



21 October 2014

The Manager, Company Announcements
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

DISPATCH OF SCHEME BOOKLET

Further to the announcement by the Blackthorn Resources Limited (ASX: BTR) on 13 October 2014 that the Federal Court of Australia had approved the Scheme Booklet for dispatch to shareholders, the Company confirms that the Scheme Booklet incorporating the Notice of Scheme Meeting and a copy of the Proxy Form as attached will be sent to shareholders today.

A copy of the Scheme Booklet is also available on the Blackthorn Resources' website at www.blackthornresources.com.au.

The Scheme Meeting will be held at the offices of Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney at 11:00am (Sydney time) on Friday, 21 November 2014.

Should you require further information please contact:

Chris Brown
Company Secretary
Ph: + 61 2 9357 9000



Scheme Booklet

This Scheme Booklet relates to the proposed implementation of a scheme of arrangement between Blackthorn Resources Limited ACN 009 193 980 ("Blackthorn") and Blackthorn Shareholders, which if implemented, will result in the transfer of all the issued capital of Blackthorn to Intrepid Mines Limited ACN 060 156 452 ("Intrepid")

**YOUR DIRECTORS UNANIMOUSLY RECOMMEND
THAT YOU VOTE IN FAVOUR OF THE SCHEME,
IN THE ABSENCE OF A SUPERIOR PROPOSAL**

This is an important document and requires your immediate attention. You should read this document in its entirety before deciding whether or not to vote in favour of the Scheme. If you are in any doubt as to how to deal with it, please consult your legal, financial or other professional adviser immediately.



Financial Adviser

MinterEllison

Legal Adviser

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Important notices

GENERAL

This Scheme Booklet is important. You should read this Scheme Booklet in its entirety before making a decision on how to vote on the Resolution to be considered at the Scheme Meeting. The notice convening the Scheme Meeting is contained in Attachment G (Notice of Scheme Meeting) of this Scheme Booklet. A Proxy Form for the Scheme Meeting is enclosed with this Scheme Booklet.

If you require further information or have questions regarding the Scheme, please call the Blackthorn Shareholder Information Line on 1300 723 047 (within Australia) or +61 3 9415 4341 (outside Australia) between 9.00am and 5.00pm (Sydney time) Monday to Friday. If you are in any doubt about anything in this Scheme Booklet, please contact your legal, financial or other professional adviser.

PURPOSE OF THIS SCHEME BOOKLET

The purpose of this Scheme Booklet is to:

- explain the terms of the Scheme to Blackthorn Shareholders;
- explain the process by which the Scheme will be considered and, if approved, implemented;
- state any material interests of the Blackthorn Directors, whether as directors, members or creditors of Blackthorn or otherwise, and the effect of the Scheme on those interests as far as that effect is different from the effect on similar interests of other persons; and
- provide such other information known to the Blackthorn Directors as is prescribed by law or is otherwise material to the making of a decision by Blackthorn Shareholders as to whether to approve the Scheme.

ASIC AND ASX

A copy of this Scheme Booklet has been provided to ASIC for the purpose of sections 256C(5) and 411(2) of the Corporations Act, and registered by ASIC for the purpose of section 412(6) of the Corporations Act.

ASIC has examined a copy of this Scheme Booklet. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the Court hearing to approve the Scheme. The Scheme has not been proposed by Blackthorn or Intrepid for the purpose of enabling any person to avoid the operation of any of the provisions of Chapter 6 of the Corporations Act.

Neither ASIC nor any of its officers is responsible for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been lodged with ASX. Neither ASX nor any of its officers is responsible for the contents of this Scheme Booklet.

IMPORTANT NOTICE ASSOCIATED WITH COURT ORDER UNDER SUBSECTION 411(1) OF THE CORPORATIONS ACT 2001 (CTH)

The fact that under subsection 411(1) of the *Corporations Act 2001* (Cth) the Court has ordered that the Scheme Meeting be convened and has approved the Scheme Booklet required to accompany the notice of the Scheme Meeting does not mean that the Court:

- has formed any view as to the merits of the Scheme or as to how Blackthorn Shareholders vote (on this matter Blackthorn Shareholders must reach their own decision); or
- has prepared, or is responsible for the content of, the Scheme Booklet.

RESPONSIBILITY FOR INFORMATION

Other than as set out below, this Scheme Booklet has been prepared by and is the responsibility of Blackthorn.

The Intrepid Information contained in this Scheme Booklet has been prepared by and is the responsibility of Intrepid. Neither Blackthorn nor any of Blackthorn's Directors, officers or advisers assumes or accepts any responsibility for the accuracy or completeness of the Intrepid Information. This includes the information in this Scheme Booklet regarding Intrepid and Intrepid's intentions with respect to the assets, business and employees of Blackthorn if the Scheme is approved and implemented.

The Joint Information contained in this Scheme Booklet has been prepared by and is the joint responsibility of Blackthorn and Intrepid.

Minter Ellison has prepared the general outline of taxation implications of the Scheme in Section 8 (Australian taxation considerations) and takes responsibility for that Section.

Ernst & Young TAS, with the assistance of the Independent Technical Expert, Runge Pincock Minarco Limited, has prepared the Blackthorn Independent Expert's Report in relation to the Scheme, as set out in Attachment A (Blackthorn Independent Expert's Report) to this Scheme Booklet and is responsible for that Independent Expert's Report. Ernst & Young TAS is not responsible for any other information contained within this Scheme Booklet. Blackthorn Shareholders should read the Blackthorn Independent Expert's Report carefully and in its entirety to understand the scope of the report, the methodology of assessment, the sources of information and the assumptions made.

KPMG Financial Advisory Services (Australia) Pty Ltd has prepared the Investigating Accountant's Report in Attachment C (Investigating Accountant's Report) of this Scheme Booklet and is responsible for that Investigating Accountant's Report only.

Other than the information identified above, the remainder of this Scheme Booklet has been prepared by Blackthorn and its advisers and is the sole responsibility of Blackthorn. Intrepid does not assume or accept any responsibility for the accuracy or completeness of any part of this Scheme Booklet other than the Intrepid Information and the Joint Information.

INVESTMENT DECISIONS

The information contained in this Scheme Booklet does not constitute financial product advice or investment advice nor a recommendation in respect of Blackthorn Shares or Intrepid Shares. This Scheme Booklet has been prepared without reference to the investment objectives, financial situation, taxation position or particular needs of any Blackthorn Shareholder or any other person. This Scheme Booklet should not be relied on as the sole basis for any investment decision in relation to Blackthorn Shares or Intrepid Shares. Blackthorn Shareholders and others should consider the appropriateness of the information having regard to their own investment objectives, financial situation, taxation position and other particular needs and seek independent financial, legal and taxation advice appropriate to their jurisdiction and circumstances before making any investment decision or decision as to how to vote at the Scheme Meeting.

FORWARD LOOKING STATEMENTS

Certain statements in this Scheme Booklet relate to future matters, including forward looking statements. Such statements and information relating to the Merged Group and the transactions contemplated by the Scheme are not based solely on historical facts, but rather reflect the current expectations of Blackthorn or, in relation to the Intrepid Information, Intrepid, concerning future results, events or other matters. Such statements also involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual conduct, results, performance or achievements of Blackthorn, Intrepid or the Merged Group to be materially different from the future conduct, results, performance or achievements expressed or implied by such statements or could cause the future conduct to be materially different from historical conduct. Such risks, uncertainties, assumptions and other important factors include, among other things, the risks described in Section 7 (Risk factors), general economic conditions, specific market conditions, exchange rates, interest rates and regulatory changes. These statements may sometimes be identified by the use of forward looking words or phrases such as 'if', 'when', 'believe', 'aim', 'will', 'expect', 'anticipate', 'intend', 'foresee', 'likely', 'should', 'could', 'plan', 'may', 'estimate', 'budget', 'forecast', 'envisage', 'target', 'potential' or other similar words or phrases.

Important notices (continued)

None of Blackthorn, Intrepid or their respective directors, officers and advisers, nor any other person gives any representation, assurance or guarantee that the occurrence of the results or events expressed or implied in any forward-looking statement in this Scheme Booklet will actually occur.

These statements reflect the expectations of relevant parties' views only as at the date of this Scheme Booklet. Subject to the Corporations Act and any other applicable laws or regulations, Blackthorn and Intrepid, their respective related bodies corporate, and their respective directors, officers and advisers, disclaim any obligation or undertaking to disseminate after the date of this Scheme Booklet any updates or revisions to any forward looking statements and information to reflect any change in expectations in relation to them or any change in the events, conditions or circumstances on which they are based.

BLACKTHORN SHAREHOLDERS OUTSIDE AUSTRALIA

This Scheme Booklet and the Scheme are subject to Australian disclosure requirements, which may be different from the requirements applicable in other jurisdictions. The information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with laws and regulations outside Australia. This Scheme Booklet and the Scheme do not in any way constitute an offer of securities in any place in which, or to any person whom, it would not be lawful to make such an offer.

A Scheme Participant:

- who is (or is acting on behalf of) a citizen or resident of a jurisdiction other than Australia and its external territories; or
- who is recorded in the Blackthorn Share Register at the Record Date as having a registered address outside Australia

will be an Overseas Blackthorn Shareholder for the purposes of the Scheme.

Overseas Blackthorn Shareholders should refer to Section 10.8 (Overseas Blackthorn Shareholders) of this Scheme Booklet to determine whether they are eligible to receive the New Intrepid Shares under the Scheme or whether they are Ineligible Overseas Shareholders. Ineligible Overseas Shareholders will not be able to receive New Intrepid Shares under the Scheme. Instead, Ineligible Overseas Shareholders will receive the net proceeds from the sale of the New Intrepid Shares which they would have otherwise received. Ineligible Overseas Shareholders should refer to Section 10.8 (Overseas Blackthorn Shareholders) and Section 10.8.3 (Sale process for Ineligible Overseas Shareholders) for further information.

Blackthorn Shareholders resident outside Australia for tax purposes should also seek specific taxation advice in relation to the Australian and overseas taxation implications of their participation in the Scheme.

BLACKTHORN SHAREHOLDERS RESIDENT IN NEW ZEALAND

The offer of New Intrepid Shares to New Zealand resident Blackthorn Shareholders will be made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2013. Therefore, Intrepid is not required to register a New Zealand prospectus or prepare and distribute a New Zealand investment statement to New Zealand resident Blackthorn Shareholders in respect of the offer of New Intrepid Shares.

BLACKTHORN SHAREHOLDERS RESIDENT IN THE UNITED KINGDOM

This Scheme Booklet has not been approved by a person authorised under the United Kingdom Financial Services and Markets Act 2000 (FSMA) and its distribution in the United Kingdom is only being made to persons in circumstances that will not constitute a financial promotion for the purposes of section 21 of the FSMA as a result of exemptions contained in the FSMA (Financial Promotion) Order 2005 (Exempted Persons).

This Scheme Booklet must not be relied on by any person who is not an Exempted Person and any investment or investment activity to which this document relates is available only to Exempted Persons.

This Scheme Booklet must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person. If a recipient is in doubt about the contents of this Scheme Booklet, the recipient should consult a person authorised by the Financial Services Authority under the FSMA, who specialises in advising on the acquisition of investments.

This Scheme Booklet is exempt from the restrictions in the FSMA as it is to be strictly communicated only to the following persons: (i) 'investment professionals' as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (Order); (ii) persons who fall within any of the categories of persons described in Articles 49(2)(a) to (e) of the Order (high net worth entities); or (iii) other persons to whom it may be lawfully communicated.

In relation to 'investment professionals', this Scheme Booklet is only directed at persons having professional experience in matters relating to investments and any investment activity to which it relates is only available to such persons (who broadly only include certain persons specifically regulated under FSMA).

Any persons who do not have such professional experience in matters relating to investments (and who are not exempt high net worth entities) should not review this Scheme Booklet or rely on anything contained therein and are requested to return it to the person who made it available to them.

In relation to persons described under Articles 49(2)(a) to (e) of the Order, this Scheme Booklet is only directed at and available to such high net worth entities and persons of any other description (other than investment professionals) should not act on it.

BLACKTHORN SHAREHOLDERS RESIDENT IN THE UNITED STATES

This Scheme Booklet is neither an offer to sell nor a solicitation of an offer to buy securities as such terms are defined under the U.S. Securities Act of 1933, as amended (the **Securities Act**). The New Intrepid Shares to be issued under the Scheme have not been and will not be registered under the Securities Act, or the securities laws of any other jurisdiction, and may not be offered or sold in the U.S. or to U.S. Persons (as defined in Regulation S under the Securities Act) unless the securities are registered under the Securities Act, or an exemption from the registration requirements of the Securities Act is available.

Blackthorn and Intrepid intend to rely on an exemption from the registration requirements of the Securities Act provided by section 3(a)(10) of the Securities Act in connection with the Implementation of the Scheme and the issue of New Intrepid shares. Approval of the Scheme by the Court will be relied on by Blackthorn and Intrepid for the purpose of qualifying for the section 3(a)(10) exemption.

The Scheme Booklet has not been filed with or reviewed by the U.S. Securities and Exchange Commission (**SEC**) or any U.S. state authority and none of them has approved, disapproved, passed comment on or endorsed the merits of the Scheme or the accuracy, adequacy or completeness of this Scheme Booklet. It is unlawful to make any representation inconsistent with the provisions of this paragraph.

New Intrepid Shares received pursuant to the Scheme by any person who may be deemed to be an 'affiliate' of Intrepid under Rule 145 under the Securities Act, including, without limitation, directors and certain executive officers, may not be resold in the United States or to a U.S. Person except in accordance with the provisions of Rule 144 under the Securities Act, outside of the United States in reliance upon Regulation S under the Securities Act, or as otherwise permitted by the Securities Act.

The Scheme involves the securities of Intrepid, a non-U.S. company. The Scheme is subject to disclosure requirements under Australian law that are different from those of the United States. Financial information included in this Scheme Booklet has been prepared in accordance with IFRS that may not be comparable to the financial statements and financial information provided by U.S. companies.

It may be difficult for Blackthorn Shareholders resident in the United States to enforce their rights and any claim they may have arising under U.S. Federal or state securities laws. Blackthorn and Intrepid are incorporated in Australia and some or all of their respective officers and directors are residents of Australia. Blackthorn Shareholders resident in the United States may not be able to sue an Australian company or its officers or directors in an Australian court for violations of U.S. securities laws. It may be difficult to compel an Australian company and its affiliates to subject themselves to a U.S. court's judgment.

This Scheme Booklet includes pro forma historical financial information, which is not intended and does not comply with Article 11 of Regulation S-X of the SEC in respect of Pro Forma Financial Information. Under Article 11, pro forma income statements must be presented assuming the Scheme has been consummated at the beginning of the first fiscal year presented and may only include adjustments which give effect to events that are (i) directly attributable to the transaction; (ii) expected to have a continuing impact on the entity; and (iii) factually supportable.

Many of the pro forma adjustments made in arriving at the pro forma historical financial information included in this Scheme Booklet would not be permissible under the SEC's rules and regulations on pro forma financial presentations.

In addition, this Scheme Booklet contains certain financial data that are 'non-GAAP financial measures' under Regulation G of the U.S. Securities Exchange Act. Blackthorn and Intrepid believe that these non-GAAP financial measures provide useful information, as it permits shareholders to examine the underlying financial performance and operating performance of their businesses. These measures are not measures of, or defined terms of, financial performance, liquidity or value under IFRS or U.S. GAAP, and the disclosure of such non-GAAP financial measures in the manner included in this Scheme Booklet may not be permissible in a registration statement under the Securities Act. Moreover, certain of these measures may not be comparable to similarly titled measures of other companies.

Further, this Scheme Booklet uses the terms 'Mineral Resources' and 'Ore Reserves'. Blackthorn Shareholders resident in the United States are advised that while such terms are recognised and required by the

JORC Code (use of which is mandated by ASX) if Blackthorn were reporting in accordance with SEC Industry Guide 7, it would not be permitted to report any resources and the amount of reserves it has estimated may be lower. Blackthorn Shareholders resident in the United States are cautioned not to assume that all or any part of Mineral Resources, will ever be converted into reserves. Blackthorn Shareholders resident in the United States are also cautioned not to assume that all or any part of the Mineral Resources and Ore Reserves estimates exist, or are economically or legally mineable.

Mining companies that file registration statements or periodic reports with the SEC are required to report their reserves in accordance with SEC Industry Guide 7. The reporting requirements under the JORC Code and SEC Industry Guide 7 are different in certain material respects. In particular, SEC Industry Guide 7 does not recognise the classification referred to as 'Mineral Resources' in the JORC Code. As a result, SEC registrants are permitted only to report proven and probable reserves, and not resources.

BLACKTHORN SHAREHOLDERS RESIDENT IN THE BAHAMAS

This Scheme Booklet is not available for distribution to the public in The Bahamas, nor are the New Intrepid Shares being publicly offered in The Bahamas. This Scheme Booklet is not directed to persons resident in The Bahamas other than Blackthorn Shareholders with registered addresses in The Bahamas, and any other use, distribution or transmission in or into The Bahamas is unauthorised.

Neither this Scheme Booklet nor any other offering or marketing material relating to the New Intrepid Shares have been or will be registered or filed with or approved by any regulatory authority in The Bahamas.

BLACKTHORN SHAREHOLDERS RESIDENT IN CAYMAN ISLANDS

No offer or invitation to subscribe for the New Intrepid Shares may be made to the public in the Cayman Islands.

BLACKTHORN SHAREHOLDERS RESIDENT IN HONG KONG

Important information for 'professional' and other legally permitted Hong Kong investors:

WARNING

The contents of this Scheme Booklet have not been reviewed or approved by any regulatory authority in Hong Kong. Recipients are advised to exercise caution in relation to any offer of the New Intrepid Shares by Intrepid. If recipients are in any doubt about any of the contents of this document, they should obtain independent professional advice.

The New Intrepid Shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document other than:

- i. to 'professional investors' as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that ordinance; or
- ii. in other circumstances which do not result in the document being a 'prospectus' as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that ordinance.

Further, no person shall issue or have in its possession for the purpose of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the New Intrepid Shares, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the New Intrepid Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to 'professional investors' as defined in the Securities and Futures Ordinance (Cap. 571) and any rules made under that ordinance.

The information relating to the offering contained herein may not be used other than by the person to whom it is addressed and may not be reproduced in any form or transferred to any person in Hong Kong.

This offering is not an offer for sale to the public in Hong Kong and it is not the intention of Blackthorn and Intrepid that the New Intrepid Shares be offered for sale to the public in Hong Kong. A person acquiring the New Intrepid Shares under this offering as a professional investor or otherwise in circumstances referred to in paragraph ii above must not offer those New Intrepid Shares or any of them to the public within 6 months after their allotment.

BLACKTHORN SHAREHOLDERS RESIDENT IN GUERNSEY

This prospectus has not been approved by the Guernsey Financial Services Commission and is exempted from the application of the Guernsey Prospectus Rules 2008.

Important notices (continued)

BLACKTHORN SHAREHOLDERS IN SINGAPORE

The offer of New Intrepid Shares to Blackthorn Shareholders in Singapore (**Singapore Offer**) is being made in reliance on the exemption under section 272B (**272B Exemption**) of the Securities and Futures Act, Chapter 289 of Singapore (**SFA**) as the total number of persons approached in connection with the Singapore Offer will not exceed fifty (50) in the period of twelve (12) months immediately prior to the date of making the Singapore Offer. In accordance with the conditions of the 272B Exemption, the Singapore Offer shall not be made in or accompanied by a prospectus that has been or will be registered with the Monetary Authority of Singapore (**Authority**) and as such, this Scheme Booklet has not been and will not be registered as a prospectus with the Authority. Save as described above, no other offers related to the Singapore Offer, the Scheme or such other transaction(s) that are connected with the Singapore Offer or the Scheme will be made to any person in Singapore. No advertisements making an offer of New Intrepid Shares or calling attention to the offer or intended offer of New Intrepid Shares will be made available to persons in Singapore, and no selling or promotional expenses (excluding administrative and professional fees) have been or will be paid or incurred in Singapore in connection with the offer of New Intrepid Shares. In the alternative, the Singapore Offer may be regarded as being made in reliance on the exemption under section 273(1)(c)(ii) of the SFA as the offer for New Intrepid Shares is made in connection with the Scheme, which is in compliance with the laws, codes and other requirements (whether or not having the force of law) relating to takeovers, compromises and arrangements of Australia.

BLACKTHORN SHAREHOLDERS RESIDENT IN SWITZERLAND

The New Intrepid Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (**SIX**) or on any other stock exchange or regulated trading facility in Switzerland. This Scheme Booklet has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this Scheme Booklet nor any other offering or marketing material relating to the New Intrepid Shares may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Scheme Booklet nor any other offering or marketing material relating to the New Intrepid Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this Scheme Booklet will not be filed with, and the offer of New

Intrepid Shares will not be supervised by, the Swiss Financial Market Supervisory Authority, and the offer of New Intrepid Shares has not been and will not be authorised under the Swiss Federal Act on Collective Investment Schemes (**CISA**). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of New Intrepid Shares.

This Scheme Booklet is personal to the recipient only and not for general circulation in Switzerland.

STATUS OF THIS SCHEME BOOKLET

This Scheme Booklet is not a prospectus lodged under Chapter 6D of the Corporations Act although it may contain similar information to a prospectus. Section 708(17) of the Corporations Act provides that Chapter 6D of the Corporations Act does not have effect in relation to any offer of securities if it is made under a compromise or arrangement under Part 5.1 of the Corporations Act, approved at a meeting held as a result of an order made by the Court in accordance with section 444(1) or (1A) of the Corporations Act.

MINERAL RESOURCES AND ORE RESERVES

Mineral Resources and Ore Reserves estimates contained in this Scheme Booklet are stated to the JORC Code and are expressions of judgement based on knowledge, experience and industry practice. Although Mineral Resources and Ore Reserves estimates contained in this Scheme Booklet comply with the JORC Code, they may not comply with the relevant guidelines in other countries. Please refer to Section 11 (Additional Information) for further limitations and risks associated with the Mineral Resources and Ore Reserves estimates contained in this Scheme Booklet.

MAPS AND DIAGRAMS

Any diagrams and maps appearing in this Scheme Booklet are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in charts, maps, graphs and tables is based on information available at the date of this Scheme Booklet.

ROUNDING OF NUMERICAL INFORMATION

Any discrepancies between totals in tables and sums of components contained in this Scheme Booklet and between those figures and figures referred to in other parts of this Scheme Booklet are due to rounding.

PRIVACY AND PERSONAL INFORMATION

Blackthorn and Intrepid may need to collect personal information to implement the Scheme. The personal information may include the names, contact details and details of shareholdings of Blackthorn Shareholders plus names and contact details of individuals appointed by Blackthorn Shareholders as proxies, corporate representatives or attorneys at the Scheme Meeting. The

primary purpose of collection of the personal information is to assist Blackthorn in the conduct of the Scheme Meeting and to enable the Scheme to be implemented by Blackthorn in the manner described in this Scheme Booklet. Without this information, Blackthorn may be hindered in its ability to carry out these purposes to full effect. The collection of certain personal information is authorised by the Corporations Act.

Blackthorn Shareholders who are individuals, and other individuals in respect of whom personal information is collected, have certain rights to access the personal information collected about them and can contact Blackthorn's Company Secretary at info@blackthornresources.com.au if they wish to exercise those rights.

Personal information may be disclosed to print and mail service providers, and to Blackthorn and Intrepid and their respective advisers, authorised securities brokers and agents to the extent necessary to effect the Scheme. Blackthorn Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting should inform that individual of the matters outlined above.

ENTITLEMENT TO INSPECT THE SHARE REGISTER

It is noted that all persons are entitled, under section 173 of the Corporations Act, to inspect and obtain a copy of the Share Register, subject to certain limitations. This register contains personal information about Blackthorn Shareholders.

NO INTERNET SITE IS PART OF THIS SCHEME BOOKLET

Blackthorn and Intrepid each maintain internet sites at www.blackthornresources.com.au and www.intrepidmines.com.au respectively. Any references in this Scheme Booklet to those or other internet sites are for information purposes only and do not form part of this Scheme Booklet.

CURRENCY

Unless otherwise specified, a reference to 'A\$', '\$' or 'dollar' is to Australian currency, and a reference to 'US\$' is to the currency of the United States.

DEFINED TERMS

Capitalised terms in this Scheme Booklet are defined in Section 12 (Glossary) of this Scheme Booklet.

DATE

This Scheme Booklet is dated Monday, 13 October 2014.

Important dates and times

Date	Event
Thursday, 28 August 2014	Announcement of the Scheme
Monday, 13 October 2014	First Court Date
Tuesday, 21 October 2014	Scheme Booklet and Notice of Meeting dispatched to Blackthorn Shareholders
Tuesday, 18 November 2014	- Meeting of Intrepid Shareholders to vote on the merger with Blackthorn and the Intrepid Buyback - Close of the Intrepid Buyback offer period - Level of subscription to the Intrepid Buyback known
11:00am Wednesday, 19 November 2014	Latest time and date for receipt of Proxy Forms for the Scheme Meeting
7:00pm Wednesday, 19 November 2014	Time and date for determining eligibility to vote at the Scheme Meeting
11:00am Friday, 21 November 2014	Meeting of Blackthorn Shareholders to vote on the Scheme (Scheme Meeting)

If Blackthorn Shareholders approve the Scheme at the Scheme Meeting on Friday, 21 November 2014, the following indicative timetable will apply.

Date	Event
Wednesday, 26 November 2014	Second Court Date for approval of the Scheme
Thursday, 27 November 2014	- Court order lodged with ASIC and Scheme takes effect (Effective Date) - Last day of trading in Blackthorn Shares - Suspension of Blackthorn Shares from trading on ASX
Friday, 28 November 2014	New Intrepid Shares commence trading on ASX on a deferred settlement basis
7:00pm Thursday, 4 December 2014	Record Date for determining entitlement to receive Scheme Consideration (Record Date)
Thursday, 11 December 2014	- Implementation of the Scheme (Implementation Date) - Intrepid issues Scheme Consideration - Expected date of dispatch of holding statements for New Intrepid Shares
Friday, 12 December 2014	New Intrepid Shares commence trading on ASX on a normal settlement basis

Unless stated otherwise, all times referred to in this Scheme Booklet are Sydney times.

Dates and times are indicative only. Blackthorn has the right (with Intrepid's consent and subject to any necessary approvals or orders from the Court) to vary any or all of these dates and times and will provide reasonable notice of any such variation. Any changes to the timetable will be announced on ASX and on Blackthorn's website at www.blackthornresources.com.au.

Letter from the Chairman of Blackthorn

Monday, 13 October 2014

Dear Blackthorn Shareholder,

I am pleased to provide this Scheme Booklet to you which sets out the detail of Blackthorn's proposed merger with Intrepid by way of scheme of arrangement and matters relevant to your vote on the Scheme.

On Thursday, 28 August 2014, we announced a proposed merger with Intrepid to create a well-funded company in a strong position to realise the potential of our 100% owned Kitumba Project. At the same time, Intrepid announced its intention to seek the approval of its shareholders to undertake a share buyback of up to A\$110 million of Intrepid Shares contemporaneously with the implementation of the Scheme.

The Scheme is conditional on Blackthorn Shareholder Approval and approval of the Court. The Scheme is also subject to Intrepid Shareholders approving the Scheme and the Intrepid Buyback and to the satisfaction or waiver of certain other conditions, including the grant of the Mining Licence in respect of the Kitumba Project.

If the Scheme is implemented, all Blackthorn Shareholders on the Record Date (other than Ineligible Overseas Shareholders) will receive new fully paid ordinary shares in Intrepid in exchange for their shares in Blackthorn. The number of New Intrepid Shares received for each Blackthorn Share will vary depending on the level of acceptances by Intrepid Shareholders under the Intrepid Buyback. If the Scheme is implemented and the Intrepid Buyback is fully accepted to the amount of A\$110 million, Blackthorn Shareholders (other than Ineligible Overseas Shareholders) will receive 1.079 New Intrepid Shares for each Blackthorn Share they hold on the Record Date. If the Intrepid Buyback is not fully accepted, the number of New Intrepid Shares received will increase, according to an agreed formula, that adjusts for the greater cash reserves of Intrepid and the reduced number of Intrepid Shares on issue following completion of the Intrepid Buyback, up to a maximum of 1.147 New Intrepid Shares in the event that the Intrepid Buyback receives no acceptances.

If the Intrepid Buyback is fully accepted, following implementation of the Scheme Intrepid Shareholders and Blackthorn Shareholders will own approximately 52% and 48%, respectively, of the Merged Group. If the Intrepid Buyback is not fully accepted, the percentage of the Merged Group's shares held by Blackthorn Shareholders will reduce, and if no acceptances are received Intrepid Shareholders and Blackthorn Shareholders will own approximately 75% and 25%, respectively, of the Merged Group.

At our AGM last year, we announced that Blackthorn's immediate priorities were to resolve the Perkoa asset 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 first two of these objectives have been achieved and the Scheme represents a compelling opportunity for us to move forward on the last of these priorities.

The Scheme provides Blackthorn Shareholders with an opportunity to realise an attractive premium to the market trading price of Blackthorn Shares prior to announcement of the Scheme. Additionally, the cash resources of the Merged Group will be substantial. If the Scheme is implemented and the Intrepid Buyback is fully accepted to the amount of A\$110 million, the Merged Group will have a pro forma cash balance of A\$83 million. This will increase further if there is a lower level of acceptances under the Intrepid Buyback. The significant cash resources of the Merged Group will provide a stable platform from which to pursue value accretive growth, principally from our existing assets in Zambia but potentially also from other business development opportunities that may arise.

Blackthorn Shareholders may also gain exposure to greater share trading liquidity and the likelihood of enhanced price stability given the strong cash position of the Merged Group. In an extremely difficult capital markets environment for small cap mining stocks, this transaction will enable Blackthorn to access a significant tranche of capital on attractive terms.

We look forward to working with the Intrepid Board and management to bring the transaction to a successful conclusion.

The Blackthorn Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal. Each Blackthorn Director intends to vote in favour of the Scheme in relation to Blackthorn Shares held or controlled by them, in the absence of a Superior Proposal.

This Scheme Booklet contains important information in relation to the Scheme, including the reasons for the Blackthorn Directors' unanimous recommendation and the Blackthorn Independent Expert's Report prepared by Ernst & Young TAS which concludes that the Scheme is in the best interests of Blackthorn Shareholders.

Your vote is important regardless of how many Blackthorn Shares you own. I encourage you to read this Scheme Booklet carefully and cast an informed vote at the Scheme Meeting to be held at the offices of Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney NSW 2000 at 11:00am (Sydney time) on Friday, 21 November 2014. If you are unable to attend the Scheme Meeting in person, I encourage you to vote by completing your personalised Proxy Form which is enclosed with this Scheme Booklet and returning it in accordance with the directions on the form so it is received by 11:00 am (Sydney time) on Wednesday, 19 November 2014.

If you require further information or have questions regarding the Scheme, you can call the Blackthorn Shareholder Information Line on 1300 723 047 (within Australia) or +61 3 9415 4341 (outside Australia) between 9.00am and 5.00pm (Sydney time) Monday to Friday. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.

On behalf of the Blackthorn Board I reiterate our strong conviction that the combination of Intrepid's substantial cash resources with Blackthorn's high quality development project represents the most attractive path forward for your company as well as our belief in the investment proposition of the Merged Group that we intend to create.

Yours sincerely



Michael Oppenheimer
(Chairman, Blackthorn Resources Limited)

Letter from the Chairman of Intrepid

Monday, 13 October 2014

Dear Blackthorn Shareholder,

Creating a company positioned to realise the potential of the Kitumba Project

I am pleased to present Blackthorn Shareholders with the opportunity to participate in the Scheme and become a shareholder in the Merged Group. The Intrepid Board believes that the Scheme has a strong strategic rationale and provides a number of benefits to both Intrepid Shareholders and Blackthorn Shareholders that are detailed in this Scheme Booklet.

This transaction follows an intensive review process by Intrepid's team to identify an asset into which our cash could be deployed. Our team has determined that the Kitumba Project offers significant potential and we are confident that our cash resources can add substantial value for all shareholders in the Merged Group.

The Blackthorn Directors have unanimously recommended that you vote in favour of the Scheme in the absence of a Superior Proposal. I encourage you to read this Scheme Booklet carefully and vote in favour of the Scheme at the Scheme Meeting to be held on Friday, 21 November 2014.

As a Blackthorn Shareholder, your vote is important to ensure that the Scheme is implemented so that the benefits associated with the Scheme can be delivered for both Blackthorn Shareholders and Intrepid Shareholders.

I look forward to welcoming you as a shareholder in the Merged Group following the successful implementation of the Scheme.

Yours sincerely



Ian McMaster AM
(Chairman, Intrepid Mines Limited)

Key reasons to vote in favour of or against the Scheme

Reasons why you should vote in favour of the Scheme

- ✓ The transaction implies an attractive valuation for your Blackthorn Shares
- ✓ The Merged Group will be in a strong financial position to realise the potential of Blackthorn's projects
- ✓ The transaction provides you with exposure to the upside potential of the Merged Group
- ✓ The transaction represents an attractive pathway for Blackthorn to access capital
- ✓ The Merged Group will provide you with a more robust market investment than Blackthorn as a standalone entity
- ✓ The Blackthorn Independent Expert has concluded that the Scheme is in the best interests of Blackthorn Shareholders
- ✓ The Blackthorn Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal

Reasons why you may choose not to vote in favour of the Scheme

- ✗ You may disagree with the recommendation of the Blackthorn Directors and the conclusions of the Blackthorn Independent Expert
- ✗ The market price of New Intrepid Shares to be received as Scheme Consideration is not certain and will fluctuate
- ✗ If the Scheme is implemented, you will have diluted exposure to Blackthorn's assets
- ✗ You may consider the investment profile of the Merged Group to be inferior to that of Blackthorn
- ✗ You may believe that a Superior Proposal will emerge for Blackthorn

Action required by Blackthorn Shareholders

READ THIS SCHEME BOOKLET CAREFULLY AND IN ITS ENTIRETY

You should read this Scheme Booklet carefully and in its entirety before making any decision on how to vote at the Scheme Meeting.

There are answers to some questions you may have in Section 3 (Frequently asked questions) of this Scheme Booklet. In forming your opinion, you should also consider the advantages and disadvantages of the Scheme, including the information set out in Section 2 (Directors' recommendation and matters relevant to your vote on the Scheme), Section 7 (Risk factors); and Attachment A (Blackthorn Independent Expert's Report). However, this Scheme Booklet does not take into account the financial situation, investment objectives and particular needs of any Blackthorn Shareholder.

If you have any queries in relation to how the Scheme may affect your financial situation, investment objectives or other particular needs, or are otherwise in doubt as to what you should do, you should consult your legal, financial or other professional adviser.

VOTE AT THE SCHEME MEETING

As a Blackthorn Shareholder, you have the right to vote on whether the Scheme should be approved. An explanation of your entitlement to vote at the Scheme Meeting, together with further details on how you can vote at that meeting is set out below.

Entitlement to vote:	If you are registered as a Blackthorn Shareholder on the Blackthorn Share Register at 7:00pm (Sydney time) on Wednesday, 19 November 2014 you will be entitled to vote at the Scheme Meeting. Accordingly, registrable transmission applications or transfers registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting. Voting is not compulsory.
How to vote:	You may vote by attending the Scheme Meeting in person, by attorney, by proxy or by corporate representative.
Voting in person:	Blackthorn Shareholders wishing to vote in person (other than under a power of attorney) should attend the Scheme Meeting in person and can cast their votes at that meeting. Please note that you should: - bring a suitable form of personal identification (such as your driver's licence); and - arrive (if possible) at the venue 20 minutes prior to the time designated for the commencement of the Scheme Meeting (so that your shareholding may be checked against the Blackthorn Share Register and attendance notice).
Voting by attorney:	If a Blackthorn Shareholder proposes that an attorney is to vote at the Scheme Meeting, the instrument conferring the power of attorney or a certified copy of it must be produced to the Blackthorn Share Registry by no later than 11:00am (Sydney time) on Wednesday, 19 November 2014 in the same way as a proxy.
Voting by corporate representative:	A Blackthorn Shareholder that is a corporation may appoint an individual to act as its representative to vote at the Scheme Meeting in accordance with section 250D of the Corporations Act. The appropriate 'Certificate of Appointment of Corporate Representative' should be produced prior to admission.

Voting by proxy:	Blackthorn Shareholders wishing to vote by proxy at the Scheme Meeting must complete and sign the personalised Proxy Form which is enclosed with this Scheme Booklet. A person appointed as a proxy may be an individual or a body corporate. Completed Proxy Forms must be delivered by no later than 11:00am (Sydney time) on Wednesday 19 November 2014 to: Computershare Investor Services Pty Limited GPO Box 242 Melbourne Victoria 3001, Australia Fax: (within Australia) 1800 783 447 Fax: (outside Australia) + 61 3 9473 2555 Please note that: ▪ A Blackthorn Shareholder entitled to attend and vote at the Scheme Meeting is entitled to appoint not more than two proxies to vote on that Blackthorn Shareholder's behalf. ▪ Where more than one proxy is appointed, the Blackthorn Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If the appointment does not specify the proportion or number of the Blackthorn Shareholder's votes, each proxy may exercise half of those votes on a poll. ▪ Appointment of a proxy by a Blackthorn Shareholder who is a corporation should be given in accordance with the Corporations Act or signed on its behalf by an authorised attorney. ▪ If the proxy is executed under a Power of Attorney, the original instrument (or a certified copy of the original instrument) appointing the attorney must accompany the Proxy Form. ▪ A proxy need not be a Blackthorn Shareholder and may be an individual or body corporate. ▪ Any instrument of proxy in which the name of the appointee is not filled in shall be deemed to be given in favour of the Chairman of the Scheme Meeting. ▪ If a Blackthorn Shareholder appoints the Chairman of the Scheme Meeting as proxy, the Blackthorn Shareholder can direct the Chairman of the Scheme Meeting how to vote by either marking the 'For', 'Against' or 'Abstain' box on the Proxy Form (Step 2) or by marking 'the Chairman of the Meeting' box on the Proxy Form (Step 1). ▪ To be effective the Proxy Form must be received by the Company not less than 48 hours before the time for holding the Scheme Meeting. Details of how and where to lodge the proxy are set out on the Proxy Form. ▪ The Company encourages all Blackthorn Shareholders who submit proxies to direct their proxy how to vote on the Resolution by marking the relevant boxes on the Proxy Form (Step 2).
Undirected proxies:	The Chairman of the Scheme Meeting intends to vote undirected proxies in favour of the Resolution.
Directed proxies:	Under recent amendments to the Corporations Act, there are now new rules relating to how a proxy must vote directed proxies. In summary: i. a proxy need not vote on a show of hands but, if the proxy does vote, the proxy must vote as directed; ii. if a proxy is appointed by two or more Blackthorn Shareholders who specify different ways to vote on the Resolution, the proxy must not vote on a show of hands; iii. if a proxy is the Chairman of the Scheme Meeting, the proxy must vote as directed on a poll; iv. if the proxy is not the Chairman of the Scheme Meeting, the proxy need not vote on a poll but, if the proxy does vote, the proxy must vote as directed; and v. if the proxy is not the Chairman of the Scheme Meeting and does not attend the Scheme Meeting or does not vote the Resolution, but the Proxy Form specifies how to vote and a poll is demanded, then the Chairman of the Scheme Meeting is taken to have been appointed as a proxy and must vote as directed.

Action required by Blackthorn Shareholders (continued)

SEEK FURTHER INFORMATION IF REQUIRED

If you require further information or have questions regarding the Scheme, please call the Blackthorn Shareholder Information Line on 1300 723 047 (within Australia) or +61 3 9415 4341 (outside Australia) between 9.00am and 5.00pm (Sydney time) Monday to Friday.

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

DETAILS OF THE SCHEME MEETING

The details of the Scheme Meeting are as follows:

Date Friday, 21 November 2014

Time 11:00am (Sydney time)

Venue the offices of Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney NSW 2000.

1

Summary of the Scheme

1. Summary of the Scheme

1.1 BACKGROUND

On Thursday, 28 August 2014, Blackthorn announced that it had entered into the Scheme Implementation Deed with Intrepid. Under the Scheme Implementation Deed, Blackthorn agreed to propose the Scheme to Blackthorn Shareholders to effect a merger with Intrepid.

Under the Scheme Implementation Deed, Intrepid will provide Intrepid Shareholders with an opportunity to participate in an off-market equal access share buyback. Intrepid Shareholders will be given the opportunity to apply for some or all of their Intrepid Shares to be bought back by Intrepid for the amount of A\$0.30 per Intrepid Share, subject to a total monetary cap of A\$110 million and approval of Intrepid Shareholders by ordinary resolution (**Intrepid Buyback**). The Scheme is conditional on Intrepid Shareholders approving both the Scheme and the Intrepid Buyback.

A more detailed summary of the Scheme is set out in Section 9 (Detailed information about the Scheme). A copy of the Scheme Implementation Deed is included as Attachment D (Scheme Implementation Deed).

1.2 EFFECT OF THE SCHEME

If the Scheme is implemented:

- i. Intrepid will acquire all of the Blackthorn Shares;
- ii. Scheme Participants (other than Ineligible Overseas Shareholders) will receive the Scheme Consideration in respect of each Blackthorn Share they hold on the Record Date; and
- iii. Blackthorn will become a subsidiary of Intrepid and subsequently be de-listed from ASX.

A copy of the Scheme of Arrangement is included as Attachment F (Scheme of Arrangement) of this Scheme Booklet.

1.3 SCHEME CONSIDERATION

1.3.1 OVERVIEW OF THE SCHEME CONSIDERATION

If the Scheme is implemented, Scheme Participants (other than Ineligible Overseas Shareholders) will receive New Intrepid Shares as Scheme Consideration.

In the Scheme Implementation Deed, Blackthorn and Intrepid agreed that, for purposes of the Scheme, the cash balance of Intrepid at announcement of the Scheme, net of estimated transaction costs, was A\$173 million. On the basis of their cash backing, the Intrepid Shares then on issue were ascribed an agreed value of A\$0.310 per Intrepid Share. Blackthorn Shares were ascribed an agreed value of A\$0.356 per Blackthorn Share.

The Intrepid Buyback will be completed contemporaneously with the implementation of the Scheme, and is expected to result in a reduction in the number of Intrepid Shares on issue and a corresponding reduction in the cash reserves of Intrepid. In order to preserve the agreed notional value of A\$0.356 per Blackthorn Share, the number of New Intrepid Shares that Scheme Participants (other than Ineligible Overseas Shareholders) will receive will vary depending on the level of acceptances by Intrepid Shareholders to the Intrepid Buyback. The methodology for this calculation is set out in Section 1.3.2 (Determination of the number of New Intrepid Shares to be received as Scheme Consideration).

1.3.2 DETERMINATION OF THE NUMBER OF NEW INTREPID SHARES TO BE RECEIVED AS SCHEME CONSIDERATION

The number of New Intrepid Shares that Scheme Participants (other than Ineligible Overseas Shareholders) will receive as Scheme Consideration will be calculated according to the formula below.

$$\text{Number of New Intrepid Shares per Blackthorn Share} = \frac{0.356}{C} (A - B)$$

Where:

- A = 173,000,000 (being the agreed A\$ cash balance of Intrepid for the purposes of the Scheme, as at announcement of the Scheme and net of estimated transaction costs)
- B = the cash amount paid by Intrepid under the Intrepid Buyback in \$A
- C = the number of Intrepid Shares on issue at the close of trading of Intrepid Shares on the ASX on the last day of the Intrepid Buyback offer period, less the number of Intrepid Shares to be bought back under the Intrepid Buyback

If the Scheme is implemented and the Intrepid Buyback is fully accepted, Scheme Participants (other than Ineligible Overseas Shareholders) will receive Scheme Consideration of 1.079¹ New Intrepid Shares for each Blackthorn Share they hold on the Record Date.

If the Intrepid Buyback is not fully accepted, the formula will operate to increase the number of New Intrepid Shares received as Scheme Consideration, up to a maximum of 1.147 New Intrepid Shares in the event that the Intrepid Buyback receives no acceptances.

A table setting out the number of New Intrepid Shares to be received as Scheme Consideration at varying levels of acceptances under the Intrepid Buyback is set out on the following page.

The level of acceptances under the Intrepid Buyback will be known at the close of the Intrepid Buyback Offer Period, which is expected to occur on Tuesday, 18 November 2014.

¹ The Scheme Consideration of 1.079 New Intrepid Shares differs from the Scheme Consideration of 1.078 New Intrepid Shares announced on ASX by Blackthorn on 28 August 2014 due to an issue of 76,636 ordinary shares by Intrepid on 15 September 2014 under its non-executive director share plan.

This outcome, including the resulting impact on the Scheme Consideration, ownership and pro forma cash balance of the Merged Group, will be announced on ASX to provide Blackthorn Shareholders with an opportunity to consider this additional information prior to voting at the Scheme Meeting on Friday, 21 November 2014.

1.3.3 RIGHTS AND LIABILITIES ATTACHING TO THE SCHEME CONSIDERATION

From the date of their issue, the New Intrepid Shares received as Scheme Consideration will rank equally in all respects with the existing Intrepid Shares and will be fully paid and free from any encumbrance. The rights and liabilities attaching to the New Intrepid Shares will be governed by the Intrepid constitution, subject to the Corporations Act and the Listing Rules. A summary of the key terms of the Intrepid constitution relevant to rights and liabilities attaching to the New Intrepid Shares is contained in Section 9.7 (Rights and liabilities attaching to New Intrepid Shares).

1.3.4 TIMING OF RECEIPT OF THE SCHEME CONSIDERATION

Holding statements detailing your holding of New Intrepid Shares are expected to be dispatched to you on the Implementation Date, which is expected to be Thursday, 11 December 2014.

Ineligible Overseas Shareholders should refer to Section 10.8.3 (Sale process for Ineligible Overseas Shareholders) for details about the timing for payment of the cash consideration they will receive in lieu of receiving New Intrepid Shares.

1.4 CONDITIONS OF THE SCHEME

Implementation of the Scheme is subject to a number of Conditions including approval of the Scheme by Blackthorn Shareholders and the Court, receipt of the Intrepid Shareholder Approvals for both the merger with Blackthorn and the Intrepid Buyback, and receipt of the Kitumba Mining Licence. These and other Conditions are discussed more fully in Section 9 (Detailed information about the Scheme).

The Scheme will not proceed unless all of these Conditions are satisfied or waived in accordance with the Scheme Implementation Deed. It is important to note that some of these Conditions may not be satisfied even if the Scheme is approved by the Requisite Majority of Blackthorn Shareholders at the Scheme Meeting.

1.5 BLACKTHORN SHAREHOLDER AND COURT APPROVALS

As part of the Conditions discussed in Section 1.4 (Conditions of the Scheme), section 411(4) of the Corporations Act requires a meeting of Blackthorn Shareholders to be held at which the Scheme must be agreed to by a resolution passed by the following majorities:

- i. (50% of members, by number) A majority by number of Blackthorn Shareholders present and voting at the Scheme Meeting (either in person or by proxy), unless the Court orders otherwise; and
- ii. (75% of shares voted, in aggregate) Holders of in aggregate at least 75% of the total number of votes cast on the resolution at the Scheme Meeting, (together, the **Requisite Majority**).

Level of Intrepid Buyback acceptances	A\$m	–	27.5	55.0	82.5	110.0
Agreed cash backing prior to the Intrepid Buyback ¹	A\$/sh	0.310	0.310	0.310	0.310	0.310
Intrepid Buyback price	A\$/sh	0.300	0.300	0.300	0.300	0.300
Notional cash backing of Intrepid Shares following Intrepid Buyback ²	A\$/sh	0.310	0.312	0.315	0.320	0.330
Number of New Intrepid Shares received as Scheme Consideration	IAU:BTR	1.147	1.140	1.129	1.112	1.079
Aggregate notional cash backing of New Intrepid Shares received as Scheme Consideration ³	A\$/sh	0.356	0.356	0.356	0.356	0.356

¹ Agreed cash balance of Intrepid for the purposes of the Scheme, as at announcement, net of estimated transaction costs, divided by the number of Intrepid Shares currently on issue.

² Agreed cash balance of Intrepid for the purposes of the Scheme, as at announcement, net of estimated transaction costs less the cash amount paid under the Intrepid Buyback, divided by the number of Intrepid Shares on issue after completion of the Intrepid Buyback.

³ Number of New Intrepid Shares received as Scheme Consideration, multiplied by the notional cash backing of Intrepid Shares following the Intrepid Buyback.

1. Summary of the Scheme (continued)

The result of the Scheme Meeting must then be provided to the Court, which will consider whether or not to approve the Scheme.

Further details on the Scheme Meeting and approval process are set out in Section 9 (Detailed information about the Scheme).

1.6 INTREPID SHAREHOLDER APPROVALS

As set out in Section 1.4 (Conditions of the Scheme) the Scheme is also conditional upon receipt of the Intrepid Shareholder Approvals. Approval by Intrepid Shareholders is required by ordinary resolution (50% of shares voted, in aggregate) for:

- i. the merger with Blackthorn in accordance with the Scheme; and
- ii. the Intrepid Buyback.

A meeting of Intrepid Shareholders to consider and approve the resolutions is expected to be held on Tuesday, 18 November 2014. Further details on the Intrepid Shareholder Approvals are set out in Section 2.4 (Other relevant considerations).

1.7 DIRECTORS' RECOMMENDATIONS AND INTENTIONS

The Blackthorn Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal. See Section 2 (Directors' recommendation and matters relevant to your vote on the Scheme) for details of the reasons for the Blackthorn Directors' recommendation.

Each Blackthorn Director intends to vote in favour of the Scheme in relation to Blackthorn Shares held or controlled by them, in the absence of a Superior Proposal. The interests of Blackthorn Directors are disclosed in Section 4.12 (Interests of Blackthorn Directors).

1.8 BLACKTHORN INDEPENDENT EXPERT'S CONCLUSIONS

Ernst & Young TAS was commissioned by the Blackthorn Directors to act as the Blackthorn Independent Expert to assess the merits of the Scheme. The Blackthorn Independent Expert has concluded that the Scheme is in the best interests of Blackthorn Shareholders.

In forming this opinion, the Blackthorn Independent Expert has compared the assessed value for a Blackthorn Share on a controlling interest basis with the fair market value of the Scheme Consideration. The Blackthorn Independent Expert has concluded that the value of Scheme Consideration is between A\$0.238–A\$0.294 per share assuming the Intrepid Buyback is fully accepted and A\$0.277–A\$0.306 per share in the event that the Intrepid Buyback receives no acceptances. This compares with the assessed value of a Blackthorn Share on a controlling basis of between A\$0.262–A\$0.357 per share. As the valuation range for the Scheme Consideration overlaps the valuation range for a Blackthorn Share on a controlling basis, the Blackthorn Independent Expert has concluded that the Scheme is fair and reasonable.

The Blackthorn Independent Expert considered that the advantages of the Scheme for Blackthorn Shareholders were that:

- i. Blackthorn Shareholders will receive a premium to the share price of Blackthorn prior to the announcement of the Scheme;
- ii. Blackthorn Shareholders will continue to have exposure to the Kitumba Project;
- iii. there will potentially be greater liquidity in the shares of the Merged Group;
- iv. the Merged Group will have greater financial resources; and
- v. Blackthorn has a limited ability to access non-dilutive capital via alternate sources.

In assessing the disadvantages of the Scheme, the Blackthorn Independent Expert noted that as a result of the Scheme, Blackthorn Shareholder's interest in the Kitumba Project will be diluted.

The Blackthorn Independent Expert's Report is included as Attachment A (Blackthorn Independent Expert's Report) of this Scheme Booklet. Blackthorn Shareholders are encouraged to read the report carefully and in its entirety.

1.9 ALTERNATIVE TRANSACTIONS

As announced to ASX, Blackthorn has previously engaged in discussions of an incomplete nature with a number of parties, including as part of a formal process to assess a range of asset-level partnership and financing options for the Kitumba Project. These discussions did not result in receipt of a proposal that merited formal consideration by the Blackthorn Directors or an announcement to Blackthorn Shareholders.

It is possible that a Superior Proposal for Blackthorn, which is more attractive for Blackthorn Shareholders than the Scheme, will emerge in the future. The implementation of the Scheme may mean that Blackthorn Shareholders would not obtain the benefit of any such proposal.

The Blackthorn Directors have not received such a Superior Proposal since Blackthorn and Intrepid announced the Scheme, despite the significant period of time for such a proposal to emerge. If a Superior Proposal emerges, this will be announced to ASX and the Blackthorn Directors will carefully reconsider the Scheme and advise you of their recommendation.

1.10 ENTITLEMENT TO VOTE

Blackthorn Shareholders who are registered on the Blackthorn Share Register at 7:00pm (Sydney time) on Wednesday, 19 November 2014 are entitled to vote at the Scheme Meeting.

Details on how to vote at the Scheme Meeting are set out in further detail in Section 9 (Detailed information about the Scheme) and in Attachment G (Notice of Scheme Meeting).

1.11 OVERSEAS BLACKTHORN SHAREHOLDERS

A Scheme Participant who is recorded in the Blackthorn Share Register at the Record Date as having a registered address outside Australia, or who is (or who is acting on behalf of) a citizen or resident of a jurisdiction other than Australia and its external territories, will be an Overseas Blackthorn Shareholder for the purposes of the Scheme. All Overseas Blackthorn Shareholders are entitled to vote at the Scheme Meeting.

Restrictions in foreign countries may make it impractical or unlawful for Intrepid to issue New Intrepid Shares to some Overseas Blackthorn Shareholders. Accordingly, some Overseas Blackthorn Shareholders may not be able to receive New Intrepid Shares under the Scheme.

Section 10 (Implementing the Scheme) sets out details of the foreign jurisdictions in which Overseas Blackthorn Shareholders will be entitled to receive New Intrepid Shares under the Scheme and other criteria that must be met to be eligible to receive the New Intrepid Shares. Overseas Blackthorn Shareholders who do not fall into these identified jurisdictions or who do not meet other relevant criteria will be Ineligible Overseas Shareholders and will not be issued with New Intrepid Shares under the Scheme.

The New Intrepid Shares that would otherwise have been issued to the Ineligible Overseas Shareholders will be issued to the Sale Agent (or its nominees) and sold on ASX, with the net proceeds of sale to be distributed among Ineligible Overseas Shareholders proportionately to their relevant holdings of Blackthorn Shares.

Overseas Blackthorn Shareholders should refer to Section 10.8 (Overseas Blackthorn Shareholders) and Section 10.8.3 (Sale process for Ineligible Overseas Shareholders) for further information.

1.12 WHAT WILL HAPPEN IF THE SCHEME DOES NOT PROCEED

If the Scheme does not proceed:

- i. Blackthorn will remain listed on ASX;
- ii. Blackthorn Shareholders will retain their Blackthorn Shares; and
- iii. Blackthorn Shareholders will not receive the Scheme Consideration.

If the Scheme does not proceed, and no Superior Proposal for Blackthorn is received, the Blackthorn Directors will consider alternative strategies for the Blackthorn business.

In particular, if Blackthorn remains as a standalone entity, it will need to secure additional funding from alternative sources in order to complete the Definitive Feasibility Study and progress the Kitumba Project as presently envisaged. In these circumstances, it is expected that Blackthorn would investigate a range of possible transactions with alternative parties to assist with its funding requirements.

As announced to ASX, Blackthorn has previously engaged in discussions of an incomplete nature with a number of parties, including as part of a formal process to assess a range of asset-level partnership and financing options for the Kitumba Project. These discussions did not result in receipt of a proposal that merited formal consideration by the Blackthorn Directors or an announcement to Blackthorn Shareholders.

Blackthorn estimates that it will have incurred or committed transaction costs of approximately A\$1.2 million in relation to the Scheme prior to the Scheme Meeting. These costs will be payable by Blackthorn regardless of whether or not the Scheme is implemented.

Some circumstances which cause the Scheme not to proceed may also trigger payment of a liquidated amount of A\$580,000 either by Blackthorn to Intrepid, or by Intrepid to Blackthorn. See Section 9.5.4 (Break Fees) for further details on the circumstances in which such an amount may become payable.

1.13 TAXATION IMPLICATIONS

If the Scheme is implemented, Scheme Participants will dispose of their Blackthorn Shares to Intrepid in consideration for the New Intrepid Shares (other than Ineligible Overseas Shareholders who will not receive New Intrepid Shares but will receive the net proceeds of the sale of the New Intrepid Shares to which they would otherwise have been entitled).

The transfer of Scheme Shares pursuant to the Scheme may be a taxable transaction. Scheme Participants should seek their own professional advice regarding the individual tax consequences applicable to them. Where a capital gain arises, Australian resident Scheme Participants may be eligible to receive capital gains tax (CGT) rollover relief in respect of the disposal of their Blackthorn Shares for the Scheme Consideration which they will receive in the form of Intrepid Shares. See Section 8 (Australian taxation considerations) for further details.

1.14 BROKERAGE AND STAMP DUTY

No brokerage or stamp duty will be payable by Blackthorn Shareholders (other than Ineligible Overseas Shareholders) on the transfer of their Blackthorn Shares to Intrepid under the Scheme or the issue by Intrepid to them of New Intrepid Shares as Scheme Consideration. Ineligible Overseas Shareholders will receive cash in lieu of New Intrepid Shares, net of brokerage costs.

1.15 FURTHER INFORMATION

If you require further information or have questions regarding the Scheme, please call the Blackthorn Shareholder Information Line on 1300 723 047 (within Australia) or +61 3 9415 4341 (outside Australia) between 9.00am and 5.00pm (Sydney time) Monday to Friday. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.

2

**Directors' recommendation
and matters relevant to
your vote on the Scheme**

2. Directors' recommendation and matters relevant to your vote on the Scheme

2.1 THE BLACKTHORN DIRECTORS' RECOMMENDATION

The Blackthorn Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal. Each Blackthorn Director intends to vote in favour of the Scheme in relation to Blackthorn Shares held or controlled by them, in the absence of a Superior Proposal.

In making their recommendation and determining how to vote on the Scheme, the Blackthorn Directors have considered the advantages and disadvantages of the Scheme, including (but not limited to) the information in:

- Section 2.2 (Reasons why you should vote in favour of the Scheme);
- Section 2.3 (Reasons why you may choose not to vote in favour of the Scheme);
- Section 2.4 (Other relevant considerations);
- Section 7 (Risk factors); and
- Attachment A (Blackthorn Independent Expert's Report).

In considering whether to vote in favour of the Scheme, the Blackthorn Directors encourage you to:

- read this Scheme Booklet carefully and in its entirety;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- obtain financial advice from your broker or financial adviser on the Scheme and obtain taxation advice on the effect of the Scheme becoming effective; and
- consider the current trading prices of Blackthorn Shares and Intrepid Shares.

2.2 REASONS WHY YOU SHOULD VOTE IN FAVOUR OF THE SCHEME

The following is a summary of the reasons why you should vote in favour of the Scheme and is qualified by the detailed information contained in this Scheme Booklet. You should read this Scheme Booklet carefully and in its entirety.

2.2.1 THE TRANSACTION IMPLIES AN ATTRACTIVE VALUATION FOR YOUR BLACKTHORN SHARES

Notwithstanding the increase in the Blackthorn Share Price in the period prior to announcement of the Scheme, the transaction implies a highly attractive valuation for Blackthorn Shares relative to their market trading price.

The Scheme provides Blackthorn Shareholders with an opportunity to realise an attractive premium to the market trading price prior to the announcement of the Scheme whilst securing equal Board representation and up to 48% ownership in the Merged Group.

If the Scheme is implemented and the Intrepid Buyback is fully accepted, Scheme Participants (other than Ineligible Overseas Shareholders) will receive Scheme Consideration of 1.079 New Intrepid Shares (the **Base Exchange Ratio**) in respect of each

Blackthorn Share they hold on the Record Date. If the Intrepid Buyback is not fully accepted, the number of New Intrepid Shares received as Scheme Consideration will increase up to a maximum of 1.147 New Intrepid Shares in the event that the Intrepid Buyback receives no acceptances.

In evaluating the Scheme Consideration to be received by Blackthorn Shareholders, the Blackthorn Directors believe it is appropriate to have regard to both the trading price and the cash backing of Intrepid Shares.

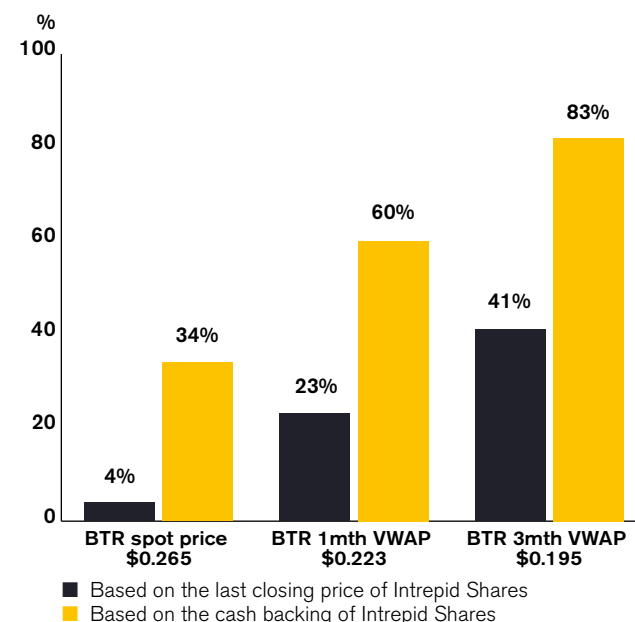
Based on the last closing price of Intrepid Shares prior to announcement of the Scheme of A\$0.255, the Base Exchange Ratio implies a value per Blackthorn Share of A\$0.275. This implies a premium of:

- 4% to the last closing price of Blackthorn Shares prior to announcement the Scheme of A\$0.265;
- 23% to the 1 month VWAP of Blackthorn Shares of A\$0.223; and
- 41% to the 3 month VWAP of Blackthorn Shares of A\$0.195.

Based on the cash backing of Intrepid Shares (assuming the Intrepid Buyback is fully accepted) of A\$0.330, the Base Exchange Ratio implies a value per Blackthorn share of A\$0.356. This implies a premium of:

- 34% to the last closing price of Blackthorn Shares prior to announcement the Scheme of A\$0.265;
- 60% to the 1 month VWAP of Blackthorn Shares of A\$0.223; and
- 83% to the 3 month VWAP of Blackthorn Shares of A\$0.195.

The premiums implied by the Base Exchange Ratio are summarised in the chart below.



2. Directors' recommendation and matters relevant to your vote on the Scheme (continued)

Based on the cash backing of Intrepid Shares, the Base Exchange Ratio implies an aggregate value for Blackthorn Shareholders' equity of A\$58.5 million. While this remains at a discount to the NPV of the Kitumba Project assessed as part of the Kitumba OPFS, the Blackthorn Directors believe that the valuation remains attractive relative to the current stage of project development.

2.2.2 THE MERGED GROUP WILL BE IN A STRONG FINANCIAL POSITION TO REALISE THE POTENTIAL OF BLACKTHORN'S PROJECTS

Implementation of the Scheme will combine Blackthorn's portfolio of assets in Zambia with Intrepid's remaining cash balance following completion of the Intrepid Buyback.

If the Intrepid Buyback is fully accepted, the Merged Group will have a pro forma cash balance of approximately A\$83 million. If the Intrepid Buyback is not fully accepted, the cash balance of the Merged Group will increase while Blackthorn Shareholders' percentage shareholding in the Merged Group will be reduced. A table setting out the ownership and pro forma cash balance of the Merged Group at varying levels of acceptances under the Intrepid Buyback is set out in Section 6 (Profile of the Merged Group).

This enhanced funding position relative to Blackthorn as a standalone entity will place the Merged Group in a strong financial position to realise the potential of Blackthorn's projects.

The OPFS released in April 2014 demonstrated highly attractive economics, with an NPV₈ of US\$461 million on a 100% equity basis¹. To progress development and further demonstrate the project's potential, Blackthorn commenced work towards a Definitive Feasibility Study (DFS), expected to cost approximately A\$20 million. Implementation of the Scheme will allow the Merged Group to complete the DFS without materially constraining its ability to undertake further planned value-adding initiatives.

In particular, the additional funding will allow the Merged Group to undertake a significant exploration programme over the previously under-explored near-Kitumba targets and the wider Mumbwa Project licence areas.

A series of targets have been identified over the ~1,000km² of exploration licences held by Blackthorn and drilling has commenced on the near-Kitumba Kakozhi prospect. Other targets are expected to be ready for drilling over the next 12 months.

This exploration programme represents substantial potential upside to the Kitumba Project through possible extension of the project's mine life and the ability to demonstrate a further copper rich mineral field around the Kitumba deposit. The Merged Group will have the ability to follow up exploration success without a requirement for additional funding.

While the funding position of the Merged Group will not be sufficient to meet the capital expenditure requirements for construction of the Kitumba Project, the Merged Group will be able to undertake negotiations with potential partners and financiers from a position of financial strength relative to Blackthorn as a standalone entity.

2.2.3 THE TRANSACTION ALLOWS YOU TO MAINTAIN EXPOSURE TO THE UPSIDE POTENTIAL OF THE MERGED GROUP

If the Scheme is implemented, Scheme Participants (Other than Ineligible Overseas Shareholders) will receive Scheme Consideration in the form of New Intrepid Shares. Through continued ownership in the Merged Group, Blackthorn Shareholders will maintain exposure to the upside potential of Blackthorn's assets.

Junior mining companies with prefeasibility stage projects typically trade at a discount to fundamental value due to uncertainty regarding key project inputs and a lack of financial resources. The Merged Group will be well placed to reduce this value discount by completing the DFS to reduce the uncertainty, as well as fund a significant exploration programme to demonstrate the project's value.

The boards of both Intrepid and Blackthorn consider that the combination of Intrepid's substantial cash resources with Blackthorn's high quality development project is capable of delivering superior value to both sets of shareholders.

2.2.4 THE TRANSACTION REPRESENTS AN ATTRACTIVE PATHWAY FOR BLACKTHORN TO ACCESS CAPITAL

The Scheme represents an innovative way for Blackthorn to access substantial funding and is significantly more attractive than alternative pathways to access an equivalent level of capital.

As announced to ASX, Blackthorn has previously engaged in discussions of an incomplete nature with a number of parties, including as part of a formal process to assess a range of asset-level partnership and financing options for the Kitumba Project. These discussions did not result in receipt of a proposal that merited formal consideration by the Blackthorn Directors or an announcement to Blackthorn Shareholders.

In an extremely challenging environment for junior mining companies, the transaction also represents a more attractive alternative than attempting to access the capital markets for funding. Implementation of the Scheme allows Blackthorn to raise funds at a valuation that provides greater recognition of the underlying value of the portfolio than that currently attributed by the market. The Blackthorn Directors consider it unlikely that Blackthorn could access an equivalent level of funding through the capital markets and that any funding available would need to be raised at a substantial discount to the prevailing share price.

¹ See section 11.5 (Mineral Resources and Ore Reserves attributions) for the relevant attributions.

2.2.5 THE MERGED GROUP WILL PROVIDE YOU WITH A MORE ROBUST MARKET INVESTMENT THAN BLACKTHORN AS A STANDALONE ENTITY

The Merged Group may enjoy enhanced liquidity, greater analyst and investor awareness and potentially improved access to capital markets relative to Blackthorn as a standalone entity, providing Blackthorn Shareholders with a more robust market investment.

As at 27 August 2014, being the day prior to announcement of the Scheme, Blackthorn had a market capitalisation of approximately A\$44 million. Following implementation of the Scheme and the combination with Intrepid's remaining cash balance following the Intrepid Buyback, the market capitalisation of the Merged Group is expected to be materially larger.

This increased scale has the potential to enhance the level of interest from analysts and investors seeking exposure to the copper sector and will likely facilitate increased liquidity in the after-market for the Merged Group's shares. The Merged Group is likely to have greater access to capital markets and to growth opportunities which are unlikely to otherwise be available to Blackthorn as a standalone entity.

Shares in the Merged Group will also have greater cash backing than current Blackthorn Shares, which may afford an enhanced level of share price stability.

2.2.6 THE BLACKTHORN INDEPENDENT EXPERT HAS CONCLUDED THAT THE SCHEME IS IN THE BEST INTERESTS OF BLACKTHORN SHAREHOLDERS

Ernst & Young TAS was commissioned by the Blackthorn Directors to act as the Blackthorn Independent Expert to assess the merits of the Scheme. The Blackthorn Independent Expert has concluded that the Scheme is in the best interests of Blackthorn Shareholders.

In forming this opinion, the Blackthorn Independent Expert has compared the assessed value for a Blackthorn Share on a controlling interest basis with the fair market value of the Scheme Consideration. The Blackthorn Independent Expert has concluded that the value of Scheme Consideration is between A\$0.238–A\$0.294 per share assuming the Intrepid Buyback is fully accepted and A\$0.277–A\$0.306 per share in the event that the Intrepid Buyback receives no acceptances. This compares with the assessed value of a Blackthorn Share on a controlling basis of between A\$0.262–A\$0.357 per share. As the valuation range for the Scheme Consideration overlaps the valuation range for a Blackthorn Share on a controlling basis, the Blackthorn Independent Expert has concluded that the Scheme is fair and reasonable.

The Blackthorn Independent Expert considered that the advantages of the Scheme for Blackthorn Shareholders were that:

- i. Blackthorn Shareholders will receive a premium to the share price of Blackthorn prior to the announcement of the Scheme;
- ii. Blackthorn Shareholders will continue to have exposure to the Kitumba Project;

- iii. there will potentially be greater liquidity in the shares of the Merged Group;
- iv. the Merged Group will have greater financial resources; and
- v. Blackthorn has a limited ability to access non-dilutive capital via alternate sources.

In assessing the disadvantages of the Scheme, the Blackthorn Independent Expert noted that as a result of the Scheme, Blackthorn Shareholders' interests in the Kitumba Project will be diluted.

The Blackthorn Independent Expert's Report is included as Attachment A (Blackthorn Independent Expert's Report) of this Scheme Booklet. Blackthorn Shareholders are encouraged to read the report carefully and in its entirety.

2.2.7 THE BLACKTHORN DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE SCHEME, IN THE ABSENCE OF A SUPERIOR PROPOSAL

The Blackthorn Directors have formed their conclusion and made their recommendation based on the matters outlined in this section. The Blackthorn Directors have also had regard to the risks associated with the Scheme outlined in Section 7 (Risk factors) and the Blackthorn Independent Expert's Report contained in Attachment A (Blackthorn Independent Expert's Report) of this Scheme Booklet.

The Blackthorn Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal. Each Blackthorn Director intends to vote in favour of the Scheme in relation to shares held or controlled by them, in the absence of a Superior Proposal.

2.3 REASONS WHY YOU MAY CHOOSE NOT TO VOTE IN FAVOUR OF THE SCHEME

The following is a summary of the reasons why you may choose not to vote in favour of the Scheme and is qualified by the detailed information contained in this Scheme Booklet. You should read this Scheme Booklet carefully and in its entirety.

2.3.1 YOU MAY DISAGREE WITH THE RECOMMENDATION OF THE BLACKTHORN DIRECTORS AND THE CONCLUSIONS OF THE BLACKTHORN INDEPENDENT EXPERT

Notwithstanding the unanimous recommendation of the Blackthorn Directors and the conclusions of the Blackthorn Independent Expert, you may believe that the Scheme is not in your best interests.

The Blackthorn Directors and the Blackthorn Independent Expert have made judgements based on future conditions and events which are not predictable with certainty and which may prove to be inaccurate (either positively or negatively).

You may hold a different view from, and are not obliged to follow the recommendation of, the Blackthorn Directors, and may not agree with the Blackthorn Independent Expert's conclusions.

2. Directors' recommendation and matters relevant to your vote on the Scheme (continued)

2.3.2 THE MARKET PRICE OF NEW INTREPID SHARES TO BE RECEIVED AS SCHEME CONSIDERATION IS NOT CERTAIN AND WILL FLUCTUATE

If the Scheme is implemented, Scheme Participants (other than Ineligible Overseas Shareholders) will receive Scheme Consideration in the form of New Intrepid Shares. The exact market value of the Scheme Consideration that will be issued to individual Scheme Participants will depend on the price at which the New Intrepid Shares trade on ASX after the Implementation Date.

Following implementation of the Scheme, the Merged Group's share price may rise or fall based on market conditions and the Merged Group's financial and operational performance. If the Merged Group's share price falls, the value of those New Intrepid Shares received by Scheme Participants (other than Ineligible Overseas Shareholders) as Scheme Consideration will decline in value.

In particular, it is noted that prior to Intrepid trading entitlement to the proposed Intrepid Buyback, the Intrepid Share Price is likely to be supported by the Intrepid Buyback price of A\$0.30. Intrepid Shares may trade down following the ex-entitlement date, particularly in circumstances where Intrepid Shareholders do not value Blackthorn at the same strategic premium placed on it by Intrepid as part of the Scheme.

Further, in circumstances where Intrepid Shareholders do not intend to continue to hold their Intrepid Shares, there is a risk that a significant number of Intrepid Shareholders may seek to sell their Intrepid Shares, which may adversely impact the price of Intrepid Shares, including the New Intrepid Shares which Scheme Participants (other than Ineligible Overseas Shareholders) will have received as Scheme Consideration. The Buyback announced by Intrepid will, however, allow those Intrepid Shareholders who do not wish to be part of the Merged Group to sell part and potentially all of their Intrepid Shares, which should reduce selling pressure that otherwise may have been seen following implementation of the Scheme.

In addition, the Sale Agent will be issued with New Intrepid Shares attributable to certain Ineligible Overseas Shareholders and will be seeking to sell those shares on ASX as soon as reasonably practicable following the Implementation Date. It is possible that such sales may exert downward pressure on the Merged Group's share price in the period following the Implementation Date.

2.3.3 IF THE SCHEME IS IMPLEMENTED, YOU WILL HAVE DILUTED EXPOSURE TO BLACKTHORN'S ASSETS

If the Scheme is implemented, the Merged Group will hold Blackthorn's portfolio of assets along with Intrepid's remaining cash balance following completion of the Intrepid Buyback. Scheme Participants (other than Ineligible Overseas Shareholders) will therefore maintain exposure to Blackthorn's existing assets, however these interests will be diluted as part of the Merged Group.

If the Intrepid Buyback is fully accepted, Blackthorn Shareholders will own approximately 48% of the Merged Group, which will have a pro forma cash balance of approximately A\$83 million.

If the Intrepid Buyback is not fully accepted, the Merged Group will have a larger cash balance but Blackthorn Shareholders will own a smaller proportion of the outstanding shares.

2.3.4 YOU MAY CONSIDER THE INVESTMENT PROFILE OF THE MERGED GROUP TO BE INFERIOR TO THAT OF BLACKTHORN

While the commodity exposure, geographic focus and operations of the Merged Group will remain unchanged relative to the investment profile of Blackthorn as a standalone entity, other key aspects including the capital structure, ownership and board and management of the Merged Group will differ.

It is possible that you may wish to maintain an interest in Blackthorn as a standalone entity because you are seeking an investment in a publicly listed company with the specific characteristics of Blackthorn. You may consider such a change in investment profile to be disadvantageous.

2.3.5 YOU MAY BELIEVE THAT A SUPERIOR PROPOSAL WILL EMERGE FOR BLACKTHORN

As announced to ASX, Blackthorn has previously engaged in discussions of an incomplete nature with a number of parties, including as part of a formal process to assess a range of asset-level partnership and financing options for the Kitumba Project. These discussions did not result in receipt of a proposal that merited formal consideration by the Blackthorn Directors or an announcement to Blackthorn Shareholders.

It is possible that a Superior Proposal for Blackthorn, which is more attractive for Blackthorn Shareholders than the Scheme, will emerge in the future. The implementation of the Scheme may mean that Blackthorn Shareholders would not obtain the benefit of any such proposal.

The Blackthorn Directors have not received such a Superior Proposal since Blackthorn and Intrepid announced the Scheme, despite the significant period of time for such a proposal to emerge. If a Superior Proposal emerges, this will be announced to ASX and the Blackthorn Directors will carefully reconsider the Scheme and advise you of their recommendation.

2.4 OTHER RELEVANT CONSIDERATIONS

2.4.1 INTREPID BUYBACK

Under the Scheme Implementation Deed, Intrepid will provide Intrepid Shareholders with an opportunity to participate in an off-market equal access share buyback. Intrepid Shareholders will be given the opportunity to apply for some or all of their Intrepid Shares to be bought back by Intrepid for the amount of A\$0.30 per Intrepid Share, subject to a total monetary cap of A\$110 million and approval of Intrepid Shareholders by ordinary resolution (**Intrepid Buyback**). The Scheme is conditional on Intrepid Shareholders approving both the Scheme and the Intrepid Buyback.

Intrepid considers that the level of the proposed Intrepid Buyback appropriately balances the funding requirements of the Merged Group with the stated desire of a number of Intrepid Shareholders to receive a return of capital.

Following completion of the Intrepid Buyback and implementation of the Scheme, the Merged Group will be well funded to complete the Kitumba DFS, embark on a significant exploration program, fund corporate costs and maintain a sufficient cash position for contingencies or business development opportunities.

The number of the New Intrepid Shares received by Scheme Participants as Scheme Consideration will be impacted by the level of acceptances under the Intrepid Buyback, in accordance with the formula described in Section 1.3 (Scheme Consideration). This formula ensures that the aggregate cash backing of the New Intrepid Shares received as Scheme Consideration remains constant irrespective of the outcome of the Intrepid Buyback.

A description of this formula and a table setting out the number of New Intrepid Shares to be received as Scheme Consideration at varying levels of acceptances under the Intrepid Buyback is set out in detail in Section 1.3.2 (Determination of the number of New Intrepid Shares to be received as Scheme Consideration).

If the Intrepid Buyback is not fully accepted, the Merged Group will have a larger cash balance and Blackthorn Shareholders will own a smaller proportion of the outstanding shares in the Merged Group. A table setting out the ownership and pro forma cash balance of the Merged Group at varying levels of acceptances under the Intrepid Buyback is set out in Section 6 (Profile of the Merged Group).

The level of acceptances to the Intrepid Buyback will be known at the close of the Intrepid Buyback Offer Period, which is expected to occur on Tuesday, 18 November 2014. Whether the merger with Blackthorn and the Intrepid Buyback are approved by Intrepid Shareholders will be known following conclusion of the meeting of the Intrepid Shareholders, which is expected to be held on Tuesday, 18 November 2014.

These outcomes will be announced on ASX, including the resulting impact on the Scheme Consideration, cash balance and ownership of the Merged Group, in order to provide Blackthorn Shareholders with an opportunity to consider this additional information prior to voting at the Scheme Meeting on Friday, 21 November 2014.

2.4.2 INTREPID SHAREHOLDER APPROVALS

The Scheme is conditional upon receipt of the Intrepid Shareholder Approvals. Approval by Intrepid Shareholders is required by ordinary resolution (50% of shares voted, in aggregate) for:

- i. the merger with Blackthorn in accordance with the Scheme; and
- ii. the Intrepid Buyback.

A meeting of Intrepid Shareholders to consider and approve these resolutions is expected to be held on Tuesday, 18 November 2014.

Intrepid is also proposing, for consideration at the same meeting of Intrepid Shareholders, a Contingent Buyback to allow for the return of all surplus cash to Intrepid Shareholders. The Contingent Buyback will be conducted by way of an unlimited off-market equal access buyback at a price of A\$0.275 per Intrepid Share.

The Contingent Buyback will only be voted upon at the Intrepid Shareholder Meeting in circumstances where either the merger with Blackthorn or the Intrepid Buyback have not been approved. The Intrepid Directors are unanimously recommending that Intrepid Shareholders vote in favour of the resolutions to approve the merger with Blackthorn and the Intrepid Buyback, as well as the Contingent Buyback.

The Intrepid Directors have stated to Intrepid Shareholders that their preferred transaction is the merger with Blackthorn and the Intrepid Buyback and that the Contingent Buyback is not their preferred outcome. The Contingent Buyback has been recommended by Intrepid Directors as a contingency, but only in the event that either the merger with Blackthorn or the Intrepid Buyback is not approved by Intrepid Shareholders.

2.4.3 TRANSACTION AND OTHER COSTS

The cost of the transaction expected to be payable by Blackthorn if the Scheme is implemented is currently estimated to be approximately A\$2.7 million. This includes financial advisory, legal, accounting, independent experts, tax and administrative fees, Scheme Booklet design and printing, marketing, Blackthorn Share Registry and other expenses. The amount does not include transaction costs that may be incurred by Intrepid.

Before the Scheme Meeting, Blackthorn estimates that it will have incurred or committed transaction costs of approximately A\$1.2 million. These costs will be payable by Blackthorn regardless of whether or not the Scheme is implemented.

2.4.4 BREAK FEE UNDER THE SCHEME IMPLEMENTATION DEED

Under the Scheme Implementation Deed entered into between Blackthorn and Intrepid, a liquidated amount (or **Break Fee**) of A\$580,000 may become payable by Blackthorn to Intrepid, or by Intrepid to Blackthorn, in certain circumstances. These include where Blackthorn or Intrepid is in material breach of the Scheme Implementation Deed or where a Blackthorn Competing Proposal or Intrepid Competing Proposal is accepted. Failure of Blackthorn Shareholders to approve the Scheme at the Scheme Meeting will not trigger a Break Fee. Similarly, failure by Intrepid Shareholders to approve either the merger with Blackthorn or the Intrepid Buyback will not trigger a Break Fee.

The Scheme Implementation Deed also sets out various other rights and obligations of Blackthorn and Intrepid in relation to the Scheme. See Section 9 (Detailed information about the Scheme) and Attachment D (Scheme Implementation Deed) for further details.

3

Frequently asked questions

3. Frequently asked questions

Set out below are answers to some questions that Blackthorn Shareholders may have in relation to the Scheme. This information is a summary only, and should be read in conjunction with the detailed information set out in the remainder of this Scheme Booklet.

Question	Answer	Further information
Overview of this Scheme Booklet		
Why have I received this Scheme Booklet?	This Scheme Booklet has been sent to you because you are a Blackthorn Shareholder and you are being asked to vote on the Scheme. This Scheme Booklet is intended to help you to consider and decide on how to vote on the Scheme at the Scheme Meeting.	
What is the Scheme I am being asked to consider?	The Scheme is a proposed transaction whereby the businesses of Blackthorn and Intrepid are merged to create a single company listed on the ASX (the Merged Group). This transaction is proposed to be implemented as a Court-ordered scheme of arrangement between Blackthorn and Blackthorn Shareholders, which is subject to the satisfaction of certain conditions.	Section 1 (Summary of the Scheme)
What will be the effect of the Scheme?	If the Scheme is implemented: i. Intrepid will acquire all of the Blackthorn Shares; ii. Scheme Participants (other than Ineligible Overseas Shareholders) will receive the Scheme Consideration in respect of each Blackthorn Share they hold on the Record Date; and iii. Blackthorn will become a subsidiary of Intrepid and subsequently be de-listed from ASX.	Section 1 (Summary of the Scheme)
What is a scheme of arrangement?	A scheme of arrangement is a statutory procedure that can be used to enable one company to acquire another company. It requires a vote in favour of the Scheme by a Requisite Majority of Blackthorn Shareholders at a meeting of shareholders and Court approval.	
Is this a takeover offer?	The Scheme is not a takeover offer, it is a scheme of arrangement. However, if the Scheme is implemented, the outcome will be similar to a successful 100% takeover offer in that all of the Blackthorn Shares will be transferred to Intrepid.	
What should I do?	You should read this Scheme Booklet carefully and in its entirety. Based on this information and any advice you may receive, you should determine how you wish to vote on the Scheme and vote by attending the Scheme Meeting, or by appointing a proxy to vote on your behalf. If you are unsure about what to do, you should consult your legal, financial or other professional adviser.	Page XII (Action required by Blackthorn Shareholders) Section 9 (Detailed information about the Scheme) Attachment G (Notice of Scheme Meeting)

3. Frequently asked questions (continued)

Question	Answer	Further information
Scheme consideration		
What will I receive if the Scheme is implemented?	If the Scheme is implemented and the Intrepid Buyback is fully accepted, Scheme Participants (other than Ineligible Overseas Shareholders) will receive Scheme Consideration of 1.079 New Intrepid Shares for each Blackthorn Share they hold on the Record Date. If the Intrepid Buyback is not fully accepted, the number of New Intrepid Shares received as Scheme Consideration will increase, up to a maximum of 1.147 New Intrepid Shares in the event that the Intrepid Buyback receives no acceptances. The methodology for this calculation is set out in Section 1.3.2 (Determination of the number of New Intrepid Shares to be received as Scheme Consideration).	Section 1.3 (Scheme Consideration)
Can I choose to receive cash instead of New Intrepid Shares?	No. There is no option for Scheme Participants to receive cash instead of New Intrepid Shares. However, once you have received your New Intrepid Shares, you may sell some or all of those shares on the ASX. Alternatively, you may elect to sell your existing Blackthorn Shares before the Effective Date.	
Do I need to make any payments to participate in the Scheme?	No.	
Do I have to pay brokerage fees to participate in the Scheme?	No, unless you are an Ineligible Overseas Shareholder.	Section 10.8 (Overseas Blackthorn Shareholders)
Do I have to pay stamp duty under the Scheme?	No.	
Do I need to do or sign anything to transfer my Blackthorn Shares?	No. If the Scheme becomes Effective, Blackthorn will automatically have authority to sign a transfer document on behalf of Scheme Participants, who will then receive the Scheme Consideration in New Intrepid Shares (other than Ineligible Overseas Shareholders who will receive the net proceeds of the sale of the New Intrepid Shares to which they would have otherwise been entitled).	
When will I receive the Scheme Consideration?	The names of Scheme Participants (other than Ineligible Overseas Shareholders) will be entered in Intrepid's share registry in respect of the New Intrepid Shares issued as Scheme Consideration on the Implementation Date, expected to be on or about Thursday, 11 December 2014. Holding statements in relation to New Intrepid Shares will be dispatched on the Implementation Date (other than Ineligible Overseas Shareholders who will receive the net proceeds of the sale of the New Intrepid Shares to which they would have otherwise been entitled).	Page VII (Important dates and times) Section 10 (Implementing the Scheme)

Question	Answer	Further information
Will I be able to trade the New Intrepid Shares on ASX?	Intrepid Shares currently trade on ASX and the New Intrepid Shares will trade on ASX if the Scheme is implemented. It is expected that you will be able to trade the New Intrepid Shares on a deferred settlement basis on or about Friday, 28 November 2014 and on a normal settlement basis commencing on or about Friday, 12 December 2014.	Section 10 (Implementing the Scheme)
How will fractional shares be treated?	If, pursuant to the calculation of your Scheme Consideration, you would be entitled to a fraction of a New Intrepid Share, the number of New Intrepid Shares to which you would be entitled will, after aggregating all of your holdings of Blackthorn Shares, be rounded up in the case of an entitlement to half of a New Intrepid Share or otherwise rounded up or down to the nearest whole number of New Intrepid Shares.	Attachment D (Scheme Implementation Deed)
Can I keep my Blackthorn Shares?	If the Scheme is implemented, your Blackthorn Shares will be transferred to Intrepid. This will be the case even if you did not vote or you voted against the Scheme.	
Can I sell my Blackthorn Shares on ASX?	You can sell your Blackthorn Shares on ASX prior to the Effective Date, expected to be Thursday, 27 November 2014. However, you will not be able to do so after the Effective Date. If you sell your Blackthorn Shares on ASX: i. you may pay brokerage on the sale; ii. you will not share in any of the potential benefits of owning shares in the Merged Group; and iii. there may be different tax consequences for you compared to those that would arise under the implementation of the Scheme.	
What if I am an Overseas Blackthorn Shareholder?	If you are an Overseas Blackthorn Shareholder who is an Ineligible Overseas Shareholder, on implementation of the Scheme the number of New Intrepid Shares to which you would have otherwise be entitled under the Scheme will be issued to a Sale Agent appointed by Intrepid. The Sale Agent will sell those Intrepid Shares within 28 days of the Implementation Date and remit to you the proceeds received, after deducting any applicable brokerage, costs, taxes and charges. Other Overseas Blackthorn Shareholders will receive the Scheme Consideration in the form of New Intrepid Shares. Overseas Blackthorn Shareholders should refer to Section 10.8 (Overseas Blackthorn Shareholders) of this Scheme Booklet to determine whether they will be an Ineligible Overseas Shareholder.	Section 10.8 (Overseas Blackthorn Shareholders)

3. Frequently asked questions (continued)

Question	Answer	Further information
Intrepid Buyback and Intrepid Shareholder Approvals		
What is the Intrepid Buyback?	Under the Scheme Implementation Deed, Intrepid will provide Intrepid Shareholders with an opportunity to participate in an off-market equal access share buyback under which Intrepid Shareholders will be given the opportunity to apply for some or all of their Intrepid Shares to be bought back by Intrepid for the amount of A\$0.30 per Intrepid Share, subject to a total monetary cap of A\$110 million and approval of Intrepid Shareholders by ordinary resolution (Intrepid Buyback). The Scheme is conditional on Intrepid Shareholders approving both the Scheme and the Intrepid Buyback.	Section 2.4 (Other relevant considerations)
Why is Intrepid undertaking the Intrepid Buyback?	Intrepid considers that the level of the proposed Intrepid Buyback appropriately balances the funding requirements of the Merged Group with the stated desire of a number of Intrepid Shareholders to receive a return of capital.	Section 2.4 (Other relevant considerations)
Can Blackthorn Shareholders participate in the Intrepid Buyback?	No. The Intrepid Buyback will only be open to Intrepid Shareholders as at the record date for the Intrepid Buyback, which will be prior to the implementation of the Scheme.	Section 2.4 (Other relevant considerations)
What if the Intrepid Buyback is not fully accepted?	The number of New Intrepid Shares to be received as Scheme Consideration will be calculated according to the formula in Section 1.3.2 (Determination of the number of New Intrepid Shares to be received as Scheme Consideration). If the Intrepid Buyback is not fully accepted, the formula will operate to increase the number of New Intrepid Shares received as Scheme Consideration, up to a maximum of 1.147 New Intrepid Shares in the event that the Intrepid Buyback receives no acceptances. A table setting out the number of Intrepid Shares to be received as Scheme Consideration at varying levels of acceptances under the Intrepid Buyback is set out in Section 1.3.2 (Determination of the number of New Intrepid Shares to be received as Scheme Consideration). If the Intrepid Buyback is not fully accepted, the Merged Group will have a larger cash balance and Blackthorn Shareholders will own a smaller proportion of the outstanding shares in the Merged Group. A table setting out the ownership and pro forma cash balance of the Merged Group at varying levels of acceptances under the Intrepid Buyback is set out in Section 6 (Profile of the Merged Group).	Section 1.3 (Scheme Consideration) Section 6 (Profile of the Merged Group)

Question	Answer	Further information
When will the level of the Intrepid Buyback be known?	The level of acceptances to the Intrepid Buyback will be known at the close of the Intrepid Buyback offer period, expected to be on Tuesday, 18 November 2014. This outcome, including the resulting impact on the Scheme Consideration, cash balance and ownership of the Merged Group will be announced on ASX in order to provide Blackthorn Shareholders with an opportunity to consider this additional information prior to voting at the Scheme Meeting on Friday, 21 November 2014.	Section 2.4 (Other relevant considerations)
What are the Intrepid Shareholder Approvals?	The Scheme is conditional upon receipt of the Intrepid Shareholder Approvals. Approval by Intrepid Shareholders is required for both: - the merger with Blackthorn in accordance with the Scheme; and - the Intrepid Buyback.	Section 1.6 (Intrepid Shareholder Approvals) Section 2.4 (Other relevant considerations)
What are the voting thresholds for the Intrepid Shareholder Approvals?	The Intrepid Shareholder Approvals are required by ordinary resolution (50% of shares voted, in aggregate).	Section 1.6 (Intrepid Shareholder Approvals) Section 2.4 (Other relevant considerations)
What is the Intrepid Contingent Buyback?	In the event that Intrepid Shareholders fail to approve either the merger with Blackthorn or the Intrepid Buyback, Intrepid will propose a Contingent Buyback to Intrepid Shareholders to allow for the return of all surplus cash to Intrepid Shareholders. The Contingent Buyback will be conducted by way of an unlimited off-market equal access buyback at a price of A\$0.275 per Intrepid share. The Contingent Buyback will only be considered at the Intrepid Shareholder Meeting in circumstances where either the merger with Blackthorn or the Intrepid Buyback have not been approved. The Intrepid Directors are unanimously recommending that Intrepid Shareholders vote in favour of the resolutions to approve the Scheme with Blackthorn, the Intrepid Buyback and the Contingent Buyback. The Intrepid Directors have stated to Intrepid Shareholders that their preferred transaction is the Scheme and the Intrepid Buyback and that the Contingent Buyback is not their preferred outcome. The Contingent Buyback has been recommended by Intrepid Directors as a contingency, but only in the event that either the merger with Blackthorn or the Intrepid Buyback is not approved by Intrepid Shareholders.	Section 2.4 (Other relevant considerations)
When will the outcome of the Intrepid Shareholder Approvals be known?	A meeting of Intrepid Shareholders to consider and approve the resolutions is expected to be held on Tuesday, 18 November 2014. The outcome of the Intrepid Shareholder Approvals will be therefore be known prior to the Scheme Meeting at which Blackthorn Shareholders will consider and vote on the Scheme.	Section 2.4 (Other relevant considerations)

3. Frequently asked questions (continued)

Question	Answer	Further information
Reasons to vote for or against the scheme and risks associated with the scheme		
What are the reasons why I should vote in favour of the Scheme?	The reasons why you should vote in favour of the Scheme are that: i. The transaction implies an attractive valuation for your Blackthorn Shares ii. The Merged Group will be in a strong financial position to realise the potential of Blackthorn's projects iii. The transaction provides you with exposure to the upside potential of the Merged Group iv. The transaction represents an attractive pathway for Blackthorn to access capital v. The Merged Group will provide you with a more robust market investment than Blackthorn as a standalone entity vi. The Blackthorn Independent Expert has concluded that the Scheme is in the best interests of Blackthorn Shareholders vii. The Blackthorn Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal.	Section 2.2 (Reasons why you should vote in favour of the Scheme)
What are the reasons why I may choose not to vote in favour of Scheme?	The reasons why you may choose not to vote in favour of the Scheme are that: i. You may disagree with the recommendation of the Blackthorn Directors and the conclusions of the Blackthorn Independent Expert ii. The market price of New Intrepid Shares to be received as Scheme Consideration is not certain and will fluctuate iii. If the Scheme is implemented, you will have diluted exposure to Blackthorn's asset iv. You may consider the investment profile of the Merged Group to be inferior to that of Blackthorn v. You may believe that a Superior Proposal will emerge for Blackthorn	Section 2.3 (Reasons why you may choose not to vote in favour of the Scheme)
What are the potential risks associated with the Scheme?	Investment in the Merged Group will be subject to a range of risks that may adversely affect its future operating or financial performance, prospects, investment returns or value of its securities. A detailed description of the risks associated with the Scheme is set out in Section 7 (Risk factors).	Section 7 (Risk factors)

Question	Answer	Further information
Overview of the Merged Group		
What will the Merged Group look like if the Scheme is implemented?	Implementation of the Scheme will combine the Zambian mining assets of Blackthorn with Intrepid's remaining cash balance following completion of the Intrepid Buyback. Assuming the Intrepid Buyback is fully accepted, Intrepid Shareholders and Blackthorn Shareholders will own approximately 52% and 48% of the Merged Group respectively and the Merged Group will have a pro forma cash balance of approximately A\$83 million. If the Intrepid Buyback is not fully accepted, the Merged Group will have a larger cash balance, and Blackthorn Shareholders will own a smaller proportion of the outstanding shares in the Merged Group. A table setting out the ownership and pro forma cash balance of the Merged Group at varying levels of acceptances under the Intrepid Buyback is set out in Section 6 (Profile of the Merged Group).	Section 6 (Profile of the Merged Group)
What will be the strategy of the Merged Group?	It is the current intention of Blackthorn and Intrepid that the Merged Group will continue to operate the business of Blackthorn in substantially the same manner as it is currently being conducted. In addition to progressing the Definitive Feasibility Study for the Kitumba Project, the more robust funding position will better position the Merged Group to pursue exploration opportunities, including within the Mumbwa Project licence areas. The Merged Group will continue to review all aspects of its assets and operations to identify ways to maximise value for all shareholders.	Section 6 (Profile of the Merged Group)
Who will be on the board of the Merged Group?	The board of the Merged Group will be comprised of three current Blackthorn Directors and three current Intrepid Directors. The three Blackthorn Directors will be Michael Oppenheimer (current Chairman of Blackthorn), Nicole Bowman (current Non-Executive Director of Blackthorn) and Derek Carter (current Non-Executive Director of Blackthorn). The three Intrepid Directors will be Ian McMaster (current Chairman of Intrepid), Scott Lowe (current CEO and Managing Director of Intrepid) and Alan Roberts (current Non-Executive Director of Intrepid).	Section 6 (Profile of the Merged Group)
Who will be the senior management team for the Merged Group?	The current CEO of Blackthorn, Mark Mitchell, will be CEO of the Merged Group. The current CEO of Intrepid, Scott Lowe, will serve as an Executive Director with responsibility for business development and funding strategy. Other members of the Merged Group's senior management team will be drawn from the two companies' existing management teams following implementation of the Scheme.	Section 6 (Profile of the Merged Group)

3. Frequently asked questions (continued)

Question	Answer	Further information
What will happen to the Blackthorn name?	Following implementation of the Scheme, the Merged Group will be known as Intrepid. The Merged Group currently intends to continue to use the Blackthorn name, including any associated trademarks and logos, in the conduct of its business in Zambia.	Section 6 (Profile of the Merged Group)
What will be the trading price of the New Intrepid Shares?	There is no certainty as to the trading price of the New Intrepid Shares following implementation of the Scheme.	
Conditions of the Scheme		
Is the Scheme subject to any conditions?	Implementation of the Scheme is subject to a number of conditions, including: i. Blackthorn Shareholder approval of the Scheme; ii. Intrepid Shareholder approval of the merger with Blackthorn and the Intrepid Buyback; and iii. Blackthorn obtaining the Mining Licence Approval before 8.00am on 28 November 2014, or such later date as agreed between Intrepid and Blackthorn in writing. The full list of Conditions of the Scheme is summarised in Section 9 (Detailed information about the Scheme) and clause 3.2 of Attachment D (Scheme Implementation Deed.)	Section 1.4 (Conditions of the Scheme) Section 9 (Detailed information about the Scheme) Attachment D (Scheme Implementation Deed)
What happens if the Mining Licence is not approved?	Implementation of the Scheme is conditional upon obtaining the Mining Licence Approval before the Mining Approval End Date. Blackthorn and Intrepid also have the right to jointly waive this condition.	
Under what scenarios can Blackthorn or Intrepid terminate the transaction?	The Scheme can be terminated by Blackthorn or Intrepid (as applicable) in the circumstances set out in the Scheme Implementation Deed, including if: i. the Conditions of the Scheme are not satisfied or waived; ii. either Blackthorn or Intrepid is in material breach of the Scheme Implementation Deed; iii. the Scheme is not implemented by the End Date; iv. any of the Blackthorn Directors or the Intrepid Directors withdraws his or her support for the Scheme; v. a Superior Proposal is recommended in respect of either Blackthorn or Intrepid; or vi. by agreement between Blackthorn and Intrepid.	Section 9 (Detailed information about the Scheme) Attachment D (Scheme Implementation Deed)

Question	Answer	Further information
What if the Scheme does not proceed?	If the Scheme does not proceed: i. Blackthorn will remain listed on ASX; ii. Blackthorn Shareholders will retain their Blackthorn Shares; and iii. Blackthorn Shareholders will not receive the Scheme Consideration. If the Scheme does not proceed and no Superior Proposal for Blackthorn is received, Blackthorn Directors will consider alternative strategies for the Blackthorn business. If Blackthorn remains as a standalone entity, it would need to secure additional funding from alternative sources in order to complete the Definitive Feasibility Study and progress the Kitumba Project as presently envisaged. In these circumstances, it is expected that Blackthorn would investigate a range of possible transactions with alternative parties to assist with its funding requirements. Before the Scheme Meeting, Blackthorn estimates that it will have incurred or committed transaction costs of approximately A\$1.2 million in relation to the Scheme. Those costs will be payable by Blackthorn regardless of whether or not the Scheme is implemented. The circumstances which cause the Scheme not to proceed may also trigger payment of a liquidated amount of A\$580,000 either by Blackthorn to Intrepid, or by Intrepid to Blackthorn. See Section 9.5.4 (Break Fees) for further details on the circumstances in which such an amount may become payable.	Section 1 (Summary of the Scheme) Section 7 (Risk factors) Section 9.5.4 (Break Fees)
What happens if a Superior Proposal emerges?	It is possible that a Superior Proposal for Blackthorn, which is more attractive for Blackthorn Shareholders than the Scheme, will emerge in the future. The Blackthorn Directors have not received such a Superior Proposal since Blackthorn and Intrepid announced the Scheme, despite the significant period of time for such a proposal to emerge. If a Superior Proposal emerges, this will be announced to ASX and the Blackthorn Directors will carefully reconsider the Scheme and advise you of their recommendation.	
Blackthorn Directors' recommendation and the Blackthorn Independent Expert's Conclusion		
What do the Blackthorn Directors recommend?	The Blackthorn Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal.	Section 2.1 (The Blackthorn Directors' recommendation)
How do the Blackthorn Directors intend to vote?	Each Blackthorn Director intends to vote in favour of the Scheme in relation to shares held or controlled by them, in the absence of a Superior Proposal.	Section 2.1 (The Blackthorn Directors' recommendation)

3. Frequently asked questions (continued)

Question	Answer	Further information
What is the Blackthorn Independent Expert's conclusion?	Ernst & Young TAS was commissioned by the Blackthorn Directors to act as the Blackthorn Independent Expert to assess the merits of the Scheme. The Blackthorn Independent Expert has concluded that the Scheme is in the best interests of Blackthorn Shareholders. In forming this opinion, the Blackthorn Independent Expert has compared the assessed value for a Blackthorn Share on a controlling interest basis with the fair market value of the Scheme Consideration. The Blackthorn Independent Expert has concluded that the value of Scheme Consideration is between A\$0.238–A\$0.294 per share assuming the Intrepid Buyback is fully accepted and A\$0.277–A\$0.306 per share in the event that the Intrepid Buyback receives no acceptances. This compares with the assessed value of a Blackthorn Share on a controlling basis of between A\$0.262–A\$0.357 per share. As the valuation range for the Scheme Consideration overlaps the valuation range for a Blackthorn Share on a controlling basis, the Blackthorn Independent Expert has concluded that the Scheme is fair and reasonable. The Blackthorn Independent Expert's Report is included as Attachment A (Blackthorn Independent Expert's Report) of this Scheme Booklet. Blackthorn Shareholders are encouraged to read the report carefully and in its entirety.	Attachment A (Blackthorn Independent Expert's Report)
Voting		
What choices do I have as a Blackthorn Shareholder?	As a Blackthorn Shareholder you have the following choices: i. you can vote in person or by proxy at the Scheme Meeting; ii. you can elect not to vote at the Scheme Meeting; or iii. you can sell your Blackthorn Shares on ASX prior to the Effective Date. If you sell your Blackthorn Shares on ASX you may incur brokerage costs.	Page XII (Action required by Blackthorn Shareholders) Section 9 (Detailed information about the Scheme)
Am I entitled to vote?	If you are registered as a Blackthorn Shareholder on the Blackthorn Share Register at 7:00pm (Sydney time) on Wednesday, 19 November 2014, you will be entitled to vote at the Scheme Meeting.	Section 9 (Detailed information about the Scheme)
Should I vote?	Voting is not compulsory. However, the Blackthorn Directors believe that the Scheme is important to Blackthorn Shareholders. The Blackthorn Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal. Each Blackthorn Director intends to vote in favour of the Scheme in relation to shares held or controlled by them, in the absence of a Superior Proposal.	

