



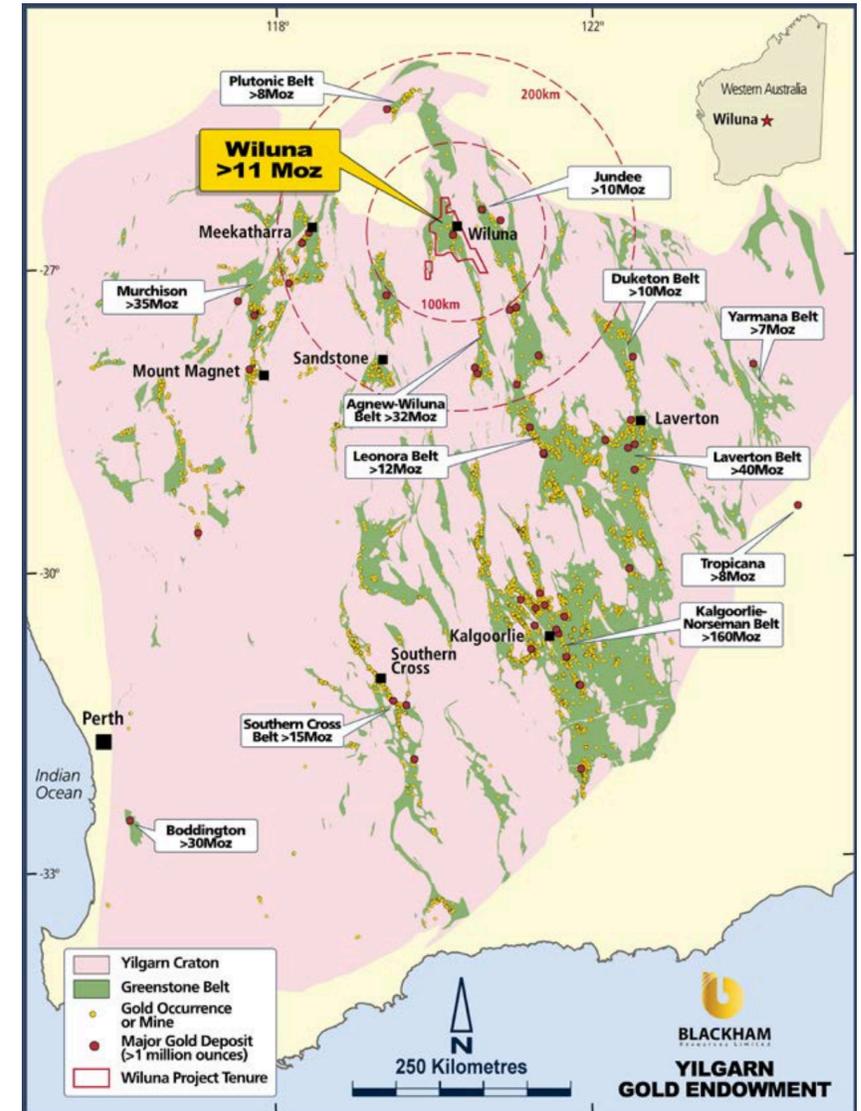
# **Blackham Resources**

## The Giant Wiluna Gold Opportunity



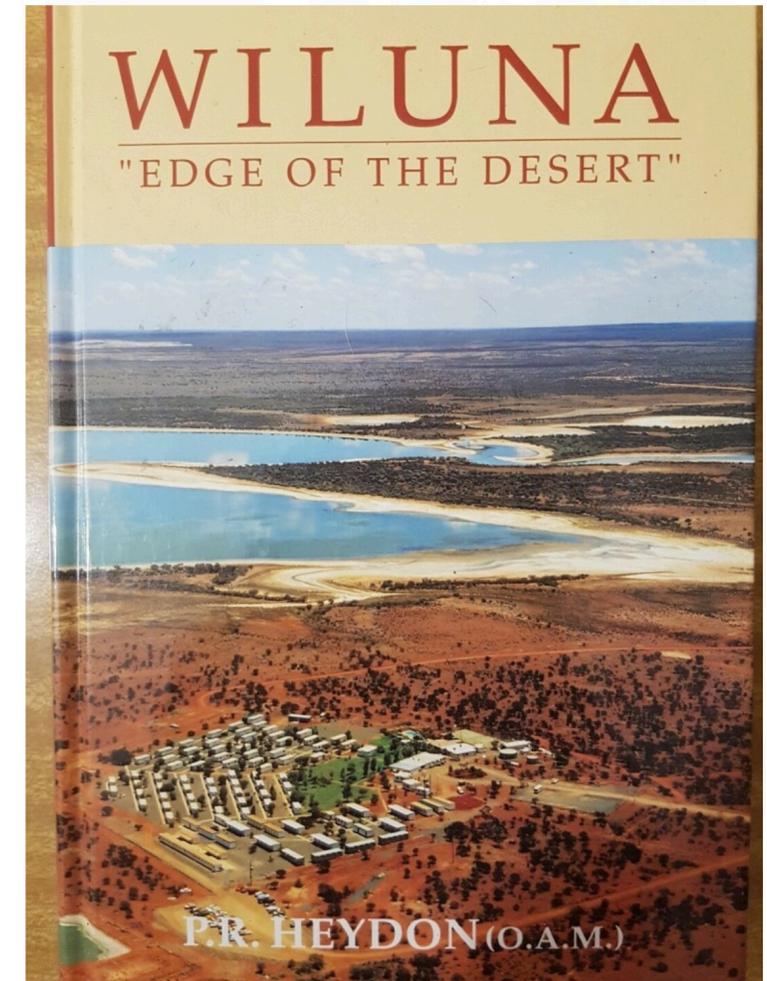
# What is Wiluna?

- **Wiluna** is a giant mineralized gold system with an endowment of approximately **11m oz**, located smack bang in the middle of W. Australia.
- Over 4m oz. of historic production and 6.4m oz. currently in resources and reserves.
- **1,600 square kilometers** of tenements located in **greenstone belts** at the top of the Yilgarn Craton.
- The **Yilgarn Craton** has a historic and current gold endowment of over **380m oz**, making it one of most prolific gold regions in the world.



# Wiluna's Rich History?

- Gold was initially discovered at Wiluna by explorer Laurence Wells in 1892.
- According to the 600 page book Wiluna - Edge of the Desert by P Heydon, 'About 29<sup>th</sup> December 1897, Percy's pick came into contact with **"THE LARGEST LUMP OF GOLD EVER UNEARTHED IN THE COLONY"** – to that time. He kept the matter secret, though the butcher's scales showed **460 ounces**, nearly all gold. When prudent, he travelled to Cue and lodged the lump of gold with the West Australian Bank. The nugget measured 13 inches long, 27 inches in circumference and weighed **463 ounces.**'
- As recently as 1998, Wiluna produced **134,704 ounces of gold** at a cost per ounce of **US\$208**, mining a head grade of **7.8 g/t gold.**
- For us at Arlington, this history is evidence of the powerful mineralised gold system at Wiluna.



