BLACKHAM
Resources Limited

ABN 18 119 887 606

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2016

CONTENTS

Company Directory 3
Directors’ Report 4
Auditor’s Independence Declaration 8
Consolidated Statement of Comprehensive Income 9
Consolidated Statement of Financial Position 10
Consolidated Statement of Changes in Equity 11
Consolidated Statement of Cash Flows 12
Notes to the Consolidated Financial Statements 13
Directors' Declaration 21
Independent Auditor’s Review Report 22

BLACKHAM
Resources Limited

COMPANY DIRECTORY

DIRECTORS

Milan Jerkovic	(Non-Executive Chairman)
Bryan Dixon	(Managing Director)
Alan Thom	(Executive Director)
Greg Miles	(Non-Executive Director)
Paul Rozenauers	(Non-Executive Director)

COMPANY SECRETARY

Mike Robbins

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 2,
38 Richardson Street
WEST PERTH WA 6005

SHARE REGISTER

Advanced Share Registry Services
110 Stirling Highway
NEDLANDS WA 6009
Ph: +618 9389 8033
Fax: +618 9262 3723

STOCK EXCHANGE LISTING

Australian Securities Exchange
Code: BLK

AUDITORS

RSM Australia Partners
8 St Georges Terrace
PERTH WA 6000

ABN: 18 119 887 606

DIRECTORS' REPORT

Your directors submit the financial report of Blackham Resources Limited ('Blackham' or the 'Company') and its controlled entities (the 'Group') for the half-year ended 31 December 2016.

DIRECTORS

The names of Directors who held office during or since the end of the half-year:

Milan Jerkovic	Non-Executive Chairman
Bryan Dixon	Managing Director
Alan Thom	Executive Director
Greg Miles	Non-Executive Director
Peter Rozenauers	Non-Executive Director

The Company Secretary is Mike Robbins.

REVIEW AND RESULTS OF OPERATIONS

RESULTS

The profit after tax for the half-year ended 31 December 2016 was $3,233,000 (2015: loss of $3,391,000).

PRINCIPAL ACTIVITIES

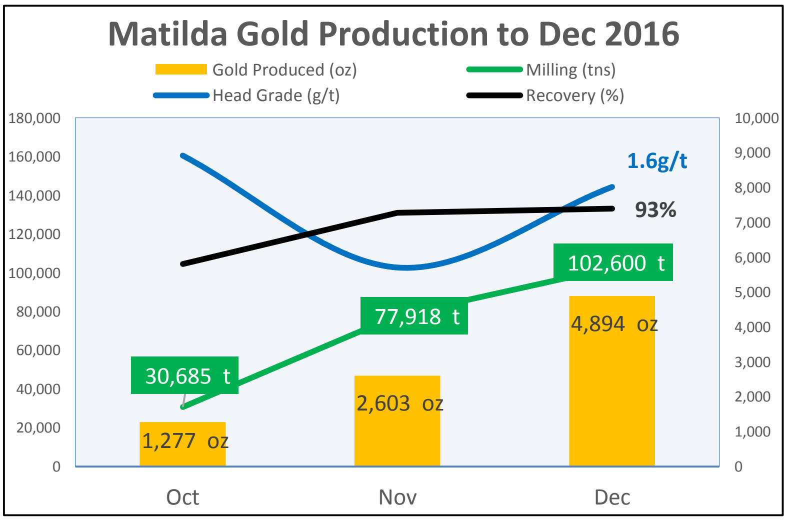
The principal activity of the Group during the half-year was mineral exploration, mine development and gold production.

OPERATIONS

Blackham's 100% owned Matilda/Wiluna Gold Operation ("Project") is located in Australia's largest gold belt which stretches from Norseman through Kalgoorlie to Wiluna. The Project's processing plant, the Wiluna Gold Plant, has been refurbished to a name plate 1.7Mtpa and is located in the centre of the Project.