Question	Answer	Further information
How do I vote?	Blackthorn Shareholders who are entitled to vote may do so by: i. attending the Scheme Meeting to be held on Friday, 21 November 2014 at the offices of Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney NSW 2000 commencing at 11:00am (Sydney time); ii. completing and lodging the Proxy Form that is enclosed with this Scheme Booklet; iii. by corporate representative appointed to vote on behalf of a Blackthorn Shareholder that is a company; or iv. by attorney appointed to vote on your behalf.	Section 9 (Detailed information about the Scheme)
Do I have to complete the Proxy Form enclosed with this Scheme Booklet?	You only need to complete the Proxy Form if you wish to vote by proxy at the Scheme Meeting to consider the Scheme. You do not need to complete the Proxy Form if you intend to vote in person, by corporate representative or by attorney.	
What vote is required to approve the Scheme?	For the Scheme to proceed, votes in favour of the Resolution to approve the Scheme at the Scheme Meeting must be received from a Requisite Majority of Blackthorn Shareholders. A Requisite Majority consists of: i. unless the Court orders otherwise, a majority by number (more than 50%) of Blackthorn Shareholders, who are present and voting either in person or by proxy, attorney or, in the case of corporate Blackthorn Shareholders, by corporate representative at the Scheme Meeting; and ii. at least 75% of the total number of votes cast on the resolution at the Scheme Meeting. It is also necessary for the Court to approve the Scheme before it can become Effective.	Section 9 (Detailed information about the Scheme)

3. Frequently asked questions (continued)

Question	Answer	Further information
What happens if I do not vote, or I vote against the Scheme?	If you do not vote or you vote against the Scheme, but a Requisite Majority of other Blackthorn Shareholders vote in favour of the Scheme and the Scheme also receives Court approval, the Scheme will become Effective and binding on all Blackthorn Shareholders. If the Scheme is implemented, on the Implementation Date your Blackthorn Shares will be transferred to Intrepid and you will receive the Scheme Consideration for your Blackthorn Shares. If you are not eligible to receive the Scheme Consideration because you are an Ineligible Overseas Shareholder, you will receive the net proceeds (after deducting applicable brokerage, costs, taxes and charges) of the sale of the New Intrepid Shares to which you would otherwise have been entitled. If you do not vote or you vote against the Scheme and a Requisite Majority of other Blackthorn Shareholders do not vote in favour of the Scheme, the Scheme will not be approved at the Scheme Meeting. If this occurs, the Scheme will not proceed and you will not receive the Scheme Consideration and you will remain a Blackthorn Shareholder.	Section 9 (Detailed information about the Scheme) Section 10 (Implementing the Scheme)
When will the result of the Scheme Meeting be known?	The result of the Scheme Meeting will be known shortly after the conclusion of the Scheme Meeting and will be announced to ASX as soon as practicable. Even if the Scheme is approved at the Scheme Meeting, it will remain subject to a number of conditions including approval of the Scheme by the Court. The Second Court Hearing is currently anticipated to be held on Wednesday, 26 November 2014.	Page VII (Important dates and times) Section 9 (Detailed information about the Scheme) Section 10 (Implementing the Scheme)
What if I want to oppose the Scheme?	If you wish to oppose the Scheme, you may: - attend the Scheme Meeting in person or by proxy and vote against the Scheme; - attend the Second Court Hearing to oppose the Court exercising its discretion to grant orders approving the Scheme; or - make a complaint to ASIC about the Scheme. If you wish to attend the Second Court Hearing, you should seek legal advice and note that the Second Court Hearing for the approval of the Scheme is presently scheduled for Wednesday, 26 November 2014. You should file and serve a notice of appearance in the Federal Court of Australia Proceedings Number NSD 932/2014 of 2014 together with any affidavit on which you wish to rely at the hearing, at least one day before the hearing. The address for service is that of Blackthorn's Australian legal adviser as set out in the Corporate Directory of the Scheme Booklet (to the attention of: Ron Forster and Adrian Tan, Minter Ellison, 88 Phillip Street Sydney NSW 2000).	

Question	Answer	Further information
Australian taxation implications		
What are the Australian taxation implications of the Scheme for Scheme Participants?	Section 8 (Australian taxation considerations) provides a general outline of the Australian income tax, capital gains tax and stamp duty consequences for Scheme Participants who dispose of their Blackthorn Shares in accordance with the Scheme. CGT rollover relief may be available to you if you are an Australian resident Blackthorn Shareholder that is not a company. You should consult with your own tax adviser regarding the tax consequences of disposing of your Blackthorn Shares in accordance with the Scheme in light of current tax laws and your particular circumstances.	Section 8 (Australian taxation considerations)
Will shareholders be entitled to scrip-for-scrip capital gains tax rollover relief as part of the transaction?	Australian-resident Blackthorn Shareholders who hold Blackthorn Shares on capital account should be entitled to scrip for scrip CGT roll-over relief to the extent they would otherwise make a capital gain.	Section 8 (Australian Taxation considerations)
Further questions		
What if I have further questions about the Scheme?	If you require further information or have questions regarding the Scheme, please call the Blackthorn Shareholder Information Line on 1300 723 047 (within Australia) or +61 3 9415 4341 (outside Australia) between 9.00am and 5.00pm (Sydney time) Monday to Friday. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.	

4

Profile of Blackthorn

4. Profile of Blackthorn

4.1 OVERVIEW OF BLACKTHORN

Blackthorn Resources Limited (ASX: BTR) is an Australian-based resources company with a focus on advancing the Kitumba Project and exploring high priority exploration targets on its Mumbwa tenements in Zambia.

Blackthorn was listed on the ASX in 1987 and was formerly known as AIM Resources Limited before changing its name to Blackthorn Resources Limited in December 2008.

As at Friday, 10 October 2014, being the last practicable date prior to finalisation of this Scheme Booklet, Blackthorn had 164,285,950 ordinary shares on issue and a market capitalisation of approximately A\$44 million.

4.2 OVERVIEW OF BLACKTHORN'S ASSETS

4.2.1 MUMBWA OVERVIEW AND PROJECT LOCATION

Blackthorn's Mumbwa Project is located in west-central Zambia, approximately 200km north-west of the capital Lusaka.

The Mumbwa Project comprises five contiguous prospecting licences with a total area of approximately 1,000km², including the Mumbwa licence (8589-HQ-LPL) which hosts the Company's flagship Kitumba Project.



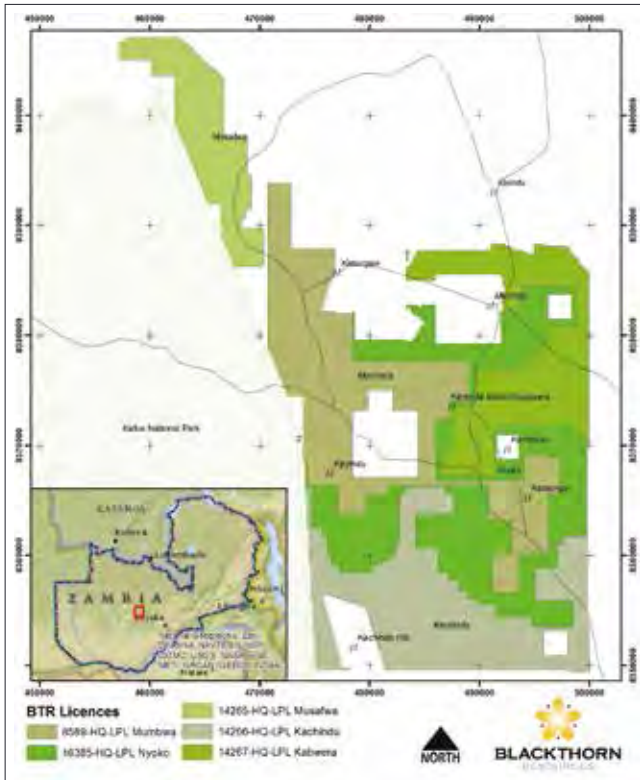
Mumbwa Project licences

Name	Licence Number	Date Granted	Next renewal	Area (square km)
Mumbwa	8589-HQ-LPL	14 November 2007	N/A ¹	248
Musafwa	14265-HQ-LPL	16 June 2011	16 June 2015	93
Kachindu	14266-HQ-LPL	8 July 2011	8 July 2015	204
Kabwera	14267-HQ-LPL	21 September 2012	21 September 2014 ²	147
Nyoko	16385-HQ-LPL	2 January 2013	2 January 2015	255
Total				947

¹ Prospecting Licence 8589-HQ-LPL is in its final term and is subject to the Mining Licence Application which has been submitted and is pending approval.

² Application for renewal has been submitted with approval pending.

4. Profile of Blackthorn (continued)



The IOCG type alteration system observed at Kitumba is zoned from north to south, with deeper level magnetite dominated alteration south of Kitumba and higher level hematite dominated alteration over Kitumba itself.

Copper mineralisation at Kitumba comprises a simple hypogene sulphide assemblage (chalcopyrite, bottom) that has been extensively altered, largely redistributed and enriched to form a supergene oxide assemblage (chalcocite, malachite, cuprite, chalcosiderite, chrysocolla, $\pm$ native copper, top). Deep weathering is localised along and down the Kitumba Fault Zone and facilitated by acid generation from the weathering of pyrite has resulted in a leached zone to approximately 200m followed by a supergene enriched core above the primary hypogene zone. Supergene enrichment has facilitated the deposition of very high grade copper.

4.2.3 OPTIMISED PREFEASIBILITY STUDY

A preliminary prefeasibility study (PFS) for the Kitumba Project was completed in September 2013 and confirmed the potential for a technically viable project. While completion of the preliminary PFS facilitated a one year extension to the Mumbwa prospecting licence, it was recognised that the project design was not optimised and that further work was required to maximise its development potential.

The results of the Kitumba optimised prefeasibility study (OPFS) were subsequently released to the market in April 2014. The OPFS demonstrated significantly enhanced economics and development potential for the project.

4.2.2 GEOLOGY

The Mumbwa Project lies within the southern end of a fold and thrust belt known as the Lufilian Arc, which also hosts the Zambian copper belt deposits. The oldest rocks are the Kundulungu group metasediments which belong to the upper units of the Neoproterozoic Katanga Sequence. The Kundulungu metasediments are intruded in multiple phases by the Hook Granitoid Suite.

The mineralisation at Kitumba is hosted within brecciated Hook Granitoids (syenite-diorite porphyry) and pervasive iron oxide replacement of various pre-existing rocks is a common feature. Breccia formation has been facilitated by a large north-south oriented structure known as the Kitumba Fault Zone and iron induration along the fault has resulted in the formation of a prominent hill.

The Kitumba deposit is recognised as having Iron Oxide Copper Gold (IOCG) type affinities and its geological setting displays similar characteristics to other IOCG deposits, including Olympic Dam. Typical characteristics include:

- copper-gold mineralisation accompanied by large-scale partial to pervasive iron alteration and brecciation;
- vertically oriented, structurally controlled hematite-rich breccia zones containing pyrite and chalcopyrite;
- mineralisation and brecciation spatially associated with major structural intersections; and
- a spatial and temporal association with the multi-phase Hook Granitoid Suite, and extensive potassic alteration.

As part of the OPFS, a series of mining options and production rates were assessed and a sub-level cave was chosen as the preferred option. Mine planning is based on a dual decline design and materials handling is by truck haulage. The mine design is based on 25m sub-levels and extends to a depth of approximately 525m below surface.

Copper will be recovered using a copper leaching process comprised of crushing, grinding, flotation, pressure oxidation, atmospheric acid leaching and solvent extraction/electrowinning. The flow sheet utilises commercially proven processes and produces copper cathode product for direct sale. The flow sheet also has excess plant capacity that could potentially be used to allow toll treatment of copper concentrate from outside operations.

A 3Mtpa production rate at a stope design cut-off grade of 1% copper was chosen as the preferred mining production rate. This results in a production mine life of 11 years, producing an average of 58,000 tonnes of copper per annum. The OPFS assumes that the copper cathode is exported directly to customers through the port of Dar es Salaam, Tanzania.

Project development costs are estimated at US\$680 million including US\$185 million for EPCM contractor, owner's costs and contingency. The OPFS estimated C1 cash costs at US\$1.57/lb of copper metal produced, with an all-in cash cost of US\$1.89/lb.

The OPFS produced preliminary key economic and planning outcomes which offer an indication only of the potential value of the mine. These economic and planning outcomes are summarised in the table below.

Key element	Base Case – Copper price of US\$3.50/lb
Nominal production rate (ROM)	3 million tonnes per annum
Cu head grade	2.03%
Overall Cu recovery	Approx. 92%
Average Cu production over life of mine	58,000 tonnes per annum
Mine life	11 years
Real post-tax IRR	21% (100% ungeared equity basis)
Post-tax NPV₈	US\$461 million
Capital payback	3.5 years after first production
Initial capital expenditure	US\$680 million (including contingency)
Additional life of mine capital expenditure	US\$116 million
Average life of mine cash cost/lb Cu (C1)	US\$1.57
All-in cash cost/lb Cu	US\$1.89

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

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

See Section 11.5 (Mineral Resources and Ore Reserves Attributions) for the relevant attributions.

4.2.4 MINING LICENCE APPLICATION

In July 2014, Blackthorn Resources (Zambia) Limited, a wholly owned subsidiary of Blackthorn, lodged an application with the Zambian Ministry of Mines for a large-scale mining licence for the Kitumba Project under section 25 of the MMD Act.

The OPFS, together with the Environmental Impact Statement (**EIS**) which is currently under consideration by the Zambian Environmental Management Agency, have been provided to the Ministry of Mines in support of the Mining Licence Application.

The Mining Licence Application is currently under review by the Mines Safety Department (**MSD**), following which the Mining Licence Application will progress through to the Mines Advisory Council for formal review and consideration on behalf of the Director of Mines.

It is a condition of the Scheme that the Mining Licence be granted before the Mining Licence Approval End Date at 8.00am on 28 November 2014. Assuming no material unexpected issues or delays are encountered, Blackthorn currently expects that the Director of Mines will be in a position to grant the Mining Licence before that date. If the Mining Licence is not granted by the Mining Licence Approval End Date, Blackthorn and Intrepid are required to consult, and they may agree to waive the condition or to extend the time allowed for satisfaction of the condition. However, if Blackthorn and Intrepid do not agree to waive the condition and do not extend (or further extend) the Mining Licence Approval End Date, they will each have the right to terminate the Scheme. A summary of the implications for Blackthorn Shareholders if the Scheme does not proceed is set out in Section 1 (Summary of the Scheme) and Section 7 (Risk factors).

Subject to the MMD Act and to the conditions of the Mining Licence, the Mining Licence will confer on the licence holder the exclusive right to carry on mining and prospecting operations (except in relation to gemstones) in the mining area to which the licence relates, and to do all other acts and things necessary for or reasonably incidental to the carrying on of those operations.

The period of the Mining Licence will be determined by the Director of Mines. It can be up to 25 years, and mining licence holders have certain renewal rights for up to a further 25 years. The Director of Mines will also determine the other terms and conditions of the licence.

The holder of the Mining Licence will be subject to obligations under the MMD Act, including obligations to develop the mining area and carry on mining in accordance with the programme of mining operations and an environmental management plan, to take all reasonable measures to mine the mineral to which the licence relates, and to comply with the capital expenditure forecast of the licence applicant. The programme of mining operations and the capital expenditure forecast applicable to the Mining Licence will be subject to negotiation with the Director of Mines. It is expected these will be derived from the relevant information in the OPFS, including as summarised in Section 4.2.3 (Optimised prefeasibility study).

4. Profile of Blackthorn (continued)

4.2.5 DEFINITIVE FEASIBILITY STUDY

In May 2014, Blackthorn announced that it intended to commence a Definitive Feasibility Study (DFS) on the Kitumba Project with the aim of demonstrating the value of the Kitumba Project through increasing confidence in the technical and implementation plans.

Prior to engaging a study manager for the DFS, Blackthorn is conducting a comprehensive drilling campaign of approximately 12,000m in and around the Kitumba deposit to aid in the DFS level studies for both the proposed mine and process plant design.

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

In addition to the drilling programme underway, the DFS will incorporate a comprehensive work programme to refine the technical, economic and planning outcomes produced by the OPFS. The DFS is expected to cost approximately A\$20 million and is expected to be completed in Q4 CY 2015.

4.2.6 PROJECT TIMETABLE

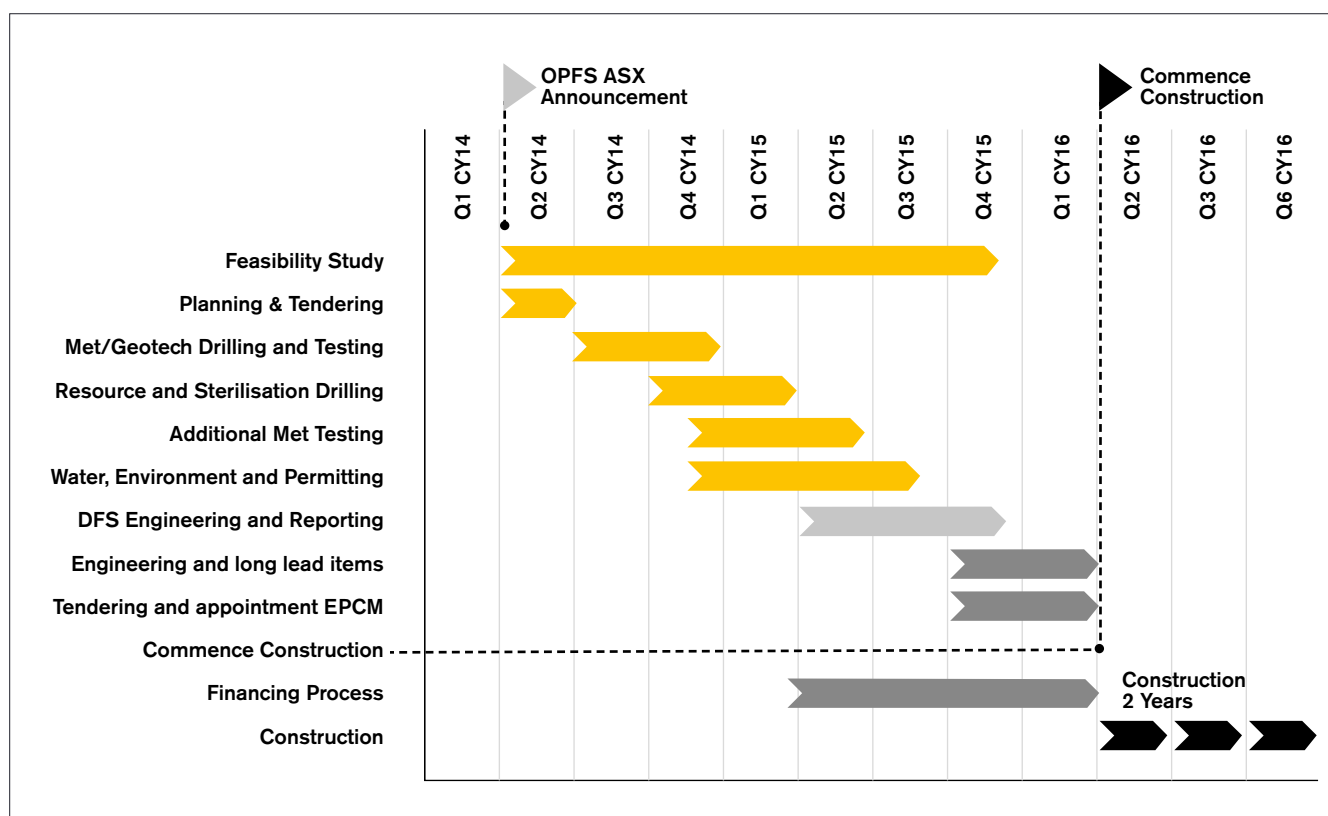
A preliminary timetable outlining key milestones toward construction of the mine is set out below. This timetable is indicative only. Delivery of the Kitumba Project will be dependent upon a range of factors including receipt of the Mining Licence and other necessary approvals, confirmation of the economics of the Kitumba Project as part of the DFS, securing funding for the capital expenditure associated with construction of the project and the making of a Final Investment Decision.

4.2.7 OTHER MUMBWA TARGETS

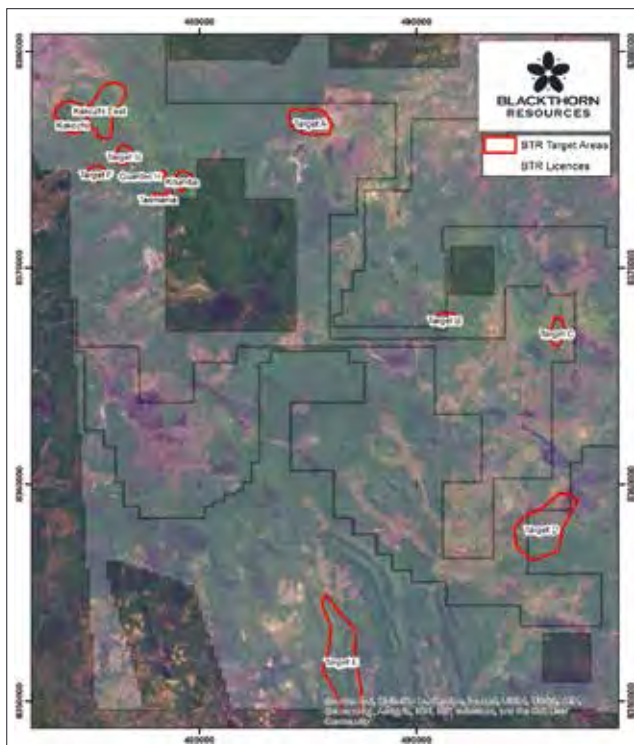
The IOCG alteration system within the Mumbwa Project extends over 20km of strike length. A significant exploration programme is planned to be undertaken over the previously under-explored near-Kitumba targets and the wider Mumbwa Project licence areas.

A series of targets have been identified over the ~1,000km² of prospecting licences held by Blackthorn. Drilling has commenced on the near-Kitumba Kakozhi prospect. Other targets are expected to be ready for drilling over the next 12 months.

The exploration programme represents substantial potential upside to the Kitumba Project through potential extension of the project's mine life and ability to demonstrate a copper-rich mineral field around the Kitumba deposit.



Exploration targets



4.2.8 SALE OF THE PERKOA PROJECT AND BURKINA FASO EXPLORATION LICENCES

On 16 May 2014, Blackthorn entered into an agreement with subsidiaries of Glencore PLC (**Glencore**) to sell its 27.3% equity interest in the Perkoa zinc project in Burkina Faso to Glencore for US\$10 million (**Share Transaction**). The agreement also included the sale of Blackthorn's 100% interest in four adjacent exploration licences in Burkina Faso (**Burkina Faso Exploration Licences**) for US\$2 million (**EL Transaction**).

The Share Transaction and the EL Transaction were approved by Blackthorn Shareholders at an Extraordinary General Meeting in August 2014. The Share Transaction completed on 20 August 2014, with the Company receiving the settlement proceeds of US\$10 million.

Completion of the EL Transaction, including payment of the US\$2 million purchase consideration, is contingent on receiving the approval of the Burkina Faso Minister of Mines to the transfer of the Burkina Faso Exploration Licences, and satisfaction of certain other conditions.

If the approval of the Minister of Mines is not obtained or any of the conditions to the EL Transaction are not satisfied or waived by 12 November 2014, either Blackthorn or Glencore may terminate the EL Transaction. If the EL Transaction does not complete, Blackthorn would not receive payment of US\$2 million, but it would retain two of the exploration licences (known as 'Poa' and 'Guido'). The other two licences, known as 'Seboun' and 'Sépaogo', expire in October 2014 with no right of renewal. However, Blackthorn will still be party to an Access and Co-operation Agreement dated 20 November 2010

with Glencore, under which Blackthorn holds the base metal rights under the Poa and Guido licences effectively for the benefit of Glencore, whilst retaining for itself the exploration and exploitation rights to gold. For more information on these arrangements, refer to section 2 of Blackthorn's Notice of General Meeting and Explanatory Statement dated 14 July 2014, which is available on the ASX website at www.asx.com.au or on the "Investor Relations" section of the Blackthorn website at www.blackthornresources.com.au.

4.3 BLACKTHORN MINERAL RESOURCES AND ORE RESERVE STATEMENT

December 2013 Measured and Indicated Mineral Resource

Copper cut-off (%)	Resource Tonnes (Mt)	Average Grade (% Cu)
0.20	178.2	0.79
0.35	113.7	1.10
0.50	81.6	1.37
1.00	34.7	2.29

April 2014 Ore Reserve

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

See Section 11.5 (Mineral Resources and Ore Reserves Attributions) for the relevant attributions.

4.4 BLACKTHORN DIRECTORS

MICHAEL (MIKE) OPPENHEIMER Non-Executive Chairman

Mike Oppenheimer is a senior executive with over 30 years' experience in the resources 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. Under his leadership, the company experienced strong growth in share value resulting in Ferrexpo being included in the FTSE 100 index. 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 CEO. 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 Chairman of the Board on 6 February 2014.

4. Profile of Blackthorn (continued)

MARK MITCHELL

Managing Director and Chief Executive Officer

Mark Mitchell joined the Company on 1 January 2014 as its Chief Executive Officer and agreed to join the Board as its Managing Director effective 15 May 2014. Mark has extensive business experience in the mining industry, having held senior operational and general management roles with Perseverance 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.

NICOLE (NICKI) BOWMAN

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.

DEREK CARTER

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.

ROGER HIGGINS

Non-Executive Director

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 has 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 ASX listed Metminco Ltd, as well as being a fellow of The Australasian Institute of Mining and Metallurgy and the Institution of Engineers, Australia.

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.

4.5 BLACKTHORN HISTORICAL FINANCIAL INFORMATION

The following selected financial information of Blackthorn is extracted from the audited consolidated financial statements of Blackthorn for the financial years ended 30 June 2014 and 30 June 2013. The Blackthorn consolidated financial statements for the financial years ended 30 June 2014 and 30 June 2013 have been subject to audit by KPMG in accordance with Australian Auditing Standards and the audit opinions issued relating to those financial statements were unqualified.

The following selected financial information of Blackthorn has been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act. The financial information also complies with the recognition and measurement requirements of International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. The financial information presented in the tables below does not represent complete financial statements and should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements. Where appropriate, adjustments have been made to headings and classifications of historical data to provide a consistent basis of presentation. Except as set out in Section 4.7 (Update on Blackthorn financial performance and financial position), in the interval between the end of the full year to 30 June 2014 and the date of this Scheme Booklet, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Blackthorn Directors, to significantly affect the operations of Blackthorn, the results of those operations, or the state of affairs of Blackthorn, in future financial years other than as disclosed in the 30 June 2014 full year financial statements and subsequent filings on ASX.

Blackthorn Shareholders may view complete copies of the audited consolidated financial statements of Blackthorn for the years ended 30 June 2014 and 30 June 2013 on the ASX website at www.asx.com.au or on the "Investor Relations" section of the Blackthorn website at www.blackthornresources.com.au.

Alternatively, Blackthorn will give a copy of the financial report for the full year ended 30 June 2014 free of charge to any registered Blackthorn Shareholder who requests a copy prior to the Scheme being approved by the Court.

4.5.1 BLACKTHORN CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Full year ended 30-Jun-14 A\$'000 (Audited)	Full year ended 30-Jun-13 A\$'000 (Audited)
Continuing operations		
Finance income	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	–	–
Loss from continuing operations	(4,706)	(5,013)
Discontinued operations		
Loss from discontinued operations net of tax	(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)
Earnings per share	Cents	Cents
Basic earnings per share	(23.44)	(7.79)
Diluted earnings per share	(23.44)	(7.79)
Earnings per share – continuing operations		
Basic earnings per share	(2.86)	(3.12)
Diluted earnings per share	(2.86)	(3.12)

4. Profile of Blackthorn (continued)

4.5.2 BLACKTHORN CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30-Jun-14 A\$'000 (Audited)	As at 30-Jun-13 A\$'000 (Audited)
Current assets		
Cash and cash equivalents	12,491	25,573
Trade and other receivables	386	1,567
Other current assets	59	55
Assets held for sale	2,121	–
Total current assets	15,057	27,195
Non-current assets		
Trade and other receivables	136	133
Property, plant and equipment	223	426
Exploration and evaluation expenditure	35,621	34,935
Investment in equity accounted associate	–	31,829
Total non-current assets	35,980	67,323
Total assets	51,037	94,518
Current liabilities		
Trade and other payables	1,506	3,304
Provisions	138	207
Total current liabilities	1,644	3,511
Non-current liabilities		
Provisions	26	10
Total non-current liabilities	26	10
Total liabilities	1,670	3,521
Net assets	49,367	90,997
Equity		
Share capital	213,379	213,379
Reserves	(5,842)	(2,723)
Accumulated losses	(158,170)	(119,659)
Total equity	49,367	90,997

4.5.3 BLACKTHORN CONSOLIDATED STATEMENT OF CASH FLOWS

	Full year Ended 30-Jun-14 A\$'000 (Audited)	Full year ended 30-Jun-13 A\$'000 (Audited)
Cash flows from operating activities		
Payments to suppliers and employees	(4,622)	(5,270)
Net cash used in operating activities	(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	–	40,115
Share issue costs	–	(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	12,491	25,573

4. Profile of Blackthorn (continued)

4.6 MANAGEMENT DISCUSSION AND ANALYSIS

4.6.1 FINANCIAL RESULTS

The Blackthorn Group recorded a net loss after tax for the 2014 year of A\$38.5 million. This compared to a net loss of A\$12.5 million for the 2013 year.

The current year loss included a loss of A\$33.8 million (2013: A\$7.5 million) from discontinued operations. This loss consisted of the Blackthorn Group's equity accounted share of operating losses attributable to its investment in the Perkoa Project of A\$31.8 million (2013: A\$7.5 million), a write down of exploration and evaluation expenditure incurred in relation to the Group's interests in the Burkina Faso Exploration Licences of A\$1.1 million, plus other exploration and evaluation related expenditure in Burkina Faso of A\$0.8 million. In August 2014 Blackthorn completed the sale of its interest in the Perkoa Project for US\$10 million, and it has conditionally agreed to dispose of its interest in the Burkina Faso Exploration Licences. A discussion of these transactions is set out in Section 4.2.8 (Sale of the Perkoa Project and Burkina Faso Exploration Licences).

The current year loss from continuing operations is A\$4.7 million, compared to a loss of A\$5.0 million for the prior year.

4.6.2 FINANCIAL POSITION

The net assets of the Blackthorn Group decreased by A\$41.6 million, from A\$91.0 million in 2013 to A\$49.4 million in 2014. This decrease was principally a result of a A\$31.8 million reduction in the carrying value of the Blackthorn Group's investment in the Perkoa Project to zero as a result of the Blackthorn Group equity accounting its share of operating losses incurred by the Perkoa Project, as well as a decrease in working capital of A\$12.5 million. In addition, A\$2.1 million of exploration and evaluation expenditure relating to the Burkina Faso Exploration Licences were transferred to 'Assets held for sale'.

The decrease in working capital was largely due to a decrease in cash of A\$13.1 million and trade and other receivables of A\$1.2 million, partially offset by a reduction in trade and other payables of A\$1.8 million.

Capitalised exploration and evaluation expenditure increased by A\$0.7 million from A\$34.9 million in 2013 to A\$35.6 million in 2014. This increase consisted of A\$7.3 million of capitalised expenditure principally related to the Kitumba Project, offset by the A\$2.1 million of expenditure transferred to 'Assets held for sale', the write down plus other exploration and evaluation related expenditure of A\$1.9 million relating to the Burkina Faso Exploration Licences, and the effect of movements in exchange rates of A\$2.6 million.

4.6.3 CASH FLOWS

As at 30 June 2014, the Blackthorn Group had cash on hand of A\$12.5 million (2013: A\$25.6 million).

The Blackthorn Group spent A\$9.1 million during the year on exploration and evaluation expenditure principally in relation to the Mumbwa Project in Zambia. In addition, the Company spent A\$4.0 million (2013: A\$4.1 million) on administration costs net of interest received on cash deposits.

4.7 UPDATE ON BLACKTHORN FINANCIAL PERFORMANCE AND FINANCIAL POSITION

Subsequent to 30 June 2014, a payment of US\$10 million was received as settlement of the sale of the Company's equity interest in the Perkoa Project to Glencore. Blackthorn's equity interest in the project is carried at nil value at 30 June 2014. A discussion of this transaction is set out in Section 4.2.8 (Sale of the Perkoa Project and Burkina Faso Exploration Licences).

4.8 BLACKTHORN CAPITAL STRUCTURE

As at Friday, 10 October 2014, being the last practicable date prior to finalisation of this Scheme Booklet, Blackthorn has the following securities on issue:

- 164,285,950 Blackthorn Shares quoted on ASX; and
- Blackthorn Options exercisable over a maximum of 2,810,000 unissued Blackthorn Shares. The tranches of these unquoted options are as follows:

Expiry date	Exercise price	Number
27 June 2015	A\$1.63	150,000
31 May 2017	A\$0.25	2,660,000
Total		2,810,000

In respect of the options with an expiry date of 27 June 2015:

- one third vest 12 months from grant date;
- one third vest 24 months from grant date;
- one third vest 35 months from grant date; and

all are exercisable if the option holder remains in the employ of Blackthorn over the vesting period.

All 31 May 2017 options vest 36 months from grant date and are exercisable if the Blackthorn Share Price is at least A\$0.75 based on the 30 day VWAP prior to vesting date.

Prior to the date of this Scheme Booklet, Blackthorn and Intrepid entered into option cancellation deeds with each of the Blackthorn Option Holders. Under the terms of the option cancellation deeds, each person holding Blackthorn Options has agreed to have their Blackthorn Options cancelled with effect from 10.00am on the Implementation Date in exchange for Intrepid Shares to be issued to them (or, in the case of one foreign option holder, paid cash consideration equivalent to the value of the Intrepid Shares they would otherwise have received on cancellation of the options).

See Section 9.6 (Blackthorn Options) for further information on cancellation of the Blackthorn Options.

4.9 BLACKTHORN SUBSTANTIAL SHAREHOLDERS

As at Friday, 10 October 2014, being the last practicable date prior to finalisation of this Scheme Booklet, Blackthorn has been notified that the following persons hold 5%, or more, of Blackthorn Shares:

Name	Number of Blackthorn Shares held	% of issued Blackthorn Shares held
Glencore PLC	23,305,853	14.2%
The Siebels Hard Asset Fund Ltd	11,545,384	7.0%
Lloyd Miller	10,646,165	6.5%
North Sound	9,909,781	6.0%
Total	55,407,183	33.7%

4.10 BLACKTHORN SHARE PRICE PERFORMANCE

The graph below shows the Blackthorn Share Price and the volume of Blackthorn Shares traded for the twelve months to Friday, 10 October 2014, being the last practicable date prior to finalisation of this Scheme Booklet.

As at Friday, 10 October 2014, being the last practicable date prior to finalisation of this Scheme Booklet:

- the last recorded trading price of Blackthorn Shares was A\$0.265;
- the 1 month VWAP of Blackthorn Shares was A\$0.262;
- the 3 month VWAP of Blackthorn Shares was A\$0.246;
- the highest recorded trading price of Blackthorn Shares in the previous three months was A\$0.295; and
- the lowest recorded trading price of Blackthorn Shares in the previous three months was A\$0.170.

As at Wednesday, 27 August 2014, being the last day on which Blackthorn Shares traded prior to announcement of the merger:

- the last recorded trading price of Blackthorn Shares was A\$0.265;
- the 1 month VWAP of Blackthorn Shares was A\$0.223;
- the 3 month VWAP of Blackthorn Shares was A\$0.195;
- the highest recorded trading price of Blackthorn Shares in the previous three months was A\$0.280; and
- the lowest recorded trading price of Blackthorn Shares in the previous three months was A\$0.150.

4.11 BLACKTHORN DIVIDEND HISTORY

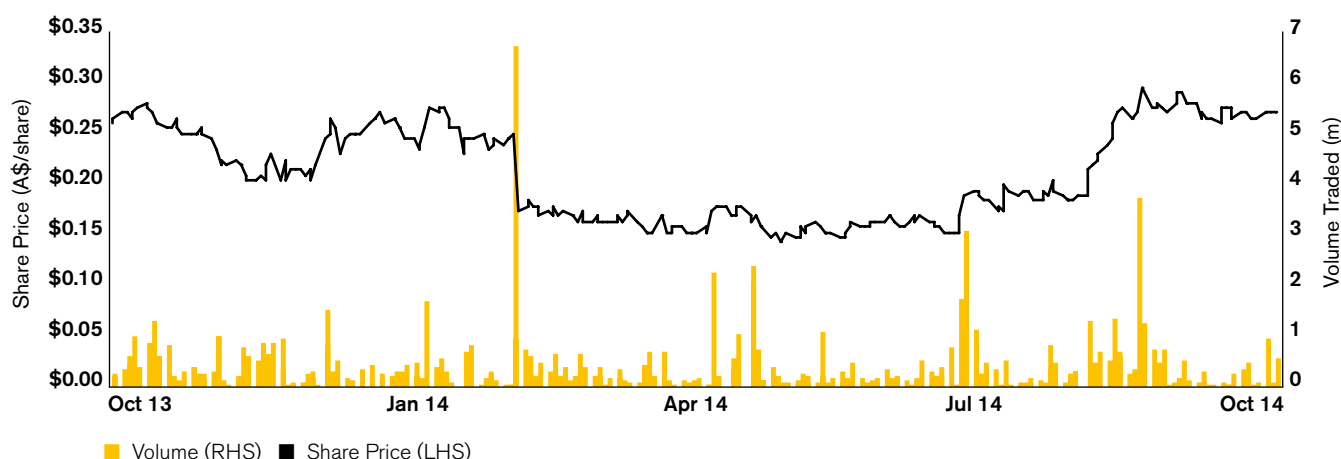
No dividends were paid or declared during or since the financial year ended 30 June 2013. No dividends have been recommended by the Blackthorn Directors in respect of or since the financial year ended 30 June 2014.

4.12 INTERESTS OF BLACKTHORN DIRECTORS

4.12.1 INTERESTS IN BLACKTHORN SECURITIES

The Blackthorn Directors' interests in Blackthorn Shares and Blackthorn Options as at the date of this Scheme Booklet are detailed in the table below.

Director	Blackthorn Shares	Blackthorn Options
Michael Oppenheimer	816,089	—
Nicole Bowman	1,000,000	—
Derek Carter	30,000	—
Roger Higgins	100,000	—
Peter Kalkandis	—	—
Mark Mitchell	—	1,000,000



4. Profile of Blackthorn (continued)

4.12.2 RELEVANT INTERESTS IN INTREPID SECURITIES

As at the date of this Scheme Booklet, no Blackthorn Director has any Relevant Interests in any Intrepid Shares.

4.13 BLACKTHORN RELEVANT INTEREST IN INTREPID

As at the date of this Scheme Booklet, Blackthorn does not have a Relevant Interest in any Intrepid Shares. Blackthorn has not acquired or disposed of a Relevant Interest in any Intrepid Shares in the four months preceding the date of this Scheme Booklet.

4.14 NO PRE-TRANSACTION BENEFITS

During the period of four months before the date of this Scheme Booklet, neither Blackthorn nor any associate of Blackthorn gave, or offered to give, or agreed to give, a benefit to another person which was likely to induce the other person, or an associate of the other person, to:

- i. vote in favour of the Scheme; or
- ii. dispose of Blackthorn Shares,

and which will not be provided to all Scheme Participants under the Scheme.

4.14.1 BENEFITS IN CONNECTION WITH RETIREMENT FROM OFFICE

No payment or other benefit from Blackthorn is proposed to be made or given to any director, company secretary or executive officer of Blackthorn (or its Related Bodies Corporate) as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in Blackthorn or any of its Related Bodies Corporate in connection with the Scheme other than in his or her capacity as a Blackthorn Shareholder, or holder of Blackthorn Options.

Blackthorn pays premiums in respect of a directors and officers (D&O) insurance policy for the benefit of the Blackthorn Directors and executive officers. Blackthorn has also agreed to indemnify certain directors, former directors and certain officers against all liabilities incurred in the course of or arising out of employment with Blackthorn and its controlled entities, other than conduct involving a wilful breach of duty.

4.14.2 AGREEMENTS CONNECTED WITH OR CONDITIONAL ON THE SCHEME

Except as disclosed in this Scheme Booklet:

- i. no Blackthorn Director has any other interests in a contract entered into by Intrepid;
- ii. there are no contracts or arrangements between a Blackthorn Director and any person in connection with or conditional upon the outcome of the Scheme; and
- iii. no Blackthorn Director has a material interest in relation to the Scheme other than in their capacity as a security holder as outlined in Section 4.12 (Interests of Blackthorn Directors).

4.15 FURTHER INFORMATION

4.15.1 CONTINUOUSLY DISCLOSING ENTITY

As a company with securities quoted on the ASX and being a disclosing entity under the Corporations Act, Blackthorn is subject to regular reporting and disclosure obligations. These obligations require Blackthorn to announce price sensitive information as soon as it becomes aware of the information, subject to the exceptions for certain confidential information. Blackthorn's recent ASX announcements are available from the Blackthorn website at www.blackthornresources.com.au and the ASX website at www.asx.com.au.

It is intended that further announcements concerning developments at Blackthorn will continue to be made on these websites after the date of this Scheme Booklet. Historical ASX announcements and copies of half-yearly and annual financial results (and accompanying releases) are also available from the Blackthorn website at www.blackthornresources.com.au.

Copies of these documents will also be made available free of charge at any time before the Second Court Date on a request in writing to Blackthorn's Company Secretary at info@blackthornresources.com.au.

4.15.2 RECENT BLACKTHORN ANNOUNCEMENTS

The following table lists the announcements made to the ASX by Blackthorn that may have affected share price movements over the period between 1 January 2014 and 10 October 2014:

Date	Event
1/10/2014	Change in substantial holding
26/09/2014	Annual Report to shareholders
25/09/2014	AGM Date
3/09/2014	CEO Presentation Africa Down Under Conference
28/08/2014	Merger Investor Presentation
28/08/2014	Blackthorn Resources and Intrepid Mines Announce Merger
20/08/2014	Perkoa Share Transaction Completed
14/08/2014	Results of Meeting
14/08/2014	CEO Presentation to EGM
14/08/2014	Chairman's Address to Shareholders
1/08/2014	Shareholder Letter – Perkoa Sale
29/07/2014	Quarterly Cashflow Report
29/07/2014	Quarterly Activities Report
14/07/2014	Notice of General Meeting/Proxy Form
4/07/2014	Response to ASX Price and Volume Query
30/06/2014	Change in substantial holding
17/06/2014	Kitumba Project Update – DFS Drilling Commences
16/05/2014	Perkoa Sale and Purchase Agreement Agreed
15/05/2014	Managing Director Appointment – Appendix 3X
14/05/2014	Becoming a substantial holder
2/05/2014	Kitumba Project Update
1/05/2014	Investor Presentation
29/04/2014	Kitumba Optimised PFS Provides Positive Project Re-rating
23/04/2014	Quarterly Cashflow Report
23/04/2014	Quarterly Activities Report
16/04/2014	BTR Agrees To Sell Its Interest In Perkoa To Glencore
28/03/2014	Becoming a substantial holder
27/03/2014	Kitumba Prefeasibility Study Optimisation Update
26/03/2014	Appendix 3B
26/03/2014	Unlisted Employee Options Cancelled
17/03/2014	Letter to Shareholders
13/03/2014	Half-year Report
7/03/2014	S&P DJ Indices Announces March Quarterly Rebalance
21/02/2014	Change in substantial holding
14/02/2014	Status of Comprehensive Perkoa Review

4. Profile of Blackthorn (continued)

7/02/2014	Final Directors Interest Notice
7/02/2014	Chairman's Retirement
30/01/2014	Quarterly Cashflow Report
30/01/2014	Quarterly Activities Report
6/01/2014	Initial Directors Interest Notice

Copies of the announcements listed above may be obtained from the ASX website at www.asx.com.au.

Further information about Blackthorn is contained in electronic form on the Blackthorn website at www.blackthornresources.com.au.

5

Profile of Intrepid

5. Profile of Intrepid

5.1 OVERVIEW OF INTREPID

Intrepid is a base and precious metals exploration and development company, incorporated in Australia and listed on ASX.

Intrepid's major asset is its substantial cash balance of US\$165 million as at 30 June 2014.

As at Friday, 10 October 2014, being the last practicable date prior to finalisation of the Scheme Booklet, Intrepid had 557,577,524 shares on issue and a market capitalisation of approximately A\$151 million.

Intrepid was previously the operator of the Tujuh Bukit copper-gold project in Indonesia (**Tujuh Bukit Project**), where it had commercial agreements in place with its Indonesian joint venture partner, PT Indo Multi Niaga (**PT IMN**) to afford Intrepid an 80% economic interest in Tujuh Bukit Project. The Tujuh Bukit Project, located in East Java, contains a large, undeveloped copper-gold porphyry deposit.

During 2012 and 2013, Intrepid's 80% economic interest in the Tujuh Bukit Project became subject to a protracted ownership dispute between Intrepid, PT IMN and various other parties who claimed ownership of, or economic interests in, the Tujuh Bukit Project. On 19 February 2014, Intrepid announced it had signed agreements to settle all disputes surrounding the ownership of the Tujuh Bukit Project, for cash consideration of US\$80 million. The agreements were approved by Intrepid shareholders at an Extraordinary General Meeting on 9 April 2014. Further details on the disputes and the agreements to settle the disputes are contained in the Intrepid Explanatory Memorandum dated 6 March 2014 and are available on the ASX website www.asx.com.au.

5.2 INTREPID DIRECTORS

IAN McMASTER AM Chairman

Mr McMaster was appointed to the Board of Intrepid Mines as an independent non-executive director on 11 March 2008. Mr McMaster served as Chief Executive Officer of CSR Sugar from 1999 until 2006, and prior to that held various senior management roles over a thirty year career with BHP. He holds a Masters in Engineering awarded by the University of Newcastle, and was made an Honorary Fellow of the University of Wollongong in 1996. He was awarded the Order of Australia in 2008.

Mr McMaster is an independent non-executive director, the Chairman of the Intrepid Board, Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.

SCOTT LOWE

Chief Executive Officer and Managing Director

Mr Lowe was appointed as CEO and Managing Director of Intrepid Mines Limited on 1 November 2013. Prior to joining Intrepid, Mr Lowe was Managing Director and CEO with Blackthorn Resources Ltd. He 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 and 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. Mr Lowe is also a member of the Australian Institute of Company Directors.

ALAN ROBERTS

Non-Executive Director

Mr Roberts was appointed to the Board of Intrepid Mines as a non-executive director on 11 November 2008. He served as Managing Director of Indophil NL from 2003 until 2004, and prior to that was CEO of Lihir Gold, from 1999 to 2002. He has also held various senior management roles with Rio Tinto over a forty year career in the mining industry. Mr Roberts is currently a member of the Investment Committee of Taurus Investment Fund. He holds an Honours degree in Applied Mineral Sciences awarded by the University of Leeds in England and is a Fellow of the Australian Institute of Mining and Metallurgy.

Mr Roberts is currently Chairman of the Safety and Social Responsibility committee.

GREG MAZUR

Non-Executive Director

Mr Mazur was appointed to the Board of Intrepid Mines as a non-executive director on 13 May 2014. He is currently the founder and Managing Partner of Quantum Pacific Capital. Mr Mazur was previously a Managing Director based in Hong Kong at ABN Amro, Merrill Lynch and Citigroup with responsibility for various sectors in Asia including Energy & Resources, M&A and Telecom & Media. Mr Mazur holds a M.Sc. in Economics from the London School of Economics and a B.Com from the University of Toronto.

LIM YU NENG PAUL

Non-Executive Director

Mr Lim was appointed to the Board of Intrepid Mines as a non-executive director on 13 May 2014. He has over 25 years of banking experience with international investment banks including Morgan Stanley, Deutsche Bank, Citigroup and Bankers Trust. He is currently the Chairman of PT BNI Securities Indonesia. Mr Lim is an Independent Director of Hankore Environment Tech Group Limited, Nippecraft Limited and United Fiber System Ltd. All the three companies are listed on the Singapore Exchange. Mr Lim obtained his Master of Business Administration in Finance and Bachelor of Science in Computer Science from the University of Wisconsin, Madison, USA. He is a Chartered Financial Analyst (CFA).

Mr Lim is a member of the Audit and Risk Committee.

CLIFF SANDERSON

Non-Executive Director

Mr Sanderson was appointed to the Board of Intrepid Mines as a non-executive Director on 13 May 2014. He is currently the founder of Financial Services International (Australia) and is CEO of Restructuring Works. Mr Sanderson is a 26-year specialist in transaction advice and restructuring. He is a former Partner of Ernst & Young based in Australia and Indonesia. As lead Advice Partner, he has conducted over 42 assignments each with debts exceeding \$100 million, including twenty listed companies. He also serves as an independent director of Indopac Holdings Limited (ASX Listed). Mr Sanderson has a Bachelor of Business from the University of Technology (Sydney) and is a Chartered Accountant.

Mr Sanderson is Chairman of the Audit and Risk Committee.

5.3 INTREPID HISTORICAL FINANCIAL INFORMATION

The following selected financial information for Intrepid is extracted from the audited consolidated financial statements of Intrepid for the years ended 31 December 2013 and 31 December 2012, and the reviewed consolidated financial statements of Intrepid for the six months ended 30 June 2014.

The Intrepid consolidated financial statements for the financial years ended 31 December 2013 and 31 December 2012 have been subject to audit by KPMG in accordance with Australian Auditing Standards and the audit opinions issued relating to those financial statements were unqualified. The Intrepid consolidated financial statements for the six months ended 30 June 2014 and 30 June 2013 have been subject to review by KPMG in accordance with Australian Auditing Standards and the review opinions issued relating to those financial statements were unqualified.

The following selected financial information of Intrepid has been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act. The financial information of Intrepid below also complies with the recognition and measurement requirements of International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

The financial information presented in the tables below does not represent complete financial statements and should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements. Where appropriate, changes have been made to headings and classifications of historical data to provide a consistent basis of presentation.

Intrepid's presentation currency is United States dollars ("US\$").

Except as set out in Section 5.5 (Update on Intrepid financial performance and financial position), in the interval between the end of the half year to 30 June 2014 and the date of this Scheme Booklet, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Intrepid Directors, to significantly affect the operations of Intrepid, the results of those operations, or the state of affairs of Intrepid, in future financial years other than as disclosed in the 30 June 2014 half year financial statements and subsequent filings on ASX. Blackthorn Shareholders may view complete copies of the audited consolidated financial statements of Intrepid for the years ended 31 December 2013 and 31 December 2012 and the reviewed consolidated financial statements of Intrepid for the six months ended 30 June 2014 on the ASX website at www.asx.com.au or on the "Investor Relations" section of the Intrepid website at www.intrepidmines.com.au.

5. Profile of Intrepid (continued)

5.3.1 INTREPID CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Half year ended 30-Jun-2014 US\$'000 (Un-audited)	Half year ended 30-Jun-2013 US\$'000 (Un-audited)	Full year ended 31-Dec-2013 US\$'000 (Audited)	Full year ended 31-Dec-2012 US\$'000 (Audited)
Revenue				
Other income	977	1,232	2,731	3,890
Tujuh Bukit settlement proceeds	80,000	–	–	–
	80,977	1,232	2,731	3,890
Expenses				
Exploration and evaluation expenditure	(685)	(2,238)	(2,475)	(29,993)
General and administration expenses				
– General	(7,451)	(6,904)	(12,003)	(10,112)
– Share based payments expense	(485)	(480)	(923)	(7,651)
Unrealised change in fair value of other financial assets	29	(474)	(360)	(557)
Impairment of mining properties	–	–	–	(16,638)
Impairment of other receivables	–	(602)	(627)	(11,546)
Provision for litigation	–	–	(12,249)	–
Reversal of provision for litigation	12,833	–	–	–
Foreign exchange gain/(loss)	(1,444)	5,107	6,478	(1,399)
Profit/(Loss) before income tax	83,774	(4,359)	(19,428)	(74,006)
Income tax benefit	–	–	163	2,157
Profit/(Loss) after tax attributable to members of the Company	83,774	(4,359)	(19,265)	(71,849)
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign controlled entities and translation to presentation currency	3,787	(10,821)	(14,043)	3,342
Total comprehensive income/(loss) attributable to members of the Company	87,561	(15,180)	(33,308)	(68,507)
	Cents	Cents	Cents	Cents
Basic and diluted profit/(loss) per share	15.0	(0.8)	(3.5)	(13.4)

5.3.2 INTREPID CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30-Jun-2014 US\$'000 (Un-audited)	As at 31-Dec-2013 US\$'000 (Audited)	As at 31-Dec-2012 US\$'000 (Audited)
Current Assets			
Cash and cash equivalents	139,640	9,757	9,653
Other financial assets	24,941	78,692	99,258
Trade and other receivables	968	1,032	1,037
Total current assets	165,549	89,481	109,948
Non-current assets			
Other financial assets	522	498	887
Property, plant and equipment	–	–	8
Total non-current assets	522	498	895
Total assets	166,071	89,979	110,843
Current liabilities			
Trade and other payables	1,457	1,057	1,546
Current tax payable	–	116	–
Provisions	112	98	381
Total current liabilities	1,569	1,271	1,927
Non-current liabilities			
Provisions	82	12,331	150
Total non-current liabilities	82	12,331	150
Total liabilities	1,651	13,602	2,077
Net assets	164,420	76,377	108,766
Equity			
Contributed equity	317,655	317,404	317,157
Reserves	10,349	6,331	19,702
Accumulated losses	(163,584)	(247,358)	(228,093)
Total equity	164,420	76,377	108,766

5. Profile of Intrepid (continued)

5.3.3 INTREPID CONSOLIDATED STATEMENT OF CASH FLOWS

	Half year ended 30-Jun-2014 US\$'000 (Un-audited)	Half year ended 30 June 2013 US\$'000 (Un-audited)	Full year ended 31-Dec-2013 US\$'000 (Audited)	Full year ended 31-Dec-2012 US\$'000 (Audited)
Cash flows used in operating activities				
Payment for exploration activities	(634)	(3,332)	(3,722)	(29,961)
Payments to suppliers and employees	(7,459)	(6,732)	(11,370)	(10,614)
Interest received	1,120	894	1,875	4,785
Other revenue	–	31	576	95
Net cash flows used in operating activities	(6,973)	(9,139)	(12,641)	(35,695)
Cash flows from investing activities				
Proceeds from Tujuh Bukit settlement	80,000	–	–	–
Proceeds from maturity of bank term deposits greater than three months	55,613	10,067	13,820	38,137
Acquisition of financial asset	–	–	–	(1,005)
Funds advanced to PT Indo Multi Niaga ('PT IMN')	–	–	–	(6,617)
Net cash flows from investing activities	135,613	10,067	13,820	30,515
Cash flows from/(used in) financing activities				
Proceeds from issue of shares	–	–	–	697
Transaction cost on share issue	(7)	(1)	(2)	(30)
Net cash flow from/(used in) financing activities	(7)	(1)	(2)	667
Net increase/(decrease) in cash and cash equivalents	128,633	927	1,177	(4,513)
Cash and cash equivalents at the beginning of the period	9,757	9,653	9,653	14,240
Effects of exchange rate changes on cash and cash equivalents	1,250	(630)	(1,073)	(74)
Cash and cash equivalents at the end of the financial year	139,640	9,950	9,757	9,653

5.4 MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 June 2014, the principal activities of Intrepid and its controlled subsidiaries were the receipt of the settlement proceeds with respect to the Tuhuh Bukit Project and the identification and review of additional mineral projects and advanced exploration assets, for potential investment purposes.

Intrepid's profit after tax was US\$83.8 million for the six months ended 30 June 2014. This is compared with a loss of US\$4.4 million for the six months ended 30 June 2013. The profit for the six months to 30 June 2014 was significantly improved relative to the six months to 30 June 2013 as a result of the positive effects of:

- i. income from the Tuhuh Bukit Project settlement of US\$80.0 million;
- ii. the reversal of the provision for litigation claim; and
- iii. reduced exploration expenditure.

Cash and term deposits at 30 June 2014 were US\$164.6 million.

Total assets increased by US\$76.1 million to US\$166.1 million during the six months ended 30 June 2014. The increase in total assets was made up of:

- i. an increase in cash and term deposits of US\$71.5 million; and
- ii. the positive impact of US\$4.7 million in foreign exchange gains arising from the translation of assets at a stronger closing exchange rate at 30 June 2014 of 0.9420 than that at 31 December 2013 of 0.8948.

Total liabilities decreased by US\$12.0 million to US\$1.7 million during the six months ended 30 June 2014. The decrease was predominantly due to the reversal of the provision for litigation of US\$12.3 million.

5.5 UPDATE ON INTREPID FINANCIAL PERFORMANCE AND FINANCIAL POSITION

On 3 July the company was delisted from the Toronto Stock Exchange (TSX) as it could not be demonstrated that it held an interest in an active business.

5.6 INTREPID CAPITAL STRUCTURE

As at Friday, 10 October 2014, being the last practicable date prior to finalisation of this Scheme Booklet, Intrepid has the following securities on issue:

- i. 557,577,524 Intrepid Shares quoted on ASX;
- ii. 2,107,458 Intrepid Options; and
- iii. 605,922 Intrepid Share Rights.

The tranches of these Intrepid Options are as follows:

Expiry Date	Exercise Price	Number
31 January 2015	A\$0.4536	24,258
30 April 2015	A\$0.2938	715,569
31 May 2015	A\$1.181	155,789
17 July 2016	A\$1.72	93,898
1 January 2017	A\$1.181	494,203
31 May 2017	A\$0.5565	623,741

Intrepid has on issue 605,922 share rights that vest (on the dates below) into fully paid ordinary shares subject to vesting conditions.

Vesting Date	Number
1 January 2015	123,552
1 June 2015	155,935
17 July 2015	46,949
1 January 2016	123,550
1 June 2016	155,936

Intrepid's LTI Plan reflects 36 to 48 month vesting periods. For any award of Intrepid Options and Intrepid Share Rights under the LTI Plan, 50% vest on the third anniversary of the date of grant with the remaining 50% vesting on the fourth anniversary. The vesting of Intrepid Options and Intrepid Share Rights issued under the LTI Plan is subject to a continuing employment service condition (which may be waived at the Intrepid Board's discretion) and TSR performance tests. No Intrepid Options or Intrepid Share Rights will vest if the relative TSR performance of Intrepid is less than the median as evaluated against the relevant indices using a three-year retrospective leading up to the anniversary of the date of initial grant, half will vest if relative performance is in the third quartile, and all the Intrepid Options and Intrepid Share Rights will vest if relative performance is in the top quartile. The relevant index is the ASX300 Mines and Metals Index.

5. Profile of Intrepid (continued)

5.7 INTREPID SUBSTANTIAL SHAREHOLDERS

As at Friday, 10 October 2014, being the last practicable date prior to finalisation of this Scheme Booklet, Intrepid has been notified that the following persons hold 5%, or more, of Intrepid Shares:

Name	Number of Intrepid Shares held	% of issued Intrepid Shares held
Van Eck Global	74,041,260	13.3%
Acorn Capital Ltd	39,532,681	7.1%
Argyle Street Management Ltd	39,074,395	7.0%
Taurus Funds Management	36,921,824	6.6%
Quantum Pacific Ltd	31,580,135	5.7%
Total	221,150,295	39.7%

5.8 INTREPID SHARE PRICE PERFORMANCE

The graph below shows the Intrepid Share Price and the volume of Intrepid Shares traded for the twelve months to Friday, 10 October 2014, being the last practicable date prior to finalisation of this Scheme Booklet.

As at Friday, 10 October 2014, being the last practicable date prior to finalisation of this Scheme Booklet:

- the last recorded trading price of Intrepid Shares was A\$0.270;
- the 1 month VWAP of Intrepid Shares was A\$0.273;
- the 3 month VWAP of Intrepid Shares was A\$0.274;
- the highest recorded trading price of Intrepid Shares in the previous three months was A\$0.285; and
- the lowest recorded trading price of Intrepid Shares in the previous three months was A\$0.250.

As at 27 August 2014, being the last day on which Intrepid Shares traded prior to announcement of the Scheme:

- the last recorded trading price of Intrepid Shares was A\$0.255;
- the 1 month VWAP of Intrepid Shares was A\$0.266;
- the 3 month VWAP of Intrepid Shares was A\$0.271;
- the highest recorded trading price of Intrepid Shares in the previous three months was A\$0.290; and
- the lowest recorded trading price of Intrepid Shares in the previous three months was A\$0.225.

5.9 INTREPID DIVIDEND HISTORY

No dividends were paid or declared during or since the financial year ended 31 December 2013. No dividends have been recommended by the Intrepid Directors in respect of or since the half year ended 30 June 2014.

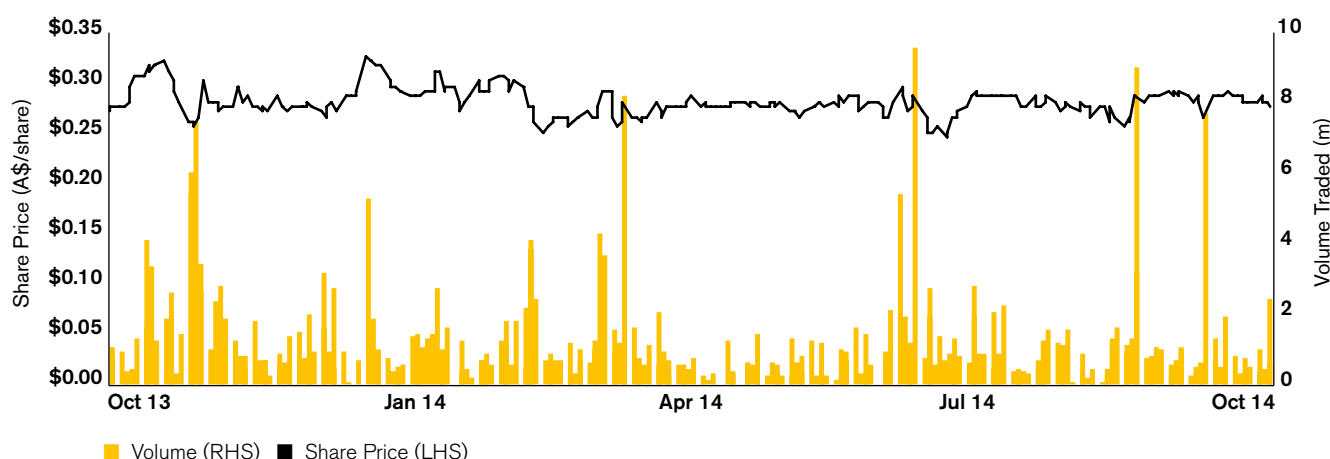
5.10 INTERESTS OF INTREPID DIRECTORS

5.10.1 INTERESTS IN INTREPID SECURITIES

The Intrepid Directors' interests in Intrepid Shares as at the date of this Scheme Booklet are detailed in the table below.

Director	Intrepid Shares held directly	Intrepid Shares held indirectly	Total Intrepid Shares held
Ian McMaster	395,597	370,588	766,185
Scott Lowe	—	—	—
Alan Roberts	532,347	—	532,347
Gregory Mazur	59,460	20,004,753	20,064,213
Yu Neng (Paul) Lim	61,559	11,575,000	11,636,559
Cliff Sanderson	62,959	250,000	312,959

No Intrepid Directors hold Intrepid Options or Intrepid Share Rights.



5.10.2 RELEVANT INTERESTS IN BLACKTHORN SECURITIES

As at the date of this Scheme Booklet, Scott Lowe has a Relevant Interest in 1,447,000 Blackthorn Shares. No other Intrepid Director has any Relevant Interests in any Blackthorn Shares or Blackthorn Options.

5.11 INTREPID RELEVANT INTEREST IN BLACKTHORN

As at the date of this Scheme Booklet, Intrepid does not have a Relevant Interest in any Blackthorn Shares or Blackthorn Options. Intrepid has not acquired or disposed of a Relevant Interest in any Blackthorn Shares in the four months preceding the date of this Scheme Booklet.

5.12 NO PRE-TRANSACTION BENEFITS

During the period of four months before the date of this Scheme Booklet, neither Intrepid nor any associate of Intrepid gave, or offered to give, or agreed to give, a benefit to another person which was likely to induce the other person, or an associate of the other person, to:

- i. vote in favour of the Scheme; or
- ii. dispose of Blackthorn Shares,

and which will not be provided to all Scheme Participants under the Scheme.

5.12.1 BENEFITS IN CONNECTION WITH RETIREMENT FROM OFFICE

No payment or other benefit from Intrepid is proposed to be made or given to any Intrepid Director, company secretary or executive officer of Intrepid (or its Related Bodies Corporate) as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in Intrepid or any of its Related Bodies Corporate in connection with the Scheme other than in his or her capacity as an Intrepid Shareholder.

Intrepid pays premiums in respect of a directors and officers insurance policy for the benefit of the Intrepid Directors and executive officers.

5.12.2 AGREEMENTS CONNECTED WITH OR CONDITIONAL ON THE SCHEME

Except as disclosed in this Scheme Booklet:

- i. no Intrepid Director has any other interests in a contract entered into by Intrepid;
- ii. there are no contracts or arrangements between an Intrepid Director and any person in connection with or conditional upon the outcome of the Scheme; and
- iii. no Intrepid Director has a material interest in relation to the Scheme other than in their capacity as a security holder as outlined in Section 5.10 (Interests of Intrepid Directors).

5.13 FURTHER INFORMATION

5.13.1 CONTINUOUSLY DISCLOSING ENTITY

As a company with securities quoted on the ASX and being a disclosing entity under the Corporations Act, Intrepid is subject to regular reporting and disclosure obligations. These obligations require Intrepid to announce price sensitive information as soon as it becomes aware of the information, subject to the exceptions for certain confidential information. Intrepid's recent ASX announcements are available from the Intrepid Mines website at www.intrepidmines.com and the ASX website at www.asx.com.au.

It is intended that further announcements concerning developments at Intrepid will continue to be made on these websites after the date of this Scheme Booklet. Historical ASX announcements and copies of half-yearly and annual financial results (and accompanying releases) are also available from the Intrepid website at www.intrepidmines.com.

Copies of these documents will also be made available free of charge at any time before the Second Court Date on a request in writing to Intrepid's Company Secretary at info@intrepidmines.com.

5. Profile of Intrepid (continued)

5.13.2 RECENT INTREPID ANNOUNCEMENTS

The following table lists announcements made to the ASX by Intrepid that may have affected share price movements over the period between 1 January 2014 and Friday, 10 October 2014:

Date	Event
9/10/2014	IAU Kitumba Technical Report
7/10/2014	Intrepid Share Buy-Back Details Additional Information
7/10/2014	Announcement of buy-back – Appendix 3C
2/10/2014	Change in substantial holding
29/9/2014	Change in substantial holding
16/09/2014	Change of Directors Interest Notice
16/09/2014	Appendix 3B
5/09/2014	Change of Directors Interest Notice
28/08/2014	BTR Merger and IAU Buyback Investor Presentation
28/08/2014	IAU and BTR announce Merger IAU announces share buyback
25/08/2014	Change in substantial holding
22/08/2014	IAU Canadian Share Register to Close
18/08/2014	Change of Directors Interest Notices
18/08/2014	Appendix 3B
1/08/2014	Change in substantial holding
30/07/2014	Unaudited Financial Statements 3 and 6 months to June 2014
30/07/2014	Half Year Accounts
30/07/2014	Management Discussion and Analysis June Qtr
30/07/2014	Quarterly Activities Report and App 5B June Quarter
17/07/2014	Change of Directors Interest Notice
17/07/2014	Appendix 3B
1/07/2014	Becoming a substantial holder – Argyle Street Mgt
26/06/2014	Letter to Canadian Registered Shareholders
25/06/2014	Change in substantial holding
18/06/2014	Change of Directors Interest Notice
18/06/2014	Appendix 3B
11/06/2014	Change in substantial holding
10/06/2014	Change in substantial holding
6/06/2014	Appendix 3B
5/06/2014	TSX Listing Update
2/06/2014	Results of Annual General Meeting
30/05/2014	Chairman's Address to Shareholders
21/05/2014	Amended Notice of Meeting and Proxy Form
20/05/2014	Change of Directors Interest Notice
20/05/2014	Appendix 3B
19/05/2014	Initial Directors Interest Notice – Paul Lim
19/05/2014	Initial Directors Interest Notice – Cliff Sanderson

Date	Event
19/05/2014	Initial Directors Interest Notice – Greg Mazur
14/05/2014	IAU Changes to AGM Resolutions
13/05/2014	Appendix 3Z C Jackson L Curtis and R McDonald
13/05/2014	Results of Meeting
13/05/2014	Chairman's Address to Shareholders
8/05/2014	IAU Clarification – Annual Report
8/05/2014	Appendix 3B Employee shares and Options
7/05/2014	Letter to Shareholders
29/04/2014	Management's Discussion and Analysis March Quarter
29/04/2014	Activities Report and Appendix 5B
29/04/2014	Interim Unaudited Financial Report March Quarter
29/04/2014	Chairman's Letter to Shareholders
28/04/2014	Annual Report to shareholders
28/04/2014	Notice of Annual General Meeting/Proxy Form
28/04/2014	Annual Report and Notice of AGM mailed to Shareholders
23/04/2014	Change of Directors Interest Notice
17/04/2014	IAU Appendix 3B
14/04/2014	EGM Notice of Meeting Mailed to Shareholders
11/04/2014	US\$80 million Settlement Funds Received
9/04/2014	Shareholders Overwhelmingly Approve Indonesian Settlement
9/04/2014	Chairman's Address to Shareholders
2/04/2014	Notice of General Meeting/Proxy Form 13 May 2014
20/03/2014	Change in substantial holding
19/03/2014	Change of Directors Interest Notices
19/03/2014	IAU Appendix 3B
19/03/2014	Company Update
17/03/2014	Becoming a substantial holder
14/03/2014	Shareholder Requisitions for General Meetings under S249D
7/03/2014	Notice of Extraordinary General Meeting/Proxy Form
5/03/2014	App 3Z – Adrianto Machribie Reksohadiprodjo
26/02/2014	Management Discussion and Analysis
26/02/2014	Full Year Statutory Accounts
21/02/2014	Resignation of Director – Adrianto Machribie
19/02/2014	Intrepid to Receive approx. A\$90 mil in Dispute Settlement
17/02/2014	Change of Directors Interest Notice
17/02/2014	Amended Appendix 3B 14 February 2014
17/02/2014	Change in substantial holding
17/02/2014	Change in substantial holding
14/02/2014	IAU – Appendix 3B
30/01/2014	IAU Quarterly Report to Shareholders December 2013
30/01/2014	Activities Report and Appendix 5B
16/01/2014	Change of Directors Interest Notices
16/01/2014	Appendix 3B

Copies of the announcements listed above may be obtained from the ASX website at www.asx.com.au.

Further information about Intrepid is contained in electronic form on the Intrepid website at www.intrepidmines.com.au.

6

Profile of the Merged Group

6. Profile of the Merged Group

6.1 OVERVIEW OF THE MERGED GROUP

Implementation of the Scheme will combine Blackthorn's portfolio of assets in Zambia with Intrepid's remaining cash balance following completion of the Intrepid Buyback.

A detailed description of Blackthorn's assets is set out in Section 4.2 (Overview of Blackthorn's assets).

6.2 CAPITAL STRUCTURE AND OWNERSHIP

6.2.1 IF THE INTREPID BUYBACK IS FULLY ACCEPTED

Prior to implementation of the Scheme, Intrepid will provide Intrepid Shareholders with an opportunity to participate in an equal access buyback of up to A\$110 million at a price of A\$0.30 per Intrepid Share.

If the Scheme is implemented and the Intrepid Buyback is fully accepted, Scheme Participants (other than Ineligible Overseas Shareholders) will receive Scheme Consideration of 1.079 New Intrepid Shares for each Blackthorn Share they hold on the Record Date. Blackthorn Shareholders will own approximately 48% of the Merged Group, which will have a pro forma cash balance of approximately A\$83 million.

If the Scheme is implemented and the Buyback is fully accepted, it is expected that the Merged Group will have the following shares on issue.

	Intrepid Shares
Intrepid Shares on issue prior to the Intrepid Buyback and implementation of the Scheme	557,577,524
Intrepid Shares bought back under the Intrepid Buyback	(366,666,666)
New Intrepid Shares issued as Scheme Consideration	177,231,331
Intrepid Shares on issue following the Intrepid Buyback and implementation of the Scheme	368,142,189
Intrepid Shares issued as consideration for cancellation of Blackthorn Options	1,256,065
Intrepid Shares on issue following the Intrepid Buyback, implementation of the Scheme and inclusive of the impact of cancellation of the Blackthorn Options	369,398,254

6.2.2 IF THE INTREPID BUYBACK IS NOT FULLY ACCEPTED

In the event that the Intrepid Buyback is not fully accepted, Scheme Participants (Other than Ineligible Overseas Shareholders) will receive an increased number of New Intrepid Shares as Scheme Consideration, up to a maximum of 1.147 New Intrepid Shares for each Blackthorn Share they hold on the Record Date in the event that the Intrepid Buyback receives no acceptances.

Section 1.3 (Scheme Consideration) explains the formula used to determine the number of New Intrepid Shares to be received as Scheme Consideration. In order to preserve the agreed notional value of A\$0.356 per Blackthorn Share, the number of New Intrepid Shares that Scheme Participants (other than Ineligible Overseas Shareholders) will receive will vary depending on the level of acceptances by Intrepid Shareholders to the Intrepid Buyback.

If the Intrepid Buyback is not fully accepted, the Merged Group will have a larger cash balance and Blackthorn Shareholders will own a smaller proportion of the outstanding shares.

6. Profile of the Merged Group (continued)

A table setting out the ownership and pro forma cash balance of the Merged Group at varying levels of acceptances under the Intrepid Buyback is set out below.

Level of Intrepid Buyback acceptances	A\$m	--	27.5	55.0	82.5	110.0
Intrepid Shares on issue prior to the Intrepid Buyback and implementation of the Scheme	m	557.6	557.6	557.6	557.6	557.6
Intrepid Shares bought back under the Intrepid Buyback	m	–	(91.7)	(183.3)	(275.0)	(366.7)
Number of New Intrepid Shares issued as Scheme Consideration for each Blackthorn Share	IAU:BTR	1.147	1.140	1.129	1.112	1.079
Total number of New Intrepid Shares issued as Scheme Consideration	m	188.5	187.3	185.5	182.6	177.2
Intrepid Shares on issue following the Intrepid Buyback and implementation of the Scheme	m	746.1	653.2	559.7	465.2	368.1
Intrepid Shares issued as consideration for cancellation of Blackthorn Options	m	1.3	1.3	1.3	1.3	1.3
Intrepid Shares on issue following the Intrepid Buyback, implementation of the Scheme and inclusive of the impact of cancellation of the Blackthorn Options	m	747.3	654.4	561.0	466.4	369.4
Merged Group pro forma cash balance	A\$m	193.0	165.5	138.0	110.5	83.0
Blackthorn Shareholder ownership of the Merged Group	%	25%	29%	33%	39%	48%

6.2.3 OPTIONS

Prior to the date of this Scheme Booklet, Blackthorn and Intrepid have entered into option cancellation deeds with each of the Blackthorn Option Holders. Further details on the treatment of Blackthorn Options are set out in Section 4.8 (Blackthorn capital structure). No options or share rights over Intrepid Shares will be issued as a result of the Scheme. If the Scheme is implemented, it is expected that the following options and share rights in respect of the Merged Group will be on issue at the Implementation Date.

	Options over Intrepid Shares	Share rights over Intrepid Shares
Prior to implementation of the Scheme	2,107,458	605,922
Impact of implementation of the Scheme	–	–
Following implementation of the Scheme	2,107,458	605,922

6.3 BOARD AND MANAGEMENT OF THE MERGED GROUP

6.3.1 BOARD

The board of the Merged Group will be comprised of three current Intrepid Directors and three current Blackthorn Directors.

The three current Intrepid Directors proposed to join the Merged Group will be:

- i. Ian McMaster (current Chairman of Intrepid);
- ii. Scott Lowe (current CEO and Managing Director of Intrepid); and
- iii. Alan Roberts (current Non-Executive Director of Intrepid).

See Section 5.2 (Intrepid Directors) for details of the Intrepid Directors' qualifications and background.

The three current Blackthorn Directors proposed to join the Merged Group are:

- i. Michael Oppenheimer (current Chairman of Blackthorn);
- ii. Nicole Bowman (current Non-Executive Director of Blackthorn); and
- iii. Derek Carter (current Non-Executive Director of Blackthorn).

See Section 4.4 (Blackthorn Directors) for details of the Blackthorn Directors' qualifications and background.

Ian McMaster will be Chairman of the Merged Group with Michael Oppenheimer to serve as Deputy Chairman.

6.3.2 MANAGEMENT

The current CEO of Blackthorn, Mark Mitchell, will be CEO of the Merged Group. See Section 4.4 (Blackthorn Directors) for details of Mr Mitchell's qualifications and background.

The current CEO of Intrepid, Scott Lowe, will be an Executive Director of the Merged Group with responsibility for business development and funding strategy. See Section 5.2 (Intrepid Directors) for details of Mr Lowe's qualifications and background.

Other members of the Merged Group's senior management team will be drawn from the two companies' existing management teams following implementation of the Scheme.

6.4 INTENTIONS IN RELATION TO BLACKTHORN AND THE MERGED GROUP

This section sets out the intentions of Blackthorn and Intrepid in relation to the Merged Group if the Scheme is implemented.

The Merged Group is expected to explore opportunities to optimise the Merged Group's existing projects and maximise value for the Merged Group's shareholders.

Final decisions regarding any such matters will be made by the board of the Merged Group in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this section are statements of current intentions only, which may vary as new information becomes available or circumstances change and the Merged Group further develops its strategic focus and outlook.

6.4.1 CORPORATE MATTERS IN RELATION TO BLACKTHORN

If the Scheme is implemented, it is intended that:

- i. Blackthorn be removed from the official list of ASX; and
- ii. as Blackthorn will be a subsidiary of the Merged Group, the Blackthorn Board will be reconstituted so that it comprises persons nominated by the board of the Merged Group.

Following implementation of the Scheme, the Merged Group will be known as Intrepid. The Merged Group currently intends to continue to use the Blackthorn name, including any associated trademarks and logos in the conduct of its business in Zambia.

6.4.2 CONTINUATION OF BLACKTHORN'S BUSINESS

It is the current intention of Blackthorn and Intrepid that the Merged Group will continue to operate the business of Blackthorn in substantially the same manner as it is currently being conducted.

In addition to progressing the DFS for the Kitumba Project, the more robust funding position will allow the Merged Group to pursue exploration opportunities, including within the Mumbwa Project licence areas, as well as other business development opportunities.

The Merged Group is expected to continue to review all aspects of its assets and operations to identify ways to maximise value for all shareholders.

6. Profile of the Merged Group (continued)

6.5 PRO FORMA FINANCIAL INFORMATION

The pro forma financial information of the Merged Group presented in this Scheme Booklet is included for illustrative purposes and consists of the unaudited pro forma historical statement of financial position of the Merged Group as at 30 June 2014, showing the effects of the Scheme as if it had been implemented on 30 June 2014 (**Merged Group Pro Forma Historical Financial Information**).

Due to its nature, the Merged Group Pro Forma Historical Financial Information does not represent the Merged Group's actual or prospective financial position, which will differ from the actual financial position of the Merged Group as at the Effective Date.

6.5.1 BASIS OF PREPARATION

The Merged Group Pro Forma Historical Financial Information is based upon the:

- i. historical statement of financial position of Blackthorn as at 30 June 2014, extracted from the audited financial statements of Blackthorn for the year ended 30 June 2014 (refer to Section (Blackthorn historical financial information));
- ii. historical statement of financial position of Intrepid as at 30 June 2014, extracted from the reviewed financial statements of Intrepid for the 6 months ended 30 June 2014 (refer to Section 5.3 (Intrepid historical financial information)); and
- iii. application of pro forma adjustments to the historical statements of financial position of Blackthorn and Intrepid as at 30 June 2014, to illustrate the effects of the Scheme as described in Section 6.5.3 (Notes to pro forma adjustments).

The Merged Group Pro Forma Historical Financial Information is prepared in accordance with the recognition and measurement requirements of applicable Australian Accounting Standards adopted by the Australian Accounting Standards Board and the International Financial Reporting Standards, and is presented in an abbreviated form insofar as it does not contain all the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

Under Australian Accounting Standards, the proposed merger will be accounted for as a business combination. Australian Accounting Standards require that where two or more entities combine through an exchange of equity for the purposes of a business combination, one of the entities must be deemed to be the accounting acquirer (accounting parent). Intrepid will issue New Intrepid Shares to effect the business combination. Based on this and other facts and circumstances, Intrepid is deemed to be the accounting acquirer (accounting parent).

The significant accounting policies used in the preparation of the Merged Group Pro Forma Historical Financial Information are consistent with those of Intrepid, the accounting acquirer. In preparing the Merged Group Pro Forma Historical Financial Information, a review was undertaken to identify accounting policy differences between Intrepid and Blackthorn where the impact was potentially material and could be reasonably estimated. The significant accounting policies of Blackthorn conform in all material respects to those of Intrepid, except for the treatment of pre-feasibility exploration and expenditure costs which are expensed by Intrepid and capitalised by Blackthorn. For the purposes of the Merged Group Pro Forma Historical Financial Information, the carrying value of Blackthorn's 'Exploration and Evaluation Expenditure' assets as at 30 June 2014 are subject to a pro forma adjustment to reflect a provisional estimate of fair value in accordance with the asset acquisition method of accounting as described in Section 6.5.3. Accordingly, the historical difference in accounting policy does not have a material impact on the Merged Group Pro Forma Historical Financial Information.

No adjustments have been made in the Merged Group Pro Forma Historical Financial Information for any expected synergies or integration costs following the implementation of the Scheme. No adjustments have been made in the Merged Group Pro Forma Historical Financial Information for any one-off or non-recurring costs, other than those set out in the pro forma adjustments.

The Merged Group Pro Forma Historical Financial Information is presented in USD, the presentation currency of Intrepid. Blackthorn presents its financial reports in AUD. Blackthorn's historical statement of financial position as at 30 June 2014 has been translated to USD presentation currency using the closing spot exchange rate of 0.942.

The Investigating Accountant has reported on the Merged Group Pro Forma Historical Financial Information, in an Investigating Accountant's Report, which has been included as Attachment C (Investigating Accountant's Report). Blackthorn Shareholders should note the comments made in relation to the scope and limitations of that report.

6.5.2 PRO FORMA FINANCIAL INFORMATION

	Blackthorn Audited 30 June 2014	Blackthorn USD rate 0.942	Intrepid Reviewed 30 June 2014	Pro forma adjustments	Notes	Pro forma Merged Group 30 June 2014
	AUD \$'000	USD \$'000	USD \$'000	USD \$'000		USD \$'000
Cash and Cash equivalents	12,491	11,767	139,640	10,000 (103,620) (2,543) (1,884)	1 2 3 4	53,360
Other financial assets	–	–	24,941	–	5	24,941
Trade and other receivables	386	364	968	–		1,332
Other current assets	59	56	–	–		56
Assets held for sale	2,121	1,998	–	–		1,998
Total Current Assets	15,057	14,184	165,549	(98,047)		81,686
Trade and other receivables	136	128	–	–		128
Other financial assets	–	–	522	–		522
Property plant and equipment	223	210	–	–		210
Exploration and evaluation expenditure	35,621	33,555	–	1,524	6	35,079
Total non-current assets	35,980	33,893	522	1,524		35,939
Total assets	51,037	48,078	166,071	(96,523)		117,625
Trade and other payables	1,506	1,419	1,457	–		2,876
Provisions	138	130	112	–		242
Total current liabilities	1,644	1,549	1,569	–		3,118
Provisions	26	24	82	–		106
Total non-current liabilities	26	24	82	–		106
Total liabilities	1,670	1,573	1,651	–		3,224
Net assets	49,367	46,503	164,420	(96,523)		114,401
Share capital	213,379	201,003	317,655	(103,620) (201,003) 55,484	2 6 6	269,519
Reserves	(5,842)	(5,503)	10,349	5,503	6	10,349
Accumulated Losses	(158,170)	(148,996)	(163,584)	10,000 (2,543) (1,884) 141,540	1 3 4 6	(165,467)
Total equity	49,367	46,503	164,420	(96,523)		114,401

6. Profile of the Merged Group (continued)

6.5.3 NOTES TO PRO FORMA ADJUSTMENTS

The Merged Group Pro Forma Historical Financial Information reflect the following assumptions and adjustments:

1. recording the proceeds received and gain on disposal of Blackthorn's 27.3% equity interest in the Perkoa Project for US\$10 million which completed in August 2014. The Perkoa Project was recorded at nil carrying value in the historical statement of financial position of Blackthorn as at 30 June 2014. A discussion of this transaction is set out in Section 4.2.8 (Sale of the Perkoa Project and Burkina Faso Exploration Licences).
2. recording the A\$110 million Intrepid Buyback (on the assumption that the Intrepid Buyback is fully accepted), as a decrease in cash and cash equivalents and share capital. The Intrepid Buyback is a Condition of the Scheme.
3. recording the estimated US\$2.5 million of transaction costs to be incurred by Blackthorn as a reduction in cash and cash equivalents, and an increase in accumulated losses.
4. recording the estimated US\$1.9 million of transaction costs to be incurred by Intrepid as a reduction in cash and cash equivalents, and an increase in accumulated losses.
5. represents bank term deposits greater than three months to maturity. When included with the cash balance the total amount is US\$78.3 million (A\$83.1 million).
6. recording the acquisition of Blackthorn by Intrepid under the Scheme at a total cost of approximately US\$55.5 million, excluding transaction costs. The difference between the fair value of the consideration transferred and the fair value of Blackthorn's net assets, for the purposes of the Merged Group Pro Forma Historical Financial Information, of approximately US\$1.5 million is allocated to "exploration and evaluation expenditure" assets.

Under AASB 3, the fair value of the consideration that Intrepid transfers to Blackthorn is based on the market value of Intrepid's shares at the Implementation Date. For the purposes of the Merged Group Pro Forma Historical Financial Information, a fair value of US\$55.5 million has been calculated.

Following implementation of the Scheme, a detailed valuation of the intangibles assets, liabilities, and contingent liabilities of Blackthorn will be conducted to allocate the fair value of the consideration. The ultimate value of the consideration transferred for accounting purposes as at the Implementation Date will differ from that assumed for the purposes of the Merged Group Pro Forma Historical Financial Information as a result of future changes to the acceptance value of the Intrepid Buyback and also the prevailing share prices of both Blackthorn and Intrepid.

The ultimate value of the consideration transferred for accounting purposes will be measured based upon the price per share of Intrepid Shares at close of ASX trading on the Effective Date. The provisional allocation of the estimated consideration to the assets and liabilities to be acquired is as follows:

	USD\$'000
Fair value of consideration transferred on consolidation:	55,484
Fair value of Blackthorn's net assets acquired:	
Existing book value of the Blackthorn net assets as at 30 June 2014	46,503
Recognition of Blackthorn Scheme costs	(2,543)
Recognition of proceeds on Perkoa disposal	10,000
Adjusted Blackthorn net book value	53,960
Fair value adjustments:	
Exploration and evaluation expenditure assets	1,524
Total fair value of Blackthorn's net assets acquired	55,484

The Merged Group Pro Forma Historical Financial Information assumes that the cost of the Scheme will include the fair value of the New Intrepid Shares to be issued under the Scheme in exchange for Blackthorn Shares and Blackthorn Options outstanding.

The estimated fair value of the New Intrepid Shares to be issued under the Scheme and in exchange for the cancellation of Blackthorn Options is based on:

Description	Number of Blackthorn Shares/Options issued	Exchange Ratio	Number of New Intrepid Shares to be issued	Estimated fair value A\$	Estimated fair value US\$
New Intrepid Shares issued in exchange for Blackthorn Shares	164,285,950	1.079	177,231,331	58,485,798	55,093,622
New Intrepid Shares issued in exchange for A\$1.63 Blackthorn Options outstanding ¹	75,000		545	180	170
New Intrepid Shares issued in exchange for A\$0.25 Blackthorn Options outstanding	2,660,000	0.472	1,255,520	414,581	390,535
Total					55,484,327

Note: the value of each New Intrepid Share is based on a post Intrepid Buyback cash backing of A\$0.33 per share, net of transaction costs.

The estimated fair value of US\$0.4 million for the outstanding Blackthorn Options has been determined by an independent valuer.

6.6 FORECAST FINANCIAL INFORMATION FOR THE MERGED GROUP

Blackthorn has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information. The Blackthorn Directors have concluded that, as at the date of this Scheme Booklet, it would be misleading to provide forecast financial information, as a reasonable basis does not exist for providing forecasts that would be sufficiently meaningful and reliable as required by applicable law, policy and market practice.

The financial performance of the Merged Group in any period will be influenced by various factors that are outside the control of the Blackthorn Directors and that cannot, at this time, be predicted with a high level of confidence.

Blackthorn and Intrepid do not have an established practice of issuing financial forecasts.

¹ A further 75,000 A\$1.63 Blackthorn Options have been cancelled and exchanged for the equivalent value of 545 Intrepid shares (estimated value A\$180 or US\$170).

7

Risk factors

7. Risk factors

Blackthorn Shareholders should be aware that there are risks associated with the implementation of the Scheme, the Merged Group's assets, the mining industry and share ownership in general and there can be no guarantee that any of the benefits of the Scheme anticipated by the Blackthorn Directors will be achieved. This section sets out some key risks that have been identified by the Blackthorn Directors in respect of an investment in the Merged Group. This section does not take into account the investment objectives, financial situation, taxation position or particular needs of Blackthorn Shareholders. Additional risks and uncertainties not currently known to Intrepid or Blackthorn may also have an adverse effect on the Merged Group's business and the information set out below does not purport to be, nor should it be construed as representing, an exhaustive summary of the risks.

If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.

7.1 SCHEME SPECIFIC RISKS

7.1.1 YOU MAY BELIEVE THAT A SUPERIOR PROPOSAL WILL EMERGE FOR BLACKTHORN

As announced to ASX, Blackthorn has previously engaged in discussions of an incomplete nature with a number of parties, including as part of a formal process to assess a range of asset-level partnership and financing options for the Kitumba Project. These discussions did not result in receipt of a proposal that merited formal consideration by the Blackthorn Directors or an announcement to Blackthorn Shareholders.

It is possible that a Superior Proposal for Blackthorn, which is more attractive for Blackthorn Shareholders than the Scheme, will emerge in the future. Implementation of the Scheme may mean that Blackthorn Shareholders would not obtain the benefit of any such proposal.

The Blackthorn Directors have not received such a Superior Proposal since Blackthorn and Intrepid announced the Scheme, despite the significant period of time for such a proposal to emerge.

If a Superior Proposal emerges, this will be announced to ASX and the Blackthorn Directors will carefully reconsider the Scheme and advise you of their recommendation.

7.1.2 YOU MAY CONSIDER THE INVESTMENT PROFILE FOR THE MERGED GROUP TO BE INFERIOR TO THAT OF BLACKTHORN

While the commodity exposure, geographic focus and operations of the Merged Group will remain materially unchanged relative to the investment profile of Blackthorn as a standalone entity, other key aspects including the capital structure, ownership, board and management of the Merged Group will differ.

It is possible that you may wish to maintain an interest in Blackthorn as a standalone entity because you are seeking an investment in a publicly listed company with the specific characteristics of Blackthorn. You may consider such a change in investment profile to be disadvantageous.

7.1.3 THE MARKET PRICE OF NEW INTREPID SHARES TO BE RECEIVED AS SCHEME CONSIDERATION IS NOT CERTAIN AND WILL FLUCTUATE

If the Scheme is implemented, Scheme Participants (other than Ineligible Overseas Shareholders) will receive Scheme Consideration in the form of New Intrepid Shares. The exact value of the Scheme Consideration that will be issued to individual Scheme Participants will be dependent on the price at which the New Intrepid Shares trade on ASX after the Implementation Date.

Following implementation of the Scheme, the Merged Group's share price may rise or fall based on market conditions and the Merged Group's financial and operational performance. If the Merged Group's share price falls, the value of those New Intrepid Shares received by Scheme Participants (other than Ineligible Overseas Shareholders) as Scheme Consideration will decline in value.

In particular it is noted that prior to Intrepid trading ex-entitlement to the proposed Intrepid Buyback, the Intrepid Share Price is likely to be supported by the Intrepid Buyback price of A\$0.30. Intrepid Shares may trade down following the ex-entitlement date, particularly in circumstances where Intrepid Shareholders do not value Blackthorn at the same strategic premium placed on it by Intrepid as part of the Scheme.

Further, in circumstances where Intrepid Shareholders do not intend to continue to hold their Intrepid Shares, there is a risk that a significant number of Intrepid Shareholders may seek to sell their Intrepid Shares, which may adversely impact the price of Intrepid Shares, including the New Intrepid Shares which Scheme Participants (other than Ineligible Overseas Shareholders) will have received as Scheme Consideration. The Intrepid Buyback will, however, allow those Intrepid Shareholders who do not wish to be part of the Merged Group to sell part and potentially all of their Intrepid Shares, which may reduce selling pressure that otherwise may have been seen following implementation of the Scheme.

In addition, the Sale Agent will be issued with New Intrepid Shares attributable to certain Ineligible Overseas Shareholders and will be seeking to sell those shares on ASX as soon as reasonably practicable following the Implementation Date. It is possible that such sales may exert downward pressure on the Merged Group's share price in the period following the Implementation Date.

7.1.4 INTREPID SHAREHOLDER APPROVALS

The Scheme is conditional upon the Intrepid Shareholders Approvals. Approval by Intrepid Shareholders is required by ordinary resolution (50% of shares voted, in aggregate) for:

- i. the merger with Blackthorn in accordance with the Scheme; and
- ii. the Intrepid Buyback.

A meeting of Intrepid Shareholders to consider and approve the resolutions is expected to be held on or about Tuesday, 18 November 2014.

7. Risk factors (continued)

If Intrepid Shareholders do not approve both the merger with Blackthorn and the Intrepid Buyback, the Scheme will not be implemented.

7.1.5 INTREPID BUYBACK

Under the Scheme Implementation Deed, Intrepid will provide Intrepid Shareholders with an opportunity to participate in an off-market equal access share buyback, Intrepid Shareholders will be given the opportunity to apply for some or all of their Intrepid Shares to be bought back by Intrepid for the amount of A\$0.30 per Intrepid Share, subject to a total monetary cap of A\$110 million and approval of Intrepid Shareholders by ordinary resolution (**Intrepid Buyback**). The Scheme is conditional on Intrepid Shareholders approving both the Scheme and the Intrepid Buyback.

As at the date of this Scheme Booklet the level of acceptance under the Intrepid Buyback is not known. The outcome of the Intrepid Buyback will affect the capital structure of the Merged Group. Further details on ownership and pro forma cash balance of the Merged Group at varying levels of acceptance under the Intrepid Buyback is set out in Section 6 (Profile of the Merged Group).

7.1.6 MINING LICENCE APPROVAL

In July 2014, Blackthorn (through a wholly owned subsidiary) lodged an application with the Zambian Ministry of Mines for a large-scale mining licence for the Kitumba Project.

The application is currently under review by the relevant Zambian authorities. Blackthorn currently expects that, assuming no material issues or delays are encountered, the Director of Mines will be in a position to grant the Mining Licence before 8:00am on 28 November 2014 (which is the current Mining Licence Approval End Date). If the Mining Licence is not granted by the Mining Licence Approval End Date, Blackthorn and Intrepid are required to consult, and they may agree to waive the condition or to extend (or further extend) the Mining Licence Approval End Date. However, if Blackthorn and Intrepid do not agree to waive the condition and do not extend the time allowed for its satisfaction, they will each have the right to terminate the Scheme.

7.1.7 RISKS OF TRADING DURING DEFERRED SETTLEMENT TRADING PERIOD

Scheme Participants will not necessarily know the exact number of New Intrepid Shares (due to rounding) that they will receive (if any) as Scheme Consideration until a number of days after those shares can be traded on ASX on a deferred settlement basis. Scheme Participants who trade New Intrepid Shares on a deferred settlement basis without knowing the number of New Intrepid Shares they will receive as Scheme Consideration may risk adverse financial consequences if they purport to sell more New Intrepid Shares than they receive.

7.1.8 TRANSACTION AND OTHER COSTS

The cost of the transaction expected to be payable by Blackthorn is currently estimated to be approximately A\$2.7 million. This includes financial advisory, legal, accounting, independent experts, technical experts, tax and administrative fees, Scheme Booklet design and printing, marketing, Blackthorn Share Registry and other expenses. The amount does not include transaction costs that may be incurred by Intrepid. A breakdown of the estimated transaction costs is set out in Section 11 (Additional information).

Before the Scheme Meeting, Blackthorn estimates that it will have incurred or committed transaction costs of approximately A\$1.2 million. These costs will be payable by Blackthorn regardless of whether or not the Scheme is implemented.

7.1.9 TAX CONSEQUENCES FOR SCHEME PARTICIPANTS

If the Scheme is implemented, there may be tax consequences for Scheme Participants which may include tax payable on any gain on the disposal of Scheme Shares. General information on the Australia taxation consequences of the Scheme is set out in Section 8 (Australian taxation considerations). However, Scheme Participants should seek their own professional advice regarding the individual tax consequences applicable to them.

7.2 IMPLEMENTATION RISKS

7.2.1 INTEGRATION RISK

The long term success of the Merged Group will depend, amongst other things, on the success of management in integrating the respective businesses and the strength of management of the Merged Group.

There are risks that any integration of the businesses of Blackthorn and Intrepid may take longer or cost more than expected and that the anticipated benefits of that integration may be less than estimated. These risks include possible differences in the management culture of the two groups, and the potential loss of key personnel.

7.2.2 ACCOUNTING TREATMENT OF THE SCHEME

In accounting for the Scheme, the Merged Group will need to perform a fair value assessment of all of Blackthorn's assets, liabilities and contingent liabilities, which will include the identification and valuation of tangible and intangible assets. As a result of this fair value assessment, the Merged Group's charges (for example, depreciation expense and amortisation expense) may be substantially greater than the relevant charges of Blackthorn and Intrepid as separate businesses and to that extent may significantly reduce the future earnings of the Merged Group.

7.2.3 CONTRACT RISK AND THIRD PARTY CONSENTS

Under certain material contracts to which members of Blackthorn and Intrepid are parties, the Scheme may be deemed to result in a change of control or other relevant event in respect of Blackthorn or Intrepid that allows the counterparty to review or terminate the contract upon implementation of the Scheme. If the counterparty to any such contract were to validly seek to renegotiate or terminate the contract on that basis, this may have a material adverse effect on the financial performance of the Merged Group, depending on the nature of the relevant contracts.

7.3 INVESTMENT RISKS

7.3.1 SHARE MARKET CONDITIONS

There are general risks associated with investments in equity capital. The trading price of shares in the Merged Group may fluctuate with movements in equity capital markets in Australia and internationally. This may result in the market price for New Intrepid Shares declining. Generally applicable factors which may affect the market price of shares include:

- i. general movements in Australian and international stock markets;
- ii. investor sentiment;
- iii. Australian and international economic conditions and outlook;
- iv. changes in interest rates and the rate of inflation;
- v. changes in government regulation and policies;
- vi. material announcements in respect of an entity's business or operations; and
- vii. geo-political instability, including international hostilities and acts of terrorism.

No assurances can be given as to the price that the shares of the Merged Group will trade.

7.3.2 CHANGES IN ECONOMIC CLIMATE

Economic conditions, both domestic and global, may affect the performance of the Merged Group. Adverse changes in macroeconomic conditions, including global and country-specific growth rates, the cost and availability of credit, the rate of inflation, interest rates, exchange rates, government policy and regulations, general consumption and consumer spending, input costs, employment rates and industrial disruptions, among others, are variables which while generally outside the control of the Merged Group and its directors, may result in material adverse impacts on the Merged Group's businesses, financial position and operating results.

7.3.3 EXCHANGE RATE RISK

Some of the Merged Group's assets are located in foreign jurisdictions, with cash flows denominated in foreign currencies. Some of these currencies may be subject to exchange controls and may operate in relatively inefficient markets. The Merged Group may also source equipment, supplies and services from various foreign countries. The Merged Group is therefore subject to changes beyond its control due to

fluctuations in currency exchange rates. Neither Intrepid or Blackthorn currently engage in active hedging to minimise exchange rate risk.