# Liquidators to wind up Apex Minerals

Posted 10 Oct 2013, 4:27am

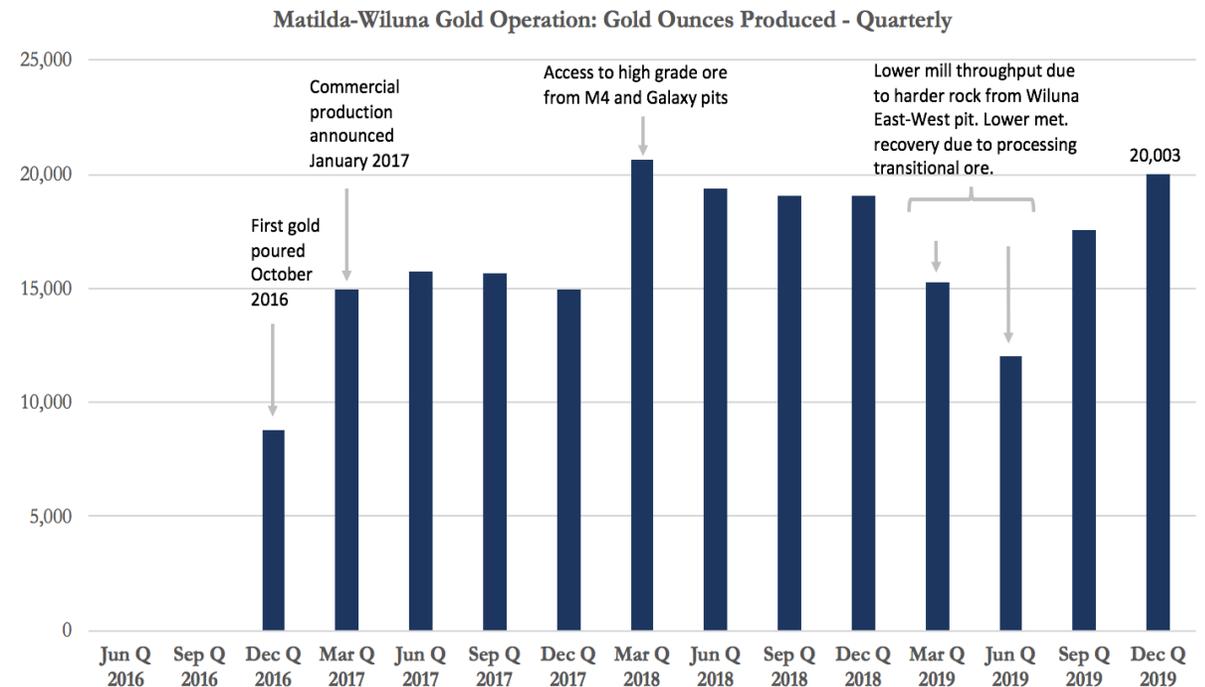
**The liquidators of the gold producer Apex Minerals say the company will be wound up after a second meeting of creditors on Friday.**

- Over the last 20 years, various operators around Wiluna have struggled due to lower grades and sometimes refractory ores.
- In 2013, as the gold price dropped from **US\$1,700** to **US\$1,200** an ounce, Apex Minerals went broke as their **under-capitalized balance sheet** imploded.
- In 2014, Blackham Resources started **consolidating** the gold district with the acquisition of the strategically-important Wiluna Gold Plant.

# What About Today?

- Present management took control of Blackham Resources in **May 2019** following two poor quarters of production (Mar Q 2019 and Jun Q 2019).

- An operational **turnaround** over the last two quarters (Sep. Q 2019 and Dec. Q 2019) produced site operating cash flow (excluding capex and pre-production mining) of **A\$31.3m** for the six months to Dec 31 2019.  
(Source: Blackham Resources Dec 2019 Quarterly Activities Report)



- FY 2020 production forecast: **70k-80k ounces** at AISC(All In Sustaining Costs) of **A\$1,550 to A\$1,750.**

# Who Are The New Management?

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- **Milan Jerkovic – Executive Chairman.**

Mr Jerkovic is a geologist with over 30 years' experience in the mining industry. He is best known as a co-founder and driving force behind the successful resource company, **Straits Asia Resources** (SAR). SAR grew from a market value of less than US\$100m on the Australian Stock Exchange to a market capitalisation of ~US\$3billion within 5 years.

- **Neil Meadows – Director of Operations.**

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

- Arlington's own due diligence led to the following quote; **“Neil is technically very strong. He was a key lynchpin in the performance turnaround of Murrin. He has a direct no nonsense style. Prefers a challenge he can get his teeth into.”** Peter Johnson Ex Head of Glencore Nickel.

# Sulphide Stage 1 Expansion Project and Financing

- The sulphide expansion requires A\$53m.

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

Source: Blackham Resources Feb 2020 Presentation

- The expansion plan has been considered at a gold price of A\$2,050 against a current gold price of A\$2,450.

- Blackham Resources are raising **A\$80m** in total. A\$40m in debt and A\$40m in equity.
- A\$53m** will be used for the sulphide expansion project.
- Approximately **A\$10m** will be used to pay down a working capital facility due at the end of February 2020.
- Leaving **A\$17m** to be used as working capital, providing an operating buffer during the expansion.
- A\$53m will be invested in the processing expansion between March 2020 and March 2021.
- From March 2021, the Wiluna operation is forecast to be cash-flow positive.
- As at 31 Dec 2019, (Excluding Working Capital Facility): Cash & Bullion: A\$6m, Debt: A\$7m, Net Debt: A\$1m.

