NOTICE OF GENERAL MEETING and EXPLANATORY STATEMENT

Blackthorn Resources Limited
ACN 009 193 980

Date of Meeting
Thursday, 14 August 2014

Time of Meeting
11:00am (AEST)

Place of Meeting
Computershare Investor Services Pty Limited
Level 4, 60 Carrington St
Sydney, NSW 2000

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. YOU ARE ADVISED TO READ THIS DOCUMENT IN ITS ENTIRETY AND TO SEEK INDEPENDENT ADVICE BEFORE DECIDING HOW TO VOTE ON THE RESOLUTION.

If you are in doubt as to how to deal with this document or how to vote on the Resolution, please consult your financial or other professional adviser.

THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE TRANSACTION IS FAIR AND REASONABLE TO SHAREHOLDERS.

YOUR INDEPENDENT DIRECTORS RECOMMEND THAT SHAREHOLDERS VOTE IN FAVOUR OF THE RESOLUTION TO APPROVE THE TRANSACTION.

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IMPORTANT NOTICES

Nature of this document

This document seeks to:

- explain the terms and effect of the Transaction to Shareholders; and
- provide information as required by the Corporations Act and the Listing Rules or as it is known to Blackthorn Resources, and in Blackthorn Resources' opinion, is otherwise material to the decision of Shareholders on how to vote on the Resolution.

You should read this document in its entirety before making a decision on how to vote on the Resolution.

Defined terms

Capitalised terms used in this document are defined in the Glossary in Section 5 of the Explanatory Statement.

ASX

A copy of this document has been lodged with ASX. None of ASX or any of their officers takes any responsibility for the contents of this document.

Investment decisions

Nothing in this document constitutes investment, legal, tax or other advice. This document does not take into account the individual investment objectives, financial situation or particular needs of each Shareholder or any other person, and should not be relied on as the sole basis for any investment decision relating to Shares.

Shareholders should seek independent financial, legal and taxation advice before making a decision on how to vote on the Resolution to be considered at the General Meeting.

Forward-looking statements

This document contains both historical and forward-looking statements in connection with Blackthorn Resources, including statements of current intention or expectation.

Any such forward-looking statements relate to future matters and are subject to various inherent risks and uncertainties. Actual events or results may differ materially from the events or results expressed or implied by any forward-looking statements.

None of Blackthorn Resources, its officers, any person named in this document or any person involved in the preparation of this document makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, except to the extent required by law. The forward-looking statements in this document reflect views held only as at the date of this document.

Subject to any obligations under law or the Listing Rules, Blackthorn Resources does not give any undertaking to update or revise any forward-looking statements or any change in events, conditions or circumstances on which any such statement is based.

Input from other parties

Ernst & Young TAS, with the assistance of technical adviser SRK Consulting, has prepared the Independent Expert's Report in relation to the Transaction as set out in Section 4 of the Explanatory Statement and takes responsibility for the Independent Expert's Report. Ernst & Young TAS is not responsible for any other information contained within this document. Shareholders are urged to read the Independent Expert's Report carefully to understand the scope of the report, the methodology of assessment, the sources of information and the assumptions made.

Other than in respect of the information identified above, the information contained in the remainder of this document has been prepared by Blackthorn Resources and is the responsibility of Blackthorn Resources. Blackthorn Resources does not assume responsibility for the accuracy or completeness of any part of this document other than the information identified above for which it is solely responsible.

Electronic document

This document may be viewed online at **www.blackthornresources.com.au**.

Date

The Notice of General Meeting is dated 14 July 2014.

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear fellow Shareholder,

I am pleased to advise that Blackthorn Resources has reached agreement with Glencore whereby the Company will sell its 27.3% equity interest in the Perkoa Project in Burkina Faso for US$10,000,000 and its interest in the adjacent Exploration Licences for US$2,000,000.

The completion of the Share Transaction will provide the Company with a clean exit from its interest in the Perkoa Project, including the requirement to contribute Blackthorn Resources' US$9 million share of the US$30 million working capital funding as announced in August 2013 and any future funding or dilution requirements, as well as its obligations under the guarantee of the Working Capital Facility Agreement.

Blackthorn Resources intends to use the funds to provide additional working capital and allow it to focus on its Kitumba Copper Project in Zambia, as well as fund further exploration activities on its other exploration licences in Zambia and any other opportunities that may emerge.

Independent Expert's Report

Your Independent Directors appointed Ernst & Young TAS, with the assistance of SRK Consulting as technical adviser, as Independent Expert to report on whether the Transaction is fair and reasonable to Shareholders. On the basis of the matters discussed in the Independent Expert's Report, Ernst & Young TAS has formed the opinion that the Transaction is fair and reasonable to Shareholders.

Recommendation

Your Independent Directors recommend the Transaction and encourage Shareholders to vote in favour of the Resolution.

The accompanying Notice of General Meeting calls a General Meeting for Thursday, 14 August 2014 at 11:00am (AEST) to put to Shareholders the Resolution to approve the Transaction. Information about the Resolution, including the Independent Expert's Report, is set out in the accompanying Explanatory Statement and I ask you to read this document carefully to determine how you wish to vote, and cast your vote accordingly.

If you cannot attend the General Meeting, you are urged to complete the enclosed Proxy Form and return it as soon as possible and in any event by 11:00am (AEST) on Tuesday, 12 August 2014. If you will be attending the meeting, I look forward to seeing you there.

Should you have any questions, please contact the Company Secretary on + **61 2 9357 9000**.

Yours sincerely

Blackthorn Resources Limited

Chairman
Michael Oppenheimer

NOTICE OF GENERAL MEETING

Notice is hereby given that a meeting of the Shareholders of Blackthorn Resources Limited will be held at the offices of Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney NSW 2000 at 11:00am (AEST) on Thursday, 14 August 2014 for the purposes of considering and if thought fit passing the following proposed resolution as an ordinary resolution.

Terms used in this Notice of General Meeting will, unless the context otherwise requires, have the meaning given to them in the Glossary in the Explanatory Statement.

Ordinary Business

Resolution - Disposal of the Company's Equity Interest in the Perkoa Project and Adjacent Exploration Licences

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 10.1 and all other relevant purposes, the Shareholders approve the disposal by Blackthorn Resources Limited, through its wholly-owned subsidiaries, of its remaining 27.3% equity interest in the Perkoa Project and of its interest in the adjacent Exploration Licences to subsidiaries of Glencore PLC, on the terms and conditions of the Sale and Purchase Agreement dated 16 May 2014 as outlined in the Explanatory Statement accompanying this Notice of General Meeting."

Voting Exclusion Statement

In accordance with Listing Rule 14.11 any votes cast in favour of the Resolution by:

- Glencore PLC; and
- any Associate (as defined under the Corporations Act) of Glencore PLC,

will be disregarded for the purposes of determining whether the Resolution is passed.

Blackthorn Resources need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the Chairman of the General Meeting as a proxy for a member who is entitled to vote, in accordance with a direction on the Proxy Form as the proxy decides and the member who is entitled to vote has indicated on the Proxy Form that the Chairman of the General Meeting may vote as a proxy in relation to the Resolution.

Other Business

To transact any other business which may legally be brought before the General Meeting.

BY ORDER OF THE BOARD

C. Brown

Chris Brown
Company Secretary
Sydney, 14 July 2014

KEY DATES

Event	Date
Date of this Notice of General Meeting/Explanatory Statement.	Monday, 14 July 2014
Latest date and time for receipt of proxy forms or powers of attorney.	Tuesday, 12 August 2014 at 11:00am (AEST)
Date and time determining eligibility to vote.	Tuesday, 12 August 2014 at 7:00pm (AEST)
Date and time of General Meeting.	Thursday, 14 August 2014 at 11:00am (AEST)
If the Transaction is approved by Shareholders, the date that the Share Transaction will likely be completed.	Monday, 18 August 2014
If: • the Transaction is approved by Shareholders; • approval of Burkina Faso Minister of Mines is given to the transfer of Exploration Licences; and • all other conditions precedent to the EL Transaction are satisfied or waived, the date that the EL Transaction will likely be completed.	approximately Wednesday, 29 October 2014

Please note that the above dates are indicative only and subject to change. Subject to the Corporations Act and Listing Rules, the above dates may be varied. Any changes to the above timetable will be announced to the ASX.

Unless otherwise stated all references to time in this document are references to AEST.

WHAT YOU NEED TO DO

1. Read this document

The Notice of General Meeting and Explanatory Statement set out the details of the Resolution being put to Shareholders. This information is important. You should read this document carefully and if necessary seek your own independent advice on any aspects about which you are not certain.

2. Vote at the General Meeting or by proxy

Entitlement to vote:	If you are registered as a Shareholder on the Share Register at 7:00pm (AEST) on Tuesday, 12 August 2014 you will be entitled to vote at the General Meeting, subject to the Voting Exclusions. Accordingly, registrable transmission applications or transfers registered after this time will be disregarded in determining entitlements to vote at the General Meeting. Voting is not compulsory.
How to vote:	You may vote by attending the General Meeting in person, by proxy or by authorised representative.
Voting in person:	Shareholders (with the exception of those subject to a Voting Exclusion) wishing to vote in person (other than under a power of attorney) should attend the General Meeting in person and can cast their votes at that meeting. Please note that you should: • bring a suitable form of personal identification (such as you driver's licence); and • arrive (if possible) at the venue 20 minutes prior to the time designated for the commencement of the General Meeting (so that your Shareholding may be checked against the Share Register and attendance notice).
Voting by attorney:	If a Shareholder proposes that an attorney is to vote at the General Meeting the instrument conferring the power of attorney or a certified copy of it must be produced to the Share Registry by no later than 11.00am (AEST) on Tuesday, 12 August 2014 in the same way as a proxy.
Voting by corporate representative:	A Shareholder that is a corporation may appoint an individual to act as its representative to vote at the General Meeting in accordance with section 250D of the Corporations Act. The appropriate 'Certificate of Appointment of Corporate Representative' should be produced prior to admission.

WHAT YOU NEED TO DO

Voting by proxy: Shareholders (with the exception of those subject to a Voting Exclusion) wishing to vote by proxy at the General Meeting must complete and sign the personalised Proxy Form which is enclosed with this Notice of General Meeting/Explanatory Statement. A person appointed as a proxy may be an individual or a body corporate. Completed Proxy Forms must be delivered by no later than 11:00am (AEST) on Tuesday, 12 August 2014 to:

Computershare Investor Services Pty Limited	Fax: (within Australia)	1800 783 447
GPO Box 242 Melbourne Victoria 3001, Australia	Fax: (outside Australia)	+ 61 3 9473 2555

Please note that:

- A Shareholder entitled to attend and vote at the General Meeting is entitled to appoint not more than two proxies to vote on that Shareholder's behalf.
- Where more than one proxy is appointed, the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half of those votes on a poll.
- Appointment of a proxy by a Shareholder who is a corporation should be given in accordance with the Corporations Act or signed on its behalf by an authorised attorney.
- If the proxy is executed under a Power of Attorney, the original instrument (or a certified copy of the original instrument) appointing the attorney must accompany the Proxy Form.
- A proxy need not be a Shareholder of the Company and may be an individual or body corporate.
- Any instrument of proxy in which the name of the appointee is not filled in shall be deemed to be given in favour of the Chairman of the General Meeting.
- If a Shareholder appoints the Chairman of the General Meeting as proxy, the Shareholder can direct the Chairman of the General Meeting how to vote by either marking the 'For', 'Against' or 'Abstain' box on the Proxy Form (Step 2) or by marking 'the Chairman of the Meeting' box on the Proxy Form (Step 1).
- To be effective the Proxy Form must be received by the Company not less than 48 hours before the time for holding the General Meeting. Details of how and where to lodge the proxy are set out on the Proxy Form.
- The Company encourages all Shareholders who submit proxies to direct their proxy how to vote on the Resolution by marking the relevant boxes on the Proxy Form (Step 2) for each item of business.

WHAT YOU NEED TO DO

Undirected proxies: The Chairman of the General Meeting intends to vote undirected proxies in favour of the Resolution.

Directed proxies: Under recent amendments to the Corporations Act, there are now new rules relating to how a proxy must vote directed proxies. In summary:

(a) a proxy need not vote on a show of hands but, if the proxy does vote, the proxy must vote as directed;

(b) if a proxy is appointed by two or more Shareholders who specify different ways to vote on a resolution, the proxy must not vote on a show of hands;

(c) if a proxy is the Chairman of the General Meeting, the proxy must vote as directed on a poll;

(d) if the proxy is not the Chairman of the General Meeting, the proxy need not vote on a poll but, if the proxy does vote, the proxy must vote as directed; and

(e) if the proxy is not the Chairman of the General Meeting and does not attend the General Meeting or does not vote on a resolution, but the Proxy Form specifies how to vote and a poll is demanded, then the Chairman of the General Meeting is taken to have been appointed as a proxy and must vote as directed.

3. Seek further information if required

If you have any queries about any matter contained in this document, please contact the Company Secretary on **+61 2 9357 9000**.

If you are in doubt as to how to deal with this document or how to vote on the Resolution, please consult your financial or other professional adviser.

EXPLANATORY STATEMENT

Blackthorn Resources Limited ACN 009 193 980

SECTION 1 : TRANSACTION HIGHLIGHTS

Query	Information	Further Information
What is the Transaction?	The sale by Blackthorn Resources to Glencore of its remaining 27.3% equity interest in the Perkoa Project for US$10 million cash and the sale of its adjacent Exploration Licences for US$2 million cash.	See Section 2.1
Why is the Company proposing the Transaction?	The sale of Blackthorn Resources' assets in Burkina Faso represents an exit at a fair value from the Perkoa Project which requires immediate working capital funding, and frees up financial and management resources to focus on its flagship Kitumba Copper Project in Zambia.	See Section 2.2
What approvals are required for the Transaction?	The Transaction is conditional upon, amongst other things, approval by a simple majority of Shareholders at the General Meeting. The EL Transaction is also conditional upon, amongst other things, obtaining approval of the Burkina Faso Minister of Mines to the transfer of the Exploration Licences.	See of Section 2.5
What are the key advantages?	• The proceeds from the Transaction will provide additional working capital and allow the Company to focus on its flagship Kitumba Copper Project in Zambia, as well as fund further exploration activities on its other exploration tenements in Zambia and any other opportunities that may emerge. • Blackthorn Resources will not be required to provide any additional capital in order to maintain its current 27.3% equity interest in the Perkoa Project. • Blackthorn Resources' guarantee of its portion of borrowings and interest under the Working Capital Facility Agreement will be released. • Blackthorn Resources will cease to be exposed to the various ongoing operating, resources, financial and other risks associated with the Perkoa Project.	See Sections 2.3
What are the key disadvantages?	Blackthorn Resources will no longer hold an interest in the Perkoa Project and will therefore not participate in any potential future value created by the project above that reflected in the proceeds to be received from the Transaction.	See Section 2.4

SECTION 1 : TRANSACTION HIGHLIGHTS

Query	Information	Further Information
Independent Expert's Opinion	The Independent Expert has concluded that the Transaction is fair and reasonable to the Shareholders (excluding Glencore PLC and its Associates). Section 4 includes a complete copy of the Independent Expert's Report. Shareholders are urged to read the Independent Expert's Report in full.	See Section 2.7
Directors' Recommendation	The Independent Directors each recommend that the Shareholders vote in favour of the Resolution to approve the Transaction.	See Section 2.8
Timing	The General Meeting to approve the Transaction has been convened to be held at the offices of Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney NSW 2000 at 11:00am (AEST) on Thursday, 14 August 2014. If the Resolution is approved, completion of the Share Transaction is scheduled to occur two business days after such date. Completion of the EL Transaction is scheduled to occur two business days after the transfer of the Exploration Licences has been approved by the Burkina Faso Minister of Mines. This is anticipated to occur by approximately 29 October 2014.	See Section 2.5

SECTION 2 : TRANSACTION OVERVIEW

The General Meeting is being held so that Shareholders can consider and, if thought fit, pass a resolution to approve the Transaction in accordance with Listing Rule 10.1 of ASX. If the Resolution is approved, a key condition precedent to the completion of the Transaction will be satisfied, and Blackthorn Resources will be able to proceed with the Transaction without contravening the Listing Rules.

1. What is the Transaction?

The Transaction involves the sale and transfer to subsidiaries of Glencore PLC of Blackthorn Resources':

- 27.3% indirect equity interest in the Perkoa Project, for a cash consideration of US$10 million – called the **Share Transaction;** and
- 100% indirect interest in the Exploration Licences, for a cash consideration of US$2 million – called the **EL Transaction**.

In addition, with effect from the completion of the Share Transaction, the Blackthorn Parties are released by the Glencore Parties, and the Glencore Parties are released by the Blackthorn Parties, from all of their respective obligations and liabilities to each other under the various project and financing agreements relating to the Perkoa Project. Blackthorn Resources and Blackthorn Investments will therefore be released from their obligations as guarantors of a percentage (presently 30.3%) of the liabilities of the Project Owner in respect of borrowings, interest and other amounts owing under the Working Capital Facility Agreement.

The Share Transaction and the EL Transaction are subject to the satisfaction or waiver of certain conditions, including:

- an independent expert's report expressing the opinion that the Transaction is fair and reasonable to Shareholders who are able to vote on the Transaction - this condition has been satisfied by the issue of the Independent Expert's Report; and
- the Shareholders approving the Transaction by ordinary resolution in general meeting.

The EL Transaction is subject to certain additional conditions, including the Minister of Mines in Burkina Faso approving of the transfer of the Exploration Licences to a Glencore nominee. An application for this approval cannot be made until after the Share Transaction has completed, and it is expected that completion of the EL Transaction will not occur until approximately 70 days following completion of the Share Transaction.

The terms and conditions of the Transaction are set out in a binding Sale and Purchase Agreement dated 16 May 2014 between the Blackthorn Parties and the Glencore Parties. Further details of the conditions precedent and other key terms of the Sale and Purchase Agreement are provided in paragraphs 5 and 6 of this Section 2.

SECTION 2 : TRANSACTION OVERVIEW

2. Background to the Transaction

On 16 May 2014, Blackthorn Resources announced it had entered into the Sale and Purchase Agreement. This represented the conclusion of negotiations with Glencore PLC on the terms of Blackthorn Resources' exit from the Perkoa Project, following a protracted period of uncertainty regarding the operational future and funding of the Perkoa Project.

On 13 March 2013, Blackthorn Resources agreed a funding package with Glencore, under which Glencore SPV committed to provide additional equity funding of US$80 million, primarily to facilitate completion of the construction and commissioning of the Perkoa Project. In exchange for contributing the US$80 million of new equity, Glencore SPV was issued additional shares in Boundary. This resulted in the reduction of Blackthorn Resources' indirect percentage shareholding in Boundary from 44.3% to 30.3% (equivalent to a reduction of Blackthorn Resources' equity interest in the Perkoa Project from 39.9% to 27.3%).

On 2 August 2013, Blackthorn Resources announced that Glencore PLC had advised that, due primarily to forecast delays in deliveries and export sales, the Project would require approximately US$30 million of additional working capital (over and above the US$80 million) up to 31 December 2013. Blackthorn Resources was presented with the option of funding its equity percentage share (30.3%) of the US$30 million (approximately US$9 million) or risking a substantial further dilution of its equity interest in Boundary and the Perkoa Project.

Between August 2013 and 31 December 2013, the Glencore Parties contributed the additional US$30 million to the Perkoa Project. The funding was characterised by Glencore as a payment in advance for the subscription of new shares in Boundary. Glencore acknowledged that Blackthorn Resources would be entitled at a future date to prevent the dilution of its 30.3% equity interest in Boundary by electing to contribute its equity percentage share of the US$30 million if it so wished. To date Blackthorn Resources has not made such an election.

Operations at the open pit were suspended in early 2014 as a response to ongoing resource underperformance, lower than expected metal prices, and the resulting unacceptable open pit financial results. In February 2014, Glencore completed a detailed review of the Perkoa Project's business plan and operations and presented its conclusions to Blackthorn Resources. Glencore's review identified a downgrade of the Perkoa Ore Reserve and projected higher costs (operating and capital) and lower zinc prices over the remaining mine life. In addition, Glencore forecast that during CY 2014 substantial additional working capital would be required for the Perkoa Project, implying a further equity contribution by Blackthorn Resources or a significant further dilution of its equity interest. Following Glencore's presentation of the results of its review of the Perkoa Project, Blackthorn Resources conducted its own verification of Glencore's review, with the assistance of independent experts. Following the verification exercise, Blackthorn Resources concluded that the Perkoa Project was unlikely to produce significant cash flow returns for its investment (after taking account of debt repayment and servicing under the Senior Facility Agreement and Working Capital Facility Agreement) for some years, if at all.

As a result, Blackthorn Resources has entered into the Sale and Purchase Agreement to enable it to exit from its 27.3% equity interest in the Perkoa Project, and to focus its resources and funds on the development of its flagship Kitumba Copper Project in Zambia, as well as exploration on the other exploration licences it holds in Zambia.

It was also agreed that Blackthorn Resources' interests (held through subsidiaries) in the Exploration Licences, which surround the Perkoa Project mine site, would be sold to a Glencore nominee for

US$2 million. This is considered by the board to be a fair and reasonable price for the Exploration Licences, as two of the four Exploration Licences (Sepaogo and Seboun) are due to expire in October 2014, with no right of renewal, and the rights to any discovery of base metals made on the other two Exploration Licences (Poa and Guido) are effectively held for the benefit of Boundary under the terms of the Access & Co-operation Agreement.

The Independent Directors and the Independent Expert consider that Blackthorn Resources is receiving fair value for its equity interest in the Perkoa Project and for the Exploration Licences.

3. Advantages of the Transaction for the Company

On completion of the Transaction Blackthorn Resources will:

- receive a cash injection of US$10 million for the sale of its 27.3% equity interest in the Perkoa Project;
- (when the EL Transaction completes) receive a further cash injection of US$2 million for the sale of the Exploration Licences;
- secure the release of the Working Capital Facility Guarantees and of the other contractual obligations of the Blackthorn Parties to the Glencore Parties in respect of Boundary and the Perkoa Project. If completion of the Share Transaction does not occur and the Sale and Purchase Agreement terminates, there is a risk that the Glencore Parties could allege that an event of default has occured (whether by reason of exisiting or future circumstances) and seek to accelerate the repayment of loans under financing arrangements with the Project Owner, make a demand for payment under the Working Capital Facility Guarantees, and enforce their securities over the assets of the Project Owner and Boundary;
- no longer face the alternative of either contributing additional capital to maintain its 27.3% equity interest in the Perkoa Project or having its equity interest substantially diluted. The amount required to maintain its current equity interest is estimated at US$9 million in respect of the additional working capital contributed in the period August 2013 to December 2013. In addition, the financial modelling by the Independent Expert has projected significant further working capital is required by the Perkoa Project during CY 2014, with the funding required varying depending upon assumed commodity prices; and
- cease to be exposed to the various ongoing operating, resources, financial and other risks associated with the Perkoa Project.

The proceeds of the Transaction can be applied to Blackthorn Resources' other assets and working capital requirements, including exploration of its other exploration tenements in Zambia and the ongoing development of its wholly-owned Kitumba Copper Project in Zambia, as well as any other opportunities which may emerge.

4. Disadvantages of the Transaction for the Company

The sale of Blackthorn Resources' equity interest in the Perkoa Project results in the Company no longer being exposed to any financial benefit that might be realised from the Perkoa Project above that received as consideration for the Share Transaction. Also, by approving the Transaction, Blackthorn Resources' shareholders will essentially be exposed to one ore type – copper. Exposure to projects that are prospective for different types of ore may assist in reducing the impact of volatility in one particular metal.

If the Share Transaction completes but the EL Transaction does not complete (due to, for instance, the Government of Burkina Faso not approving the transfer of the Exploration Licences), then Blackthorn Parties will continue to hold the Exploration Licences. However, Blackthorn Parties will still be party to the Access & Co-operation Agreement, which will mean that Blackthorn Parties will only hold the exploration and exploitation rights to gold within the Poa and Guido Exploration Licences. Base metal exploration and exploitation rights in these two licences will be effectively held for the benefit of Boundary, in which Blackthorn Resources will no longer hold an equity interest.

5. Conditions precedent and completion

Share Transaction

The Share Transaction is conditional on:

- the approval of the Transaction by the Shareholders in general meeting; and
- any warranty given by Blackthorn Investments under the Sale and Purchase Agreement relating to itself or its shares in Boundary not being untrue or incorrect in any material respect (this condition can be waived by Glencore SPV).

Completion of the Share Transaction, including payment of the US$10 million consideration, is to occur two business days after the above conditions are satisfied or waived.

If the conditions precedent have not been satisfied or waived by 90 days from the date of the Sale and Purchase Agreement (or such later date as Blackthorn Resources and Glencore may agree), either Blackthorn Resources or Glencore may terminate the Sale and Purchase Agreement.

EL Transaction

The EL Transaction is conditional on the satisfaction or waiver of the conditions to the Share Transaction, as described above, and on the following further conditions:

- Glencore SPV being reasonably satisfied that the Exploration Licences are in good standing;
- Glencore SPV being reasonably satisfied that each Exploration Licence confers on the licence holder all rights of access and use required in respect of the land underlying that Exploration Licence, or that any such rights are capable of being secured in the ordinary course of business so as to permit the exercise of those rights in the matter envisaged by the Glencore Parties;
- any warranty given in respect of the Exploration Licences not being untrue or incorrect in any material respect (this condition can be waived by Glencore SPV); and
- the Minister of Mines Burkina Faso, approving the transfer of the Exploration Licences.

Completion of the EL Transaction, including payment of the US$2 million, is to occur two business days after all of the conditions precedent referred to above have been satisfied or waived or, if earlier, when Glencore wishes to take control of the Exploration Licences.

If the conditions precedent to the EL Transaction have not been satisfied or waived by 180 days from the date of the Sale and Purchase Agreement, the EL Transaction may be terminated by either Blackthorn Resources or Glencore.

6. Other key terms

Standstill

The Glencore Parties undertake that, up until completion of the Share Transaction, they will continue to fund the Perkoa Project to maintain the solvency of Project Owner and Boundary, up to a limit of US$10 million, and that they will not accelerate payment under the Senior Facility Agreement or the Working Capital Facility Agreement or enforce the security given by the Project Owner and Boundary. These undertakings will cease to apply if any new event of default arises under the Senior Facility Agreement or the Working Capital Facility Agreement from circumstances not known to Glencore at the time the Sale and Purchase Agreement was signed, and that event of default could not be cured or have been avoided by the provision of funding up to the US$10 million limit referred to above.

The Glencore Parties also undertake that, up until completion of the Share Transaction or, if earlier, termination of the Sale and Purchase Agreement, they will not make a demand under Blackthorn Resources' and Blackthorn Investments' guarantees of the Working Capital Facility Agreement or enforce the mortgage over the shares Blackthorn Investments holds in Boundary, nor will they seek additional funding from Boundary's shareholders. This undertaking is not subject to qualifications.

Mutual release and termination

With effect from completion of the Share Transaction, all obligations, liabilities and claims under all agreements between the BTR Parties and the Glencore Parties in relation to the Perkoa Project are released and waived, and all such agreements other than the Working Capital Facility Agreement (which Blackthorn Resources will nevertheless cease to have obligations under) and the Senior Facility Agreement (under which the Blackthorn Parties have no obligations) will terminate.

With effect from completion of the EL Transaction, the Access & Co-operation Agreement terminates and all claims under it are released and discharged.

Warranties

The Sale and Purchase Agreement includes limited warranties in relation to Blackthorn Investments' shares in Boundary and in relation to the Exploration Licences. Each of the Blackthorn Parties also provide warranties regarding due execution, corporate authority, solvency and similar matters (and the Glencore Parties provide equivalent warranties). No warranties are provided regarding the Perkoa Project itself.

Liability for any breach of the warranties is limited to:

- for breaches of warranty relating to the shares in Boundary, the consideration paid for the shares in Boundary;
- for breaches of warranty relating to the Exploration Licences, the consideration paid for the Exploration Licences.

Guarantees

Blackthorn Resources guarantees all of the obligations of the other Blackthorn Parties under the Sale and Purchase Agreement. Glencore guarantees the payment obligations of and indemnities given by the other Glencore Parties under the Sale and Purchase Agreement, other than certain indemnities given to directors appointed by Blackthorn Resources.

7. Independent Expert's opinion

Under Listing Rule 10.10.2, the Shareholders must be given a report by an independent expert that states, in the independent expert's opinion, whether the Transaction is fair and reasonable to Shareholders (except those who are precluded from voting at the meeting).

What is fair and reasonable must be judged by the independent expert in all the circumstances of the Transaction. This requires taking into account the likely advantages to Shareholders if the Transaction is approved and comparing them with the disadvantages to them if the Transaction is not approved.

The Independent Directors appointed Ernst & Young TAS, as Independent Expert for this purpose, and Ernst & Young TAS has appointed SRK Consulting as technical adviser.

On the basis of the matters discussed in the Independent Expert's Report, the Independent Expert has formed the opinion that the Transaction is fair and reasonable to all Shareholders who are not precluded from voting at the meeting (Glencore PLC and its Associates are precluded from voting).

Shareholders should read the Independent Expert's Report in full. The Independent Expert's Report is included in Section 4.

8. Director's recommendation

The Independent Directors have considered the potential advantages and the potential disadvantages of the Transaction, and the Independent Expert's conclusions set out in the Independent Expert's Report.

The Independent Directors each recommend the proposal and encourage eligible Shareholders to vote in favour of the Resolution to approve the Transaction set out in the accompanying Notice of General Meeting.

Mr Peter Kalkandis is Glencore's nominee on the Board of Blackthorn Resources and considers it inappropriate for him to make a recommendation to Shareholders in respect of the Transaction.

The Independent Directors intend to vote their shares, if any, or open proxies they hold, in favour of the Resolution.

If Shareholders cannot attend the meeting, they are urged to complete the Proxy Form and return it (see Proxy Form for details) as soon as possible, but in any event by 11:00am (AEST) on Tuesday, 12 August 2014.

SECTION 3 : OTHER INFORMATION

1. Legal and regulatory requirements

1.1 Under ASX Listing Rule 10.1 a listed company (or any of its child entities) must not dispose of a substantial asset to specified persons or companies without the approval of shareholders at a general meeting.

1.2 An asset is treated as a substantial asset if its value or the value of the consideration for it is 5% or more of the listed company's equity interests as set out in the latest financial statements given to ASX. A listed company's equity interests are the sum of paid up capital, reserves, and accumulated profits or losses, disregarding redeemable preference share capital and outside equity interests.

1.3 The specified persons or companies to whom Listing Rule 10.1 applies include:

(a) a related party to the listed company;

(b) a subsidiary of the listed company;

(c) a substantial holder in the listed company who either alone or together with its associates has a relevant interest, or had a relevant interest at any time in the six months before the transaction, in at least 10% of the total votes attached to the listed company's voting securities;

(d) an associate of a person or company referred to in paragraphs (a), (b) or (c); or

(e) a person or company whose relationship with the listed company or a person or company referred to in paragraphs (a) to (d) is such that, in ASX's opinion, the transaction should be approved by the shareholders.

1.4 As Glencore PLC and/or its subsidiaries hold more than 10% of all Shares on issue in Blackthorn Resources (as at 30 June 2014, Glencore held 14.2% of all Shares on issue), it is a "substantial holder" for the purposes of the Listing Rules. The value (as indicated by the consideration payable under the Transaction) of Blackthorn Resources' 27.3% equity interest in the Perkoa Project in Burkina Faso and its adjacent Exploration Licences account for more than 5% of the equity interests of Blackthorn Resources as set out in its half-year accounts ended 31 December 2013 of $57.5 million, meaning that they are "substantial assets" for the purposes of the Listing Rules.

1.5 Listing Rules 10.1 requires that any sale of a substantial asset to a substantial holder be approved by shareholders. The Resolution seeks the approval of Shareholders (other than Glencore and its Associates) for the sale of Blackthorn Resources' 27.3% interest in the Perkoa Project inBurkina Faso and adjacent Exploration Licences.

1.6 Accordingly, your Independent Directors have called a General Meeting in accordance with the Notice of General Meeting to comply with Listing Rule 10.1.

2. Voting

Some Shareholders may not be allowed to vote on the Resolution set out in the accompanying Notice of General Meeting. Please refer to the Voting Exclusion Statement in the Notice of General Meeting.

3. Other material information

There is no other information material to the making of a decision by Shareholders whether or not to vote in favour of the Transaction (being information that is known to the Directors which has not previously

SECTION 3 : OTHER INFORMATION

been disclosed to Shareholders) other than as set out in this Notice of General Meeting and Explanatory Statement.

You may wish to review information contained in the following other documents in deciding whether or not to attend and vote at the General Meeting or to vote in favour of or against the Transaction:

- the Company's interim financial report for the half-year ended 31 December 2013 (as disclosed on the ASX on 13 March 2014);
- the Company's 2013 annual report including the Company's audited financial statements for the year ended 30 June 2013 (as disclosed on the ASX on 27 September 2013); and
- information regarding the Company which is available on the ASX website (www.asx.com.au) and also available at the Company's website (www.blackthornresources.com.au).

SECTION 4 : INDEPENDENT EXPERT'S REPORT

Independent Expert's Report and Financial Services Guide

Blackthorn Resources Limited

Proposed disposal of 27.3% interest in the Perkoa Project and Burkina Faso exploration licences to Glencore PLC

1 July 2014

SUMMARY OF OPINION: IN THE ABSENCE OF A SUPERIOR PROPOSAL, ERNST & YOUNG TRANSACTION ADVISORY SERVICES CONSIDERS THE PROPOSED TRANSACTION TO BE FAIR AND REASONABLE TO THE NON-ASSOCIATED SHAREHOLDERS

EY

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PART 1 – INDEPENDENT EXPERT'S REPORT

The Independent Directors
Blackthorn Resources Limited
Level 5, Suite 502, 80 William Street
Sydney NSW 2011

1 July 2014

Dear Directors

Proposed disposal of 27.3% interest in the Perkoa Project and Burkina Faso exploration licences to Glencore PLC

Background

On 16 April 2014, Blackthorn Resources Limited ("Blackthorn") announced that it had agreed a non-binding conditional agreement with Glencore PLC ("Glencore") to sell its 27.3% interest in the Perkoa zinc mine located in Burkina Faso (the "Perkoa Project") for cash consideration of US$10.0 million. Glencore already holds a 62.7% interest in the Perkoa Project with the remaining 10% held by the Government of Burkina Faso. The agreement also includes the sale to Glencore of Blackthorn's interests in four exploration licences adjacent to the Perkoa Project (the "Exploration Licences") for additional cash consideration of US$2.0 million.

The sale is to be effected through the disposal by Blackthorn to Glencore of its equity interests in Boundary Ventures Limited ("Boundary") (the "Boundary Shares"). Boundary holds a 90% interest in Nantou Mining Burkina Faso SA ("Nantou"), the owner of the Perkoa Project. The Exploration Licences are to be sold to Glencore by Nantou Mining Limited BV and Blackthorn Resources Burkina Faso SARL, both wholly owned subsidiaries of Blackthorn.

A sale and purchase agreement (the "Sale and Purchase Agreement") was entered into by the parties on 16 May 2014. The sale of the Boundary Shares (the "Share Transaction") and the sale of the Exploration Licences (the "EL Transaction") pursuant to the Sale and Purchase Agreement are collectively referred to as the "Proposed Transaction" in this report.

Requirement for an independent expert's report

Under Australian Securities Exchange ("ASX") Listing Rule 10.1, a listed entity is prohibited from disposing of a substantial asset to an entity that, amongst other circumstances, is a substantial shareholder of that entity, without the approval of its shareholders. A "substantial shareholder" for ASX Listing Rule 10.1 purposes is an entity that holds, or has held at any time in the six months prior to the transaction, a relevant interest in at least 10% of the total voting rights attached to the listed entity's issued shares. Glencore owns approximately 14% of the issued capital of Blackthorn and is therefore a substantial shareholder of Blackthorn. Reference to Glencore includes any entities associated with it.

An asset is considered "substantial" for the purposes of ASX Listing Rule 10.1 if its value, or the value of the consideration being received, is 5% or more of the listed entity's equity as set out in the latest accounts lodged with the ASX. The total cash consideration to be paid under the Proposed Transaction is US$12.0 million. This consideration represents more than 5% of Blackthorn's reported equity as set out in its half-year accounts ended 31 December 2013 of US$51.0 million[1].

[1] Calculated as A$57.5 million translated at 0.8873 as at 31 December 2013

Under ASX Listing Rule 10.10.2, a notice of meeting containing a resolution to be put to shareholders for the purposes of ASX Listing Rule 10.1, must be accompanied by an independent expert's report stating, in that person's opinion, whether or not the proposed transaction is fair and reasonable to the shareholders not associated with the transaction (the "Non-associated Shareholders").

