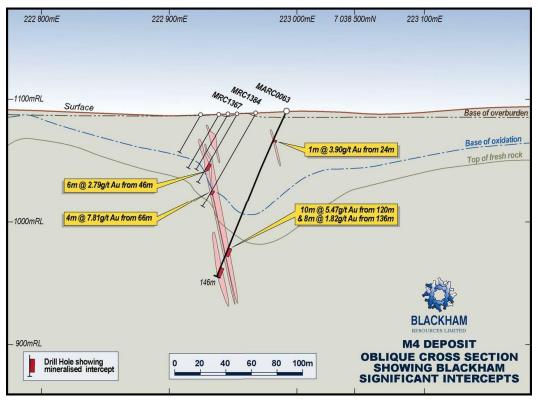


Figure 6.13. Long Section of M4 showing grade x width contours. (*source*: Blackham Resources, Quarterly Activities Report, 31<sup>st</sup> January 2013).



**Figure 6.14.** Oblique cross section at M4 Prospect showing significant gold intercepts. (*source:* **Blackham Resources**, Quarterly Activities Report, 31<sup>st</sup> January 2013).

#### Williamson Mine

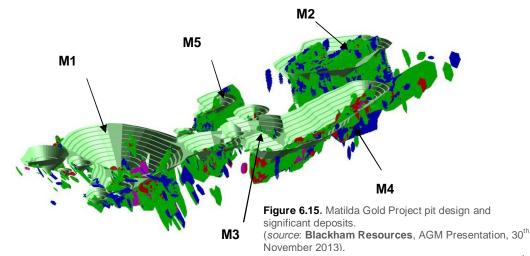
	<sup>1</sup> Exploration Target						
MINING CENTRE	Mt	Au g/t	Moz Au				
Williamson Mine	4.6-12.6	2-5	0.5-2.0				

 Table 6.2: Blackham Resources Matilda Project, Resources and Reserves.

 (source: Blackham Resources, AGM Presentation, 30<sup>th</sup> November 2012).

The Williamson Deeps (Figure 6.11, Table 6.3) represents a prime target for further JORC gold resources with numerous high grade intersections remaining to be followed up including 3 metres at 121 g/t gold from 87 metres downhole and 26 metres at 6.1 g/t gold from 128 metres downhole. Many of the intersections are possibly too deep to be accessed by open cut and represent potential underground targets.

## 6.1.10 Scoping Studies



The Company completed a Scoping Study (**Blackham Resources**, ASX Announcement, 28<sup>th</sup> November 2012) that contemplated a 2.45 million tonne per annum operation based on the processing at the Wiluna Gold Plant (**Apex**). A further scenario was undertaken using a standalone plant at the Matilda Mine (**Blackham Resources**, ASX Announcement, 28<sup>th</sup> November 2012).

<sup>&</sup>lt;sup>1</sup> The potential quantity and grade are conceptual in nature, since there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result eventually in the determination of Mineral Resources.

# 6.2 Scaddan Energy Project

# 6.2.1 Background

The Scaddan Energy Project is a joint venture between **Blackham Resources** and **Wesfarmers Resources Ltd** which have 70% and 30% contributing interests respectively. Two development options have been examined which includes a Coal to Liquids project (CTL) and a lignite export operation through the Port of Esperance.

The tenements were applied for in early 2007 and covered the Scaddan West and East Prospects and included JORC Resources of 668 million tonnes of coal @ 18% ash cut-off. Following a dispute with **Wesfarmers Premier Coal Ltd** ("**Wesfarmers Premier Coal**") lodging objections pursuant to Mining Act 1978 (WA) over previously held retention licenses, the parties agreed to enter into a 70:30 contributing joint venture ("JV").

In addition to agreeing to share technical information, the Company agreed, *inter alia*, to pay A\$1.3 million to **Wesfarmers Premier Coal** on commencement of mining and a A\$0.25/tonne Royalty capped at 50 million tonnes of mined coal. The tenements subject to this JV included:

- Blackham Resources' Applications: E63/1145 1147, P63/1595-1602, P63/1605-1635, and P63/1665 P63/1670,
- Retention Licences R63/1 and R63/2,
- Wesfarmers Premier Coal and Mokey Applications: M63/638 and M63/639, and
- Wesfarmers Premier Coal Mining Leases: M63/192, M63/193 M63/194 and M63/197.

South Africa has the only commercial operation and has been producing fuel from coal since 1955. Rising oil and gas prices have prompted Asian countries to start looking more seriously at coal-to-liquids projects, with China expected to start its first large scale plant in the coal-rich region of Inner Mongolia, using the Bergius process at a daily output of 20,000 barrels, rising to 100,000 barrels a day. The International Energy Agency ("**IEA**") is predicting that by 2030, China's non-conventional oil supply from CTL plants will reach 750,000 barrels a day. An **IEA** report on CTL, due to be published this spring, will highlight other projects planned or under way in Japan, the US, Australia, China, India, Botswana, Indonesia, the Philippines and South Africa. The Indian government recently approved a joint venture between **Tata** and **Sasol**.

The US Air Force seems to be showing a keen interest in synthetic fuels from CTL and is reportedly encouraging the creation of a CTL industry that could leverage local coal reserves based on energy security concerns. They apparently have plans to lease property at Malmstrom Air Force Base in Montana for the construction of a CTL plant.





Figure 6.16. Scaddan Project location (source: Blackham Resources, website, February 2013).

The Scaddan Coal Project (Figure 6.14) is located approximately 60 kilometres north of the town and port of Esperance in Western Australia. The Project is 10 kilometres east of the Esperance to Kalgoorlie highway, gas pipeline and railway line. The relevant tenements for the Scaddan Coal Project are set out in ANNEXURE C.

# 6.2.3 Exploration History

Previous exploration by **Wesfarmers Premier Coal** and **Blackham Resources** now totals over 56 kilometres of drilling including 1,547 boreholes and 311 diamond holes, with the majority drilled to an average density of 2,000 metre centres sufficient to satisfy the Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves. Expenditure on the Scaddan Project since 2008 totals approximately A\$3.2 million (A\$2.24 million attributable to **Blackham Resources**) which included 121 aircore drill holes and 13 sonic holes.

## 6.2.4 Geology and Mineralisation

Scaddan Coal Project lignite quality		
Moisture Basis	%AR	56
Ash	%AR	14.3
Volatile	%AR	17
Fixed Carbon	%AR	12.8
Sulphur	%AR	2.2
Chlorine	%AR	3.3
Specific Energy Gross Wet MJ/kg	%AR	7.9

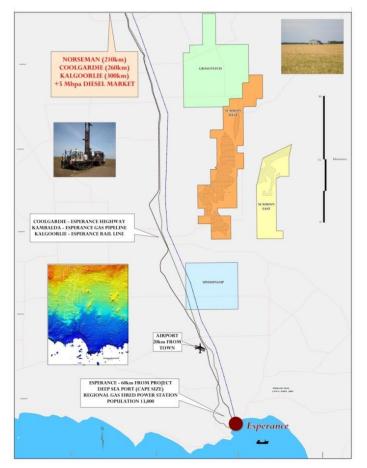
The mineralisation at the Scaddan Deposit comprises Brown Coal better known as Lignite. The coal is a low energy coal with a high ash content, which makes the economics for export challenging however it may be used for electricity generation at or near mine. In this case, the business model (2008) was to develop a coal to liquids project. Lignite at the Scaddan Project has the qualities set out in Table 6.3.

 Table 6.3 Scaddan Coal Project-raw lignite quality.

source: Blackham Resources, ASX Announcement, 30<sup>th</sup> November 2011).

Mineralisation at Scaddan West extends for over 35 kilometres in length (Figure 6.15 and 6.16) and is up to 5 kilometres wide. Coal thickness varies from 19 metres and thins rapidly at the edges of the orebody and towards topographic highs. The main seam known as LGA contains approximately 87% of the known resource (**Blackham Resources**, ASX Announcement, 30<sup>th</sup> November 2011).

### 6.2.5 Infrastructure



The Scaddan Deposit is near an infrastructure corridor servicing the Kalgoorlie-Esperance region and includes rail, road, a gas pipeline and access to the deep water Port of Esperance (Figure 6.15). This Port is capable of harbouring Cape and Panamax class vessels.

Figure 6.17 Scaddan Project infrastructure source: Blackham Resources, website, February 2013).

#### Rail

Figure 6.15 sets out the proximity of the Scaddan Project to the standard gauge rail network that services the Leonora to Esperance line (Australian Railroad Group 2009). The rail line is currently used to transport iron ore, grain and up until till recently lead and nickel. It is envisaged that other products such as zinc and copper will also be transported to the port with a planned expansion to 20 million tonnes per annum due in 2015.

#### Natural Gas

The Kambalda to Esperance gas pipeline has an average installed capacity of 6 TJ/day and is part of a network of pipelines in Western Australia supplied by offshore gas reserves in the Pilbara region. This includes the North West Shelf Venture (**Woodside Ltd** operator, **BHP Billiton Ltd**, **BP Developments Australia Pty Ltd**, **Chevron Australia Pty Ltd**, **Japan Australia LNG Pty Ltd** and **Shell Development** (Australia) Pty Ltd) (Chamber of Commerce and Industry WA 2009).

#### Port

The Esperance Port (administered and run by Esperance Port Authority) is the deepest port in southern Australia, capable of handling Cape Class (up to 180,000 tonnes) and Panamax vessels (up to 75,000 tonnes) (Esperance Port Authority 2009). Primary exports include grain and iron ore with a current capacity of 9 million tonnes including over 700,000 tonnes of imports (Esperance Port Authority 2009).

## 6.2.6 Reserves and Resources

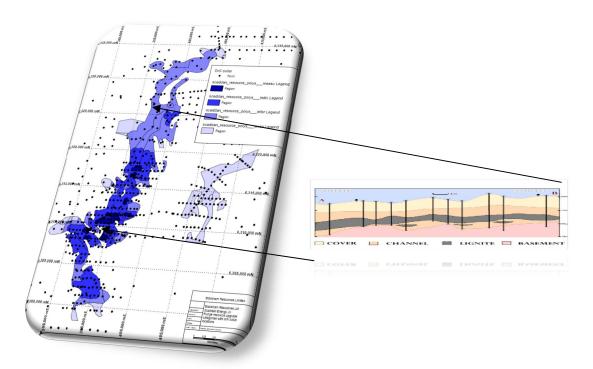


Figure 6.18 Scaddan Coal Project outline of JORC Resources. source: Blackham Resources, ASX Announcement, 30<sup>th</sup> November 2011).

CATEGORY	Total Tonnes (Mt)	Blackham Attributable Tonnes (Mt)
Measured	80	50
Indicated	490	340
Inferred	470	340
TOTALS	1,040	730

JORC Measured, Indicated and Inferred Resources (Figure 6.16 and Table 6.4) completed by **Runge** using a 56% moisture cut-off and average density of 1.2, now totals 1.04 billion tonnes covering tenements over an area of approximately 850km<sup>2</sup>.

 Table 6.4 Scaddan Coal Project JORC Resources and Reserves.

 (source: Blackham Resources, ASX Announcement, 30<sup>th</sup> November 2011).

# 6.2.7 Exploration Potential

**Runge** prepared an estimate of <sup>2</sup>coal inventory of between 325 and 400 million tonnes (**Blackham Resources**, Quarterly Report, September 2008) @ 50% ash cut-off and specific energy of 7 when total JORC Resources of lignite were 765 million tonnes. Given that total JORC Resources are now over 1 billion tonnes (Table 6.4) it suggests that there is limited scope to increase JORC Resources at the Scaddan Coal Project. Furthermore in the July 2009 **Blackham Resources** Presentation, the Company put forward an <sup>3</sup>exploration target of 1.08 to 1.16 billion tonnes (@ 50% ash cut-off and specific energy of 7) of coal which reinforces our view on potential JORC resource upside.

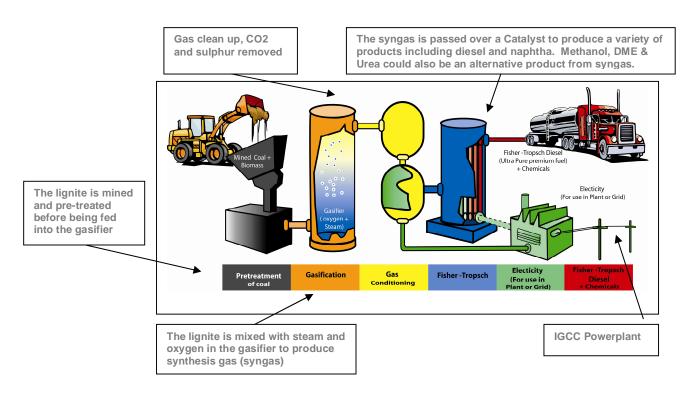
<sup>&</sup>lt;sup>2</sup> The potential quantity and grade are conceptual in nature, since there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result eventually in the determination of Mineral Resources.
<sup>3</sup> ibid

#### 6.2.8 Scoping Studies

The Company has completed a number of Scoping Studies on the Scaddan Coal Project. As none of these studies detailed below have been undertaken on JORC Reserves, no account has been taken of the studies in the Section 8 of this Report (Valuation):

 Scaddan Energy Project-Coal to Liquids Study (November 2008 to October 2011): A number of studies have been undertaken in the last five years including a Diesel Scoping Study in November 2008, a Urea Scoping Study in March 2009, a Methanol and DME Scoping Study in March 2009 and a Preliminary Process Study completed October 2011.

This latest Scoping Study in October 2011 examined the potential for a Coal to Liquids ("CTL") operation (**Blackham Resources**, ASX Announcement, 12<sup>th</sup> November 2011). Further to the completion of this Scoping Study, the Company signed (**Blackham Resources**, ASX Announcement, 30<sup>th</sup> November 2009) a Memorandum of Understanding ("MOU") with Synfuels China to assist with the establishment of a CTL Fischer-Tropsch Diesel Facility in the Esperance Region.



**Figure 6.17** Scaddan Energy Project Coal-to-Liquids schematic outline (source: **Blackham Resources**, ASX Announcement, 4<sup>th</sup> August 2008).

 Scaddan Coal Export Study (November 2011): A Scoping Study completed by engineering firm Engenium Pty Ltd ("Engenium") contemplated an 8Mtpa coal export project through the Port of Esperance. Two options were presented and are set out in their ASX Announcement 12<sup>th</sup> November 2011.

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Mining (Figure 6.19) contemplated an initial boxcut in an area of low stripping and would target the higher quality lignite. Over the life of mine, average seam thicknesses were estimated at 8 metres in width, stripping ratios were low at 3.2bcm:1t, draglines were to be used for waste removal, with truck and shovels used for coal seam mining. Crushing and conveying would take place in pit crushing and conveying with a projected mining cost of A\$9/tonne.

**Figure 6.18** Scaddan Project showing tenement outline and infrastructure options (source: Blackham Resources, ASX Announcement, 12<sup>th</sup> November 2011).

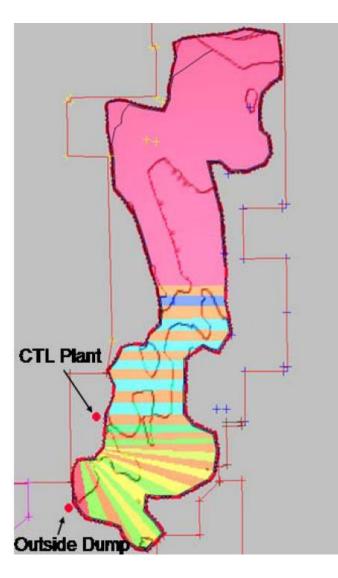


Figure 6.19 Scaddan Project showing annual mining stages (source: Blackham Resources, ASX Announcement, March 2012).