The first gold pour at the Wiluna/Matilda Gold Operation was achieved in the 3rd week of October 2016. The first pour of gold was a significant milestone for the Blackham team which achieved so much in the 16 month period since the Orion funding deal was announced, including:

- July 2016 - mobilising mining contractors to commence mining in both the Matilda open pits and the Golden Age underground
- Aug 2016 - Installing and commissioning a new diesel power station
- Sept 2016 – wet commissioning of the Wiluna Gold Plant and commissioning the new tailings storage facility
- Oct 2016 – first gold production
- Gold produced for the December quarter was 8,773oz
- Gold poured for the December quarter was 6,558oz and sold at an average gold price of A$1,672



Matilda Open Pits

Open pit mining was focused on the Matilda M10 and M3 pits which are both through the depletion zone and into higher grade ore. Most of the ore mined during the December quarter was lower grade ore from the expected depletion zones at the top of the pits.

Open Pit Mining for		Sept Qtr	Dec Qtr	YTD
HG Ore	T	10,462	306,253	316,715
HG Au	g/t	0.86	1.27	1.25
LG Ore	T	36,422	209,545	245,967
LG Au	g/t	0.57	0.69	0.67
Total Ore	T	46,885	515,808	562,693
Ore	BCM	22,326	245,622	267,948
Waste	BCM	1,685,896	2,139,258	3,825,154
Total Material	BCM	1,708,222	2,384,880	4,093,103
Stripping Ratio	BCM:BCM	76	9	14

Golden Age Underground

Underground mining was focused on access and ore development to open up new stoping areas of the high grade Golden Age quartz reef. There are currently 3 jumbos on site focused on development activities with development ore currently being mined from 3 headings. Golden Age development ore produced to December averaging 4.9g/t which is significantly higher than the budgeted grade for the development ore. Numerous occurrences of visible gold have also been sighted in multiple development drives.

Wiluna Gold Plant

Crushing circuit

Crushing circuit availability of 65% was achieved during the December 2016 quarter which impacted mill throughput. The low circuit availability was caused by mechanical issues and operability of the secondary and tertiary cone crushers. The secondary crusher had components replaced in November and a new tertiary crusher was commissioned in December. The crushing circuit during March has operated at 80% utilization and averaged 5,300 wet tonnes per day exceeding the feasibility assumptions.

Grinding Circuit

Every month since commissioning milled throughput has improved. Over the last 4 weeks the grinding circuit has operated on the Matilda ores and Golden Age ore at an average throughput rate of 4,701 tonnes per day in excess of the feasibility rate of 1.7Mtpa. Management continues to optimize both the crushing and milling circuits with an objective of reaching a throughput of 2.0Mtpa – 15% above nameplate capacity.

Leach and Elution Circuits

The leach circuit is working very well and total plant recoveries are strong. Leach, reagent and feed blend optimisation is ongoing with the aim of improving total production further.

	Nov-16	Dec-16	Jan-17	Feb-17
Plant recovery	91%	93%	93%	95%

RESOURCES

The expanded Matilda/Wiluna Gold Operation now includes JORC 2012 Measured, Indicated and Inferred Resources of 63Mt @ 3.2g/t for 6.4Moz Au (48% indicated - refer to ASX releases 13th December 2016 and 23rd January 2017) within a +1,000km2 tenement package which has historically produced in excess of 4.3 million ounces. During the half resources grew by 25% mainly from the Wiluna open pit resource.

