



14 August 2014

CHAIRMAN'S ADDRESS – EXTRAORDINARY GENERAL MEETING

Blackthorn Resources Limited (ASX: BTR) is pleased to provide as attached a copy of the Chairman's Address to be made at today's Extraordinary General Meeting.

Should you require further information please contact:

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Company Secretary
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EXTRAORDINARY GENERAL MEETING

Thursday, 14 August 2014

At 11:00am

Chairman's Address

Before I put the formal resolution to the Meeting, I would just like to make a few comments.

Today is a very significant day for Blackthorn Resources.

Four years ago the Company called a meeting of its shareholders to approve the establishment of the Perkoa Joint Venture with Glencore as a basis to fund development completion of the Perkoa underground zinc mine in Burkina Faso, which the Company had placed in care & maintenance in July 2008 due to the lack of funding and unfavourable market conditions during the global financial crisis.

Whilst under the joint venture the Perkoa mine was finally developed and commenced production in May 2013, a decision in 2010 to expand the mine through development of an open pit operation to produce Pb/Ag concentrate, ultimately proved unsuccessful. Open pit operations were suspended in early 2014 due to ongoing resource underperformance, lower metal prices, and the resulting unacceptable open pit financial results.

In addition to the US\$40 million required to fund the expansion (provided by Glencore as project financing), the project required an additional US\$80 million in early 2013 to complete the construction and commissioning of the expanded project (Blackthorn Resources decided to dilute its interest in the project rather than fund its US\$35 million share of the required equity).



Six months ago the future of Blackthorn Resources remaining 27.3% interest in the Perkoa Project was unclear. Between August 2013 and December 2013, Glencore had contributed an additional US\$30 million to meet further working capital requirements (over and above the US\$80 million equity funding provided by Glencore in early 2013), primarily to fund forecast delays in deliveries and export sales.

Blackthorn Resources was presented with a difficult choice of either contributing its US\$9 million share of the US\$30 million funding in order to retain its 27.3% interest in the project, or face a substantial and uncertain further dilution of its interest in the project with no prospect of any meaningful return for our ongoing involvement.

Blackthorn Resources does not have sufficient cash on hand to commit to the project. If we want to maintain our ownership interest, we will need to raise the funds in what is an extremely difficult environment for small resource companies to raise capital.

Our detailed review of the revised Perkoa business plan provided by the project manager showed that the underground zinc operations required a substantially higher zinc price to provide a payback on any additional capital contributed by the Company, let alone a reasonable return for the associated risk. The revised business plan had identified a downgrade of the Perkoa ore reserve, and projected higher operating and capital costs, resulting in substantial additional working capital funding being forecast during FY2014, implying further equity contributions may be required by Blackthorn Resources.

Blackthorn Resources determined early in the process that a substantially higher zinc price (well above prevailing zinc prices at the time) was needed to ensure we could extract reasonable value from the project for our shareholders. We also decided that we would not risk the



future of the remainder of the business on an outcome that was not in our control and where there was a risk of the project's debt facilities going into default and a call being made on the guarantee provided by the Company of the US\$20 million Working Capital Facility.

The agreement negotiated with Glencore addressed these concerns and results in what we consider to be an excellent outcome.

In summary the key aspects of the final agreement with Glencore are:

- US\$10 million for Blackthorn Resources equity interest in the Perkoa Project
- US\$2 million for Blackthorn Resources exploration licences in Burkina Faso
- Blackthorn Resources will not be required to contribute its US\$9 million share of the working capital funding requirement announced in August 2013
- Blackthorn Resources will be released from all claims and contingent liabilities relating to the Perkoa Project, including its contingent liability under the US\$20 million Working Capital Facility Agreement.

The negotiated outcome is supported by the Independent Expert's Report which has concluded that the transaction is **fair and reasonable** to shareholders.

Looking forward, if this resolution is passed today, Blackthorn Resources will be in a much stronger financial position with approximately A\$24 million cash (including current funds) becoming available to focus on the development of the Company's Kitumba Project and delivery of a higher intensity exploration program on our surrounding Mumbwa exploration licences in Zambia.



In addition, we will continue to look for the right development partner for the Kitumba Project, but importantly we will be able to do so from a position of relative strength.

Thank you.