# 6.3 Zanthus Energy Project

# 6.3.1 Background

In June 2008, **Blackham Resources** exercised an option to acquire a 100% interest in Zutshan Energy Pty Ltd ("**Zutshan**") which had a 100% interest in the Zanthus Coal Project (**Blackham Resources**, ASX Announcement 3 June 2008). At the time the project contained a JORC Inferred Resources of 164 million tonnes of lignite. The rationale behind the acquisition was that the resource was a potential source of feed stock for a CTL project and would complement the Scaddan Energy Project.

Consideration for exercising the option was A\$100,000 in cash and A\$400,000 worth of **BLK** Shares. A further A\$200,000 in **BLK** shares was to be paid on decision to mine.

# 6.3.2 Location and Access

The Zanthus Coal Project is situated approximately 240 kilometres north east of Esperance in Western Australia's Eucla Basin (Figure 6.20).





Figure 6.20. Zanthus Energy Project location. (source: Blackham Resources, website, March 2013).

The relevant tenements for the Zanthus Energy Project are set out in ANNEXURE C.

# 6.3.3 Exploration History

**Blackham Resources** ha3 undertaken 18 aircore holes in 2011 in addition to undertaking a detailed review by **Runge** of previous exploration in the 1970's by **Griffin Coal Mining Pty Ltd**, **Beacon Mining NL** and **Sabminco NL**. This study gave rise to an increase in JORC Inferred Resources as set out in paragraph 6.3.6.

## 6.3.4 Geology and Mineralisation

Zanthus Coal Project lignite quality		
Moisture Basis	%AR	50
Ash	%AR	19.6
Volatile	%AR	18.2
Fixed Carbon	%AR	12.3
Total Sulphur	%AR	2.1
Chlorine	%AR	3-5
Specific Energy Gross Wet MJ/kg	%AR	7.1

Table 6.5 Zanthus Energy Project-raw lignite qualitysource:Blackham Resources, website, April 2013).

The project lies on the western margin of the Eucla Basin within Tertiary sediments. Drilling has outlined two lignite bodies that form part of a sedimentary horizon deposited during the Tertiary period into north, northeast – south orientated depressions in the underlying basement (**Blackham Resources**, ASX Announcement, 21 July 2009).

The mineralisation at the Zanthus Energy Deposit comprises Lignite. The coal is a low energy coal with a high ash content with potential as a feedstock for a CTL project.

Lignite at the Zanthus Energy Project has the qualities set out in Table 6.5. Lignite seams average approximately 7.9 metres in width and approximately 15 to 20 metres in depth (**Blackham Resources**, ASX Announcement, 21 July 2009). The shallow nature of the Resources indicates the potential for an open cut mining operation. Investigations in 2005 and 2006 indicated that lignite samples had the potential to yield 38 to 133 litres per tonne on a dry basis. Due to the limited data set, more analysis is required to increase the level of confidence. (**Blackham Resources**, ASX Announcement, 8<sup>th</sup> June 2008).

### 6.3.5 Infrastructure

The Zanthus Energy Project is approximately 150 kilometres east of Norseman, which is situated on an infrastructure corridor servicing the Kalgoorlie-Esperance region and includes rail, road, a gas pipeline and access to the deep water Port of Esperance (Figure 6.20).

## 6.3.6 Reserves and Resources

CATEGORY	Total Tonnes (Mt)	Blackham Attributable Tonnes (Mt)	
Inferred	350	350	

Table 6.6 Zanthus Energy Project JORC Resources(source: Blackham Resources, ASX Announcement, 30thNovember 2011).

JORC Inferred Resources (Table 6.6, Page 26) completed by **Runge** from a review of previous exploration and core hole data using a 50% moisture cut-off and specific energy of 7.1, now totals 350 million tonnes of JORC Inferred Resources (Table 6.6, Page 26).

# 6.3.7 Exploration Potential

The Company has previously stated an <sup>4</sup>exploration target in the range of 0.81 to 1.11 billion tonnes (with a lignite inventory of 460-760 million tonnes at a 50% moisture cut off and specific energy of 7.1) of coal. In 2011, the Company completed 18 air core drill holes aimed at confirming the coal seam quality in the existing resource area. The infill drilling within the resource area has added confidence to the existing resource model. (**Blackham Resources**, ASX Announcement, 26<sup>th</sup> July 2011). However, limited further exploration work has been undertaken by the Company since then. **Blackham Resources'** Zanthus Coal Project lies approximately 20 kilometres east from **Sirius Resources Limited's** recent Nova discovery. The Company believes that it is also prospective for gold, nickel and copper.

<sup>&</sup>lt;sup>4</sup> The potential quantity and grade are conceptual in nature, since there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result eventually in the determination of Mineral Resources.

# 7.0 HISTORICAL FINANCIAL PERFORMANCE

# 7.1 Balance Sheet

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	2012	2011	2010
	\$	\$	\$
Current Assets			
Cash and cash equivalents	769,114	1,409,643	2,548,911
Trade and other receivables	325,452	172,912	349,818
Financial Assets	54,824	137,327	95,744
TOTAL CURRENT ASSETS	1,149,390	1,719,882	2,994,473
NON CURRENT ASSETS			
Plant and equipment	40,663	7,778	3,855
Trade and other receivables	26,345	25,318	24,000
Explor, Eval. & Develop. Expend.	7,733,113	2,707,047	1,897,459
TOTAL NON CURRENT ASSETS	7,800,121	2,740,143	1,925,314
TOTAL ASSETS	8,949,511	4,460,025	4,919,787
CURRENT LIABILITIES			
Trade and other payables	2,575,070	111,799	109,956
Financial liabilities	137,627	-	
TOTAL CURRENT LIABILITIES	2,712,697	111,799	109,956
TOTAL LIABILITIES	2,712,697	111,799	109,956
NET ASSETS	6,236,814	4,348,226	4,809,831
EQUITY			
Issued capital	10,477,935	7,672,749	7,672,749
Reserves	1,858,158	1,475,570	1,450,560
Accumulated losses	- 6,099,279	- 4,800,093	- 4,313,478
TOTAL EQUITY	6,236,814	4,348,226	4,809,831

Table 7.1 Blackham Resources2010 to 2012 Balance Sheet(source: Blackham Resources, Annual Report, 2010 to 2012).

## 7.2 Profit and Loss

	STATEMENT	OF COMPRE	HENSIVE
	For the yea	r ended 30 Ju	ne 2012
	2012	2011	2010
	\$	\$	\$
Revenue	155,450	347,180	240,488
Administration	- 373,556	- 260,704	- 191,966
Compliance and regulatory expenses	- 314,737	- 182,896	- 107,495
Depreciation expense	- 11,082	- 4,653	- 2,547
Employee and consultant costs	- 190,518	- 306,516	- 318,585
Equity Based payments	- 425,239	- 25,010	- 476,488
Exploration expenditure written off	- 160,287	- 54,016	- 52,487
Loss before income tax benefit	- 1,319,969	- 486,615	- 909,080
Income tax expense			
Loss for the year	- 1,319,969	- 486,615	- 909,080
Loss attributable to:			
Members of the parent entity	- 1,319,969	- 486,615	- 909,080
Other comprehensive income			
Total comprehensive loss for the period	- 1,319,969	- 486,615	- 909,080
Total comprehensive income attributable to:			
Members of the parent entity	- 1,319,969	- 486,615	- 909,080
Earnings per share			
Basic and diluted loss per share (cents)	3.00	1.25	2.54

Table 7.2 Blackham Resources2010 to 2012 Profit and Loss Statements(source: Blackham Resources, Annual Report, 2010 to 2012).

# 8.0 BASIS OF EVALUATION

In preparing this report, **RM Corporate Finance** has considered the relevant ASIC regulatory guidelines in particular RG 111 that relates to the content of experts reports.

# 9.0 VALUATION METHODOLOGIES

### 9.1 Fair Market Value of Mineral Assets

Mineral assets are defined in the VALMIN Code as all property including, but not limited to real property, mining and exploration tenements held or acquired in connection with the exploration, the development of and the production from those tenements together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals in connection with those tenements.

The VALMIN Code defines the value, that is fair market value, of a mineral asset as the estimated amount of money or the cash equivalent of some other consideration for which, in the opinion of the Expert or Specialist reached in accordance with the provisions of the VALMIN Code, the mineral asset should change hands on the valuation date between a willing buyer and a willing seller in an arm's length transaction, wherein each party has acted knowledgeably, prudently and without compulsion.

Therefore the valuation expert is assumed to have the knowledge and experience necessary to establish a realistic value for a mineral asset. The real value of a tenement can only be established in an open market situation, where an informed public is able to bid for an asset. The most open and public valuation of mineral assets occur when they are sold to the public through a public share offering by a company wishing to become a public listed resource company, or by a company raising additional finance. In this instance, the public is given a free hand to make the decision, whether to buy or not buy shares at the issue price, and once the shares of the company are listed, the market sets a price.

It is well known to most valuation experts that where mineral tenement valuation is concerned there really are two distinct markets operating in Australia. Almost without exception, the values achieved for mineral assets sold through public flotation are higher than where values are established through, say, the cash sale by a liquidator, or the sale by a small prospector to a large company neighbour, or through joint venture arrangements.

It is our opinion, that in all these circumstances the terms of sale generally do not meet the criteria laid out in the VALMIN Code for fair market value (ie. transaction between a willing buyer, willing seller in an arm's length transaction, wherein each party had acted knowledgeably, prudently and without compulsion). Invariably one of the parties is a less than enthusiastic participant and it can't be said that the purchase or sale is without an element of compulsion.

It is **RM Corporate Finance**'s opinion that the fair market value of mineral assets should be valued by the Expert on the assumption that they are traded by vending them into a public float. Generally this will mean that the vendor is issued escrow shares (escrow period is usually two years). Importantly, this is a true cash sale situation, since the purchaser of the tenements (the public) is always expected to pay cash.

The VALMIN Code notes that the value of a mineral asset usually consists of two components, the underlying or Technical Value and the Market component which is a premium relating to market, strategic or other considerations which, depending on circumstances at the time, can be either positive, negative or zero. When the Technical and Market components of value are added together the resulting value is referred to as the Market Value.

The value of mineral assets is time and circumstance specific. The asset value and the market premium (or discount) changes, sometimes significantly, as overall market conditions, commodity prices, exchange rates, political and country risk change. Other factors that can influence the valuation of a specific asset include the size of the company's interest, whether it has sound management and the professional competence of the asset's management. All these issues can influence the market's perception of a mineral asset over and above its technical value.

### 9.2 Methods of Valuing Mineral Assets in the Exploration Stage

When valuing an exploration or mining property the Expert is really attempting to arrive at a value that reflects the potential of the property to yield a mineable ore reserve and which is, at the same time, in line with what the property will be judged to be worth when assessed by the market. Arriving at the value estimate by way of a desktop study is notoriously difficult because there are no hard and fast rules and no single industry-accepted approach.

It is obvious that on such a matter, based entirely on professional judgement, where the judgement reflects the valuation Expert's previous geological experience, local knowledge of the area, knowledge of the market and so on, that no two valuers are likely to have identical opinions on the merits of a particular property and therefore, their assessments of value are likely to differ - sometimes markedly.

The most commonly employed methods of exploration asset valuation are:

- Multiple of exploration expenditure method (exploration based) also known as the premium or discount on costs method or the appraised value method;
- Joint venture terms method (expenditure based);
- Yardstick Method (asset based), for example using rule of thumb for JORC resources;
- Geoscience rating methods such as the Kilburn method (potential based); and
- Comparable market value method (real estate based).

It is possible to identify positive and negative aspects of each of these methods. It is notable that most valuers have a single favoured method of valuation for which they are prepared to provide a spirited defence and, at the same time present arguments for why other methods should be disregarded. The reality is that it is easy to find fault with all methods since there is a large element of subjectivity involved in arriving at a value of a tenement no matter which method is selected. It is obvious that the Expert valuer must be cognisant of actual transactions taking place in the industry in general to ensure that the value estimates are realistic.

In **RM Corporate Finance's** opinion a geologist charged with the preparation of a tenement valuation must give consideration to a range of technical issues as well as make a judgement about the "market". Key technical issues that need to be taken into account include:

- geological setting of the property;
- results of exploration activities on the tenement;
- evidence of mineralisation on adjacent properties; and
- proximity to existing production facilities of the property.

In addition to these technical issues the valuation Expert has to take particular note of the market's demand for the type of property being valued. Obviously this depends upon professional judgement. As a rule, adjustment of the technical value by a market factor must be applied most judiciously. It is **RM Corporate Finance**'s view that an adjustment of the technical value of a mineral tenement should only be made if the technical and market values are obviously out of phase with each other.

It is the opinion of **RM Corporate Finance** that the current market in Australia may pay a premium over the technical value for high quality mineral assets (ie. assets that hold defined resources that are likely to be mined profitably in the short-term or projects that are believed to have the potential to develop into mining operations in the short term even though no resources have been defined). On the other hand exploration tenements that have no defined attributes apart from interesting geology or a "good address" may well trade at a discount to technical value. Deciding upon the level of discount or premium is entirely a matter of the Experts professional judgement. This judgement must of course take account of the commodity potential of the tenement. Currently in Australia for example, a tenement may have an elevated value for its gold, base metals, nickel and iron ore potential. There are of course numerous factors that affect the value such as proximity to an established processing facility and the size of the land holding.

### 9.2.1 Kilburn Method

**RM Corporate Finance** is of the view that the Kilburn method provides one appropriate technical valuation method of the exploration potential of mineral properties on which there are no JORC compliant resources (Table 9.1).

Kilburn was a Canadian mining engineer who was concerned about the haphazard way in which exploration tenements were valued and proposed an approach which essentially requires the valuer to justify the key aspects of the valuation process. The valuer must specify the key aspects of the valuation process and must specify and rank aspects which enhance or downgrade the intrinsic value of each property. The intrinsic value is the base acquisition cost ("BAC") which is the average cost incurred to acquire a base unit area of mineral tenement and to meet all statutory expenditure commitments for a period of 12 months. Different practitioners use slightly differing approaches to calculate the BAC.

The successful application of this method depends on the selection of appropriate multipliers that reflect the tenement prospectivity. There is, furthermore, the expectation that the outcome reflects the market's perception of value. **RM Corporate Finance** is philosophically attracted to the Kilburn type of approach because it at least makes an attempt to implement a system that is systematic and defendable. It endeavours to take account of the key factors that can be reasonably considered to impact on the exploration potential. The keystone of the method is the BAC which provides a standard base from which to commence a valuation. The acquisition and holding costs of a tenement for 1 year provides a reasonable, and importantly, consistent starting point. Presumably when a tenement (EL, MLN or MCN) is pegged for the first time by an explorer the tenement has been judged to be worth at least the acquisition and holding cost.

Some argue that on occasions it is expedient to convert say an EL to a MLN or MCN for strategic rather than exploration success reasons and hence it is unreasonable to value such a MLN or MCN starting at a relatively high BAC compared to that of an EL. In our opinion the multiplier factors will take care of this issue and will value the tenement appropriately.

Rating	Off Property Factor	On property factor	Anomaly factor	Geological factor
0.1				Generally Unfavourable lithology
0.2				Generally Unfavourable lithology & structures
0.3				
0.4				Generally favourable lithology & structures (10-20%)
0.5			Extensive previous exploration with poor results	Alluvium covered generally favourable lithology (50%)
0.6				
0.7				
0.8				Generally favourable lithology (50%)
0.9				()
1	No known mineralisation	No known mineralisation	No targets outlined	Generally favourable lithology (70%)
1.5	Minor workings	minor workings		Generally favourable lithology Generally favourable lithology with
2	Several old workings	Several old workings		structures
2.5	Abundant workings	Abundant workings	Several well defined targets	Generally favourable lithology with structures
3			Several significant sub economic intersections	along strike of a major mine
	Abundant		Abundant	
	workings/mines, significant historical		workings/mines with significant historical	
3.5	production		production	
4				
4.5				
0.5	Abundant	Major mine with	Several significant	
3.5	workings/mines with significant	significant	ore grade correlatable	
	historical production Along strike from world	historical production	intersections	
10	class mine (s)			

Table 9.1 Kilburn Method (source: Kilburn, JC, 1990).