7.3.4 RISKS ASSOCIATED WITH FUTURE GROWTH INITIATIVES

Historically, Blackthorn and Intrepid have each sought to grow both organically and through mergers and acquisitions. At any time each may be evaluating one or more potential new investments. In addition, from time to time each may be presented with the potential to increase or decrease its investment in existing assets pursuant to the pre-emptive rights or change of control provisions in respect of the joint ventures to which they are parties. In addition, new investments may not necessarily take the form of investment in further copper mining assets, but rather may involve diversification into complementary activities or potentially new areas of operation.

There are always risks that the benefits, synergies or efficiencies expected from such investments or growth opportunities may take longer than expected to be achieved or may not be achieved at all. Any investments pursued could, for a variety of reasons, have a material adverse effect on the value of the Merged Group.

7.3.5 EQUITY DILUTION

The Merged Group may undertake offerings of securities in the future. The increase in the number of shares issued and the possibility of sales of such shares may have a depressive effect on the price of shares already on issue. In addition, as a result of the issue of such additional shares, the voting power of the Merged Group's existing shareholders would be diluted.

7.4 OPERATING RISKS

7.4.1 EXPLORATION AND DEVELOPMENT RISK

Mineral exploration and development inherently involves significant and irreducible financial risks. The Merged Group may suffer from the failure to find and develop profitable mines.

The exploration for and development of mineral deposits involves significant financial risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Unprofitable efforts may result from the failure to discover mineral deposits. Even if mineral deposits are found, such deposits may be insufficient in quantity and quality to return a profit from production, or it may take a number of years until production is possible, during which time the economic viability of the project may change. Few properties which are explored are ultimately developed into producing mines. Mining companies rely on consultants and others for exploration, development, construction and operating expertise.

7.4.2 MINERAL RESOURCES AND ORE RESERVES

The volume and quality of the copper that the Merged Group recovers may be less than the estimates included in this Scheme Booklet. Mineral Resources and Ore Reserves estimates (including those contained in this Scheme Booklet) are stated to the JORC Code and are expressions of judgment based on knowledge, experience and industry practice. Mineral Resources and Ore Reserves estimates are necessarily

7. Risk factors (continued)

imprecise and depend to some extent on interpretations and geological assumptions, copper prices, cost assumptions, and statistical inferences which may ultimately prove to have been unreliable.

Moreover, a decline in the price of copper, increases in production costs, decreases in recovery rates or changes in applicable laws and regulations, including environment, permitting, title or tax regulations, that are adverse to the Merged Group, may mean the volumes of copper that can be feasibly extracted may be significantly lower than the Mineral Resources and Ore Reserves estimates indicated in this Scheme Booklet. If it is determined that mining of certain of their Ore Reserves has become uneconomic, this may ultimately lead to a reduction in aggregate Ore Reserves.

If the Merged Group's actual Mineral Resources and Ore Reserves are less than current estimates, the Merged Group's prospects, value, business, results of operations and financial condition may be materially adversely affected.

7.4.3 COMMODITY PRICE RISK

The demand for, and the price of, commodities are highly dependent on a variety of factors, including international supply and demand, the price and availability of substitutes, actions taken by governments and global economic and political developments. Given the operational significance of the Mumbwa Project for the Merged Group, which primarily involves exploration for and potentially the production of copper, the Merged Group's operational and financial performance, as well as the economic viability of these projects, is heavily reliant on the prevailing global price of copper. Volatility in commodity markets may therefore materially affect the profitability and financial performance of the Merged Group and the price of its shares.

The factors which affect commodity prices (which are largely outside the control of the Merged Group and its directors) include, among many other factors, the velocity and intensity of global manufacturing and construction activities (as well as the quantity of global supply in each of these respective commodities as a result of the commissioning of new mines and the decommissioning of others); political developments in countries which produce material quantities of these commodities; the weather in these same countries; the price and availability of appropriate substitutes; and sentiment or conditions in the countries and sectors in which the Merged Group or its business or commercial partners sell its products.

Given the complex array of factors which contribute to the prevailing global price of these commodities, it is particularly difficult for the Merged Group to predict with any certainty the prevailing price for these commodities. Accordingly, investors are cautioned not to place undue reliance on any price or demand forecasts provided by the Company or by external analysts.

7.4.4 COMMERCIAL VIABILITY OF DEVELOPMENT PROJECTS

Substantial expenditures are required to establish Ore Reserves, extract metals from ore and, in the case of new properties, to construct mining and processing facilities. The commercial viability of any development project is based upon, among other things, estimates of the size and grade of Ore Reserves, proximity to infrastructure and other resources (such as water and power), metallurgical recoveries, production rates, capital and operating costs of such development projects, and metals prices. Development projects such as the Kitumba Project are also subject to the completion of favourable feasibility studies, issuance and maintenance of necessary permits and receipt of adequate financing.

Once a mineral deposit is developed, its commercial viability depends on a number of factors, including the particular attributes of the deposit, such as size, grade and proximity to infrastructure; government regulations including taxes, royalties, land tenure; land use, importing and exporting of minerals and environmental protection, and mineral prices. Factors that affect adequacy of infrastructure include: reliability of roads, bridges, power sources and water supply; unusual or infrequent weather phenomena; sabotage; and government or other interference in the maintenance or provision of such infrastructure. The exact effect of these factors cannot be accurately predicted, but the combination may result in not receiving an adequate return on invested capital.

7.4.5 MARKETING RISK

In the event of successful project development, the marketing of the Merged Group's prospective production of copper from such reserves will be dependent on market fluctuations and the availability of processing facilities and storage and transportation infrastructure at economic tariff rates over which the Merged Group may have limited or no control.

7.4.6 COMPETITION

Competition from other mineral producers and explorers may affect the potential future cash flow and earnings which the Merged Group may realise from its operations. For example, the introduction of new mining and processing facilities and any increase in competition and supply in the global copper market could lower the price of copper ores and copper concentrate. The Merged Group may also encounter competition from other mining and exploration companies for the acquisition of new projects required to sustain or increase its potential future production levels.

7.4.7 TRANSPORTATION AND REMOTENESS OF OPERATIONS

The copper expected to be produced by the Merged Group's projects is required to be transported to end users around the world. There are risks associated with each stage of this transportation process including the condition and maintenance of roads. Additionally, given the remoteness of the Merged Group's projects, the Merged Group is subject to risks which include unexpected transportation and fuel costs, unexpected delays and accidents that each could singly or collectively materially negatively impact upon the Merged Group's financial

performance and position. Further, as the Merged Group's primary assets are located in remote locations in Africa it is susceptible to limitations associated with costs and availability of transportation, availability of personnel, specialist services, parts, equipment and supplies on a timely basis.

7.4.8 LAND ACCESS ARRANGEMENTS

Mineral exploration, development and mining generally require rights to access the underlying land, and it may be necessary to consult or reach agreement with landholders or other third parties in relation to access arrangements. Any access agreements may impose restrictions on access, require payment of compensation, or have other conditions attached. There is a risk that landholders or other third parties may refuse access to the relevant land, which may impact the exploration for and development of these projects.

7.4.9 FAILURE OF BASIC INFRASTRUCTURE

In the countries in which the Merged Group operates, infrastructure for utilities such as electricity and water supply is under strain and underdeveloped. A serious failure of basic infrastructure or occurrences of power outages in the regions in which the Merged Group operates could adversely affect the exploration and development of the Merged Group's projects.

7.4.10 AVAILABILITY AND COST OF KEY EQUIPMENT

The Merged Group has significant equipment and construction material requirements for its exploration and development activities. Any delay on the part of such equipment and material suppliers to deliver to schedule, or any cost increases could have an adverse impact on the Merged Group's financial performance or financial position.

7.4.11 FUNDING OF CAPITAL EXPENDITURE

Despite the expected strong cash balance of the Merged Group when the Scheme is implemented, the funding position of the Merged Group will not be sufficient to meet the capital expenditure requirements for construction of the Kitumba Project.

To develop the Kitumba Project, the Merged Group will need to obtain financing through joint ventures, debt financing, equity financing or a combination of these. There is no assurance that the Merged Group will be able to secure the financing required as and when needed and on terms acceptable to the Merged Group. If adequate funds are not available on acceptable terms, the Merged Group may not be able to take advantage of opportunities or otherwise respond to competitive pressures. Failure to obtain additional financing on a timely basis may also cause the Merged Group to postpone its development plans, forfeit rights in some or all of its properties or joint ventures or reduce or terminate some or all of its operations.

7.4.12 JOINT VENTURES

The Merged Group may hold future assets and developments through incorporated and unincorporated joint ventures with third parties. Structures of this type impose a number of constraints that do not exist where the underlying asset is fully owned. The Merged Group's ability to sell its interest in these assets may require the prior approval of the joint venture

party or co-owner (as the case may be) and (in some cases) is subject to pre-emptive rights. Disagreements between co-venturers or failure of other joint venture participants to perform their obligations under the joint venture or shareholders arrangements (including the provision of funding) and delays in the approval process may adversely impact the value of Merged Group's assets and developments.

7.4.13 DEPENDENCE ON THIRD PARTY CUSTOMERS

In some regions in which the Merged Group operates there are limited or illiquid markets in which to sell copper. The presence of limited options creates customer concentration risk. The cancellation or breach of contracts with specific customers may impact on the ability of the Merged Group to sell copper.

7.4.14 DEPENDENCE ON KEY PERSONNEL

The Merged Group will have a small management team and the loss of a key individual or the Merged Group's inability to attract suitably qualified personnel in the future could affect its business. Difficulties may also be experienced in certain jurisdictions in employing and retaining qualified personnel who are willing to work in such jurisdictions.

The Merged Group's business depends on good relations with its employees and key personnel. The Merged Group could experience labour disputes, work stoppages or other disruptions in production that could adversely affect the Merged Group.

7.4.15 DEPENDENCE ON KEY CONTRACTORS

The Merged Group's business relationships, operations and financial performance may be materially and adversely affected if any of its current and proposed contractors and sub-contractors do not perform their contractual obligations. The Merged Group can provide no guarantee that the contractors will fulfil these obligations.

7.4.16 LABOUR AND EMPLOYMENT

While the Merged Group has good relations with its employees, these relations may be impacted by changes in the scheme of labour relations which may be introduced by the relevant country governmental authorities which regulate its operations. Adverse changes in such legislation may have a material adverse effect on the Merged Group's business.

7.4.17 ENVIRONMENTAL RISK

Mining exploration and development can be hazardous to the environment. If it is responsible for environmental damage, the Merged Group may incur substantial costs for environmental rehabilitation, damage control and losses by third parties resulting from its operations.

The Merged Group will be subject to relevant environmental laws and regulations in connection with its operations, and intends to conduct its activities in an environmentally responsible manner. However, the Merged Group could be subject to liability due to risks inherent in its activities.

7. Risk factors (continued)

7.4.18 HEALTH, SAFETY AND HAZARDOUS MATERIALS

Health and safety regulation affects the Merged Group's activities. Exploration and mining are potentially hazardous activities. If any injuries or accidents occur in a mine for example, this could have adverse financial implications for the Merged Group including legal claims and potential delays or stoppages.

7.4.19 INSURANCE

Insurance against all risks associated with mining and exploration and development is not always available and if available the associated costs may be high. Intrepid and Blackthorn currently have insurance in place which they believe is appropriate to their needs, having regard to what is available on economic terms in the insurance market. However, there is no guarantee that such insurance will be sufficient in all circumstances.

7.4.20 UNINSURABLE RISKS

The Merged Group may become subject to liability for accidents, pollution and other hazards which it cannot insure against, or which it may elect not to insure because of premium costs or for other reasons, or in amounts which exceed policy limits. The occurrence of an event that is not fully covered, or covered at all, by insurance, could have a material adverse effect on its operational or financial performance.

7.4.21 WARS, TERRORISM, AND NATURAL DISASTERS

Events may occur within or outside Australia that could adversely impact the market for copper, the operations of the Merged Group or any of their suppliers, service providers and customers, including war, acts of terrorism, civil disturbance, political intervention and natural activities such as earthquakes, floods, fire and poor weather affecting the transport and mining of copper.

7.5 LEGAL RISKS

7.5.1 MINING PERMITS

Mining companies are required to obtain government permits to expand operations or begin new operations. The costs and delays associated with such approvals could affect the Merged Group's operations.

Mining companies are required to seek governmental permits for expansion of existing operations or for the commencement of new operations. Obtaining the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions and often involving public hearings and costly undertakings. The duration and success of permitting efforts are contingent on many factors that are out of the Merged Group's control. The governmental approval process may increase costs and cause delays depending on the nature of the activity to be permitted, and could cause the Merged Group to not proceed with the development of a mine. Accordingly, this approval process could harm the Merged Group's results or operations.

7.5.2 UNPATENTED MINING CLAIMS

Third parties may dispute the Merged Group's unpatented mining claims, which could result in the discovery of defective titles and losses affecting its business.

All licences and permits in which the Merged Group has interests are subject to renewal conditions or are yet to be granted, which will be at the discretion of relevant Ministries in the jurisdiction. The maintenance of licences and permits, obtaining renewals, or getting licences and permits granted, often depends on the Merged Group being successful in obtaining required statutory approvals for proposed activities. While the Merged Group anticipates that subsequent renewals or licence and permit grants will be given as and when sought, there is no assurance that such renewals or grants will be given as a matter of course and there is no assurance that new conditions will not be imposed in connection with such grant or renewal.

7.5.3 GRANT AND RENEWAL OF MINING AUTHORISATIONS

Exploring for and mining minerals is generally illegal without an appropriate authorisation granted by the host nation or state. The grant and renewal of exploration permits, prospecting licences, mining licences, mining leases and other such authorisations are generally subject to legislative and regulatory regimes and to conditions which will be at the discretion of relevant Ministries in the host nation or state. There is no certainty that a grant or renewal applied for will be obtained at all or on satisfactory terms and conditions or within expected or desired timeframes. Accordingly, this approval process could harm the Merged Group's results or operations.

7.5.4 MINING LICENCE COMPLIANCE

For any of the reasons set out in this Section 7, or for other reasons, it is possible that the continued development of the Kitumba Project in accordance with the mining programme, capital expenditure forecast and other conditions applicable to the Mining Licence is not or ceases to be commercially viable. In this event, it is expected that the holder of the Mining Licence would apply to the Director of Mines under section 31 of the MMD Act for approval of amendments to the mining programme, or otherwise enter into discussions with the Zambian government to modify the terms and conditions of the Mining Licence. The outcome of any such application or discussions, if required, cannot be anticipated at this time, and it is possible that the Mining Licence is ultimately terminated.

7.5.5 DISPUTES AND LITIGATION

There are no material disputes or litigation known to the parties as at the date of this Scheme Booklet, but the Merged Group may be involved in disputes and possible litigation in the course of its future operations. There is a risk that any material or costly dispute or litigation in the future could adversely affect the value of the assets or future financial performance of the Merged Group.

7.5.6 INDUSTRIAL ACTION

The Merged Group is reliant on skilled and productive employees and contractors to maintain the intensity of its development and exploration activities. Blackthorn has taken deliberate steps to be thorough in selecting individuals with such characteristics to be its employees. However, any industrial action by the Merged Group's employees or its contractors' employees has the potential to disrupt development and exploration activities and may adversely affect the Merged Group's financial performance or financial position.

7.5.7 COMPENSATION

The Merged Group may also incur costs and liabilities resulting from claims for damages to property or injury to persons arising from the Merged Group's operations. The Merged Group must compensate employees for work-related injuries. If the Merged Group does not make adequate provisions or is otherwise not adequately insured for its workers' compensation liabilities and is pursued for such sanctions, costs and liabilities, the Merged Group's business, financial condition and results of operations could be adversely affected.

7.5.8 CONTRACTUAL ARRANGEMENTS

Blackthorn and Intrepid have entered into contracts which are important to the future of their businesses.

Any failure by counterparties to perform those contracts may have a material adverse effect on the Merged Group and there can be no assurance that it would be successful in enforcing any of its contractual rights through legal action.

7.6 REGULATORY RISKS

7.6.1 GOVERNMENT REGULATION

The Merged Group's operations could be adversely affected by government actions in Australia and Zambia or other countries or jurisdictions in which it has operational exposures or investment interests. These actions include, but are not limited to, the introduction of or amendment to or changes in the interpretation of, legislation, guidelines and regulations in relation to mining and resources exploration and production, taxation, the environment, carbon emissions, competition policy, cultural heritage and so on. Such actions could impact upon land access, the granting of licences and permits, the approval of project developments and ancillary infrastructure requirements and the cost of compliance. The possible extent of the introduction of additional legislation, regulations, guidelines or amendments to existing legislation that might affect the Merged Group is difficult to predict. Any such government action may require increased capital commitments or even additional capital in order to ensure compliance or could delay or even prevent certain operation/activities of the Merged Group. Such actions could therefore have a material adverse effect on the Merged Group's financial condition.

7.6.2 AUTHORISATIONS

The implementation of the Scheme is subject to a number of Authorisations being obtained, including clearance by or approval of the Zambian Competition and Consumer Protection Authority, before 8.00 am on the Second Court Date. If the Authorisations are not granted before 8.00am on Second Court Date, Blackthorn and Intrepid are required to consult, and they may agree to waive the condition or to extend (or further extend) the date by which the Authorisations are required to be obtained. However, if Blackthorn and Intrepid do not agree to waive the condition and do not extend the time allowed for its satisfaction, they will each have the right to terminate the Scheme.

7.6.3 LEGAL SYSTEMS

Some of the jurisdictions in which the Merged Group operates have less developed legal systems than would be found in more established economies like Australia. This may result in risks such as:

- i. potential difficulties in obtaining effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation, or in an ownership dispute;
- ii. a higher degree of discretion on the part of governmental authorities;
- iii. the lack of judicial or administrative guidance on interpreting applicable rules and regulations;
- iv. inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or
- v. relative inexperience of the judiciary and courts in such matters.

In certain jurisdictions the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness of and enforcement of such arrangements in these jurisdictions cannot be assured.

7.6.4 TAX RISK

The Merged Group is subject to taxation and other imposts in Australia and Zambia and other jurisdictions in which the Merged Group has activities and investment interests. Future changes in taxation laws in those countries, including changes in the interpretation or application of existing laws by the courts or applicable revenue authorities in those jurisdictions may affect the taxation treatment of the Merged Group's business activities thereby potentially impacting on the Merged Group's financial condition. In addition to the normal level of income tax imposed on companies in all industries, companies in the resources sector are usually required to pay government royalties and indirect taxes and other levies. The profitability of companies in this industry can be adversely affected by changes in government taxation and royalty policies or in the interpretation or application of such policies.

7. Risk factors (continued)

Blackthorn tax losses may not be available and may be forfeited as a result of the implementation of the Scheme

As a result of the implementation of the Scheme, Blackthorn will become a member of the Intrepid tax consolidated group. Blackthorn will be required to transfer its tax losses to Intrepid as the head company of the Intrepid tax consolidated group or forfeit its tax losses. The ability to transfer the losses is subject to Blackthorn satisfying the loss integrity rules, namely the modified 'continuity of ownership' test (COT) or modified 'same business test' (SBT).

Blackthorn will only be eligible to transfer its losses where it meets the modified SBT. That is, where it carries on the same business for the 'trial' period – being the period commencing 12 months prior to joining the Intrepid tax consolidated group and ending just after the joining time. Blackthorn is likely to fail the modified COT.

Blackthorn has not determined whether the modified SBT will be satisfied, but on the assumption that it is satisfied, the Blackthorn losses will only be available according to their available fraction. This fraction is determined based on the relative market value of Blackthorn to the Intrepid tax consolidated group at the joining time. This will then determine the access to tax losses for the Intrepid tax consolidated group.

Intrepid Tax Losses may not be available

The Pro Forma Accounts in this Scheme Booklet do not attribute a value to Intrepid's revenue and capital losses.

Generally, Intrepid must pass the COT or the SBT to carry forward its revenue and capital losses.

While the change in ownership of Intrepid as a result of the Intrepid Buyback will depend upon the actual acceptances in the Intrepid Buyback, a risk exists that the Intrepid Buyback may result in Intrepid failing the COT. Even if Intrepid does not fail the COT as a result of the Intrepid Buyback, the Intrepid Buyback could increase the likelihood that Intrepid will fail the COT in the future.

If the COT is not passed, Intrepid would need to satisfy the SBT in order to be able to utilise those tax losses in the future. The Blackthorn Directors have not determined whether the SBT will be satisfied.

7.6.5 CLIMATE CHANGE

The Merged Group's activities, including development and exploration and ultimately production, are energy intensive enterprises and depend on fossil fuels. Changing government regulation and policy responding to climate change may adversely affect the Merged Group's cost of operations and reduce its profitability. In addition, it is possible that the countries in which the Merged Group operates may introduce regulations which impose a cost on greenhouse gas emissions and energy intensive assets with application to Merged Group operations. Subject to the terms of these regulations, these regulations could materially impact the Merged Group's operations, directly or indirectly.

7.7 OTHER RISKS

Additional risks and uncertainties not currently known to Blackthorn or Intrepid may also have a material adverse effect on the Merged Group's business and the information set out above does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting Blackthorn, Intrepid or, if the Scheme is implemented, the Merged Group.

7.8 IMPLICATIONS FOR BLACKTHORN IF THE SCHEME IS NOT IMPLEMENTED

If the Scheme does not proceed:

- i. Blackthorn will remain listed on ASX;
- ii. Blackthorn Shareholders will retain their Blackthorn Shares; and
- iii. Blackthorn Shareholders will not receive the Scheme Consideration.

If the Scheme does not proceed, and no Superior Proposal for Blackthorn is received, Blackthorn Directors will consider alternative strategies for the Blackthorn business.

In particular, if Blackthorn remains as a standalone entity, it would need to secure additional funding from alternative sources in order to complete the DFS and progress the Kitumba Project as presently envisaged. In these circumstances, it is expected that Blackthorn would investigate a range of possible transactions with alternative parties to assist with its funding requirements.

As announced to ASX, Blackthorn has previously engaged in discussions of an incomplete nature with a number of parties, including as part of a formal process to assess a range of asset-level partnership and financing options for the Kitumba Project. These discussions did not result in receipt of a proposal that merited formal consideration by the Blackthorn Directors or an announcement to Blackthorn Shareholders.

Blackthorn estimates that it will have incurred or committed transaction costs of approximately A\$1.2 million in relation to the Scheme prior to the Scheme Meeting. These costs will be payable by Blackthorn regardless of whether or not the Scheme is implemented.

The circumstances which cause the Scheme not to proceed may also trigger payment of a liquidated amount of A\$580,000 either by Blackthorn to Intrepid, or by Intrepid to Blackthorn. See 9.5.4 (Break Fees) and Attachment D (Scheme Implementation Deed) for further details on the circumstances in which such an amount may become payable.

8

Australian taxation considerations

8. Australian taxation considerations

8.1 INTRODUCTION

The following is a general summary of the Australian taxation considerations applicable to Blackthorn Shareholders who hold their Blackthorn Shares on capital account and dispose of their Blackthorn Shares under the Scheme.

This summary does not constitute taxation advice and should not be relied upon as such. Given the general nature of the summary and the complexity of the Australian taxation laws, it is strongly recommended that each Blackthorn Shareholder consult with their own independent taxation adviser regarding the consequences of participating in the Scheme in light of current Australian taxation laws and their particular investment circumstances and anticipated future circumstances.

This summary reflects the provisions of the Tax Law and the regulations made under the Tax Law, taking into account ATO rulings and determinations applicable as at the date of this Scheme Booklet. The summary does not otherwise take into account or anticipate changes in the Tax Law, whether by way of judicial decision or legislative action, nor does it take into account taxation legislation of countries other than Australia. You should be aware that legislation, regulations, rulings, administrative interpretations and judicial decisions are subject to change at any time and, in some circumstances, with retrospective effect.

Blackthorn Shareholders who are non-residents of Australia for Australian taxation purposes should obtain specific independent advice as to the taxation consequences of the Scheme in their country of residence, as well as in Australia.

The following summary is not exhaustive of all the Australian taxation considerations that could apply to particular Blackthorn Shareholders. In particular, the summary does not apply to Blackthorn Shareholders who:

- i. hold their Blackthorn Shares on revenue account (that is, they are engaged in a business of trading in shares), as trading stock or have made an election under the Tax Law that results in gains and losses being regarded on revenue account;
- ii. acquired their Blackthorn Shares for the purposes of resale at a profit;
- iii. acquired their Blackthorn Shares under an arrangement which qualifies as an employee share or option plan for Australian tax purposes;
- iv. are a bank, insurance company, tax exempt organisation or superannuation fund that are subject to special tax rules; or
- v. are non-resident shareholders that hold their Blackthorn Shares as an asset of a permanent establishment in Australia.

In broad terms, the Australian taxation considerations for Blackthorn Shareholders who hold Blackthorn Shares and dispose of those Blackthorn Shares under the Scheme, will generally depend on whether or not CGT 'scrip for scrip' rollover relief is available or chosen.

This summary therefore considers the general Australian taxation considerations for Blackthorn Shareholders where:

- i. CGT 'scrip for scrip' rollover relief is not available or is not chosen; and
- ii. CGT 'scrip for scrip' rollover relief is available and chosen.

8.2 AUSTRALIAN RESIDENT BLACKTHORN SHAREHOLDERS – CGT 'SCRIP FOR SCRIP' ROLLOVER RELIEF IS NOT AVAILABLE OR CHOSEN

If the Scheme is implemented, Blackthorn Shareholders will dispose of their Blackthorn Shares to Intrepid and the disposal will trigger a CGT event (**CGT Event A1**) for Blackthorn Shareholders.

The time of the CGT event will be the Scheme Implementation Date. That is, the date upon which Blackthorn Shareholders cease to hold Blackthorn Shares (and commence holding shares in Intrepid).

Subject to the application of CGT 'scrip for scrip' rollover (refer to Section 8.3 below), the consequences of CGT Event A1 being triggered in respect of the Blackthorn Shares are as follows.

8.2.1 CGT GAIN (LOSS)

Blackthorn Shareholders will:

- i. make a capital gain if the capital proceeds received on the disposal of their Blackthorn Shares are greater than the cost base of those shares; or
- ii. make a capital loss if the capital proceeds received on the disposal of their Blackthorn Shares are less than the reduced cost base of those shares.

Any capital gain made from the disposal of the Blackthorn Shares will be included in the Blackthorn Shareholder's assessable income for the income year in which that disposal occurs.

A capital loss that arises on the disposal of the Blackthorn Shares can generally be offset against any other capital gains from other asset disposals that arise in the same year.

Any unutilised capital losses can generally be carried forward and offset against capital gains in future years, subject to satisfying the relevant loss utilisation rules.

Capital Proceeds

The 'capital proceeds' for the disposal of the Blackthorn Shares will be equal to the sum of the market value of the Intrepid Shares that are received by the Blackthorn Shareholders, worked out at the time of the CGT event.

The Intrepid share price at the close of trading of the ASX on the day prior to Implementation Date is likely to be a fair indication of the market value of the Intrepid Shares.

Cost Base

The CGT 'cost base' of the Blackthorn Shares will generally include the actual (or deemed) cost of acquisition plus incidental costs incurred to acquire the Blackthorn Shares or that relate to the disposal of the Blackthorn Shares.

If the Blackthorn Shares were acquired before 21 September 1999, the cost base may also include indexation up to 30 September 1999. However, the cost base cannot include indexation where the CGT discount outlined below applies.

8.2.2 CGT DISCOUNT

The CGT discount should be available to Blackthorn Shareholders who are individuals, trusts or complying superannuation funds that have held their Blackthorn Shares for at least 12 months before the disposal under the Scheme.

Broadly, the CGT discount rules enable the Blackthorn Shareholders to reduce their capital gain (after the application of any current year or prior year capital losses) by 50% for individuals and trusts and 33⅓% for complying superannuation funds. Blackthorn Shareholders having any current year capital losses or net capital losses from previous income years should seek independent taxation advice in relation to the potential availability of the CGT discount.

The CGT discount is not available to Blackthorn Shareholders that are companies or for Blackthorn Shareholders who have chosen to apply the indexation method to the cost base of their Blackthorn Shares.

The application of the CGT discount rules to a Blackthorn Shareholder that is a trustee of a trust is complex, particularly where distributions are attributable to discounted capital gains. Such Blackthorn Shareholders should therefore seek their own independent taxation advice based on their particular circumstances.

8.2.3 INDEXATION

For Blackthorn Shareholders that acquired their Blackthorn Shares at or before 11.45am on 21 September 1999, an indexation method may be available to determine the amount of any capital gain. In summary, the cost base of the Blackthorn Shares may be adjusted to include an indexation component (although the cost base can only be indexed up to 30 September 1999).

Blackthorn Shareholders should seek their own independent taxation advice regarding these rules. If the indexation method is used by an individual or trustee Blackthorn Shareholder, as stated above the CGT discount method referred to in Section 8.2.2 (CGT discount) above cannot be used.

8.3 AUSTRALIAN RESIDENT BLACKTHORN SHAREHOLDERS – CGT ‘SCRIP FOR SCRIP’ ROLLOVER IS AVAILABLE AND CHOSEN

8.3.1 SCRIP CONSIDERATION

Under Australian tax laws, CGT ‘scrip for scrip’ rollover relief is available where shareholders exchange ‘post-CGT’ shares (i.e. shares acquired on or after 20 September 1985) in one company for shares in another company under a single arrangement where ‘qualifying’ conditions are met. The Scheme should satisfy the scrip for scrip rollover requirements and accordingly scrip for scrip rollover should be available where the individual Blackthorn Shareholder meets the ‘qualifying’ conditions.

Blackthorn Shareholders may therefore be entitled to the benefit of CGT ‘scrip for scrip’ rollover relief in respect of any capital gain arising under the Scheme:

- i. where the disposal of the Blackthorn Shares would otherwise realise an assessable capital gain; and
- ii. to the extent that the Blackthorn Shareholders receive New Intrepid Shares in exchange for their Blackthorn Shares.

8.3.2 OPERATION OF THE CGT ‘SCRIP FOR SCRIP’ ROLLOVER PROVISIONS

In summary, if CGT ‘scrip for scrip’ rollover is available, the consequences of choosing the rollover are as follows:

- i. any capital gain in respect of the disposal of the Blackthorn Shares will be disregarded; and
- ii. the realisation of any capital gain will be deferred until a CGT event takes place in respect of the New Intrepid Shares.

8.3.3 FUTURE DISPOSAL OF INTREPID SHARES

If CGT ‘scrip for scrip’ rollover is available, Blackthorn Shareholders will need to choose for the rollover to apply. The choice must be made before the lodgement of their income tax return for the income year in which the Scheme is implemented, although a formal written choice is not necessary.

Rather, the choice will be evidenced by the manner in which Blackthorn Shareholders prepare and lodge their income tax return for the relevant income year (that is, by the fact that the Blackthorn Shareholders’ income tax return excludes the capital gain that is subject to the CGT ‘scrip for scrip’ rollover, if that rollover is available).

8.4 NON-AUSTRALIAN RESIDENT BLACKTHORN SHAREHOLDERS

Under current Australian Tax Laws, non-Australian tax residents are not assessable on capital gains arising from the disposal of shares in an Australian company where those shares do not qualify as ‘taxable Australian property’. Shares in an Australian company may only qualify as ‘taxable Australian property’ if a majority of the company’s underlying assets consist of real property situated in Australia.

A non-Australian resident Blackthorn Shareholder should therefore not be subject to Australian CGT as a result of disposing of their Blackthorn Shares under the Scheme. This is on the basis that a majority of Blackthorn’s assets do not consist of Australian ‘real property’ at the time of the disposal and the Blackthorn Shares held by a non-Australian resident Blackthorn Shareholder will therefore not be ‘taxable Australian property’.

Non-Australian resident Blackthorn Shareholders should seek their own independent taxation advice as to the taxation implications of the Scheme in their country of residence.

8.5 STAMP DUTY

Any stamp duty payable on the transfer of Blackthorn Shares to Intrepid pursuant to the Scheme will be paid by Intrepid.

9

**Detailed information
about the Scheme**

9. Detailed information about the Scheme

9.1 INTRODUCTION

This Section 9 (Detailed information about the Scheme):

- i. discusses the purpose and effect of the Scheme;
- ii. provides a summary of the Conditions and approvals required for the Scheme to proceed; and
- iii. provides a summary of the rights of Blackthorn and Intrepid to withdraw from the Scheme.

If the Conditions of the Scheme are satisfied or waived (as applicable), the manner in which the Scheme will be implemented respectively is described in Section 10 (Implementing the Scheme).

9.2 SCHEME OF ARRANGEMENT

9.2.1 PURPOSE

The purpose of the Scheme is to give effect to a merger with Intrepid. If the Scheme becomes Effective:

- i. Intrepid will acquire all of the Blackthorn Shares;
- ii. Blackthorn Shareholders will cease to hold any Blackthorn Shares and will become holders of New Intrepid Shares which will be issued as consideration under the Scheme; and
- iii. Blackthorn will become a wholly owned subsidiary of Intrepid and will be delisted from ASX.

The terms of the Scheme are set out in full in Attachment D (Scheme Implementation Deed).

9.2.2 LEGAL EFFECT

If the Scheme becomes Effective, it will constitute a binding arrangement between Blackthorn and each Scheme Participant under which:

- i. all Blackthorn Shares held by each Scheme Participant (including those who do not vote on the Scheme and those who vote against it) will be transferred to Intrepid free of any security interest (in accordance with, without limitation, section 32(1) of the Personal Property Securities Act 2009 (Cth) and Regulation 7.1 of the Personal Property Securities Act Regulations 2010 (Cth)), without the need for any action on the part of the Scheme Participant; and
- ii. each Scheme Participant (including those who do not vote on the Scheme and those who vote against it), other than Ineligible Overseas Shareholders, will receive the Scheme Consideration, subject to any security interest which attaches to the Scheme Consideration in accordance with section 32(1) of the Personal Property Securities Act 2009 (Cth), as consideration in full for the transfer of all of their Blackthorn Shares to Intrepid.

9.2.3 SCHEME MEETING

At the First Court Hearing on Monday, 13 October 2014, the Court ordered Blackthorn to convene a meeting of Blackthorn Shareholders to consider and vote on the Scheme.

The notice convening the Scheme Meeting is set out in Attachment G (Notice of Scheme Meeting). The fact that the Court has ordered that the Scheme Meeting be convened is not an indication that the Court has a view as to the merits of the Scheme or as to how Blackthorn Shareholders should vote. Blackthorn Shareholders should reach their own conclusion on these matters.

9.2.4 ELIGIBILITY TO VOTE AT THE SCHEME MEETING

Each person who is registered on the Blackthorn Share Register as a Blackthorn Shareholder as at 7.00pm Sydney time, Wednesday, 19 November 2014, is entitled to attend and vote at the Scheme Meeting, either in person, by proxy or attorney or, in the case of a corporate Blackthorn Shareholder or proxy, by a representative.

Refer to the Notice of Scheme Meeting in Attachment G (Notice of Scheme Meeting) for full details of how to vote at the Scheme Meeting.

9.2.5 VOTING MAJORITY REQUIRED

The resolution to approve the Scheme is subject to approval by the majorities required under section 411(4)(a)(ii) of the Corporations Act. The resolution must be approved by:

- i. (unless the Court orders otherwise) a majority in number (more than 50%) of Blackthorn Shareholders present and voting at the Scheme Meeting (whether in person, by proxy, attorney or, in the case of corporate Blackthorn Shareholders or proxies, by corporate representative) (**Headcount Test**); and
- ii. Blackthorn Shareholders whose Blackthorn Shares in aggregate account for at least 75% of the votes cast on the resolution.

The Court has the power to approve the Scheme even if the Headcount Test has not been satisfied. For example, the Court may do so if there is evidence that the result of the vote has been unfairly influenced by activities such as share splitting.

9.2.6 YOUR WARRANTIES UNDER THE SCHEME

To the extent permitted by law, the Blackthorn Shares transferred under the Scheme will be transferred free from all mortgages, charges, liens, encumbrances, pledges, security interests, and interests of third parties of any kind, whether legal or otherwise.

Each Scheme Participant is deemed to have warranted to Blackthorn, and appointed and authorised Blackthorn as its attorney and agent to warrant to Intrepid, that all of their Blackthorn Shares (including any rights and entitlements attaching to those shares) transferred to Intrepid under the Scheme will, at the date of transfer, be fully paid and free from mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise, and restrictions of transfer of any kind and that they have full power and capacity to sell and transfer their Blackthorn Shares (including any rights and entitlements attaching to those shares) to Intrepid under the Scheme.

9. Detailed information about the Scheme (continued)

9.3 DEED POLL

Intrepid has executed a Deed Poll in favour of the Scheme Participants and promises to acquire and provide consideration for all of the Blackthorn Shares under the Scheme subject to the satisfaction of certain conditions precedent. A copy of the Deed Poll is set out in Attachment E (Deed Poll).

9.4 CONDITIONS OF THE SCHEME

The Scheme is subject to the Conditions noted in Sections 9.4.1, 9.4.2 and 9.4.3 below, all of which must be satisfied or waived (as applicable) by 8.00am on the Second Court Hearing Date.

As at the date of this Scheme Booklet, neither Blackthorn nor Intrepid is aware of any circumstances which would cause any of the conditions summarised below not to be satisfied or which could result in termination of the Scheme Implementation Deed.

Blackthorn will make a statement regarding the status of the conditions to the Scheme Implementation Deed at the commencement of the Scheme Meeting.

9.4.1 JOINT CONDITIONS

The following Conditions apply for the mutual benefit of Intrepid and Blackthorn (noting that those relating to regulatory approvals, Blackthorn Shareholder approval and Court approval are not capable of waiver).

- i. **(Blackthorn Independent Expert's Report)** the Blackthorn Independent Expert's Report concludes that the Scheme is in the best interests of Blackthorn Shareholders and the Blackthorn Independent Expert maintains that opinion (including by not withdrawing or changing that opinion) at all times up to 8.00am on the Second Court Hearing Date;
- ii. **(orders convening Meeting)** the Court makes orders convening the Scheme Meeting under section 411(1) of the Corporations Act;
- iii. **(Blackthorn Shareholder Approval)** Blackthorn Shareholder Approval is obtained at the Scheme Meeting convened in accordance with the orders made under section 411(1) of the Corporations Act;
- iv. **(Intrepid Shareholder Approvals)** the Intrepid Shareholders approve by ordinary resolution:
 - a. the acquisition by Intrepid of the Blackthorn Shares in accordance with the Scheme; and
 - b. the Intrepid Buyback.
- v. **(Court approval of Scheme)** the Court makes orders under section 411(4)(b) of the Corporations Act approving the Scheme;
- vi. **(order lodged with ASIC)** an office copy of the Court order approving the Scheme is lodged with ASIC under section 411(4)(b) of the Corporations Act;
- vii. **(no restraint adversely affecting implementation)** no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing

the acquisition of all the Blackthorn Shares by Intrepid or otherwise preventing the implementation of the Scheme is in effect at 8.00am on the Second Court Hearing Date;

- viii. **(ASX quotation)** before 8.00am on the Second Court Hearing Date, the New Intrepid Shares to be issued to Scheme Participants (other than Ineligible Overseas Shareholders) in accordance with the Scheme are approved for official quotation on ASX, which approval may be conditional on the issue of those shares and other conditions customarily imposed by ASX;
- ix. **(Mining Licence Approval)** before 8.00am on 28 November 2014 (or such later date as agreed between Blackthorn and Intrepid), the Mining Licence Approval has been obtained;
- x. **(ASIC and ASX consents)** before 8.00am on the Second Court Hearing Date, ASIC and ASX issue or provide such consents or approvals or have done such other acts which Blackthorn and Intrepid agree are reasonably necessary to implement the Scheme;
- xi. **(Intrepid Independent Expert's Report)** the Intrepid Independent Expert's Report concluding that the Intrepid Buyback is either fair and reasonable, or not fair but reasonable, to all Intrepid Shareholders and the Intrepid Independent Expert maintaining that opinion (including by not withdrawing or changing that opinion) at all times up until the conclusion of the Intrepid Shareholder Meeting; and
- xii. **(Authorisations)** before 8.00am on the Second Court Date, all Authorisations required to implement the Scheme are granted or obtained.

9.4.2 CONDITIONS THAT APPLY FOR THE BENEFIT OF INTREPID

The following conditions apply for the sole benefit of Intrepid and can be waived by Intrepid in its absolute discretion.

- i. **(no Material Adverse Effect on Blackthorn)** during the period commencing on 27 August 2014 and ending at 8.00am on the Second Court Hearing Date, no one or more events, occurrences or matters individually or in aggregate that have or could reasonably be expected to have a Material Adverse Effect (as defined in the Scheme Implementation Deed) on Blackthorn, occurs or becomes known to Intrepid, other than a Material Adverse Effect that resulted solely from an event, occurrence or matter which:
 - a. was fairly disclosed in the Blackthorn Disclosure Material;
 - b. was due to one or more acts or omissions which were required to be done or procured by Blackthorn under the Scheme Implementation Deed or the Scheme;
 - c. was due to one or more acts or omissions which Intrepid expressly consented to in writing;
 - d. was attributable to the approval of Mining Licence not being obtained prior to the Mining Licence Approval End Date; or
 - e. is a Blackthorn Excluded Transaction (as defined in the Scheme Implementation Deed);

- ii. **(no Blackthorn Prescribed Event)** during the period commencing on the date of this document and ending at 8.00am on the Second Court Hearing Date, no Blackthorn Prescribed Event (as defined in the Scheme Implementation Deed) occurs; and
- iii. **(Blackthorn representations and warranties)** each of the representations and warranties given or made by Blackthorn under clause 18 of the Scheme Implementation Deed is true and correct as at the time it is given or made.

9.4.3 CONDITIONS THAT APPLY FOR THE BENEFIT OF BLACKTHORN

The following conditions apply for the sole benefit of Blackthorn and can be waived by Blackthorn in its absolute discretion.

- i. **(no Material Adverse Effect on Intrepid)** during the period commencing on 27 August 2014 and ending at 8.00am on the Second Court Hearing Date, no one or more events, occurrences or matters individually or in aggregate that have or could reasonably be expected to have a Material Adverse Effect on Intrepid, occurs or becomes known to Blackthorn unless that event, occurrence or matter:
 - a. was fairly disclosed in the Intrepid Disclosure Material;
 - b. was due to one or more acts or omissions which were required to be done or procured by Intrepid under the Scheme Implementation Deed or the Scheme;
 - c. was due to one or more acts or omissions which Blackthorn expressly consented to in writing; or
 - d. is an Intrepid Excluded Transaction (as defined in the Scheme Implementation Deed);
- ii. **(no Intrepid Prescribed Event)** during the period commencing on 27 August 2014 and ending at 8.00am on the Second Court Hearing Date, no Intrepid Prescribed Event (as defined in the Scheme Implementation Deed) occurs; and
- iii. **(Intrepid representations and warranties)** each of the representations and warranties given or made by Intrepid under clause 18 of the Scheme Implementation Deed is true and correct as at the time it is given or made.

9.5 TERMINATION RIGHTS

9.5.1 MUTUAL TERMINATION RIGHTS

Either Blackthorn or Intrepid may terminate the Scheme Implementation Deed by notice in writing to the other party before 8.00am on the Second Court Hearing Date in any of the following circumstances:

- i. if Intrepid and Blackthorn are unable to reach agreement within five Business Days after both parties become aware that a Condition will not be fulfilled (or waived) and where such condition is for the benefit of any party (whether solely or jointly with the other party), only the party for whose benefit the Condition is included can terminate; or
- ii. if the Effective Date does not occur on or before the End Date.

9.5.2 INTREPID ADDITIONAL TERMINATION RIGHTS

Intrepid may terminate the Scheme Implementation Deed by giving notice in writing to Blackthorn before 8.00am on the Second Court Hearing Date if:

- i. Blackthorn is in breach of the Scheme Implementation Deed (including a breach of a representation or warranty under that document) and that breach is material and is not remedied by Blackthorn within five Business Days (or such shorter period ending on the Second Court Hearing Date) of it receiving notice from Intrepid of the details of the breach and its intention to terminate;
- ii. any of Blackthorn's directors adversely changes or withdraws his or her recommendation that the Scheme is in the best interests of Blackthorn Shareholders; or
- iii. Blackthorn or any of its directors acts in a manner which is inconsistent with obtaining approval for the Scheme (including by recommending a Competing Proposal in respect of Blackthorn).

9.5.3 BLACKTHORN ADDITIONAL TERMINATION RIGHTS

Blackthorn may terminate the Scheme Implementation Deed by giving notice in writing to Intrepid before 8.00am on the Second Court Hearing Date if:

- i. Intrepid is in breach of the Scheme Implementation Deed (including a breach of a representation or warranty under that document) and that breach is material and is not remedied by Intrepid within five Business Days (or such shorter period ending on the Second Court Hearing Date) of it receiving notice from Blackthorn of the details of the breach and its intention to terminate;
- ii. any of Intrepid's directors withdraws his or her support for the Scheme or the Intrepid Buyback; or
- iii. Intrepid or any of its directors acts in a manner which is inconsistent with obtaining approval for the Scheme or the Intrepid Buyback (including by recommending a Competing Proposal in respect of Intrepid).

9. Detailed information about the Scheme (continued)

9.5.4 BREAK FEES

Under the Scheme Implementation Deed, a liquidated amount (**Break Fee**) of A\$580,000 may be payable either by Blackthorn to Intrepid, or by Intrepid to Blackthorn, in certain circumstances, including where:

- i. the other party accepts or enters into an agreement regarding a Competing Proposal or any other transaction that may reduce the likelihood of success of the Scheme;
- ii. a director of a party does not recommend the Scheme (and also the Intrepid Buyback in relation to Intrepid's directors), withdraws or adversely modifies an earlier recommendation, or approves or recommends or makes an announcement in support of a Competing proposal or any other transaction that may reduce the likelihood of success of the Scheme, other than in certain circumstances, including where:
 - a. in relation to Blackthorn, the Blackthorn Independent Expert's Report concludes or is modified to conclude that the Scheme is not in the best interests of Blackthorn Shareholders; or
 - b. in relation to Intrepid, the Intrepid Independent Expert's Report concludes or is modified to conclude that the Intrepid Buyback is not fair and not reasonable to Intrepid Shareholders, except where this arises due to the existence of an Intrepid Competing Proposal;
- iii. a party is in material breach of any provision under the Scheme Implementation Deed and the other party validly terminates the Scheme Implementation Deed.

See clauses 16.2 and 16.3 of the Scheme Implementation Deed contained in Attachment D (Scheme Implementation Deed) for further detail on the Break Fee.

9.6 BLACKTHORN OPTIONS

9.6.1 CANCELLATION ARRANGEMENTS IN RESPECT OF BLACKTHORN OPTIONS

Blackthorn has on issue 2,810,000 options to acquire, by way of issue, Blackthorn Shares. These options are held by eight employees under Blackthorn's Employee Share Option Plan and by two consultants. The two consultants each hold 75,000 Blackthorn Options in a tranche with an exercise price of A\$1.63 which is 'out of the money', and the eight employees hold the remaining 2,660,000 Blackthorn Options in a tranche with an exercise price of A\$0.25 which is 'in the money'. The Blackthorn Options are not quoted on any financial market.

Prior to the date of this Scheme Booklet, Blackthorn and Intrepid entered into an option cancellation deed with each Blackthorn Option Holder. Under the terms of the option cancellation deeds, each person holding Blackthorn Options has agreed to have their Blackthorn Options cancelled with effect on or from 10.00am on the Implementation Date in exchange for Intrepid Shares to be issued to them (or, in the case of one foreign option holder, paid a cash consideration equivalent to the value of the Intrepid shares he would otherwise have received on cancellation of his options). The number of Intrepid Shares to be issued to Blackthorn Option Holders is set out in Table A and B below:

Table A: Blackthorn Options with an exercise price of A\$1.63

Total Number of Options	Number of Option Holders	Exercise Price	Expiry Date	Total number of Intrepid Shares to be offered
75,000	1	A\$1.63	27 June 2015	545 Intrepid Shares ¹

Table B: Blackthorn Options with an exercise price of A\$0.25

Total Number of Options	Number of Option Holders	Exercise Price	Expiry Date	Number of Intrepid Shares to be offered for each Blackthorn Option held by the relevant Blackthorn Option Holder
2,660,000	8	A\$0.25	31 May 2017	0.472 Intrepid Shares per Blackthorn Option

¹ A further 75,000 A\$1.63 Blackthorn Options will be cancelled and exchanged for the equivalent value of 545 Intrepid shares (estimated value A\$180 or US\$170).

9.6.2 INDEPENDENT VALUATION OF OPTIONS

The values of the Blackthorn Options have been determined by an independent valuer engaged for this purpose by Blackthorn (and agreed by Intrepid). The independent valuer applied the Black Scholes and quasi Monte-Carlo simulation valuation methodologies as relevant to value the different tranches of Blackthorn Options.

In valuing the Blackthorn Options and calculating the corresponding number of Intrepid Shares to be issued as consideration for cancellation of the Blackthorn Options, the assumed value of:

- i. a Blackthorn Share at the date the Blackthorn Options were valued, being 26 August 2014, was A\$0.356; and
- ii. an Intrepid Share at the date the Blackthorn Options were valued, being 26 August 2014, was A\$0.330.

The above values are the same values used for the Blackthorn Shares and Intrepid Shares in calculating the Scheme Consideration (assuming the Intrepid Buyback is fully accepted).

9.6.3 ASX WAIVER UNDER LISTING RULE 6.23.2

ASX has given approval to a waiver from ASX Listing Rule 6.23.2 to the extent necessary to allow Blackthorn to cancel the Blackthorn Options in consideration for Intrepid issuing Blackthorn Option Holders with a certain number of Intrepid Shares (or, in the case of one foreign option holder, paid a cash consideration equivalent to the value of the Intrepid shares they would otherwise have received).

9.6.4 WHEN BLACKTHORN OPTION CANCELLATIONS ARE EFFECTIVE

The deeds cancelling the Blackthorn Options have no effect unless the Scheme becomes Effective on or before the End Date.

If the Blackthorn Options are cancelled under the option cancellation deeds, each Blackthorn Option Holder releases and discharges Blackthorn from all claims that they may have against Blackthorn, including without limitation any obligation for Blackthorn to issue Blackthorn Shares on the exercise of Blackthorn Options.

9.7 RIGHTS AND LIABILITIES ATTACHING TO NEW INTREPID SHARES

The rights and liabilities attaching to New Intrepid Shares which are issued to Blackthorn Shareholders as Scheme Consideration will be the same as those attaching to existing Intrepid Shares. These rights and liabilities are detailed in the Intrepid constitution, subject to the Corporations Act and the Listing Rules.

The table below summarises some of the key rules in the Intrepid constitution in relation to the rights and liabilities attached to Intrepid Shares in effect at the date of this Scheme Booklet. This summary does not purport to be exhaustive and must be read subject to the full text of the Intrepid constitution, available at the Intrepid website, www.intrepidmines.com.au.

Blackthorn Shareholders should seek their own independent advice in relation to their rights and liabilities as potential holders of Intrepid Shares in specific circumstances.

Action	Rights and liabilities
Issue of further Intrepid Shares	Subject to the Intrepid constitution, the Listing Rules and the Corporations Act, Intrepid Directors may allot, grant options over or otherwise dispose of Intrepid Shares as the directors think fit, but may not issue any Intrepid Share with a voting right more advantageous than that available to any Intrepid Share previously issued.
Allotment resulting in majority holding	Intrepid Shares can not be allotted to any person without prior approval of shareholders in general meeting where such allotment would result in such person being registered as the holder of the majority of the Intrepid Shares on issue, except this provision does not apply in any case where: ▪ such person is registered as the holder of a majority of the issued shares in Intrepid prior to such allotment; ▪ such allotment is pursuant to an offer of shares to substantially all the holders of ordinary shares in Intrepid in proportion to their shareholdings; or ▪ such allotment is authorised pursuant to the law or exercise of power by a Court or ASIC.
Call on Intrepid Shares	As the Intrepid Directors think fit and subject to the terms upon which the Intrepid Shares were issued, the Intrepid Directors may make such calls on the Intrepid Shareholders for unpaid money on their Intrepid Shares. An Intrepid Shareholder on whom a call is made will be given at least 30 business days notice of the call. If a call is made, Intrepid Shareholders are liable to pay the amount of the call at the time and place specified in the call notice.

9. Detailed information about the Scheme (continued)

Alteration and reduction of capital	Intrepid may by ordinary resolution of Intrepid Shareholders alter its capital in any manner permitted by law. Intrepid may, by a special resolution of Intrepid Shareholders, reduce its capital in any manner permitted by law.
General meetings and notices	Each Intrepid Shareholder is entitled to receive notice of and attend a general meeting. No Intrepid Shareholder can move any resolution at any meeting without having previously given Intrepid the notice required under the Intrepid constitution.
Voting	Subject to any rights or restrictions attached to any Intrepid Shares, votes may be given either personally, by proxy, by attorney under power or, in the case of a corporation, by its duly authorised representative. No person is entitled to vote at a general meeting unless they are an Intrepid Shareholder present in the meeting, either in person, by proxy or by attorney, or the duly authorised representative of a corporation which is a member. Subject to the rights and restrictions attached to any Intrepid Shares, on a show of hands every Intrepid Shareholder present has one vote. Where a person present at a general meeting represents more than one Intrepid Shareholder on a show of hands, the person is entitled to one vote only despite the number of Intrepid Shareholders the person represents.
Election of Intrepid Directors	At every Intrepid annual general meeting, one-third of the Intrepid Directors, or if their number is not a whole multiple of three, then the number nearest but not exceeding one third, shall retire from office, provided that no Intrepid Director may retain office for more than three years.
Removal of Intrepid Directors	Subject to the Corporations Act, Intrepid Shareholders may remove any Intrepid Director by resolution passed at any general meeting.
Dividends	Intrepid Directors may declare a dividend to be paid to Intrepid Shareholders from net profits of Intrepid. All dividends belong to and shall be paid to Intrepid Shareholders whose names are on the Intrepid Register on the date the dividend is declared. An Intrepid Shareholder is not entitled to a dividend if a call has been made on the share and is due and unpaid. A meeting may resolve to authorise the Intrepid directors to establish and maintain one or more dividend plans.
Winding up	If Intrepid is wound up and a surplus remains, it must be distributed among the parties entitled to it in proportion to the number of shares held by them. Members who are in arrears in payment of a call on an Intrepid Share, but whose Intrepid Share has not been forfeited, is not entitled to participate in the distribution in respect of that Intrepid Share until the amount owing has been fully paid and satisfied.
Replaceable Rules	The replaceable rules contained in the Corporations Act do not apply to Intrepid to the extent displaced by its constitution.
ASX Listing Rules	While Intrepid is admitted to the official list of the ASX, to the extent of any inconsistency between Intrepid's constitution and the ASX Listing Rules, the ASX Listing rules apply.

10

Implementing the Scheme

10. Implementing the Scheme

10.1 INTRODUCTION

If:

- i. the Scheme is approved by Blackthorn Shareholders at the Scheme Meeting;
- ii. the Intrepid Shareholders approve by ordinary resolution:
 - a. the merger with Blackthorn in accordance with the Scheme;
 - b. the Intrepid Buyback; and
- iii. all other conditions to the Scheme as described in Section 9 (Detailed information about the Scheme) (other than Court approval of the Scheme) have been satisfied or waived (as applicable),

the further general steps required to implement the Scheme are as described in this Section 10 (Implementing the Scheme).

The description of these general steps is based on the obligations that Blackthorn and Intrepid have under the Scheme Implementation Deed. Intrepid has also signed a Deed Poll in which it covenants in favour of Scheme Participants to perform the actions attributed to it under the Scheme and to provide the Scheme Consideration in accordance with the Scheme. The Scheme Implementation Deed is contained in Attachment D (Scheme Implementation Deed). The Deed Poll is contained in Attachment E (Deed Poll).

10.2 APPLY TO COURT FOR APPROVAL OF SCHEME

At the Second Court Hearing, Blackthorn will apply to the Court for orders approving the Scheme. It is expected that the Second Court Hearing Date will be held on or about Wednesday, 26 November 2014. Any change to this date will be announced on ASX.

The Court is not able to approve the Scheme unless:

- i. the Court is satisfied that the Scheme has not been proposed for the purpose of enabling any person to avoid the operation of any provisions of Chapter 6 of the Corporations Act; or
- ii. ASIC has first issued a written statement that it has no objection to the Scheme.

ASIC would not be expected to issue such a statement until shortly before the Second Court Hearing.

The Court has a wide, overriding discretion whether or not to approve the Scheme under section 411(4)(b) of the Corporations Act.

If you wish to oppose approval of the Scheme by the Court at the Second Court Hearing you must file with the Court, and serve on Blackthorn, a notice of appearance in the form prescribed by the Court, together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Blackthorn at its address for service at least one day before the Second Court Hearing Date. The address for service is: Minter Ellison, 88 Phillip Street Sydney NSW 2000 Attention: Ron Forster and Adrian Tan.

10.3 RECEIPT OF COURT ORDER

If the Court approves the Scheme:

- i. Blackthorn will make an announcement to ASX notifying the market of the receipt of Court approval, with that announcement to be made on the Court Approval Date;
- ii. approximately 1 business day after the Court approves the Scheme, Blackthorn will lodge an office copy of the Court's orders with ASIC under section 411(10) of the Corporations Act. On that date (which is expected to be Thursday, 27 November 2014), the Scheme will become Effective.

If the Scheme becomes Effective, Blackthorn and Intrepid will become bound to implement the Scheme in accordance with the terms of the Scheme Implementation Deed, the Deed Poll and the Scheme. Only Blackthorn Shareholders who qualify as Scheme Participants will be bound by and have the benefit of the Scheme. Section 10.7 (Determination of Scheme Participants) of this Scheme Booklet describes the principles for determining the identity of Scheme Participants.

If the Scheme does not become Effective before the Scheme End Date, the Scheme will lapse.

10.4 IMPLEMENTATION OF THE SCHEME

10.4.1 SUSPENSION OF TRADING IN BLACKTHORN SHARES

Blackthorn will apply to ASX to suspend trading in Blackthorn Shares on the stock market conducted by ASX from the close of trading on the Effective Date. On the current timetable, the Effective Date is expected to be Thursday, 27 November 2014.

10.4.2 TRANSFER AND REGISTRATION OF SCHEME SHARES

Under the Scheme, Scheme Participants irrevocably authorise Blackthorn to Convert (within the meaning of the ASX Settlement Operating Rules) all Scheme Shares held in CHES Holdings into Issuer Sponsored Holdings (each as defined in the ASX Settlement Operating Rules).

On the Implementation Date, the Scheme Shares held by Scheme Participants, together with all rights and entitlements attaching to those shares as at the Implementation Date, will be transferred to Intrepid without the need for any further act by any Scheme Participants, by Blackthorn executing and delivering a valid transfer or transfers of the Scheme Shares to Intrepid under the Corporations Act. In consideration of the transfer of the Scheme Shares to Intrepid, Intrepid will issue the Scheme Consideration to each Scheme Participant, in accordance with the provisions of the Scheme.

See Section 1.3 (Scheme Consideration) for further details on the provision and calculation of the Scheme Consideration.

10.4.3 ISSUE OF NEW INTREPID SHARES

On the Implementation Date, Intrepid will issue to each Scheme Participant the Scheme Consideration for each Blackthorn Share held by the Scheme Participant in accordance with the provisions of the Scheme.

The obligation of Intrepid to issue the New Intrepid Shares to Scheme Participants (other than Ineligible Overseas Shareholders) will be satisfied by Intrepid taking the following steps on the Implementation Date:

- i. issuing the applicable number of New Intrepid Shares to each Scheme Participant and, in the case of Ineligible Overseas Shareholders, to the Sale Agent; and
- ii. procuring the dispatch to Scheme Participants and to the Sale Agent of an allotment advice or holding statement (or equivalent document) reflecting the number of Intrepid Shares issued to them under the Scheme.

Each Scheme Participant to whom New Intrepid Shares are issued under the Scheme:

- a. becomes a member of Intrepid for the purposes of section 231 of the Corporations Act;
- b. will have their name and address entered in the Intrepid Register; and
- c. will be bound by the constitution of Intrepid as in force from time to time in respect of the Intrepid Shares.

Each Scheme Participant, without the need for any further act, irrevocably appoints Blackthorn and each of its directors and officers, jointly and severally, on and from the Effective Date, as the Scheme Participant's attorney and agent to execute any document or do any other act necessary, expedient or incidental to give full effect to the Scheme and anything required for the New Intrepid Shares to be issued to that Scheme Participant pursuant to the Scheme.

10.4.4 JOINT HOLDERS

In the case of Scheme Shares held in joint names, any uncertified holding statements for New Intrepid Shares to be issued to Scheme Participant will be issued in the names of the joint holders, and forwarded to the holder whose name appears first in the Blackthorn Share Register as at the Scheme Record Date.

10.5 SCHEME RECORD DATE

Blackthorn Shareholders (other than Ineligible Overseas Shareholders) on the Blackthorn Share Register at 7.00pm (Sydney time) on the **5th** Business Day following the Effective Date (the Record Date) will receive the Scheme Consideration in respect of each Scheme Share they hold as at the Record Date. The Record Date is expected to be Tuesday, 4 December 2014.

10.6 TERMINATION OF QUOTATION OF BLACKTHORN SHARES ON ASX

On a date after the Implementation Date (to be determined by Intrepid), Blackthorn will apply for termination of the official quotation on the stock market conducted by ASX of Blackthorn Shares and to have itself removed from the official list of ASX.

10.7 DETERMINATION OF SCHEME PARTICIPANTS

10.7.1 DETERMINING SCHEME PARTICIPANTS

To establish the identity of the Scheme Participants, dealings in Scheme Shares will only be recognised by Blackthorn if:

- i. in the case of dealings of the type to be effected using CHESS, the transferee is registered on the Blackthorn Share Register as the holder of the relevant Scheme Shares; and
- ii. in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received at the place where the Blackthorn Share Register is kept,

on or before 7.00pm (Sydney time) on the Record Date.

Blackthorn will register any registrable transmission applications or transfers of the Scheme Shares received in accordance with item (ii) above by, or as soon as practicable after, the Record Date.

10.7.2 NO DISPOSALS AFTER EFFECTIVE DATE

If the Scheme becomes Effective, you may not dispose of or purport or agree to dispose of any Scheme Shares after the Effective Date. Blackthorn will not accept for registration, nor recognise for any purpose, any transfer or transmission application in respect of Scheme Shares received after 7.00pm (Sydney time) on the Record Date.

10.7.3 MAINTENANCE OF THE BLACKTHORN SHARE REGISTER

For the purpose of determining entitlements to the Scheme Consideration, Blackthorn will maintain, or procure the maintenance of, the Blackthorn Share Register until the Scheme Consideration has been received by the Scheme Participants and the Register in this form will solely determine entitlements to the Scheme Consideration.

10.7.4 HOLDING STATEMENTS NO EFFECT FROM RECORD DATE

From the Record Date, all holding statements for Scheme Shares will cease to have effect as documents of title (or evidence thereof), and each entry on the Register at the Record Date will cease to have any effect other than as evidence of the entitlements of Scheme Participants to the Scheme Consideration.

10. Implementing the Scheme (continued)

10.7.5 BLACKTHORN TO PROVIDE CONTACT INFORMATION FOR SCHEME PARTICIPANTS

As soon as practicable after the Record Date and in any event at least 2 Business Days before the Implementation Date, Blackthorn will give to Intrepid or procure that Intrepid is given details of the name, Registered Address and the number of Blackthorn Shares held by each Scheme Participants, as shown in the Register at 7.00pm (Sydney time) on the Record Date, in whatever form Intrepid reasonably requires.

10.8 OVERSEAS BLACKTHORN SHAREHOLDERS

10.8.1 PARTICIPATION IN THE SCHEME

A Scheme Participant:

- i. who is (or is acting on behalf of) a citizen or resident of a jurisdiction other than Australia and its external territories; or
- ii. who is recorded in the Blackthorn Share Register at the Record Date as having an address outside Australia,

will be an Overseas Blackthorn Shareholder for the purposes of the Scheme.

All Scheme Participants may vote at the Scheme Meeting and if the Scheme becomes Effective, participate in the Scheme. However, some Overseas Blackthorn Shareholders may not be able to receive New Intrepid Shares under the Scheme. Restrictions in foreign countries may make it unlawful or unduly onerous for Intrepid to issue New Intrepid Shares to Overseas Blackthorn Shareholders (or for those persons to receive New Intrepid Shares).

Provided an Overseas Blackthorn Shareholder is not an Ineligible Overseas Shareholder, such shareholder may receive New Intrepid Shares under the Scheme.

Intrepid is not obliged to issue New Intrepid Shares to an Ineligible Foreign Shareholder under the Scheme. Instead, the Intrepid Shares that would otherwise have been issued to the Ineligible Overseas Shareholder will be issued to the Sale Agent and sold on ASX, with the net proceeds of sale to be distributed proportionately among Ineligible Overseas Shareholders. For further details, see Section 10.8.3 (Sale process for Ineligible Overseas Shareholders) below.

10.8.2 DETERMINING INELIGIBLE OVERSEAS SHAREHOLDERS

As at the Record Date, if an Overseas Blackthorn Shareholder:

- i. is, or is acting on behalf of, a citizen or resident of; or
- ii. is recorded in the Blackthorn Share Register at the Record Date as having a registered address in,

any of the following jurisdictions, that Overseas Blackthorn Shareholder will **not** be an Ineligible Overseas Shareholder and will therefore be entitled to receive the New Intrepid Shares under the Scheme:

- i. Australia;
- ii. New Zealand;
- iii. United Kingdom;
- iv. United States of America;
- v. Guernsey;
- vi. Switzerland;
- vii. Bahamas;
- viii. Canada;
- ix. Burkina Faso;
- x. Hong Kong;
- xi. Singapore; and
- xii. Cayman Islands.

Blackthorn and Intrepid have determined that it is not unlawful or unduly onerous to issue New Intrepid Shares to Scheme Participants whose address in the Blackthorn Share Register is in any of the jurisdictions listed above.

All other Overseas Blackthorn Shareholders will be Ineligible Overseas Shareholders for the purpose of the Scheme, unless Blackthorn considers it appropriate for those Scheme Participants to have the opportunity to receive the New Intrepid Shares and can provide, to Intrepid's reasonable satisfaction at least 3 Business Days before the Second Court Hearing, confirmation that there are appropriate exemptions available to allow Intrepid to issue the New Intrepid Shares to those Scheme Participants without having to undertake onerous filing or disclosure obligations in those jurisdictions.

Blackthorn disclaims all liability to the maximum extent permitted by law in respect of any determination made by Intrepid relating to Overseas Blackthorn Shareholders and Ineligible Overseas Shareholders.

10.8.3 SALE PROCESS FOR INELIGIBLE OVERSEAS SHAREHOLDERS

The New Intrepid Shares which would otherwise be required to be issued to Ineligible Overseas Shareholders under the Scheme will be issued instead to the Sale Agent on the Implementation Date. In such case, Intrepid shall cause:

- i. the Sale Agent, as soon as reasonably practicable (but, in any case within 28 Business Days after the Implementation Date) to offer all of the New Intrepid Shares issued to it under the Scheme in such manner, at such price or prices and on such other terms as the Sale Agent determines in good faith (and at the risk of Ineligible Overseas Shareholders); and
- ii. to be remitted to each Ineligible Overseas Shareholder, as soon as reasonably practicable but in any case within 5 Business Days after settlement of all the sales of the New Intrepid Shares issued to the Sale Agent having occurred, the same proportion of the net proceeds of sale of all such shares (after deduction of any fees and taxes and other charges and costs of sale) as the Scheme Consideration issued to the Sale Agent in respect of that Ineligible Overseas Shareholder bears to the total number of New Intrepid Shares issued to and sold by the Sale Agent.

10.9 TRADING NEW INTREPID SHARES ON ASX

10.9.1 DEFERRED SETTLEMENT TRADING OF NEW INTREPID SHARES

Trading on ASX of New Intrepid Shares to be issued as Scheme Consideration is expected to commence on a deferred settlement basis on or about Friday, 28 November 2014. Intrepid and Blackthorn disclaim all liability, whether in negligence or otherwise, to any Scheme Participant who trades New Intrepid Shares before receiving their holding statement, whether on the basis of a confirmation of allocation provided by Intrepid or otherwise. See Section 7 (Risk factors) for a description of risks associated with trading during this period.

10.9.2 NORMAL SETTLEMENT TRADING OF NEW INTREPID SHARES

Trading on ASX of New Intrepid Shares issued as Scheme Consideration is expected to commence on a normal settlement basis on or about Friday, 12 December 2014 (being the first Business Day after the Implementation Date).

10.9.3 CHESS AND HOLDING STATEMENTS

Shortly following the issue of New Intrepid Shares to Scheme Participants (other than Ineligible Overseas Shareholders), those Scheme Participants will receive an initial statement of holding (similar to a bank account statement) that sets out the number of New Intrepid Shares which have been allocated to them under the Scheme. This statement will also provide details of a shareholder's HIN in the case of a holding on the CHESS subregister or SRN in the case of holding on the issuer-sponsored subregister. Scheme Participants will be required to quote their HIN or SRN, as applicable, in all dealings with a stockbroker or the Intrepid Share registry.

Scheme Participants (other than Ineligible Overseas Shareholders) will receive subsequent statements at the end of any month in which there has been a change to their holding on the Intrepid share register and as otherwise required under the Listing Rules.

11

Additional information

11. Additional information

This section sets out, to the extent not otherwise set out in this Scheme Booklet, the statutory information required by section 412(1)(a) of the Corporations Act and Part 3 of Schedule 8 to the Corporations Regulations to be included in the Scheme Booklet. This section also includes additional information that the Blackthorn Directors consider is material to a decision on how to vote on the resolutions to be considered at the Scheme Meeting to approve the Scheme.

11.1 ASX WAIVERS

Blackthorn has been granted a waiver from ASX Listing Rule 6.23.2, to permit the cancellation of Blackthorn Options for consideration in the manner described in Section 9.6 (Blackthorn Options) without the requirement for Blackthorn to seek the approval of Blackthorn Shareholders.

The ASX waiver is conditional on the following:

- i. Blackthorn's shareholders approving by the requisite majority and a court of competent jurisdiction approving the Scheme and as a result of which all the Scheme Shares will be acquired by Intrepid; and
- ii. full details of the cancellation of the Blackthorn Options are set out to ASX's satisfaction in the Scheme Booklet

11.2 CONSENTS

Prior to the registration of this Scheme Booklet with ASIC, the following parties have given and have not withdrawn, their written consent to be named in this Scheme Booklet in the form and context in which they are named:

- i. UBS AG, Australia Branch as financial adviser to Blackthorn;
- ii. Minter Ellison as Australian legal adviser to Blackthorn;
- iii. Ernst & Young TAS as the Blackthorn Independent Expert;
- iv. Runge Pincock Minarco Limited as Independent Technical Expert;
- v. KPMG Financial Advisory Services (Australia) Pty Ltd as Investigating Accountant;
- vi. Computershare Investor Services Pty Limited as the Blackthorn Share Registry;
- vii. Intrepid; and
- viii. KPMG, Sydney as external auditor of Blackthorn and KPMG, Brisbane as external auditor for Intrepid.

Each of the Blackthorn Independent Expert, Independent Technical Expert and Investigating Accountant has also given and has not withdrawn, before the time of registration of this Scheme Booklet with ASIC, its written consent to the inclusion of the Blackthorn Independent Expert's Report, Independent Technical Expert's Report and Investigating Accountant's Report (as applicable) in this Scheme Booklet in the form and context in which it is included and to all references in this Scheme Booklet to those reports in the form and context in which they appear.

Intrepid has also given and has not withdrawn, before the time of registration of this Scheme Booklet with ASIC, its written consent to the inclusion of the Intrepid Information in the form and context in which it is included and to all references in this Scheme Booklet to the Intrepid Information in the form and context in which they appear.

11.3 DISCLAIMERS

None of the persons referred to in Section 11.2 (Consents) have authorised or caused the issue of this Scheme Booklet and do not make or purport to make, any statement in this Scheme Booklet other than those statements made in the capacity and to the extent the person has provided its consent, as referred to above. To the maximum extent permitted by law, each person referred to in Section 11.2 (Consents) disclaims all liability in respect of, makes no representation regarding and takes no responsibility for any part of this Scheme Booklet other than as described in this Scheme Booklet with that person's consent.

11.4 FEES AND INTEREST OF ADVISERS AND OTHERS

The cost of the transaction expected to be payable by Blackthorn is currently estimated to be approximately A\$2.7 million. This includes financial advisory, legal, accounting, independent experts, tax and administrative fees, Scheme Booklet design and printing, marketing, Blackthorn Share Registry and other expenses. The amount does not include transaction costs that may be incurred by Intrepid.

Before the Scheme Meeting, Blackthorn estimates that it will have incurred or committed transaction costs of approximately A\$1.2 million. These costs will be payable by Blackthorn regardless of whether or not the Scheme is implemented.

A breakdown of the estimated transaction costs is as follows:

- i. the fee for professional services paid or payable to the Blackthorn Independent Expert is approximately A\$100,000;
- ii. the fee for professional services paid or payable to the Independent Technical Expert is approximately A\$80,000;
- iii. the fee for professional services paid or payable to the Investigating Accountant is approximately A\$50,000;
- iv. the fee for legal services paid or payable to Blackthorn's Australian legal adviser, Minter Ellison, is approximately A\$400,000;
- v. the fee for financial advisory services paid or payable to UBS AG, Australia Branch is approximately A\$1,500,000;
- vi. the fees for other professional services (such as strategic advice, corporate communications, legal advice in respect of foreign jurisdictions printing and mailing services) paid or payable to other advisers are approximately A\$400,000; and
- vii. the fees and costs paid or payable to ASIC and Blackthorn's Share Registry, and the fees and costs paid or payable for printing services and mailing costs, are approximately A\$150,000.

11. Additional information (continued)

11.5 MINERAL RESOURCES AND ORE RESERVES ATTRIBUTIONS

The information in this Scheme Booklet 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 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 market announcement.

The information in this Scheme Booklet 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 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 market announcement.

11.6 AUTHORISATIONS

The implementation of the Scheme is subject to a number of Authorisations being obtained, including clearance by or approval of the Zambian Competition and Consumer Protection Authority, before 8.00am on the Second Court Date. A summary of the implications for Blackthorn Shareholders if the Scheme does not proceed is set out in Section 1 (Summary of the Scheme) and Section 7 (Risk Factors).

11.7 OTHER MATERIAL INFORMATION

Except as set out in this Scheme Booklet, in the opinion of the Blackthorn Directors, there is no other information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any Blackthorn Director or of any related body corporate of Blackthorn, which has not been previously disclosed to Blackthorn Shareholders.

11.8 SUPPLEMENTARY INFORMATION

Blackthorn will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration by ASIC and the date of the Scheme Meeting:

- i. a material statement in this Scheme Booklet is false or misleading;
- ii. a material omission from this Scheme Booklet;
- iii. a significant change affecting a matter included in this Scheme Booklet; or
- iv. a significant new matter arising which would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

The form which the supplementary document may take will depend on the nature and timing of the new or changed circumstances.

11.9 EFFECT OF SCHEME ON CREDITORS

If implemented, the Scheme will not materially prejudice Blackthorn's ability to pay its creditors. Other than the transaction costs or as otherwise disclosed in this Scheme Booklet, Blackthorn does not expect to incur any material new liabilities as a consequence of implementation of the Scheme.

11.10 FOREIGN JURISDICTIONS

The distribution of this Scheme Booklet outside of Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities law. Blackthorn disclaims all liabilities to such persons.

Blackthorn Shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed.

No action has been taken to register or qualify this Scheme Booklet or any aspect of the Scheme in any jurisdiction outside of Australia.

12

Glossary

12. Glossary

The following terms used in this Scheme Booklet have the meanings given to them below, unless the context otherwise requires.

ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited ACN 008 624 691 or, as the context requires, the financial market conducted by it.
ASX Settlement Operating Rules	the operating rules of the ASX settlement facility for the purposes of the Corporations Act.
ATO	Australian Taxation Office.
Australian GAAP	generally accepted accounting principles as applied in Australia.
Authorisations	has the meaning given in the Scheme Implementation Deed.
Base Exchange Ratio	1.079 New Intrepid Shares in respect of each Blackthorn Share.
Blackthorn Board	the Board of Directors of Blackthorn.
Blackthorn Competing Proposal	any proposal (including a scheme of arrangement) or offer that would, if completed substantially in accordance with its terms, result in any person or persons other than Intrepid or a member of the Intrepid Group acquiring (directly or indirectly): i. an interest in all or a substantial part of the assets of Blackthorn or the Blackthorn Group; ii. a relevant interest in more than 20% of the voting shares of Blackthorn; iii. control of Blackthorn within the meaning of section 50AA of the Corporations Act; or iv. otherwise acquiring or merging with Blackthorn (including by way of reverse takeover, reverse scheme of arrangement or dual listed company structure).
Blackthorn Continuous Disclosure	continuous disclosure by Blackthorn in accordance with clause 6(f) of the Scheme Implementation Deed.
Blackthorn Directors	The Directors of Blackthorn Resources, as detailed in Section 4.4 (Blackthorn Directors).
Blackthorn Disclosure Material	i. all written information relating to the business, assets, liabilities, operations, profits and losses, financial position and performance and prospects of Blackthorn and its subsidiaries provided or made available by or on behalf of any member of the Blackthorn Group or its representatives to Intrepid or its representatives; and ii. information available on the records made available for public inspection by ASIC and ASX prior to 27 August 2014.
Blackthorn Independent Expert	Ernst & Young TAS.
Blackthorn Independent Expert's Report	the report prepared by the Blackthorn Independent Expert and included in Attachment A to this Scheme Booklet.

Blackthorn Option	an option to subscribe for a Blackthorn Share.
Blackthorn Option Holder	each holder of a Blackthorn Option.
Blackthorn Prescribed Event	has the meaning given to it in the Scheme Implementation Deed.
Blackthorn Share	a fully paid issued ordinary share in the share capital of Blackthorn.
Blackthorn Share Price	means the Blackthorn share price on the Australian Securities Exchange at the relevant time.
Blackthorn Share Register	the register of members of Blackthorn maintained by Blackthorn in accordance with section 168(1) of the Corporations Act.
Blackthorn Share Registry	Computershare Investor Services Pty Limited.
Blackthorn Shareholder	a holder of a Blackthorn Share registered on the Blackthorn Share Register as a member of Blackthorn (or if two or more persons are registered on the Blackthorn Share Register as a member of Blackthorn in respect of the same shares, those persons together).
Blackthorn Shareholder Approval	approval of Blackthorn Shareholders of a resolution in favour of the Scheme passed by the required majority of Blackthorn Shareholders under section 411(4)(a)(ii) of the Corporations Act.
Break Fee	a liquidated amount of \$580,000 that may be payable by either by Blackthorn to Intrepid, or by Intrepid to Blackthorn, in certain circumstances that cause the Scheme to not be implemented.
Business Day	a weekday on which Australian banks are open for business in Sydney, Australia.
CGT	Australian capital gains tax.
CHESS	the clearing house electronic sub-register system of share transfers operated by ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532.
Close of Trading	close of trading on ASX on the Effective Date.
Company or Blackthorn	Blackthorn Resources Limited ACN 009 193 980.
Competent Person	As defined by the JORC Code.
Competing Proposal	either a Blackthorn Competing Proposal or an Intrepid Competing Proposal, as the context requires.
Condition	a condition precedent to the Scheme, as further described in section 9.4 of this Scheme Booklet.

12. Glossary (continued)

Contingent Buyback	the proposed unlimited off-market equal access buy-back at A\$0.275 per Intrepid Share to be put to Intrepid Shareholders at the Intrepid Shareholders Meeting if the Intrepid Shareholder Approvals are not obtained, as further described in section 2.4.2 of this Scheme Booklet.
Corporations Act	the Corporations Act 2001 (Cth).
Corporations Regulations	the Corporation Regulations 2001 (Cth).
Court	the Federal Court of Australia or any other court of competent jurisdiction under the Corporations Act agreed to in writing by Intrepid and Blackthorn.
Court Approval	approval by the Court of the Scheme for the purposes of Section 411(4)(b) of the Corporations Act.
Deed Poll	the deed poll entered into by Intrepid for the benefit of Scheme Participants in which those parties acknowledge and confirm their obligations under the Scheme Implementation Deed and the Scheme. A copy of the Deed is reproduced in Attachment E to this Scheme Booklet.
Definitive Feasibility Study or DFS	a comprehensive study of the mineral deposit and other aspects of the Kitumba Project in which known geological, engineering, operating, economic and other relevant factors are assessed for the purposes of serving as a basis for a Final Investment Decision.
Director of Mines	the Director of Mines, Republic of Zambia.
Effective	when used in relation to the Scheme, means the coming into effect, pursuant to Section 411(10) of the Corporations Act, of the order of the Court made under Section 411(4)(b) in relation to the Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.
Effective Date	the date that the Scheme becomes Effective. The Effective Date is expected to be on or about Thursday, 27 November 2014.
End Date	means 12 December 2014, subject to any extension to that date as agreed between Blackthorn and Intrepid in accordance with the Scheme Implementation Deed.
Ernst & Young TAS	Ernst & Young Transaction Advisory Services Limited.
Final Investment Decision or FID	a final decision to approve the development of and investment in the Kitumba Project.
Final Order	the final order of the Court approving the Scheme.
GST	i. the same as in the GST Law; ii. any other goods and services tax, or any tax applying to the performance of any obligations under this agreement in a similar way; and iii. any additional tax, penalty tax, fine, interest or other charge under a law for such a tax.

GST Law	means the same as 'GST law' in a New Tax System (Goods and Services Tax) Act 1999 (Cth).
Implementation Date	a date that the Scheme is to be implemented according to its terms. The Implementation Date is expected to be on or about Thursday, 11 December 2014.
Implied Value	the implied value of the Scheme Consideration offered under the Scheme per Blackthorn Share, based on the prevailing market price of Intrepid Shares at any point in time.
Independent Technical Expert	Runge Pincock Minarco Limited.
Independent Technical Expert's Report	the report prepared by the Independent Technical Expert, a copy of which is included as Attachment B (Independent Technical Expert's Report).
Ineligible Overseas Shareholders	an Overseas Blackthorn Shareholder who: - is, or is acting on behalf of, a citizen or resident of; or - is recorded in the Blackthorn Share Register at the Record Date as having a registered address in, any jurisdiction other than the following jurisdictions: - Australia; - New Zealand; - USA; - Singapore; - United Kingdom; - Switzerland; - Guernsey; - Bahamas; - Canada; - Burkina Faso; - Hong Kong; and - Cayman Islands unless Blackthorn and Intrepid determine that such Overseas Blackthorn Shareholder should not be an Ineligible Overseas Shareholder in accordance with Section 10.8.2 of this Scheme Booklet.
Interim Order	the interim order of the Court providing for, among other things, the calling and holding of the Scheme Meeting, as amended.
Intrepid	Intrepid Mines Limited ACN 060 156 452.
Intrepid Board	the board of directors of Intrepid.
Intrepid Buyback	the off-market equal access share buy-back under which Intrepid Shareholders will be given the opportunity to apply for some or all of their Intrepid Shares to be bought back by Intrepid for the amount of A\$0.30 per Intrepid Share, subject to a total monetary cap of A\$110 million and approval of Intrepid Shareholders by ordinary resolution.

12. Glossary (continued)

Intrepid Competing Proposal	any proposal (including a scheme of arrangement) or offer that would, if completed substantially in accordance with its terms, result in any person or persons other than a member of Blackthorn, Blackthorn or a member of the Blackthorn Group acquiring (directly or indirectly): i. an interest in all or a substantial part of the assets of Intrepid or the Intrepid Group; ii. a relevant interest in more than 20% of the voting shares of Intrepid; iii. control of Intrepid within the meaning of section 50AA of the Corporations Act; or iv. otherwise acquiring or merging with Intrepid (including by way of reverse takeover, reverse scheme of arrangement or dual listed company structure).
Intrepid Continuous Disclosure	continuous disclosure by Intrepid in accordance with clause 7(g) of the Scheme Implementation Deed.
Intrepid Disclosure Material	i. all written information relating to the business, assets, liabilities, operations, profits and losses, financial position and performance and prospects of Intrepid and its subsidiaries provided or made available by or on behalf of any member of the Intrepid Group or its representatives to Blackthorn or its representatives; and ii. information available on the records made available for public inspection by ASIC and ASX prior to 27 August 2014.
Intrepid Excluded Transaction	has the meaning given in the Scheme Implementation Deed.
Intrepid Group	Intrepid and each of its subsidiaries.
Intrepid Independent Expert's Report	the independent expert's report prepared by Grant Thornton Pty Ltd to express an opinion as to whether the Intrepid Buyback is fair and reasonable to all Intrepid Shareholders, prepared in accordance with ASIC Regulatory Guides 111 and 112.
Intrepid Information	the information in this Scheme Booklet provided by Intrepid, being the information in Section 5 of this Scheme Booklet.
Intrepid Prescribed Event	has the meaning given in the Scheme Implementation Deed.
Intrepid Register	the register of shareholders of Intrepid maintained by or on behalf of Intrepid in accordance with section 168(1) of the Corporations Act.
Intrepid Representations	the representations given by Intrepid under clause 7.1 of the Scheme Implementation Deed.
Intrepid Share	a fully paid ordinary share in Intrepid.
Intrepid Shareholders	means each person who is a holder on record of Intrepid Shares.
Intrepid Shareholder Approvals	approval of Intrepid Shareholders by ordinary resolution of: i. the acquisition by Intrepid of the Blackthorn Shares in accordance with the Scheme; and ii. the Intrepid Buyback.

Intrepid Shareholder Meeting	the extraordinary shareholders meeting of Intrepid Shareholders, scheduled to take place on Tuesday, 18 November 2014, at which Intrepid Shareholders will vote on the Intrepid Buyback.
Intrepid Shareholders' Resolutions	the resolutions to approve the merger with Blackthorn and the Intrepid Buyback.
Investigating Accountant	KPMG Financial Advisory Services (Australia) Pty Ltd.
Investigating Accountant's Report	the report prepared by the Investigating Accountant, a copy of which is included in Attachment C.
Joint Information	the information in this Scheme Booklet jointly prepared by Blackthorn and Intrepid (and for which they share responsibility), being the information contained in Section 6 of this Scheme Booklet.
JORC / JORC Code	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.
Kitumba Project	the copper project located within the Mumbwa Exploration Licence and as described by the Optimised Prefeasibility Study.
Listing Rules	the official listing rules of ASX.
Material Adverse Effect	has the meaning given in the Scheme Implementation Deed.
Merged Group	Intrepid and each of its subsidiaries following Implementation of the Scheme, when Blackthorn and its subsidiaries will become wholly owned subsidiaries of Intrepid.
Merged Group Pro Forma Historical Financial Information	the unaudited pro forma historical statement of financial position of the Merged Group as at 30 June 2014, showing the effects of the proposed Scheme as if it had been implemented on 30 June 2014.
Mineral Resources	has the meaning given to this term in the 2012 Edition of the JORC Code, which is available at www.jorc.org .
Mining Licence	a large-scale mining licence granted (or to be granted) under the MMD Act to succeed the Mumbwa Exploration Licence.
Mining Licence Application	the application under the MMD Act for the grant of the Mining Licence.
Mining Licence Approval	the granting of the Mining Licence.
Mining Licence Approval End Date	8:00am, 28 November 2014 (or some later date as agreed between Blackthorn and Intrepid).
MMD Act	Mines and Minerals Development Act, 2008, Republic of Zambia.

12. Glossary (continued)

Mumbwa Exploration Licence	Prospecting Licence No. 8589-HQ-LPL issued pursuant to the MMD Act.
New Intrepid Shares	means Intrepid Shares to be issued under the Scheme as Scheme Consideration.
Notice of Meeting	the notice of meeting containing the resolutions for Intrepid Shareholders to approve the merger and Intrepid Buyback.
Notice of Scheme Meeting	the notice convening the Scheme Meeting in Annexure G of this Scheme Booklet.
Optimised Prefeasibility Study or OPFS	the Kitumba Copper Project PFS Optimisation Study dated 29 May 2014.
Ore Reserves	Has the meaning given to this term in the 2012 Edition of the JORC Code, which is available at www.jorc.org .
Overseas Blackthorn Shareholder	means a Scheme Participant: i. who is (or is acting on behalf of) a citizen or resident of a jurisdiction other than Australia and its external territories; or ii. who is recorded in the Blackthorn Share Registry at the Record Date as having an address outside Australia and its external territories.
Proxy Form	the proxy form enclosed with this Scheme Booklet to enable Blackthorn Shareholders to vote by proxy at the Scheme Meeting.
Record Date	the date for determining entitlements to the Scheme Consideration expected to be Thursday, 4 December 2014.
Register	the register of Blackthorn Shareholders maintained in accordance with the Corporations Act.
Registered Address	the address of a Blackthorn Shareholder as shown in the Blackthorn Share Register.
Regulatory Authorities	a government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity whether foreign, Federal, state, territorial or local.
Related Body Corporate	has the same meaning given to that term in section 9 of the Corporations Act.
Requisite Majority	the majority vote of Blackthorn Shareholders that includes at least: i. (50% of members, by number) a majority by number of Blackthorn Shareholders present and voting at the Scheme Meeting (either in person or by proxy), unless the Court orders otherwise; and ii. (75% of shares voted, in aggregate) holders of in aggregate at least 75% of the total number of votes cast on the resolution at the Scheme Meeting.
Resolution	the resolution set out in the Notice of Scheme Meeting to approve the Scheme, with or without amendment.

Restraints	legal restraints or prohibitions in accordance with clause 3.2(g) of the Scheme Implementation Deed.
Sale Agent	such person or persons appointed by agreement by Intrepid to sell the Intrepid Shares that are attributable to Ineligible Overseas Shareholders under the terms of the Scheme.
Scheme or Scheme of Arrangement	the proposed scheme of arrangement announced on 28 August 2014 between Blackthorn and its shareholders under which Intrepid would acquire all Blackthorn Shares subject to any amendments or modifications made or required by the Court under section 411(6) of the Corporations Act.
Scheme Booklet	the explanatory memorandum in relation to the Scheme, dated Monday, 13 October 2014.
Scheme Consideration	the number of New Intrepid Shares to be issued to Scheme Participants (other than Ineligible Overseas Shareholders) as consideration for each Blackthorn Share as determined by the following formula (subject to rounding): $\frac{0.356}{\frac{(A - B)}{C}}$ Where: A = 173,000,000 (being the agreed A\$ cash balance of Intrepid for the purposes of the Scheme, as at announcement of the Scheme and net of estimated transaction costs). B = the cash amount to be paid by Intrepid under the Intrepid Buyback, in A\$. C = the number of Intrepid Shares on issue at the close of trading of Intrepid Shares on the ASX on the last day of the Intrepid Buyback offer period, less the number of Intrepid Shares to be bought back under the Intrepid Buyback.
Scheme Implementation Deed	the scheme implementation deed entered into between Blackthorn and Intrepid dated Wednesday, 27 August 2014, as amended by an amendment deed to the scheme implementation deed dated 29 September 2014.
Scheme Meeting or Share Scheme Meeting	the meeting of Blackthorn Shareholders to be held on Friday, 21 November 2014 to consider and vote on the Scheme. The notice convening the Scheme Meeting is contained in Attachment 6 to this Scheme Booklet.
Scheme Participant	a Blackthorn Shareholder as at 7.00pm on the Record Date (other than Intrepid or any member of the Intrepid Group to the extent it already holds Blackthorn Shares).
Scheme Share	a Blackthorn Share on issue at the Record Date.
Scheme Transfer	for each Scheme Participant, a duly completed and executed instrument of transfer of the Blackthorn Shares for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all the Blackthorn Shares held by Scheme Participants.
SEC	United States Securities and Exchange Commission.

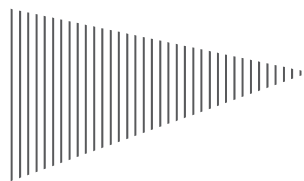
12. Glossary (continued)

Second Court Hearing	the hearing of the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.
Second Court Hearing Date	the first day on which the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving this Scheme is heard by the Court. This date is expected to be on or about Wednesday, 26 November 2014.
Securities Act	US Securities Act of 1993, as amended.
Superior Proposal	a Blackthorn Competing Proposal which the Blackthorn Directors determine to be superior to the Scheme, or an Intrepid Competing Proposal which the Intrepid Directors determine to be superior to the Scheme, as applicable.
Tax Law	the Income Tax Assessment Act 1997 (Cth) and the Income Tax Assessment Act 1936 (Cth).
United States or US	United States of America.
VWAP	volume weighted average price.
Zambian Ministry of Mines	means the Zambian Ministry of Mines, Energy and Water Development.
ZEMA	Zambian Environmental Management Agency.

A

Attachment A: Blackthorn Independent Expert's Report

Attachment A: Blackthorn Independent Expert's Report



Independent Expert's Report and Financial Services Guide

In relation to the proposed Scheme of Arrangement between
Blackthorn Resources Limited and Intrepid Mines Limited

13 October 2014



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Part 1 – Independent Expert's Report

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

13 October 2014

Dear Directors

Independent expert's report in relation to the proposed Scheme of Arrangement between Blackthorn Resources Limited and Intrepid Mines Limited

Background

On 28 August 2014, Blackthorn Resources Limited ("Blackthorn" or the "Company") and Intrepid Mines Limited ("Intrepid") announced that they had entered into a Scheme Implementation Deed ("SID") under which the two companies intend to merge via a scheme of arrangement (the "Scheme"). Intrepid also announced its intention to undertake a share buy-back of up to A\$110 million contemporaneously with the Scheme (the "Intrepid Buy-back"). The Scheme is conditional on approval of the Scheme by Blackthorn shareholders and approval by Intrepid shareholders of both the Scheme and the Intrepid Buy-back.

Under the Scheme, Blackthorn shareholders, other than ineligible overseas shareholders, ("Blackthorn Shareholders") will receive at least 1.079 Intrepid shares for every one Blackthorn share held ("the Scheme Consideration")¹. The ratio of 1.079 (the "Base Exchange Ratio"), may be adjusted upwards, depending upon the take-up by Intrepid shareholders of the Intrepid Buy-back. The adjustment mechanism will mean that the "cash-backed value" of Intrepid shares received by Blackthorn Shareholders remains constant. For instance, if the Intrepid Buy-back is undersubscribed, Intrepid will have a larger cash balance and more shares on issue. The exchange ratio will therefore be adjusted such that Blackthorn Shareholders will own a smaller proportion of outstanding Intrepid shares, thereby maintaining the same "cash-backed value" of Intrepid shares received by Blackthorn Shareholders as if the Intrepid Buy-back was fully subscribed.

Blackthorn Shareholders are to consider a resolution seeking approval of the Scheme at a general meeting of the Company that is to be held on or about 21 November 2014 (the "Scheme Meeting"). If the Scheme is approved, and all of the other conditions precedent are met or waived, the merger of Blackthorn with Intrepid will occur. We recommend that Blackthorn Shareholders read the accompanying Scheme Booklet to obtain a full understanding of the Scheme.

Based on the number of shares the respective companies have on issue, should the Scheme be approved and implemented:

- ▶ Blackthorn will become a wholly owned subsidiary of Intrepid
- ▶ Blackthorn will be delisted from the Australian Securities Exchange ("ASX")
- ▶ Blackthorn Shareholders will own, collectively, between approximately 25% and 48% of the issued shares in Intrepid, depending on the take up by Intrepid shareholders of the Intrepid Buy-back.

¹ In addition to its ordinary shares, Blackthorn has on issue approximately 2.8 million unlisted options, held by a number of employees and contractors. Should the Scheme be implemented, the options will be cancelled in return for the issue of Intrepid shares or, in the case of certain foreign holders, cash, at an agreed amount per option.

Attachment A: Blackthorn Independent Expert's Report (continued)



Independent Expert's Report
Blackthorn Resources Limited
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Requirement for an independent expert's report

Under clause 8303 of Schedule 8 of the Corporations Regulations 2001 (the "Regulations"), if the other party to a proposed scheme has a 30% or more interest in the company the subject of the scheme, or if the parties to the scheme have a common director, then the documents to be sent to shareholders must be accompanied by a report prepared by an independent expert in which that person provides an opinion as to whether or not the proposed scheme is in the best interests of shareholders and sets out the reasons for that opinion.

Intrepid does not own any shares in Blackthorn and there are no common directors. As a result, an independent expert's report is not specifically required in relation to the Scheme. Notwithstanding, the Directors of Blackthorn have engaged Ernst & Young Transaction Advisory Services Limited to prepare an independent expert's report in relation to the Scheme as if such a report was required under the Regulations.

Accordingly, we have prepared this independent expert's report to consider whether or not, in our opinion, the Scheme is in the best interests of Blackthorn Shareholders and setting out the reasons for that opinion. Our report is to be included in the Scheme Booklet being sent to Blackthorn Shareholders in respect of the Scheme Meeting.

Approach

Neither the Corporations Act (the "Act") nor the Regulations define the term 'in the best interests of'. The Australian Securities and Investments Commission has however issued Regulatory Guide 111: *Content of expert reports* ("RG 111") which provides guidance as to what matters an independent expert should consider when determining whether or not a particular transaction is in the best interests of shareholders.

A key matter under RG 111 that an expert needs to consider when determining the appropriate form of analysis is whether or not the effect of the transaction is comparable to a takeover offer and is therefore representative of a "control transaction".

If the Scheme is implemented, Blackthorn Shareholders will own less than 50% of the issued shares in the combined Blackthorn and Intrepid group (the "Merged Group"). As such, in our opinion, the Scheme represents a control transaction.

In the circumstance of a scheme that achieves the same outcome as a takeover offer, RG 111 suggests that the form of the analysis undertaken by the independent expert should be substantially the same as for a takeover offer. Independent expert's reports required under the Act in the circumstance of a takeover are required to provide an opinion as to whether or not the takeover offer is 'fair and reasonable'. While there is no definition of 'fair and reasonable', RG 111 provides some guidance as to how the term should be interpreted in a range of circumstances. With respect to a takeover offer:

- ▶ an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and
- ▶ an offer is 'reasonable' if it is fair. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111 states that, in the case of a scheme, if an expert can conclude that an offer is 'fair and reasonable' then he or she will be able to conclude that the scheme is in the 'best interests' of shareholders.

RG 111 states that the comparison of the value of the consideration and the value of the securities subject to a takeover offer is to be made assuming 100% ownership of the target and it is "inappropriate to apply a discount on the basis that the shares being acquired represent a minority or portfolio parcel of shares".



Independent Expert's Report
Blackthorn Resources Limited
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Summary of opinion

We have determined whether the Scheme is fair by comparing the assessed value of a Blackthorn share, on a controlling basis, to the fair market value of the Scheme Consideration that will be received by Blackthorn Shareholders in the event that the Scheme is approved and implemented. The table below presents a summary of the assessed value of the Scheme Consideration and a Blackthorn share. Because the outcome under the Intrepid Buy-back is unknown, we have shown our assessment assuming full take up of the Intrepid Buy-back and also assuming no take up of the Intrepid Buy-back.

Comparison of Scheme Consideration with value of Blackthorn share	Full take up of Intrepid Buy-back		No take up of Intrepid Buy-back	
	Low	High	Low	High
Value of Intrepid per share, post-Scheme, on a minority basis (A\$ per share)	0.221	0.272	0.242	0.267
Exchange ratio	1.079	1.079	1.147	1.147
Value of Scheme Consideration (\$A per share)	0.238	0.294	0.277	0.306
Value of Blackthorn share on controlling basis (A\$ per share)	0.262	0.357	0.262	0.357

Source: Ernst & Young Transaction Advisory Services analysis

Under both of the scenarios presented above, the assessed value of the Scheme Consideration is consistent with the assessed value of a Blackthorn share on a controlling interest basis of between A\$0.262 and A\$0.357 per share. Our assessed range of values of a Blackthorn share includes a premium for control and is relatively wide, reflecting the uncertainties regarding the development of Blackthorn's key development asset, the Kitumba Copper Project in Zambia. In contrast, the Scheme Consideration is largely cash-backed and our assessed range of values of the Scheme Consideration is relatively narrow.

Our analysis does not include the potential impact of any synergies that may be realised if the proposed Scheme is approved and implemented as such synergies, if any, have not been quantified. Any synergies would have a positive impact on the value of the Scheme Consideration.

This analysis also does not take into account the impact of the exercise of any of the options and share rights issued by Intrepid. Based on our analysis, given the number of Intrepid options and share rights outstanding and their terms, the dilutionary impact is not sufficiently material to change our analysis presented above.

In regards to our assessment of the value of an Intrepid share, post-Scheme, we note Blackthorn Shareholders will ultimately receive Intrepid shares as consideration under the Scheme. As such, the "fair market value" of the consideration Blackthorn Shareholders will receive will be dependent on the prices at which Intrepid shares trade on the ASX after the implementation of the Scheme.

As at 10 October 2014, being the latest date prior to issuance of our report, the trading price per share of Intrepid was A\$0.275 per share. This compares to the proposed Intrepid Buy-back price of A\$0.30 per share. The current trading price of Intrepid is higher than our assessed value of an Intrepid share, post-Scheme, of between A\$0.221 and A\$0.272 per share (assuming full take up of the Intrepid Buy-back) and between A\$0.242 and A\$0.267 per share (assuming no take up of the Intrepid Buy-back). However, we note that shares in Intrepid are not overly liquid.

The current trading price of Blackthorn as at 10 October 2014 of A\$0.265 per share is just above the low end of our valuation range. We note that our valuation of a Blackthorn share includes a premium for control.

As the Scheme Consideration is consistent with the range of assessed values of a Blackthorn share, we consider the terms of the Scheme to be fair. Under the guidance provided by RG 111, as we consider the terms of the Scheme to be fair, we also consider the terms to be reasonable, and accordingly, in the best interest of Blackthorn Shareholders.

Attachment A: Blackthorn Independent Expert's Report (continued)



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Blackthorn Resources Limited
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Other factors

Notwithstanding the above conclusion that the terms of the proposed Scheme are fair and reasonable, we have also considered other factors that Blackthorn Shareholders should consider in forming their views as to whether or not to vote in favour of the Scheme.