OPEN PIT RESOURCES												
Mining Centre	Measured			Indicated			Inferred			Total 100%		
	Mt	g/t Au	Koz Au	Mt	g/t Au	Koz Au	Mt	g/t Au	Koz Au	Mt	g/t Au	Koz Au
Matilda Mine OP	0.2	2.1	13	7.6	1.8	435	4.3	1.4	200	12.0	1.7	**650**
Galaxy				0.4	3.1	42	0.4	2.2	25	0.8	2.7	**68**
Williamson Mine				3.3	1.6	170	3.8	1.6	190	7.1	1.6	**360**
Wiluna OP[1]				8.4	2.7	730	4.1	2.5	330	12.5	2.6	**1,060**
Regent				0.7	2.7	61	3.1	2.1	210	3.8	2.2	**271**
Stockpiles				0.4	1.0	13				0.4	1.0	13
OP Total	**0.2**	**2.1**	**13**	**21**	**2.2**	**1,451**	**16**	**1.9**	**955**	**37**	**2.1**	**2,422**

UNDERGROUND RESOURCES												
Mining Centre	Measured			Indicated			Inferred			Total 100%		
	Mt	g/t Au	Koz Au	Mt	g/t Au	Koz Au	Mt	g/t Au	Koz Au	Mt	g/t Au	Koz Au
Golden Age				0.5	5.3	81	0.9	3.7	110	1.4	4.3	**191**
Wiluna				9.4	5.2	1570	15.0	4.4	2165	24	4.7	**3,735**
Matilda Mine UG				0.1	2.5	10	0.6	3.6	70	0.7	3.4	**80**
UG Total				**10**	**5.2**	**1,661**	**17**	**4.4**	**2,345**	**27**	**4.7**	**4,006**
Grand Total	**0.2**	**2.1**	**13**	**31**	**3.1**	**3,112**	**32**	**3.2**	**3,300**	**63**	**3.2**	**6,428**

CORPORATE

FUNDING

As announced to the ASX in May 2015, the Company entered into a $38,500,000 finance arrangement (Facility Agreement) with Orion Mine Finance Group (Orion), comprising of a $13,000,000 Non-Amortising Term Facility (NATL), a $23,000,000 Project Financing Facility (Finance Facility) and a $2,500,000 placement.

During the half-year, the final $8,000,000 of the Finance Facility was drawn down.

On the 19 August 2016, the Company announced that it had raised gross proceeds of $25m through a placement of 25m shares at a price of $1.00 per share.

HEDGING

On the 2 December 2016, the Company announced that it had realised $6.3 million in cash receipts following the purchase of physical gold ounces at the spot prices below $1,585/oz to close out a total of 41,250oz of forward gold sales contracts at an average price of $1,762.

At 31 December 2016, the Company had 7,044oz of forwards at A$1,709/oz allocated to the next quarter of production.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In October 2016, the Company joined the ranks of Western Australian gold producers with first gold production from the Matilda/Wiluna Gold Operation. This followed the commencement of open pit and underground mining in July and gold plant wet commissioning in September.

Except as disclosed above, there have been no significant changes in the state of affairs of the Group during the half-year ended 31 December 2016.

EVENTS AFTER REPORTING DATE

EQUITY PLACEMENT

As announced to the ASX on the 10 February 2017, the Company successfully raised gross proceeds of $35m (before costs) in an over-subscribed placement. The placement was for 51,470,588 BLK shares at an issue price of $0.68 per share. The proceeds will be used to fast track its existing growth strategy at Blackham's 100% owned 6.4Moz Matilda/Wiluna Gold Operation.

As announced on 23 January 2017, management declared commercial production for the Matilda/Wiluna Gold Operation in January 2017.

Except as disclosed above, there have been no events subsequent to reporting date that would significantly affect the amounts reported in the consolidated financial statements as at and for the half-year ended 31 December 2016.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to "rounding off". Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the period ended 31 December 2016 has been received and is included within this financial report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Board of Directors.

Bryan Dixon
Managing Director
Perth, 13 March 2017

COMPETENT PERSONS STATEMENT

The information contained in the report that relates to Mineral Resources is based on information compiled or reviewed by Mr Marcus Osiejak, who is a full-time employee of the Company. Mr Osiejak, is a Member of the Australian Institute of Mining and Metallurgy 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Osiejak has given consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.