It has also been argued that the Kilburn method is a valuation-by-numbers approach. In our opinion the strength of the method is that it reveals to the public, in the most open way possible, just how a tenement's value was arrived at. It is anything but misleading for the public and is indeed the only approach that lays out, for all to see, the subjective judgements made by the valuation Expert.

The successful application of this method depends on the selection of appropriate multipliers that reflect the tenement prospectivity. There is, furthermore, the expectation that the outcome reflects the market's perception of value. **RM Corporate Finance** is philosophically attracted to the Kilburn type of approach because it at least makes an attempt to implement a system that is systematic and defendable. It endeavours to take account of the key factors that can be reasonably considered to impact on the exploration potential. The keystone of the method is the BAC which provides a standard base from which to commence a valuation. The acquisition and holding costs of a tenement for 1 year provides a reasonable, and importantly, consistent starting point. Presumably when a tenement (EL, MLN or MCN) is pegged for the first time by an explorer the tenement has been judged to be worth at least the acquisition and holding cost.

## 9.3 Methods of Valuing Mineral Resources and Ore Reserves

### 9.3.1 Discount Cash Flow Analysis

Where resources and/or ore reserves have been defined our approach is to excise them from the mineral property and to value them separately on a value per resource tonne basis or on the basis of a discounted cashflow ("DCF"). The value of the exploration potential of the remainder of the property can then be assessed. Where appropriate, discounts are applied to the estimated contained metal to represent uncertainty in the information.

### 9.3.2 Comparable Market Transactions

Once a resource has been assessed for mining by considering revenues and operating costs the economically viable component of the resource becomes the ore reserve. When this is scheduled for mining and all capital costs are considered, the net present value ("NPV") of the project is established by discounting future annual cash flows using an appropriate discount rate. The resulting "classical" NPV has numerous deficiencies which are linked to the fact that the method assumes a static approach to investment decision making which is obviously not the case. Nevertheless the NPV represents the only practical approach to valuing a proposed or on-going mining operation.

When only a resource has been outlined and its economic viability has still to be established (ie. there is no ore reserve) then typically a "rule of thumb" approach is usually applied. This means allocating a dollar value to the resource tonnes in the ground.

The quality of the resource tonnes and therefore value is a factor of:

- the grade of the resource;
- the proximity to infrastructure such as an existing mill, roads, power, water, skilled work force, equipment, etc;
- likely operating and capital costs;
- the amount of pre strip (for open pits) or development (for underground mines) necessary;
- the likely ore to waste ratio (for open pits); and
- the overall confidence in the resource.

### 9.3.3 Market Value of JORC Resources

The market value of an asset can be calculated in the following manner;

### +Company Market Capitalisation

-working capital
-value of other investments
+/- value of Hedge Book
+Liabilities
=Enterprise value of mining assets

The principle is that in addition to the value of projects held by a mining company, the market also takes into account matters such as the working capital, debt, hedge book value and other investments when deciding on what to pay for the securities of a company. After the necessary adjustments, the value of a mining project itself is isolated from the other assets and/or liabilities of the company.

It is also possible to calculate the Net Asset Value of the Company's project by essentially the reverse back in comparison to EV.

### +Aggregate Net Present Value of company's projects

+working capital

- +value of other investments
- + value of Hedge Book
- -Liabilities
- =Net Asset Value of the Company (NAV)

## 10.0 VALUATION

### **10.1 Matilda Gold Project Valuation**

Taking into consideration the JORC Resource inventory of approximately 1.50 million ounces of gold for **Blackham Resources**' Matilda Gold Project, our view is that the Comparable Market Transaction and Market Value of JORC Resources are the most applicable valuation methodologies.

### 10.1.1 Comparable Market Transactions

Table 10.2 sets out transactions involving ASX listed companies that have either acquired or disposed of JORC resources of gold by way of merger, acquisition or sale. The transactions set out a range of values from A\$7.87 per ounce up to A\$54.34 per ounce with an average of A\$21.02 per ounce of gold. The wide variation in values reflects essentially the perceived value of the buyer to generate a profit from the acquisition. The variation in values can be attributable *inter alia*, to:

- Grade: Higher-grade deposits have the potential to generate higher levels of profitability.
- **Resource Quality**: Deposits with JORC Reserves will tend to be valued more highly than those that are yet to be demonstrated as economic (JORC Resources). Lower classifications of JORC Resources (e.g. Inferred) are likely to attract lower valuations than those in a higher category (such as Measured and Indicated).
- Metallurgy: The extraction of gold from ores may be more expensive if additional crushing, grinding and processing is necessary compared to soft oxide ores that may have a higher proportion of gold that can be liberated cheaply through gravity concentration.
- Operating Costs: Higher operating costs may result from deep orebodies, narrow ore bodies with high stripping ratios (ore to waste) or ore bodies that require more reagents to liberate the gold.
- Capital Costs: Reserves that require high-capital costs to develop (due to metallurgical challenges, high infrastructure costs and complex processing flowsheets for example) may be less valuable than those that are near existing infrastructure or require more simple and cost effective processing technology to bring in to production.
- **Infrastructure**: A lack of infrastructure (e.g. roads, rail, power, water, and housing) may result in additional costs that could increase the capital cost of a mining operation.
- **Project Maturity**: Projects that have had more advanced studies conducted on them (for example Definitive Feasibility Studies) may attract a premium to those that have had a lower level of study (e.g. Scoping Study) conducted on them which still have low confidence levels (+/- 30%).
- Other: Other factors that could adversely affect the value of gold resource could include difficulty with establishing agreements with traditional owners, projects located in protected areas (for example National Parks, Wilderness areas) and those located in countries with a higher level of political risk.

Scenario	EV/JORC Res oz <sub>equiv</sub>	A\$m
Low	\$7.87	\$11.77
Preferred	\$19.91	\$29.77
High	\$25.08	\$37.49

Table 10.1 Matilda Gold Project valuationbased on Comparable Sales method. (source:RM Corporate Finance, internal modelling,April 2013).

Table 10.2 sets out recent transaction for Australian gold deposits that the author considers are comparable to the Matilda Gold project based on the characteristics of the deposit. Specifically this relates to their grade, tonnage, contained ounces and geological setting.

Based on the projects presented in Table 10.2, we arrive at an average Enterprise Value of A\$19.9 per Enterprise/JORC Resource ounce of gold. The median is A\$7.87 for the 1<sup>st</sup> Quartile and A\$34.28 for the 4<sup>th</sup> Quartile. Given the proximity to infrastructure, good favourable metallurgy and potential access to an

operating gold plant our preferred value is the median of A\$19.9. Our high valuation is the median for the 3<sup>rd</sup> Quartile of A\$25.08. The 4<sup>th</sup> Quartile median of A\$34.28 has been discounted due to

the high proportion (82%) of resources in the Inferred category (compared to peer companies). This gives us a range of values for the Matilda Gold Project as set out in Table 10.1.

Project	JORC Resources	Buyer	Seller	Date	Acqu	EV/Res
					Price	oz (equiv)
Red Dam	1.8Mt @ 2.4 g/t Au, 147,400 oz Au	Phoenix Gold Ltd	Carbine Resources Ltd	Oct-11	\$1.40	\$9.36
Camel Creek	2.7mt @ 1.2 g/t gold, 105Koz Au	Northwest Resources Ltd	Millenium Minerals Ltd	Oct-11	\$1.25	\$54.34
Laverton Projects	30.5Mt @ 2.1 g/t Au, 2.0 Moz	Focus Minerals Ltd	Crescent Gold Ltd	Jun-11	\$88.30	\$27.95
Aragon	14.5 @ 4.2 g/t Au, 1.96 Moz	Westgold Limited	Aragon Resources Ltd	Feb-11	\$58.60	\$22.86
Meekatharra Gold	44.7Mt @ 1.7 g/t Au, 2.5 Moz	Reed Resources Ltd	ECR Minerals Limited	Jan-11	\$17.70	\$9.67
Gullewa Gold	3.4Mt @ 5.4g/t Au, 0.8% Cu, 4.6 g/t Ag	Mutiny Gold Ltd	ATW Venture (Aust) Limited	Jul-10	\$12.90	\$16.96
Mount Magnet Hill	50.8Mt @ 2 g/t Au, 3.3Moz	Ramelius Resources Ltd	Harmony Gold (Aust) Pty Ltd	Jul-10	\$35.30	\$9.18
Bullabulling Gold	9.31Mt @ 1.44g/t Au, 431,600 oz	Auzex Resources Limited	Jervois Mining Limited	Jan-10	\$12.80	\$29.82
Aphrodite Gold	10.06Mt @ 3.19 g/t Au, 1Moz	Eagle Eye Resources Ltd	Apex Minerals Ltd	Sep-09	\$7.20	\$25.08
Hera Minerals Tenements	3.3Mt @ 2.67g/t Au, 0.18% Cu, 2.7% Pb, 3.35% Ag, 15.1 g/t Ag	YTC Resources Ltd	CBH Resources Ltd	Jul-09	\$22.00	\$34.28
Kookynie Gold	5.6Mt @ 2.4 g/t Au, 424,577 oz	Nex Metals Ltd	FMR Investments Pty Ltd	Jun-09	\$2.05	\$4.84
South Laverton Gold	731,600t @ 1.89 g/t Au, 44,500 oz	Legacy Iron Ore Ltd	Jackson Minerals Ltd	Mar-09	\$0.35	\$7.87

 Table 10.2 Comparable transactions of ASX listed companies with JORC gold Resources.

 (source: RM Corporate Finance, internal modelling, April 2013). ASX listed Explorer's JORC gold Resource categories can be seen in

 more detail in Annexure D.



Figure 10.1 S&P/ASX Gold Index 2008 to April 2013 (source: E\*TRADE April 2013).

It should be noted that the volatility in the S&P/ASX Gold Index (Figure 10.1) over the period from 2008 to 2013 may have resulted in lower transaction EV/JORC Resource values had the transactions taken place in 2013. The Gold Index has declined by 52% to 3,838 from its highs of 8,319 on 4 April 2011. On this basis section 10.1.2 may give us a more accurate idea of current JORC Resource valuations for ASX listed Explorers and Developers.

### 10.1.2 Market Value of JORC Resources

For the purpose of establishing a meaningful Market Value for the Matilda Gold Project JORC Resources it was decided to undertake an analysis of Enterprise Value per JORC Resource ounce of gold using the methodology set out in paragraph 10.3 of this Report.

As set out in paragraph 10.1.1, there are a wide variety of reasons for the variation in market values of JORC gold resources. Subtle differences in ore mineralogy, metallurgy, resource grade, mining costs, country risk, and access to suitable infrastructure for example give rise to substantial variations. We have compared Developers (Figure 10.4), that is those companies that have near term plans to commence mining and have completed a Feasibility Study with Explorers (Figure 10.3) that have delineated JORC Resources but have either not undertaken any type of mining study or have perhaps only completed a "high level" study such as a Conceptual Mining Study or Scoping Study with a relatively wide variation (+-30%) in confidence. The reason we have included Developers is the proximity of the Matilda Project to an operating plant together with the fact that there has been recent mining activity (**Agincourt Mining**) on the project which suggest that the while no Reserves exist, there is a possibility of a near term mining operation.

The market value as set out in Tables 10.3-10.4 and Figures 10.2 and 10.3 are set out in order of comparability with **Blackham Resources** with those lower-grade, open pittable JORC Resources in Western Australia being the most comparable and higher-grade gold resources offshore being the least comparable. In addition we have provided a breakdown of the resource categories referred to in Tables 10.3-10.4 and Figures 10.2-10.3 in Annexure E.

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Relevance	Company	Geological Setting	Country	EV/Res oz Au equiv (A\$/oz)	Au Equiv (oz)	EV (\$m)
1	Ampella Mining	Archaean-Birrimian	Burkina Faso	\$5.11	3.36	\$ 17.16
2	Azumah Resources	Archaean-Yilgarn/Birimian	WA-Aust/Ghana	\$5.74	2.22	\$ 12.71
3	Bullabulling Gold	Archaean-Yilgarn	WA-Aust	\$2.70	3.18	\$ 8.58
4	Alchemy Resources	Archaean-Yilgarn	WA-Aust	\$3.41	0.30	\$ 1.03
5	Matsa Resources	Archaean-Yilgarn	WA-Aust	\$32.66	1.47	\$ 47.88
6	Crusader Resources	Archaean-Serido Belt	Brazil	\$11.70	2.25	\$ 26.31
7	Dampier Gold	Archaean-Marymia	WA-Aust	\$3.57	0.68	\$ 2.42
8	Gold Road Resources	Archaean-Yilgarn	WA-Aust	\$21.47	1.21	\$ 25.99
9	Glory Resources	Eocene- Rhodope Core Complex	Greece	\$21.16	1.19	\$ 25.13
10	Aphrodite Gold	Archaean-Yilgarn	WA-Aust	\$7.14	1.04	\$ 7.39
11	Luri Gold	Proterozoic-Mwembeshi Shear Zone	Zambia	\$5.35	0.75	\$ 4.00
12	Nyota Minerals	Archaean-Arabian Nubian Shield	Ethiopia	\$5.54	1.88	\$ 10.41
13	Mt Magnet Mines	Archaean-Yilgarn	WA-Aust	\$33.24	0.56	\$ 18.50
14	Bassari Resources	Archaean-Birrimian	Senegal	\$10.22	1.00	\$ 10.20
15	Ausgold Limited	Archaean-Sthn Yilgarn	WA-Aust	\$7.53	1.08	\$ 8.17
16	Gasoyne Resources	Archaean-Murchison	WA-Aust	\$28.36	1.05	\$ 29.76
17	Sihayo Gold	Tertiary Volcanis-Gt Sumatran Fault	Nth Sumatra-Indon.	\$47.04	1.51	\$ 70.94
18	Excelsior Gold	Archaean-Yilgarn	WA-Aust	\$55.03	1.10	\$ 60.27
19	Azimuth Resources	Archaean-Guina Shield	Guyana, Sth America	\$85.63	1.67	\$ 143.01
20	Chesser Resources	Western Anatolia Arc	Turkey	\$54.66	0.46	\$ 24.97
21	ABM Resources	Proterozoic-Tanami	NT-Aust	\$64.08	1.71	\$ 109.75
22	Vector Resources	Archaean-Yilgarn	WA-Aust	\$15.55	0.31	\$ 4.80
23	Beacon Minerals	Archaean-Yilgarn	WA-Aust	\$28.45	0.07	\$ 1.98
24	Renaissance Minerals	Tertiary-Volcanics	Cambodia	\$22.40	1.22	\$ 27.34
25	Orbis Gold	Archaean-Birrimian	Burkina Faso	\$54.03	0.67	\$ 36.25
26	Castle Minerals	Archaean-Ashanti Belt	Ghana	\$10.64	0.27	\$ 2.82
27	Indochine Mining	Tertiary-Papuan Fold Belt	PNG	\$24.61	2.22	\$ 54.60
28	Golden Rim Resources	Archaean-Birrimian	Burkina Faso/Mali	\$67.42	0.19	\$ 12.54

 Table 10.3 Enterprise Value per JORC Resource ounce of gold involving ASX listed Explorers with JORC gold Resources listed in order of relevance to Blackham Resources. ASX listed Explorer's JORC gold Resource categories can be seen in more detail in Annexure E. (source: RM Corporate Finance, internal modelling, April 2013).