Consistent with this requirement, Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services") has been appointed by the Directors of Blackthorn not associated with Glencore (the "Independent Directors") to prepare an independent expert's report, the purpose of which is to provide an opinion as to whether or not the Proposed Transaction is fair and reasonable to the Non-associated Shareholders.

Our report is to accompany the Notice of General Meeting and Explanatory Statement containing the resolution being put to the Non-associated Shareholders of Blackthorn for the purposes of ASX Listing Rule 10.1.

Our approach

The ASX Listing Rules do not define the term "fair and reasonable" and provides no guidance on what should be considered when assessing whether or not a particular transaction is fair and reasonable for the purposes of ASX Listing Rule 10.1. The Australian Securities and Investment Commission ("ASIC") has issued Regulatory Guide 111: Content of expert reports ("RG 111") which provides some direction as to what matters an independent expert should consider and how the term "fair and reasonable" should be interpreted in a range of circumstances.

In the circumstances of transactions with persons of influence (which includes ASX Listing Rule 10.1 transactions), RG 111 provides that the determination of "fair and reasonable" should be undertaken by separately assessing whether the transaction is "fair" and whether it is "reasonable". A transaction involving the sale of an asset is "fair" if the consideration being paid by the person in position of influence is greater than, or equal to, the value of the asset being disposed of. A transaction is "reasonable"' if it is "fair" or, despite being "not fair", there are sufficient reasons for shareholders to vote for the proposal.

In considering the guidance in RG 111, in assessing whether or not the Proposed Transaction is fair to the Non-associated Shareholders, we have compared the cash consideration of US$12.0 million being paid by Glencore to the aggregate fair value of the Boundary Shares and the Exploration Licences being sold by Blackthorn. If the consideration being paid by Glencore is greater than, or at least equal to, the aggregate fair value of the Boundary Shares and the Exploration Licences then the Proposed Transaction would be considered "fair". Consistent with RG 111, if "fair", the Proposed Transaction would also be "reasonable".

We note that, under the various conditions precedent set out in the Sale and Purchase Agreement, the Share Transaction could complete, but the EL Transaction may not (due, for instance, to the Government of Burkina Faso not approving the transfer of the Exploration Licences). We have therefore also considered whether the Share Transaction, in isolation, is fair and reasonable to the Non-associated Shareholders. We have assessed the Share Transaction by comparing the fair value of the Boundary Shares with the fair value of the consideration being paid by Glencore for the Boundary Shares of US$10.0 million.

Summary of valuation and comparison

In Section 8, we set out our valuation conclusion, which shows the cash consideration of US$12.0 million being offered by Glencore exceeds our valuation range of the aggregate of the fair value of the Boundary Shares and the Exploration Licenses. A summary of this comparison is below:

Summary of fair values and comparison to consideration US$m	**Low**	**High**
Assessed fair value:		
Boundary Shares	2.1	4.4
Exploration Licences	1.3	2.6
Total fair value	3.3	7.1
Cash consideration offered by Glencore:		
Boundary Shares	10.0	10.0
Exploration Licences	2.0	2.0
Total cash consideration	**12.0**	**12.0**

Source: EY TAS analysis and SRK Report. Some amounts may not add due to rounding.

Sensitivity analysis

We note that the valuation of the Boundary Shares is highly sensitive to forecast commodity prices and that broker estimates of commodity prices range widely. For example, long term broker estimates of zinc prices range from US$1,751/tonne to US$2,482/tonne.

Having regard to the wide range of broker estimates, we have presented below a sensitivity analysis of the fair value of the Boundary Shares based on different cases for commodity prices and various discount rates. Case 2 and Case 4 represent the high and low commodity prices adopted in our analysis, while Case 3 represents the mid-point.[2] The long term forecast zinc price adopted for Case 2 was US$2,100/tonne and US$2,300/tonne for Case 4. Case 1 and Case 5 show the impact on value of a change in zinc and lead prices of plus/minus US$100/tonne across all years and a change in silver prices of plus/minus US$1.00/ounce across all years.

Boundary Shares		**Commodity pricing**				
US$000		**Case 1**	**Case 2**	**Case 3**	**Case 4**	**Case 5**
	15.0%	2,010	2,320	2,660	4,910	9,770
Discount rate	**17.5%**	1,750	2,060	2,410	4,420	8,730
	20.0%	1,520	1,830	2,190	3,990	7,820

Source: EY TAS analysis. Note: At a discount rate of 17.5%, Case 2 represents the low end of our valuation range, while Case 4 represents the high end of our valuation range. The shaded amounts are the range of values assessed by EY TAS.

The sensitivity analysis shows an increase in zinc, lead and silver prices of US$100/tonne and US$1.00/ounce as noted, all other assumptions being kept constant, would have the impact of increasing the value of Boundary Shares from US$4.4 million to US$8.7 million.

In order to derive an appropriate but not excessively wide range of values as recommended by ASIC RG 111 (paragraph 111.79), we have adopted the range of commodity prices set out in section 8.2.2 and have assessed the value of the Boundary Shares at between US$2.1 million and US$4.4 million. Notwithstanding, it is possible that market participants with a different view on commodity prices could derive a value above or below the range set out above.

[2] Details of the commodity pricing under each case are set out in section 8.2.11

Conclusion

The cash consideration being offered by Glencore exceeds the aggregate of the fair values assessed for the Boundary Shares and the Exploration Licences. In our opinion, the Proposed Transaction is fair. Accordingly, the Proposed Transaction is also reasonable.

Further, the cash consideration being offered by Glencore for the Boundary Shares exceeds the fair value assessed for the Boundary Shares. In our opinion, the Share Transaction would be fair and reasonable, even in the event the EL Transaction does not complete.

In Section 9, we set out other qualitative factors that we considered in assessing the Proposed Transaction and other significant matters for the Non-associated Shareholders to consider.

Taking into consideration the matters detailed in this independent expert's report, in our opinion, the Proposed Transaction is fair and reasonable to the Non-associated Shareholders.

Other matters

This independent expert's report has been prepared specifically for the Non-associated Shareholders. Neither Ernst & Young Transaction Advisory Services, Ernst & Young, nor any employee thereof undertakes responsibility to any person, other than the Non-associated Shareholders, in respect of this report, including any errors or omissions howsoever caused.

This independent expert's report constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of the Non-associated Shareholders. The decision as to whether to approve or not approve the Proposed Transaction is a matter for individual shareholders. The Non-associated Shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their own professional adviser.

Our opinion is made as at the date of this letter and reflects circumstances and conditions as at that date. This letter must be read in conjunction with the full independent expert's report as attached.

Ernst & Young Transaction Advisory Services has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is included as Part 2 of this report.

Yours faithfully
Ernst & Young Transaction Advisory Services Limited

Stuart Bright
Director and Representative

Ken Pendergast
Director and Representative

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PART 2 – FINANCIAL SERVICES GUIDE

1. Introduction

1.1 Overview of the Proposed Transaction

Blackthorn Resources Limited ("Blackthorn" or the "Company") is an Australian incorporated mining and exploration company with its head office in Sydney, Australia. Blackthorn is currently listed on the Australian Securities Exchange ("ASX"), and has a market capitalisation of around A$25.5 million[3]. References in this report to Blackthorn include entities associated with it.

On 16 April 2014, Blackthorn announced that it had reached a non-binding conditional agreement with Glencore PLC ("Glencore") to sell its 27.3% interest in the Perkoa zinc mine located in Burkina Faso (the "Perkoa Project") for cash consideration of US$10.0 million. Glencore already holds an interest of 62.7% in the Perkoa Project with the remaining 10% being held by the Government of Burkina Faso. The agreement also includes the sale of Blackthorn's four exploration licences adjacent to the Perkoa Project (the "Exploration Licences") for an additional cash consideration of US$2.0 million.

Blackthorn intends to use the funds to provide additional working capital and allow it to focus on its Kitumba copper project in Zambia, as well as fund further exploration activities on its other exploration tenements in Zambia and any other opportunities that may emerge.

Glencore is a large global diversified natural resource company and is listed on the London Stock Exchange. It has a market capitalisation around US$78 billion. Glencore holds an approximate 14.2% interest in Blackthorn. References in this report to Glencore include entities associated with it.

The sale of the 27.3% interest in the Perkoa Project and the exploration licences (the "Proposed Transaction") have been effected by a Sale and Purchase Agreement dated 16 May 2014 (the "Sale and Purchase Agreement").

Under the Sale and Purchase Agreement, Blackthorn will sell to Glencore:

- its remaining equity interests (Class A share, ordinary shares and redeemable preference shares) in Boundary Ventures Limited ("Boundary") to Glencore (the "Boundary Shares"). Boundary is the holding company of the Perkoa Project, via its 90% owned[4] subsidiary Nantou Mining Burkina Faso SA ("Nantou"). Boundary is owned 30.3% by Blackthorn, and 69.7% by Glencore. As a result of this structure, Blackthorn's indirect interest in the Perkoa Project is 27.3%. The consideration to be paid by Glencore to Blackthorn for the sale of the Boundary Shares is US$10.0 million (the "Share Transaction").
- its rights, title and interest in the Exploration Licences in Burkina Faso, known as the Sepaogo, Seboun, Poa and Guido exploration licences. The Exploration Licences are held by two wholly owned Blackthorn subsidiaries, Nantou Mining Limited BV (which holds the Sepaogo and Seboun exploration licences) and Blackthorn Resources Burkina Faso SARL (which holds the Poa and Guido exploration licences). We note that an agreement (the "Access and Cooperation Agreement") between Blackthorn and Boundary provides that any base metal exploration and exploitation in the Poa and Guido licences is held for the benefit of Boundary, while any gold exploration and exploitation in those licences is retained by Blackthorn. The consideration to be paid by Glencore to Blackthorn for the sale of the Exploration Licences is US$2.0 million (the "EL Transaction").

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[3] As at 2 June 2014
[4] The remaining 10% is owned by the Government of Burkina Faso

Under ASX Listing Rule 10.1, a listed entity is prohibited from disposing of a substantial asset to an entity that, amongst other circumstances is a substantial shareholder of that entity, without the approval of its shareholders. A "substantial shareholder" for ASX Listing Rule 10.1 purposes is an entity that holds, or has held at any time in the six months prior to the transaction, a relevant interest in at least 10% of the total voting rights attached to the listed entity's issued shares. Glencore owns approximately 14% of the issued capital of Blackthorn and is therefore a substantial shareholder of Blackthorn.

An asset is considered "substantial" for the purposes of ASX Listing Rule 10.1 if its value, or the value of the consideration being received, is 5% or more of the listed entity's equity as set out in the latest accounts lodged with the ASX. The total consideration to be paid under the Proposed Transaction is US$12.0 million. The total consideration represents more than 5% of Blackthorn's equity as set out in its half-year accounts ended 31 December 2013 of US$51.0 million[5].

Blackthorn shareholders not associated with Glencore (the "Non-associated Shareholders") are to vote on the Proposed Transaction at a meeting to be held on or about 14 August 2014 (the "General Meeting").

1.2 Conditions precedent

Under the Sale and Purchase Agreement, completion of the sale of the Share Transaction is subject to a number of conditions precedent, including:

- An independent expert opinion that the Proposed Transaction is fair and reasonable to the Non-associated Shareholders
- The Non-associated Shareholders approving the Proposed Transaction by ordinary resolution in General Meeting.

Conditions precedent to the sale of the EL Transaction include:

- Each of the conditions precedent to the sale of the Boundary Shares being satisfied or waived
- Glencore being reasonably satisfied that the Exploration Licences are in good standing and confers all rights of access and use in respect of the land underlying the Exploration Licences
- Receipt of necessary Burkina Faso ministerial approvals, which will not be sought until after the sale of the Boundary Shares has been completed.

The conditions precedent may be waived by Glencore, Blackthorn or both together, depending upon to whose benefit of the condition precedent has been agreed. If the conditions precedent to the sale of the Boundary Shares are not satisfied or waived by 90 days from the date of the Sale and Purchase Agreement (i.e. by 14 August 2014), or such later date as the parties agree, then Blackthorn or Glencore may terminate the agreement.

Further disclosure of the conditions precedent to the Proposed Transaction is included in the Explanatory Statement.

1.3 Impact of conditions precedent

Based on the terms of the Sale and Purchase Agreement, the completion of the EL Transaction is conditional upon the Share Transaction, but not vice versa. It is therefore possible that the Share Transaction could occur, but the EL Transaction does not occur (due, for example, to the Government of Burkina Faso not approving the transfer of the Exploration Licences).

[5] Calculated as reported equity of A$57.5 million translated at a spot exchange rate on 31 December 2013 of 0.8873, sourced from www.oanda.com

We have therefore considered whether the Proposed Transaction is fair and reasonable to the Non-associated Shareholders and, additionally, whether the Share Transaction in isolation is fair and reasonable to the Non-associated Shareholders, in the event the EL Transaction does not complete.

1.4 Standstill

Glencore has undertaken that, up until completion of the Share Transaction:

- Glencore will continue to fund the Perkoa Project up to the limit of US$10.0 million, and will not accelerate payment under the terms of its loan agreements or enforce any security given by the Perkoa Project owner, Nantou, and Boundary. This undertaking will not apply if any new event of default arises under the loan agreements from circumstances not known to Glencore at the time the Sale and Purchase Agreement was signed, and that default could not have been avoided by the provision of funding up to the US$10.0 million limit.
- Glencore will not make any demand under Blackthorn's guarantee of the Working Capital Facility extended by Glencore or enforce the mortgage over the shares Blackthorn holds in Boundary.
- No notice of a shareholder funding requirement will be given under the shareholder funding provisions of the Shareholders' Agreement between Glencore and Blackthorn.

1.5 Impact of the Proposed Transaction

If both the Share Transaction and EL Transaction completes, then:

- Blackthorn will no longer hold any interest in the Perkoa Project, or the Exploration Licences in Burkina Faso
- Blackthorn will be released from all claims and contingent liabilities in relation to the Perkoa Project, including a contingent liability under the Working Capital Facility extended to Nantou by Glencore
- Blackthorn's focus will be on developing its Kitumba copper project in Zambia, in which it has a 100% interest.

If the Share Transaction completes, but the EL Transaction does not complete (for instance, because the Government of Burkina Faso does not approve the transfer of the Exploration Licences), then Blackthorn will continue to hold the four Exploration Licences in Burkina Faso. However, the impact of the Access and Cooperation Agreement will mean that Blackthorn will only hold the exploration and exploitation rights to gold within the Poa and Guido exploration licences. Base metal exploration and exploitation rights in these two licences will be effectively held for the benefit of Boundary, in which Blackthorn will no longer hold an interest.

2. Scope of this report

2.1 Purpose of this report

Under ASX Listing Rule 10.10.2, a notice of meeting containing a resolution to be put to shareholders for the purposes of ASX Listing Rule 10.1, must be accompanied by an independent expert's report stating, in that person's opinion, whether or not the proposed transaction is fair and reasonable to the non-associated shareholders.

Consistent with this requirement, Ernst & Young Transaction Advisory Services has been appointed by the Directors of Blackthorn not associated with Glencore (the "Independent Directors") to prepare an independent expert's report, the purpose of which is to provide an opinion as to whether or not the Proposed Transaction is fair and reasonable to the Non-associated Shareholders.

Our report is to accompany the Notice of General Meeting and Explanatory Statement containing a resolution being put to shareholders of Blackthorn for the purposes of ASX Listing Rule 10.1.

2.2 Basis of evaluation

The ASX Listing Rules do not define the term "fair and reasonable" and provides no guidance on what should be considered when assessing whether or not a particular transaction is fair and reasonable for the purposes of ASX Listing Rule 10.1. ASIC has issued Regulatory Guide 111: Content of expert reports ("RG 111") which provides some direction as to what matters an independent expert should consider and how the term "fair and reasonable" should be interpreted in a range of circumstances.

In the circumstances of a transaction with persons in a position of influence (which by definition includes ASX Listing Rule 10.1 transactions), RG 111 provides that the determination of "fair and reasonable" should be undertaken by separately assessing whether the transaction is "fair" and whether it is "reasonable". A transaction involving the sale of an asset is "fair" if the consideration being paid by the person in position of influence is greater than, or equal to, the value of the asset being disposed of. A transaction is "reasonable"' if it is "fair" or, despite being "not fair", there are sufficient reasons for shareholders to vote for the proposal.

In considering the guidance in RG 111, in assessing whether or not the Proposed Transaction is fair to the Non-associated Shareholders, we have compared the cash consideration of US$12.0 million being paid by Glencore to the aggregate fair value of the Boundary Shares and the Exploration Licences. If the consideration is greater than or at least equal to the fair value of the Boundary Shares and the Exploration Licences, then the Proposed Transaction would be considered "fair". Consistent with RG 111, if "fair", the Proposed Transaction would also be "reasonable".

Recognising that, under the various conditions precedent set out in the Sale and Purchase Agreement, the Share Transaction could complete but the EL Transaction may not, we have also considered whether the Share Transaction, in isolation, would be fair and reasonable to the Non-associated Shareholders. We have assessed the Share Transaction by comparing the fair value of the Boundary Shares with the fair value of the consideration being paid by Glencore for the Boundary Shares of US$10.0 million.

"Fair value" in this context is considered to be "the amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer both acting at arm's length".

In assessing the Proposed Transaction, we have considered a range of other factors including:

- qualitative factors which we believe represent either advantages or disadvantages to the Non-associated Shareholders;
- what might happen if the Proposed Transaction does not proceed; and
- other significant matters.

In considering the aggregate of the fair value of the Boundary Shares and the Exploration Licences we have relied on the independent report prepared by SRK Consulting (Australasia) Pty Limited ("SRK"), who was appointed as the independent technical expert to undertake a technical assessment of the Perkoa Project and valuation of the Exploration Licences. A copy of SRK's report (the "SRK Report") is attached in full at Appendix F.

In placing reliance on the SRK Report we have satisfied ourselves as to SRK independence, competence and expertise. We are also satisfied that the assumptions, methodologies and source data used by SRK is reasonable and appropriate and that the report contains sufficient information to support the conclusions drawn. SRK has previously provided independent consulting services to Blackthorn in regards to the Perkoa Project. SRK has confirmed that these services were of a nature that does not impinge on their ability to provide an independent assessment of the technical aspects of the Perkoa Project and the value of the Exploration Licences.

In determining the fair value of the Boundary Shares and the Exploration Licences, we had access to management of Blackthorn and Glencore. Our fair value assessment of the Boundary Shares is summarised in Section 8. The fair value assessment of the Exploration Licences is set out in the SRK Report. Our valuation conclusion and consideration of other significant factors is contained in Section 9.

Our assessment is based on the economic, political, social, market and other conditions prevailing at the date of this report. Financial data and forecasts used to assess the fair value of the Boundary Shares and Exploration Licences were as at 30 April 2014.

All amounts in this report are expressed in United States dollars ("US$") unless otherwise stated.

A glossary detailing the abbreviations we have used in this report is contained in Appendix E.

2.3 Shareholders' decisions

This independent expert's report has been prepared specifically for the Non-associated Shareholders of Blackthorn. As such, Ernst & Young Transaction Advisory Services, Ernst & Young and any member or employee thereof, takes no responsibility to any entity other than the Non-associated Shareholders, in respect of this report, including any errors or omissions howsoever caused.

This report constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of the Non-associated Shareholders. The decision to approve or not approve the Proposed Transaction is a matter for individual shareholders. Shareholders should consider the advice in the context of their own circumstances, preferences and risk profiles. Shareholders should have regard to the Notice of General Meeting and Explanatory Statement prepared by the Independent Directors and management of the Blackthorn. Blackthorn shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction.

Ernst & Young Transaction Advisory Services has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is included as Part 2 of this report.

2.4 Limitations and reliance on information

We have considered a number of sources in preparing this independent expert's report and arriving at our opinion. These sources of information are detailed in Appendix B.

This report is based upon financial and other information provided by SRK, Blackthorn, Glencore and other parties. We have considered and relied upon this information. The information provided to us has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the Proposed Transaction is fair and reasonable to the Non-associated Shareholders. However, we do not warrant that our enquiries have identified all of the matters that an audit, or an extensive examination or due diligence might disclose.

Preparation of this report does not imply that we have, in any way, audited the accounts or records of Blackthorn or Boundary. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles including International Financial Reporting Standards, or Australian equivalents to International Financial Reporting Standards, as applicable.

In forming our opinion we have also assumed that:

- Matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed.
- The information set out in the Notice of General Meeting and Explanatory Statement to be sent by Blackthorn to shareholders is complete, accurate and fairly presented in all material respects.
- The publicly available information relied upon by Ernst & Young Transaction Advisory Services in its analysis was accurate and not misleading.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations and policies, we assume no responsibility and offer no legal opinion or interpretation on any issue.

The statements and opinions given in this independent expert's report are given in good faith and in the belief that such statements and opinions are not false or misleading.

Ernst & Young Transaction Advisory Services provided draft copies of this report to the independent Directors and management of Blackthorn for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of Ernst & Young Transaction Advisory Services alone. Amendments made to this report as a result of this review have not changed the methodology or conclusions reached by Ernst & Young Transaction Advisory Services.

3. Overview of Blackthorn

3.1 Company background

Blackthorn is an Australian incorporated minerals exploration and mining company that has base and precious metal projects in Africa. Blackthorn was formerly known as AIM Resources Limited and changed its name to Blackthorn Resources Limited in December 2008.

Blackthorn was listed on the ASX in 1987. As at 2 June 2014, its closing share price was A$0.16 per share and its market capitalisation was approximately A$25.5 million.

3.2 Projects

Blackthorn's two current projects are described below.

3.2.1 Mumbwa Project and Kitumba deposit

Blackthorn has a 100% interest in the Mumbwa Project. The Mumbwa Project is located in west central Zambia. The Mumbwa Project includes five exploration licences covering approximately 1,059 square kilometres. Of these exploration licences, the Mumbwa tenement is currently being explored for iron oxide copper gold style mineralization.

The Mumbwa Project was previously held through a joint venture with BHP Billiton. Following BHP Billiton's exit from direct involvement in the project in 2011, BHP Billiton retained a 2% production royalty over the Mumbwa tenement. Within the Mumbwa tenement, the main focus is the Kitumba deposit. Development of the Kitumba deposit is Blackthorn's major focus, with an optimized prefeasibility study completed in April 2014. In May 2014, Blackthorn confirmed its intention to commence a Definitive Feasibility Study ("DFS"), lodge a mining license application and to find a suitable development partner. Construction is expected commence in Q1 2016. The initial capital cost of developing the Kitumba deposit is estimated by Blackthorn to be US$680 million, with a net present value on a post-tax basis of US$461 million.[6]

3.2.2 Perkoa Project

The Perkoa Project is a zinc mine located in Burkina Faso, West Africa.

[6] Refer release by Blackthorn titled "Kitumba Optimised PFS Provides Project Re-rating" dated 29 April 2014. NPV assumed a copper price of US$3.50/lb.

The Perkoa Project is indirectly owned by Blackthorn (27.3%) and Glencore (62.7%) and the Government of Burkina Faso (10%).[7] Blackthorn's and Glencore's interests in the Perkoa Project are held through Boundary. Boundary holds a 90% interest in Nantou, which is the owner of the Perkoa Project. The remaining 10% interest in Nantou is a free carried interest held by the Government of Burkina Faso.

More details of Boundary and the Perkoa Project are contained within Section 4.

3.3 Financial performance and position

A summary of Blackthorn's financial performance for the two years ended 30 June 2013 and the six months ended 31 December 2013 is set out below:

A$000	FY12	FY13	HY13
Finance Income	581	1,370	354
Employee benefits expense	(2,800)	(3,618)	(1,592)
Depreciation	(13)	(14)	(7)
Exploration expenditure	(241)	(317)	(553)
Loss on deconsolidation of subsidiaries	(41)	-	-
Impairment change	(718)	-	-
Finance expense	(91)	-	-
Share of loss of equity accounted associate	(55)	(7,504)	(31,829)
Other expenses	(1,616)	(2,434)	(831)
Loss before income tax	(4,994)	(12,517)	(34,458)
Income tax expense	-	-	-
Loss attributable to equity holders in the Company	**(4,994)**	**(12,517)**	**(34,458)**
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss:	-	-	-
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations	(347)	1,365	834
Net change in fair value of available-for-sale assets	(3)	14	-
Total items that may be reclassified subsequently to profit or loss	**(350)**	**1,379**	**834**
Other comprehensive income (loss) for the period, net of tax	(350)	1,379	834
Total comprehensive loss for the period	**(5,344)**	**(11,138)**	**(33,624)**

Source: ASX Blackthorn announcements

Blackthorn's investment in Boundary is equity accounted in accordance with Australian Accounting Standard AASB 128 Investment in Associates and Joint Ventures. As a result of Boundary's share of losses incurred by the Perkoa Project, in the half year ended 31 December 2013, Blackthorn fully wrote off its equity accounted investment in Boundary.

[7] The 10% held by the Government of Burkina Faso is "free-carried" such that it is not required to provide equity funding to the Perkoa Project.

A summary of Blackthorn's financial position at 30 June 2012, 30 June 2013 and 31 December 2013 is set out below:

A$000	30-Jun-12	30-Jun-13	31-Dec-13
CURRENT ASSETS			
Cash and cash equivalents	6,347	25,573	16,291
Trade and other receivables	982	1,567	968
Other current assets	41	55	82
TOTAL CURRENT ASSETS	7,370	27,195	17,341
NON-CURRENT ASSETS			
Trade and other receivables	447	133	145
Property, plant and equipment	234	426	330
Exploration and evaluation expenditure	18,467	34,935	40,544
Investment in equity accounted associate	39,333	31,829	-
TOTAL NON-CURRENT ASSETS	58,481	67,323	41,019
TOTAL ASSETS	65,851	94,518	58,360
CURRENT LIABILITIES			
Trade and other payables	2,159	3,304	740
Provisions	143	207	94
TOTAL CURRENT LIABILITIES	2,302	3,511	834
NON CURRENT LIABILITIES			
Provisions	-	10	10
TOTAL NON-CURRENT LIABILITIES	-	10	10
TOTAL LIABILITIES	2,302	3,521	844
NET ASSETS	**63,549**	**90,997**	**57,516**
EQUITY			
Share capital	175,655	213,379	213,379
Reserves	(4,964)	(2,723)	(1,746)
Accumulated losses	(107,142)	(119,659)	(154,117)
TOTAL EQUITY	**63,549**	**90,997**	**57,516**

Source: ASX Blackthorn announcements

Blackthorn raised approximately A$40.1 million (before transaction costs) of new equity in the 2013 financial year via a non-renounceable entitlement offer to shareholders and an institutional placement.

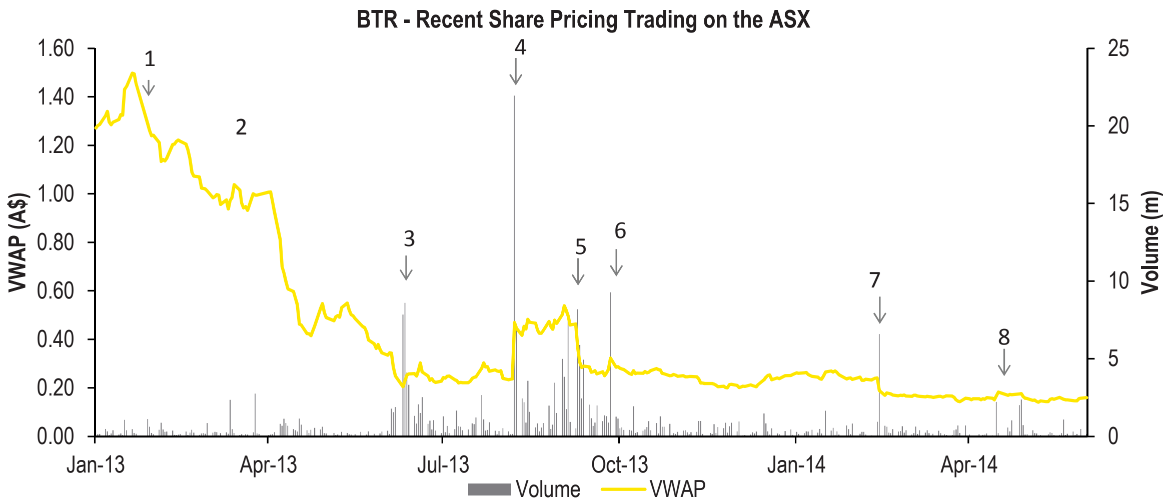
The reduction in Blackthorn's net assets between June 2013 and December 2013 was primarily due to the write off of its equity accounted investment in Boundary to nil.

Exploration and evaluation expenditure represents capitalised costs of exploration in Zambia and Burkina Faso. Further details of the capitalised costs associated with the Exploration Licences are set out in Section 8 below.

3.4 Share price performance

The chart below shows the daily volume weighted average price ("VWAP") and trading volumes for Blackthorn between 1 January 2013 and 2 June 2014.

Over the period Blackthorn's share price traded from a high of A$1.50 on 8 January 2013 to a low of A$0.14 on 7 May 2014. Trading volumes have been low, with the number of shares traded each day generally less than 0.5% of the shares on issue.



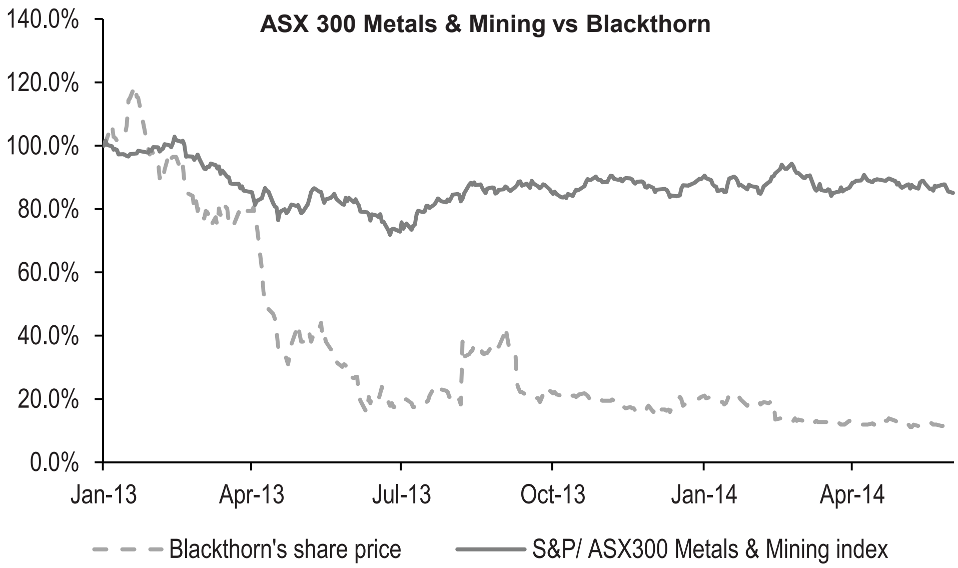
Source: Capital IQ

The announcements made by Blackthorn between 1 January 2013 and 2 June 2014 that are annotated in the chart above and may have had an impact on Blackthorn's share price and/or volumes are:

1. *25 and 29 January 2013* – On 25 January 2013, Blackthorn released its quarterly activities report. On 29 January 2013, Blackthorn released an announcement stating that the estimate of costs to complete commissioning of the Perkoa Project had been revised upwards.
2. *13 and 14 March 2013* – On 13 March 2013, Blackthorn announced that Glencore would provide an additional US$80 million in equity for the Perkoa Project to complete construction. Instead of contributing up to US$35 million to maintain its 39.9% interest in the project, Blackthorn opted for a strategic sell-down/dilution of its interest to 27.3%. On 14 March 2013, Blackthorn released its half yearly report.
3. *12 June 2013* – Blackthorn released an investor presentation containing overviews of each project.
4. *8 August 2013* – Assay results from the Kitumba (Mumbwa Project) drilling campaign released .
5. *5 and 6 September 2013* – On 5 September 2013, further high-grade Cu results from infill drilling at Kitumba was announced. On 6 September 2013, S&P Dow Jones Indices announced changes to indices following its September quarterly review, including removing Blackthorn from the S&P/ASX300 Index.
6. *27 September 2013* – Blackthorn's annual report for the year ended 30 June 2013 was released.

7. *14 February 2014* – Blackthorn announced that it received the results of Glencore's comprehensive review of the Perkoa Project business plan and that it would undertake its own intensive due diligence process, with the objective of committing to a final plan for the Perkoa Project by the end of March 2013.
8. *16 April 2014* – Blackthorn announced the proposed sale of its 27.3% interest in the Perkoa Project and Exploration Licences to Glencore. On 15 April 2014, Blackthorn's share price was A$0.15, which subsequently increased to A$0.18 by 17 April 2014.

The following chart illustrates the correlation between movements in Blackthorn's share price with the S&P/ ASX300 Metals & Mining index over the period 1 January 2013 and 2 June 2014.



Source: Capital IQ

The chart shows that, since the start of 2013, Blackthorn's share price has underperformed the index.

3.5 Substantial shareholders of Blackthorn

As at 2 June 2014, Blackthorn's share capital consisted of 164.3 million fully paid ordinary shares. At that date substantial shareholders held 31.5% of the shares on issue, as detailed in the following table:

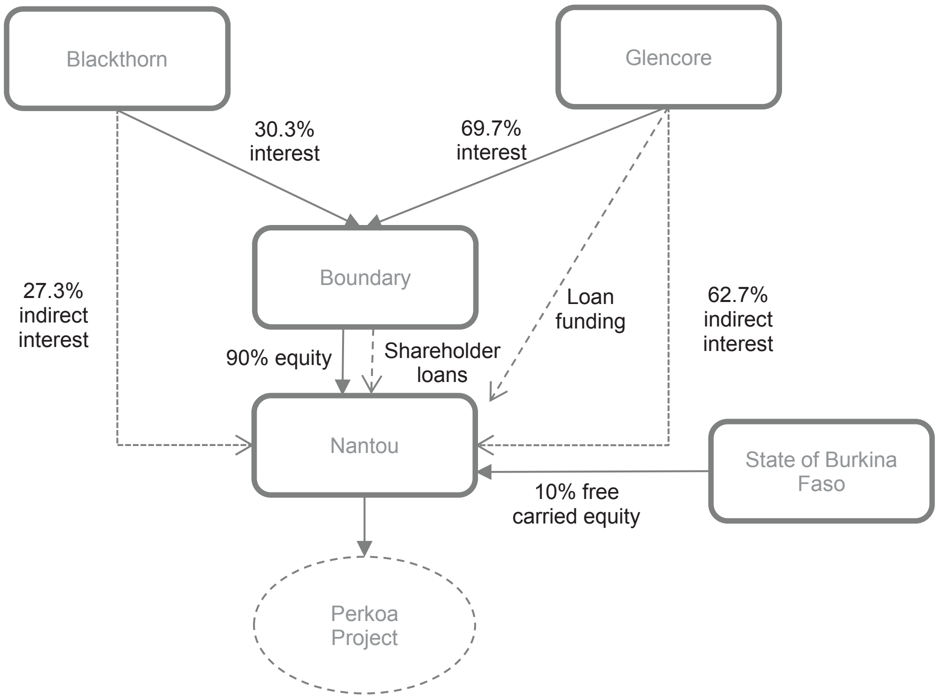
Substantial shareholders of Blackthorn Name	Holder Total Shares	Holder % of Shares Outstanding
Glencore PLC	23,305,853	14.2%
North Sound	9,909,781	6.0%
The Siebels Hard Asset Fund Ltd	9,603,303	5.8%
Lloyd Miller	8,958,378	5.5%

Source: ASX announcements

4. Overview of Boundary

4.1 Background and structure

Boundary is a Bermudian registered company and holds 90% of the shares in Nantou. Nantou is the owner of the Perkoa Project. A simplified structure is set out below:



Boundary was established as part of the joint venture between Blackthorn and Glencore in 2010. Boundary's only investment is its 90% interest in Nantou.

Blackthorn and Glencore's interest in Boundary is through ordinary shares, redeemable preference shares ("RPS") and a single Class A share (held by Blackthorn). Current shareholdings are as follows:

Number of shares	Blackthorn	Glencore	Total
Ordinary shares	19,900,000	45,779,219	65,679,219
RPS	19,900,000	45,779,220	65,679,220
Class A share	1	0	1
Total	**30.3%**	**69.7%**	**100.0%**

Source: Register of members provided by Blackthorn management

The Proposed Transaction involves the sale to Glencore of all Blackthorn's ordinary shares, RPS and the Class A share in Boundary (referred to in this report as the "Boundary Shares").