With regard to the Matilda/Wiluna Gold Operation Mineral Resources, the Company is not aware of any new information or data that materially affects the information included in this report and that all material assumptions and parameters underpinning Mineral Resource Estimates as reported in the market announcements dated 13th December 2016 and 23rd January 2017 continue to apply and have not materially changed.

RSM Australia Partners

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100
F +61 (0) 8 9261 9111

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Blackham Resources Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

RSM

RSM AUSTRALIA PARTNERS

Perth, WA
Dated: 13 March 2017

TUTU PHONG
Partner

BLACKHAM
Resources Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	Consolidated 31 December 2016 $'000	Consolidated 31 December 2015 $'000
Revenue			
Hedge premium income		6,324	-
Interest revenue		180	71
Gain on fair value of derivative financial assets		-	553
Other income		5	11
Total revenue		**6,509**	**635**
Expenses			
Administration expenses		(1,889)	(1,039)
Depreciation		(121)	(11)
Interest paid		(21)	(11)
Finance costs		-	(318)
Diminution in fair value of derivative financial assets		(19)	-
Share-based payments		(979)	(1,860)
Unwinding of discount in rehabilitation provision		(241)	(735)
Exploration expenditure written off		(6)	(52)
Total expenses		**(3,276)**	**(4,026)**
Profit/(loss) before income tax expense for the period		**3,233**	**(3,391)**
Income tax expense	4	-	-
Profit/(loss) after income tax expense for the period		**3,233**	**(3,391)**
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the period, net of tax		**3,233**	**(3,391)**
Basic profit/(loss) per share attributable to ordinary equity holders of the parent (cents per share)	3	1.17	(1.70)
Diluted profit/(loss) per share attributable to ordinary equity holders of the parent (cents per share)	3	1.09	(1.70)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

BLACKHAM Resources Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	Consolidated 31 December 2016 $'000	Consolidated 30 June 2016 $'000
Current assets			
Cash and cash equivalents		10,689	31,942
Trade and other receivables		1,923	1,037
Inventories		10,300	149
Financial assets	5	18	37
Total current assets		**22,930**	**33,165**
Non-current assets			
Other receivables		467	-
Plant and equipment		7,450	3,146
Inventories		1,504	1,572
Mine properties under development	6	116,670	40,083
Exploration and evaluation expenditure		5,250	26,608
Total non-current assets		**131,341**	**71,409**
Total assets		**154,271**	**104,574**
Current liabilities			
Trade and other payables		28,493	16,419
Interest-bearing liabilities	7	15,304	94
Total current liabilities		**43,797**	**16,513**
Non-current liabilities			
Interest-bearing liabilities	7	23,402	29,577
Provisions		24,617	24,375
Total non-current liabilities		**48,019**	**53,952**
Total liabilities		**91,816**	**70,465**
Net assets		**62,455**	**34,109**
Equity			
Issued capital	9	76,551	52,356
Reserves	10	5,772	4,854
Accumulated losses		(19,868)	(23,101)
Total equity		**62,455**	**34,109**

