BLACKTHORN/RESOURCES/LIMITED

ANNUAL REPORT

2014

BLACKTHORN RESOURCES

DISCOVER | DEVELOP | DELIVER

CONTENTS

CHAIRMAN'S REPORT

Dear Fellow Shareholders,

It gives me pleasure to address you in my first Annual Report as your Chairman. This year saw a period of significant change in the leadership of the Company. At the Board level, our Chairman, Mr. Bill Cash, retired in February 2014 having served over six years as a director of Blackthorn Resources. I once again wish to express my sincere thanks and gratitude to Bill on behalf of the Board for his contributions and counsel during his time with the Company. In January 2014, we welcomed Mr. Roger Higgins to the Board as a non-executive director. Roger is an experienced mining industry executive, and brings to your Board his deep copper industry experience at this crucial time as the Company furthers the development of its Kitumba Project in Zambia.

As noted in last year's Annual Report, Managing Director, Mr. Scott Lowe indicated he would be leaving the Company by the end of the year. Scott had been with Blackthorn Resources since 2007 and I wish to thank him for the contributions he made to the market awareness, restructuring and growth of the Company. In January 2014, Mr. Mark Mitchell joined the Company as Chief Executive Officer and was subsequently invited to join the Board as our Managing Director in May 2014. Mark's extensive operational, project development and general management experience, especially in remote environments, will be invaluable as we embark on the development challenge of our Mumbwa assets.

With these changes, I believe we now have a strong team in place with the necessary skills at Board and executive level to lead the Company in the execution of our strategy.

At a business level, the year under review was characterised by two significant events.

We commenced the year with significant issues to be addressed in relation to our investment in the Perkoa Project in Burkina Faso. At that time our intention was to work with the project manager to address the operational performance and funding requirements of the project as the mine commenced production, to endeavour to secure the projected value in our ongoing stake in the project. In the end, following a detailed analysis of the revised Perkoa business plan provided by the project manager, the Company decided that the costs of maintaining our investment were too high and posed an unacceptable risk to the ongoing operations of the Company. The agreement negotiated with our joint venture partner to exit the Perkoa Project, which shareholders approved in August 2014, was considered to be in the best interests of our shareholders, providing the Company with a stronger financial position and enabling us to focus on the development of the Company's Kitumba Project and other exploration opportunities in Zambia with greater certainty.

In April 2014, we released the Optimised Prefeasibility Study for the Kitumba Project in Zambia. This study was a very important step in the development path for this project. The results of the study have shown that we have a robust project at the Prefeasibility Study level, having identified a proven, cost effective mining and processing solution. The investment potential demonstrated via the Prefeasibility Study has provided the necessary confidence for the Company to commence the Definitive Feasibility Study which was initiated towards year-end, enabled by the enhanced financial security provided by the Perkoa divestment.

In addition, we have recommenced targeted exploration on our wider exploration permits in Zambia, with immediate focus on the targets identified around the Kakozhi prospect situated some 6km north-west of the Kitumba deposit.

Subsequent to year-end, Blackthorn Resources and Intrepid Mines announced their agreement to merge by way of scheme of arrangement. This development is in line with the strategy we outlined at our annual general meeting last year. At that time, we announced our immediate priorities were to resolve the Perkoa Project underperformance 'for value', to reposition our executive team to pursue development of our Zambian copper assets and to enhance our financial capability to do this. The merger represents a compelling opportunity for us to move our business forward more aggressively with these priority objectives achieved. The merger will create a well-funded copper company in a strong financial position to realise the potential of the Kitumba Project and add value to the Company's broader Mumbwa Project licence areas in Zambia.

It has been a year of major change for Blackthorn Resources. I would like to acknowledge the efforts and contributions of my fellow Board members as we have strived to maintain the highest possible corporate governance standards and provide a clear and focused direction for the Company with the best interests of our shareholders foremost in our decision making. I would also like to thank our senior management, together with the wider Blackthorn Resources team across Australia, Zambia and Burkina Faso for their loyalty, dedication and hard work during the year. Lastly, I would like to thank all our shareholders for your continued support of the Company. I believe we can now look forward to developing a stable, growing company with greater value delivery predictability.

Mike Oppenheimer
Chairman

MANAGING DIRECTOR'S REPORT, OPERATIONS AND FINANCIAL REVIEW

Dear Shareholders,

The financial year 2013/14 saw continuing difficult business conditions. Sentiment towards investment in the junior resources sector remained very poor, reflected in low company valuations and difficulty in raising finance across the sector.

With this as a background, Blackthorn Resources has dealt with some serious threats and emerged ready and resourced to develop our projects and grow the Company.

At the Perkoa Project, the year started with a request for a further working capital contribution combined with disappointing operating performance. This threatened the future of Blackthorn Resources' investment in Perkoa and potentially threatened the business as a whole. By working with our joint venture partner we were able to negotiate an exit from our interest in the project including adjacent exploration licences for a payment to us of US$12 million and no ongoing liabilities. This successfully turned a potential negative for the business into a clear positive.

Meanwhile the Kitumba Project started the year with the announcement of a preliminary Prefeasibility Study, necessary to protect our licence tenure but poorly received by the market. By the end of the year we had optimised the study, demonstrated a solid project and had committed to Definitive Feasibility Study works.

By the end of the year we had also committed to an expanded exploration program on our Mumbwa Project exploration licence areas.

Subsequent to year-end a proposed merger was announced with Intrepid Mines. Should this be approved by the respective shareholders, the merged company will have access to approximately $83 million cash to progress the Kitumba DFS and other exploration targets within the wider Mumbwa licence areas, as well as be able to pursue other business development opportunities with confidence. Our ability to navigate through these challenges and emerge ready to move forward is a credit to the team at Blackthorn Resources. Everyone should feel proud of their contribution and effort. These issues are covered in more detail below, but I believe Blackthorn Resources is now well positioned to shape its future.

Financial Review

The Company has continued to manage its cash closely. This focus will not change and the Company will continue to routinely question both its structure and systems in the search to deliver our work programs as efficiently and effectively as possible.

Financial Results

The Group recorded a net loss after tax for the year of $38,511,000. This compared to a net loss of $12,517,000 for the 2013 year.

The current year loss included a loss of $33,805,000 (2013: $7,504,000) from discontinued operations. This loss consisted of the Group's equity accounted share of operating losses attributable to its investment in the Perkoa Project of $31,829,000 (2013: $7,504,000), a write down of exploration and evaluation expenditure incurred in relation to the Group's interests in the Burkina Faso exploration licences of $1,141,000 plus other exploration and evaluation related expenditure in Burkina Faso of $728,000, both assets which are subject to the agreement entered into in May 2014 to sell to Glencore.

The current year loss from continuing operations of $4,706,000 compared to a loss of $5,013,000 for the prior year.

Financial Position

The net assets of the Group decreased by $41,630,000, from $90,997,000 in 2013 to $49,367,000 in 2014. This decrease was principally a result of the $31,829,000 reduction in the carrying value of the Group's investment in the Perkoa Project to zero as a result of the Group equity accounting its share of operating losses incurred by the Perkoa Project, as well as a decrease in working capital of $12,461,000. In addition, $2,121,000 of exploration and evaluation expenditure relating to the Burkina Faso exploration licences was transferred to 'Assets held for sale'.

The decrease in working capital was largely due to a decrease in cash of $13,082,000 and trade and other receivables of $1,181,000, partially off-set by a reduction in trade and other payables of $1,798,000.

Capitalised exploration and evaluation expenditure increased $686,000 from $34,935,000 in 2013 to $35,621,000 in 2014. This increase consisted of $7,305,000 of capitalised expenditure principally related to the Kitumba Project, off-set by the $2,121,000 of expenditure transferred to 'Asset held for sale', the write down plus other exploration and evaluation related expenditure of $1,869,000 relating to the Burkina Faso exploration licences, and the effect of movements in exchange rates of $2,629,000.

Cash Flows

As at 30 June 2014, the Group had cash on hand of $12,491,000 (2013: $25,573,000).

The Group spent $9,112,000 during the year on exploration and evaluation expenditure principally in relation to the Mumbwa Project in Zambia. In addition, the Company spent $3,963,000 (2013: $4,068,000) on administration costs net of interest received on cash deposits.

A further US$10 million was subsequently received in August 2014 as settlement of the sale of the Company's interest in the Perkoa Project to Glencore.

Health and Safety

Blackthorn Resources continued to focus on establishing and maintaining health, safety and environment standards and performance across its operations in accordance with industry practices. This included working in collaboration with its joint venture partner to achieve these outcomes in relation to the Perkoa Project. We are pleased to advise that there were no significant health or safety incidents reported during the year in any activity controlled by the Company.

Improvements in contractor supervision and support on site at the Mumbwa Project in Zambia resulted in no lost time injuries during the reporting period despite the increasing work load. Hazard reporting and incident free safety observations increased during this period with regular site meetings held to discuss issues and stimulate a safe working culture across all operational areas.

Environment, Social and Community

Blackthorn Resources takes pride in its commitment to sustainable development and building responsible relationships with the communities within which it operates. The Company continues to fulfil its obligations to the communities by actively supporting a range of specific social and community projects aimed at benefiting the local people.

In Burkina Faso, the Perkoa JV continued its support of the Perkoa village and local communities via a range of community and social programs carried out under the Nantou Foundation.

In Zambia, community engagement in the Mumbwa District as a whole and specifically in the Kitumba area has been expanded through local community consultations as part of the Environmental Impact Assessment process as well as an increase in practical assistance for local schools and communities.

A needs assessment was finalised during this period which developed an in-depth profile of the surrounding communities, including their challenges, needs and suggested interventions (projects) for community development, which will form the base knowledge for the further development of Blackthorn Resources' long-term community investment strategy. The assessment undertaken included analysis of the Mumbwa District Strategic plans for development, community needs assessment (through interviews and focus group discussions), and research on other community development operators in the area.

MUMBWA COMMUNITY SUPPORT

MUMBWA COMMUNITY SUPPORT

Investigations of the potential social and environmental impacts of the proposed Kitumba copper mining project were also completed utilising feedback from numerous public consultations involving the surrounding stakeholders and local authorities. A number of other specialist environmental, social and technical studies were completed, with the resulting Environmental Impact Statement being submitted to the Zambian Environmental Management Authority (ZEMA) in early April in support of the mining licence application over the Kitumba Project.

Blackthorn Resources has expanded its community support program in the Kitumba area with programs including:

- Electrification of the local Kitumba Community School (KCS);
- Donation of desks and books for 100 students at the KCS;
- Development of a water bore in conjunction with Ox Drilling and donation of water storage facilities at the KCS;
- Support and participation in the local Kaonde celebration; the Musaka Jikubi traditional ceremony;
- Expansion of local employment opportunities with preference given to immediate villages where practical.

Support for the KCS is seen as an important community initiative, with the school having been established in an area that previously had no schools within 20km of the project. For many students attendance at the KCS is the first time they have had access to schooling.

As part of the Kitumba Definitive Feasibility Study, Blackthorn Resources has appointed Africa Geo-Environmental Services Gauteng to build on the investigation of the potential social and environmental impacts of the proposed Kitumba Project completed as part of the Prefeasibility Study.

Rehabilitation of drill sites has been an ongoing practice at Kitumba, with wet season rains leading to spectacular vegetation growth over areas worked previously.

There were no significant environmental issues reported within the Zambian operations during the year.

PERKOA

Perkoa Project - Burkina Faso

Blackthorn Resources started the year owning 29% of the Perkoa zinc project, with the Burkina Faso Government holding 10% and Glencore the balance.

Following the successful commissioning of the treatment plant and commencement of production in May 2013, the Perkoa Project exported its first shipments of zinc concentrate in October 2013. While this was pleasing, it became progressively apparent during the course of the year that the Perkoa operation was not likely to be able to make a meaningful financial contribution to Blackthorn Resources.

Key events during the year were:

- In August 2013, Blackthorn Resources was advised by its joint venture partner that the Perkoa Project required additional working capital estimated to be in the order of US$30 million (Blackthorn Resources' share approximately US$9 million).
- In February 2014, Blackthorn Resources was provided with a revised business plan by the manager and was advised that open-pit mining operations had been suspended as a result of lower mined metal grades, lower metal prices and significantly higher strip ratio.
- Blackthorn Resources engaged in an intensive due diligence process to thoroughly understand the information provided and identify a proposed way forward.
- In April 2014, Blackthorn Resources announced it had reached a non-binding conditional agreement with Glencore to sell its equity interest in the Perkoa Project and related assets in Burkina Faso for up to US$12 million.
- On 16 May 2014, Blackthorn Resources entered into a binding definitive agreement subject to shareholder approval.
- Subsequent to year-end, the Company's shareholders voted to accept the offer from Glencore to acquire the Company's remaining equity interest in the Perkoa Project (Share Transaction) and its interests in adjacent exploration licences in Burkina Faso (EL Transaction).
- On 19 August 2014, the Company received the US$10 million payment for settlement of the Share Transaction.

Completion of the EL Transaction, including payment of the US$2 million purchase consideration, is contingent on receiving approval of the Burkina Faso Minister of Mines and satisfaction of certain other conditions referred to in the EGM Explanatory Statement. It is expected that the Minister's decision will be available in November 2014.

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

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


MUMBWA

Mumbwa Project - Zambia

Kitumba Project

The Kitumba Project was advanced significantly in the reporting year.

Preliminary Prefeasibility Study

A preliminary Prefeasibility Study (PFS) was completed in September 2013 confirming the potential for a technically viable project. The purpose of publishing the preliminary PFS results at that time was to put Blackthorn Resources in a position to apply for a mining licence should that have been required. The preliminary PFS recognised that the project design was not optimised and that further work was required to maximise its development potential. Perth-based Lycopodium Minerals and Australian Mining Consultants were engaged to complete a series of optimisation studies on the PFS to develop the key areas identified as having the greatest potential to improve the project economics.

Maiden Ore Reserve Estimate

Following the completion of the preliminary PFS, the Company commissioned RungePincockMinarco Limited (RPM) to complete an independent estimate of the underground Ore Reserve for the Kitumba deposit. A maiden JORC Code (2004 Edition) compliant Probable Ore Reserve, including 33.5 Mt of ore at 1.7% Cu for a total of 541,000 tonnes of copper, was calculated for the Kitumba deposit and announced on 23 October 2013.

Phase 7 Resource Drilling

The Phase 7 drilling program was designed to infill drill the high-grade copper zone in the Kitumba deposit and increase the confidence level of the April 2013 Kitumba Mineral Resource estimate. The geotechnical holes were designed to further characterise the structural and engineering properties of material within the current extent of any potential future underground mining operations.

Final assay results of the Phase 7 drilling program were released during the December quarter and provided further world class copper intercepts from drill holes KITDD_032, KITDD_033 and KITDD_037:

- KITDD_032 returned 223m @ 3.22% Cu from 183m to 406m, including:
  - 167m @ 4.1% Cu from 212m to 379m;

- KITDD_033 returned 110m @ 4.08% Cu from 236m to 346m, including:
  - 39m @ 7.35% Cu from 236m to 275m;

- KITDD_037 returned 186m @ 2.25% Cu from 221m to 407m, including:
  - 77m @ 4.1% Cu from 315m to 392m.

Kitumba Mineral Resource Estimate Revision

Data from the Phase 7 infill drilling program was used by The MSA Group to complete an updated Mineral Resource estimate for the Kitumba deposit, which was reported in accordance with the JORC Code (2012 Edition) – refer to the ASX Announcement – 'Kitumba Mineral Resources Update' dated 16 December 2013. A copy of the ASX announcement is available on the Company's website at www.blackthornresources.com.au.

Using a 1% Cu cut-off, the Kitumba deposit now contains a total Measured and Indicated Mineral Resource of 34.7 Mt at 2.29% Cu for a total of 795,000 tonnes of copper. This represented a 25% increase in contained metal over the April 2013 Mineral Resource estimate. A key improvement on the previous Mineral Resource estimate was the inclusion of Measured material. The deposit now contains 10.4 Mt in the Measured category at a grade of 2.93% Cu using a 1% cut-off for a total of 306,000 tonnes of copper, or approximately 38.5% of the total contained copper in the Measured and Indicated categories.

Optimised Prefeasibility Study

The Kitumba Optimised Prefeasibility Study (OPFS) results were released to the market on 29 April 2014. The OPFS delivered significantly enhanced economics and development potential for the project.

Highlights of the OPFS included:

- IRR of 21% and NPV_8 of US$461m[1]
- C1 cash cost of US$1.57/lb of copper metal produced with all-in cash costs of US$1.89/lb
- Copper recovery of 92% with average annual metal production of 58,000tpa
- Annual ore production of 3 Mt Run of Mine with average head grade of 2.03% copper
- Underground mine with 11 year life
- 31.6 Mt LOM production target with 642,000t of contained copper.
- Ore Reserve increased 18% to 641,000t contained copper and EBITDA US$2.48 billion
- Project development cost estimated at US$680m with capital intensity of US$11,700 per annual tonne of copper produced and a payback of 3.5 years after start of production.

Source: ASX Announcement dated 29 April 2014 'Kitumba Optimised PFS Provides Positive Project re-rating'.

[1] 'Real' terms, after tax based on US$3.50/lb copper

Definitive Feasibility Study Commenced

The Company confirmed that it would commence a Definitive Feasibility Study (DFS) on the Kitumba Project. The aim of the DFS is to see the value of the Kitumba Project recognised through increasing confidence in the technical and implementation plans. Immediate tasks will be the critical path drilling program and the process to identify a study manager, as well as lodgement of the Mining Licence.

In June 2014, the Company announced that it had commenced the DFS drilling program utilising three drill rigs, targeting infill drilling for additional resource definition, and further metallurgical, geotechnical and hydrogeological assessment. The drilling program has been designed in consultation with Blackthorn Resources' metallurgical, mining engineering, geotechnical and hydrological consultants.

Subsequent to year-end, the Company lodged an application for a Large-Scale Mining Licence for the Kitumba Project in Zambia. The Mining Licence application is for a 3 Mt per annum underground mine, processing facility and associated infrastructure.

CORE SHED - MUMBWA CAMP

Mumbwa Exploration - Zambia

Exploration on the Mumbwa Project exploration licences (Figure 1) was limited during the year with the focus on drilling and prefeasibility work at Kitumba.

Analysis of the Orion 3D IP data collected at Kitumba during July 2012, along with existing datasets (primarily the gravity, magnetics and radiometrics collected during the FALCON™ survey and previous drilling), were used during the year to identify targets and develop an exploration approach which led to a recommencement of exploration outside of the immediate Kitumba footprint.

The sale of Perkoa has enabled the Company to reactivate its exploration plans. Subsequent to year end, on-ground work started with an Induced Polarisation (IP) survey at the Kakozhi prospect where the target is supported by soil geochemistry. Targets identified by the IP survey will be followed up with targeted drilling. In addition to the IP survey the Company has also initiated an extensive soil geochemical survey to cover previously untested areas within the wider Mumbwa tenement package. We expect to confirm a substantial increase in exploration activity during FY 2015.