4.2 Perkoa Project

The Perkoa Project is located in the Sanguie Province of Burkina Faso, 120km west of the capital Ouagadougou. The project is 35km by road from the country's third largest town, Koudougou, which is linked to the neighbouring countries of Cote D' Ivoire, Ghana and Togo by road and by rail to Abidjan, capital of Cote D'Ivoire. The ore deposit is classified as a volcanogenic massive sulphide deposit, with high concentrations of zinc mineralisation and associated lead and silver.

Glencore is the mine operator and manager and also holds the off-take agreement relating to zinc and lead concentrate production.

4.3 Timeline

A timeline of the history of the Perkoa Project is as follows:

- In June 2004, Blackthorn signed an option to acquire the Perkoa Project from BHP Billiton Ltd and Metorex Ltd for a purchase consideration of A$1.1 million. On 26 November 2004, Blackthorn exercised its option to acquire the Perkoa Project.
- Blackthorn completed a bankable feasibility study in December 2005.
- Blackthorn transferred 10% interest in the Perkoa Project to the Government of Burkina Faso in March 2007, in accordance with statutory requirements upon agreement of an exploitation licence.
- During the global financial crisis, in July 2008 the project was put onto a care and maintenance program.
- In November 2010, Blackthorn agreed a joint venture with Glencore to enable completion of construction and commencement of production. The original business case was to operate an underground mine, focussed on zinc only, with a run of mine ("ROM") processing capacity of 750,000 tonnes per annum via a single ball mill. Glencore provided US$50 million in equity to Boundary (ordinary shares and RPS), which Boundary then advanced to Nantou as shareholder loans, and US$30 million in senior facility loans to fund the project. In addition, Glencore agreed to provide or arrange a separate working capital facility of US$20 million for the project (the "Working Capital Facility").
- In July 2012, Blackthorn announced that Glencore intended to expand the ROM capacity of the Perkoa Project to 1 million tonnes per annum, through open cut mining to supplement underground mining and the installation of a second ball mill. The expansion also involved modifying the process plant configuration to include a silver/lead concentrate and zinc concentrate streams. The expansion was funded via an additional US$40 million additional senior facility from Glencore. The parties agreed that a special dividend of up to US$5 million would be paid to Blackthorn out of 50% of the available free cash flows (after working capital repayments) generated from zinc, lead and silver revenues.
- In January 2013 Blackthorn announced that Glencore had advised the costs of commissioning the expanded operations exceeded initial estimates and would require significant additional funding.
- In March 2013, an agreement was reached between the parties whereby Glencore agreed to provide additional funding of up to US$80 million, via an equity contribution (again through ordinary shares and RPS in Boundary). Blackthorn elected not to fund its share of the US$80 million (being approximately US$35 million) and as a result its indirect interest in the Perkoa Project reduced by 12.6%, from 39.9% to 27.3%. The funds were loaned by Boundary to Nantou via shareholder loans.
- Production commenced in May 2013. The first delivery of zinc concentrate to Abidjan via truck occurred in July 2013. The first shipment of ore was loaded in September 2013.
- In August 2013, Blackthorn announced that, due primarily to forecast delays in deliveries and export sales, the Perkoa Project would require additional working capital in the order of US$30 million (Blackthorn's share would be approximately US$9 million). Blackthorn stated that it was in discussions with Glencore on a range of funding alternatives. In the interim Glencore advanced

funds to Boundary of US$30 million up to 31 December 2013. Glencore characterized this funding as a payment in advance for the subscription of new shares in Boundary and acknowledged that Blackthorn would be entitled at a further date to prevent the dilution of its 30.3% equity interest in Boundary by electing to contribute its share of the US$30 million. To date, Blackthorn has not made such election.

- In October 2013, the first shipment of 12,175 wet metric tonnes of zinc concentrate sailed from the Abidjan port. Shipping of lead concentrate was delayed as a result of a delay in obtaining export licences (which have now been obtained).
- In February 2014, following a review of the business plan for the Perkoa Project by Blackthorn and Glencore, open pit operations were suspended as a result of ongoing resource underperformance (lower grades than expected) and lower than expected metal prices. Underground mining via stoping continues.

4.4 Project funding

Project funding for the Perkoa Project has come via equity funding, together with senior debt and working capital facilities extended by Glencore, or its subsidiaries.

As at 30 April 2014, the following funding had been extended since the formation of the joint venture:

Item	Date	Party funding	Equity (US$m)	Debt (US$m)	Total (US$m)
Initial equity (RPS and ordinary shares)	2010	Glencore	50	-	50
Senior facility (facility A)	2010	Glencore	-	30	30
Senior facility (facility B – mine expansion)	2012	Glencore	-	40	40
Working Capital Facility	2012	Glencore	-	20	20
Expansion equity (RPS and ordinary shares)	2013	Glencore	80	-	80
Additional shareholder loan	2013	Glencore	-	30	30
Total equity and loans[8]			**130**	**120**	**250**

Source: various senior debt and working capital facility agreements and schedule of loans outstanding. Balances excludes accrued interest

More detail on the terms of the loans is set out below.

[8] These amounts exclude initial funds advanced by Blackthorn, prior to the formation of the joint venture with Glencore

4.5 Historical production

Historical production at the Perkoa project for the year ending December 2013, and the four months to April 2014 is summarised below:

Production statistics		FY13	YTD April 14
Ore mined	t	543,143	163,771
Tonnes milled (t)	t	548,201	186,886
Zn Feed Grade	%	6.4%	12.8%
Pb Feed Grade	%	0.4%	0.3%
ZN Concentrate			
Zn Recovery	%	90%	98%
Conc. Grade	%	51%	50%
Conc. Production	t	63,645	46,820
Metal Production	t	32,433	23,250
Silver in concentrate produced (kg)	kg	4,837	1,779
PB Concentrate			
Pb Recovery	%	49%	60%
Conc. Grade	%	45%	48%
Concentrate produced	t	2,235	713
Metal Production	t	1,016	347
Silver in concentrate produced	kg	14,536	3,846

Source: Nantou management accounts at December 13 and April 14

In relation to the above information, we note as follows:

- Production at the project commenced in May 2013.
- Following a review of the business plan for the Perkoa Project, including resources and reserves, commodity prices and costs, open cut mine operations were suspended in early 2014. Zinc grades reported for the four months to 30 April 2014 ("YTD April 14") are higher compared to 2013 because of the higher zinc grades achieved on underground mining, compared to open cut mining, which mined both zinc and lead lodes.

4.6 Resources and reserves

As part of its 30 June 2013 annual report, Blackthorn published a statement of mineral resources and ore reserves. The mineral resources statement was dated 25 May 2012, while the ore reserves statement was dated 1 July 2009.

As part of its financial statements for the 31 December 2013 financial year, Glencore published a resources and reserves statement for the Perkoa Project, details of which are discussed in section 3.2 of the SRK Report attached as Appendix F.

As part of its review of the Perkoa Project business plan announced in February 2014, Blackthorn engaged with Nantou management and its own mineral specialist and assessed a modified mine and production plan prepared by Glencore.

The modified mine plan is based on a revised geological model, focused on mining zinc rich lodes, rather than zinc and lead.

The modified mine plan was based on optimising the production schedule to 750,000 tonnes per annum, while reducing capital expenditure via a reduction in the amount of decline development metres undertaken per month. The mine plan involves the use of a contractor, African Underground Mining Services ("AUMS") which has previously provided mine development services, to provide mining services for the remaining life of mine.

Under the modified mine plan, total zinc ore processed between May 2014 and December 2020 is forecast to be around 4.8 million tonnes resulting in the production of around 570,000 tonnes of zinc metal.

Based on this mine plan, the mine has a remaining expected life of approximately 6.5 years (until December 2020).

4.7 Financial information

A summarised consolidated profit and loss statement of Boundary (including its subsidiary Nantou) for the years ended 31 December 2012 and 31 December 2013 is set out below:

US$m	**31-Dec-12**	**31-Dec-13**
Revenue	-	10.4
Other Expenses	-	(51.6)
Gain/(Loss) on foreign exchange	-	17.0
EBITDA	-	(24.2)
Depreciation	-	(53.6)
EBIT	-	(77.8)
Interest Expense	(0.1)	(4.1)
Earnings before Impairment and tax	(0.1)	(81.9)
Impairment Expense	-	(177.5)
Profit/(Loss) before tax	**(0.1)**	**(259.4)**

Source: draft unaudited financial statements as at 31 December 2012 and 31 December 2013. Some amounts may not add due to rounding.

In relation to the above summary, we note:

- Boundary's year end is 31 December.
- Up until the end of the construction phase, interest on loans was capitalised to the cost of property, plant and equipment.
- The first shipment of zinc ore was made in September 2013 and the mine was in ramp up phase in FY13. Revenue is generally recognised upon shipment of ore, and is therefore "lumpy". Nantou has in place with Glencore (as the customer) an advanced payment program, which facilitates early payment by Glencore for limited concentrate tonnes in advance of shipping.
- In the December 2013 financial year, Boundary impaired the Perkoa Project assets by US$177 million. This amount was written off against property, plant and equipment.
- The unaudited management accounts for YTD April 14 indicate that the Perkoa Project generated positive earnings before interest, tax, depreciation and amortization ("EBITDA"). We note, however, that the first two interest payments on the Working Capital Facility for the December 2013 quarter and March 2014 quarter remain unpaid.

A summarised consolidated balance sheet of Boundary (including its subsidiary Nantou) as at 31 December 2012 and 31 December 2013 is set out below:

US$m	31-Dec-12	31-Dec-13
Cash and cash equivalents	8.8	10.8
Prepayments and other non-trade receivables	23.6	13.3
Inventory	2.2	21.6
Trade receivable from Glencore	-	3.9
Total current assets	34.6	49.6
Property, plant and equipment	201.9	73.8
Deferred tax asset	-	-
Total non-current assets	201.9	73.8
Total assets	**236.5**	**123.4**
Trade and other payables	(57.7)	(45.9)
Advance payments - Glencore	-	(14.3)
Total current liabilities	(57.7)	(60.2)
Senior facilities and working capital facility (Glencore)	(72.5)	(98.6)
Preference shares (Glencore)	(24.7)	(45.5)
Preference shares (Blackthorn)	(18.0)	(18.0)
Shareholder advance (Glencore)	-	(30.0)
Other long term liabilities	(9.6)	(14.7)
Provision for rehabilitation	(3.2)	(5.8)
Total non-current liabilities	(128.1)	(212.6)
Total liabilities	**(185.8)**	**(272.8)**
Net assets	**50.7**	**(149.4)**
Share capital	6.5	8.6
Additional paid in capital	40.4	97.6
Retained earnings	(0.2)	(285.5)
Non-controlling interest	4.0	29.9
Total equity	**50.7**	**(149.4)**

Source: draft unaudited financial statements as at 31 December 2013 (including 31 December 2012 comparatives). Some amounts may not add due to rounding.

In relation to the balance sheet we note as follows:

- Advance payments – Glencore relates to unearned income arising from payments made by Glencore in advance of shipping.
- Prepayments and other non-trade receivables at December 2013 include an amount of VAT owing from the Burkina Faso government of approximately US$11 million. VAT exemptions apply to mining operators during construction phase with a refund system in place during production phase.
- Boundary has significant carried forward tax losses. These tax losses have not been capitalised, as their recoverability is uncertain.
- Trade payables at December 2013 include significant amounts owing to the open pit mining contractor and AUMS. This item also includes a US$0.2 million provision in respect of a legal claim lodged against Nantou by a previous employee.

- The RPS are accounted for as having an equity and debt component. Under the terms of the shareholders' agreement between Blackthorn and Glencore (the "Shareholders' Agreement"), the RPS carry the right to a 10% per annum cumulative dividend, and must be redeemed by Boundary after 10 years from issue. The RPS rank in priority to ordinary shares. However, dividends on either the RPS or ordinary shares may not be made until working capital and senior facilities, plus interest, are repaid.
- The non-current loan balance of US$98.6 million at December 2013 comprised the balance of the Working Capital Facility (US$20 million), senior facility A (US$30 million), senior facility B (US$40 million) plus accrued interest. As at 30 April 2014, these loans, including accrued interest, totalled US$100.5 million.
- Interest on the Working Capital Facility was capitalised up until the September 2013 quarter, but under the terms of the loan documents, interest is now payable each quarter. As noted above, we understand the interest on the December 2013 and March 2014 quarters was not paid.
- Interest on the senior facilities is currently being capitalised on the outstanding loan balance.
- Interest on both the Working Capital Facility and the senior facilities is based on a variable rate linked to the 90 day London interbank offered rate ("LIBOR"). Under the terms of these loans, 50% of Nantou's available cash flow (net of operating costs, Working Capital Facility repayments and future working capital requirements) will be applied to repay senior facility A principal and interest, and the other 50% must be used to repay shareholder loans owing to Boundary. Boundary is then required to use these funds to pay a special dividend to Blackthorn as the Class A shareholder, of up to US$5.0 million. After payment of the special dividend, Nantou's available cash flow must be directed 100% towards paying principal and interest on the senior facility A loan. Once senior facility A is repaid, available cash flow must be used to repay senior facility B. Once all senior facilities are repaid, available cash flow is distributed to repay outstanding shareholder loans from Boundary to Nantou and then as dividends to Nantou's shareholders (Boundary and the Government of Burkina Faso).
- The US$30 million shareholder loan from Glencore represents the additional funding provided by Glencore up to 31 December 2013 for working capital purposes. The funding is currently accounted for as a loan, although we note the terms of the loan are undocumented.
- Other long term liabilities at December 2013 represent accrued preference share interest and provision for audit fees.
- The Working Capital Facility is guaranteed by Blackthorn in proportion to its shareholding in Boundary. If the Proposed Transaction completes, this guarantee will be removed.

4.8 Shareholders' Agreement

The Shareholders' Agreement sets out how the parties will control, manage and fund Boundary (and how Boundary will control, manage and fund Nantou as owner of the Perkoa Project). Material terms of the Shareholders' Agreement include:

- Shareholders are entitled to appoint a number of directors equal to their proportionate shareholding.
- Shareholders are entitled to exercise the number of votes equal to the number of ordinary shares held by that shareholder.
- Certain decisions of Boundary shareholders require a special majority (greater than 75% of ordinary shares), including any fundamental changes in the nature or scale of the Perkoa Project, issue price of any new shares, changes in the equity structure, changes in the constitution, any increase in project funding facilities, sale of material project assets or winding up the business. Certain other

decisions require unanimous agreement, including approval of related party transactions, and the removal or appointment of the manager of the Perkoa Project.

- The Class A share is entitled to a special dividend of up to US$5 million and only one Class A share may be issued.
- Should further funding be required for the Perkoa Project, once it is in production, then each shareholder is entitled to advance its respective proportion of the funding by subscribing to new shares at an agreed fair market value. The parties must agree, by special majority resolution, as to the fair market value of the ordinary shares (RPS are to have a value of US$1) or, if unable to agree, appoint an expert to determine the fair market value.
- No shareholder can transfer any of its shares to non-affiliated entities, except with the consent of the other shareholder, or in accordance with agreed pre-emptive rights. Under the pre-emptive rights, a selling shareholder must offer the shares to the other shareholder at the price set out in the third party offer. If the other shareholder does not wish to accept the offer, then the shares may be sold to the third party and the other shareholder is entitled to tag-along.

4.9 Burkina Faso

Burkina Faso is a former French colony, and is a relatively poor[9], landlocked country. Roughly 90% of the population engages in subsistence agriculture[10], and the economy is largely dependent on cotton and gold production; both of which are subject to variations in demand driven by the collective impact of pricing and exchange rate fluctuations. Highly variable rainfall, lacking communication and infrastructure, a low literacy rate, and a growing youth unemployment rate, add to the problematic factors Burkina Faso faces in relation to developing and growing at a sustainable and healthy rate.

IHS Global Insight forecasts GDP growth to be fairly robust over the near to medium term, buoyed chiefly by mining-sector activity, namely gold, as well as a recovery in agricultural activity. Gold continues to command a greater share than cotton in total exports and overall real GDP. Cotton production is expected to be bolstered by measures taken to support agriculture in the context of a national growth and development strategy.

The Fraser Institute Annual Survey of Mining Companies Report for 2013 ranks Burkina Faso as 46 out of 112 jurisdictions globally in relation to its "Policy Perception Index". The index is a measure of the overall policy attractiveness of 112 jurisdictions, taking into account environmental regulations, legal system, taxation regime, infrastructure, socioeconomic and community development conditions, labour regulations and skills availability. Mining is becomingly increasingly important to the economy, and has overtaken cotton as the leading source of export earnings. At May 2014, Burkina Faso is rated B2 by Moody's. The local currency is the West African CFA franc, which is pegged to the Euro.

[9] Refer IHS Global Insight country report on Burkina Faso, accessed 5 May 2014. Burkina Faso's GDP per capita in 2013 is estimated by IHS Global Insight as US$666

[10] http://www.forbes.com/places/burkina-faso/ accessed 21 May 2014

5. Overview of the Exploration Licences

Blackthorn, via its wholly owned subsidiaries, Blackthorn Resources Burkina Faso SARL and Nantou Mining Limited BV, owns 100% of four exploration licences in Burkina Faso adjacent to the Perkoa Project. The details of these are set out below:

Summary of exploration licence	Permit number	Permit size	Expiry date
Poa	13-119	99.5 km^2	July 2016
Guido	13-118	132.3 km^2	July 2016
Sepaogo	11-335	26.4 km^2	October 2014
Seboun	11-336	185.0 km^2	October 2014

Source: Sale and Purchase Agreement

Of the above Exploration Licences, only Guido has a published mineral resource statement, set out below:

Guido	Tonnes (Mt)	Gold grade (g/t)	Contained gold (ounces)
Inferred resource	4.1	1.06	139,000
Total mineral resource	**4.1**	**1.06**	**139,000**

Source: Blackthorn 2013 annual report

The mineral resource statement is reported at a gold cut-off draft of 0.4g/t and is dated 31 October 2010. The information above relating to mineral resources at Guido is based on information compiled by Mr Michael R Hall, MBA, Pr.Sci.Nat., MAusIMM who is a member of The Australasian Institute of Mining and Metallurgy. Mr Hall has more than 32 years' experience in mineral exploration and is a consultant to the MSA Group. Mr Hall 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 Reserve". Mr Hall has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.

In accordance with the Burkina Faso Mining Code, exploration licences are granted on a three-year basis with the option to renew twice for a further three year period. All of the licences are in their final three-year term and cannot be renewed upon their expiry.

Under the terms of an agreement with Boundary (the "Access and Cooperation Agreement"), Blackthorn holds the rights to explore for, and exploit, gold for its own benefit in the Poa and Guido exploration licences, but any base metals discoveries are held for the benefit of Boundary. The rights held under the Sepaogo and Seboun licences are not encumbered.

As at 31 December 2013 Blackthorn has capitalised exploration and evaluation expenditure of A$3.1 million in relation to the Poa and Guido licences, but all capitalised expenditure for Sepaogo and Seboun has been written off due to the imminent expiry of the licences.

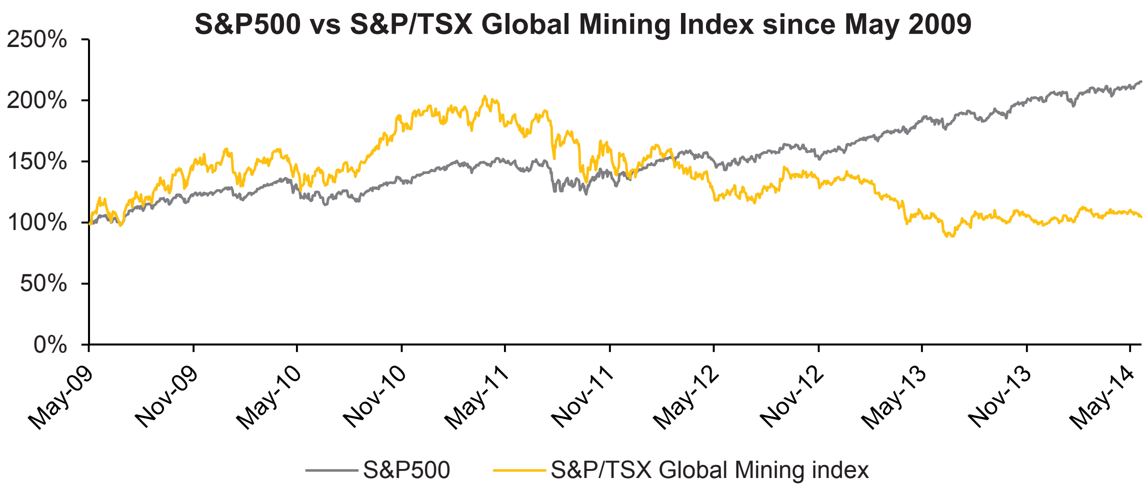
Further details of the Exploration Licences and the work undertaken on them is set out in the SRK Report in Appendix F.

6. The global mining and metals sector

Over the past few years, the global mining and metals sector has experienced substantial volatility. The sector continues to be challenged by slowing growth in China, declining commodity prices and rising supply and cost pressures, which have contributed to reduced sector valuations from their highs.

More broadly, global economic growth has rebounded from post-global financial crisis lows, with gains observed in US and other developed economies. The S&P 500 Index recovered to record highs in May 2014, which, along with the prospect of rising interest rates in the US, is signalling the possibility of a shift in investor preferences towards riskier asset classes.

As shown by the chart below, the global mining sector has underperformed relative to the S&P 500 Index since January 2012, reflecting the lack of investor confidence, both in the global demand outlook and in the ability of resource companies to deliver acceptable returns in an environment of weakening margins.



Source: Capital IQ

The IMF's World Economic Outlook (April 2014) highlights that while a continued strengthening in global activity is forecast for 2014 and 2015, the global economic recovery is still fragile. Economic activity for advanced economies is expected to improve, however there is a divergence in the speed of recovery between advanced economies such as the US and the Eurozone. Emerging markets are expected to be affected by a more difficult external financial environment given the prospects for better growth in some advanced economies.

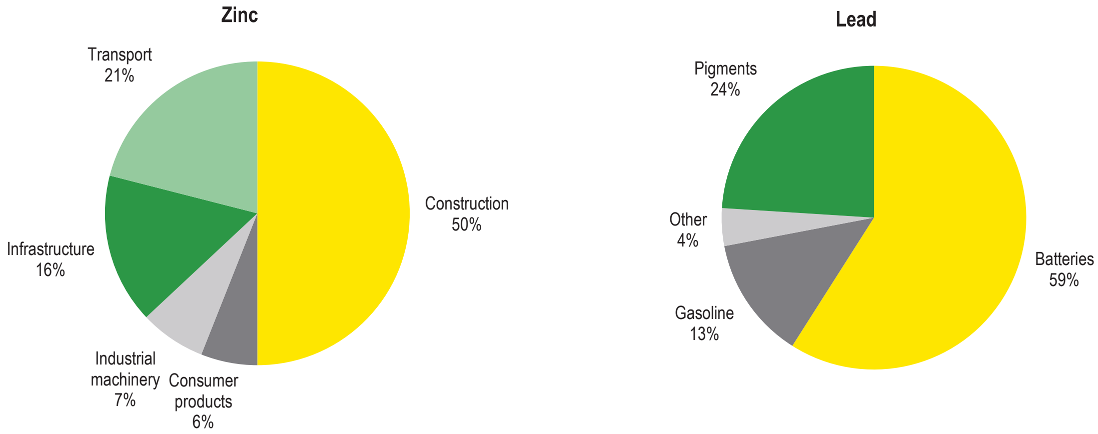
The following sections provide specific industry coverage of the key material commodities to which Boundary is exposed, being zinc, silver and lead.

6.1 The zinc, lead and silver markets

Zinc and lead are often mined in conjunction with silver as these metals tend to be found in the same deposit.

Together, zinc and lead are the two most widely used non-ferrous metals after aluminium and copper. Zinc is primarily used in galvanising iron and steel, brass and bronze making and in the production of other alloys. Zinc is closely linked to the performance of the construction industry as 50% of global consumption is used in construction. Lead is predominantly used in the production of batteries and pigments. The charts below show the global consumption breakdown of zinc and lead by the end user.

Global consumption by end user



Source: HSBC, IBISWorld

Zinc production is often exported in the form of concentrates whereas a substantial proportion of lead is refined locally before export.

Silver is usually mined as a co-product or by-product of zinc-lead mines, copper mines and gold mines. Similar to gold, silver is often used as an investment instrument. Particularly during recessions, investors seek solid commodity assets such as silver as opposed to more volatile stocks and bonds. Silver is also used in industrial and medical sectors.

6.2 Global demand for zinc and lead

The performance of the zinc and lead industry is typically correlated to the general performance of the world economy. This is due to the strong correlation between the output products of zinc and lead and the end consumer, such as the demand for lead batteries in the auto industry. During times of economic expansion there tends to be a greater demand for zinc and lead.

In 2006 and 2007, as a result of economic expansion in emerging countries such as China as well as peak construction levels, demand for both zinc and lead increased, resulting in inventory shortages and substantial price increases. As a result of increasing prices, new mines were opened and existing operations expanded, increasing total mine production.

Following the global financial crisis, construction activity slowed at the end of 2007 leading into 2008. As demand for steel declined, the demand for zinc also decreased, resulting in zinc prices plummeting between June 2007 and June 2009.

In late 2009, the world economy started to stabilise, mainly due to growth in China and India, which offset economic uncertainty surrounding the Eurozone and the US economy. The industrialisation of

China and India resulted in strong demand in infrastructure and building construction, resulting in zinc price increases in 2010. In addition, poor profitability and lower production levels for China's smelters led to an increase in China's zinc import levels. From 2011 to 2013, global demand for zinc eased, due to slowing economic growth in China and slow returns to growth from developed countries.

Lead demand has experienced a similar pattern to zinc, albeit with a slight lag. Following the economic expansion of China in the early 2000's, the population's growing wealth meant the emerging middle class were able to afford more motor vehicles, which require batteries. As a result, demand increased rapidly. This demand has tapered in recent years, as many western economies, specifically the US, have slowed.

In the short term zinc and lead are expected to be supported by strong demand from the US and Chinese auto industries.

According to the International Lead and Zinc Study Group, global zinc and lead usage is anticipated to rise by 4.5% and 4.4% respectively for 2014[11]. This is due to an expected increase in demand from China primarily from the auto industry and the decline in smelter production.

6.3 Global supply of zinc and lead

Following price spikes in zinc in late 2006 and lead in 2007, many companies developed new projects or expanded existing operations to increase production. Given the nature of mining operations, there was a significant time lag between the all-time high prices and when the additional supply reached world markets. As a result, the supply and demand balance for both metals moved toward an increased surplus during 2008 to 2013.

Both zinc and lead industries have been experiencing difficult market conditions over the past few years, with many companies' cash costs exceeding reduced zinc and lead prices. As a result, many producers have scaled back production, with mine closures and project delays becoming common.

Recent zinc mine closures include Vedanta Resources plc's Lisheen mine in Ireland and Glencore's Brunswick mine and Perseverance mine in Canada. In addition, MMG Limited has brought forward the closure of its Century mine, the world's second largest zinc mine, to mid-2015, while Vedanta's Skorpion mine in Namibia is expected to close in 2017. The slowdown in production is expected to be slightly offset by the commencement of some smaller projects such as in China and an increase in Australian mine supply due to expansion primarily at McArthur River and higher ore grade at Mount Isa over the next few years.

Inventory levels will be the key factor influencing zinc and lead prices. Since peaking in January 2013, global inventory levels of refined zinc have been steadily declining, albeit they are still at high levels. According to various broker forecasts, total supply is expected to roughly balance global demand over 2014 and 2015. From 2016 to 2018, the closure of certain major mines and limited new projects is expected by some brokers to result in the supply deficit reaching levels not seen since 2007.

In 2013 refined zinc production increased 4.4% to 13.5 million tonnes, while global consumption increased 4.9% to 13.0 million tonnes. This resulted in a deficit to the market of 91,000 tonnes, compared to a surplus in 2012 of 243,000 tonnes. In 2014, refined zinc production is expected to increase by 4.4% to 13.5 million tonnes, while global consumption of refined zinc metal is expected to further increase by 4.5% to 13.6 million in 2014. In 2014, the supply deficit is expected to be 117,000 tonnes.

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[11] International Lead and Zinc Study Group – April 2014 Forecasts

In 2013, global refined lead production increased by 6.5% to 11.2 million tonnes while global consumption increased by 7.1% from 2012. This decreased the surplus to the market from 60,000 tonnes in 2012 to nil in 2013. In 2014, refined lead production is expected to increase by 4.3% to 11.7 million tonnes, while global consumption of refined lead metal is expected to further increase by 4.4% to 11.7 million in 2014. In 2014, the supply deficit is expected to be 49,000 tonnes.[12]

6.4 Zinc and lead prices[13,14]

From 2011 to 2013, monthly average prices for zinc and lead have generally declined. During this period, zinc reached a low of US$1,818/t in August 2012 while lead reached a low of US$1,854 in June 2012. This was due to a slowdown in world consumption, creating downward pressure on prices.

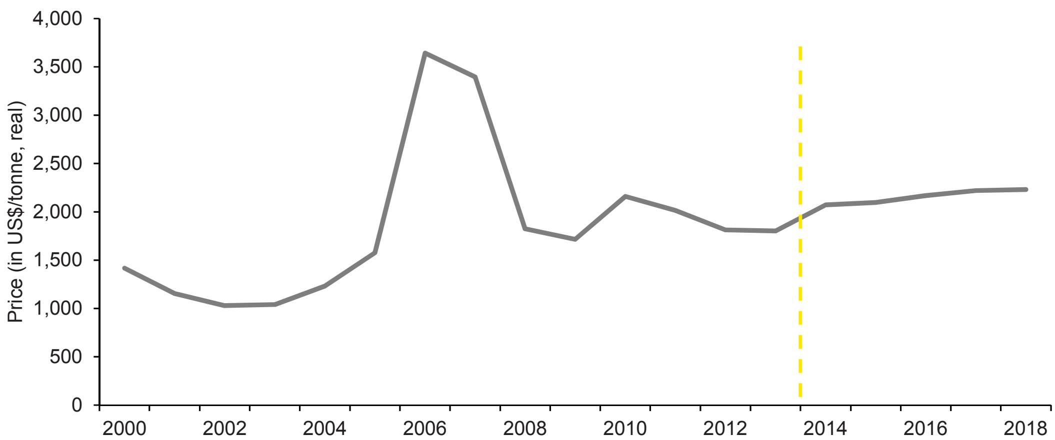
In 2013, the monthly average zinc price was US$1,910/t, down by 2% year-on-year mainly due to high, albeit declining, levels of inventory and persistent macroeconomic uncertainty. In 2013, global usage of refined zinc metal exceeded output by 60kt and this gap is expected to widen in the coming years. In the first three months of 2014, the average zinc price was US$2,026/t, up 6% compared to the 2013 monthly average zinc price, reflecting the threat of shrinking mine supply.

For lead, in 2013 the monthly average lead price was US$2,140/t, up by 4% year-on-year mainly as a result of ongoing supply constraints and strong consumption growth supported by strong demand from the US and Chinese automotive sectors.

According to various brokers, in the medium term, global demand for zinc is forecast to exceed supply, particularly since a number of large zinc mines are reaching end of life. As a result, a recovery in price is forecast, with various brokers anticipating zinc to trade at around US$2,208/t in 2018, slightly higher than the price level forecast for lead.

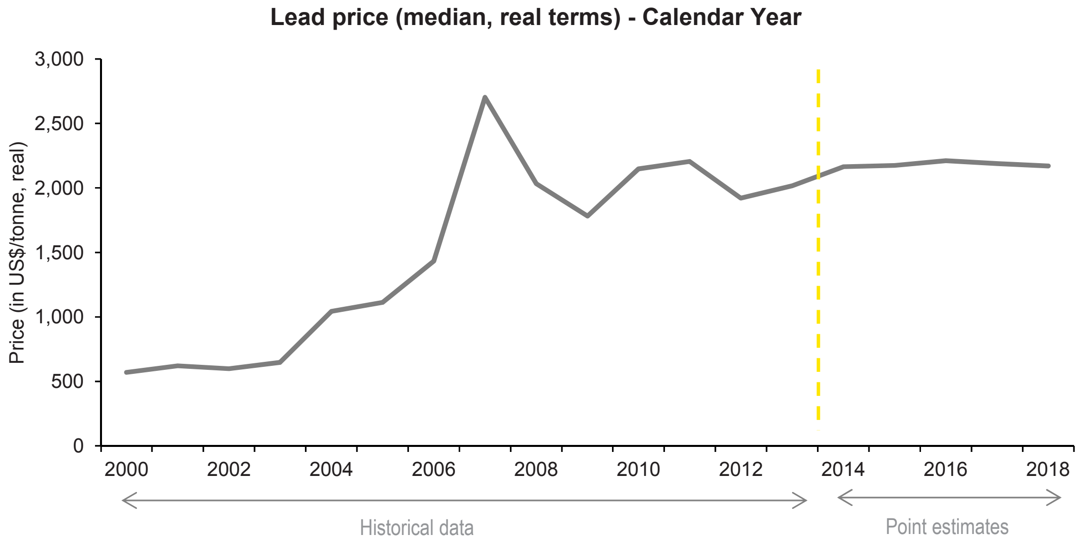
The following charts show the historical prices for zinc and lead from January 2000 together with consensus point estimates of broker forecasts for 2014 to 2018.

Zinc price (median, real terms) - Calendar Year



Source: World Bank, various broker reports, EY TAS analysis

[12] International Lead and Zinc Study Group – April 2014 Forecasts
[13] World Bank
[14] Various broker reports



Source: World Bank, various broker reports, EY TAS analysis

Overall, analysts are forecasting zinc and lead prices to improve from recent low market prices realised for both commodities. This is a result of strengthening global fundamentals and increasing demand from emerging and developing global economies.

6.5 Silver prices[15]

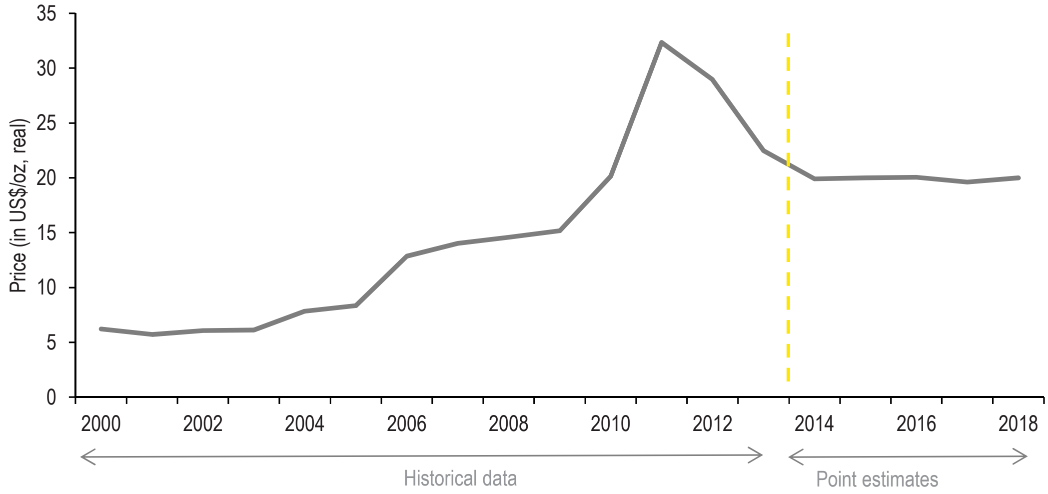
Prior to the global financial crisis, global demand for silver substantially increased due to the industrialization of countries such as China, India and Brazil. As a result, from 2003 to 2007, the price of silver increased from an average of US$4.91/oz in 2003 to US$13.41/oz in 2007.

In 2008 and 2009, although demand for silver in the industrial sector decreased as a result of the recession, there was increased investment in silver due to economic uncertainty. In 2011, continued economic uncertainty, the threat of a double dip recession and the supply shortage drove prices to highs of around US$35/oz in 2011. The price subsequently decreased in 2012 to 2013, as the global economy slowly improved.

The following charts show the historical prices for silver from January 2000 together with the consensus point estimates of broker forecasts for 2014 to 2022.

[15] IBISWorld – World price of silver (April 2014)

Silver price (median, real terms) - Calendar Year



Source: World Bank, various broker reports, EY TAS analysis

7. Valuation methodology and approach

7.1 Definition of fair value

In forming our opinion as to whether or not the Proposed Transaction is fair and reasonable to the Non-associated Shareholders, we have assessed the aggregate fair value of the value of the Boundary Shares and the Exploration Licences in order to compare that amount with the cash consideration being offered by Glencore of US$12.0 million.

Fair value is generally defined as:

"*the price at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer both acting at arm's length*".

7.2 Fair value of the Boundary Shares

RG 111 considers an offer to be 'fair' if the value of the offer price or consideration is equal to or greater than the value of the assets that are the subject of the offer, and if considered 'fair' the offer is also considered 'reasonable'.

