

# MERGER OF INTREPID MINES AND BLACKTHORN RESOURCES

INVESTOR PRESENTATION



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Section 1

## **TRANSACTION OVERVIEW**

# Transaction overview



## Unique Transaction

- Unique and flexible transaction structure to facilitate creation of an enhanced Merged Group to benefit all shareholders, as well as return excess capital to Intrepid shareholders

## Terms

- Scrip based merger between Intrepid and Blackthorn by way of scheme of arrangement
- Blackthorn shareholders to receive 1.078 Intrepid shares for each Blackthorn share they hold<sup>1</sup>
- Intrepid to buy back up to A\$110 million of Intrepid stock at A\$0.30 prior to implementation of the Merger
- Following completion of the Buyback and the Merger, Intrepid and Blackthorn shareholders will own approximately 52% and 48%<sup>1</sup> of the Merged Group respectively
- Large cash position of approximately A\$80m<sup>2</sup> to progress Merged Group

## Value

- Exchange ratio allows Blackthorn shareholders to receive scrip consideration with cash backed value of A\$0.356 per Blackthorn share
- Exchange ratio implies a premium of 4% based on the last closing prices and 50% based on the three month VWAPs of Blackthorn and Intrepid shares
- Cash backed value of A\$0.356 per Blackthorn share implies a premium of 34% to the last closing price and 82% to the three month VWAP of Blackthorn shares and a value for Blackthorn of A\$58.5m
- Intrepid shareholders can:
  - Obtain exposure to a significant copper development project; and
  - Participate in a substantial buyback at an 18% premium to its last closing price.

1. Assuming 100% take up of the Intrepid Buyback. Subject to increase by way of an exchange ratio adjustment mechanism if lower take-up is achieved

2. Pro-forma as at announcement date, net of estimated transaction costs and based on 100% take-up of the Intrepid Buyback

# Merger to create and unlock value



## Fully funded to complete the DFS for the Kitumba Copper Project

- Kitumba Optimised Prefeasibility Study (OPFS) released in April 2014 demonstrated highly attractive economics
- The Merged Group will be funded to complete the DFS for Kitumba, which is expected to further demonstrate the project's potential



## Well positioned to pursue attractive high impact exploration opportunities

- Significant exploration program to be undertaken over the previously under-explored near-Kitumba targets and the wider Mumbwa Project licence areas
- Exploration program represents substantial upside to Kitumba through potential extension of the mine life of the project



## Strong re-rating potential to benefit all shareholders

- Junior mining companies with pre-feasibility stage projects typically trade at a discount to fundamental value due to the uncertainty regarding key project inputs and lack of financial resources
- Merged Group will be well placed to unlock this value discount by completing the DFS to remove some of the uncertainty, as well as fund an optimal exploration program to demonstrate the project's full value

# Other shareholder benefits



## Intrepid shareholders

### ✓ Flexible structure provides a material cash return

- Option to participate in both a return of capital and shareholding in the exciting Merged Group
- Ability for up to 66% of register to receive A\$0.30 cash
- Price is materially better than the A\$0.275 per share that would be available in a full wind-up of Intrepid

### ✓ Attractive future in a well funded copper project

- Blackthorn was selected following an extensive review
- Intrepid is convinced that Kitumba is undervalued by the market and that a combination with Intrepid's cash will create and unlock significant value

### ✓ Exposure to the right commodity in a stable country

- Long term copper fundamentals remain attractive
- Strong demand for copper projects of this scale will ensure numerous development funding options
- Zambia has a well established mining industry and is expected to become a top 5 global copper producer

## Blackthorn shareholders

### ✓ Immediate value recognition

- Transaction conducted at a valuation that provides greater recognition of the underlying value of the portfolio than that currently recognised by the market

### ✓ Attractive alternative pathway to access capital

- A highly attractive opportunity relative to alternative pathways to access an equivalent level of capital
- Avoids a highly dilutive on-market capital raising
- Merged Group retains 100% exposure to Kitumba