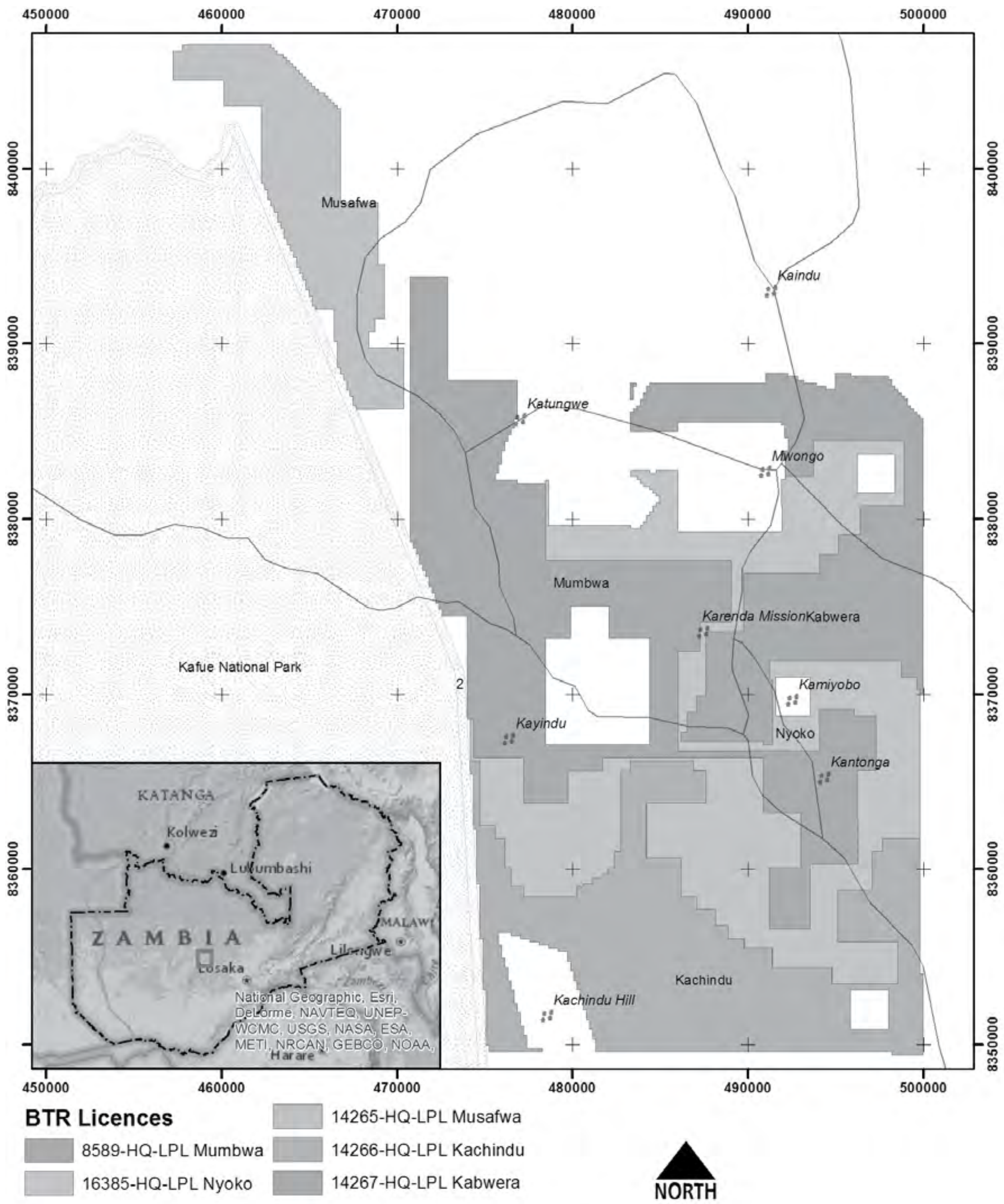

FIGURE 1: MUMBWA PROJECT LICENCES

Burkina Faso Exploration

Northern Tenements

During the June 2014 quarter, the Company resumed RAB drilling to follow-up IP geophysical anomalies on the Poa and Guido licences. The drilling program also included some infill holes on previously drilled RAB lines. This expenditure incurred during the quarter ensured that the Company met its minimum exploration expenditure requirements to keep the licences in good standing. Only limited exploration works were undertaken on the Seboun and Sepaogo licences during the year.

As part of the agreement to sell the Group's equity interest in the Perkoa Project to Glencore, the Company also agreed to sell its interests in the Northern Tenement exploration licences (Poa, Guido, Seboun and Sepaogo) which surround the Perkoa zinc mine.

Southern Tenements

The Company received formal confirmation of acceptance of the relinquishment of the Naboue, Fafo and Bonzan exploration licences (Southern Tenements) from the Ministry of Mines and Energy in February 2014.

Company Outlook

Your Board and management are aware that Blackthorn Resources' share price declined further during the year. However, we are also confident that the work done to resolve our position at Perkoa and set our Zambian assets on a clear path forward will lay the foundation for growing value over the coming year and beyond.

Key focus areas for the coming 12 months are:

- Complete the sale of the Perkoa exploration licences to Glencore
- Obtain the Kitumba mining licence
- Progress the Kitumba Definitive Feasibility Study on time and on budget
- Begin work on a development funding solution for the Kitumba Project
- Fully test the Kakozhi prospect and bring other targets through to drill testing
- Complete the merger with Intrepid Mines

To enable these work streams we will continue to apply our core values including:

- Sound corporate governance
- Setting and achieving challenging business and operational goals
- Effective risk management
- Tight control of costs
- Prudent investment of capital
- Active portfolio management
- Positive stakeholder relationships and communication.

The overriding aim of your Board and management is to grow the value of your investment in Blackthorn Resources. We believe the best way to do this is to focus clearly on what we need to achieve in the next 12 months and go and deliver it.

Mark Mitchell
Managing Director

MINERAL RESOURCES & ORE RESERVES STATEMENTS

Perkoa Project, BURKINA FASO

Mineral Resources - Perkoa

30 June 2014		
Category	**Tonnes (Mt)**	**Zinc grade (%)**
Measured	1.8	15.00
Indicated	4.2	12.44
Total Measured and Indicated	**6.0**	**13.21**
Inferred	2.1	10.12
Total Mineral Resources	**8.1**	**12.42**

30 June 2013	Tonnes (Mt)	Zinc grade (%)	Silver grade (g/t)	Lead grade (%)
Total Mineral Resources	**12.17**	**10.3**	**53.9**	**0.16**

Review of material changes

Changes to the Perkoa Mineral Resource estimate have occurred as a result of:

- A re-interpretation of the geological domains including underground diamond drilling, mapping and channel sampling;
- Perkoa is now considered a zinc only deposit and lead and silver are no longer considered in the resource;
- Mining costs have been re-evaluated and optimised affecting the operational and capital costs used for reserve cut-off evaluation.

Ore Reserves – Perkoa

30 June 2014 Category	Tonnes (Mt)	Zinc grade (%)	Contained zinc ('000 tonnes)
Proved	1.1	14.66	161
Probable	2.4	12.15	292
Total Ore Reserves	**3.5**	**12.95**	**453**

30 June 2013	Tonnes (Mt)	Zinc grade (%)	Contained zinc ('000 tonnes)
Total Ore Reserves	**6.3**	**13.9**	**873**

Review of material changes

Changes to the Perkoa Ore Reserve estimate have occurred as a result of:

- A re-interpretation of the geological domains including underground diamond drilling, mapping and channel sampling;
- Perkoa is now considered a zinc only deposit and lead and silver are no longer considered in the resource;
- Mining costs have been re-evaluated and optimised affecting the operational and capital costs used for reserve cut-off evaluation.

Notes for the Perkoa Project

- The 30 June 2014 Mineral Resource and Ore Reserve estimates are reported in accordance with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012).
- Mineral Resources are inclusive of Ore Reserves.
- The 30 June 2014 Mineral Resources are estimated at a cut-off grade of 5% zinc and is dated 30 June 2014. The 30 June 2013 Mineral Resources are estimated at a cut-off value of US$80 per tonne and is dated 25 May 2012.
- The 30 June 2014 Ore Reserves are estimated at a cut-off grade of 5% zinc and is dated 30 June 2014. The 30 June 2013 Ore Reserves are estimated at a cut-off grade of 9% zinc and assumes a zinc price of US$2000/t and is dated 1 July 2009.
- The Ore Reserves include estimated mining losses and dilution and reflects anticipated tonnes and grades delivered to the processing plant.

Competent Persons Statement

The information in this Perkoa Mineral Resources and Ore Reserves Statements (Perkoa Statements) is based on, and fairly represents information and supporting documentation prepared by Competent Person Ms. Aline Cote who is a member of the Orde des Geologues du Québec (OGQ), which is a Recognised Professional Organisation ('RPO'). Ms. Cote is a full-time employee of Glencore Plc. Ms. Cote has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the type of activity to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Ms. Cote has approved the Perkoa Statements as a whole and consents to its inclusion in the Annual Report in the form and content in which it appears.

Mumbwa Project, ZAMBIA

Mineral Resources# – Kitumba

30 June 2014 Category	Tonnes (Millions)	Cu (%)	Acid Soluble Cu (%)	Co (ppm)	Au (g/t)	Ag (g/t)	U (ppm)	Density (t/m^3)
Supergene Domain								
Measured	6.1	3.44	1.66	205	0.04	1.3	25	2.51
Indicated	15.2	2.07	1.00	180	0.03	0.9	26	2.60
Total Measured and Indicated	**21.3**	**2.46**	**1.19**	**187**	**0.03**	**1.0**	**26**	**2.57**
Inferred	0.2	1.12	0.28	124	0.16	0.4	22	2.66
Hypogene Domain								
Measured	4.4	2.23	0.45	247	0.04	1.0	21	2.86
Indicated	9.0	1.93	0.57	210	0.03	0.9	32	2.83
Total Measured and Indicated	**13.4**	**2.03**	**0.53**	**222**	**0.03**	**0.9**	**28**	**2.84**
Inferred	3.9	1.39	0.23	415	0.02	0.7	31	2.81
Combined Domain								
Measured	10.5	2.93	1.15	223	0.04	1.2	23	2.66
Indicated	24.2	2.02	0.84	191	0.03	0.9	28	2.69
Total Measured and Indicated	**34.7**	**2.29**	**0.93**	**201**	**0.03**	**1.0**	**27**	**2.67**
Inferred	4.1	1.38	0.23	401	0.03	0.7	31	2.80
Total Mineral Resources	**38.8**	**2.19**	**0.86**	**222**	**0.03**	**0.9**	**27**	**2.68**

30 June 2013	Tonnes (Millions)	Cu (%)	Acid Soluble Cu (%)	Co (ppm)	Au (g/t)	Ag (g/t)	U (ppm)	Density (t/m^3)
Total Mineral Resources	**33.3**	**2.05**	**0.75**	**197**	**0.03**	**1.0**	**27**	**2.70**

#All tabulated data has been rounded to one decimal place for tonnage and to either, no, one or two decimal places for grades.

Review of material changes

The increase in the Kitumba Mineral Resource estimate is the result of additional drilling undertaken during 2013. Both Mineral Resource estimates are shown at a cut-off grade of 1% Cu.

Ore Reserves – Kitumba

30 June 2014 Category	Tonnes (Mt)	Copper grade (%)	Contained copper ('000 tonnes)
Proved	11.9	2.44	291
Probable	19.6	1.79	350
Total Ore Reserves	**31.5**	**2.04**	**641**

30 June 2013	Tonnes (Mt)	Copper grade (%)	Contained copper ('000 tonnes)
Total Ore Reserves	**-**	**-**	**-**

Notes for Kitumba Project

- The 30 June 2014 Mineral Resource and Ore Reserve estimates are reported in accordance with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012).
- Mineral Resources are inclusive of Ore Reserves.
- The 30 June 2014 Mineral Resources are reported at cut-off grade of 1% copper and is dated 5 December 2013. The 30 June 2013 Mineral Resources are reported at a cut-off grade of 1% copper and is dated 8 April 2013.
- The 30 June 2014 Ore Reserves are reported at a cut-off grade of 1% copper and is dated 29 April 2014.
- The Kitumba mining schedule includes 139kt of inferred mineral resources that is not included in the Ore Reserve estimate. 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 any production target relating to the inferred mineral resource itself will be realised.

Competent Persons Statement

The information in the Kitumba Mineral Resources and Ore Reserves Statements (Kitumba Statements) is based on, and fairly represents information and supporting documentation prepared by Competent Person Mr. Jeremy C Witley, BSc (Hons), Pr.Sci.Nat., who is a member of the Geological Society of South Africa, which is a Recognised Professional Organisation ('RPO'). Mr. Witley is a Principal Consultant with The MSA Group. Mr. Witley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Whitley has approved the Kitumba Statements as a whole and consents to its inclusion in the Annual Report in the form and content in which it appears.

Guido Gold Project, BURKINA FASO

Mineral Resource – Guido

30 June 2014 Category	Tonnes (Mt)	Gold grade (g/t)	Contained gold (ounces)
Inferred	4.1	1.06	139,000
Total Mineral Resource	**4.1**	**1.06**	**139,000**

30 June 2013	Tonnes (Mt)	Gold grade (g/t)	Contained gold (ounces)
Total Mineral Resource	**4.1**	**1.06**	**139,000**

Notes for Guido Gold Project

- The Mineral Resource estimate is reported in accordance with the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004). It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.
- The Mineral Resource is reported at a gold cut-off grade of 0.4 g/t and based on information made available to The MSA Group up to and including 31 October 2010.
- The Mineral Resource incorporates mineralisation between surface and a maximum depth of 300m below surface.

Competent Persons Statement

The information in the Guido Mineral Resource Statement (Guido Statement) is based on, and fairly represents information and supporting documentation prepared by Competent Person Mr. Michael Hall, MBA, Pr.Sci.Nat.,MAusIMM, who is a member of the The Australian Institute of Mining and Metallurgy. Mr. Hall 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 he is undertaking 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 Reserves'. Mr. Hall has approved the Guido Statement as a whole and consents to its inclusion in the Annual Report in the form and content in which it appears.

Tenements Summary

Concession		Tenement Number	2014	2013
Perkoa Exploitation Licence [1]	Burkina Faso	07-143	27.3%	29%
Guido Exploration Licence	Burkina Faso	13-118	100%	100%
Poa Exploration Licence	Burkina Faso	13-119	100%	100%
Sepaogo Exploration Licence	Burkina Faso	11-335	100%	100%
Seboun Exploration Licence	Burkina Faso	11-336	100%	100%
Fafo Exploration Licence[2]	Burkina Faso	11-152	-	100%
Bonzan Exploration Licence[2]	Burkina Faso	13-049	-	100%
Naboue Exploration Licence[2]	Burkina Faso	13-050	-	100%
Mumbwa Permit[3]	Zambia	8589-HQ-LPL	100%	100%
Musafwa Permit	Zambia	14265-HQ-LPL	100%	100%
Kachindu Permit	Zambia	14266-HQ-LPL	100%	100%
Kabwera Permit	Zambia	14267-HQ-LPL	100%	100%
Nyoko Permit	Zambia	16385-HQ-LPL	100%	100%

(1) At 30 June 2014 the Company, through its wholly-owned subsidiary Blackthorn Investments Pty Ltd, effectively held a 27.3% interest in the Perkoa Project. Joint venture partner Glencore held a 62.7% interest, with the remaining 10% held by the Government of Burkina Faso. Subsequent to the year-end, the year the Company disposed of its interest in the Perkoa Project to its joint venture partner.

(2) Decrees confirming relinquishment received from the Ministry of Mines and Energy dated 20 February 2014.

(3) Previously subject to joint venture with BHP Billiton which was terminated effective 16 August 2011. Application for transfer of the permit to the Company's wholly-owned subsidiary Blackthorn Resources (Zambia) Limited was effected 12 August 2013.

Attributions

Perkoa Project, Burkina Faso

The information in this report that relates to the Mineral Resources and Ore Reserves at the Perkoa Project in Burkina Faso is based on information compiled by Ms. Aline Cote, who is a member of the Orde des Geologues du Québec (OGQ), which is a Recognised Professional Organisation ('RPO'). Ms. Cote a full-time employee of Glencore Plc and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Ms. Cote has consented to the inclusion in this report of the matters based on her information in the form and context in which it appears.

Mumbwa Project, Zambia

The information in this report 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 or the Blackthorn Resources website at 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 announcement.

The information in this report 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 or the Blackthorn Resources website at 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 announcement.

The information in this report which relates to Exploration Results at the Mumbwa Project in Zambia is based on information compiled by Mr. Michael J Robertson, MSc, Pr.Sci.Nat., MSAIMM, who is a member of the South African Institute of Mining and Metallurgy, which is a Recognised Professional Organisation ('RPO'). Mr. Robertson has more than 22 years' experience in mineral exploration and is a full-time employee of The MSA Group. Mr. Robertson has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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 Reserves'. Mr. Robertson has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Guido Gold Project, Burkina Faso

The information in this report which relates to Mineral Resources at the Gold Project in Burkina Faso is based on information compiled by Mr. Michael R Hall, MBA, Pr.Sci.Nat., MAusIMM, who is a member of The Australian 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 he is undertaking 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 Reserves'. 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.

CORPORATE GOVERNANCE STATEMENT

This section of the Annual Report sets out the Company's corporate governance framework and the main corporate governance practices that have been adopted by the Company's Board.

In accordance with the ASX Corporate Governance Council's 2nd Edition Corporate Governance Principles and Recommendations with 2010 Amendments (Corporate Governance Principles and Recommendations), Blackthorn Resources Limited (the Company) has made it a priority to ensure that the corporate governance practices and principles adopted by the Company reflect a high standard of corporate governance.

A table has been included at the end of this statement summarising the Company's compliance with each of the Corporate Governance Principles and Recommendations.

Details of the Company's corporate governance policies and practices can be located on the Company's website at www.blackthornresources.com.au.

Principle 1: Lay solid foundations for management and oversight (Companies should establish and disclose the respective roles and responsibilities of board and management)

Responsibilities of the Board and management

The Board of the Company operates under a Board Charter, which sets out how the Company is governed and the role and responsibilities of the Board of the Company. A copy of this charter is available on the Company's website www.blackthornresources.com.au.

The Board of Directors is responsible for the protection and enhancement of long-term shareholder value of the Company. This includes overall responsibility for the corporate governance policies and practices adopted by the Company. The role of the Board is to provide overall strategic direction for the Company and to guide and monitor the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board operates under the Company's Constitution, from which it derives its ultimate authority.