# Sulphide Expansion Stage 1 - Value

Presented below are two small **extracts** from Arlington’s financial model showing the grade profile on the sulphide flotation project only (i.e. excluding the **free milling** production and the **tailings project** production)

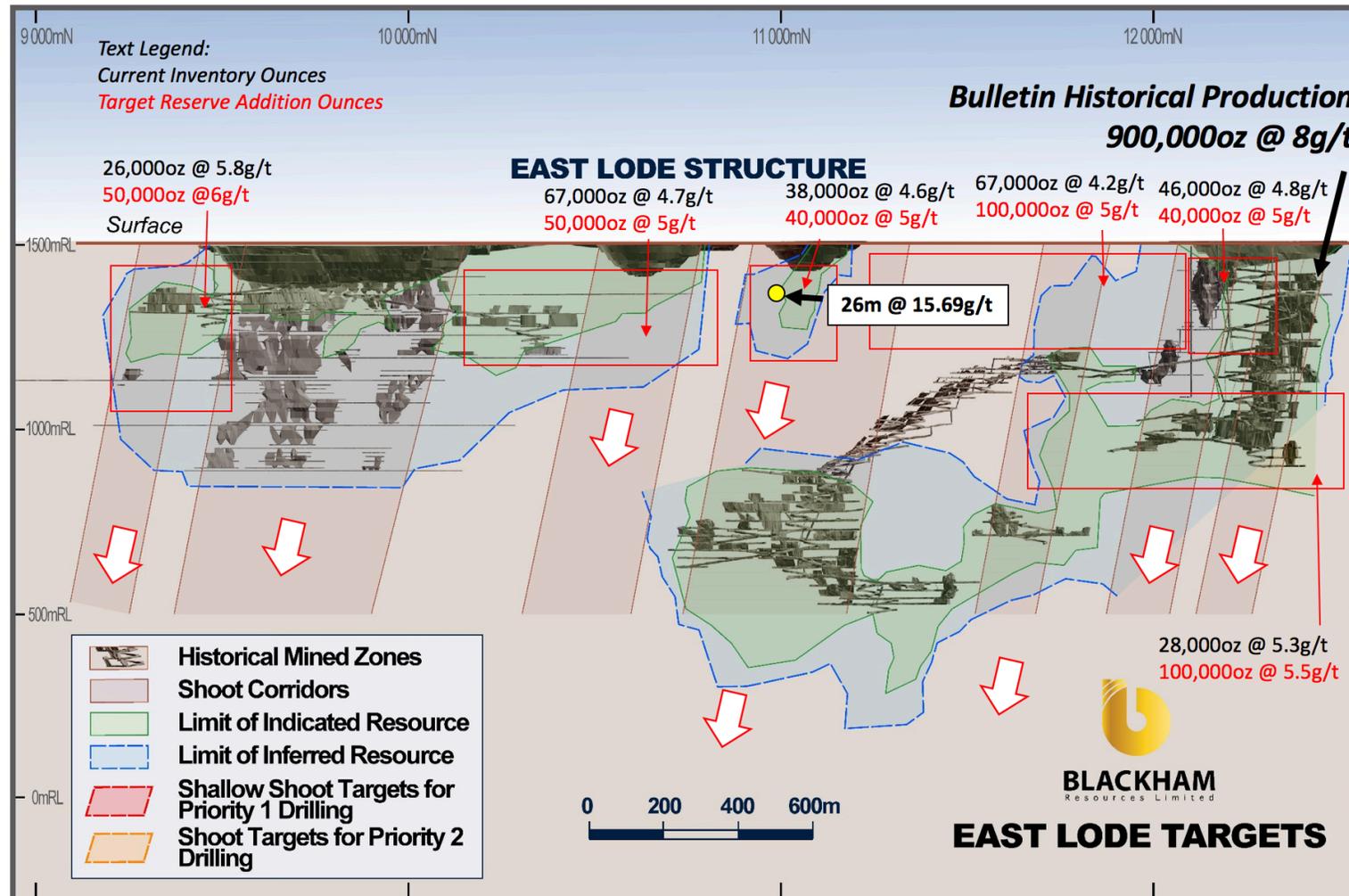
SULPHIDE (FLOTATION) - CONCENTRATE		2H 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Note: Open Pit Sulphide ore is based on reserve designs, FY 2021 and FY 2022 are based predominantly on Measured and Indicated Resources. Thereafter Inferred is considered. With budgeted exploration spend for remainder of FY 2020 and FY 2021 targeting resource to reserve conversion.												
Sulphide Tonnes Processed - Concentrate	Tonnes		150,000	675,000	750,000	750,000	550,000	675,000	700,000	500,000		
<b>Grade</b>	<b>g/t</b>		<b>4.5</b>	<b>4.7</b>	<b>5.3</b>	<b>4.4</b>	<b>4.8</b>	<b>4.0</b>	<b>4.3</b>	<b>4.2</b>		
Grams Processed	g		675,000	3,172,500	3,975,000	3,300,000	2,640,000	2,700,000	3,010,000	2,100,000		
Recovery - Flotation	%		87%	87%	87%	87%	87%	87%	87%	87%		
Recovered Grams in Concentrate	g		587,250	2,760,075	3,458,250	2,871,000	2,296,800	2,349,000	2,618,700	1,827,000		
<b>Recovered Ounces (Concentrate)</b>	<b>oz</b>		<b>18,881</b>	<b>88,738</b>	<b>111,185</b>	<b>92,305</b>	<b>73,844</b>	<b>75,522</b>	<b>84,193</b>	<b>58,739</b>		
<b>Concentrate Tonnes</b>			<b>7,500</b>	<b>33,750</b>	<b>37,500</b>	<b>37,500</b>	<b>27,500</b>	<b>33,750</b>	<b>35,000</b>	<b>25,000</b>		