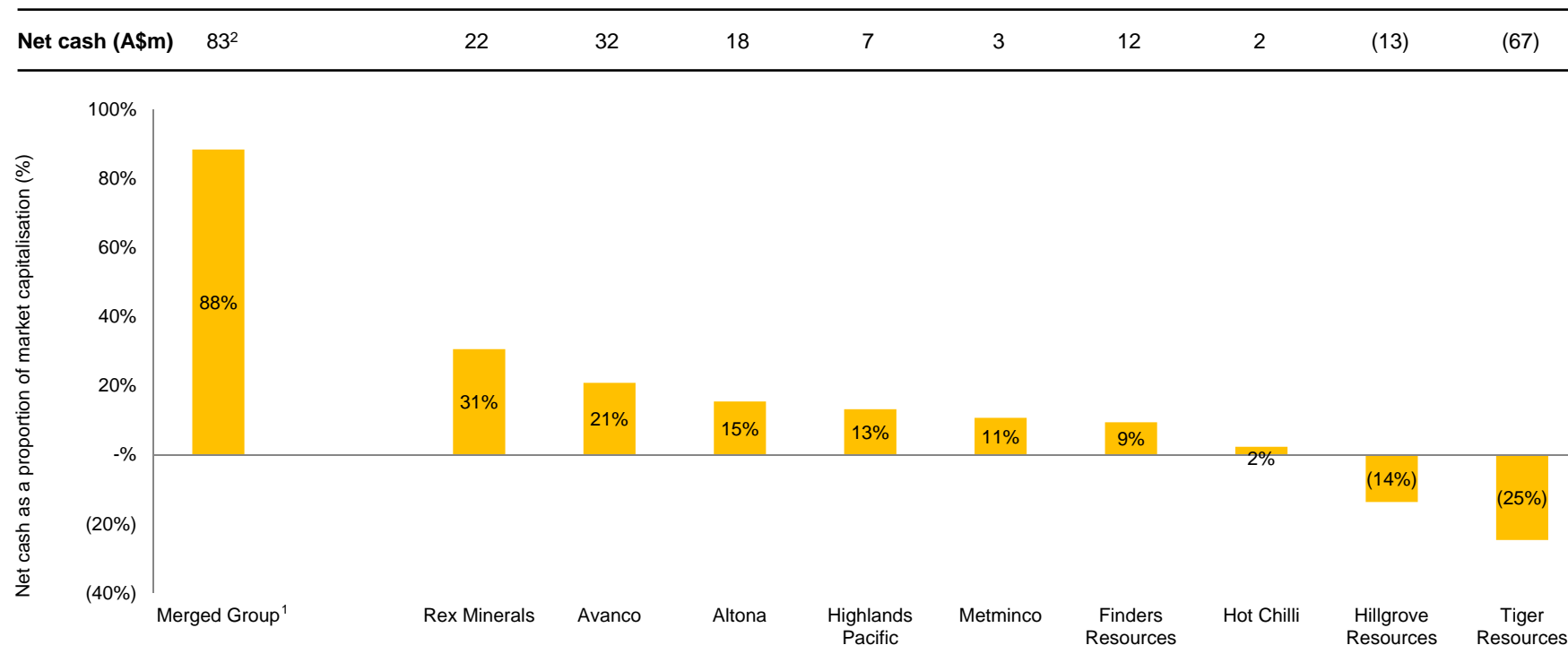
### ✓ A more robust market investment

- The Merged Group offers potential for significantly greater share trading liquidity
- Greater level of cash backing affords a major enhancement in share price stability

# Merged Group will be well funded relative to peers



## Net cash as a proportion of market capitalisation



ASX-listed copper companies with market capitalisation less than A\$500 million

Source: Datastream as at 27 August 2014, net cash disclosure as per company quarterly reports. USD cash and debt balances converted at AUDUSD exchange rate of 0.930

Notes:

1. Based on 368m Intrepid shares on issue following the Merger and the Intrepid Buyback and current Intrepid share price of A\$0.255. Assumes 100% take-up of the Intrepid Buyback
2. Pro-forma as at announcement date, net of estimated transaction costs and based on 100% take-up of the Intrepid Buyback

# Kitumba—a world class project



- High grade** Head grade >2% copper compares very well to other copper projects globally
- Strong production profile** 58,000tpa copper production  
641kt Reserve underpinning an initial 11 year mine life, with good potential to extend
- Low capital intensity** US\$11,700 per average annual tonne of copper production, compares well globally
- Robust economics** OPFS demonstrates attractive returns and strong cash flow
- Strong upside** Exciting underexplored near-Kitumba targets and wider Mumbwa Project licence areas  
Plant can operate beyond the Kitumba Reserve
- Attractive location** Zambia has a mature mining regime and is emerging as a top 5 copper producer  
Government supportive of foreign investment  
Site is readily accessible and will have access to grid power  
Minimal impact on surrounding communities

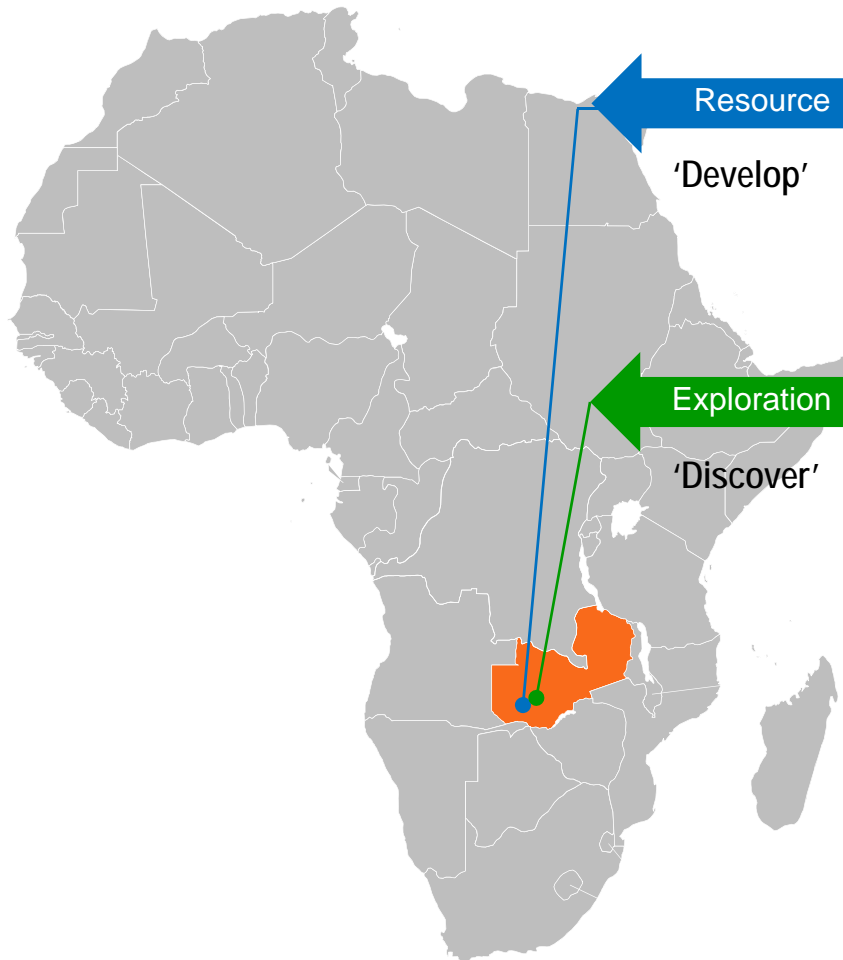




## Section 2

# OVERVIEW OF THE MERGED GROUP

# Company overview—asset portfolio



Resource

'Develop'