As the Board acts on behalf of shareholders, it seeks to identify the expectations of shareholders, as well as other ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

The primary responsibilities of the Board include:

- Formulating and approving the strategic direction, objectives and goals of the Company;
- Reviewing and approving strategic plans, capital investments and corporate objectives consistent with corporate strategy;
- Providing financial and operational oversight, including monitoring the performance of the Company, the Board and management, and approval of the Company's financial statements;
- Ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- Identifying significant business risks and ensuring that such risks are adequately managed;
- Taking responsibility for corporate governance;
- Identifying and appointing new directors and senior executives, and implementing relevant succession plans;
- Reviewing the performance and remuneration of senior executives and directors;
- Reporting to shareholders and monitoring compliance with the Company's Disclosure Policy; and
- Reviewing the Board Charter annually to ensure that it remains relevant to the Company's business operations and its changing business requirements. `

Directors are required at all times to act in accordance with legal and statutory requirements, and properly discharge all their duties as directors. In doing so directors must:

- Discharge their duties in good faith, for a proper purpose and in the Company's best interests;
- Act with care and diligence and with a level of skill expected of a director of a public listed company;
- Avoid conflicts of interest, except as permitted by law and with proper disclosure where a conflict arises;
- Not take improper advantage of their position as a director;
- Undertake appropriate and necessary enquiry in respect of the Company's business and its delegates; and
- Provide all necessary information required by Corporations Law, including relevant ASX disclosures.

Non-executive directors appointed to the Board receive a formal letter of appointment which sets out the terms and conditions of their appointment including director responsibilities, duties and entitlements.

Board Delegation

The Board has delegated responsibility for the day-to-day operation and administration of the Company to the Chief Executive Officer, supported by executive management. These delegated responsibilities are defined by formal delegated authorities. The Board ensures that executive management is suitably qualified and experienced to discharge their responsibilities, and assesses on an ongoing basis the performance of each member of the executive team, to ensure that management's objectives and activities are aligned with the expectations and risks identified by the Board.

Evaluating the performance of management

The performance of senior executives of the Company is reviewed annually against appropriate performance measures as part of the Company's performance management system. This performance management system includes processes to establish annual targets for senior executives that measure business and/or individual performance during the year. Actual performance against these key performance indicators is reviewed annually by the Remuneration Committee.

Further details of the assessment of performance of senior executives and relevant performance based remuneration are set out in the Remuneration Report on pages 35 to 45.

Principle 2: Structure the Board to add value (Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties)

Board Composition

The Board seeks to appoint directors to the Board with an appropriate mix of skills, personal qualities, expertise and diversity, which will complement the business. Directors are encouraged to undertake relevant education in the duties and responsibilities of directors.The names of the current directors of the Company and information regarding each director's skills, experience and expertise are set out in the Directors' Report on pages 30 to 31.

The number of directors able to be appointed is specified in the Company's Constitution as a minimum of three and a maximum of twelve. Retirement and rotation of directors is governed by the Corporations Act 2001 and the Company's Constitution. Each year one third of the directors must retire. The directors who retire by rotation at each annual general meeting are those with the longest length of time in office since their last appointment or last election. A director must retire at the conclusion of the third annual general meeting after the director was last elected. A retiring director remains in office until the end of the meeting and is eligible for re-election. A director appointed to fill a casual vacancy on the Board holds office until the next annual general meeting of the Company and is eligible for re-election.

The Board should comprise a majority of non-executive directors, with the Chairman of the Board, who is elected by the directors, being a non-executive director. The Board is satisfied that the current structure and size of the Board is appropriate for the Company and the nature of its operations, and is a cost effective structure for managing the Company.

Independent Directors

In line with ASX guidelines, the Board considers a director to be independent if the director complies with the following criteria:

- Should not have any business dealings which could materially affect their independent judgement;
- Has not been in an executive or advisory capacity to the Company in the last three years;
- Does not have a material contractual relationship with the Company other than as a director;
- Is not a material customer of or supplier to the Company; and
- Is not a substantial shareholder or associated with a substantial shareholder of the Company.

The Board considers that Ms. Nicki Bowman, Mr. Derek Carter, Mr. Roger Higgins and Mr. Mike Oppenheimer are independent directors. Mr. Mark Mitchell who is an executive director of the Company and Mr Peter Kalkandis who represents Glencore a substantial shareholder of the Company, are not deemed independent under the Corporate Governance Principles and Recommendations by virtue of their positions. The Board has a majority of independent directors as recommended under the Corporate Governance Principles and Recommendations.

During the year Mr. Oppenheimer acted as Acting CEO for a four month period pending the appointment of a new Chief Executive Officer and Mr. Higgins was engaged as an independent consultant over a two month period to review the Company's projects prior to his appointment as a director. The Board does not consider that Mr. Oppenheimer's or Mr. Higgins' appointments affected their independence as their appointments were short-term and of a temporary nature. In addition, whilst Acting CEO Mr. Oppenheimer stood aside from his Board Committee duties.

The Chairman of the Board, Mr. Mike Oppenheimer, is deemed to be an independent non-executive director.

Conflict of Interest

The directors are required to keep the Company informed, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes a significant conflict exists, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

Independent Professional Advice

Directors have the right of access to all relevant Company information and to the Company's management. Directors also have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, which will not be unreasonably withheld.

Board Process

The full Board currently holds a minimum of seven scheduled meetings each year. Additional meetings are convened at such times as are necessary to address specific significant matters that may arise. As specified in the Company's Constitution, meetings of directors may be held by communicating with each other using any technological means agreed to by directors – directors need not all be physically present in the same place. Details of attendance at Board meetings held during the year are detailed in the Directors' Report on page 32.

A quorum for meetings of directors is two directors, at least one who must be a non-executive director.

The Board has implemented a formal evaluation process of its performance and effectiveness, and that of its committees and individual directors. The latest independent review of the Board's performance and that of its committees and individual directors was completed in August 2012.

Board Committees

The Board has established two committees to consider specific issues and report back to the full Board. These are the Audit and Risk Committee and the Remuneration Committee. Other committees can be convened by the Board as required.

The Board does not have a Nomination Committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by a Nomination Committee can be adequately handled by the full Board.

Further details of the Board Committees are set out under Principle 4 (Audit and Risk Committee) and Principle 8 (Remuneration Committee).

Principle 3: Promote ethical and responsible decision-making (Companies should actively promote ethical and responsible decision-making)

Ethical Standards

All directors, management and staff are expected to consistently apply the highest ethical standards to their conduct to ensure that the Company's affairs and reputation are at all times maintained at the uppermost level.

The Company has established a formal Code of Conduct to guide directors, executives and employees in carrying out their duties and responsibilities. The Code of Conduct sets out the principles and core values by which the Company expects to operate its business and to interact with its stakeholders. A copy of the Code of Conduct is available on the Company's website at www.blackthornresources.com.au.

Diversity

Blackthorn Resources values a diverse and inclusive workplace and is committed to finding ways to actively support and encourage a workforce made up of individuals with diverse skills, experiences, backgrounds and attributes. The Company is committed to selecting, developing and supporting people solely on the basis of their capabilities, experience and qualifications, irrespective of gender and other diversity factors.

The Company has established a formal Diversity Policy which sets out the Company's approach to diversity and how the Company intends to promote and encourage diversity in the workplace. A copy of the Diversity Policy is available on the Company's website at www.blackthornresources.com.au.

The Board acknowledges that given the limitations imposed by the size of the Company's workforce and the industry in which it operates, the Company does not believe that it is reasonable to establish definitive objectives and/or targets to achieve gender diversity. However, in line with the strategy outlined in the policy, initial objectives of the Company have focused on:

- Documenting and promulgating the Diversity Policy, which has been distributed to all employees of the Company and published in the Company's website;
- Reviewing and updating Company policies to ensure they reflect the Company's commitment to support and encourage diversity in the workplace;
- Ensuring the Company's recruitment practices are managed free from bias on the basis of a person's competencies, skills and experience.

The Company has conducted an annual review of its Diversity Policy and its objectives and continues to monitor progress against those objectives. As at 30 June 2014, women represented 20% of the Group's total workforce. There were no women in senior executive positions. There is one woman director on the Board.

Share Trading

Trading of Blackthorn Resources' securities is covered by, amongst other things, the Corporations Act 2001 and ASX Listing Rules.

The Company has implemented a Securities Trading Policy that establishes strict guidelines as to when directors, officers, employees, consultants and contractors can deal in Blackthorn Resources' securities. The policy prohibits dealing in Blackthorn Resources' securities at any time whilst in the possession of price-sensitive information not already available to the market. In addition, directors, officers, employees, consultants and contractors are not permitted to deal in Blackthorn Resources' securities during certain defined restricted trading periods or 'prohibited periods'. The policy prohibits the entering into transactions in associated products which limit the economic risk of participating in entitlements under any equity-based incentive scheme of the Company. A copy of the Securities Trading Policy is available on the Company's website at www.blackthornresources.com.au.

Principle 4: Safeguard integrity in financial reporting (Companies should have a structure to independently verify and safeguard the integrity of their financial reporting)

Audit and Risk Committee

The Board has established an Audit and Risk Committee which operates under a charter approved by the Board. A copy of this charter is available on the Company's website at www.blackthornresources.com.au.

The function of the Audit and Risk Committee is to assist the Board:

- In fulfilling its responsibilities in relation to the audit of Blackthorn Resources and to verify and safeguard the integrity of the Company's financial reporting; and
- In reviewing and assessing the adequacy of Blackthorn Resources' risk management systems, and to ensure there is a sound framework of risk oversight, risk management and internal control in place and operating across Blackthorn Resources.

The Audit and Risk Committee is responsible for:

- Reviewing the quality and integrity of Company's financial reporting to shareholders, the ASX, the Australian Securities and Investment Commission and any other applicable regulatory body;
- Reviewing the accounting policies, internal controls, internal reporting practices and disclosures to assist the Board in making informed decisions and to ensure that the Company complies with all relevant statutory and regulatory requirements;
- Reviewing with management and the external auditor, management's choice of accounting principles and material judgements, including assessing whether such choices are aggressive or conservative and whether they are normal or minority practices;
- Reviewing the scope and outcome of external audits;
- Nominating external auditors and reviewing the annual fees and other compensation to be paid, together with the adequacy and performance of existing external audit arrangements;
- Ensuring the independence of external auditors, including approving the nature and scope of any other services provided by them;

- Reviewing and assessing the adequacy of the Company's risk management systems, including an annual review of the Company's Risk Management Policy;
- Approving and reviewing the Company's delegated authorities, and compliance with them;
- Reviewing the Company's insurance coverage;
- Reporting to the Board on its meetings and the results of any of its assessments, reviews and recommendations;
- Ensuring that the Corporate Governance Statement in Blackthorn Resources' annual report is in accordance with the requirements of the Corporate Governance Principles and Recommendations; and
- Reviewing the Audit and Risk Committee Charter annually to ensure that it remains relevant and is consistent with the Committee's objectives and responsibilities.

The Audit and Risk Committee Charter stipulates that the Audit and Risk Committee should meet at least four times a year. Details of attendance at Audit and Risk Committee meetings held during the year are detailed in the Directors' Report on page 32.

The composition of the Audit and Risk Committee is determined by the Board. In considering appropriate members for the Audit and Risk Committee, the Board will look for a mix of skills and experience, in particular in the area of financial and management reporting and risk management. In addition, the Board will, as far as practical, aspire to the Corporate Governance Principles and Recommendations in relation to the composition of audit committees.

The Chairman of the Audit and Risk Committee should be an independent non-executive director.

The members of the Audit and Risk Committee are:

Mr. Derek Carter - Chairman

Ms. Nicki Bowman

Mr. Roger Higgins

A quorum for a meeting of the Audit and Risk Committee is two directors, at least one who must be a non-executive director.

Financial Reporting

The Company has established accounting and financial control procedures which guide the Company's financial reporting obligations. The Audit and Risk Committee reviews and monitors compliance with these procedures to ensure the financial reports and other accounting records are accurate and reliable.

The Audit and Risk Committee formally reviews the carrying value of assets and other accounting issues when considering the half-year and year-end financial reports. The Audit and Risk Committee receives and reviews formal Management Questionnaires which are completed by each senior executive half-yearly.

In addition, the Audit and Risk Committee is responsible for assessing the adequacy of the Company's internal control systems and financial reporting obligations. The Chief Executive Officer and the Chief Financial Officer are required to state in writing to the Board whether the Company's financial reports present a true and fair view, in all material respects, of the Company's financial position and operational results and are in accordance with relevant accounting standards. The required declaration under section 295A of the Corporations Act has been received by the Board covering the 2014 year.

It is also policy for the Audit and Risk Committee to meet with the external auditor in the absence of the Chief Executive Officer and Chief Financial Officer as part of the external auditor's half-yearly reporting to the Committee.

External Auditor

The Company's external auditor is KPMG. KPMG were appointed in November 2008 based on the recommendation to the Board by the Audit and Risk Committee, which undertook a formal interview and selection process of five potential candidates. The Audit and Risk Committee monitors the procedures to ensure the rotation of the external audit engagement partner is undertaken every five years as required by the Corporations Act 2001. A new engagement partner for the Blackthorn Resources' external audit was appointed for the 2013 year-end audit.

The external auditor is required to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Principle 5: Make timely and balanced disclosures (Companies should promote timely and balanced disclosures of all material matters concerning the company)

The Company acknowledges the importance of timely and adequate disclosure to the market to promote a fair market for its securities.

The Company has implemented a Disclosure Policy that is designed to ensure compliance with its various regulatory disclosure obligations, including compliance with ASX Listing Rules, and to ensure accountability within the Company for that compliance.

This Disclosure Policy includes processes for the identification of matters that may have a material effect on the price or value of the Company's securities, and the notification of those matters to the ASX. A copy of the Disclosure Policy is available on the Company's website at www.blackthornresources.com.au.

Principle 6: Respect the rights of shareholders (Companies should respect the rights of shareholders and facilitate the effective exercise of those rights)

The Board aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the directors and the Company.

Information is communicated to shareholders, regulatory authorities and the broader community through:

- The annual report and half-year report which are made available to all shareholders;
- Other periodic reports which are lodged with ASX and available for shareholder scrutiny;
- Other announcements made in accordance with ASX Listing Rules;
- Special purpose information memorandum issued to shareholders as appropriate;
- The Annual General Meeting and other general meetings called to obtain approval for Board actions as appropriate;
- Webcasting of media briefings and general meeting presentations; and
- The Company's website.

Copies of all Company reports and announcements made to the ASX are published on the Company's website at www.blackthornresources.com.au. Company stakeholders are also able to receive copies of Company announcements and reports by registering to the Company's email distribution listing.

Shareholders of the Company are encouraged to attend and participate in all general meetings of the Company. All Notices of Meetings and explanatory information are published on the Company's website. Shareholders are invited to ask questions about the management of the Company and of the external auditor as to the conduct of the audit or the content of their audit report.

Principle 7: Recognise and manage risk (Companies should establish a sound system of risk oversight and management and internal control)

Risk Management

As a company focused on exploring for, and extracting mineral resources in different parts of the world, risk is an intrinsic part of Blackthorn Resources' operations. The management of risk within the Company is recognised as a critical part of its business operations. It underpins reliable financial reporting, compliance with relevant legal and regulatory obligations, efficient and effective business operations and safe and environmentally responsible activities.

The Board recognises that due to the nature and size of the Company, it faces additional challenges in adopting best practice systems of risk management and internal control and compliance.

Our activities by their very nature have multiple layers of risk, including:

- Highly speculative nature of mineral exploration activities;
- Investment and operations subject to foreign jurisdictions;
- Nature and size of the Company's operations, and dependence on a small number of key people;
- Ongoing commercial viability of mining operations, subject to significant cost and commodity price changes;
- Foreign currency exposures;
- Exposure to environmental, health and safety issues associated with the mining industry;
- Requirement for ongoing additional capital to fund its exploration and development activities; and
- Certain uninsurable risks.

The Company's challenge is to develop a culture which allows its adventurous and entrepreneurial spirit to generate continued success in its exploration and development endeavours, while building a sound foundation of systems, practices and culture which identify and acceptably manage risks.

Risk Management Roles and Responsibilities

The Board is ultimately responsible for overseeing the establishment and implementation of effective risk management systems and the monitoring of internal controls and compliance. The Audit and Risk Committee, on behalf of the Board, reviews the effectiveness of the Company's risk management systems, including reviewing and updating the Company's risk profile.

The implementation of the risk management systems and the management of risks within the Company on a day-to-day basis are the responsibility of the Chief Executive Officer, with the assistance of senior management.

It is the responsibility of all Blackthorn Resources' employees and contractors as part of their day-to-day activities to ensure the Company complies as appropriate with its legal, regulatory, contractual and compliance obligations, and to take appropriate action as required to manage, monitor and report on risks.

The Company has established a Risk Management Policy, which sets out the broad principles, responsibilities and practices that are used to manage the Company's risk exposures and the various risk management systems and internal controls operated by the Company to respond to those risks. A copy of the Risk Management Policy is available on the Company's website at www.blackthornresources.com.au.

Risk Management Objectives

The objectives of the Company's risk management program are to ensure that:

- Blackthorn Resources has in place a culture and the practices to encourage the identification, assessment and management of risks that may affect the Company's ability to achieve its business objectives;
- In managing risk, Blackthorn Resources complies with all relevant laws, regulations and contractual obligations, and that appropriate recognition is given to Blackthorn Resources' social and community obligations;
- Blackthorn Resources has in place a structured and effective approach to risk management;
- Blackthorn Resources' risk management program is appropriate, taking account of the business environment that the Company operates in and the Company's assessed tolerance for risk; and
- Effective monitoring and regular reporting of risk is conducted under the risk management program.

Risk Management Framework

To manage the risk exposures faced by the Company, the Board recognises the need to identify areas of significant business risk and to develop and implement strategies to investigate these risks as a basis of a formal system of risk management and internal control and compliance. During the year, the Company undertook formal risk assessment reviews to confirm and re-prioritise its key business risks and to reassess the Company's risk profile. These risk assessment reviews are undertaken at least annually.

The Board meets regularly to evaluate, control, review and oversee the implementation of the Company's operations and objectives. The Company's strategic and business plans are formulated in the context of the key risk exposures identified by the Company and the requirements to effectively manage those risks as part of the Company's operations. The Company has implemented and maintains a key business risk register.

Risk Management Practices

The Company maintains a number of policies and procedures which are designed to manage specific business risks. These include:

- Board and Board Committee Charters
- Code of Conduct
- Disclosure Policy
- Securities Trading Policy
- Risk Management Policy
- Travel Policy
- Corporate Governance Statement
- Comprehensive insurance program
- Regular reporting

- Delegation of Authorities
- Procedures to define and manage environmental, health and safety matters
- Establishment of Key Performance Indicators for senior management that ensure alignment of risk management priorities.

Potential exposures are further managed by the appointment of senior management who have relevant industry experience and skills, and through regular communication and reporting of current business activities. Specific areas where key business risks have been identified are delegated to relevant management to implement risk mitigation practices.

The Chief Executive Officer and the Company Secretary are required to annually report to the Board as to the effectiveness of the Company's management of its material business risks. The report covering the 2014 year has been received by the Board in accordance with the Company's Risk Management Policy.

Principle 8: Remunerate fairly and responsibly (Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear)

Remuneration Committee

The Board has established a Remuneration Committee which operates under a charter approved by the Board. A copy of this charter is available on the Company's website at www.blackthornresources.com.au.