Our assessment of the fair value of the Boundary Shares has been done on a basis consistent with the definition above. Our assessment date is 30 April 2014.

7.3 Fair value of the Exploration Licences

SRK was engaged to undertake the valuation of the Exploration Licences. The SRK Report is included as Appendix F of this report. Under the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Report's (the "VALMIN code"), value is comprised of two components, being the underlying value (or technical value) with a premium or discount relating to market, strategic or other considerations.

SRK has used both a comparative sales method approach and a multiple of exploration expenditure to value the Exploration Licences. SRK note that where it has used the comparative sales method, which relate to actual market transactions, this can be an indicator of market value.

Given the methodologies applied and the assumptions upon which the valuation of Exploration Licences are based, in our opinion, the values assessed by SRK are representative of the fair values of the Exploration Licences under the definition above.

7.4 Valuation methodology and approach

RG 111 provides guidance on the valuation methods that an independent expert should consider when valuing a company. These methods include the:

- Discounted cash flow method and the estimated realisable value of any surplus assets;
- Application of earnings multiples (appropriate to the business or industry in which the entity operates) to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets;
- Amount that would be available for distribution to security holders on an orderly realisation of assets;
- Quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale;

- Recent genuine offers, if any, received by the target for any business units or assets as a basis for valuation of those business units or assets; and
- Amount that any alternative acquirer might be willing to offer if all the securities in the target were available for purchase.

Each methodology is appropriate in certain circumstances. The decision as to which methodology to apply generally depends on the nature of the asset being valued, the methodology most commonly adopted in valuing such an asset and the availability of appropriate information.

The discounted cash flow ("DCF") methodology involves calculating the net present value of cash flows that are expected to be derived from future activities. The forecast cash flows are discounted by a discount rate that reflects the time value of money and the risk inherent in the cash flows. This methodology is particularly appropriate in valuing projects, businesses and companies that are in a start-up phase and are expecting considerable volatility and/or growth in earnings during the growth phase, as well as businesses with a finite life (such as mining projects). The utilisation of this methodology generally requires that the asset be sufficiently advanced to enable management to provide long term cash flows with some degree of robustness.

The capitalisation of earnings methodology involves capitalising the earnings of a project, a business or a company at an appropriate multiple, which reflects the risks underlying the earnings together with growth prospects. This methodology is theoretically most appropriate where a company or business is expected to generate a relatively stable level of earnings but in practice, is also frequently used in a range of other circumstances.

The net asset backing methodology involves consideration of the net realisable value of the assets of a business or company on a going concern basis, assuming an orderly realisation of those assets. This value includes a discount to allow for the time value of money and for reasonable costs of undertaking the realisation. It is not a valuation on the basis of a forced sale, where assets may be sold at values materially different to their fair value.

Market based assessments relate to the valuation of companies, the shares of which are traded on a stock exchange. While the relevant share price would, prima facie, constitute the market value of the shares, such market prices usually reflect the prices paid for small parcels of shares and as such do not include a control premium relevant to a significant parcel of shares.

7.5 Valuation methodology adopted

7.5.1 Boundary Shares

We have assessed the value of the Boundary Shares using a DCF approach. This involves discounting the forecast future cash flows attributable to the Boundary Shares by an appropriate discount rate to calculate their present value.

The forecast future cash flows attributable to the Boundary Shares are calculated as follows:

- 100% of the cash flows relating to the Class A share. The Class A share is entitled to 50% of the available cash flow of Nantou (after operating costs, working capital facility repayments and future working capital requirements) in priority to repayment of senior debt facilities, up to a maximum of US$5.0 million.
- 30.3% of the available cash flow of Nantou, received by Boundary as a repayment by Nantou of shareholder loans, after the payment of the Class A share special dividend, and after repayment of all senior facilities.

- 27.3% of available cash flow of Nantou, paid as ordinary dividends to Nantou shareholders, following repayment of shareholder loans owing by Nantou to Boundary.

The use of after debt forecast cash flows in valuing the Boundary Shares reflects these terms. Consistent with this we have applied a discount rate to the forecast cash flows attributable to the Boundary Shares based on a cost of equity.

In forecasting the future available cash flows generated by Nantou as owner of the Perkoa Project, we have relied upon the life of mine model ("LOM Model") prepared by Blackthorn and Glencore management. To assist in our assessment of the Perkoa Project and to be consistent with the requirements of the VALMIN Code, the technical, production and cost assumptions adopted in the LOM Model have been reviewed by SRK. SRK's comments and findings are detailed in the SRK Report, which is included as Appendix F.

We have also considered Boundary's other assets and liabilities, and made adjustments for those assets and liabilities that are not reflected in the forecast cash flows of Nantou as owner of the Perkoa Project.

7.5.2 Exploration Licences

The Exploration Licences have been valued by SRK. The method and assumptions adopted by SRK are set out in the SRK Report contained in Appendix F. In summary:

- SRK valued the Guido and Poa licences with reference to market transactions, together with a multiple of mineral exploration expenditure approach.
- SRK applied a nominal value to the Seboun and Sepaogo licences, as these licences expire on 4 October 2014 and 10 October 2014, respectively.

7.5.3 Valuation cross-checks

As a cross-check, and recognising that Blackthorn's interest in the Perkoa Project is one of its two development projects (the other being the Kitumba copper project in Zambia), we compared the aggregate fair value of the Boundary Shares and Exploration Licences to the market capitalisation of Blackthorn (adjusted for last reported cash on hand balance and an appropriate premium for control). This was to ensure that the aggregate fair value did not exceed the market capitalisation, adjusted for cash on hand.

In order to cross-check the net present value of the future cash flows expected to be generated by Nantou as owner of the Perkoa Project, we calculated the mineral resource multiple implied in the value of the Perkoa Project (before debt and interest payments) and compared these to other market transactions involving zinc projects.

8. Valuation Assessment

8.1 Introduction

8.1.1 Valuation of the Boundary Shares

We have determined the value of the Boundary Shares based on the net present value of the estimated forecast cash flows attaching to the Boundary Shares.

As discussed in Section 7, in order to estimate the forecast cash flows attaching to the Boundary Shares, it is necessary to forecast the available cash flows of Nantou, as owner of the Perkoa Project. The forecast available cash flows are calculated as follows:

- the future cash flows expected to be generated by the Perkoa Project (on a 100% basis);
- less any drawdowns and repayments of principal and interest on working capital facilities and senior debt facilities owed by Boundary and/or Nantou;
- less any tax payments.

Each of these items is discussed below in Section 8.2.

Using the available cash flow forecast of Nantou, we have forecast the cash flows attributable to the Boundary Shares, as set out in Section 7.5.1.

We have then applied an appropriate discount rate to the cash flows, based on a cost of equity, to derive the fair value of the Boundary Shares.

In estimating the future cash flows expected to be generated by Nantou as owner of the Perkoa Project, we have relied upon SRK and its technical assessment of the Perkoa Project.

8.1.2 Valuation of Exploration Licences

The Exploration Licences were valued by SRK. The method and assumptions adopted by SRK are set out in the SRK Report contained in Appendix F. In summary:

- SRK valued the Guido and Poa licences with reference to market transactions of gold permits in Burkina Faso, Ghana and southern Mali. The market transactions were used to determine an implied value per km^2 and value per ounce of gold resource, which were then applied to the Guido and Poa licences, as applicable.
- SRK also considered a multiple of mineral exploration expenditure approach, having regard to the actual exploration expenditure spent on each permit and the outcomes of the exploration activities. SRK applied a prospectivity enhancement factor of approximately 2 for the Poa permit and approximately 2.5 for the Guido permit.
- SRK applied a nominal value to the Seboun and Sepaogo licences, as these licences expire on 4 October 2014 and 10 October 2014 respectively.

8.2 Valuation of the Boundary Shares

8.2.1 Cash flows generated from the Perkoa Project

The forecast cash flows for the Perkoa Project are based on the LOM Model provided by Blackthorn and Glencore. The LOM Model and its key outputs (including ore mined, ore processed, concentrate produced and shipped to port, operating costs and capital costs) were considered by SRK.

Details of SRK's assessment of the LOM Model are contained in Section 5 of the SRK Report, included at Appendix F of this report.

The outputs for the LOM Model were used as inputs into a financial model ("the Financial Model"), prepared by Glencore management with input from Blackthorn management. We have also updated the Financial Model for forecast zinc, lead and silver prices, exchange rates, discount rates and other necessary changes determined by Ernst & Young Transaction Advisory Services. The Financial Model also includes the impact of movement in working capital and principal and interest repayments on debt balances to determine available cash flows to Boundary equity holders.

Outlined below are details of the production forecasts together with the capital and operating costs associated with for the Perkoa Project. All costs are stated in real US dollars:

Physicals		**May to Dec 14**	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**
Ore mined	t	413,772	788,889	748,007	765,952	750,042	725,913	581,258
Tonnes milled (t)	t	432,527	720,288	752,097	750,042	750,042	750,042	671,676
Zn Feed Grade	%	11.69%	13.07%	13.09%	11.85%	12.07%	11.86%	12.34%
Pb Feed Grade	%	0.12%	0.12%	0.12%	0.11%	0.07%	0.10%	0.11%
ZN CONCENTRATE								
Zn Recovery	%	96%	96%	96%	96%	96%	96%	96%
Conc. Grade	%	52%	52%	52%	52%	52%	52%	52%
Conc. Production	t	93,024	173,762	181,765	164,062	167,088	164,238	153,055
Metal Production	t	48,373	90,356	94,518	85,312	86,886	85,404	79,589
PB CONCENTRATE								
Pb Recovery	%	16%	15%	15%	15%	15%	15%	15%
Conc. Grade	%	40%	40%	40%	40%	40%	40%	40%
Concentrate produced	t	230	317	328	316	202	272	288
Metal Production	t	92	127	131	126	81	109	115
Silver in concentrate produced	kg	1,984	3,856	4,101	4,116	3,925	5,112	4,433
Costs								
Operating costs	US$000	48,665	82,227	81,978	78,415	77,008	75,884	69,213
Capex	US$000	6,435	6,282	10,769	8,354	5,620	1,070	500
Rehabilitation costs	US$000	800	1,200	1,200	1,200	1,200	1,200	4,200

Source: Financial Model and LOM Model
Note: Operating costs reflect foreign exchange assumptions set out in Section 8.2.3

Key matters relevant to the LOM Model are summarised as follows:

- The tonnes of ore milled is forecast to increase from 720,000 tonnes in FY15 to around 750,000 per annum by FY16 to FY19, and then decreases to 672,000 tonnes in FY20 when operations are expected to cease. Total ore tonnes processed across the LOM are estimated at 4.8Mt at head grades of 12% to 13% zinc, 0.1% lead and an average of 37 g/t of silver.

- Due to the change in strategy to a zinc-focused mine following the cessation of the open pit operations, head grades for lead are expected to decrease from 0.4% in FY13, to around 0.1% for FY14 to FY20. As a result, SRK have advised that the associated lead and silver recoveries are likely to fall, due to the low volumes of lead concentrate being produced. In line with SRK's recommendation, we have decreased lead and associated silver recoveries by 50% compared to that originally estimated.
- Operating costs are forecast to be around US$82 million in FY15 and FY16, before decreasing steadily to US$69.2 million by FY20 when operations cease.
- We note that SRK have commented that operating costs per the LOM Model are more representative of future costs, compared to historical costs, due to the change in strategy to zinc-focused mining following the cessation of the open pit operations.
- Total capital expenditure is forecast at US$39.0 million.
- Rehabilitation costs are forecast to be US$1.2 million per annum from FY15 to FY19 and US$4.2 million in FY20. These relate to closure costs of the open cut mine and the cessation of underground mining.

8.2.2 Commodity prices

Our determination of forecast commodity prices was based on consideration of broker consensus estimates, restated from a nominal to a real basis. Details of the methodology and assumptions used in our assessment of commodity price forecasts are detailed in Appendix D. Our valuation range is based on the following range of forecast commodity prices in real terms.

Real terms	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Zinc - US$/tonne							
Low	1,950	2,050	2,100	2,150	2,100	2,100	2,100
High	2,150	2,250	2,300	2,350	2,300	2,300	2,300
Lead - US$/tonne							
Low	2,050	2,100	2,100	2,100	2,050	2,000	2,000
High	2,250	2,300	2,300	2,300	2,250	2,200	2,200
Silver - US$/oz							
Low	19.00	19.00	19.00	18.50	19.00	18.50	18.50
High	21.00	21.00	21.00	20.50	21.00	20.50	20.50

Source: Consensus broker forecasts, EY TAS analysis

As discussed in Section 6, according to various broker forecasts, total supply is expected to roughly balance global demand over 2014 and 2015. From 2016 to 2017, the closure of certain major mines and limited new projects is expected to underpin an increase in zinc prices.

8.2.3 Foreign exchange rates

In the Financial Model, revenue and the majority of operating and capital costs are forecasted in US$ terms.

Local labour costs have been forecast in the local currency (the West African Franc, or XOF). We translated forecast local costs into US$ based on a forward curve of EUR/US$, restated from a nominal basis to a real basis. We then determined the real US$/XOF exchange rate to apply to the local costs using the current EUR/XOF pegged rate of 655.96.

8.2.4 Refining and treatment charges

Zinc refining and treatment charges are set out in the offtake agreement with Glencore and are amended periodically for updated benchmark terms. We have updated the Financial Model to reflect the latest 2014 benchmark terms as provided by Glencore, being US$223 per tonne of zinc concentrate.

Lead concentrate treatment charges and silver refining charges in the Financial Model are based on the lead/silver offtake agreement with Glencore or, to the extent the agreement does not refer to these charges, based on discussions with Blackthorn and Glencore management.

The Financial Model also reflects a royalty payable to the Government of Burkina Faso, calculated at 3% of net sales revenue.

8.2.5 Special dividend

Under the Shareholders' Agreement, Blackthorn holds one Class A share, which is entitled to a special dividend of a maximum of US$5 million.

Under the terms of the Shareholders' Agreement, 50% of available cash flow after operating costs, working capital facility repayments and future working capital requirements, must be paid by Nantou to Boundary in respect of interest and principal on outstanding shareholder loans, and the net proceeds of such payments are to be used to pay the Class A share special dividend up to a cumulative maximum of US$5 million, and the other 50% must be used towards repayment of the senior facility A loan. After payment of the special dividend, available cash flow must be directed 100% towards paying principal and interest on the senior facility A and senior facility B loans. Once senior facilities are repaid, available cash flow is distributed to repay outstanding shareholder loans from Boundary to Nantou and then as dividends to Nantou's shareholders (Boundary and the Government of Burkina Faso).

The forecast cash flows in the Financial Model reflects the terms of the Shareholders' Agreement.

8.2.6 Debt assumptions

As at 30 April 2014, the balances outstanding on each of the debt facilities are summarised below:

US$m	**Balance at 30 April 2014 (including accrued interest)**
Working Capital Facility	22.3
Senior facility A loan	33.9
Senior facility B loan	44.3
Additional shareholder loan	30.0
Total debt	130.5
Cash	(3.2)
Net debt	**127.3**

Source: Summary of loans outstanding and 30 April 2014 management accounts

Interest on the outstanding loan balance is forecast based on a variable margin linked to the 90 day LIBOR.

The US$30 million funding from Glencore up to December 2013 for working capital purposes is currently accounted for as a shareholder loan, although we note the terms of the loan are undocumented. For the purpose of our valuation we have assumed that the US$30 million funding represents a loan, with similar interest rate and repayment terms as the working capital facility, and is repaid in priority to the Class A share special dividend and senior debt facilities.

We note that Glencore has acknowledged that Blackthorn is entitled to prevent the dilution of its 30.3% equity interest in Boundary by contributing its share of the US$30 million if it wished. To date, Blackthorn has not made such an election. The US$30 million funding from Glencore could therefore be characterised as equity, rather than debt, in the valuation. However, given that Blackthorn has not elected to fund its share, if the funding is considered equity, Blackthorn will have diluted its interest in the Perkoa Project. The dilutionary impact has not been agreed by Blackthorn and Glencore, but is likely to be significant.

In addition to the US$30 million, the Financial Model shows further working capital is required for the Perkoa Project over the remainder of FY14. The funding required varies depending upon the assumed commodity prices and peaks during FY14. We have assumed in our valuation that Glencore would extend the additional shareholder loan to cover forecast working capital shortfalls in FY14, as required, and that these additional amounts would be repaid in priority to the US$5 million special dividend for the Class A share and senior debt facilities.

8.2.7 Taxation

We applied a Burkina Faso corporate tax rate, applicable to mining companies in production phase, of 17.5% of net profit before tax. Boundary however has significant carry forward tax losses, and based on the Financial Model, is not likely to generate a taxable profit requiring the payment of income tax. We have therefore forecast tax payments over the LOM as nil.

8.2.8 Discount rate

We applied a discount rate of 17.5% to the Financial Model cash flows. This discount rate represents a US$-based real post-tax cost of equity. A detailed description of the discount rate determination is set out in Appendix C.

8.2.9 Other assets and liabilities

We have considered the balance sheet of Boundary as at 30 April 2014 and identified no material surplus assets or liabilities that are not otherwise reflected in the forecast cash flows. We have attributed no separate value to the carry forward tax losses on the basis that, based on current forecasts, the Perkoa Project is unlikely to be in a position to use them.

8.2.10 Discount for lack of control and marketability

In our assessment of Blackthorn's 30.3% interest in the Boundary Shares, we have considered whether to apply a discount for lack of control and marketability. We note that:

- Shareholders are entitled to appoint a number of directors equal to their proportionate shareholding.
- Per the Shareholders' Agreement, certain decisions of Boundary shareholders require a special majority (not less than 75% of ordinary shares), including any fundamental changes in the nature or scale of the Perkoa Project, issue price of any new shares, changes in the equity structure, changes in the constitution, any increase in project funding facilities, sale of material project assets or winding up of the business.
- Per the Shareholders' Agreement, certain decisions require unanimous agreement, including approval of related party transactions, and the removal or appointment of the manager of the Perkoa Project.
- All of the value at the low end of our valuation range and the majority of the high end of our valuation range is attributable to the single Class A share.

- Notwithstanding the above points, Glencore is the major funder of Nantou and/or Boundary and is in a strong and influential position in relation to the asset.

On considering these matters we have not applied a discount for lack of control or marketability in assessing the value of the Boundary Shares.

8.2.11 Valuation range of Boundary Shares

The value of the Boundary Shares has been assessed as a range based on the commodity prices applied.

Summary of fair value of Boundary Shares (US$000)	Low	High
Boundary Shares	2,060	4,420

Source: EY TAS analysis

At the low end of our range of commodity prices, debt facilities remain unpaid at the end of the LOM Model and no ordinary dividends are therefore forecast to be paid. The low end of our range of fair values represents the net present value of the US$5.0 million special dividend payable on the Class A share in priority to the repayment of debt. At the low end of the range however, the US$5.0 million special dividend is forecast not to be fully paid until FY19.

At the high end of our range of commodity prices, debt facilities are repaid and ordinary dividends are forecast to be paid in FY20. The high end of our range of fair values represents the net present value of the US$5 million special dividend and Blackthorn's proportionate share of forecast ordinary dividends.

Sensitivity analysis

We recognise that the valuation is highly sensitive to forecast commodity prices and that broker estimates of commodity prices range widely. For example, long term broker estimates of zinc prices range from US$1,751/tonne to US$2,482/tonne.

Having regard to the wide range of broker estimates, we have presented below a sensitivity analysis of the fair value of the Boundary Shares based on different cases for commodity prices and various discount rates. Case 2 and Case 4 represent the high and low commodity prices adopted in our analysis, while case 3 represents the mid-point. Case 1 and Case 5 show the impact on value of a change in zinc and lead prices of plus/minus US$100 per tonne and a change in silver prices of plus/minus US$1.00 per ounce.

Boundary Shares		Commodity pricing				
US$000		Case 1	Case 2	Case 3	Case 4	Case 5
	15.0%	2,010	2,320	2,660	4,910	9,770
Discount rate	**17.5%**	1,750	2,060	2,410	4,420	8,730
	20.0%	1,520	1,830	2,190	3,990	7,820

Source: EY TAS analysis. Note: At a discount rate of 17.5%, Case 2 represents the low end of our valuation range, while Case 4 represents the high end of our valuation range. The shaded amounts are the range of values assessed by EY TAS.

The sensitivity analysis shows the fair value of the Boundary Shares is more sensitive to changes to commodity pricing than changes in the discount rate and that an increase in zinc, lead and silver prices of US$100/tonne and US$1.00/ounce as noted, all other assumptions being kept constant, has the impact of increasing the value from US$4.4 million to US$8.7 million.

In order to derive an appropriate and sensible range of values, we have adopted the range of commodity prices set out in section 8.2.2 and concluded that the assessed value of the Boundary Shares is between US$2.1 million and US$4.4 million.

The commodity prices underpinning each case are presented below:

US$ real	2014	2015	2016	2017	2018	2019	2020
Zinc - US$/tonne							
Case 1	1,850	1,950	2,000	2,050	2,000	2,000	2,000
Case 2	1,950	2,050	2,100	2,150	2,100	2,100	2,100
Case 3	2,050	2,150	2,200	2,250	2,200	2,200	2,200
Case 4	2,150	2,250	2,300	2,350	2,300	2,300	2,300
Case 5	2,250	2,350	2,400	2,450	2,400	2,400	2,400
Lead - US$/tonne							
Case 1	1,950	2,000	2,000	2,000	1,950	1,900	1,900
Case 2	2,050	2,100	2,100	2,100	2,050	2,000	2,000
Case 3	2,150	2,200	2,200	2,200	2,150	2,100	2,100
Case 4	2,250	2,300	2,300	2,300	2,250	2,200	2,200
Case 5	2,350	2,400	2,400	2,400	2,350	2,300	2,300
Silver - US$/oz							
Case 1	18.0	18.0	18.0	17.5	18.0	17.5	17.5
Case 2	19.0	19.0	19.0	18.5	19.0	18.5	18.5
Case 3	20.0	20.0	20.0	19.5	20.0	19.5	19.5
Case 4	21.0	21.0	21.0	20.5	21.0	20.5	20.5
Case 5	22.0	22.0	22.0	21.5	22.0	21.5	21.5

Source: EY TAS analysis

8.3 Valuation of the Exploration Licences

The fair value of the Exploration Licences has been determined by SRK and is summarised below:

Summary of fair value of Exploration Licences US$000	Low	High
Poa exploration licence	390	810
Guido exploration licence	878	1,823
Sepaogo exploration licence	-	-
Seboun exploration licence	-	-
Total	**1,268**	**2,633**

Source: SRK Report. Note that SRK has applied a nominal value to the Sepaogo and Seboun exploration licences.

The SRK Report, contained in full in Appendix F, contains further information of the background of the Exploration Licences and the methodology and assumptions adopted by SRK.

8.4 Summary of aggregate values

The fair value of the Boundary Shares and Exploration Licences is set out below:

Summary of fair values and comparison to consideration US$000	Low	High
Assessed fair value:		
Boundary Shares	2,060	4,420
Exploration Licences	1,268	2,633
Total fair value	**3,328**	**7,053**

Source: SRK Report and EY TAS analysis

8.5 Cross-checks

We have compared the aggregate of the range of values of the Boundary Shares and the Exploration Licences to the market capitalisation of Blackthorn, adjusted for the latest reported cash balance at 31 March 2014. We note that the market capitalisation reflects the price at which minority interests in Blackthorn are trading, and therefore may not reflect a premium for control. We have therefore, for the purposes of this cross-check, adjusted the market capitalisation by 30% to 40%[16] to reflect an assumed premium for control.

Comparison to market value A$m	Low	High
Blackthorn's market capitalisation as at 2 June 2014 (A$m)	25.5	25.5
Add: 30% to 40% premium for control	7.6	10.2
Less: cash on hand at 31 March 2014	(14.2)	(14.2)
Adjusted market capitalisation (A$m)	**18.9**	**21.5**
Adjusted market capitalisation (US$m)[1]	17.6	20.0
Aggregate fair value of Boundary Shares and Exploration Licences (US$m)	**3.3**	**7.1**

Source: Capital IQ, Blackthorn 31 March 2014 third quarter activities report, EY TAS analysis
1. Translated at A$:US$ of 0.9307 as at 2 June 2014, per www.oanda.com

We note that the aggregate fair value of the Boundary Shares and Exploration Licences is considerably less than the adjusted market capitalisation. We do not consider this to be unreasonable, in light of Blackthorn's investment in the Kitumba project and other exploration activities in Zambia.

We have also compared the mineral resource multiple implied in the value of the Perkoa Project (before debt and interest payments) and compared these to other recent market transactions involving zinc projects. Recognising that these multiples can vary widely depending upon the stage, type and mineralisation of the project, we do not consider the multiples implied in the value of Perkoa Project to be unreasonable.

[16] We have selected this range based on observed control premiums paid for transactions in the global mining and metals sector as published by Mergerstat for the December 2013 quarter.

9. Assessment of the Proposed Transaction

9.1 Approach

In forming our opinion as to whether the Proposed Transaction is fair and reasonable to the Non-associated Shareholders, we considered the following:

- We compared the aggregate of the fair value of the Boundary Shares and the fair value of the Exploration Licences being sold by Blackthorn with the fair value of the consideration being paid by Glencore of US$12.0 million.
- We also assessed whether the Share Transaction in isolation would be fair and reasonable to the Non-associated Shareholders (in the event the EL Transactions does not complete) by comparing the fair value of the Boundary shares with the fair value of the consideration being paid by Glencore of US$10.0 million.
- We considered other qualitative factors which we believe represent either advantages or disadvantages to the Non-associated Shareholders, together with other significant matters for the Non-associated Shareholders to consider.

9.2 Valuation conclusion

In determining whether the Proposed Transaction is fair and reasonable for the Non-associated Shareholders we have compared the fair value of the Boundary Shares and Exploration Licences being given up with the cash consideration being offered by Glencore.

The comparison of values, based on the fair values assessed for the Boundary Shares and Exploration Licences, is summarised in the following table:

Summary of fair values and comparison to consideration US$m	Refer section	Low	High
Assessed fair value:			
Boundary Shares	Section 8	2.1	4.4
Exploration Licences	SRK Report section 6	1.3	2.6
Total fair value		**3.3**	**7.1**
Cash consideration offered by Glencore:			
Boundary Shares		10.0	10.0
Exploration Licences		2.0	2.0
Total cash consideration		**12.0**	**12.0**

Source: SRK Report and EY TAS analysis. Some amounts may not add due to rounding.

The cash consideration being offered by Glencore exceeds the aggregate fair values assessed for the Boundary Shares and the Exploration Licences. As a result, in our opinion, the Proposed Transaction is fair. Accordingly, the Proposed Transaction is also reasonable.

Further, the cash consideration being offered by Glencore for the Boundary Shares of US$10.0 million exceeds the fair value assessed for the Boundary Shares of between US$2.1 million and US$4.4 million. In our opinion, the Share Transaction is also fair and reasonable, even in the event that the EL Transaction does not complete.

We note that Glencore's offer is above our range of values. We note that as a result of the Proposed Transaction Glencore will own 100% of Boundary and in effect 90% of Nantou. This level of ownership will give Glencore greater ability to control the project and will give Glencore greater flexibility in any restructuring of the project (without regard to Blackthorn as a minority shareholder). This may have been a factor in the consideration of the transaction price.

9.3 Other qualitative matters

In accordance with RG 111 a takeover offer is reasonable if it is fair. On this basis, given we have assessed the Proposed Transaction as being fair; in our opinion the Proposed Transaction is also reasonable. However, as part of assessing the Proposed Transaction we also considered the potential advantages and disadvantages to the Non-associated Shareholders of the Proposed Transaction and other significant matters.

The factors considered are summarised below. We note that individual Non-associated Shareholders may interpret these factors differently depending on their specific circumstances.

9.3.1 Advantages

Release from future funding obligations

If the Proposed Transaction is approved, then Blackthorn will be released from any obligation to fund its US$9 million share of the US$30 million loaned to the project by Glencore, as announced in August 2013. In addition, Blackthorn will be released from all claims and contingent liabilities in relation to the Perkoa Project, including its guarantee of its equity percentage of indebtedness under the Working Capital Facility Agreement.

If the Share Transaction does not proceed and Blackthorn elected to not fund its proportionate share of the US$30 million funding, its interest in the Perkoa Project would be subsequently diluted. While the dilution impact has not been agreed between Blackthorn and Glencore, based on our assessment of the value of the Boundary Shares, any dilution is likely to be significant.

The Perkoa Project will require significant additional working capital funds (in addition to the US$30 million advanced by Glencore to 31 December 2013) in the next twelve months. If the Proposed Transaction is not approved, then Blackthorn will be required to fund part of its share of these additional funding requirements, or have its interest in the Perkoa Project further diluted. By approving the Proposed Transaction, the uncertainty of Blackthorn's exposure to future funding requirements will be eliminated.

Focus on Kitumba project and associated exploration

Blackthorn is seeking to focus on its Kitumba copper deposit, and as at 31 March 2014, had cash on hand of A$14.2 million. While Blackthorn has stated it has sufficient funds to allow it to commit to a definitive feasibility study for Kitumba, as noted in the Explanatory Statement, the cash realised from the Proposed Transaction will be used to provide additional working capital, allow Blackthorn to focus on its Kitumba deposit, as well as fund further exploration activities in the Mumbwa Project and any other opportunities that may emerge.

The funds realised from the Proposed Transaction will reduce any short term requirement to seek additional equity capital to further explore the Mumbwa Project and develop the Kitumba deposit. However, given the capital cost of developing the Kitumba deposit (stated by Blackthorn to be in the vicinity of US$680 million) there is a possibility that a future capital raising would happen in any event.

9.3.2 Disadvantages

No future participation in the Perkoa Project

By approving the Proposed Transaction, the Non-associated Shareholders are giving up the right to participate in the future upside (above the cash consideration to be received under the Proposed Transaction of US$12.0 million), if any, associated with the Perkoa Project and the Exploration Licences in Burkina Faso. For instance, if metal prices (in particular zinc) increase significantly in the future, this would result in an increase in value, of the Perkoa Project and therefore the Boundary Shares. We note that sensitivity tables set out in Section 8 show that the valuation of the Boundary Shares is highly sensitive to forecast commodity prices.

Reduction in diversification

By approving the Proposed Transaction, Blackthorn shareholders will be essentially exposed to one ore type – copper. Exposure to projects prospective for different types of ore may assist in reducing the impact of volatility in one particular metal.

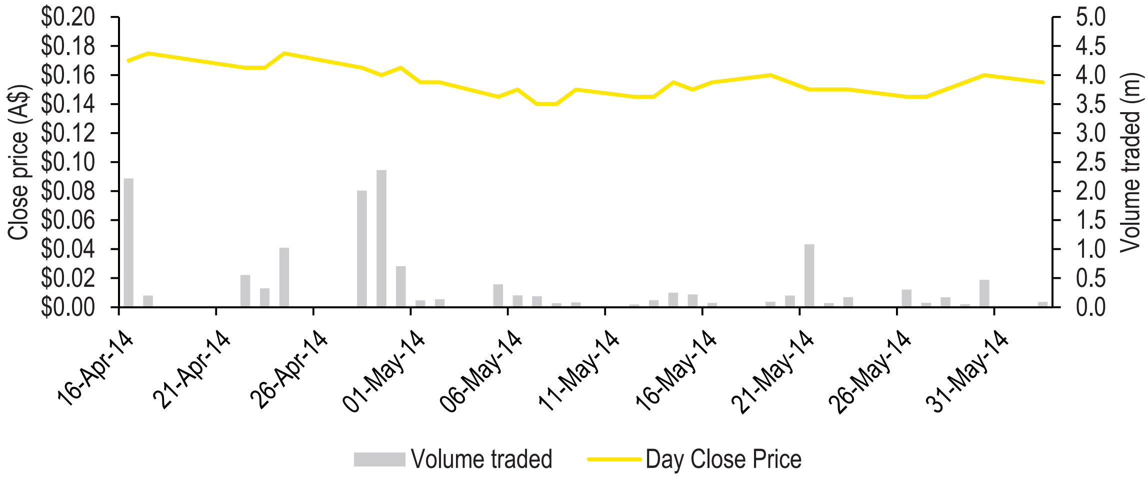
Transaction costs

Blackthorn has, or will, incur costs associated with the Proposed Transaction including legal, accounting and advisory fees, costs for the preparation of the notice of meeting, professional fees and costs associated with the dispatch of documents. The majority of these costs will be incurred irrespective of whether or not the Proposed Transaction is approved and implemented.

9.3.3 Other significant considerations

Market reaction to the Proposed Transaction

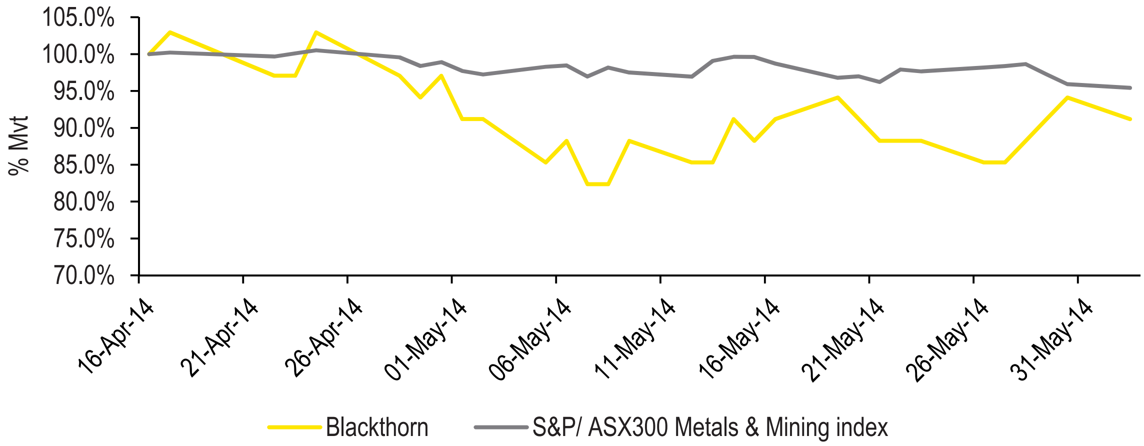
We have also considered market reaction to the announcement of the Proposed Transaction. Based on the daily closing price of the Blackthorn's shares, the following chart illustrates the prices and volumes at which Blackthorn's shares traded over the period 16 April 2014 to 2 June 2014.



Source: Capital IQ, EY TAS analysis

The last trading price of a Blackthorn share on 15 April 2014, being the last trading day prior to the announcement of the Proposed Transaction, was A$0.15. Upon announcement of the Proposed Transaction, the market reacted positively to the offer from Glencore, with Blackthorn's share price increasing to an intraday high of A$0.19, representing a 27% increase on the 15 April 2014 closing price. Since then, Blackthorn's shares have traded around A$0.15, closing at A$0.155 on 13 June 2014.

To assess the possible impact of general industry conditions, the chart below shows a comparison between Blackthorn's share price and the S&P ASX 300 Metals and Mining Index since the announcement of the Proposed Transaction.



Source: Capital IQ and EY TAS analysis

The analysis indicates that Blackthorn's shares have been more volatile than the S&P ASX Metals and Mining Index since the announcement of the Proposed Transaction. From 26 April 2014, Blackthorn's shares have generally underperformed the S&P ASX Metals and Mining Index.

It is therefore inconclusive whether the market has positively responded to the Proposed Transaction.

We do note that, since around January 2013, Blackthorn's share price has steadily declined, and that this decline is likely to be at least partly attributable to progressive announcements made by Blackthorn regarding issues with the Perkoa Project. We therefore consider that it probable that the market has already factored into the price of Blackthorn shares the diminishing prospects of the Perkoa Project. As the Proposed Transaction offers the opportunity to realize a certain value for this difficult project, we expect that should it not proceed, the share price may be negatively affected.

No alternative offers

In our view, given Glencore's ownership interest in Boundary and effective control of Boundary, it is unlikely that an alternative offer for the Boundary Shares would emerge. While an alternative offer for the Exploration Licences could potentially eventuate, the logical buyer of these licences is Glencore, due to the proximity of the licences to the operating Perkoa Project mine and the ability to leverage existing infrastructure.

Board view

We note that the Independent Directors of Blackthorn have unanimously recommended the Proposed Transaction to the Non-associated Shareholders, in the absence of a superior proposal. The support of the Independent Directors should provide additional comfort to the Non-associated Shareholders.

Tax implications

Blackthorn has confirmed that the disposal of the Boundary Shares and Exploration Licences are unlikely to result in any material tax implications to Blackthorn.

Ernst & Young Transaction Advisory Services has not considered the specific taxation implications for individual Non-associated Shareholders.