## KITUMBA PROJECT

- Copper
- 100% BTR



Exploration

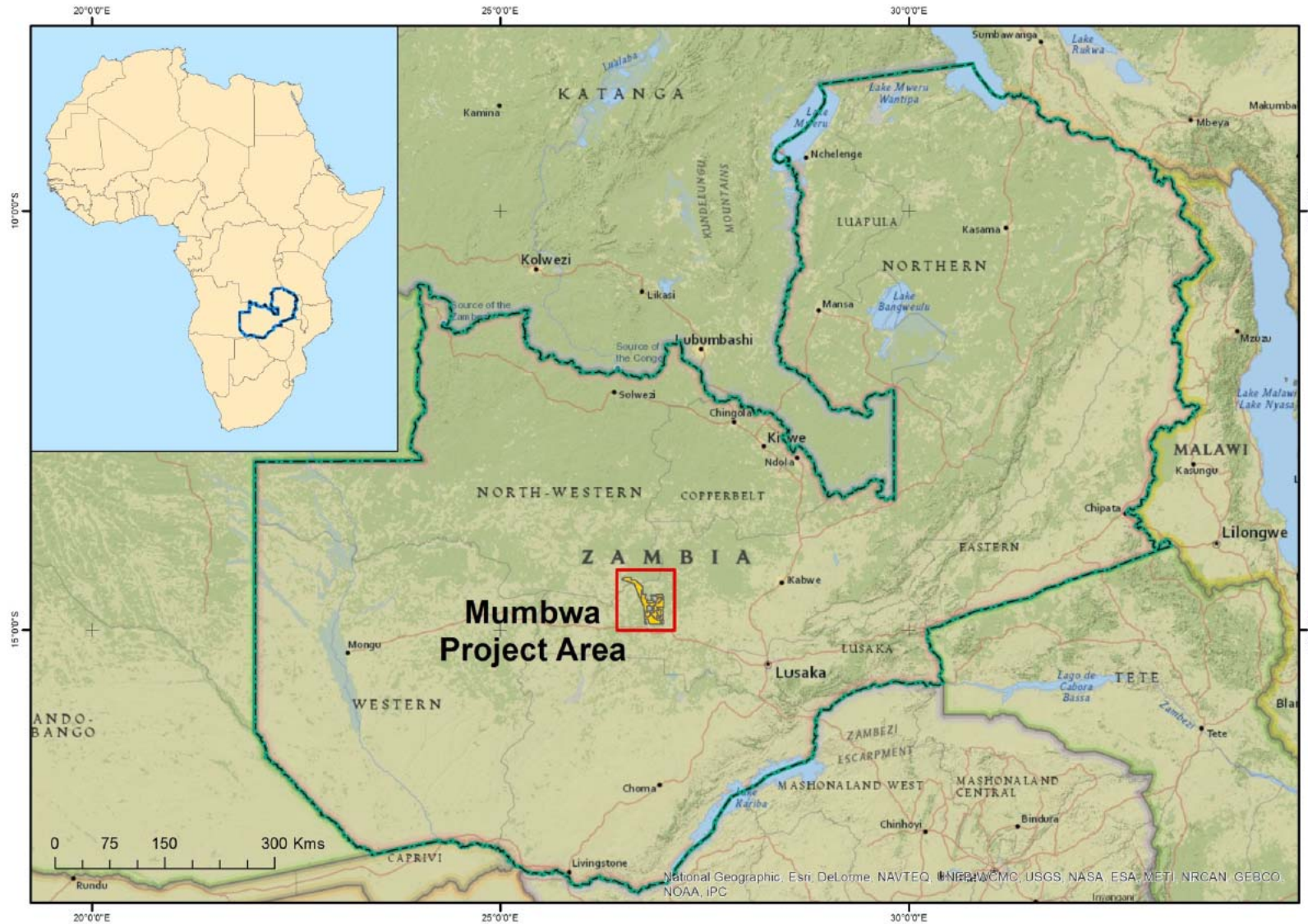
'Discover'

## MUMBWA EXPLORATION

- Copper
- 100% BTR



# Mumbwa project location



# Zambia Snapshot



- Population of ~15 million, with main industries including mining, processing, construction, foodstuffs, beverages, chemicals, textiles, fertilizer and horticulture
- Has enjoyed political stability for most of the last decade, with no major conflicts since the late 1990s
- Economic policy has significantly improved over the last several years, with key macroeconomic indicators such as inflation and real GDP growth (>6% pa) strengthening substantially since 2003
- Zambia has large metals reserves and strong potential for growth in the mining industry. Copper and cobalt dominate, but the country boasts deposits of iron ore, coal, uranium and manganese
  - Approximately US\$8bn invested in the Zambian mining sector in the last 5 years
  - Zambia expected to be one of the top 5 global copper producers in the near future as the country's main producers forge ahead with expansion plans and copper production moves towards 1Mtpa
  - The Zambian Copperbelt contains some of the world's highest grade copper and cobalt deposits
- A number of leading foreign mining and smelting companies have interests in Zambia