The function of the Remuneration Committee is to assist the Board in fulfilling its responsibilities in relation to determining and reviewing compensation arrangements for executives and non-executive directors of Blackthorn Resources.

The Board recognises that Blackthorn Resources' performance and success depends on its ability to attract and retain suitably qualified and experience people in a competitive remuneration market. At the same time remuneration practices must take account of the nature and size of the organisation. To assist in achieving this objective, the Board has adopted a Remuneration Policy which sets out the broad principles and practices that are used to structure remuneration for executives and non-executive directors. Details of this Remuneration Policy are set out in the Remuneration Report on pages 35 to 45.

Key performance targets and goals are established annually for senior executives, against which their performance is measured on an annual basis. The performance of senior executives for the 2014 year, as well as their individual remuneration, has been reviewed by the Remuneration Committee in accordance with the established performance evaluation process.

The role, responsibilities and objectives of the Remuneration Committee are set out in the Remuneration Report on page 35 to 45.

The Remuneration Charter stipulates that the Remuneration Committee should meet at least three times in a year. Details of attendance at Remuneration Committee meetings held during the year are detailed in the Directors' Report on page 32.

The composition of the Remuneration Committee is determined by the Board. In considering appropriate members for the Remuneration Committee the Board will, as far as possible, aspire to the Corporate Governance Principles and Recommendations in relation to the composition and practices of remuneration committees.

The Chairman of the Remuneration Committee should be an independent non-executive director.

The members of the Remuneration Committee are:

Ms. Nicki Bowman – Chairman

Mr. Derek Carter

Mr. Peter Kalkandis

Mr. Mike Oppenheimer

A quorum for a meeting of the Remuneration Committee is two directors.

ASX Best Practice Recommendations

The following table summarises the ASX Corporate Governance Principles and Recommendations and whether or not the Company complies with the recommendations:

		comply	notes
1.	**Lay solid foundations for management and oversight**		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	√	The Company has adopted a Board Charter. A copy of the Board Charter is available on the Company's website.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	√	The performance evaluation for senior executives for the 2014 year has been completed in accordance with the defined process.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	√	
2.	**Structure the Board to add value**		
2.1	A majority of the Board should be independent directors.	√	
2.2	The Chair should be an independent director.	√	
2.3	The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	√	
2.4	The Board should establish a Nomination Committee.	x	The Board does not have a Nomination Committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by a Nomination Committee can be adequately handled by the full Board.
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	√	An independent review of the Board performance and that of its committees and directors was completed in August 2012.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	√	Refer to Notes 2.4 above.
3.	**Promote ethical and responsible decision-making**		
3.1	Companies should establish a Code of Conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	√	A copy of the Code of Conduct is available on the Company's website.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	√	A copy of the Diversity Policy is available on the Company's website.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	x	The Board acknowledges that given the limitations imposed by the size of the Company's workforce and the industry in which it operates, the Company does not believe that it is reasonable to establish definitive objectives and/or targets to achieve gender diversity.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	√	
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	√	The Company's Security Trading Policy prohibits entering into transactions in associated products which limit the economic risk of participating in entitlements under any equity-based incentive scheme. A copy of the Securities Trading Policy is available on the Company's website.
4.	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an Audit Committee.	√	
4.2	The Audit Committee should be structured so that it:		

		comply	notes
	• consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent Chairperson, who is not the Chairperson of the Board • has at least three members.	√	
4.3	The Audit Committee should have a formal charter.	√	A copy of the Audit and Risk Committee Charter is available on the Company's website.
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	√	
5.	**Make timely and balanced disclosures**		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.	√	A copy of the Disclosure Policy is available on the Company's website.
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	√	
6.	**Respect the rights of shareholders**		
6.1	Companies should design a communication policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	√	The Company has implemented a strategy to provide effective communication to its stakeholders. The Company's website outlines its communication practices and provides a separate Investor Relations section which contains relevant information to be communicated to its stakeholders.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	√	
7.	**Recognise and manage risk**		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	√	A copy of the Risk Management Policy is available on the Company's website.
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	√	The report covering the 2014 year has been received by the Board in accordance with the Company's Risk Management Policy.
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	√	The required declaration under section 295A of the Corporations Act has been received by the Board covering the 2014 year.
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	√	
8.	**Remunerate fairly and responsibly**		
8.1	The Board should establish a Remuneration Committee.	√	
8.2	The Remuneration Committee should be structured so that it: • consists of a majority of independent directors • is chaired by an independent chair • has a least three members	√	A copy of the Remuneration Policy is available on the Company's website
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	√	The Company has adopted a Remuneration Policy covering non-executive director and executive remuneration structures. A copy of the Remuneration Policy is available on the Company's website.
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	√	

DIRECTORS' REPORT

The directors of Blackthorn Resources Limited ('the Company') are pleased to present their report together with the financial report of the consolidated entity of Blackthorn Resources Limited ('the Group'), being the Company and the entities it controlled for the year ended 30 June 2014, and the auditor's report thereon.

Directors

The directors of the Company in office at any time during or since the end of the year are:

Nicole (Nicki) Bowman BEc, LLB (Hons), MAICD – Independent Non-executive Director

Nicki Bowman joined the Blackthorn Resources' Board having gained extensive experience as a corporate and commercial lawyer in private practice within a Top 10 Australian law firm. Nicki has held senior corporate counsel positions in BHP and Bluescope Steel, before moving into senior management and executive positions. Her experience included key roles in merger and acquisition transactions, leading contract negotiations, and managing corporate restructures. Nicki holds Bachelor of Economics and Bachelor of Law degrees from Sydney University, and is a member of the Australian Institute of Company Directors.

Nicki was appointed a director of the Company on 8 October 2008. She is Chairman of the Remuneration Committee and a member of the Audit and Risk Committee.

Derek Carter BSc, MSc, FAusIMM (CP) – Independent Non-executive Director

Derek Carter has over 40 years' experience in exploration and mine geology, including over 17 years in management of ASX-listed exploration companies. He held senior positions in the Shell Group of Companies and Burmine Ltd, before founding Minotaur Exploration in 1993. Derek was managing director of Minotaur from its inception until 2010 when he became chairman of the company. He is also chairman of Highfield Resources Ltd and is a director of Mithril Resources Ltd, both of which are listed on the ASX. He is currently a member of the South Australian Resources Development Board, and the South Australian Minerals and Petroleum Experts Group.

Derek was a director of Toro Energy Ltd until November 2012 and Petratherm Ltd until March 2014.

Derek was appointed a director of the Company on 1 February 2012. He is Chairman of the Audit and Risk Committee and a member of the Remuneration Committee.

William (Bill) Cash – Independent Non-executive Chairman

Retired 6 February 2014

Bill Cash joined the Blackthorn Resources' Board in May 2007 as a non-executive director following an 18 month engagement as a consultant advising the Company mainly on base metals concentrates quality and marketing matters and product transport and shipping logistics in relation to the development of the Perkoa Zinc Mine. In January 2008, he was appointed Chief Executive Officer until June 2008 and Managing Director until August 2008, and as an executive director until December 2008 when he was then appointed executive Chairman of the Board. On the 1 July 2009, Bill retired as an executive director, but remained the Company's Chairman on a non-executive basis.

Bill retired as a director on 6 February 2014.

Dr Roger Higgins BE, MSc and PhD, FAusIMM, FIEAust – Independent Non-executive Director

Appointed 1 January 2014

Roger Higgins has over 40 years' experience in the international mining industry, covering business and mine management, strategy and business development, project management, engineering and technical services, as well as the management of logistics, environment and government/community relations. Roger's most recent position was Senior Vice President, Copper with Teck Resources. Prior to this role Roger worked in various senior management roles with BHP Billiton Base Metals in Chile, Papua New Guinea, the United States and South Australia. Roger is a director of Metminco Limited, as well as being a fellow of The Australasian Institute of Mining and Metallurgy and The Institution of Engineers, Australia.

Roger was appointed a director of the Company on 1 January 2014. He is a member of the Audit and Risk Committee.

Peter Kalkandis – Non-executive Director

Peter Kalkandis is a full-time employee of Glencore Australia Pty Limited, a subsidiary of Glencore Plc and is Head of Glencore's Base Metals Desk in Australia.

Peter was appointed a director of the Company on 10 May 2011.

Scott Lowe MBA, Dip Coal Mining, Mine Manager's Certificate of Competency (Coal) NSW, MAICD – Managing Director

Resigned 23 October 2013

Scott Lowe is a senior business executive with extensive experience in the mining and maritime logistics industries. He has held senior management roles in BHP Billiton, Peabody Pacific and P&O. Scott joined Blackthorn Resources in November 2007 and was appointed Chief Executive Officer in June 2008. Scott holds a post-graduate qualification in Business Management (MBA) along with tertiary qualifications in Mining Engineering, a Mine Manager's Certificate of Competency (Australia) and a Diploma in Marine Terminal Operations from King's Point Merchant Marine Academy New York, USA. Scott is also a member of the Australian Institute of Company Directors.

Scott resigned as a director on 23 October 2013.

Mark Mitchell BE Chemical Engineering, MAusIMM – Managing Director

Appointed 15 May 2014

Mark Mitchell has extensive business experience in the mining industry, having held senior operational and general management roles with Perserverance Corporation, MPI Mines/Leviathan Resources, Lihir Gold and more recently Newcrest Mining. Mark brings operational and corporate experience in a variety of fields including management responsibility for the construction, development and operation of mine site activities and services in Australia and challenging overseas environments, longer term strategic planning, management of social and community engagement programs and leadership development. Mark holds a Bachelor of Engineering (Chemical Engineering) from the University of New South Wales and is a member of The Australasian Institute of Mining and Metallurgy.

Mark Mitchell joined the Company on 1 January 2014 as its Chief Executive Officer and agreed to join the Board as Managing Director on 15 May 2014.

Michael (Mike) Oppenheimer BSc Chemical Engineering (Hons) – Independent Non-executive Chairman

Mike Oppenheimer is a senior executive with over 30 years' experience in the resource sector. He has extensive business leadership and value delivery experience in the international mining industry. Now a principal and founder of a mining investment and advisory group, Mike's most recent CEO position was with Ferrexpo Plc, where he established the iron ore company's business model and led it through a successful IPO in London in 2007. Prior to his successful stewardship of Ferrexpo, Mike was with BHP Billiton since 1988 in senior positions, including roles on the executive committee reporting to the Chief Executive Officer. His experience includes leadership of BHP Billiton's businesses in minerals and petroleum, and he played a significant role in the BHP and Billiton merger, integrating the energy coal businesses.

Mike was appointed a director of the Company on 1 April 2011 and Chairman on 6 February 2014. He is a member of the Remuneration Committee.

Company Secretary

Chris Brown BCom, CA (NZ), DipCM

Chris Brown is a member of the New Zealand Institute of Chartered Accountants, and has over 25 years' experience in senior finance roles for public companies in Australia and New Zealand, including Chief Financial Officer/Company Secretary for Sydney Gas Limited and General Manager, Accounting for AGL. He holds a Bachelor of Commerce degree from Auckland University and a Diploma in Corporate Management.

Chris was appointed company secretary of the Company on 15 August 2007.

Directors' Meetings

The number of directors' meetings of the Company, including meetings of committees of directors, held during the financial year, and the number of meetings attended by each director was as follows:

Director	Board Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meetings	
	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend
Nicki Bowman	10	11	3	3	2	2
Derek Carter	10	11	1	1	2	2
Bill Cash	7	7	2	2	1	1
Roger Higgins	4	5	1	1	-	-
Peter Kalkandis	8	11	-	-	1	1
Scott Lowe	4	4	-	-	-	-
Mark Mitchell	-	-	-	-	-	-
Mike Oppenheimer	11	11	2	2	2	2

Directors' Interests

At the date of this report, the interests of the directors in the shares and options of the Company were:

Director	Direct		Indirect	
Director	Shares	Options	Shares	Options
Nicki Bowman	500,000	-	500,000	-
Derek Carter	30,000	-	-	-
Roger Higgins	100,000	-	-	-
Peter Kalkandis	-	-	-	-
Mark Mitchell	-	1,000,000	-	-
Mike Oppenheimer	-	-	816,089	-

Remuneration Report

The Remuneration Report, which forms part of the Directors' Report for the year ended 30 June 2014, is set out on pages 35 to 45.

Corporate Governance

The Group's Corporate Governance Statement is set out on pages 20 to 29.

Options

At 30 June 2014 the Company had 2,810,000 (2013: 3,350,000) options on issue as follows:

Number	Exercise Price	Expiry Date	
150,000	$1.63	27 June 2015	Employee options
2,660,000	$0.25	31 May 2017	Employee options

During the year the following options were issued:

Number	Exercise Price	Expiry Date	
2,660,000	$0.25	31 May 2017	Employee options

During the year the following options lapsed or were cancelled:

Number	Exercise Price	Expiry Date	
3,200,000	$1.63	27 June 2015	Employee options

All options refer to unlisted options over the ordinary shares in the Company which are exercisable on a one-for-one basis. These options were granted at no cost to the recipients. All options expire on the earlier of the expiry date or termination of the recipient's employment.

Principal Activities

The principal activities of the Group during the financial year were mineral exploration and development. There has been no change in the nature of these activities during the financial year.

Operations and Financial Review

A detailed review of the Group's operations and financial position for the year ended 30 June 2014 is set out on pages 3 to 12 of the Annual Report.

Legal Proceedings

The Company had no outstanding legal proceedings at year end.

Environmental Issues

The Group operates in a number of overseas jurisdictions. Directors take every care to ensure that relevant regulations are followed and a review of operations is undertaken at regular intervals. The directors are not aware of any significant breaches of environmental regulations during the year.

Dividends Paid or Recommended

No dividends were paid during the year. No dividend is proposed for the current year.

Significant Changes in State of Affairs

In the opinion of directors, there are no significant changes in the state of affairs during the financial year under review not otherwise disclosed in this report.

Subsequent Events

Other than as noted below, no matters or circumstances have arisen since 30 June 2014 that have significantly affected, or may significantly affect the operations of the Company or the Group:

- On 14 August 2014, the Company's shareholders approved the disposal of the Company's equity interest in the Perkoa Project (Share Transaction) and the sale of its adjacent exploration licences in Burkina Faso (EL Transaction). On the 20 August 2014, the Company announced that the Share Transaction had completed with the Company having received settlement proceeds of US$10 million.

- On 28 August 2014, the Company announced that it had entered into an agreement with Intrepid Mines Limited to merge by way of scheme of arrangement. The merger is amongst other things conditional on Intrepid undertaking a $110 million share buyback prior to the merger. The scheme is subject to approval by shareholders of both companies. The directors of Blackthorn Resources have unanimously recommended that shareholders vote in favour of the merger in the absence of a superior proposal and subject to an independent expert opinion that the merger is in the best interests of the Blackthorn Resources' shareholders.

Future Developments, Prospects and Business Strategies

Other than as referred to in this report, the disclosure of further information as to likely developments in the operations of the Group and the expected results of those operations would, in the opinion of the directors, be speculative and not in the best interests of the Group.

Indemnifying Officers or Auditor

During the financial year, the Company arranged a contract insuring the directors and officers of the Group against liability incurred in their capacity as a director or officer to the extent permitted by the Corporations Act 2001. The premium paid has not been disclosed as it is subject to the confidentiality provisions of the insurance policy.

The Company has agreed to indemnify certain directors/officers and former directors, against all liabilities incurred in the course of or arising out of employment with the Company and its controlled entities, other than conduct involving a willful breach of duty. The agreements stipulate that the Company will meet the full amount of any such liabilities, including costs and expenses in defending legal proceedings.

Other than as stated above, the Company has not agreed to indemnify an officer or auditor of the Company against any such liability.

Non-audit services

During the year the Group's auditor, KPMG Australia, has performed certain other services in addition to its statutory duties. Amounts paid to KPMG for non-audit services during the year were:

	2014 $	2013 $
Non-audit services		
Accounting advice	-	14,500
Total	-	14,500

The Board of Directors is satisfied that the provision of non-audit services during the year was compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. In accordance with advice from the Audit and Risk Committee, the directors are satisfied that the services provided did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed by the Audit and Risk Committee to ensure they do not adversely affect the integrity and objectivity of the auditor; and

- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Details of amounts paid to the Group's auditor and other auditors during the year for all audit and non-audit services, is set out in Note 17 of the consolidated financial statements.

Auditor's Independence

The lead auditor's independence declaration for the year ended 30 June 2014 which forms part of the Director's Report has been received and is set out on page 47.

Rounding of Accounts

The Group is an entity to which ASIC Class Order 98/100 dated 10 July 1998 applies. In accordance with that Class Order, amounts in the consolidated financial statements and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

REMUNERATION REPORT

Overview of Actual Remuneration Outcomes for Key Management Personnel - unaudited

This 'Overview of Actual Remuneration Outcomes for Key Management Personnel - unaudited' section summarises key outcomes of remuneration for Key Management Personnel (KMP) and actual remuneration derived for the 2014 financial year. This section is unaudited and provides information that is additional to disclosures required under the Corporations Act 2001. This section should be read together with the statutory Remuneration Report on pages 37 to 45, which provides the audited remuneration disclosures in accordance with statutory requirements.

The Board has continued to ensure that Blackthorn Resources' remuneration strategies and practices are properly aligned with shareholders' expectations, its business objectives and market practices relevant to the Company's business and the industry and jurisdictions in which it operates. At the same time the remuneration policies adopted by the Company are designed to ensure they are appropriate to attract, reward and retain suitably qualified and experienced people.

In April 2013, the Board appointed Egan & Associates (EA) as its independent external remuneration consultants (ERC). Remuneration for non-executive directors, and the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Company Secretary positions, were independently reviewed and benchmarked by EA to provide advice on the appropriateness of the Company's remuneration structures and to assist in determining remuneration levels to be applied for the 2014 year.

Remuneration Outcomes Non-executive Directors - 2014

Fees paid to non-executive directors for the year ended 30 June 2014, prepared in accordance with statutory obligations and accounting standards, are set out on page 42 of the Remuneration Report and represent fees actually received by directors.

Other than an increase in the annual fee paid to the Chairman of the Board, which was increased from $110,000 per annum to $120,000 per annum from 1 February 2014, there has been no change to the base fees paid to other non-executive directors during the year. The fees paid to non-executive directors, which have remained unchanged since 1 July 2009, are allocated to non-executive directors from the aggregate sum of $400,000 approved by shareholders in November 2011.

During the period 1 October 2013 to 31 January 2014 Mr. Oppenheimer acted as Acting CEO whilst the Company recruited a new Chief Executive Officer. During this period Mr. Oppenheimer received remuneration of $244,000 as an executive director.

Remuneration Outcomes Executives - 2014

Details of the remuneration of executives for the year ended 30 June 2014, prepared in accordance with statutory obligations and accounting standards, are set out on page 43 of the Remuneration Report.

In addition to the analysis undertaken by EA in April 2013, fixed remuneration levels applicable for the 2014 financial year were benchmarked against relevant publicly available market data acquired by the Remuneration Committee. In general fixed remuneration levels for executive positions were increased for the 2014 year by a 2.7% CPI adjustment.