Relevance	Company	Geological Setting	Country	EV/Res oz Au eq (A\$/oz)	Au Equiv (oz)	EV (\$m)
1	Gryphon Minerals	Archaean-Birrimian	Burkina Faso	\$10.33	5.04	\$ 52.11
2	Manas Resources	Tien Shan Gold Belt	Kyrgz Republic	\$12.01	1.27	\$ 15.32
3	Kula Gold	Island Arc-Tertiary Volcanics	Woodlark Island-PNG	\$11.11	0.78	\$ 8.67
4	PMI Gold Corporation	Archaean-Asankrangwa Gold Belt	Ghana	\$19.56	4.52	\$ 88.37
5	Independence Group	Archaean-Sth-Yilgarn	WA-Aust	\$44.81	7.99	\$ 358.22
6	Papillon Resources	Archaean-Man Shield	Mali	\$68.99	4.22	\$ 291.17
7	Mutiny Gold	Archaean-Sth Murchison	WA-Aust	\$24.30	1.13	\$ 27.35

Table10.4 Enterprise Value per JORC Resource ounces of gold for ASX listed Developers with JORC gold Resources listed in order of relevance to Blackham Resources. ASX listed Developer's JORC gold Resource categories can be seen in more detail in Annexure E. (source: RM Corporate Finance, internal modelling, April 2013).

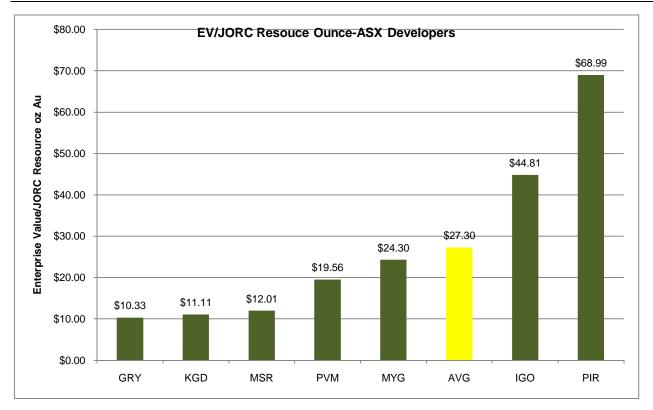


Figure 10.2Enterprise Value per JORC Resource ounce of gold for ASX Listed Developers. (source: RM Corporate Finance, internal modelling, April 2013). AVG = Average.

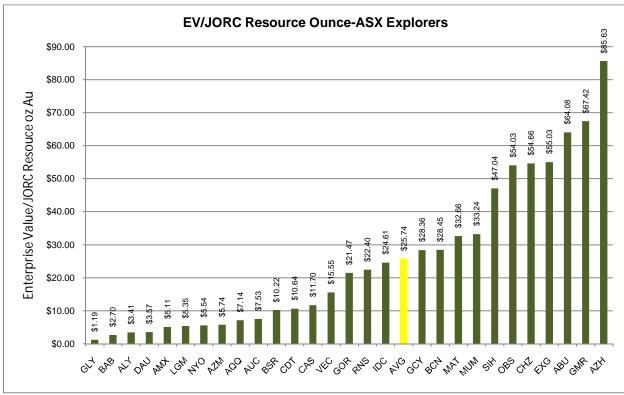


Figure 10.3 Enterprise Value per JORC Resource ounce of gold for ASX Listed Explorers. (source: RM Corporate Finance, internal modelling, April 2013). AVG = Average.

This analysis gives us a range of A\$1.19 to A\$85.63 per JORC Resource ounce of gold for ASX listed Explorers with a median of A\$18.51. For ASX listed Developers we have a range of A\$10.33 to A\$68.99 for a median of A\$15.79.

Given that **Blackham Resources** is yet to develop a clear pathway to production with no completed Feasibility study and with no agreement reached with **Apex** in relation to the toll treatment of ore from the Matilda Mine, a more conservative approach would be to place more emphasis on the analysis of ASX Listed Explorers.

Our median EV/JORC Resources ounce for the 1<sup>st</sup> Quartile companies is A\$3.57, for 2<sup>nd</sup> Quartile is A\$10.22, 3<sup>rd</sup> Quartile is A\$26.49 and 4<sup>th</sup> Quartile is A\$55.03. Based on the higher proportion of JORC Inferred Resources as set out earlier, we have discounted the 4<sup>th</sup> Quartile median values and have preferred our 1<sup>st</sup> to 3<sup>rd</sup> Quartile values for our range of valuations The discount used could have been higher however the elevated grade (compared to peer companies) proximity of an operating mill, favourable metallurgical results and previous mining by **Agincourt** on what are now classified as Inferred Resources (Williamson Pit), have influenced this decision.

Our range of values is set out in Table 10.5.

Scenario	EV/Res oz (equiv)	A\$m
Low	\$3.57	\$5.32
Mid Case	\$10.21	\$15.21
High	\$26.49	\$39.47

 Table 10.5 Median Value of JORC Resources for Blackham Resources based on ASX Listed Explorers (source: RM Corporate Finance, internal modelling, April 2013).

### 10.1.3 Matilda Project Valuation Summary

The results are summarized in Table 10.6:

Valuation Method	Section	Low	High	Mid Case
Comparable Sales (A\$m)	9.1.1	11.77	37.49	29.77
Market Value JORC Resources (A\$m)	9.1.2	5.32	39.47	15.21

 Table 10.6 Matilda Project valuation summary

(source: RM Corporate Finance, internal modelling, April 2013).

Our preferred value for the Matilda Project is an average of the mid case for the Comparable Sales and the higher Market Value per JORC Resource ounce methods which gives us a low value of A\$8.54 million, a high value of \$38.48 million and a mid case of \$22.49 million.

### 10.1.4 Risk Assessment

**RM Corporate Finance** has undertaken a high-level Risk Assessment on the Matilda Gold Project as set out below.

- Exploration Risk: Mineral exploration is high risk and there is potential for Blackham Resources and follow up resource drilling at the Matilda Project may fail to delineate sufficient Reserves to justify either a toll treat or stand-alone mining operation.
- Metallurgical and Processing Risks: The metallurgy of gold deposits may present challenging metallurgical issues that may lead to an increase in operating and/or capital costs, or alternatively adversely affect valuations and project economics of the Matilda Gold Project. Based on metallurgical testwork to date we see this risk as relatively low.
- Land Owners: Failure to execute agreements relating to access and mining with the local land owners could impair exploration and/or development at key projects. Given the previous operating history of the tenements at the Matilda Project we view this risk as relatively low.
- **Financial Position:** The Company does not currently have the financial reserves to fully evaluate all of its exploration projects and is likely to be dependent on raising capital from the equity markets in the medium term. The risks of not securing a satisfactory toll treating arrangement with **Apex** may force the Company to examine more expensive stand-alone options that may result in large capital raisings which may be dilutionary for existing shareholders.
- Infrastructure Risks: Delays in infrastructure (port, roads) have the potential to significant delay production plans for the Matilda Gold Project. Given the proximity to a gold plant and other infrastructure, we see this risk however as low to moderate.
- Peer Underperformance: Underperformance of peer gold Explorers and/or Developers has

the potential to adversely affect market sentiment and lead to lower valuations for **Blackham** 

Resources. Notably gold explorers and developers have been under considerable pressure

since 1H 2011 with the ASX/S&P Gold Index dropping from 52% from 8,319 to 3,958 at the time of this Report.

- Commodity Risks: The Company is primarily exposed to Gold. The gold price has also been under pressure in recent months falling 23% from its September 2012 high of uS\$1,790/ounce to lows of US\$1,380/ounce on 15 April 2013.
- Market Risks: Further declines in equity markets may continue to put pressure on junior resource companies as investors switch out of "risk" into perceived safe haven investments. While the broader share market has improved significantly with the All Ordinaries Index rising 17% since mid-November 2012 to recent highs of 5,120 in early March 2013, liquidity in micro-cap securities has still been low and any improvement in sentiment towards high-risk assets may take some time to filter down.

## 10.2 Scaddan and Zanthus Energy Project Valuation

Taking into consideration the JORC Resource inventory of approximately over 1.1 billion tonnes of lignite coal (Table 6.6), our view is that the Market Value of JORC Resources (paragraph 9.3.3) is the most applicable valuation methodology.

### 10.2.1 Market Value JORC resources

For the purpose of establishing a meaningful Market Value for the Scaddan and Zanthus Energy Project JORC Resources, it was decided to examine Enterprise Values per JORC Resource tonne of Coal (Thermal) and also coal projects that were contemplating the use of Coal-to Liquids technology. A breakdown of the coal resources used in the analysis in paragraph 10.2.1 is set out in Annexure F. The market for ASX listed companies is relatively small and immature and the basket of companies examined included:

(i) Central Petroleum Ltd (ASX: CTP). CTP holds a vast acreage in the Pedirka Basin (Northern Territory, South Australia) and the majority of the Amadeus Basin (Northern Territory), the Lander Trough (Northern Territory) and approximately 10,000 km<sup>2</sup> of the Southern Georgina Basin. The focus is the identification of coals that are suitable for gas production via GTL Fischer Tropsch technology in the production of zero sulphur diesel, naphtha and jet fuel.

The company recently acquired 100% of unlisted companies **Ordiv Petroleum Pty Ltd**, **Helium Australia Pty Ltd and Frontier Oil and Gas Pty Ltd**, in the process acquiring in excess of 80,000 km<sup>2</sup> of acreage in the Amadeus Basin surrounding the Santos/Magellan producing fields of Mereenie and Palm Valley.

- (ii) Cougar Energy Ltd (ASX: CGM). CGM is attempting to use UCG technology to develop projects in Asia and Australia. Primary projects under consideration include the Kingaroy Coal Project in the Surat Basin (Queensland) to supply a 400MW UCG project. The <sup>5</sup>exploration target is around 73Mt of Thermal Coal. The Wandoan Coal Project is also located in the Surat Basin and contains JORC Thermal Coal resources of 360 million tonnes. The Mackenzie Coal Project is situated in the Bowen Basin Queensland and has a resources <sup>6</sup>target of 170 million tonnes of PCI Coal.
- (iii) Liberty Resources Ltd (ASX: LBY). LBY is an emerging fertilizer producer in Queensland that also holds several projects with coal resources suitable for the application of UCG. This includes a JORC inferred Resources of 846 million tonnes at an average coal quality of 6,055Kcal/kg.

RELEVANCE	COMPANY	TICKER	Geological Setting	Country	EV/Res TC <sub>equiv</sub> (A\$/t)	Total TC <sub>equiv</sub> (Mt)	EV (\$m)
1	Aviva Corporation	AVA	Karoo Basin	Botswana	0.002	1,166.4	2.2
2	Bandanna Energy	BND	Bowen-Galilee Basins	Queens-Aust	0.019	1,978.5	38.5
3	African Energy	AFR	Tiapana Formation	Botswana	0.017	2,517	42.9
4	Metro Coal	MTE	Surat Basin	Queens-Aust	0.003	4,200	13.1
5	Cockatoo Coal	сок	Surat/Bowen Basins	Queens-NSW-Aust	0.061	1,761	108.2
6	Coalspur	CPL		Alberta-Canada	0.194	2,517	487.2
7	<b>Resources Generation</b>	RES	Waterberg Region	South Africa	0.030	2,961.9	88.4
8	Stanmore Coal	SMR	Surat/Bowen Basins	Queens-Aust	0.024	525.2	12.8

 Table 10.7 Enterprise Value per Thermal Coal Tonne equivalent for ASX listed Explorers/Developers with JORC Coal Resources.

 (source: RM Corporate Finance, internal modelling, April 2013).

 See Annexure F for more information on ASX listed Explorers and Developers JORC Coal Resources.

 <sup>&</sup>lt;sup>5</sup> The potential quantity and grade are conceptual in nature, since there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result eventually in the determination of Mineral Resources.
 <sup>6</sup> ibid

RELEVANCE	COMPANY	TICKER	Geological Setting	Country	EV/Res TC <sub>equiv</sub> (A\$/t)	Total TC <sub>equiv</sub> (Mt)	EV (\$m)
1	Continental Coal	ccc	Ermelo/Highveld/Witbank Coalfields	South Africa	0.126	502	63.2
2	White Energy	WEC	Arckaringa Basin	SA-Aust	0.007	1,131	7.9
3	Aquila Resources	AQA	Bowen Basin	Q-Aust	0.041	1,582	64.36
4	Coal of Africa	CZA	Tuli/Soutpansberg/Witbank/Ermelo Coalfields	South Africa	0.083	2,431	202.3
5	Kangaroo Resources	KRL	Barito Basin	Indonesia	0.030	3,118	94.8
6	Yancoal Australia	YAL	Bowen/Surat Basin	NSW/Q-Aust	0.223	3,453	768.9
7	New Hope Corporation	NHC	Bowen Basin	Q-Aust	1.27	2,399	3,043.6
8	Whitehaven Coal	WHC	Gunnedah Basin	NSW-Aust	0.689	3,626	2,498.2

 Table 10.8 Enterprise Value per Thermal Coal Tonne equivalent for ASX listed Producers with JORC Coal Resources & Reserves.

 (source: RM Corporate Finance, internal modelling, April 2013). See Annexure F for more information on ASX listed Producers JORC Coal Resources.

RELEVANCE	COMPANY	Ticker	Geological Setting	Country	EV/Res T TC <sub>equiv</sub> (A\$/t)	Total TC <sub>equiv</sub> (Mt)	EV (\$m)
1	Cougar Energy	CGM	Bowen/Surat Basin	NSW/Q-Aust	0.002	360	0.79
2	Liberty Resources	LBY	Bowen/Surat Basin	Q-Aust	0.013	846	10.72

 Table 10.9 Enterprise Value per Coal Tonne equivalent for ASX listed UCG Explorers/Developers with JORC Coal Resources.

 (source: RM Corporate Finance, internal modelling, April 2013).

 See Annexure F for more information on ASX listed UCG Explorers/Developers

 JORC Coal Resources.

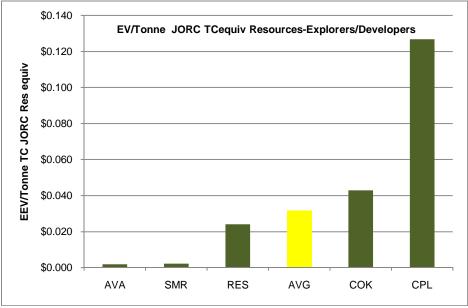


Figure 10.4 Enterprise Value per Thermal Coal Tonne equivalent for ASX listed Explorers/Developers with JORC Coal Resources.

(source: RM Corporate Finance, internal modelling, April 2013). AVG = Average.

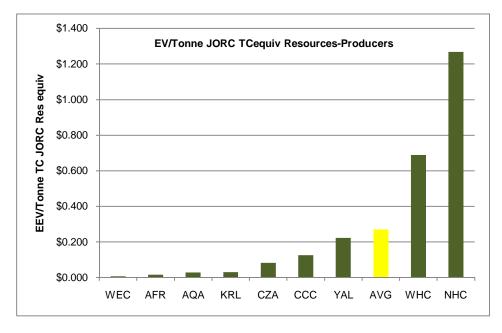


Figure 10.5 Enterprise Value per Thermal Coal Tonne equivalent for ASX listed Producers with JORC Coal Resources.

(source: **RM Corporate Finance**, internal modelling, April 2013). AVG = Average.

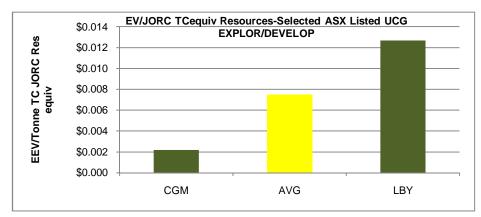


Figure 10.6 Enterprise Value per Coal Tonne equivalent for ASX listed Explorers/Developers of UCG/CTL projects. (source: RM Corporate Finance, internal modelling, April 2013). AVG = Average.