## Large Global Mining Houses



## Asian Miners / End Users



# Kitumba—OPFS results



KEY ELEMENT	BASE CASE – Cu PRICE US\$3.50/lb
Nominal production rate (ROM)	3 million tonnes
Cu Head Grade	2.03%
Overall Cu Recovery	Approx. 92%
Average Cu Production over LOM	58,000 tonnes per year
Mine Life	11 years
Real post-tax IRR	21% (100% ungeared equity basis)
Post-tax NPV <sub>8</sub>	US\$461M
Capital Payback	3.5 years after first production
Initial Capital Expenditure	US\$680 million (including contingency)
Additional LOM Capital Expenditure	US\$116 million
Average LOM Cash Cost / lb Cu (C1)	US\$1.57
All-in Cash Cost / lb Cu	US\$1.89
Operating Cashflow LOM	US\$2,483M
Net Profit LOM	US\$1,156M
Average Annual EBITDA	Approx. US\$226M

Source: BTR ASX Announcement dated 29 April 2014 – ‘Kitumba Optimised PFS Provides Positive Project Re-rating’

# Kitumba—mineral resource & ore reserve



## DECEMBER 2013 MEASURED AND INDICATED MINERAL RESOURCE

COPPER CUT-OFF (%)	RESOURCE TONNES (MT)	AVERAGE GRADE CU (%)
0.20	178.2	0.79
0.35	113.7	1.10
0.50	81.6	1.37
1.00	<b>34.7</b>	<b>2.29</b>

## APRIL 2014 ORE RESERVE

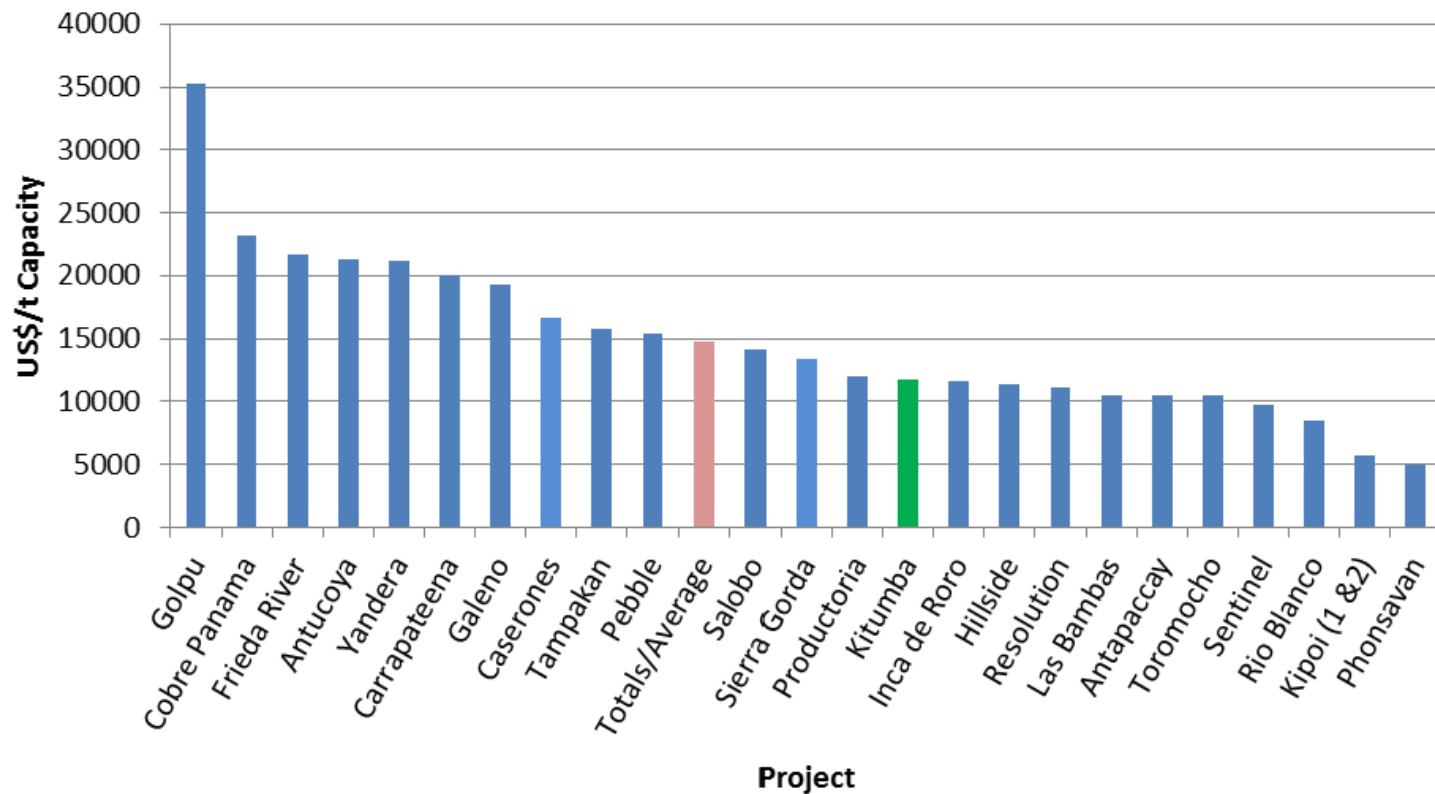
Item	Tonnes (Mt)	Grade (% Cu)	Metal Kt Cu
Proved	11.9	2.44	291
Probable	19.6	1.79	350
Total	31.5	2.04	641

Note the PFS production target and forecast financial information derived from the production target extracted from the report entitled 'Kitumba Optimised PFS Provides Positive Project Re-rating' released to ASX on 29 April 2014, includes 139kt of inferred mineral resources that is not included in the Ore Reserve estimate (less than 0.5% of the production target forecast). There is a low level of geological confidence associated with this inferred mineral resource and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target relating to the inferred mineral resource itself will be realised.