The above statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Consolidated			
	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total $'000
At 1 July 2016	52,356	4,854	(23,101)	34,109
Profit for the period	-	-	3,233	3,233
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive profit for the period	-	-	3,233	3,233
Transactions with owners in their capacity as owners:				
Share based payments expense	61	918	-	979
Shares issued, net of transactions costs	24,134	-	-	24,134
At 31 December 2016	**76,551**	**5,772**	**(19,868)**	**62,455**
At 1 July 2015	31,564	1,451	(15,263)	17,752
Loss for the period	-	-	(3,391)	(3,391)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(3,391)	(3,391)
Transactions with owners in their capacity as owners:				
Share based payments expense	-	1,860	-	1,860
Expiry of options	-	(145)	145	-
Change to accumulated losses	-	-	25	25
Shares issued, net of transactions costs	291	-	-	291
At 31 December 2015	**31,855**	**3,166**	**(18,484)**	**16,537**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	Consolidated 31 December 2016 $'000	Consolidated 31 December 2015 $'000
Cash flows from operating activities			
Payments to suppliers and employees		(1,951)	(957)
Payments for exploration and evaluation		(7,201)	(7,149)
Interest received		180	60
Interest paid		(21)	(5)
Hedge premium income		6,324	-
Other income		4	-
Payments for bank guarantees		(467)	-
Net cash used in operating activities		**(3,132)**	**(8,051)**
Cash flows from investing activities			
Purchase of plant and equipment		(3,569)	(77)
Proceeds from disposal of plant and equipment		1	-
Payments for mine development		(56,117)	-
Proceeds from gold sales during pre-commissioning Phase of mine development		10,965	-
Net cash used in investing activities		**(48,720)**	**(77)**
Cash flows from financing activities			
Proceeds from issue of equities		25,742	1,404
Payment of share issue costs		(1,547)	(60)
Interest on equities		-	(6)
Borrowing costs		(1,521)	(221)
Proceeds from loan		8,000	7,000
Repayment of finance lease		(75)	-
Net cash provided by financing activities		**30,599**	**8,117**
Net decrease in cash held		(21,253)	(11)
Cash and cash equivalents at beginning of the period		31,942	8,313
Cash and cash equivalents at end of the period		**10,689**	**8,302**

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

1. CORPORATE INFORMATION

Blackham Resources Limited (the 'Company') is a limited company incorporated and domiciled in Australia whose shares are publicly traded. The interim consolidated financial statements of the Company comprise the Company and its subsidiaries (collectively referred to as the 'Group').

The interim consolidated financial statements of the Group for the half-year ended 31 December 2016 have been prepared in accordance with AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2016.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

The consolidated financial statements of the Group as at and for the year ended 30 June 2016 are available upon request from the Company's registered office or at www.blackhamresources.com.au .

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the impact of the standards and interpretations below in note 1(B).

The financial report is presented in Australian Dollars, which is the Company's functional currency.

(B) NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The Group has adopted all of the new, revised and amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position in this financial report.

Any new, revised or amending Accounting Standards and Interpretations that are not yet mandatory have not been early adopted by the Group.

(C) REVENUE RECOGNITION

Gold sales

Revenue is recognised and measured at the fair value of the consideration received or receivable, when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group. The specific recognition criteria for the Group's gold sales is upon dispatch of the gold bullion from the mine site as this is the point at which the significant risks and rewards of ownership and control of the product passes to the customer. Adjustments are made for variations in gold price, assay and weight between the time of dispatch and the time of final settlement.

(D) INVENTORIES

Gold bullion, gold in circuit and ore stockpiles are physically measured or estimated and valued at the lower of cost and net realisable value. Cost is determined by the weighted average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting ore into gold bullion. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling the final product, including royalties.

Consumable stores are valued at the lower of cost and net realisable value. The cost of consumable stores is measured on an average basis.

Inventories expected to be sold (or consumed in the case of stores) within 12 months after the balance sheet date are classified as current assets, all other inventories are classified as non-current.

(E) MINE PROPERTIES UNDER DEVELOPMENT

Mine properties under development represents the costs incurred in preparing mines for production and includes plant and equipment under construction and operating costs incurred before production commences. These costs are capitalised to the extent they are expected to be recouped through the successful exploitation of the related mining leases. Once production commences, these costs are transferred to property, plant and equipment and mine properties, as relevant, and are depreciated and amortised using the units-of-production method based on the estimated economically recoverable reserves to which they relate or are written off if the mine property is abandoned.

(F) MINE PROPERTIES

Other mine properties

Other mine properties represents expenditure in respect of exploration, evaluation, feasibility and pre-production operating costs incurred by the Group previously accumulated and carried forward in mine properties under development in relation to areas of interest in which mining has now commenced. Other mine properties are stated at cost, less accumulated amortisation and accumulated impairment losses.