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COMPANY CLASSIFICATION	EV/Res TC Tonne <sub>equiv</sub> (c) Average
(A) Coal Prod.	10
(B) Coal Explor./Develop.	3.4
(C) Coal-Explor./Develop. (UCG)	0.8

Table 10.10Average Enterprise Value per Coal Tonne equivalent forASXlistedcoalProducers/Explorers/DevelopersandUCGExplorers/Developers with JORC Coal Resources.(source: RM Corporate Finance, internal modelling, April 2013).

We have plotted (Table 10.10) average (as comparison of median values is not possible due to Table 10.9 and Figure 10.6 only having three samples) Enterprise Value per JORC Thermal Coal tonne equiv for Producers (Figure 10.5, Table 10.8), Explorers/Developers

(Figure 10.4, Table 10.8) and for those Explorers/Developers whose primary business is underground coal gasification (Figure 10.6, Table 10.9).

Producers are clearly more valuable than explorers and developers. Furthermore comparison with thermal coal Explorers/Developers is probably not warranted due to the low rank (and lower value) of lignite.

The results in Table 10.10 appear reasonable and show a declining value from the more mature producers (A) to those with JORC Resources or in the pre-production phase (B) and those engaged in UCG (C). Clearly, UCG has the lowest valuations as none of the participants in our very small sample have demonstrated the commercial viability of UCG or have received financing or completed a Definitive Feasibility study.

Using the average value in (C) we come up with a valuation of A\$8.6 million for the Scaddan and Zanthus Projects. If we take the data in (Figure 10.6, Table 10.9) we come up with a high of A\$14.04 million and a low of A\$2.16 million.

It should be pointed out however that:

- i. Despite various mining studies over 2008, no development work on either processing option has taken place.
- ii. There does not appear to be any active exploration taking place on the tenements.
- iii. In respect to the export model there is still uncertainty surrounding the ability to gain access to enable export through the Port of Esperance.

On this basis, therefore, we consider that, given the comparable companies have more projects in their portfolio and more active exploration programs ongoing, these companies likely have a greater value (based on market values JORC Resources) compared to the Scaddan and Zanthus Energy Projects.

### 10.2.2 Scaddan and Zanthus Energy Project Valuation Summary

The results are summarized in Table 10.11:

On this basis, we believe that the valuations for the Scaddan and Zanthus Projects, using the Market Value for JORC Resources method should be discounted by at least 50% which would give a range of values set out in Table 10.11 with a preferred value of A\$4.3 million.

SCENARIO	EV/ JORC Res <sub>equiv</sub> Coal (c)	A\$m
Low	0.1	\$1.08
Preferred	0.4	\$4.30
High	0.7	\$7.02

Table 10.11 Market Value of JORC Resources for Scaddan and Zanthus Energy projects based on ASX Listed Explorers.

(source: RM Corporate Finance, internal modelling, April 2013).

### 10.2.3 Scaddan and Zanthus Energy Project Risk Assessment

RM Corporate Finance has undertaken a high-level Risk Assessment on the Scaddan and Zanthus Energy Projects as set out below.

- Exploration Risk: Mineral exploration is high risk and there is potential for Blackham Resources and follow up resource drilling at the Scaddan and Zanthus Energy Projects may fail to delineate sufficient Reserves to justify a stand-alone mining operation.
- Metallurgical and Processing Risks: There may be either processing risks associated with the coal export option or difficulty in getting the projected yields as part of the CTL process.
- Land Owners: Failure to execute agreements relating to access and mining with the local land owners could impair exploration and/or development at the Scaddan and Zanthus Energy Projects.
- Financial Position: The Company does not currently have the financial reserves to bring the Scaddan and Zanthus Energy Projects on stream as either a conventional coal export project or a CTL project. The Company is likely to be dependent on raising capital from the equity markets in the medium term to fund this project.
- Infrastructure Risks: Delays in infrastructure (Port of Esperance, roads) have the potential to significant delay production plans for the Scaddan and Zanthus Energy Projects.
- Peer Underperformance: Underperformance of peer CTL Explorers and/or Developers has

the potential to adversely affect market sentiment and lead to lower valuations for the Scaddan and Zanthus Energy Projects.

- Commodity Risks: The Scaddan and Zanthus Energy Projects are exposed to oil prices (CTL option) and lignite prices (coal export option). Adverse movements in either of these commodities could have further negative effects on the Scaddan and Zanthus Energy Projects.
- Market Risks: Further declines in equity markets may continue to put pressure on junior resource companies as investors switch out of "risk" into perceived safe haven investments. While the broader share market has improved significantly with the All Ordinaries Index rising 17% since mid-November 2012 to recent highs of 5,120 in early March 2013, liquidity in micro-cap securities has still been low and any improvement in sentiment towards high-risk assets may take some time to filter down.

## **10.3 Valuation Discussion**

The results are summarized in Table 9.12 and outline a broad range of values for Matilda Gold Project and Scaddan and Zanthus Energy Projects in accordance with the methodology outlined in sections 10.1 and 10.2 of this Report.

Clearly the valuation of the Scaddan and Zanthus Energy Projects gives rise to the most uncertainty due to the limited methodologies available to the valuer. Furthermore, the method used to value the project was based on a very limited data set. Preliminary economic analysis suggests that, subject to energy prices and availability of capital (particularly with regard to the CTL development option), the projects do have some potential for development. A Definitive Feasibility Study however would be required to determine the viability of the Scaddan and Zanthus Energy Projects with more confidence.

There has been an aggressive sell down of gold equities over the last 18 months with the ASX/S&P gold Index falling approximately 52% since April 2011. A falling gold price, concerns about capital cost blowouts, rising operating costs and a lack of risk capital to further explore exploration projects have taken their toll on the sector and depressed share prices, and in turn the value of exploration acreage, JORC Resources of gold and producers.

We have used an average of the Comparable Sales Method and Enterprise Value of JORC Resources of gold to arrive at our valuation for Matilda below. The only valid method employed was Market Value of JORC Resources for the Scaddan and Zanthus Energy Projects.

SCENARIO	Matilda Project	Scaddan/Zanthus Energy Projects	Totals
	(A\$m)	(A\$m)	(A\$m)
Low	\$8.54	\$1.08	\$9.62
Mid Case	\$22.49	\$4.30	\$26.79
High	\$38.48	\$7.02	\$45.50

This gives a preferred valuation of A\$26.79 million for **Blackham Resources**.

 Table 10.12
 Blackham Resources' Matilda Gold Project and Scaddan and Zanthus Energy Projects valuation summary.
 (source: RM Corporate Finance, internal modelling, April 2013).

# 11.0 INDEPENDENCE AND DISCLOSURE OF INTERESTS

Prior to accepting this engagement **RM Corporate Finance** considered its independence with regard to ASIC RG 111 and RG 112. **RM Corporate Finance** determined that it is independent of **Blackham Resources**.

**RM Corporate Finance** is entitled to receive a fee of approximately A\$27,000 (plus GST) for the preparation of this Report, based on time costs and disbursements. The fee is payable to **RM Corporate Finance** regardless of the outcome of the Transaction. Except for this fee, **RM Corporate Finance** has not received and will not receive any pecuniary or other benefit, whether direct or indirect in connection with the preparation of this Report.

Neither the signatory to this Report nor **RM Corporate Finance** holds shares or options in **Blackham Resources**. No such shares or options have been held at any time over the last two years. Neither the signatory to this Report nor **RM Corporate Finance** has had within the past two years any business relationship material to an assessment of **RM Corporate Finance**' impartiality with **Blackham Resources**, or their associates.

A draft of this Report was provided to **Blackham Resources** and its advisors for their confirmation of the factual accuracy of its contents. No changes were made to the methodologies or conclusions reached in this Report as a result of this review.

Blackham Resources has indemnified RM Corporate Finance in respect of any claim arising or in connection with RM Corporate Finance' reliance on information provided by Blackham Resources.

# 12.0 QUALIFICATIONS

Guy Le Page is a director of **RM Corporate Finance** is part of the **RM Capital Group**, an Australian based, internationally focused corporate finance firm which specialises in the financing and management of emerging companies. The **RM Corporate Finance Group** is based in Perth, Western Australia and has additional offices throughout Australia including Sydney, Melbourne and Adelaide. The **RM Capital Group** was founded in 1998 and is independently owned. The team has significant experience in investment banking, corporate finance and all facets of mining and exploration activities. Clients of **RM Corporate Finance** represent a broad range of mining groups. **RM Corporate Finance** has a full service Australian Financial Services Licence regulated by the Australian Securities and Investment Commission.

The person responsible for preparing and reviewing this report is Guy T Le Page. Mr Le Page is currently a Director of the **RM Corporate Finance** and Head of Research for **RM Research**, one of the largest distributors of research in Australia for small to medium sized ASX listed companies. He has extensive experience as an exploration and mining geologist as well as an analyst and corporate adviser to listed mining and exploration companies.

As an expert witness Mr Le Page has been engaged in a wide variety of court cases/expert reports addressing various issues surrounding mining and exploration, securities trading and mineral valuations.

Mr Le Page was a Corporate Adviser at ASX listed Stockbroker Tolhurst Noall from 1998 before joining the **RM Capital Group** in 2002. Prior to his tenure at Tolhurst Noall, Mr Le Page was Head of Research at Morgan Stockbroking Limited (Perth). As Head of Research, Mr Le Page was responsible for the supervision of all Industrial and Resources Research. As a Resources Analyst, Mr Le Page publishes detailed research on various mineral exploration and mining companies listed on the Australian Securities Exchange. The majority of this research involved valuations of both exploration and production assets.

Prior to entering the stockbroking industry, he spent 10 years as an exploration and mining geologist in Australia, Canada and the United States. HIs experience spans gold and base metal exploration and mining geology, exploration for bulk commodities (coal, iron ore) and he has acted as a consultant to private and public companies. This professional experience included the production of both technical and valuation reports for resource companies.

Mr Le Page holds a Bachelor of Arts, a Bachelor of Science and a Masters' Degree in Business Administration from the University of Adelaide, a Bachelor of Applied Science (Hons) from the Curtin University of Technology and a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia. He is a fellow of the Financial Services Institute of Australasia and Member of the Australasian Institute of Mining and Metallurgy.

# 13.0 COMPETENT PERSONS STATEMENT

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Guy Touzeau Le Page, who is a Member of the Australasian Institute of Mining & Metallurgy. Mr Le Page has sufficient experience relevant to the style of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 JORC CODE. Mr Guy Touzeau Le Page consents to the inclusion in the Notice of Meeting and Independent Expert Report in the matters based on his information in the form and context in which it appears.

# 14.0 DISCLAIMERS AND CONSENTS

This Report has been prepared at the request of **Blackham Resources** for inclusion in the Explanatory Memorandum, which will be enclosed with the Notice of Meeting. **Blackham Resources** has engaged **RM Corporate Finance** to prepare this Report to consider the Transaction on behalf of **Blackham Resources** Shareholders.

**RM Corporate Finance** hereby consents to this Report being included in the above Explanatory Memorandum or being made available to **Blackham Resources** Shareholders at their request. Apart from such use, neither the whole nor any part of this Report, nor any reference thereto may be included in or with, or attached to any document, circular, resolution, statement or letter without the prior written consent of **RM Corporate Finance**.

**RM Corporate Finance** takes no responsibility for the contents of the Explanatory Memorandum other than this Report.

**RM Corporate Finance** has not independently verified the information and explanations supplied to us, nor has it conducted anything in the nature of an audit of **Blackham Resources**. **RM Corporate Finance** does not warrant that our enquiries have revealed all of the matters which an audit or extensive examination might disclose. However, **RM Corporate Finance** has no reason to believe that any of the information or explanations so supplied is false or that material information has been withheld.

The statements and opinions included in this Report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that **RM Corporate Finance** has no obligation to update this Report for events occurring subsequent to the date of this Report.

Yours sincerely

Geny Le Page

Guy T Le Page. FFIN, MAUSIMM DIRECTOR

**RM CORPORATE FINANCE** 

## **ANNEXURE A- Sources of Information**

In making our assessment, **RM Corporate Finance** has reviewed relevant published and unpublished information on **Blackham Resources** and the relevant associated entities. In addition **RM Corporate Finance** has held discussions with the directors and management of **Blackham Resources**. Information received and reviewed by **RM Corporate Finance** includes, but is not limited to the following:

- 1. ASX Announcement, Apex Minerals Limited, December Quarterly Activities Report, 31 January 2013.
- 2. ASX Announcement, Blackham Resources Limited, Appendix 3B and Sec 708A Notice, 19<sup>th</sup> February 2013.
- 3. ASX Announcement, Blackham Resources Limited, Blackham Receives 1<sup>st</sup> Tranche of \$13m Funding Deal, 19<sup>th</sup> February 2013.
- 4. ASX Announcement, Blackham Resources Limited, RIU Explorers Conference Presentation, 13<sup>th</sup> February 2013.
- 5. ASX Announcement, **Blackham Resources Limited**, Blackham Receives 1<sup>st</sup> Tranche of \$13m Funding Deal, 4<sup>th</sup> February 2013.
- 6. ASX Announcement, Blackham Resources Limited, December 2012 Activities Report, 31<sup>st</sup> January 2013.
- 7. ASX Announcement, Blackham Resources Limited, December 2012 Cash Flow Report, 31<sup>st</sup> January 2013.
- 8. ASX Announcement, Blackham Resources Limited, Matilda upgraded to 1.50Moz gold.
- 9. ASX Announcement, Blackham Resources Limited, Funding Announcement, 13th December 2012.
- 10. ASX Announcement, Blackham Resources Limited, 2012 AGM Presentation, 30th November 2012.
- 11. ASX Announcement, Blackham Resources Limited, Matilda Mine Scoping Study Demonstrates Robust Economics, 30<sup>th</sup> November 2012.
- 12. ASX Announcement, Blackham Resources Limited, September 2012 Cash Flow Report, 31<sup>st</sup> October 2012.
- 13. ASX Announcement, Blackham Resources Limited, September 2012 Activities Report, 31<sup>st</sup> October 2012.
- 14. ASX Announcement, **Blackham Resources Limited**, Investor Presentation, Mines and Money Australia, 16<sup>th</sup> October 2012.
- 15. ASX Announcement, Blackham Resources Limited, Metallurgy Testwork Confirms Matilda Ore as Free Milling, 8<sup>th</sup> October 2012.
- 16. ASX Announcement, Blackham Resources Limited, 2012 Annual Report, 28<sup>th</sup> September 2012.
- 17. ASX Announcement, Blackham Resources Limited, Melbourne Resource Round Up Conference Presentation, 26<sup>th</sup> September 2012.
- 18. ASX Announcement, Blackham Resources Limited, Matilda Project Resources Grows to 1.40 Moz Au. 26<sup>th</sup> September 2012.
- 19. ASX Announcement, Blackham Resources Limited, Blackham Agrees Placement, 19<sup>th</sup> September 2012.
- 20. ASX Announcement, Blackham Resources Limited, Investor Presentation, 4<sup>th</sup> September 2012.
- 21. ASX Announcement, Blackham Resources Limited, 1.35Moz Gold Resource at Matilda, 4th September 2012.
- 22. ASX Announcement, Blackham Resources Limited, June 2012 Quarterly Activities Report, 31st July 2012.
- 23. ASX Announcement, Blackham Resources Limited, June 2012 Quarterly Cash Flow Report, 31st July 2012.
- 24. ASX Announcement, Blackham Resources Limited, Scaddan Not Affected by Ban, 30<sup>th</sup> July 2012.
- 25. ASX Announcement, Blackham Resources Limited, Company Presentation, 12<sup>th</sup> July 2012.
- 26. ASX Announcement, Blackham Resources Limited, Blackham adds to Confidence and Size of Regent Resources, 5<sup>th</sup> June 2012.
- 27. ASX Announcement, Blackham Resources Limited, Drill Results Matilda gold Project, 8<sup>th</sup> May 2012.
- 28. ASX Announcement, Blackham Resources Limited, Investor Presentation, 7<sup>h</sup> May 2012.
- 29. ASX Announcement, Blackham Resources Limited, June 2012 Quarterly Activities Report, 30th April 2012.
- 30. ASX Announcement, Blackham Resources Limited, June 2012 Quarterly Cash Flow Report, 30th April 2012.
- 31. ASX Announcement, Blackham Resources Limited, Drilling Identifies High Grade Extensions to M10 Deposit, 30<sup>th</sup> April 2012.
- 32. ASX Announcement, Blackham Resources Limited, BLK secures up to 9.15 million to Advance Matilda Gold Project, 26<sup>th</sup> April 2012.
- 33. ASX Announcement, **Blackham Resources Limited**, Investor Presentation, 17<sup>th</sup> April 2012.
- 34. ASX Announcement, Blackham Resources Limited, Drilling Recommences at Matilda, 17<sup>th</sup> April 2012.
- 35. ASX Announcement, Blackham Resources Limited, Investor Presentation Mines & Money Hong Kong, 20<sup>h</sup> March 2012.
- 36. ASX Announcement, **Blackham Resources Limited**, Matilda Defines Oxide Targets, 20<sup>h</sup> March 2012.
- 37. ASX Announcement, Blackham Resources Limited, December 2011 Half Yearly Accounts, 13 March 2012.
- 38. ASX Announcement, Blackham Resources Limited, December 2011 Quarterly Cash Flow Report, 31<sup>st</sup> January 2012.
- 39. ASX Announcement, Blackham Resources Limited, December 2011 Quarterly Activities Report, 31<sup>st</sup> January 2012.
- 40. ASX Announcement, Blackham Resources Limited, Company Presentation, 17<sup>th</sup> January 2012.
- 41. ASX Announcement, Blackham Resources Limited, Blackham confirms Matilda Resources, 16<sup>th</sup> January 2012.
- 42. Baxter, J.L. and Chisolm, J.M. (1990) Valuation reflections. The AusIMM Bulletin, vol. 3, 1990. pp. 22-26.
- 43. Blackham Resources Limited, 2011 Annual Report.
- 44. Blackham Resources Limited, 2010 Annual Report.
- 45. Blackham Resources Limited, Website, March 2013.
- 46. Chamber of Commerce and Industry, Western Australia, Website March 2013.