Individual Blackthorn Shareholders may interpret these factors differently depending on their own circumstances. Certain of the factors outlined below may only be an advantage or disadvantage to the extent that a Blackthorn Shareholder decides to retain their shares in Intrepid, post-Scheme implementation.

Advantages

Blackthorn Shareholders are receiving a premium to the share price of Blackthorn prior to the announcement of the Scheme

The Scheme provides Blackthorn Shareholders with the opportunity to realise value for their Blackthorn shares in excess of the price at which they traded prior to the announcement of the Scheme on 28 August 2014.

In the absence of any acquisition, or similar form of transaction, Blackthorn Shareholders may be unable to realise a control premium above the minority interest value.

Assuming there is no take up of the Intrepid Buy-back, our assessment of the value of the Scheme Consideration represents a premium between 5% and 16% to the closing price of A\$0.265 per Blackthorn share prior to the announcement of the Scheme on 28 August 2014, and a premium between 23% and 36% to the 30 day volume weighted average price ("VWAP") to 27 August 2014 of A\$0.225 per Blackthorn share.

Assuming there is full take up of the Intrepid Buy-back, our assessment of the value of the Scheme Consideration represents a discount of 10% (at the low end) and a premium of 11% (at the high end) to the closing price prior to the announcement of the Scheme, and a premium of between 6% and 30% to the 30 day VWAP prior to the announcement of the Scheme.

We note that shares issued to Blackthorn Shareholders, assuming no take up of the Intrepid buy-back and therefore no impact on its cash balance, will comprise 25% of total Intrepid shares on issue. This percentage is not unreasonable for Blackthorn Shareholders who are contributing 24%² of the value of the Merged Group based on the relative market capitalisations of each company prior to the announcement of the Scheme.

Blackthorn Shareholders will continue to have exposure to the Kitumba Copper Project

Under the proposed Scheme, Blackthorn Shareholders will become shareholders in the Merged Group and will continue to have exposure to Blackthorn's key mineral asset, the Kitumba Copper Project. This means that, should the value of the Kitumba Copper Project increase over time as it progresses through the definitive feasibility study stage, should the Scheme be approved and implemented, Blackthorn Shareholders (to the extent they remain shareholders) will continue to benefit from any potential increase in value.

Potential greater liquidity of Blackthorn shares

As a result of the proposed Scheme, the market capitalisation of the Merged Group will be higher than Blackthorn's current market capitalisation and will be underpinned by a pro-forma cash balance of at least A\$83 million, assuming the Intrepid Buy-back is fully subscribed. Notwithstanding that shares in Blackthorn have historically been relatively liquid, the increased market capitalisation may mean greater analyst and investor awareness, which could lead to higher levels of liquidity. This may be considered an advantage to those Blackthorn Shareholders who are wishing to dispose of their Intrepid shares.

² Based on the market capitalisation of Blackthorn and Intrepid on 27 August 2014, of A\$44 million and A\$142 million, respectively



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Greater financial resources

Should the Scheme be approved and implemented, the Merged Group will have a pro-forma cash balance of at least A\$83 million (assuming the Intrepid Buy-back is fully subscribed), which is higher than Blackthorn's current cash resources. The additional funding will enable the Merged Group to continue with completion of the definitive feasibility study ("DFS") in relation to the Kitumba Copper Project (estimated to cost around A\$20 million) and fund its other exploration activities in Zambia.

While the cash backing of the Merged Group will not be sufficient to fully develop the Kitumba Copper Project³, the additional funding will place the Merged Group in a better position to undertake negotiations with potential partners and financiers of the Kitumba Copper Project, with a stronger balance sheet, compared to Blackthorn as a stand-alone entity.

Limited ability of Blackthorn to access non-dilutive capital via alternate sources

As previously noted, Blackthorn does not have sufficient funds to complete the DFS in relation to the Kitumba Copper Project. If the Scheme is not approved and implemented, Blackthorn will be required to seek funding from alternative sources. As noted in the Scheme Booklet, Blackthorn has engaged in a formal process to assess partnership and funding options for the Kitumba Copper Project, which did not result in any alternative proposals that warranted formal consideration by Blackthorn directors. Given the current low levels of investor appetite in small mining and exploration companies, any equity capital raising by Blackthorn is likely to be at a significant discount to the trading share price and therefore dilutive to existing shareholders.

Disadvantages

Blackthorn Shareholder's interest in the Kitumba Copper Project will be diluted

Should the Scheme be approved and implemented, while Blackthorn Shareholder's will continue to have exposure to the Kitumba Copper Project, their interest will be diluted. While Blackthorn Shareholders currently own 100% of the Kitumba Copper Project, should the Scheme be approved and implemented, the interest of Blackthorn Shareholders in the Kitumba Copper Project will reduce to between 25% and 48%, depending upon the take up by Intrepid Shareholders of the Intrepid Buy-back.

Other relevant factors

The value of the consideration may change up until the date of the Scheme Meeting

The implied fair market value of the Scheme Consideration may change if the market price of Intrepid shares changes up until the day immediately preceding the Scheme Meeting. We note that Intrepid's share price has remained relatively stable over the six months, reflecting that it has no operating assets, and is essentially a "cash box". However, general market conditions may impact the Intrepid share price leading up to the Scheme Meeting, and this will impact the fair market value of the Scheme Consideration.

Potential for alternative superior proposals to emerge

Prior to the announcement of the Scheme, Blackthorn had engaged in incomplete discussions with a number of other parties regarding funding for the development of the Kitumba Copper Project.⁴ While it is possible that an alternative proposal involving Blackthorn may emerge, we note that:

- ▶ since the announcement of the Scheme, no superior proposals have been received and the directors of Blackthorn are not aware of any potential superior alternative proposal likely to emerge
- ▶ the terms of the SID prevent Blackthorn and its representatives from actively seeking alternative proposals. Furthermore, a break fee of A\$580,000 may be payable by Blackthorn in certain circumstances, such as Blackthorn entering into an alternative proposal.

These factors may reduce the likelihood of any superior proposals emerging.

³ The estimated initial capital cost of building the mining and smelting operations at Kitumba, per the optimised pre-feasibility study, is US\$680 million.

⁴ Refer section 1.9 of the Scheme Booklet.

Attachment A: Blackthorn Independent Expert's Report (continued)



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Blackthorn Resources Limited
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If the Scheme is not approved the Blackthorn share price would likely fall below current trading levels

If the Scheme is not approved, and in the absence of an alternative transaction, Blackthorn will continue to operate in its current form and be listed on the ASX. As a consequence:

- ▶ Blackthorn Shareholders would continue to own shares in Blackthorn but will not receive any Intrepid shares.
- ▶ The advantages, disadvantages and risks of the proposal will not occur other than with respect to the one-off transaction costs of approximately A\$1.2 million incurred or committed prior to the Scheme Meeting. These costs would be incurred irrespective of whether or not the proposed Scheme was approved and implemented.
- ▶ The price of Blackthorn shares may fall. We note that Blackthorn shares rose 9% on 28 August 2014 following announcement of the proposed Scheme. Since that date, up to 15 September 2014, Blackthorn shares have traded at an average of 4.5% above the closing price one day preceding the announcement of the Scheme. Between 16 September 2014 and 22 September 2014, the price of Blackthorn shares has closed lower than the closing price one day preceding the Scheme announcement, but higher than the 30 day VWAP prior to the Scheme announcement of A\$0.225 per share. From 26 September 2014 to 10 October 2014, the price of Blackthorn shares closed in line with the closing price one day preceding the Scheme announcement.

Potential synergies

Should the proposed Scheme be implemented, potential cost synergies may be realised, in the form of reduced listing fees and reporting costs, reduced head office staff numbers and reduced property costs. These potential cost savings have not been quantified in the Scheme Booklet, or factored into our analysis, and should they be realised, may positively impact the future value of Intrepid and the Scheme Consideration, should the Scheme be approved and implemented.

Tax consequences

There may be certain tax implications for individual Blackthorn Shareholders in connection with the Scheme if it is approved and implemented. The exact nature and impact is uncertain and will depend on the profile of each Blackthorn Shareholder. These specific consequences need to be borne in mind by each Blackthorn Shareholder in weighing up the merits of the Scheme.

As such, Shareholders should refer to section 8 of the accompanying Scheme Booklet for a detailed explanation of the potential tax consequences. We understand however that for Australian resident Blackthorn Shareholders, roll-over relief may be available on any capital gains tax in certain circumstances.

Costs associated with the Scheme

As set out in the Scheme Booklet, Blackthorn estimates that it will have incurred or committed to incur total transaction costs of approximately A\$1.2 million⁵ in relation to the Scheme prior to the Scheme Meeting. These costs would be incurred irrespective of whether or not the proposed Scheme was approved and implemented.

In addition to the above, if the Scheme is not approved and implemented, in certain circumstances, Blackthorn may be obligated to pay a A\$580,000 break fee to Intrepid as set out in section 16 of the SID.

Conclusion

Taking into consideration the matters detailed in this independent expert's report, in our opinion, the Scheme is in the best interests of Blackthorn Shareholders.

⁵ Total transaction costs, should the Scheme be approved and implemented, are estimated by Blackthorn as A\$2.7 million. This excludes Intrepid's estimated transaction costs.



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Other matters

In preparing this independent expert's report we have considered relevant regulatory guides issued by ASIC, with particular reference to Regulatory Guide 111 *Content of experts reports*, Regulatory Guide 112 *Independence of experts* and APES 225 *Valuation Services*. We have also considered the *Code for the technical assessment and valuation of mineral and petroleum assets and securities for independent expert reports* (the "VALMIN code").

This independent expert's report constitutes general financial product advice only. In forming our opinion we have considered the interests of Blackthorn Shareholders as a whole, and we have not considered, nor is it practical or possible to consider, the individual circumstances of each Blackthorn Shareholder. The decision to vote for or against the proposed Scheme is a matter for individual shareholders. Blackthorn Shareholders should consider the advice in the context of their own circumstances, including investment objectives, liquidity preferences, risk profiles, tax position and expectations of future market conditions. This report should be considered in conjunction with, and not independently of, the information set out in the Scheme Booklet prepared by the directors and management of Blackthorn. Shareholders who are in doubt as to the action they should take in relation to the proposed Scheme should consult their own professional adviser.

Similarly it is a matter for individual shareholders as to whether to buy, hold or sell shares in Blackthorn, Intrepid or the Merged Group. This is an investment decision upon which we do not offer an opinion and is independent of a decision to vote for or against the proposed Scheme. Shareholders should consult their own professional adviser in this regard.

Our opinion is as at the date of this letter and reflects circumstances and conditions as at that date. This letter must be read in conjunction with, and not independently of information set out in the remainder of this report, including the appendices.

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

Yours faithfully
Ernst & Young Transaction Advisory Services Limited

Julie Wolstenholme
Director and Representative

Ken Pendergast
Director and Representative

Attachment A: Blackthorn Independent Expert's Report (continued)



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Part 2 – Financial Services Guide

Attachment A: Blackthorn Independent Expert's Report (continued)



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1. Introduction

1.1. Overview of the Scheme

On 28 August 2014 (the "Announcement Date"), Blackthorn Resources Limited ("Blackthorn" or the "Company") and Intrepid Mines Limited ("Intrepid") announced that they had entered into a Scheme Implementation Deed ("SID") under which Intrepid intends to acquire all of the issued shares in Blackthorn via a scheme of arrangement (the "Scheme").

On the same date, Intrepid announced its intention to undertake a share buy-back of up to A\$110 million (at a price of A\$0.30 per Intrepid share) contemporaneously with the Scheme ("the Intrepid Buy-back"). The Intrepid Buy-back requires the approval of Intrepid shareholders and is inter-conditional with the Scheme. This means that the Intrepid Buy-back must be approved by Intrepid shareholders for the Scheme to be implemented, and the Scheme must be approved by Blackthorn and Intrepid shareholders for the Intrepid Buy-back to occur.

Blackthorn shareholders ("Blackthorn Shareholders") are to consider a resolution seeking approval of the Scheme at a general meeting of the Company that is to be held on or about 21 November 2014 (the "Scheme Meeting"). The meeting of Intrepid shareholders to consider the merger with Blackthorn via the Scheme and the Intrepid Buy-back is scheduled to be held on 18 November 2014, three days prior to the Scheme Meeting.

Under the terms of the Scheme, Blackthorn Shareholders will receive at least 1.079 Intrepid shares for every one Blackthorn share held ("the Scheme Consideration").⁶ The ratio of 1.079 (the "Base Exchange Ratio") may be adjusted upwards, depending upon the level of take-up of Intrepid shareholders in the Intrepid Buy-back. While the offer to Intrepid shareholders in relation to the Intrepid Buy-back will occur prior to the implementation of the Scheme, at this point, the level of Intrepid shareholder interest in the Intrepid Buy-back is unknown. If the Intrepid Buy-back is less than fully subscribed, the Base Exchange Ratio will be increased, to a maximum of 1.147 Intrepid shares for every one Blackthorn share. This reflects that Intrepid will have higher cash reserves and more shares on issue, than if the Intrepid Buy-back was fully subscribed. The exchange ratio will therefore be adjusted such that Blackthorn Shareholders will own a smaller proportion of outstanding Intrepid shares, thereby maintaining the same "cash-backed value" of Intrepid shares received by Blackthorn Shareholders as if the Intrepid Buy-back was fully subscribed.

The "cash-backed value" of Intrepid shares to be received for each Blackthorn share disclosed in the Scheme Booklet is A\$0.356 per share. This amount is calculated with reference to the notional cash held by Intrepid of A\$173 million (net of estimated transaction costs), pre the buy-back, and does not necessarily represent the fair market value of the Intrepid shares to be received or the price at which Intrepid shares will trade should the Scheme be approved and implemented.

Based on Intrepid's closing share price on 27 August 2014 (being the last trading day before the Announcement Date) of A\$0.255 per share, and an exchange ratio of between 1.079 (assuming the Intrepid Buy-back is fully subscribed) and 1.147 (assuming zero subscription of the Intrepid Buy-back), the Scheme implies a value of Blackthorn of between A\$45 million and A\$48 million.

1.2. Summary of Blackthorn and Intrepid

Blackthorn is an Australian incorporated mineral exploration company with its head office in Sydney, Australia. Blackthorn's primary mineral asset is the Kitumba copper project ("Kitumba Copper Project"), and other adjacent exploration licences in the Mumbwa project area, in Zambia. Blackthorn is currently listed on the Australian Securities Exchange ("ASX"), and as at 10 October 2014, has a market capitalisation of around A\$44 million. Blackthorn's major shareholder, holding 14.2% of its issued capital, is Glencore PLC ("Glencore").

⁶ Certain overseas Blackthorn Shareholders will not be eligible to receive Intrepid shares, and will receive net proceeds from the sale of the Intrepid shares they would have otherwise received had they not been ineligible overseas shareholders.



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Intrepid is a base and precious metals exploration and development company, incorporated in Australia and listed on the ASX. As at 10 October 2014, Intrepid's market capitalisation was around A\$159 million. Intrepid was previously the operator of the Tujuh Bukit copper-gold project in Indonesia. However, following a protracted legal dispute with its Indonesian joint venture partner, Intrepid no longer has any interest in the project. In return for the settlement of the litigation, Intrepid received cash of US\$80 million. Intrepid currently has no active business⁷ and is essentially a "cash box", holding approximately US\$165 million⁸ (at 30 June 2014) in cash and deposits.

1.3. Impact of the implementation of the Scheme

If the proposed Scheme is approved and implemented Blackthorn will become a wholly owned subsidiary of Intrepid and will be removed from the official list of the ASX. Blackthorn Shareholders will collectively hold up to 48% of the "Merged Group" assuming the Intrepid Buy-back is fully subscribed. The Merged Group will retain the Intrepid name⁹, will own the Kitumba Copper Project and have a pro-forma cash balance of A\$83 million (assuming the Intrepid Buy-back is fully subscribed).

As set out in the SID, the board of the Merged Group will comprise six directors, including three current Blackthorn directors and three current Intrepid directors. The current Chairman of Intrepid, Ian McMaster, will be Chairman of the Merged Group, while the current Chairman of Blackthorn, Michael Oppenheimer, will be Deputy Chairman. Scott Lowe, the current Chief Executive Officer ("CEO") and Managing Director of Intrepid, will be an executive director of the Merged Group responsible for business development. Blackthorn's current CEO and managing director, Mark Mitchell, will be CEO of the Merged Group. Other management of the Merged Group will be drawn from both Blackthorn and Intrepid's existing management teams.

Management has indicated in the accompanying Scheme Booklet, that it intends to continue to operate the business of Blackthorn in substantially the same manner as it is currently being conducted, albeit with greater cash resources.¹⁰ The Merged Group will have sufficient cash resources to complete the definitive feasibility study ("DFS") of the Kitumba Copper Project, undertake further exploration opportunities within Blackthorn's existing exploration licence areas in Zambia¹¹ and take advantage of business development opportunities.¹² The Merged Group will continue to seek partners and financiers in relation to the capital expenditure requirements for construction of the Kitumba Copper Project.¹³

The Blackthorn Board of Directors have unanimously recommended that Blackthorn Shareholders vote in favour of the Scheme, in the absence of a superior proposal, and have stated that they intend to do so in regards to their own share holdings in Blackthorn.

1.4. Capital structure of Merged Group

As at the Announcement Date, Blackthorn had 164.3 million ordinary shares on issue and 2.8 million employee options outstanding (the "Options"). In accordance with the SID, the Options will not participate in the Scheme. However, the holders of the Options have entered into agreements such that, if the Scheme becomes effective, the Options will be cancelled in exchange for Intrepid shares, or equivalent cash.¹⁴

⁷ Intrepid also has a non-operating interest in the Taviche silver-gold project in Mexico. However, Intrepid is not funding its share of current exploration activity and is diluting its interest.

⁸ Intrepid's reporting currency is US dollars. Assuming an exchange rate of 0.942, Intrepid's cash balance at 30 June 2014 was approximately A\$175 million.

⁹ It is anticipated that the Zambian operations will continue to use the Blackthorn name.

¹⁰ Refer Scheme Booklet, section 3, Frequently Asked Questions

¹¹ Refer Scheme Booklet, section 2.2.2

¹² Refer Scheme Booklet, letter from the Chairman of Blackthorn

¹³ Refer Scheme Booklet, sections 2.2.2 and 2.2.4

¹⁴ Blackthorn has on issue two separate option series. In relation to the first tranche, one foreign holder of the 75,000 options with an exercise price of A\$1.63 expiring on 27 June 2015 will receive cash while the other 75,000 options in the same tranche will be exchanged for 545 Intrepid shares. The holders of 2,660,000 options with an exercise price of A\$0.25 and an expiry date of 31 May 2017 will receive 0.472 Intrepid shares per option held. This equates to 1,256,065 Intrepid shares in total issued for both tranches.

Attachment A: Blackthorn Independent Expert's Report (continued)



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The following table summarises the number of shares, options and share rights the respective companies have on issue:

Capital Structure of Blackthorn and Intrepid pre-Scheme and pre- Intrepid Buy-back

	Million
Blackthorn	
Number of shares on issue	164.3
Number of Options on issue	2.8
Intrepid	
Number of shares on issue pre Intrepid Buy-back	557.6
Number of Intrepid options on issue	2.1
Number of Intrepid share rights on issue	0.6

Source: Scheme Booklet. Of the Intrepid options and share rights on issue, 895,616 options have vested. The exercise price of these vested options range between A\$0.2938 and A\$1.81 per option. The remaining options and share rights will not vest until they meet a number of vesting conditions.

The following table summarises the position of the Merged Group after the Scheme, and after the Intrepid Buy-back, on an undiluted basis, assuming the current Intrepid option and share right holders do not convert their options.

The outcome of the Intrepid Buy-back is, at this stage, unknown. Therefore, the table below shows the Merged Group's capital structure under two potential scenarios. Firstly, assuming full take up by Intrepid shareholders of the Intrepid Buy-back, and secondly assuming no take up by Intrepid shareholders of the Intrepid Buy-back.

Analysis of Merged Group's capital structure post the Scheme and post Intrepid Buy-back

Scheme terms:	Full take up of Intrepid Buy- back	No take up of Intrepid Buy-back	
Number of Intrepid shares issued for:			
Blackthorn shares on issue	177.2	188.5	
Blackthorn Options on issue	1.3	1.3	
Total Intrepid shares to be issued to Blackthorn security holders	178.5	189.8	
Number of shares on completion of the Scheme and post Intrepid Buy-back			
Intrepid shares on issue pre- Intrepid Buy-back	557.6	557.6	
Intrepid shares bought back	(366.7)	-	
Intrepid shares post Intrepid Buy-back	190.9	557.6	74.6%
Exchange ratio	1.079	1.147	
Total Intrepid shares to be issued to Blackthorn security holders	178.5	189.8	25.4%
Shares on issue post transaction	369.4	747.3	

Source: Ernst & Young Transaction Advisory Services analysis. Some amounts may not add due to rounding.

The analysis shows that on the implementation of the Scheme, and assuming the Intrepid Buy-back is fully subscribed to a maximum of A\$110 million (at A\$0.30 per share), Blackthorn Shareholders and the holders of the Options will have a collective 48.3% interest in the Merged Group.

However, if no Intrepid shareholders accept the Intrepid Buy-back, Blackthorn Shareholders and the holders of the Options will have a 25.4% interest in the Merged Group.

This analysis excludes the dilutionary impact of any vested Intrepid options that may be exercised prior to the implementation of the proposed Scheme. Any options so exercised will result in an adjustment to the Base Exchange Ratio. Given the small number of vested Intrepid options (and even smaller number of vested Intrepid options that are "in the money" compared to the Intrepid Buy-back price of A\$0.30 per share), relative to the total number of Intrepid shares on issue, the impact on the Base Exchange Ratio is immaterial.



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1.5. Conditions precedent

Completion of the Scheme is subject to a number of conditions (some of which, pursuant to the SID, may be waived by agreement between Blackthorn and Intrepid) including, amongst other matters:

- ▶ The independent expert commissioned by Blackthorn in relation to the Scheme concluding that the Scheme is in the best interests of Blackthorn Shareholders
- ▶ Blackthorn Shareholders' approval of the Scheme
- ▶ Federal Court approval of the Scheme
- ▶ The independent expert commissioned by Intrepid in relation to the Intrepid Buy-back concluding that the Intrepid Buy-back is either fair and reasonable, or not fair but reasonable, to Intrepid shareholders
- ▶ Intrepid shareholders' approval of the merger with Blackthorn via the Scheme and the Intrepid Buy-back
- ▶ Issue of a mining licence by relevant Zambian authorities before 28 November 2014, or such later date as agreed between Intrepid and Blackthorn
- ▶ Any regulatory authority approvals necessary to implement the Scheme (including from ASIC and ASX) being obtained;
- ▶ No injunction, order or other legal restraint or prohibition preventing the merger of Blackthorn and Intrepid
- ▶ No material adverse effect on Blackthorn or Intrepid as defined in the SID
- ▶ No Blackthorn or Intrepid prescribed events as defined in the SID.

A break fee of A\$580,000 may be payable by Blackthorn to Intrepid, or by Intrepid to Blackthorn, in certain circumstances. These circumstances include either party entering into a competing proposal or any director not recommending the Scheme or withdrawing an earlier recommendation. A break fee is not triggered if the independent expert concludes the Scheme is not in the best interests of Blackthorn Shareholders or concludes the Intrepid Buy-back is not fair and not reasonable to Intrepid shareholders. A break fee is also not triggered if Blackthorn Shareholders do not approve the Scheme, or Intrepid shareholders do not approve the merger with Blackthorn or the Intrepid Buy-back. The circumstances in which a break fee is payable is set out in clause 16 of the SID.

Full disclosure of the conditions precedent to the Scheme is included in the Scheme Booklet.

Attachment A: Blackthorn Independent Expert's Report (continued)



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2. Scope of the independent expert's report

2.1. Purpose of the independent expert's report

The proposed merger of Blackthorn and Intrepid is to be implemented by way of a scheme of arrangement being conducted under the provisions of Section 411 of the Corporations Act (the "Act"). If approved by Blackthorn Shareholders, the Scheme will then be subject to approval by the Federal Court of Australia.

Part 3 of Schedule 8 to the Corporations Regulations 2001 (the "Regulations") prescribes the information to be sent to the security holders in relation to schemes of arrangement pursuant to Section 411. Part 3 of Schedule 8 requires an independent expert's report in relation to a scheme of arrangement to be prepared when a party to a scheme of arrangement holds at least 30% of the company subject to the scheme, or if the parties have a common director. In those circumstances, the documents to be sent to shareholders must be accompanied by a report prepared by an independent expert in which that entity provides an opinion as to whether or not the proposed scheme is in the best interests of shareholders subject to the scheme and set out the reasons for that opinion.

As Intrepid does not own any shares in Blackthorn and there are no common directors, an independent expert's report is not specifically required in relation to the Scheme. Notwithstanding, the directors of Blackthorn have engaged us to prepare an independent expert's report setting out whether or not, in our opinion, the Scheme is in the best interests of Blackthorn Shareholders and the reasons for that opinion. Our report will accompany the Scheme Booklet to be sent to Blackthorn Shareholders.

2.2. Basis of evaluation

There is no legal definition of the term "in the best interests of" in the Act or the Regulations. However, the Australian Securities and Investment Commission ("ASIC") has issued Regulatory Guide 111: *Content of expert reports* ("RG 111") which provides guidance as to what matters an independent expert should consider when determining whether or not a particular transaction is in the best interests of shareholders.

Importantly, RG 111 differentiates between the analysis required for control transactions and other transactions. In the context of a control transaction, where the transaction has a similar effect on the company's shareholding as a takeover bid then the transaction should be analysed as if it were a takeover bid. In these instances, the independent expert is required to distinguish between "fair" and "reasonable". A proposal that was "fair and reasonable" or "not fair but reasonable" is defined in RG 111 to be in the best interests of shareholders.

As the Scheme achieves the same outcome as a takeover bid, given Intrepid proposes to acquire all of the outstanding shares in Blackthorn, we have evaluated the Scheme as a control transaction. In reaching this conclusion, we considered the following factors:

- ▶ the respective shareholder base of the Merged Group post the Scheme and the collective interests of the Blackthorn Shareholders and existing Intrepid shareholders
- ▶ the composition of the Board and senior management of the Merged Group following implementation of the Scheme
- ▶ whether any shareholder from either company will be in a position to control or significantly influence the Merged Group post the Scheme
- ▶ intentions of the Board and management of Blackthorn and Intrepid on entering into the Scheme.

RG 111 provides guidance as to how the term "fair and reasonable" should be interpreted in a range of circumstances. With respect to a takeover bid:



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- ▶ an offer is "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison is to be made assuming 100% ownership of the target and it is "inappropriate to apply a discount on the basis that the shares being acquired represent a minority or portfolio parcel of shares."; and
- ▶ an offer is 'reasonable' if it is fair. It might also be "reasonable" if, despite being "not fair", the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111 also provides that an independent expert should usually give a range of values for the securities that are the subject of the offer. If the value of the consideration offered falls within the range of values of the securities, the offer is considered to be fair.

We have therefore determined whether the proposed Scheme is fair by comparing the estimated value of the Blackthorn shares being given up, on a controlling interest basis, with the fair market value of the consideration being offered by Intrepid ("the Scheme Consideration"). In assessing the value of a Blackthorn share, we have assumed 100% ownership, which implicitly includes a control premium. In assessing the value of an Intrepid share, we have not included a control premium as Blackthorn Shareholders will receive shares representing a minority or portfolio interest in Intrepid. The Scheme is considered fair if the value of the Scheme Consideration is equal to or greater than the range of values assessed for a Blackthorn share. In considering whether the proposed Scheme is reasonable, we also considered the following matters:

- ▶ the strategic rationale for the transaction and the intentions of the Merged Group
- ▶ the liquidity of, and prices at which, Blackthorn and Intrepid shares have recently traded on the ASX and the premium that Intrepid is paying over pre-announcement trading levels
- ▶ the existence of alternatives to the proposed Scheme and the consequences for Blackthorn Shareholders
- ▶ the likelihood of a superior proposal being received
- ▶ the likely impact on Blackthorn's share price in the event that the Scheme is not approved
- ▶ other advantages and disadvantages that Blackthorn Shareholders should consider in assessing whether to approve the Scheme

In undertaking our assessment of the Scheme we have had regard to a number of references including ASIC Regulatory Guidelines, in particular, RG 111 and Regulatory Guide 112 *Independence of experts*, and relevant market valuation guidelines and generally accepted practices in the preparation of expert reports. We have also had regard to the *Code for the technical assessment and valuation of mineral and petroleum assets and securities for independent expert reports* (the "VALMIN code"). This report has also been prepared in accordance with APES 225 *Valuation Services* issued by the Accounting Professional & Ethical Standards Board Limited in July 2008 (revised May 2012).

A glossary summarising the abbreviations we have used in this report is contained in Appendix I - *Glossary*.

2.3. Fair market value

We have assessed the value of Blackthorn and the Scheme Consideration on a fair market value basis. Fair market value in this context is considered to be:

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

Fair market value does not incorporate any special value. Special value is the additional value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

Attachment A: Blackthorn Independent Expert's Report (continued)



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2.4. Independence

Prior to accepting this engagement, we considered our independence with respect to Blackthorn and Intrepid with reference to ASIC Regulatory Guide 112 *Independence of experts*. In our opinion, we are independent of Blackthorn and Intrepid.

Ernst & Young, and global affiliations, have not provided any services to Blackthorn or Intrepid in relation to the Scheme.

2.5. Limitations and reliance on information

We have considered a number of sources of information in preparing our report and arriving at our opinion. These sources of information are detailed in Appendix H – Sources of information.

In particular, in considering the fair market value of Blackthorn we have relied on the independent technical report prepared by RungePincockMinarco Ltd ("Runge") (the "Runge Report"), who was jointly appointed by Blackthorn and Intrepid as the independent technical expert to undertake a technical assessment of the Kitumba Copper Project and valuation of the exploration licences forming the Mumbwa project. A copy of the Runge Report is attached in full at Appendix J and should be read in conjunction with our report.

In placing reliance on the Runge Report we have satisfied ourselves as to Runge's competence, expertise and independence. We are also satisfied that the assumptions, methodologies and source data used by Runge are reasonable and appropriate and that the report contains sufficient information to support the conclusions drawn.

The information provided to us for the preparation of our report has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the proposed Scheme is in the best interests of Blackthorn Shareholders. We also held discussions with Blackthorn management in relation to the proposed Scheme, as well as the operations, financial position and operating results of Blackthorn and Intrepid. However, we do not warrant that our enquiries have identified all of the matters that an audit, an extensive examination or tax investigation might disclose.

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

In forming our opinion we have also assumed that:

- ▶ matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed
- ▶ the assessments by Blackthorn and its advisers with regard to legal, regulatory, tax and accounting matters relating to the transaction are complete and accurate
- ▶ the information set out in the Scheme Booklet and accompanying documents to Blackthorn Shareholders is complete, accurate and fairly presented in all material respects
- ▶ the publicly available information relied upon by us in our analysis was accurate and not misleading
- ▶ the proposed Scheme will be implemented in accordance with its terms
- ▶ To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations and policies, we assume no responsibility and offer no legal opinion or interpretation on any issue.

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



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the context of the full qualifications, limitations and consents set out in Appendix A – *Statement of qualifications and declarations* of this report.

Our assessment of the proposed Scheme is based on economic, market and other conditions prevailing as at the date of this independent expert's report. As evidenced in recent years these conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, our opinion could be different.

We provided draft copies of this independent expert's report to the directors and management of Blackthorn for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of us alone. Amendments made to this independent expert's report as a result of this review by the directors and management of Blackthorn have not changed the conclusions reached by us.

2.6. Shareholders' decisions

This independent expert's report constitutes general financial product advice only. In forming our opinion we have considered the interests of Blackthorn Shareholders as a whole, and we have not considered, nor is it practical or possible to consider, the individual circumstances of each Blackthorn Shareholder. The decision to vote for or against the proposed Scheme is a matter for individual shareholders. Blackthorn Shareholders should consider the advice in the context of their own circumstances, including investment objectives, liquidity preferences, risk profiles, tax position and expectations of future market conditions. Shareholders should also have regard to the Scheme Booklet prepared by the directors and management of Blackthorn. Shareholders who are in doubt as to the action they should take in relation to the proposed Scheme should consult their own professional adviser.

Similarly it is a matter for individual shareholders as to whether to buy, hold or sell shares in Blackthorn, Intrepid or the Merged Group. This is an investment decision upon which we do not offer an opinion and is independent of a decision to vote for or against the proposed Scheme. Shareholders should consult their own professional adviser in this regard.

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

Attachment A: Blackthorn Independent Expert's Report (continued)



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3. Overview of Blackthorn

3.1. Company background

Blackthorn is an Australian incorporated minerals exploration and mining company that has base metal projects in Africa. Blackthorn was formerly known as AIM Resources Limited and changed its name to Blackthorn Resources Limited in December 2008. Blackthorn was listed on the ASX in 1987. As at 27 August 2014, the day prior the announcement of the Scheme, its closing share price was A\$0.265 per share and its market capitalisation was approximately A\$43.5 million.

Blackthorn's primary mineral asset is the Mumbwa Project, which is a collection of exploration licences including those underpinning the Kitumba Copper Project, located in west central Zambia.

A summary of Blackthorn's key development milestones (sourced from various ASX announcements) is set out in the table below:

Year	Event
2003	▶ Blackthorn launched its "Africa Strategy", focussing on acquisition and development of advanced exploration/pre-production resource projects in Africa.
2004	▶ Blackthorn entered into a joint venture agreement with BHP Billiton Limited ("BHP Billiton") in relation to the Mumbwa Project. ▶ In November 2004, Blackthorn acquired the Perkoa Project, a zinc project in Burkina Faso, from BHP Billiton and Metorex Ltd.
2008	▶ During the global financial crisis, the Perkoa Project was put onto a care and maintenance program.
2010	▶ In January 2010, Blackthorn entered into a joint venture with Glencore PLC ("Glencore") to enable completion of construction and commencement of production of the Perkoa Project.
2011	▶ BHP Billiton exited from direct involvement in the Mumbwa Project.
2012	▶ In 2012, Glencore and Blackthorn announced their intention to expand the capacity of the Perkoa Project through open cut mining to supplement underground mining. ▶ In July 2012, Blackthorn undertook a A\$40.1 million capital raising.
2013	▶ In January 2013, Glencore announced that the Perkoa Project required additional funding as costs of commissioning the expansion exceeded initial estimates. ▶ In August 2013, assay results from the Mumbwa Project drilling campaign were released which resulted in a positive increase in share price. ▶ In September 2013, a pre-feasibility study ("PFS") for the Kitumba Copper Project was completed.
2014	▶ In February 2014, following a business review of the Perkoa Project, open pit operations were suspended as a result of ongoing resource underperformance and lower than expected metal prices. ▶ In April/May 2014, an optimised pre-feasibility study ("OPFS") was completed for the Kitumba Copper Project. ▶ In April 2014, Blackthorn announced its intention to sell its remaining 27.3% interest in the Perkoa Project and its Burkina Faso exploration licences to Glencore. ▶ On 20 August 2014, Blackthorn completed the sale of its interest in the Perkoa Project and received US\$10 million. The completion of the sale of the Burkina Faso exploration licences is pending approval of the transfer of the licences by the Burkina Faso government and satisfaction of certain other conditions precedent. ▶ On 28 August 2014, Blackthorn and Intrepid announced the proposed Scheme.



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3.2. Mumbwa Project

Blackthorn has a 100% interest in the Mumbwa Project, which is located in west central Zambia. The Mumbwa Project includes five contiguous exploration licences covering approximately 950 square kilometres. Of these exploration licences, the Mumbwa tenement is currently being explored for iron oxide copper gold style mineralization and hosts the Kitumba Copper Project. The table below summarises the key exploration licences.

Licence	Number	Area (sq km)	Date granted	Next anniversary
Musafwa	14265-HQ-LPL	92.9	16/6/2011	16/6/2015
Kabwera	14267-HQ-LPL	147.0	21/9/2012	21/9/2014
Mumbwa	8589-HQ-LPL	248.3	14/11/2007	.*
Nyoko	16385-HQ-LPL	255.0	2/1/2013	2/1/2015
Kachindu	14266-HQ-LPL	203.9	8/7/2011	8/7/2015

Source: Blackthorn company website and Scheme Booklet.

*Prospecting licence number 8589-HQ-LPL is in its final term - a mining licence application has been submitted and is pending approval.

3.2.1. Kitumba Copper Project

The Kitumba Copper Project is located in west central Zambia, 200km west of the capital, Lusaka. The project is currently in an advanced exploration stage, and seven phases of drilling and an OPFS has been completed.

Timeline

A timeline of the history of the Mumbwa Project and the Kitumba Copper Project is as follows:

- ▶ In the mid to late 1990s, BHP Billiton conducted exploration activities in relation to the Mumbwa Project.
- ▶ In June 2004, Blackthorn entered into a joint venture agreement with Billiton Development (Zambia) Limited, a wholly owned subsidiary of BHP Billiton, in relation to the Mumbwa Project. Under the agreement, Blackthorn had the ability to gain a 70% interest by spending US\$3 million over four years, which included expenditure on conducting further drilling and an airborne survey. At the end of the four year period, BHP Billiton could elect to withdraw from the project and retain a 2% production royalty or elect to claw back up to 80% of the equity by delivering a pre-feasibility and a mining feasibility study on a deposit.
- ▶ From 2005 to 2009, airborne surveys and a series of drilling programs were undertaken at the Kitumba Copper Project.
- ▶ By 2009, Blackthorn had earned a 70% interest in the Mumbwa Project. BHP Billiton subsequently made a "back-in" payment of US\$1.1 million in exchange for a 10% interest, resulting in Blackthorn's interest decreasing to 60%.
- ▶ In 2011, BHP Billiton exited from direct involvement in the Mumbwa Project. BHP Billiton retained a 2% production royalty. Consequently Blackthorn's interest in the Mumbwa Project increased to 100%.
- ▶ In July 2012, Blackthorn undertook a A\$40.1 million capital raising in order to fund the Kitumba Copper Project resource definition, PFS and a definitive feasibility study ("DFS"), drilling for the Mumbwa Project, base metal exploration in Burkina Faso and other working capital requirements.
- ▶ In September 2012, a scoping study was completed for the Kitumba Copper Project, which supported the potential for an open pit mine. Further pre-feasibility and underground studies were initiated.
- ▶ In September 2013, a PFS for the Kitumba Copper Project was completed. The results indicated potential for a commercial and technically viable project. An underground operation was selected as the preferred mining method, due to lower capital costs and higher capital efficiency compared to an open pit mine.

Attachment A: Blackthorn Independent Expert's Report (continued)



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- In April 2014, an OPFS was completed for the Kitumba Copper Project, the results of which significantly enhanced the development potential of the project, with Blackthorn electing to progress the project to a DFS.

Resources and reserves estimate

In December 2013, The MSA Group ("MSA Group") was commissioned by Blackthorn to perform a mineral resources estimate, in accordance with the Joint Ore Reserves Committee ("JORC") Code 2012. The estimate was completed by Mr Jeremy Witley who is considered to be a "Competent Person" for Mineral Resource Estimation under the definitions provided by JORC 2012. The estimate was performed as at December 2013 and released in a report dated February 2014.

At a cut-off grade of 1% copper, the mineral resources (inclusive of reserves) is summarised below:

Category	Tonnes (m)	Cu %	Acid soluble Cu %	Co ppm	Au g/t	Ag g/t	U ppm	Density t/m ³
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
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	38.8	2.19	0.86	222	0.03	0.9	27	2.68

Source: Blackthorn ASX announcement April 2014

Note: Co ppm = cobalt parts per million

U ppm – Uranium parts per million

The table below summarises the ore reserve estimate:

Category	Tonnes (m)	Grade % Cu	Metal (kt Cu)
Proved ore reserve	11.9	2.44	291
Probable ore reserve	19.6	1.79	350
Total ore reserve	31.5	2.04	641

Source: Blackthorn ASX announcement April 2014

OPFS results

In April 2014, Blackthorn announced the results from its OPFS. Lycopodium Minerals Pty Ltd ("Lycopodium") managed the OPFS study, in conjunction with certain other specialists. The OPFS was based on the updated minerals resource estimate completed in December 2013 by MSA Group, while the underground mine plan and strategies were developed by AMC Consultants Pty Ltd.

The OPFS assumes that copper is mined underground and the mined ore is processed via a conventional comminution and flotation plant. The copper cathode is produced via a solvent extraction and electrowinning plant. It is proposed the copper cathode is exported direct to customers through the port of Dar es Salaam, Tanzania. Key elements of the OPFS are summarised below.



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OPFS key elements	Base case – Cu Price US\$3.50 / lb
Total LOM ore mined	31.6 million tonnes
Nominal production rate (ROM)	3 million tonnes p.a.
Total Cu production over LOM	642 thousand tonnes
Average annual Cu production over LOM	58,000 tonnes p.a.
Production Mine Life	11 years
Cu Head Grade	2.03%
Overall Cu recovery	92%
Initial capital expenditure	US\$680 million (including contingency)
Additional LOM capital expenditure	US\$116 million
Average LOM cash cost / Cu lb	US\$1.57
All-in cash cost / Cu lb	US\$1.89

Source: Blackthorn ASX announcement April 2014

The results of the OPFS demonstrate a mining and process development strategy with economic potential. Consequently, Blackthorn has commenced working on the next phase of plans and budgets required for a DFS. This includes additional drilling to collect further geotechnical data, hydrological information and metallurgical samples. It is expected the DFS will cost approximately A\$20 million.

3.3. Financial information of Blackthorn

3.3.1. Blackthorn's financial performance

A summary of Blackthorn's financial performance for the two years ended 30 June 2014 ("FY13" and "FY14") is presented below:

A\$000	FY14	FY13
Finance income	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	-	-
Loss from continuing operations	(4,706)	(5,013)
Discontinued operation		
Loss from discontinued operation net of tax	(33,805)	(7,504)
Loss attributable to equity holders in the Company	(38,511)	(12,517)
Other comprehensive income/(loss)		
Foreign currency translation differences	(3,413)	1,365
Net change in fair value of available for sale assets	-	14
Other comprehensive income/(loss), net of tax	(3,413)	1,379
Total comprehensive loss for the year	(41,924)	(11,138)

Source: Blackthorn audited financial statements for FY13 and FY14

In relation to Blackthorn's financial performance we note:

- In FY13, Blackthorn's investment in the Perkoa Project was equity accounted in accordance with Australian Accounting Standard AASB 128 *Investment in Associates and Joint Ventures*. As a result of Blackthorn's share of losses incurred by the Perkoa Project, in the half year ended 31

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December 2013, Blackthorn's carrying value of its investment in the Perkoa Project decreased to nil.

- ▶ Subsequent to the announcement of the sale of Blackthorn's interest in the Perkoa Project in April 2014, Blackthorn's interest in the Perkoa Project was classified as discontinued operations. In addition, Blackthorn's interests in the Burkina Faso exploration licences were written down to A\$2.1 million and the capitalised evaluation and exploration expenditure related to those licences transferred to "assets held for sale".
- ▶ Expenses comprise mainly of employee benefits expenses and other expenses. Other expenses include administration costs, legal, accounting and consulting fees and travel expenses.

3.3.2. Blackthorn's financial position

A summary of Blackthorn's financial position as at 30 June 2013 and 30 June 2014 is set out below:

A\$000	June 2014	June 2013
Current assets		
Cash and cash equivalents	12,491	25,573
Trade and other receivables	386	1,567
Other current assets	59	55
Assets held for sale	2,121	-
Total current assets	15,057	27,195
Non-current assets		
Trade and other receivables	136	133
Property, plant and equipment	223	426
Exploration and evaluation expenditure	35,621	34,935
Investment in equity accounted associate	-	31,829
Total non-current assets	35,980	67,323
Total assets	51,037	94,518
Current liabilities		
Trade and other payables	1,506	3,304
Employee benefits	138	207
Total current liabilities	1,644	3,511
Non-current liabilities		
Employee benefits	26	10
Total non-current liabilities	26	10
Total liabilities	1,670	3,521
Net assets	49,367	90,997
Equity		
Share capital	213,379	213,379
Reserves	(5,842)	(2,723)
Accumulated losses	(158,170)	(119,659)
Total equity	49,367	90,997

Source: Blackthorn audited financial statements for FY13 and for FY14
Note – totals may not add due to rounding

Blackthorn's non-mineral assets largely comprise cash, following a capital raising of A\$40.1 million (before transaction costs) in the 2013 financial year. Subsequent to 30 June 2014, Blackthorn received US\$10 million in cash for the sale of its remaining interest in the Perkoa Project. Assets



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held for sale represents the Burkina Faso exploration licences to be sold to Glencore for US\$2 million, which remains subject to approval by the Burkina Faso government.

The reduction in Blackthorn's net assets between FY13 and FY14 was primarily due to the reduction in the carrying value of Blackthorn's investment in the Perkoa Project to nil as a result of Blackthorn equity accounting its share of the operating losses incurred by the Perkoa Project, as well as a decrease in working capital.

Exploration and evaluation expenditure represents capitalised costs of exploration in Zambia.

3.4. Capital structure and major shareholders

As at 10 October 2014, Blackthorn had the following securities on issue:

- ▶ 164,285,950 fully paid ordinary shares;
- ▶ 2,810,000 unlisted employee options (i.e. the "Options").

The Options are held by Blackthorn employees and each option entitles the holder to subscribe for one fully paid ordinary share at the following exercise prices:

Blackthorn options Tranche	Exercise price	Expiry date
150,000	\$1.63	27 June 2015
2,660,000	\$0.25	31 May 2017

Source: Scheme Booklet

Out of the 150,000 tranche, one of the holders of 75,000 options has agreed to cancel their options in exchange for 545 Intrepid shares, while the other foreign holder of 75,000 options has agreed to a cash payment. This arrangement will only be effective if the Scheme is approved and implemented. The number of Intrepid shares that will be received in return for the cancellation of each tranche of options is set out below:

Consideration to Blackthorn option holders Tranche	Intrepid shares per option	otal Intrepid shares to be issued
75,000	545 to each holder	545
2,660,000	0.472 per Option	1,255,520
Total		1,256,065

Source: Scheme Booklet

As at 10 October 2014, substantial shareholders held 33.7% of the shares on issue, as detailed in the table below:

Blackthorn - substantial shareholders of Name	Holder Total Shares	Holder % of Shares Outstanding
Glencore Plc	23,305,853	14.2%
The Siebels Hard Asset Fund Ltd	11,545,384	7.0%
Lloyd Miller	10,646,165	6.5%
North Sound	9,909,781	6.0%
Substantial shareholders	55,407,183	33.7%
Other Blackthorn shareholders	108,878,767	66.3%
Total shares on issue	164,285,950	100.0%

Source: Scheme Booklet

3.5. Share price performance

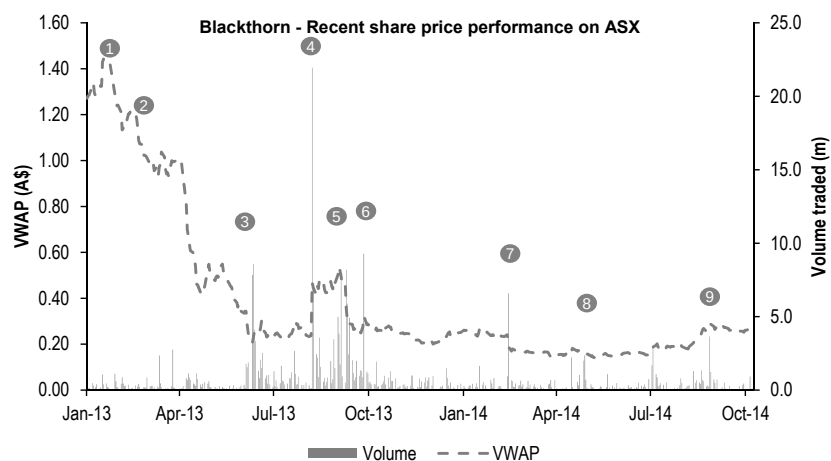
The chart on the following page shows the daily VWAP and trading volumes for Blackthorn between 1 January 2013 and 10 October 2014.

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Over the period Blackthorn's share price traded between a high of A\$1.50 per share on 8 January 2013 to a low of A\$0.14 per share on 7 May 2014.



Source: S&P Capital IQ

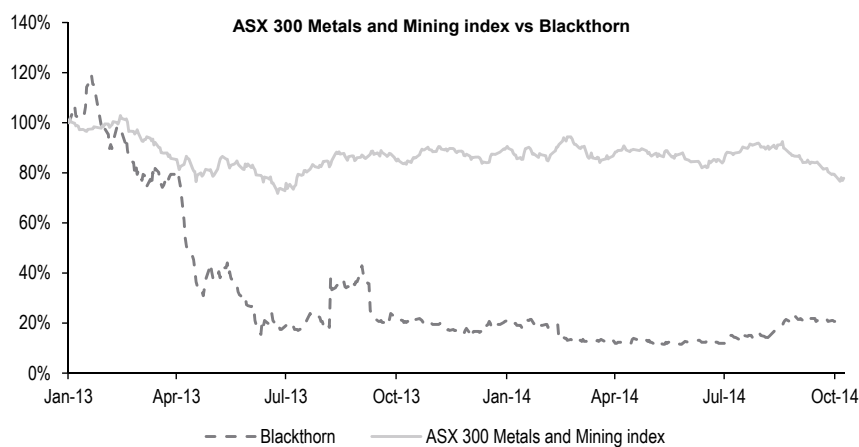
The announcements made by Blackthorn between 1 January 2013 and 10 October 2014 that are annotated in the chart above and may have had an impact on Blackthorn's share price and/or volumes are:

1. **25 and 29 January 2013** – On 25 January 2013, Blackthorn released its quarterly activities report. On 29 January 2013, Blackthorn released an announcement stating that the estimate of costs to complete commissioning of the Perkoa Project had been revised upwards.
2. **13 and 14 March 2013** – On 13 March 2013, Blackthorn announced that Glencore would provide an additional US\$80 million in equity for the Perkoa Project. Instead of contributing up to US\$35 million to maintain its 39.9% interest in the project, Blackthorn opted to dilute its interest to 27.3%. On 14 March 2013, Blackthorn released its half yearly report.
3. **12 June 2013** – Blackthorn released an investor presentation containing overviews of each project. Share volumes increased in the days prior to and after the release of this presentation.
4. **8 August 2013** – Assay results from the Kitumba (Mumbwa Project) drilling campaign were released. This corresponded with a large increase in shares traded on that day.
5. **5 and 6 September 2013** – On 5 September 2013, further high-grade Cu results from infill drilling at the Kitumba Copper Project were announced. On 6 September 2013, S&P Dow Jones Indices announced changes to various indices which included removing Blackthorn from the S&P/ASX300 Index.
6. **27 September 2013** – Blackthorn released its annual report for the year ended 30 June 2013.
7. **14 February 2014** – Blackthorn announced that it had received the results of Glencore's review of the Perkoa Project business plan and that it would undertake its own due diligence.
8. **16 April 2014** – Blackthorn announced the proposed sale of its 27.3% interest in the Perkoa Project and its Burkina Faso exploration licences to Glencore.
9. **28 August 2014** – Blackthorn announced the proposed merger with Intrepid via the proposed Scheme. On 27 August 2014, Blackthorn's share price was A\$0.265, and subsequently increased to A\$0.29 per share on 28 August 2014.

The following chart illustrates the correlation between movements in Blackthorn's share price with the S&P/ ASX300 Metals & Mining index over the period 1 January 2013 and 10 October 2014.



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Source: S&P Capital IQ

The graph shows that since the start of 2013, Blackthorn's share price has underperformed the index. However, over this period Blackthorn was involved in various early stage development projects, and as such its share price performance was impacted by different factors to those impacting the broader mining and metals sector.

The following table summarises the monthly trading prices of Blackthorn's shares on the ASX over the period 1 January 2013 and 27 August 2014, being the day prior to the announcement of the Scheme.

Month	High (A\$)	Low (A\$)	Close (A\$)	VWAP (A\$)	Monthly volume (m)	Liquidity %
Jan-13	1.50	1.23	1.24	1.35	6.69	4.1%
Feb-13	1.24	1.00	1.00	1.14	5.15	3.1%
Mar-13	1.03	0.94	1.00	0.99	9.18	5.6%
Apr-13	1.02	0.39	0.55	0.60	10.42	6.3%
May-13	0.56	0.34	0.34	0.46	3.36	2.0%
Jun-13	0.34	0.20	0.22	0.25	41.44	25.2%
Jul-13	0.30	0.22	0.26	0.25	15.95	9.7%
Aug-13	0.48	0.23	0.46	0.46	52.32	31.8%
Sep-13	0.54	0.24	0.29	0.37	62.63	38.1%
Oct-13	0.28	0.25	0.25	0.27	13.32	8.1%
Nov-13	0.25	0.20	0.23	0.22	9.24	5.6%
Dec-13	0.26	0.20	0.26	0.23	6.75	4.1%
Jan-14	0.27	0.23	0.24	0.25	7.81	4.8%
Feb-14	0.25	0.17	0.17	0.19	12.56	7.6%
Mar-14	0.17	0.15	0.17	0.16	5.84	3.6%
Apr-14	0.18	0.15	0.17	0.17	10.14	6.2%
May-14	0.16	0.14	0.16	0.15	4.58	2.8%
Jun-14	0.17	0.15	0.15	0.16	4.28	2.6%
Jul-14	0.20	0.15	0.20	0.19	10.52	6.4%
Aug-14	0.27	0.18	0.27	0.23	8.61	5.2%

Source: S&P Capital IQ. Note: Liquidity is calculated as monthly traded volume as a percentage of total shares on issue

The monthly liquidity of Blackthorn shares over the period ranged between 2.0% in May 2013 and 38.1% in September 2013. We note that there was an unusually high volume of shares traded during

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June 2013 to September 2013, which was likely due to the release of Blackthorn's annual results, positive results from further drilling at the Kitumba Copper Project, as well as removal of Blackthorn from the S&P/ASX300 Index.

3.6. Trading volume

Our analysis of the movements in Blackthorn's share price and trading volumes indicates that its shares appear liquid:

- ▶ Blackthorn's free float is approximately 59%¹⁵. Substantial shareholders presented earlier own around 34% of the issued share capital, with a single shareholder (Glencore) holding 14.2%.
- ▶ Over the past 12 months to 27 August 2014, the average monthly liquidity in Blackthorn shares was 7.9%, implying an annualised turnover of around 95% of total issued capital. Excluding the relatively high volumes traded in August 2013, average monthly liquidity was 5.2%, implying an annualised turnover of around 62% of total issued capital.
- ▶ Blackthorn is covered by only one analyst firm.
- ▶ Blackthorn is not a member of any index, other than the ASX All Ordinaries and as such, many funds are not required to, or may be restricted from, holding its stock.

¹⁵ Free float is calculated as calculated as total shares outstanding, less shares held by substantial shareholders, strategic corporate investors and management and directors (as per S&P Capital IQ) divided by total shares outstanding



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4. Overview of Intrepid

4.1. Company background

Intrepid is an international precious and base metals exploration and development company headquartered in Brisbane, Queensland. The company was incorporated in Western Australia as Taipan Resources NL in June 1993 and listed on the ASX in November 1993. The company changed its name to NuStar Mining Corporation Limited in March 2004 and to Intrepid Mines Limited upon the completion of the merger with Intrepid Minerals Corporation in July 2006. In 2006, the company also listed on the Toronto Stock Exchange ("TSX").

In 2008, Intrepid merged with Emperor Mines Limited, via a Scheme of Arrangement. Emperor Mines Limited had previously acquired an 80% interest in the Tujuh Bukit project in Indonesia ("Tujuh Bukit"). Tujuh Bukit is a gold-oxide project comprising two exploration/mining licenses over the Tujuh Bukit tenement located on the island of Java, Indonesia. The acquisition was made through a joint venture alliance agreement with Indonesian company, PT Indo Multi Niaga ("PT IMN") and partner, IndoAust Mining Ltd ("IndoAust"). Emperor did not hold a direct equity interest in the company holding the mining licenses due to Indonesian laws which, at the time, did not allow direct foreign ownership of Indonesian mining tenements. The ownership of the Tujuh Bukit mining licenses was subsequently the basis of a protracted legal dispute, which is described below in section 4.2.

On 22 November 2010, Intrepid announced that it had entered into an agreement for financing with a syndicate of underwriters. The financing involved the underwriting and issue of 63.4 million ordinary shares at C\$1.77 per share, together with a share purchase plan for existing shareholders. The capital raise and share purchase plan raised approximately US\$140 million¹⁶ for on-going exploration and feasibility studies at the Tujuh Bukit project, as well as for general corporate purposes.

On 19 February 2014, Intrepid announced that it had signed a binding agreement to settle all disputes surrounding the ownership of Tujuh Bukit project. Following shareholder approval to settle the dispute, on 10 April 2014, Intrepid received a payment of US\$80 million. Subsequent to the settlement of the Tujuh Bukit dispute, Intrepid has no operating activities and is involved in identifying other mineral projects and advanced exploration assets for potential investment purposes.

Intrepid was delisted from the TSX on 3 July 2014 as it could not demonstrate it held an interest in an active business,¹⁷ but is still listed on the ASX. Intrepid had a market capitalisation of approximately A\$142 million immediately before the announcement of the Scheme.

4.2. Tujuh Bukit Project litigation

Prior to commencing litigation proceedings in 2012, Intrepid's principal activities involved the development of the Tujuh Bukit project.

In the June 2012 quarter, the shareholding of Intrepid's joint venture partner, PT IMN, changed, effectively giving the incoming shareholders 80% of the expanded equity in the company. In December 2012, Intrepid became aware that the Tujuh Bukit exploration licenses had been transferred to PT Bumi Suksesindo ("PT BSI"), initially a subsidiary of PT IMN. It was also found that since the date of the transfer, PT BSI was no longer a subsidiary of PT IMN. Furthermore the exploration license had been further transferred to another company PT Damai Suksesindo.

Intrepid pursued a range of legal and commercial avenues against PT IMN and its shareholders and against the regional head of government (who approved the transfers of the licenses and the changes in shareholders).

¹⁶ Refer Intrepid's 2010 Annual Report.

¹⁷ Refer Intrepid's Management Discussion & Analysis for the three and six months ended 30 June 2014, dated 30 July 2014

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In November 2012, IndoAust together with its majority shareholder (the "Plaintiffs") filed a claim against Intrepid, PT IMN, previous shareholders of PT IMN and two executives of Intrepid, in relation to their belief of the unfair termination of IndoAust's interest in the Tujuh Bukit project.

On 12 September 2013, a tribunal of three judges ruled against Intrepid. Intrepid appealed the decision. On 11 November 2013, the South Jakarta district court handed down a decision in favour of the Plaintiffs. Intrepid appealed the decision in the Jakarta High Court.

On 19 February 2014, Intrepid announced that it had a signed settlement agreement, with shareholders approving the settlement at a meeting held on 9 April 2014. The completion of the settlement marked the end of all disputes involving the Tujuh Bukit project.

On 11 April 2014, Intrepid announced that settlement had occurred with the company receiving US\$80 million in cash.

4.3. Other mining interests and assets

In addition to its current cash reserves, Intrepid has a number of small equity investments in listed companies with interests in mining exploration projects as follows:

- ▶ Intrepid currently holds 10 million shares (11.78% ownership) in New Nadina Explorations Ltd ("New Nadina"). New Nadina operates Silver Queen copper gold porphyry exploration project in British Columbia, Canada. New Nadina is listed on the TSX and, as at 9 October 2014, New Nadina had a market capitalisation of around A\$0.9 million.
- ▶ As at 30 June 2014, Intrepid held 465,000 shares (0.46% ownership) in Aura Silver Resources Inc. ("Aura"). Aura is the part owner and operator of the Taviche Joint Venture silver-gold project in Mexico, in which Intrepid has a 27.9% interest. Intrepid is not currently funding the exploration activity and is diluting its interest in the project. Aura is listed on the TSX and, as at 9 October 2014, Aura had a market capitalisation of A\$2.6 million.
- ▶ As at 30 June 2014, Intrepid held 2.5 million shares (approximately 1.5% ownership) in Cornerstone Capital Resources Inc, a TSX-listed company which holds mineral properties in Canada, Ecuador, and Chile. As at 9 October 2014, Cornerstone's market capitalisation was A\$13.3 million.

4.4. Corporate activities

Following announcement of the settlement of the Tujuh Bukit dispute, certain substantial shareholders requested the company hold a meeting to consider a change of directors and a return of capital. The significant items are listed below:

- ▶ On 13 March 2014, Intrepid received notice from two groups of shareholders, Quantum Pacific Investment Limited ("Quantum") and Fides Capital Partners Limited ("Fides"), requesting an extraordinary general meeting ("EGM") to consider resolutions to remove certain existing directors and appoint three new directors. The EGM was held on 13 May 2014 with shareholders approving the resolutions.
- ▶ A second notice received on the same day from Quantum and Fides, requested that the company hold another meeting in relation to a resolution considering a return of capital or share buyback. On 19 May 2014, Intrepid issued a revised notice of meeting for the Annual General Meeting ("AGM") to be held on 30 May 2014, with the new board recommending that shareholders vote in favour of a return of capital.
- ▶ At the AGM, the return of capital was not approved by the requisite 75% of votes cast. However, more than 50% of the votes cast were in favour of the resolution. The Board of Intrepid stated it would resubmit the capital return resolution to shareholders at the earliest opportunity, along with an alternative option to return cash via a share buy-back. In addition to returning funds to



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shareholders, Intrepid stated it would continue to explore alternative investments opportunities alongside a share buy-back.¹⁸

4.5. Financial information

4.5.1. Intrepid's financial performance

Included below is a summary of Intrepid's financial performance for the years ended 31 December 2013 ("CY12" and "CY13") and the half year ended 30 June 2014 ("HY14"). The amounts have been sourced from Intrepid's audited (or in the case of the HY14, reviewed) financial statements, and are shown in US dollars, being Intrepid's reporting currency.

Intrepid - Statement of financial performance			
<i>US\$000's</i>	HY14	CY13	CY12
Continuing operations			
Revenue			
Other income (interest)	977	2,731	3,890
Tujuh Bukit settlement proceeds	80,000	-	-
Total revenue	80,977	2,731	3,890
Expenses			
Exploration and evaluation expenditure	(685)	(2,475)	(29,993)
General and administration expenses	(7,936)	(12,926)	(17,763)
Unrealised change in fair value of other financial assets	29	(360)	(557)
Reversal of provision for litigation	12,833	-	-
Impairment of mining properties	-	-	(16,638)
Impairment of other receivables	-	(627)	(11,546)
Provision for litigation	-	(12,249)	-
Foreign exchange gain/(loss)	(1,444)	6,478	(1,399)
Profit before income tax	83,774	(19,428)	(74,006)
Income tax benefit/(expense)	-	163	2,157
Profit for the year	83,774	(19,265)	(71,849)

Source: Intrepid audited/reviewed financial statements

In relation to Intrepid's financial performance we note:

- ▶ Intrepid received proceeds of US\$80 million in relation to the litigation surrounding the ownership of the Tjueh Bukit project in HY14.
- ▶ General and administration expenses include expenditure relating to the Jakarta and Australian offices as well as share based payment expenses. Intrepid incurred costs of US\$3.2 million for the 6 months to 30 June 2014 for legal fees in relation to the Tjueh Bukit settlement. This is in comparison to US\$2.2 million and US\$1.0 million for legal fees in CY13 and CY12 respectively. Intrepid has closed its Jakarta and Perth offices, but retains a head office in Queensland.¹⁹
- ▶ Other costs relating to the operation of the Jakarta and Australian offices include salaries and wages, occupancy, travel, accounting and redundancy costs. Intrepid incurred US\$0.9 million and US\$0.5 million of redundancy costs for CY13 and HY14, respectively.
- ▶ Intrepid allocated provisions in CY13 in relation to the Tjueh Bukit dispute, which were reversed during HY14 on settlement.
- ▶ Impairment of mining properties of US\$16.6 million in CY12 relates to a write down in the value of the Tjueh Bukit project arising from the then pending litigation and uncertainty of project development.

¹⁸ Refer announcement of AGM results dated 2 June 2014

¹⁹ Refer Management's discussion and analysis on 30 June 2014 results, released 30 July 2014

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- Impairment of other receivables relates to a provision against the loan receivable from PT IMN in relation to the litigation surrounding the company's ownership in the Tujuh Bukit project.

4.5.2. Intrepid's financial position

Included below is a summary of Intrepid's financial position as at 31 December 2012 and 2013, and 30 June 2014.

Intrepid - Statement of financial position			
<i>US\$000s</i>	Jun14	Dec13	Dec12
Current Assets			
Cash and cash equivalents	139,640	9,757	9,653
Other financial assets	24,941	78,692	99,258
Trade and other receivables	968	1,032	1,037
	<u>165,549</u>	<u>89,481</u>	<u>109,948</u>
Non-Current Assets			
Other financial assets	522	498	887
Property, plant and equipment	-	-	8
	<u>522</u>	<u>498</u>	<u>895</u>
Total Assets	<u>166,071</u>	<u>89,979</u>	<u>110,843</u>
Current Liabilities			
Trade and other payables	1,457	1,057	1,546
Current tax payable	-	116	-
Provisions	112	98	381
Total Current Liabilities	<u>1,569</u>	<u>1,271</u>	<u>1,927</u>
Non-Current Liabilities			
Provisions	82	12,331	150
	<u>82</u>	<u>12,331</u>	<u>150</u>
Total Liabilities	<u>1,651</u>	<u>13,602</u>	<u>2,077</u>
Net Assets	<u>164,420</u>	<u>76,377</u>	<u>108,766</u>

Source: Intrepid audited/reviewed financial statements

In relation to Intrepid's financial position we note:

- At 30 June 2014, Intrepid's balance sheet consisted mainly of cash and cash equivalents, with no operating assets.
- Intrepid's cash balance increased from US\$9.8 million as at 31 December 2013 to US\$139.6 million at 30 June 2014. This was a result of Intrepid receiving the settlement proceeds in regards to the Tujuh Bukit dispute. The remainder of the cash balance represented funds remaining from the capital raising in 2010.
- Other current financial assets of US\$24.9 million relate to bank term deposits consisting of maturities greater than three months. As at 30 June 2014, these term deposits consisted entirely of Australian denominated term deposits.
- Other non-current financial assets of US\$0.522 million consisted of listed equity investments measured at fair value. As at 30 June 2014, Intrepid held interests in the listed shares of Aura, Cornerstone Capital Resources and New Nadina, all of which are listed on the TSX.
- US\$12.3 million of the provision recorded at 31 December 2013 related to potential compensation for both material and immaterial damages as a consequence of the litigation claim lodged in November 2012. The provision was reversed as a consequence of the Tujuh Bukit settlement being approved by shareholders on 9 April 2014.



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4.6. Capital structure and major shareholders

As at 10 October 2014, Intrepid had the following securities on issue:

- ▶ 557,577,524 fully paid ordinary shares;
- ▶ 2,107,458 unlisted options; and
- ▶ 605,922 unlisted share rights.

The table below outlines the options and share rights Intrepid had outstanding as at 10 October 2014. Listed in the table are the expiry dates, exercise prices and number of outstanding options and share rights:

Intrepid - options and share rights on issue	Expiry date for options	Exercise price (A\$)	Number
Options	31-Jan-15	0.4536	24,258
Options	30-Apr-15	0.2938	715,569
Options	31-May-15	1.1812	155,789
Options	17-Jul-16	1.7200	93,898
Options	01-Jan-17	1.1812	494,203
Options	31-May-17	0.5565	623,741
Total options			2,107,458
Share rights			
1 January 2015			123,552
1 June 2015			155,935
17 July 2015			46,949
1 January 2016			123,550
1 June 2016			155,936
Total share rights			605,922

Source: Scheme Booklet

The share rights and options are subject to vesting conditions, including a continuous employment service condition (which may be waived at the Intrepid Board's discretion) and meeting of certain total shareholder return benchmarks (against the ASX 300 Metals and Mining index) over the three years leading up to the vesting date. We understand that the options due to expire in 2015 have vested, but have not yet been exercised, while the remaining options and share rights have not yet vested. The share rights and options, once vested and exercised, convert into ordinary shares.

Based on Intrepid's share price as at 10 October 2014, all the Intrepid options are out of the money. However, taking into consideration Intrepid's intention of a share buy-back at A\$0.30 per share, we note that the 30 April 2015 options will be in the money. Taking this into consideration, assuming the 2015 options are exercised, the number of Intrepid shares outstanding would increase to 558,293,093 on a diluted basis.

As at 10 October 2014, the substantial shareholders of Intrepid held 39.7% of the shares on issue, as detailed in the table on the following page.

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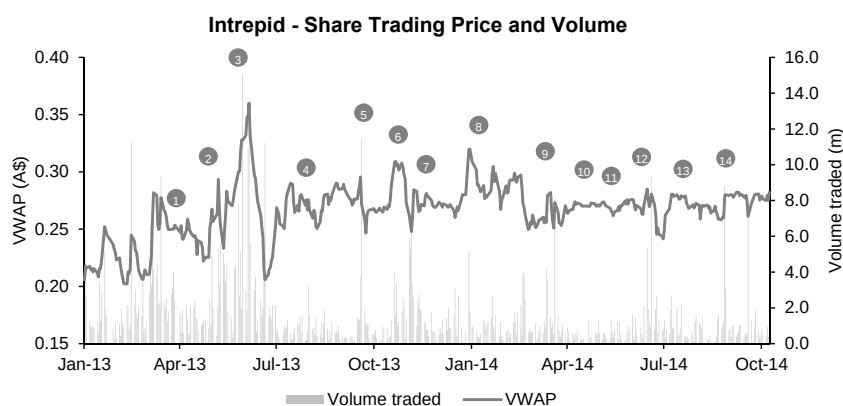
Intrepid substantial shareholders		
Name	Holder total shares	Holder % of shares outstanding
Van Eck Global	74,041,260	13.3%
Acorn Capital Limited	39,532,681	7.1%
Taurus Funds Management Pty Limited	36,921,824	6.6%
Argyle Street Management Limited	39,074,395	7.0%
Quantum Pacific Limited	31,580,135	5.7%
Substantial shareholders	221,150,295	39.7%
Other Intrepid shareholders	336,427,229	60.3%
Total shares on issue	557,577,524	100.0%

Source: Scheme Booklet

4.7. Share price performance

The chart below shows the daily VWAP and trading volumes for Intrepid between 1 January 2013 and 10 October 2014.

Over the period Intrepid's share price traded from a low of \$0.20 on 25 February 2013 to a high of \$0.36 on 5 June 2013.



Source: S&P Capital IQ

In addition to the regular quarterly, interim and annual reporting announcements, the material announcements made by Intrepid between 1 January 2013 and 10 October 2014 annotated in the chart above that may have had an impact on Intrepid's share price are summarised below:

1. **23 April 2013** – Intrepid announced it had received from shareholders a requisition to hold an EGM to remove five existing directors and appoint four new directors.
2. **14 May 2013** – Intrepid released a notice of an EGM outlining reasons not to support a change in the leadership of the company.
3. **20 and 21 June 2013** – On 20 June 2013 Intrepid released the EGM results. The proposed removal of the five directors was not passed, however, a significant number of votes were in favour of the removal of each of the directors. On 21 June 2013, Quantum, the company responsible for the proposal to remove the five directors, ceased being a substantial shareholder of Intrepid.



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4. *8 August 2013* – Intrepid released a brief company update and announced the resignation of its CEO (Brad Gordon) and appointment of the chairman (Ian McMaster AM) as interim CEO.
5. *13 September 2013* – Intrepid released an update regarding their court case in Indonesia. The judgement was not in favour of Intrepid, however Intrepid believed it had a case to appeal.
6. *3 October 2013* – Intrepid announced the appointment of its new CEO and Managing Director.
7. *12 November 2013* – Intrepid announced an update to their ongoing court case and advised that an appeal would be made to the Jakarta High Court.
8. *19 February 2014* – Intrepid announced an end to their on-going court proceedings in settlement of US\$80 million.
9. *7 and 13 March 2014* – On 7 March 2014, Intrepid announces notice of an EGM to approve the settlement of all disputes in relation to the Tujuh Bukit project in Indonesia. On 13 March 2014, Intrepid received notices from two shareholders requesting an EGM to consider resolution to replace directors.
10. *9 and 11 April 2014* – On 9 April 2014 Intrepid announces shareholder approval of the Indonesian settlement and cash proceeds were received on 11 April 2014.
11. *13 May 2014* – Intrepid announces the results of the EGM, where shareholders voted in favour of replacing three directors.
12. *2 June 2014* – Intrepid announces results of the AGM indicating the return of capital was not approved by the requisite 75% of votes cast.
13. *2 July 2014* – Intrepid was delisted from the TSX.
14. *28 August 2014* – The proposed merger with Blackthorn was announced. On 27 August 2014, Intrepid's share price was A\$0.255, and increased to A\$0.28 per share on 28 August 2014.

The following table summarises the monthly trading prices of Intrepid's shares on the ASX over the period 1 January 2013 and 27 August 2014, being the date prior to the Announcement Date.

Month	High (A\$)	Low (A\$)	Close (A\$)	VWAP (A\$)	Monthly volume (m)	Liquidity %
Jan-13	0.26	0.20	0.23	0.23	34.75	6.3%
Feb-13	0.24	0.20	0.22	0.22	40.25	7.2%
Mar-13	0.29	0.21	0.25	0.25	68.72	12.4%
Apr-13	0.27	0.22	0.27	0.24	27.54	5.0%
May-13	0.34	0.23	0.33	0.29	87.72	15.8%
Jun-13	0.36	0.21	0.23	0.29	71.95	12.9%
Jul-13	0.29	0.25	0.27	0.27	18.45	3.3%
Aug-13	0.29	0.25	0.28	0.27	20.42	3.7%
Sep-13	0.29	0.25	0.27	0.27	28.03	5.0%
Oct-13	0.32	0.26	0.29	0.29	25.62	4.6%
Nov-13	0.30	0.25	0.27	0.26	43.93	7.9%
Dec-13	0.32	0.26	0.32	0.28	27.11	4.9%
Jan-14	0.31	0.27	0.28	0.29	19.73	3.5%
Feb-14	0.30	0.25	0.26	0.28	25.88	4.7%
Mar-14	0.29	0.25	0.28	0.27	30.97	5.6%
Apr-14	0.28	0.26	0.28	0.27	8.87	1.6%
May-14	0.28	0.26	0.28	0.27	13.37	2.4%
Jun-14	0.29	0.24	0.24	0.27	34.37	6.2%
Jul-14	0.29	0.25	0.28	0.27	20.24	3.6%
Aug-14	0.28	0.25	0.26	0.26	13.84	2.5%

Source: S&P Capital IQ, EY Transaction Advisory Services analysis Note: Liquidity is calculated as monthly traded volume as a percentage of average shares outstanding for the month

The monthly liquidity of Intrepid shares over the period ranged between 1.6% in April 2014 and 15.8% in March 2013. We note that there was an unusually high volume of shares traded during

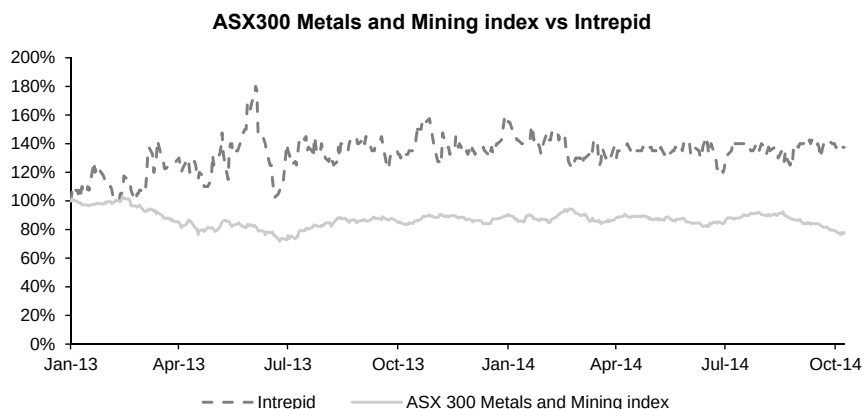
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March 2013 to June 2013, during the period where shareholders sought removal and replacement of board members and when certain substantial shareholders left the share register.

The following chart illustrates the correlation between movements in Intrepid's share price with the S&P/ ASX300 Metals & Mining index over the period 1 January 2013 and 10 October 2014.



Source: S&P Capital IQ

The graph shows that since the start of 2013, Intrepid's share price has outperformed the index. However, over this period Intrepid was involved in ongoing litigation with the majority of its assets comprised of cash. As such, its share price performance was impacted by different factors to those impacting the broader mining and metals sector.

4.8. Trading volume

Our analysis of the movements in Intrepid's share price and trading volumes indicates that its shares are not overly liquid:

- ▶ Over the past 12 months to 27 August 2014, the average monthly liquidity in Intrepid's shares was 4.4%, implying an annualised turnover of around 52% of total issued capital.
- ▶ Intrepid's free float²⁰ is approximately 61%.
- ▶ Intrepid is a member of the S&P/ ASX 300 Index and as such certain funds, particularly index tracker funds, will be required to hold its stock.
- ▶ There is limited analyst coverage of Intrepid.

²⁰ Free float is calculated as calculated as total shares outstanding, less shares held by substantial shareholders and management and directors (as per S&P Capital IQ) divided by total shares outstanding



5. Copper industry overview

5.1. Copper

Copper is a naturally occurring metallic element, found within the Earth's crust either in its natural state or as a sulphide, oxide, carbonate, or silicate deposit. The majority of copper is mined through open cut mining, however, underground mining methods are also used. Once extracted and processed, the copper concentrate is refined into copper.

Copper may be produced using one of two methods: pyro-metallurgical processing or hydro-metallurgical processing. Pyro-metallurgical processing is the predominant method and involves crushing the copper ore and then processing the ore, via flotation processes, to a concentrate. The concentrate is then subjected to extreme heat to separate the copper from other elements. The molten copper is then cast into anodes and subject to electro-refining, resulting in refined copper cathodes of 99.99% purity.

Hydro-metallurgical processing involves dissolving copper ore in a diluted sulphuric acid solution to separate the contained copper from the rock. The copper-laden solution is then treated with an organic compound in a solvent extraction process to recover the copper from the solution. The recovered copper is then refined using electro-winning, whereby the copper is plated onto electrolysis cathodes in order to obtain refined copper. This processing method is proposed to be used at the Kitumba Copper Project.

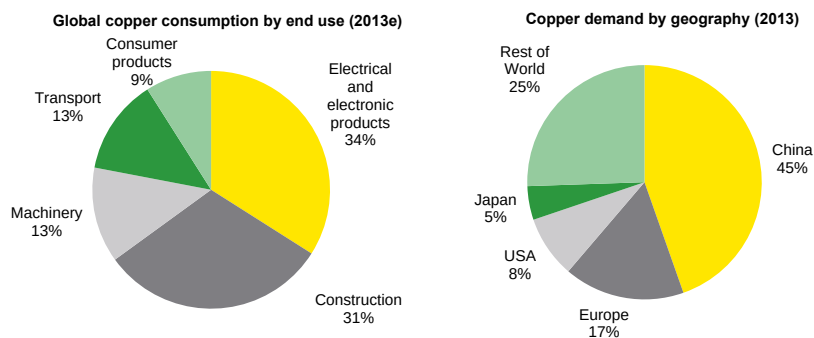
5.2. Demand and supply conditions

As a globally traded commodity, the price of copper is highly dependent upon global demand and supply. When copper demand and supply are imbalanced this can impact on pricing. However, demand and supply are impacted by many factors, making it difficult to forecast copper prices, particularly over the long term.

5.2.1. Copper demand

Due to its mineral properties such as high ductility, malleability, thermal and electrical conductivity, and its resistance to corrosion, copper is a major industrial metal. Electrical uses for copper include power transmission and generation, building wiring, telecommunication, and electrical and electronic products, and account for about 75% of total copper use, as shown in the chart below to the left.

China is the largest consumer of refined copper, representing 45% of global demand in 2013. As the largest consumer of refined copper globally, demand from China significantly impacts global demand and therefore the market price of copper. The chart below to the right summarises the demand for global refined copper by geography in 2013.



Source: Analyst reports

Attachment A: Blackthorn Independent Expert's Report (continued)



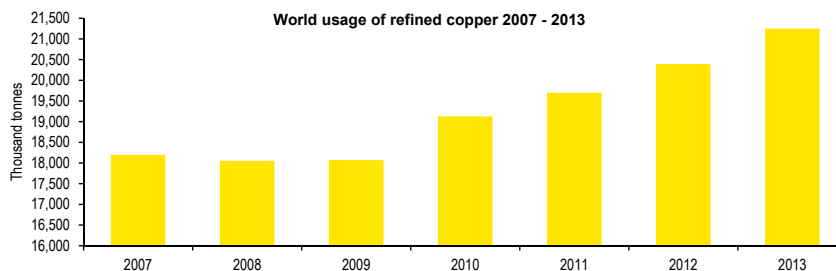
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Key demand drivers of refined copper include²¹:

- ▶ Construction activity: Copper is used in a range of construction activities, including electrical wiring, tubing, air conditioning and electric motors. General level of residential and commercial construction activity strongly impacts the demand for copper
- ▶ Power sector: upgrades and extensions to existing power grid systems create demand for copper. For instance, The State Grid Corp of China has announced plans to increase investment in power grid construction by nearly 20% in 2014.²²
- ▶ Transportation: copper is used extensively in the manufacturing of vehicles in the form of wiring, brakes, radiators and connectors. Copper is also used in the building of aeroplanes and ships.
- ▶ Communications and electronic devices: Domestic subscriber lines, wide and local area networks, mobile phones and personal computers all make use of copper wiring.

A threat to the global demand of copper is substitute products. Aluminium can replace copper in certain power cables, electrical equipment, vehicle radiators, and cooling and refrigeration tubes; titanium and steel may be used in heat exchangers in place of copper and optical fibre can substitute for copper in various telecommunication applications. However, copper's unmatched conductivity makes it critical for applications such as building wire, power generation and electrical connectors.

Since 2007, world demand for refined copper has grown at a compound annual growth rate of around 3% per annum. A chart of global demand for copper since 2007 is set out below:



Source: International Copper Study Group statistics

World consumption of copper in the first five months of 2014 rose by 15.5% in comparison with the same period in 2013. This was mainly driven by the strong demand generated by China. The apparent demand for copper in China was up by 29%, compared to the same period in the prior year. Apart from China, other regions that contributed to the strong demand include Japan and the European Union ("EU") with growth rates of 13.0% and 18.0%, respectively.²³

5.2.2. Copper supply

The following table outlines the largest copper producing countries for 2013.

²¹ Refer IBISWorld, *Copper Ore Mining in Australia*, March 2014

²² Refer http://www.chinadaily.com.cn/business/2014-01/08/content_17224437.htm accessed 10 September 2014

²³ Refer ICSG press release dated 20 August 2014



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Country	Production ('000 Mt)	% of global production	Reserves ('000 Mt)
Chile	5,700	32%	190,000
China	1,650	9%	30,000
Peru	1,300	7%	70,000
United States	1,220	7%	39,000
Australia	990	6%	87,000
Russia	930	5%	30,000
Congo (Kinshasa)	900	5%	20,000
Zambia	830	5%	20,000
Canada	630	4%	10,000
Mexico	480	3%	38,000
Kazakhstan	440	3%	7,000
Poland	430	2%	26,000
Indonesia	380	2%	28,000
Other countries	2,000	11%	90,000
World total (rounded)	17,880	100%	685,000

Source: US Geological Survey, sourced from: <http://minerals.usgs.gov/minerals/pubs/commodity/copper/mcs-2014-coppe.pdf>

In addition to copper refined from primary mining sources, copper can also be refined from secondary sources. Secondary copper refers to all non-primary sources, such as metallurgical wastes, industrial wastes, consumer wastes and e-waste. The contribution from secondary copper to global copper production has steadily increased in the last 30 to 40 years. The ICSG estimated that in 2013, 17% of global copper supply came from secondary sources.²⁴

Since 2007, world mine production and supply of refined copper has grown at a compound annual growth rate of around 2.5% per annum. A chart of world mine production and refined copper production between 2007 and 2013 is set out below:



Source: International Copper Study Group statistics

²⁴ Refer ICSG press release, 20 August 2014

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The world supply of refined copper includes primary and secondary sources, and is therefore higher than mine production. During early 2012, the production of copper was disrupted due to closures as well as refinery outages. Production levels recovered in 2013 along with the ramping up of new mine capacity, and global mine production registered a high year-on-year increase of approximately 8.0% in 2013, as reported by the ICSG.

During the first five months of 2014, world mined production increased by 5.0% (352,000 tonnes) compared to the same period of 2013, while world refined production (primary and secondary) increased by 7.0% (570,000 tonnes)²⁵. Current world mined production growth has been slow compared to strong growth experienced in 2013, primarily due to mine accidents, labour strikes and disputes between mine operators and governments.

The Australian Bureau of Resources and Energy Economics ("BREE") forecasts mine production to increase at an annual rate of 4.6%, to reach 24 million tonnes by 2019, facilitated by the ramp-up in production and capacity expansion at major mines in Peru, Chile and Zambia²⁶. Several producers are expected to commission new, or expand existing, projects in the coming years. These include the following:

Project	Country	Forecast additional production ('000 tonnes)						
		2014E	2015E	2016E	2017E	2018E	2019E	2020E
Buenavista	Mexico	137	191	254	315	315	315	315
Toromocho	Peru	78	162	248	222	226	220	214
Caserones	Chile	68	154	144	144	139	134	130
Sentinel	Zambia	-	102	281	295	295	295	246
Sierra Gorda	Chile	-	110	115	134	189	193	233
Las Bambas	Peru	-	-	35	288	384	384	384

Source: Broker reports, company presentations and reports.

In the medium term, expansion programs undertaken by existing mines are expected to result in an increase in supply, however low ore grades, technical problems, industrial action and adverse weather conditions could cause further supply disruptions.

The only forecast mine closure identified in the near term includes the Ok Tedi mine situated within Papua New Guinea. This will result in regional output falling by approximately 180,000 tonnes per annum from 2015 onwards, unless the life of the mine is extended.

5.3. Price analysis

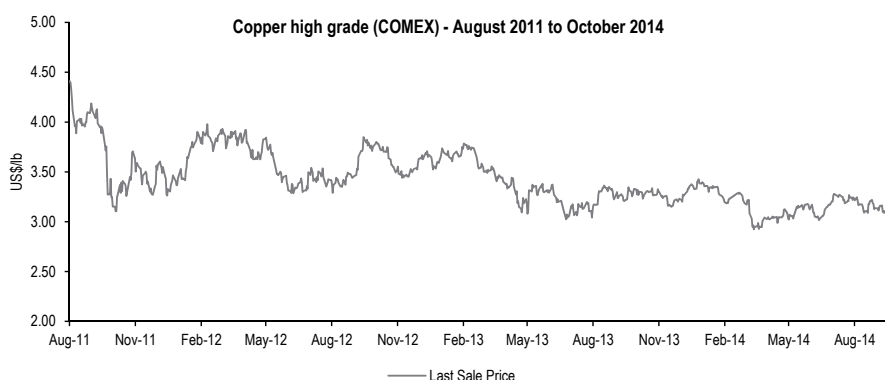
A chart showing the spot price of copper since 1 August 2011 is set out on the following page:

²⁵ Refer ICSG press release, 20 August 2014

²⁶ Refer Bureau of Resources and Energy Economics Resources and Energy Quarterly March 2014



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Source: S&P Capital IQ

5.3.1. Historical prices

During the last 36 months, the price of copper has indicated a declining trend, from its peak in August 2011 of around US\$4.4/lb. In September 2011, the price of copper fell dramatically as a result of reduced global growth, a worsening European debt crisis and signs of slowing in manufacturing activity in China. After trending higher for most of 2012 to 2013 (averaging US\$3.6/lb in Q1 2013), copper prices fell to US\$3.1/lb in April 2013 on the back of lower Chinese growth and expectations of tightening in the US Federal Government's quantitative easing program. This decline in prices continued as production levels increased and new mine capacity increased supply. Prices fell again sharply in March 2014, reaching a four year low, as a result of concerns that Chinese bonded copper stockpiles, being copper used as loan collateral, would flood the market following loan defaults.²⁷

Since March 2014, copper prices have generally trended upwards, and the price of copper as 9 October 2014 was around US\$3.03/lb, after briefly spiking to US\$3.28/lb on 3 July 2014 and US\$3.16/lb on 16 September 2014. The inventory level of copper on the London Metal Exchange ("LME") has reached its lowest point since 2008²⁸. The ICSG has estimated that global refined copper demand exceeded production (including primary and secondary sources) by roughly 466,000 tonnes in the first five months of calendar 2014.²⁹

5.3.2. Outlook

According to ICSG projections for 2014³⁰, after four consecutive years of apparent deficits, the copper market could show a production surplus relative to demand. World production of refined copper in 2014 is expected to exceed demand for refined copper by about 400,000 tonnes. For 2015, although growth in demand is anticipated to continue, ICSG forecast another surplus of around 600,000 tonnes owing to an increase in refined output that exceeds the expected growth in usage.

The ICSG estimates are consistent with many copper industry analysts, who are forecasting that the overall copper market will move into surplus in the short to medium term, due to the increased production being brought on line over the next two years and a weak construction sector in China. This surplus is likely to result in downwards pressure on copper prices in 2015. Some analysts note that the

²⁷ Refer "China fears trigger dramatic drop in copper" sourced from www.ft.com, published 10 March 2014

²⁸ CIBC, 21st July 2014

²⁹ Refer ICSG press release dated 20 August 2014

³⁰ Refer to ICSG press release *Copper Market Forecast 2014-2014*, dated 2 April 2014

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financial sector reforms in China that aim to reduce the use of copper as collateral are downside risks to the forecast copper price, and may push prices lower in 2014.³¹

In contrast, other analysts consider the supply side will remain strained, noting that mining companies continue to focus on cost reduction initiatives at the expense of exploration and that technical and labour issues remain a risk to production. These analysts also note that there is a global shortage of secondary scrap copper at reasonable prices, which is causing an increase in demand from the refined market as consumers replace scrap with refined copper. These analysts consider that medium term copper prices will trend upwards.

Australia's BREE considers that the persistent surplus of refined copper production is expected to contribute to price decreases in 2015. However, beyond 2015, BREE notes that the combination of slower growth in refined copper production and stronger growth in copper consumption in emerging economies is expected to bring a tighter market balance and lead to a moderate rebound in copper prices.³²

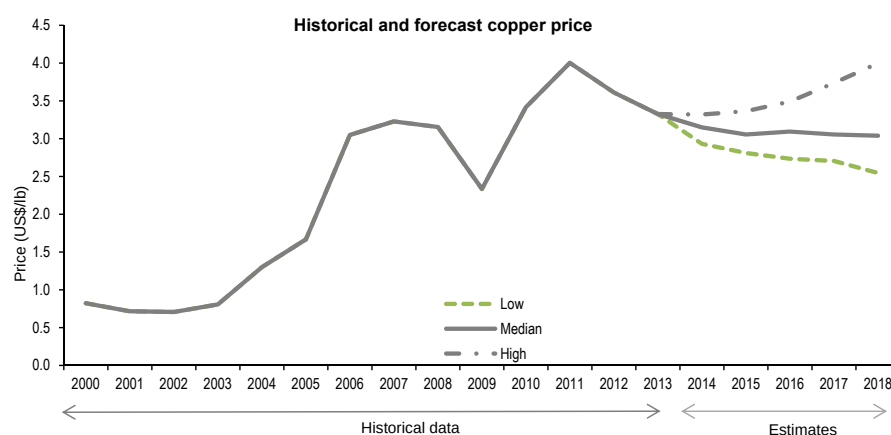
A summary of consensus estimate forecast copper prices are outlined in the table below:

Copper - US\$/lb, real	CY14	CY15	CY16	CY17	CY18	Long term
Min	2.93	2.81	2.74	2.71	2.55	2.63
Mean	3.14	3.06	3.08	3.12	3.08	3.00
Median	3.15	3.06	3.10	3.06	3.04	3.00
Max	3.32	3.37	3.49	3.74	4.00	3.50

Source: Various broker reports.

We note that short term copper prices are typically forecast in nominal terms, with the long term price expressed in real terms (in 2014 dollars). For presentation purposes, we have deflated consensus forecast copper prices for the period CY14 to CY18, to convert the prices to real terms. Further details are set out in Appendix D – *Determination of copper price forecasts*.

A chart showing the historical copper prices combined with consensus broker forecasts on a calendar year basis is set out below:



Source: World Bank and various analyst reports

³¹ Refer Australian Government Bureau of Resources and Energy Economics, *Resources and Energy Quarterly*, June 2014

³² Refer Australian Government Bureau of Resources and Energy Economics, *Resources and Energy Quarterly*, March 2014



Median consensus estimates of real long term copper prices are forecast to plateau at around US\$3.00/lb over the long term (beyond 2018). However we highlight that analysts forecast the long term copper price to be within a wide range and historically, the copper price has demonstrated a degree of volatility. We note that the OPFS for the Kitumba Project assumes that first copper revenue is generated in 2019. The range of copper prices we have adopted in our valuation of the Kitumba Copper Project is set out in Appendix D – *Determination of copper price forecasts*.

5.3.3. Key issues facing copper producers

Some of the key issues copper producers are currently facing include:

- ▶ Rising operating costs resulting from increased labour costs as well as external factors such as inflation, currency volatility, and increased taxes and royalties. It has been estimated that global copper mining costs have risen 30% during the period from 2007 to 2012³³, with the most notable growth in labour and fuel costs.
- ▶ Higher energy costs and power shortages in copper producing countries such as Chile and Zambia. These are impacting existing operations as well as future mine developments.
- ▶ Pressure from local communities and regulators regarding environmental concerns such as water and soil contamination and air emissions.
- ▶ Political uncertainty resulting from the need to venture into higher risk and politically unstable territories to sustain production growth. Chile's Centre for Copper and Mining Studies has warned that the copper industry could experience supply uncertainty as growing resource nationalism threatens production.
- ▶ In addition to rising operating costs, the copper industry is experiencing declining ore grades as reserves are depleted. It is estimated that the global weighted average of primary copper head grade peaked at 1.5% in 1993 and has declined to just over 1% in 2010³⁴. This decline, together with rising operating costs, is causing pressure on operating margins.

5.4. Copper mining in Zambia

The copper mining industry is crucial to Zambia and has played a key role in the social and economic development of the country. The Zambia Development Agency estimates that the mining sector has attracted investment in excess of US\$8 billion since the year 2000, creating 80,000 jobs by the year 2013.³⁵

The International Council of Mining & Metals notes that Zambia has a high level of macro-economic dependence on mining by international standards. Compared to other countries, mining makes an unusually large contribution to total export earnings, to total national investment and to total foreign direct investment.³⁶ In 2010, copper comprised 78% of Zambian exports and was valued at US\$5.8 billion.³⁷

Zambia is the second largest producer of copper in Africa, behind the Congo, and the eighth largest global producer of copper. However, Zambia is expected to overtake the Congo as the largest African producer by late 2014 due to expected power outages in the Congo reducing capacity and increases in production at some of Zambia's major mines.

Some of the Zambia's major copper mining operations include:

- ▶ The Mufulira mine, which is located in Kitwe and operated by Mopani Copper Mines Plc ("Mopani"), a subsidiary of Glencore. The operation includes an underground mine, concentrator,

³³ Refer <http://www.reuters.com/article/2013/04/09/copper-conference-costs-idUSL2N0CW2JF20130409>

³⁴ Source: "Copper Industry Strategy," BMO Capital Markets, 20 January 2014

³⁵ Zambian Mining Sector profile, July 2014, published by the Zambia Development Agency

³⁶ Refer <http://www.icmm.com/document/6290>

³⁷ Zambia Extractive Industry Transparency Initiative, reconciliation report, 19 February 2013

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smelter and refinery. Current smelter capacity has increased from 420,000 tonnes per annum to 625,000 tonnes per annum due in part to the recent upgrade completed during 2014.³⁸

- ▶ The Kansanshi mine, which is located in Solwezi and owned by First Quantum Minerals Limited ("First Quantum"). Kansanshi produced approximately 270,000 tonnes of copper in 2013. Kansanshi is currently capable of producing 340,000 tonnes of copper per annum. Expansion projects to increase copper capacity to 400,000 tonnes per annum are currently underway, due within 2015³⁹, as well as the addition of a new smelter to increase treated copper concentrate to approximately 300,000 tonnes per annum. The new smelter will also be used to process copper from the new Sentinel mine, also owned by First Quantum⁴⁰.
- ▶ The Konkola mine, which is a deep mining project in Konkola, has a life of mine of over 24 years and produced 216,000 tonnes of native copper in FY13. Konkola is currently being expanded by its operator, Vedanta Resources PLC ("Vedanta"), in order to expand mine capacity⁴¹.

Many of Zambia's large mines are within, or adjacent to, the copperbelt province in Zambia, the copper-rich area in the north of Zambia, bordering the Congo. The copperbelt is one of the richest sources of copper in the world. The Kitumba project is in west-central Zambia, to the south of the copperbelt province, but lies within the southern end of a fold and thrust belt known as the Lufilian Arc, which also hosts the Zambian copperbelt deposits.

The Zambian Development Agency estimates that copper production in Zambia will reach 1.5 million tonnes by 2018, should planned increases to production come on line.⁴² The forecast rise in copper production within Zambia over the next few years is a result of significant investment in the rehabilitation of infrastructure and technology advancements in existing mines, the opening of new mines and the increase in small-scale copper mining activities.

The Zambian government has implemented a number of initiatives designed to encourage mining investment (particularly base metals), including⁴³:

- ▶ Capital expenditure deductions for mining equipment, plant, machinery and other capital expenditure may be claimed at the rate of 25% per annum. The deductions are available from the year the asset is brought into use.
- ▶ Companies holding a large-scale mining licence for base metals are taxed at 30% instead of 35%.
- ▶ Tax losses may be carried forward for up to 10 years for mining companies.
- ▶ Mineral royalty is 6% for base metals and 3% for other minerals.

However, despite an encouraging investment regime, country risks remain. Up until recently, the Zambian government refused to refund US\$600 million of VAT payments on the basis that miners could not provide import certificates documenting the country of destination of exported copper.⁴⁴ The refusal led to pressure on the cash flow of mining companies which experienced rioting by contract workers in August following non-payment of wages⁴⁵. In late August 2014, the Zambian government announced it would waive the requirement for export certificates and repay the withheld VAT refunds.

The Zambian government currently applies a 10% levy on the export of copper concentrate, to encourage in-country smelting.

The Fraser Institute Annual Survey of Mining Companies Report for 2013 ranks Zambia as 57th out of 112 jurisdictions globally (and 6th out of 22 African countries) in relation to its "Policy Perception Index".

³⁸ Refer <http://ukzambians.co.uk/home/2014/06/11/mopani-completes-smelter-upgrade-project/>

³⁹ Refer <http://www.first-quantum.com/Our-Business/operating-mines/Kansanshi/default.aspx>

⁴⁰ Refer <http://www.first-quantum.com/Careers/our-locations/zambia/Kansanshi/our-operations/>

⁴¹ Refer <http://www.vedantaresources.com/our-operations/copper.aspx>

⁴² Zambian Mining Sector profile, July 2014, published by the Zambian Development Agency

⁴³ Zambian Mining Sector profile, July 2014, published by the Zambian Development Agency

⁴⁴ Refer <http://www.miningweekly.com/article/zambia-says-to-waive-vat-rule-on-mining-firms-refund-600m-2014-08-26>

⁴⁵ <http://blogs.wsj.com/frontiers/2014/09/03/zambia-waives-tax-restriction-on-copper-exports/>



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The index is a measure of the overall policy attractiveness of 112 jurisdictions, taking into account environmental regulations, legal system, taxation regime, infrastructure, socioeconomic and community development conditions, labour regulations and skills availability.

At August 2014, Zambia is rated B+ by Standard & Poor's and B1 by Moody's.⁴⁶ The local currency is the Zambian Kwacha.

⁴⁶ www.tradingeconomics.com accessed 28 August 2014

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6. Valuation approach

6.1. Valuation methodology and approach

A number of valuation approaches may be applied in determining the fair market value of an investment or business, with the appropriate approach dependent upon the specific circumstances. Details of the various accepted approaches are outlined in Appendix B – *Valuation approaches*, and typically comprise the income, market and cost approaches.

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

6.2. Valuation methodology adopted

6.2.1. Blackthorn

In considering the value of Blackthorn we have assessed the value of the company using a net asset backing methodology after valuing its individual assets and liabilities on a going concern basis. In assessing the fair market value of a Blackthorn share we have:

- ▶ Relied on Runge as the independent technical expert to undertake a technical assessment of the Kitumba Copper Project and value the Mumbwa exploration licences. The results of Runge's technical assessment and valuation of the Mumbwa exploration licences are summarised in section 7.3. The Runge Report is attached in full in Appendix J and should be read in conjunction with our report.
- ▶ Discounted the future cash flows at a discount rate that we consider reflects the risks associated with the early stage nature of the Kitumba Copper Project.
- ▶ Attributed a negative value (using a discounted cash flow approach) to the corporate costs expected to be incurred by Blackthorn to the extent these costs are not already reflected in the forecast cash flows of the Kitumba Copper Project.
- ▶ Considered the other assets and liabilities of Blackthorn as follows:
 - ▶ tax losses generated in Zambia were valued on a discounted cash flow basis
 - ▶ cash on hand at the valuation date was estimated with reference to the cash balance at 30 June 2014 of A\$12.5 million adjusted for the US\$10.0 million proceeds of the sale of Blackthorn's 27.3% interest in the Perkoa Project and Blackthorn's estimated transaction costs (which will be incurred whether or not the Scheme proceeds) of A\$1.2 million
 - ▶ attributed a fair market value of US\$2.0 million to the Burkina Faso exploration licences
 - ▶ the fair market value of other net assets (trade debtors, receivables and employee provisions) were considered to be commensurate with their book value at 30 June 2014.

In applying this methodology we considered the fair market value of one share in Blackthorn on a controlling interest basis. We then cross checked our valuation range of a Blackthorn share with the prices at which the company's shares have recently traded at on the ASX.