9.3.4 Other considerations

This independent expert's report has been prepared to assist the Non-associated Shareholders in assessing the merits of the Proposed Transaction. In doing so, the report provides general information only and does not consider the individual situation, objectives and needs of each Non-associated Shareholder. On this basis, the Non-associated Shareholders should consider whether this report is appropriate for their circumstances, having regard to their own situation, objectives and needs before relying on or taking action based on this report. If there is any doubt, the Non-associated Shareholders should seek their own professional advice.

Whether individual Non-associated Shareholders should vote to approve the Proposed Transaction depends upon their own individual situation, objectives and needs, as well as their view as to the reasonableness factors associated with whether or not to approve the Proposed Transaction.

9.4 Conclusion

In the absence of a superior proposal, Ernst & Young Transaction Advisory Services considers the Proposed Transaction to be fair and reasonable to the Non-associated Shareholders.

Appendix A – Statement of qualifications and declarations

Ernst & Young Transaction Advisory Services, which is wholly owned by Ernst & Young, holds an Australian Financial Services Licence under the Act and its representatives are qualified to provide this report. The directors of Ernst & Young Transaction Advisory Services are responsible for this report have not provided financial advice to Blackthorn.

Prior to accepting this engagement, Ernst & Young Transaction Advisory Services considered its independence with respect to Blackthorn with reference to Regulatory Guide 112: Independence of experts, issued by ASIC.

This report has been prepared specifically for the Non-associated Shareholders of Blackthorn in relation to the Proposed Transaction. Neither Ernst & Young Transaction Advisory Services, Ernst & Young and any employee thereof undertakes responsibility to any person, other than the Non-associated Shareholders, in respect of this report, including any errors or omissions howsoever caused.

The statements and opinions given in this report are given in good faith and the belief that such statements and opinions are not false or misleading. In the preparation of this report Ernst & Young Transaction Advisory Services has relied upon and considered information believed after due inquiry to be reliable and accurate. Ernst & Young Transaction Advisory Services has no reason to believe that any information supplied to it was false or that any material information has been withheld from it. Ernst & Young Transaction Advisory Services has evaluated the information provided to it by Blackthorn, its advisors, as well as other parties, through inquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base its report. Ernst & Young Transaction Advisory Services does not imply and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its inquiries could have verified any matter which a more extensive examination might disclose.

The information relied upon in the preparation of this report is set out in Appendix B to this report.

Blackthorn has provided an indemnity to Ernst & Young Transaction Advisory Services for any claims arising out of any mis-statement or omission in any material or information provided to it in the preparation of this report.

Ernst & Young Transaction Advisory Services provided draft copies of this report to Blackthorn for comments as to factual accuracy, as opposed to opinions, which are the responsibility of Ernst & Young Transaction Advisory Services alone. Changes made to this report as a result of this review by the Independent Directors and management have not changed the methodology or conclusions reached by Ernst & Young Transaction Advisory Services.

Ernst & Young Transaction Advisory Services will receive a professional fee based on time spent in the preparation of this report estimated at approximately A$88,000 (inclusive of GST). Ernst & Young Transaction Advisory Services will not be entitled to any other pecuniary or other benefit whether direct or indirect, in connection with the making of this report.

Mr Stuart Bright and Mr Ken Pendergast both directors and representatives of Ernst & Young Transaction Advisory Services and partners of Ernst & Young have assumed overall responsibility for this report. Both have the necessary experience and professional qualifications appropriate to the advice being offered. Other staff have been consulted in the preparation of this report where appropriate.

It is not intended that the report should be used for any other purpose other than to be included in the Notice of General Meeting to be sent to the Non-associated Shareholders with respect to the Proposed Transaction. In particular, it is not intended that this report should be used for any other purpose other than as an expression of its opinion as to whether or not the Proposed Transaction is in the best interests of the Non-associated Shareholders.

Ernst & Young Transaction Advisory Services consents to the issue of this report in the form and context in which it is included in the Notice of General Meeting.

Appendix B – Sources of information

In preparing this report, we have had regard to the following sources of information;

- The Sale and Purchase Agreement between the parties signed on 16 May 2014
- The Notice of General Meeting to be dated on or about 14 July 2014
- The Second Amendment and Restatement Deed Shareholders Agreement dated 13 March 2013
- The Second Amendment and Restatement Deed Senior Facility Agreement dated 16 April 2013
- Working Capital Facility Agreement dated 16 April 2013
- Funding Deed dated 13 March 2013
- Financial model setting out forecast cash flows from May 2014 to December 2020
- LOM model setting out production and costs for the Perkoa Project
- Management accounts for Boundary for the four months ended 30 April 2014
- Unaudited financial statements for Boundary for the year ended 31 December 2013
- Summary of Boundary loans outstanding as at 30 April 2014
- Monthly management accounts for Nantou as at December 2013, February 2014, March 2014 and April 2014
- Project structure chart provided by Blackthorn management
- Access and Cooperation Agreement dated 22 November 2010
- Amendment to the Zinc Offtake Agreement between Glencore and Nantou dated 10 October 2013
- Lead and Silver Offtake Agreement between Glencore and Nantou dated 22 March 2011
- Annual reports for Blackthorn for the years ended 30 June 2012 and 30 June 2013
- Various public disclosure documents lodged by Blackthorn with the ASX
- Discussions with Blackthorn and Glencore management
- The SRK report
- Capital IQ
- Mergerstat control premium study for December 2013 quarter
- IHS Global Insight
- Thomson Reuters
- Consensus Economics
- Other public documents

Appendix C – Determination of discount rate

The forecast cash flows attributable to the Boundary Shares have been prepared on a real, geared and post-tax basis in US dollars.

To determine the net present value of the cash flows, we have assessed the appropriate rate of return on the Boundary Shares.

Required rate of return on equity

The capital asset pricing model ("CAPM") is a model for estimating the rate of return required by an equity investor on an investment.

Under CAPM the required rate of return on equity (R_e) is calculated as follows:

$$R_e = R_f + \beta_e \times (R_m - R_f) + R_s$$

Where:

R_e - rate of return on equity

R_f - risk free rate of return

β_e - expected equity beta of the investment

R_m - expected rate of return on the market portfolio of risky investments

(R_m- R_f) - excess return of the market over the risk free rate, or the market risk premium

R_s - specific risk premium

In the following paragraphs we comment on each of the assumptions we make in respect of each of the main variables in cost of equity formula.

Risk free rate

The relevant government bond market is the most widely adopted proxy for the risk free rate.

Recognising that the remaining life of mine of the Perkoa Project is approximately 6.5 year, we have adopted the yield on 7 year US Government bonds as a measure of the risk free rate. The 7 year US Government Treasury bond yield as at 15 May 2014 was 2.05%.

Market risk premium

The market risk premium (R_m – R_f) represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned. Generally, most estimates fall within a range of approximately 4.0% to 8.0%. However, investor's expectations of the premium can change as the market fluctuates and perceptions of the riskiness of equities change.

We adopted a market risk premium of 6.0% in calculating a US discount rate to be applied to the Boundary Shares.

Beta

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation. In order to determine an appropriate beta to use for the valuation of the Boundary Shares, we have considered the observed betas of comparable companies.

Beta can be expressed as an equity beta, which includes the effect of gearing on equity returns, and as an asset beta, which removes the impact of gearing. The asset beta will be lower than the equity beta for any given investment, with the extent of the difference dependent on the level of debt in the capital structure. The greater the level of gearing, the greater is the risk faced by equity holders (as debt holders have a contractual right of return and so first claim on the operating income). Accordingly, for a given asset beta, the equity beta will increase as the level of gearing increases.

We used the following formula to undertake the de-gearing and re-gearing exercise:

$$\beta_e = \beta_a\left(1 + \frac{D}{E}(1 - t_c)\right)$$

Where:

β_e – the equity or geared beta

β_a – the ungeared beta

t_c – the statutory corporate tax rate

D/E - equals the market value of debt divided by the market value of equity capital

In selecting an appropriate beta, we have considered the analysis below on mining companies primarily producing base metals assets, with a focus on those with zinc projects.

Comparable company data

Comparable Company	Country Headquarters	Raw Beta[1]	Market Capitalisation (US$m)[2]	Net Debt/Equity[3]	Asset Beta
Nyrstar NV	Switzerland	0.85	1,085	77.0%	0.58
Vedanta Resources plc	United Kingdom	2.15	16,363	23.5%	1.81
Volcan Compañía Minera S.A.A.	Peru	0.56	3,711	4.5%	0.54
MMG Limited	Hong Kong	1.51	1,749	66.3%	1.02
Compañía Minera Milpo SAA	Peru	0.43	n/a	n/a	n/a
Independence Group NL	Australia	1.53	682	0.0%	1.53
HudBay Minerals, Inc.	Canada	1.29	1,912	2.0%	1.28
Aurcana Corporation	Canada	1.50	182	21.4%	1.33
Compania Minera Santa Luisa S.A.	Peru	1.38	82	0.0%	1.38
Toho Zinc Co. Ltd.	Japan	1.40	575	80.1%	0.94
Teck Resources Limited	Canada	1.83	23,016	20.7%	1.61
Blackthorn Resources Limited	Australia	1.25	22	n/a	n/a
Low		0.43		0.0%	0.54
Mean		1.31		29.5%	1.20
Median		1.39		21.0%	1.30
Weighted Average		1.77		22.9%	1.53
High		2.15		80.1%	1.81

Source: Capital IQ

1. Raw beta calculated over a five year period with monthly observations, regressed against the MSCI World index.
2. Market capitalisation at 13 May 2014
3. Net debt is total debt less cash and cash equivalents averaged over a five year historical period (where available).
4. Where the correlation (R Squared) between the index and the comparable company is less than 0.04, the correlating beta has been omitted from consideration and is referred to as "n/a"

We have adopted an asset beta of 1.3. In selecting this beta range, we have considered the following:

- The asset betas of the comparable companies;
- The average and median asset betas of comparable companies are 1.2 and 1.3, respectively;
- Observed betas for individual companies fall within a wide range and also vary depending on the data source considered.

Capital structure

In calculating the rate of return on equity, we need to determine an appropriate capital structure at which to re-gear the asset beta. Given that the forecast cash flows attributable to the Boundary Shares are post-debt, the gearing level adopted should reflect an estimate of the actual level of debt reflected in the forecast cash flows (rather than an optimum level).

In order to determine the capital structure for the Perkoa Project, we have considered the simple average gearing levels implied in the forecast cash flows and a time weighted gearing level (which takes into account that earlier years in the forecast period have more impact on a net present value calculation compared to the outer years). We have also considered these measures assuming that the US$30 million shareholder loan advanced by Glencore is more akin to equity risk rather than debt risk.

Based on this analysis, we have applied a debt to equity ratio of 100% (or debt to enterprise value of 50%) to re-gear the asset beta.

Specific risk premium

We have adjusted the Perkoa Project discount rate for a country risk premium of 3.5%, reflecting the increased sovereign risk inherent in operating in West Africa. In selecting this specific risk premium, we have had consideration to the following:

- The country risk premium for the Burkina Faso assessed by Professor Damodaran of Stern University, who regularly publishes country risk premia ratings, of 8.25% at January 2014;
- The assessed country risk rating for the Burkina Faso provided by IHS Global Insight of 55 out of a possible maximum rating of 100. The rating is an overall risk rating influenced by political, economic, legal, taxation, operational and security factors. A rating of 55 indicates a high payments risk. HIS Global Insight rate the twelve month outlook for Burkina Faso as "stable";
- The fact that the assessed country risk is likely to be lower for a project:
  - where the government is involved as an equity holder;
  - which generates royalty income for the government;
  - where most sales are derived and costs incurred in a major international currency; and
  - which is a significant employer of local people.

Inflation

In order to derive a real discount rate, we have adopted an average US estimate of inflation of 2.0% per annum, as estimated by IHS Global Insight between 2014 and 2020.

Cost of equity

On the basis of the above, we have adopted the following inputs in our calculation of a real post-tax cost of equity as shown in the table below.

Discount rate - Cost of equity	
Risk free rate	2.05%
Ungeared asset beta	1.3
Equity beta	2.37
Market risk premium	6.0%
Country risk premium	3.50%
Tax rate	17.5%
Debt to enterprise value ratio	50.0%
Cost of equity (post-tax nominal)	19.79%
Inflation estimate	2.0%
Cost of equity (post-tax real)	17.44%
Say,	**17.5%**

Source: EY TAS Analysis

As shown in the tables above, we have adopted a discount rate of 17.5% to the forecast cash flows attributable to the Boundary Shares. We have not reflected any adjustment for lack of control or marketability in the discount rate adopted.

Appendix D – Commodity prices

Ernst & Young Transaction Advisory Services' approach for determining forward commodity prices in this report is consistent with the approach typically taken by valuers preparing market valuations including independent expert's reports. This approach is to use consensus forecast pricing, which is calculated based on a range of brokers' forecasts that were publicly available prior to valuation date.

In determining the consensus forecast price, we undertook the following steps:

- Using the research tools available to us, including but not limited to Thomson Reuters, we identified as many broker reports as possible which published pricing estimates immediately prior to our report. We note that brokers typically report short term price estimates on a nominal basis, and long term prices on a real basis.
- Where brokers have provided forecast estimates for both calendar year (ending December) and financial year (ending June), we have considered the calendar year forecast and converted the financial year forecast to a calendar year basis.
- We identified the most recent industry-wide forecast prior to the valuation date for each of the major brokers, excluded outliers and determined the median of the broker estimates.
- We converted the nominal median prices for the short term forecasts to real prices based on a forecast rate of inflation. The inflation forecast was based on estimates of the consumer price index ("CPI") from independent forecasting sources.
- Most brokers disclose price forecasts up to CY18 and a long term price forecast. We have applied short term price estimates up to and including CY18 based on broker consensus. For CY19 to CY21 we have applied a step-down approach from CY18 based on the broker consensus for long term prices.
- We note that short term prices are typically forecast in nominal terms, with the long term price expressed in real terms (in 2013 dollars). Therefore, we have deflated the consensus forecast prices for the period CY14 to CY18, to convert the prices to real terms. Inflation forecast assumptions have been based on independent inflation estimates which average 2.0% over the forecast period.

Zinc prices

With regard to zinc price forecasts, we were able to source forecasts from 32 brokers. Where individual brokers have presented the zinc forecasts on a per pound basis, we have converted the forecast to be shown on a per tonne basis using the conversion rate of 1 tonne = 2,204.62 lb.

The following table summarises the forecast data we considered for zinc price forecasts. The results are presented on a real basis.

	Point estimates					Step-down period			Long-term assumption
Consensus summary, real terms	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Zinc – US$000/t									
Low	1,916	1,823	1,913	1,751	1,907	1,953	1,949	1,942	1,874
Mean	2,047	2,150	2,226	2,265	2,226	2,210	2,199	2,188	2,129
Median	2,045	2,154	2,223	2,244	2,208	2,196	2,184	2,172	2,143
High	2,219	2,468	2,615	3,075	2,754	2,556	2,527	2,498	2,482

Source: various broker reports, EY TAS analysis

The table below represents the range of zinc price forecasts adopted in our valuation.

	2014	2015	2016	2017	2018	2019	2020
Zinc - US$/tonne							
Low	1,950	2,050	2,100	2,150	2,100	2,100	2,100
High	2,150	2,250	2,300	2,350	2,300	2,300	2,300

Source: EY TAS analysis

Lead prices

With regard to lead price forecasts, we were able to source forecasts from 28 brokers. Where individual brokers have presented the lead forecasts on a per tonne basis, we have converted the forecast to be shown on a per pound basis using the conversion rate of 1 tonne = 2,204.62 lb.

The following table summarises the forecast data we considered for lead price forecasts. The results are presented on a real basis.

	Point estimates					Step-down period			Long-term assumption
Consensus summary, real terms	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Lead – US$000/t									
Low	1,930	1,875	1,969	1,810	1,952	1,959	1,934	1,908	1,882
Mean	2,133	2,196	2,192	2,162	2,157	2,093	2,092	2,090	2,073
Median	2,136	2,208	2,197	2,185	2,149	2,110	2,112	2,114	2,070
High	2,283	2,565	2,498	2,460	2,510	2,217	2,199	2,188	2,245

Source: various broker reports, EY TAS analysis

The table below represents the lead price forecast adopted in our valuation.

	2014	2015	2016	2017	2018	2019	2020
Lead - US$/tonne							
Low	2,050	2,100	2,100	2,100	2,050	2,000	2,000
High	2,250	2,300	2,300	2,300	2,250	2,200	2,200

Source: EY TAS analysis

Silver prices

With regard to silver price forecasts, we were able to source forecasts from 23 brokers.

The following table summarises the forecast data we considered for silver price forecasts. The results are presented on a real basis.

	Point estimates					Step-down period			Long-term assumption
Consensus summary, real terms	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Silver - US$/oz									
Low	17.8	16.5	15.2	13.9	12.7	18.0	17.9	17.8	17.7
Mean	20.2	20.0	20.2	19.6	19.5	19.7	19.8	20.0	20.5
Median	19.9	20.0	20.0	19.6	20.0	19.3	19.5	19.3	20.0
High	23.0	23.7	23.9	22.8	22.6	22.7	22.8	23.6	24.8

Source: various broker reports, EY TAS analysis

The table below represents the silver price forecast adopted in our valuation.

	2014	2015	2016	2017	2018	2019	2020
Silver - US$/oz							
Low	19.00	19.00	19.00	18.50	19.00	18.50	18.50
High	21.00	21.00	21.00	20.50	21.00	20.50	20.50

Source: EY TAS analysis

Appendix E – Glossary of terms

Abbreviation	Full title / description
A$	Australian dollars
Access and Cooperation Agreement	Access and Cooperation Agreement between Blackthorn, Nantou Mining, Boundary and Blackthorn Resources dated 22 November 2010
Ag	Silver
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
AUD:US$	Exchange rate for one Australian dollar in US dollar terms
AUMS	African Underground Mining Services
BFS	Bankable feasibility study
Blackthorn or Company	Blackthorn Resources Limited and its associated entities
Blackthorn Resources	Blackthorn Resources Burkina Faso SARL
Boundary	Boundary Ventures Limited
Boundary Shares	The ordinary shares, redeemable preference shares and Class A share owned by Blackthorn in Boundary
Capex	Capital expenditure
CAPM	Capital asset pricing model
CPI	Consumer price index
CYXX	Calendar year ending 31 December 20XX
DCF	Discounted cash flow
DFS	Definitive feasibility study
DMT	Dry metric tonne
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EL Transaction	The sale of the Exploration Licences to Glencore
Ernst & Young Transaction Advisory Services / EY TAS / we / us / our	Ernst & Young Transaction Advisory Services Limited
EUR	Euro
EUR:US$	Exchange rate for one Euro in US dollar terms
EUR:XOF	Exchange rate for one Euro in West African franc terms
Explanatory Statement	The explanatory statement which accompanies the Notice of General Meeting addressed to Blackthorn shareholders
Exploration Licences	The Poa, Guido, Sepaogo and Seboun exploration licences in Burkina Faso owned by Blackthorn subsidiaries, Nantou Mining and Blackthorn Resources
Financial Model	The financial model prepared by Blackthorn and Glencore management, using inputs from the LOM Model
FYXX	Financial year ending 31 December 20XX
g	Grams
g/t	Grams per tonne
General Meeting	The general meeting of Blackthorn shareholders to be held on or about 14 August 2014
Glencore	Glencore PLC and its associated entities
Independent Directors	Independent Directors of Blackthorn
Kg	Kilograms
LIBOR	London Interbank Offered Rate

Abbreviation	Full title / description
LOM	Life of mine
LOM Model	The life of mine model prepared by Nantou management
m	millions
Nantou	Nantou Mining Burkina Faso SA
Nantou Mining	Nantou Mining Limited BV
Non-associated Shareholders	The shareholders in Blackthorn, other than Glencore and its associates
Notice of General Meeting	The notice of meeting and Explanatory Statement addressed to Blackthorn shareholders to be dated on or about 14 July 2014
NPAT	Net profit after tax
Oz	Ounce
Pb	Lead
Perkoa Project	The Perkoa zinc mine located in Burkina Faso owned by Nantou
PPP	Purchasing power parity
Proposed Transaction	The sale of the Boundary Shares and Exploration Licences to Glencore
RG111	Regulatory Guide 111: Content of expert reports
RPS	Redeemable preference shares
Sale and Purchase Agreement	Sale and purchase agreement dated 16 May 2014 between Blackthorn and Glencore
Share Transaction	The sale of the Boundary Shares to Glencore
Shareholders' Agreement	The Second Amendment and Restatement Deed Shareholders Agreement dated 13 March 2013
SRK	SRK Consulting (Australasia) Pty Limited
SRK Report	Report prepared by SRK dated 1 July 2014 attached as Appendix F
t	Tonnes
US$	US dollars
US$/oz	US dollars per ounce
US$/t	US dollars per tonne
US$:AUD	Exchange rate for one US dollar in Australian dollar terms
US$:XOF	Exchange rate for one US dollar in West African franc terms
VALMIN code	Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
WMT	Wet metric tonne
Working Capital Facility	The US$20 million working capital facility documented in the Working Capital Facility Agreement
Working Capital Facility Agreement	Working Capital Facility Agreement dated 16 April 2013
XOF	West African franc
Zn	Zinc

Appendix F – SRK Report

Independent Technical Assessment of the Perkoa Mine and Valuation of the Exploration Licences

Report Prepared for

Blackthorn Resources Limited

Report Prepared by

SRK Consulting (Australasia) Pty Ltd

BLC009

July 2014

Independent Technical Assessment of the Perkoa Mine and Valuation of the Exploration Licences

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Executive Summary

SRK Consulting Australasia Pty Ltd (SRK) was engaged by Blackthorn Resources Limited (Blackthorn or the Company) to prepare an Independent Mineral Specialist's and Valuation Report (Report) for the mineral assets of the Perkoa Joint Venture (Joint Venture, or the Project) and four exploration licences held by Blackthorn adjacent to the Project. This Report was prepared under direction from Ernst & Young Transaction Advisory Services Limited (EYTAS) who provided SRK with instructions as set out in a letter dated 8 May 2014 confirming the Scope of Work.

Blackthorn is a mining and exploration company, listed on the Australian Securities Exchange (ASX). Blackthorn holds a 27.3% stake in the Perkoa Project that is a Joint Venture between Blackthorn and Glencore PLC (Glencore). The Mineral Assets being considered in this Report are located in Burkina Faso and consist of the:

- Perkoa Zinc and Lead Mine; and
- Adjacent exploration tenements.

This Report relates to the proposed acquisition by Glencore of Blackthorn's remaining 27.3% in the Perkoa Joint Venture and the acquisition of Blackthorn's interests in four exploration licences in Burkina Faso (the Proposed Transaction).

Summary of principal objectives

The purpose of this Report is to provide shareholders of Blackthorn with a technical assessment of the Perkoa Mine and valuation of the exploration tenements/ licences in relation to the proposed transaction. SRK was requested to undertake the following scope of work:

- Review of the relevant data and reports available with respect to the mineral assets;
- Provide a description of the mineral assets;
- Consideration of the geology mineral resources and ore reserves, development plans, production schedules, processing methods, mining aspects, operating cost, capital cost and exploration potential;
- Consideration of the life of mine model to determine the reasonableness of the technical and operational assumptions upon which they are based including the reserves and resources, mine life, operating cost and capital cost;
- Consideration of the extension for all resources not included in the life of mine and the value of those resources; and
- A description of and the value of the four exploration licences held by Blackthorn in Burkina Faso to the extent that they are not covered in the life of mine model.

Outline of work programme

SRK conducted a comprehensive review and assessment of all material technical issues likely to influence the future performances of the Project and provided a valuation as at 30 April 2014.

The work programme for this report drew on SRK's knowledge of the Project developed during reviews in 2012 and 2013 including:

- Review of the Mineral Resource and Ore Reserve estimates;
- Review of technical report, supporting data and associated technical economic projection;
- Review of recent operating performance reports; and
- Discussions with Blackthorn and Glencore staff.

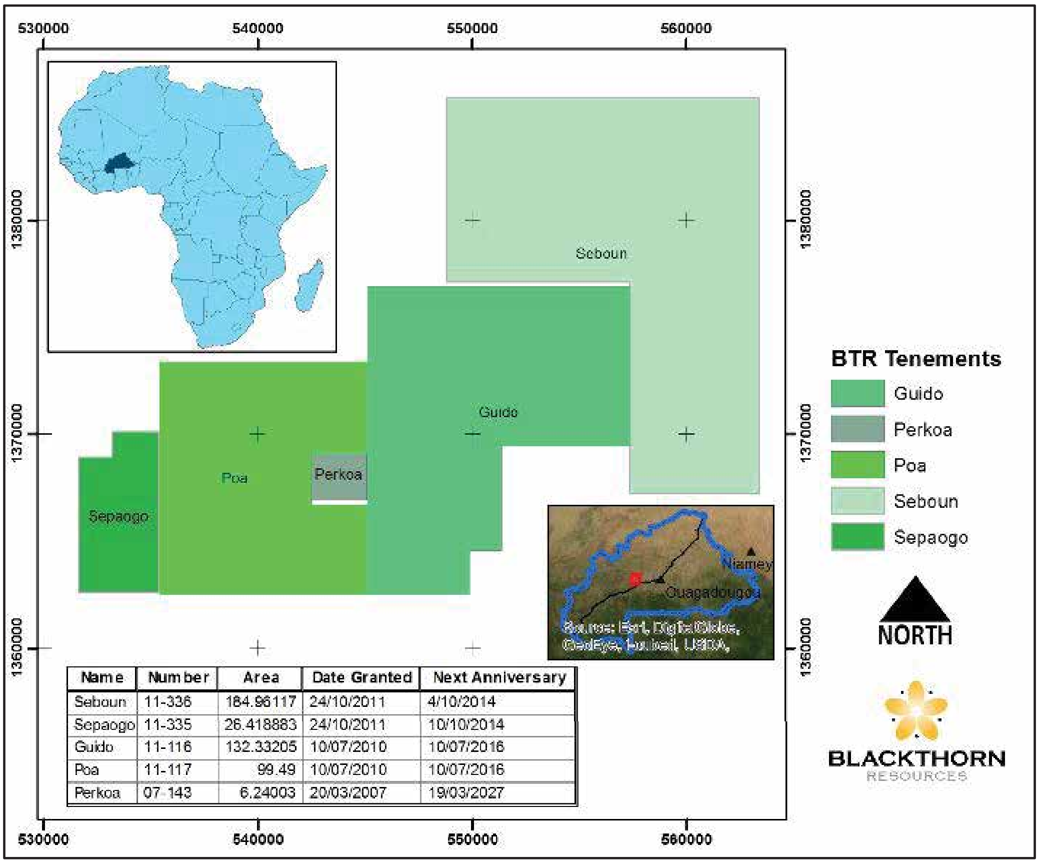
Mr Peter Fairfield, a full-time employee of SRK, conducted a site visit in February 2013.

Mineral Assets

The Mineral Assets are located in the Sanguie Province, some 120 km west of Ouagadougou, the capital of Burkina Faso. The Mineral Assets include the operating Perkoa Zinc and Lead mine and the surrounding exploration tenements.

The Perkoa Mine has a nominal 750 ktpa production rate delivering ore to a conventional crushing milling and flotation plant to produce concentrate at 52% Zn. The concentrate is conveyed to an on-site covered stockpile facility from where the concentrate is loaded into bags and transported by road to the port at Abidjan in Côte d'Ivoire for export to western and northern Europe destinations.

Blackthorn holds four exploration licences adjacent to the Perkoa Project in Burkina Faso. Two of the licences, Seboun and Sepaogo are due to expire in October 2014 and cannot be renewed; hence SRK will value only the remaining two licences, Poa and Guido.



Name	Number	Area	Date Granted	Next Anniversary
Seboun	11-336	184.96117	24/10/2011	4/10/2014
Sepaogo	11-335	26.418883	24/10/2011	10/10/2014
Guido	11-116	132.33205	10/07/2010	10/07/2016
Poa	11-117	99.49	10/07/2010	10/07/2016
Perkoa	07-143	6.24003	20/03/2007	19/03/2027

Figure ES-1: Location map of the Mineral Assets

Background

SRK has previous involvement in the Perkoa Project having prepared a Mineral Resource model and reviewed mine designs to support the Mineral Resource and Ore Reserve estimates reported[1] in 2013.

The following outlines the work undertaken to provide context to the relationships between the information that has been released.

During 2013 SRK was engaged by the Joint Venture to undertake a study to prepare a geological block model and subsequent Mineral Resource estimate. This was to form the basis of an Ore Reserve estimate.

The technical work was undertaken with a geological model prepared in July 2013, (July 2013 Geological Model). This model included a number of geological domains and simplistically includes zinc rich lode and lead rich lodes in the model. The stope designs and mining layouts prepared by the Joint Venture were reviewed by SRK for the purposes of preparing an Ore Reserve estimate. Following submission of the July 2013 Geological Model to the Joint Venture, Glencore geological personnel reviewed the model and entered into discussions around the modelling methodology. These discussions continued and as this was not finalised at the time neither a mineral resource nor ore reserve as at July 2013 were released.

In December 2013, SRK was contracted by Glencore to act as the Competent Person for the release of Mineral Resource and Ore Reserve (2013 Ore Reserve) estimates as at December 2013. SRK depleted the July 2013 Geological Model estimates with production to December 2013 to prepare the December 2013 estimates[1].

SRK notes that “The Zinc Mineral Resource and Ore Reserve Statement at 31 December 2013 has been compiled in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserve’s JORC Code[2]”

SRK notes that none of the reported Mineral Resource and Ore Reserve estimates have been applied as the basis of the production schedule for this Report.

In January 2014, SRK was engaged by Blackthorn to review and comment on differences between a life of mine plan presented by Glencore and the December 2013 estimates. During this investigation it was determined that Glencore had prepared a geological model (Zinc-only Geological Model) that solely focussed on production from zinc lodes.

The Zinc-only Geological Model is the basis of the life of mine plan that was presented to Blackthorn and has become the basis of the life of mine plan (2014 LoM) on which the proposed transaction is based.

SRK understands that after a strategic review, Glencore, the managing partner of the Joint Venture decided to investigate a Zinc-only strategy. This was undertaken on the basis that with the current financial assumptions and lead grades the Zinc-only production profile would provide a higher value scenario. Thus the Zinc-only Geological Model and life of mine plan to pursue the zinc rich lodes and not mine the lower grade lead lodes was put forward in January 2014.

[1] December 2013 estimates released by Glencore, *GLEN-2013-Resources-Reserves-Report.pdf*

[2] December 2013 estimates released by Glencore, *GLEN-2013-Resources-Reserves-Report.pdf ; Page 2*

The following spreadsheets were provided, along with design files to support the review:

- The 2014 LoM is sourced from the file:
  - BUDGET OLAF 2014 – Blackthorn 01 03 2014_v1.xlsm.
- 2014 LoM Mining schedule (Mining Schedule) is from the file:
  - LoM_SCHEDULE_13_12_13_OPTION1_v2.xls.

Summary of Findings

The key findings of SRK's review of the technical aspects of the 2014 LoM are:

- The Zinc-only Geological Model provides a sound basis for planning and design work;
- The basis of design and mining schedule are suitable and fit for purpose for the 2014 LoM;
- The forecast lead recovery should be reduced by 50% based on the decline in lead head grade;
- The forecast silver recovery in the lead concentrate should be reduced by 50% as the silver is associated with the lead concentrate;
- The operating cost estimates are based on first principles build-up and actual historical operating performance and are considered to be reflective of the forecast future performance within typical orders of accuracy and are a suitable basis for the valuation;
- SRK recommends increasing the 'stay in business' capital cost estimate; and
- All other capital cost estimates are based on sound practices.

Exploration Licence Valuation

As the Seboun and Sepoago licences are due to expire in October 2014, and cannot be renewed, SRK believes that there will be no future economic benefits flowing from these licences, and therefore SRK suggests that they be valued at a nominal amount.

The valuation has been primarily based on the analysis of comparable transactions, with suitable valuation factors chosen for both an area-based valuation and a resource-based valuation. SRK has assessed the exploration expenditure and the value enhancement from the outcomes of the exploration activities, and used this as a secondary means of valuation.

SRK's valuation range has been derived by applying a range of 35% above and below the Preferred Value. This is in line with SRK's view on the degree of technical risk associated with a project at this stage. A summary of the valuation of the exploration licences is presented in Table ES-1.

Table ES-1: Exploration Licence Valuation

	Low Value (USD)	Preferred Value (USD)	High Value (USD)
Seboun	-	-	-
Sepoago	-	-	-
Poa	390,000	600,000	810,000
Guido	877,500	1,350,000	1,822,500
Total	**1,267,500**	**1,950,000**	**2,632,500**

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Disclaimer

The opinions expressed in this Report have been based on the information supplied to SRK Consulting (Australasia) Pty Ltd (SRK) by Blackthorn Resources Limited and Glencore PLC. The opinions in this Report are provided in response to a specific request from Ernst & Young Transaction Advisory Services Limited to do so. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this Report apply to the site conditions and features as they existed at the time of SRK's investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which SRK had no prior knowledge nor had the opportunity to evaluate.

List of Abbreviations

Abbreviation	Meaning
Ag	The chemical symbol for silver
bcm	bank cubic metre
Zn	The chemical symbol for zinc
DFS	Definitive Feasibility Study
Blackthorn	Blackthorn Resources Limited
dmt	dry metric tonne
FS	Feasibility Study
Glencore	Glencore PLC
hr	hour
ID^2	Inverse Distance squared
JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).
K	thousand
kJ	kilojoule
kt	kiloton, equal to 1,000 tonnes
kW	kilowatt
l	litre
LoM	Life of Mine
M	million
m^3	cubic metre
m^3/hr	cubic metre per hour
Mt	million tonnes
Mtpa	million tonnes per annum
NPV	net present value
OK	Ordinary Kriging
Pb	The chemical symbol for lead
PFS	Pre-Feasibility Study
ROM	run of mine
SRK	SRK Consulting (Australasia) Pty Ltd
t	tonne
tpa	tonnes per annum
USD	United States Dollars
VALMIN Code	The VALMIN Code is the code adopted by The Australasian Institute of Mining and Metallurgy for the Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Exert Reports.
VMS	volcanogenic massive sulphide

1 Introduction

1.1 Background

SRK Consulting Australasia Pty Ltd (SRK) was engaged by Blackthorn Resources Limited (Blackthorn or the Company) to prepare an Independent Mineral Specialist's and Valuation Report (Report) for the mineral assets of the Perkoa Joint Venture (Joint Venture, or the Project) and four exploration licences held by Blackthorn adjacent to the Project. The report was prepared under direction from Ernst & Young Transaction Advisory Services Limited (EYTAS) who provided SRK with instructions as set out in a letter dated 8 May 2014 confirming the Scope of Work.

Blackthorn is a mining and exploration company, listed on the Australian Securities Exchange (ASX). Blackthorn holds a 27.3% stake in the Perkoa Project that is a Joint Venture between Blackthorn and Glencore PLC (Glencore). The Mineral Assets being considered in this Report are located in Burkina Faso and consist of the:

- Perkoa Zinc and Lead Mine; and
- Adjacent exploration tenements.

This Report relates to the proposed acquisition by Glencore of Blackthorns remaining 27.3% in the Perkoa Joint Venture and the acquisition of Blackthorn's interests in four exploration licences in Burkina Faso (the Proposed Transaction).

2 Programme Objectives and Work Programme

2.1 Purpose of the Report

The purpose of this Report is to provide shareholders of Blackthorn with a technical assessment and valuation in relation to the Proposed Transaction. This Report provides a technical assessment of the Perkoa Mine and a valuation of the exploration licences, but does not make any comment on the fairness and reasonableness of any transactions related to the Mineral Assets.

SRK provides comment on the valuation of the exploration licences. A Discounted Cashflow Valuation (DCF) of the Perkoa Mine is outside the scope of this Report.

SRK was requested to undertake the following scope of work:

- Review of the relevant data and reports available with respect to the mineral assets;
- Provide a description of the mineral assets;
- Consideration of the geology mineral resources and ore reserves, development plans, production schedules, processing methods, mining aspects, operating cost, capital cost and exploration potential;
- Consideration of the life of mine model to determine the reasonableness of the technical and operational assumptions upon which they are based including the reserves and resources, mine life, operating cost and capital cost;
- Consideration of the extension for all resources not included in the life of mine and the value of those resources; and
- A description of and the value of the four exploration licences held by Blackthorn in Burkina Faso to the extent that they are not covered in the life of mine model.

2.2 Reporting Standard

This Report has been prepared to the standard of, and is considered by SRK to be, a Technical Assessment Report under the guidelines of the VALMIN Code. The VALMIN Code is the code adopted by The Australasian Institute of Mining and Metallurgy and the standard is binding upon all AusIMM members. The VALMIN Code incorporates the JORC Code for the reporting of Mineral Resources and Ore Reserves. It should be noted that the authors of this Report are Corporate Members of The AusIMM and, as such, are bound by the VALMIN Code.