The Board reviewed executives' actual performance for the 2014 financial year against each executive's predetermined key performance indicators (KPI) and assessed the relevant short-term incentive (STI) payments to be made for the year. The 2014 STI payments assessed, measured as a percentage of 'target' performance, reflect the difficult operating environment encountered during the year and the resulting expectation for more moderate STI payments.

The following table sets out cash and other benefits actually earned by executives who are deemed KMP for the 2014 financial year. The amounts disclosed in the table, which are not in accordance with accounting standards and are not audited, are considered relevant in helping to explain actual remuneration received (or to be received) by executives during the year.

The cash and benefits included in the following table are lower than the amounts disclosed in the statutory remuneration table on page 43 of the Remuneration Report. This is because the remuneration table for statutory reporting purposes includes allocated amounts in respect of options granted to executives which are required to be amortised over the three-year vesting period of the options (performance period), even though the options may not have delivered any value to the executive during the 2014 financial year and for which value may never be realised. The LTI disclosure in this table shows only the total value of the options that vested during the year – no options vested during 2014. In addition, non-vested long-service leave provisions are also not included in these disclosures.

Executives	Fixed[1] $	STI[2] $	LTI $	Other $	Total $
Adama Barry					
2014	138,081	10,556	-	-	148,637
2013	113,133	8,573	-	-	121,706
Chris Brown					
2014	286,729	62,700	-	-	349,429
2013	384,508	69,293	-	-	453,801
Tony De Santis					
2014	373,280	78,700	-	-	451,980
2013	362,368	60,770	-	-	423,138
Ian Hart[3]					
2014	316,308	45,300	-	-	361,608
2013	217,849	74,667	-	-	292,516
Scott Lowe[4]					
2014	163,916	-	-	-	163,916
2013	495,915	135,280	-	-	631,195
Mark Mitchell[5]					
2014	242,981	72,400	-	-	315,381
2013	-	-	-	-	-
Ravi Underwood[6]					
2014	283,972	59,000	-	-	342,972
2013	-	-	-	-	-
Total Remuneration					
2014	1,805,267	328,656	-	-	2,133,923
2013	1,573,773	348,583	-	-	1,922,356

1. Fixed remuneration includes salary and fees, superannuation contributions and the value of non-monetary benefits provided.
2. STI payments paid or payable for performance based on achievement of personal performance criteria during the relevant financial year.
3. Mr. Hart was appointed Chief Geologist on 1 November 2012.
4. Mr. Lowe resigned as Chief Executive Officer on 23 October 2013.
5. Mr. Mitchell was appointed Chief Executive Officer on 1 January 2014.
6. Mr. Underwood was appointed Chief Financial Officer on 1 August 2013.

Remuneration Report - audited

Your directors are pleased to present the Remuneration Report for the Group for the year ended 30 June 2014. This Remuneration Report forms part of the Directors' Report and has been prepared in accordance with section 300A of the Corporations Act 2001.

People Covered By This Report

The Remuneration Report sets out the remuneration information in relation to the non-executive directors of the Company and the senior executives of the Group, collectively termed 'Key Management Personnel' or 'KMP', who are the key persons accountable for planning, directing and controlling the affairs of the Group. The people covered under these positions for the 2014 financial year were:

Non-executive Directors		
Bill Cash	Chairman	retired 6 February 2014
Nicki Bowman	Director	
Derek Carter	Director	
Roger Higgins	Director	appointed 1 January 2014
Peter Kalkandis	Director	
Mike Oppenheimer	Chairman	appointed Chairman 6 February 2014

Executives		
Adama Barry	General Manager, Burkina Faso	
Chris Brown	Company Secretary/Chief Financial Officer	resigned CFO 1 August 2013
Tony De Santis	Chief Operating Officer	
Ian Hart	Chief Geologist	
Scott Lowe	Managing Director/Chief Executive Officer	resigned 23 October 2013
Mark Mitchell	Managing Director/Chief Executive Officer	appointed CEO 1 January 2014: appointed MD 15 May 2014
Ravi Underwood	Chief Financial Officer	appointed 1 August 2013

Remuneration Policy

The Board has adopted a Remuneration Policy which sets out the broad principles and practices that will be used by the Company to structure remuneration for non-executive directors and executives of the Group. A copy of this policy is available on the Company's website **www.blackthornresources.com.au**.

The Board recognises that Blackthorn Resources' performance and success depends on its ability to attract and retain suitably qualified and experienced people in a competitive remuneration market. At the same time, remuneration practices adopted by the Group must take account of the nature and size of the organisation and its current stage of development.

To achieve this, the Board has adopted a remuneration strategy that links to and supports the Group's business objectives. By establishing remuneration structures which motivate and reward executives for pursuing targets linked to the Group's business objectives, the Board believes that its remuneration approach will align management to the expectations of its shareholders, to create long-term shareholder value.

The remuneration policy adopted by Blackthorn Resources has been designed to:

- Align with shareholder and business objectives and expectations;
- Attract and retain suitably qualified and experienced people;
- Provide a level and composition of remuneration that is reasonable, fair and aligned to market;

- Encourage directors and executives to pursue the long-term growth and success of the Group, balanced against the need to also achieve critical short-term business objectives;
- Align to corporate and individual performance;
- Be internally consistent;
- Be transparent with respect to setting performance goals and the measurement of performance against those goals;
- Align with regional and industry norms and regulatory requirements.

Remuneration Settings

The Remuneration Committee is responsible for determining appropriate levels and structure of remuneration for non-executive directors and executives.

Remuneration levels for non-executive directors and executives are set to attract, retain and motivate appropriately qualified and experienced people. Remuneration structures and levels take account of comparable market practices for companies from relevant industry sectors and other listed companies of similar size in similar industries.

The Remuneration Committee reviews the remuneration for non-executive directors and executives on an annual basis. In undertaking this annual review, the Remuneration Committee considers relevant industry remuneration practices available through market information and compares to the Group's remuneration policies and practices. The primary referencing point adopted for remuneration benchmarking are Australian listed companies in the resource sector with comparable market capitalisation.

Remuneration levels are referenced to the market median, with a range around the median providing the flexibility to recognise an individual's relevant experience, capability, capacity to contribute, value to the business, performance and issues of tenure and retention. Consideration is also given when benchmarking executive positions to internal relativities.

Consequences of performance on shareholder wealth

In considering the Group's performance and the benefits derived by shareholders, the Remuneration Committee has regard to the impact that the Group's business performance has on shareholder value. It is considered that the achievement of individual KPIs established for each executive under the STI plan will positively impact on shareholder value over time The current employee options granted to executives in 2014 have been structured to provide key management with meaningful retention incentives, whilst ensuring that the ultimate value of the options to these executives will only be realised through growth in the Company's share price. Other measures of corporate performance, such as company earnings and capital management, will have more relevance in future years as the Company matures from its current exploration and development focus to profitability.

The following are the metrics which would be considered relevant in assessing the Company's performance over the last five years and the potential consequences on shareholder value:

	2014	2013	2012	2011	2010
Basic earnings per share (cps)	(23.4)	(7.8)	(4.0)	1.1	12.3
BTR share price ($) (30 June)	0.15	0.22	1.16	0.44	0.61

Independent Remuneration Advice

When considered necessary the Remuneration Committee is able to seek advice from independent external remuneration consultants (ERC) to provide remuneration advice on relevant positions and appointments. The selection and appointment of any ERC to provide remuneration advice must be approved by the Board having established that the ERC is independent. In addition, any remuneration advice in relation to executive and non-executive directors subsequently provided by an ERC engaged by the Company must be sought by and provided directly to the Remuneration Committee.

The Board appointed Egan & Associates (EA) as its ERC in April 2013 to provide advice on the appropriateness of the Company's remuneration structures and to assist in determining remuneration levels for the 2014 financial year. Consideration payable for these services was $46,305. The Board is satisfied that EA, as selected by the Remuneration Committee, was free from undue influence from KMP. EA provided its advice and recommendations to the Chairman of the Remuneration Committee. Neither the Chief Executive Officer nor executives whose positions were reviewed were directly involved with EA throughout this review process.

EA's review indicated that the Company's non-executive director fees were broadly aligned with market reflecting both the complexity and challenges of the Company's assets being offshore with the attendant political and jurisdictional challenges, and the time non-executive directors are required to expend on Company business.

EA's primary observation of the Company's executive remuneration was that whilst fixed remuneration levels and total reward were broadly reflective of market practice, the primary points of differentiation between the Company's practice and market related to the level of short-term reward being more aggressive and the value of long-term reward being modest.

The Remuneration Committee's consideration of KMP remuneration for the 2014 financial year has been based on this independent review and relevant publically available market data acquired by the Remuneration Committee.

Executive Remuneration

Remuneration packages for executives consist of a mix of fixed remuneration, an 'at risk' cash award via a short-term incentive (STI) plan and long-term equity-based benefits (LTI). The mix of these remuneration components varies for the different executive.

(i) Fixed remuneration remunerates executives for the effective completion of the executive's positional responsibilities and accountabilities, and consists of base salary (cash), any non-cash benefits provided inclusive of FBT charges, as well as employer contributions to superannuation. Packages are tailored to an individual's requirements to allow for available salary packaging options.

(ii) Short-term incentives in the form of annual cash awards are paid on the basis of individuals achieving or exceeding annual targets which measure business and/or individual performance during the year. The Company has implemented a formal STI plan based on the setting of pre-determined KPIs and a STI 'target' percentage of fixed remuneration based on the particular executive level. The Remuneration Committee sets the KPIs (such as business development, project management and risk management/corporate governance targets) for executives each year and at the end of the year assesses the individual's actual performance against the KPIs, before recommending an award to be paid to an individual for approval by the Board. A percentage of the pre-determined target amount is awarded depending on the individual's actual assessed results. An individual who exceeds their annual targets can be awarded a higher STI percentage of fixed remuneration, up to a maximum 'stretch' percentage. The performance evaluation in respect of the 2014 financial year has been undertaken in accordance with this process.

Annual STI percentage targets for the different executive levels applied for the 2014 year were:

	STI target as % of fixed remuneration
Chief Executive Officer	60% (maximum 'stretch' 90%)
Other executives	35% (maximum 'stretch' 50%)

(iii) Long-term benefits are provided by way of options granted under the Company's Employee Option Plan, which was re-approved by shareholders on 31 August 2012. Based on the advice from EA the Board agreed to modify the basis on which options would be granted to executives, with future grants of options being made on a rolling annual basis with a notional value of options granted based on an annual LTI 'target' percentage of fixed remuneration for a particular executive level.

Annual LTI percentage targets for the different executive levels applied for the 2014 year were:

	LTI target as % of fixed remuneration
Chief Executive Officer	100%
Other executives	50%

New options granted to executives during 2014 under the Employee Option Plan were provided primarily as a retention incentive, as well as ensuring that a significant portion of the executive's overall remuneration is aligned with shareholder value as evidenced through growth in the Company's share price. These options were granted with a 36 month vesting period and are subject to a target share price hurdle.

Executive Employment Agreements

Executives are employed under employment agreements which outline the components of compensation and other applicable terms of employment. Key terms of executive employment agreements at the date of this report are set out below:

(a) Mark Mitchell – Chief Executive Officer/Managing Director

- No fixed employment term. Other than immediate termination by the Company on the grounds of summary dismissal, capable of termination by either party giving six months' notice. The Company retains the right to terminate immediately on payment in lieu of notice.
- Total Fixed Remuneration (TFR) $475,000 pa (inclusive of superannuation). Subject to annual review.
- Annual STI award at 'target' 60% (at 'stretch' 90%) of TFR.
- Annual LTI award 'target' 100% of TFR.
- Under certain circumstances of termination by the Company, in addition to accrued entitlements, a termination payment equivalent to one month of TFR for each completed year of service up to nine months of TFR is payable.

(b) Adama Barry – General Manager, Burkina Faso

- No fixed employment term. Other than immediate termination by the Company on the grounds of summary dismissal, capable of termination by either party giving three months' notice.
- Total Fixed Remuneration (TFR) CFA 4,874,874 pm. Subject to annual review.
- Annual bonus award equivalent to one months' TFR.
- Annual LTI award 'target' 50% of TFR.
- Under certain circumstances of termination by the Company, in addition to accrued entitlements a termination payment equivalent to three months of TFR is payable.

(c) Chris Brown – Company Secretary

- No fixed employment term. Other than immediate termination by the Company on the grounds of summary dismissal, capable of termination by either party giving three months' notice. The Company retains the right to terminate immediately on payment in lieu of notice.
- Total Fixed Remuneration (TFR) $310,000 pa (inclusive of superannuation) pro-rated for actual days per week worked. Subject to annual review.
- Annual STI award at 'target' 35% (at 'stretch' 50%) of TFR pro-rated
- Annual LTI award 'target' 50% of TFR pro-rated.
- Under certain circumstances of termination by the Company, in addition to accrued entitlements a termination payment equivalent to twelve months of TFR is payable.

(d) Tony De Santis – Chief Operating Officer

- No fixed employment term. Other than immediate termination by the Company on the grounds of summary dismissal, capable of termination by either party giving three months' notice. The Company retains the right to terminate immediately on payment in lieu of notice.
- Total Fixed Remuneration (TFR) $361,800 pa (inclusive of superannuation). Subject to annual review.
- Annual STI award at 'target' 35% (at 'stretch' 50%) of TFR.
- Annual LTI award 'target' 50% of TFR.

(e) Ian Hart – Chief Geologist

- No fixed employment term. Other than immediate termination by the Company on the grounds of summary dismissal, capable of termination by either party giving three months' notice. The Company retains the right to terminate immediately on payment in lieu of notice.
- Total Fixed Remuneration (TFR) $320,000 pa (inclusive of superannuation). Subject to annual review.
- Annual STI award at 'target' 35% (at 'stretch' 50%) of TFR.
- Annual LTI award 'target' 50% of TFR.

(a) Ravi Underwood – Chief Financial Officer

- No fixed employment term. Other than immediate termination by the Company on the grounds of summary dismissal, capable of termination by either party giving three months' notice. The Company retains the right to terminate immediately on payment in lieu of notice.
- Total Fixed Remuneration (TFR) $310,000 pa (inclusive of superannuation). Subject to annual review.
- Annual STI award at 'target' 35% (at 'stretch' 50%) of TFR.
- Annual LTI award 'target' 50% of TFR.
- Under certain circumstances of termination by the Company, in addition to accrued entitlements a termination payment equivalent to one month of TFR for each completed year of service up to nine months of TFR is payable.

Executive remuneration packages are reviewed annually by reference to the Group's business performance, an executive's individual performance and relevant market information.

Non-executive Directors

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment, personal risk and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability.

The non-executive directors receive fixed remuneration only, which includes fixed fees and where relevant statutory superannuation contributions. Non-executive directors are paid additional fees as members of and to chair Board committees. The current remuneration fees payable for non-executive director positions are:

	Fixed fees[1]
Chairman	$120,000
Committee Chairman	$84,000
Committee member	$75,000
Director	$65,000

[1]excluding statutory superannuation contributions payable if applicable

Fees for non-executive directors are not linked to the performance of the Group. Non-executive directors do not receive any performance related remuneration or retirement benefits other than statutory requirements. Under the terms of the Employee Option Plan, non-executive directors may participate in the plan, however it is not current policy to provide equity based remuneration to non-executive directors.

Total aggregate non-executive director fees payable to all non-executive directors, which is required to be approved by the shareholders and was last voted upon at the AGM on 25 November 2011, is set at a maximum of $400,000 (inclusive of statutory superannuation contributions). In accordance with the Company's Constitution, the aggregate maximum sum may be distributed among the non-executive directors in a quantity and manner that is determined by the Board.

Key Management Personnel Remuneration

Remuneration for each non-executive director and each named executive of the Blackthorn Resources Group (KMP) for the year is as follows:

	Short-term			Post - employment	Share - based	Other Long-term					
	Salary and fees	Cash award	Non-monetary benefits	Super-annuation	Options		Total	Proportion performance related	Value of options as proportion of remuneration	% short term cash award vested in the year	% short term cash award forfeited in the year
		(a)		(b)	(c)						
	$	$	$	$	$	$	$				
Non-executive Directors											
Nicki Bowman											
2014	84,000	-	-	7,770	-	-	91,770	-	-	-	-
2013	84,000	-	-	7,560	-	-	91,560	-	-	-	-
Derek Carter											
2014	79,500	-	-	7,354	-	-	86,854	-	-	-	-
2013	75,000	-	-	6,750	-	-	81,750	-	-	-	-
Bill Cash (i)											
2014	65,859	-	-	6,092	-	-	71,951	-	-	-	-
2013	110,000	-	-	9,900	-	-	119,900	-	-	-	-
Roger Higgins(ii)											
2014	13,757	-	-	27,212	-	-	40,969	-	-	-	-
2013	-	-	-	-	-	-	-	-	-	-	-
Peter Kalkandis (iii)											
2014	-	-	-	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-	-	-	-
Mike Oppenheimer(iv)											
2014	309,075	-	-	12,492	-	-	321,567	-	-	-	-
2013	84,000	-	-	7,560	-	-	91,560	-	-	-	-

(i) Mr. Cash retired as a director on 6 February 2014.

(ii) Mr. Higgins was appointed a director on 1 January 2014. Prior to being appointed a director of the Company Mr. Higgins was engaged as an independent consultant to undertake a review of the Company's Mumbwa Project in Zambia and the Perkoa Project in Burkina Faso, for which he received payment of $92,000.

(iii) As a director nominee for Glencore, the Company's major shareholder, Mr. Kalkandis does not receive any non-executive director remuneration.

(iv) Mr. Oppenheimer's remuneration for 2014 includes $244,000 received for the period 1 October 2013 to 31 January 2014 when he acted as Acting CEO for the Company, pending the appointment of a new Chief Executive Officer.