In addition, we considered the reasonableness of the valuation range of the Kitumba Copper Project by comparing the implied project reserve multiples with the multiples implied in transactions involving similar stage copper assets. We also considered the implied enterprise value resource multiples for Blackthorn with the implied multiples of other listed companies with similar stage copper assets.



6.2.2. Scheme Consideration

Should the Scheme be approved and implemented, the consideration to be provided to Blackthorn Shareholders will be shares in the Merged Group. We therefore have assessed the value of the Merged Group, post-Scheme, on a notionally combined basis, determined by aggregating:

- ▶ the value of Intrepid on a minority basis
- ▶ the value of Blackthorn on a minority basis

In order to arrive at the value per share we considered the likely number of Intrepid shares on issue assuming the Scheme is approved and implemented. We considered this approach appropriate as Intrepid shares need to be valued on a minority basis, which is the basis upon which they trade on the ASX. We assessed the range of values of the Scheme Consideration by applying the range of exchange ratios to the assessed range of values of Intrepid, post-Scheme.

Intrepid is essentially a "cash-box" and we have therefore assessed its value using the net asset backing methodology. We consider this approach appropriate given the nature of Intrepid's underlying assets. In addition, as discussed in section 4.8, we consider Intrepid's shares to be relatively illiquid with insufficient depth of the market for its securities for us to rely on the share price as an indicator of fair market value. We therefore considered the share price of Intrepid as a cross check rather than our primary methodology.

In assessing the value of Intrepid on a net asset backing basis, we considered the underlying value of its assets and liabilities, assuming both full subscription of the Intrepid Buy-back and assuming no subscription of the Intrepid Buy-back. In assessing the fair market value of an Intrepid share we have:

- ▶ determined the value of cash on hand with reference to the cash balance of 30 June 2014 of US\$164.6 million, adjusted for Intrepid's estimated transaction costs, and a range of potential impacts of the Intrepid Buy-back.
- ▶ valued its investments in listed securities using a market assessment based on quoted prices
- ▶ added the fair market value of other net assets (trade debtors, receivables and employee provisions) which were considered to be commensurate with their book value at 30 June 2014
- ▶ attributed a negative value to the ongoing corporate costs expected to be incurred by Intrepid.

In our analysis, we have not included any synergies which may be realised as a result of the Scheme. In this regard, we note that any synergies would be limited to administration and overhead cost savings, arising from combining the head offices of Blackthorn and Intrepid and removing the duplication of certain functions. However, as any such synergies have not been quantified we have excluded any potential synergistic benefits from our analysis. The inclusion of synergies, if any, would have a positive impact on the value of the Scheme Consideration.

6.3. Control premium

In valuing a Blackthorn Share, we have assumed 100% of the shares are available for sale and we have therefore incorporated a premium for control. This is consistent with the requirements of RG 111.

In assessing the fair market value of the Intrepid shares which form part of the Scheme Consideration, we have considered the fair market value of those shares on a minority basis.

The above approaches reflect the facts that:

- ▶ Intrepid is obtaining control of Blackthorn
- ▶ Blackthorn Shareholders are receiving a minority interest in Intrepid.

Blackthorn Shareholders will be unable to realise a control premium above this minority interest value for Intrepid shares unless Intrepid is itself the subject of a takeover or is subject to a similar form of transaction at some time in the future.

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7. Valuation of Blackthorn

7.1. Introduction

In assessing a range of values of Blackthorn we adopted a net asset backing approach by separately considering the fair market value of the individual assets and liabilities of the Company on a going concern basis. Blackthorn's key asset is the Kitumba Copper Project, an early stage development asset for which an OPFS has been completed providing estimated future cash flows that may be derived from the project. We therefore valued the Kitumba Copper Project using a discounted cash flow methodology. We then considered the other assets and liabilities of Blackthorn in arriving at our assessed range of values.

We also compared our valuation range of a Blackthorn share determined using a net asset backing approach with the prices at which the company's shares have recently traded at on the ASX.

7.2. Kitumba Copper Project

7.2.1. Financial model

As discussed earlier, in April/May 2014, an OPFS was completed in respect of the Kitumba Copper Project. The OPFS was completed by Lycopodium on behalf of the company, the outputs of which included a life of mine plan and an operational model. These outputs were then incorporated into a financial model ("Financial Model") prepared by Corality Financial Group ("Corality") on behalf of Blackthorn management. The Financial Model includes projections of the ungeared after tax real cash flows in US dollars of the Kitumba Copper Project to 2030, based on the results of the OPFS.

We have assessed a range of values for the Kitumba Copper Project using a discounted cash flow methodology based on the cash flow forecasts in the Financial Model and adjusted for various aspects including:

- ▶ Technical input from the independent technical expert, Runge, on certain assumptions following their review of the OPFS. Their review included various aspects including resource and reserve estimation, copper grade and recoveries, production volumes, operating expenses, capital costs and other environmental and infrastructure related considerations.
- ▶ Our view of economic assumptions including future estimated copper prices, exchange rates, and tax assumptions.
- ▶ Our view of a discount rate considered reflective of the current underlying risks associated with the cash flows.

We note that we have not audited the Financial Model provided by Blackthorn management. We have, however, performed limited analytical procedures regarding the mathematical accuracy of the model and held discussions with Blackthorn management regarding the preparation of the Financial Model and the assumptions contained therein.

7.2.2. Revenue

The revenues of the Kitumba Copper Project are a function of forecast contained copper production and forecast copper prices. Contained copper production is a function of forecast ore production volumes, ore head grades, processing methods and copper recoveries.

7.2.3. Production

Contained copper production volumes are forecast based on the following:

- ▶ Mining of ore is expected to commence in 2018, while processing and copper production is expected to commence in 2019. Timing is subject to completion of the DFS and development and construction of the mine. The Kitumba Copper Project is still in feasibility stage and will require significant project funding for the construction of the mine. Risks associated with funding



availability and potential timing delays are considered in our selection of the discount rate in Appendix C.

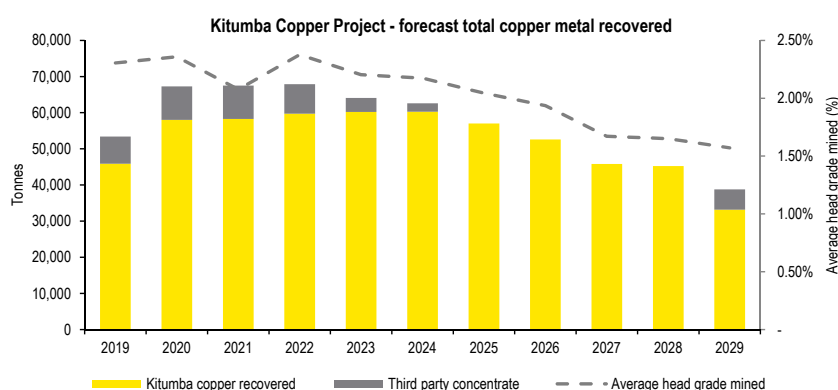
- ▶ The proposed mining method is underground mining, with sub-level caving used to extract ore. Ore is then crushed using a conventional ball mill.
- ▶ Total ore mined is forecast to be 31.6 Mt over the estimated 11 year life of the mine. This is based on the latest estimates of ore reserves from April 2014, assessed in accordance with the JORC code. Production is assumed to cease once the current reserves are exhausted. The Financial Model does not capture extensions to the life of mine ("LOM") that could occur in the event that resources are converted to reserves. However, the majority of these additional resources are classified as 'inferred'. Runge consider that the majority of these 'inferred' resources are below the cut-off grade of 1% and therefore have considered any attributable value within the valuation of the Mumbwa exploration licences.
- ▶ As confirmed by Runge, the average head grade from the Kitumba Copper Project's ore across the LOM is forecast to be 2.03%. As shown in the graph on the following page, the average head grade is forecast to be highest during the period from 2019 to 2024, and then decline thereafter.
- ▶ Once mined and crushed, ore is then processed using a sulphide flotation and acid leaching circuit. Copper is recovered from the flotation concentrate by pressure oxidisation ("POX") while flotation tailings and POX discharges are then processed via atmospheric leaching. The POX method results in higher recoveries (around 97%) while recoveries from atmospheric leaching are lower (around 80%). The copper rich solution is then smelted into copper via solvent extraction and electrowinning.
- ▶ During the initial production years (and the last production year), ore mined and processed at Kitumba is expected to contain relatively low quantities of primary sulphides. As a result, during these years, as set out in the chart on the following page, additional copper concentrate will be sourced from a third party to supplement ore mined at Kitumba, to enable the required chemical processes within the smelter to occur. The cost of acquiring third party copper concentrate is discussed below and is dependent on the availability of suitable copper concentrate.
- ▶ As advised by Runge, the average recovery from ore mined at Kitumba is forecast to be 89.8% across the LOM, while recoveries from third party concentrate is forecast to be 97.0%. The overall total copper metal recovered is expected to be 90.3%. The third party copper concentrate comprises a relatively small proportion of total copper recovered. As a result in the changes to copper recoveries suggested by Runge, the total copper produced over the LOM is 622,00 tonnes, lower than that assumed in the OPFS of 637,000 tonnes.

The following graph summarises the amount of copper metal recovered over the LOM, based on Runge's revised copper recoveries, including the proportion of copper obtained from mining operations and third party concentrate.

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Source: Financial Model as amended by Runge

7.2.4. Copper prices

It is anticipated that copper cathode produced by the smelter will be trucked to the port at Dar es Salaam and exported by ship to customers, primarily in China. The prices at which copper will be sold will therefore depend upon prevailing global copper prices at the time of sale.

The Kitumba Copper Project is not forecast to commence sales of copper until 2019. As such, changes in the short term copper prices have minimal impact on the long term cash flows. We therefore based our estimates of forecast copper prices on consensus estimates of long term copper prices from recent analyst and industry reports. We considered long term real (in 2014 terms) copper price forecast copper prices in the range of US\$3.05/lb to US\$3.10/lb. We note that we would generally consider a wider range as the copper price has demonstrated a level of volatility. However, the overall value of the Kitumba Copper Project is very sensitive to small changes in assumptions around future copper prices (refer section 7.2.1) and we have limited our range to ensure our value of the Kitumba Copper Project is not excessively wide.

Details of the methodology and assumptions used for our adopted range of copper forecasts are detailed in Appendix D.

7.2.5. Operating costs

The Financial Model includes forecast real cash costs during the LOM. In relation to forecast operating costs we note:

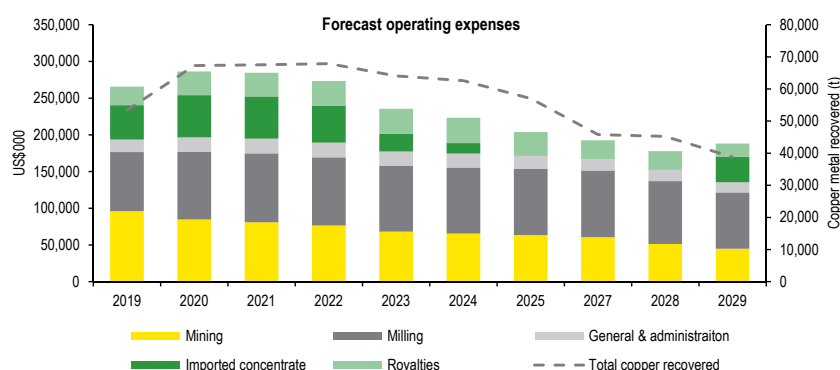
- ▶ The mining and milling costs were considered by Runge. These include costs for crushing, milling and processing the ore mined in order to produce copper cathode.
- ▶ Costs per tonne for third party concentrate have been calculated based on our forecast copper price less certain deductions. In Zambia, the high cost of freight of copper concentrate to smelters outside the country and the export tax on copper concentrate, encourage local processing of concentrates. Blackthorn management are of the view that a third party copper concentrate producer in Zambia would therefore economically benefit by selling concentrate to the Kitumba Copper Project, rather than exporting the concentrate overseas. We note that there are currently no agreements in place with parties in relation to the supply of copper concentrate to the Kitumba Copper Project. Therefore, it is currently uncertain whether copper concentrate of the required chemical composition will be available for the project, and the cost of that copper concentrate. In combination with guidance from Runge, and in the absence of any agreements, we have



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assumed that Blackthorn would be able to potentially negotiate the following adjustments to the price of the concentrate:

- Treatment charges of US\$92/tonne and refining charges of US\$0.092/lb – These rates have been advised by Runge and are consistent with 2014 benchmark terms. Small changes in these amounts are not overly material to our overall conclusion of value.
 - Export tax saving - In Zambia, copper mines which export copper concentrate (as opposed to copper cathode), are subject to a 10% export tax levy. We have assumed this saving is shared equally between the supplier and Kitumba.
 - Freight costs – As advised by Runge, we have assumed a cost of US\$250/WMT, based on the cost of shipments to China, and that this saving would be shared equally between the supplier and Kitumba.
 - We have included an additional cost of US\$25/tonne for transporting the third party concentrate to the Kitumba Copper Project for processing.
- A royalty is payable to the Zambian government, based on 6% of revenue generated from sales of copper extracted from the Kitumba Copper Project (i.e. not including sales or costs in relation to imported copper concentrate).
- A royalty is payable to BHP Billiton, based on 2% of production value of copper obtained from ore mined at Kitumba (i.e. excluding copper obtained from third party copper concentrate), less allowable deductions such as government royalties and product transportation.
- General and administration costs relate to certain head office costs in Zambia and a portion of Australian head office costs, marketing costs in relation to selling the copper cathode, accounting and other legal costs. While some head office costs are incorporated in the LOM cash flows, the Financial Model does not include all head office costs of Blackthorn. We have separately considered these costs in the valuation of corporate overheads (see section 6.4.1).



Source Financial Model as amended by Runge

The graph above summarises the forecast operating expenditure over the LOM, as determined by Runge. As indicated in the graph, operating expenses are forecast to be highest during the initial years of production from 2019 to 2022, in line with the requirement for third party copper concentrate. Overall operating expenses reduce from 2023 onwards, in line with a reduction in overall copper recovered.

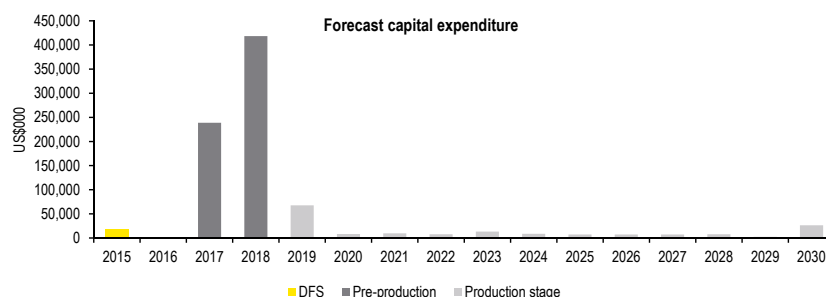
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7.2.6. Capital expenditure

Capital expenditure is included in the Financial Model as adjusted based on recommendations of Runge. The following graph summarises the forecast capital expenditure over the LOM.



Source: Financial Model as amended by Runge

In relation to forecast capital expenditure:

- ▶ We included an amount of approximately A\$20 million for the cost of the DFS to be incurred over CY 2015. This amount was not included in the Financial Model and was provided by Blackthorn management.
- ▶ Construction of the mine is expected to occur, subject to finance, over 2016 to 2018 and cost a total of US\$659 million (compared to the original OPFS estimate of US\$680 million). These costs were considered, and certain adjustments were made, by Runge and include costs associated with construction of the underground mine such as equipment, labour and drilling, costs for the processing plant and infrastructure around the mine, as well as an element for contingency costs given the early stage nature of this project.
- ▶ In addition to initial requirements, Runge estimate forecast ongoing sustaining capex over the LOM of US\$121 million (compared to the OPFS estimate of US\$116 million). Once mining of ore commences in 2018, capital costs are forecast to reduce, and mainly reflect maintenance costs, contingencies, tailings storage facility costs and rehabilitation at end of the LOM.
- ▶ As advised per Runge, total rehabilitation costs of US\$32.9 million are included over the LOM, of which US\$4.4 million is to be incurred in 2019, a total of US\$2.2 million over 2020 to 2029 and the remainder at the end of the LOM in 2029. These costs include removal of all infrastructure and post-closure maintenance and monitoring.
- ▶ Runge also provided an estimate of the salvage value of the mine and production facility equipment of US\$20 million (not reflected in above graph).

As a result of the changes suggested by Runge, including a reduction in copper recoveries, and our view of copper prices, the "all in" cash cost (including operating costs, sustaining capital costs and royalties) of the Kitumba Copper Project is US\$1.91 per pound of copper produced. This is slightly higher than the OPFS estimate of US\$1.89 per pound.

7.2.7. Movements in working capital

Movements in working capital are based on 30 day payment terms for debtors and creditors.

7.2.8. Taxation assumptions

Zambian law allows for tax depreciation of capital assets over four years.



We adopted a Zambian corporate tax rate of 30%, which is the rate currently applicable to mines holding large-scale mining licences. We note that in July 2014, Blackthorn applied for a large-scale mining licence for the Kitumba Copper Project and is currently awaiting a decision of the Zambian Ministry of Mines. It is a condition of the Scheme that the Mining Licence be granted before 28 November 2014 (or such later date as agreed between Blackthorn and Intrepid). Blackthorn currently expects that, assuming no material unexpected issues or delays are encountered, the Director of Mines will be in a position to grant the Mining Licence before this time.⁴⁷

Tax losses are discussed below in section 7.4.2.

7.2.9. Discount rate

In order to determine the net present value of the Kitumba Copper Project, we have considered a range of US dollar real post-tax discount rates of 10.5% to 11.5% to the LOM real US dollar cash flows. The discount rate has been determined by us after considering the current early stage nature of the Kitumba Copper Project, including the risk of availability of required funding, construction delays and general Zambian country risk. In considering country risk, we note that copper is a key export for Zambia and the copper industry employs a significant number of people and contributes a large proportion of Zambian gross domestic product, which reduces the required premium for country risk. Other risks reflective of the early stage nature include additional water supply, associated infrastructure and uncertainty in relation to supply of copper concentrate required from third parties in the initial years of production. We note however, that a level of contingency costs is included in the cash flows to account for uncertainty of costs given the early stage nature of the project. We also note that certain of these risks that currently exist may reduce over time, which all else being equal, would imply a reduction in the applicable discount rate in future, as the project is de-risked.

A detailed description of the discount rate determination is set out in Appendix C – *Determination of discount rates*.

7.2.10. Valuation of the Kitumba Copper Project

The calculated net present value of the Kitumba Copper Project is sensitive to the assumed forecast copper price and discount rate. Set out below is a table showing the sensitivity of the enterprise value ("EV") of the project to movements in the copper price and discount rate.

Currency: US\$000		EV WACC					EV per metal tonne WACC				
		10.0%	10.5%	11.0%	11.5%	12.0%	10.0%	10.5%	11.0%	11.5%	12.0%
Copper price	2.950	23,649	10,863	(1,136)	(12,396)	(22,959)	37	17	(2)	(19)	(36)
	3.000	41,607	28,162	15,533	3,672	(7,466)	65	44	24	6	(12)
	3.050	59,565	45,460	32,202	19,740	8,028	93	71	50	31	13
	3.075	68,545	54,110	40,536	27,773	15,775	107	84	63	43	25
	3.100	77,524	62,759	48,870	35,807	23,521	121	98	76	56	37
	3.150	95,482	80,058	65,539	51,875	39,015	149	125	102	81	61
	3.200	113,441	97,356	82,208	67,943	54,508	177	152	128	106	85

In order to derive an appropriate but not excessively wide range of values as recommended by RG 111.79, we have considered:

- ▶ A selected discount rate range of 10.5% to 11.5%
- ▶ Long term copper price forecast range of US\$3.05/lb to US\$3.10/lb
- ▶ The implied enterprise value US\$ per tonne multiple which we used to refine our range.

⁴⁷ Refer Scheme Booklet section 7.1.6

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Based on the above, we have assessed the current value of the Kitumba Copper Project to be in the range of US\$35.8 million to \$45.5 million.

7.2.11. Reserves multiples implied by relevant transactions

Our assessed value of the Kitumba Copper Project implies a multiple of enterprise value per tonne of reserves of between US\$56/tonne and US\$71/tonne.

Summary of EV\$/tonne reserves multiple	Low	High
Value of Kitumba Copper Project (US\$m)	35.8	45.5
Contained metal (reserves) - tonnes	641,786	641,786
Reserves multiple - project level (EV\$/tonne)	56	71

Source: Financial Model, EY Transaction Advisory Services analysis

To assess the reasonableness of the values assessed for the Kitumba Copper Project, we compared the reserve multiples implied by our valuation with the reserve multiples implied in relevant recent transactions involving the sale of similar stage copper projects in various geographies. We have considered the copper equivalent reserves multiple given that the Financial Model is limited to the amount of estimated reserves rather than total resources.

The reserve multiples implied in relevant recent transactions are summarised below. Further details of each transaction are set out in Appendix F – *Description of comparable transactions*:

Date	Target	Country	Acquirer	Stake (%)	Implied EV (US\$m)	Cu eq Reserves (kt) ¹	Cu Eq implied multiple (EV US\$/t)
Aug-14	Productora	Chile	CMP	33	245	548	447
Feb-14	Copperwood	USA	Highland Copper Co	100	25	395	63
Feb-14	Kharmagtai	Mongolia	Xanadu Mines Ltd	90	16	-	na
Nov-13	Frieda River	PNG	PanAust Ltd	80	94	-	na
Oct-13	Thaduna	Australia	Sandfire Resources	80	11	-	na
Jul-13	Schaft Creek	Canada	Teck Resources Ltd	75	95	4,120	23
Jan-13	Mengapur	Malaysia	Monument Mining	30	53	288	185
Low							23
Median							124
Average							180
High							447

Source: EY Transaction Advisory Services analysis, www.snl.com, company announcements

Note: (1): Contained copper equivalent reserves have been calculated based on spot commodity prices as at the transaction announcement date.

The analysis shows the contained copper reserves transaction multiples fall within a wide range, of between US\$23/tonne and US\$447/tonne. This may reflect various factors such as the stage of development of the project, location, likely operating costs and views on future copper prices at the time of the transaction.

In considering the transaction multiples in comparison to those implied by our valuation of the Kitumba Copper Project, we have had regard to the following:

- ▶ The nature of the asset acquired (only copper or copper and other commodities), its stage of development and its location;
- ▶ The relative size of the transaction or the comparable companies; and
- ▶ The timing of the transaction and the copper prices at the date of the transaction.

It is possible that the transactions identified may also involve an element of 'special' value which reflects additional benefits such as the ability to combine assets with infrastructure solutions or the increase in project optimisation through the combination of complementary deposits. The extent to which this special value is reflected in the transaction price may depend on the level of synergies expected to be created as well as the alternatives available to the acquirer and the target.



We note that on an enterprise value/tonne of contained copper reserve basis, the implied multiples for the Kitumba Copper Project of between US\$52/tonne and US\$71/tonne are lower than certain of the transactions, but higher than others. The differences may be explained as follows:

- ▶ **Productora Project (Chile)** – In August 2014, Compania Minera del Pacifico S.A. ("CMP") and Hot Chili Ltd announced a joint infrastructure agreement, whereby CMP will acquire a 17.5% stake in the Productora Project in return for providing certain infrastructure. CMP will be free carried to completion of the pre-feasibility study, expected in the first half of 2015. In addition, CMP acquired the option to purchase a 32.6% stake in the Productora Project, which would increase CMP's stake to 50.1%. This option is subject to the results of the pre-feasibility study and has a minimum exercise price of US\$80 million, implying a reserve multiple of US\$447/t. Given the terms of this arrangement, we consider that the implied reserve multiple is a less meaningful comparison to the reserve multiple implied by our valuation of the Kitumba Copper Project.
- ▶ **Copperwood Project (US)** – In February 2014, Highland Copper Company Inc acquired the Copperwood Project for up to US\$25 million. The Copperwood Project has estimated copper contained reserves of 395 kt (copper equivalent of 1.44%). A feasibility study was completed in relation to the project in 2012 and underground mining is planned. The transaction value of US\$25 million implies an implied reserve multiple of US\$63/tonne, which is within the range implied by our valuation of the Kitumba Copper Project. This transaction appears relatively comparable to the Kitumba Copper Project, in that the Copperwood Project is at a similar stage of development and is of a similar size, albeit it contains a lower copper equivalent grade. The Copperwood Project also contains additional indicated and inferred resources in the surrounding mine area.
- ▶ **Schaft Creek Project (Canada)**–In July 2013, Copper Fox Metals Inc formed a joint venture with Teck Resources Ltd to further explore and develop the Schaft Creek Project. Under the agreement, Teck Resources will hold a 75% interest in the project and pay a total of US\$60 million. Teck Resources will fund 100% of costs incurred prior to a production decision up to \$60 million and fund any additional costs by way of loan to Copper Fox without dilution to Copper Fox's 25% joint venture interest. Given the terms of this arrangement, we consider the implied reserve multiple of US\$23/t to be a less meaningful comparison to the reserve multiple range implied by our valuation of the Kitumba Copper Project.
- ▶ **Mengapour Project (Malaysia)** – In January 2013, Monument Mining Ltd acquired a remaining 30% stake in the Mengapour Project. The Mengapour Project is located in Malaysia and contains copper, gold and silver (estimated copper equivalent reserves of 288 kt). The project is about to commence a staged development plan. Therefore, given this project is at a more advanced stage than the Kitumba Copper Project, we consider it not unreasonable that the implied reserve multiple of US\$185/tonne is above the range implied by our valuation of the Kitumba Copper Project.

On the basis of the above, we do not consider our range of implied reserve multiples of between US\$56/tonne and US\$71/tonne to be unreasonable.

7.3. Mumbwa exploration assets

Blackthorn owns a number of other exploration tenements in the Mumbwa Project. The valuation of these exploration licences have been determined by Runge on a basis consistent with the VALMIN Code. The approaches considered included a geoscience factor, a multiple of exploration expenditure and a comparative transaction method.

Given the methodologies applied and the assumptions upon which the valuation of the exploration licences are based, in our opinion, the values assessed by Runge are representative of the fair market values.

Runge have assessed the value of the exploration assets to be in the range of US\$3.2 million to US\$6.4 million, with a preferred value of US\$4.5 million. In calculating our assessed enterprise value

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range for Blackthorn, we have included the range of values for the exploration assets provided by Runge.

The value of the exploration licences includes the value of additional resources relating to the Kitumba Copper Project not otherwise included in the LOM. Further details of Runge's methods and conclusions are set out in section 14 of the Runge Report.

7.4. Other assets and liabilities

7.4.1. Corporate costs

Blackthorn incurs various corporate costs that have not been included in the valuation of Blackthorn's mineral assets. These costs include board of directors, administration, head office and listing fees, together with the costs of running a local office in Zambia. Blackthorn management estimated corporate costs to be A\$4.0 million to A\$5.0 million per year over the LOM.

In assessing the present value of the corporate costs, we forecasted the estimated real corporate costs over the LOM (excluding those corporate costs which are already reflected in the Financial Model), with a step down over the final two years of the LOM as operations wind down. We applied the Kitumba Copper Project discount rate range of between 10.5% and 11.5% and determined a net present value of the corporate costs of between A\$23.6 million and A\$24.7 million.

7.4.2. Tax losses

Blackthorn will have carry forward tax losses generated in Zambia of approximately A\$40 million (on a gross basis), including the estimated cost of the DFS. Under Zambian law, carry forward tax losses incurred by Zambian mining entities may be carried forward for a period of up to 10 years.

We have valued the benefit of these tax losses through reduced income tax payments during the LOM, reflecting the expected utilisation of the carried forward tax losses. These were discounted to present value at the discount rate adopted for the Kitumba Copper Project. Blackthorn's Australian carry forward tax losses have not been included in this analysis, as they cannot be utilised against taxable income generated in Zambia, and no material Australian income is forecast to be generated.

7.4.3. Cash

Blackthorn's cash balance of A\$22.5 million includes A\$12.5 million as at 30 June 2014 plus A\$11.3 million⁴⁸ that Blackthorn received in August 2014 from the sale of its remaining interest in the Perkoa Project, less estimated committed transaction costs (excluding those transaction costs which will only be paid if the Scheme is implemented) of A\$1.2 million. These adjustments are consistent with the adjustments made in the Merged Group pro-forma balance sheet set out in section 6 of the Scheme Booklet, however, we note that the Merged Group pro-forma balance presents the Merged Group cash position in US dollars, and not Australian dollars. Blackthorn holds no debt.

7.4.4. Burkina Faso exploration licences

We have attributed a fair market value of US\$2.0 million to the Burkina Faso exploration licences. While we recognise that the sale remains subject to the approval of the Burkina Faso government, based on discussions with Blackthorn management, there is no reason to believe that the necessary approvals will not be granted. We have therefore assumed the sale will be completed in the next few months and US\$2.0 million proceeds will be received.

7.4.5. Other assets and liabilities

We have adopted the book values of other assets and liabilities (trade and other receivables and property plant and equipment, net of trade creditors, provisions) held by Blackthorn as at 30 June 2014 as indicative of their fair market values.

⁴⁸ Being US\$10.0 million translated at a rate of 0.887 as at 10 October 2014



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7.5. Summary valuation of Blackthorn

Our valuation of Blackthorn on a net asset backing basis is summarised in the following table. This assessment represents the value of Blackthorn on a 100% interest basis, including, by definition, a control premium.

Value of Blackthorn on a controlling basis	Low	High
Value of Kitumba Copper Project (US\$m)	35.8	45.5
Value of Exploration Licences (US\$m)	3.2	6.4
Total (US\$m)	39.0	51.9
AUD:USD exchange rate	0.887	0.887
Total (A\$m)	44.0	58.5
Other assets		
Corporate head office costs (A\$m)	(24.7)	(23.6)
Burkina Faso exploration licences (A\$m)	2.1	2.1
Other assets and liabilities (ex. cash) (A\$m)	(0.9)	(0.9)
Total enterprise value of Blackthorn (A\$m)	20.5	36.1
Cash held by Blackthorn at 30 June 2014 (A\$m)	12.5	12.5
Plus: proceeds from sale of Perkoa Project (A\$m)	11.3	11.3
Less: Transaction costs (A\$m)	(1.2)	(1.2)
Total equity value of Blackthorn (A\$m)	43.1	58.7
Number of shares (m)	164.3	164.3
Value of Blackthorn share (A\$ per share)	0.262	0.357

Source: EY Transaction Advisory Services analysis and Runge Report. Some amounts may not add/calculate due to rounding
Note: (1) – Exchange rate sourced from the Australian Financial Review as at 10 October 2014

Accordingly, based on this methodology we have determined the fair market value of Blackthorn on a net asset backing basis to be in the range of between A\$43.1 million and A\$58.7 million.

We recognise that the range of values is relatively wide. However, this is a reflection of the wide range of values determined for the Kitumba Copper Project, which is highly sensitive to the forecast copper price and, to a lesser extent, discount rates.

7.6. Valuation cross checks

We have considered the reasonableness of the values assessed for Blackthorn using a number of cross checks. These include consideration of the implied resource multiples compared to the resource multiples of quoted development stage companies, as well as the share price of Blackthorn prior to the announcement of the Scheme.

7.6.1. Implied resource and reserve multiples of Blackthorn

The implied resource multiples based on our valuation of Blackthorn are shown in the table below. In assessing the relevant multiples for Blackthorn, we determined an enterprise value by adding to our assessed value of 100% of Blackthorn's equity, the value of cash as at 30 June 2014, adjusted for the receipt of the funds from the sale of the Perkoa Project and committed transaction costs. We then translated this amount into US dollars using an exchange rate of 0.887 at 10 October 2014.

The implied EV/tonne of contained copper reserves multiples for Blackthorn range from US\$28/tonne to US\$50/tonne, while the implied EV/tonne of total contained copper resources multiples range from US\$20/tonne to US\$35/tonne.

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Summary	Low	High
Enterprise value of Blackthorn (A\$m)	20.5	36.1
Enterprise value of Blackthorn (US\$m)	18.2	32.1
Reserves (tonnes) – Cu equivalent	641,786	641,786
Total reserves & resources (tonnes) – Cu equivalent	915,569	915,569
Implied multiples		
Reserves (US\$/tonne)	28	50
Total reserves & resources (US\$/tonne)	20	35

Source: Financial Model, EY Transaction Advisory Services analysis

7.6.2. Reserve and resource multiples of comparable trading companies

A summary of the implied multiples of comparable listed trading companies with copper projects at exploration, feasibility or pre-development stages is included below. A summary description of the comparable companies is contained in Appendix E.

					Contained copper equivalent implied multiples ³	
Company	Company HQ	Market cap (US\$m) ²	Net debt/ (cash) (US\$m)	EV (US\$m)	Reserves	Total reserves & resources
Ivanhoe	Canada	825	(161)	664	na	11
Metminco Limited.	Australia	33	(3)	30	na	3
Marengo Mining Limited	PNG	14	20	34	na	13
Aeon Metals Limited	Australia	45	7	52	na	36
Zambezi Resources Limited	Zambia	3	7	10	na	33
Highland Copper Company Inc.	Canada	47	(3)	45	116	20
Rex Minerals Limited	Australia	59	(20)	39	28	9
Chrysalis Resources Limited	Australia	5	(1)	4	na	46
Candente Copper Corp	Canada	26	(1)	25	na	5
Avanco Resources Limited ¹	Australia	171	(30)	141	na	154
CuDeco Ltd ¹	Australia	373	(9)	364	na	181
Hot Chili Limited	Australia	91	(2)	89	166	31
Venturex Resources Limited	Australia	11	(1)	9	na	9
Indophil Resources NL	Australia	385	(197)	189	na	28
KGL Resources Limited	Australia	39	(14)	26	na	70
Low					28	3
Median					116	28
Average					103	43
High					166	181
Median (ex. Outliers)					116	28
Average (ex. Outliers)					103	28

Source: Annual Reports, Company announcements, Capital IQ, EY Transaction Advisory Services analysis. n/a = not applicable
Notes: (1) - Avanco Resources Limited and CuDeco Ltd are considered outliers as these have projects which are more advanced than the Kitumba Copper Project.

(2): Market capitalisation as at 10 October 2014, includes a 30% premium for control, see Appendix F for details

(3): Multiples have been calculated on a contained copper equivalent basis, with spot commodity prices as at 10 October 2014

We note that the implied EV/tonnes reserves multiples for Blackthorn are lower than certain of the comparable companies, while the EV/tonnes resources multiples for Blackthorn are broadly in line with the median (excluding outliers) of the comparable companies. The differences may be explained as follows:

- ▶ There are limited data points in relation to projects with defined reserves estimates
- ▶ Most of the companies have a range of assets (from exploration to development assets) and therefore some are larger and more diversified compared to Blackthorn.



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- ▶ Most of the companies have assets that contain commodities other than copper. In addition, these projects vary in terms of quality of the commodity and the stage of development.
- ▶ Location of the mining projects and associated country risks
- ▶ Level of infrastructure surrounding the mining projects
- ▶ Cost structure of the project (both in terms of construction of the mine and operating costs)
- ▶ The proportion of inferred resources compared to total resources and reserves.

7.6.3. Comparison to recent trading prices

We also considered the reasonableness of our valuation range by comparing the assessed value per Blackthorn share to recent trading prices in Blackthorn subsequent to the announcement of the Scheme.

Our range of values of Blackthorn shares is between A\$0.262 and A\$0.357 per share.

The closing price of Blackthorn on 27 August 2014, the last trading day before the announcement, was A\$0.265 per Blackthorn share. The price subsequently increased to A\$0.29 per Blackthorn share upon announcement of the Scheme and closed at A\$0.265 per share as at 10 October 2014. Since the announcement of the Scheme on 28 August 2014 to 10 October 2014, the VWAP was A\$0.28 per share.

The high end of our range of assessed values per share is higher than current pricing of A\$0.265 per share and higher than those prices observed since the announcement of the Scheme. We do not consider this unreasonable, given that our valuation is on a control basis, while share prices represent the prices at which minority interests in Blackthorn trade and may not reflect a full control premium.

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8. Valuation of the Scheme Consideration

8.1. Introduction

In assessing the fair market value of the Scheme Consideration, we considered:

- ▶ the value of Intrepid (prior to the Scheme being implemented) based on the fair market value of its assets and liabilities. This range of values represents a control value.
- ▶ the value of the notionally combined Blackthorn and Intrepid, determined considering:
 - ▶ the value of Intrepid ascertained above on a minority interest basis
 - ▶ the value of Blackthorn on a minority basis
 - ▶ any other appropriate adjustments for the likely impact of the transaction

In forming our overall view, we then compared the value per Intrepid share to the trading prices of Intrepid shares following announcement of the Scheme.

As the outcome under the Intrepid Buy-back is unknown, we have undertaken our assessment assuming full take up of the Intrepid Buy-back and also assuming no take up of the Intrepid Buy-back.

8.2. Valuation of Intrepid pre- Scheme

Following the receipt of settlement proceeds in respect of Tujuh Bukit, Intrepid's assets are predominantly comprised of cash and various immaterial investments in quoted mining companies. The key assumptions underpinning our analysis are set out below.

8.2.1. Cash

We have adjusted the cash balance of 30 June 2014 of US\$164.6 million for the following items:

- ▶ Potential impact of the Intrepid Buy-back of US\$97.5 million⁴⁹, assuming full subscription of the Intrepid Buy-back and nil, assuming zero subscription of the Intrepid Buy-back;
- ▶ Estimated Intrepid transaction costs, as per the Scheme Booklet, of US\$1.9 million.

8.2.2. Investments in listed companies

We have assessed the value of listed securities held by Intrepid based on the market price of those securities on the TSX as at 9 October 2014 translated into Australian dollars at the exchange rate prevailing on 10 October 2014.

Investments	No. of shares	Price per share (US\$)	Total value (US\$m)
Aura	465,000	0.022	0.0
Cornerstone	2,450,952	0.063	0.2
New Nadina	10,000,000	0.009	0.1
Total			0.3

Source: S&P Capital IQ

We note that the liquidity of all these stocks is relatively low, ranging from between 12% and 27% of issued shares being traded over the past 12 months. However, on the basis of immateriality, we have adopted the listed price as at 9 October 2014 as the basis of our value of these investments.

8.2.3. Investments in mineral assets

We understand from discussions with Intrepid management that it is diluting its interest in the Taviche joint venture in Mexico, held in partnership with Aura, and is no longer funding any exploration.

⁴⁹ Calculated as A\$110 million translated at 0.887 as at 10 October 2014



According to its latest financial statements, Aura had net assets of US\$0.4 million at 30 June 2014, including cash on hand of US\$0.5 million. The June 2014 financial statements note that, due to uncertainty associated with its ability to exploit any future economic benefit from the Taviche project, Aura recorded a full impairment charge with respect to the mineral exploration property costs and deferred exploration expenditures associated with the Taviche project. On the basis of Aura's relatively small market capitalisation, and the impairment charges recognised in relation to the Taviche joint venture, we have ascribed no value to Intrepid's investment in the Taviche joint venture.

8.2.4. Other assets and liabilities

The fair market value of other net assets (trade and other receivables, net of trade creditors and employee provisions) were considered to be commensurate with their book value at 30 June 2014. The fair market value of these items was negative US\$0.7 million.

We have ascribed no value to any tax losses of Intrepid on the basis that it does not currently have an operating business, and would therefore be unlikely to be able to use its tax losses in the future. We note that Intrepid has not booked any future income tax benefit associated with carried forward tax losses in its most recent financial statements.

8.2.5. Corporate costs

Intrepid incurs corporate costs that are not reflected in the book value of its assets and liabilities. While Intrepid has recently closed its Jakarta and Perth offices, it continues to operate a head office in Brisbane and incurs corporate costs associated with running its office, seeking new opportunities as well as listing costs. Corporate costs include board of directors, administration, head office and listing fees.

Intrepid management estimated corporate cash costs to be in the order of US\$2.4 million for the six months ending July 2015 (around US\$4.8 million annualised). These costs exclude estimated transaction costs and interest revenue⁵⁰.

In assessing the negative value of Intrepid's corporate cash costs, on a stand-alone basis, we adopted a capitalisation of (negative) earnings approach. This approach involves applying an after tax capitalisation multiple to forecast annualised after tax cash costs.

Unlike Blackthorn, Intrepid does not currently have a development or operating asset. In addition, Intrepid has resolved its Indonesian dispute, and is therefore likely, and able, to reduce overhead costs in the future. We have therefore adopted a capitalisation multiple of between 3.0 and 5.0 times forecast annual overhead costs to determine the negative value of Intrepid's corporate overheads. This range of multiples is wider and lower than that implied by our assessment of Blackthorn's overhead costs of between 6.2 and 6.5 times, however we do not consider this unreasonable in light of Intrepid's current activities and its discretionary ability to reduce overhead costs given that it currently has no development or operating asset.

We have assessed the value of Intrepid's corporate overhead costs at between US\$10.2 million and US\$17.0 million.

8.2.6. Minority discount

We have applied a minority discount of 10% to the control value of Intrepid. We adopted this discount after considering the following:

- ▶ The median bid premium paid on global transactions across all industries in the 12 months to June 2014 was 29.7%⁵¹ based on 454 transactions;
- ▶ The median bid premium paid on global mining transactions in the 12 months to June 2014 was 34.5% based on 37 transactions;

⁵⁰ We eliminated interest revenue on the basis that we have captured the value of cash separately in our valuation.

⁵¹ MergerStat, Control Premium Study, 2nd quarter 2014, excluding any negative premiums and calculated with reference to the unaffected share price immediately prior to the announcement of the transaction.

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- ▶ The range of bid premiums consistently referred to in Australia is generally between 20% and 40%⁵², which recognises that such premiums will vary from circumstance to circumstance.
- ▶ Bid premiums typically reflect the combination of a premium paid to obtain control of the target cash flows together with a premium relating to synergy benefits that may be realised by the acquirer. The split of the control premium between these elements varies from transaction to transaction, but could be around half of the observed premium.
- ▶ Intrepid is essentially a "cash box" with no operating assets. As such, any synergistic benefits to a potential acquirer are likely to be relatively low. In our opinion, this would tend to reduce the control premium applicable to Intrepid.
- ▶ Typically, the price at which shares in a cash box trade will be close to, but generally lower, than the value of its net assets. This discount may reflect the view of the market as to the intentions of management with respect to that cash, including whether shareholders will be in a position to access that cash, and ongoing overhead costs. Intrepid has signalled its intention to return a significant portion of its capital to its shareholders, which, in our opinion, reduces the discount for lack of control that may be applied to reflect the inability of minority shareholders to access the funds held by Intrepid.

The table below sets out our assessed range of values of Intrepid, both on a controlling basis and a minority basis.

Value of Intrepid pre- Scheme implementation	Assuming full take up of Intrepid-Buy-back		Assuming no take up of Intrepid-Buy-back	
	Low	High	Low	High
Cash on hand at 30 June 2014 (US\$m)	164.6	164.6	164.6	164.6
Less: cash utilised for Buy-back (US\$m)	(97.5)	(97.5)	-	-
Less: Intrepid transaction costs (US\$m)	(1.9)	(1.9)	(1.9)	(1.9)
Investments in listed companies (US\$m)	0.3	0.3	0.3	0.3
Investments in mineral assets (US\$m)	-	-	-	-
Other assets and liabilities (US\$m)	(0.7)	(0.7)	(0.7)	(0.7)
Value of booked assets and liabilities (US\$m)	64.7	64.7	162.3	162.3
Corporate overheads (US\$m)	(17.0)	(10.2)	(17.0)	(10.2)
Value of Intrepid (control basis) (US\$m)	47.7	54.5	145.3	152.1
Value of Intrepid (control basis) (A\$m)	53.8	61.5	163.8	171.5
Number of Intrepid shares pre-Scheme (m)	190.9	190.9	557.6	557.6
Value per Intrepid share on a controlling basis (A\$)	0.282	0.322	0.294	0.308
Minority discount	10.0%	10.0%	10.0%	10.0%
Value per Intrepid share on a minority basis (A\$)	0.254	0.290	0.264	0.277

Source: EY Transaction Advisory Services analysis. Some amounts may not add/calculate due to rounding

8.3. Comparison to recent trading prices

We have considered the reasonableness of our valuation of Intrepid (pre-Scheme) by comparing the assessed value per Intrepid share to Intrepid's closing share price and 30 day VWAP immediately prior to the announcement of the proposed Scheme. In making this assessment we note that Intrepid shares are not overly liquid. Nonetheless, Intrepid's share price has been relatively stable over the past month and closed at A\$0.255 per Intrepid share immediately prior to the Announcement Date.

⁵² Lonergan, W, *The Valuation of Businesses, Shares and Other Equity* 4th Edition, 2003



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Comparison to Intrepid's traded share price	Assuming full take up of Intrepid Buy-back		Assuming no take up of Intrepid-Buy-back	
	Low	High	Low	High
Value of Intrepid share (minority basis) (A\$ per share)	0.254	0.290	0.264	0.277
Share price as at 27 Aug 2014 (A\$ per share)	0.255	0.255	0.255	0.255
One month VWAP (A\$ per share)	0.268	0.268	0.268	0.268
Implied premium/(discount) to share price at 27 August 2014 (%)	(0.5%)	13.6%	3.7%	8.5%
Implied premium/discount to one month VWAP (%)	(5.4%)	8.1%	(1.4%)	3.3%

Source: EY Transaction Advisory Services analysis.

Our assessed value of Intrepid, on a minority basis, is higher than the closing share price of Intrepid the day prior to the announcement of the Scheme, under both Buy-back scenarios, except at the low end of our range, assuming full take up of the Intrepid Buy-back. When compared to the one month VWAP of Intrepid shares prior to the announcement of the Scheme, our assessed range of values is consistent with, or lower than, the one month VWAP.

8.4. Valuation of an Intrepid share following implementation of the Scheme

The table below summarises our calculation of the proforma value of an Intrepid share assuming the Scheme is approved and implemented.

Comparison of Scheme Consideration with value of Blackthorn share	Full take up of Intrepid Buy-back		No take up of Intrepid Buy-back	
	Low	High	Low	High
Value per share of Intrepid on minority basis (A\$m) – refer section 8.2	0.254	0.290	0.264	0.277
Number of Intrepid shares pre Scheme	190.9	190.9	557.6	557.6
Value of Intrepid (minority basis) (A\$m)	48.4	55.3	147.4	154.3
Value of Blackthorn on controlling basis (A\$m) – refer section 7.5	43.1	58.7	43.1	58.7
Less: minority discount (%)	23%	23%	23%	23%
Value of Blackthorn (minority basis) (A\$m)	33.2	45.2	33.2	45.2
Total value of Intrepid (minority basis) (A\$m)	81.6	100.5	180.6	199.5
Number of Intrepid shares pre Scheme, post Buy-back (m)	190.9	190.9	557.6	557.6
Exchange ratio	1.079	1.079	1.147	1.147
Total Intrepid shares to be issued to Blackthorn security holders (incl Blackthorn options) (m)	178.5	178.5	189.8	189.8
Shares on issue post Scheme (m)	369.4	369.4	747.3	747.3
Value per Intrepid share, post Scheme, on a minority basis (A\$)	0.221	0.272	0.242	0.267

Source: EY Transaction Advisory Services analysis. . Some amounts may not add/calculate due to rounding. Note our analysis excludes the dilutionary impact of any vested and unvested Intrepid options that may be exercised prior to the implementation of the Scheme, as this impact will be immaterial on the above calculations.

In assessing the value of Blackthorn on a minority basis, we have applied a minority discount of 23%, which translates to an implied control premium of approximately 30%⁵³. In selecting this control premium, we considered recent global bid premia studies discussed in section 8.2.6 above. We consider that, given the nature of Blackthorn and Intrepid's operations, a higher control premium (and therefore implied minority discount) would apply to Blackthorn relative to Intrepid.

We recognise that the value of the Scheme Consideration will ultimately be based on the share price of Intrepid shares. We note that our assessed range of values of Intrepid shares, post-Scheme, does not include any potential synergies that may be realised upon the merger of Blackthorn and Intrepid. Synergies have not been quantified in the Scheme Booklet but are likely to be limited to reduced administration costs arising from duplication of functions, and a reduction in the costs associated with maintaining an ASX-listing. Any synergies that may be realised may provide further upside to the value of Intrepid.

⁵³ A minority discount is calculated as $1 - (1 / (1 + \text{the assessed control premium}))$

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Based on our analysis, the value of an Intrepid share, post-Scheme, is between A\$0.221 and A\$0.272 per share, assuming full take up of the Intrepid Buy-back and between A\$0.242 and A\$0.267 per share assuming no take up of the Intrepid Buy-back. We note that the range under the full take up of the Intrepid Buy-back is wider compared to the scenario under no take up of Intrepid Buy-back. This is due to the greater impact of Intrepid overhead costs on the value of Intrepid and the greater relative contribution of Blackthorn to the value of the Merged Group.

Based on these values, and the exchange ratios, the Scheme Consideration under each Intrepid Buy-back scenario is set out below:

Scheme Consideration	Full take up of Intrepid Buy-back		No take up of Intrepid Buy-back	
	Low	High	Low	High
Value per Intrepid share, post Scheme, on a minority basis (A\$ per share)	0.221	0.272	0.242	0.267
Exchange ratio	1.079	1.079	1.147	1.147
Value of Scheme Consideration (A\$ per share)	0.238	0.294	0.277	0.306

Source: EY Transaction Advisory Services analysis



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9. Evaluation of the proposed Scheme

9.1. Approach

In forming our opinion as to whether the Scheme is in the best interests of Blackthorn Shareholders, we have considered a number of factors including:

- ▶ whether the estimated value of a Blackthorn share, on a controlling interest basis, is higher or lower than the fair market value of the Scheme Consideration that will be received by Blackthorn Shareholders in the event that the proposed Scheme is approved and implemented
- ▶ the price at which the Blackthorn shares are proposed to be acquired relative to the listed market price of Blackthorn prior to the announcement of the Scheme, and whether a premium for control is being paid and is appropriate in the circumstances
- ▶ the strategic rationale for the transaction and the intentions of the Merged Group
- ▶ the existence of alternatives to the proposed Scheme and the consequences to Blackthorn Shareholders
- ▶ the likelihood of an alternative superior proposal being received
- ▶ the likely market price of Blackthorn shares in the event that the proposed Scheme is not approved
- ▶ the advantages and disadvantages relevant to Blackthorn Shareholders if the Scheme proceeds.

9.2. Fairness

In determining whether the Scheme is fair, we have compared the assessed value for a Blackthorn share on a controlling interest basis, with the fair market value of the Scheme Consideration to be received by Blackthorn Shareholders under the terms of the Scheme, in the event that it is approved and implemented.

Because the outcome under the Intrepid Buy-back is unknown, we have shown our assessment assuming full take up of the Intrepid Buy-back and also assuming no take up of the Intrepid Buy-back.

The following table summarises this comparison:

Comparison of Scheme Consideration with value of Blackthorn share	Full take up of Intrepid Buy-back		No take up of Intrepid Buy-back	
	Low	High	Low	High
Value of Intrepid per share, post-Scheme, on a minority basis (A\$)	0.221	0.272	0.242	0.267
Exchange ratio	1.079	1.079	1.147	1.147
Value of Scheme Consideration (A\$)	0.238	0.294	0.277	0.306
Value of Blackthorn share on controlling basis (A\$)	0.262	0.357	0.262	0.357

Source: EY Transaction Advisory Services analysis

The assessed value of a Blackthorn share on a controlling basis is between A\$0.262 and A\$0.357 per share. The value of the Scheme Consideration is between A\$0.238 and A\$0.294 per share, assuming full take up of the Intrepid Buy-back and between A\$0.277 and A\$0.306 per share, assuming no take up of the Intrepid Buy-back. As the range of Scheme Consideration overlaps the range of a Blackthorn Share on a controlling basis we consider the Scheme to be fair.

Although this analysis does provide a range of values of an Intrepid share, if the Scheme proceeds Blackthorn Shareholders will receive Intrepid shares that are traded on the ASX. As such, the fair market value of the consideration Blackthorn Shareholders will receive will be dependent on the prices at which Intrepid shares trade on the ASX after the implementation of the Scheme, which may be

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greater than or lower than the value range for Intrepid presented above. We note that, since the announcement of the Scheme, the traded share price of Intrepid up until 10 October 2014 has remained relatively stable, trading between A\$0.275 and A\$0.285 per share, closing at A\$0.275 per share on 10 October 2014.

Our analysis does not include the potential impact of any synergies that may be realised if the proposed Scheme is approved and implemented as such synergies, if any, have not been quantified. Any synergies would have a positive impact on the value of the Scheme Consideration.

9.3. Reasonableness and best interests

As the Scheme Consideration is consistent with the range of assessed values of a Blackthorn share, we consider the terms of the proposed Scheme to be fair. Under the guidance provided by RG 111, as we consider the terms to be fair, we also consider the terms to be reasonable. As we are able to conclude that the terms of the Scheme are fair and reasonable, we also consider them to be in the best interests of Blackthorn Shareholders.

9.4. Other factors

Notwithstanding the above conclusion that the proposed Scheme is fair and reasonable, we have also considered other commercial and qualitative factors that Blackthorn Shareholders should consider in forming their views as to whether or not to vote in favour of the Scheme.

The factors considered are summarised below. We note that individual Blackthorn Shareholders may interpret these factors differently depending on their specific circumstances. Certain of the factors may only be an advantage or disadvantage to the extent that a Blackthorn Shareholder continues to hold the Intrepid shares received as consideration. Those shareholders who decide to sell their Intrepid shares will not consider various of these factors to be advantages or disadvantages.

9.4.1. Advantages of the Scheme

Blackthorn Shareholders are receiving a premium to the share price of Blackthorn prior to the announcement of the Scheme

The Scheme provides Blackthorn Shareholders with the opportunity to realise value for their shares in excess of the price at which they traded prior to the announcement of the Scheme on 28 August 2014.

The table below sets out a comparison of the Scheme Consideration to the last traded price of Blackthorn shares of A\$0.265 per share on 27 August 2014, being the day prior to the announcement of the Scheme, and the 30 day VWAP prior to the announcement of the Scheme.

Comparison of Scheme Consideration with traded share price of Blackthorn	Full take up of Intrepid Buy-back		No take up of Intrepid Buy-back	
	Low	High	Low	High
Value of Scheme Consideration	0.238	0.294	0.277	0.306
Share price on 27 August 2014	0.265	0.265	0.265	0.265
30 day VWAP	0.225	0.225	0.225	0.225
Premium/ (discount) to Blackthorn share price immediately prior to Scheme	(10.1%)	10.8%	4.6%	15.6%
Premium/ (discount) to Blackthorn share price 30 day VWAP prior to Scheme	5.7%	30.2%	23.0%	35.9%

Source: EY Transaction Advisory Services analysis

Assuming there is no take up of the Intrepid Buy-back, the Scheme Consideration represents a premium of between 5% and 16% to the closing price of A\$0.265 per Blackthorn share prior to the announcement of the Scheme on 27 August 2014 and a premium between 23% and 36% to the 30 day VWAP to 27 August 2014 of A\$0.225 per Blackthorn share.

Assuming there is full take up of the Intrepid Buy-back, the Scheme Consideration represents a discount of 10% (at the low end) and a premium of 11% (at the high end) to the closing price prior to



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the announcement of the Scheme and a premium of between 6% and 30% to the 30 day VWAP prior to the announcement of the Scheme.

In the absence of any acquisition, or similar form of transaction, Blackthorn Shareholders may be unable to realise a control premium above the minority interest value.

We note that shares issued to Blackthorn Shareholders, assuming no take up of the Intrepid buy-back and therefore no impact on Intrepid's cash balance, will comprise 25% of total Intrepid shares on issue. This percentage is not unreasonable for Blackthorn Shareholders who are contributing 24%⁵⁴ of the value of the Merged Group based on the relative market capitalisations of each company prior to the announcement of the Scheme.

Blackthorn Shareholders will continue to have exposure to the Kitumba Copper Project

Under the proposed Scheme, Blackthorn Shareholders will become shareholders in the Merged Group and will continue to have exposure to Blackthorn's key mineral asset, the Kitumba Copper Project. This means that, should the value of the Kitumba Copper Project increase over time as it progresses through the definitive feasibility study stage, should the Scheme be approved and implemented, Blackthorn Shareholders (to the extent they remain shareholders) will benefit from that potential increase in value.

Potential greater liquidity of Blackthorn shares

As a result of the proposed Scheme, the market capitalisation of the Merged Group will be higher than Blackthorn's current market capitalisation and will be underpinned by a pro-forma cash balance of at least A\$83 million assuming the Intrepid Buy-back is fully subscribed. Notwithstanding that shares in Blackthorn have historically been relatively liquid, the increased market capitalisation may mean greater analyst and investor awareness, while could lead to higher levels of liquidity. This may be considered an advantage to those Blackthorn Shareholders who are wishing to dispose of their Intrepid shares.

Greater financial resources

Should the Scheme be approved and implemented, the Merged Group will have a pro-forma cash balance of at least A\$83 million, which is higher than Blackthorn's current cash resources. The additional funding will enable the Merged Entity to continue with completion of the DFS in relation to the Kitumba Copper Project (estimated to cost around A\$20 million) and fund its other exploration activities in Zambia.

While the cash backing of the Merged Group will not be sufficient to fully develop the Kitumba Copper Project, the additional funding will place the Merged Group in a better position to undertake negotiations with potential partners and financiers of the Kitumba Copper project compared to Blackthorn as a stand-alone entity.

Limited ability of Blackthorn to access non-dilutive capital via alternate sources

As previously noted, Blackthorn does not have sufficient funds to complete the DFS in relation to the Kitumba Copper Project. If the Scheme is not approved and implemented, Blackthorn will be required to seek funding from alternative sources. Given the current low levels of investor appetite in small mining and exploration companies, any equity capital raising by Blackthorn is likely to be at a significant discount to the trading share price and therefore dilutive to existing shareholders.

⁵⁴ Based on the market capitalisation of Blackthorn and Intrepid on 27 August 2014, of A\$44 million and A\$142 million, respectively

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9.4.2. Disadvantages of the Scheme

Blackthorn Shareholder's interest in the Kitumba Copper Project will be diluted

Should the Scheme be approved and implemented, while Blackthorn Shareholder's will continue to have exposure to the Kitumba Copper Project, their interest will be diluted. While Blackthorn Shareholders currently own 100% of the Kitumba Copper Project, should the Scheme be approved and implemented, the interest of Blackthorn Shareholders in the Kitumba Copper Project will reduce to between 25% and 48%, depending upon the take up by Intrepid Shareholders of the Intrepid Buy-back.

9.4.3. Other relevant factors

The value of the consideration may change up until the date of the Scheme Meeting

The implied market value of the Scheme Consideration may change if the market price of Intrepid shares changes up until the day immediately preceding the Scheme Meeting. Intrepid's share price has remained relatively stable over the six months, reflecting that it has no operating assets, and is essentially a "cash box". However, general market conditions may impact Intrepid's share price leading up to the Scheme Meeting, and this will impact the market value of the Scheme Consideration.

Potential for alternative superior proposals to emerge

Prior to the announcement of the Scheme, Blackthorn had engaged in incomplete discussions with a number of other parties regarding capital funding. While it is possible that an alternative proposal involving Blackthorn may emerge, we note that:

- ▶ since the announcement of the Scheme, no superior proposals have been received and the directors of Blackthorn are not aware of any potential superior alternative proposal likely to emerge
- ▶ the terms of the SID prevent Blackthorn and its representatives from actively seeking alternative proposals. Furthermore, a break fee of A\$580,000 may be payable by Blackthorn in certain circumstances, such as Blackthorn entering into an alternative proposal.

These factors may reduce the likelihood of any superior proposals emerging.

If the Scheme is not approved the Blackthorn share price may fall below current trading levels

If the Scheme is not approved, and in the absence of an alternative transaction, Blackthorn will continue to operate in its current form and be listed on the ASX. As a consequence:

- ▶ Blackthorn Shareholders would continue to own shares in Blackthorn but will not receive any Intrepid shares.
- ▶ The advantages, disadvantages and risks of the proposal will not occur other than with respect to the one-off transaction costs of approximately A\$1.2 million incurred or committed prior to the Scheme Meeting. These costs would be incurred irrespective of whether or not the proposed Scheme was approved and implemented.
- ▶ The price of Blackthorn shares may fall. We note that Blackthorn shares rose 9% on 28 August 2014 following announcement of the Proposed Scheme. Since that date, up to 15 September 2014, Blackthorn shares have traded at an average of 4.5% above the closing price one day preceding the announcement of the Scheme. Between 16 September 2014 and 22 September 2014, the price of Blackthorn shares has closed lower than the closing price one day preceding the Scheme announcement, but higher than the 30 day VWAP prior to the Scheme announcement of A\$0.225 per share. From 6 October 2014 to 10 October 2014, the price of Blackthorn shares closed in line with the closing price one day preceding the Scheme announcement.



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Tax consequences

There may be certain tax implications for individual Blackthorn Shareholders in connection with the Scheme if it is approved and implemented. The exact nature and impact is uncertain and will depend on the profile of each Blackthorn Shareholder. These specific consequences need to be borne in mind by each Blackthorn Shareholder in weighing up the merits of the Scheme.

As such, Shareholders should refer to section 8 of the accompanying Scheme Booklet for a detailed explanation of the potential tax consequences. We understand however that for Australian resident Blackthorn Shareholders, roll-over relief may be available on any capital gains tax in certain circumstances.

Potential synergies

Should the proposed Scheme be implemented, potential cost synergies could be realised, in the form of reduced listing fees and reporting costs, reduced head office staff numbers and reduced property costs. These potential cost savings have not been quantified in the Scheme Booklet, or factored into our analysis, and should they be realised, may positively impact the future value of Intrepid and the Scheme Consideration, should the Scheme be approved and implemented.

Costs associated with the Scheme

Blackthorn estimates that it will have incurred or committed to incur total transaction costs of approximately A\$1.2 million⁵⁵ in relation to the Scheme prior to the Scheme Meeting. These costs would be incurred irrespective of whether or not the proposed Scheme was approved and implemented.

In addition to the above, if the Scheme is not approved and implemented, in certain circumstances, Blackthorn may be obligated to pay a A\$580,000 break fee to Intrepid as set out in section 16 of the SID.

9.5. Conclusion

In the absence of a superior proposal, based on the matters outlined above, in our opinion, the Scheme is in the best interests of Blackthorn Shareholders.

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

⁵⁵ Total transaction costs, should the Scheme be approved and implemented, are estimated by Blackthorn as A\$2.7 million.

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Appendix A Statement of qualifications and declarations

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

Prior to accepting this engagement we considered our independence with respect to Blackthorn and Intrepid with reference to ASIC Regulatory Guide 112 *Independence of experts*. Ernst & Young, and global affiliates thereof, have not provided any services to either party in relation to the Scheme other than the preparation of this report. Ernst & Young has previously provided professional services to Blackthorn and its subsidiaries. This included the provision of tax compliance advice for Blackthorn and the preparation of an independent expert's report for Blackthorn in relation to the sale of its remaining interest in the Perkoa Project and Burkina Faso exploration licences to Glencore. Ernst & Young has not provided any advice to either party in relation to the Scheme. We are not aware of any conflict of interest either in relation to the firm or the individual professional staff involved in this engagement which would impact on our ability to provide an independent and unbiased opinion with respect to the proposed transaction.

This report has been prepared specifically for the security holders of Blackthorn. Neither Ernst & Young Transaction Advisory Services Limited, Ernst & Young, nor any member or employee thereof, undertakes responsibility to any person, other than the Blackthorn Shareholders, in respect of this report, including any errors or omissions howsoever caused.

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

We provided draft copies of this report to the directors and management of Blackthorn for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of us alone. Changes made to this report as a result of this review by the directors and management of Blackthorn have not changed the approach or conclusions reached by us.

We will receive a professional fee based on time spent in the preparation of this report estimated at approximately A\$110,000 inclusive of GST. We will not be entitled to any other pecuniary or other benefit whether direct or indirect, in connection with the preparation of this report. No part of the fee is contingent on the conclusions reached, the content or the future use of this report.

The principal persons responsible for the preparation of this report are Julie Wolstenholme and Ken Pendergast. Julie Wolstenholme, a director and representative of Ernst & Young Transaction Advisory Services Limited and a partner of Ernst & Young Australia has over 13 years experience in providing financial advice and valuation advice and has professional qualifications appropriate to the advice being offered. Ken Pendergast, a director and representative of Ernst & Young Transaction Advisory Services Limited and a partner of Ernst & Young Australia has over 20 years experience in providing financial advice and valuation advice and has professional qualifications appropriate to the advice being offered.

The preparation of this report has had regard to relevant ASIC Regulatory Guides and APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited in July 2008. It is not intended that the report should be used for any other purpose other to accompany the Scheme Booklet to be sent to Blackthorn Shareholders. In particular, it is not intended that this report should be used for any



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other purpose other than as an expression of our opinion as to whether or not the proposed Scheme is in the best interests of Blackthorn Shareholders.

Any forward looking information prepared by Blackthorn and used as a basis for the preparation of this report reflects the judgement of Blackthorn management based on present circumstances, as to both the most likely set of conditions and the course of action it is most likely to take. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the relevant future period will almost always differ from the forward looking information and such differences may be material. To the extent that our conclusions are based on such forward looking information, we express no opinion on the achievability of that information.

We consent to the issue of this report in the form and context in which it is included in the Scheme Booklet to be sent to Blackthorn Shareholders.

Attachment A: Blackthorn Independent Expert's Report (continued)



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Appendix B Valuation approaches

Most valuation approaches can be categorised under one or more of the following broad approaches:

- ▶ The income approach under which an asset is valued as the present value of the future net economic benefits that are expected to accrue to the owner from the use or sale of the asset.
- ▶ The market approach under which an asset is valued by reference to evidence (if any) of prices obtained in sales of interests in the asset that is the subject of the valuation, or by reference to the value of comparable assets related to some common variable such as earnings, cash flow or revenue.
- ▶ The cost approach under which an asset is valued by reference to its historical cost or replacement cost.

Each of these approaches is appropriate in certain circumstances. The decision as to which approach and methodology to utilise generally depends on the availability of appropriate information and type of business.

Income approach

The most common methodology within the income approach is the discounted cash flow (DCF) methodology. The DCF methodology involves calculating the net present value of cash flows that are expected to be derived from future activities. The forecast cash flows are discounted by a rate that reflects the time value of money and the risk inherent in the cash flows.

This methodology is particularly appropriate in valuing projects, businesses and companies that are in a start up phase and are expecting considerable volatility and/or growth in earnings during the growth phase, as well as businesses with a finite life. The utilisation of this methodology generally requires management to be able to provide long term cash flows for the company, asset or business and that the asset be sufficiently advanced to enable management to provide long term cash flows with some degree of robustness.

Market approach

The main methodology within the market approach is the capitalisation of earnings methodology. This involves capitalising the earnings of a business at an appropriate multiple, which reflects the risks underlying the earnings together with growth prospects. This methodology requires consideration of the following factors:

- ▶ Estimation of normalised earnings having regard to historical and forecast operating results, abnormal or non-recurring items of income and expenditure and other factors. The normalised earnings are generally based on net profit after tax, EBIT, EBITA or EBITDA.
- ▶ Determination of an appropriate earnings multiple reflecting the risks inherent in the business, growth prospects and other factors. Multiples may be derived from quoted comparable trading companies and well as implied from recent acquisitions of similar companies.
- ▶ Earnings multiples applied to net profit after tax are known as price earnings multiples and are commonly used in relation to listed public companies. Earnings multiples applied to EBIT, EBITA or EBITDA are known, respectively, as EBIT, EBITA or EBITDA multiples, and are commonly used in respect of companies comprising a number of businesses where debt cannot be precisely allocated or in acquisition scenarios where the purchaser is likely to influence the capital structure.
- ▶ An adjustment for financial debt, in the event that maintainable earnings are based on EBIT, EBITA or EBITDA.
- ▶ An assessment of any surplus assets and liabilities, being those which are not essential to the generation of the future maintainable earnings.



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This methodology is appropriate where a company or business is expected to generate a relatively stable record of earnings.

Cost approach

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

This methodology is appropriate for asset intensive businesses, or where a business does not generate an adequate return on its assets.

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Appendix C Determination of discount rates

Our valuation of the Kitumba Copper Project is based on cash flows that have been prepared on a real, un-gearred and post-tax basis in US dollars.

To determine the net present value of these cash flows we have assessed the appropriate discount rate on a real, post-tax weighted average cost of capital ("WACC") basis. The WACC represents the average of the rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the market value of the debt and equity capital provided.

Under a classical tax system the post-tax WACC is commonly calculated as follows:

$$WACC = R_e \times \frac{E}{D+E} + R_d (1-t_c) \times \frac{D}{D+E}$$

Where:

WACC - post tax weighted average cost of capital

R_e - required rate of return on equity capital

E - market value of equity capital

D - market value of debt

R_d - required rate of return on debt capital

t_c - statutory corporate tax rate

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

Required rate of return on equity

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

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

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

Where:

R_e - rate of return on equity

R_f - risk free rate of return

β_e - expected equity beta of the investment

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

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

R_s - specific risk premium



Risk free rate

The relevant government bond market is the most widely adopted proxy for the risk free rate. We have considered US Government bond rates and applied a country risk premium for Zambia (discussed in "Specific risk premium" section below), recognising that the cash flow forecasts are determined in US dollars and copper is typically quoted in US dollar terms.

Recognising that the Kitumba Copper Project is due to commence production in 2019 and have a life of mine of 11 years, we have considered the yield on the 10 year and 20 year US Government bond rates. The 10 year and 20 year US Government Treasury bond yields as at 9 October 2014 were 2.35% and 2.82%, respectively. We interpolated a 15 year yield to be 2.58% and adopted this as a measure of the risk free rate.

Market risk premium

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

Ernst & Young has adopted a market risk premium ($R_m - R_f$) of 6.0% for the US for the purposes of determining the CAPM calculation.

Beta

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

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

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

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

Where:

β_e – the equity or geared beta

β_a – the ungeared beta

t_c – the statutory corporate tax rate

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

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In selecting an appropriate beta, we have considered the observed betas of mining companies primarily with a focus on copper projects in advanced exploration, feasibility or development stages.

Beta analysis

Company	Company headquarters	Market Capitalisation (US\$m) ¹	Net Debt/Equity ²	Net debt/Enterprise value	Raw Beta ³	Asset beta ⁴
Blackthorn Resources Ltd	Australia	38	0%	0%	nmf	nmf
Ivanhoe Mines Ltd.	Canada	635	0%	0%	nmf	nmf
Metminco Limited.	Australia	27	0%	0%	2.91	2.91
Marengo Mining Limited	Australia	11	122%	55%	nmf	nmf
Aeon Metals Limited	Australia	36	4%	4%	nmf	nmf
North River Resources	London	19	1%	1%	1.29	1.28
Zambezi Resources Limited	Australia	2	85%	46%	nmf	nmf
Highland Copper Company	Canada	37	0%	0%	nmf	nmf
Rex Minerals Limited.	Australia	48	0%	0%	1.78	1.78
Chrysalis Resources Limited	Australia	4	0%	0%	nmf	nmf
Midnight Sun Mining Corp	Canada	5	0%	0%	nmf	nmf
Aqm Copper Inc	Canada	9	0%	0%	1.49	1.49
Candente Copper Corp.	Canada	20	0%	0%	1.33	1.33
Avanco Resources Limited	Australia	132	0%	0%	4.48	4.48
CuDeco Ltd.	Australia	287	0%	0%	0.79	0.79
Hot Chili Limited	Australia	68	0%	0%	1.87	1.87
Venturex Resources Limited	Australia	8	0%	0%	nmf	nmf
Indophil Resources NL	Australia	296	0%	0%	nmf	nmf
KGL Resources Limited	Australia	31	0%	0%	nmf	nmf
Low			0%	0%	0.79	0.79
Median (ex. Outliers)			0%	0%	1.49	1.49
Average (ex. Outliers)			6%	4%	1.64	1.64
High			85%	46%	4.48	4.48

Source: S&P Capital IQ

1. Market capitalisation at 10 October 2014

2. Raw beta calculated over a five year period with monthly observations, regressed against the MSCI World index.

3. Net debt is total debt less cash and cash equivalents averaged over a five year historical period (where available).

4. Where the correlation (R Squared) between the index and the comparable company is low, the corresponding beta has been omitted from consideration and is referred to as "nmf"

We have adopted an asset beta in the range of 1.50 to 1.60 for the Kitumba Copper Project. In selecting this beta range, we have considered the following:

- ▶ The asset betas of early stage copper companies with interests in copper-focussed projects
- ▶ Reflecting their early stage nature, observed betas for individual companies fall within a wide range. The median and average of the asset betas of comparable companies (excluding outliers) are 1.49 and 1.64, respectively.
- ▶ There are a limited number of data points given the low correlation of the betas to the MSCI Index.
- ▶ We note that the asset betas of certain other mining companies with operating copper mines are more correlated with the MSCI index, and have a median and average of 1.33. We also made reference to these and consider the beta should be higher than an operating company. This reflects various additional risk around issues such as an early stage of development, uncertainty as to exploration results and future funding availability for projects amongst other factors.



Capital structure

In calculating the WACC, we need to determine an optimal capital structure at which to re-gear the asset beta, and with which to weight the cost of equity and cost of debt. Generally, the gearing level adopted should reflect the level of debt that can reasonably be sustained by any company operating in an industry, rather than actual gearing maintained by the current business owners.

In order to determine an appropriate capital structure for the Kitumba Copper Project, we have had regard to the capital structure of other companies in the industry. In relation to the capital structure, we note that the majority of the comparable companies have net debt to equity levels of nil.

Accordingly, we have assumed that for mining companies in the exploration or development stages, a small proportion of debt is appropriate, and have adopted a debt to enterprise value ratio range of nil to 10% as an appropriate proxy for optimal gearing ratio.

Specific risk premium

We have adjusted the Kitumba Copper Project discount rate for a country risk premium of 1.5%, reflecting the increased sovereign risk inherent in operating in Zambia. In selecting this specific risk premium, we have had consideration to the following:

- ▶ The comparable companies we have considered in determining our beta range generally have development projects in a range of developing economies in South America and Africa, and therefore our selected range of betas already reflects a degree of country risk;
- ▶ The country risk premium for Zambia assessed by Professor Damodaran of Stern University, who regularly publishes country risk premia ratings, of 6.75% at January 2014;
- ▶ The fact that the assessed country risk is likely to be lower for a project:
 - ▶ which generates royalty income for the government;
 - ▶ where most sales are derived and costs incurred in a major international currency; and
 - ▶ which is a significant employer of local people.
- ▶ The copper mining industry is crucial to Zambia's economy, contributing a large proportion to total exports and also is a major employer of local people.
- ▶ The Zambian government has implemented a number of initiatives designed to encourage mining investment in Zambia.

We have not adjusted the discount rate for the Kitumba Copper Project for other project related specific risk. We consider that any specific risks in relation to timing or development of the project have been reflected through selection of an asset beta having reference to other comparable companies with exploration, feasibility or development stage assets. In addition, we note that Runge have included an element of contingency costs to account for a level of uncertainty for capital cost estimates.

Cost of debt

We have developed an estimate of the cost of debt for the WACC on the basis of a margin over the yield on our selected risk free rate.

The debt premium over the risk free rate reflects debt related risks specific to the business being valued (i.e. the risk that the business will default on payments). The cost of debt represents the cost of funding over the life of the cash flow models. In arriving at an appropriate debt premium we have had regard to a number of factors including:

- ▶ The margin implicit in corporate bond yields over government bond yields. Implied yields reflect the market's view of risk as at a point in time and care should be exercised before incorporating these into any assessment of an entity's cost of debt; and

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- ▶ The debt ratings of comparable companies, in particular, Standard & Poor's BBB credit ratings.
- ▶ The country risk premium of 1.5% applied when calculating the cost of equity.

After considering the above factors, with particular emphasis on the long-term spread of US BBB rated corporate bonds, we adopted a pre-tax cost of debt of 5.5%. We note that given the low level of gearing, the cost of debt has little impact on the overall discount rate.

Tax

We have applied a tax rate of 30% based on the corporate tax rate for large-scale mining companies in Zambia.

Inflation

In order to derive a real discount rate, we have adopted an average US estimate of inflation of 2.1% per annum, as estimated by Oxford Economics between 2014 and 2020.

WACC

On the basis of the above, we have adopted the following inputs in our calculation of a range of real post-tax WACCs as shown in the table below. We have considered a WACC of between 10.5% to 11.5%.

Discount rate - WACC	Low	High
Risk free rate	2.6%	2.6%
Ungeared asset beta	1.50	1.60
Equity beta	1.62	1.60
Market risk premium	6.0%	6.0%
Specific risk premium, including country risk	1.5%	1.5%
Cost of equity	13.8%	13.7%
Pre-tax cost of debt	4.0%	4.0%
Country risk premium	1.5%	1.5%
Total pre-tax cost of debt	5.5%	5.5%
Tax	30.0%	30.0%
Post tax cost of debt	3.9%	3.9%
Debt to EV ratio	10.0%	0.0%
Debt to equity	11.1%	0.0%
WACC (post tax nominal)	12.8%	13.7%
Inflation estimate	2.1%	2.1%
WACC (post tax real)	10.5%	11.3%
Say,	10.5%	11.5%

Source: S&P Capital IQ, Oxford Economics, EY Transaction Advisory Services analysis



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Appendix D Determination of copper price forecasts

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

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

- ▶ Using the research tools available to us, including but not limited to Thomson Reuters and Consensus Economics, we identified analyst reports which published pricing estimates immediately prior to our report.
- ▶ Where analysts have provided forecast estimates for both calendar year (ending December) and financial year (ending June), we have considered the calendar year forecast and converted the financial year forecast to a calendar year basis.
- ▶ We identified the most recent industry-wide forecast prior to the valuation date for each of the major analysts, excluded outliers and determined the median and average of the estimates.
- ▶ Most brokers and analysts disclose price forecasts up to CY18 and a long term price forecast. We note that short term prices are typically forecast in nominal terms, with the long term price expressed in real terms (in 2014 dollars). Therefore, we have deflated the consensus forecast prices for the period CY14 to CY18, to convert the prices to real terms. Inflation forecast assumptions have been based on independent inflation estimates which average 2.1% over the forecast period.

Selected copper price forecasts

We were able to source forecasts from 22 analysts. Where individual analysts have presented the copper forecasts on a per tonne basis, we have converted the forecast to be shown on a per pound basis using the conversion rate of 1 tonne = 2,204.62 lb.

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

Consensus summary, real terms	Point estimates					Long-term assumption
	2014	2015	2016	2017	2018	
Low	2.93	2.81	2.74	2.71	2.55	2.63
Mean	3.14	3.06	3.08	3.12	3.08	3.00
Median	3.15	3.06	3.10	3.06	3.04	3.00
High	3.32	3.37	3.49	3.74	4.00	3.50

Source: various broker reports, EY Transaction Advisory Services analysis

In selecting a forecast copper price range, we have considered the following:

- ▶ The Kitumba Copper Project is expected to commence selling copper cathode in 2019. As a result, we have mainly focussed on the long term forecast copper price.
- ▶ The median and mean of the long term copper price estimates is US\$3.00/lb. These prices are based on estimates prepared by 22 brokers since June 2014.
- ▶ Over the last six weeks, the spot copper price has ranged from US\$3.16/lb to US\$3.00/lb, reflecting a level of volatility.
- ▶ Current spot prices for copper are around US\$3.03/lb as at 9 October 2014.

Attachment A: Blackthorn Independent Expert's Report (continued)



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- ▶ Greater reliance has been placed on the more recent analysts. In relation to these, we note:
 - ▶ We have identified five analysts which have released reports containing their views on long term copper prices in the four weeks prior to 10 October 2014. The average and median of these analysts reflect a long term copper price of US\$3.06/lb and US\$3.18/lb respectively. Of these, three analysts had increased their long term real estimates by an average of approximately 10% over their prior estimates, reflecting a range of factors including expectations of increased demand from China, increases in future capex requirements (which may impact availability of supply) and an analysis of equilibrium pricing required to ensure long term supply can meet demand.
 - ▶ Of the analyst reports released in the last month, the average and median is US\$3.05/lb and US\$3.08/lb.

Based on the above, we have considered a long term copper real price forecast range of between US\$3.05/lb to US\$3.10/lb in our analysis.

We note that we would generally consider a wider range as the copper price has demonstrated a level of volatility. However, the overall value of the Kitumba Copper Project is very sensitive to small changes in assumptions around future copper prices (refer section 7.2.1) and we have limited our range to ensure our value of the Kitumba Copper Project is not excessively wide.



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Appendix E Description of listed copper trading companies

When calculating implied resource multiples and when considering asset betas for selection of our discount rate, we have considered the following listed companies which have interests in copper projects in exploration, feasibility or development stages.

Ivanhoe Mines Limited

Ivanhoe Mines Limited is an exploration and mining development company focussed on certain projects in Sub-Sahara Africa. Ivanhoe's projects include the Kamoa (95% interest), Platreef (64% interest) and Kipushi Projects and certain other exploration projects. The Kamoa Project is a copper deposit located in the Democratic Republic of Congo which is currently in a pre-feasibility stage and is one of Africa's largest undeveloped high-grade copper discovery. The Platreef Project is located in South Africa and contains platinum, palladium, gold, nickel and copper. The Kipushi Project is a zinc and copper development project located in the Democratic Republic of Congo. Ivanhoe is headquartered in Canada and is listed on the TSX.

Metminco Limited

Metminco Limited is an ASX and AIM listed exploration and mining company focused on copper projects primarily in Chile and Peru. Metminco's projects include those at the early exploration, advanced exploration and pre-feasibility stages. While mainly focusing on porphyry copper deposits, Metminco also has exposure to gold, zinc and molybdenum. Metminco's flagship project is the wholly owned Los Calatos copper and molybdenum porphyry deposit located in the Peru. Incorporated in 2006, Metminco is headquartered in Australia.

Marengo Mining Limited

Marengo Mining Limited is a mining company with projects in Papua New Guinea. Marengo's primary asset includes the Yandera Copper Project located in the Madang province of Papua New Guinea and is focused on the discovery, exploration and development of copper, gold and molybdenum deposits. Marengo is headquartered in Papua New Guinea and is listed on the ASX.

North River Resources plc

North River Resources plc is a mineral exploration and development company with activities in Namibia and Mozambique. Its flagship asset is the Namib Lead Zinc Project located in Namibia, which is targeting production by 2015. The company also has other interests in projects targeting copper, phosphate, iron ore and gold. North River is listed on the AIM.

Aeon Metals Limited

Aeon Metals Limited is a mineral exploration company predominantly engaged with copper and molybdenum deposits and currently holds ten prospective exploration permits for minerals in Queensland, Australia. Aeon's key project at Rawbelle, Queensland, is the Greater Whitewash Project. Aeon recently acquired the Walford Creek Project in North West Queensland. Aeon is based in Australia and is listed on the ASX.

Zambezi Resources Limited

Zambezi Resources Limited is a mineral exploration and development company with operations in Southern Zambia. Zambezi's key producing asset is the Kangaluwi Copper Project, which is located East of Lusaka, Zambia. In addition, Zambezi has gold exploration and limestone facilities in Zambia, comprising of the Mpande Limestone Project and Cheowa joint venture. Zambezi is headquartered in Lusaka, Zambia and is listed on the ASX.

Attachment A: Blackthorn Independent Expert's Report (continued)



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Highland Copper Company Inc.

Highland Copper Company is a Canadian based mining company focused on exploration and development of copper projects around the Upper Peninsula of the state of Michigan in the United States. Highland's key projects include the Copperwood, White Pine North and Keweenaw Projects. Highland is headquartered in Canada and is listed on the TSX Ventures exchange.

Chrysalis Resources Limited

Chrysalis Resources Limited is a mineral exploration company with projects in Zambia and Australia. In Zambia, the company holds five exploration licences covering four project areas, of which the Shikila Copper Project is the most advanced. The Shikila Project, located close to the Kansanshi mine and the Lumwana mine in Zambia, has inferred copper resources of 18.6 Mt at grade of 0.52%. Chrysalis also has four prospective projects in Western Australia, primarily focussing on exploring for gold, iron and copper. Chrysalis is headquartered in Australia and is listed on the ASX.

Midnight Sun Mining Corp

Midnight Sun Mining Corp is a mineral exploration and development company. Midnight Sun has an option to acquire 60% interest in the Solwezi exploration licences in Zambia. The Solwezi licences are close to the Kansanshi mine in Zambia. Midnight Sun is listed on the TSX Ventures exchange.

AQM Copper Inc

AQM Copper Inc is an exploration stage company focused on exploring and developing copper deposits in Southern Peru. AQM is the operator of a joint venture with Teck Resources in relation to the Zafrañal project. Under the joint venture agreement, Teck Resources has the option of becoming the operator once a construction decision is made. A preliminary economics assessment (PEA) update was released in September 2013. AQM is listed on the TSX Ventures and Bosa de Valores de Lima exchanges.

Rex Minerals Limited

Rex Minerals Limited is primarily engaged in mineral exploration and development projects in Australia. Rex's primary asset is the wholly owned Hillside copper and gold project in South Australia. Focusing mainly on copper and gold, Rex also has iron ore deposits within its Hillside Project. Rex is headquartered in Australia and is listed on the ASX.

Candente Copper Corp.

Candente Copper Corp. is a mineral exploration and production company incorporated in 1997. Candente has four key projects focusing on exploring copper, gold and silver in Peru and Canada. These key projects include the Canariaco Norte copper project, the Canariaco Sur deposit and the Quebrada Verde and Jehaumarca prospects. These projects together comprise the Canariaco project. The company is headquartered in Canada and is listed on the TSX.

Avanco Resources Limited

Avanco Resources Limited is a base metals mining company with operations in Brazil through its copper projects, Rio Verde and Pedra Branca. It also has assets in the Carajas region in Brazil focused on the discovery of copper-gold and iron ore resources. Avanco is based in Australia and is listed on the ASX.

CuDeco Ltd

CuDeco Ltd is a mining company that explores and evaluates mineral resources in Australia. CuDeco's primary asset includes its open pit Rocklands Group Copper Project located in Queensland, Australia which produces copper, cobalt, gold and magnetite resources. The company is headquartered in Australia and listed on the ASX.



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Hot Chili Limited

Hot Chili Limited is a mineral exploration and development company that acquires and cultivates copper projects across Chile. Hot Chili's primary assets target Iron-Oxide-Copper-Gold (IOCG) and porphyry type deposits. These key projects include Productora, Frontera, Banderas and Los Mantos. Chili's flagship Productora Project is in the development stage while the other projects are all currently undertaking exploration work. Hot Chili is headquartered in Australia and is listed on the ASX.

Venturex Resources Limited

Venturex Resources Limited is a base and precious metals exploration and production company. Venturex owns and controls assets in the exploration phase in Australia, namely the Pilbara Copper-Zinc Project, and producing projects in the Tapajos Region and Mato Grosso in Brazil. Venturex focuses primarily on copper, zinc, lead, silver and gold resources across its numerous projects and is headquartered in Australia and is listed on the ASX.

Indophil Resources NL

Indophil Resources NL is a mineral exploration and development company with operations in the Philippines and South East Asia. Indophil's primary asset is its 37.5% interest in Sagittarius Mines, Inc. which operates the Tampakan Copper-Gold Project in the Southern Philippines. It also has an exploration portfolio comprised of the Itogon Gold, Manat Gold and Balatoc Copper-Gold projects. Indophil is headquartered in Australia and listed on the ASX.

KGL Resources Limited

KGL Resources Limited is an Australian based copper mining company. KGL is focused on developing its Jervois copper project in the Northern Territory but also holds an interest in the Bashkol gold-copper projects in the north east of Kyrgyz Republic. KGL is listed on the ASX.

Attachment A: Blackthorn Independent Expert's Report (continued)



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Appendix F Description of comparable transactions

- ▶ On 6 August 2014, Hot Chili Limited announced its intention to form a joint venture with Compañía Minera del Pacífico S.A ("CMP") in order to develop the Productora copper project located approximately 600km north of Santiago, Chile. The terms of the deal result in CMP emerging with a 17.5% stake in Productora for the provision of certain mining rights, surface rights and easements to Hot Chili. In addition to these deal terms CMP was granted the option to acquire a further 32.6% of Productora for a minimum exercise price of US\$80 million. Productora has total reserves of 90.5Mt (copper equivalent grade of 0.61%) and total resources (including reserves) of 214.2 Mt (copper equivalent grade of 0.59%).
- ▶ On 11 February 2014, Highland Copper Company Inc. announced it had entered in an agreement with Orvana Minerals Corp. to acquire all rights, title and interest in the Copperwood Project, for a consideration of US\$22.5 million. The agreement comprised US\$20 million in cash and US\$2.5 million in equity and Highland could pay a further US\$2.5 million if Orvana exceeds certain commercial production targets. The Copperwood Project is a feasibility stage project located in the Upper Peninsula of Michigan, USA. Copperwood currently has proven and probable reserves of 27.4Mt (copper equivalent grade of 1.44%) and total resources of 88.5Mt (copper equivalent grade of 1.40%).
- ▶ On 3 February 2014, Xanadu Mines Limited announced that its joint venture company Mongol Metals LLC entered into a definitive agreement to acquire a 90% stake in the Kharmagtai Project for a consideration of US\$14 million in cash. Located in the Omnogovi Province in the South Gobi region of Mongolia, this advanced porphyry copper-gold exploration project also includes the Kharmagtai mining license and property, plant and equipment including the Kharmagtai mine camp and related exploration equipment. Kharmagtai is one of the most advanced, undeveloped copper projects in Mongolia and has total resources of 133.1Mt (copper equivalent grade of 0.58%).
- ▶ On 1 November 2013, PanAust Limited entered into a share sale and purchase agreement to acquire an 80% interest in the Frieda River Copper-Gold Project from Glencore. Under the deal Glencore will receive a consideration of US\$75 million in two instalments. Located in Papua New Guinea the Project is in the feasibility phase with total resources of 2,135 Mt (copper equivalent grade of 0.63%).
- ▶ On 25 October 2013, Sandfire Resources NL announced that it had entered into an agreement to acquire up to an 80% stake in the Thaduna/Green Dragon Copper Project through a joint venture and farm-in agreement with Ventnor. The agreement comprises of an up-front payment of US\$3 million to acquire an immediate 35% stake, with the option for Sandfire to increase its stake to 80% for an additional US\$6 million. Ventnor has completed approximately 50,000 metres of drilling at the project site. As at the transaction date, the project had total resources of 7.9 Mt (copper equivalent grade of 1.86%).
- ▶ On 15 July 2013, Copper Fox Metals Inc. formed a joint venture with Teck Resources Limited to further exploration and development of the Schaft Creek Project. Under the terms of agreement Teck Resources will acquire a 75% interest in the project for a consideration of US\$60 million, while Copper Fox will hold the remaining 25%. The project is in an advanced stage of exploration and is located in north-western British Columbia, Canada with the last feasibility study being conducted in January 2013. Schaft Creek is a porphyry copper-gold deposit that has reserves of 940.8Mt (copper equivalent grade of 0.44%) and total resources of 1,826 Mt (copper equivalent grade of 0.47%).
- ▶ On 17 January 2013, Monument Mining Limited through its subsidiary Monument Mengapur Sdn. Bhd. ("MMSB") entered into an agreement with the Malaco Mining Sdn. Bhd. to acquire 30% of the Mengapur Polymetallic Project for a consideration of US\$16 million in cash. The Mengapur Project is located in Central Malaysia and is completing a Preliminary Economic Assessment. The project has reserves of 64.8Mt (copper equivalent grade of 0.44%) and total resources of 289.2Mt (copper equivalent grade of 0.62%).



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Appendix G Resource multiples

Cross check for Kitumba Copper Project

We have crossed checked our valuation of the Kitumba Copper Project with the implied reserve multiples of comparable transactions of copper projects at a similar stage of development.

We note that we have calculated the implied enterprise value per tonne of contained copper with reference to the latest reported mineral resource and reserves statements. For projects which contain commodities other than copper, we calculated a copper equivalent multiple with reference to the spot commodity prices as at the announcement date of the transaction.

Cross check for Blackthorn

We have cross checked our valuation of Blackthorn with the implied reserve and total resources multiples of comparable listed companies.

For listed comparable companies, the multiples were calculated based on each company's implied enterprise value per contained copper equivalent tonne. The implied multiples were calculated as follows:

- ▶ Obtained the market capitalisation for each company as at 9 October 2014 to calculate an equity value for the company;
- ▶ Added back net debt or subtracted net cash as reported at the latest available reporting date, to obtain an enterprise value for the company; and
- ▶ Divided the enterprise value by the number of tonnes of contained copper calculated with reference to the latest reported mineral resource and reserves statements.
- ▶ For those companies with projects which contain commodities other than copper, we calculated a copper equivalent multiple with reference to the spot prices as at 9 October 2014.

It is of note that market prices of companies listed on a stock exchange usually reflect the prices paid for small parcels of shares representing minority interests and as such do not include a control premium relevant to a significant parcel of shares. On the basis that our assessment of the fair market value of Blackthorn is on a 100% basis, which implicitly includes a control premium, we have considered the trading multiples inclusive of a premium for control.

In our assessment of the appropriate control premium applicable to our trading multiple analysis, we have considered:

- ▶ The median bid premium paid on global transactions across all industries in the 12 months to June 2014 was 29.7%⁵⁶ based on 454 transactions;
- ▶ The median bid premium paid on global mining transactions in the 12 months to June 2014 was 34.5% based on 37 transactions;
- ▶ The range of control premiums consistently referred to in Australia is generally between 20% and 40%⁵⁷, which recognises that such premiums will vary from circumstance to circumstance.
- ▶ Based on the above, we have adopted a control premium of 30%. In adjusting the comparable company multiples to a control basis we increased the market capitalisation of the comparable companies by 30%. Because the comparable companies have different levels of net debt when determining enterprise value, the difference between the market capitalisation and controlling interest enterprise value may not equate to exactly 30%.

⁵⁶ MergerStat, Control Premium Study, 2nd quarter 2014, excluding any negative premiums and calculated with reference to the unaffected share price immediately prior to the announcement of the transaction.

⁵⁷ Loneragan, W, *The Valuation of Businesses, Shares and Other Equity* 4th Edition, 2003

Attachment A: Blackthorn Independent Expert's Report (continued)



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Appendix H Sources of information

In arriving at our views, we have had regard to the following sources of information:

- ▶ Audited financial statements of Blackthorn for the financial years ended 30 June 2013 and 30 June 2014
- ▶ Audited financial statements of Intrepid for the financial years ended 31 December 2012, 30 December 2013 and reviewed financial statements of Intrepid for the half year ended 30 June 2014
- ▶ Scheme Booklet
- ▶ the Runge Report, included in Appendix J of this report and discussions with Runge
- ▶ Kitumba financial models prepared on behalf of Blackthorn by Lycopodium and Corality
- ▶ Kitumba Copper Project OPFS dated May 2014
- ▶ details of outstanding options provided by Blackthorn management
- ▶ details of outstanding options and share rights provided by Intrepid management
- ▶ Budget cash flow for FY15 and FY16 prepared by Blackthorn management
- ▶ Budget cash flow for CY15 prepared by Intrepid management
- ▶ ASX announcements for Blackthorn and Intrepid
- ▶ Details of estimated transactions costs provided by Blackthorn and Intrepid management
- ▶ Details of Intrepid's investments in TSX listed companies
- ▶ Royalty agreement between Blackthorn and BHP Billiton dated 16 August 2011
- ▶ Company websites for Blackthorn, Intrepid and comparable companies
- ▶ Copper research prepared by BREE
- ▶ Market data obtained S&P Capital IQ and DatAnalysis
- ▶ Analyst reports obtained from Thomson Reuters and Blackthorn management
- ▶ Consensus broker estimates obtained from Consensus Economics
- ▶ Discussions and correspondence with various members of senior management of Blackthorn and Intrepid.



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Appendix I Glossary

Abbreviation	Full Title / Description
A\$	Australian dollar
Act	The Corporations Act
Ag	Silver
AGM	Annual general meeting
Announcement Date	28 August 2014
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
Au	Gold
Aura	Aura Silver Resources Inc
Base exchange ratio	Ratio of one Blackthorn share for 1.079 Intrepid shares
BHP Billiton	BHP Billiton Limited
Blackthorn	Blackthorn Resources Limited
Blackthorn Shareholders	Shareholders of Blackthorn
Board	Board of Directors
BREE	Australian Bureau of Resources and Energy Economics
C\$	Canadian dollars
CAPM	Capital Asset Pricing Model
CEO	Chief Executive Officer
Co	Cobalt
Company	Blackthorn Resources Limited
Corality	Corality Financial Group
Cu	Copper
Cu eq	Copper equivalent grade
CY	Calendar year
DFS	Definitive Feasibility Study
EBITDA	Earnings before interest, tax, depreciation and amortisation
EGM	Extraordinary general meeting
Ernst & Young Transaction Advisory Services / IEY	Ernst & Young Transaction Advisory Services Limited
EU	European Union
EV	Enterprise Value
Glencore	Glencore PLC
ICSG	International Copper Study Group
IndoAust	IndoAust Mining Ltd
Intrepid	Intrepid Mines Limited
Intrepid Buy-back	The proposed buy-back of up to A\$110 million by Intrepid
JORC Code	The Code for Reporting Mineral Resources and Ore Reserves as prescribed by the Australasian Joint Ore Reserves Committee
k	Thousand
Kitumba Copper Project	The copper project in central west Zambia owned by Blackthorn
km	Kilometre
km ²	Square Kilometre
lb	Pound
LME	London Metal Exchange
LOM	Life of mine
Lycopodium	Lycopodium Minerals Pty Limited
Merged Group	Intrepid post-Scheme implementation
Mt	Million tonnes
Mtpa	Million tonnes per annum
Mumbwa Project	The project which includes five exploration licences located in West Central Zambia owned by Blackthorn
New Nadina	New Nadina Explorations Ltd
OPFS	Optimised pre-feasibility study

Attachment A: Blackthorn Independent Expert's Report (continued)



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Abbreviation	Full Title / Description
Options	Blackthorn employee options outstanding as at the Announcement Date
Ppm	Part per million
PT IMN	PT Indo Multi Niaga
Quantum	Quantum
Regulations	Corporations Regulations 2001
RG 111	Regulatory Guide 111: Content of expert reports
Runge	RungePincockMinarco
Scheme	The proposed merger between Blackthorn and Intrepid announced 28 August 2014.
Scheme Booklet	Booklet prepared for the Scheme, to which this report is attached
Scheme Consideration	Blackthorn shareholders will receive at least 1.079 Intrepid shares for every one Blackthorn share held
Scheme Meeting	Meeting to be held on or about 21 November 2014
SID	Scheme Implementation Deed between Blackthorn and Intrepid
TSX	Toronto Stock Exchange
Tujuh Bukit	Tujuh Bukit project in Indonesia
U	Uranium
US\$	United States dollar
VALMIN Code	The Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
VWAP	Volume weighted average price
WACC	Weighted Average Cost of Capital



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Appendix J The Runge Report

The Runge Report is set out at Attachment B to the Scheme Booklet and should be read in conjunction with this Report.

Attachment A: Blackthorn Independent Expert's Report (continued)



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THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT EXPERT'S REPORT

13 October 2014

PART 2 – FINANCIAL SERVICES GUIDE

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Expert's Report ("Report") in connection with a financial product of another person. The Report is set out in Part 1.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- ▶ financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- ▶ arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is A\$110,000 (inclusive of GST).



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Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Transaction Advisory Services, if any, is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

9. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of section 912B of the Corporations Act 2001.

Contacting Ernst & Young Transaction Advisory Services AFS Compliance Manager Ernst & Young 680 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Contacting the Independent Dispute Resolution Scheme: Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08

This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.

B

Attachment B: Independent Technical Expert's Report

The Independent Technical Expert's Report forms Appendix J of the Blackthorn Independent Expert's Report set out in Attachment A.

Attachment B: Independent Technical Expert's Report

Runge Pincock Minarco

13th October, 2014

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

Intrepid Mines Limited
Level 1, WBM Building
490 Upper Edward Street
Spring Hill, QLD 4004

Ernst & Young Transaction Advisory Services Limited
680 George Street,
Sydney NSW 2000

RungePincockMinarco Limited
ABN 17 010 672 321

Level 12, 333 Ann Street
Brisbane QLD 4000

GPO Box 2774
Brisbane QLD 4001

Dear Sirs,

RE: DRAFT Independent Technical Specialist Report

RungePincockMinarco Limited ("RPM") has been engaged by Blackthorn Resources Limited ("Blackthorn" or "Company") and Intrepid Mines Limited ("Intrepid") (each a "Client" and collectively the "Clients") to undertake an Independent Technical Specialist Report ("ITSR") in relation to the Kitumba Copper Project located in Zambia, Africa (the "Project").

RPM has further agreed to provide a copy of the ITSR to Ernst & Young Transaction Advisory Services Limited ("EYAS") who have been engaged by Blackthorn to prepare an Independent Experts Report in relation to the proposed transaction between Blackthorn and Intrepid whereby Intrepid intends to acquire all the shares in Blackthorn via a scheme of arrangement.

The Project is currently owned and managed by Blackthorn and is an iron oxide – copper – gold ("IOCG") copper deposit located in central Zambia. The Project consists of the main copper deposit, which has been the focus of recent planning studies, as well as adjoining exploration tenements. All assets are held in five adjoining exploration licences. Development of the Project has not commenced as at September 2014, though a Mineral Resource and Ore Reserve has been estimated in accordance with the JORC Code (2012) and Pre-Feasibility Studies completed. It is likely the Project will be subject to a Definitive Feasibility Study ("DFS") as the next step of development planning.

RPM's technical team ("the Team") consisted of Senior Geologists, Mining Engineers, a Process Engineer, an Environmental Engineer and Valuers (under the VALMIN code). The Team's qualifications and experience is detailed in **Annexure A** for reference.

RPM has conducted its technical review in recognition of the requirements of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (December 2012) published by the Joint Ore Reserves Committee ("JORC") of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Minerals Council of Australia (the "JORC Code") and the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the VALMIN Code, 2005).