Other mine properties are amortised on a unit-of-production basis over the economically recoverable mine plan of the mines concerned. The unit of account is ounces produced.

Pre-strip costs

In open pit mining operations, it is necessary to remove overburden and waste materials to access the ore. This process is referred to as stripping and the Group capitalises stripping costs incurred during the development of a mine (or pit) as part of the investment in constructing the mine ("pre-strip"). These costs are subsequently amortised over the life of mine on a units of production basis, where the unit of account is ounces produced.

Production stripping costs

Once access to the ore is attained, all waste that is removed from that point forward is considered production stripping activity. The amount of production stripping costs deferred is based on the extent to which the current strip ratio of ore mined exceeds the life of mine strip ratio of the identified component. A component is defined as a specific volume of the ore body that is made more accessible by the stripping activity, and is identified based on the mine plan.

The production stripping asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of the ore body. The production stripping asset is then carried at cost less accumulated amortisation and any impairment losses.

The production stripping asset is amortised over the expected useful life of the identified component (determined based on economically recoverable mine plan), on a unit of production basis. The unit of account is tonnes of ore mined.

Pre-commissioning costs

While pre-commissioning of the processing plant is in progress, all pre-commissioning operating costs, net of the proceeds of all gold sales since the start of the pre-commissioning, are capitalised. Once the pre-commissioning process is completed and the plant is declared to be in commercial production in the manner intended by management, net operating costs will cease to be capitalised and will be expensed through profit or loss.

Pre-commissioning costs are amortised on a unit-of-production basis over the economically recoverable mine plan of the mine concerned.

(G) KEY ESTIMATES AND ASSUMPTION

Unit-of-production method of depreciation/amortisation

The Group uses the unit-of-production basis when depreciating/amortising life of mine specific assets which results in a depreciation/amortisation charge proportionate to the depletion of the anticipated remaining life of mine production. Each item's economic life, which is assessed annually, has due regard for both its physical life limitations and to present assessments of economically recoverable mine plan of the mine property at which it is located. These calculations require the use of estimates and assumptions.

Inventories

Net realisable value tests are performed at each reporting date and represent the estimated future sales price of the product based on prevailing spot metals process at the reporting date, less estimated costs to complete production and bring the product to sale. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained gold ounces based on assay data, and the estimated recovery percentage. Stockpile tonnages are verified by periodic surveys.

Determination of mineral resources, ore reserves and mine plan

The determination of mineral resources and ore reserves impacts the accounting for asset carrying values. The Group estimates its mineral resources and ore reserves in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 (the "JORC" Code). The information on mineral resources and ore reserves was prepared by or under the supervision of Competent Persons as defined in the JORC Code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC Code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and the mine plan and may ultimately result in reserves and mine plan being restated.

Production start date

The Group assesses the stage of each mine under construction to determine when a mine moves into the production stage. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of a plant and its location. The Group considers various relevant criteria to assess when the mine and the processing plant is substantially complete, ready for its intended use. At this time, any costs capitalised to 'mine properties under development' are reclassified to 'mine property' and 'property, plant and equipment'. Some of the criteria will include, but are not limited, to the following:

- Availability of the plant;
- Completion of a reasonable period of testing of the mine plant and equipment;
- Ability to produce metal in saleable form (within specifications); and
- Ability to sustain ongoing production of metal at commercial rates of production.

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs that qualify for capitalisation relating to mine asset additions or improvements, mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences. The pre-commissioning phase ceased on 31 December 2016.