	Short-term			Post - employment	Share - based	Other Long-term					
	Salary and fees	Cash award (a)	Non-monetary benefits	Super-annuation (b)	Options (c)		Total	Proportion performance related	Value of options as proportion of remuneration	% short term cash award vested in the year (at target)	% short term cash award forfeited in the year (at target)
	$	$	$	$	$	$	$				
Executive Directors											
Scott Lowe (v)											
2014	151,046	-	4,537	8,333	-	-	163,916	0%	0%	0%	0%
2013	449,806	135,280	21,109	25,000	116,738	-	747,933	33.7%	15.6%	39.3%	60.7%
Mark Mitchell(vi)											
2014	218,981	72,400	-	24,000	3,204	-	318,585	23.7%	1%	50.8%	49.2%
2013	-	-	-	-	-	-	-	-	-	-	-
Executives											
Adama Barry											
2014	131,549	10,556	3,938	2,594	31,380	-	180,017	23.3%	17.4%	100%	0%
2013	108,100	8,573	2,823	2,210	75,003	-	196,709	42.5%	38.1%	100%	0%
Chris Brown(vii)											
2014	261,729	62,700	-	25,000	117,008	3,160	469,597	38.3%	24.9%	63.2%	36.8%
2013	359,512	69,293	-	24,996	281,260	9,318	744,379	47.1%	37.8%	52.1%	47.9%
Tony De Santis											
2014	348,280	78,700	-	25,000	117,393	-	569,373	34.4%	20.6%	62.1%	37.9%
2013	335,534	60,770	1,834	25,000	281,260	-	704,398	48.6%	39.9%	49.3%	50.7%
Ian Hart(viii)											
2014	286,108	45,300	5,204	24,996	1,122	-	362,730	12.8%	0.3%	40.4%	59.6%
2013	196,816	74,667	4,369	16,664	-	-	292,516	25.5%	0%	100%	0%
Ravi Underwood(ix)											
2014	261,055	59,000	-	22,917	1,122	-	344,094	17.5%	0.3%	54.4%	45.6%
2013	-	-	-	-	-	-	-	-	-	-	-
Total Remuneration											
2014	2,210,939	328,656	13,679	193,760	271,229	3,160	3,021,423				
2013	1,802,768	348,583	30,135	125,640	754,261	9,318	3,070,705				

(v) Mr. Lowe resigned as Chief Executive Officer/Managing Director on 23 October 2013.
(vi) Mr. Mitchell was appointed Chief Executive Officer on the 1 January 2014 and Managing Director on 15 May 2014.
(vii) Mr. Brown resigned as Chief Financial Officer on 1 August 2013, but remains Company Secretary of the Company.
(viii) Mr. Hart commenced with the Company on 1 November 2012 as Chief Geologist. He is currently seconded to the Company's wholly-owned subsidiary Blackthorn Resources (Zambia) Limited.
(ix) Mr. Underwood was appointed Chief Financial Officer on 1 August 2013.

(a) The 2014 cash awards are for performance during the 2014 financial year based on achievement of personal performance criteria. $318,100 of the 2014 amount was assessed and approved by the Board in August 2014. The amounts forfeited are due to personal performance criteria not being met in relation to the relevant performance year. No amounts vest in future financial years.

(b) Superannuation includes the amount contributed by the Company by way of employer superannuation contributions.

(c) The amount disclosed under share-based payments relates to employee options granted in May 2012, August 2012 and March 2014 and represents the portion of the fair value of the options granted recognised in the relevant reporting period. The total value of the options granted is allocated to each reporting period over the period from the relevant service commencement date to the relevant vesting dates, or where relevant the deemed termination date relevant to an individuals' employment.

Options Granted as Compensation

The following options have been issued as part of remuneration to KMP in May 2012, August 2012 and March 2014 under the Company's Employee Option Plan. All options refer to options over ordinary shares in the Company which are exercisable on a one-for-one basis. The options were granted at no cost to the recipients. All options expire on the earlier of the expiry date or termination of the individual's employment.

Executives	Number of options granted	Grant date	Fair value per option at grant date (ii)	Exercise price	Expiry date	Options vested during year	Fair value per option at vesting date	Options exercised during the year	Balance options at 30 June 2014	Option vested and exercisable 30 June 2014
Adama Barry	200,000	8 May 2012	$0.64	$1.63	27 June 2015	-	-	-	-	-
	130,000	20 March 2014	$0.03	$0.25	31 May 2017	-	-	-	130,000	-
Chris Brown	750,000	8 May 2012	$0.64	$1.63	27 June 2015	-	-	-	-	-
	280,000	20 March 2014	$0.03	$0.25	31 May 2017	-	-	-	280,000	-
Tony De Santis	750,000	8 May 2012	$0.64	$1.63	27 June 2015	-	-	-	-	-
	400,000	20 March 2014	$0.03	$0.25	31 May 2017	-	-	-	400,000	-
Ian Hart	350,000	20 March 2014	$0.03	$0.25	31 May 2017	-	-	-	350,000	-
Scott Lowe(i)	1,500,000	31 August 2012	$0.28	$1.63	27 June 2015	-	-	-	-	-
Mark Mitchell	1,000,000	20 March 2014	$0.03	$0.25	31 May 2017	-	-	-	1,000,000	-
Ravi Underwood	350,000	20 March 2014	$0.03	$0.25	31 May 2017	-	-	-	350,000	-

(i) Options granted on 31 August 2012 lapsed in November 2013 following Mr. Lowe's resignation.

(ii) The fair value for the options represents the average value for each tranche calculated at grant date and were valued using a binomial option-pricing model (8 May 2012 and 20 March 2014) and Black-Scholes option-pricing model (31 August 2012).

Details of the vesting conditions relating to the above employee options outstanding at 30 June 2014 are as follows:

(a) All options vest 36 months from grant date and are exercisable if the share price is a least $0.75 at vesting date.

Number of options held by Key Management Personnel

The movement during the year of options held by each KMP, directly or indirectly, is as follows:

	Balance 1.7.2013	Granted	Options exercised/ lapsed/ cancelled	Balance 30.6.2014	Vested during the year	Vested and exercisable 30.6.2014	Vested and not exercisable 30.6.2014
Directors							
S Lowe	1,500,000	-	(1,500,000)	-	-	-	-
M Mitchell	-	1,000,000	-	1,000,000	-	-	-
Executives							
A Barry	200,000	130,000	(200,000)	130,000	-	-	-
C Brown	750,000	280,000	(750,000)	280,000	-	-	-
A De Santis	750,000	400,000	(750,000)	400,000	-	-	-
I Hart	-	350,000	-	350,000	-	-	-
R Underwood	-	350,000	-	350,000	-	-	-

Number of shares held by Key Management Personnel

The movement during the year of shares held by each KMP, directly or indirectly, is as follows:

	Balance 1.7.2013	Received exercised options	Net purchases/ sales	Net change Other (a)	Balance 30.6.2014
Directors					
N Bowman	500,000	-	500,000	-	1,000,000
D Carter	30,000	-	-	-	30,000
W Cash	573,530	-	65,000	(638,530)	-
R Higgins	-	-	-	100,000	100,000
S Lowe	1,447,000	-	-	(1,447,000)	-
M Oppenheimer	616,089	-	200,000	-	816,089
Executives					
A Barry	114,650	-	-	-	114,650
C Brown	1,450,460		-	-	1,450,460
A De Santis	459,036	-	220,000	-	679,036
I Hart	182,538		370,524	-	553,062
R Underwood	-	-	50,000	-	50,000

(a) Relates to shares held at the time of appointment or resignation

Mike Oppenheimer
Chairman

Mark Mitchell
Managing Director

Sydney, 26 September 2014

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Blackthorn Resources Limited (the Company):

   (a) the consolidated financial statements and notes that are set out on pages 50 to 79 and the Remuneration Report in the Directors' Report set out on pages 37 to 45, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

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

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer of the Company for the financial year ended 30 June 2014.

3. The Directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

This declaration is signed in accordance with a resolution of the Board of Directors:

Mike Oppenheimer
Chairman

Mark Mitchell
Managing Director

Sydney, 26 September 2014

LEAD AUDITOR'S INDEPENDENCE DECLARATION

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Blackthorn Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Caoimhe Toouli

Caoimhe Toouli
Partner

Sydney

26 September 2014

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of Blackthorn Resources Limited

Report on the financial report

We have audited the accompanying financial report of Blackthorn Resources Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2014, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 29 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In Note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

(continued overleaf)

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent auditor's report to the members of Blackthorn Resources Limited *(continued)*

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 37 to 45 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration disclosures that are contained in the sections of the Directors' Remuneration Report of Blackthorn Resources Limited for the year ended 30 June 2014 that are described as audited comply with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Caoimhe Toouli

Caoimhe Toouli
Partner

Sydney

26 September 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $000	2013 $000
Continuing Operations			
Finance income	4	604	1,370
Employee benefits expense		(3,362)	(3,618)
Depreciation		(23)	(14)
Exploration expenditure		-	(317)
Other expenses		(1,925)	(2,434)
Loss before income tax		(4,706)	(5,013)
Income tax expense	6	-	-
Loss from continuing operations		(4,706)	(5,013)
Discontinued Operation			
Loss from discontinued operation net of tax	5, 13	(33,805)	(7,504)
Loss attributable to equity holders in the Company		(38,511)	(12,517)
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		(3,413)	1,365
Net change in fair value of available-for-sale assets		-	14
Total items that may be reclassified subsequently to profit or loss:		(3,413)	1,379
Other comprehensive income (loss) for the year, net of tax		(3,413)	1,379
Total comprehensive loss for the year		**(41,924)**	**(11,138)**
<u>Earnings per share</u>		**Cents**	**Cents**
Basic earnings per share	24	(23.44)	(7.79)
Diluted earnings per share	24	(23.44)	(7.79)
<u>Earnings per share – continuing operations</u>			
Basic earnings per share	24	(2.86)	(3.12)
Diluted earnings per share	24	(2.86)	(3.12)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Note	2014 $000	2013 $000
CURRENT ASSETS			
Cash and cash equivalents	7	12,491	25,573
Trade and other receivables	8	386	1,567
Other current assets	9	59	55
Assets held for sale	10	2,121	-
TOTAL CURRENT ASSETS		15,057	27,195
NON-CURRENT ASSETS			
Trade and other receivables	8	136	133
Property, plant and equipment	11	223	426
Exploration and evaluation expenditure	12	35,621	34,935
Investment in equity accounted associate	13	-	31,829
TOTAL NON-CURRENT ASSETS		35,980	67,323
TOTAL ASSETS		51,037	94,518
CURRENT LIABILITIES			
Trade and other payables	14	1,506	3,304
Provisions	15	138	207
TOTAL CURRENT LIABILITIES		1,644	3,511
NON-CURRENT LIABILITIES			
Provisions	15	26	10
TOTAL NON-CURRENT LIABILITIES		26	10
TOTAL LIABILITIES		1,670	3,521
NET ASSETS		**49,367**	**90,997**
EQUITY			
Share capital	16	213,379	213,379
Reserves		(5,842)	(2,723)
Accumulated losses		(158,170)	(119,659)
TOTAL EQUITY		**49,367**	**90,997**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Share capital	Accumulated losses	Financial asset reserve	Foreign currency translation reserve	Equity compensation reserve	Total equity
	$000	$000	$000	$000	$000	$000
Balance at 1 July 2012	**175,655**	**(107,142)**	**(14)**	**(5,668)**	**718**	**63,549**
Comprehensive income for the year						
Loss for the year	-	(12,517)	-	-	-	(12,517)
Other comprehensive income						
Net change in fair value of available-for-sale assets	-	-	14	-	-	14
Foreign currency translation differences	-	-	-	1,365	-	1,365
Total other comprehensive income	**-**	**-**	**14**	**1,365**	**-**	**1,379**
Total comprehensive income	**-**	**(12,517)**	**14**	**1,365**	**-**	**(11,138)**
Transaction with owners, recorded in equity						
Issue of ordinary shares	37,724	-	-	-	-	37,724
Amortisation of employee option grants	-	-	-	-	862	862
Balance at 30 June 2013	**213,379**	**(119,659)**	**-**	**(4,303)**	**1,580**	**90,997**
Balance at 1 July 2013	**213,379**	**(119,659)**	**-**	**(4,303)**	**1,580**	**90,997**
Comprehensive income for the year						
Loss for the year	-	(38,511)	-	-	-	(38,511)
Other comprehensive income						
Foreign currency translation differences	-	-	-	(3,413)	-	(3,413)
Total other comprehensive income	**-**	**-**	**-**	**(3,413)**	**-**	**(3,413)**
Total comprehensive income	**-**	**(38,511)**	**-**	**(3,413)**	**-**	**(41,924)**
Transaction with owners, recorded in equity						
Issue of ordinary shares	-	-	-	-	-	-
Amortisation of employee option grants	-	-	-	-	294	294
Balance at 30 June 2014	**213,379**	**(158,170)**	**-**	**(7,716)**	**1,874**	**49,367**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $000	2013 $000
Cash flows from operating activities			
Payments to suppliers and employees		(4,622)	(5,270)
Net cash used in operating activities	26	(4,622)	(5,270)
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(9,112)	(14,471)
Payments for plant and equipment		(4)	(334)
Payments for security deposits		(2)	-
Receipts from security deposits		-	297
Interest received		659	1,202
Net cash used in investing activities		(8,459)	(13,306)
Cash flows from financing activities			
Proceeds from share issues	16	-	40,115
Share issue costs	16	-	(2,391)
Net cash provided by financing activities		-	37,724
Net increase (decrease) in cash held		(13,081)	19,148
Cash and cash equivalents at beginning of the year		25,573	6,347
Effects of exchange rate fluctuations on cash held		(1)	78
Cash and cash equivalents at end of the year	7	**12,491**	**25,573**

The accompanying notes form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. Reporting entity

The financial statements cover the consolidated entity consisting of Blackthorn Resources Limited (the Company) and its controlled entities (the Group). The Group's business is the exploration and mining of base metals. Blackthorn Resources Limited is a listed for-profit public company, incorporated and domiciled in Australia.

2. Basis of preparation

Statement of compliance

The consolidated financial statements are general purpose financial statements, which have been prepared in accordance with Australian Accounting Standards, including Australian Interpretations adopted by the Australian Accounting Standards Board (AASB), and the Corporations Act 2001. The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRS) and the interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were approved by the Board of Directors on 26 September 2014.

Basis of measurement

The financial statements have been prepared on an accruals basis and are based on historical costs except for available-for-use financial assets that are measured at fair value, and do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 3(l) – Exploration and evaluation expenditure: capitalisation criteria.
- Note 3(t) – Impairment of assets: estimates of fair values and future cash flows, in particular commodity prices and exchange rates.
- Note 6 – Recognition of tax losses: assessment of the point-in-time at which it is deemed probable that future taxable income will be derived.
- Note 16 – Share-based entitlements and payments: assumptions required to be made in respect to measuring share volatility, dividend yield, future option holding periods and other inputs to the option model fair value calculations.

Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency.

Rounding

The Group is an entity to which ASIC Class Order 98/100 dated 10 July 1998 applies. In accordance with the Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

3. Significant accounting policies

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial statements. Except for the changes below, the accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

Changes in accounting policies

The Group has adopted the following new standards and amendments to standards with a date of initial application of 1 July 2013:

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosure of interests in other entities
- AASB 13 Fair value measurement
- AASB 19 Employee Benefits

There was no material impact to the current or comparative period financial statements as a result of applying these new standards and amendments. Certain comparative amounts in the consolidated financial statements have been reclassified to conform to the current year's presentation. In addition, the comparative statement of profit or loss and other comprehensive income has been represented as if the operation discontinued during the current year had been discontinued from the start of the comparative year (see Note 5).

(a) Principles of consolidation

A controlled entity is any entity controlled by the Group. Control exists where the Group has power over an investee, exposure or rights to variable returns from its investment with the investee and the ability to use its power to affect those returns.

All intra-group balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of entities in the Group have been changed where necessary to ensure consistency with those policies applied by the Group.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered or left the Group during the year, their operating results have been included from the date control was obtained or until the date control ceased.

On loss of control, the Group derecognises the assets and liabilities of the controlled entity, any non-controlled interests and other components of equity related to the controlled entity. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous controlled entity, then the retained interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Where losses applicable to the minority interest in a controlled entity exceed the minority interest in a controlled entity's equity, the excess and any further losses applicable to the minority, are allocated against the majority interest, except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

A list of controlled entities is contained in Note 20 to the financial statements.

(b) **Foreign currency transactions and balances**

Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except for available-for-sale equity investments or where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are recognised in other comprehensive income and presented in the Group's foreign currency translation reserve in equity. These accumulated amounts in the translation reserve are reclassified to profit or loss in the period in which the operation is disposed or held for sale.

(c) **Revenue**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable and is recognised upon the delivery of goods to customers. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(d) **Finance income**

Finance income comprises interest on funds invested and net foreign exchange gains. Interest income is recognised in profit or loss as it accrues using the effective interest rate method.

(e) **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(f) **Trade and other receivables**

Trade and other receivables are stated at their amortised cost less impairment losses. An impairment loss is recognised when there is objective evidence that an individual trade or receivable is impaired. Trade and other receivables are assessed for recoverability based on the underlying terms of the contract. Impaired assets are provided for in full.

(g) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro-rata basis. Impairment losses on initial classification as held-for-sale assets and subsequent gains and losses on remeasurement are recognised in the profit or loss.

Once classified as held-for-sale, assets are no longer amortised or depreciated and any equity accounted investee is no longer equity accounted.

(h) Financial instruments

Recognition

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method, less any impairment losses.

(i) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership but not legal ownership are transferred to entities in the Group, are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Leased assets are depreciated on a straight line basis over the lesser of their estimated useful lives, where it is likely that the Group will obtain ownership of the asset, or over the term of the lease.

Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

The company has no finance leases at reporting date.

(j) Property, plant and equipment

Items of property, plant and equipment are carried at cost less, where applicable, any accumulated depreciation and impairment losses. The cost of constructed assets includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of production overheads. The cost of assets includes estimates of the costs of dismantling and removing the assets and restoring the site on which the assets are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation

Depreciation of property, plant and equipment is recognised on either a straight line basis for corporate assets or units-of-production basis over the shorter of the assets estimated useful lives or the life of the mining operations if applicable, commencing from the time the asset is held ready for use. The estimated depreciable periods for property, plant and equipment assets are:

- Plant and equipment 3-10 years
- Motor vehicles 3 years
- Office equipment 3-5 years
- Furniture and fittings 3-5 years

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss.

The assets' residual values and useful lives are reviewed by directors at least annually.

(k) Mine development assets

Mine development expenditure is accumulated separately for each area-of-interest in which economically recoverable reserves have been identified. This expenditure includes direct costs, borrowing costs and an appropriate allocation of overheads. Once a development decision has been made, all past and future exploration and evaluation expenditure in respect of the area-of-interest is aggregated with the costs of development and classified as a mine development asset.

All expenditure incurred prior to commencement of production from each development asset is carried forward to the extent that the expenditure results in future economic benefits.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss.

Amortisation

Amortisation of mine development assets commences when a mine starts commercial production. Amortisation is calculated on the basis of units-of-production. Amortisation is based on assessments of proved and probable reserves and a proportion of resources available to be mined by current production equipment and techniques to the extent that such resources are considered to be economically recoverable.

Restoration

Site restoration costs are recognised progressively as the site is disturbed and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology.

(k) Mine development assets (continued)

Any changes in estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(l) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred, including the cost of acquiring licences, is accumulated in respect of each identifiable area-of-interest. These costs are capitalised to the extent that the following conditions are satisfied:

(a) rights to tenure of the area-of-interest are current; and
(b) either:
- (i) such costs are expected to be recouped through the successful development of the area or alternatively by sale; or
- (ii) where exploration and evaluation activities in the area-of-interest have not reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves, active and significant operations in relation to the area are continuing.

Where the above criteria are not met, exploration and evaluation expenditure is recognised in profit or loss as incurred.

Accumulated costs in relation to an abandoned area are written off in full to profit or loss in the year in which the decision to abandon the area is made. Each area-of-interest is reviewed at least annually by directors and accumulated costs are written off to the extent they are not expected to be recoverable in the future.