This Independent Technical Specialist Report has been prepared in accordance with the relevant requirements of the listing rules of the ASX and the regulatory guidelines RG111 and RG112 issued by the Australian Securities and Investments Commission ("ASIC") in relation to the preparation of independent expert reports.

RPM has not been requested to provide an independent valuation nor has it been asked to provide an opinion on the fairness or reasonableness of the offer. The expert whose signature is attached to this report does not hold an AFS licence and the opinions expressed in this report are solely of a technical nature.

The ITSR Study Manager has visited the site and inspected the geology, drill core and the topographic conditions present at the site as well as existing infrastructure. The site visit was undertaken in, January 2013 by Mr. Robert Dennis. During the site visit, Mr Dennis had open discussions with the Blackthorn's personnel and MSA Group's ("MSA") personnel (a consultancy group managing the geologic work) on technical aspects relating to relevant Project issues and in particular the geologic data supporting and the

Attachment B: Independent Technical Expert's Report (continued)



estimation methodology for the Resource. Blackthorn's and MSA personnel were cooperative and open in facilitating RPM's work.

The ITSR relies largely on the Optimised Prefeasibility Study report ("OPFS") provided by Blackthorn and other reports commissioned by Blackthorn in support of the completed OPFS. The ITSR is based on information made available to RPM as at 21st September, 2014. The Clients have not advised RPM of any material change, or event likely to cause material change, to the underlying data, designs or forecasts since the supply of information.

RPM has completed the ITSR on the following basis:

- Where appropriate, the review is undertaken in accordance with the Code and Guidelines for Assessment and Valuation of Mineral and Petroleum Assets and Securities,
- RPM is to review that the source data used is sufficient, relevant and reliable, and
- RPM to review that the rationales for the assumptions used in the ITSR are reasonable.

The currency basis used in this Report is United States Dollars unless otherwise specified.

Key Outcomes

This Review identified no technical fatal flaws which would prevent the development of the Project. Overall, the Project has been reasonably well engineered in a professional manner to a Pre-Feasibility level of detail. Over 38 Mt @ 2.19% Cu of JORC Code compliant Mineral Resources have been identified. A Pre-Feasibility Study was completed on the Project in 2014 that estimated Ore Reserves of 31.5 Mt at 2.04% Cu. This resulted in a Project life of 11 years at a mining rate of 3 Mt ore per annum. The preferred mining approach is underground mining using a sub-level cave mining method. The total OPFS defined capital cost of the Project is USD780 million. The OPFS defined Operational cost of the Project is USD1.45/lb of copper produced from mined ore and excluding the cost and benefit of purchased concentrate, which is dependent on prevailing copper prices at time of purchase.

In addition, there are many opportunities worth further investigation that may add value to the Project. These include potentially applying a lower cost block caving method, improved metallurgical process design and reasonably prospective tenements to extend the Project life.

However, a number of technical issues were also identified including:

- Metallurgical recovery may be over-estimated. OPFS estimated 93% recovery of mined and processed ore while RPM calculations suggest it may be 89.9% over life of mine (90.3% including Purchased Concentrate):
- Further hydrological investigation is required to understand potential impacts of water egress through the fault zone into the underground mine:
- Project start-up dependent on public works, including the upgrade of the Mumbwa to Kitumba Road and the power line construction.

The Project economics are sensitive to metallurgical recovery and hence this aspect requires substantial further work to reduce its technical risk and increase confidence in economic outcomes.

A valuation of the adjacent exploration tenements estimated a value of between USD3.3 million and USD6.4 million with a preferred value of USD4.6 million.

Project Summary Description

- The Kitumba deposit is an IOCG copper-dominated deposit hosted within a hematite-dominated breccia system, which is developed along the Kitumba Fault Zone ('KFZ'). IOCG's include a diversity of types ranging from Kiruna-type monometallic (Fe ± P) to Olympic Dam polymetallic (Fe ± Cu ± Au ± U ± REE) type systems. They comprise a broad variety of mineralisation styles that are grouped together because they contain hydrothermal magnetite and/or specular hematite as major accompaniments to chalcopyrite ± bornite.

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- The Kitumba Copper Project is located in west central Zambia, approximately 200 km west of the capital, Lusaka and 40 km North West of Mumbwa Township. The Project is readily accessible from Lusaka via a sealed highway then via unsealed road from Mumbwa and a short internal access track from the Mumbwa to Kasempa road.
- The Project is contained within 5 exploration licences which are currently held by Blackthorn. The Project will require a Mining Licence. Blackthorn have applied for the mining licence in July 2014 and are awaiting grant.
- Exploration works within the Project area commenced in the mid-1990's and for large IOCG style deposits since 2004. The IOCG potential of the region was originally identified using early era airborne magnetic data commissioned by the United Nations Development Program ("UNDP"). Flying of Falcon airborne gravity gradiometer (AGG) for high-resolution gravity, magnetic and radiometric data was completed during Phase 1 of modern IOCG exploration in 2004 which has extended to seven Phases. There are plans to continue exploration expenditure to assess remaining exploration potential.
- The proposed mining method is Sub Level Cave ("SLC") underground extraction with initial ore production planned to commence by January 2018 (assuming a Project start decision in December 2015) and full throughput capacity of the plant forecast to be reached in September 2018.
- At full production the mine will process 3.0 million tonnes per annum ("Mtpa") to produce ~60 kt of copper cathode. This will be from mined ore and in the initial 6 years of production will include purchased concentrate.
- Copper cathode will be trucked approximately 2,000 km to the port of Dar es Salaam, located in Tanzania. The cathodes are likely to be sold to predominantly Chinese customers.
- Mumbwa is the nearest town to the Project but is a small centre. The primary source of consumables and services will be the Capital of Zambia, Lusaka, which is connected to Mumbwa via a sealed highway.

There is limited local infrastructure to support the proposed Project and construction of supporting infrastructure will be necessary including an access road, power transmission line connecting to the main national electricity grid and a bore network to provide water.

Mineral Resource and Ore Reserves Estimate

- RPM is of the opinion that the Kitumba JORC 2012 Mineral Resource has been estimated in a diligent and professional manner and the estimate is sufficiently representative and precise to form an adequate basis for the mining studies completed in the OPFS.
- The independent Statement of Mineral Resources is reported as at 5th December, 2013 using a cut-off grade of 1.0% Cu (MSA, 2014). The cut-off grade of 1.0% Cu is considered reasonable for a Mineral Resource likely to be exploited by an underground mining method.
- The Statement of Mineral Resources shown in Table 1 and graphically in Figure 1 is reported inclusive of and is not additional to the Ore Reserves reported in Table 2 and does not include any ore loss and dilution.

Attachment B: Independent Technical Expert's Report (continued)

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Figure 1 Graphical Representation of JORC Mineral Resources quantities as at 5th December, 2013

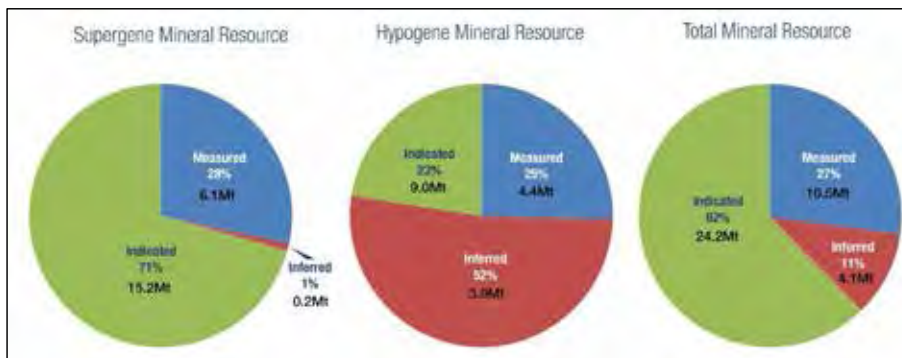


Table 1 JORC Mineral Resource Statement as of 5th December 2013, Reported at a 1% Cu Cut-off (MSA, 2014)

Type	Class	Quantity (Mt)	Cu (%)	Acid Soluble Cu (%)	Co (ppm)	Au (g/t)	Ag (g/t)	U (ppm)	Density (t/m ³)
Supergene	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
	M + I	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	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
	M + I	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	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
	M + I	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	(M+I+Inf)	38.8	2.19	0.86	222	0.03	0.9	27	2.68

Note:

- The Statement of JORC Mineral Resources has been compiled under the supervision of Mr. Jeremy Witley who is a full-time employee of MSA and a Member of the Geological Society of South Africa (GSSA) and a Professional Natural Scientist (PrSciNat) registered with the South African Council for Natural Scientific Professions (SACNASP). Mr. Witley has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the JORC Code.
- All Mineral Resources figures reported in the table above represent estimates at 5th December, 2013. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape and continuity of the occurrence and on the available sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate. Rounding may cause some computational discrepancies.
- Mineral Resources are reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The Joint Ore Reserves Committee Code – JORC 2012 Edition) and are reported inclusive of quantities from which Reserves have been estimated.

- RPM completed an independent check using the CAE Studio 3 block model at a 1% Cu cut-off grade to confirm that there are no reporting errors in the Kitumba Mineral Resource estimate.
- The Proved and Probable JORC Ore Reserves estimates for the Project are summarised in Table 2 and shown graphically in Figure 2. The Measured and Indicated JORC Mineral Resources quantities reported in Table 1 are inclusive of and are not additional to the JORC Ore Reserves estimates reported in Table 2. AMC Consultants Pty Ltd ("AMC") have estimated the total JORC Ore Reserves to be 31.5 Million Tonnes ("Mt") at an average grade of 2.04%Cu, comprising 11.9 Mt of Proved and 19.6 Mt of Probable Ore Reserves. The Proved classification is approximately 38% of the total.

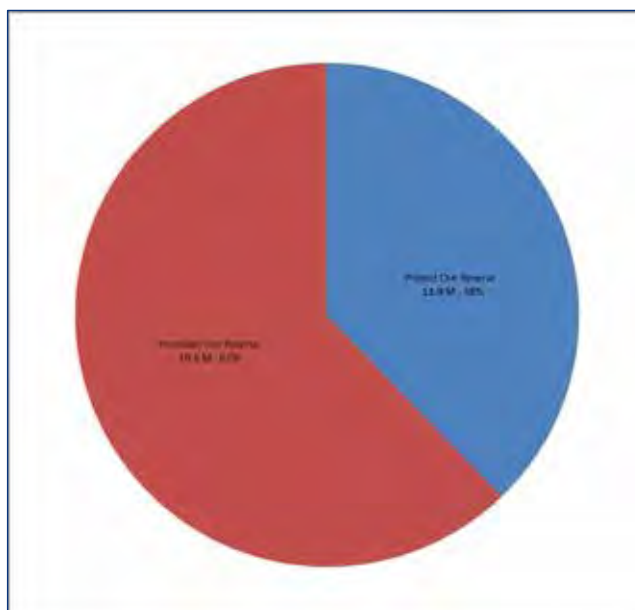
Table 2 Kitumba Ore Reserve Estimate as of 29th April 2014

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

Source: Kitumba OPFS Study

- RPM completed an independent check to confirm the Ore Reserve estimate as presented in the OPFS and it has no reporting errors. Though the approach in general was professional and diligent, the approach to estimating ore recovery and dilution using AMC in-house software prevented all aspects being audited. RPM recommends that an alternate means of determining the dilution and recovery based on commercially, widely used software be considered in future studies.

Figure 2 JORC Ore Reserves Quantity by Classification



Exploration Potential

- The Project has a long history of systematic exploration which has included geological mapping, geophysical and geochemical surveys as well as a large amount of surface diamond drilling. These have been undertaken over a series of stages. However, within the last 10 years the main focus has been on the Kitumba deposit. RPM considers there to be good potential to define further mineralised bodies within the Project area both near planned mining infrastructure and within Blackthorn's exploration tenements.
- Current key target areas which may lead to small increases in the Mineral Resource base and add feed to the planned Project include the lateral extension of the deposit as well as potential conversion of Inferred Resource as a result of infill drilling.

Attachment B: Independent Technical Expert's Report (continued)

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- Additionally, a number of regional scale targets have been identified within Blackthorn held tenements. Preliminary drilling of some of these targets has been planned for 2014 but is not currently undertaken. Significant further works would be required to define these targets' economic potential.

Mining

- The deposit is planned to be accessed via underground decline and mined using the SLC underground mining method. The SLC mining method is a well-known and proven approach with various other mines successfully using this method in similar deposits.
- RPM recognises that the detail of the geotechnical study is to a level suitable for a pre-feasibility study. The ore drive pillars and approach to ground support will require additional studies. In RPM's opinion additional ground support is likely required which will impact on the operating cost and ore drive development rate. However, this is a minor adjustment and not material to the overall Project schedule or cost. Furthermore, future geotechnical studies will need to focus on the box cuts, ventilation shafts, mine development and caveability assessments.
- Though the SLC mining method will likely be successful, additional geotechnical studies should consider the use of block caving to increase Project value as lower operating costs may be achievable.
- The mine hydrology study is reasonable for a PFS and no material issues were identified. However, further hydrological studies are required to assess the likely impact of water in-flows from the Kitumba Fault Zone on the production rate and mining costs.
- RPM recognises that the strategic options analysis completed is appropriate for the PFS level of study. However, the analysis did not review cut-off grades above 1%, except for a production rate of less than 3Mtpa. The breakeven cut-off grade calculated and used in the final optimisation study was 1.05%Cu. Further analysis above 1% Cu is recommended as it could potentially reduce the Project risk and add value.
- In RPM's opinion the mine and ventilation design is appropriate for this Project at a PFS stage.
- RPM recognises that due to the geotechnical restrictions applying to SLC extraction the option of optimising the schedule to produce the optimal product is limited. The high grade domain (used in estimating the Mineral Resource) is located towards the south of the mine design. Consequently the OPFS extraction sequence retreated from south-to-north, to access higher grade Cu early in the schedule. There may be opportunities in future studies to further optimise the grade and processing profile.
- The outcomes from the ore production schedule were reviewed and appear reasonable. However, the decline advance of 270m per month errs on the optimistic for an initial parallel decline (due to limited available headings). Further studies should include detailed scheduling using a maximum advance per heading. This is not a material issue and will likely result in a minimal extension to the ramp up mining period by a matter of months.
- The mining capital cost is \$5.10/t ore, mining operating cost is \$25.30/t of ore producing a total mining cost of \$30.40/t of ore. The detailed breakdown of costs was not supplied. However, globally the mining capital and operating costs are appropriate for the proposed mine plan in the OPFS.

Processing

- Flowsheet development for the Kitumba ores has proven relatively difficult and a full understanding of the copper mineralogy of the deposit has yet to be gained. While not all aspects of the flowsheet have been tested based on the proposed processing streams (e.g. atmospheric leach) using the proposed technology (i.e. hypersparger on air), a relatively robust flowsheet has been selected that would handle the mineralogical variability imposed by the Kitumba ores and yield high copper recoveries. Many aspects of the flowsheet are in use in circuits in other parts of the world, including the application of pressure oxidation (POX) to



generate acid and ferric ions for an atmospheric leach.

- Underground ore is planned to be processed, after crushing, in a conventional SAG-Ball-Pebble Crushing (SABC) milling operation followed by copper sulphide flotation and two acid leaching circuits. Copper would be recovered from the flotation concentrate by pressure oxidation while the flotation tailings, combined with the pressure oxidation circuit discharge, would undergo atmospheric leaching. Copper bearing solution would be recovered and washed from the leached tailings by counter current decantation (CCD) and prepared for electrowinning by solvent extraction. Any remaining copper would be recovered from the raffinate by precipitation and recovered for leaching. Neutralised CCD tailings would be impounded in a Tailings Storage Facility (TSF).
- The planned mill throughput rate is 3 Mtpa. The operation would produce, on average, 60,000 tpa of copper cathode from a 2% Cu ore and at a projected 93% copper recovery in the OPFS. The copper recovery is dependent upon the mineralogy, and based on the limited mineralogical detail provided in the current mine schedule, RPM estimates the life of mine (LOM) copper recovery from mined and processed ore would be around 89.9%.
- The adoption of an oxidative-reductive atmospheric leach has the potential to significantly improve copper recovery and should be evaluated in more detail.
- An insufficient level of testwork was conducted for the OPFS that was troubled by sample representivity in terms of mineralogy and ore types.
- Considerably more testwork and mineralogical studies are required to meet the standards demanded by a Feasibility Study and reduce Project risk. While a pilot plant is not necessary to establish the mineral processing and leaching metallurgy, considerably more benchscale testwork on a suitable range of samples needs to be undertaken to provide more confidence in the design copper recoveries as function of the mining schedule. This includes the nature of the copper mineralogy as a function of the plant feed, testing of the atmospheric leaching circuit with the proposed feed (i.e. pressure oxidation discharge and flotation tailings) with air (possibly enriched air) using the hypersparger, considerably more comminution and dewatering studies. Finally, the establishment of a feed grade/mineralogy-recovery relationship is also required so that overall copper recoveries may be reliably predicted for year of operation.
- Selecting representative samples is difficult due to the short range mineralogical variability and even test charges prepared from a homogenised master composite show this variability as measured by the metallurgical response. Quarterly samples for the first 5 years and 6 monthly samples for the remaining years, as proposed by Blackthorn is acceptable. The key testwork approach is to conduct more than one test, ideally several, for each master composite to identify the process variability and using 1 kg charges rather than the 4 kg charges used in the OPFS.
- The engineering study was generally of a suitable standard for a PFS; mass balances, design criteria, milling sizing calculations, equipment list and process flow diagrams (PFDs) were prepared in appropriate detail. Although several discrepancies exist between the documents and the OPFS text these discrepancies probably have not materially impacted the cost estimates within the order of accuracy ($\pm 25\%$).
- Opportunities exist to optimise the processing plant equipment and potentially lower capital and operating costs, based on targeted testwork and a better understanding of the mill feed mineralogy, particularly over the first years of production.
- More needs to be done, mainly in the testwork area, by employing sufficient funds and allowing an appropriate amount of time to prepare a DFS that would meet the requirements of potential financiers. This would include some trade-off studies (e.g. concentrate purchase, flowsheet variation [inclusion of reductive leaching stage]) as well as resolving some technical and engineering issues (e.g. use of enriched air/ air in the atmospheric leaching and the impact upon the heat balance as well as the hyperspargers).
- The estimation methodology used to estimate the capital costs is reasonable. Particular aspects of the Process capital cost estimates are as follows:
 - The nature of the processing operation means that significant capital costs (\$309 million based on RPM's high level analysis) are required.

Attachment B: Independent Technical Expert's Report (continued)

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- The level of accuracy ($\pm 25\%$) is appropriate for this level of study and the contingency (20%) is generally reasonable. In RPM's opinion, only a portion of the contingency should be applied to the processing equipment, since these prices are well known and will not rise in the current market.
- While RPM has issues with some of the pricing (e.g. the electrowinning is too low and the CCD thickeners are too high), the overall difference in costs is small in relation to overall costs.
- The capacity of the air blowers for use in the atmospheric leaching circuit are undersized. 80% oxygen utilisation (as stated by the OPFS and Blackthorn) may not be achieved with the 'hyperspargers'. These spargers appear to be experiencing oxygen mass transfer problems at the Las Lagunas gold operation and may not achieve claimed transfer rates in all cases.
- It is likely that some parts of the processing circuit have been oversized, and with rationalisation and optimisation, lower capital costs may be achievable.
- A sustaining capital cost of \$1.50/t is recommended after Year 5.
- The operating costs have been estimated in a reasonable and detailed method and are acceptable. Particular aspects of the process operating cost estimates are as follows.
 - The operating costs are relatively high in comparison to flotation only circuits (\$44.78/t) due to the operation of the pressure oxidation unit and the electrowinning circuit.
 - The operating costs have been increased to allow for marketing and concentrate transport costs.
 - The G&A are reasonable, however did not include Sydney Head Office costs, which brings these costs to \$1.83/t.

Infrastructure

- The Project is expected to draw a maximum of 60 MW of power, which appears reasonable based on the likely installed power demand. Power for this Project is heavily dependent on the power supply from the National Grid and the completion of power infrastructure projects by state owned company Zambia Electricity Supply Corporation Limited ("ZESCO"). The country's current generation capacity only just meets its customers demand at around 2.0 GW. Additional power demand will require ZESCO to commission additional power sources (such as Kariba North Bank Extension and Itzhi Tezhi Project expected to be commissioned in 2015) and build infrastructure. This will allow the Project and other industry to be connected to the grid prior to commencement of the Project's commissioning. Of particular importance to the Project are the double 330kV transmission lines (spanning around 500 km) currently under construction that will run from Lusaka West via Mumbwa to Kalumbila with expected completion in 2015, this will provide the site with access to power from the national grid.
- The main water requirement of the site is for the processing plant with a yearly demand between 1.91 to 3.0 Mm³. Site potable water demands are estimated at 0.03 Mm³. Recycled water from the Tailings Storage Facility makes up between 34% and 53% of the total required water demand. Water storage facility options at the site have been considered in the water model and are simply ponds that receive rainwater, waste dump run-off and underground dewatering. Under even the wettest conditions, water models confirms the Project to be water negative and thus would require another external water source to supply the shortfall at 12 L/s (1 in 100 year wet rainfall conditions) or 54 L/s (under 1 in 100 year dry rainfall conditions).
- The OPFS study has identified that the most cost effective and preferred option is to develop a borefield network to bridge the shortfall. However, at this stage of the study the supply aquifers have yet to be tested and the mine aquifer is imperfectly understood.
- The Tailings Storage Facility ("TSF") is proposed to be located in the north western corner of the Project site. The design is based on processing plant ore throughput of 3 Mtpa with average annual tailings production of 2.36 Mtpa or LOM tailings production of 28.3 Mt. The TSF design has therefore been sized for a LOM capacity of 32.7 Mt with the embankment to be constructed in 11 stages (over 11 years).

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- The tailings are neutralised CCD underflow, with a pH of 9 and consist of mainly fine, inert solids. The presence of low levels of sulphide minerals, primarily pyrite, may be expected from time to time. The tailings embankment has been designed with a low permeability soil liner and a spillway.
- There is currently no communications infrastructure accessible at the site. Communications will therefore need to be through mobile phone and mobile internet via satellite connections. Communications infrastructure is not envisaged to be significant, only the development of a local PABX fibre link.
- The closest public road to the project site is a public dirt road D181 that runs from Mumbwa to the Project site and is 51 km long, taking around 55 minutes to travel to site by car. From the public road, the site can be accessed by a 4km private dirt road. These roads will need to be upgraded in order to support construction and operations traffic.
- The OPFS assumes that the Zambian Government will upgrade the public portion of the road and has therefore not factored in possible capital costs required for its development.
- The estimation methodology used to estimate the capital costs is reasonable. The TSF and water storage facility have been appropriately sized based on estimated quantities determined by topography and the selected location required for construction. Similarly, roads, buildings, facilities, accommodations and roads were sized and costed according to the proposed site layout. The equipment and construction costs required were costed according to a cost database based on projects built in Africa. Particular aspects of the Infrastructure cost estimates are as follows.
 - Suitable considerations have been made for costing of the preferred option by ZESCO to provide power to the site which includes a site step-down substation and 6 km transmission lines. Including electrical development on site such as power lines, switchyard and emergency standby generator, the capital cost for power supply is estimated to be USD 30.2 M
 - The external water supply option costing presents a higher level of uncertainty as it is still at the concept stage. Due to the lower level of confidence, RPM have estimated the development of a bore field network to be in the order of USD18 million under the 1 in 100 dry rainfall scenario. This cost will be firmed up after the hydrogeology study and detailed design in the next stage of work.

Total infrastructure capital costs for the Project are estimated to be USD 95.5 M, USD 15.2 M more than the OPFS estimate which can mainly be attributed to the uncertainty of the water supply option. In RPM's opinion this appears reasonable however the assumption that the government will upgrade the main road to an acceptable standard for industry at appropriate timing may be optimistic.

- The operating costs have been estimated in a reasonable and detailed method and are acceptable. Particular aspects of the Infrastructure cost estimates are as follows.
 - Though connection fees and supply charges remain to be negotiated, power costs for commercial usage are currently around USD68/MWh. The financial model has been estimated to be USD95/MWh and RPM considers this escalation appropriate due to recent infrastructure development projects that will improve the reliability of the supply. This comes out at \$8.96/t of ore over the LOM.
 - Product Transport is based on quotes from a logistics supply company to be \$213/t of cathode.

Environmental

- A high-level review of the key environmental issues associated with the Project identified multiple studies that will need to be undertaken to refine environmental management planning. These include additional hydrogeology and geochemistry assessments, as well as ecological studies to identify the need for protection of sensitive flora and fauna species. Social impact assessment will be undertaken to minimize potential negative effects, while promoting positive effects such as job creation. There is also the potential for the use of biodiversity offsets to compensate for any direct impacts to biodiversity that the Project may have. The Project will be designed to conform to the IFC Environmental, Health and Safety Guidelines for Mining.

Attachment B: Independent Technical Expert's Report (continued)

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- The Project will require an environmental authorization from the Zambia Environmental Management Agency (ZEMA). This authorization will be provided upon formal approval of the Environmental Impact Statement (EIS). The EIS was submitted by BTR to ZEMA in March, 2014. Authorization by ZEMA of the submitted EIS is pending. In addition the Project will require obtainment of a Mining Right (also issued by ZEMA) and Water Use Authorizations upon final identification of a make-up water supply source. Additional permits may be required and would be identified in a legal review undertaken during the DFS phase of development.
- Final designs will be developed to minimize the impact of the Project on surface water and groundwater. Geochemical assessment of a sample produced from batch metallurgical testwork indicates that tailings may produce a small amount of acid under extreme oxidizing conditions. Tailings are currently classified as Potentially Acid Forming – Low Capacity. Analysis of tailings supernatant water quality indicates several parameters would be present in concentrations that would exceed guidelines for release to the environment. Knight Piesold has prepared a Tailings Management Design Optimisation Study. The TSF design includes use of a geosynthetic or low permeability soil liner to minimize seepage. A toe drain and under drainage collection system will collect seepage and route it to the process circuit. A cut-off trench will be installed down gradient of the TSF to capture any remaining seepage.
- Approximately 2 Mt of waste rock will be generated during operations. It is anticipated that much of this waste rock will be used as source of construction material for the TSF. The waste rock dump will be located adjacent to the mine box cut to minimize haulage distance. The dump will be designed with sediment and seepage collection structure, and any contaminated seepage or runoff will be pumped to a water storage dam for use in the plant process circuit.
- There is a risk to corporate reputation if Blackthorn is blamed for irresponsible environmental and social management practices of other foreign mining companies operating in Zambia. There may also be more localized frustration if expectations of corporate social responsibility programs are not met. To mitigate this risk Blackthorn will target procurement policies to benefit local communities and continue public consultation with grass-roots communities and vulnerable groups.
- Rehabilitation and closure liability are presented in the OPFS. The provision calculated for early end of year 1 closure is USD4.4M. The total financial liability at the end of mine life is estimated at USD32.9M. Of this amount USD6.6M would be allocated for progressive closure to be implemented during the operations phase. Following progressive rehabilitation an estimated USD26.4M would be required at financial closure. These figures include removal of all infrastructure, rehabilitation, and post-closure maintenance and monitoring. RPM considers this an adequate estimation of closure liability.
- The risk of delays on granting of required operational and environmental permits must be carefully managed to ensure potential delays do not impact on the Project.

The key opportunities identified for the Project during the review are outlined below:

- A portion of the remaining 3.4 Mt of Inferred Mineral Resource (at a 1% Cu cut-off) that has not been included in the current mine design, may justify inclusion in a future mine design with additional drilling.
- There is a near-mine (within 2 km of the Kitumba Mineral Resource) Exploration Target of 30 to 80 Mt at a grade of 0.5 to 1.5% Cu. This is included in poorly defined Inferred Resource and extensions to the Resource. Additional geologic work including drilling is required to confirm this potential. For this review its value is included in the Exploration ground valuation.
- A number of high priority targets have been identified via soil sampling, geophysics and geologic reasoning which could further increase the resource base. These targets range from near surface to conceptual and hidden and although at an early stage of exploration, warrant additional work in the near term.
- The potentially lower operating cost block cave mining method might be feasible at Kitumba to reduce mining operational costs.
- Further analysis of mining at greater than 1% Cu COG is recommended to potentially reduce the risk and add value.



- Future studies to review the direction of the cave and thereby improve the schedule might optimise the grade and processing profile.
- Simplifying and rationalising parts of the processing plant (e.g. the frother circuit) could decrease capital and operating costs.
- Incorporating a reductive atmospheric leach after the oxidative atmospheric leach would improve copper recovery by several percent, depending upon the mineralogy.
- Optimising the size of equipment such as the milling circuit and the thickeners, particularly the CCDs, based on better data from more testwork, would likely reduce costs.
- Use of 'quality certified' Chinese equipment and African based EPCM contractors with a demonstrated track record may decrease capital costs.
- Use of pyrite concentrates instead of copper concentrates may decrease operating costs.
- Recovering acid through nano-filtration could minimise neutralisation costs as well decrease the size of the limestone and lime circuits.
- Blackthorn should consider three stage lifts in the next stage of tailings dam design. Though this may require more capital initially it is likely to be more cost-effective over the LOM.
- In order to expedite the development of infrastructure prior to the commencement of operations Blackthorn should work closely and proactively with the public authorities and consider helping fund major infrastructure developments that are the key to the Project execution.
- Once the mine and make-up supply aquifers are adequately tested and the work confirms ability to supply the make-up water for the operation, the capital cost estimated by RPM could be significantly reduced.
- There is the potential to compensate for impacts to biodiversity of the mining operation by actively allowing management of wildlife within the unused areas of the Project.
- As there is a rich archeological history in the region and conservation is a priority programs can be developed to maintain good relations with local communities.

The key risks identified to the Project during the review are outlined below:

- The primary metallurgical risk is copper recovery, particularly atmospheric leach recoveries as well as flotation recoveries. This results in uncertainties about the copper recoveries.
- A recovery risk arises because of the lack of direct testing of the atmospheric leach circuit on the proposed feed (flotation tailings and POX discharge) using the proposed secondary oxidant (air or oxygen enriched air) based on schedule relevant samples.
- The sizing of the air blower and the potential additional oxygen requirement for the atmospheric leach are reliant on the performance of the 'hypersparger'
- Insufficient testwork and mineralogical understanding, particularly for the ores mined during the early years. A large number of samples, preferably by quarters, need to be tested and mineralogically examined for at least the first 5 years. More comminution and dewatering testwork is also required.
- Testwork needs to be conducted in duplicate or triplicate to identify the impact of mineralogical variability on metallurgical responses between test charges prepared from the same homogenised master composite.
- There is likely a shortage of skilled local labour in the area and hence this may cause start-up inefficiencies until skill levels improve. Also the retention of key management personnel onsite is critical to achieving development of the Project on time and within Budget.
- RPM believes the main infrastructure risk to the Project is the reliance on the public authorities to commission the major infrastructure required to support its development. For example, closing of the national grid loop between Kulimbila and Lusaka West relies on ZESCO to commission double circuit transmission lines across 500 km of the country. Blackthorn should work closely with ZESCO to develop these projects in a timely manner.

Attachment B: Independent Technical Expert's Report (continued)

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- Power supply in Zambia has historically been unstable with numerous power outages reported as power generation only just meets demand. Hydropower accounts for around 95% of electricity supply where the maximum electricity generation is during the rainy season during the first half of the year. However mining is most productive during the second half of the year when hydropower generation is lower. If the country suffers frequent power outages then the project would need to supplement their grid power with costly standby diesel generators (4 times the cost of grid power and a significant capital cost). An analysis needs to be undertaken and both the risk and potential shortfall costs need to be identified and quantified and a mitigation strategy developed and costed.
- The Project requires water from an external source to make up water requirements of the operation which will represent a significant capital cost. Conceptual designs identify the most cost effective possible supply is from bore fields, however the aquifers are yet to be tested. Uncertainty about this source of supply may mean higher than expected capital spending. The fall back solution is to install a pipeline and booster pump from the project site to the Kafue River 30 km away, however preliminary estimates suggest this to be significantly more capital intensive.

Refer to **Section 14** for further details on risks and opportunities.

Valuation of Exploration Areas

The Kutimba Project includes exploration licence areas surrounding the planned development area. These include the Mumbwa, Musafwa, Kachindu, Kabwera and Nyoko licences. These are at different stage of exploration and assessment with the highly prospective Mumbwa area at a more advanced stage where a planned exploration expenditure of USD1.6 million is budgeted for FY2015. A value estimate of these areas has been derived by using a combination of VALMIN (2005) acknowledged methodologies, including: Geoscience Factor, Multiple of Exploration Expenditure and Comparative Transaction as appropriate. The valuations attributed to each methodology and the preferred values are presented in the **Table 3**.

Table 3 Kitumba Exploration Ground Value Estimates

Area	Geoscience	MEE (Average)	Comparative (Average)	Overall Average (USD)	Preferred Value (USD)
Mumbwa	2,383,217	5,853,110	3,178,462	3,804,930	3,804,930
Musafwa	80,352	150,062	329,958	186,791	115,207
Kachindu	220,173	209,170	327,434	252,359	214,671
Kabwera	59,552	67,688	236,171	121,137	63,620
Nyoko	459,078	164,336	409,636	344,350	344,360
Total	3,202,373	6,444,397	4,481,662	4,709,477	4,542,789

RPM concludes that a reasonable value for the exploration areas in an open and unrestricted market between a willing buyer and willing seller in an "arm's length" transaction, with each party acting knowledgeably, prudently and without compulsion is between USD3.2 million and USD6.4 million with a preferred value of **USD4.5 million**. This is a "Technical value" with no premium or discount applied.

RPM Qualifications and Experience

RPM provides advisory services to the mining and finance sectors. Within its core expertise it provides independent technical reviews, resource evaluation, mining engineering and mine valuation services to the resources and financial services industries.

RPM has independently assessed the Relevant Assets by reviewing pertinent data, including resources, reserves, manpower requirements and the life of mine plans relating to productivity, production, operating costs and capital expenditures. All opinions, findings and conclusions expressed in this Report are those of RPM and its specialist advisors.



Drafts of this report were provided to the Clients and EYTAS, but only for the purpose of confirming the accuracy of factual material and the reasonableness of assumptions relied upon in this Report.

RPM has been paid, and has agreed to be paid, professional fees based on a fixed fee estimate for its preparation of this Report. None of RPM or its directors, staff or specialists who contributed to this report has any interest or entitlement, direct or indirect, in:

- Blackthorn or Intrepid, securities of Blackthorn or Intrepid or companies associated with Blackthorn or Intrepid; or
- EYTAS, or companies associated with EYTAS;
- the right or options in the Relevant Assets; or
- the outcome of any proposed transaction.

RPM does not warrant the completeness or accuracy of information provided by Blackthorn which has been used in the preparation of this report.

The title of this report does not pass to the Clients until all consideration has been paid in full.

Generally, the data available was sufficient for RPM to complete the scope of work. The quality and quantity of data available, and the cooperative assistance, in RPM's view, clearly demonstrated Blackthorn's assistance in the ITSR process.

Yours faithfully,



Mr Robert Dennis
Executive Consultant – Geology and Mining
Runge Pincock Minarco

Attachment B: Independent Technical Expert's Report (continued)

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Kitumba Copper Project, Zambia Independent Technical Specialist's Report

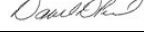
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Attachment B: Independent Technical Expert's Report (continued)

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This report has been produced by or on behalf of RungePincockMinarco Limited ("RPM") solely for Blackthorn Resources Limited ("Blackthorn") and Intrepid Mines Limited ("Intrepid") (each a "Client" and collectively the "Clients").

RPM has further agreed to provide a copy of this report to Ernst & Young Transaction Advisory Services Limited ("EYTAS") who have been engaged by Blackthorn to prepare an Independent Experts Report in relation to the proposed transaction between Blackthorn and Intrepid whereby Intrepid intends to acquire all the shares in Blackthorn via a scheme of arrangement ITSR ("Purpose").

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A1 Annexure A – Qualifications and Experience

A2 Annexure B – Glossary of Terms

1. Introduction

RungePincokMinarco ("RPM") has been engaged by Blackthorn Resources Limited ("Blackthorn" or "Company") and Intrepid Mines Limited ("Intrepid") (each a "Client" and collectively the "Clients") to undertake an Independent Technical Specialist's Report ("ITSR") in relation to the Kitumba Copper Project located in Zambia, Africa (the "Project").

RPM has further agreed to provide a copy of the ITSR to Ernst & Young Transaction Advisory Services Limited ("EYTAS") who have been engaged by Blackthorn to prepare an Independent Experts Report in relation to the proposed transaction between Blackthorn and Intrepid whereby Intrepid intends to acquire all the shares in Blackthorn via a scheme of arrangement.

The relevant assets under review in the ITSR are the Kitumba Copper Project (hereafter referred to as the "Project" or "Kitumba") and adjacent exploration tenements located in central Zambia and owned and operated by Blackthorn. A Mineral Resource and Ore Reserve estimate prepared in accordance with the JORC Code (2012) has been completed on the Project. The Ore Reserve estimate is supported by a Pre-feasibility Study completed in 2014. Development of the Project has not commenced as at September 2014 and the Project will be subject to a Definitive Feasibility Study as the next step prior to the development of Project.

1.1 Scope of Work

RPM's scope of work included:

- Review of the relevant data and reports available with respect to Blackthorn's underlying mineral assets (i.e. Kitumba and the Mumbwa Exploration tenements) in order to provide a technical and geological description of those assets;
- With respect to Kitumba, review of the geology, Mineral Resources and Ore Reserves, development plans, production schedules, processing methods, mining aspects, operating costs and capital costs per the Optimised Prefeasibility Study ("OPFS");
- Consideration of the Kitumba life of mine model prepared as part of the OPFS (the "LOM Model") to determine the reasonableness of the technical and operational assumptions upon which they are based, including the Resources and Reserves, mine life, operating costs and capital costs. EYTAS were responsible for the economic and financial assumptions around commodity prices, exchange rates, inflation rates, discount rates and taxation analysis;
- Consideration of any extension for any Resources at Kitumba not included in the LOM Model and the value of those Resources and/or exploration potential; and
- Assessment of the fair market value of the Mumbwa Exploration tenements.

1.2 Relevant Assets

The Relevant Assets for review are:

- The Kitumba Copper Project which is contained within 5 exploration licences
- Satellite exploration targets within the Mumbwa tenement (8589 HQ-LPL) and the other 4 adjacent exploration tenements listed in **Table 2-1**.

1.3 Review Methodology

RPM's ITSR methodology was as follows:

- Review existing reports and data,
- Rely on a Competent Person's site visit,
- Discussions with Project personnel of Blackthorn,
- Preparation of the ITSR and provision of drafts of the ITSR to Client's personnel to ensure factual accuracy and reasonableness of assumptions.

The comments and forecasts in this ITSR are based on information compiled by enquiry and verbal

Attachment B: Independent Technical Expert's Report (continued)

comment from the Clients and specifically personnel from Blackthorn. Where possible, this information has been checked with hard copy data or by comment from more than one source. Where there was conflicting information on issues, RPM used its professional judgment to assess the issues.

1.4 Site Visits and Inspections

A site visit was conducted by the study manager to become familiar with the Project characteristics including inspect the geology, drill core and the topographic conditions present at the site as well as infrastructure present. The site visit was undertaken in January 2013 by Mr. Robert Dennis. During the site visit, Mr Dennis had open discussions with Blackthorn's personnel and MSA Group's ("MSA") personnel on technical aspects relating to the relevant issues and in particular the geologic data supporting and the estimation methodology of the Mineral Resource. Blackthorn's and MSA personnel were cooperative and open in facilitating RPM's work.

1.5 Information Sources

The primary information source was the PFS Optimisation Study ("OPFS") completed by Lycopodium Minerals Pty Ltd ("Lycopodium") in May 2014. The OPFS contains various specialist studies included as Appendices and where further supporting information was required it was supplied from Blackthorn's internal Project files. A full list of the relevant reports can be found in Annexure C.

1.6 Competent Person and Responsibilities

The statements of the Report fall into two areas; Technical Assessment of the Mineral Resource and the Ore Reserve identified and studied by the OPFS and the Valuation Report on the Resource, Resource potential and Exploration areas outside of the Mining Reserve.

1.6.1 Technical Assessment Report based on OPFS

Geology, Exploration and Resources

The information in this report that relates to Geology and Exploration is based on information compiled by Mr. Robert Dennis who is a full-time employee of RPM and a Member of the AusIMM and the AIG. Mr. Dennis has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the JORC Code.



Mr Robert Dennis

Mr Dennis was assisted by Mr Shaun Searle who assisted in review of the data supporting the Resource estimate and the estimation methods under the guidance of Mr Dennis. Mr Searle is a member of the AusIMM.



Mr Shaun Searle

Mining and Ore Reserves

The information in this report that relates to Mining and Ore Reserves is based on information reviewed by Mr. Joe McDiarmid who is a full time Senior Mining Engineer employed by RPM and is a Member of the AusIMM. Mr. McDiarmid has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the JORC Code.



Mr. Joe McDiarmid

Processing and Infrastructure

The information in this report that relates to Mining and Ore Reserves is based on information reviewed by Mr. Andrew Newell who is a full time Executive Consultant-Processing employed by RPM and is a Member of the AusIMM. Mr. Newell has sufficient experience which is relevant to Processing the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the JORC Code.



Mr Andrew Newell

Mr Newell was assisted by Mr James Tang who assisted in review of the data supporting the choice of Infrastructure and the costs under the guidance of Mr Newell.



Mr James Tang

Environmental Compliance

The information in this report that relates to Environmental Compliance is based on information reviewed by Mr. Dana Strength who is a RPM Associate, employed by RPM and is a Member of the AusIMM. Mr. Strength has sufficient experience which is relevant to Environmental legislation and practice in Zambia to comment on the Environmental factors affecting the Project.



Mr Dana Strength

Technical Assessment Project Management

Mr. Robert Dennis has overall responsibility for compilation of the Report. His relevant experience, membership and qualifications include:

- Greater than five years' experience relevant to the type of deposit;
- Member of the AusIMM and the AIG;
- Has a BSc(Hons, First Class) majoring in Geology from the University of Queensland (St Lucia);
- Does not have economic or beneficial interest (present or contingent) in any of the reported Relevant Assets;
- Has not received a fee dependent on the findings outlined in the Report;
- Is not an officer, employee or proposed officer for the Clients or any group, holding or associated company of the issuer, and
- Assumes overall responsibility for the Report.



Mr Robert Dennis

Attachment B: Independent Technical Expert's Report (continued)

1.6.2 Valuation of the Exploration Assets

The information in this report that relates to Valuation of the Exploration is based on information compiled by Mr. Steve Hinde and Mr Phil Mitchell who are full-time employees of RPM and a Member of the AusIMM and the AIG. Mr. Steve Hinde and Mr Phil Mitchell have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Persons as defined in the VALMIN Code.



Mr Steve Hinde



Mr Phil Mitchell

1.6.3 Team Responsibility

As part of the Team, members who have worked to compile this report include the following:

- Mr Robert Dennis – Robert was responsible for Geology, Resource, and Exploration and for overall Project Management.
- Mr Shaun Searle – Shaun assisted Robert specifically in the assessment of the Resource and supporting data as well as near mine exploration potential.
- Mr Joe McDiarmid – Joe was responsible for the review of the Mining, Mining Relevant Infrastructure and the Reserve.
- Dr Andrew Newell – Andrew was responsible for Processing and Infrastructure.
- Mr James Tang – Assisted in the review of the infrastructure designs and costing's.
- Mr Dana Strength – Dana was responsible for the review of Environmental approvals and plans.
- Mr Igor Bojanic – Igor was responsible for the internal peer review of the Report.

1.7 Limitations and Exclusions

RPM's review was based on various reports, plans and tabulations provided by Blackthorn either directly from the Project site and other offices, or from reports by other organisations whose work is the property of Blackthorn. Blackthorn has not advised RPM of any material change, or event likely to cause material change, to the planned operations or forecasts since the OPFS and date of asset inspections.

The work undertaken for this Report is that required for a technical review of the information, coupled with such inspections as the Team considered appropriate to prepare this Report.

It specifically excludes all aspects of legal issues, commercial and financing matters, land titles and agreements, except such aspects as may directly influence technical, operational or cost issues and where applicable to the JORC Code guidelines.

RPM has specifically excluded making any comments on the competitive position of the Relevant Asset compared with other similar and competing producers around the world. RPM strongly advises that any potential investors make their own comprehensive assessment of both the competitive position of the Relevant Asset in the market, and the fundamentals of the copper markets at large.

1.7.1 Limited Liability

This Report has been prepared by RPM for the Clients with respect to the Project. RPM has further agreed and consented (pursuant to a letter of consent executed between RPM and EYTAS) for EYTAS to use and include the Report in EYTAS's Independent Expert's Report in respect of the proposed transaction between Blackthorn and Intrepid in accordance with the Listing Rules and is not

to be used or relied upon for any other purpose. RPM will not be liable for any loss or damage suffered by a third party relying on this report or any references or extracts therefrom contrary to the purpose (regardless of the cause of action, whether breach of contract, tort (including negligence) or otherwise) unless and to the extent that RPM has consented to such reliance or use.

1.7.2 Responsibility and Context of this Report

The contents of this Report have been based upon and created using data and information provided by or on behalf of Blackthorn. RPM accepts no liability for the accuracy or completeness of data and information provided to it by, or obtained by it from Blackthorn or any third parties, even if that data and information has been incorporated into or relied upon in creating this report. The report has been produced by RPM in good faith using information that was available to RPM as at the date stated on the cover page and is to be read in conjunction with the circular which has been prepared and forms part of the referenced transaction.

The Report has been produced by RPM in good faith using information that is available to RPM as at the date stated on the cover page. This report contains forecasts, estimates and findings that may materially change in the event that any of the information supplied to RPM is inaccurate or is materially changed in any way. This Report cannot be relied upon in any way if the information provided to RPM changes. RPM is under no obligation to update the information contained in the report.

Notwithstanding the above, in RPM's opinion, the data and information provided by or on behalf of Blackthorn was reasonable in the context of a report of this nature and nothing discovered during the preparation of this Report suggests that there was a significant error or misrepresentation of such data or information.

1.7.3 Indemnification

Blackthorn and Intrepid have indemnified and held harmless RPM and its subcontractors, consultants, agents, officers, directors, and employees from and against any and all claims, liabilities, damages, losses, and expenses (including lawyers' fees and other costs of litigation, arbitration or mediation) arising out of or in any way related to:

- RPM's reliance on any information provided by Blackthorn; or
- RPM's services or materials including the Independent Technical Specialist Report prepared by RPM for Blackthorn and Intrepid; or
- Any use of or reliance on these services or material, save and except in cases of death or personnel injury, property damage, claims by third parties for breach of intellectual property rights, gross negligence, wilful misconduct, fraud, fraudulent misrepresentation or the tort of deceit, or any other matter which be so limited or excluded as a matter of applicable law (including as a Competent Person under the Listing Rules), and regardless of any breach of contract or strict liability by RPM.

RPM has entered into a consent letter to permit EYTAS to rely upon the conclusions and factual material contained in RPM's Independent Technical Specialist Report for the purpose of preparation by EYTAS of an Independent Experts Report in relation to the proposed transaction between Blackthorn and Intrepid whereby Intrepid intends to acquire all the shares in Blackthorn via a scheme of arrangement. The terms of that consent require EYTAS to indemnify and hold RPM harmless from any claims, liabilities, losses, fines, reasonable costs and expenses (including lawyers' costs on a solicitor-client basis) arising directly from or relating to any breach by EYTAS or any of its directors, officers, employees, agents or contractors of any term of that consent letter.

1.7.4 Mining Unknown Factors

The findings and opinions presented herein are not warranted in any manner, expressed or implied. The ability of any person including the operator, or any other related business unit, to achieve forward looking production and economic targets is dependent upon numerous factors that are beyond RPM's control and which cannot be fully anticipated by RPM. These factors include site specific mining and geological conditions, the capabilities of management and employees, availability of funding to properly operate and capitalise the operation, variations in cost elements and market

Attachment B: Independent Technical Expert's Report (continued)

conditions, developing and operating the mine in an efficient manner, etc. Unforeseen changes in legislation and new industry developments could substantially alter the performance of any mining operation.

1.7.5 Capability and Independence

RPM provides advisory services to the mining and finance sectors. Within its core expertise it provides Independent Expert reviews, resource evaluation, mining engineering and mine valuation services to the resources and financial services industries.

RPM has independently assessed the Relevant Assets of the Project by reviewing pertinent data, including resources, reserves, manpower requirements and the life of mine plans relating to productivity, production, operating costs and capital expenditures. All opinions, findings and conclusions expressed in this Report are those of RPM and its specialist advisors.

Drafts of this Report were provided to EYTAS and the Clients, but only for the purpose of confirming the accuracy of factual material and the reasonableness of assumptions relied upon in this Report.

RPM has been paid, and has agreed to be paid, professional fees based on a fixed fee estimate for its preparation of this Report. Its remuneration is not dependent upon the findings of this Report or on the outcome of the transaction.

None of RPM or its directors, staff or specialists who contributed to this Report have any economic or beneficial interest (present or contingent), in:

- the Project, securities of the companies associated with the Project or that of Blackthorn; or
- the right or options in the Relevant Assets; or
- the outcome of the proposed transaction.

This ITSR was compiled on behalf of RPM by the signatories to this ITSR, details of whose qualifications and experience are set out in Annexure A of this ITSR. The specialists who contributed to the findings within this ITSR have each consented to the matters based on their information in the form and context in which it appears.

2. Project Description

The Project is contained within 5 exploration licences (Figure 2.2) and consists of one discrete Cu deposit containing low Co and U concentrations and trace Au levels. The mineralization occurs adjacent to the major Kitumba Fault Zone ("KFZ") as an intense vein system which has partially healed the brecciated host rocks. Copper mineralisation at Kitumba comprises a simple hypogene sulphide assemblage that is extensively overprinted by a complex largely redistributed supergene oxide assemblage. A significant proportion of the mineralisation occurs in the form of secondary copper minerals, where it occurs as malachite, chalcocite, cuprite, native copper and limonite after sulphides. Hypogene mineralisation at Kitumba mainly occurs as disseminated pyrite and subordinate chalcopyrite, associated with stockwork veining and brecciation.

The mineralised body is planned to be exploited via underground sub-level cave mining methods. Initial ore production is planned to occur three years from project initiation in 2015. The Project is currently in the project definition stage with a pre-feasibility study completed and a definitive feasibility study planned.

Based on the OPFS Reserves estimates, the Life of Mine ("LOM") is forecast to be approximately 11 years with first development ore produced 11 months of cutting the mine portal and full ore production achieved approximately just over 12 months later. At full production the mine will process approximately 3 Mt of ore per annum as well as up to 40,000tpa of purchased concentrate for the first 6 years to produce up to 70 kt of copper cathode per year. Current plans are for the Project to commence production in 2018.

2.1 Project Location and Access

The Project is located in west central Zambia, approximately 200 km west of the capital, Lusaka and 40km North West of Mumbwa township, refer Figure 2.1, below. The Project is readily accessible from Lusaka via a sealed highway then via unsealed road from Mumbwa. Road travel from Lusaka to Mumbwa takes approximately 3 hours and the road from Mumbwa to site currently takes an additional hour of travel but this will be improved when the road is upgraded for the Project.

2.2 Regional Environment

2.2.1 Geography

The site topography is undulating with four to five hills along the east and north eastern boundary of the site. From the central area the site slopes to the west with a reducing slope flattening out to plains outside of the lease boundary. Relief in the area is approximately 200m with the plains lying at approximately 1,000m to 1,300m RL. Slopes are generally moderate to steep around the Project area.

Most local drainages are dry with the rainfall percolating into the substrate shortly after storm events or forming swales in lowland areas.

Vegetation consists substantially of open woodland and under canopy grass together with occasional areas of open grassland. Vegetation is naturally propagated.

2.2.2 Climate

The regional climate is mild, being wet and humid in the summer and cool and dry in the winter. Maximum temperatures in the cool season range from 15°C to 27°C while minimum temperatures vary from 6°C to 10°C. Occasional frosts occur on calm nights in valleys and hollows which are sheltered from the wind. Prevailing winds during this season are dry south-easterlies and cause cloudy to overcast conditions. During the hot season the maximum temperatures range from 27°C to 35°C. Annual precipitation averages 0.82 m with the majority falling between November and March.

2.2.3 Industry

Small scale malachite mining by local and foreign parties has been undertaken in the close proximity to the Project site. Tourism is a major earner of income via the Kafue National Park, located to the west of the proposed mining area and established in the 1950s. It is the largest National Park in Zambia, and covers an area of approximately 22,500 km².

Attachment B: Independent Technical Expert's Report (continued)

There are a number of farms in close proximity to the proposed site. Livestock farming (mainly cattle) as well as small and medium scale subsistence farming are currently undertaken towards the south-west and east of the site.

Very limited crop cultivation occurs in the direct vicinity of the site mostly due to the climatic conditions and poor soils. Limited livestock grazing occurs in the area at the start of the rainy season when burned areas support the palatable growth stage of the grasses. The presence of tsetse fly also limits these activities. No agricultural activities are supported in the Mushingashi Conservation area or within the Kafue National Park or the applicable buffer zones.

Figure 2.1 – Location Map



Attachment B: Independent Technical Expert's Report (continued)

2.3 Regional and Local Infrastructure

There is little established infrastructure in the local area to support large scale mining activities. There is an unsealed access road from Mumbwa to Kasempa which requires upgrading to support the Project. ZESCO (the Zambian power supply authority) has plans to build a 330kV line mostly along the general alignment of the Mumbwa to Kasempa Road as far as Kitumba which will be able to supply power to the site under one of the power supply options. ZESCO also intends building a new substation in Mumbwa to act as an input point for power to be generated from the Itezhi Tezhi Hydropower Project which is under construction. The Mumbwa substation features in two additional power supply options for the Project.

The township of Mumbwa is small but may be able to supply some local labour to the Project.

The main source of supply of materials to the Project is likely to be Lusaka because of the sealed highway access and the availability of many services in the capital. The nearest port to the Project is Dar es Salaam which is connected to Lusaka by rail and sealed highway allowing ready transport of material and product.

2.4 Future Studies and Expansion Option Studies

RPM is aware that Blackthorn intend accelerating their exploration efforts within their held tenements to locate additional Resource to extend or expand the operation. The Resource at Kitumba will be the subject of a Definitive Feasibility Study ("DFS") prior to development of the Project.

The probability of significantly expanding the Resources base with additional drilling is reasonable.

2.5 Licences and Permits

2.5.1 Mineral Concessions and Surface Rights

The Project is contained within 5 exploration licences (Figure 2.1 and Table 2.1) which are currently held by Blackthorn.

The Project Mining Licence was applied for by Blackthorn in July 2014.

RPM provides this information for reference only and recommends that land titles and ownership rights be reviewed by legal experts.

2.5.2 Other Rights-of-Way and Expansion and Usage Permits

It is assumed that as ZESCO will be providing power, the right-of-way for the power transmission line will be automatically given along the Mumbwa – Kasempa - Kalumbila access corridor.

2.5.3 Environmental and Operating Permits

The EIS was submitted by Blackthorn in March 2014 and is pending approval by the Environmental Council of Zambia (ZEMA).

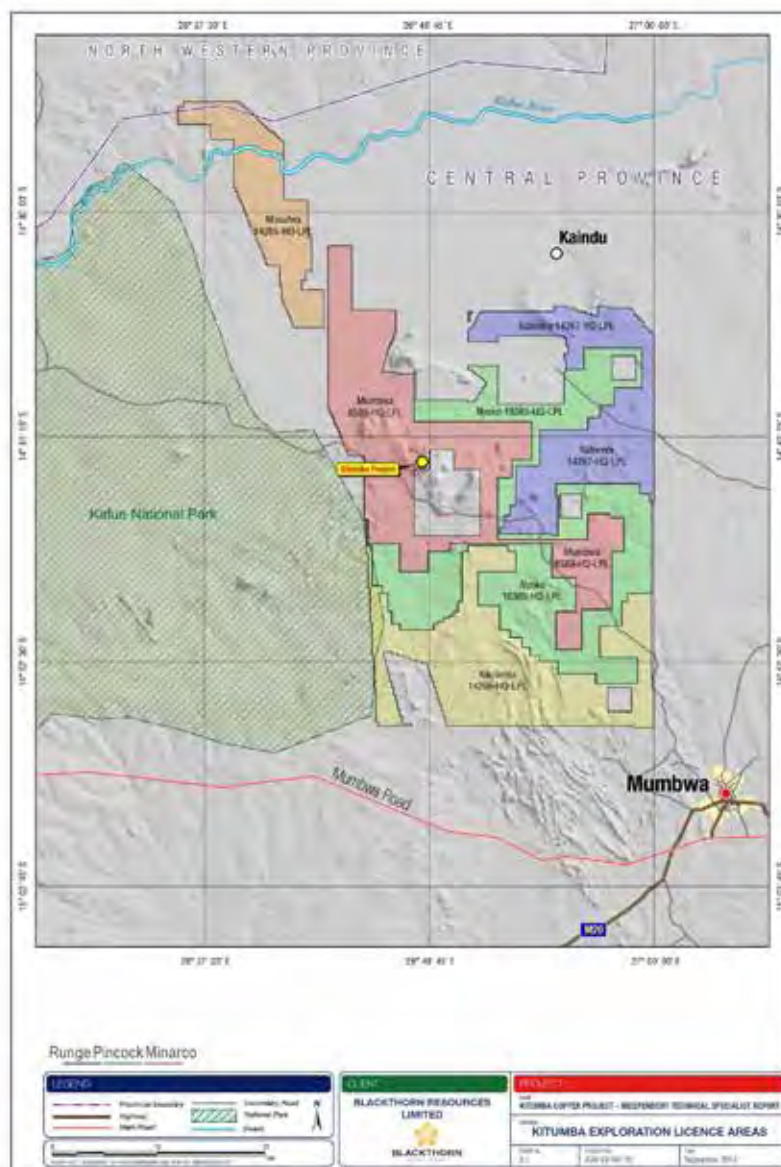
The Project also requires water permits from the Director of Mines which would be applied for following groundwater exploration.

Table 2.1 – Exploration License Details

Name	Number	Grant Date	Next Anniversary	Area (km ²)
Mumbwa	8589-HQ-LPL	14/11/2007	N/A ⁽¹⁾	248
Musafwa	14265-HQ-LPL	16/06/2011	15/06/2015	93
Kachindu	14266-HQ-LPL	6/07/2011	5/07/2015	204
Kabwera	14267-HQ-LPL	21/09/2012	20/09/2014	147
Nyoko	16385-HQ-LPL	28/12/2012	27/12/2014	255

⁽¹⁾ Application for renewal has been submitted with approval pending

Figure 2.2 – Mineral Concession Area



Attachment B: Independent Technical Expert's Report (continued)

2.6 Project History

2.6.1 Exploration History

The Mumbwa area has historic artisanal copper mines dating from the late 19th century. It has been explored for copper deposits since the mid-1990s and for large iron oxide – copper – gold ("IOCG") style deposits since the 2004. The IOCG potential of the region was originally identified using early era airborne magnetic data commissioned by the United Nations Development Program (UNDP). This data was followed up by ground reconnaissance sampling and mapping. The relationship between copper and gold anomalism and the Hook intrusive suite was identified and an IOCG style of mineralisation, similar to Olympic Dam and Prominent Hill postulated.

The progression of exploration is given in Table 2.2.

In summary; BHP deployed the Falcon airborne gravity system to gather gravity, magnetic, radiometric and topographic information over the area in 2004. This work and geologic mapping provided the high resolution data necessary to adequately target for IOCG mineralisation. The first follow-up hole intersected the Kitumba mineralisation. This was followed up with definition drilling to define a maiden Resource.

Subsequently, BHP targeted the wider area in the hope that mineralisation of the size of Olympic Dam could be discovered. However, the follow-up drilling, while claimed as a technical success, intersected only relatively low grade mineralisation.

Following this the drilling work was focussed on defining the Kitumba Resource and supporting the mining and processing studies necessary to determine the economic possibilities of the mineralisation. This has been completed to a large degree and currently Blackthorn is re-focussing exploration efforts to determine whether other mineralisation which could support extension or expansion of the current mine plans might be found.

Table 2.2 – Exploration Campaign Summary

Phase	Years	Work Completed	Outcomes	Recommendations
Phase 1	1993 to 2004	Early Exploration. Review of UNDP airborne magnetic data. Flying of Falcon airborne gravity gradiometer (AGG) for high-resolution gravity, magnetic and radiometric data in 2004.	Three targets were identified, Kitumba, Mushingashi and Mutoya forming a 25 km long structural corridor with associated gravity and magnetic anomalism.	A drilling program consisting of 11 holes for 5,700 m was proposed for Phase 2 exploration.
Phase 2	2006 to 2007	The Phase 2 drilling program in 2006-2007 completed 8 holes for a total 4,105m.	The Kitumba discovery hole S36-001 was drilled.	Resource definition drilling was recommended.
Phase 3	2007 to 2009	Phase 3 involved grid drilling around S36-001 comprising 27 holes for a total of 14,700 m.	A maiden Mineral Resource estimate was released in October 2009 stating 87 Mt at 0.94% Cu using a 0.5% Cu cutoff in the Inferred category.	Further infill drilling to improve Resource confidence was recommended.
Phase 4	2009 to 2010	This drilling targeted the Mutoya and Mushingashi anomalies and involved drilling under the covering "Karoo" sediments. A total of 18,671m from 26 holes were drilled.	The drilling failed to locate additional ore grade intercepts.	Drilling work was re-focussed on the Kitumba Resource area.
Phase 5	2011 to 2012	This program comprised 10,934 m of drilling in 21 holes.	The drill results formed the basis of an updated Resource of 79.9mt at 1.33%Cu in the Indicated Category and 107.1Mt at 1.0%Cu in the Inferred Category using a 0.5% Cu cutoff.	Mining and processing studies as well as additional drilling were recommended.
Phase 6	2012	Phase 6 drilling was completed in the first quarter 2012 for a total of 15,846m.	The Resource was upgraded to 87.6Mt at 1.17%Cu in the Indicated Category.	Further mining, processing studies and drill recommended.
Phase 7	2013	The Phase 7 drill program comprised a total of 9533 m drilled in 17 new holes plus extension of two existing holes.	Resource was upgraded to 34.7 Mt at 2.29% Cu for a total of 795,000 tonnes of copper in the Measured and Indicated categories at a 1% cut-off.	PFS study completed in 2014.

Source: Provided by Blackthorn, OPFS document, BTRZ_Q2_2014_Quarterly_Report_Mumbwa_8589

Attachment B: Independent Technical Expert's Report (continued)

2.6.2 Mining History

No production has occurred as at the effective date of this Report.

A 120 personnel camp equipped with a mess, first aid, offices and diesel generators are on site.

Table 2.3 – Mineral Concession Area



3. Geology

RPM has reviewed the geology within the Project area, on both a regional and deposit scale and considers the geology is well understood and developed through the generation of geological maps, stratigraphic definitions (sedimentary sequence, dating and paragenetic history), geological cross sectional interpretations, and three-dimensional models.

3.1 Regional Geology

The Mumbwa licence area falls within a larger tectonic province referred to as the Lufilian Arc or Lufilian Belt (see Figure 3.1).

The Lufilian Arc is described as a large acuate structure covering eastern Angola, the southern Democratic Republic of Congo ('DRC') and north-western Zambia. This Neoproterozoic-Lower Palaeozoic arc forms a segment of a system of Pan-African orogenic belts traversing central and southern Africa. The Mwembeshi Shear Zone ('MSZ'), a prominent, crustal scale east-northeast trending shear zone extends across Central Zambia, and separates the Lufilian Arc from the Zambezi Belt in the south. To the west it is flanked by the Mesoproterozoic (1.4 - 1.0 Ga) Kibaran Belt and to the southeast by the Mesoproterozoic Irumide Belt (sourced from Blackthorn website).

3.2 Mineralisation Style (MSA, 2014)

Kitumba is considered to be an IOCG type deposit. IOCG's include a diversity of types ranging from Kiruna-type monometallic (Fe ± P) to Olympic Dam type polymetallic (Fe ± Cu ± Au ± U ± REE) systems. They comprise a broad variety of mineralisation styles that are grouped together because they contain hydrothermal magnetite and/or specular hematite as major accompaniments to chalcopyrite ± bornite. Apart from copper the deposit contains anomalous amounts of Au, Co, U, REE, Mo, Zn, Ag, Nb and P may also be present.

IOCG deposits vary between magnetite-apatite deposits with actinolite or pyroxene (Kiruna type) and hematite-magnetite deposits with varying amounts of copper sulphides, Au, Ag, U and REE (Olympic Dam type). These systems usually are characterised by >20% iron oxides. Iron rich zones, breccia and alteration halos associated with IOCG systems can reach hundreds of metres in width and many kilometres in length.

IOCG deposits form at shallow to mid-crustal levels in regionally oxidised environments and are typically associated with extensional environments such as intracratonic and intra-arc rifts and continental magmatic arcs. The majority of deposits are spatially and temporally related to significant magmatism although the spatial relation is not necessarily a direct one with a specific intrusion or type of magma.

3.3 Deposit Geology & Mineralisation

The Kitumba deposit is hosted within a hematite-dominated breccia system which is developed along the KFZ and which outcrops as a prominent north-south trending ridge forming part of the Kitumba hills. Three principal rock-type associations are recognised at Kitumba. Kundulungu Group metasediments are intruded by quartz-feldspar porphyry granitoids which are in turn intruded by a feldspar porphyry syenite complex. The geometry of this system is considered to be sub-vertical and complex, arising from several phases of intrusion commonly in the form of dyke swarms. This makes correlating geology between drill holes difficult.

The KFZ is crosscut by a series of northeast trending faults, with associated dextral displacements. The central part of the deposit is crosscut by a zone of later north-northwest to northwest trending intense faulting and fracturing. This structural framework resulted in development of secondary permeability which appears to have played a major role in remobilisation and re-concentration of copper and gold mineralisation.

Copper (gold) mineralisation at Kitumba comprises a simple hypogene sulphide assemblage that is extensively overprinted by a complex, largely redistributed, supergene oxide assemblage. Kitumba represents a deeply weathered system with weathering and oxidation extending to several hundred metres depth. Deep weathering is particularly pronounced in the vicinity of the KFZ and zones of high fracture intensity, where leaching of the hematite-rich breccia system has typically resulted in porous and vuggy core. A significant proportion of the mineralisation occurs in the form of secondary copper minerals, where it occurs as malachite, chalcocite, cuprite, native copper and limonite after sulphides.

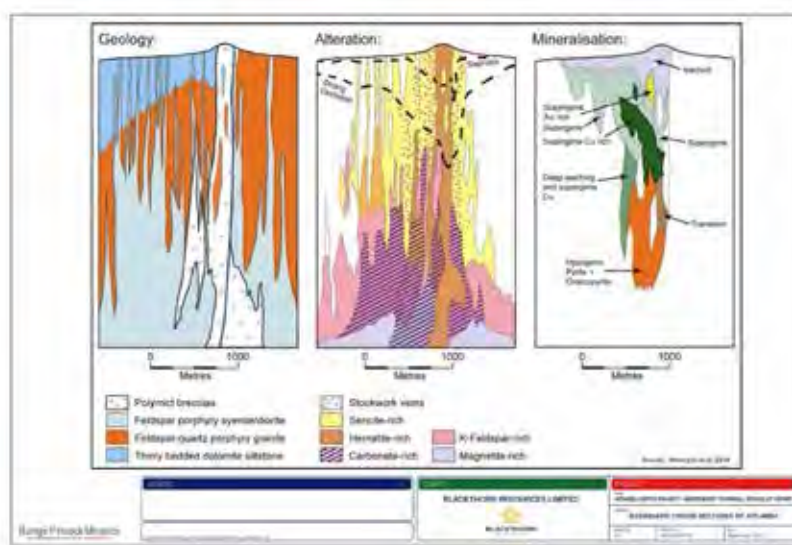
Hypogene mineralisation at Kitumba mainly occurs as disseminated pyrite and subordinate chalcopyrite, associated with stockwork veining and brecciation. The higher temperature carbonate zones occur at depth in the deposit. The upper part of the system is variably leached, and is typically depleted in copper in the upper 100 m to 200 m.

Gold is reasonably correlated with copper in the hypogene zones; but shows a poor correlation in oxidised zones. Gold enriched zones appear to be controlled to a large extent by structure, notably the KFZ and the Kankamu Fault. In addition, localised zones of near surface (<100 m) supergene gold enrichment are observed.

Figure 3.2 below shows schematic cross sections representing geology, alteration and mineralisation at Kitumba.

Attachment B: Independent Technical Expert's Report (continued)

Figure 3.2 – Schematic Cross Sections of Kitumba (Woolrych et al, 2014)



3.4 Alteration

The Kitumba deposit has an extensive and complex alteration history. The main types include:

- Magnetite-amphibolite-apatite-carbonate alteration in the area south of Kitumba and north of the Kankamu Fault;
- Widespread K-feldspar alteration ranging from replacement of feldspar phenocrysts of porphyry granite and syenites, to clasts within earlier breccias, to pervasive replacement of all three main rock types. This alteration is most intensely developed in syenite and porphyritic syenite and is often associated with copper mineralisation;
- Sericite alteration that typically overprints K-feldspar alteration and is more prevalent in distal portions of the deposit;
- Hematite alteration is widespread and most intense in close proximity to the KFZ where it is associated with large-scale breccia development and stockwork veining;
- Carbonate alteration does not occur in intensely hematite-altered zones or in kaolinite-altered zones but its presence is a control on supergene mineralisation and is common in two types:
 - Late siderite-ankerite veining crosscutting all other alteration zones. Siderite is most common within the deposit area and calcite and ankerite in surrounding areas. Siderite-ankerite veins are often found with pyrite and disseminated chalcopyrite blebs; and
 - Pervasive siderite alteration is abundant throughout the hypogene zone and often occurs with potassic and sericitic alteration.

Attachment B: Independent Technical Expert's Report (continued)

4. Data Verification

RPM conducted a desktop review of the geological data used in the Mineral Resource estimation to ensure that no material issues exist and that there was no cause to consider the data inaccurate or unrepresentative of the underlying samples. This review relied upon the descriptions of data collection and quality control/quality assurance ('QAQC') sourced in the MSA Mineral Resource report from February 2014 (MSA, 2014) as well as our previous experience with the Project including knowledge gained from the 2013 site visit RPM has reviewed the MSA approach to data verification and concluded that the data was adequately acquired and validated following industry practices.

4.1 Drilling Types and Core Recoveries

Diamond drill holes ("DDH") with core diameters of PQ (10.8 cm diameter), HQ (6.3 cm diameter) or NQ (4.8 cm diameter) were the preferred drilling method to define mineralisation within the Project. Information and samples from the DDH have been used to underpin the Mineral Resource estimation, geometallurgical and geotechnical studies. In 2012, a short drilling campaign of 2 holes used reverse-air-circulation drilling (RC) to obtain a water supply.

RPM notes that only DDH with diameters of HQ and NQ were used as the source of the samples from which Mineral Resource estimation was completed, with the majority of samples being NQ size. PQ size core was used to drill through the overburden material. PQ and HQ size core were used for metallurgical testing. The drill holes for geotechnical studies used HQ size.

Drilling was conducted in seven separate phases by BTR and BHP Billiton ("BHP") since 2006 and is summarised below in Table 4.1. Core recovery averaged 96% over the seven phases of DDH drilling, which RPM considers acceptable. Phase 8 is currently in progress at the deposit as part of the Definitive Feasibility Study ("DFS").

Table 4.1 – Kitumba Drilling Summary

Company	Phase	Period	Drilling Method	Number of Holes	Metres
BTR	1	2004 - 2006		No drilling conducted	
BTR	2	2006 - 2007	DDH	8	4,105
BTR	3	2007 - 2008	DDH	18	8,000
BHP	3B	2008 - 2009	DDH	11	6,712
BHP	4	2009 - 2010	DDH	26	18,671
BTR	5	2011 - 2012	DDH	21	10,935
		2012	RC	2	257
BTR	6	2012 - 2013	DDH	27	16,223
BTR	7	2013	DDH	20	9,663
Total				133	74,566

4.2 Topography and Collar Locations

In 2004, as part of the FalconTM gravity gradiometer geophysical survey, an airborne laser elevation survey was flown. From this data, a surface model was generated on a 25 m grid in UTM WGS84 Zone 35 South coordinate system. Although this is a coarse resolution for a topographical survey, RPM considers this survey data suitable for application in the Mineral Resource estimate as mineralisation does not outcrop at the surface.

Holes used in Mineral Resource estimation were located using differential GPS equipment on the UTM WGS84 Zone 35 South coordinate system by a qualified surveyor. RPM considers this method suitable.

4.3 Down Hole Survey

All drilling was down-hole surveyed using either Reflex or Gyro instruments to determine deviations of both azimuth and inclination angles. Measurements were taken at 6 m intervals for inclined holes

and 12 m intervals for vertical holes. The most recent phase of drilling (Phase 7) recorded down hole measurements at 5 m intervals using Gyro equipment.

In 2013, an Acoustic Televiwer (ATV) survey was conducted in order to supply geotechnical information. ATV surveys were attempted on 11 holes, however only five holes were completely surveyed and one hole was partially surveyed with the ATV due to hole collapses.

RPM considers that the down-hole survey methodology used complies with standard industry practice. Down-hole surveys for deep drilling are critical for accurately locating the drill hole trace. The frequency of measurements for both vertical and inclined holes is considered adequate. The use of the ATV survey is beneficial for geotechnical studies.

4.4 Geological and Geotechnical Logging

BTR has developed logging and sampling procedures that have been continuously improved and have been subjected to external auditing that confirmed the processes and protocols implemented, giving the results a high level of confidence.

Project data is collected in a Maxwell Geoservices Logchief-Datashed database management system and is stored on MSA servers in Johannesburg. Core logging occurred at the Kitumba core storage facility on Excel templates that had built-in validations prior to 2012 and thereafter logging was captured directly into Logchief software. The Logchief software was periodically synchronised with the Datashed database to ensure that data was backed up regularly.

Geological logging recorded lithology, alteration types and textures, mineralisation, mineralisation zone and brecciation. Geotechnical logging recorded alpha/beta angles, RQD, defect counts and pointload testing. In addition, samples were selected for various geotechnical tests and analysed at ROCKLABS (Rock Mechanics & Evacuation Labs) in South Africa.

During the Phase 6 drilling program, the entire collection of diamond core up to and including the Phase 5 drilling program was re-logged in order to conform to Phase 6 logging protocols. This ensured consistency for all core logged at the Project.

RPM considers all logging and data storage procedures to meet standard industry practice. Protocols were in place to ensure data is valid and the re-logging of all core during the Phase 6 drilling program ensured that all geological and geotechnical logging was consistent and suitable for use in geological modelling.

4.5 Bulk Density Determination

A significant amount of bulk density measurements were recorded by BTR using the Archimedes method of dry weight versus weight in water. A total of 25,815 measurements were obtained from 29,372 m of diamond core. Daily calibration checks were conducted. In addition 85 samples were analysed by gas pycnometry at Intertek Genalysis Laboratory in South Africa. A poor correlation was observed between the two methods.

RPM considers the use of the Archimedes method for determining bulk density a good practice. Almost 88% of logged core was measured with this technique which gives an excellent representation of the various material and mineralisation types at Kitumba. RPM is concerned that there was poor correlation between the 85 samples analysed by gas pycnometry at Intertek Genalysis and the Archimedes data. RPM notes that this is a statistically insignificant sample size. The poor correlation could be a result of an unsuitable density determination technique for the Kitumba rocks, or unsatisfactory practices at the laboratory. In general, the bulk density measurements are within acceptable ranges for the various Kitumba lithology and material types.

4.6 Sampling and Sample Preparation

Sampling was sourced from diamond core throughout the seven phases of drilling. Core was orientated with a spear for (Phase 1 to 6) or a Reflex ACT II tool (Phase 7). PQ size core was sampled quarter core, HQ and NQ size core was sampled half core, cut using a core saw at the Kitumba Camp by BTR personnel. Where mineralisation was observed, 1 m samples were taken; all other samples were 2 m lengths. Drill holes were sampled for their entire length, except for barren zones at the top of the holes.

Attachment B: Independent Technical Expert's Report (continued)

Samples were transported to the Intertek Genalysis sample preparation laboratory in Chingola, Zambia. Samples were dried overnight at 105°C prior to crushing. Samples weighing less than 3 kg were crushed to a nominal 10 mm particle size and then milled. Samples weighing more than 3 kg were crushed to 2 – 3 mm particle size and riffle split to obtain a representative sample weighing less than 1.2 kg. Samples were then crushed using a jaw crusher with 85% passing 2 mm. The samples were passed through LM2 mills with 85% passing 75 µm. Steel bowls and disc pulverisers were used to obtain a 150 g pulp for analysis.

RPM considers these procedures to be industry standard and notes that all sample preparation has been conducted by the internationally accredited Intertek Genalysis laboratory in Zambia.

4.7 Assay Method

Prepared samples were transported to the Intertek Genalysis laboratory in Johannesburg, South Africa for analysis. All samples were digested by multi-acid mix and analysed by Inductively Coupled Plasma Optical (Atomic) Emission Spectrometry (ICP-OES) and Inductively Coupled Plasma Mass Spectrometry (ICP-MS).

Infill drilling samples were generally analysed for Cu, Ca, Fe, K, Mn and S by ICP-OES and for U by ICP-MS. Samples from deep hypogene mineralisation were analysed for a 46 multi-element suite by ICP-OES and ICP-MS and for Au by 25 g lead collection fire assay and flame Atomic Absorption Spectrometry (AAS) finish. Over-range assays were carried out where Cu concentration exceeded the upper limit for the method. The multi-element analysis was conducted at the Intertek Genalysis laboratory in Perth, Australia.

All samples were analysed for acid soluble Cu (ASCu) at the Intertek Genalysis laboratory in Perth, Australia. ASCu is a sulphuric acid leach that is designed to provide an indication of the amount of acid soluble Cu present. Sulphuric acid will dissolve Cu present in oxides or carbonate (e.g. malachite) but will not digest Cu present in sulphides. ASCu was determined by dilute sulphuric acid leach and flame AAS finish. Table 4.2 outlines the various analytical techniques used for the Kitumba Project.

RPM considers these procedures to be industry standard and notes that all assaying has been conducted by the internationally accredited Intertek Genalysis laboratories in Johannesburg and Perth.

Table 4.2 – Analytical Methods used in the Project (MSA, 2014)

Package	Method Code	Intertek Lab.	Element	Range (ppm)	Finish	Element	Range (ppm)	Finish	Element	Range (ppm)	Finish
Ore grade analysis	4AH/OM	Jo'burg	Ca	100-50%	ICP-OES	Fe	100-70%	ICP-OES	Mn	10-50%	ICP-OES
			Cu	10-70%	ICP-OES	K	200-20%	ICP-OES	S	100-60%	ICP-OES
			U	0.01-1%	ICP-MS						
Uranium	4A/OM	Perth	Au	0.01ppm lower detection limit							
Gold	FA25/AA	Jo'burg	ASCu	0.01ppm lower detection limit							
ASCu	AS/AA	Perth									
Standard Multi-Element Analysis	4A/OM10	Perth	Ag	0.1-500	ICP-MS	In	0.05-2000	ICP-MS	Se	2-1%	ICP-MS
			Al	50-15%	ICP-OES	K	20-10%	ICP-OES	Sn	0.1-2000	ICP-MS
			As	2-1%	ICP-MS	Li	0.1-5000	ICP-MS	Sr	0.5-1%	ICP-MS
			Ba	1-5000	ICP-MS	Mg	20-40%	ICP-OES	Ta	0.05-2000	ICP-MS
			Be	0.5-2000	ICP-MS	Mn	1-2%	ICP-OES	Te	0.1-2000	ICP-MS
			Bi	0.5-1%	ICP-MS	Mo	0.1-1%	ICP-MS	Th	0.05-5000	ICP-MS
			Ca	50-40%	ICP-OES	Na	20-10%	ICP-OES	Ti	5-2%	ICP-OES
			Cd	0.05-2000	ICP-MS	Nb	0.1-2000	ICP-MS	Tl	0.02-2000	ICP-MS
			Co	0.1-1%	ICP-MS	Ni	1-2%	ICP-OES	U	0.05-1%	ICP-MS
			Cr	5-2%	ICP-OES	P	50-5%	ICP-OES	V	1-5000	ICP-OES
			Cs	0.1-2000	ICP-MS	Pb	1-1%	ICP-MS	W	0.1-2000	ICP-MS
			Cu	1-2%	ICP-OES	Rb	0.1-2000	ICP-MS	Y	0.1-2000	ICP-MS
			Fe	100-50%	ICP-OES	Re	0.05-2000	ICP-MS	Zn	1-2%	ICP-OES
			Ga	0.1-2000	ICP-MS	S	50-10%	ICP-OES	Zr	0.5-2000	ICP-MS
			Ge	0.1-2000	ICP-MS	Sb	0.1-1%	ICP-MS			
			Hf	0.1-2000	ICP-MS	Sc	1-5000	ICP-OES			

Attachment B: Independent Technical Expert's Report (continued)

4.8 Quality Assurance Quality Control

For all drilling, Blackthorn has conducted a detailed QAQC program to provide verification of the sample procedure, the sample preparation and the analytical precision and accuracy. A total of 15% of the total samples were control samples which included the following:

- Certified Reference Material (CRM) samples: inserted 1 in every 20 samples;
- Field coarse duplicates: inserted 1 in every 20 samples;
- Coarse blank samples: inserted at the beginning of each batch and within or immediately following mineralised intervals;
- Laboratory pulp duplicate samples: inserted 1 in every 20 samples;
- Laboratory sample repeats, CRM's and blanks: inserted at a rate to ensure a total of 15% of results reported represented these QC analyses;
- External Check samples (umpire laboratory): used in the Phase 7 program where 5% of sample pulps were analysed at the secondary laboratory ALS Chemex in Johannesburg in South Africa.

RPM notes the following:

- Blanks: a minimum level of sample contamination by Cu was detected during the sample preparation and assay;
- Duplicates: correlation for Cu duplicates is poor for both total Cu and ASCu, which is expected due to the nuggety concentrations of secondary Cu minerals within the samples;
- Certified Reference Material: the analytical accuracy was mostly within acceptable ranges for the major elements Au and Cu, with minor failures occurring;
- Umpire Laboratory: acceptable correlations between the original and umpire assay results were noted.

RPM considers the insertion rate of 15% better than the industry standards for control sample preparation and laboratory assay accuracy and precision. Furthermore, RPM considers the results of the controls samples are within the acceptability limits in coarse-pulp duplicate, reference samples, and cross laboratory checks. RPM confirms that overall QAQC results suggest that the assay data is fit for purpose and suitable for use in Mineral Resource estimation.

4.9 Sample Security

All drilling activities have been undertaken by contractors independent of Blackthorn. Due to the style of drilling undertaken within the Project, Blackthorn's personnel have only completed core sample handling. Below is a summary of the security measures taken:

Samples for the Mineral Resource estimates have been derived from surface diamond drilling post 2006. Subsequent to the independent drilling crews delivering the core to the core shed, Blackthorn's personnel are responsible for cutting the core and placing the cut core in bags for delivery to the laboratory. The preparation laboratory was managed by Intertek Genalysis in Chingola, Zambia. Sample batches were collected at the Kitumba Camp by a courier contractor, Prodigy Innovations, and transported by road to Intertek Genalysis in Chingola. Together with the cores, Blackthorn provided to Intertek Genalysis, a tracking register with the amount and the numbers of samples and sample tickets for each core. After preparation, an analytical pulp was obtained, stored in a barcoded geochemical envelope and exported by air freight to Intertek Genalysis's laboratory in Johannesburg, South Africa for analysis. On arrival at Johannesburg samples were checked and sorted. The remaining pulp was returned to the sample bag and returned to the Kitumba Camp for storage. Chain of custody is kept all the time for Intertek Genalysis personnel or Blackthorn's staff, excepting the transportation time between site and the sample preparation facility; and time between the sample preparation facility and the analytical laboratory.

RPM notes that, although Blackthorn's personnel are responsible for handling the core during the sampling process, all personnel are supervised by senior site geologists and geotechnicians. In addition, photos are taken of all core trays prior to sampling. Core is clearly labelled for sampling, a

suitable paper trail of sampling can be produced and duplicate samples are taken to ensure no sample handling issues arise. RPM considers these procedures to be industry standard and considers that the sample security and the custody chain during this period adequate.

Subsequent to sampling, all sample preparation and assaying is undertaken by an internationally recognised independent laboratory. As such, RPM considers that the sample security during the drilling, sampling, sample preparation and assaying to be acceptable.

4.10 RPM Comment on Data Quality

The review of the drilling and sampling procedures concluded that international standard practices were utilised with no material issues being noted by RPM. The QAQC samples all showed suitable levels of precision and accuracy to ensure confidence in the sample preparation methods employed by Blackthorn and the primary laboratory. RPM also notes that all the samples used for the Mineral Resource estimation are derived from drilling from post 2006 and therefore RPM considers the data which supports the Mineral Resource estimation to have no material sample bias and is representative of the samples taken.

RPM believes that the onsite data management system is industry standard which minimises potential 'human' data-entry errors and no systematic fundamental data entry errors or data transfer errors were found. RPM considers the integrity of the digital database to be sound.

In addition, RPM considers that there is sufficient geological logging and bulk density determinations to enable estimation of the geological and grade continuity of the deposit to accuracy suitable for the classification applied (see Section 7).

4.11 Data Verification Statement

The review undertaken by RPM of the reported drilling and sampling procedures indicates that international standard practices were utilised with no material issues noted. The QAQC samples all showed suitable levels of precision and accuracy to enable confidence in the primary laboratory. All samples used in the Mineral Resource estimation are derived from drilling conducted since 2006. RPM considers that the data which supports the Mineral Resource estimation has no material sample bias and is representative of the samples taken.

Attachment B: Independent Technical Expert's Report (continued)

5. JORC Mineral Resources

The Mineral Resources for Kitumba have been reported by Blackthorn in the ASX announcement dated 16th December 2013, in compliance with the recommended guidelines of the JORC Code (2012). RPM refers the reader to that announcement for details and for JORC Table 1. The Mineral Resource tables are shown below in this section.

RPM is of the opinion that the Kitumba December 2013 Mineral Resource has been estimated on sufficiently verified supporting data using appropriate estimation methodology and parameters. RPM is of the opinion that the estimate is sufficiently representative and precise to form an adequate basis for the mining studies completed in the OPFS on the Project.

5.1 Mineral Resource Classification System under the JORC Code

A "Mineral Resource" is defined in the JORC Code as 'a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade (or quality) that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.'

Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape and continuity of the occurrence and on the available sampling results.

For a Mineral Resource to be reported, it must be considered by the Competent Person to meet the following criteria under the recommended guidelines of the JORC Code:

- There are reasonable prospects for eventual economic extraction;
- Data collection methodology and record keeping for geology, assay, bulk density and other sampling information is relevant to the style of mineralisation and quality checks have been carried out to ensure confidence in the data;
- Geological interpretation of the Mineral Resource and its continuity has been well defined;
- Estimation methodology that is appropriate to the deposit and reflects internal grade variability, sample spacing and selective mining units; and
- Classification of the Mineral Resource has taken into account varying confidence levels and assessment and whether appropriate account has been taken for all relevant factors i.e. relative confidence in tonnage/grade, computations, confidence in continuity of geology and grade, quantity and distribution of the data and the results reflect the view of the Competent Person.

5.2 JORC Statement of Mineral Resources

Results of the independent Mineral Resource estimate for the Project (MSA, 2013) are tabulated in the Statement of Mineral Resources in Table 5.1 below, which are reported in line with the requirements of the 2012 JORC Code. The Statement of Mineral Resources is therefore suitable for public reporting. The Statement of Mineral Resources shown in Table 5.1 and Figure 5.1 include the Ore Reserves reported in Section 8.

Table 5.1 – JORC Mineral Resource Statement as of 5th December 2013, Reported at a 1% Cu Cut-off

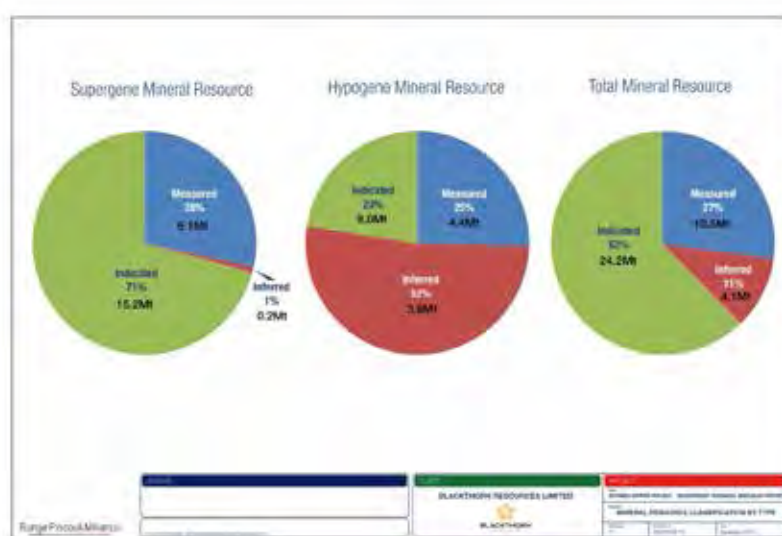
Type Class		Quantity (Mt)	Cu (%)	Acid Soluble Cu (%)	Co (ppm)	Au (g/t)	Ag (g/t)	U (ppm)	Density (t/m ³)
Supergene	Measured	6.1	3.44	1.66	205	0.04	1.3	25	2.51
	Indicated	15.2	2.07	1.00	180	0.03	0.9	26	2.60
	M + I	21.3	2.46	1.19	187	0.03	1.0	26	2.57
	Inferred	0.2	1.12	0.28	124	0.16	0.4	22	2.66
Hypogene	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
	M + I	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	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
	M + I	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 (M+I+Inf)		38.8	2.19	0.86	222	0.03	0.9	27	2.68

Note:

1. The Statement of JORC Mineral Resources has been compiled under the supervision of Mr. Jeremy Witley who is a full-time employee of MSA and a Member of the Geological Society of South Africa (GSSA) and a Professional Natural Scientist (PrSciNat) registered with the South African Council for Natural Scientific Professions (SACNASP). Mr. Witley has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the JORC Code.
2. All Mineral Resources figures reported in the table above represent estimates at 5th December, 2013. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape and continuity of the occurrence and on the available sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate. Rounding may cause some computational discrepancies.
3. Mineral Resources are reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The Joint Ore Reserves Committee Code – JORC 2012 Edition) and are reported inclusive of quantities from which Reserves have been estimated.

Attachment B: Independent Technical Expert's Report (continued)

Figure 5.1 – Mineral Resource Classification by Type



The reported Mineral Resource is sensitive to cut-off grade, therefore the Mineral Resource is reported using a number of cut-off grades below in Table 5.2 for Measured and Indicated (M + I) Mineral Resources and in Table 5.3 for Inferred Mineral Resources.

Table 5.2 – JORC Measured and Indicated Mineral Resource, Reported at Variable Cut-offs (MSA, 2014)

Cut-off Grade (Cu %)	Quantity (Mt)	Cu (%)	Acid Soluble Cu (%)	Co (ppm)	Au (g/t)	Ag (g/t)	U (ppm)	Density (t/m ³)
0.20	178.2	0.79	0.28	140	0.04	0.8	33	2.67
0.35	113.7	1.10	0.41	163	0.03	0.8	28	2.67
0.50	81.6	1.37	0.52	170	0.04	0.9	28	2.67
1.00	34.7	2.29	0.93	201	0.03	1.0	27	2.67
1.40	25.1	2.72	1.16	208	0.03	1.0	27	2.67

Note:

1. The Statement of JORC Mineral Resources has been compiled under the supervision of Mr. Jeremy Witley who is a full-time employee of MSA and a Member of the Geological Society of South Africa (GSSA) and a Professional Natural Scientist (PrSciNat) registered with the South African Council for Natural Scientific Professions (SACNASP). Mr. Witley has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the JORC Code.
2. All Mineral Resources figures reported in the table above represent estimates at 5th December, 2013. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape and continuity of the occurrence and on the available sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate. Rounding may cause some computational discrepancies.
3. Mineral Resources are reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The Joint Ore Reserves Committee Code – JORC 2012 Edition).

Table 5.3 – JORC Inferred Mineral Resource, Reported at Variable Cut-offs (MSA, 2014)

Cut-off Grade (Cu %)	Quantity (Mt)	Cu (%)	Acid Soluble Cu (%)	Co (ppm)	Au (g/t)	Ag (g/t)	U (ppm)	Density (t/m ³)
0.20	118.3	0.40	0.07	132	0.04	0.7	24	2.76
0.35	45.9	0.63	0.12	149	0.05	0.6	24	2.71
0.50	26.2	0.79	0.15	175	0.04	0.6	26	2.71
1.00	4.1	1.37	0.23	400	0.03	0.7	30	2.80
1.40	1.4	1.85	0.28	231	0.03	0.5	23	3.00

Note:

1. The Statement of JORC Mineral Resources has been compiled under the supervision of Mr. Jeremy Witley who is a full-time employee of MSA and a Member of the Geological Society of South Africa (GSSA) and a Professional Natural Scientist (PrSciNat) registered with the South African Council for Natural Scientific Professions (SACNASP). Mr. Witley has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the JORC Code.
2. All Mineral Resources figures reported in the table above represent estimates at 5th December, 2013. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape and continuity of the occurrence and on the available sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate. Rounding may cause some computational discrepancies.
3. Mineral Resources are reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The Joint Ore Reserves Committee Code – JORC 2012 Edition).

The independent Statement of Mineral Resources is reported within the current exploration tenement and reported as the effective date of 5th December 2013 using a cut-off grade of 1% Cu.

RPM notes that drilling is in progress at the deposit as part of the Definitive Feasibility Study. Approximately 12,000 m of infill drilling is planned for further Mineral Resource definition, as well as metallurgical, geotechnical and hydrogeological assessment. In addition, sterilisation drilling for major infrastructure is planned.

The cut-off grade of 1% Cu was utilised based on the results of the Ore Reserves estimate and mining study as outlined in Section 8 and Section 9.

RPM reported the CAE Studio 3 block model at a 1% Cu cut-off grade and repeated the numbers in Table 5.1. This confirms that there are no reporting errors for the Kitumba Mineral Resource estimate.

Attachment B: Independent Technical Expert's Report (continued)

5.3 Estimation Parameters and Methodology

While Table 1 as required by the JORC Code 2012 edition is presented in Appendix B for reference. A summary of the Mineral Resource estimation parameters is provided below:

- Drilling which was included in the estimates has been conducted on a variety of spacing's via surface diamond core. Until Phase 7, drill holes covered a grid of 80 – 100 m east-west by 80 – 100m north-south, although peripheral areas were drilled up to 200 m apart. The Phase 7 infill drilling covered a grid of 20 – 40 m over an irregular area approximately 200 m north-south and 160 m east-west and to a depth of 500 – 600 m below the surface. All RC drilling was excluded from the estimate.
- During exploratory data analysis, MSA found that:
 - Host rocks for the majority of Cu mineralisation were syenite and porphyry syenite;
 - Host rocks exhibit an either/or relationship whereby if they contained high grade Cu, they were unlikely to contain high grade Au, Ag or U;
 - There is a high grade Cu zone with an irregular elongate elliptical shape striking north-south;
 - There is no linear relationship between total Cu and ASCu;
 - Cu and Co are spatially related, although there is no clear linear relationship between them; and
 - Higher U, Au and Ag values are also spatially related, although there is no clear linear relationship between them.
- MSA deduced that the estimation parameters and methodology needed to consider the restricted nature of the high grade Cu zone, the broad nature of the precious metal and U zone and the existence of the leached zone.
- Three mineralisation zones were domained and include the:
 - Supergene domain based on the presence of malachite and chalcocite;
 - Hypogene domain based on the presence of chalcopyrite; and
 - Leached Cu domain identified from near surface to beyond 100 m below the surface and determined at the appearance of significant Cu mineralisation (generally Cu > 0.3%).
- Mineralisation zones were distinguished based on dominant mineral type and there was often mixed occurrences of supergene and hypogene mineralisation.
- To constrain the estimate, a grade shell was created using a 0.3% Cu cut-off, constructed using an indicator kriging ("IK") approach. A block model was generated over the deposit and assigned a value of '1' if the block was likely to have a probability of more than 50% that the grade in that block was above the 0.3% Cu cut-off. A value of '0' was assigned if this probability was less than 50%. A solid wireframe was generated to encompass the '1' values.
- In addition, a high grade Cu domain was constructed using a 4% Cu cut-off. The high grade Cu domain is contained within the 0.3% Cu grade shell.
- The wireframes were applied as 'semi-soft' boundaries in the estimate (gradational interfaces were used to select samples). Three estimation domains were created using the 0.3% Cu grade shell and the 4% Cu wireframe:
 - Domain 0 = outside 0.3% Cu grade shell (waste domain);
 - Domain 1 = inside 0.3% Cu grade shell, outside 4% Cu wireframe;
 - Domain 2 = inside 4% Cu wireframe.
- Approximately 60% of samples were 1 m in length and approximately 40% of samples were 2 m in length. Samples were composited to 2 m for grade estimation.
- Statistical analysis was conducted in Supervisor software which indicated that the composite data was positively skewed with a relatively high coefficient of variation. The application of a top-cut was considered necessary prior to using the data for linear grade interpolation. A summary of top-cuts is shown below in Table 5.4.

Table 5.4 – Top-cuts Applied to Kitumba Mineralisation Domains (Where Top-cuts Were Applied)

Element	Before Top-cut			After Top-cut		
	# Comps	Mean	CV	# Cut	Mean	CV
Supergene >0.3% Cu, < 4% Cu						
CUPC	3,028	0.70	1.37	10.0	0.70	1.33
CUASPC	2,596	0.25	2.36	10.0	0.25	2.35
Supergene <0.3% Cu						
CUPC	6,358	0.13	1.23	2.5	0.13	1.20
CUASPC	3,348	0.04	1.43	0.5	0.04	1.30
SPPM	5,621	2,714	2.33	55,000	2,686	2.23
Hypogene >0.3% Cu, < 4% Cu						
CUPC	2,485	0.80	1.28	7.5	0.80	1.25
CUASPC	2,246	0.10	3.43	2.7	0.09	2.25
Hypogene <0.3% Cu						
CUPC	4,174	0.10	1.46	1.5	0.10	1.38
CUASPC	3,067	0.02	1.66	0.35	0.02	1.59
All Domains						
COPPM	13,514	96	1.16	1,200	95	1.04
AUGT	16,739	0.04	2.19	1.1	0.04	1.84
AGGT	13,485	0.9	2.29	22	0.9	1.90
UPPM	15,941	36	1.42	500	36	1.18
MNPPM	15,641	6,102	1.15	58,000	6,092	1.14

- Spatial grade variability was modelled using variograms in Supervisor software. For each mineralisation zone, Cu, ASCu and S variograms were generated. In addition, U, Au, Ag, Fe, Co, Mn and density were modelled for all mineralisation zones combined. Apart from Fe, Co, Mn and density, which had no transformation, the variogram models were back transformed to generate the final kriging parameters. These are listed below in Table 5.5.
- A CAE Studio 3 block model was used for the estimate with a block size of 40m NS by 20m EW by 10m vertical with sub-blocks of 5m by 2.5m by 2m. The parent block size was selected based on the results of Kriging Neighbourhood Analysis ("KNA") on Cu data.
- Grades were estimated for Cu, ASCu, Co, Au, Ag, U, Fe, S and Mn using the ordinary kriging algorithm ("OK"). Density was also estimated using OK. A minimum of 10 samples and a maximum of 30 samples were used for the first search pass based on the results of KNA on Cu data. The search range was based on the longest structure from the variography. The search was expanded by a factor of 1.5 for the second pass and expanded for the final pass to ensure all blocks were estimated. Block discretisation was set at 3(X) by 3(Y) by 3(Z). The vast majority of blocks were estimated in the first pass.

Attachment B: Independent Technical Expert's Report (continued)

Table 5.5 – Kitumba Variogram Parameters

Element	Rotation Angle					Structure 1				Structure 2				Structure 3		
	1	2	3	Nugget	C1	Range (R1)			Range (R2)			Range (R3)				
						1	2	3	C2	1	2	3	C3	1	2	3
Low Cu/Leached Domain																
CUPC	90	75	155	0.11	0.21	220	10	40	0.24	220	110	40	0.44	220	110	145
CUASPC	90	75	155	0.11	0.21	220	10	40	0.24	220	110	40	0.44	220	110	145
SPPM	90	90	90	0.12	0.88	75	120	100								
Supergene Domain																
CUPC	90	75	90	0.14	0.32	10	20	45	0.13	130	65	60	0.41	130	360	60
CUASPC	90	75	90	0.10	0.29	10	20	25	0.18	95	50	60	0.43	95	360	60
SPPM	90	75	90	0.07	0.22	20	35	25	0.18	320	35	125	0.53	320	1800	160
Hypogene Domain																
CUPC	110	65	100	0.18	0.18	125	160	22	0.64	125	160	60				
CUASPC	110	65	100	0.31	0.27	120	85	12	0.42	120	170	95				
SPPM	90	90	90	0.07	0.19	16	300	12	0.23	65	300	130	0.51	600	300	130
All Domains																
UPPM	90	70	90	0.08	0.37	30	25	50	0.14	800	60	170	0.41	800	1600	170
AUGT	90	70	90	0.05	0.56	15	15	20	0.23	130	50	28	0.16	750	440	28
AGGT	90	70	90	0.19	0.23	50	150	80	0.10	550	150	80	0.48	550	650	500
FEPC	90	70	90	0.07	0.31	25	100	60	0.12	130	150	280	0.50	520	650	280
COPPM	90	70	90	0.12	0.38	10	130	110	0.17	40	220	110	0.33	160	220	110
MNPPM	90	70	90	0.14	0.17	9	300	100	0.69	260	300	200				
Density	90	70	90	0.32	0.17	20	110	35	0.51	305	260	190				

- Validation was completed by checking the global de-clustered averages of composites versus model from each domain, by creating trend plots of composites versus model from each domain (swath plots) and by visual validation of grade trends in the model to ensure they honoured the input data.
- The Mineral Resource was classified as Measured, Indicated, and Inferred in line with the recommendations of the JORC Code based on data quality, grade continuity and geostatistical indicators of estimation quality.
- The Measured Mineral Resource classification was applied where kriging efficiency was greater than 0.5 and slope of regression was greater than 80%. These criteria were used to interpret a continuous zone that was drilled on 20 to 40 m spacing. The Indicated Mineral Resource classification was applied where a minimum of 20 composites were used and blocks were estimated in the first pass. These areas occurred where the drill spacing was predominantly 80 to 120 m. Inferred Mineral Resource was applied to the rest of the material within the 0.3% Cu grade shell.
- Figure 5.2 below shows the classification on section 8,373,885 mN.