2.3 Key sources of data

Data and information on the Mineral Assets used to prepare this Report are referenced throughout this Report.

2.4 Effective date

The effective date (Effective Date) of this Report is deemed to be 30 April 2014.

2.5 Indemnities

As recommended by the VALMIN Code, Blackthorn has agreed to provide SRK with an indemnity under which SRK is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required:

- Which results from SRK's reliance on information provided by the Company or to the Company not providing material information; or
- Which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

2.6 Verification, validation and reliance

Blackthorn and Glencore have confirmed to SRK that full disclosure has been made of all material information and that to the best of its knowledge and understanding, the information provided by it, was complete, accurate and true and not incorrect, misleading or irrelevant in any material aspect. SRK has no reason to believe that any material facts have been withheld. The Report herein is dependent upon technical and financial input as provided by Blackthorn and was taken in good faith by SRK. SRK has not independently verified Mineral Resources or Ore Reserves estimates by means of recalculation.

2.7 Work programme

SRK has conducted a comprehensive review and assessment of all material technical issues likely to influence the future performance of the Perkoa Mine.

The work programme for this report drew on SRK’s knowledge of the project developed during reviews in 2012 and 2013 and the following work completed during 2014 including:

- A review of the Mineral Resource and Ore Reserve estimates in 2013;
- A review of the Zinc-only Geological Model and 2014 LoM plan;
- A review of technical reports, supporting data and associated technical economic projections;
- A review of recent operating performance reports; and
- Discussions with Blackthorn staff.

The Technical Assessment and Valuation Report was prepared during May/June 2014 to reflect market conditions at that time.

Peter Fairfield, a full-time employee of SRK, conducted a site visit in February 2013 and Peter Munro, Associate Metallurgical Consultant to SRK and a full-time employee of Mineralurgy Pty Ltd conducted a site visit in September 2012.

2.7.1 Project team

Mr Peter Fairfield, Principal Consultant (Project Evaluations) at SRK Consulting (Australasia) Pty Ltd, BEng, FAusIMM (CP), has compiled this section of the report based on the review of technical reports and technical-economical models provided by the Client. Mr Fairfield assumes the responsibility for the estimates presented here in and has the relevant experience to be considered an Expert under the VALMIN guidelines.

Specialists relied upon by Mr Fairfield in the preparation of this valuation are listed below:

- Ms Anne-Marie Ebbels, Principal Consultant (Mining), review of mining, technical-economic model inputs;
- Mr Danny Kentwell, Principal Consultant (Resource Geology), review of geology and resources;
- Mr Trivindren Naidoo, Associate Consultant (Geology), valuation of exploration tenements;
- Mr Peter Munro, Principal Consultant, Engineer (Metallurgy), review of Metallurgy and Processing;
- Ms Deborah Lord, Principal Consultant (Geology), Peer Review, valuation of exploration tenements; and
- Mr Anthony Stepcich, Principal Consultant (Project Evaluations), Peer Review.

2.8 Legal matters

SRK has not been engaged to comment on any legal matters.

2.9 Limitation, Reliance on information, Declaration and Consent

2.9.1 Limitations

SRK's opinion contained herein is based on information provided to SRK by Blackthorn and Glencore throughout the course of SRK's investigations as described in this report, which in turn reflects various technical and economic conditions at the time of writing. If these conditions did change materially, the information and opinions contained in this Report would have to be addressed to reflect these changes.

Taking due consideration of the timeframes for transactions of this nature, SRK notes that the resulting budgets and forecasts have been prepared appropriately and are based on the information available at the time and within the practical constraints and limitations of such budgets and forecasts.

The achievability of budgets and forecasts are neither warranted, nor guaranteed by SRK. Future cash flows and profits derived from such forecasts are inherently uncertain owing primarily to the volatility of the commodity prices and exchange rates.

The forecasts as reported upon herein are those made by Blackthorn and Glencore of future parameters that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of Blackthorn or Glencore or their management. Consequently, actual results may be significantly more, or less favourable.

This Report includes technical information, which requires subsequent calculations to derive subtotals, totals and weighted averages. Such calculations may involve a degree of rounding and consequently introduce an error. Where such errors occur, SRK does not consider them to be material. As far as SRK has been able to ascertain, the information provided by Blackthorn and Glencore was complete and not incorrect, misleading or irrelevant in any material aspect.

2.9.2 Reliance on information

SRK believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the opinions presented in this Report. The preparation of such a report is a complex process and does not lend itself to partial analysis or summary.

SRK's effective date for the Report is based on information provided by Blackthorn and Glencore throughout the course of SRK's investigations, which in turn reflect various technical-economic conditions prevailing at the date of this report.

SRK has requested that Blackthorn and Glencore has represented in writing to SRK that full disclosure has been made of all material information and that, to the best of its knowledge and understanding, such information is complete, accurate and true.

SRK has no obligation or undertaking to advise any person of any change in circumstances which comes to its attention after the date of this review, revise or update the report or opinion.

2.9.3 Statement of independence

Neither SRK nor any of the authors of this Report have any material present or contingent interest in the outcome of this Report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK.

SRK has no prior association with the Company in regard to the Mineral Assets that are the subject of this Report apart from having provided technical advice to the Company regarding the Project. SRK has no beneficial interest in the outcome of the technical assessment being capable of affecting its independence.

SRK's fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The payment of that professional fee is not contingent upon the outcome of the Report.

2.9.4 Consent

Neither the whole, nor any part of this Report, nor any reference thereto may be included in any other document without the prior written consent of SRK as to the form and context in which it appears

2.9.5 Consulting fees

SRK will receive payment of approximately AUD55,000 to undertake the work associated with completion of the Scope of Work defined in Section 2.

3 Project Overview

3.1 Location of Mineral Assets

The Mineral Assets are located in the Sanguie Province, some 120 km west of Ouagadougou, the capital of Burkina Faso. The Mineral Assets include the operating Perkoa Zinc and Lead mine and the surrounding exploration tenements.

The Perkoa Mine has a nominal 750 ktpa production rate delivering ore to a conventional crushing milling and flotation plant to produce concentrate at 52% Zn. The concentrate is conveyed to an on-site covered stockpile facility from where the concentrate is loaded into bags and transported by road to the port at Abidjan in Côte d'Ivoire for export to western and northern Europe destinations.

The location of the Mineral Assets is presented in Figure 3-1 and Figure 3-2.

Figure 3-1: Location map of Joint Venture's Project

Source: Blackthorn website

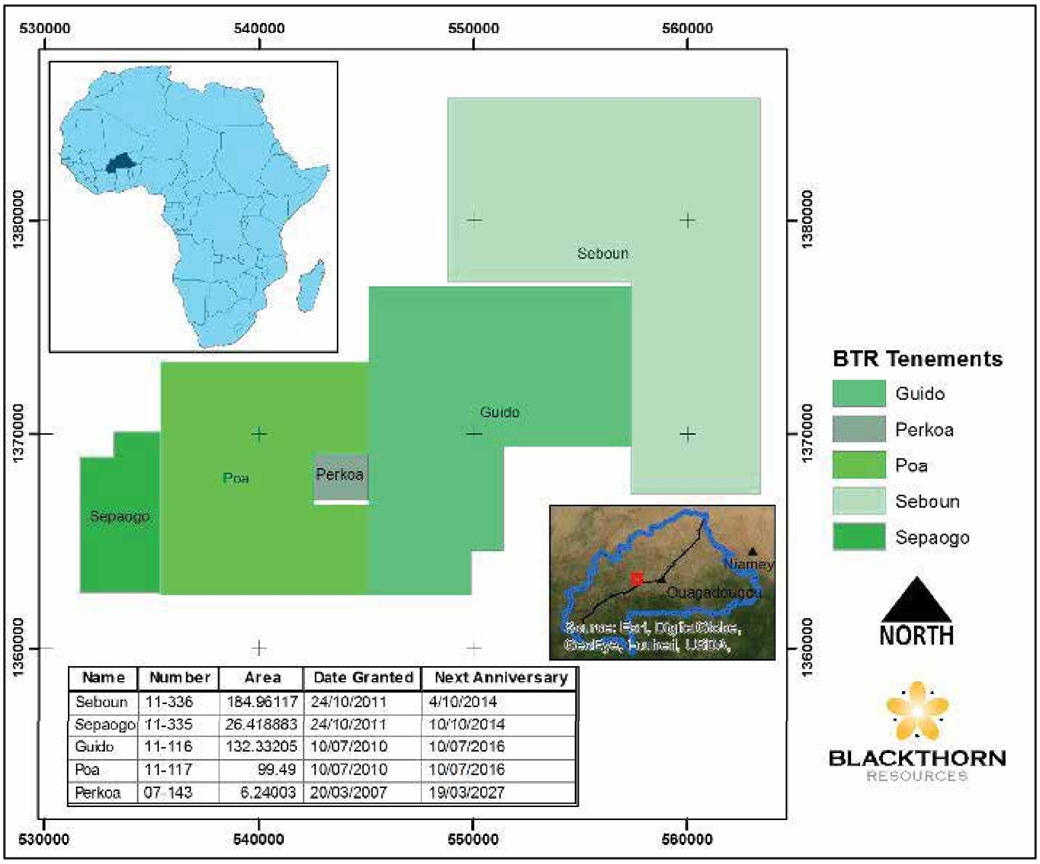

Figure 3-2: Location map of Mineral Assets

Source: Blackthorn website

3.2 Perkoa Mine

Glencore has estimated the Mineral Resources and Ore Reserves for the Perkoa Deposit that have been reported by Glencore on its website.[3]

The Mineral Resource estimates for the Perkoa Deposit are provided in Table 3-1.

Table 3-1: Perkoa Mine 2013 Mineral Resource Estimate

	Mt	Zn (%)	Pb (%)	Ag (g/t)
Measured	0.96	15.1	0	0
Indicated	4.8	10	0.3	77
Subtotal M&I	**5.8**	**11**	**0.3**	**64**
Inferred	7.2	9.0	0.2	50

Table 3-2: Perkoa Mine December 2013 Ore Reserves estimate

	Mt	Zn (%)	Pb (%)	Ag (g/t)
Total Ore Reserves	**4.9**	**9.9**	**0.2**	**41**

[3] December 2013 estimates released by Glencore, *GLEN-2013-Resources-Reserves-Report.pdf*

The Mineral Resource and Ore Reserves stated in Table 3-1 and Table 3-2 have not been released to the Australian Securities Exchange (ASX) in accordance with the ASX Listing Rules, but SRK has reviewed these estimates and considers that they have been prepared consistently with JORC Code 2012.

SRK notes that Glencore states “The Zinc Mineral Resource and Ore Reserve Statement at 31 December 2013 has been compiled in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserve’s JORC Code[4]”. SRK acted as the Competent Person for this release.

Additionally, SRK reviewed the December 2013 Mineral Resource estimate and considers that there is no material difference between the Glencore release of the December 2013 Mineral Resource estimate and the 2012 Mineral Resource estimate released by Blackthorn on 24 May 2012.

3.2.1 Background

SRK has previous involvement in the Perkoa Project having prepared a Mineral Resource model and reviewed mine designs to support the Mineral Resource and Ore Reserve estimates for the Project and most recently reported[5] by Glencore in 2013.

The following outlines the work undertaken to provide context to the relationships between the information that has been released.

During 2013 SRK was engaged by the Joint Venture to undertake a study to prepare geological block model (geological model) and subsequent Mineral Resource estimate. This was to form the basis of an Ore Reserve estimate.

The technical work was undertaken with a geological model prepared in July 2013, (July 2013 Geological Model). This model included a number of geological domains and simplistically includes zinc rich lode and lead rich lodes in the model. The stope designs and mining layouts prepared by the Joint Venture were reviewed by SRK for the purposes of preparing an Ore Reserve estimate. Following submission of the July 2013 Geological Model to the Joint Venture, Glencore geological personnel reviewed the model and entered into discussions around the modelling methodology. These discussions continued and as this was not finalised at the time neither a mineral resource nor ore reserve as at July 2013 were released.

In December 2013, SRK was contracted by Glencore to act as the Competent Person for the release of Mineral Resource and Ore Reserve estimates as at December 2013. SRK depleted the July 2013 Geological Model for production to December 2013 to prepare the December 2013 estimates.

SRK notes that the reported Mineral Resource and Ore Reserve estimates have not been applied as the basis of the production schedule for this Report.

In January 2014 SRK was engaged by Blackthorn to review and comment on differences between a life of mine plan presented by Glencore and the December 2013 Ore Reserve estimate. During this investigation it was determined that Glencore had prepared a geological model (Zinc-only Geological Model) that solely focussed on production from zinc lodes.

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[4] December 2013 estimates released by Glencore, *GLEN-2013-Resources-Reserves-Report.pdf ; Page 2*
[5] December 2013 estimates released by Glencore, *GLEN-2013-Resources-Reserves-Report.pdf*

The Zinc-only Geological Model is the basis of the life of mine plan that was presented to Blackthorn and has become the basis of the life of mine plan (2014 LoM) on which the valuation for the proposed transaction is based.

SRK understands that after a strategic review, Glencore, the managing partner of the Joint Venture decided to investigate a Zinc-only strategy. This was undertaken on the basis that with the current financial assumptions and lead grades the Zinc-only production profile would provide a higher value scenario. Thus the Zinc-only Geological Model and life of mine schedule to pursue the zinc rich lodes and not mine the lower grade lead lodes was put forward in January 2014.

The following spreadsheets were provided, along with design files to support the review:

- The 2014 LoM is sourced from the file:
  - BUDGET OLAF 2014 – Blackthorn 01 03 2014_v1.xlsm.
- 2014 LoM Mining schedule (Mining Schedule) is from the file:
  - LoM_SCHEDULE_13_12_13_OPTION1_v2.xls.

3.3 Exploration Licences

Blackthorn holds four exploration licences adjacent to the Perkoa Project in Burkina Faso, refer Figure 3-3. Two of the licences, Seboun and Sepaogo are due to expire in October 2014 and cannot be renewed; hence SRK will value only the remaining two licences, Poa and Guido. Tenement details for these two licences of interest are provided in Table 3-3.

Table 3-3: Tenement details for Blackthorn exploration ground

	Initial Area	Renewed Area	Initial Expiry Date	Renewed Until
Poa	133	99.5	10 July 2013	10 July 2016
Guido	177	132.33	10 July 2013	10 July 2016

3.3.1 Guido Tenement

The Guido tenement has been explored for base metals and gold. Drill follow-up of airborne electromagnetic (EM) anomalies led to the delineation of a gold deposit on the Guido licence, called the Guido prospect. In November 2010, Blackthorn announced[6] a maiden Inferred gold resource of 4.1 Mt at 1.06 g/t Au for approximately 139,000 ounces, at a cut-off of 0.4 g/t Au.

[6] Refer ASX release dated 24/11/2010.

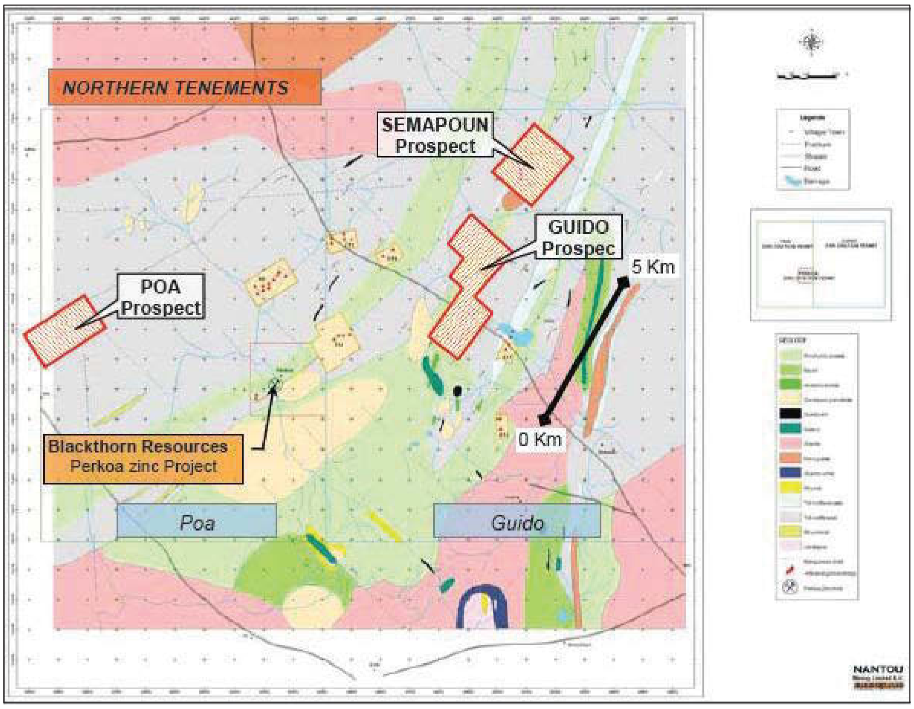


Figure 3-3: Guido and Poa prospect location plan

Source: Blackthorn ASX announcement, 24 November 2010

3.3.2 Poa Tenement

The Poa tenement is also prospective for base metals and gold. Geological mapping and ground geophysics have resulted in the recognition and delineation of gold anomalies, which have been confirmed and followed up by trenching and drilling. Gold mineralisation has been encountered at depth in the drilling programs, but insufficient work has been done to allow for the declaration of a resource.

4 Geology

Regional geology

The Perkoa project is located in the central part of the Boromo greenstone belt. The Boromo belt consists of metamorphosed volcanic and sedimentary rocks of the lower Paleozoic Birimian Supergroup intruded by mafic to felsic dykes and granitic bodies. The intrusion happened in several phases.

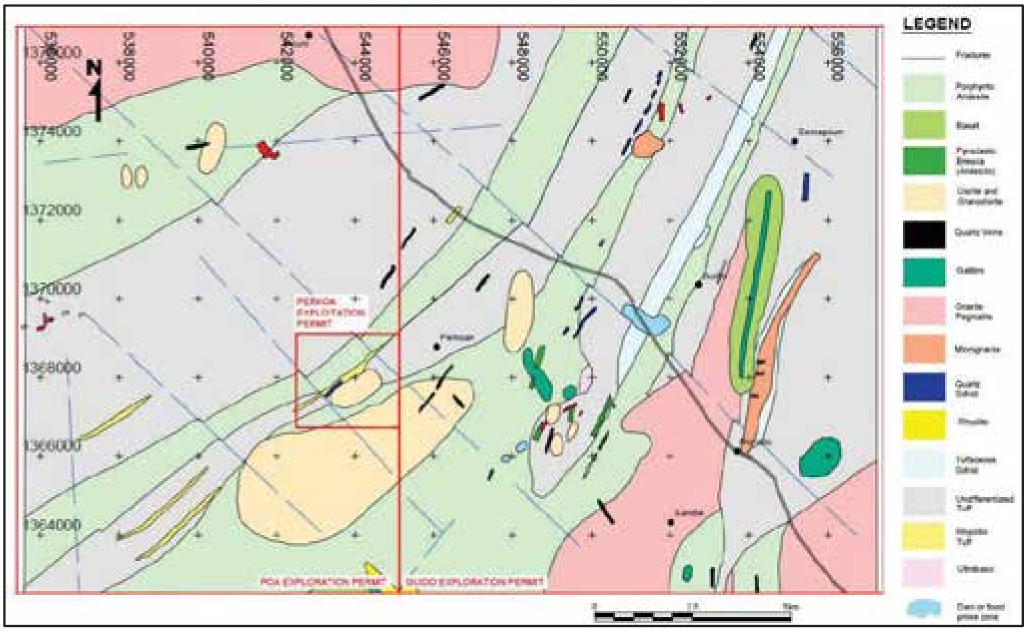


Figure 4-1: Regional Geology Map (Armitage 2009) with outline of Perkoa Exploitation Permit

Local Geology

The Perkoa Project is classified as a volcanogenic massive sulphide (VMS). VMS systems commonly comprise a massive sulphide horizon overlying an alteration zone. Around the world silver, lead, zinc and copper associated sometimes to other metals are extracted from those VMS systems.

VMS of deposits can be characterised by:

- Their relationships with steeply dipping shear zones and regional zones of deformation;
- The occurrence in volcanic-sedimentary successions; and
- Their metal zonation.

A regional thermal event happened nearly 100 to 200 Ma generating a significant change of physical conditions to create metamorphic rocks. The metamorphic event at Perkoa is observed by the remobilisation of sphalerite and magnetite as well as the presence of almandine-rich garnet and pyrrhotite.

Orebody geology

The Perkoa silver lead zinc mineralisation is hosted by an overturned sequence of tuffs that dip at 70 degree to the northwest. A thick andesite unit overlies the whole mineralising system. The greater portion of the mineralisation occurs as two subparallel, stratiform and sulphide-rich bodies within silicified tuffs.

In 2013, Glencore attempted to interpret the different dyke families in order to take into account the internal dilution at the dyke contact. Finally, two dykes were recognised. Four domains were then modelled representing the zinc mineralisation; 1 of these domains is the footwall domain. The footwall domain is the largest accounting for the greatest portion of the resource. The footwall domain is 600 m long with a thickness up to 20 m.

The mineralisation in the hanging wall was modelled by three domains sub-parallel to the footwall domain. The hanging wall domains are thinner than the footwall domain. In addition the mineralisation is disseminated in the hanging wall whereas it is generally massive in the footwall domain.

The dispersion of the zinc, silver and lead mineralisation in the weathered stratigraphy with elevated grades suggests a secondary enrichment in the regolith.

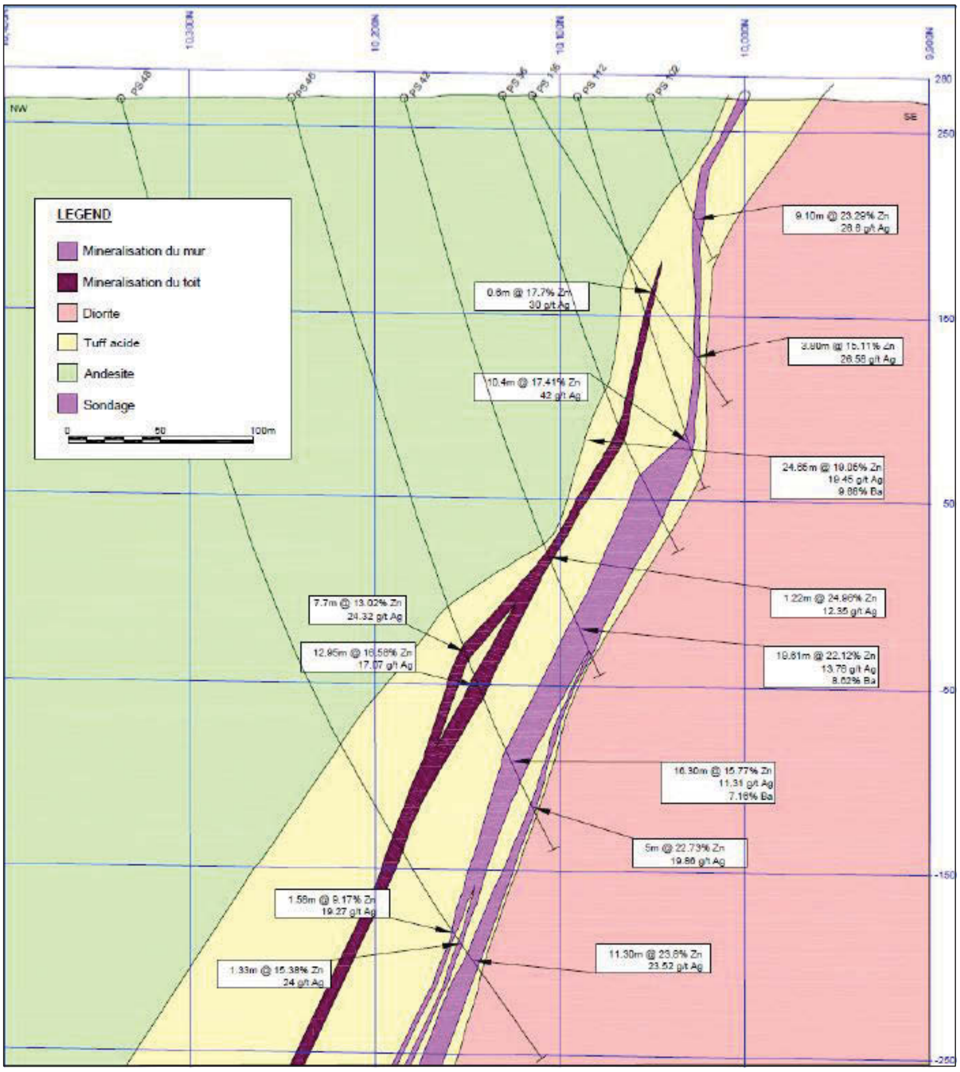


Figure 4-2: **Vertical Cross Section looking to 055° showing drilling, geology with HW, FW mineralisation (Armitage, 2009)**

4.1 Mineral Resources

This report uses the December 2013 Mineral Resource reported by Glencore in February 2014 as the basis to validate the Zinc-only Geological Model that was subsequently used to prepare the 2014 LoM plan which is the basis for the proposed transaction.

The December 2013 Mineral Resource (2013 Resource Estimate) estimate was prepared for Glencore by SRK. The 2013 Resource Estimate was prepared by depleting the July 2013 Geological Model for production between July and December 2013.

To validate the 2014 LoM plan SRK reviewed the Zinc-only Geological Model prepared by Glencore in January 2014 against the July 2013 Geological Model.

This report references the July 2013 Geological Model as it is the basis of the 2013 Mineral Resource Estimate and provides the most recent basis to evaluate the 2014 LoM plan.

4.1.1 Data collection

A review of the data collection activities was not included in the scope of this report. The following summary is included to provide some background and context for the resource estimation review comments.

In 2012 SRK was engaged by Blackthorn to review the financial model for the Perkoa Silver-Lead-Zinc deposit. Part of this work involved the review of the drilling and sampling data and procedures. SRK compiled a report named BLC001_PerkoaMRE_Rev0.pdf (SRK 2012).

No data collection information was provided for the holes drilled after 2011 thus the following summary is mostly based on the SRK 2012 report. SRK 2012 report refers to the work completed by Snowden in 2005 for the BFS. Snowden published a report named JR-003-12-2005 Perkoa Feasibility Study main report.pdf (Snowden 2005).

4.1.2 Drilling history

At the time of the SRK 2012 report, 115 diamond drilling holes (DDH) were completed. Different successive drilling campaigns have occurred at Perkoa deposit since 1979. Table 4-1 summarises the drilling history.

During the 2005 drilling, four twin drill holes (PS300 to PS303) were drilled within 7 m to four previously drilled holes. Snowden's review confirmed the identification of the lithologies and position of two mineralised zones (Snowden 2005).

Table 4-1: Drilling history with number of samples assayed

Date	Company	Drillhole ID	No. Holes	Assays
1979-1982	UNDP[1]-BUMIGEB[2]	PS001 to PS012	12	794
1983-1986	PANARROYA-BUMIGEB	PS013 to PS051	39	1167
1990-1992	Boliden	PS101 to PS123	23	318
1997-1998	Billiton	PS200 to PS 205	6	43
2005	AIM RESOURCES (BTR)	PS300 to PS316	16	258
2008	BLACKTHORN RESOURCES	PS317 to PS322	6	74
2011	GLENCORE	PS323 to PS336	13	1346

Source: SRK 2012

1. United Nations Development Programme
2. Bureau des Mines et de la Geologie de Burkina

4.1.3 2014 drill hole database

The database provided to SRK in May 2014 is in an Access format, named perkoa_geological_database.mdb.

It contains 367 holes, 150 of these holes are DDHs and include holes from prior campaigns. 35 new DDHs have been drilled. A summary of the drill hole data for Perkoa is presented in Table 4-2. The other 217 are sample traverses (GV).

50 of the DDHs do not contain analysis. They are PU101 to PU187; PS011, PS022, PS032B, PS037, PS050, PS104, PS107, PS114, PS122, PS203, PS204, PS205, PS205, PS306GT, PS307GT, PS308GT, PS325, and PS333.

Table 4-2: Summary of drilling utilised at Perkoa

Type	Holes	Metres	Samples
DDH	100	7464.6	5861
GV	217	1855.7	1018

Drilling spacing

Drillhole spacing is quite variable over the extents of the deposit, but is typically 50 m x 50 m with some infill drilling at 25 m spacing.

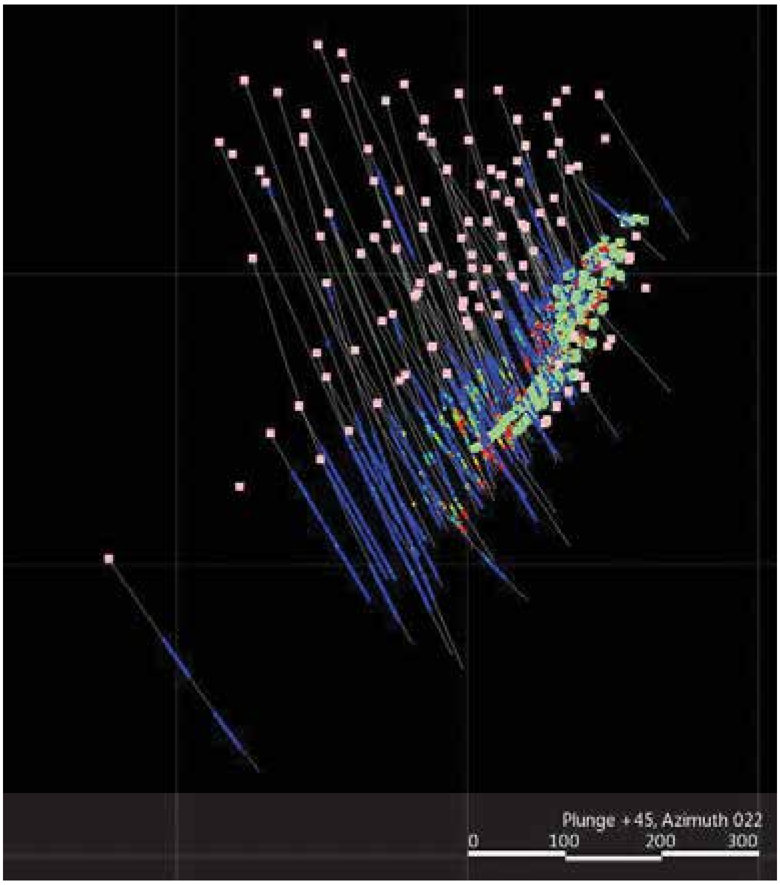


Figure 4-3: Looking northeast – Drilling locations coloured by Zn grade

Pink collar: DDH and Green collar: sample traverse.

Collar surveys

No coordinate grid system used is mentioned.

No information was provided regarding the measurements of the collar locations. The SRK 2012 report indicates that:

- Holes prior to 2005 were inspected by Snowden (Snowden 2005) using a handheld global positioning system (GPS); and
- Holes from 2005 to 2011 were resurveyed using differential GPS by Snowden (Snowden 2005).

No discrepancies were found by Snowden (SRK 2012).

No information was found regarding the surveying of the holes drilled since 2011.

Downhole surveys

No information is provided regarding the tools and protocols used to collect the survey data (dip and azimuth). No information has been found regarding the core orientation.

The holes prior to 2005 have their printouts stored at the Blackthorn office in Ouagadougou. Snowden have validated them against the digital database. No discrepancies were found by Snowden.

The holes have been regularly surveyed thus the drill trace are reasonable.

Assay table

The assay table was validated by SRK. No overlapping intervals or missing intervals have been noted.

Three elements have been assayed: Lead (Pb), Silver (Ag) and Zinc (Zn). All the intervals have an assay value. No information was provided regarding the treatment of the assay when not sampled, not assayed or below detection limit.

As Table 4-3 indicates some values are set to -1 or 0 or below 0.01.

Table 4-3: Analysis of abnormal grade values

Element	Number of sample intervals equal to		Number of sample intervals less than or equal to
	-1	0	0.01
Ag	35	23	59
Pb	547	1643	3,153
Zn	-	128	1,858

Sample preparation

Samples come from diamond drilling and sampling traverses. Most of the drill hole data have a nominal length of 1 m and most of the traverse data a length close to 2 m (Figure 4-4).

The SRK 2012 report also summarises the sampling preparation for campaigns prior to 2005, during 2005 and post 2005 to 2011. In summary, no information was available on the sample preparation, assay laboratory or QAQC procedures. It indicates that generally one half of the core was sent for assay, the other was retained for storage.

During the 2005 campaign, above 95% core recoveries were reported in the mineralised zones. The preparation of samples took place on site. The site personnel inserted blanks, no standards were used and the sample length was varied to avoid mixing of different grades of mineralisation.

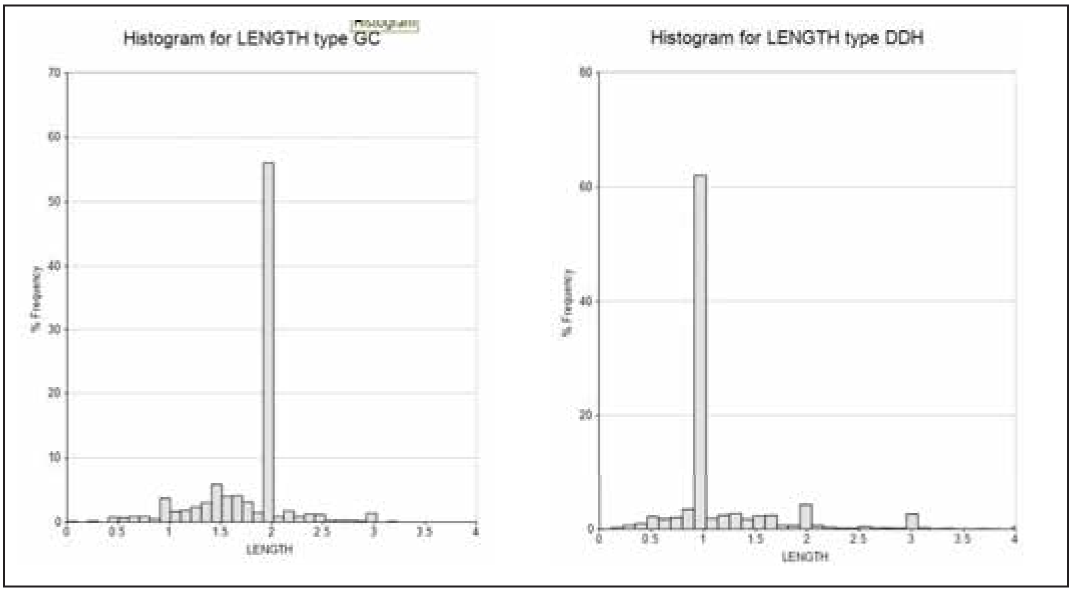


Figure 4-4: Length histogram – Left: Traverse; Right: Diamond hole

Sample Analysis – Quality Assurance

With the exception of campaigns 2005 and 2011, no information has been provided regarding their core orientation, sampling protocols, assaying methods, and QA/QC procedures.

The database does not contain duplicates, blank and standard results.

Part of the database contained data collected since 1979. Limited information was only available for the campaigns 2005 and 2011.

The results of the SRK 2012 review (SRK 2012) are as follows:

- 2005 Campaign:
  - Transworld Laboratory (TWL) in Tarkwa, Ghana has assayed the samples collected by Blackthorn.
  - TWL used an aqua regia digestion followed by an atomic absorption finish.
  - No internal QA/QC procedures were reported by the laboratory.
  - Contamination and bias were observed. Thus one Zn certified reference materials (CRM) at 11.8% Zn were also submitted. The laboratory did two more times analysis of the sample suite. The results has improved but remained slightly biased. Snowden accepted the results as 'conservative' (SRK 2012, Snowden 2005).
  - SRK estimated that the existing QA/QC documentations related to 2005 resource drilling provide the suitable degree of confidence to use the related sample in the estimation (SRK 2012).
  - SRK found that the 2005 drilling twinned (PS300 to PS303) of the prior 2005 holes returned acceptable results (SRK 2012).
- 2011 Campaign:
  - ALS Minerals Laboratory (ALS) in Ouagadougou, Burkina Faso has assayed the samples collected by Blackthorn.
  - ALS used a four acid near total digestion followed by an ICP finish.
  - After checking the laboratory certificates, SRK accepted the results.

- SRK examined the QA/QC procedures during the last round of drilling completed by Glencore. SRK found the results to be satisfactory (SRK 2012).
- Four types of CRM were included in the sample submissions. An Ag sample below the detection limit in the database is set to 0.4 ppm Ag. Precision is good and no significant problems have been noted by SRK (SRK 2012).
- Blank were included in the sample submissions. Blanks are from core from previous drilling without any significant values. Although some contamination or error seem to occur. SRK considered the overall results to be acceptable (SRK 2012).