3. EARNINGS PER SHARE

	Consolidated	
	As at 31 December 2016 $'000	As at 31 December 2015 $'000
Profit/(loss) after income tax for the period	3,233	(3,391)

	No. shares ('000s)	No. shares ('000s)
Weighted average number of ordinary shares:		
Issued ordinary shares at 1 July	253,267	198,384
Effect of shares issued	22,034	2,546
Weighted average number of ordinary shares at 30 June	**275,301**	**200,930**
Effect of dilution:		
Share options	21,595	-
Weighted average number of ordinary shares adjusted for the effect of the dilution	**296,896**	**200,930**

4. INCOME TAX

The Group has carried forward tax losses at 30 June 2016 of $11,295,000 sufficient to offset tax expense on the net profit for the half-year to 31 December 2016 (2015: nil); accordingly no net income tax expense has been recorded.

5. FINANCIAL ASSETS

	Consolidated	
	As at 31 December 2016 $'000	As at 30 June 2016 $'000
Derivative financial asset - gold put options	-	19
At fair value through profit and loss	18	18
Total	**18**	**37**

6. MINE PROPERTIES UNDER DEVELOPMENT

	Consolidated	
	As at 31 December 2016 $'000	As at 30 June 2016 $'000
Cost	117,452	40,083
Less amortisation	(782)	-
	116,670	**40,083**
Opening balance	40,083	-
Additions	50,391	22,441
Transfer from exploration expenditure	26,978	17,642
Amortisation	(782)	-
	116,670	**40,083**

7. INTEREST-BEARING LIABILITIES

	Consolidated	
	As at 31 December 2016 $'000	As at 30 June 2016 $'000
Current interest-bearing liabilities		
Secured loan – non-amortising	15,148	-
Finance lease liabilities	156	94
	15,304	**94**
Non-current interest-bearing liabilities		
Secured loan – non-amortising	-	14,272
Secured loan – project finance facility	23,000	15,016
Finance lease liabilities	402	289
Total	**23,402**	**29,577**

In September 2016, the final $8 million of the facility was drawn down. The terms and conditions of the loan remain the same and are secured against the assets of the Group. The Secured loan non-amortising is repayable by 31 December 2017.

8. PHYSICAL GOLD DELIVERY COMMITMENTS

	Gold for physical delivery		Contracted gold sale price		Value of committed sales		Mark-to-market(i)	
	December 2016 Ounces	June 2016 Ounces	December 2016 $/oz	June 2016 $/oz	December 2016 $'000	June 2016 $'000	December 2016 $'000	June 2016 $'000
Within one year								
- Spot deferred contracts	7,044	-	1709.48	-	12,041	-	775	-
- Fixed forward contracts	-	20,000	-	1700.76	-	34,015	-	(1,529)
	7,044	20,000	1709.48	1700.76	**12,041**	**34,015**	**775**	**(1,529)**

Mark-to-market has been calculated with reference to the following spot price at period end: 1,598.59 1,774.53

(i) Mark-to-market represents the value of the open contracts at balance date, calculated with reference to the gold spot price at that date. A negative amount reflects a valuation in the counterparty's favour.

The Group has no other gold sale commitments.

9. ISSUED CAPITAL

	Consolidated Half-year ended 31 December 2016	
	Number ('000s)	$'000
Movement in ordinary shares on issue		
On issue at 1 July 2016	253,267	52,356
Issued on exercise of options	2,732	681
Issued on conversion of performance rights	4,750	-
Placement	25,000	25,000
Issued in lieu of payment	75	61
Transaction costs	-	(1,547)
On issue at 31 December 2016	**285,824**	**76,551**

10. SHARE-BASED PAYMENTS RESERVE

		Consolidated	
	Note	As at 31 December 2016 $'000	As at 30 June 2016 $'000
Share-based payments reserve consist of:			
Share options		4,228	3,669
Performance rights		1,544	1,185
		5,772	**4,854**

Options and performance rights are issued to suppliers, directors, employees and consultants. The options and performance rights issued may be subject to performance criteria, and are issued to directors and employees of the Company to increase goal congruence between executives, directors and shareholders. Options and performance rights granted carry no dividend or voting rights.