5.4 RPM Comment on Mineral Resource Estimation

The geological and mineralisation history of the Kitumba deposit is complex and this is shown by the variable relationships observed in the bivariate statistics. The boundary between the supergene and hypogene mineralisation is variable, and delineated by the observation of malachite and chalcocite in the supergene zone and chalcopryite in the hypogene zone. A boundary analysis of the hypogene/supergene interface by AMC (2014) indicates that there is no significant grade shift. The same study by AMC noted that grades changed gradationally over 80 m for the low grade Cu shell and over 10 m for the high grade Cu domain. This study supports the use of 'semi-soft' boundaries for estimation.

A composite sample length of 2 m is appropriate for the Kitumba drill hole data. In general, there is reasonable variability shown by the high coefficient of variation ("COV") statistics for a number of elements and domains. The top-cuts applied by MSA do not significantly reduce the COV and only cut a small percentage of composites. RPM notes that more conservative top-cuts should be applied or consideration given to domaining uncorrelated elements separately from the Cu domains to reduce the COV values. This would not impact on the reported Mineral Resource for tonnage and Cu grade, however may affect grades for elements that have high COV's such as Au and Ag.

Spatial grade variability was modelled with variography which resulted in reasonably well-structured variograms with low to moderate nugget values. Parent block sizes were derived from KNA and are approximately half drill hole spacing in the major strike direction, which is appropriate. Block discretisation parameters were derived from KNA and is appropriate for the parent block size. Estimation parameters were derived from variography and KNA and all parameters are appropriate for the deposit style and sample spacing.

Block model validation was conducted to industry standards. AMC (2014) noted that there were some areas where block grades and composite grades did not match (Figure 5.3); however overall, block grades honoured the composite data.

Attachment B: Independent Technical Expert's Report (continued)

Figure 5.2 – Mineral Resource Classification – Section 8,373,885 mN (AMC, 2014)

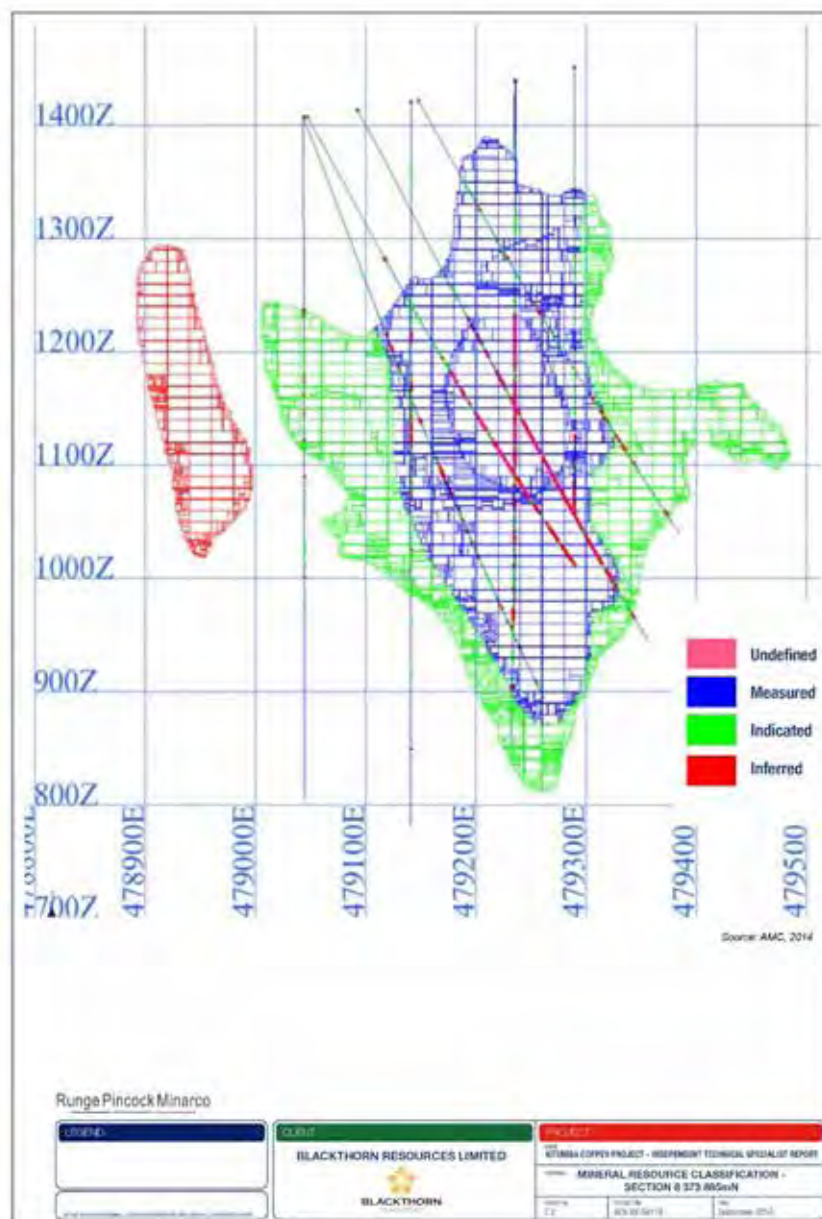
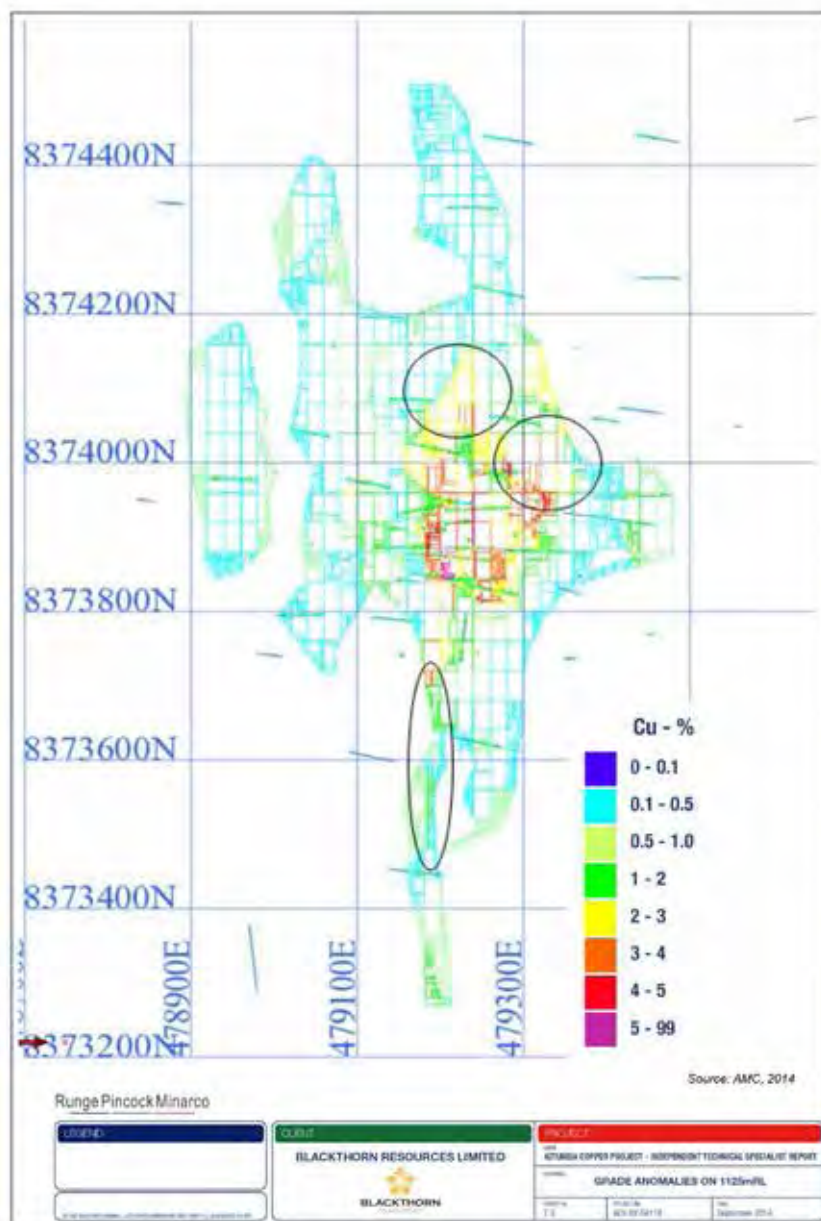


Figure 5.3 – Grade Anomalies on 1,125 mRL (AMC, 2014)



The Kitumba deposit has been classified as Measured, Indicated and Inferred Mineral Resource. The

Attachment B: Independent Technical Expert's Report (continued)

Measured and Indicated portions have been applied to blocks which meet general numerical requirements. The Indicated and Inferred portions are reasonable; however the Measured portion appears as a 'spotted dog'. RPM recommends using a 'cookie-cutter' approach that incorporates kriging efficiency and slope of regression parameters as a guide.

RPM notes that the Inferred material in the western portion of the deposit is supported by a single drill hole (KITDD_015) and should not be classified as Mineral Resource. However, this material is below the 1% Cu cut-off grade and therefore is not included in the mine planning.

RPM is of the opinion that the JORC 2012 Resources have been estimated on sufficiently verified supporting data using appropriate estimation methodology and parameters. RPM is of the opinion that the estimate is sufficiently representative and precise to form an adequate basis for the mining studies completed in the OPFS on the Project.

6. Exploration Potential

The Project has a long history of systematic exploration which has included geological mapping, geophysical and geochemical surveys as well as a large amount of surface diamond drilling. The exploration has been undertaken over numerous generations. However, within the last 10 years the main focus has been on the Kitumba deposit for which Mineral Resources have been estimated. RPM considers there to be good potential to define further mineralised bodies within the Project area both near planned mining infrastructure and within BTR's exploration tenements.

Following a review of the data RPM considers there to be potential for the identification of further bodies of economic interest within BTR's tenements.

6.1 Near Mine

The majority of the Measured and Indicated Mineral Resource reported at a 1% Cu cut-off falls into the current mine design completed by AMC (2014). There remains some Inferred Mineral Resource (at a 1% Cu cut-off) that has not been included in the current mine design, that with additional drilling, may justify inclusion in a future mine design (see Figure 6.1 and Table 6.1). This portion of the Mineral Resource has the best potential to be upgraded to an Indicated Mineral Resource.

Table 6.1 – Inferred Mineral Resource with Upgrade Potential (1% Cu cut-off)

Type	Class	Quantity (Mt)	Cu (%)	Acid Soluble Cu (%)	Co (ppm)	Au (g/t)	Ag (g/t)	U (ppm)	Density (t/m ³)
Hypogene	Inferred	3.4	1.41	0.24	461	0.03	0.7	30	2.80

Inferred Mineral Resource that has been extrapolated along strike is mostly below the 1% Cu cut-off grade and has limited potential to be upgraded to Indicated Mineral Resource.

The Inferred material supported by a single drill hole (KITDD_015) may represent a separate mineralisation trend adjacent to the main Kitumba deposit (Figure 6.2). RPM considers that this material should not be classified as discussed in Section 5.4. However there is potential that this mineralisation may be a low grade halo of a higher grade system that runs parallel to the known Kitumba mineralisation. In addition, there is some mineralisation intersections in holes drilled to the north, along strike and to the northeast of the Kitumba deposit.

Attachment B: Independent Technical Expert's Report (continued)

Figure 6.1 – Inferred Material with Upgrade Potential (Long Section)

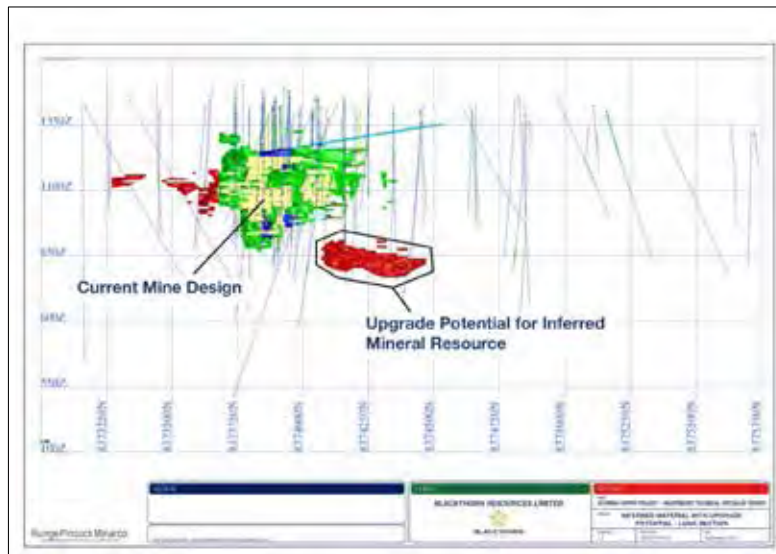
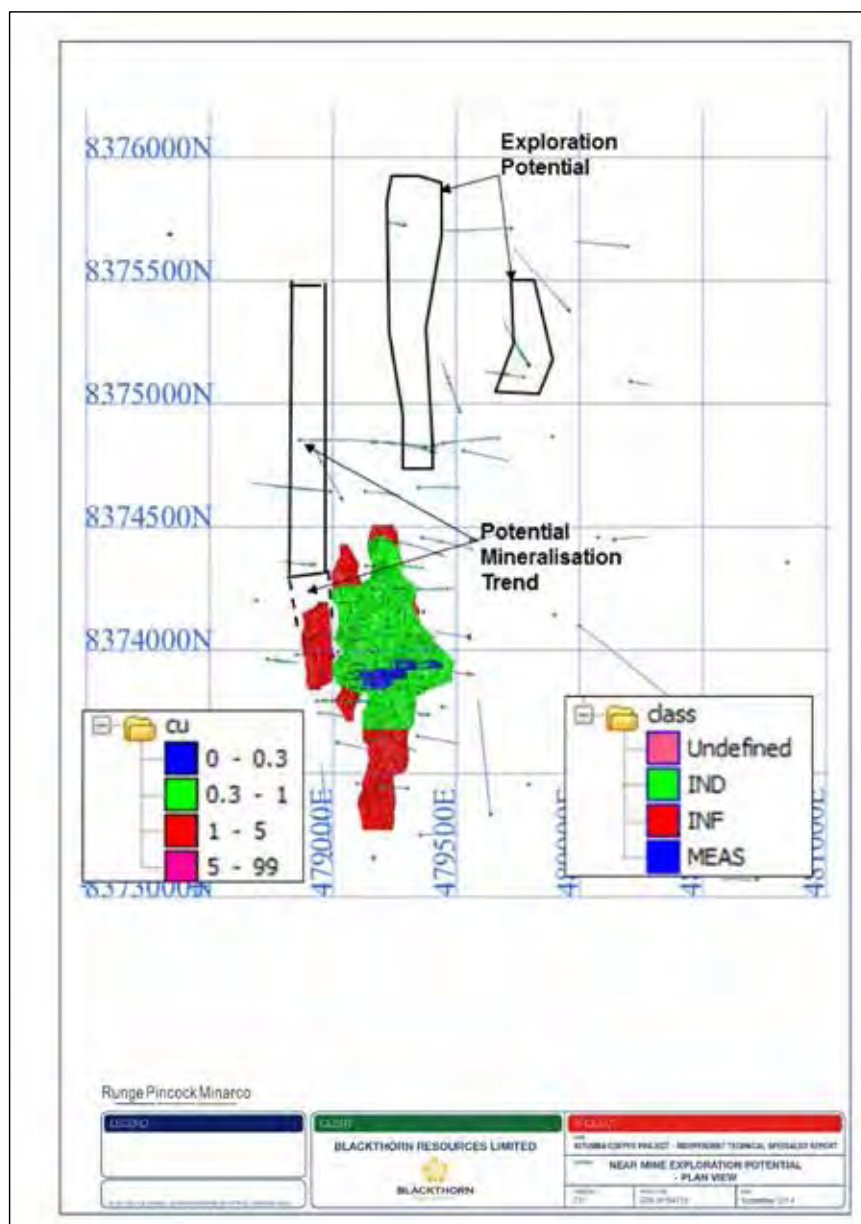


Figure 6.2 – Near Mine Exploration Potential (Plan View)



RPM estimates that there is a near-mine (within 2 km of the Kitumba Mineral Resource) Exploration Target of 30 to 80 Mt at a grade of 0.5 to 1.5% Cu.

Attachment B: Independent Technical Expert's Report (continued)

The Exploration Target complies with recommendations in the Australasian Code for Reporting of Mineral Resources and Ore Reserves (2012) by the Joint Ore Reserves Committee (JORC). The potential quantity and grade is conceptual in nature. There has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

6.2 Remainder of Tenements

This section of the report considers the Exploration potential of the five tenements held by Blackthorn as listed in Table 2-1 outside of 2km radius from the Kitumba Resource; an area which has high drilling densities in comparison to the remainder of the tenement area. The only significant target type in these tenements is the Kitumba IOCG target type. Owing to the lack of ore grade intercepts RPM has not estimated potential target sizes for these exploration targets.

Exploration for this target type has been in progress for 10 years (see Section 2.6.1). However, exploration work since 2011 has been focussed almost completely on the immediate Kitumba deposit area to fast track the development of the Resource. Blackthorn is now in the position of being able to re-focus on the considerable exploration potential in the wider tenement area.

6.2.1 Prospectivity of Geologic Environment

The geology and mineralisation styles are described in Section 3 of the Report. The key factors for the presence of IOCG mineralisation of the Kitumba style is the presence of multistage Hook granitoid and a degree of structural preparation that formed the initial pathways for the hydrothermal solutions which have formed the hypogene mineralisation and the broken ground and may have allowed penetration of surficial oxygenated waters to further remobilise and concentrate the copper into the supergene enrichment zones.

RPM is of the opinion that the Exploration tenements held by Blackthorn are prospective for additional copper deposits of the Kitumba style because;

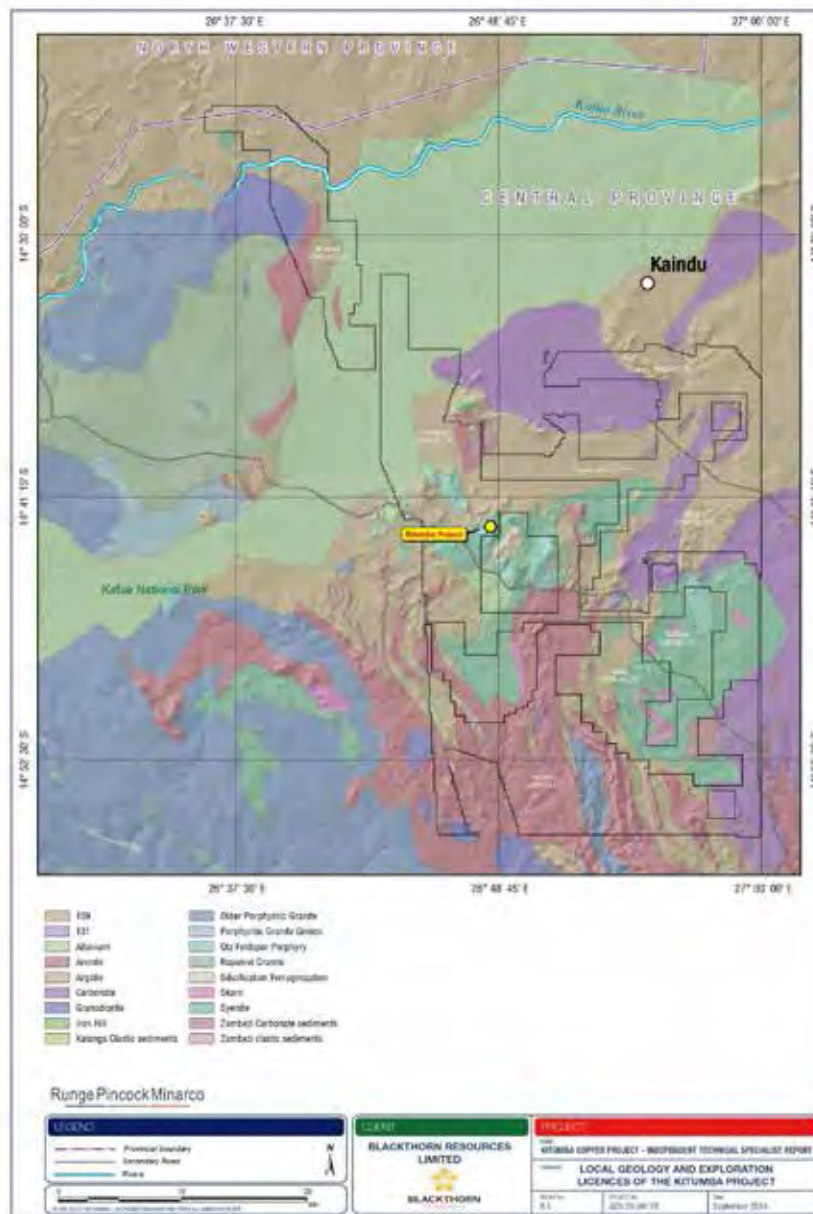
- There is evidence of widespread intrusion of Hook granitoid in the exploration licence areas, and
- There is significant development of post intrusive faulting which has prepared the host rocks for hydrothermal activity and the possibility of later hypogene enrichment.

The presence of appropriate rock types and faults can be seen in Figure 6.3. Hook Granitoid and strong structural features can be seen throughout the held tenement area.

In addition to the correct geology evidence of good prospectivity includes;

- The presence of the Kitumba Resource,
- The presence of other surface mineralisation being mined at a small scale by Jin Ding Mining Limited as well as local artisanal miners in the near vicinity of Kitumba, and
- The presence of widespread haematitic breccia potential host lithologies and low grade copper hits in regional exploration drill holes following up gravity highs and uranium radiometric anomalies by BHP regional exploration programs.

Figure 6.3 – Local Geology and Blackthorn Exploration Licences of the Kitumba Project



Attachment B: Independent Technical Expert's Report (continued)

6.2.2 Anomalies Indicating Prospectivity

Exploration history is described in Section 2.6.1 of the report. The Blackthorn held Mumbwa tenement was farmed into by BHP who used the "Falcon" airborne geophysical system to collect regional geophysical data. This data included airborne gravity, magnetics, radiometrics and terrain maps, providing an extensive high quality data set. Blackthorn has access to this data within their tenement areas. The original BHP concept was to target co-incident gravity and uranium radiometric anomalies and this led to discovery of the Kitumba mineralisation on the Mumbwa Exploration Licence. Other targets were drill tested but this work was undertaken with the aim of identifying a very large IOCG deposit on a nominal scale of 2km by 2km. This is the work that intersected haematitic breccia and low grade copper in widely spaced drill holes. The wide spacing was because BHP had an Olympic Dam sized target in mind and such a mega deposit would be intersected by drilling at that spacing. RPM is of the opinion that while the BHP drilling may preclude a mega size target there are reasonable expectations that smaller but still potentially profitable targets can exist in the tenements and could have been missed by such widely spaced drilling.

Soil sampling has been completed in various generations of sampling within the tenements to give patchy coverage of the prospective ground. It is Blackthorn's intention to infill and extend the isolated sampled areas to produce a tenement wide soil map for use in targeting.

6.2.3 Exploration Targets Identified from Geologic Concepts and Anomalies

Using the geologic mapping, BHP geophysical data sets, currently incomplete soil sets and geologic structural concepts a large list of targets have been identified by Blackthorn as in Table 6.2 and Table 6.3. These targets are shown in relation to geology in Figure 6.4.

The exploration targets are logically developed from geologic concepts based on geologic mapping and geophysical data sets and variously supported by geochemical and geophysical anomalies. The ranking of the targets is on the basis of geology and anomalism. Targets and their ranking appear to be acceptable and worthy of ongoing exploration expenditure.

6.2.4 Exploration Budget

Blackthorn provided the budget for the July 2014 through to June 2015 Australian financial year in Table 6.4.

The planned work includes completion of tenement wide soil sampling by infilling between existing soil grids, Electromagnetic Surveys ("EM"), structural interpretation and drilling. Four 600 m deep holes are budgeted to test targets. The cost of this program is USD3.4 million.

RPM is of the opinion that the program is appropriately planned but note that four holes provides for only limited testing of targets and that eventually many more scout holes and, should interesting mineralisation be intersected, many more definition holes will be required.

Table 6.2 – Kitumba Ranked Exploration Targets

ID	Geophysics	Geochemistry	Structure	Lithology	Tenure	Comment	Rank
Target A	Gravity high with multiple lobes of gravity highs, single intense magnetic high.	Cu in soils	Late ENE trending structure	Inferred Hook intrusive (not mapped on geology sheet) in metasediments.	Held, Mumbwa/Nyoko just to the north	Slight surface expression	1
Target B	Moderate to low gravity amplitudes but higher frequency, mag high associated with intrusive to the east	Zn, Zn+Cu, Pb, Pb+Cu, in soils	N-S trending shear zone	Metasediments, contact metamorphosed by large intrusive to the east	Western 2/3rds in Kabwera, alteration to include open ground into Nyoko completed	Mapped mineral occurrence "Kamuyabo 4" Zn/Cu occurrence, unlikely to be IOCG type mineralisation	2
Target F	Subdued deep magnetic signature, typical of altered signatures, shallow uranium	Needs geochemistry	Intrusive contact, sitting on Kanakamu	Hook granitoid	Mumbwa	On a topographic high, adjacent to interpreted post Lufilian intrusive, needs in-fill geochemistry	3
Target G	Fuzzy mag response on the edge of the Mutoya magnetic high - altered rock, uranium high	Cu anomaly	intersection of the Mumbwa and Kanakamu faults	Hook granitoid	Held	Excellent structural position, needs in-fill geochemistry	4
Target E	N-S oriented but moderate gravity and magnetic anomalies	Cu in soils (also N-S)	N-S trending shear zone	Shear zone meta-sediments, argillite /arenite	Held, Kachindu	compelling but also unlikely to be Kitumba like	5
Target C	Gravity and mag high	Cu in soils, N-S oriented (structure?)	None	Late Hook intrusive with uranium anomaly	Mumbwa	Un-defined mineral occurrence	6
Target D	Mag high associated with intrusive, subdued high frequency gravity response	Cu in soils, Pb on the periphery	Intrusive contact	Mapped as "Zambezi carbonate sediments" however no evidence for this in Falcon data, likely Hook intrusive	Held, Kachindu/Nyoko	Un-defined Au/Cu mineral occurrence	7
Target H	Gravity	None, U in rads	Shears east of Hook Intrusive	Hook to the west, meta-sediments	Held, Mumbwa	Being in-filled in 2014 soil geochemistry	8

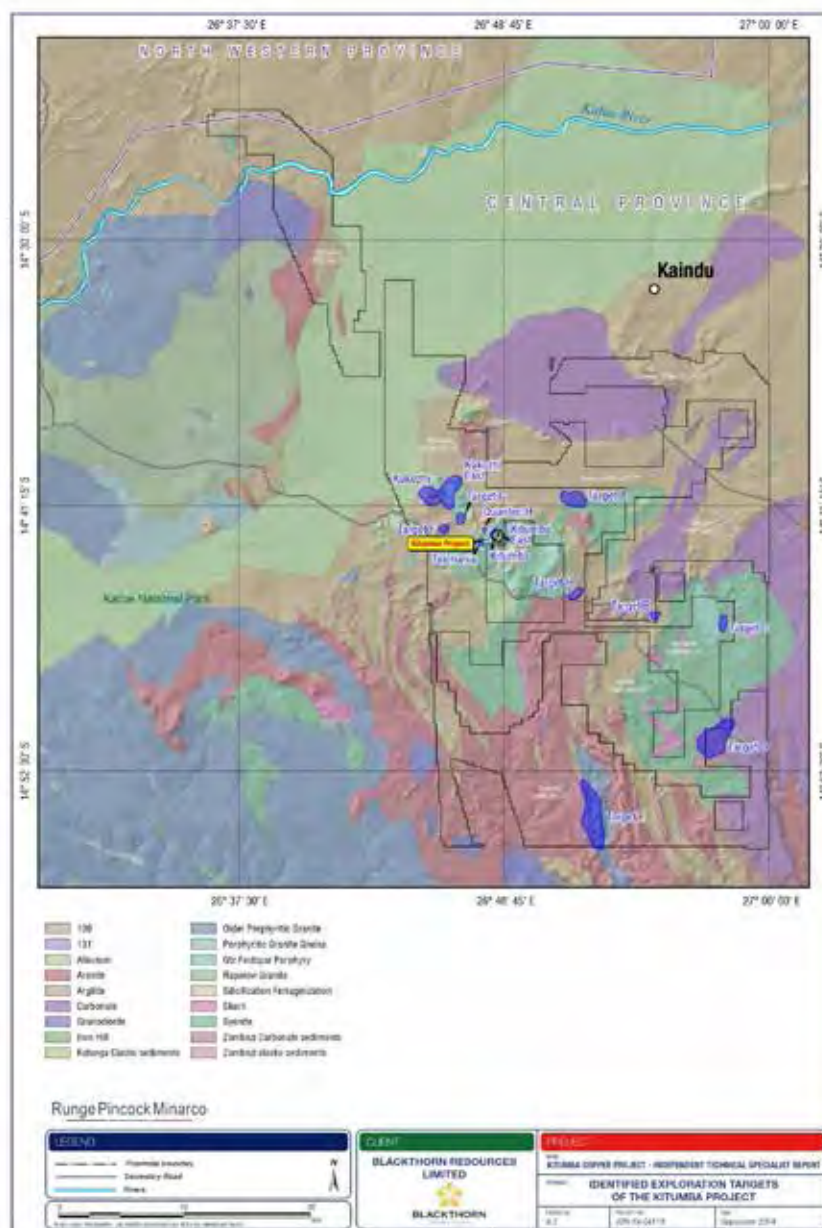
Attachment B: Independent Technical Expert's Report (continued)

Table 6.3 – Kitumba Drill Ready Exploration Targets

ID	Geophysics	Geochemistry	Structure	Lithology	Tenure	Comment	Rank
Quantec H	Similar geophysical response to Kitumba, deeper (800 m RL) chargeable feature to Target G	Cu but coverage incomplete	In-between the Mumbwa and Kitumba fault zone	Hook granitoid	Held	Untested chargeable feature west of the Kitumba fault zone	Drill ready
Tasmania	Similar to target G, chargeable feature	None	Close to MFZ	Likely Hook Intrusive	Held	Chargeable feature on the edge of the Orion 3D IP survey area, Drilled metaseds with chalcocite and native copper mineralisation. 12m @ 0.55% Cu from 307m to 319m and 17m @ 0.42% Cu from 399m to 416m	Drilled
Kakozhi - east	Strong uranium anomaly, western side of the worm gravity and Mutoya magnetic anomaly	Strong Cu in soils	West of the gravity worm feature/Mutoya	Hook and Kundulungu	Held	Vectors are pointing east of phase 6 KAK drilling, fence of angled 300 + m RC holes (diamond tails if positive results) would test this area	Drill ready
Kitumba - east	Resistivity low, CSAMT conductor	104 m at 1.16% from 327-431	East of the KFZ	Breccia and IORE	Held	A Cu mineralised hematite breccia east of the Kitumba fault, IOCG style mineralisation	Drilled, requires further drilling

Source: Blackthorn Internal Documents

Figure 6.4 – Identified Exploration Targets of the Kitumba Project



Attachment B: Independent Technical Expert's Report (continued)

Table 6.4 – Kitumba 2014-2015 Exploration Budget

		Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Total
Soil Program (4000 samples)														
Personnel	(US D)	44,80	44,80	44,80	12,00	0	0	0	0	0	0	44,80	44,80	236,0
Logistics	(US D)	11,10	11,10	11,10	4,30	0	0	0	0	0	0	11,10	11,10	59,80
Environmental Services	(US D)	0	0	0	10,00	0	0	0	0	0	10,00	0	0	20,00
Sample transport and analysis	(US D)	13,50	21,00	26,00	26,00	17,50	0	0	0	0	0	0	1,00	105,0
EM Surveys														
Surface EM (FLEM/MLEM)	(US D)	0	0	0	0	0	0	0	0	61,00	34,50	0	0	95,50
Airborne EM (2000 line kms)	(US D)	0	0	224,8	209,6	0	0	0	0	0	0	0	0	434,4
Drilling Program (4x600m for 2400m)														
Drilling costs	(US D)	400,0	280,00	0	0	0	0	0	0	0	0	0	280,0	960,0
Sample analysis	(US D)	0	45,00	45,00	0	0	0	0	0	0	0	0	0	90,00
Field personnel	(US D)	32,00	31,50	31,00	21,00	0	0	0	0	19,50	19,50	31,50	32,00	218,0
Structural Interpretation														
	(US D)	35,00	35,00	0	0	0	0	0	0	0	0	0	0	70,00
Camp Personnel Costs														
	(US D)	36,02	36,02	36,02	35,14	12,27	12,27	12,27	12,27	13,14	14,92	36,02	36,02	292,4
Camp Running Costs														
	(US D)	90,40	80,50	70,59	50,12	26,33	25,28	25,28	25,28	33,87	33,90	67,42	80,50	609,5
Licence														
	(US D)	6,321	8,318	6,321	2,01	1,547	4,965	1,547	1,547	1,547	1,547	9,597	14,63	59,91
Lusaka Office Personnel Costs														
	(US D)	16,43	16,43	13,93	13,84	12,30	12,30	12,30	12,30	12,48	12,75	16,43	16,43	167,9
Lusaka office rent costs														
	(US D)	4,80	0	0	4,80	0	0	4,80	0	0	4,80	0	0	19,20
Total (excluding drilling)														
	(US D)	258,3	253,17	433,5	367,8	69,95	54,83	56,21	51,41	122,0	112,4	185,37	204,4	2,169,9
Total (including drilling)														
	(US D)	690,3	609,57	509,5	388,8	69,95	54,83	56,21	51,41	141,5	131,9	216,87	516,4	3,437,14

Source: Blackthorn Internal Documents

7. Ore Reserves

The JORC Code defines an 'Ore Reserve' as the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.

7.1 Areas of Ore Reserves

The JORC Code defines an 'Ore Reserve' as the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves. (JORC Code - Clause 28).

7.2 Mining Inventory

Blackthorn commissioned AMC Consultants Pty Ltd (AMC) to prepare a Pre-Feasibility Study on the Project. A key outcome was the estimation of Ore Reserves in accordance with the JORC Code (2012).

The in-situ mining inventory was verified using a combination of Supac and Datamine software. A discrepancy in the in-situ mineable stope quantities was found that was later quantified with AMC as an 80% mining modifying factor applied to the designed stope shapes.

Table 7.1 – In-situ Mineable Quantities

	Quantity (Mt)	Grade (Cu %)	Metal (kt)
Development	3.6 M	1.7	0.06 M
Stoping	26.8 M	2.3	0.62 M
Total	30.4 M	2.2	0.68 M

Source: Kitumba OPFS Study

SLC inventories were estimated using AMC's SLC mixing algorithm which is based on draw curves compiled from the results of draw marker trials and detailed in Power (2004). The algorithm estimates recovery and dilution for production from sub-level caving operation. This mixing algorithm is applied within AMC developed software that is not commercially available. Hence RPM could not validate the detailed individual stope SLC dilution and recovery factors; however a global average indicated 77% ore loss and 27% dilution.

RPM recommends that an alternate means of determining the dilution and recovery based on the stope draw is used in future studies. Commercially, widely used mixing algorithms are available or applying indicative factors as used in most operations would be recommended.

Attachment B: Independent Technical Expert's Report (continued)

7.3 JORC Ore Reserves

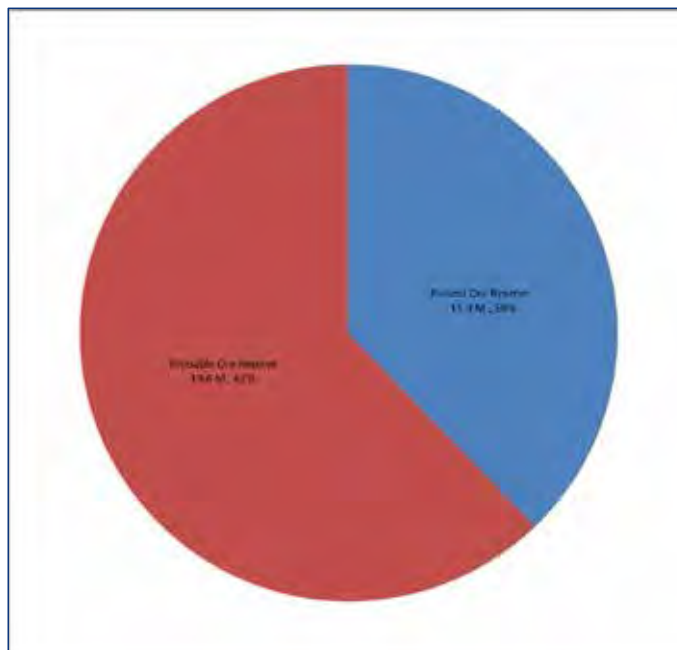
The Ore Reserves as estimated by AMC are outlined in the table below.

Table 7.2 – Kitumba Ore Reserve Estimate

	Quantity (Mt)	Grade (Cu %)	Metal (kt)
Proved Ore Reserve	11.9	2.44	291
Probable Ore Reserve	19.6	1.79	350
Total Ore Reserve	31.5	2.04	641

Source: Kitumba OPFS Study

Figure 7.1 – JORC Ore Reserves Quantity by Classification



The mining schedule includes a small quantity of inferred material, 139kt of ore at 0.66% Cu for 919t of copper.

RPM agrees with the Ore Reserve estimate based on the deposit characteristics and applied modifying factors and mine design.

8. Mining

8.1 Mining Studies

A pre-feasibility study was completed by RPM on the Kitumba Project in 2013. The 2013 PFS examined a number of mining methods including open cut mining, underground sub-level open stoping (SLOS) option and underground sub-level caving (SLC). The 2013 PFS concluded that the preferred approach was SLC.

On completion of the Phase 7 drilling programme, Blackthorn commissioned AMC to re-examine the base assumptions from the 2013 PFS and aim to further optimise the outcomes. The AMC Optimised Pre-Feasibility Study (OPFS) was completed in May 2014. This mining review is based primarily on the approach, study assumptions and outcomes of the OPFS.

8.2 Geotechnical Analysis

A preliminary geotechnical assessment of the proposed underground operation was completed by Pells Sullivan Meynink Consultants (PSM) as part of the 2013 PFS. This was followed by additional geotechnical study by PSM in 2014 for the OPFS. This work comprised processing the data from the Phase 7 drilling programme and was aimed to better understand caveability of the rock mass and refine cave characteristics. As part of the Phase 7 programme five additional drillholes were geotechnically logged and tested for rock strength. Additionally, further structural analysis was undertaken by surveying the drillholes with an ATV tool (acoustic televiewer). As a result of the Phase 7 study, PSM completed an updated rock mass characterization and reported the final caving assessment where a range of minimum widths of the undercut required for initiation of the caving process were provided.

AMC reviewed the PSM work and concluded the following;

- Rock mass characterization (RMC) values confirmed the values obtained under the previous studies.

It is expected that the rock mass above the production zone would readily cave after the initial undercut is established as indicated in Figure 8.1 below.

- The declines and other capital development under the currently proposed mine layout are located at an adequate stand-off distance from the production area. No stress related issues are expected in the capital development.
- Caving induced stresses in the pillars between the ore drives are expected to be relatively high.
- All ore drive pillars have factor of safety (FOS) below 1.

The zone of surface subsidence at the end of the mine life is estimated to have a diameter of 480 m. The zone of cave influence, within which no infrastructure should be built on the surface, is estimated to have a diameter of 650 m as in Figure 8.2.

Attachment B: Independent Technical Expert's Report (continued)

Figure 8.1 – Rock Mass Caveability Chart (after Laubscher, 1990)

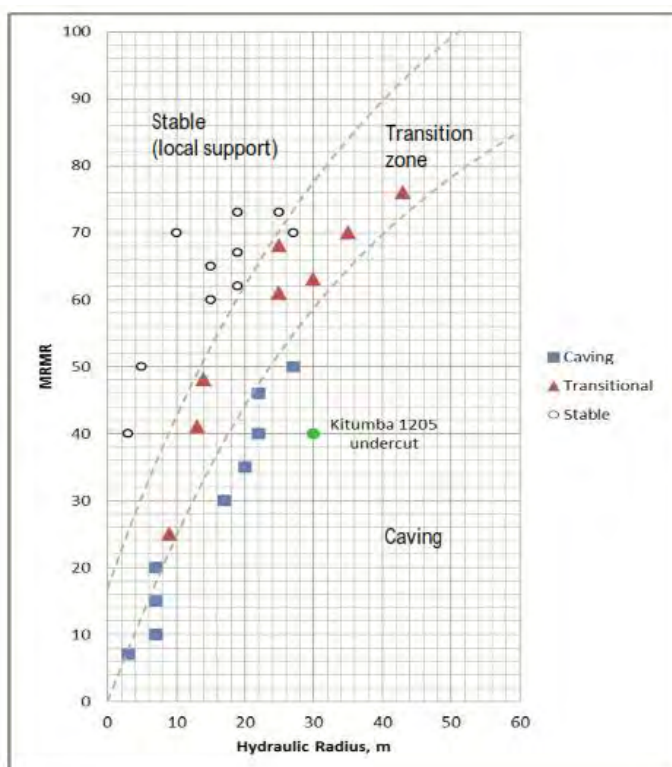
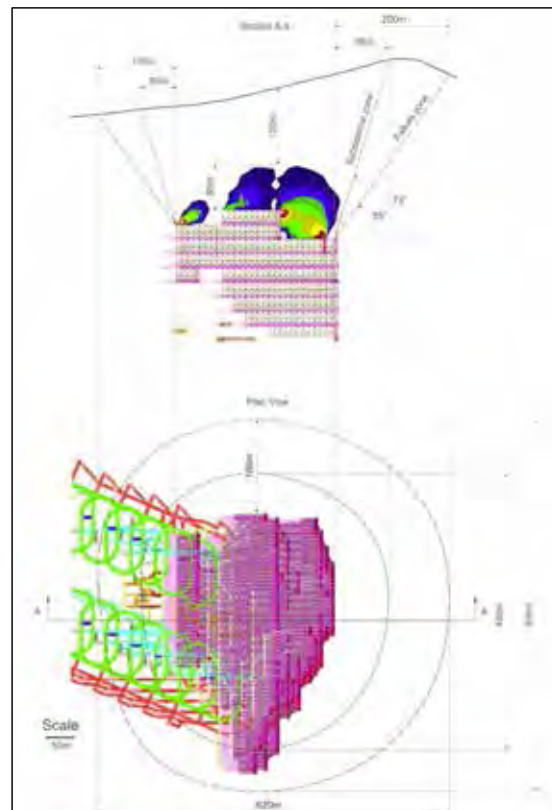


Figure 8.2 – Failure Zone and Surface Subsidence around the Cave



RPM acknowledges that the detail of the geotechnical study is to a level of a pre-feasibility study. The ore drive pillars will require additional studies and consideration for additional ground support. This will require additional ground support cost and revisions to the ore drive scheduling rate however this is not likely to be material. Additional geotechnical data will be required in future studies focusing on the box cuts, ventilation shafts, mine development and caveability assessments.

8.3 Mine Method

The 2013 PFS included consideration of open pit, sub-level open stoping (SLOS) and sub-level caving (SLC) mining methods. Based on the work Blackthorn and RPM concluded that:

- Open pit mining should be excluded due to high capital costs associated with significant pre-stripping.
- Sub-level open stoping should be excluded due to its high operating costs resulting from the requirement to backfill.

The OPFS adopted SLC as the preferred mining method.

RPM agrees with SLC as being the preferred mining method given the deposit characteristics. The SLC mining method is well known with various other mines successfully using this method with similar natured deposits. However, further geotechnical analysis is recommended to assess whether a lower cost block caving mining method is appropriate.

Attachment B: Independent Technical Expert's Report (continued)

8.4 Hydrology

For the OPFS, specialist sub consultant RPS Aquaterra Pty Ltd ("RPS") completed a dewatering and surface water assessment, based on the underground mining plan developed for the OPFS.

Key findings from RPS include:

- The conceptual hydrology model for the mine site indicates that the deposit is likely to be hosted in a low permeability aquifer system, comprising the granitoid intrusive.
- Permeability may be significantly enhanced locally along faults. The nature and extent of the permeability along faults remains unknown.
- Mine dewatering estimates indicated that combined average mine inflows (excludes burst inflows when faults are intersected) may potentially peak at around 21 L/s, assuming a peak inflow from bedrock of around 17L/s and from fault zones of around 4 L/s.
- Dewatering will generate a cone of depression in the aquifer which will propagate radially from the mine, until reaching equilibrium at a distance of around 2km, which is not expected to affect any other groundwater users in the area.
- If surface subsidence occurs as a result of mining, increased permeability may result in short duration increases in water inflows as a result of rainfall events.

RPM believes the outcomes and approach are reasonable for the OPFS. No material issues were identified. However further hydrological studies are required as the impact of the ingress of water in the fault zone could have a detrimental effect on the production rate and mining costs.

8.5 SLC Options Analysis

A limited analysis was conducted on a range of Cut-off Grades ("COG"), and production rates.

From the high-level analysis a COG of 1% Cu was selected based on producing an Internal Rate of Return (IRR) of 19.6%, producing 55ktpa of Cu metal, 3Mtpa capacity and a capital cost of \$628M.

RPM recognises that this means of analysis is appropriate for this level of study. The analysis did not review any potential benefits above a COG of 1% except for a production rate less than 3Mtpa. The breakeven COG calculated and used in the final optimisation study was 1.05%Cu.

No material issues were identified with the approach and final estimate of cut-off grades. There may be an opportunity to add further value by examining cut-off grades above 1% Cu.

8.6 Mine Design

The mine design was constructed using the following criteria:

- 25m floor-to-floor sub-level intervals.
- Declines developed at 1:7 down.
- A minimum 50m stand-off distance of capital infrastructure from the cave.
- A subsidence angle of 45%.
- Decline curve radius of approximately 32m.
- Cross-cut development designed for the transverse (East to West) extraction of the orebody.
- Ore crosscuts are developed throughout the orebody on 14m centres. Crosscuts are 6m wide and are separated by 8m pillars.

The mine is designed to reach a depth of approximately 450m below surface, with production horizons developed over a 300m vertical range.

Figure 8.3 – Development Design looking East

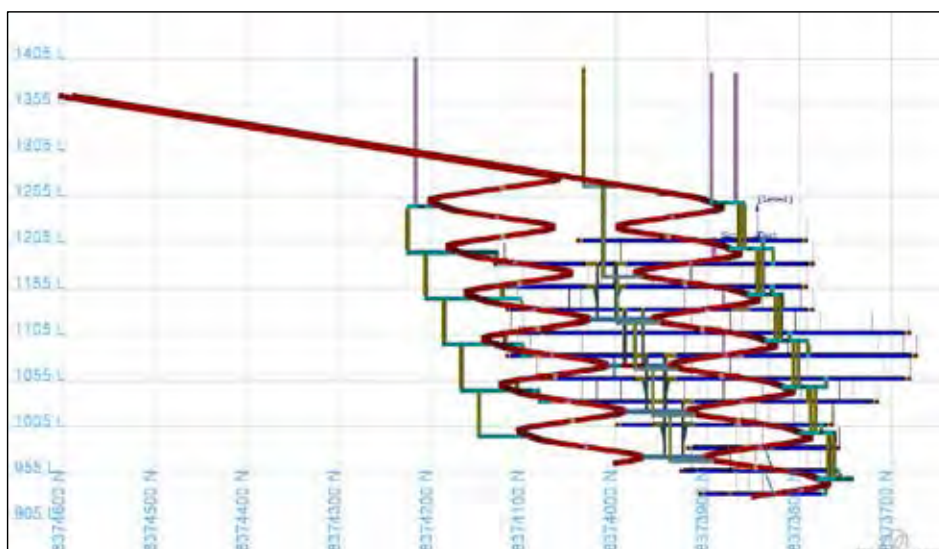
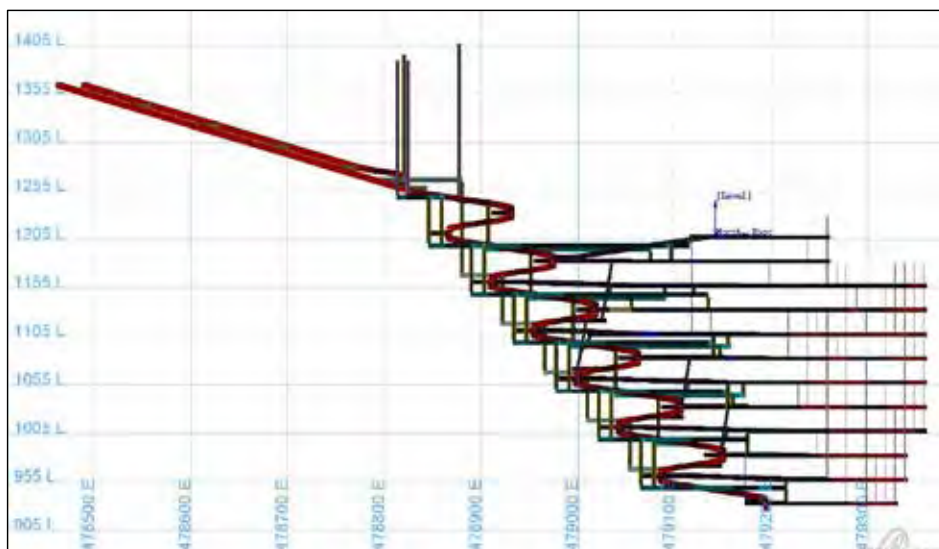


Figure 8.4 – Development Design looking North



Attachment B: Independent Technical Expert's Report (continued)

Figure 8.5 – Mine Design looking East

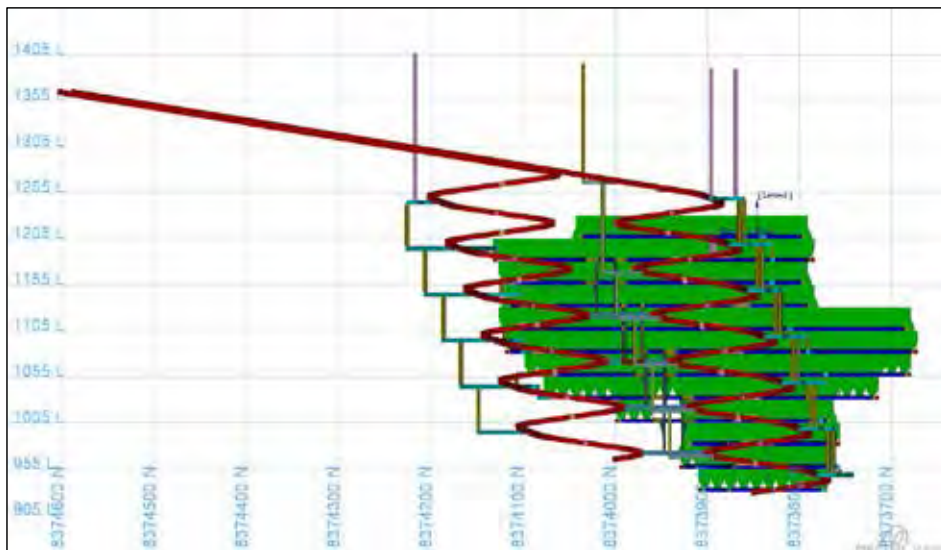
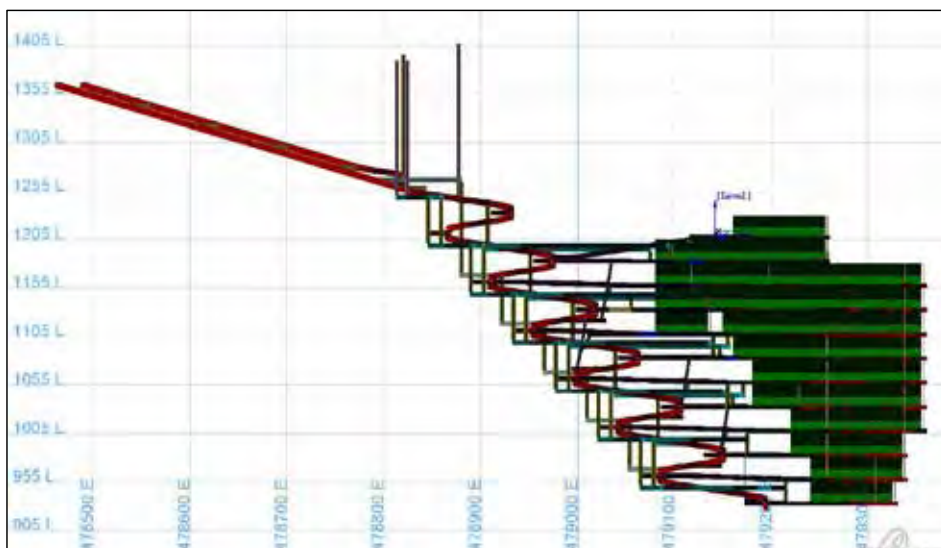


Figure 8.6 – Mine Design looking North



In RPM's opinion the mine designs are reasonable and appropriate for the proposed mining method, geotechnical criteria and style of deposit.

8.7 Ventilation

The mine is designed to be ventilated by a “pull” or exhausting type ventilation system. That is, the primary ventilation fans will be located at the primary exhausts of the mine and develop sufficient pressure to provide ventilation to all workings from the intakes through to the exhaust system and to the surface.

The mine design incorporated a contingency factor of 25% to account for leakage through the cave and other system inefficiencies. Noting the cumulative total airflow for each year, the highest required airflow is estimated to be 615 m³/s.

RPM believes the vent design is suitable for the proposed mining method.

8.8 Scheduling

The mine design is scheduled in MineRP's Enhanced Production Scheduler (EPS). Design tasks are schedules based on applied priorities, task rates and, equipment productivities and levels.

RPM recognises that due to the geotechnical restricted nature of SLC the option of optimising the schedule to produce the optimal product is limited. The high grade domain (used in estimating the Mineral Resource) is located towards the south of the mine design. Consequently the PFS mine schedule was prepared to retreat from south-to-north, to access higher grade Cu. In future studies reviewing the direction of the cave thereby improving the schedule is recommended to optimise the grade and processing profile.

Table 8.1 – Scheduling Rates

Description	Max Rate
Infrastructure Development	150 m/mo
Ore Development (XC and Slot Drive)	100 m/mo
Production Drilling	6000 pdm/mo
Vertical Development	2 m/day
Slot Rise Development	2 m/day
Stope Production (column position 1 and 2)	250 t/d
Stope Production (column position 3 and down)	500 t/d

Source: OPFS document [05.03.10.26.05 1829-STY-001_B_OPFS_final.

Table 8.2 – Schedule Equipment Productivity

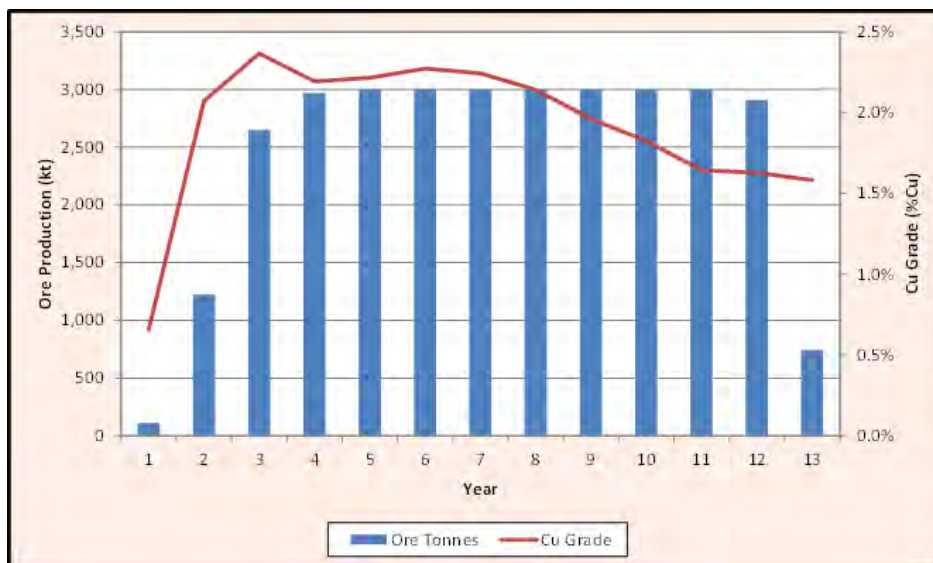
Description	Max Productivity
Jumbo Drill	200 m/mo
Stope Loader	2500 t/d
Production Drill	6000 pdm/mo
Raise Drill	2 m/d

Source: OPFS document [05.03.10.26.05 1829-STY-001_B_OPFS_final.

The production schedule was completed in monthly increments as illustrated in the below graph.

Attachment B: Independent Technical Expert's Report (continued)

Figure 8.7 – Scheduled Ore by Mining Area



The schedule was reviewed and appears appropriate for the mining method and deposit characteristics.

However, the 2,976m of decline advance that is scheduled to be completed in 11 months averaging 270m per month could be considered a stretched target for an initial parallel decline due to limited available headings. Further studies should include a high level of scheduling using a maximum advance per heading. This may result in a minor extension to the ramp up mining period by a matter of months.

8.9 Conclusions

No material issues were identified as part of the mining review. Some minor technical issues were identified as well as areas to potentially improve value.

Key conclusions of the mining review include:

- Ore Reserve estimate is reasonable.
- Future studies should consider using commercially available software for determining ore loss, dilution rather than in-house software which is not possible to audit.
- Future geotechnical study will require additional consideration for ground support for box cuts, ventilation shafts, mine development and caveability assessments.
- SLC mining method ventilation design and supporting mine design is appropriate for the deposit. It is well-known with various other mines successfully using this method with similar natured deposits regionally.
- Following additional geotechnical studies, there may be an opportunity to add value by using the lower cost block caving method.
- Further hydrological studies are required to assess the impact of the ingress of water in the fault zone as this could have a detrimental effect on the production rate and mining costs.
- The selected cut-off grade of 1.05%Cu is appropriate. There may be an opportunity to add further value to the Project by undertaking an options analysis on higher cut-offs.

- The mining sequence and ore schedule is reasonable.
- The decline rate of advance errs on the optimistic. A more conservative adjustment, however would likely result in only a minimal extension to the ramp up mining period by a matter of months.

Attachment B: Independent Technical Expert's Report (continued)

9. Metallurgy and Ore Processing

9.1 Summary

Flowsheet development for the Kitumba ores has proven relatively difficult and a full understanding of the copper mineralogy of the deposit has yet to be gained. An insufficient level of testwork was conducted for the OPFS that appears to be troubled by sample representivity in terms of mineralogy and ore types. Nonetheless, a flowsheet building on the testwork legacy of the PFS has been finally settled upon that would be able to process Kitumba ore types and copper mineralogies at high copper recoveries. Opportunity exists to optimise and rationalise the equipment sizing based on further specific testwork.

Underground ore is planned to be processed, after crushing, in a conventional SAG-Ball-Pebble Crushing ("SABC") milling operation followed by copper sulphide flotation and two acid leaching circuits. Copper would be recovered from the flotation concentrate by pressure oxidation while the flotation tailings, combined with the pressure oxidation circuit discharge, would undergo atmospheric leaching. Copper bearing solution would be recovered and washed from the leached tailings by CCD and prepared for electrowinning by solvent extraction. Washed CCD underflow would be neutralised prior to impoundment in a Tailings Storage Facility ("TSF").

The planned mill throughput rate is 3 Mtpa. The operation would produce on average, 60,000 tpa of cathode from a 2% Cu ore and at the proposed 93% copper recovery. The copper recovery is dependent upon the mineralogy and based on the mineralogical interpretation provided by Blackthorn based on the block model, limited mineralogical studies and the current mine schedule, LOM copper recovery would be 89.9%.

The pressure oxidation circuit performs two roles, namely the extraction of copper from primary copper sulphides (i.e. iron bearing sulphides such as chalcopyrite and bornite) and production of sulphuric acid and ferric ions for the atmospheric leach. This approach has been successfully applied elsewhere in the world and would not be considered novel as such. The main difference is that the flowsheet proposes to employ air/enriched air in the atmospheric leach, whereas other operations employed oxygen. Technically, the use of air/enriched air is feasible; however the impact on both the heat balance (extra volumes of unreactive gas [i.e. nitrogen] removing heat) and the reaction rate [which translates to copper recovery in a system with a fixed residence time] needs to be tested. Recovery of secondary copper sulphides [i.e. non-iron bearing] in the early production schedule means that the purchase of iron bearing sulphide concentrates is required; the project proposes to buy chalcopyrite concentrates in order to expand copper production as well as provide iron. A trade-off study needs to be conducted to verify the economics of this approach.

Considerably more testwork and mineralogical studies are required to meet the standards demanded by a Feasibility Study. While a pilot plant is not necessary to test the mineral processing and leaching circuits, additional bench scale testwork needs to be undertaken to provide more confidence in the design copper recoveries as a function of the mining schedule. This includes the nature of the copper mineralogy as a function of the plant feed, testing of the atmospheric leaching circuit with the proposed feed (i.e. pressure oxidation discharge and flotation tailings) with air and enriched oxygen using the hyperspargers, considerably more comminution and dewatering studies. Finally, the establishment of a feed grade/mineralogy-recovery relationship is also required so that overall copper recoveries may be reliably predicted by year of operation.

Selecting representative samples is difficult due to the short range mineralogical variability and even test charges prepared from a homogenised master composite show this variability as measured by the metallurgical response. The key testwork approach is to conduct more than one test, ideally several, for each master composite to identify the variability and using 1 kg charges rather than 4 of 5 kg charges.

The proposed flowsheet and subsequent design of the milling circuit and the two leaching circuits is reasonable and would successfully process Kitumba ores. The equipment sizing and design does need to be optimised and possibly rationalised.

The engineering study is generally of a suitable standard for a PFS; mass balances, design criteria, milling sizing calculations, equipment list and process flow diagrams ("PFDs") were prepared in appropriate detail, although several discrepancies exist between them including the OPFS text.

These discrepancies probably have not materially impacted the cost estimates within the order of accuracy ($\pm 25\%$).

9.2 Data Sources

Data was made available in a data room and where there was found to be either insufficient information or an explanation or improved clarity was required, Blackthorn Resources Limited was approached. The primary data source was the OPFS document [05.03.10.26.05 1829-STY-001_B_OPFS_final (Unsecured)].

In addition, selected documents in the supporting Appendices were reviewed at a high level for Section 6 Metallurgy [principally 05.03.10.26.17.17 App 6 Metallurgy_Comb] and Section 7 Process Plant [namely 1829.15-PDC-001_B (Design Criteria), App 7.2 Process Flow Diagrams_Combined, 1829.15-LST-002_B Mechanical Equipment List and 1829.15-110-G-003_B (Plant Layout Drawings)].

The mass balance and flowsheets were also inspected [Mass Balance Output - Year 4S (xls) and Mass Balance Flowsheets - Year 4S].

The review of the capital and operating costs was also based on the supporting Appendices '05.03.10.26.10.01 S1829 Kitumba CCE PFS summaries 160414' and '05.03.10.26.11.01 Operating Cost Estimate_Rev E' documentation respectively. A freight cost spreadsheet was also viewed [Transport Cost Summary (xls)].

Selected documentation were made available by Blackthorn from the Pre-Feasibility Study (PFS) and reviewed at a high level since references were made to this documentation in the OPFS, particularly for the Capital cost estimates. Blackthorn also provided some additional PFS testwork as well sample detail at a high level as a basis for substantiation of the project mineralogy and overall copper recoveries, given both the sample representivity issues and limited amount of testwork conducted for the OPFS. It should be noted that RPM was not involved in the metallurgical aspects of the PFS or development of the processing capital and operating costs.

These PFS documents included '05.03.10.18 3135-STY-001_6_Metallurgy %26 Flowsheet Development_0' (testwork and samples), 'Appendix 7.1 – FINAL' (a version of the equipment list) and '05.03.10.10 3135-STY-001_15_Capital Cost Estimate_0'.

9.3 Metallurgical Testwork

For the OPFS, testwork was only conducted on three samples, namely Composite 1, Composite 2 and Composite 3. Further comminution testwork was not conducted.

The composites were prepared from samples representing selected mining years, which is reasonable and standard testwork practice. For a typical pre-feasibility study, besides testing mining composites, ore types would also be tested (to understand the processing nuances as well as the impact upon the processing characteristics of ore blends) and selected samples to establish feed grade/mineralogy-recovery relationships.

The bulk of the testwork was focused on proving a selected flowsheet, which is a reasonable approach when there are constraints, however clearly limits the scope of work:

- Limited sample size,
- Limited mineralogical studies,
- No comminution studies,
- No repeat/duplicate tests (reproducibility),
- Atmospheric leaching was only conducted on flotation tailings and employed hydrogen peroxide as the oxidant, and
- Insufficient dewatering testwork.

In the PFS, a relatively extensive testwork programme was conducted on ten primary composite and four secondary composite samples. Mineralogy, pre-concentration, flotation, leaching and thickening studies were undertaken. A flowsheet was settled upon involving sulphide and 'oxide' flotation, followed by atmospheric leaching of the bulk concentrate and then sulphide flotation of the leached

Attachment B: Independent Technical Expert's Report (continued)

tailings. Two products were produced, namely a copper sulphide concentrate and copper cathode via solvent extraction and electrowinning of the solubilised copper. Overall copper recovery was 85.4% and the copper concentrate assayed 25.3% Cu.

RPM considers the metallurgical testwork was not as comprehensive as it should have been to support a pre-feasibility study. Moreover, the samples were not as representative as they could have been. More testwork had been conducted for the 2013 PFS, some of which is relevant and transferable to the OPFS. A reasonable process flowsheet has been selected that would be able to handle a range of ore types with variable copper mineralogy and yield high copper recoveries.

9.3.1 Metallurgical Testwork

The OPFS testwork programme used three composite samples, based on selected mining years. Composite 1 represented mining years 1 to 5, composite 2 years 5 onward ('significantly higher proportion of primary copper minerals') and composite 3 'the early years'.

The samples could have been more representative, considering the mineralogical study outcomes. Blackthorn revealed that Composite 1 was prepared from 'left over' drill core samples and thus is not considered particularly representative. As experienced in the Scoping Study (SS) and 2013 PFS studies, it is difficult to select a 'representative' sample in the supergene and transition zones due to the short range highly variable copper mineralogy of the deposit.

Hence the importance of conducting testwork on several samples from each 'representative' ore type and mining composite, preferably on a quarterly basis for the first several years. Blackthorn is adopting this approach for the Feasibility study testwork programme. The suggestion in the OPFS to undertake pilot plant scale may not resolve this matter, since, for this deposit, a larger sized sample does not guarantee representivity.

It is likely that the mineralogy of the mill feed will vary even from hour to hour for the supergene and transition zones, and the metallurgical response of the extremes in variations as well as the more common mineralogical average must be used to assist in the detailed design and to settle upon stage copper recovery figures (and thus overall copper recoveries).

Three samples (oxidised, supergene and primary) had been tested in the SS testwork programme while 14 samples (ten hypogene and four supergene) in the OPFS. Overall, 20 samples have been used to develop a flowsheet.

Some details of the drill cores that were selected to prepare the OPFS composite samples are presented in Table 9.1, Table 9.2 and Table 9.3. These tables show the significant variability in terms of copper and other elements for individual drill core lengths and that a significant proportion of the drill core samples had copper assays below 0.5% Cu.

There are some significant differences between the composite assays reported in the OPFS and that reported by HRL testing, upon which the tables have been compiled. Insufficient information is provided to fully explain this outcome.

In the case of composite 1, the differences are not particularly significant; the OPFS states 2.44% Cu, 11.79% Fe and 0.26% S.

For composite 2, the OPFS states that the head grade was 3.54% Cu. Iron (13.1%) and sulphur (2.23%/2.54%) assays were also different.

A similar difference in the composite head assay is noted for composite 3. The OPFS reports a head assay of 3.42% Cu, 13.4% Fe and 1.55% S.

These head grade differences presumably have not affected the reported metallurgical results, including copper recoveries, since HRL testing undertook the calculations. It is assumed that the OPFS has transliterated these results correctly.

It is also significant that all of the composite samples had feed grades in excess of the LOM copper grade (circa 2% Cu); the major impact would be on flotation metallurgy and possibly on the leaching metallurgy, depending upon the mineralogy and the grind size.

Table 9.1 – OPFS Composite 1 Details

Hole IDD	Year Mined	Mineral Zone	Assay (%)			
			Cu	AS Cu	S	Fe
KITDD 031 & 033	0	Supergene	0.71-0.85	0.12-0.14	0.02-0.22	9.03-22.5
KITDD 027, 029 & 031	2	Supergene	0.30-7.76	0.06-7.33	0.04-0.76	2.13-14.46
KITDD 033	5	Supergene	0.68-16.13	0.20-14.56	0.03-1.05	2.67-22.77
45.3 Kg		Average	2.46	1.69	0.24	12.59

Source : OPFS Appendix 6 [05.03.10.26.17.01 1.0]

Table 9.2 – OPFS Composite 2 Details

Hole ID	Year Mined	Mineral Zone	Assay (%)			
			Cu	AS Cu	S	Fe
KITDD 033	7	Hypogene	0.80-2.29	0.05-0.10	0.01-5.58	1.70-26.08
KITDD 027, 029, 030 & 031	9	Hypogene/Supergene	0.15-11.48	0.06-9.17	0.04-6.55	3.57-12.46
KITDD 033	LOM	Supergene	0.29-4.50	0.03-1.72	0.03-1.05	5.47-22.15
47.3 Kg		Average	2.49	1.15	2.18	13.73

Source : OPFS Appendix 6 [05.03.10.26.17.01 1.0]

Table 9.3 – OPFS Composite 3 Details

Hole IDD	Year Mined	Mineral Zone	Assay (%)			
			Cu	AS Cu	S	Fe
KITDD 026	?	Supergene	0.59-1.73	0.16-0.36	0.62-5.79	12.81-32.08
KITDD 027	?	Supergene	1.48	0.14	4.41	13.02
KITDD 029	?	Hypogene/Supergene	0.25-1.57	0.07-0.30	0.005-5.25	3.82-26.69
KITDD 030	?	Supergene	0.33	0.06	0.27	7.48
KITDD 031	?	Supergene	0.36	0.16	0.02	5.98
KITDD 033	?	Supergene	8.82-18.63	7.15-14.20	0.23-1.97	1.65-11.49
45.7 Kg		Average	3.12	2.01	1.15	13.27

Source : OPFS Appendix 6 [05.03.10.26.17.01 1.0]

9.3.2 Mineralogy

Some mineralogical studies were undertaken on testwork feed samples for composite 1 and 2 using Quantitative XRD (QXRD) (refer to Table 9.4). 10% zincite was added to enable the identification of amorphous minerals, which occur in some abundance in the two samples. A microprobe was required to identify the amorphous material in composite 1 (goethite-groutiye) however the amorphous mineral in composite 2 remains to be identified.

As noted later (refer to Section 10.3.10), mineralogical variations would be expected between the various charges prepared for testing for each sample, and a number of charges for each sample should be mineralogically examined.

Mineralogy was appears to have been limited to simply mineral identification and no mineral liberation data, mineral size ranges or mineral association data was captured. In future mineralogical studies, a QEMScan or MLA should be employed to deliver more metallurgically useful mineralogical data.

No copper sulphides were recognised in composite 1 while some typical copper 'oxide' minerals (malachite and brochantite) were found. An unusual and unexpected copper bearing mineral was identified, chalcocite (an iron phosphate), in a reasonable abundance (5.2%). How prevalent this mineral is in the supergene and transition ores is not known. However it is basically refractory and unrecoverable (as later testwork shows, it is difficult to float and does not leach) in the proposed flowsheet. However, it does not contain a lot of copper (6.44%) and hence will not have a material impact. However in this sample it represented over 12.2% of the copper. Consequently, the maximum copper recovery would be limited to 87.8% copper.

Attachment B: Independent Technical Expert's Report (continued)

As measured by 'copper phosphate', the level of chalcosiderite was much lower in the PFS samples, namely SC1 (0.25%), SC1 (0.17%), SC3 (0.0.03%) and SC4 (0.0.08%).

These results appear to be at odds with some diagnostic leaching results on this sample (refer to Table 9.5). Diagnostic leaching is a very useful tool and the results considered reliable. It identified that 30% of the copper was present as sulphide minerals, some of which, particularly the primary sulphides, should have been detected by the QXRD. This difference probably arise due to the mineralogical variations between the charges noted above, confirming the mineralogical variability and complexity of Kitumba ores.

Table 9.4 – OPFS Composite Mineralogy

Composite	Amorphous	Brochantite	Chalcocite	Malachite	Pyrite	Chalcocite	Quartz	K-Feldspar	Mica	Geothite & Hematite	Siderite
1	27.4 (geothite-groutite)	1.8	5.2	2.4	-	-	12.1	36.5	8.1	5.5	-
2	52.2 (93% of Cu)	-	-	-	2.0	0.7 (7% of Cu)	7.9	14	9.0	5.0	7.6
3	?	?	?	?	?	?	?	?	?	?	?

Source : OPFS Section 6 [05.03.10.26.17.05 1829-STY-001_B, Tables 6.6.3 and 6.6.8]

Table 9.5 – OPFS Composite Speciation

Composite	Copper Speciation (%)			Sulphur Speciation (%)		
	'Oxides'	Secondary Sulphides	Primary Sulphides	Elemental (%)	Sulphide % Cu	Sulphate
1	70	10	20	3.3	39.5	57.2
2	31	48	21	0.4	94.5	5.1

Source : OPFS Appendix 6 [05.03.10.26.17.02 1.1]

Attachment B: Independent Technical Expert's Report (continued)

For composite 2, some chalcopryrite was found, however the bulk (93%) of the copper was tied up in an unidentified amorphous mineral. Diagnostic leaching on this sample identified that 69% of the copper was present as sulphides. Apparently the 'copper phosphate' content was 0.7%, significantly lower than that found for Composite 1. Based on the diagnostic leaching results, the amorphous material may have been 'sooty' chalcocite or chrysocolla; mineralogical variability between charges prepared from the same head sample may also be responsible.

The differences in results between the QXRD and diagnostic leaching were not addressed in the OPFS.

One would have expected that there would have been some similarities between Composites 1 and 3, however this was not checked. No mineralogical studies were conducted on Composite 3. The poor leaching results may have been due the presence of amorphous material such as clays and insoluble copper minerals.

Additional mineralogical information was generated by Blackthorn based on the PFS samples, namely the Secondary Composites (SC) prepared from the ten primary composites: SC1 (years 1 to 5, 2.6% Cu, 1.09% S), SC2 (years 5-10, 2.63% Cu, 1.06% S), SC3 (10+ years) and SC4 (LOM average).

These data, in conjunction with data from the block model containing sulphur, copper and ore type domains (T1, T2 and T3), were used to develop 'mineralogical profiles' of the annual mine production based on the new mine schedule; the main mineralogy of interest was primary sulphides (pyrite and chalcopryrite), secondary sulphides (chalcocite and covellite) and insoluble copper 'oxides', mainly chalcociderite.

RPM regard this to be a reasonable approach considering the sample limitations and variability of the deposit. The approach calculated chalcopryrite quantities based on sulphur and copper quantities and the remaining sulphur was ascribed to pyrite. Secondary mineral proportions were calculated from the remaining copper and elemental concentration based on SC4 mineralogy.

This needs to be confirmed in future mineralogical studies by examining a large number of samples, spaced over the mining schedule, initially quarterly and then six monthly (say after year 6). It is understood that Blackthorn will adopt this approach and also test these samples for their flotation and leaching responses.

9.3.3 Comminution

No comminution testwork was undertaken for the OPFS. It was presumably considered that sufficient comminution work had been conducted for previous studies (i.e. the PFS and Scoping Studies ("SS")).

Comminution testwork was conducted in the SS on three ore types found that the samples were of low to moderate abrasiveness (Ai : 0.15 to 0.4) and soft to moderately hard (BBMWi : 14.5 to 17.9 kWh/t, BRMWi : 13.9 to 19.6 kWh/t) [PFS, Chapter 6, Section 6.1 : 05.03.10.18 3135-STY-001_6].

For the PFS, comminution testwork was undertaken on seven samples, reflecting a range of ore and host gangue types. The samples ranged in abrasiveness from low to moderate (most samples) to high (Ai : 0.09 to 0.64 and Ta : 0.27 to 0.73) and from soft to moderately hard (most samples) (BBMWi : 13.5 to 19.2 kWh/t, BRMWi : 19.3 to 22.6 kWh/t) The SMC tests indicated that the samples were predominately moderately hard to hard (DWi : 3.6 to 9.6 kWh/m³ and Axb : 20.4 to 74.5) [PFS, Chapter 6, Section 6.6 : 05.03.10.18 3135-STY-001_6].

Consequently, for this project to date, comminution studies have been only conducted on 10 samples.

Typically at the PFS level, for a 'major' deposit comminution testing on at least 150 and typically 350 selected samples would be completed and for a medium deposit this number should be at least 50 samples, depending upon the complexity, mineralogy and size of the deposit. The intent is ensure that the comminution characteristics of the whole deposit are well understood (i.e. no surprises) and that the optimum comminution circuit can be designed and selected; the comminution circuit represents a significant capital and operating cost centre as well as significant consumer of infrastructure (power).

The sample range is important and should include samples from:

- Spatially throughout the deposit,
- All mining sequences (particularly the early years, namely Years 1/2, Years 4/5 and Years 6 to 10),
- Represent all ore and mineralogical types (high, medium and low grades), and
- Gangue that may dilute the mined ores.

The most important comminution parameters to identify include:

- Unconfined Compressive Strength (UCS – selection of a single or double toggle jaw crusher),
- Abrasion Index (Ai—allows an estimate of media and liner wear),
- Semi-autogenous Mill Comminution (SMC) tests (Axb, Ta, Drop Weight Index, DWI),
- Bond Ball Mill Work Index (BBMWi).

Other comminution tests typically conducted, but not as critical or important, include:

- Point-load tests,
- Bond Crushing Work Index (CWi),
- Bond Rod Mill Work Index tests (BRMWi), and
- Semi-autogenous Mill Power Index (SPI) tests.

Lycopodium have selected mid-range values for the comminution parameter design criteria, namely a BBMWi of 17.9kWh/t and a BRMWi of 21.8 kWh/t. A CWi of 24.8 kWh/t was also selected, however the basis is unknown. These values may be reasonable depending upon the nature of the typical mill feed over the LOM.

9.3.4 Flotation

A limited amount of benchscale flotation testwork was conducted with Composites 1 and 2 focussed on recovering the sulphide minerals in a roughing stage with no cleaning of the rougher concentrate. This is a sensible approach since it maximises the recovery of copper sulphide for digestion in the pressure oxidation stage.

This means recovering any secondary sulphides (e.g. covellite and chalcocite – non-iron bearing) in the early mining years (1 to 5) and primary sulphides (e.g. chalcopyrite and bornite) in the later years.

As such, it is simple and well known technology and widely practiced. While fine losses to the flotation tailings will occur due to the inevitable overgrinding of the softer secondary sulphide minerals, hot ferric leaching of the flotation tailings should recover the copper from these fines. There will be little recovery of copper from any fine chalcopyrite lost to the flotation tailings during atmospheric leaching.

Two flotation tests (2kg each) were conducted on Composite 1 and the products combined for assaying; it was found that 19% of the copper was recovered into a rougher concentrate with a mass recovery of 4.8% [OPFS, Section 6.6.5]. Flotation was conducted at a grind size of 80% passing (P80) 150 microns, a pH of 8.5, an addition rate of 205 g/t for the collector PAX, a temperature of 30°C and a flotation time of 9.5 minutes. The low flotation recovery does not appear to reflect the amount of copper sulphides present in this sample (~30%) and the quantity of collector employed is very high. This indicates that the grind size was probably too coarse; and there were sulphide composites present that did not float. This was not investigated i.e. mineralogical analysis of the flotation tailings (cf. Composite 2). The primary risk is that if the lost sulphide mineral is primary copper sulphide (i.e. chalcopyrite), most of the contained copper will not be recovered during the following stage (atmospheric leaching).

Phosphate flotation studies (4 kg charges) were also undertaken on the flotation tailings of Composite 1 when mineralogical analyses of the atmospheric leach tailings revealed that the copper was present in the tailings was present as chalcocite, an iron phosphate containing low levels of copper (6.44%) [OPFS, Section 6.6.8]. Three tests were conducted at a P80 of 150 microns and employed three different types of collector (oleic acid, SM15 and AM2A), after removing a sulphide

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concentrate, without much success. The best result was found using oleic acid, recovering 22% of the phosphorus and 30% of the copper into a concentrate with a mass recovery of 16%. This represented about 2% of the copper in the feed.

The metallurgy for the precursory copper flotation stage, a useful check upon the variability of the sample metallurgical response, which is a significant concern, was not reported. Indeed, examining the HRL testwork sheets, it would appear that these samples were not even collected and assayed.

Three flotation tests were performed on Composite 2 using large samples (10kg) and the same conditions used for the Composite 1 flotation testwork. Three grind sizes were examined; namely P80 of 106, 150 and 180 microns. Copper recovery improved with finer grind size, with the finest grind recovering 69% with a rougher concentrate mass recovery of 10 to 11% and grade between 18 and 21% Cu. Sulphur recovery ranged between 93 and 97%, which indicates that nearly all of the copper sulphides and pyrite were recovered.

Previous testwork focussed on supergene composite samples (e.g. SC1 and SC4), conducted for the PFS used sulphide flotation followed by copper 'oxide' flotation. Although conducted at a finer grind size (P80 of 90 microns), overall copper recoveries of 78% to 89% were achieved. The sulphide recovery as a proportion of the total sulphide feed content was not reported, however it would be high [PFS, Chapter 6, Section 6.9.1 : 05.03.10.18 3135-STY-001_6]. Blackthorn confirmed that the sulphide recovery was 95%.

In addition, Blackthorn stated that the pyrite was highly activated in the PFS testwork studies, and very difficult to depress during the subsequent cleaning operations. Consequently, it was difficult to make marketable final concentrate grades (21-22% Cu), consequently ruling this out as a flowsheet option.

SS testwork on low grade (<0.5% Cu) ore samples indicated that high rougher recoveries were possible (86.4%) for primary samples (mainly pyrite and chalcopryrite) however only 51.1% for the oxidised sample [PFS, Chapter 6, Section 6.1 : 05.03.10.18 3135-STY-001_6].

9.3.5 Atmospheric Leaching

Batch agitated leaching testwork was conducted on five composite 1 flotation tailings at 25% solids, with three tests at a grind size of P80 of 150 microns and two tests at a P80 of 75 microns. The leach employed ferric ions (3g/L) as the primary oxidant and a high pH (15g/L) and a secondary oxidant (hydrogen peroxide) to maintain the very high Oxygen Reduction Potentials (ORP) (typically >680mV and preferably ≥750mV) required to convert the ferrous ions (formed as a result of the ferric ions attacking the target sulphide minerals) back into ferric ions.

Two temperatures were explored (60°C and 80° C), two leach times (10 and 25 hours) as well as an oxidative-reductive leach. Table 9.6 summarise the conditions and the results. The copper recovery after 8 hours has been included since this is the value used in the plant design. In summary, a higher temperature improved copper recoveries, while grind size had no effect. Based on these results, it would appear that at least 10 hours are required to achieve 80% copper recovery. Acid consumption rates ranged between 76 and 87 kg/t which reflects the moderately high levels of acid consuming minerals in this composite. Hydrogen peroxide additions were not reported which would have been a useful guide for the secondary oxidant requirements.

Table 9.6 – OPFS Composite 1 Atmospheric Leaching Summary

Parameters	Units	Leach 1	Leach 2	Leach 3	Leach 4	Leach 5
Temperature	°C	60	80	60	80	60
Feed size (P ₈₀)	microns	150	150	75	75	150
Residence time (τ)	hour	10	24	25	24	6/4
Leach ORP	mV	760-794	694-810	697-795	680-763	660-779/301-373
SO ₂ addition	-	-	-	-	-	yes
Copper recovery : after τ	%	78.3	82.3	79.5	83.7	86.3
: after 8 hours	%	~77.5	~79.5	~72	~77.5	~82.5
Acid addition	kg/t	75.9	87.4	77.4	82.7	79.0

Source : OPFS Section 6 [05.03.10.26.17.05 1829-STY-001_B, Tables 6.6.6 and 6.6.7 as well as Figures 6.6.1 to 6.6.5]

Atmospheric leaching for composite 2 flotation tailings mirrored most aspects of the testwork conducted for composite 1 however included a coarser grind size (P80 of 180 microns). The leaching time was 10 hours and a temperature of 60°C was used. Unlike the composite 1 leaching conditions, it was not conducted under particularly aggressive leaching conditions (>500mV, where only half of the soluble iron would be present as ferric ions). No explanation was provided and presumably associated with the presence of more copper 'oxide' minerals than sulphide minerals. Grind size did not impact copper recoveries and typically 80% copper recovery was achieved after 8 hours. However, high addition consumptions were experienced (134 to 165 kg/t), no doubt reflecting the greater abundance of acid consuming minerals in the composite 2 sample and thus mined ores after year 5.

Table 9.7 – OPFS Composite 2 Atmospheric Leaching Study

Parameters	Units	Leach 6	Leach 7	Leach 8	Leach 12
Temperature	°C	60	60	60	60
Feed size (P ₈₀)	microns	106	150	180	150
Residence time (t)	hour	10	10	10	6/4
Leach ORP	mV	466-533	474-522	462-528	476-536/305-410
S ₀ 2 addition		-	-	-	yes
Copper recovery : after τ	%	84.8	84.2	86.3	94.6
: after 8 hours	%	~80.5	~80	~78.5	~86
Acid addition	kg/t	165	138	134	175

Source : OPFS Section 6 [05.03.10.26.17.05 1829-STY-001_B, Tables 6.7.7 and 6.7.8 as well as Figures 6.7.1 to 6.6.4]

Leaching testwork conducted for the PFS examined a number of process routes, including whole ore and flotation concentrate leaching. The work was conducted on the supergene composite SC1 and employed acid leaching. Based on 8 hour leaching period, whole ore leaching recovered ~68% of the copper (41.5 kg/t acid), while concentrate leaching achieved ~58% copper recovery [PFS, Chapter 6, Sections 6.10.2 and 6.10.3 : 05.03.10.18 3135-STY-001_6].

Oxidative-reductive leaching tests were conducted on the two Composites C1 and C2 (P80 150 microns and 60C) with significant improvements in copper recovery. After leaching with ferric ions and hydrogen peroxide for six hours, sulphur dioxide was applied for four hours. For Composite 1, after ten hours of leaching a copper recovery of around 87% was achieved while for Composite 2, the copper recovery was around 92.5%.

Whether this approach would be beneficial for all mined ores on an annual basis needs to be evaluated. Should it prove metallurgically desirable, after identifying reagent supply logistics and capital costs, a trade-off study would be required to establish the economic viability.

9.3.6 Pressure Oxidation

Testwork was not conducted on the flotation concentrate produced by the composite 1 testwork, due to the low sulphur. Future testwork should source some pyrite or copper concentrate and conduct pressure oxidation studies to demonstrate this treatment methodology and establish copper recoveries.

In the case of composite 2 samples, batch pressure oxidation (POX) leaching studies were conducted on three rougher flotation concentrates (P80 of 106, 150 and 180 microns) and the results are summarised in Table 9.8. After 1 hour, under strongly oxidising conditions (5.6 g/L Fe³⁺), high copper recoveries were achieved (98%) with high levels of free acid, supporting the use of the POX discharge as a source of acid and iron ions for the atmospheric leaching stage. The POX discharge suffered a mass loss of between 31% and 38%.

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Table 9.8 – OPFS Composite 2 Pressure Oxidation Leaching Study

Parameters	Units	POX1	POX 2	POX 3
Temperature	°C	220	220	220
Feed size (P ₈₀)	microns	106	150	180
Slurry density	%	20.8	17.5	17.8
Residence time	hour	1	1	1
Fe ³⁺ /Fe ²⁺	-	0.3	58.8	11.3
Copper recovery	% (solids basis)	72	98	98
Free Acid (POX discharge)	g/L	54	66	57

Source : OPFS Section 6 [05.03.10.26.17.05 1829-STY-001_B, Table 6.7.9]

Pressure oxidation studies were not conducted in the PFS or the SS.

9.3.7 Heap Leaching

Amenability to heap leaching was assessed by bottle roll leaching conducted on three 4 kg samples from composite 3 based on three size ranges (P80 of 6.73, 12.5 and 25.4mm). Testwork was conducted at 40% solids and a target pH of 1.8 using sulphuric acid. The bottle was rolled for 5 minutes every hour for 7 days. Acid consumption was neither reported nor commented upon in the OPFS; it has been calculated for completeness from the HRL testing testwork logs. The indicative copper recoveries were low and, in one case, negative (apparently indicates the presence of native copper, which would have been identified if mineralogical studies had been conducted). Although the best copper recovery occurred with the finer sized composite, heap leaching would not be conducted in practice at this size. Calculated acid consumptions are very high.

Table 9.9 – OPFS Composite 3 Bottle Roll Leaching Study

Parameters	Units	P80 (mm)		
		25	12.5	6.73
Average Temperature	°C	25.4	25.4	25.1
Copper feed grade	%	3.42	3.42	3.42
Copper tailings grade	%	3.69	2.47	2.18
Copper leach recovery	%	-9	26	36
Acid consumption	kg/t	162.2	160.7	193.7

Source : OPFS Section 6 [05.03.10.26.17.05 1829-STY-001_B, Table 6.8.3] and Appendix 6 [05.03.10.26.17.15 1.8]

9.3.8 Overall Copper Recoveries

The OPFS presented Table 6.7.10 (page 6.32) that combined the composite 2 leaching results and provided an estimate of the overall copper recoveries. This overestimates the copper recoveries since it is based on the full atmospheric leaching residence times (24 to 25 hours); the estimate needs to be assessed in the light of the proposed plant design residence time i.e. 8 hours as well as adjustments made to account for the difference in the copper feed grades between the test samples and the life of mine (LOM) ore grades (refer to Table 9.10). This latter adjustment only applies to the flotation circuit in terms of the mass split between the concentrate and the tailings.

Nonetheless, for a composite sample of this composition, high overall copper recoveries are indicated (90 to 92%). The oxidative-reductive results (Leach 12+POX 2) were included for reference, while the (Leach 6+POX 1) figures are based on extrapolations made by HRL testing.

Table 9.10 – Estimated Copper Recoveries

Parameters	Units	Leach 6 + POX1	Leach 7 + POX 2	Leach 8 + POX 3	Leach 12 + POX 2
Feed size (P ₈₀)	microns	106	150	180	150
Copper flotation recovery					
Concentrate	%	69.0	65.0	63.0	65.0
Adjusted for LOM feed grade	%	65.4	61.4	59.5	61.4
Tailings	%	31.0	35.0	37.0	35.0
Adjusted for LOM feed grade	%	34.6	38.6	40.5	38.6
Copper leach recovery					
Atmospheric (tailings)	%	80.5	80.0	78.5	86.0
POX (concentrate)	%	98.0	98.0	98.0	98.0
Overall copper recovery					
OPFS	%	93.9	93.2	93.7	96.8
Calculated	%	91.9	91.1	90.1	93.4

Source : RPM Calculation with selected input from Table 6.7.10, OPFS Section 6 [05.03.10.26.17.05 1829-STY-001_B]

Since the atmospheric leaching studies were not conducted with the POX discharge, these overall recovery estimates are not conclusive. The mineralogy will determine the overall copper recoveries, noting that some copper minerals were not recovered during aggressive atmospheric leaching conditions (e.g. chalcocite, composite 1). The nature of the potential overall copper recoveries is dependent upon the abundance of these minerals in the mill feed.

High overall copper recoveries will be achieved with more material reporting to the flotation concentrate and thus undergoing pressure oxidation, which has very high copper recoveries. On the other hand, more material presenting as flotation tailings will result in lower overall copper recoveries, since atmospheric leaching is limited to around 80% copper recovery with an 8 hour residence time, depending upon the mineralogy. The impact of lower copper recoveries would be most acute for early years of mining, based on the behaviour of composite 1.

As noted earlier, these are critical years for a project, and more testwork on an appropriate range of samples needs to be undertaken to provide more certainty about the plant performance during the early years.

Manganese levels were not reported in the leach liquors. Since the supergene and transition ores typically have moderately high levels on manganese, manganese may become solubilised and report to the electrowinning feed, requiring higher levels of cobalt sulphate additions.

It is not clear which atmospheric leaching conditions would be used; presumably more aggressive atmospheric leaching conditions during the early years of mining and less aggressive conditions after year 5.

Heap leaching, as assessed by bottle rolling over 7 days, recovered too little copper with high acid consumptions. Consequently this process option was ruled out.

The copper recoveries for the operation were re-estimated by ROM for the Financial Model inputs as follows:

- Data provided by Blackthorn was examined and the methodology of assignment of 'mineralogical profiles' to the mining schedule was generally accepted,
- Adjustments were made to the copper flotation recoveries for head grade – recovery effects (refer to Figure 9.1 and Figure 9.2),
- Additionally, copper recoveries were also adjusted due to scale-up (1.5%) [recovery losses occur in practice compared to laboratory testwork results],
- Copper leaching recoveries were based on testwork results and design criteria (i.e. 8 hours atmospheric leaching residence time), namely
 - 80 to 83% for atmospheric leaching (flotation tailings) [some upside in leaching recovery is recognised for the middle to later years due to the likelihood of lower proportions of non-leachable copper minerals], and

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- 98% for pressure leaching (flotation and purchased concentrate),
- Inefficiency for CCD washing of 99%.

The outcome of these calculations are summarised on an annual basis in Table 9.11.

The purchased concentrates lift overall copper recoveries by 2% to 2.5% in the first five years, with a lower contribution over the latter years of the project. Over the life of the operation, including purchased concentrates, copper recovery averages 90.9%.

Table 9.11 – LOM Estimated Copper Recoveries

Parameter	Units	Mining Year											LOM
		1	2	3	4	5	6	7	8	9	10	11	
Mined Ore													
Plant Feed	tonnes	2,439,654	2,999,810	2,997,814	2,998,932	2,962,908	2,989,249	3,000,000	2,999,766	2,999,416	2,999,299	2,210,666	31,597,499
Copper Grade	%	2.17	2.22	2.19	2.22	2.25	2.22	2.07	1.92	1.67	1.65	1.69	2.03
Contained Copper	tonnes	52,986	66,668	65,644	66,661	66,629	66,479	62,247	57,478	50,122	49,519	37,355	641,786
Copper Recovery to Concentrate	%	41.0	44.0	51.0	56.0	58.0	60.0	63.3	62.9	62.1	61.9	48.0	55.7
Copper POX/CCD Recovery	%	97	97	97	97	97	97	97	97	97	97	97	97
Overall Copper Concentrate Recovery	%	40.3	42.7	49.5	54.3	56.3	58.2	61.5	61.0	60.2	60.0	46.6	54.1
Copper Recovery to Tailings	%	59.0	56.0	49.0	44.0	42.0	40.0	36.7	37.1	37.9	38.1	52.0	44.3
Copper Atmospheric Leach/CCD Recovery	%	79.2	79.2	80.2	80.2	81.2	81.2	82.2	82.2	82.2	82.2	81.2	81.0
Overall Copper Tailings Recovery	%	46.7	44.4	39.3	35.3	34.1	32.5	30.1	30.5	31.2	31.3	42.3	35.8
Total Separation Copper Recovery	%	86.5	87.0	88.8	89.6	90.4	90.7	91.6	91.5	91.4	91.4	88.8	89.9
Copper Recovered	tonnes	45,884	58,022	58,271	59,734	60,208	60,283	57,011	52,600	45,807	45,240	33,165	576,226
Purchased Concentrate													
Feed	tonnes	32,057	39,417	39,391	34,667	16,507	9,802	0	0	0	0	23,974	195,826
Copper Grade	%	24.2	24.2	24.2	24.2	24.2	24.2	0	0	0	0	24.2	24.2
Contained Copper	tonnes	7,758	9,539	9,533	8,392	3,995	2,376	0	0	0	0	5,802	47,394
Copper POX/CCD Recovery	%	97	97	97	97	97	97	97	97	97	97	97	97
Copper Recovered	tonnes	7,525	9,253	9,247	8,140	3,875	2,305	0	0	0	0	5,628	45,972
Total Copper Recovered	tonnes	53,409	67,275	67,517	67,874	64,083	62,588	57,011	52,600	45,807	45,807	38,793	622,198
Overall Plant Copper Recovery	%	87.9	88.3	89.9	90.4	90.7	90.9	91.6	91.5	91.4	91.4	89.8	90.4

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Figure 9.1 – Composite 1 Estimated Feed Grade-Recovery Relationship

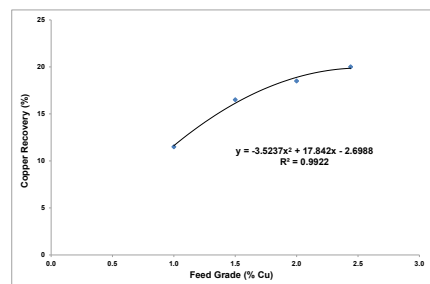
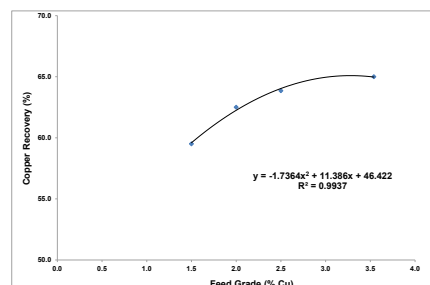


Figure 9.2 – Composite 2 Estimated Feed Grade-Recovery Relationship



9.3.9 Dewatering

For composite 1, three flocculants were evaluated in terms of settling rates and overflow clarity for the atmospheric leached tailings (P80 =150 microns). Magnafloc 351, at an addition rate of 24.4g/t, produced a very clear overflow and an initial settling rate of 5.42 m/h [OPFS, Section 6.6.11, 05.03.10.26.17.05 1829-STY-001_B].

Liquid-solid separation testwork was conducted on the atmospheric leach 2 residue in order to assess the likely underflow density (and thus wash efficiency) in the counter decantation circuit (CCD) as well as indicative flocculant consumption rates. The leach residue settled poorly, with increased quantities of flocculant making the settling rate worse at all underflow densities. A thickening flux of 0.69m²/t/day at 22.4 g/t flocculant at 55% solids underflow appears to be the best result. This behaviour was ascribed to the possible presence of clay minerals (goethite-groutite) in the sample which swells and affects thickening [OPFS, Section 6.6.7, 05.03.10.26.17.05 1829-STY-001_B].

Similar dewatering testwork to that for composite 1 was conducted on three leached atmospheric tailings for composite 2, with a similar findings:

- 30 to 40 g/t of Magnafloc, 12.2 m/h settling rate for leach 7 tailings (P80=150 microns), and
- liquid-solids separation produced poor results [0.36m²/t/day at 40 g/t flocculant at 55% solids underflow], ascribed to the possible presence of amorphous minerals (clays?).

The liquid-solid separation results for the composite 2 sample were worse than that for the composite 1 sample, presumably due to the presence of greater quantities of amorphous material.

The leached tailings settling behaviour needs to be better understood as a function of plant feed over the life of the operation, which is apparently due to (which needs to be confirmed) the presence of amorphous minerals. The significance of these results is not fully known due to potential sample representivity issues and the nature of known and unknown mineralogical variations. Consequently,

the CCD thickeners may have been significantly oversized to accommodate these findings.

This testwork needs to be conducted on the atmospheric leached tailings produced from treating the POX discharge and the flotation tailings (as proposed by the flowsheet). It is possible that the POX discharge will produce a significant quantity of finely sized material, which may impact the settling properties and thus the size of the CCD thickeners.

The settling rate, flocculent type or addition rate have not been determined for the flotation concentrate, flotation tailings or the raffinate precipitate (copper hydroxide).

Flocculent would be used for many streams (11 in total) and rationalising the flocculent usage is an important task. The risk of needing several flocculants on site needs to be avoided. The flocculent needs to be effective in settling all slurries and precipitates, and this testwork is probably best co-ordinated through a number of suppliers to get the best outcome.

9.3.10 Neutralisation

Two stage neutralisation testwork was conducted on three washed atmospheric leach tailings for composite 2. The aim of the testwork was to predict the required residence time and indicative reagent consumptions (limestone initially to achieve pH 4 and lime to reach pH 9).

Due to insufficient quantity of tailings samples, three additional atmospheric leaches were performed on rougher flotation tailings. It appears that the data for both the flotation and leach metallurgy were not captured; this would have been useful in assessing the variability and thus the reliability of the metallurgical performance.

Table 9.12 summarises the neutralisation study for composite 2. It is interesting that the initial pH was so high, probably reflecting the rather moderate atmospheric leaching conditions employed, only requiring modest quantities of lime.

It would be expected that the neutralisation requirements would be significantly higher for the composite 1, particularly with the addition of POX discharge with abundant quantities of sulphuric acid.

Table 9.12 – OPFS Composite 2 Neutralisation Study

Parameter	Units	Neutralisation		
		1	2	3
Slurry Density	%	49.7	52	49.7
Initial pH		4.25	4.3	4.42
Final pH		8.99	9.02	9.02
Residence time	hour	1	1	0.6
Limestone addition	kg/t	0	0	0
Lime addition	kg/t	2.2	3	2

Source : OPFS, Section 6.7.11, [05.03.10.26.17.05 1829-STY-001_B, Table 6.7.15].