Arlington’s NPV for the Wiluna Stage 1 expansion project using US\$1,500 gold (A\$2,143) and a 5% discount rate comes to **A\$207mln.**

CASH FLOWS		
DISCOUNT RATE		5%
<b>NPV</b>	<b>A\$ M</b>	<b>207</b>

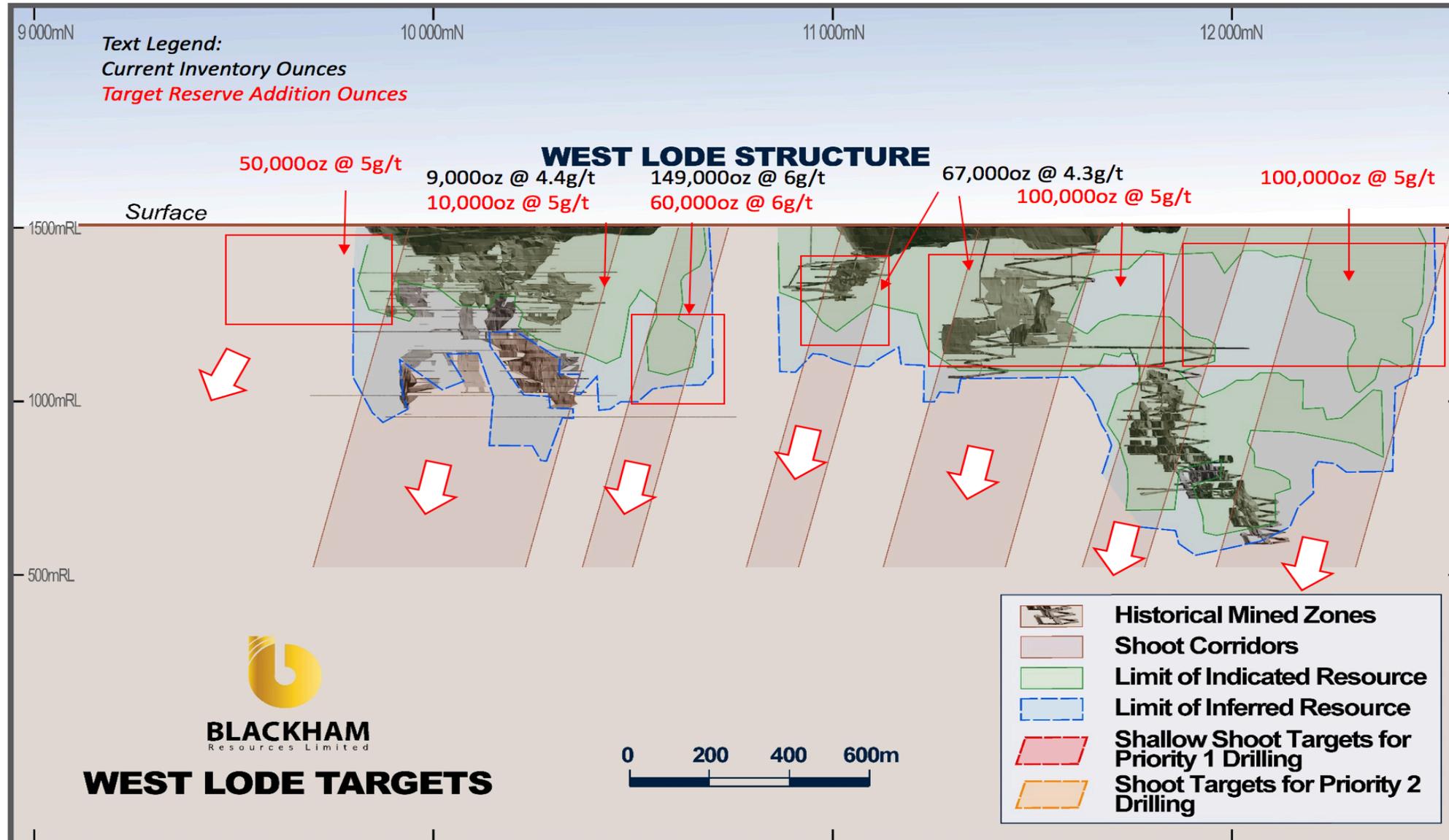
# Exploration Success at The Essex Deposit