- 47. Kilburn, L.C. (1990) Valuation of Mineral Properties which do not Contain Exploitable Reserves, CIM Bulletin, vol. 83, pp. 90–93, August 1990.
- 48. Lawrence, R.D. (1989) Valuation of Mineral Assets: Accountancy or Alchemy? Paper presented at CIM Annual General Meeting, Quebec, 2, May 1989.
- 49. Lawrence, R.D. (17 May 1998) Valuation of Mineral Assets: An Overview. Paper presented as part of a course for the Geological Association of Canada and the Prospectors and Developers Association of Canada.
- 50. Lilford, E.V. (2002) Methodologies in the Valuation of Mineral Rights. Project Report submitted to the Faculty of Engineering, University of the Witwatersrand, Johannesburg.
- 51. Lilford, E.V. Advanced Considerations, Applications and Methodologies in the Valuation of Mineral Properties. Doctoral thesis submitted to the Faculty of Engineering and the Built Environment, University of the Witwatersrand, Johannesburg 2004.
- 52. McMahons Mining Title Services Pty Ltd (April 2013) Tenement Report for Blackham Resources Limited.
- 53. Roscoe, W.E. (1999) **The Valuation of Mineral Properties for Compensation**. Presentation to the British Colombia Expropriation Society, Fall Seminar, Vancouver, October 1999.
- 54. Schwab, B. and L Usztig, P (1969). A Comparative Analysis of the Net Present Value and the Benefit-Cost Ratio as Measures of the Economic Desirability of Investments, Journal of Finance, 24 June 1969, *pp. 507–511*.
- 55. Van Horne, J. (1977) Financial Management and Policy, Fourth Edition, Prentice/Hall International editions, pp. 84–95, pp. 197–225.
- 56. Water Corporation (2004), Wiluna Water Reserve, Drinking Water Source Protection Assessment, Wiluna Town Water Supply.

# ANNEXURE B-Glossary

A\$	Australian dollars.
Andesite	An intermediate volcanic rock composed of andesine and one or more mafic minerals.
Alteration	A physical or chemical change to original rock minerals.
Archaean	The geologic eon before the Proterozoic Eon, before 2.5 Ga (billion years) ago, or 2,500 Ma (million years).
Arsenopyrite	An iron arsenic sulfide (FeAsS). It is a hard (Mohs 5.5-6) metallic, opaque, steel grey to silver white mineral with a relatively high specific gravity of 6.1. Arsenopyrite also can be associated with significant amounts of gold. Consequently it serves as an indicator of gold bearing reefs. Many arsenopyrite gold ores are refractory, i.e. the gold is not easily liberated from the mineral matrix. Arsenopyrite is found in high temperature hydrothermal veins, in pegmatites, and in areas of contact metamorphism or metasomatism.
Data	Data pertaining to the physical properties of the Earth's crust at or near surface and collected from an aircraft.
Assay	A procedure where the element composition of a rock soil or mineral sample is determined.
bbls	Barrels of oil.
Breccia	A rock composed of broken fragments of minerals or rock cemented together by a fine-grained matrix that can be either similar to or different from the composition of the fragments.
Chalcedony	A cryptocrystalline form of silica, composed of very fine intergrowths of the minerals quartz and moganite. These are both silica minerals, but they differ in that quartz has a trigonal crystal structure, while moganite is monoclinic. Chalcedony's standard chemical structure (based on the chemical structure of quartz) is SiO <sub>2</sub> (Silicon Dioxide). Chalcedony has a waxy luster, and may be semitransparent or translucent. It can assume a wide range of colors, but those most commonly seen are white to gray, grayish-blue or a shade of brown ranging from pale to nearly black.
Calcrete	A hardened layer in or on a soil. It is formed on calcareous materials as a result of climatic fluctuations in arid and semiarid regions.
Chalcopyrite	CuFeS <sub>2</sub> , a copper ore.
Coal	A natural dark brown to black graphite like material used as a fuel, formed from fossilized plants and consisting of amorphous carbon with various organic and some inorganic compounds.
Craton	Is an old and stable part of the continental lithosphere.
CSM	Coal Seam Methane.
Dacite	Is an igneous, volcanic rock. It has an aphanitic to porphyritic texture and is intermediate in composition between andesite and rhyolite.
Density	Mass of material per unit volume.
Deposit	A mineralised body which has been physically delineated by sufficient drilling and found to contain sufficient average grade of metal or metals to warrant further exploration and development expenditure.
Diamond drilling	A method of obtaining a cylindrical core of rock by drilling with a diamond impregnated bit.
Dip	The angle at which a rock stratum or structure is inclined from the horizontal.
Dykes	A tabular body of intrusive igneous rock, crosscutting the host strata at a high angle.
Facies	Characteristic features of rocks such as sedimentary rock type, mineral content, metamorphic grade, fossil content and bedding characteristics.
Fault zone	A wide zone of structural dislocation and faulting.
Feldspar	A group of rock forming minerals.
Felsic	An adjective indicating that a rock contains abundant feldspar and silica.
Foliated	Banded rocks, usually due to crystal differentiation as a result of metamorphic processes.
Footwall	Surface of rock along the fault plane having rock below it.
Fuschite	A form of muscovite (also known as common mica, isinglass, or potash mica) and is a phyllosilicate mineral of aluminium and potassium with formula $KAI_2(AISi_3O_{10})(F,OH)_2$ , or $(KF)_2(AI_2O_3)_3(SiO_2)_6(H_2O)$ . It has a highly-perfect basal cleavage yielding remarkably-thin laminæ (sheets) which are often highly elastic.
g/t	Grams per tonne.
Gabbro	A fine to coarse grained, dark coloured, igneous rock composed mainly of calcic plagioclase, clino- pyroxene and sometimes olivine.
0.1	
Galena	Is the natural mineral form of lead sulphide. It is the most important lead ore mineral.
Galena Geochemical	Is the natural mineral form of lead sulphide. It is the most important lead ore mineral. Pertains to the concentration of an element.

GIS database	A system devised to present partial data in a series of compatible and interactive layers.
Gneiss	Coarse-grained, banded metamorphic rock.
Granite	A common type of intrusive, felsic, igneous rock.
Greenstones	Zones of variably metamorphosed mafic to ultramafic volcanic sequences with associated sedimentary rocks that occur within Archaean and Proterozoic cratons between granite and gneiss bodies. The name comes from the green hue imparted by the colour of the metamorphic minerals within the mafic rocks. Chlorite, actinolite and other green amphiboles are the typical green minerals.
Hangingwall	The mass of rock above a fault, vein or zone of mineralisation.
Igneous	A rock that has solidified from molten rock or magma.
In-situ	In the natural or original position.
Indicated Mineral Resource	An Indicated Mineral Resource is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.
Inferred Mineral Resource	An Inferred Mineral Resource is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes which may be of uncertain quality and reliability.
Intermediate	A rock unit which contains a mix of felsic and mafic minerals.
Intrusion/Intrusive	A body of igneous rock that invades older rock.
Internal Rate of Return	The discount rate often used in capital budgeting that makes the net present value of all cash flows from a particular project equal to zero. Generally speaking, the higher a project's internal rate of return, the more desirable it is to undertake the project. As such, IRR can be used to rank several prospective projects a firm is considering. Assuming all other factors are equal among the various projects, the project with the highest IRR would probably be considered the best and undertaken first.
Joint venture	A business agreement between two or more commercial entities.
JORC Code 2012	Joint Ore Reserves Committee (of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Minerals Council of Australia). A code developed by the Australian Joint Ore Reserves Committee which sets minimum standards for public reporting of exploration results, Mineral Resources and Ore Reserves.
kg/m3	Kilogram per cubic metre.
kg/t	Kilograms per tonne, a standard mass unit for demonstrating the concentration of uranium in a rock.
Koz	Thousand ounces of gold.
Komatiite	Is a type of ultramafic mantle-derived volcanic rock. Komatiites have low silicon, potassium and aluminium, and high to extremely high magnesium content.
Lava	Refers both to molten rock expelled by a volcano during an eruption and the resulting rock after solidification and cooling. This molten rock is formed in the interior of some planets, including Earth, and some of their satellites. When first erupted from a volcanic vent, lava is a liquid at temperatures from 700 to 1,200°C (1,292 to 2,192°F). Up to 100,000 times as viscous as water, lava can flow great distances before cooling and solidifying because of its thixotropic and shear thinning properties.
Lignite	A soft, brownish-black coal in which the alteration of vegetable matter has proceeded further than in peat but not as far as in bituminous coal. Also called brown coal.
Lithology	A term pertaining to the general characteristics of rocks.
М	Millions.
Mafic	A dark igneous rock composed dominantly of iron and magnesium minerals (such as basalt).
Magnetometer	An instrument which measures the earth's magnetic field intensity.
MW	Megawatt.
MAusIMM	A post-nominal that signifies the holder is Member of the Australian Institute of Mining and Metallurgy ("AusIMM"). Under the JORC reporting code, a competent person must be at a minimum a member of the AIG or the AusIMM.
Mafic	Mafic is used for silicate minerals, magmas, and rocks which are relatively high in the heavier elements. The term is derived from using the MA from magnesium and the FIC from the Latin word for iron. Mafic magmas also are relatively enriched in calcium and sodium. Mafic minerals are usually dark in colour and have relatively high specific gravities (> 3.0). Common rock-forming mafic minerals include olivine, pyroxene, amphibole, biotite mica, and the plagioclase feldspars. Common mafic rocks include basalt and gabbro.

Mass recovery	The percentage of mass recovered after processing.
Metamorphism	Process by which changes are brought about to rock in the earth's crust by the agencies of heat, pressure and chemically active fluids.
Mineralisation	A geological concentration minerals or elements of prospective economic interest.
Mineral	A substance occurring naturally in the earth which may or not be of economic value.
Mineralised zone	Any mass of rock in which minerals of potential commercial value may occur.
Mineral Resource	A mineral inventory that has been classified to meet the JORC code standard.
mRL	Metres reduced level, refers to the height of a point relative to a datum surface.
Mt	Million Tonnes.
Net Present Value	NPV compares the value of a dollar today to the value of that same dollar in the future, taking inflation and returns into account. If the NPV of a prospective project is positive, it should be accepted. However, if NPV is negative, the project should probably be rejected because cash flows will also be negative.
Open pit	A mine working or excavation open to the surface.
Ore	Material that contains one or more minerals which can be recovered economically.
Ore Reserve	An Ore Reserve that has been classified to meet the JOR code standard.
Orogen	A belt of deformed rocks, usually comprising metamorphic and intrusive igneous rocks, mostly occurring along the collision zone between cratons.
Outcrops	Surface expression of underlying rocks.
Outlier	A limited area of younger rocks completely surrounded by older rocks.
Payback Period	The time required for the cumulative net cash inflows from a project to equal the initial cash outlay.
Percussion drilling	Drilling method of where rock is broken by the hammering action of a drill bit.
PGE	Also known as PGM are the six platinum group metals, which are ruthenium, rhodium, palladium, osmium, iridium, and platinum.
ppb	Parts per billion; a measure of low level concentration.
Prehnite-Pumpellytie Facies	A metamorphic facies typical of sub-seafloor alteration of the oceanic crust around mid-ocean ridge spreading centres. It is a metamorphic grade transitional between zeolite facies and greenschist facies representing a temperature range of 250 to 350°C and a pressure range of approximately two to seven kilobars. The mineral assemblage is dependent on host composition. In mafic rocks the assemblage is chlorite, prehnite, albite, pumpellyite and epidote. In ultramafic rocks the assemblage is serpentine, talc, forsterite, tremolite and chlorite.
Proterozoic	Geological eon that extended from 2.5 billion to 542 million years ago.
Pyrite	$FeS_2A$ common, pale bronze iron sulphide mineral.
Pyrrhotite	FeS A common, pale bronze iron sulphide mineral.
RAB drilling	A relatively inexpensive and less accurate drilling technique (compared to RC drilling) involving the collection of sample returned by compressed air from outside the drill rods.
RC drilling	Reverse Circulation drilling, whereby rock chips are recovered by airflow returning inside the drill rods, rather than outside, thereby returning more reliable samples.
Reserves	The portion of a mineral deposit which could be economically extracted or produced at the time of the Reserve determination. These are classified as either proven, probable or possible Ore Reserves based on the JORC code.
Resource	An occurrence of material of intrinsic economic interest in a form that provides reasonable prospects for eventual economic extraction. These are classified as Measured, Indicated or Inferred ore resources based on the JORC code.
Rock chip sampling	The collection of rock specimens for mineral analysis.
Sandstone	Sedimentary rock comprising predominantly of sand.
Saddle Reef	A mineral deposit associated with the crest of an anticlinal fold and following the bedding planes, usually found in vertical succession, especially the gold-bearing quartz veins of Australia.
Sedimentary	Rocks formed by the deposition of particles carried by air, water or ice.
Shear Zone	A generally linear zone of stress along which deformation has occurred by translation of one part of a rock body relative to another part.
Sonic Drilling	A sonic drill head works by sending high frequency resonant vibrations down the drill string to the drill bit, while the operator controls these frequencies to suit the specific conditions of the soil/rock geology. Vibrations may also be generated within the drill head. The frequency is generally between 50 and 120 hertz (cycles per second) and can be varied by the operator. Resonance magnifies the amplitude of the drill bit, which fluidizes the soil particles at the bit face, allowing for fast and easy penetration through most geological formations. An internal spring system isolates these vibrational forces from the rest of the drill rig.
Sphalerite	(Zn, Fe) S is a mineral that is the chief ore of zinc.