(m) Trade and other payables

Creditors and other payables, including accruals not yet invoiced, are recognised when the Group becomes obliged to make future payments, principally as a result of the purchase of goods or services. Trade and other payables are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

(n) Employee benefits

Provision is made for the liability for employee benefits arising from services rendered by employees to balance date. Short-term employee benefits that are expected to be settled within one year are measured on an undiscounted basis at the amounts expected to be paid when the liability is settled, plus related on-costs. Long-term employee benefits payable later than one year are measured at the present value of the estimated future cash outflows to be made for those benefits.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employee becomes unconditionally entitled to the awards.

(o) Royalties and other production imposts

Ad valorem and other production imposts are accrued and charged against earnings when the liability from production or sale occurs.

(p) Income tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or non-deductible expenditure. It is calculated using tax rates that have been enacted or are substantively enacted by the statement of financial position date.

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. No deferred tax will be recognised from the initial recognition of an asset or liability in a transaction, other than a business combination, where at the time of the transaction there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to temporary differences in the period when the asset is realised or liability is settled. Deferred tax is recognised in profit or loss except where it relates to items that may be recognised directly in equity, in which case the deferred tax is adjusted directly against equity.

(p) Income tax (continued)

Deferred tax assets are recognised for unused tax losses, tax credits and deductible timing differences to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

The Company and certain of its wholly-owned Australian resident entities are part of a tax-consolidation group. As a consequence, all members of the tax-consolidation group are taxed as a single entity. The head entity within the tax-consolidated group is Blackthorn Resources Limited.

(q) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

(r) Interest in joint arrangements

The Group's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements.

The Group's interest in joint venture entities are initially recognised at cost and subsequently accounted for using the equity method of accounting in the consolidated financial statements. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted interests, after adjustments to align the accounting policies with those of the Group.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to zero, and the recognition of future losses is discontinued except to the extent that the Group has an obligation or has made payment on behalf of the investee.

(s) Investment in associates

Investments in associates are initially recognised at cost and subsequently accounted for using the equity method of accounting in the consolidated financial statements. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustment to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influences ceases.

When the Group's share of losses exceeds the interest in an equity accounted investee, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(t) Impairment of assets

At each reporting date, the Group reviews the carrying value of its non-financial assets that have a finite life to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and its value-in-use, is compared to the asset's carrying value. In assessing value-in-use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the value of money and the risks specific to the asset. Any excess of the asset's carrying value over its recoverable amount is recognised in profit or loss. For intangible assets that have indefinite lives or are not yet available for use, the recoverable amount is estimated each reporting period.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

A financial asset, including an investment in equity accounted associates, is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. If such an indication exists, the recoverable amount of the asset, being the higher

(t) Impairment of assets (continued)

of the asset's fair value less costs of disposal and its value-in-use, is compared to the asset's carrying value. In assessing value-in-use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the value of money and the risks specific to the asset. Any excess of the asset's carrying value over its recoverable amount is recognised in profit or loss.

An impairment loss in respect of an available-for-sale financial asset is recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss recognised previously in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying value does not exceed the carrying value that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(u) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(v) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(w) Segments

The Group determines and presents segment information based on the information that is provided internally to the Chief Executive Officer, who is the Group's chief operating decision maker.

(x) Discontinued Operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- Represent a separate major line of business or geographical area of operations; and
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to re-sale.

Calculation as a discontinued operation occurs at the earlier of disposal or when the operation meets criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

(y) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual reporting periods beginning after 1 July 2013. These have not been applied in preparing these consolidated financial statements. The Group does not plan to adopt these standards early. Management has reviewed the potential impact of the new and revised standards and does not expect them to have any significant impact on the consolidated financial statements.

4. Finance income

	2014 $000	2013 $000
Interest received	601	1,292
Net foreign exchange gain	3	78
	604	1,370

5. Discontinued Operation

The Company announced on 16 May 2014 that it had entered into a legally binding sale and purchase agreement to sell its remaining 27.3% equity interest in the Perkoa Project and its interest in adjacent exploration licences in Burkina Faso to wholly-owned subsidiaries of Glencore. The sale was contingent on shareholder approval which was subsequently granted on 14 August 2014.

(a) Results of discontinued operation

	2014 $000	2013 $000
Exploration expenditure*	(1,869)	-
Share of loss of equity accounted associate	(31,829)	(7,504)
Loss from operating activities	(107)	-
Income tax	-	-
Loss from discontinued operations	(33,805)	(7,504)

*Includes impairment of capitalised exploration and evaluation expenditure relating to the Burkina Faso exploration licences of $1.1 million. The Seboun and Sepaogo licences have been fully written off as they will expire on 4 October 2014 and 10 October 2014 respectively. The Poa and Guido licences have been written down to a carrying value of $2.1 million being the recoverable amount based on fair value less cost of disposal. Fair value measurement of the Poa and Guido licences is categorised as a level 3 measurement based on consideration to be paid by Glencore pursuant to the sale and purchase agreement dated 16 May 2014.

(b) Cash flows used in discontinued operation

	2014 $000	2013 $000
Net cash from operating activities	104	-
Net cash used in investing activities	(959)	(1,072)
Net cash flow for the year	(855)	(1,072)

(c) Earnings per share in discontinued operation

	Cents	Cents
Basic loss per share	(20.58)	(4.67)
Diluted loss per share	(20.58)	(4.67)

6. Income tax expense

	2014 $000	2013 $000
Loss from continuing operations before income tax	(4,706)	(5,013)
Prima facie income tax (benefit) liability at 30%	(1,412)	(1,504)
(Increase) decrease in income tax benefit due to:		
Non-deductible expenses / losses	153	221
Deductible expenditure recognised	(180)	(157)
Benefit of foreign tax losses not recognised	(6,858)	(4)
Tax losses not recognised as future income tax benefit	8,297	1,444
Income tax expense	-	-
Deferred tax (assets) liabilities brought to account include:		
Accrued interest	17	35
Accrued expenses	(135)	(380)
Employee benefits provision	(44)	(59)
Deferred tax assets not brought to account	162	404
	-	-
Deferred tax assets not brought to account include:		
Tax losses carried forward	19,707	11,410
Other	162	404

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

7. Cash and cash equivalents

	2014 $000	2013 $000
Cash at the end of the year as shown in the consolidated statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash on hand and at bank	1,390	3,972
Short-term deposits	11,101	21,601
	12,491	25,573

$101,000 of short-term deposits is held as security by the Group's bankers

8. Trade and other receivables (current)

	2014 $000	2013 $000
Interest receivable	58	116
Other debtors	328	1,451
	386	1,567

Trade and other receivables (non-current)

	2014 $000	2013 $000
Security deposits	136	133
	136	133

It is expected Trade and other receivables will be received when due.

9. Other current assets

	2014 $000	2013 $000
Inventory	22	39
Prepayments	37	16
	59	55

10. Assets held for sale

	2014 $000	2013 $000
Burkina Faso exploration licences	2,121	-

Recognised at fair value based on an independent valuation included in the independent expert's report released on 14 August 2014 with the EGM notice of meeting called to seek shareholder approval for the disposal of the Burkina Faso exploration licences – refer to Note 13

11. Property, plant and equipment

	2014 $000	2013 $000
Plant and equipment	432	491
Less: accumulated depreciation	(291)	(260)
	141	231
Motor vehicles	416	486
Less: accumulated depreciation	(334)	(291)
	82	195
	223	426

11. Property, plant and equipment (continued)

Movements in carrying amounts	Plant & Equipment $000	Motor Vehicles $000	Total $000
2014			
Carrying amount at the beginning of the year	231	195	426
Additions	17	-	17
Disposals	-	(11)	(11)
Depreciation	(85)	(86)	(171)
Effect of movements in exchange rates	(22)	(16)	(38)
Carrying amount at the end of the year	141	82	223
2013			
Carrying amount at the beginning of the year	156	78	234
Additions	140	165	305
Disposals	(1)	-	(1)
Depreciation	(76)	(61)	(137)
Effect of movements in exchange rates	12	13	25
Carrying amount at the end of the year	231	195	426

12. Exploration and evaluation expenditure

	Note	2014 $000	2013 $000
Costs carried forward in respect of areas-of-interest in the exploration and evaluation phase:			
Opening balance at the beginning of the year		34,935	18,467
Expenditure incurred during the year		7,305	15,148
Effect of movements in exchange rates		(2,629)	1,320
Expenditure written off during the year	5	(1,869)	-
Transferred to 'Assets held for sale'	10	(2,121)	-
Closing balance at the end of the year		35,621	34,935

The current carrying value of the exploration and evaluation expenditure relates to the Kitumba project and other exploration licences in Zambia. The 'Assets held for sale' is described in Note 10 and relates to exploration licences in Burkina Faso.

13. Investment in equity accounted associate

	2014 $000	2013 $000
Perkoa joint venture	-	31, 829

On 22 November 2010, Blackthorn Resources executed agreements with Glencore to form a joint venture to develop and operate the Perkoa Project in Burkina Faso. Upon formation of the Perkoa JV, Glencore effectively obtained control of 50.1% of the Perkoa Project, with Blackthorn Resources and the Government of Burkina Faso holding interests of 39.9% and 10% respectively.

The joint venture partners reached agreement in the 2013 financial year whereby Glencore would provide additional equity funding for the Perkoa Project of up to US$80 million to complete construction and commissioning. As a result of this funding agreement, Blackthorn Resources agreed not to contribute its share of the US$80 million capital requirement resulting in the dilution of its equity interest in the project from 39.9% to 27.3%.

On 2 August 2013, Blackthorn Resources announced that Glencore 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 shareholder 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 the Perkoa Project.

Between August 2013 and 31 December 2013, Glencore 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 Ventures Limited (“Boundary”). Glencore acknowledged that Blackthorn Resources would be entitled at a future date to prevent the dilution of its shareholder percentage share in Boundary by electing to contribute its share of the US$30 million if it so wished.

At 31 December 2013, the respective interests of the parties in the Perkoa Project were Glencore 62.7%, Blackthorn Resources 27.3% and the Government of Burkina Faso 10%.

Based on losses incurred by the Perkoa Project to 31 December 2013, Blackthorn Resources recognised a non-cash equity accounted adjustment for its share of the project losses up to the carrying value of its investment, being $31.8 million. As required under the equity accounting standard, Blackthorn Resources discontinued recognising its share of further losses which were in excess of the carrying value of its investment in the project.

The losses incurred by the Perkoa Project to 31 December 2013 have arisen for a combination of reasons, including:

- Delays to the expected commencement of production
- Unacceptable open pit financial results, with operations at the open pit suspended
- Lower metal prices than assumed in original business cases
- Higher capital development costs
- Lower estimates of ore reserves, and
- Resultant asset impairment charges recognised by the Perkoa Project.

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 calendar year 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, on 16 May 2014 Blackthorn Resources entered into a sale and purchase agreement with Glencore to enable it exit its 27.3% equity interest in the Perkoa Project for US$10 million (Share Transaction). It was also agreed that Blackthorn Resources’ interests

13. Investment in equity accounted associate (continued)

(held through subsidiaries) in the exploration licences which surround the Perkoa Project mine site would be sold to Glencore for US$2 million (EL Transaction). Two of the four exploration licences (Sepaogo and Seboun) were attributed a fair value of nil as they are due to expire in October 2014, with no right of renewal. The other two exploration licences (Poa and Guido) were attributed a fair value of US$2 million. These EL Transaction assets have been recognised as 'Assets held for sale' as at 30 June 2014 and disclosed in Note 10 at fair value.

Contingent liabilities

Under the terms of the JV Agreements, Blackthorn Resources has provided certain guarantees and indemnities to Glencore in relation to the Perkoa JV. Blackthorn Resources had agreed to indemnify Glencore against any direct loss incurred in connection with any incorrect or misleading warranty given under the JV Agreements, as well as for certain tax liabilities of the Perkoa Project entity relating to the period before establishment of the Perkoa JV. The warranties given by Blackthorn Resources are subject to customary carve-outs and limitations.

Blackthorn Resources and its subsidiary Blackthorn Investments Pty Limited are guarantors to a US$20 million working capital facility provided to the Perkoa Project by Glencore. Under the terms of this guarantee, Blackthorn Resources/Blackthorn Investments has guaranteed its proportional interest of any amount due under the working capital facility. As at reporting date the balance outstanding under the working capital facility was US$20.6 million, with Blackthorn Resources/Blackthorn Investment's contingent liability under the guarantee being approximately US$6.2 million.

Except in relation to any liability of Blackthorn Resources under the tax indemnity, or any liability of Blackthorn Resources/Blackthorn Investments under a guarantee of the working capital facility, the liability of Blackthorn Resources under the JV Agreements is limited to an amount equal to the fair market value of Blackthorn Resources' investment in the Perkoa JV. As security for the payment of any amounts payable by Blackthorn Resources to Glencore under the warranties or indemnities, Blackthorn Investments has provided a mortgage over its shares held in the Perkoa JV, and a charge over all of its assets and undertakings.

Subsequent to year-end, the sale of the Perkoa Project (Share Transaction) was completed on 19 August 2014. As a result, Blackthorn Resources will not be required to contribute its US$9 million share of the US$30 million working capital funding requirement for the Perkoa Project (announced 5 August 2013) or to further funding requirements of the project, and it will cease to guarantee its respective proportion of the project's US$20 million working capital facility.

14. Trade and other payables

	2014 $000	2013 $000
Trade payables	1,049	2,028
Accrued expenses	457	1,276
	1,506	3,304

15. Provisions

	2014 $000	2013 $000
Employee entitlements (current)		
Opening balance at the beginning of the year	207	143
Additions to provisions	197	186
Usage of provisions	(266)	(122)
Closing balance at the end of the year	138	207
Employee entitlements (non-current)		
Opening balance at the beginning of the year	10	-
Additions to provisions	16	10
Usage of provisions	-	-
Closing balance at the end of the year	26	10

16. Share Capital

	2014 $000	2013 $000
Ordinary shares		
Opening balance at the beginning of the year 164,285,950 (2013: 127,818,000)	213,379	175,655
Shares issued - Nil (2013: 36,467,950)	-	40,115
Less transaction costs	-	(2,391)
Closing balance at the end of the year 164,285,950 (2013: 164,285,950)	213,379	213,379

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid upon shares held.

Ordinary shares entitle the holder to one vote, either in person or by proxy, at a meeting of the Company.

No dividends were declared or paid during the year to 30 June 2014 (2013: Nil).

Options

As at 30 June 2014 there were 2,810,000 (2013: 3,350,000) options on issue as follows:

Number	Grant date	Exercise price	Expiry date	
2,660,000	20 March 2014	$0.25	31 May 2017	Employee option
150,000	8 May 2012	$1.63	27 June 2014	Employee option

Employee option plan

On 18 June 2009, shareholders approved the Company's Employee Option Plan (Plan) which was reapproved by shareholders on 31 August 2012. During the year the Company issued 2,660,000 employee options with an exercise price of $0.25 under the Plan. During the year 1,700,000 employee options with an exercise price of $1.63 per option were cancelled and a further 1,500,000 options lapsed.

	2014	2013
Options outstanding at 1 July	3,350,000	2,060,000
Granted	2,660,000	1,500,000
Exercised	-	-
Cancelled/lapsed	(3,200,000)	(210,000)
Options outstanding at 30 June	2,810,000	3,350,000
Options exercisable at 30 June	100,000	1,116,667

The options were granted at no cost to the recipients. All options expire at the earlier of the option expiry date or termination of the recipient's employment. Each option entitles the option holder to subscribe for one fully paid ordinary share in the Company on payment of the relevant exercise price.

16. Share capital (continued)

The terms and conditions relating to the employee options on issue are as follows:

Grant Date	Number of options	Fair value per option	Exercise price	Expiry date	Vesting conditions
8 May 2012	150,000	$0.64	$1.63	27 June 2015	One third vest 12 months from grant date and are exercisable if the option holder remains in the employ of the Group over the vesting period; One third vest 24 months from grant date and are exercisable if the option holder remains in the employ of the Group over the vesting period; One third vest 35 months from grant date and are exercisable if the option holder remains in the employ of the Group over the vesting period.
20 March 2014	2,660,000	$0.03	$0.25	31 May 2017	All options vest 36 months from grant date and are exercisable between 19 March 2017 and 31 May 2017 if the share price is at least $0.75 on 19 March 2017 based on 30 day volume weighted average price.

Measurement of fair values

The fair value of the options represents the average value for each tranche calculated at the grant date and were valued using a binomial option-pricing model. Key assumptions used in the valuations were:

	20 March 2014	8 May 2012
Underlying share price at valuation	$0.165	$1.47
Assumed option life	3 years	3 years
Risk free rate	3.24%	2.67%
Volatility (historic)	90-100%	80-90%
Expected dividend yield	Nil	Nil

17. Auditor's remuneration

	2014 $	2013 $
Audit and review services		
KPMG Australia	127,236	113,070
KPMG Zambia	16,405	14,931
Other	18,666	11,881
	162,307	139,882
Other services		
KPMG Australia - accounting advice	-	14,500
KPMG Zambia - income tax services	5,676	2,300
	5,676	16,800

18. Key Management Personnel disclosures

(a) Summary of Key Management Personnel compensation

	2014 $	2013 $
Short-term benefits	2,553,274	2,181,486
Post-employment benefits	193,760	125,640
Share-based payments	271,229	754,261
Other long-term benefits	3,160	9,318
	3,021,423	3,070,705

Details of Key Management Personnel compensation are included in the Remuneration Report on pages 34 to 45.

b) Key Management Personnel holdings in shares and options

Details of Key Management Personnel holdings in shares and options in the company are included in the Remuneration Report on page 45.

19. Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with wholly-owned controlled entities

Interest free loans provided by the Company to its wholly-owned controlled entities total $133,551,000 (2013: $127,244,000). Loans to wholly-owned controlled entities have been impaired by $95,312,000 (2013: $66,610,000).

20. Group entities

The following are subsidiaries of the parent Company:

Company	Place of Incorporation	Class of Shares	Equity Holding 2014	Equity Holding 2013
African Investments Pty Ltd	Australia	Ordinary	100%	100%
African Platinum Limited #	Mauritius	Ordinary	100%	100%
Blackthorn Exploration Burkina Faso SA #	Burkina Faso	Ordinary	100%	100%
Blackthorn Investments Pty Ltd	Australia	Ordinary	100%	100%
Blackthorn Resources Burkina Faso SA #	Burkina Faso	Ordinary	100%	100%
Blackthorn Resources (Zambia) Limited #	Zambia	Ordinary	100%	100%
Nantou Mining Limited B.V. #	Netherlands	Ordinary	100%	100%

This company is audited by a firm other than the auditor of the parent entity

21. Joint venture operations

At 30 June 2014 the Company has no interest in any unincorporated joint ventures.

22. Expenditure commitments

	2014 $000	2013 $000
(a) Operating leases		
Commitments for minimum contract payments in relation to non-cancellable operating leases are payable as follows:		
Less than one year	51	103
Between one and five years	38	89
	89	192

The operating leases comprise leases of office equipment and office space.