At May 2014, no additional information has been available on sample QA/QC. Glencore wrote in their memo Perkoa-resource-finalAC4.pdf (Glencore 2013) dated of November 2013 that they will undertake a review of the entire data collection process including QA/QC in their next field visit.

Density

No specific gravity measurements are found in the database. Bulk density of the samples was not regularly measured. The SRK 2012 report explains how the density values are measured and chosen for the estimation.

During the campaign of 2005, 64 samples had density measurements; 47 of these density values were obtained on half-core samples. The combined measurement produced a 3.97 g/cm^3 density mean.

Density measurements were also completed on 118 metallurgical samples in 2005. The density average was 3.85 g/cm^3.

In 2011, Glencore ran its own measurements for the disseminated ore from the hanging and foot walls of the zinc mineralisation. Glencore determined that the suitable density for the hanging walls is 3.4 g/cm^3 and for the footwall 4.3 g/cm^3.

4.2 Mineral Resource Modelling

4.2.1 Geology and Domain Modelling

The spatial distribution of the lead, silver, and zinc mineralisation is different.

The Zinc-only Geological Model encompasses four interpreted domains representing the hanging wall and foot wall of the zinc domain. These four domains (Figure 4-5) are called 100, 102, 105 and 110. The domain 110 is the main footwall. The Zinc-only Geological Model has been generated from updated domains taking into account recent mining, internal dilution caused by dykes and based on the contained Zinc-only. Much of this information was not included in the July 2013 Geological Model. Limited information was provided relating to the Glencore model approach.

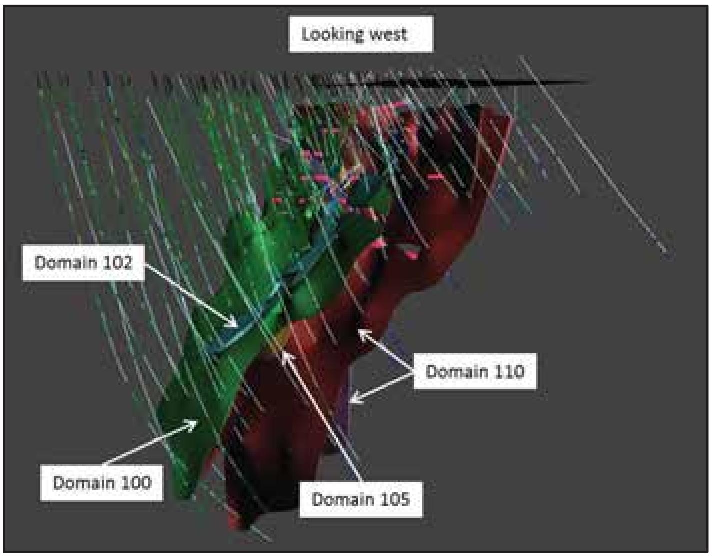


Figure 4-5: Glencore Zinc domains (Glencore 2013)

SRK comment

SRK conducted checks on the provided wireframe with the drilling and composite data used for estimation. The wireframes appear to have been smoothed or generated by an automated process such as is used on the Leapfrog software. Sample intervals are sometimes cut or not selected correctly (Figure 4-6).

The Glencore Zinc-only Geological Model is viewed as a vein type model controlled by geological information and zinc grade. The wireframes appear to have been built without snapping to interval boundaries thus the model does not always honour the sample intervals.

SRK is moderately satisfied using the Glencore wireframes. The selection of the data within the domains is imprecise and results in statistical difference when comparing the results of the estimation and the original data. However, the global estimate does not show a significant bias to the sample date.

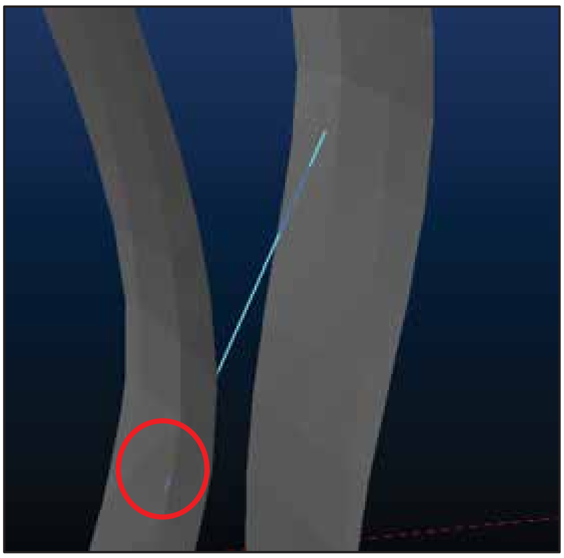


Figure 4-6: Domain 100 - Selected sample intervals

4.2.2 Compositing

In 2013, samples were composited by Glencore at 1.5 m by domain using Surpac. Glencore chose the composite length based on the sample length analysis per rock code. The composite length is fixed within a domain. The minimum length included is 33% if 1.5 m so 0.495 m.

SRK comment

SRK considered that the compositing length is not optimal for the following reasons:

- The sample length mean is 1.35 m and the median is 1 m.
- The database contained two sample types with different sample length means. The traverses have a sample length median of 2 m while the diamond samples have a length median of 1 m.
- Glencore used a block model with sub-block size of 1 m. The parent block size is 16 m x 16 m x 16 m.
- The primary design suggests a minimum stope width of 5 m.

SRK performed a comparison of the statistics of the raw data and composited data within each domain. Due to the smoothness of the wireframe, selected intervals are partially falling outside the domain or are not selected. This will account for some observed differences in the statistics. Table 4-4 compares the zinc mean grade. The zinc mean grade of the composited data is constantly lower than the zinc mean grade from the sample data. The composite length might produce a bias.

Table 4-4: Statistics comparison of the Zinc, length weighted

Domain	Sample data	Composited data	Differences
	Mean (%)	Mean (%)	
100	7.12	6.67	6.3%
102	8.10	5.34	34.1%
105	9.77	9.54	2.3%

4.2.3 Estimation dataset

Treatment of outliers

The file “Block Model parameters.pptx” contains some information regarding the treatment of the outliers.

A 50% zinc top cut has been applied in domain 110 in the composite file. Two composited files were provided for domain 110 one with the top cut and one without.

No top cut has been applied on the zinc within domain 100, 102 and 105.

SRK Comments

SRK agreed with the application of the top cut in domain 110 to remove the effect of the outliers.

4.2.4 Volume Model

Glencore block model is 16 m x 16 m x 16 m with sub-block within the mineralisation domains to 1 m x 1 m x 1 m.

The block model parameters are given in Table 4-5.

Table 4-5: Block model dimension

Parameter	X (E)	Y (N)	Z (RL)
Origin (SW corner)	542300 m	1367100 m	-500 m
End (NE Corner)	543900 m	1368508 m	332 m
Block size	16 m	16 m	16 m
Number of blocks	100	88	52
Sub_block size	1 m	1 m	1 m

Source: Glencore file named Resource_Parameters_Used.pptx

SRK comment

Considering the proposed stoping dimensions a parent block size of 16 m x 16 m x 16 m is acceptable. SRK is then satisfied with the block size chosen.

4.2.5 Grade estimation

Glencore estimated the resources at Perkoa using two methods of interpolation: an inverse distance square (ID^2) and an ordinary kriging (OK). Glencore showed that the volumetric and grade differences between the two methods of interpolation are minimal in this study.

SRK comment

Although the results are similar between ID^2 and OK, SRK considered that OK is a better choice as an estimator as it takes into account the major mineralisation continuity by modelling the variograms. The choice of the interpolation method used to report the mineral resource estimation not specified by Glencore.

4.2.6 Perkoa Mineral Resource Estimate

SRK compared the July 2013 Geological Model against the Zinc-only Geological Model.

SRK identified that the resource estimate from the two models were significantly different. The following conclusions were drawn from SRK's review:

- The Zinc-only Geological Model does not include lead or silver domains;
- Glencore applied a 9% zinc cut-off to the Zinc-only Geological Model to give a model for use in the 2014 LoM Plan;
- All Resource Categories (Inferred, Indicated and Measured) are included in the Zinc-only Geological Model used for the LoM Plan;
- The Zinc-only Geological Model has a much larger volume removed to account for mining when compared to the July 2013 Geological Model, although the Zinc-only Geological Model is more recent so there is more mining activity to take into account;
- Using a 9% zinc cut-off the December resource gives similar volume to the Zinc-only Geological Model, but higher grade;
- Resource categories between the July 2013 Geological Model and the Zinc-only Geological Model bear little resemblance spatially. The Zinc-only Geological Model categories are distributed in a mosaic-like pattern whereas the July 2013 Geological Model has large continuous areas; and
- Geological interpretations are different for the July 2013 Geological Model and Zinc-only Geological Model.

The Zinc-only Geological Model provided by Glencore and used for the 2014 LoM Plan is not derived from the geological model used to report the December 2013 Mineral Resource and Ore Reserve estimates.

Glencore confirmed these differences in a memo dated May 2014. The purpose of the Glencore Zinc-only estimate was for validation of the proposed LoM driving the financial model rather than for public reporting. The geological modelling and estimate produced by the Joint Venture is based on Zinc-only, whereas the previous resource models included all potentially payable metals. The two models are thus not directly comparable and were produced independently for different purposes.

SRK compared the global volumes between the reported July 2013 Geological Model and the Zinc-only Geological Model. The comparison was done for two zinc cut-off grades, 5% and 9%., refer Table 4-6. SRK notes that the 9% Zinc cut-off model was applied as the basis of the 2014 LoM

Table 4-6: Comparison of the July 2013 Geological Model and Zinc-only Geological Model

Zinc cut-off	Differences	
	Tonnage (kt)	Zinc grade (%)
5%	6.6 %	5.3 %
9%	1.7%	9.4%

Source: Glencore 2013 *Perkoa-resource difference SRK-2.pdf*

Source: SRK July 2013 *perk.zn.rescat-mb.dm*

Validation

Glencore validate their Zinc-only estimate by ID^2 with the results of an OK estimation. Glencore showed that the volumetric and grade differences between the two methods of interpolation are minimal in this study.

De-clustering

In the document received from Glencore in 2014, no information has been provided regarding an eventual de-clustering done by Glencore.

SRK comment

SRK assumed that the data were not de-clustered before running the estimation.

SRK does not consider the validation of an interpolation method by another as a valid method to confirm the results of the estimation.

SRK conducted visual comparisons of the Zinc-only Geological Model and raw data. Figure 4-7 illustrates some areas where the correlation is imperfect and areas with good correlation. Generally the estimate correlates well with the raw data grade. SRK considers the estimation acceptable.

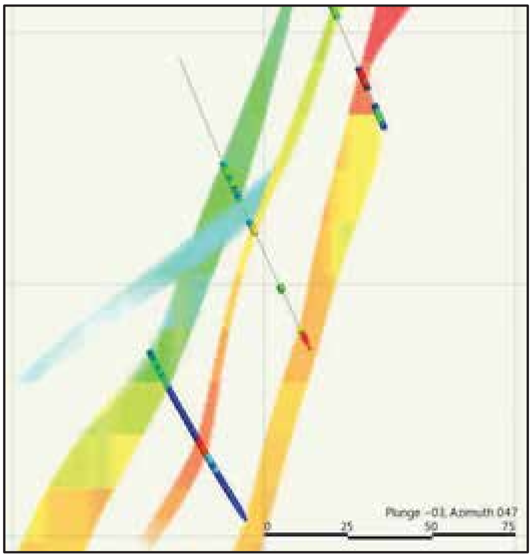


Figure 4-7: 10 m slice looking northeast – block model and raw data

Note: Color stretch and range are similar to both datasets.

Classification

No clear information has been provided regarding how Glencore has assigned classifications to the resource estimate. Glencore mentioned that the resource classifications were done in the purpose of quantifying the risk associated with the integration of "inferred" resource in the mine plan (Glencore May 2014).

Although the terms Measured, Indicated and Inferred are used, Glencore did not classify the resource according to the JORC Code or other accepted code by the industry, as the purpose of the model was for internal scheduling and planning.

Glencore has significantly increased the measured resource compared to the December 2013 Mineral Resource estimate. Glencore's approach to classifying the resource is based on the size of the neighbourhood ellipsoids used during the estimation by OK (Glencore June 2014).

SRK comment

SRK compared, Table 4-6, the classified resource results at 9% zinc cut-off between the SRK and Glencore estimates. Although the grand total is similar between both resource estimations, SRK estimated the resource at a higher zinc grade than Glencore.

The classification of the resources remained different. Glencore classified the model to "validate the financial model and quantify the risk in including a portion of Inferred resource in the mine plan"; cited from Glencore 2014 report.

SRK reviewed the distribution of the classified resources. SRK observed that the classifications are not contiguous. The left image of Figure 4-8 and Figure 4-9 show the Glencore classification distribution. Figure 4-9 is a long section view of the largest domain, domain 110. The indicated resource (yellow) is within measured resource (red). On other parts of the deposit, inferred resource will be found within measured or indicated resource.

SRK considers Glencore's classification approach is overly optimistic. Founding the categorisation of the resources on the size of neighbourhood ellipsoid is judged unsuitable. The ellipsoid size is a parameter controlling the sample numbers used during the estimation.

This approach does not take into account parameters such as the drilling density, the ore continuity, and the data quality certainty.

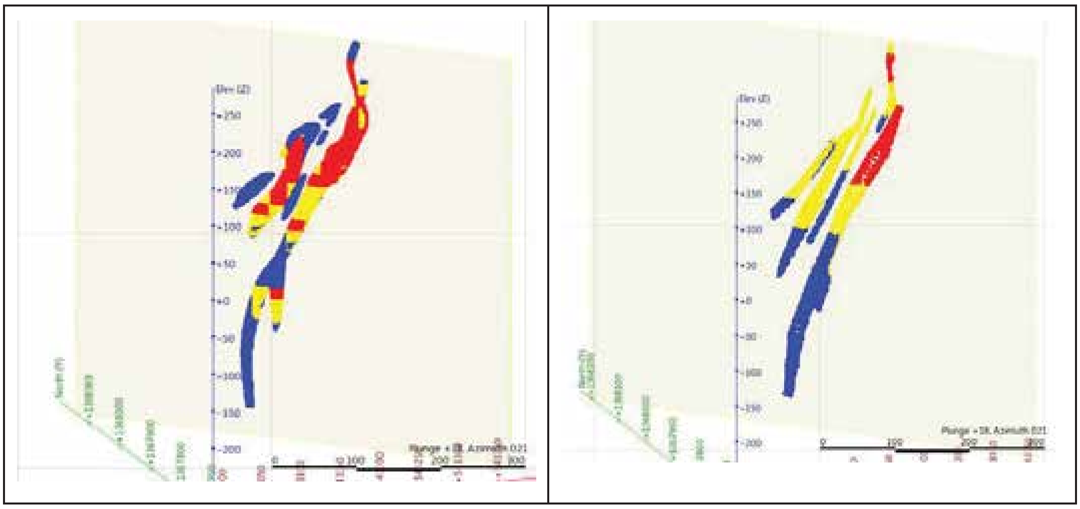


Figure 4-8: Cross section looking NE Classification comparison – Left: Glencore Nov 13; Right: SRK July 2013

Note: Slice 10 m, all domains - Blue: Inferred, Yellow: Indicated, and Red: Measured

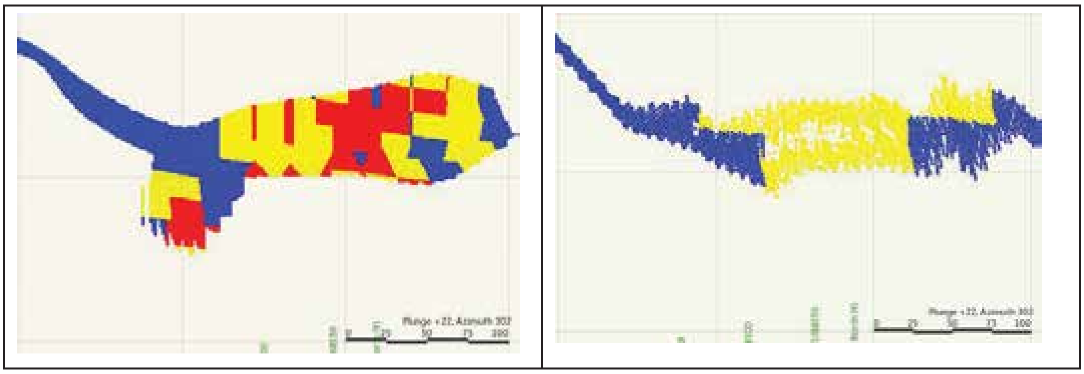


Figure 4-9: Long section looking NW – Classification comparison – Left: Glencore Nov 13; Right: SRK July 2013

Note: Slice 10 m; domain 110; Blue: Inferred, Yellow: Indicated, and Red: Measured

4.3 Conclusions

SRK noted the following:

- Information on core orientation, sampling protocols, assaying methods, and QA/QC procedures are incomplete.
- Two types of data are mixed in the estimation: diamond drilling and sample traverse.
- The Zinc-only Geological Model is viewed as a vein type model controlled by geological information and zinc grade. The wireframes were built without snapping to points thus the model does not always honour the sample intervals.
- The 1.5 m composited data is not optimal taking into account the data length, mining parameters and the block size chosen. This might introduce a local bias.
- Glencore estimated the zinc grade using an ID^2 interpolation method on parent block size of 16 m x 16 m x 16 m with sub-block of 1 m x 1 m x 1 m.
- A 50% Zinc top cut was applied to the composite data within domain 110, the largest domain.

SRK considers the data collected up to 2011 campaigns acceptable. SRK agreed with the application of the 50% Zinc top cut to remove the effect of the outliers in domain 110. Considering the mining method, the block size chosen is viewed as adequate by SRK.

SRK considers that OK is a better choice as an estimator than ID^2. OK takes into account the major mineralisation continuity by modelling the variograms and will provide a better localised grade estimate. As a basis for high level life of mine planning, as is the purpose of the 2014 LoM, the use of ID^2 is appropriate.

Overall SRK accepts the Zinc-only Geological Model estimate in terms of global tonnage and grade for the Zinc mineralisation and that it provides a sound basis for the 2014 LoM model.

4.4 References

Glencore 2013 *Perkoa-resource diffrence SRK-2.pdf*

Glencore 2014 *Perkoa-resource-finalAC4.pdf*

Snowden 2005 *JR-003-12-2005 Perkoa Feasibility Study main report.pdf*

SRK Australia 2012 *BLC001_PerkoaMRE_Rev0.pdf*

SRK Australia 2014 *BLC008 – Perkoa LoM Review_BL.docx*

5 Review of Perkoa Mine Plan

After reporting of the December 2013 Mineral Resource and Ore Reserve estimates (2013 Ore Reserve), Glencore decided to focus on the zinc mineralisation only and prepared 2014 Life of Mine plan based on the Zinc-only Geological Model.

5.1 2013 Ore Reserve

A comparison of the 2013 Ore Reserve and 2014 LoM inventory is presented in Table 5-1. The comparison between zinc grade in the 2014 LoM and the 2013 Ore Reserve demonstrates the impact of the change in strategy being adopted by Glencore to pursue a Zinc-only strategy.

Table 5-1: Comparison on 2013 Ore Reserve and 2014 Life of Mine Inventory

	Unit	2013 Ore Reserve	2014 LoM Inventory
Tonnage	Mt	4.9	4.9
Zinc Grade	%	9.9	12.4
Lead Grade	%	0.2	0.1
Silver Grade	g/t	41	38

The 2013 Ore Reserve and 2014 LoM zinc head grades have been diluted for mining and are not directly comparable to the mineral resource grades that do not include mining dilution.

5.2 2014 LoM Review

The Joint Venture provided the 2014 LoM spreadsheet for review. The 2014 LoM production schedule delivers underground ore to the processing plant at the production profile and is presented in Figure 5-1.

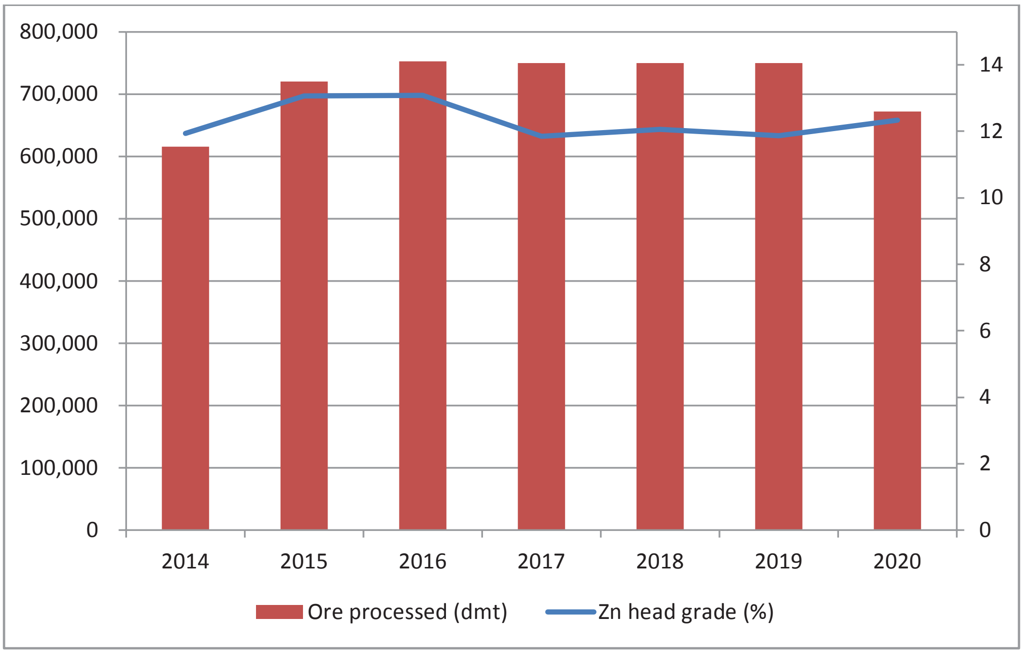


Figure 5-1: Perkoa Mine 2014 LoM Production Profile

5.2.1 Mining

SRK reviewed the Joint Venture 2014 LoM plan for the Perkoa Deposit which is based on the Zinc-only Geological Model prepared by Glencore after the 2013 Ore Reserve. The modifying factors used in the 2014 LoM include:

- Cut-off values of USD94 /t, USD82 /t and USD65 /t.
- Commodity price of USD1,950 /t zinc, USD2,150 /t lead, USD24 /oz silver.
- The mining method is open stoping. The deposit has been broken up into several areas where hydraulic fill will be used and other areas where no fill will be used and pillars left to maintain stability.
- A metallurgical recovery of 95% zinc, 67% lead and 64% silver.

The design and schedule data supporting the 2014 LoM was provided to SRK for review and verification.

SRK's review and verification is based on comparing the 2014 LoM with the 2013 Ore Reserve as they are based on the same time frame, commencing January 2014 and a review of the designs and schedules based on the Zinc-only Geological Model.

SRK notes that the final schedule to be applied, for the Discounted Cashflow Valuation (DCF) is a subset of the 2014 LoM as it takes into account depletion of production from January 2014 to April 2014. As at end of March 2014 the mine had produced 129 kt @ 12.9% Zn. This represents ~ 3% of the total 2014 LoM.

The 2014 LoM and the underlying mining schedule output were reviewed by SRK against the Zinc-only Geological Model. The mining schedule for the 2014 LoM, is presented in Figure 5-2 and a breakdown by classification is presented in Table 5-2.

Table 5-2: LoM Classification.

	2014 LoM Inventory			Zinc-only Geological Model		Conversion Resource to Inventory
	Tonnage (kt)	% of Total	Zinc Grade	Tonnage (kt)	Zinc Grade	
Tonnes Mined	4,887	100	12.4	6,472	14.6	75%

From Table 5-2, SRK notes that the conversion of the Zinc-only Geological Model inventory to inventory in the 2014 LoM schedule is in the range that would normally be expected by SRK. As such the opportunity to increase/ extend the Life of Mine from outside the current LoM schedule under the current financial assumptions is limited.

SRK considers that the 2014 LoM schedule provides a sound basis for the valuation of the Project.

SRK is satisfied that the tonnes and grades presented in the model are based on the Zinc-only Model for the deposit and are a reasonable estimate of future production.

The historical production presented in Figure 5-3, demonstrates the increase in grade as production shifts from the combination of open pit and underground to solely underground from December 2013. Since December 2013 the underground mine has run at an annualised rate of 600 ktpa. SRK notes that during this time the mining operations have been intentionally constrained with reduced workforce and the mine has not been running at optimal manning levels.

SRK considers the 2014 LoM target of 750 Ktpa to be achievable with a full complement of manning and equipment levels.

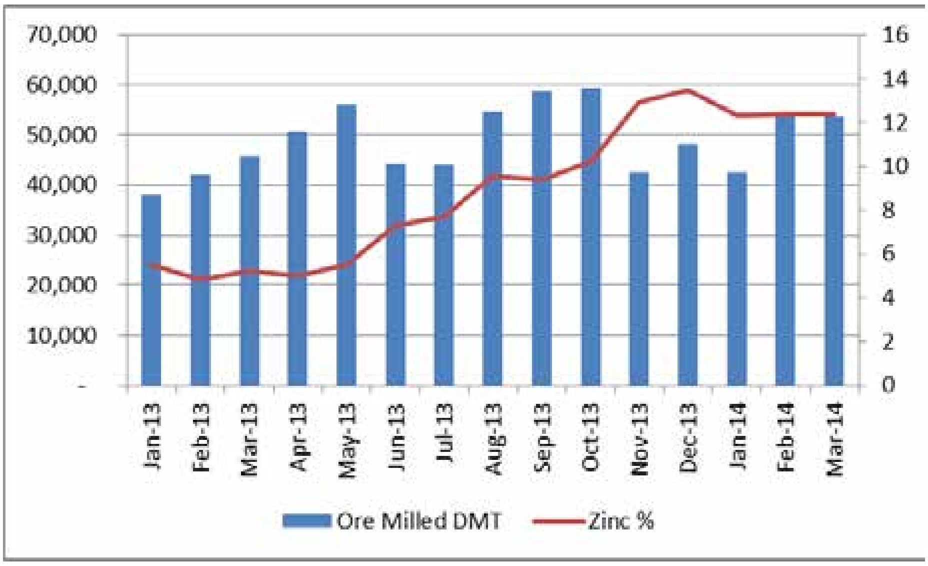


Figure 5-2: Historical Production

SRK reviewed the Perkoa Project mining design and schedule methodology as summarised in the document *Mine Design Basis- Perkoa.pdf* as presented by the Joint Venture and considers it to be based on valid assumptions that reflect current and future operating parameters.

The actual schedule for valuation proposed is a subset of the 2014 LoM. SRK notes the inventory and LoM commence on January 2014 and the valuation date for the proposed transaction is 30 April 2014. A summary of the physicals for the production schedule is presented in Table 5-3. SRK notes that the silver in the zinc concentrate is below payable limits.

Table 5-3: Valuation Schedule Summary

	Unit	Quantity
Development	m	7,156
Proposed Mill Feed	Mt	4.8
Zinc Metal Recovered	kt	570
Lead Metal Recovered	t	1,582
Silver Metal in Zinc Con	koz	1,510
Silver Metal in Lead Con	koz	1,769
Schedule Ends	Year	2020

Note: May 2014 – end of mine life

5.3 Metallurgy and Processing

5.3.1 Geology and Mineralogy Factors Affecting Processing

Perkoa is a volcanogenic massive sulphide (VMS) deposit, with massive sulphide ore predominantly composed of iron-rich sphalerite (30%), pyrite (25%), barite (10%), hexagonal pyrrhotite (5%), magnetite (5%), and white mica. Galena is a minor constituent of the deposit at less than 0.5%.

Quantitative mineralogical examination of specimens of Perkoa ore found that sphalerite mineralization was quite coarse with an 80% passing size of 404 µm to 489 µm. The measured grain size of the pyrite was similarly coarse with an 80% passing size of 378 μm to 567 μm. However, pyrrhotite was fine-grained relative to pyrite with a grain size of 135 μm. Silicate gangue is relatively coarse-grained with 80% passing size between 570 μm and 732 μm.

Sphalerite has a strong preferential association with pyrite and barite and vice versa. In some areas pyrrhotite has a significant preferential association with sphalerite.

Limited test work data is available for silver mineral deportment is available; there is a trend for silver either as silver sulphides or native silver to be present as ultra-fine grained particles encapsulated predominantly in silicates.

5.3.2 Process Plant

The Perkoa concentrator is a conventional sulphide ore processing plant consisting of:

- Multi-stage crushing and screening;
- Single line ball mill grinding in closed circuit with hydrocyclone classification;
- Differential sulphide flotation producing:
    - Silver-rich lead concentrate but only 1-2% of weight of total concentrates; and
    - Zinc concentrate.
- Dewatering of lead concentrate and zinc concentrate by thickening and filtration; and
- Transport of concentrate to port on the west coast of Africa.

Despite the coarse grain size of the sphalerite, the zinc concentrate grade is lower than what would be expected even with an inherent high iron content because of the lack of regrinding in the flotation section.

5.3.3 Metallurgical Performance

Predicted metallurgical performance was provided in 2014 LoM spreadsheet. The change in the planned head grades is shown in Figure 5-4 that displays the 2013 actuals and 2014 LoM forecast. This shows the increase in the zinc grade from 6% in 2013 to 12% for the remainder of the life of mine and the decline in the lead grade from 0.38% in 2013 to 0.1% for the life of mine.

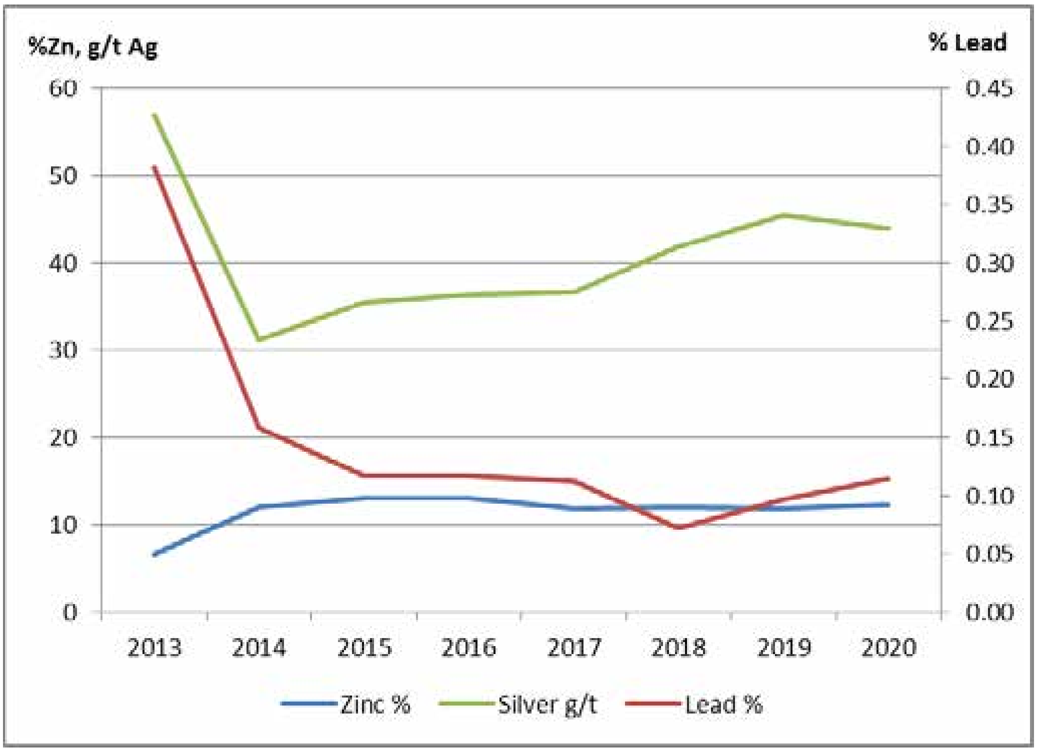


Figure 5-3: Actual and Forecast Head Grades

SRK reviewed the predicted performance and the historical metallurgical performance and provides the following comments:

- All process plant assay data reported come from the site "XRF Lab Analyser", but final calibrations remain outstanding as stated in the monthly reports. SRK notes that standard practice is for site concentrate assays and weights to be reconciled against shipment outturns but this data has not been reported.
- Zinc recovery to zinc concentrate 96%; SRK Comment – this should be achievable with higher recovery possibly having to be "traded off" to maintain the concentrate grade at 52% Zn.
- Zinc concentrate grade 52% Zn; SRK Comment – this should be achievable with scope for higher zinc recovery "traded off" to maintain the concentrate grade.
- Silver recovery to zinc concentrate 20% from April 2014 to 25% thereafter from May 2014; SRK Comment – data supplied on silver deportment between lead concentrate and zinc concentrate and tailing for the production period from March 2013 to March 2014 suggest that this is unlikely. SRK notes that the concentrate grade ~ 30 g/t Ag in the zinc concentrate is below the payable limits, as such accurately determining the silver grade in the zinc concentrate is not material to the valuation.
- Lead recovery to lead concentrate 50% for April 2014, 40% to September 2014, 30% for October 2014, 0% for November and 30% thereafter; SRK Comment – this is optimistic given that the lead head grade falls from the current level of around 0.3% Pb to the range of 0.09% Pb to 0.16% Pb. Applying a "constant tailing" factor based on current metallurgical performance results in 0% lead recovery. Assuming there will be some lead recovery SRK recommends taking 50% of the current prediction.

- Lead concentrate grade 50% Pb for April 2014 then 40% Pb from May 2014; SRK Comment – this should be achievable.
- Silver recovery to lead concentrate 50% for April 2014, 30% for October 2014, 0% for November and 30% thereafter; SRK comment – as per the comment for lead recovery to lead concentrate, SRK recommends taking 50% of the current prediction.

The comments above on predicted metallurgical performance assume that the mineralogy and grain texture of the feed to the concentrator remains unchanged to that from the ore produced to date from the underground mine.

As the zinc head grade increased, so has the zinc recovery to ~97% as shown in Figure 5-5. This is in excess of the 2014 LoM plan targets and support the achievability of the 2014 LoM.

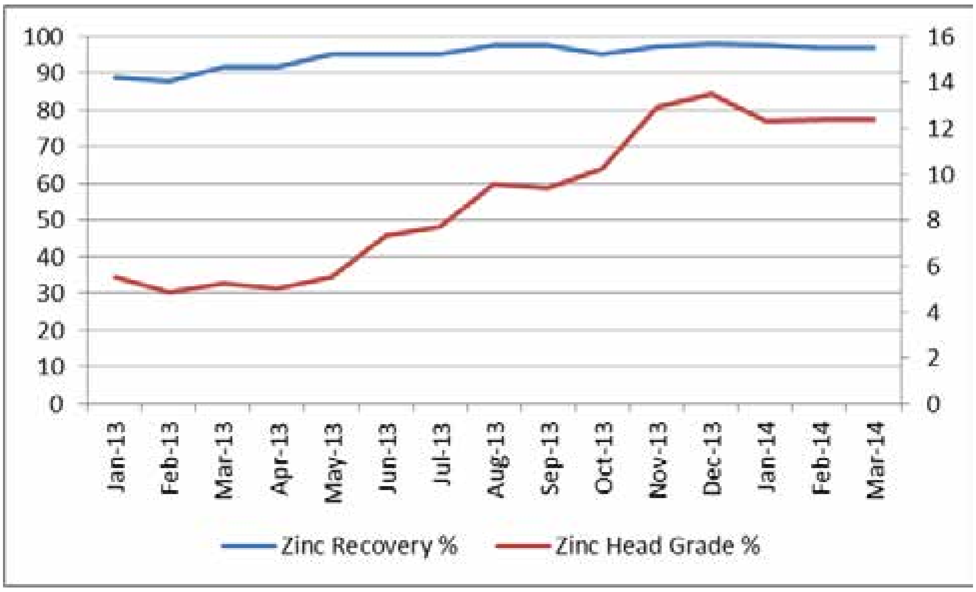


Figure 5-4: Historical Zinc Recovery

5.4 Operating Costs

The historical operating cost performance is presented in Table 5-4. SRK notes that during the period May 2013 to November 2013, mill feed was being sourced from the open pit operations and development ore form underground.

Post November 2013 mill feed has been sourced solely from underground operations and that development and production activities have recently been undertaken solely by Joint Venture personnel and the operational targets are not optimal.

As such the historic unit costs are not truly representative of the projected costs based on use of the mining contractor AUMS.