Spot price	Current delivery price of a commodity traded in the spot market.
Strike	The bearing of a rock formation.
Stibnite	A sulfide mineral with the formula $Sb_2S_3$ . This soft grey material crystallizes in an orthorhombic space group and is the most important source for the metalloid antimony.
Stratiform	The arrangement of mineral deposit in strata or layers.
Strike	Horizontal direction or trend of a geological structure.
Supergene	Supergene processes or enrichment occur relatively near the surface. Supergene processes include the predominance of meteoric water circulation with concomitant oxidation and chemical weathering. The descending meteoric waters oxidize the primary (hypogene) sulfide ore minerals and redistribute the metallic ore elements. Supergene enrichment occurs at the base of the oxidized portion of an ore deposit.
Sulphide	A type of mineral composed of metal or metals combined with sulphur.
t	Tonne.
тј	Terajoule.
Тра	Tonnes per annum.
Tenements	Large tracts of land granted under lease to mining companies and prospectors by the government.
Ultramafic	Igneous and meta-igneous rocks with very low silica content (less than 45%), generally >18% MgO, high FeO, low potassium, and are composed of usually greater than 90% mafic minerals (dark coloured, high magnesium and iron content). The Earth's mantle is composed of ultramafic rocks.
US\$	United States Dollars.
Vein	A hydrothermal igneous rock that intrudes other rocks, often containing valuable minerals.
Volcanic	A geological term to describe rocks formed from volcanic activity.

ANNEXURE C-McMahon's Mining Title Services Pty Ltd Report



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> PO Box 592 Maylands WA 6931 ABN 70 104 341 817

10<sup>th</sup> April 2013

The Directors Blackham Resources Ltd Via email

Dears Sirs,

### **TENEMENT REPORT**

McMahon Mining Title Services Pty Ltd ('MMTS') has conducted a review of Blackham Resources Ltd (Blackham) tenement portfolio.

MMTS has only reviewed the tenements that are under the direct management of the Blackham. We have not included tenements that Blackham has only partial mineral rights as we understand that these are not considered material.

The report was prepared by Shannon McMahon, Principal of MMTS. Shannon has in excess of 14 years experience as a tenement manager.

Grant Dates/Status Please refer to attached schedule.

Area/Survey Please refer to attached schedule.

Holder details Please refer to attached schedule.

### Royalty

Blackham has provided MMTS with details relating to a royalty held by Franco Nevada Australia Pty Ltd. The affected tenements are noted on the attached schedule. The royalty is 5% gold and 2% nickel net smelter royalty.

### Expiry/Renewal

E53/1290 is subject to a pending extension of term application. Upon a review of this application, we would anticipate that this extension of term would be granted for a period of 5 years.

All other tenements are renewable.

### **Objections to Grant**

E53/1645 and E53/1664 are subject to Mining Act objections. These objections relate to the applications affecting 3<sup>rd</sup> party infrastructure tenements. These objections are standard industry practice and although they may delay the grant of the tenements, we do not see these as materially affecting the tenements.

A number of applications are subject to native title objections under the expedited procedure of the Native Title Act 1993. These are noted on the attached schedule. These objections are standard and although they may delay the grant of the tenements, we do not see these as materially affecting the tenements.

### **Expenditure** Details

Please refer to attached schedule. M53/24 & M53/25 have exemptions from expenditure applications currently pending. Upon a review of these applications, we would anticipate that these exemption from expenditure applications would be granted.

### Standing

MMTS believe that all tenements are in good standing.

If you have any queries please do not hesitate to contact us.

Yours faithfully,

Shannon McMahon

TenID	Status	Holders	BLK interest	Application Date	Grant Date	Expiry Date	Area	Rent Status	expend commit	Expend since grant	Royalty
E53/1290	Live	WILUNA EXPLORATION PTY LTD	100%	27-Dec-06	07-Jan-08	06-Jan-13	39 BL	PAID	\$78,000	\$330,879	Franco- Nevada
E53/1297	Live	WILUNA EXPLORATION PTY LTD	100%	28-Dec-06	07-Jan-08	06-Jan-18	10 BL	PAID	\$50,000	\$105,171	Franco- Nevada
E53/1644	Pending	KIMBA RESOURCES PTY LTD	100%	17-Aug-11			14 BL	N/A	\$0		
E53/1645	Pending	KIMBA RESOURCES PTY LTD	100%	17-Aug-11			25 BL	N/A	\$0		
E53/1657	Pending	KIMBA RESOURCES PTY LTD	100%	25-Nov-11			4 BL	N/A	\$0		
E53/1661	Pending	KIMBA RESOURCES PTY LTD	100%	11-Jan-12			30 BL	N/A	\$0		
E53/1664	Pending	KIMBA RESOURCES PTY LTD	100%	31-Jan-12			19 BL	N/A	\$0		
E53/1705	Pending	KIMBA RESOURCES PTY LTD	100%	11-Jul-12			1 BL	N/A	\$0		
E53/1746	Pending	KIMBA RESOURCES PTY LTD	100%	08-Feb-13			7 BL	N/A	\$0		
E63/0521	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	70%	31-Jan-96	23-Nov-07	22-Nov-14	37 BL	PAID	\$74,000	\$638,548	
E63/1145	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	70%	20-Feb-07	24-Apr-09	23-Apr-14	1 BL	PAID	\$10,000	\$51,195	
E63/1146	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	70%	20-Feb-07	22-May-09	21-May-14	28 BL	PAID	\$42,000	\$266,911	
E63/1202	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	70%	06-Nov-07	21-Sep-10	20-Sep-15	4 BL	PAID	\$15,000	\$44,537	
E63/1203	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	70%	06-Nov-07	29-Mar-10	28-Mar-15	6 BL	PAID	\$30,000	\$63,519	
E63/1239	Live	SCADDAN ENERGY PTY LTD	100%	14-May-08	22-May-09	21-May-14	35 BL	PAID	\$52,500	\$270,316	
E63/1298	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	70%	23-Dec-08	14-Feb-11	13-Feb-16	34 BL	PAID	\$34,000	\$92,301	
E63/1497	Live	SCADDAN ENERGY PTY LTD	100%	20-Apr-11	20-Feb-12	19-Feb-17	79 BL	PAID	\$79,000	\$93,586	
E63/1625	Pending	SCADDAN ENERGY PTY LTD	100%	06-Mar-13			95 BL	N/A	\$0		
E69/2506	Live	ZANTHUS ENERGY PTY LTD	100%	19-Feb-08	13-Mar-09	12-Mar-14	127 BL	PAID	\$190,500	\$434,919	
L53/0030	Live	WILUNA EXPLORATION PTY LTD	100%	26-May-88	22-Mar-89	21-Mar-14	2.4295 HA	PAID			Franco- Nevada
L53/0051	Live	WILUNA EXPLORATION PTY LTD	100%	24-Jan-92	13-Jan-93	12-Jan-18	22 HA	PAID			Franco- Nevada
L53/0053	Live	WILUNA EXPLORATION PTY LTD	100%	22-Apr-92	09-Sep-92	08-Sep-17	1 HA	PAID			Franco- Nevada
L53/0140	Live	WILUNA EXPLORATION PTY LTD	100%	16-Nov-04	22-Apr-05	21-Apr-26	335.4 HA	PAID			
M53/0024	Live	WILUNA EXPLORATION PTY LTD	100%	27-Jun-84	18-Dec-84	17-Dec-26	955.4 HA	PAID	\$95,600	\$3,087,766	Franco- Nevada
M53/0025	Live	WILUNA EXPLORATION PTY LTD	100%	27-Jun-84	18-Dec-84	17-Dec-26	833.3 HA	PAID	\$83,400	\$1,253,795	Franco- Nevada
M53/0034	Live	WILUNA EXPLORATION PTY LTD	100%	29-Apr-85	17-Jul-85	16-Jul-27	595.35 HA	PAID	\$59,600	\$51,752,387	Franco- Nevada
M53/0041	Live	WILUNA EXPLORATION PTY LTD	100%	16-Jun-86	19-Nov-86	18-Nov-28	878 HA	PAID	\$87,800	\$30,947,507	Franco- Nevada
M53/0052	Live	WILUNA EXPLORATION PTY LTD	100%	05-Dec-86	06-Jul-87	05-Jul-29	955.35 HA	PAID	\$95,600	\$1,000,469	Franco- Nevada
M53/0053	Live	WILUNA EXPLORATION PTY LTD	100%	05-Dec-86	06-Jul-87	05-Jul-29	971.6 HA	PAID	\$97,200	\$1,725,761	Franco- Nevada
M53/0054	Live	WILUNA EXPLORATION PTY LTD	100%	05-Dec-86	06-Jul-87	05-Jul-29	997.3 HA	PAID	\$99,800	\$702,728	Franco- Nevada
M53/0092	Live	WILUNA EXPLORATION PTY LTD	100%	02-Nov-87	30-Aug-88	29-Aug-30	761.2 HA	PAID	\$76,200	\$898,464	Franco- Nevada
M53/0129	Live	WILUNA EXPLORATION PTY LTD	100%	12-Jan-89	23-Aug-89	22-Aug-31	814.4 HA	PAID	\$81,500	\$514,754	Franco- Nevada
M53/0130	Live	WILUNA EXPLORATION PTY LTD	100%	12-Jan-89	23-Aug-89	22-Aug-31	618.5 HA	PAID	\$61,900	\$877,284	Franco- Nevada
M53/0131	Live	WILUNA EXPLORATION PTY LTD	100%	12-Jan-89	23-Aug-89	22-Aug-31	836.4 HA	PAID	\$83,700	\$774,163	Franco- Nevada
M53/0139	Live	WILUNA EXPLORATION PTY LTD	100%	30-Mar-89	13-Jul-89	12-Jul-31	289.6 HA	PAID	\$29,000	\$562,245	Franco- Nevada
M53/0188	Live	WILUNA EXPLORATION PTY LTD	100%	22-Mar-91	09-Aug-91	08-Aug-33	990 HA	PAID	\$99,000	\$804,942	Franco- Nevada
M53/0384	Live	WILUNA EXPLORATION PTY LTD	100%	28-Jul-94	31-Oct-94	30-Oct-15	777.75 HA	PAID	\$77,800	\$537,151	Franco- Nevada
M53/0415	Live	WILUNA EXPLORATION PTY LTD	100%	16-Dec-94	16-Aug-95	15-Aug-16	972 HA	PAID	\$97,200	\$609,264	Franco- Nevada
M53/0797	Live	WILUNA EXPLORATION PTY LTD	100%	28-Apr-98	21-Nov-01	20-Nov-22	950.85 HA	PAID	\$95,100	\$31,467,956	Franco- Nevada
M53/0798	Live	WILUNA EXPLORATION PTY LTD	100%	28-Apr-98	21-Nov-01	20-Nov-22	569.45 HA	PAID	\$57,000	\$1,323,122	Franco- Nevada
M53/0955	Live	WILUNA EXPLORATION PTY LTD	100%	27-Sep-01	10-Jan-02	09-Jan-23	2.4295 HA	PAID	\$5,000	\$62,970	Franco- Nevada
M53/1094	Pending	KIMBA RESOURCES PTY LTD	100%	23-Apr-12			359 HA	N/A	\$0		

TenID	Status	Holders	BLK interest	Application Date	Grant Date	Expiry Date	Area	Rent Status	expend commit	Expend since grant	Royalty
M63/0192	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	100%	27-Sep-88	15-Mar-89	14-Mar-31	950 HA	PAID	\$95,000	\$515,212	
M63/0193	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	100%	27-Sep-88	15-Mar-89	14-Mar-31	604 HA	PAID	\$60,400	\$349,599	
M63/0194	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	100%	27-Sep-88	15-Mar-89	14-Mar-31	800 HA	PAID	\$80,000	\$445,098	
M63/0197	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	100%	04-Jan-89	06-Jul-89	05-Jul-31	100 HA	PAID	\$10,000	\$62,065	
P53/1555	Pending	HOOD, Clinton Dean	100%	29-Aug-11			156 HA	N/A	\$0		
P53/1556	Pending	HOOD, Clinton Dean	100%	29-Aug-11			184 HA	N/A	\$0		
P53/1557	Pending	HOOD, Clinton Dean	100%	29-Aug-11			155 HA	N/A	\$0		
P53/1558	Pending	HOOD, Clinton Dean	100%	29-Aug-11			193 HA	N/A	\$0		
P53/1559	Pending	HOOD, Clinton Dean	100%	29-Aug-11			66 HA	N/A	\$0		
P53/1560	Pending	HOOD, Clinton Dean	100%	30-Aug-11			62 HA	N/A	\$0		
P53/1562	Pending	HOOD, Clinton Dean	100%	30-Aug-11			41 HA	N/A	\$0		
P53/1563	Pending	HOOD, Clinton Dean	100%	30-Aug-11			120 HA	N/A	\$0		
P63/1605	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	70%	20-Feb-07	25-Mar-09	24-Mar-17	15.3593 HA	PAID	\$2,000	\$30,409	
P63/1606	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	70%	20-Feb-07	25-Mar-09	24-Mar-17	1.4268 HA	PAID	\$2,000	\$31,871	
P63/1608	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	70%	23-Feb-07	30-Jul-08	29-Jul-16	190 HA	PAID	\$7,600	\$55,034	
P63/1609	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	70%	23-Feb-07	30-Jul-08	29-Jul-16	89.9456 HA	PAID	\$3,600	\$52,734	
P63/1610	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	70%	23-Feb-07	30-Jul-08	29-Jul-16	4.7162 HA	PAID	\$2,000	\$66,147	
P63/1615	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	70%	23-Feb-07	25-Mar-09	24-Mar-17	3.4272 HA	PAID	\$2,000	\$30,766	
P63/1616	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	70%	23-Feb-07	25-Mar-09	24-Mar-17	32.9833 HA	PAID	\$2,000	\$30,583	
P63/1617	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	70%	23-Feb-07	25-Mar-09	24-Mar-17	0.0063 HA	PAID	\$2,000	\$28,212	
P63/1619	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	70%	23-Feb-07	25-Mar-09	24-Mar-17	0.8371 HA	PAID	\$2,000	\$29,638	
P63/1632	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	70%	23-Feb-07	30-Jul-08	29-Jul-16	5.5623 HA	PAID	\$2,000	\$50,879	
P63/1635	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	70%	23-Feb-07	25-Mar-09	24-Mar-17	3.9605 HA	PAID	\$2,000	\$31,189	
P63/1665	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	70%	06-Dec-07	01-Jul-10	30-Jun-14	194 HA	PAID	\$7,760	\$19,482	
P63/1666	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	70%	06-Dec-07	01-Jul-10	30-Jun-14	199 HA	PAID	\$7,960	\$19,936	
P63/1667	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	70%	06-Dec-07	01-Jul-10	30-Jun-14	199 HA	PAID	\$7,960	\$19,936	
P63/1668	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	70%	06-Dec-07	01-Jul-10	30-Jun-14	200 HA	PAID	\$8,000	\$20,039	
P63/1669	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	70%	06-Dec-07	01-Jul-10	30-Jun-14	199 HA	PAID	\$7,960	\$19,936	
P63/1670	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	70%	06-Dec-07	01-Jul-10	30-Jun-14	200 HA	PAID	\$8,000	\$20,027	
P63/1700	Live	SCADDAN ENERGY PTY LTD WESFARMERS RESOURCES LTD	70%	30-May-08	01-Jul-10	30-Jun-14	32 HA 131.6641	PAID	\$2,000	\$4,918	Franco-
R53/0001	Live	WILUNA EXPLORATION PTY LTD	100%	09-Jun-10	26-May-11	25-May-16	HA HA	PAID			Nevada