SUMMARY OF OPTIONS GRANTED DURING THE HALF YEAR

Allottee	No. of options issued No.	Fair value at grant date $	Estimated volatility	Expiry date	Exercise price	Share price	Risk free interest rate
Employees and consultants	175,000	$0.449	90%	03/07/2019	$0.91	$0.815	1.58%
Employees and consultants	400,000	$0.604	90%	12/08/2018	$0.57	$0.975	1.46%
Employees and consultants	200,000	$0.667	90%	12/08/2019	$0.57	$0.975	1.42%
Employees and consultants	300,000	$0.405	90%	30/04/2018	$0.51	$0.750	1.66%
Employees and consultants	1,000,000	$0.164	90%	01/06/2019	$1.00	$0.465	1.90%

SUMMARY OF PERFORMANCE RIGHTS GRANTED DURING THE HALF YEAR

Allottee	No. of performance rights	Fair value at grant date $	Expiry date
Employees	200,000	$0.975	12/08/2018
Employees	200,000	$0.975	12/08/2019

11. COMMITMENTS AND CONTINGENCIES

CONTRACTUAL COMMITMENTS

On 9 November 2016, the Group entered into an agreement with Synergy for the supply of gas to the Matilda/Wiluna Gold Operation. The terms of this agreement commit the Group to purchasing a minimum amount of gas for the term of the contract. As at 31 December 2016, at the current contract price, the Group had commitments to purchase gas for the remaining term of $1,270,000 (30 June 2016: nil)

On 9 November 2016, the Group entered into agreements with APA, Goldfields Gas Transmission Pty Ltd and DBNGP (WA) Transmission Pty Limited in relation to gas transportation to the Matilda/Wiluna Gold Operation. The terms of the agreements commit the Group to transporting a minimum monthly amount of gas for the term of the contract. As at 31 December 2016, at the current contract prices, the Group had commitments for the use of the pipeline for the remaining term of $2,519,000 (30 June 2016: nil)

CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2016, the Group does not have any material contingent assets or liabilities (30 June 2016: nil).

Other than noted above, there have been no significant changes to the commitments and contingencies disclosed since the last annual reporting date.

12. OPERATING SEGMENT INFORMATION

The Group has one reportable segment which is mine development for the half-year ended 31 December 2016 (exploration was the sole segment for the year ended 30 June 2016). The Chief Operating Decision Makers are the Board of Directors and the management of the Group. There is currently one operating segment identified, being the development and operating of the of the Matilda/Wiluna Gold Operation based on internal reports reviewed by the Chief Operating Decision Makers in assessing performance and allocation of resources.

As at 31 December 2016, the Matilda/Wiluna Gold Operation is under construction and consequently is yet to earn revenues or incur expenses from operations other than pre-commissioning costs incurred to test the Wiluna Gold Plant.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the financial statements.

13. DIVIDENDS PAID OR PROVIDED FOR

There were no dividends paid or provided for during the period.

14. SUBSEQUENT EVENTS

EQUITY PLACEMENT

As announced to the ASX on the 10 February 2017, the Company successfully raised gross proceeds of $35m (before costs) in an over-subscribed placement. The placement proceeds will be used to fast track its existing growth strategy.

As announced on 23 January 2017, management declared commercial production for the Matilda/Wiluna Gold Operation in January 2017.

Except as disclosed above, there have been no events subsequent to reporting date that would significantly affect the amounts reported in the consolidated financial statements as at and for the half-year ended 31 December 2016.

DIRECTORS' DECLARATION

In the opinion of the directors:

a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:
   i. giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and
   ii. complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the *Corporations Regulations 2001*.

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the board

____

Bryan Dixon
Managing Director
Perth, 13 March 2017

RSM Australia Partners

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100
F +61 (0) 8 9261 9111

www.rsm.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
BLACKHAM RESOURCES LIMITED

We have reviewed the accompanying half-year financial report of Blackham Resources Limited which comprises the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Blackham Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Blackham Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Blackham Resources Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 13 March 2017