- 26m at 15.7 g/t Gold



- Recent exploration success at the Essex Deposit - **26m at 15.7 g/t Au** - highlights why, at Arlington, we believe the Wiluna system has so much potential.
- Cain Fogarty (GM of Geology) and his team are targeting numerous **high grade shoot extensions** to increase reserves. These are shown in red across the East Lode Structure.

# More Target Zones Across the West Lode Structure (Red)



# The Implications of Higher Grade

- High grade exploration success at Essex has significant implications for the value of the phase 1 sulphide expansion project at Wiluna, this is before considering the upside potential of a methodical deeper drill program.
- We want to look at the implication of the sulphide ore being **2 g/t** higher over the stage 1 expansion (ie out to FY 2028).
- Presented below are two small **extracts** from Arlington's financial model showing the grade profile of the sulphide flotation project (ie excluding free milling production and tailings production) and considers the implications of the grade profile being **2 g/t higher than our base case**.

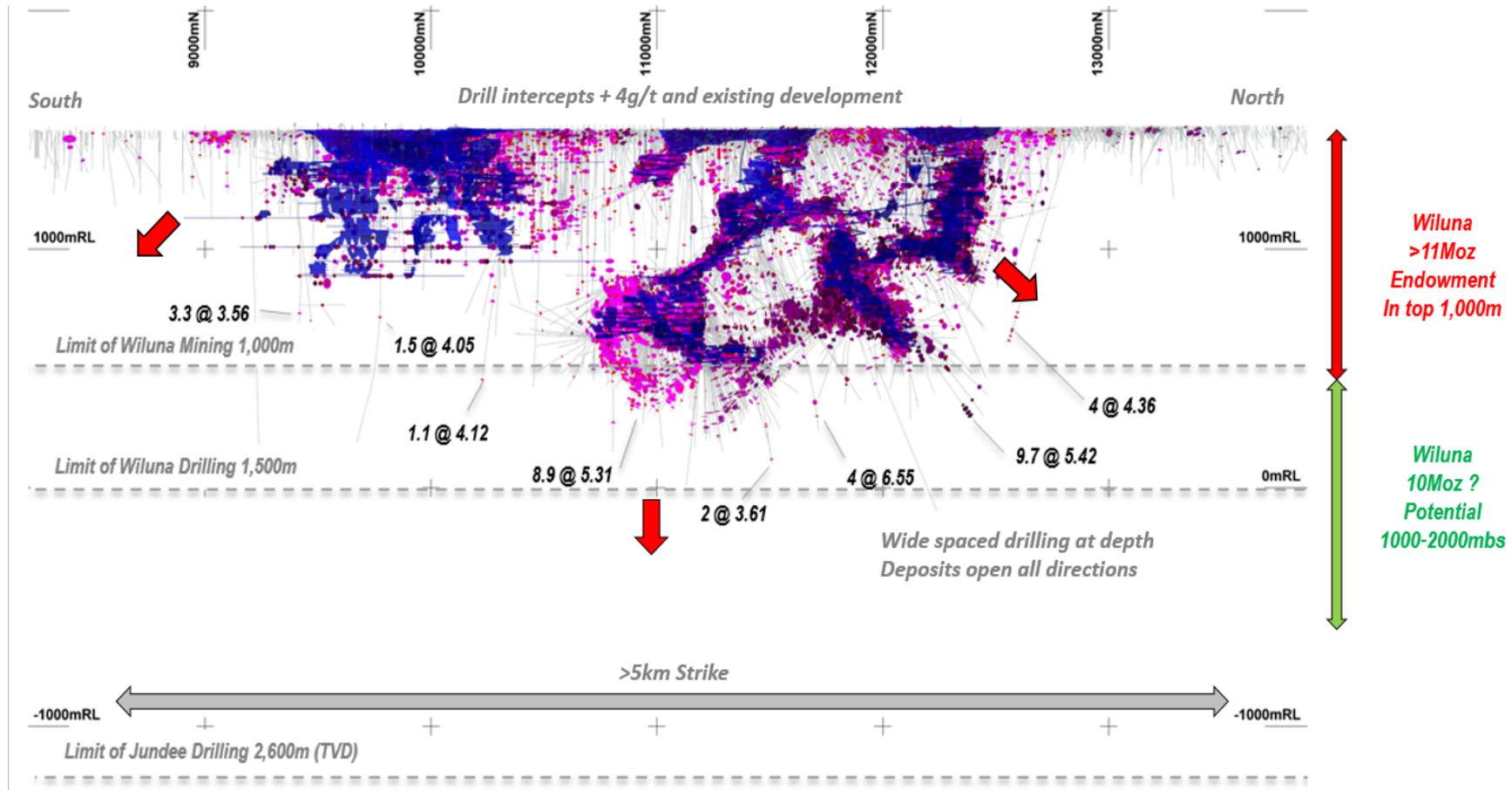
SULPHIDE (FLOTATION) - CONCENTRATE		2H 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY
Note: Open Pit Sulphide ore is based on reserve designs, FY 2021 and FY 2022 are based predominantly on Measured and Indicated Resources. Thereafter Inferred is considered. With budgeted exploration spend for remainder of FY 2020 and FY 2021 targeting resource to reserve conversion.												