The Company leases certain office equipment over five year lease terms.

The Company leased its current office on 1 December 2010 for a four year period. Future payments under the office lease arrangement are secured by way of a bank guarantee as noted in Note 23.

(b) Exploration expenditure

The Group has minimum expenditure commitments over the next twelve months to undertake exploration work and expend money on mineral exploration tenements of $455,000 (2013: $886,000).

(c) Capital expenditure

The Group has no capital commitments contracted for but not payable at 30 June 2014 (2013: Nil)

23. Contingent liabilities

Bank guarantees

The Group's bankers have given bank guarantees to various parties to secure future operational obligations totaling $158,000 (2013:$150,000). These guarantees are partly secured by charges over cash deposits totaling $107,000 lodged with the bankers.

Litigation

As at balance date there are no claims against the Group.

24. Earnings per share

	2014 $000	2013 $000
Net loss from continuing operations used in the calculation of basic and diluted earnings per share	(4,706)	(5,013)
Net loss used in the calculation of basic and diluted earnings per share	(38,511)	(12,517)
Weighted average number of ordinary shares (basic) at 30 June	164,285,950	160,645,180
Effect of share options	-	-
Weighted average number of ordinary shares (diluted) at 30 June	164,285,950	160,645,180

25. Financial risk management

a. Financial risk management policies

The Group has exposure to market, credit and liquidity risks in relation to financial instruments used in the normal course of its business operations. The Group's financial instruments consist of deposits with banks, accounts receivable, available-for-sale assets and payables. The Group has not conducted any hedging activities during the year, and does not have any derivative financial instruments at year-end.

i) Risk management

The Board of Directors is responsible for overseeing the establishment and implementation of an effective risk management framework for the Group.The Audit and Risk Committee is responsible for reviewing and assessing the adequacy of the Group's risk management system and the monitoring of compliance with the risk management policies and procedures.

A summary of the Group's risk management principles and practices is contained in the Corporate Governance Statement of the Annual Report on pages 20 to 29.

ii) Financial risk exposures and management

Price risk

The Group may be exposed in the future to commodity price risk from the sale of a number of commodities, including zinc, silver, copper and gold. The Group is not currently exposed to commodity price risk and will continue to develop appropriate hedging policies to manage this risk in the future.

Interest rate risk

The Group is subject to interest rate risk from movements in interest rates on cash held. During the financial year the Group held all its available funds in short-term bank deposits. For further details on interest rate risk refer to Note 25 (b) (i).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by monitoring forecast cash flows and by ensuring that the Group has sufficient funds available to meet its future commitments. For further details on liquidity risk refer to Note 25 (b) (ii).

Foreign currency risk

The Group operates in various international jurisdictions and is exposed to foreign exchange risk, primarily with respect to the Euro, the West African CFA franc, the United States dollar, the Zambian kwacha and the South African rand, arising from fluctuations in these foreign currencies in relation to the purchase of goods and services. The Group is able to hold surplus funds in foreign currency denominated bank deposit accounts as a means of reducing its exposure to foreign currency risks. For further details on foreign currency risk refer to Note 25 (b) (iii).

Credit risk

Credit risk represents the potential loss that would be recognised if counterparties to the Group's financial assets failed to perform as contracted. The maximum exposure to credit risk in relation to the Group's financial assets is the carrying amount, net of any impairment losses of those assets. Cash and cash equivalents are held with investment rated banks which are rated AA to AA2 – outlook stable based on Moody's agency ratings. Trade and other receivables mainly represent GST receivables due from taxation authorities and accrued interest on term deposits held with investment rated banks. For further details on credit risk refer to Note 25 (b) (iv).

25. Financial risk management (continued)

Net fair values

The carrying value of financial assets and financial liabilities, as disclosed in the financial statements, represents their fair values. No financial assets or financial liabilities are readily traded on organised markets in standardised form, other than listed investments. For further details on fair values risk refer to Note 25 (b) (v).

Capital management

The Board of Directors maintains an ongoing review of the capital management requirements for the Group to ensure appropriate allocation of its capital resources. The Group's debt and capital consists of share capital and financial liabilities, supported by financial assets. Management effectively manages the Group's capital by monitoring its financial risks and adjusting its capital structure in response to changes in those risks and in the market. These responses include the management of the Group's debt levels, share issues and distributions to shareholders. The Group has no externally imposed capital requirements, and has no debt as at year-end.

b. Financial instruments

i) Interest rate risk

The economic exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities are set out below:

2014	Note	Floating interest rate $000	Fixed interest rate $000	Non-interest bearing $000	Total $000
Financial assets					
Cash and cash equivalents	7	1,147	11,101	243	12,491
Trade and other receivables	8	-	106	416	522
		1,147	11,207	659	13,013
Weighted average interest rate		3.37%			
Financial liabilities					
Trade and other payables	14	-	-	1,506	1,506
		-	-	1,506	1,506
Weighted average interest rate		-			

2013	Note	Floating interest rate $000	Fixed interest rate $000	Non-interest bearing $000	Total $000
Financial assets					
Cash and cash equivalents	7	15,786	9,101	686	25,573
Trade and other receivables	8	-	103	1,597	1,700
		15,786	9,204	2,283	27,273
Weighted average interest rate		3.73%			
Financial liabilities					
Trade and other payables	14	-	-	3,304	3,304
		-	-	3,304	3,304
Weighted average interest rate		-			

25. Financial risk management (continued)

The following summarises the effect on profit of variable rate financial instruments held at balance date as a result of a 1% movement in interest rates, with all other variables remaining constant:

	2014 $000	2013 $000
Interest rate +1%	11	35
Interest rate -1%	(11)	(35)

ii) Liquidity risk

The following are the contractual maturities of financial liabilities:

	2014 $000	2013 $000
Trade and other payables		
Less than 6 months	1,506	3,304

iii) Foreign currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

2014	AUD 000	EUR (i) 000	USD 000	ZAR 000	ZMW 000
Cash and cash equivalents	12,108	53	27	1,413	787
Trade and other receivables	178	80	-	-	1,325
Trade and other payables	(1,067)	(91)	(237)	(509)	(49)
Net statement of financial position exposure	11,219	42	(210)	904	2,063

2013	AUD 000	EUR (i) 000	USD 000	ZAR 000	ZMW 000
Cash and cash equivalents	23,557	176	645	5,336	2,361
Trade and other receivables	359	93	95	-	5,553
Trade and other payables	(1,510)	(136)	(53)	(2,351)	(6,448)
Net statement of financial position exposure	22,406	133	687	2,985	1,466

(i) Includes foreign currency exposure to the West African CFA franc (XOF), the currency of Burkina Faso, which is fixed to the Euro.

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2014	2013	2014	2013
EUR/AUD	1.4780	1.2585	1.4478	1.4235
USD/AUD	1.0892	0.9736	1.0606	1.0941
ZAR/AUD	0.1050	0.1103	0.1002	0.1107
ZMW/AUD	0.1893	0.1843	0.1723	0.1988

25. Financial risk management (continued)

Sensitivity analysis

The following summarises the net effect on profit or loss and equity of financial assets and financial liabilities held at balance date as a result of a 10% movement in exchange rates to the Australian dollar, with all other variables remaining constant.

	2014 AUD 000	2013 AUD 000
- Improvement in AUD to EUR by 10%	(6)	21
- Decline in AUD to EUR by 10%	7	(17)
- Improvement in AUD to USD by 10%	20	84
- Decline in AUD to USD by 10%	(25)	(68)
- Improvement in AUD to ZAR by 10%	(8)	37
- Decline in AUD to ZAR by 10%	10	(30)
- Improvement in AUD to ZMW by 10%	(32)	32
- Decline in AUD to ZMW by 10%	39	(26)

iv) Credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at balance date was as follows:

	2014 $000	2013 $000
Financial assets		
Cash and cash equivalents	12,491	25,573
Trade and other receivables	522	1,700
	13,013	27,273

The Group's exposure to credit risk for trade and other receivables by geographical region at balance date was as follows:

	2014 $000	2013 $000
Africa	344	1,237
Australia	178	359
Other	-	104
	522	1,700

v) Fair values

The fair values of financial assets and financial liabilities approximate the carrying amounts as shown in the statement of financial position.

26. Additional cash flow information

	2014 $000	2013 $000
Reconciliation of loss attributable to equity holders in the Company to net cash flows from operating activities:		
Loss attributable to equity holders in the Company	(38,511)	(12,517)
Adjustments for:		
Depreciation	23	14
Change to provisions	(44)	48
Loss from discontinued operations	33,805	7,504
Unrealised foreign exchange losses	(3)	(47)
Exploration and evaluation expenditure written off	-	317
Equity compensation charges	294	862
Interest received	(659)	(1,202)
Other	(11)	14
Changes in assets and liabilities:		
Change in trade and other receivables	182	69
Change in other assets	(23)	27
Change in trade and other payables	325	(359)
Net cash flows from operating activities	(4,622)	(5,270)

27. Segment reporting

The Group has three reportable segments as described below, which are the Group's exploration and mine development projects. The projects are in different commodities and are effectively managed as separate business activities.

The following summary describes the operation in each of the Group's reportable segments:

- Perkoa JV in Burkina Faso (zinc, lead/silver concentrate production)
- Exploration in Burkina Faso
- Mumbwa Project in Zambia (copper, gold exploration)

	Perkoa JV	Burkina Faso exploration		Mumbwa Project	Total
	Discontinued $000	Discontinued $000	Continuing $000	Continuing $000	$000
Reportable segment information					
2014					
Loss before tax for the year	(31,936)	(1,869)	(3)	(130)	(33,938)
Segment assets	-	2,121	224	36,286	38,631
Investment in equity accounted associate	-	-	-	-	-
Segment liabilities	-	-	(147)	(361)	(508)
Other material items:					
Share of loss of equity accounted associate	(31,829)	-	-	-	(31,829)
Depreciation	-	-	-	(88)	(88)
Impairment	-	(1,140)	-	-	(1,140)
Capital expenditure	-	893	-	6,412	7,305

27. Segment reporting (continued)

	Perkoa JV	Burkina Faso Exploration		Mumbwa Project	Total
	Discontinued $000	Discontinued $000	Continuing $000	Continuing $000	$000
Reportable segment information					
2013					
Loss before tax for the year	(7,504)	-	(317)	(56)	(7,877)
Segment assets	-	2,680	735	33,887	37,302
Investment in equity accounted associate	31,829	-	-	-	31,829
Segment liabilities	-	-	(216)	(1,643)	(1,859)
Other material items:					
Share of loss of equity accounted associate	(7,504)	-	-	-	(7,504)
Depreciation	-	-	(34)	(123)	(157)
Impairment	-	-	-	-	-
Capital expenditure	-	865	-	14,283	15,148

Reconciliation of reportable segment profit and loss, assets and liabilities

	2014 $000	2013 $000
Profit or loss		
Total loss for reportable segments	(33,938)	(7,877)
Unallocated amounts:		
Finance income	604	1,316
Corporate expenses	(5,165)	(5,952)
Other	(12)	(4)
Loss before income tax	(38,511)	(12,517)
Assets		
Total assets for reportable segments	38,631	37,302
Investment in equity accounted associate	-	31,829
Other assets	172	382
Unallocated amounts	12,234	25,005
Total assets	51,037	94,518
Liabilities		
Total liabilities for reportable segments	(508)	(1,859)
Other liabilities	(1,162)	(1,662)
Total liabilities	(1,670)	(3,521)

Geographical information

All segment non-current assets are in Africa

28. Parent entity disclosures

	2014 $000	2013 $000
Parent entity results		
Loss after tax for the year	(33,591)	(4,644)
Other comprehensive income (loss)	-	14
Total comprehensive loss for the year	(33,591)	(4,630)
Parent entity financial position at year end		
Current assets	12,361	25,258
Total assets	65,387	99,182
Current liabilities	1,129	1,643
Total liabilities	1,154	1,653
Parent entity total equity at year end		
Share capital	213,379	213,379
Reserves	1,875	1,580
Accumulated losses	(151,021)	(117,430)
Total equity	64,233	97,529

Parent entity contingent liabilities

Bank guarantees

The Company's banker has given a bank guarantee to secure the Company's future lease obligations totaling $22,000 (2013:$22,000). This guarantee is secured by a charge over a cash deposit of $26,000 lodged with the banker.

Litigation

As at balance date the Company has no claims outstanding. Refer Note 23.

Capital commitments

The Company has no capital commitments.

29. Subsequent events

Other than as noted below no matters or circumstances have arisen since 30 June 2014 that have significantly affected, or may significantly affect the operations of the Company or the Group:

- On 14 August 2014, the Company's shareholders approved for the disposal of the Company's equity interest in the Perkoa Project (Share Transaction) and sale of the adjacent exploration licences in Burkina Faso (EL Transaction). On 20 August 2014, the Company announced that the Share Transaction had completed with the Company having received settlement proceeds of US$10 million.

- On 28 August 2014, the Company announced market that it had entered into an agreement with Intrepid Mines Limited to merge by way of scheme of arrangement. The merger is amongst other things conditional on Intrepid undertaking a $110 million share buyback prior to merger date. The scheme is subject to approval by shareholders of both companies. The directors of Blackthorn Resources have unanimously recommended that shareholders vote in favour of the merger in the absence of a superior proposal and subject to an independent expert opinion that the merger is in the best interests of the Blackthorn Resources shareholders.

ADDITIONAL INFORMATION

Shareholdings

(a) Voting rights:

At meetings of the Company, each shareholder entitled to vote may vote in person or by proxy or attorney, or, in the case of a shareholder which is a body corporate, by duly authorised representative.

On a show of hands every member present or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) The names of the twenty largest registered shareholders of ordinary shares as at 23 September 2014:

	No. of Shares	% of Total
Singpac Investment Holding Pte Ltd	21,205,853	12.91
HSBC Custody Nominees (Australia)	20,071,081	12.22
JP Morgan Nominees Australia Ltd	19,630,824	11.95
Citicorp Nominees Pty Ltd	16,023,538	9.75
ABN Amro Clearing Sydney Nominees Pty Ltd (Custodian A/C)	10,866,362	6.61
CH Global Pty Ltd (The ABC Investment A/C)	3,095,000	1.88
National Nominees Ltd	3,023,573	1.84
Singpac Investment Holding Pte Ltd	2,100,000	1.28
BNP Paribas Nominees Pty Ltd (Jarvis A/C Non Treaty DRP)	1,760,606	1.07
Morgan Stanley Australia Securities (Nominee) Pty Ltd (No1 Account)	1,575,232	0.96
Mr Christopher Brown	1,450,460	0.88
BNP Paribas Nominees Pty Ltd (DRP)	1,018,997	0.62
NEFCO Nominees Pty Ltd	1,000,000	0.61
Pan Australian Nominees Pty Ltd	917,000	0.56
Oppenheimer Superannuation Fund Pty Ltd (Oppenheimer Super Fund A/C)	816,089	0.50
Mr Paul Alexander Knight & Mrs Yin Xu Knight (Yinpak S/F A/C)	805,447	0.49
P & S Fahey Pty Ltd	785,879	0.48
Cashmere Super Pty Ltd (Cashmere Super Fund A/C)	700,000	0.43
Mr Brett Taylor & Mrs Donna Taylor (Brett Taylor Super Fund A/C)	565,000	0.34
Mrs Narelle Susan Hart	553,062	0.34
	107,964,003	65.72

(c) Shareholders who have given notice of being substantial shareholders in the Company at the date of this report, where their relevant interest in the number of fully paid ordinary shares are as follows:

Substantial shareholder	No. of Shares	%
Glencore	23,305,853	14.19
Lloyd Miller	10,646,165	6.48
North Sound Funds	9,909,781	6.03
The Siebels Hard Asset Fund	9,603,303	5.85

Under the placement agreement executed with Glencore in March 2011, Glencore has a "Top-up Right" pursuant to which Glencore may maintain its percentage interest in the issued capital of the Company by participating in any issue of shares or convertible securities or subscribing for shares in respect of a diluting event. This Top-up Right, subject to a listing rule waiver issued by the ASX, is provided on the following terms:

- The Top-up Right lapses if Glencore's holding in the Company falls below 9.99%
- The Top-up Right lapses if the strategic relationship between the Company and Glencore ceases
- The Top-up Right may only be transferred to a wholly-owned subsidiary of Glencore
- Any securities issued under the Top-up Right are issued to Glencore for cash consideration that is no more favourable than cash consideration offered by a third party or equivalent in value to non-cash consideration offered by a third party
- The number of securities that may be issued to Glencore under the Top-up Right in the case of any diluting event must not be greater than the number required in order for Glencore to maintain its percentage holding in the issued capital of the Company immediately before the diluting event.

(d) Analysis of shareholdings as at 23 September 2014:

	Number of holders
1-1,000	1,492
1,001-5,000	1,622
5,001-10,000	577
10,001-100,000	828
100,001 and over	112
Total number of holders	4,631
Less than marketable parcels	1,925

The ordinary shares of the Company (the "Shares") have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "U.S. Securities Act") or the securities laws of any state or other jurisdiction in the United States. In addition, the Company has not been registered under the U.S. Investment Company Act of 1940, as amended (the "U.S. Investment Company Act"), in reliance on the exception provided by section 3(c)(7) thereof. Accordingly, the Shares cannot be held at any time by, or for the account or benefit of, any "U.S. person", as defined in Rule 902(k) under the U.S. Securities Act, who is not both a "qualified institutional buyer" ("QIB"), as defined in Rule 144A under the U.S. Securities Act, and a "qualified purchaser" ("QP"), as defined in Section 2(a)(51) of the U.S. Investment Company Act. Any U.S. Person who is not both a QIB and a QP (or any investor who holds Shares for the account or benefit of any U.S. Person who is not both a QIB and QP) is an "Excluded U.S. person". The Company may require an investor to complete a statutory declaration as to whether they (or any person on whose account or benefit it holds Shares) are an Excluded U.S. person. The Company may treat any investor who does not comply with such a request as an Excluded U.S. person. The Company has the right to: (i) refuse to register a transfer of Shares to any Excluded U.S. person; (ii) require any Excluded U.S. person to dispose of their Shares; or (iii) take such other action as it deems necessary or appropriate to enable it to maintain the exception from registration under Section 3(c)(7) of the U.S. Investment Company Act. To monitor compliance with these foreign ownership restrictions, the ASX's settlement facility operator, ASX Settlement and Transfer Corporation Pty Limited (ASTC) has classified the Shares as Foreign Ownership Restricted financial products and put in place certain additional monitoring procedures.

CORPORATE DIRECTORY

DIRECTORS/

Mike Oppenheimer - Chairman
Nicki Bowman - Non-executive Director
Derek Carter - Non-executive Director
Roger Higgins - Non-executive Director
Peter Kalkandis - Non-executive Director
Mark Mitchell - Managing Director

COMPANY SECRETARY/

Chris Brown

OFFICES/

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Australian Securities Exchange
ASX Code: BTR

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Legal | Minter Ellison

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