# Kitumba—capital intensity

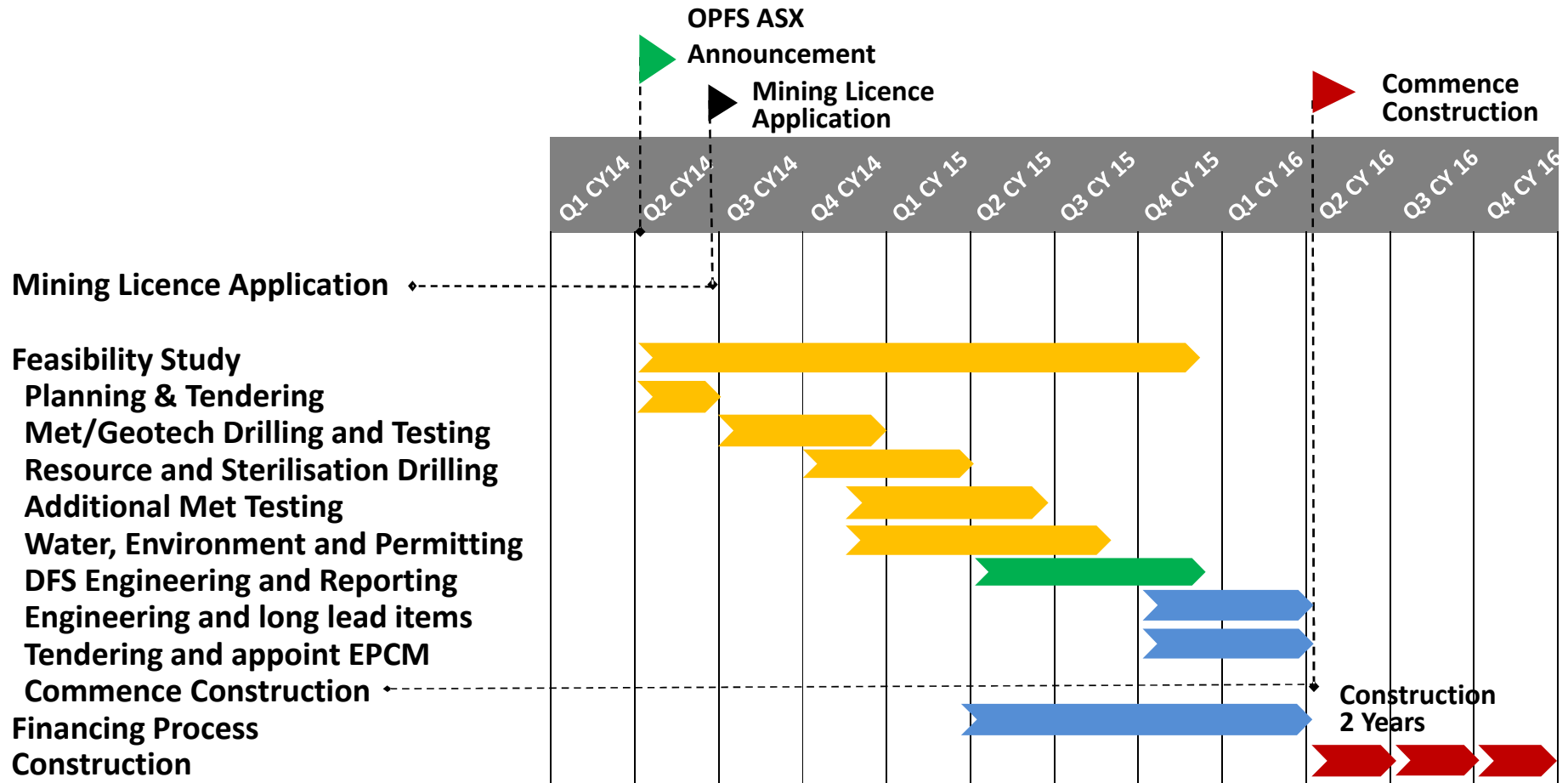


## Capital Intensity - New Cu Projects



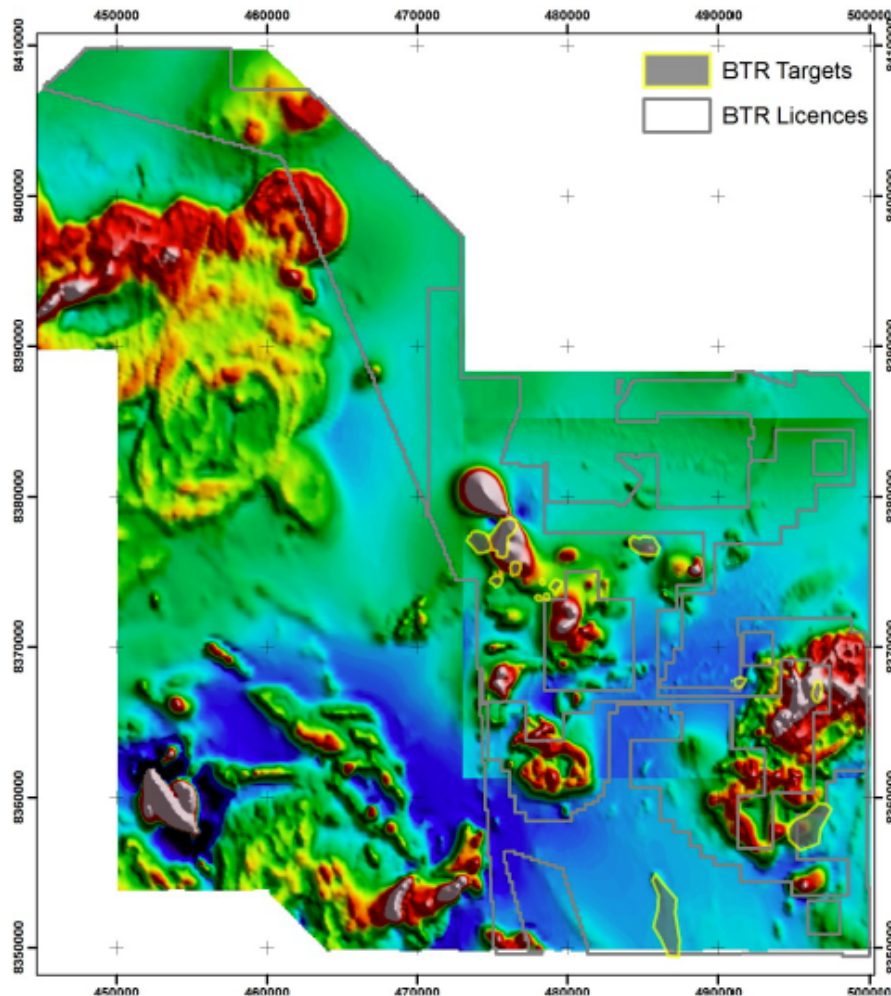
Source: Company published information and analyst estimates

# Kitumba—development timeline



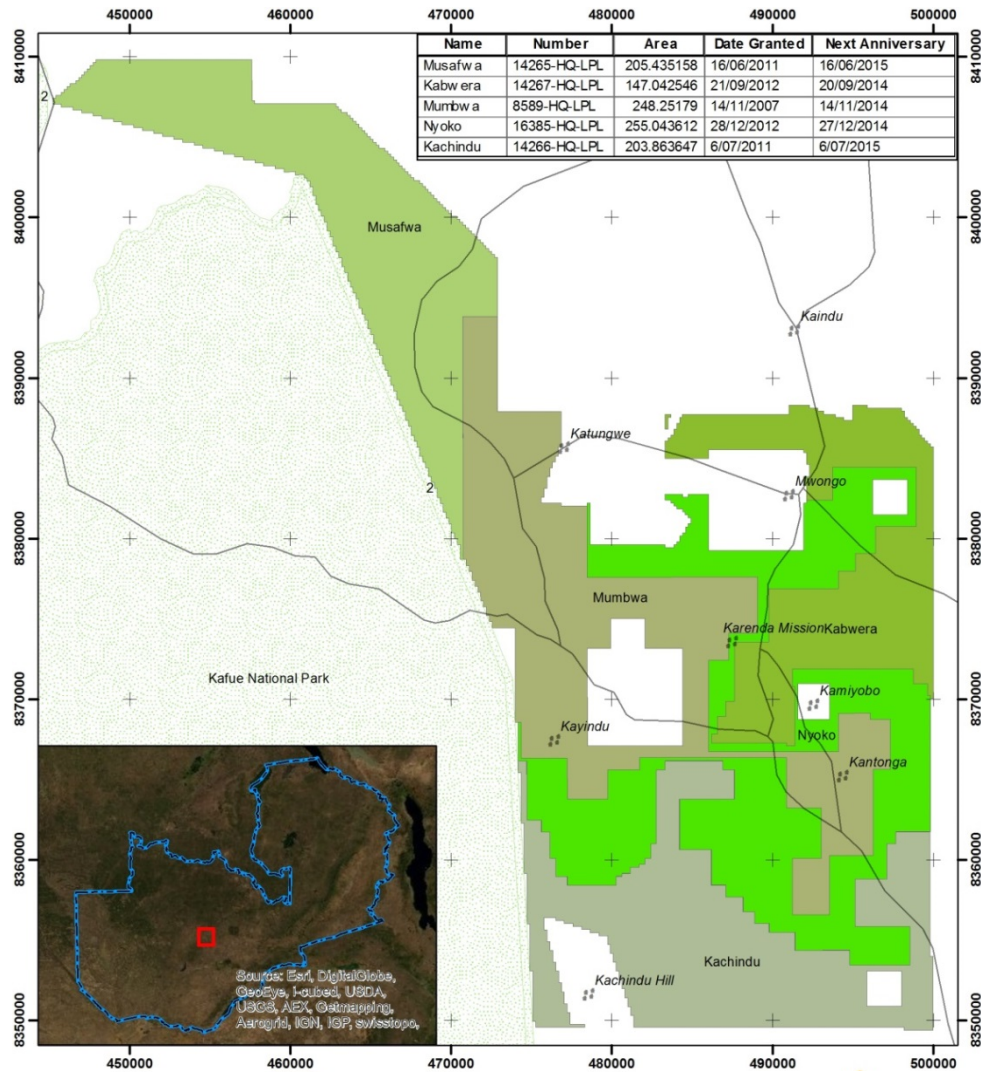


# Exploration opportunities



- Significant exploration program to be undertaken over the previously under-explored near-Kitumba targets and the wider Mumbwa Project licence areas
- A series of targets have been identified over the ~1,000km<sup>2</sup> of exploration licences held by BTR
- Drilling has commenced on the near-Kitumba Kakozhi prospect. Other targets expected to be ready for drilling over the next 12 months
- Exploration program represents substantial upside to Kitumba through potential extension of the project's mine life and ability to demonstrate a further copper rich mineral field around the Kitumba deposit
- Exploration success can be followed up without financial constraints