Table 5-4: Historic Perkoa Operating Costs (USD/t)

Open Pit and Underground Mill Feed

	Units	May 2013	Jun 2013	Jul 2013	Aug 2013	Sept 2013	Oct 2013	Nov 2013	Average May-Nov
Mining	USD/t	27.72	34.23	71.58	136.07	67.41	40.59	28.29	56.16
Processing	USD/t	76.29	41.76	13.86	42.55	34.31	30.01	29.34	37.12
Total	**USD/t**	**104.01**	**75.99**	**85.44**	**178.62**	**101.72**	**70.60**	**57.63**	**93.28**

Underground Mill Feed only

	Units	Dec 2013	Jan 2014	Feb 2014	Mar 2014	Average Dec-Mar	Historic Average
Mining	USD/t	89.98	38.25	56.84	47.14	60.81	57.80
Processing	USD/t	35.88	44.88	30.80	34.62	36.32	36.84
Total	**USD/t**	**125.76**	**83.13**	**87.64**	**81.76**	**97.11**	**94.63**

The mining costs that have been applied in the 2014 LoM are presented in Table 5-5.

Table 5-5: Annual Cost Estimates (USD/t)

	Units	2014	2015	2016	2017	2018	2019	2020	LoM Average
Mining	USD/t	45.70	44.46	40.75	38.49	47.56	37.54	37.54	41.66
Processing	USD/t	27.74	24.29	23.43	18.14	21.94	21.81	21.89	22.62
Total	**USD/t**	**73.44**	**68.75**	**64.18**	**56.63**	**69.5**	**59.35**	**59.43**	**64.28**

Source: BUDGET OLAF 2014 - Blackthorn 01 03 2014_v1 ; OPEX Summary

SRK notes that the LoM average unit costs are ~30% less than the average from December 2013.

Table 5-6: Average Cost Comparison

	Units	Dec 2013- Mar 2014 Average	LoM Average	Variance
Mining	USD/t	60.80	41.66	-32
Processing	**USD/t**	36.30	22.62	-38
Total	**USD/t**	**97.10**	**64.28**	**-34**

SRK notes that the actual historical costs are volatile and not truly reflective of the underground operations to be applied in the 2014 LoM or the operation of the processing plant at full capacity.

The actual historical costs include open pit operations and a proportionately high percentage of underground development compared to historical costs that are not reflected in the 2014 LoM schedule.

The 2014 LoM operating costs have been built up from first principles in the 2014 LoM spreadsheet based on information supplied by mining contractor, AUMS, who have undertaken the underground capital development programme since it began.

SRK considers the mining operating costs have been built up from a sound basis, are more representative of the 2014 LoM operating cost that the historical estimates and as such are a suitable basis for valuation of the project.

In determining a valuation range SRK suggests an increase in operating cost in the order of 10% is acceptable.

5.5 Capital Cost Estimate

The major capital cost items in the valuation relate to sustaining capital items and or the allocation of operating costs to capital. The capital cost estimates are summarised in Table 5-7.

Table 5-7: Capital cost requirements

	Units	2014	2015	2016	2017	2018	2019	2020
CRF Backfill Plant	USDM	0.7	-	-	-	-	-	-
AUMS mine development	USDM	3.3	4.2	4.6	2.4	-	-	-
Owner Mining Equipment	USDM	-	-	-	-	-	-	-
Plant Upgrade	USDM	-	-	-	-	-	-	-
Mining Equipment Overhauls	USDM	0.1	0.1	0.1	0.1	0.1	0.1	-
LoM Plant Tailings	USDM	4.6	-	4.6	4.0	4.0	-	-
UG drilling programme	USDM	-	0.7	0.7	0.7	0.7	-	-
Infrastructure, Stay in Business	USDM	1.5	1.2	0.7	1.1	0.6	0.8	-
Total Capital Cost	USDM	**10.1**	**6.3**	**10.8**	**8.4**	**5.4**	**0.9**	**-**

Note: Rounded to nearest 100,000

Backfill Plant

There is USD300,000 remaining to be spent within the remaining mine life. This is for the purchase of a crusher associated with providing aggregate for the CRF plant to be operated by AUMS.

Mine Development

The AUMS mine development cost is derived directly from first principle cost estimate and the development requirements and is considered by SRK to be appropriate and reflective of the likely costs.

Tailings Facility

The LoM total of USD17.2M is based on actual construction rates and quoted material costs and will provide for full tailings capacity for the life of the mine. The supporting information provided by the Joint Venture is based on life of mine production of 6.3 Mt. SRK notes the current 2014 LoM production is 4.9 Mt, as such there will be sufficient capacity in the facility. The scope of works is for a three phase earthworks construction totals USD15.7M. SRK notes that the actual cost in the Financial Model, USD17.2M, is 9% higher than the supporting data.

While the estimate is built up from first principles, SRK accepts that an increase in the capital cost is realistic. In the clarifying comments it is noted by the Joint Venture that the estimates are not based on final drawings.

While no specific reason for the difference in the cost estimate was provided, SRK accepts that the USD17.2M is an appropriate estimate based on the initial cost estimate.

Underground drilling

The underground drilling programme will provide for infill and resource conversion drilling that is required to convert the Inferred Resources. This is considered by SRK to be appropriate.

Other

The General Sustaining (Stay in Business “SIB”) cost within the “Other” cost is in the order of USD300,000 per annum. The generally accepted rule of thumb tor estimate the SIB capital cost is 5% of the total operating cost. For a relatively new plant such as this SRK would apply 2-3% for the early years prior to escalating to 5% as the plant ages.

The USD300,000 is suitable for the early years but SRK recommends the application of USD500,000 in 2018 to 2020. The increases the capital cost by USD200,000 in 2018 and 2019 and USD500,000 in 2020.

5.5.1 Closure Costs

The Financial Model has an allowance of USD1.2M per year to 2019 and USD4.2M in 2020, totalling USD11.4M for the period Jan 2014 to Dec 2020.

In the data provided by the Joint Venture, the rehabilitation provision from the Environmental Impact Study is USD7.0M. Documentation post-dating the EIA estimate states a closure provision of USD7.8M.

It was further clarified that an additional USD4M was included to allow for items associated with mine closure in addition to the rehabilitation costs. This includes an allowance for works such as final payments to employees (3 months was used), demobilization, costs associated with closing out smaller contracts as well as a small contingency for unforeseen events

On the basis of the data provided, SRK accepts the closure provisions total cost of USD 11.4M.

6 Valuation of Exploration Licences

6.1 Background to Valuation Methods

6.1.1 Exploration tenements

Geological Risk Valuation methodology

In the Geological Risk Valuation method, as described by Lord et al. (2001) and Morley (2007), the value of a project at a given stage of knowledge/development is estimated based on the potential value of the project at a later stage of development, discounted by the probability of the potential value of the later stage being achieved, and considering the estimated cost of progressing the project to the next stage.

This can be illustrated in the following equation:

EV = (TV * P) – C

(Where EV = Expected Value; TV = Target Value; P = Probability of advancing exploration project; and C = Cost of advancing exploration project).

This valuation method generates an Expected Value for each project at each of the main exploration stages or decision points, by working back from a project's target value.

Based on a study of gold exploration programmes in the Laverton area of Western Australia, Lord *et al.* (2001) concluded that the probability of success (successfully moving from one phase of exploration to the following phase of exploration) was as set out in Table 6-1.

Table 6-1: Probability of successfully proceeding from one exploration stage to another

Stages	Probability of Advancing
Generative to Reconnaissance	0.54
Reconnaissance to Systematic Drill testing	0.17
Systematic Drill testing to Resource delineation	0.58
Resource delineation to Feasibility	0.87
Feasibility to Mine	0.90

Source: Lord *et al.* (2001)

Geoscientific Rating (Modified Kilburn) method

The Geoscientific or modified Kilburn method of valuation, as described by Kilburn (1990), attempts to quantify the relevant technical aspects of a property through the use of appropriate multipliers (factors) applied to an appropriate base (or intrinsic) value. The intrinsic value is referred to as the Base Acquisition Cost (BAC), and is critical as it forms the standard base from which to commence a valuation. It represents "the average cost to identify, apply for and retain a base unit of area of title".

Multipliers or factors are considered for Off-property aspects, On-property aspects, Anomaly aspects and Geological aspects. These multipliers are applied sequentially to the BAC to estimate the Asset value for each tenement. A further Market Factor is then considered to derive a Fair Market Value.

The rating criteria used for assessing the modifying factors are provided in Table 6-2.

Table 6-2: Geoscientific rating criteria (Modified after Xstract, 2010)

<table>
<tr><th>Rating</th><th>Off Property Factor</th><th>On Property Factor</th><th>Anomaly Factor</th><th>Geological Factor</th></tr>
<tr><td>0.1</td><td></td><td></td><td></td><td>Unfavourable geological setting</td></tr>
<tr><td>0.5</td><td></td><td></td><td>Extensive previous exploration gave poor results</td><td>Poor geological setting</td></tr>
<tr><td>0.9</td><td></td><td></td><td>Poor results to date</td><td>Generally favourable geological setting, under cover</td></tr>
<tr><td>1</td><td>No known mineralisation in district</td><td>No known mineralisation on lease</td><td>No targets outlined</td><td>Generally favourable geological setting</td></tr>
<tr><td>1.5</td><td>Minor workings</td><td>Minor workings or mineralised zones exposed</td><td rowspan="2">Target identified, initial indications positive</td><td></td></tr>
<tr><td>2</td><td rowspan="2">Several old workings in district</td><td rowspan="2">Several old workings or exploration targets identified</td><td rowspan="2">Favourable geological setting, with structures or mineralised zones</td></tr>
<tr><td>2.5</td><td rowspan="2">Significant grade intercepts evident, but not linked on cross or long sections</td></tr>
<tr><td>3</td><td rowspan="2">Mine or abundant workings with significant previous production</td><td rowspan="2">Mine or abundant workings with significant previous production</td><td>Significant mineralised zones exposed in prospective host rock</td></tr>
<tr><td>3.5</td><td>Several economic grade intercepts on adjacent sections</td><td></td></tr>
<tr><td>4</td><td>Along strike from a major deposit (s)</td><td rowspan="2">Major mine with significant historical production</td><td></td><td></td></tr>
<tr><td>5</td><td>Along strike from a world class deposit</td><td></td><td></td></tr>
<tr><td>10</td><td></td><td>World class mine</td><td></td><td></td></tr>
</table>

Yardstick Valuation Methodology

In the Yardstick method of valuation, specified percentages of the spot price of the metal is used to value the resources. Commonly used Yardstick factors are:

- Not in reported resource: <0.5% of spot price.
- Inferred Resources: 0.5% to 1% of spot price.
- Indicated Resources: 1% to 2% of spot price.
- Measured Resources: 2% to 5% of spot price.

6.2 Asset Value and Market Value

The VALMIN Code (2005) provides guidance on the components of value, as follows:

"Value is the Fair Market Value of a Mineral or Petroleum Asset or Security". … "Value is usually comprised of two components, the underlying or 'Asset Value' of the Mineral or Petroleum Asset or Security, and a premium or discount relating to market, strategic or other considerations. Value should be selected as the most likely figure from within a range after taking account of risk and the possible variation in ore grade, metallurgical recovery, capital and operating costs, commodity prices, exchange rates and the like."

Where SRK has used the comparative sales method or the yardstick method of valuation, which usually relate to actual market transactions, these can be an indicator of market value.

SRK has utilised the estimated value as its preferred value and has applied a 35% variation of the preferred value to determine the low and high case to provide an indicative range. The 35% estimate was utilised by SRK as it is considered that this reflects the level of confidence associated with Inferred Resource estimates.

6.3 Analysis of Comparable Market Transactions

6.3.1 Gold price between January 2010 and 30 April 2014

The gold price variation between January 2010 and the end of April 2014 is depicted in Figure 6-1 below. The gold price was not steady over this period, climbing from approximately USD1,100 /oz in January 2010 to a peak in excess of USD1,900 /oz in September 2011. It then traded roughly between USD1,600 /oz and USD1,800 /oz until May 2013, before dropping to approximately USD1,200 /oz in June 2013. Since then, it has traded roughly between USD1,200 /oz and USD1,400 /oz, closing at USD1,289.24 /oz on 30 April 2014.

Figure 6-1: Gold price trend between 1 January 2010 and 30 April 2014

Source: Infomine

6.3.2 Analysis of Birimian Gold Transactions

SRK considered 25 transactions involving gold exploration properties in Burkina Faso, Ghana and southern Mali. These transactions all involved properties that were not in production and that were not yet the subject of Feasibility studies.

Of the 25 transactions considered, sufficient information was available in the public domain to satisfactorily analyse 12 transactions (Table 6-3). Of these 12 transactions analysed, six involved properties with no resources, five involved properties with code-compliant resources reported, and one involved a property containing a non-compliant resource that was publically disclosed, and which did have a material bearing on the transaction (Table 6-4).

Table 6-3: Transactions Analysed

Project	Transaction Details					
	Date announced	Gold Price (USD/oz)	Buyer	Seller	Equity	Synopsis
Akrokerri	Sep-12	1,732	Goldstone Resources Ltd	Volta Resources Inc	4.9%	In September 2012, GoldStone entered into an acquisition agreement with Volta Resources for the purchase of the 4.9% residual interest in the Akrokerri licence for a consideration of 1.5 million ordinary shares of 1p each in GoldStone.
Anumso	May-11	1,545	Goldplat plc	Gulf Coast Resources Inc	90%	In May 2011, Goldplat completed the purchase of the Banka mining lease from Gulf Coast. Banka is held subject to a 10% carried interest owned by the Government of Ghana, and Gulf Coast is entitled to receive a net smelter royalty of 1.5% of gold sold. The consideration for the purchase, which was settled out of existing cash resources of Goldplat, was USD1.6 million
Ampella projects	Dec-13	1,228	Centamin plc	Ampella Mining Ltd	100%	In December 2013 Centamin Plc acquired Ampella Mining Ltd. Ampella had gold assets in Burkina Faso, West Africa including Batie West gold project, which contains the Konkera Resource.
Comoe	Nov-10	1,351	AusQuest Ltd	Etruscan Resources Inc	80%	As of November 2010, AusQuest had acquired an initial 51% interest in Comoe and could increase to 80% by sole funding a minimum of USD1 million of exploration during the first year and an additional USD6 million over the next 6 years.
Fahiakoba	Jun-11	1,540	Asante Gold Corporation	Goknet Mining Company Limited	100%	In June 2011, Asante Gold agreed to acquire the Fahiakoba Concession from Goknet Mining Company by paying USD51,976 in cash and agreeing to expend USD1M over a five year period.
Fatou	Jan-10	1,096	Rockridge Capital Corp	Bagoe National Corp SARL	100%	In January 2010, Rockridge agreed to purchase a 100% interest in the Fatou project exploration licence by making staged payments totalling USD800,000 over two years, and completing a minimum of 5,000m ot exploration drilling during the first year.
Korongou	Feb-13	1,667	Golden Rim Resources Ltd	Epsilon Gold Mines Ltd	90%	In February 2013 Golden Rim agreed to acquire a 90% interest in the Korongou project for USD3.1 million in staged cash payments to Epsilon. A total of USD2.06 million was payable over a period of two years. The additional USD1.03 million was payable upon the start of a definitive feasibility study.

Project	Transaction Details					
	Date announced	Gold Price (USD/oz)	Buyer	Seller	Equity	Synopsis
Kossanto	Aug-13	1,312	Alecto Minerals plc	African Mining and Exploration plc	100%	In August 2013, Alecto Minerals signed a binding agreement with African Mining & Exploration to acquire its subsidiary AME West Africa Ltd which owns, through its wholly owned subsidiary, Caracal Gold Mali SARL, 100% of the Kossanto project, as well as two further exploration licences in south-west Mali. Consideration for the acquisition would be satisfied through the issue of 108,695,652 Alecto shares priced at 1.15p with an aggregate value of USD1.96 million (£1.25 million), with further deferred payments to be made dependent on progress on proving up the resources at Kossanto. (Alecto PR 8/22/13)
Namarana	Aug-11	1,618	Newmont Mining Corp	Stellar Pacific Ventures Inc	85%	In August 2011, Stellar Pacific Ventures entered a joint venture agreement with Newmont Mining whereby Newmont and Stellar would jointly participate in the exploration of the Namarana project and seek to acquire additional properties within the area. Newmont could earn a 51% interest in the project by spending USD5 million on exploration within the next 18 months and completing a USD500,000 private placement in the capital of Stellar within the next eight months. Newmont could then increase its participation to 85% by spending another USD3 million in the following three years.
Red Back Concessions	Jun-11	1,540	Abzu Gold Ltd	Kinross Gold Corporation	51%	Abzu Gold has the right to earn 51% interest in 10 Red Back (Kinross) concessions by spending a total of USD3 million on exploration expenditures over three years (USD500,000 in year 1, USD1 million in year 2, and USD1.5 million in year 3).
Sepola and Farada	Feb-13	1,667	Sandeep Gold Resources SARL	Golden Rim Resources Ltd	90%	In February 2013, Golden Rim agreedt to sell its Mali assets, including the Sepola project, to Sandeep Gold Resources for USD4.4 million in cash. Cash payments were due in three stages throughout 2013. In April 2013, Golden Rim received notification from Sandeep that it was unable to meet the first payment of USD1.1 million in cash which was due on April 5, which terminated the agreement.
Sian/Praso	Jun-13	1,411	Sian Goldfields Ltd	Midlands Minerals Corp	65%	In June 2013, Midlands Minerals agreed to sell its 65% interest at the Sian/Praso project to it's JV partner, Sian Goldfields for consideration of USD3.4 million.

Table 6-4: Project details and transaction analysis

Project Description							Transaction Analysis			
									Normalised to USD1,289.24/oz	
Project	**Stage**	**Country**	**Area (km^2)**	**Ounces**	**Grade (g/t)**	**Classification**	**USD/km^2**	**USD/oz**	**USD/km^2**	**USD/oz**
Akrokeri	Target Outline	Ghana	26	195,000	1.62	Indicated and Inferred	13,263	1.77	9,873	1.32
Anumso	Target Outline	Ghana	29	262,107	2	Non-JORC	61,303	6.78	51,155	5.66
Ampella projects	Reserves Development	Burkina Faso	2,200	3,250,000	1.71	Indicated and Inferred	18,699	12.66	19,631	13.29
Comoe	Exploration	Burkina Faso	670				8,991		8,580	-
Fahiakoba	Target Outline	Ghana	22				31,587		26,444	-
Fatou	Target Outline	Mali	250				2,562		3,013	-
Korongou	Reserves Development	Burkina Faso	315				7,862		6,081	-
Kossanto	Reserves Development	Mali	376	107,000	1.42	Inferred	3,484	12.24	3,423	12.03
Namarana	Exploration	Mali	132				24,245		19,318	-
Red Back Concessions	Exploration	Ghana	770				5,447		4,560	-
Sepola and Farada	Reserves Development	Mali	383	181,000	1.5	Inferred	12,765	27.01	9,872	20.89
Sian / Praso	Reserves Development	Ghana	109	395,750	2.3	Indicated and Inferred	47,989	13.22	43,848	12.08

Of the 12 transactions considered three involved properties in Burkina Faso, five involved properties in Ghana and four involved properties in Mali.

The transactions were analysed in terms of implied USD/km^2 paid, as well as in terms of implied USD /oz paid per declared Au resource ounce at the time of the transaction (Table 6-4 and Table 6-5). The gold price at the time of the transaction was also considered, and the implied USD/km^2 and USD /oz values obtained were normalised to the gold price of 30 April 2014 (USD1,289.24 /oz).

Table 6-5: Analysis of transactions

		Implied USD/km^2	Implied USD/oz	Normalised USD/km^2	Normalised USD/oz
All transactions	Number	12	6	12	6
	Minimum	2,561.51	1.77	3,013.14	1.32
	Maximum	61,302.68	27.01	51,154.61	20.89
	Median	13,013.93	12.45	9,872.36	12.05
	Weighted Average	13,616.39	12.46	13,221.97	12.48
Transactions with Indicated Resources	Number	3	3	3	3
	Minimum	13,263.15	1.77	9,872.62	1.32
	Maximum	47,988.71	13.22	43,847.60	13.29
	Median	18,698.95	12.66	19,631.46	12.08
	Weighted Average	20,005.69	12.16	20,653.23	12.56
Transactions with Inferred Resources	Number	2	2	2	2
	Minimum	3,483.57	12.24	3,423.13	12.03
	Maximum	12,764.72	27.01	9,872.10	20.89
	Median	8,124.14	19.63	6,647.62	16.46
	Weighted Average	8,166.94	21.52	6,677.36	17.60
All transactions with compliant resources	Number	5	5	5	5
	Minimum	3,483.57	1.77	3,423.13	1.32
	Maximum	47,988.71	27.01	43,847.60	20.89
	Median	13,263.15	12.66	9,872.62	12.08
	Weighted Average	17,101.49	12.82	20,643.83	12.91
Non-resource transactions	Number	6		6	
	Minimum	2,561.51		3,013.14	
	Maximum	31,586.91		26,443.57	
	Median	8,426.69		7,330.33	
	Weighted Average	9,026.89		6,976.37	
Non-resource transactions, excluding Fahiakoba	Number	5		5	
	Minimum	2,561.51		3,013.14	
	Maximum	24,244.68		19,318.43	
	Median	7,862.37		6,080.67	
	Weighted Average	7,737.87		6,775.32	

In analysing the transactions, all monetary values were converted to US dollars at the exchange rate at the time of the transaction, and payments in shares was treated at a 10% discount to cash. Contingent payments were also risk-weighted.

The Fahiakoba transaction was eventually excluded when obtaining an appropriate area-based valuation factor for the exploration ground, as the transaction involved a relatively small property, with the project work more highly focussed than in the other transactions, or in comparison to Blackthorn's ground holding. The chosen valuation factor was USD6,775.32 /km^2, which represents the weighted average of the normalised factors from the five remaining non-resource transactions considered.

In considering an appropriate valuation factor for the gold resource ounces, the most weight was placed on the transaction involving the Kossanto project in Mali in August 2013. The normalised USD/oz factor derived from this transaction (USD12.03/oz) is similar to the median factor derived from considering all 6 resource transactions (USD12.05/oz) as well as that derived from considering only the 3 transactions that included Indicated resources (USD12.08/oz). The factor derived from the Kossanto transaction was preferred as the project is most comparable to the Guido deposit in terms of resource classification, size and grade.

6.4 Consideration of Exploration Expenditure

SRK has considered actual expenditure incurred on exploration activities over the Poa and Guido licences, and has assessed the level of expenditure attributable to various exploration activities. SRK also considered the outcomes of the exploration activities, and selected appropriate Prospectivity Enhancement factors to recognise the extent to which the outcomes of the exploration activities enhanced the likelihood of potentially economic mineralisation eventually being discovered. These factors were applied to the exploration expenditure in order to assess the magnitude of value enhancement that could be attributed to the exploration activity outcomes. Refer Table 6-6 and Table 6-7.

The average Prospectivity Enhancement Factor derived for Poa is approximately 2, and the average factor derived for Guido is approximately 2.5.

SRK notes that as at 31 Dec 2013 half year $3,182,844 was reported as "capitalised exploration" in relation to Poa and Guido.

The capitalised expenditure in the underlying data provided to SRK indicated that the costs included expenses that were not directly attributable to specific exploration activities, such as salaries, licence fees, office expenses, etc., including head office-type expenses.

The two additional reports provided, broke down the costs that enabled SRK to adjust (guided by the capitalised expenses worksheet), the expenses to those that could be directly related to specific exploration outcomes, referred to as "Assessed" expenses, as opposed to actual expenses.

Table 6-6: Poa Assessed Exploration expenditure and outcomes 2010 to 2013

Activity	Assessed Expenditure (USD)	Outcome	Prospectivity Enhancement Factor	Assessed Value Enhancement (USD)
Mapping	90,000	Mineralisation identified over 6km trend, with discrete anomalies up to 2 km in length	1.5	135,000
Geophysics	40,000	Multiple resistive and chargeable anomalies identified and delineated	2	80,000
Trenching	50,000	Gold mineralisation identified in trenches	2	100,000
Drilling	50,000	Numerous mineralised drill intercepts recovered, at depth	3	150,000
	230,000			**465,000**

Table 6-7: Guido Assessed Exploration Expenditure and outcomes 2010 to 2013

Activity	Assessed Expenditure (USD)	Outcome	Prospectivity Enhancement Factor	Assessed Value Enhancement
Mapping	115,000	Mineralisation identified over 9km trend, associated with a lithological anomaly and graphitic tuff	1.5	172,500
Geophysics	10,000	Multiple resistive and chargeable anomalies identified and delineated using VTEM and IP	2	20,000
Trenching	75,000	Gold mineralisation identified in trenches	2	150,000
Drilling	350,000	Inferred Resource declared over a distance of about 1300 m	3	1,050,000
	550,000			**1,392,500**

6.5 Valuation

As the Seboun and Sepoago licences are due to expire in October 2014, and cannot be renewed, SRK believes that there will be no future economic benefits flowing from these licences, and therefore SRK suggests that they be valued at a nominal amount.

The Poa and Guido licences can be valued, as they are valid until July 2016. A summary of SRK's valuation is presented in Table 6-8.

The valuation has been primarily based on the analysis of comparable transactions, with suitable valuation factors chosen for both an area-based valuation and a resource-based valuation.

SRK has assessed the exploration expenditure and the value enhancement from the outcomes of the exploration activities, and used this as a secondary means of valuation.

For the Poa licence, the value assessed using the area-based factor derived from the analysis of comparative transactions was approximately USD674,000 and the value assessed using the assessment of exploration expenditure was approximately USD465,000. SRK views the market-based approach as the more suitable one, with the expenditure-based approach being used as a supporting method. Therefore in assessing a Preferred Value for the tenement, SRK has chosen a value within the range between the values derived using the two methods, but has placed more weight on the value assessed using the market-related factor, and has therefore set the Preferred Value at USD600,000, which is closer to the value assessed using the market-derived factor as opposed to the value assessed using the expenditure-based method.

For the Guido licence, SRK used three methods to assess the value of the licence. It was possible to assess the value of the licence using either the area-based factor derived from the analysis of comparative transactions (approximately USD897,000) or the resource-based factor derived from the analysis of comparative transactions (approximately USD1,672,000). SRK then used the value assessed using the assessment of exploration expenditure (approximately USD1,393,000) as a check. SRK generally views market-based approaches as more suitable in assessing the value of exploration properties, with the expenditure-based method being a supporting method. In SRK's view, the value assessed using the market-derived area-based factor is likely to be on the lower end of the range of likely values as it does not fully recognise that a resource has been successfully delineated and declared on the property. However, based on the small size and comparatively low grade of the declared resource, it is unlikely to be developed as a stand-alone mine, and is more likely to eventually be used as feed to another gold plant in the area. As this is within the Birimian gold province of West Africa, such gold plant capacity is likely to eventually be available in the area. SRK therefore views the value assessed using the market-derived resource-based factor as likely to be at the higher end of likely values for the property. In this case, the supporting expenditure-based method has proved useful in assessing a suitable Preferred Value within the range derived by the area-based and the resource-based market methods.

SRK therefore assessed the Preferred Value of the Guido licence at approximately USD1,350,000, which is closer to the resource-based value than the area-based value, and is consistent with the value derived using the assessment of exploration expenditure.

SRK's valuation range has been derived by applying a range of 35% above and below the Preferred Value. This is in line with SRK's view on the degree of technical risk associated with a project at this stage.

Table 6-8: Valuation of Exploration Licences

	Area Based		Resource Based		Exploration Expenditure
	Area (km^2)	**Area-based value**	**Resource (Oz)**	**Resource value**	**MEE value**
Valuation factor		USD6,775.32/km^2		USD12.03/oz	
Poa	99.5	USD674,000	-	-	USD465,000
Guido	132.3	USD897,000	139,000	USD1,672,000	USD1,393,000

A summary of the valuation of the Exploration Licences is presented in Table 6-9.

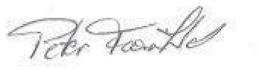
Table 6-9: Exploration Licence Valuation

	Low Value (USD	Preferred Value (USD)	High Value (USD)
Seboun	-	-	-
Sepoago	-	-	-
Poa	390,000	600,000	810,000
Guido	877,500	1,350,000	1,822,500
Total	**1,267,500**	**1,950,000**	**2,632,500**

Project Number: BLC009

Report Title: Independent Technical Assessment of the Perkoa Mine and Valuation of the Exploration Licences for the Perkoa Joint Venture

Compiled by



Peter Fairfield

Principal Consultant

Peer Reviewed by

Anthony Stepcich

Principal Consultant

Building a better working world

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THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT EXPERT'S REPORT

1 July 2014

PART 2 – FINANCIAL SERVICES GUIDE

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Expert's Report ("Report") in connection with a financial product of another person. The Report is set out in Part 1.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is A$88,000 (inclusive of GST).

Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Transaction Advisory Services, if any, is limited to the contents of this Financial Services Guide and the Report.

8. Complaints 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 services. All complaints must be in writing and addressed to the AFS Compliance Manager or Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

9. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of section 912B of the Corporations Act 2001.

Contacting Ernst & Young Transaction Advisory Services	**Contacting the Independent Dispute Resolution Scheme:**
AFS Compliance Manager Ernst & Young 680 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08

This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.

SECTION 5 : GLOSSARY

Definition	Meaning
Access & Co-operation Agreement	the agreement of that name dated 20 November 2010 between the Blackthorn Parties (other than Blackthorn Investments) and Boundary, under which Nantou Mining Limited B.V. and Blackthorn Resources Burkina Faso SARL (as holders of the Exploration Licences) grant certain rights to Boundary, and agree to certain restrictions, in respect of the Poa and Guido Exploration Licences (tenement numbers 13-119 and 13-118, respectively).
AEST	Australian Eastern Standard Time.
ASIC	the Australian Securities and Investments Commission.
Associate	has the meaning given to that term in Division 2 of Part 1.2 of the Corporations Act, as the context required.
ASX	ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it.
Boundary	Boundary Ventures Limited, owned indirectly by Blackthorn Resources (through Blackthorn Investment) as to a 30.3% shareholding and indirectly by Glencore (through Glencore SPV) as to a 69.7% shareholding.
Blackthorn Investments	Blackthorn Investments Pty Ltd, a wholly-owned subsidiary of Blackthorn Resources.
Blackthorn Parties	Blackthorn Resources and its wholly-owned subsidiaries Blackthorn Investments, Nantou Mining Limited B.V. and Blackthorn Resources Burkina Faso SARL.
Blackthorn Resources or Company	Blackthorn Resources Limited ACN 009 193 980.
Corporations Act	*Corporations Act 2001* (Cth).
Director	a director of Blackthorn Resources.
Explanatory Statement	this explanatory statement.
Exploration Licences	each of: • the Poa exploration licence – tenement number 13-119; • the Guido exploration licence – tenement number 13-118; • the Sepaogo exploration licence – tenement number 11-335; and • the Seboun exploration licence – tenement number 11-336, all issued under the Burkina Mining Act NO. 031-2003/AN of 8 May 2003.
EL Transaction	the transaction under which Blackthorn Parties will dispose of their interests in the Exploration Licences to nominees of Glencore in accordance with the terms of the Sale and Purchase Agreement.

SECTION 5 : GLOSSARY

Definition	Meaning
General Meeting	the meeting of Shareholders to be convened in respect of the Transaction proposed to be held on or around 14 August 2014 and any adjournment of that meeting. The Notice of General Meeting accompanies this Explanatory Statement.
Glencore	means Glencore International AG, a wholly-owned subsidiary of Glencore PLC.
Glencore Parties	Glencore, Glencore SPV, Boundary, Glencore Finance (Bermuda) Ltd and Pasley Universal Inc.
Glencore SPV	Merope Holdings Ltd, a wholly-owned subsidiary of Glencore.
Independent Directors	the Directors other than Mr Peter Kalkandis (being a nominee of Glencore).
Independent Expert or Ernst & Young TAS	Ernst & Young Transaction Advisory Services Limited, 680 George Street, Sydney NSW 2000.
Independent Expert's Report	the report of the Independent Expert expressing an opinion as to whether the Transaction is fair and reasonable for Shareholders (other than Glencore and its Associates). The Independent Expert's Report is set out in Section 4.
Listing Rules	the listing rules of ASX.
Notice of General Meeting	the notice convening the General Meeting dated 14 July 2014 accompanying this Explanatory Statement.
Perkoa Project	the base metals mining project known as the Perkoa Project, which is owned by the Project Owner and located in the Province of Sanguie, Burkina Faso.
Project Owner	Nantou Mining Burkina Faso SA, owned by Boundary as to a 90% shareholding and by the State of Burkina Faso as to a 10% shareholding.
Proxy Form	the proxy form accompanying this Notice of General Meeting/ Explanatory Statement.
Resolution	the resolution set out in the Notice of General Meeting to approve the Transaction, with or without amendment.
Sale and Purchase Agreement	the Sale and Purchase Agreement dated 16 May 2014 between the Blackthorn Parties and the Glencore Parties.
Section	a section of this Explanatory Statement.
Senior Facility Agreement	means the Senior Facility Agreement between Project Owner, Glencore Finance (Bermuda) Ltd, Boundary and Blackthorn Resources dated 22 November 2010, as amended.
Share	a fully paid ordinary share in Blackthorn Resources.
Shareholder	the holder of one or more Shares, being a person registered in the Share Register as a member of Blackthorn Resources.

SECTION 5 : GLOSSARY

Definition	Meaning
Share Register	the register of members of Blackthorn Resources maintained by or on behalf of Blackthorn Resources.
Share Registry	Computershare Investor Services Pty Limited.
Share Transaction	the transaction under which Blackthorn Investments will dispose of its shares in Boundary to Glencore SPV or its nominee in accordance with the terms of the Sale and Purchase Agreement.
Transaction	the Share Transaction and EL Transaction.
Voting Exclusion	the exclusion of particular Shareholders from voting on the Resolution, as specified in the 'Voting Exclusion Statement' note under the Resolution in the Notice of General Meeting.
Working Capital Facility Agreement	Working Capital Facility Agreement dated 16 April 2013 between amongst others, Boundary, Project Owner and Glencore SPV; the current indebtedness under this agreement is US$20 million in principal plus accrued and capitalised interest.
Working Capital Facility Guarantees	the joint and several guarantees provided by Blackthorn Resources and Blackthorn Investments to Glencore SPV of a percentage of the payment obligations of the Project Owner under the Working Capital Facility Agreement equal to Blackthorn Investments' percentage equity shareholding in Boundary (currently 30.3%) at the time demand is made.

SECTION 6 : CORPORATE DIRECTORY

Board of Directors
Michael Oppenheimer
Independent, Non-Executive Chairman

Nicole Bowman
Independent, Non-Executive Director

Derek Carter
Independent, Non-Executive Director

Roger Higgins
Independent, Non-Executive Director

Peter Kalkandis
Glencore's nominee, Non-Executive Director

Mark Mitchell
Managing Director

Company Secretary
Chris Brown

Registered Office
Level 5, Suite 502
80 William Street
Sydney NSW 2011
Telephone: +61 2 9357 9000
Facsimile: +61 2 9332 1336

Web Address
www.blackthornresources.com.au

Legal Advisers
Minter Ellison
Aurora Place
88 Phillip Street
Sydney NSW 2000

Independent Expert
Ernst & Young Transaction Advisory Services Limited
680 George Street
Sydney NSW 2000

Technical Adviser
SRK Consulting (Australia) Pty Ltd
Level 8, 365 Queen Street
Melbourne VIC 3000

Auditor
KPMG, Sydney
10 Shelley Street
Sydney NSW 2000

Share Registry
Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000
GPO Box 2975 Melbourne VIC 3001

BLACKTHORN
RESOURCES

www.blackthornresources.com.au

BLACKTHORN RESOURCES

Blackthorn Resources Limited
ABN 63 009 193 980

000001 000 BTR
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

Online:
www.investorvote.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au

- ☑ **Cast your proxy vote**
- ☑ **Access the notice of meeting**
- ☑ **Review and update your securityholding**

Your secure access information is:
Control Number: 999999
SRN/HIN: I9999999999 **PIN: 99999**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 11:00am (Sydney time) on Tuesday, 12 August 2014

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you may specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged 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, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate “Certificate of Appointment of Corporate Representative” prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the "Information" tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE,
or turn over to complete the form ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Blackthorn Resources Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ____________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the General Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Blackthorn Resources Limited to be held at the offices of Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney NSW 2000 on Thursday, 14 August 2014 at 11:00am (Sydney time) at any adjournment or postponement of that Meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

ORDINARY BUSINESS	For	Against	Abstain
Disposal of the Company's Equity Interest in the Perkoa Project and Adjacent Exploration Licences	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ____________ Contact Daytime Telephone ____________ Date / /

B T R 1 7 3 4 9 9 A

Computershare