Bullabulling Gold Camel Creek South Laverton Gold

# ANNEXURE D-JORC RESOURCES COMPARABLE GOLD ACQUISITIONS

		1					7
Mount Magnet Hill Meekatharra Gold Kookynie Gold Central Murchison Gold Central Murchison Gold Hera Minerals Tenements Gullewa Gold South Laverton Gold	DEPOSIT NAME Laverton Projects Aphrodite Gold	Bullabulling Gold Camel Creek South Laverton Gold	Hera Minerals Tenements Gullewa Gold South Laverton Gold	Kookynie Gold Red Dam Central Murchison Gold	Mount Magnet Hill Meekatharra Gold	DEPOSIT NAME Laverton Projects Aphrodite Gold	DATE 1 Jun-11 2 Sep-09 6 Sep-09 6 Oct-11 7 Feb-11 7 Feb-11 10 Mar-09 9 Jul-10 10 Mar-09 11 Jan-10 12 Oct-11 12 Mar-09 11 Jan-10 12 Mar-09 13 Mar-09
412,000 1	PROVEN Au Tonnes (g/t) 928,000 2.0	284,000 1 700,000 1 731,600 1	1,600,000 1,600,000 731,600	3,324,862 1,187,000 5,266,000		INFERRED / Tonnes () 10,790,000 2 10,400,000 1	<ol> <li>Focus Minerals</li> <li>Eagle Eye Resources</li> <li>Ramelius Resources</li> <li>Nex Metals</li> <li>Phoenix Gold</li> <li>YTC Resources</li> <li>Mutiny Gold</li> <li>Legacy Iron Ore</li> <li>Auzex Resources</li> <li>Legacy Iron Ore</li> </ol>
0 12,981 - -		1.52 13,900 1.10 24,759 1.89 44,500	م م	1.86 199,200 2.44 93,128 2.9 491.042		Au Aueq (g/t) Oz 2.1 728,585 1.8 389,000	SELLER Crescent Gold Apex Minerals Harmony Gold (Aust) ECR Minerals FMR Investments Carbine Resources CBH Resources CBH Resources Jackson Minerals Jervois Mining Millenium Minerals Jackson Minerals
8,463,000 1.7 3,826,000 3.43 3,773,000 5.1	BLE Au (g/t) 3,044,000 2.9	4,159,000 722,000	00		0	INDICATED Tonnes 14,130,000 6,500,000	RESOURCES
474,000 422,000 618,723 -	Au eq Oz 283,846	1.35 180,800 1.17 27,162 -	0 =	2.63 141,380 2.44 53,586 4.9 1.450.463		Au Aueq (g/t) Oz 2.6 1,181,286 1.9 389,000	DEPOSIT NAME Laverton Projects Aphrodite Gold Mount Magnet Hill Meekatharra Gold Red Dam Central Murchisor Hera Minerals Ten Gullewa Gold South Laverton Gold Camel Creek South Laverton Gold
		4,865,000 1,248,000	535,000	636,000 - 47,000	2,194,000	MEASURED Tonnes 1,619,000	DEPOSIT Laverton Projects Aphrodite Gold Mount Magnet Hill Meekatharra Gold Central Murchison Gold Central Murchison Gold Hera Minerals Tenements Gullewa Gold South Laverton Gold Bullabulling Gold Camel Creek South Laverton Gold
		1.51 237,000 1.31 52,568	,	4.1 84,000 3.3 4.987	2.7 193,000	Au Aueq (g/t) Oz 2.2 114,527 -	Geological Setting Archaean-Yilgarn Archaean-Yilgarn Archaean-Yilgarn Archaean-Yilgarn Murchison Gold Field Archaean-Yilgarn Archaean-Yilgarn Archaean-Yilgarn Archaean-Yilgarn Archaean-Yilgarn Archaean-Yilgarn
		_		_	_		or State WA-Aust WA-Aust WA-Aust WA-Aust WA-Aust WA-Aust WA-Aust WA-Aust WA-Aust WA-Aust WA-Aust WA-Aust

RELEVANCE

BUYER

# ANNEXURE E-JORC RESOURCES-COMPARABLE GOLD COMPANIES

1Gryphon Minerals2Manas Resources3Kula Gold4PMI Gold Corporation5Independence Group6Papillon Resources7Mutiny Gold	RELEVANCE DEVELOPERS	28 Golden Rim Resources			23 Beacon Minerals 24 Renaissance Minerals		20 Chesser Resources	18 Excession Gold 19 Azimuth Resources				13 Mt Magnet South			0	9 Glory Resources					3 Bullabulling Gold				RELEVANCE EXPLORERS
als ces oration Group rrces		sources	5 0,		ls Inerals	Ses	Irces s	Irces		urces	ä	th	-		- ;	Securo		urces	es	urces			2		
Inferred Tonnes 39,300,000 18,500,000 21,910,000 6,300,000 30,000,000 842,000		850,000.0	32,000	3,200,000.0	384,000 500.000	1,891,510	5,900,000.0 9.176.000.0	7,230,000.0 16,700,000.0	2,600,000	17,000,000	10,000,000	3,800,000	10,310,000	5,536,000		7,030,000	2,187,000	36,100,000	8,561,000		30,700,000	24,977,794 16 700 000	10nnes	INFERRED	
<b>Au</b> 1.2 1.94 1.94 2.3 8.45		6.8	4.0	6.5	5.90	3.38	32.4	3.1 3.1	2.169	1.10	0.80	3.00	2.3	1.9		. I 9	4.4	0.96	1.66		1.07	1./ 1./	(g/t)	Au	
Au⊶ Oz 1,516,155 29,000 1,401,733 729,143 2,218,293 229,571		185,852	4,116	660,000	74,084 94.855	140,974	455,305 1.016.144	255,723 1,664,630	181,350	601,286	257,235	122,186	762,476	338,212	0	116,667	288,318	1,114,341	456,954		1,056,270	8/8/27/		Aueq	
Indicated Au Tonnes (g/t) 6,430,000 17,800,000 29,210,000 43,900,000 10,500,000 859,000	RESOURCES	ວ,ອບບ,ບບບ	527,200 5 000 000	;	15.200.000	2,857,990	8.006.000	7,040,000.0	14,400,000	10,100,000	7,220,000	11,200,000 2 600 000	14,593,000	5,055,000	3,670,000	380.000	2,730,000	31,570,000	17,864,000	4,710,000	72,100,000	12 300 000	Ionnes (g/t)	ED	RESOURCES
A Length 1.5 7.05 7.05	JRCES	0.70	4.6		2.30	1.70	2.69	2.0	2.86	1.30	0.90	1.20	2.36	2.5	3.83	14.9	4 4	1.18	1.75	1.99	0.92	1 80	, C	Aueq	
Measured 3,177,946 556,000 1,878,155 2,681,562 928,307 195,571		101,929	77,138		- 1.124.116	157,391	- 691.798	443,678 -	1,323,473	422,186	208,939	432,154 334 405	1,107,379	406,350	451,965	182.058	351,125	1,197,833	1,005,209	300,060	2,132,862	1,979,234 711 807	1 onnes	MEASURED	
Au Aue (g/t) Oz 6,300,000 1,173,000 15,570,000 28,400,000 1,164,000			ı		•	88,000		5,175,000 -			16,400,000		ı		6,390,000	0,404,000 2.260,000	621,000				, - 000	- -	(g/t) Oz		
1.53 2.95 2.27 8.52						4.60		1.40			1.17		ı		2.83	8.9	2.1			ı		1 76			
309,886 111,000 1,236,390 2,008,680 320,143						10,400		232,958			616,977				581,469	402,033 646.752	41,932				010,110	R17 117			

RELEVANCE EXPLORERS	PROVEN	Au	RESERVES Aueq	PROBABLE	Au	Aueq	
	Tonnes	(g/t)	0z	Tonnes		Oz	
2 Azumah Resources 3 Bullabulling Gold							
			0			0	
	7,910,000	1.213	308,471	4,962,000	1.18	187,575	
	200 000	ы Л	30 FUB	1 1 10 000	17 0	030 013	
10 Aphrodite Gold	200,000			1,112,000	1.1	-	
11 Luri Gold							
				10,400,000	0.90	300.965	
14 Bassari Resources					0.00		
18 Excelsior Gold							
20 Criesser Resources							
28 Golden Rim Resources							
RELEVANCE DEVELOPERS	Proven	Au	RESERVES Aueq	Probable	Au	Aueq	
1 Gryphon Minerals	70000000000000000000000000000000000000	(g/t)	<b>Oz</b> 157.624	Tonnes 14.000.000	$\omega -$	<b>Oz</b> 891.175	
3 Kula Gold	6,427,000	2.2	456,000	4,596,000	2.1	310,291	
	25,800,000	2.3	1,907,732	30,600,000	N	1,967,529	
7 Mutiny Gold							

# ANNEXURE F-JORC RESOURCES-COMPARABLE COAL COMPANIES

HCC SHCC SSCC PCI	870	1ω4 τυ (	⊥ د	RELEVANCE	8 7	4 הי ס	.ωΝ.	
Hard coking coal Emi-hard coking coal Semi-soft coking coal Pulverized Coal	white Energy Whitehaven Coal Yancoal Australia	Coal of Africa Kangaroo Resources New Hope Corporation	Aquila Resources	RELEVANCE PRODUCERS	Resources Generation Stanmore Coal	Metro Coal Cockatoo Coal Coalspur	Bandanna Energy Aviva Corporaiton	1 African Energy Resources
		8.9 85	<b>HCC</b> 1332.4		95.0			нсс
	144	221.8	<b>SHCC</b> 198.2		71.6			SHCC
	93.2 61.3	295.8	<b>PCI</b> 35.2	RESOURCES	71.6	160.5		RESOURCES (tonnes) PCI
	1276 350.8		SSCC	ίΩ.	687.8	66.9		S SSCC
	1130.5 2256.9 2919.7	32.8 3118.2 1797.2			2274.2 287.0	2867.2 1568.7 3734 8	1896.5 1166.4	THERMAL
	1130.5 3626.1 3475.8	32.8 3127.1 2399.8	<b>TOTAL</b> 1581.8		2962.0 525.2	2867.2 1796.1 3734.8	1896.5 1166.4	TOTAL
		5.9	НСС					нсс
	19.9	14	SHCC					SHCC
	50.2 48	1 4	PCI	RESERVES		15.9		RESERVES (tonnes) PCI
	279 0		SSCO	0,	110			
	343 617.2	442 701.7	SSCC THERMAL		348.1 117.4	877.6 212.3 565.5		SSCC THERMAL
	0 672.2 685.1	0 442 735.6	10TAL		458.1 117.4	877.6 228.2 565.5	000	TOTAL

### **PROXY FORM**

#### APPOINTMENT OF PROXY BLACKHAM RESOURCES LIMITED ACN 119 887 606

I/We	
of	
	being a member of Blackham Resources Limited entitled to attend and vote at the General Meeting, hereby
Appoint	
	Name of proxy
<u>OR</u>	the Chair as your proxy

**GENERAL MEETING** 

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the General Meeting to be held at **9:30am (WST)**, on Thursday 6 June 2013 at the Celtic Club, 48 Ord Street, West Perth WA 6005, and at any adjournment thereof.

# I/We acknowledge that the Chair intends to vote all undirected proxies in favour of each of Resolutions 1 to 12 (inclusive).

#### Voting on Business of the General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1 – Ratification of Issue of Shares by Private Placement			
Resolution 2 – Ratification of Issue of Shares to The Australian Special Opportunity Fund, LP			
Resolution 3 – Approval of Issue of Options to The Aust Special Opportunity Fund, LP			
Resolution 4 – Ratification of Issue of Shares to Great Central Gold Pty Ltd			
Resolution 5 – Approval of Issue of Shares to Great Central Gold Pty Ltd			
Resolution 6 – Approval of Issue of Convertible Notes and Shares on Conversion			_
to Great Central			
Resolution 7 – Approval of Issue of Director Options and Shares on exercise		_	_
to Mr Joseph Gutnick			
Resolution 8 – Approval of Issue of Director Options to Mr Craig Michael			
Resolution 9 – Approval of Issue of Director Options to Mr Bryan Dixon			
Resolution 10 – Approval of Issue of Director Options to Mr Alan Thom			
Resolution 11 – Approval of Issue of Director Options to Mr Greg Miles			
Resolution 12 – Approval of Issue of Options to Casimir Capital, LP			

**Please note**: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.

Where I/we have appointed the Chair as my/our proxy or the Chair becomes my/our proxy by default, I/we expressly authorise the Chair to exercise my/our proxy in respect of Resolutions 7, 8, 9, 10 and 11 (except where I/we have indicated a different voting intention above) and acknowledge that the Chair may exercise my/our proxy even though Resolutions 7, 8, 9, 10 and 11 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel.



If the Chair is appointed as your proxy, or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of Resolutions 4, 5, 6, 7, 8, 9, 10 and 11 please place a mark this box. By marking this box, you acknowledge that the Chair may exercise your proxy even if he has an interest in the outcome of Resolutions 4, 5, 6, 7, 8, 9, 10 and 11 and 11 and that votes cast by the Chair for Resolutions 4, 5, 6, 7, 8, 9, 10 and 11 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolutions 4, 5, 6, 7, 8, 9, 10 and 11 and your votes will not be counted in calculating the required majority if a poll is called on the resolution.

If two proxies are being appointed, the proportion or number of voting rights this proxy represents is\_\_\_\_

#### Signature of Member(s):

Date: \_\_\_

		Member 2		Member 3
Individual or	Member 1			
Sole Secretary	Director/Company	Director		Director/Company Secretary
Contact Name:			_ Contact Ph (day	/time):

### BLACKHAM RESOURCES LIMITED ACN 119 887 606

### Instructions for Completing 'Appointment of Proxy' Form

- 1. (Appointing a Proxy): A Shareholder entitled to attend and vote at the General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion or number of the Shareholder's voting rights. If a Shareholder appoints two proxies and the appointment does not specify this proportion or number, each proxy may exercise half the votes. Fractions will be disregarded. A duly appointed proxy need not be a Shareholder.
- 2. (Direction to Vote): A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
- 3. (**Proxy Voting**): Sections 250BB and 250BC of the Corporations Act broadly provide that:
  - if proxy holders vote, they must cast all directed proxies as directed; and
  - any directed proxies which are not voted will automatically default to the chair, who must vote the proxies as directed.

Further details on these changes are set out below.

### Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution the proxy must not vote on a show of hands; and
- if the proxy is the Chair the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the Chair the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

If a proxy is also a Shareholder, the proxy can cast any votes the proxy holds as a Shareholder in any way that the proxy sees fit.

### Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the company's members; and
- the appointed proxy is not the chair of the meeting; and

- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting;
  - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

### 4. (Signing Instructions):

- (Individual): Where the holding is in one name, the Shareholder must sign.
- (Joint Holding): Where the holding is in more than one name, all of the Shareholders should sign.
- (Power of Attorney): If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
- (Companies): Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
- 5. (Attending the Meeting): Completion of a Proxy Form will not prevent individual members from attending the General Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the Shareholder is present at the General Meeting.
- 6. (**Return of Proxy Form**): To vote by proxy, please complete and sign the enclosed Proxy Form and:
  - (a) deliver the Proxy Form by hand to the Company's registered office at Level 2, 38 Richardson Street, West Perth, Western Australia 6005;
  - (b) post it to Blackham Resources Limited, PO Box 1412, West Perth, WA 6872; or
  - (a) send it by facsimile to the Company on facsimile number +61 8 9322 6398,

so that it is received not less than 48 hours prior to commencement of the Meeting.

### Proxy Forms received later than this time will be invalid.