# Zambian exploration footprint



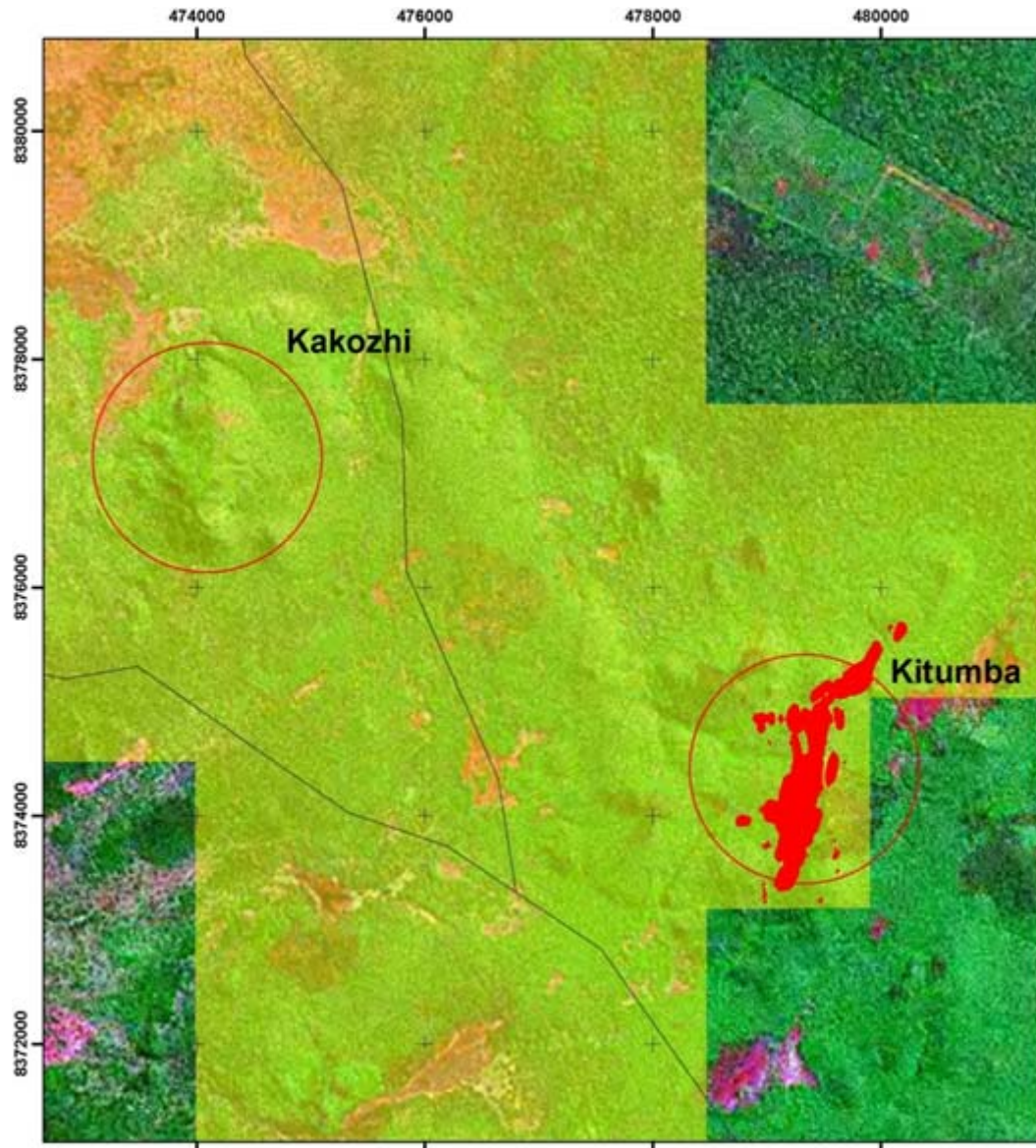
**BTR Licences**

	14265-HQ-LPL Musafwa
	8589-HQ-LPL Mumbwa
	16385-HQ-LPL Nyoko
	14267-HQ-LPL Kabwera
	14266-HQ-LPL Kachindu



NAME	LICENCE NUMBER	AREA SQ KM
Mumbwa	8589-HQ-LPL	248
Musafwa	14265-HQ-LPL	205
Kachindu	14266-HQ-LPL	204
Kabwera	14267-HQ-LPL	147
Nyoko	16385-HQ-LPL	255
<b>TOTAL</b>		<b>1059</b>

# Kitumba and Kakozhi



- Potential copper mineralisation at the Kakozhi prospect can add to Kitumba economics
- 6 km north-west of Kitumba
- Soil geochemical sampling and initial drilling encouraging
- Testing targeting methods at Kitumba, now transferring to Kakozhi
- Drilling has commenced at Kakozhi

# Next steps for projects



## Short Term

### Kitumba Project

- Secure mining licence
- Move into DFS
  - Strong cash position will allow the Merged Group to progress the DFS programme
  - Proven technical solution which is appropriate for this orebody and potential new near-Kitumba resources
  - Project implementation assumes a standard EPCM approach
  - DFS will look for further opportunity to reduce costs and challenge the implementation process
  - DFS to be commissioned in the September quarter of 2014