Sulphide Tonnes Processed - Concentrate	Tonnes		150,000	675,000	750,000	750,000	550,000	675,000	700,000	500,000		
<b>Grade</b>	<b>g/t</b>		<b>6.5</b>	<b>6.7</b>	<b>7.3</b>	<b>6.4</b>	<b>6.8</b>	<b>6.0</b>	<b>6.3</b>	<b>6.2</b>		
Grams Processed	g		975,000	4,522,500	5,475,000	4,800,000	3,740,000	4,050,000	4,410,000	3,100,000		
Recovery - Flotation	%		87%	87%	87%	87%	87%	87%	87%	87%		
Recovered Grams in Concentrate	g		848,250	3,934,575	4,763,250	4,176,000	3,253,800	3,523,500	3,836,700	2,697,000		
<b>Recovered Ounces (Concentrate)</b>	<b>oz</b>		<b>27,272</b>	<b>126,500</b>	<b>153,142</b>	<b>134,262</b>	<b>104,612</b>	<b>113,283</b>	<b>123,353</b>	<b>86,711</b>		
<b>Concentrate Tonnes</b>			<b>7,500</b>	<b>33,750</b>	<b>37,500</b>	<b>37,500</b>	<b>27,500</b>	<b>33,750</b>	<b>35,000</b>	<b>25,000</b>		

- Arlington's NPV for the Wiluna project using US\$1,500 gold (A\$2,143) and a 5% discount rate more than doubles under this scenario to **A\$532mln**. This is more than 10 times the current market capitalisation.

CASH FLOWS		
DISCOUNT RATE		5%
<b>NPV</b>	<b>A\$ M</b>	<b>532</b>

# The Deeper Exploration Potential

Kirkland Lake's **Fosterville Mine** and Northern Star's **Jundee Mine** have both had remarkable success by drilling deeper. At Arlington, we see the stage 1 expansion project as providing a platform for methodical and technology-enabled exploration at depth, where we believe Blackham has the potential to find **the next 10m ounces of gold**.



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