### BF/Mumbwa Exploration

- Execute expanded Mumbwa (near Kitumba) exploration programme

## Longer Term

### Kitumba Project

- Commercial development – merger will enable Merged Group to pursue partnerships and other financial options from a position of financial strength

### Mumbwa Exploration

- Identify new resources and develop

### Additional opportunities

- Merged Group will be well positioned to take advantage of additional business development opportunities



## Section 3

# **ADDITIONAL TRANSACTION DETAILS**

# Key conditions of the Merger



Blackthorn and Intrepid have entered into a Scheme Implementation Deed, which contains conditions including:

- customary regulatory and court approvals;
- Blackthorn shareholder approval of the Merger;
- Intrepid shareholder approval of the Merger and the Intrepid Buyback;
- conclusion by an Independent Expert that the Merger is in the best interests of Blackthorn shareholders; and
- receipt of the Mining Licence before 30 November 2014 or such later date as agreed between Intrepid and Blackthorn.

The Scheme Implementation Deed also includes customary deal protection for both Blackthorn and Intrepid including no shop and no talk provisions as well as various other provisions relevant to the Merger, including the obligations of the companies in the lead up to implementation and termination rights.

The full terms of the Scheme Implementation Deed are included as an appendix to the transaction announcement released to the ASX.

# Buyback details



- Prior to implementation of the Merger, Intrepid will undertake a Buyback of up to A\$110 million at a price of A\$0.30 per share
- Buyback is conditional upon Intrepid shareholder approval and upon the Merger proceeding
- While the proposed Buyback is expected to be well supported, the outcome of the Buyback is not certain
- To ensure that Blackthorn shareholders receive scrip consideration with cash backed value of A\$0.356 per Blackthorn share, an adjustment mechanism will operate to increase the Merger exchange ratio to the extent that the full quantum of the Buyback is not achieved
- The outcome of the Buyback will be known prior to both the Intrepid and Blackthorn shareholder votes to approve the transaction

## Illustrative outcomes depending on quantum of Buyback achieved

Buyback amount (A\$m)	80	90	100	110
IAU cash backing per share prior to Buyback <sup>1</sup> (A\$/share)	0.310	0.310	0.310	0.310
IAU Buyback price (A\$/share)	0.300	0.300	0.300	0.300
IAU cash backing per share post Buyback (A\$/share)	0.320	0.322	0.326	0.330
<b>Adjusted exchange ratio (x)</b>	<b>1.113</b>	<b>1.104</b>	<b>1.093</b>	<b>1.078</b>
<b>Cash backed value of scrip consideration to BTR shareholders (A\$/share)</b>	<b>0.356</b>	<b>0.356</b>	<b>0.356</b>	<b>0.356</b>
IAU remaining cash <sup>1</sup> (A\$m)	93	83	73	63
Pro forma cash balance of the Merged Group <sup>1</sup> (A\$m)	113	103	93	83
BTR shareholder ownership of Merged Group (%)	39%	41%	44%	48%

1. Based on A\$175m deemed Intrepid cash balance less A\$2m of transaction costs

# Board and management



- Blackthorn and Intrepid believe that combining the talent and expertise of two experienced leadership teams at Board and management level will play an important part in the success of the Merged Group
- Board of the Merged Group to be comprised of three directors from Blackthorn and three directors from Intrepid
- Ian McMaster (current Chairman of Intrepid) will be Chairman of the Merged Group with Mike Oppenheimer (current Chairman of Blackthorn) to serve as Deputy Chairman
- Mark Mitchell (current CEO of Blackthorn) will be Chief Executive Officer and Scott Lowe (current CEO of Intrepid) to serve as an Executive Director focusing on business development



**Ian McMaster**  
*Chairman*



**Mike Oppenheimer**  
*Deputy Chairman*



**Mark Mitchell**  
*Chief Executive Officer*
















**Scott Lowe**  
*Executive Director*



# Indicative timetable to completion



Event	Company	Date
Merger announcement	 	28 August
Intrepid Buyback details announced		Early October
Record date for entitlement to Intrepid Buyback		Mid October
Intrepid notice of meeting released to Intrepid shareholders		Mid October
Intrepid Buyback offer documents dispatched to Intrepid shareholders		Mid October
Blackthorn scheme book released to Blackthorn shareholders		Late October
Close of Intrepid Buyback offer period		Early November
Intrepid shareholder vote on Merger and Buyback		Late November
Blackthorn shareholder vote on Merger		Late November
Intrepid Buyback proceeds distributed		Mid December
Implementation	 	Mid December

Note: timetable is indicative only and subject to change

# Q & A

# Attributions



## Kitumba Project

- The information in this presentation which relates to Mineral Resources for the Kitumba Project in Zambia is extracted from the report entitled 'Kitumba Mineral Resource Update' released to ASX on 16 December 2013 which is available on the ASX website at [www.asx.com.au](http://www.asx.com.au) or the BTR website at [www.blackthornresources.com.au](http://www.blackthornresources.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.
- The information in this presentation which relates to Production Targets, Financial Information Derived From Production Targets, and Ore Reserves for the Kitumba Project in Zambia is extracted from the report entitled 'Kitumba Optimised PFS Provides Positive Project Re-rating' released to ASX on 29 April 2014 which is available on the ASX website at [www.asx.com.au](http://www.asx.com.au) or the BTR website at [www.blackthornresources.com.au](http://www.blackthornresources.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Production Targets, Financial Information Derived From Production Targets, and Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.