Neutralisation of the raffinate stream has not been tested since no solvent extraction and electrowinning testwork has been conducted. It would be considered relatively straightforward based on chemical considerations and would probably not require any testwork.

9.3.11 Solvent Extraction and Electrowinning

No testwork has been conducted on these aspects. Some bench scale testwork needs to be conducted on the copper-rich leach liquors after clarification to identify any solvent extraction 'washing' requirements as well as resultant copper tenors, and the number of contact stages for the loading and stripping stages. The manganese levels and how they track through the solvent extraction process would be of considerable interest.

No benchscale testwork needs to be conducted on the electrowinning; it is a well understood operation and the main requirement is a high quality feed solution.

Blackthorn is planning to conduct pilot plant testing on the solvent extraction (SX) and electrowinning (EW) sections of the flowsheet. This is to examine the build-up of certain impurities and the need for

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bleed streams to remove these impurities, as well as the management of precipitates such as gypsum.

This is entirely reasonable and prudent if funds are available, assuming that the appropriate ore blends are used and typical SX and EW profiles are achieved.

9.3.12 Recommendations

It is very important to better understand the mineralogical nature and metallurgical performance (i.e. the flotation product split and atmospheric leaching recovery) of the Kitumba ores in the selected flowsheet, particularly during the first five years, the critical years of a project.

Understanding the metallurgical behaviour of the plant, for the early project years, requires more study. This means testing more composite samples [say quarterly for the first 5 years and six monthly thereafter].

While large samples can be justified for certain testwork, for example when a flowsheet and processing conditions have been established, mineral processing laboratories typically employ 1 kg charges for scoping flotation testwork. RPM recommends using this size samples for future flotation testwork.

Once these samples have been collected, mineralogical studies followed by flotation and leaching testwork need to be conducted to confirm the metallurgical expectations expressed by Blackthorn and the OPFS.

The oxidative-reductive leaching studies have shown considerable promise and more testwork needs to be undertaken on appropriate samples to confirm the efficacy of this approach.

The atmospheric leaching needs to be conducted on the proposed feed (i.e. flotation tailings and POX discharge) and more importantly, with the proposed hyperspargers with air or enriched air as proposed in the OPFS.

The most recent report on the performance of the hyperspargers does not appear to be promising; while more work needs to be done to better understand the problem, there would appear to be a problem with the oxygen mass transfer resulting in low gold recoveries at Las Lagunas in the Dominican Republic.

While RPM does not accept that an 80% oxygen utilisation is achievable in an atmospheric leach and maintains that the mixing system plays a significant role, the matter can be easily resolved through testing.

The settling rate, the appropriate flocculent and addition rate at a preferred underflow density (circa 55% solids) for the atmospheric leached tailings produced by treating the POX discharge and flotation tailings (as per flowsheet) needs to be tested and the size of the CCD thickeners recalculated.

In addition, the dewatering properties and appropriate flocculent application for both the flotation concentrate and tailings need to be measured. Moreover, a common flocculent needs to be found for all of the 11 applications in the plant, including the neutralised raffinate.

Finally, the importance of conducting testwork on at least duplicates needs to be embraced. It needs to be recognised that it is clearly very difficult to achieve complete homogenisation while preparing sample charges for testwork with Kitumba ores (as evidenced with the significant differences between QXRD and diagnostic leaching studies), particularly for the supergene and transition ores (early mining years). Consequently, by conducting duplicate and perhaps triplicate tests, the variation between so-called 'identical' samples can be identified and the contribution of mineralogical variation to the metallurgical result understood.

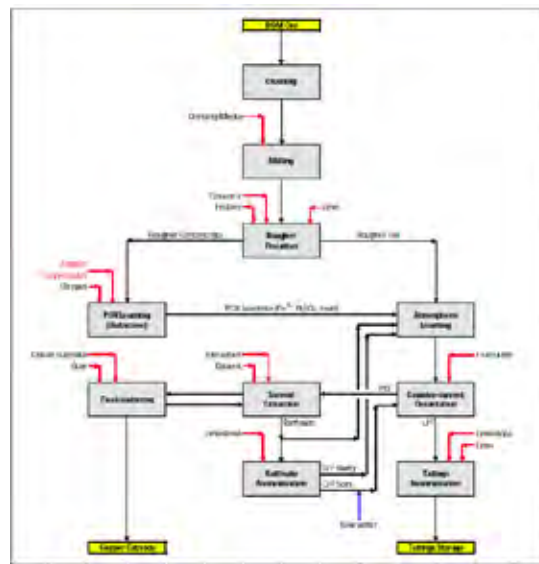
9.4 Ore Processing Facility

9.4.1 Flowsheet

While not all aspects of the flowsheet have been tested; based on the proposed processing streams (e.g. atmospheric leach), it appears to be a relatively robust solution to handling the mineralogical variability of the Kitumba ores. Many aspects of the flowsheet are in use in circuits in other parts of the world, most notably the application of POX to generate acid and ferric ions for an atmospheric

leach; such as the Sapon operation in Lao. The proposed processing flowsheet is presented in Figure 9.3. The description is based on the flowsheet, process flow diagrams [OPFS, Appendix 7.2, App 7.2 Process Flow Diagrams_Combined], design criteria [OPFS, Appendix 7.1, 1829.15-PDC-001_B] and the mechanical equipment list [OPFS, Appendix 7.3, 1829.15-LST-002_B].

Figure 9.3 – OPFS Processing Flowsheet



Source : OPFS, Section 7.1.1, [05.03.10.26.17.05 1829-STY-001_B, Figure 7.1.1].

Ore will be trucked from underground to the ROMpad. Ore may be directly tipped into the ROM bin (240t capacity) or dumped into finger stockpiles to facilitate blending. Typically ore will be reclaimed by a Front End Loader and fed to the ROM bin over a static grizzly (800mm x 800mm). Ore will be removed from the bottom of the bin by an apron feeder, passing over a vibrating grizzly (500mm aperture; not identified in the design criteria) to the 200kW primary crusher. The crusher feed rate will be 457tph and with a closed side setting of 110mm, will produce material 80% passing 137mm. Crushed material will feed the Mill Feed bin (240t capacity), with the overflow feeding a 6,000 tonne (live capacity) stockpile. Ore will be recovered from the stockpile with the FEL and fed onto the mill feed conveyor.

The milling circuit consist of a 8.53m diameter by 4.35m SAG mill with a 6MW and a 4MW, 5.5m diameter by 7.8m Ball mill. The SAG mill is fed from the mill feed conveyor at 375 tph with the oversize being removed by a trommel and a screen. The oversize, typically below 80mm, reports to a 220kW pebble crusher with a closed side setting of 12mm, while the underflow gravitates to the mill discharge hopper and pumped to a nest of 10 operating 400mm diameter hydrocyclones for classification.

The pebble crusher circuit will consist of a feed bin (100t) and stockpile. Crushed pebbles will be returned to the SAG mill.

The hydrocyclone underflow gravitates to the ball mill feed (250% circulating load) and the discharge exits via a trommel (to remove scats) and gravitates to the mill feed hopper for classification. The hydrocyclone overflow (P80 of 150 microns) gravitates to the flotation circuit where it is conditioned for one minute (14m³) with lime (pH of 9) and collector (PAX) and floated in six 100m³ tank cells with residence time of 37.5 minutes.

Flotation concentrate, representing 7.5% of the feed (28tph), is pumped to a 17m diameter high rate

Attachment B: Independent Technical Expert's Report (continued)

thickener. The concentrate is thickened to 70% solids and held in two 334m³ storage tanks with 24 hours capacity. Purchased concentrates will be dumped on a stockpile and recovered with a FEL and fed to the storage tanks via a conveyor and screen.

Concentrate will be fed to the pressure oxidation (POX) circuit via a feed tank (20m³). The POX unit will consist of a 3.6m inside diameter by 19.2m long autoclave with four agitated compartments. High pressure steam will be used to pre-heat the autoclave while oxygen will be supplied to each compartment at the rate of up to 400tpd (design criteria states 230tpd). The POX circuit will also include a flash vessel, gas scrubber, vent condenser, quench tank as well as a preheater for the raffinate being added to the discharge tank. The POX discharge will feed a discharge tank (96 m³) before being pumped to the atmospheric leaching circuit.

The flotation tailings (347tph) will also be thickened to 60% solids in a 30m diameter high rate thickener and stored in the leach feed surge tank (1,320m³, 4 hours residence time [equipment list]. The design criteria state a live volume of 1,434m³).

Thickener overflow from both circuits will be collected and pumped to the process water pond.

The atmospheric leaching circuit consists of six agitated 1,512m³ leach tanks, providing a nominal 8 hours residence time. The discharge from the atmospheric leach is washed in six counter-current decantation (CCD) high rate thickeners, each 45m in diameter. Overflow from the first CCD thickener will be clarified in a 30m diameter high rate thickener and pumped to the solvent extraction circuit for purification. The clarifier thickener underflow will be returned to the CCD feed tank.

The solvent extraction circuit will be configured with two extraction, one strip and one wash mixer settlers, each with two stages of mixing. Clarified feed solution will be introduced into the first extract mixer-settler and the raffinate (barren aqueous) will exit from the second extract stage. The loaded organic will be stripped in the strip mixer-settler using spent electrolyte from the copper electrowinning circuit. The raffinate from the wash mixer-settler will be pumped to the first extract stage. The resulting strong electrolyte from the strip stage will be pumped from a coalescent tank to dual media filters (using anthracite [organic droplets] and garnet [particles>10 microns]) at the electrowinning farm.

Crud will be removed from the various mixer-settler stages and pumped to the crud collection tank. It is proposed to treat the crud in two stages, firstly with organic bleed and diluent and then with bentonite and organic bleed prior to centrifuging (Tricanter, 5m³/h). Crud solids will be packed in bulka-bags for disposal while the concentrate will be returned to the solvent extraction circuit as either recovered aqueous or recovered organic.

The electrowinning circuit is designed to produce 60,00tpa of LME Grade A copper cathode and will comprise of 148 cells, each with 66 cathodes and 67 anodes. Cathodes will be laid down over 7 day period at an operating current density of 310A/m² and harvested semi-automatically daily on a two shift basis. The strong electrolyte will be indirectly pre-heated by the out-going spent electrolyte prior to filtration by the dual media filters. Smoothing (glucosol) and anti-corrosion (cobalt sulphate) reagents will be added to the re-circulating electrolyte.

The raffinate will be neutralised to pH 5 using limestone in three 387m³ tanks and the precipitated copper hydroxide reporting to the underflow in a high rate 40m diameter thickener. The underflow will be returned to the atmospheric leaching circuit for copper recovery.

The CCD tailings will be neutralised in two stages with limestone and then lime. Both stages consist of two 280m³ tanks, providing a total retention time of 1.5 hours. Neutralised CCD tailings are final tailings at 55% solids, requiring no thickening and will be pumped to the TSF.

9.4.2 Design Criteria

A summary of the design criteria for both the PFS and the OPFS is presented in Table 9-13. It is thorough and generally of a high standard, although flawed by a few discrepancies between the design criteria, mass balance, the equipment list and statements ('text') in the OPFS. While some appear to be missed re-edits of the PFS figures, some are at great variance (e.g. number of neutralisation tanks, capacity of the pebble crusher and the oxygen plant capacity). Based on the mass balance, some of the residence times appear low (notably the atmospheric leach).

Table 9.13 has been compiled for a number of sources, namely the design criteria [OPFS, Appendix 7.1, 1829.15-PDC-001_B], the mechanical equipment list [OPFS, Appendix 7.3, 1829.15-LST-

002_B], the mass balance [Mass Balance Output - Year 4S (spreadsheet)], the PFS design criteria [Appendix 7.1 - FINAL] as well as the OPFS text [OPFS, Section 7.0, 05.03.10.26.05 1829-STY-001_B].

Nonetheless, detailed design criteria have been prepared to support the engineering design and equipment selection. Estimation of the capital costs primarily relied on the mechanical equipment; in this case, the pebble crusher costs may be underestimated since it may have been undersized.

The crusher capacity appears constrained operating at 75% availability and only having a 22% excess hourly capacity over that of the comminution circuit. The stockpile (6,000 tonnes, presumably live) is relatively small, which only decouples the plant from the mine for 16 hours. For an open cut operation, 20 to 24 hours would be considered 'safe' however for an underground operation; a larger stockpile may be warranted (say 36 hours or 12,600 tonnes).

For tailings neutralisation, the design criteria has not assigned a lime consumption rate (although it has been determined in testwork) and however has assigned a value for limestone (1.5t/h). The allowance of two stages of limestone neutralisation followed by two stages of lime neutralisation for a total residence time of 1.5 hours appears reasonable.

The high level of oxygen efficiencies, namely 80%, in the POX relies on a hypersparger supplied by Xstrata for use in the Albion process. Typically the expected oxygen efficiencies (mass transfer) would be much lower, around 30 to 40%, with carefully designed systems under atmospheric conditions. Oxygen dissolution consists of two stages: the higher energy stage where shearing and pressure are used to maximise the contact surface area (i.e. form small bubbles) and the second stage, minimising bubble coalescence after injection (i.e. well mixed zone). The sparger only represents one part of this equation and it is difficult to accept this efficiency claim without understanding the mixing system. The performance of this piece of equipment is critical to the operation and it needs to be tested and some warranties provided. As such, RPM is sceptical of this level of oxygen utilisation and thus believes that the air blower has been undersized for the proposed duty.

Moreover, oxygen is a relatively insoluble gas and only a dissolved oxygen (DO) level of 40ppm is achievable at room temperature (20 C) with pure oxygen. Using air, the DO falls to 8ppm, and at 60 C the DO value is only 4ppm. Consequently the use of air in the atmospheric ferric leach may be ambitious and does need to be tested. Oxygen may be required, which would increase the oxygen requirements for the project.

The reagent farm looks reasonable, typically based on storage areas for reagent, standard reagent mixing facilities for reagents that need to be prepared as a solution (e.g. collector), a storage tank for mixed and bulk reagents (e.g. frother, diluent [kerosene], etcetera) and pumped to a head tank within the processing plant for distribution.

This arrangement is probably an overkill for the frother, since there is only one flotation bank, the frother could be distributed from the drum by small reagent pumps as is commonly done.

The use of a ball mill for slaking lime is appropriate and stored in an agitated holding tank. It is presumed that the lime distribution is based on a ring main with additions based on solenoid valves controlled by feedback from pH meters.

Limestone is prepared as a slurry by ball milling, stored in agitated holding tank, presumably distributed in a similar fashion to the slaked lime ('milk of lime').

Other data sighted was a mass and water balance for Year 4; the mass balance for the earlier and later years would be of interest. Process flowsheet diagrams ("PFDs") were also sighted, however no Process and Instrumentation Diagrams ("P&IDs") were seen. While P&IDs are not critical for a PFS, they are often completed as part of this study stage.

The mill configuration and sizing calculations were made available and, at a high level, appear reasonable. The processing circuit was modelled and used to estimate performance as well as check equipment sizings. Due to time constraints, the modelling was not requested for review. However models are only as good as the quality of the data inputs and do not necessarily prove that the actual design or equipment selection will be adequate in practice.

Attachment B: Independent Technical Expert's Report (continued)

Table 9.13 – OPFS and PFS Design Criteria

Item	Units	PFS	OPFS
Feed rate	tpa	2,500,000	3,000,000
Crusher	Jaw		C140 single toggle
Feed rate	tph	381	457 ^{1/1} /380.5 ^{2/4}
Motor	kW		200
Availability	%	75	
Stockpile	tonnes	5,000	6,000 ⁶
Milling Circuit			
		SABC	SABC
BBMWi	kWh/t	13.5-19.2	same
BRMWi	kWh/t	13.8-22.6	same
Specific power	kWh/t	NR ²	21.4
Feed rate	tph	313	375 ^{3/3} /380.5 ⁴
Availability	%	91.3	91.3
P ₈₀	microns	90	150
SAG mill			
Dimensions	m	7.92 ø x 4.11 EGL	8.53 ø x 4.35 EGL
Motor	MW	5	6
Ball mill			
Dimensions	m	5.5 ø x 9.58 EGL	5.5m ø x 7.8m EGL
Motor	MW	5	4
Recycle Crusher		Metso HP300 (>150tph)	
Feed rate	tph	NR	48 ⁶ /74.8 ⁴
Motor	kW	220	220
Flotation Circuit 1			
Sulphide Rougher			
Residence time	minutes	20	37.5 ^{1/1} /36 ⁵
Copper recovery	%	NR	67 ¹
Sulphur recovery	%	NR	95-98 ¹
Oxide Rougher			
Residence time	minutes	20	-
Atmospheric Leach Circuit			
Solids feed rate	tph	78	378.7
Volume	m ³	2,832	9,072
Residence time	hours	16	8/6.7 ⁵
Copper recovery	%	NR	80
Pressure Leach Circuit			
Dimensions	m	-	3.83 ø x 15.3
Volume	m ³	-	175
Solids feed rate	S tph	-	4.6
Residence time	hours	-	1
Oxygen requirement	tpd	-	278
Copper recovery	%	-	98
Neutralisation			CCD Tailings
Solids feed rate	tph	78.2	395
Volume	m ³	1,052	1,120 ¹
Nos of Stages		4	2 ⁴ /4 ¹
Residence time	hours	6	2
			Raffinate
Feed rate	m ³ ph	-	436
Volume	m ³	-	774.9 ¹
Nos of Stages		-	2 ⁴ /3 ¹
Residence time	hours	-	NR
CCD Circuit			
Solids feed rate	tph	-	361
Slurry flowrate	m ³ ph	-	1,264
Number x Diameter	m	-	6 x 45 ø

Item	Units	PFS	OPFS
Flotation Circuit 2			
Circuit		Ro-RG-2 Cl	-
Solids feed rate	tph	78.6	-
Residence time	minutes	20/10/10	-
Concentrate Thickener			
Solids feed rate	tph	2.5	-
Diameter	m	6	31.6
Flotation Tailings Thickener			
Solids feed rate	tph	311	348.5
Diameter	m	23	30
SX Pond			
Volume	m ³	10,000	16,200
Raffinate Pond			
Volume	m ³	10,000	16,320
SX Event Pond			
Volume	m ³	2,000	1,500
Solvent Extraction			
PLS flowrate	m ³ ph	425	2,077
Availability	%	95.1	95
Electrowinning			
Cathode copper production	tpa	33,000	60,000
Numbers of anodes		5,360	10,452
Number of cathodes		5,280	10,296
Oxygen Plant	tpd (O ₂)	-	230 ⁶ /400 ³

¹ Mechanical Equipment List

² Not Reported

³ OPFS Text

⁴ Mass balance

⁵ Calculated

⁶ Design Criteria

Where applicable, testwork results have been scaled up using standard methods; where testwork data was not available or not reliable (e.g. oxygen consumptions), industry standard factors or efficiencies were applied (e.g. 2.5 tonne of oxygen per tonne of contained sulphur in the POX unit).

No heat balances were sighted, which will be important for assessing the nature of the oxygen source to be supplied the atmospheric leaching circuit. Currently it is proposed to use air or possibly enriched air with oxygen (cf. OPFS which claims to use vent off-gases from the POX unit, which are too corrosive and would not be considered by Blackthorn). The primary source of heat for this circuit will be the POX discharge (just below 100°C) and mixing with the flotation tailings (30°C), would be expected to achieve the design 60°C. However the high volumes of nitrogen in the air may strip out a significant amount of heat over the six stages of leaching and the process may require supplementary heating.

9.4.3 Equipment

The equipment to be employed in this operation is conventional and has operating history in many operations. Table 9.14 summarises the mechanical equipment details [OPFS, Appendix 7.3, 1829.15-LST-002_B].

Attachment B: Independent Technical Expert's Report (continued)

Table 9.14 – OPFS Equipment Details

Key Equipment	Description / Dimensions	Power (kW) Installed/Duty	Details (mechanical equipment list)
Primary Crusher	C140 Single Toggle Jav 548 tph	200/150	Top size 800mm Product size -150mm
SAG Mill	8.53m ø x 4.35m EFL	6,000/4,525	Grate discharge
Ball Mill	5.5m ø x 7.8m EFL	4,000/3,340	Overflow discharge
Pebble Crusher	? 48 tph	220/165	Top size 80mm
Flotation Bank	6 x 100m ³	150/112.5	-
Concentrate Thickener	15m ø	5.5/4.1	-
Flotation Tailings Thickener	30m ø	15/11.3	-
POX Autoclave	3.83m ø x 15.3m	110/82.5	4 compartments
Atmospheric Leach Tanks	6 x 12.4m ø x 13.5m	185/138.8	6 x 1,512m ³ (live)
PLS Clarifier	45m ø	15/11.3	Concrete
Counter Current Decantation	6 x 45m ø	15/11.3	Concrete
Solvent Extraction E1&E2 Primary Mixers	2 x 4.9m ø x 4.9m	55/41.3	2 x 82 m ³ (live)
Solvent Extraction E1&E2 Secondary Mixers	2 x 4.9m ø x 4.9m	11/8.3	2 x 82 m ³ (live)
Solvent Extraction S1 Primary Mixer	1 x 4.9m ø x 4.9m	55/41.3	1 x 82 m ³ (live)
Solvent Extraction S2 Secondary Mixer	1 x 4.9m ø x 4.9m	11/8.3	1 x 82 m ³ (live)
Solvent Extraction W1 Primary Mixer	1 x 4.9m ø x 4.9m	55/41.3	1 x 82 m ³ (live)
Solvent Extraction W2 Secondary Mixer	1 x 4.9m ø x 4.9m	11/8.3	1 x 82 m ³ (live)
Crud Centrifuge	Tricanter, 4,000 rpm	29.5/22.1	5m ³ /h
Electrowinning Cell Anodes	10,452	-	Lead
Electrowinning Cell Cathodes	10,296	-	LDX 2101
Rectifier	-	9,180/7,860	
Cathode Stripping Machine	820 cathodes/day	30/22.5	
Raffinate Neutralisation Tanks	3 x 7.9m ø x 8.1m	75/56.3	3 x 387.4 m ³ (live)
Raffinate Neutralisation Thickener	20m ø	7.5/5.6	Concrete
Air Compressor	3 x ?	200/150	?
Flotation Air Blowers	3 x ?	90/67.5	4,000 Nm ³ /h @ 50kP
Leach Air Blowers	4 x ?	315/236.5	5,000 Nm ³ /h @ 180kP
ASU (Oxygen Plant)	?	8,000/6,800	400 tpd 98% O ₂

Source : OPFS, Appendix 7.3 [1829.15-LST-002_B]

Instrumentation appears relatively straightforward and conventional.

How the slurry density in the feed tanks prior to the POX feed tank would be controlled is unclear when purchased concentrates will be added into the system. 70% solids is already quite high before adding more solids.

The nature of the gas to be used in the atmospheric leaching need to be settled upon; oxygen enrichment may be required. Handling oxygen rich gases does raise some safety and design issues.

The plant is well laid out and utilises a large number of storage bins, tanks and ponds, some of which are necessary while the others represent good design practice (refer to Table 9.15). While the size of some of the various storage capacities may be disputed (e.g. stockpile), their provision allows a more stable operation and maximise plant availability and thus throughput.

Table 9.15 – OPFS Processing Plant Storage Capacity

Bin/Stockpile/Tank	Capacity (tonnes)	Volume (m ³)
ROM Bin	240	-
Stockpile	6,000	-
SAG Mill Feed Bin	240	-
Pebble Crusher Feed Bin	100	-
Rougher Flotation Conditioning Tank	-	208.5
Concentrate Storage Tank	-	2 x 334
Leach Surge Tank	-	1,320
POX Feed Tank	-	20
POX Quench Tank	-	40
POX Discharge Tank	-	96
CCD Feed Tanks	-	6 x 29.4
Electrolyte Recirculation Tank	-	136
Spent Electrolyte Tank	-	53
PLS Pond	-	16,200
Raffinate Pond	-	16,320
Solvent Extraction Containment Pond	-	1,500

Source : OPFS, Appendix 7.1 [1829.15-PDC-001_B]

9.4.4 Conclusions

While not all aspects of the flowsheet have been tested based on the proposed processing streams (e.g. atmospheric leach), it appears to be a relatively robust solution to handling the mineralogical variability imposed by the Kitumba ores. Many aspects of the flowsheet are in use in circuits in other parts of the world, including the application of POX to generate acid and ferric ions for an atmospheric leach.

The engineering study is generally of a suitable standard for a Pre-Feasibility Study; mass balances, design criteria, milling sizing calculations, equipment list and process flow diagrams (PFDs) were prepared in appropriate detail, although there are several discrepancies in the OPFS text. These discrepancies probably have not materially impacted the cost estimates within the order of accuracy ($\pm 25\%$).

In summary, though hampered by the lack of sufficient testwork data, the plant design and flow sheet is a suitable processing and engineering outcome for this Project. There is potential to improve on this design if improved and cost effective recovery by use of reductive leaching is proven.

Opportunities exist to optimise the processing plant equipment based on targeted testwork and a better understanding of the mill feed mineralogy, particularly over the first years of production.

More study needs to be done, mainly in the testwork area, for the preparation of a Feasibility Study that would meet the requirements of potential financiers. This would include some trade-off studies (concentrate purchase, etcetera) as well as resolving some technical and engineering issues (use of blended vent gas off-gas and air in the atmospheric leaching and the impact upon the heat balance).

Attachment B: Independent Technical Expert's Report (continued)

10. Infrastructure

10.1 Summary

The Project is in a remote and isolated location with little infrastructure in the vicinity prior to Project development commencing, accordingly the infrastructure requirements are extensive. The principal non-mining or processing and concentrator infrastructure items include:

- Upgrading currently existing 4 km dirt access road connecting to the public road (D181);
- 3 km of double 330 kV transmission lines;
- Mine step-down substation and associated switchyards/distribution equipment around the site;
- Development of either bore field network or 30km pipeline to Kafue River for raw water supply at maximum 54 L/s;
- Tailings Storage Facility with a 33 Mt storage capacity over the entire LOM;
- Water Storage Facility with volume of 1.98 Mm³;
- General Infrastructure including living facilities for 650 permanent employees, administration buildings, maintenance/storage workshops, security, explosive magazines and fuel distribution etc.

Of particular importance to the Project are some key infrastructure projects relied to be commissioned in a timely manner by the local authority including:

- Upgrading of the 50 km dirt public road (D181) that allows access from Mumbwa to the site;
- 350 km of double circuit 330 kV transmission lines from Kalumbila – Mumbwa;
- Mumbwa Substation and 134km double circuit 330kV transmission lines from Mumbwa to Lusaka West;
- Various hydroelectric power projects to stabilise power supply.

Detailed infrastructure schedules have yet to be developed. RPM considers the infrastructure and administration plans suitable to support the planned production rates.

10.2 Power

The power requirements for the project are significant, with demand expected to be around 42 MW average continuous draw and 53 MW maximum continuous draw. Based on the likely installed power demand, the project is not expected to exceed a 60 MW power draw. The main power source requirements are from the processing plant at 30 MW, mining at 3 MW and 9 MW for infrastructure and were derived from the installed power ratings of the selected mechanical equipment. The 60 MVA rating of transformers proposed by ZESCO is appropriate based on preliminary estimates.

10.2.1 Power

Zambia has a total installed power capacity of around 2.0 GW of which 90% come from hydroelectric power stations. At current demand (~2.0 GW) it is just supplied by sufficient generation capacity and there have been numerous reports of power outages historically, especially during the dry season when electricity generation is at its lowest. The power demand is expected to increase in the next few years so it is imperative more sources of power come online prior to the commencement of the project to ensure a reliable source of electricity.

The power supply for this project is heavily dependent on projects commissioned by state owned company ZESCO who supply 93% of the electricity consumed in the country, 99% of which comes from hydroelectric dams. ZESCO currently has generating capacity of around 1.81 GW.

The main power generating stations are shown in Table 10.1. There are currently projects that are under construction such as the Kariba North Bank Extension (360MW) and Itezhi Tezhi ("IT") Hydro Power Project (120 MW) which are expected to come online by 2015 and will help relieve the increasing power demand.

Table 10.1 – Zesco Major Power Stations (2014) and Upcoming Projects

Power Station	Generation Capacity (MW)	Available Capacity (MW)	Capacity after Upgrading (MW)	Projected Capacity by 2015 (MW)	Projected Capacity by 2018 (MW)
Major Power Stations					
Kafue Gorge	990	990	990	990	990
Kariba North Bank	720	690	720	720	720
Victoria Falls	108	108	108	108	108
Kariba North Bank Extension	-	-	-	360	360
Kafue Gorge Lower	-	-	-	-	750
Itezhi Tezhi	-	-	-	120	120
Small Hydros					
Lunzua	0.75	0.75	15	15	15
Lusiwasi	12	12	-	27	27
Chishimba	6	6	15	15	15
Musonda	5	5	10	10	10
Shiwang'andu	-	-	-	1	1
Total	1841.75	1811.75	1858	2366	3116

Source: ZESCO website and various ZESCO presentations

10.2.2 Electrical Distribution

At present, it is not possible for the Project to be connected to the national grid due to limited infrastructure in the vicinity. There are established 330 kV transmission lines around the capital city of Lusaka which stretches north – north west to Lumwana in the Copperbelt, reaching First Quantum Mineral's ("FQM") Trident mining project in Kalumbila (refer to Figure 10.1). The construction of 500km of double circuit 330 kV power lines which run from Lusaka West via Mumbwa to Kalumbila is currently progressing with commissioning expected at the end of 2015. FQM have provided USD 200 M funding to ZESCO in the first quarter of 2014 to facilitate this construction which will bolster and stabilise power supply when their mine ramps up production in 2015.

The IT Hydro power project by ZESCO located south-west of Mumbwa is expected to be completed in 2015. An associated new Mumbwa substation and 330 kV transmission lines (~134km) connecting to Lusaka West is to be constructed as part of the project. This provides power evacuation from this new supply project into the power grid.

The transmission lines commissioned as part of the IT project together with lines commissioned between Mumbwa – Kalumbila essentially closes the loop to the national power supply network, which given generating capacity would sufficiently provide a stable power source to the Project.

Attachment B: Independent Technical Expert's Report (continued)

Figure 10.1 – ZESCO Current and Proposed Electricity Distribution Grid



10.2.3 Power Infrastructure

A technical feasibility study for the Project has been conducted by ZESCO and proposes three technical options. The new Mumbwa substation is to be constructed 60 km from the Project site as part of the Itzhi Tezhi project and expected to be commissioned in mid-2015. All options require the construction of a Kitumba mine substation which steps down the voltage from the 330 kV mains to around 11 kV or 33 kV.

Some solutions put forward involve the Kitumba mine substation connecting to the mains power grid directly through the new Mumbwa substation, which may require modifications at the substation such as installing busbars and 60km long transmission lines.

Presently, the preferred option which is also expected to require the least capital spending and no modifications to the Mumbwa substation involves looping 6km of 330kV transmission lines between the Kitumba mine substation and Mumbwa-Kalumbila transmission line. The Kitumba mine substation will therefore require two 60 MVA rated 330/33/11kV step-down transformers to provide electricity for the operations. The 33kV supply to the individual loads at the mine, tailings dam and buildings will be fed from the plant's 33kV main switchboard via 33kV overhead power lines. Standby generators have been factored into the capital expenditure in case of power outages.

10.3 Roads

The closest public road to the Project site is an unsealed road, which runs from Mumbwa to the Project site and is 51 km long and takes around 55 minutes by car. From the public road, the site can be accessed by another 4 km private unsealed road belonging to Blackthorn on the mining lease which will need to support construction and operations traffic for the mine development. On site, an internal 6m wide road network that provides access to the administration area, plant facilities will be

required. Proposed site roads can be seen in Figure 10.2.

The PFS assumes that the Zambian Government will upgrade the public portion of the road and have therefore not factored in possible capital costs required. Though the Road Development Agency have engaged consultants for detailed engineering design of the upgrade, there are currently no firm designs and timelines for its completion in place and thus poses a risk of delay to the project.

10.4 Buildings

General buildings and facilities in the plant area have been considered and will be constructed of concrete slab on ground with structural steel frame and metal cladding. The main facilities are shown in Figure 10.2 and include:

- A gatehouse and fencing for security purposes;
- Laboratory building for metallurgical testing, sample preparation and grade control;
- Workshops warehouse complex including an overhead crane and spares/consumables for maintenance of plant and mining equipment;
- Control room, shift change rooms;
- Administration building sufficient for 75 people;
- Reagent stores;
- First aid clinic;
- Heliport;
- Magazine.

Figure 10.2 – Infrastructure and Site Layout



Attachment B: Independent Technical Expert's Report (continued)

10.5 Water Systems

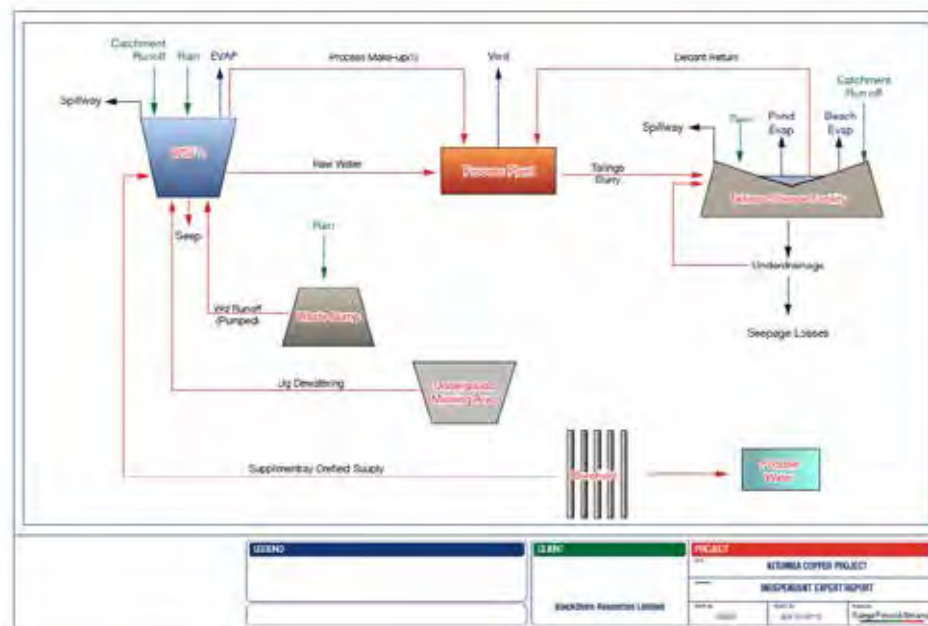
A water balance model that takes into account water requirements for the processing plant, general use, underground mine dewatering, evaporation, seepage, tailings return water and rain run-off confirms the project to be water negative even under wettest conditions. Thus the project requires an external water source to supply the shortfall to the operations. The main area of water consumption was at the processing plant demand which was modelled to require between 1.91– 3.0 M m³/yr over the LOM and 0.03 M m³/yr of potable water. The quantities required will be firmed up in the next phase of work.

The water balance flow sheet is shown in Figure 10.3. The specific modelling design conditions modelled included average climatic conditions, 1 in 100 year dry rainfall conditions and 1 in 100 wet rainfall conditions with the shortfall requirements summarised below:

- Under average climatic conditions, the volume of water recycled from the TSF's decant pond accounts for 43% of total water demand. The shortfall will need to be supplied from the WSF and an external water supply at an average of 30 L/s or maximum of 34 L/s.
- Under 1 in 100 year dry rainfall conditions, the volume of water recycled from the TSF's decant pond accounts for 34% of total water demand. The shortfall will need to be supplied from the WSF and an external water supply at between 34 – 54 L/s.

Under 1 in 100 year wet rainfall conditions, the volume of water recycled from the TSF's decant pond accounts for 53% of total water demand. The shortfall will need to be supplied from the WSF and an external water supply at between 0.4 – 18 L/s.

Figure 10.3 – Water System Flow Sheet



10.6 Water Storage Facility

Water storage facility ("WSF") options at the site have been considered in the water model and are essentially ponds that receive rainwater, waste dump run-off and underground dewatering. Currently the preferred option is a pond north west of the underground mine with a total catchment area of 0.92 Mm² with a maximum pond volume of 1.98 Mm³. Its proposed location can be seen in Figure 10.2 and will be confirmed in the next phase of design after geotechnical investigations are conducted. Relocation of the WSF should not have a material impact on the water balance model.

10.7 Water Sources

Conceptual design and costing has been undertaken by REDE Engineering and Management Solutions ("REDE") in May 2013 and has proposed extraction of raw water from river streams via pipeline or development of a borefield network. Water requirement assumptions used for the conceptual designs at the time was 200L/s and pipe flow velocities of 1.2 m/s is considered to minimise energy losses. The two options can be seen in Figure 10.4. More recent studies have estimated external water requirements of maximum of 54 L/s under extreme dry conditions.

Though the concept designs are over-sized and require revision, it does however provide an indication of relative capital costs for the two different options. RPM estimates the capital costs of the borefield solution to be in the order of USD 18 M due to the current level of uncertainty and will need to be designed in detail after the aquifer is properly understood in the next phase of work.

Kafue River Option

The Project is situated in the Kafue sub-catchment of the greater Zambezi River Basin. The closest river stream that could potentially provide the Project with a perennial source of water is the Kafue River 30 km north of site. REDE have proposed extraction of raw water through a conveyance pipeline of 600mm nominal diameter lined continuously welded steel pipe approximately 29.9 km in length. One booster station consisting of a two multistage booster pumps configuration (and one stand-by) at the extraction point was considered in order to overcome the total head developed by the working system. The calculated net power requirement is estimated to be 962 kW. A cost estimate for this solution considering the capital costs for the pipeline, pumping station, water treatment works for primary sedimentation, telemetering and control systems, pipeline burying, corrosion coating and cathodic protection including associated EPCM costs was estimated to be in the range of USD54M. Though technically feasible, this represents a significant capital expenditure and thus not a preferred option.

Borefield Option

A proposed borefield network connecting high yielding aquifers was the second option considered. Ground water from up to 20 identified boreholes is proposed to be conveyed to local reservoirs/sumps, where around 3 booster pumping stations pump the raw water to the storage reservoir at the project site. The calculated net power requirement is estimated to be 886 kW. A cost estimate for this solution that considers the capital costs for the pipelines of various diameters from boreholes to site, 3 pumping station, water treatment works for primary sedimentation, telemetering and control systems, including associated EPCM costs was estimated to be in the range of USD 37 M.

Attachment B: Independent Technical Expert's Report (continued)

Figure 10.4 – Water Supply Options (200L/s)



10.8 Tailings Storage Facility

Knight Piesold have conducted option studies for the TSF. A site valley storage facility fitting the terrain and adopting the thickened tailings option of around 55% solids is proposed to be located in the north western corner of the site (refer to Figure 10.5).

The design is based on processing plant ore throughput of 3 Mtpa with average annual tailings production of 2.36 Mtpa or LOM tailings production of 28.3 Mt. The TSF design has therefore been sized for a LOM capacity of 32.7 Mt with the embankment to be constructed in 11 stages (over 11 years). Thus yearly lifts are required, each lift only providing for one year of storage capacity. The first 3 stages are downstream raises, while stages 4-11 are upstream.

The tailings is neutralised CCD underflow, with a pH of 9 and consists of mainly fine, inert solids. The presence of low levels of sulphide minerals, primarily pyrite, may be expected from time to time. The tailings embankment has been designed with a low permeability soil liner based on geochemical testing to minimise loss of tailing liquor to groundwater. A spillway has been included to be located in the south east corner of the facility to store rainfall runoff and overflow through a discharge channel for events of up to 1 in 100 year average recurrence.

Vegetation and 150m of topsoil will need to be removed before construction commences. Water will be recovered during tailings thickening, at the supernatant ponds for the process water requirements. A spillway has been included to be located in the south east corner of the facility to store rainfall runoff and overflow through a discharge channel for events of up to 1 in 100 year average recurrence. No geotechnical investigation has been conducted for the TSF design and this will need to be done in the next phase of work.

In RPM's opinion the approach to determining the infrastructure requirements is professional and diligent for a pre-feasibility level of study. However, a risk to the Project is its reliance on government infrastructure projects going ahead and commissioned in a timely manner including:

- Delays to the Project start-up due to the infrastructure risk should be considered in any sensitivity study on Project value.

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Attachment B: Independent Technical Expert's Report (continued)

11. Capital and Operating Costs

The costs estimated for the Project in the OPFS have generally been estimated at an accuracy of $\pm 25\%$. This level of precision is appropriate for a study at pre-feasibility level.

Costs were provided by Blackthorn in USD. Where costs were sourced for items in currencies other than USD Lycopodium converted them to USD at the following rates based on prices obtained during the first quarter of 2014 (1Q14);

- Australian Dollar US\$1.00 = 1.08 A\$
- Euro US\$1.00 = 0.74 Euro
- South African Rand US\$1.00 = 10.11 ZAR
- Zambian Kwacha US\$1.00 = 5.59 ZK

RPM compared the supplied costs against comparative costs of similar operations and processes in USD. RPM notes that most the capital items and major operational materials supply will be bought in USD.

11.1 Capital Costs

Estimated capital costs for the Project are summarized in Table 11.1. This estimate includes allowance for contingency.

Table 11.1 – Kitumba Capital Summary

Item	Cost (USD million)
Mining and Mine Accommodation	166.2
Construction	88.7
Treatment Plant	264.3
Freight	23.6
Rehabilitation	33
Tailings	24
Owners Costs	42.4
EPCM Costs	58.8
Mine Contingency	16.2
Plant & Infrastructure Contingency	62.7
Total	779.9

Source : Financial Model, 05.03.10.26.02 1829.15-REP-003_D_Final_RPM

Blackthorn's cost is based on the OPFS estimate completed in early 2014. No expenditure against this estimate has been undertaken. RPM has modified the estimate by applying its independent opinion of likely costs.

Material capital cost increases may occur associated with price inflation to the time of project construction and by design changes that are the result of subsequent studies, social and unforeseen construction issues.

11.1.1 Mining Capital Costs

Mining capital costs are summarised in Table 11.2. Costs are estimated from first principles using information from AMC's cost library. The mining costs are stated at $\pm 25\%$.

Table 11.2 – Kitumba Mining Capital Costs

Item	Cost (USD million)
Box Cut	5.61
Portal	0.20
Major Equipment	8.73
Ancillary equipment	3.97
Ventilation	1.86
Underground Infrastructure	7.75
Underground Horizontal Development	16.37
Labour	53.08
Underground Fuel	3.13
Underground Electrical Power	1.37
Underground Vertical Development	23.86
Underground Diamond Drilling	32.89
Sustain Capital Infrastructure	3.04
Contingency	-
Mining CAPEX	161.87

Source : Financial Model, 05.03.10.26.02 1829.15-REP-003_D_Final_RPM

The mining capital cost is \$162 m and equates to \$5.10/t ore. This excludes initial development to access the ore and local development necessary to bring on individual ore sources. The breakdown of costs was not supplied however globally the mining capital is appropriate for a mine design at a PFS level.

11.1.2 Ore Processing Capital Costs

The methodology used to estimate the processing plant capital costs is acceptable and typical of the EPCM approach for this level of study.

Earthworks and concrete volumes and quantities were based on layouts, available topography and comparable regional projects. Unit rates were applied from regional specific projects. Quantities for structural steel, platework and small tanks were estimated from the mechanical equipment list with estimated costs based on regional specific projects as well as an in-house database. Key equipment was based on the mechanical equipment list and budget quotations for were obtained from reputable suppliers. Selected items were sourced from in-house data based on regional projects of comparable scale. Pricing for conveyors were based on similar projects of comparable scale. The capital cost of other items such as electrical distribution, piping and the like, were estimated by applying factors.

There is an allowance for freight which varies by transport route and equipment supply location.

Table 11.3 provides an overview of the total project costs (USD571 million, including a 20% contingency) with the treatment plant dominating costs (55.1%). Infrastructure is 14.1% of the total projects, with Owner's Costs and Owner's Operation Costs representing 4.9% and 3.4% respectively.

Attachment B: Independent Technical Expert's Report (continued)

Table 11.3 – OPFS Capital Cost Estimate

Area	Cost (USD million)					Proportion (%)	
	Supply	Labour	Freight	Sub-total	Contingency	Total	Area EPCM
Construction Indirects	5,391,660	21,290,599	-	26,682,259	5,339,549	32,021,808	5.60 6.11
Treatment Plant	198,622,951	46,983,526	20,457,554	266,064,031	48,956,235	315,020,266	55.09 60.06
Reagents and Plant Services	20,262,077	4,184,994	2,892,107	27,339,178	5,112,876	32,452,054	5.67 6.19
Infrastructure	49,145,317	14,979,211	3,194,189	67,318,718	13,063,573	80,382,291	14.06 15.33
Management Costs (EPCM)	58,754,637	-	-	58,754,637	5,875,464	64,630,101	11.30 12.32
Owner's Project Costs	25,723,273	13,779	458,530	26,195,583	1,980,391	28,175,974	4.93 -
Owner's Operations Costs	16,683,981	-	-	16,683,981	2,502,597	19,186,578	3.36 -
Total	374,583,896	87,452,109	27,002,380	489,038,387	82,830,685	571,869,072	100.00 100.00

Source : OPFS, 05.03.10.26.10.01 S1829 Kitumba CCE PFS summaries 160414

Table 11.4 presents a breakdown by area, showing that the mechanical i.e. processing equipment is the dominant cost centre (30.6%). This is not surprising with the requirement for two large mills, a pressure oxidation vessel, a solvent extraction plant and an electrowinning plant, none of which are particularly cheap.

Electrical costs are the next most significant cost (12.1%) which appears reasonable in the light of the significant equipment power requirements (mills and electrowinning circuit). Ignoring indirect expenditures, earthworks costs are quite substantial, with a high labour content. In part this would seem to be associated with the construction of the numerous large diameter thickeners, which is supported, in part, by the high cost for concrete. Tankage and plate cost appear moderate while building costs are relatively minimal.

Table 11.4 – OPFS Capital Cost Breakdown

Area	Cost (USD million)					Proportion (%)	
	Supply	Labour	Freight	Sub-total	Contingency	Total	Area EPCM
General	6,041,660	517,960	14,200	6,573,820	1,314,764	7,888,584	1.38 1.49
Earthworks	15,061,412	25,982,235	-	41,043,647	8,558,593	49,602,240	8.67 9.36
Concrete	17,158,995	13,741,286	1,223,657	32,123,938	6,133,060	38,256,998	6.69 7.22
Steelwork	14,642,713	10,705,755	2,768,117	28,116,585	4,945,375	33,061,960	5.78 6.24
Platwork	2,442,752	786,980	496,841	3,726,573	603,808	4,330,381	0.76 0.82
Tankage	20,016,932	6,091,823	2,889,758	28,998,513	5,162,675	34,161,188	5.97 6.45
Mechanical	129,196,685	5,553,947	13,707,849	148,458,481	26,417,841	174,876,322	30.58 33.02
Piping	23,560,647	4,063,176	2,164,046	29,787,869	5,798,394	35,586,263	6.22 6.72
Electrical	40,521,602	14,463,992	2,780,978	57,766,572	11,416,426	69,182,998	12.10 13.06
Instrumentation and Control	911,214	554,459	130,161	1,595,834	278,826	1,874,660	0.33 0.35
Buildings and Architecture	7,688,481	4,990,495	826,775	13,505,751	2,701,150	16,206,901	2.83 3.06
Indirects	58,754,637	-	-	58,754,637	5,875,464	64,630,101	11.30 12.20
Owner's Costs	38,586,167	-	-	38,586,167	3,624,309	42,210,476	7.38 -
Total	374,583,896	87,452,109	27,002,381	489,038,386	82,830,685	571,869,071	100.00 100.00

Source : OPFS, 05.03.10.26.10.01 S1829 Kitumba CCE PFS summaries 160414

Finally, a breakdown by processing is more revealing (refer to Table 11.5). Over 30% of the processing capital costs is associated with the electrowinning circuit, which appears low based on RPM's experience for a 60,000tpa cathode copper operation. It is surprising that the CCD circuit is more expensive than the milling circuit and that the small flotation circuit is as expensive as the solvent extraction circuit. Quotations were requested for the electrowinning and CCD circuits but were not available at the time of report preparation.

In summary, while there is reasonable basis for the processing capital estimate there are opportunities to reduce the capital.

Table 11.5 – OPFS Processing Capital Cost Breakdown

Area	Cost (USD million)					Total	Proportion (%)
	Supply	Labour	Freight	Sub-total	Contingency		
Treatment Plant (General)	-	10,565,163	-	10,565,163	2,641,291	13,206,454	4.19
Feed Preparation	5,204,253	3,762,011	580,393	9,546,657	1,431,999	10,978,656	3.49
Milling	28,905,748	5,367,752	1,812,594	36,086,094	5,412,914	41,499,008	13.17
Flotation	18,104,530	2,921,826	2,733,787	23,760,143	4,755,717	28,515,860	9.05
Leaching	28,824,820	2,533,846	2,384,063	33,742,729	6,464,983	40,207,712	12.76
Counter Current Decantation	30,073,373	3,220,989	3,136,721	36,431,083	6,231,873	42,662,956	13.54
Solvent Extraction	18,975,670	5,316,621	2,225,492	26,517,783	4,922,949	31,440,732	9.98
Electrowinning	61,981,262	12,515,662	6,495,641	80,992,565	15,687,121	96,679,686	30.69
Neutralisation	6,553,293	774,657	1,088,864	8,416,814	1,407,389	9,824,203	3.12
Total	198,622,951	46,978,526	20,457,554	266,059,031	48,956,235	315,015,266	100.00

Source : OPFS, 05.03.10.26.10.01 S1829 Kitumba CCE PFS summaries 160414

Table 11-6 presents some of the changes that RPM believes should be made to the capital costs, including contingencies. The net changes on equipment supply only amount to around \$6 million, well within the estimated accuracy. Larger air blowers for the atmospheric leaching circuit may be required. The remainder of the difference between OPFS and RPM costs of \$26 million is due to reduced contingency as RPM is of the opinion that the costs are well known and lesser contingencies can be applied.

Attachment B: Independent Technical Expert's Report (continued)

Table 11.6 – OPFS Processing Capital Cost Changes

Plant Area	Facility	Supply	Labour	Cost (USD) Freight	Subtotal	Contingency	Total
110 Treatment Plant - General	111 Bulk Site Earthworks	0	10,565,163	0	10,565,163	2,641,291	13,206,453
110 Treatment Plant - General Total		0	10,565,163	0	10,565,163	2,641,291	13,206,453
120 Feed Preparation	121 Primary Crushing	3,163,045	1,883,953	204,197	5,251,195	787,679	6,038,874
	122 Stockpile	557,781	453,769	86,486	1,098,036	164,705	1,262,742
	123 Reclaim	1,483,427	1,424,289	289,710	3,197,425	479,614	3,677,039
120 Feed Preparation Total		5,204,253	3,762,011	580,393	9,546,657	1,431,999	10,978,655
130 Milling	131 Milling and Classification	27,576,556	4,974,342	1,626,869	34,177,768	2,862,049	37,039,817
	132 Pebble Crushing	1,329,192	393,410	185,725	1,908,326	137,951	2,046,277
130 Milling Total		28,905,748	5,367,752	1,812,594	36,086,094	3,000,000	39,086,094
140 Flotation	141 Rougher Flotation	6,701,784	774,127	1,485,059	8,960,970	740,343	9,701,313
	142 Concentrate Handling	8,040,288	1,599,726	754,979	10,394,994	888,207	11,283,201
	143 Flotation Tails Thickening	3,362,459	547,973	493,748	4,404,179	371,449	4,775,629
140 Flotation Total		18,104,530	2,921,826	2,733,787	23,760,143	2,000,000	25,760,143
150 Leaching	151 POX Leaching	23,141,583	1,442,874	1,457,700	26,042,157	2,408,506	28,450,663
	152 Atmospheric Leaching	5,683,237	1,095,972	926,363	7,705,572	591,494	8,297,066
150 Leaching Total		28,824,820	2,538,846	2,384,063	33,747,729	3,000,000	36,747,729
160 Counter Current Decantation	161 PLS Clarification	4,220,906	425,313	451,393	5,097,612	435,668	5,533,279
	162 CCD	20,000,000	2,795,676	2,685,328	25,736,651	2,064,332	27,800,983
160 Counter Current Decantation Total		24,220,906	3,220,989	3,136,721	30,875,864	2,500,000	33,334,262
170 Solvent Extraction	171 Extraction	18,975,670	5,316,621	2,225,492	26,517,783	4,922,949	31,440,732
170 Solvent Extraction Total		18,975,670	5,316,621	2,225,492	26,517,783	4,922,949	31,440,732
180 Electrowinning	182 Electrowinning	80,000,000	12,515,662	6,495,641	99,456,388	9,945,639	109,402,026
180 Electrowinning Total		80,000,000	12,515,662	6,495,641	99,456,388	9,945,639	109,402,026
190 Neutralisation	191 Raffinate Neutralisation	4,446,410	448,126	683,620	5,578,155	936,211	6,514,366
	192 Tailings Neutralisation	2,106,883	326,531	405,245	2,838,659	471,178	3,309,837
190 Neutralisation Total		6,553,293	774,657	1,088,864	8,416,815	1,407,389	9,824,204
Total		210,789,220	40,892,248	20,457,555	278,972,636	30,849,267	309,780,299

Source : Financial Model, 05.03.10.26.02 1829.15-REP-003_D_Final_RPM [Sheet : Lyco - Capex Detail]

Accuracy

The level of accuracy used is appropriate for this level of study ($\pm 25\%$).

Contingency

The level of contingency used is also generally appropriate for this level of study (20%), however it should be varied by the area and equipment. For example, it is understandable that aspects of the mining costs are unknown and would be subject to this level of contingency. However in the processing area, some things are well known and it is unlikely that the capital cost will vary greatly, due to the nature of the equipment vendor market and the in-house cost database that Lycopodium has built up over the years.

Consequently in the financial model, the contingency level has been decreased for pieces of equipment.

EPCM costs

The EPCM costs are 12.2% of the project value, excluding owner's cost. This is a reasonable figure and it would be difficult to see the percentage falling by much. Even a local EPCM contractor would require at least 10% to successfully construct and manage the project.

Sustaining Capital

The only sustaining capital costs reported separately was in the progressive TSF uplifts.

Further investigation revealed that the processing sustaining costs are included in the maintenance material costs, which amounts to \$10.5 million per annum (\$3.50/t). Not only is this way of reporting sustaining capital not transparent, it is not clear what definition has been used to define sustaining capital.

Sustaining capital is for items not covered by maintenance and are usually larger pieces or parts of equipment that require replacement after a period of 6 years. Consequently, no sustaining costs would be normally expected during the first five years unless some accident or failure due to faulty equipment.

It is recommended that a sustaining capital cost of \$4.5 million per annum (\$1.50/t) be applied after year 5.

11.1.3 Infrastructure Capital Costs

The methodology used to estimate the infrastructure capital costs is acceptable and typical of EPCM approach for this level of study.

Zesco's has provided capital cost estimates required for 3 alternative solutions to connect the Project site the proposed power grid. RPM believes suitable considerations have been made and the preferred option which includes a site step-down substation and 6 km transmission lines is costed appropriately. Including electrical development on site such as power lines, switchyard and emergency standby generator, the capital cost for power supply is estimated to be USD 30.2 M

whilst the OPFS assumes that the Zambian Government will upgrade the public portion of the road and have therefore not factored in possible capital costs required for its development. RPM believes that this is appropriate; discussions need to be held with the Zambian Government to clarify the situation as well as the issue of on-going maintenance costs. This situation does present a risk to the capital and operating cost estimate.

The TSF and water storage facility have been appropriately sized based on estimated quantities determined by topography and the selected location required for construction. Similarly, buildings, facilities, accommodations and roads were sized and costed according to the proposed site layout. The equipment and construction costs required were costed according to Lycopodium's cost database based on projects build in Africa. After review by RPM, the cost estimates were considered appropriate and reasonable for this level of the study.

The TSF capital costs for the construction and lining of the dam, pipeline and decant system are estimated at \$13.4 million which is reasonable for its scale.

Attachment B: Independent Technical Expert's Report (continued)

It is estimated that the development of the water storage facility including vegetation clearing and topsoil removal over a 0.19 M m3 area, installation of geofabric and mattress within the spillway would cost \$3.8 million. It appears to be a reasonable estimate for this level of study.

Table 11.7 – Infrastructure Capital Cost and RPM Adjustments

Plant Area	Supply	Installation Hours	Labour	Freight	Contingency	Total
Infrastructure - General	2,010,108	80,817	3,679,764	78,648	1,329,654	7,178,991
Environmental	3,289,616	0	0	0	526,339	3,815,955
Utilities & Services*	10,824,453	76,250	3,137,043	61,494	4,092,305	18,191,545
Power Supply	20,602,269	87,956	2,792,149	1,743,147	5,035,065	30,260,586
Buildings - Admin & Security	1,446,710	32,853	612,416	37,589	422,017	2,551,585
Tailings Dam	11,446,520	4,504	116,547	107,002	1,788,036	13,462,609
Buildings - Plant	1,158,332	36,517	734,318	43,455	374,713	2,347,335
Buildings - Services	1,198,726	12,234	742,167	51,034	400,516	2,404,677
Camp	6,758,084	113,758	5,095,312	987,020	2,712,368	15,666,542
Total Infrastructure CAPEX	58,734,818	444,889	16,909,716	3,109,389	16,681,013	95,879,825

*RPM adjusted for raw water supply

The external water supply option costing presents a higher level of uncertainty as it is still at the concept stage and this is the main adjustment made to the original estimate for the infrastructure component. Due to the lower level of confidence, RPM have estimated the development of a bore field network to be in the order of USD18 million under the 1 in 100 dry rainfall scenario. Capital costs would be more if the bore field solution proves to be technically not feasible in the next phase of work.

There is sufficient budget for the installation of communication facilities such as satellite television, local distribution via PABX fibre link and local radio network in the OPFS budget of \$0.65 million plus allowances made for \$150 per employee per annum for telecommunications or USD 0.035/t.

11.2 Operating Costs

Estimated operating costs for the Project are summarized in Table 11.8.

Table 11.8 – Kitumba Operating Cost Summary

Item	Cost (USD million)	Cost per Tonne of Ore (USD)	Cost per Tonne of Copper Produced (USD)
Mining	798.52	25.27	0.59
Processing	971.97	30.76	0.72
Accommodation	8.18	0.26	0.01
Administration	52.88	1.67	0.04
Transport	136.11	4.31	0.10
Total	1967.66	62.27	1.45

Source : Financial Model, 05.03.10.26.02 1829.15-REP-003_D_Final_RPM

The OPFS defined Operational cost of the Project is USD1.45/lb of copper produced from mined ore and excluding the cost and benefit of purchased concentrate, which are dependent on prevailing copper prices at time of purchase as well as other modifying factors.

Blackthorn's operational cost estimate is based on the OPFS estimate completed in early 2014. No expenditure against this estimate has been undertaken.

Material capital cost increases may occur associated with price inflation to the time of project construction, design changes that are the result of subsequent studies, social and unforeseen construction issues.

11.2.1 Mining Operating Costs

Operating cost are estimated from first principles using information from AMC's cost library and information sourced from mining contractors operating in Zambia. AMC has not made allowance for a cost contingency which is acceptable practice.

Mining costs are based on the work being undertaken by an experienced underground contractor that will provide supervision, labour, equipment and consumables, while Blackthorn will provide mine management and technical services. Table 9.9 is the summary of the LOM mining operational costs.

Table 11.9 – Kitumba Mining Operating Costs (M USD)

Underground Equipment	252.98
Labour	304.03
Underground Fuel	61.27
Underground Electrical Power	19.9
Underground Horizontal Development	71.75
Underground Long Hole Stoping	88.6
Contingency	-
Underground Total LOM OPEX	798.52

The mining operating cost is \$25.3/t of ore producing a total mining cost of \$30.4/t of ore (including capital). The breakdown of costs was not supplied however operating costs are appropriate for a mine design and PFS of this nature. However RPM recommends that the mining operational costs should be restructured to reflect contractor based mining. In the event that contractor mining was used the mining capital would be redistributed into the mining operating costs. An allowance for a contractor margin should also be applied.

RPM notes that there was a slight typographical error in the feasibility report totalling the Kitumba operating costs stating the operational cost as \$777.9 M however the correct value was used in the economic model.

11.2.2 Ore Processing Operating Costs

The basis for the operating cost estimate is reasonable and is a standard and typical approach employed for this study level. The estimate was prepared by major category, including power, labour, reagents and consumables, maintenance materials, laboratory costs, product transport and general costs.

The estimates have been compiled using data from a variety of sources including;

- Metallurgical testwork (reagent and power consumptions),
- Mass balance (process stream volumes),
- Supplier's quotations,
- In-house data base,
- Typical industry values,
- First principal estimates, and
- Input and advice from metallurgical experts and Blackthorn.

The estimates are based on 1Q 2014 and have an accuracy of $\pm 25\%$, which is appropriate for the level of study.

As Table 11.10 shows, total operating costs are \$44.19/t which is reasonable for this type of processing operation. The dominant cost is consumables, which accounts for nearly 55% of the process operating costs. The next dominant cost is power which represents over 20% of the total processing costs. Labour costs are very moderate while maintenance costs are relatively significant (\$3.47/t).

Attachment B: Independent Technical Expert's Report (continued)

Table 11.10 – OPFS Processing Operating Cost Breakdown

Cost Centre	LOM Cost (USD million)	\$/t	%
Consumables	764.6	24.20	54.8
Maintenance materials	109.7	3.47	7.9
Labour	30.2	0.96	2.2
Power	283.0	8.96	20.3
Laboratory	19.4	0.62	1.4
G & A	52.9	1.67	3.8
Product transport	136.1	4.31	9.8
Total	1,395.9	44.19	100

Source : OPFS, Section 16.2 [05.03.10.26.17.05 1829-STY-001_B, Table 16.2.1]

Four operating costs were missed in the estimate, namely :

- Maintenance of the electrowinning circuit; this is estimated at \$0.508/t,
- Marketing costs (selling cathode copper and purchasing concentrate), estimated at \$0.084/t, and
- Purchased concentrate transport costs, estimated at \$25/t concentrate.

Overall, excluding the purchased concentrate transport costs, the processing operating costs would be \$44.78/t.

The consumable operating costs are dominated by three items, namely concentrate purchases (\$7.44/t), oxygen (\$5.21/t) and limestone and lime (\$5.18/t) – in total, \$17.83/t or nearly 74% of the total operating costs (refer to Table 11.11). Without the pressure oxidation circuit ("POX") operating, the processing costs are quite low at \$6.37/t.

Current power costs for commercial usage increased in early 2014 by around 29% and are currently around USD68/MWh which is considered amongst the lowest in Africa. Power costs in the financial model are estimated to be USD95/MWh. RPM considers this escalation appropriate given the infrastructure improvements that are underway to improve the overall reliability of the power grid. Connection fees and supply charges remain to be negotiated.

Table 11.11 – OPFS Processing Consumable Cost Breakdown

Commodity	LOM Cost (USD)	USD/t Ore, LOM
Crusher Liners	2,240,497	0.071
Mill Liners	7,941,471	0.251
Grinding Media	47,447,763	1.502
Concentrate Import	235,023,434	7.438
Limestone	146,224,942	4.628
Lime	17,518,271	0.554
Flocculant	30,017,624	0.950
Coagulant	758,340	0.024
Collector	24,153,128	0.764
Frother	4,916,887	0.156
Diluent	9,724,136	0.308
Extractant	7,679,302	0.243
Guar	458,706	0.015
Cobalt Sulphate	1,561,032	0.049
Bentonite	3,148,081	0.100
Anthracite	91,694	0.003
Garnet	302,783	0.010
Sulphuric Acid	17,124,836	0.542
Sulphur	6,735,803	0.213
Electrodes	14,506,928	0.459
Oxygen	164,458,663	5.205
Water Treatment Chemicals	2,319,906	0.073
Miscellaneous	6,160,000	0.195
Diesel	14,095,328	0.446
Total	764,609,466	24.20

Source : OPFS, Section 16.4.1 [05.03.10.26.17.05 1829-STY-001_B, Table 16.4.1]

Not unexpectedly, electrowinning (~42%) and milling (~22%) dominate the power operating costs, which have been calculated using \$0.105/kWh (refer to Table 11.12). The power cost for producing the oxygen is included in the oxygen price (approximately \$79/t O₂ out of a delivered cost of \$142/t O₂).

Table 11.12 – Processing Power Cost Breakdown

Description	Installed kW	Average Continuous (kW)	Power Consumption (kWh/a)	Power Consumption (kWh/t)	Power Cost (USD/a)
Feed Preparation	998	513	4,491,581	1.50	426,700
Milling	11,233	8,372	73,337,463	24.45	6,967,059
Flotation	1,920	1,037	9,083,682	3.03	862,950
Leaching	2,918	1,556	13,626,837	4.45	1,294,550
Counter Current Decantation	957	403	3,531,112	1.18	335,456
Solvent Extraction	1,276	555	4,860,943	1.62	461,790
Electrowinning	23,421	16,238	142,247,426	47.42	13,513,505
Raffinate Neutralisation	496	246	2,151,872	0.72	204,428
Tailings Neutralisation	722	354	3,103,668	1.03	294,848
Reagents	1,371	764	6,691,128	2.23	635,657
Water Services	1,256	546	4,786,574	1.60	454,724
Plant Services	242	33	286,684	0.10	27,235
Air Services	10,518	7,237	63,395,638	21.13	629,930
Fuels	11	4	32,522	0.01	3,090
Plant Buildings	425	292	2,557,920	0.85	243,002
Miscellaneous	810	184	1,608,336	0.54	152,792
Tailings Dam	183	145	1,266,878	0.42	120,353
Total	58,755	38,477	337,060,262	112.35	26,628,069

Source : OPFS, Section 16.5 [05.03.10.26.17.05 1829-STY-001_B, Table 16.15.1]

Attachment B: Independent Technical Expert's Report (continued)

Staff costs look reasonable (refer to Table 11.13) while Table 11.14 indicates that the manning levels appear suitable. The basis for the high expatriate staff overheads are not clear; the OPFS states that there would be no fly in-fly out arrangements for expatriate staff.

Table 11.13 – OPFS Processing Staff Cost Breakdown

Code	Description	Base Rate S/a	Overhead Cost USD/a	Total Cost USD/a
Expatriate Staff				
ES1	General Manager	240,000	169,000	409,600
ES2	Department Manager	210,000	145,000	355,000
ES3	Department Manager	180,000	128,800	308,800
ES4	Superintendent	155,000	115,300	270,300
Senior National Staff				
LS1	Departmental Head	45,000	9,625	54,625
LS2	Senior Department Head	35,000	8,475	43,475
LS3	Department Manager	25,000	7,325	32,325
LS4	General Foreman	17,500	6,463	23,963
LS5	Senior Qualified Staff	16,000	6,290	22,290
LS6	Shift Supervisors	14,000	9,560	23,560
LS7	Qualified Staff	12,000	5,830	17,830
LS8	Secretarial / Qualified Technical	6,000	5,140	11,140
LS9	Admin Assistant / Clerical	5,000	5,025	10,025
General National Staff				
LW1	Senior Operator	8,000	6,370	14,370
LW2	Skilled Trades	7,000	6,005	13,005
LW3	Operators	6,000	5,640	11,640
LW4	General Operators / Drivers	5,000	5,275	10,275
LW5	Security	3,500	4,728	8,228
LW6	Labourers (Semi-skilled)	3,000	4,545	7,545
LW7	Labourers (Unskilled)	2,000	4,180	6,180

Source : OPFS, Section 16.7 [05.03.10.26.17.05 1829-STY-001_B, Table 16.7.1]

Table 11.14 – OPFS Processing Manning Breakdown

Code	Description	Employee Cost (USD)	Admin	Process Ops	Process Mdnt	Mining	Total
Expatriate Staff							
ES1	General Manager	409,600	2				2
ES2	Department Manager	355,000	3				3
ES3	Department Manager	308,800	4				4
ES4	Superintendent	270,300	1				1
Senior National Staff							
LS1	Departmental Head	54,625	2				2
LS2	Senior Department Head	43,475	3				3
LS3	Department Manager	32,325	1	2	4		7
LS4	General Foreman	29,763	1		7		8
LS5	Senior Qualified Staff	22,290	6	10			16
LS6	Shift Supervisors	23,560	6	2	3		11
LS7	Qualified Staff	17,830	15				15
LS8	Secretarial / Qualified Tech	11,140	3				3
LS9	Admin Asst / Clerical	10,025	2	2	3		7
General National Staff							
LW1	Senior Operator	14,370	9	24			33
LW2	Skilled Trades	13,005			36		36
LW3	Operators	11,640	3	75			78
LW4	General Operators/Drivers	10,275	3		30		33
LW5	Security	8,228	24				24
LW7	Labourers (Unskilled)	6,180	12				12
Mining Personnel						271	271
Total			100	115	83	271	569

Source : OPFS, Section 16.7 [05.03.10.26.17.05 1829-STY-001_B, Table 16.7.2]

Table 14.5 summarise the maintenance materials breakdown. While the estimation basis is very reasonable and detailed, it difficult to see where sustaining costs has been factored in. Consequently the recommendation under Capital sustaining Costs about making an allowance after year 5 is validated. The one area that has been neglected is the electrowinning circuit. Using a factor of 2.5% based on a capital of \$61 million equates to \$1.53 million per annum or \$0.508/t of ore processed. Thus processing maintenance costs should be \$3.93/t, although the maintenance costs are \$3.47/t, bringing this cost to \$3.98/t.

Attachment B: Independent Technical Expert's Report (continued)

Table 11.15 – OPFS Processing Materials Maintenance Breakdown

Description	Capital Cost (Directs)	Proportion of Capital Cost (%)	Maintenance Cost (USD/a)	Maintenance Cost (USD/t)
Treatment Plant General	10,565,163	1.0	105,652	0.035
Crushing	9,546,657	5.0	477,333	0.159
Milling	36,086,094	4.0	1,443,444	0.481
Flotation	23,760,143	3.0	712,804	0.238
POX Leaching	26,042,157	8.0	2,083,373	0.694
Atmospheric Leaching	7,705,572	2.0	154,111	0.051
Counter-Current Decantation	36,431,083	2.0	1,619,851	0.540
Raffinate Neutralisation	5,578,155	3.0	167,345	0.056
Tailings Neutralisation	2,838,659	3.0	85,160	0.028
Reagents and Services General	434,505	1.0	4,345	0.001
Reagents	10,324,675	4.0	412,987	0.138
Water Services	4,377,120	3.0	131,314	0.044
Plant Services	4,346,065	2.0	86,921	0.029
Air Services	3,718,348	2.0	73,261	0.024
Fuels	475,416	1.5	7,131	0.002
Electrical Services	3,663,050	2.0	73,261	0.024
Infrastructure	67,318,718	1.0	676,268	0.225
Mobile Equipment	-	-	549,260	0.183
Maintenance General	-	-	127,000	0.042
Total	360,721,928	2.65 (average)	10,250,904	3.42

Source : OPFS, Section 16.8 [05.03.10.26.17.05 1829-STY-001_B, Table 16.8.1]

The concentrate purchases assume that there would be no credit or penalty elements, and that the ore has no or very little acid consuming gangue. Table 14.6 summarises the OPFS calculation for copper concentrates purchases. The smelting is not correct; current typical smelter terms are as follows:

- Payment for 96% of the contained copper (i.e. payable copper), at the LME 3 month spot metal price average,
- Treatment Charge (TC) of USD92/t of concentrate,
- Refining Charge (RC) of USD0.092/lb of payable copper,
- Payment for any credits (Au, Ag and Co) present, and
- Deductions for any penalties present.

Whether Blackthorn would share in any of the proposed concentrate savings (i.e. tax export and transport costs) would be dependent upon the negotiations undertaken by the marketing department. Since Blackthorn would pay for the concentrate transport, they maybe able to negotiate to share evenly in the proposed seller savings (i.e. 50%).

It was noted that that no allowance had been made for concentrate transport costs, which is estimated at \$25/t.

A summary of these calculations is presented in Table 11.17 based on the OPFS copper price of USD3.50/lb. This copper price is high, particularly for future copper prices.

Table 11.16 – OPFS Concentrate Purchases

Description	Value
Concentrate Cu Content	24.2%
Copper Metal Price	\$3.50/lb
Metal Payment	23.2% (24.2% plus 1% deduction)
Treatment Charge	\$100/t of dry concentrate
Refining Charge	\$0.10/lb of payable copper
Freight Realisation Charge	\$250/t of dry concentrate
Export Tax Benefit	\$187/t of dry concentrate (10% of Cu value)
Total Cost of Concentrate	\$1,200/t of dry concentrate

Source : OPFS, Section 16.4.2 [05.03.10.26.17.05 1829-STY-001_B, Table 16.4.2]

Table 11.17 – Proposed Smelter Concentrate Terms

Parameter	Units	Value
Copper price	USD/lb of copper	3.50
Copper grade	%	24.20
Payable copper	%	96.0
	kg	232.32
Value of payable copper	lbs	512.03
	USD	1,792.12
Treatment Charge (TC)	USD/t concentrate	92.00
Refining Charge (RC)	USD/lb of payable copper	0.092
	USD	47.11
Transport Costs	USD/t concentrate	25.00
Net Concentrate Value	USD	1,628.01

Lycopodium assumed that marketing costs would be covered by a LME premium of USD100/t of cathode copper; this cannot be assumed until the operation is in production and has demonstrated Grade A quality (5 9s) cathode. Subsequently a marketing cost has been included for the selling of the cathode copper and the purchasing of concentrates of \$0.084/t.

Table 11.18 presents the proposed concentrate purchasing schedule which is significant, particularly in the early years of the project.

Table 11.18 – OPFS Proposed Concentrate Purchase Schedule

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 11	LOM
Concentrate, t	32,057	39,417	39,391	34,677	16,507	9,820	23,974	195,844
Concentrate, \$M	38.5	47.3	47.3	41.6	19.8	11.8	28.8	235.0

Source : OPFS, Section 16.14.2 [05.03.10.26.17.05 1829-STY-001_B, Table 16.14.2]

Table 11.19 presents the basis for the product transport cost estimation. The product transport costs, although high, is reasonable and based on a sound analysis.

Attachment B: Independent Technical Expert's Report (continued)

Table 11.19 – OPFS Product Transport Costs

Cost Centre	Unit	USD	USD/t
Zambia to Dar Es Salaam, Tanzania - road transport	1 t	125	125.00
Zambia to Dar es Salaam, Tanzania - FOB	1 t	45	45.00
Shipping Container - Dar es Salaam to Shanghai	22 t	400	18.18
Security Surcharge	22 t	10	0.45
Bill of Lading	22 t	75	3.41
Destination Terminal Handling Charge	22 t	250	11.36
Container Loading and Re-delivery	22 t	150	6.82
Agency / Documentation / Handling Fees	22 t	75	3.41
Total	-	-	213.64

Source : OPFS, Section 16.11 [05.03.10.26.17.05 1829-STY-001_B, Table 16.11.1]

11.2.3 General & Administrative (G&A) Costs

The G & A costs appear reasonable and presumably include safety and training (refer to Table 11.20). While the Zambian Head Office costs have been included, the Sydney Head Office costs have been omitted. These are estimated at \$0.167/t, bring the G & A cost to \$1.84/t.

Table 11.20 - OPFS G & A Costs

Item	Annual Cost, USD	Annual Cost, USD/t
Head Office Costs	250,000	0.087
Site Office Costs	190,001	0.066
Insurances	1,987,554	0.692
Fees and Financial	250,000	0.087
Consultants	225,000	0.078
Personnel	614,130	0.214
Contracts	750,200	0.261
Community Relations	100,000	0.035
Administration Vehicles	235,533	0.082
Miscellaneous	350,000	0.122
Total	4,807,417	1.67

Source : OPFS, Section 16.10 [05.03.10.26.17.05 1829-STY-001_B, Table 16.10.1]

12. Overview of Permitting, Environmental Impact, and Social and Community Impact

12.1 Background

This section of the report provides a high-level review of the key environmental issues with the proposed Project, including development approval risk. Issues addressed in this section include permitting, environmental and social aspects of the Project. The review is based on an evaluation of documentation provided in a data room including the May 2014 OPFS, and Appendix 12 to the OPFS which contains the September 2013 report Environmental Pre-Feasibility Study (PFS) Report for the proposed Kitumba Copper Project, Mumbwa District, Central Province, Zambia. A summary of findings is provided at the end of this section.

12.2 Project Permitting

Permitting requirements of the Project are described in the OPFS. These requirements were identified after an internal review performed by AGES Gauteng (PTY) Ltd. (AGES), a Zambian environmental consultancy. The identified requirements include the proviso "it is recommended that professional legal advice be sought in order to confirm the legislative requirements applicable to the project during the DFS Phase". RPM also recommends that this legal review be undertaken to ensure proper identification of all permitting requirements. The need for additional Environmental Impact Statements and approvals will have to be determined should Blackthorn become the responsible party to construct or upgrade the access road (currently planned by the Zambian Roads Development Agency ("ZRDA")) or provide electric supply infrastructure (currently planned by the ZESCO).

12.2.1 Environmental Permitting

The primary legislation in Zambia with respect to environmental impact assessment and management is the Environmental Management Act (EMA) of 2011. The Zambia Environmental Management Agency ("ZEMA") is the relevant authority which implements the EMA. Key objectives of the EMA are protection and conservation of the environment, provision of integrated environmental management, and promotion of the sustainable management and use of natural resources

Environmental authorization must be obtained from the ZEMA before a mine developer can commence project construction. In accordance with EIA Regulation 7(1) this process requires submission and approval of an Environmental Impact Statement (EIS). To progress this approval an Environmental Project Brief ("EPB") was submitted by Blackthorn to the Environmental Council of Zambia, which is now known as ZEMA, on December 13, 2012. This EPB contained draft Terms of Reference (TORs) for the EIS. ZEMA requested modifications to the TORs in January 2103 and subsequently ZEMA instructed that the project may continue to the EIS phase.

The Zambian environmental consultancy AGES then prepared a draft EIS. This document was submitted to ZEMA on September 12, 2013. Comments on the EIS were received from ZEMA on October 7, 2013. The EIS was updated and re-submitted to ZEMA on December 12, 2013. ZEMA confirmed on January 31, 2014 that they had reviewed the second draft of the EIS and that it addressed the majority of environmental concerns posited during the first draft review. ZEMA subsequently stated that they had no objection to the submission of the final report and on March 24, 2014 a total of 12 copies of the final EIS were submitted to ZEMA. However formal ZEMA authorization of the proposed mining activity in relation to relevant environmental legislation is pending.

12.2.2 Other Permitting

In addition to Environmental Authorization as provided by ZEMA, other permitting requirements identified in the AGES review include the following:

- Mining Right (under the Mines and Minerals Development Act); and
- Water Use Authorization (ZEMA, Director of Mines and/or the Water Board).

The Water Resources Management Act of Zambia (WRMA) describes legislative requirements for the

Attachment B: Independent Technical Expert's Report (continued)

use of water for mining purposes. This requires an application to the Director of Mines, setting out the volume of water required, the nature of the proposed use, and other such information as may be required. The Director of Mines then assesses the application and forwards with comments to the Water User Association (WUA).

ZEMA, the Director of Mines and the WUA work together to issue the required Water Use Authorization. This process is pending for the Project. Ongoing consultation with ZEMA regarding overall environmental approval for the project will be important in streamlining the applications for water use permissions and a mining right.

12.3 Environmental Baseline Studies

In 2012 AGES completed an environmental baseline investigation of the project site and its surroundings. Results of this work have been incorporated into the EIS. In general the quality of baseline information is good, although it is noted that multiple investigative studies are pending as discussed later in this section.

Climate and Topography: The Project is located at an altitude of between 1,000 and 1,500 metres, with up to 1 m of rainfall per annum. The northwestern parts of the project area are gently undulating plains. The western part is flat with scattered small hills. The central and southeastern parts are hilly with the Kitumba Hills forming a topographic high point.

Biodiversity: The site lies within the Central Zambezi Miombo Woodland ecoregion, which covers approximately 50% of Zambia and predominates in the wettest parts of the country. Potentially sensitive ecological features in the vicinity include Dambo wetlands, habitat that may contain protected or rare species, and formally-protected areas. Sections in the northern part of the EIS study area are in the Buffer Zone of the Kafue National Park. A number of IUCN red-list species can potentially be found in the project area including elephant, lion, leopard, and African wild dog. Of 505 flora species identified at site almost half are rated as Data Deficient; as such future conservation status rulings of these flora species may be expected.

Surface and Groundwater: The Project is located in the Kafue catchment of the Zambezi River Basin. Surface water flow is experienced immediately after rainfall events. The Kafue River is the only perennial river in the area and is located 30 km north of the mining site. Regional work undertaken by AGES indicates that significant groundwater resources exists, although these aquifers have not yet been tested to provide that they are adequate to meet the Project's annual water make-up demand of 900,000 m³ under average rainfall conditions and 1.5 million m³ under 1 in 100 year dry conditions. Surface water abstraction from the Kafue may be considered for water supply to the Project. This would likely require a separate EIS.

Soils: The Project area is mostly covered by sandy to clayey soils. In the west sandier soils are caused by underlying granitic rocks, whereas different rock types result in more varied soils to the east.

Air Quality: Existing air quality and noise levels are typical of the natural environment throughout much of the Project area. Air quality deterioration is present as a result of the naturally fire-prone vegetation.

Visual Impacts: The Project area can be described as having a high landscape quality. The hilly topography and remote location of the Project will likely be a mitigating factor in terms of potential visual impacts. It is unlikely that mining infrastructure would be visible from any of the major roads in the area.

Traffic: The main regional road is the M9 tar road between Lusaka and Mumbwa. From Mumbwa the road continues to the Kafue National Park. The road from Mumbwa to the site is in poor condition, without clear road signs. Conditions are currently unsafe. During the rainy season much of the area is not easily negotiable and locals travel mainly by foot or bicycle.

Cultural Heritage: The Kafue region around Mumbwa has a rich and diverse archeological landscape. Within the larger landscape a number of sites occur which represent a chronology of human occupation and movement in the Kafue Basin. However no formal heritage zones have been identified in the impact zone of the Project.

Socio-economic: The site is roughly 50 km northwest of Mumbwa. The closest villages are Kalenda and Kaindu. Local villagers engage in small-scale mining, but there is also larger scale illegal mining

taking place be foreign companies. There are some farming activities close to the site. The area is occupied by the Kaonde people but the Bemba language is also spoken. The area is under the tribal leadership of Chief Kaindu, and there are nine headmen under that Chief that reside in proximity to the site.

12.4 Environmental Management and Monitoring

The Project EIS was not reviewed for this report although it is stated in the OPFS that the EIS contains much of the same information as presented in the OPFS. The OPFS focuses more on environmental risks to development whereas the EIS contains more information on the potential environmental impacts of the Project and proposed environmental management and monitoring measures. The project is being designed to conform to the IFC Environmental, Health and Safety Guidelines for Mining.

No fatal flaws have thus far been identified in environmental management considerations although additional studies are required. Final designs will be developed to minimize the impact of the Project on surface water and groundwater. Geochemical assessment of a sample produced from batch metallurgical testwork indicated that tailing may produce a small amount of acid under extreme oxidizing conditions. Tailings are currently classified as Potentially Acid Forming – Low Capacity. Analysis of tailings supernatant water quality indicates several parameters would be present in concentrations that would exceed guidelines for release to the environment including molybdenum, selenium, arsenic, mercury, and sulfate.

Knight Piesold has prepared a Tailings Management Design Optimisation Study which is included as Appendix 9 to the OPFS. The TSF design has been revised to include a geosynthetic or low permeability soil liner. A toe drain and under drainage collection system will collect seepage and route it to the process circuit. A cutoff-trench will be installed down gradient of the TSF to capture any remaining seepage. Spillways will be incorporated into the final design to route any extreme precipitation events around the tailings dam.

Approximately 2 million tonnes of waste rock will be generated during operations. It is anticipated that much of this waste rock will be used as source of construction material for the TSF. The waste rock dump will be located adjacent to the mine boxcut to minimize haulage distance. The dump will be designed with sediment and seepage collection structure, and any contaminated seepage or runoff will be pumped to a water storage dam for use in the plant process circuit.

12.5 Additional Environmental Studies

A number of follow-on studies are recommended in the PFS Environmental Report prepared by AGES. Additional required studies and plans include:

- Hydrogeology Assessment to investigate existing water resources, evaluate options for water supply, determine the potential for acid mine drainage, and to determine potential impacts to groundwater resources of the area.
- Surface Water and Storm Water Management Plans to ensure sustainable use of surface water resources and prevention of pollution, erosion and sedimentation.
- Ecological Assessments including a delineation of wetlands and identification of the presence of any sensitive or protected species. The potential exists for the Project to contribute to conservation due to its proximity to established protected areas.
- Social Impact Assessment to determine the effects the Project could have on the socioeconomic environment and to identify measures to prevent or minimize negative effects while enhancing positive effects such as local job creation.
- Heritage Assessment to identify any materials and/or sites of historic or cultural value and prevent negative impacts to these resources. Opportunity also exists to become involved with local heritage conservation projects.
- Traffic Assessment to determine which road upgrades may be necessary to accommodate the Project, and to evaluate potential traffic impacts.

Attachment B: Independent Technical Expert's Report (continued)

- Air Quality Impact Assessment to determine the potential for atmospheric pollutants arising from proposed operations, and to recommend management measures to ensure impacts of air pollution are minimal.
- Visual Impact Assessment to simulate potential visual impacts and to prescribe mitigation measures to minimize negative visual impacts.

12.6 Rehabilitation and Closure

A mine closure plan was prepared in June 2013 by REDE Engineering and Management Services (Pty) Ltd. (REDE). This report was based on the information available at the time of the study and the OPFS recommends that the study be updated during the DFS of project development. The Mines and Minerals Development Act of 2008 states that after the cessation of mining activity the holder of a mining right shall be held liable for the cost of remediation. The final mine closure plan will be prepared to demonstrate conformance with International Finance Corporation (IFC) guidelines.

An itemized summary of the Project's anticipated environmental liability is presented in the OPFS. The provision calculated for early end of year 1 closure is \$4,422,280. The total financial liability at the end of mine life is estimated at \$32,908,389. Of this amount \$6,595,219 would be allocated for progressive closure to be implemented during the operations phase. Following progressive rehabilitation an estimated \$26,396,633 would be required at financial closure. These figures include removal of all infrastructure, rehabilitation, and post-closure maintenance and monitoring. Closure and rehabilitation includes the following elements:

- Dismantling of the processing plant, administrative facilities, workshops and other buildings, which will involve the removal of all equipment for salvage or re-sale. All remaining items will be treated as waste and disposed of in a designated waste disposal area;
- Foundations will be removed to a minimum of 500mm below the natural ground level. All excavations will be filled with 350mm of waste rock from the stockpiled waste material and 150mm topsoil. Terraced areas will be cut back to a slope incline of no more than 18°. The entire disturbed area will be ripped to a depth of 500 mm, covered with topsoil and re-vegetated.
- Roads will be ripped, reshaped, covered with 150mm topsoil, and re-vegetated.
- Access portals to decline shafts will be sealed with a double-layered reinforced brick wall with a concrete foundation. A 1 m thick reinforced concrete plug will be used to seal ventilation shafts.
- Waste rock dumps will remain post-closure but all dump slopes will be reshaped from 24° to an 18° incline angle. Run-off control benches will be constructed on dump slopes at 35 m intervals to prevent storm water damage on the dump slope.
- The entire waste rock dump slope surface will be covered with a minimum of 100 mm topsoil and re-vegetated. This will serve as both a rainwater penetration cover and a dust fallout prevention measure. Paddocks will be constructed on the dump top surface to assist with evaporation and ensure the prevention of rainwater overtopping.
- Surface water diversions around the waste rock dump footprint will be left in place during and post the mining operations as part of the general operational mining infrastructure;
- The TSF will remain post-closure, and if not constructed as such, the TSF walls will be reshaped to a slope incline of 18°. Run-off control benches will be constructed at 25-m intervals to prevent storm water damage on the dump slope;
- The entire TSF wall surface will be covered with 100 mm topsoil and re-vegetated to serve as an evaporative cover and prevent dust-fallout. Paddocks will be constructed on the top surface after covering the top area with a calcrete layer.
- Surface water diversions around the TSF footprints will be left in place
- General surface rehabilitation will involve the reshaping of terraced land to a maximum 18° incline angle to resemble the natural topography. All disturbed areas not covered specifically in the details of the closure and rehabilitation plan will at least be ripped to a depth of 500mm, covered with 150mm topsoil and re-vegetated.

- Fencing is to be installed for post-closure safety. All concrete fence foundations will be demolished to 500mm below original ground level. All fence lines are to be ripped to a depth of 500mm, covered with 150mm topsoil and re-vegetated where required.
- Water related infrastructure will remain post closure and be transferred to a suitable authority/owner.

12.7 Summary of Potential Environmental and Social Risks

Identified environmental risks for the construction, operation, closure and post-closure phases of the Project are described in Section 12 of the OPFS. Additional study and environmental planning will be completed for the DFS, as described.

- Permitting. Environmental Authorization is currently pending ZEMA approval of the submitted EIS. In addition a Mining Right is required, which is issued by ZEMA under the Mines and Minerals Development Act. Water Use Authorizations will be required upon final selection of a water source for required make-up water. Make-up water will be sourced from either identified regional aquifers or potentially directly sourced from the Kafue River. Any other permitting requirements will be identified in the DFS.
- Impacts to Biodiversity. To mitigate this risk ecologist will screen sites before vegetation clearing to verify the absence of any protected species. Alternative layout options for project infrastructure will also be considered. The use of biodiversity offset strategies will be implemented to protect sensitive habitats located in the project area of influence.
- Impacts to Water Resources. Additional study will be undertaken to identify a suitable water supply source for the Project, including the potential of installing a groundwater extraction bore field. A detailed monitoring program will be developed to assess any impact to water resources.
- Erosion/Surface Water Management. Project activities in the hilly region has the potential to generate erosion, especially of topsoil. A detailed site-specific storm water management plan will be developed to ensure separation of contact and non-contact waters. Topsoil will be stripped and stored prior to development to assist in rehabilitation efforts.
- Socio-Economic. There is a risk to corporate reputation if Blackthorn is blamed for irresponsible environmental and social management practices of other foreign mining companies operating in Zambia. There may also be more localized frustration if expectations of corporate social responsibility programs are not met. To mitigate this risk Blackthorn will target procurement policies to benefit local communities, and continue public consultation with grass-roots communities and vulnerable groups.

12.8 Summary of Potential Environmental and Social Opportunities

The Project has the potential for environmental and social benefit. In particular there is the potential for significant conservation potential as only a small portion of controlled land area would be used for physical mining operations. The site borders the Kafue National Park and is within the buffer zone of the Mushingashi Conservancy. There are no fences around these conservation areas and wildlife is able to freely move in and out. As such the identification and management of ecological offset areas presents an opportunity for the Project to compensate for impacts to biodiversity of the mining operation.

Heritage Conservation programs can be implemented to preserve the rich archeological history of the region and to maintain good relations with local communities. A Social and Labour Plan (SLP) can be developed to include details of recruitment procedures, and to stipulate that a certain percentage of employment associated with the Project will be sourced from local communities. Corporate Social Investment (CSI) projects are expected to be developed, with precise identification of these projects coordinated through the on-going community consultation process.

Attachment B: Independent Technical Expert's Report (continued)

13. Mine Risks and Opportunity Assessment

13.1 Opportunity

RPM considers that there are opportunities within the Project to improve outcomes. These include:

- **Inferred material:** There remains 3.4Mt of Inferred Mineral Resource (at a 1% Cu cut-off) that has not been included in the current mine design, that with additional drilling, may justify inclusion in a future mine design. This material is situated to the north of the current mine design between 850 mRL to 770 m RL.
- **Near Mine Exploration Target:** RPM estimates that there is a near-mine (within 2 km of the Kitumba Mineral Resource) Exploration Target of 30 to 80 Mt at a grade of 0.5 to 1.5% Cu.
- **Regional Exploration Targets:** Outside of the Kitumba Resource area limited exploration, with respect to what can be required to find non-outcropping mineralisation, has been completed within the Project. RPM notes that a number of high priority targets have been identified via soil sampling, geophysics and geologic reasoning which could further increase the resource base. These targets range from near surface to conceptual and hidden and although at an early stage of exploration, warrant additional work in the near term.
- **Mining Method:** Sufficient geotechnical studies have been completed to provide an indication of the practical application of using block cave mining methods. There is an opportunity to assess whether this potentially lower operating cost method could be used at Kitumba to reduce mining operational costs.
- **Cut-off Grade Options Analysis:** The current analysis did not review above a COG of 1% except for a production rate less than 3Mtpa. The breakeven COG calculated and used in the final optimisation study was 1.05%Cu. Further analysis above 1% Cu is recommended and could potentially reduce the risk and add value.
- **Cave Direction Option Analysis to Optimise Grade and Processing Profile:** While RPM recognises that due to the geotechnical restricted nature of SLC the option of varying the schedule to produce the optimal product is limited. The high grade domain (used in estimating the Mineral Resource) is located towards the south of the mine design. Consequently the PFS mine schedule was prepared to retreat from south-to-north, to access higher grade Cu. However, in future studies further review of the direction of the cave, thereby improving the schedule, is recommended to optimise the grade and processing profile.
- **Circuit Simplification:** Simplifying and rationalising parts of the processing plant (e.g. the frother circuit) could decrease capital and operating costs.
- **Optimise Equipment Sizing:** Optimising the size of equipment such as the milling circuit and the thickeners, particularly the CCDs, based on better data from more testwork, would likely reduce costs. Currently the design seem to be sized on worst case scenarios.
- **Lower Capex and Construction Costs:** Use of 'quality certified' Chinese equipment and African based EPCM contractors with a demonstrated track record may decrease capital costs.
- **Simpler Flowsheet:** Variation of the existing flowsheet to produce a marketable sulphide concentrate as well as cathode copper would eliminate the need for pressure oxidation (including an oxygen plant and purchasing a sulphide concentrate) and employ a smaller solvent extraction and electrowinning operation. This would potentially lower capital and operating costs and would be expected to improve the project NPV.
- **Purchased Concentrates:** Use of pyrite concentrates instead of copper concentrates may decrease operating costs.
- **Lower Neutralisation Costs:** Recovering acid through nano-filtration could minimise neutralisation costs as well decrease the size of the limestone and lime circuits.
- **Cement Copper:** Production of cement copper rather than cathode copper would eliminate the need for CCD, SX and EW circuits. This would significantly decrease the capital and operating costs as well as the infrastructure requirements (i.e. power). This assumes that there would be a market for cement copper and specific marketing study would be required to assess this

option.

- **Tailings Dam Raises:** Instead of designing the tailings dam to be lifted every year, Blackthorn should consider three stage lifts in the next stage of design. Though this may require more capital initially but is likely to be more cost-effective over the LOM.
- **Infrastructure Schedule:** In order to expedite the development of infrastructure prior to the commencement of operations, similar to FQM, Blackthorn should work closely and proactively with the public authorities and help fund major infrastructure developments that are the key to the Project execution. This would reduce the uncertainty regarding timing of infrastructure requirements that could significantly impact the project schedule.
- **Water Supply Infrastructure Costs:** Once the mine and make-up supply aquifers are adequately tested and the work confirms ability to supply the make-up water for the operation, the capital cost estimated by RPM could be significantly reduced. Current conceptual estimates are based on possibly significantly oversized equipment because of uncertainty both of required amounts of water and uncertain supply.
- **Conservation Potential:** Because only a small portion of controlled land area would be used for actual mining operations and the site borders the Kafue National Park and is within the buffer zone of the Mushingashi Conservancy there is the potential to compensate for impacts to biodiversity of the mining operation by actively allowing management of wildlife within the unused areas of the Project.
- **Heritage Conservation, Social and Labour, Corporate Social Investment Programs:** There is a rich archeological history of the region and conservation programs can be developed to maintain good relations with local communities. Social and Labour Plans (SLP) can be developed to include a certain percentage of employment associated with the Project will be sourced from local communities. Corporate Social Investment (CSI) projects are expected to be developed through on-going community consultation processes.

13.2 Risk

Mining is a relatively high risk business when compared to other industrial and commercial operations. Each mine has unique characteristics and responses during mining and processing, which can never be wholly predicted. RPM's review of the Mines indicates mine risk profiles typical of similar mines at equivalent levels of resource, mine planning and development in Zambia. Until further studies provide greater certainty, RPM notes that it has identified risks and opportunities with the Project as outlined in Table 13.2.

RPM has attempted to classify risks associated with the Mine. Risks are ranked as High, Medium or Low, and are determined by assessing the perceived consequence of a risk and its likelihood of occurring using the following definitions:

Consequence of risk:

- **Major:** the factor poses an immediate danger of a failure, which if uncorrected, will have a material effect (>15% to 20%) on the Mine cash flow and performance and could potentially lead to Mine failure;
- **Moderate:** the factor, if uncorrected, could have a significant effect (10% to 15% or 20%) on the Mine cash flow and performance unless mitigated by some corrective action, and
- **Minor:** the factor, if uncorrected, will have little or no effect (<10%) on Mine cash flow and performance.

Likelihood of risk occurring within a 7 year timeframe:

- **Likely:** will probably occur;
- **Possible:** may occur, and
- **Unlikely:** unlikely to occur.

The consequence of a risk and its likelihood of occurring are then combined into an overall risk assessment as shown in Table 14.1 to determine the overall risk rank.

Attachment B: Independent Technical Expert's Report (continued)

Table 13.1 – Risk Assessment Ranking

Likelihood	Consequence		
	Minor	Moderate	Major
Likely	Medium	High	High
Possible	Low	Medium	High
Unlikely	Low	Low	Medium

RPM notes that in most instances it is likely that through enacting controls identified through detailed review of the Mine's operation, existing documentation and additional technical studies, many of the normally encountered Mine risks may be mitigated.

Table 13.2 – Mine Risk Assessment

Current Risk	Risk Description and Suggested Further Review	Area of Impact	Potential Mitigant	Post-Mitigation Risk
H	Copper Recoveries The mineralogy and metallurgical behavior of the ore during the first four years is not well understood and needs to be determined.	Copper recoveries and project economics	Conduct mineralogical, flotation and leaching studies based on a suitable number of composite samples, namely quarterly for the first five mining years and six monthly thereafter.	L
M	Hypersparger performance The atmospheric leach process is premised on using a hypersparger with high (80%) oxygen efficiencies and on using air (possibly enriched air).	Copper recoveries and air compressor sizing	Conduct testwork using the hypersparger on air to assess the leaching metallurgy and the oxygen utilization.	L
M	Mineralogical Variability Upon Testwork The impact of mineralogical variability upon testwork results has not been fully investigated as testwork has been conducted on single samples.	Process design and copper recoveries	Conduct testwork in at least duplicate preferably triplicate to identify the variation in metallurgical response.	L
M	Mineralogical Studies Mineralogical composition of the mill feed for the early years of mining is not well understood, which impacts the process design and overall copper recoveries. In the OPFS, a new copper bearing mineral was identified (chalcocite, composite 2) that cannot be satisfactorily recovered by flotation or leaching. Moreover this composite has an unidentified amorphous component that contains 93% of the copper in the feed.	Equipment sizing and copper recoveries.	Conduct more comminution testwork, including Unconfined Compressive Strength, Bond Ball Mill and Drop Weight Indices on a greater variety of ore and waste diluent samples.	L
M	Atmospheric Leaching Circuit			L

Attachment B: Independent Technical Expert's Report (continued)

Current	Risk Description and Suggested Further Review	Area of Impact	Potential Mitigant	Post-
	Atmospheric leaching has not been conducted on the combined POX discharge and flotation tailings. This circuit, feed with the proposed flowsheet feed, needs to be operated with the proposed enriched air to demonstrate likely performance.	Equipment sizing and copper recoveries.	Conduct more comminution testwork, including Unconfined Compressive Strength, Bond Ball Mill and Drop Weight Indices on a greater variety of ore and waste diluent samples	
M	Dewatering (including CCD) Circuit			L
	Limited testwork has identified poor settling properties on a limited number of leached tailings samples (flotation tailings only). Consequently very large diameter thickeners have been selected. This may be optimised with further testwork. The dewatering properties of a number of other processing streams require determination.	Dewatering equipment sizing and capital costs.	Conduct more dewatering testwork on appropriate samples, such as the proposed atmospheric leach tailings (POX and flotation tailings) as well as the neutralized raffinate, flotation and tailings streams.	
M	Flotation Testwork			L
	The split between the concentrate and the tailings has not been demonstrated as a function of the mill feed over the early mining years. This affects the overall copper recoveries since only 80-83% copper recovery would be realised from the flotation tailings while 98% would be achieved in pressure oxidation.	Overall copper recoveries.	Conduct more rougher flotation testwork on the early mining year samples.	
M	Neutralisation circuit			L
	The worst case neutralization requirements have not been measured. Testwork has only been conducted on composite 2 atmospheric tailings (only flotation tailings). This was a rather moderate leach and only required lime for neutralization.	Equipment sizing and operating costs.	The requirements (time and reagents) to neutralize the more aggressive atmospheric leach required for composite 1 as well as the POX discharge (up to 54g/L free acid) needs to be determined.	
M	Power Supply and Outages			L
	Power supply to site dependent on government power electricity authority, ZESCO to commission power lines that spans across Lusaka West to Kalumbila. Also, in Zambia power generated barely meets supply. Numerous power outages have been reported that affect mining operations. Use of back-up generators is around 4 times more expensive to operate and a major capital cost.	Power costs, hence processing cost and additional capital cost	Company to work closely with ZESCO to ensure new projects such are commissioned in a timely manner.	

M	Water Supply from Bore Fields			L
	The preferred water supply option is to develop a bore field network. The supply aquifers have not been tested and may not provide sufficient water to the operation.	Processing halted due to water shortage	Sourcing water from the Kafue River 30 km away via a pipeline and pumping station connected to the site's water storage facility.	
M	Geotechnical Studies			L
	There is limited geotechnical information in areas of underground infrastructure and about caveability.	Ore production rate, ore loss and dilution and capital costs	Further geotechnical data will be required in future studies focusing on the boxcuts, ventilation shafts, mine development and caveability assessments.	
M	Hydrological Studies			L
	Limited information about the impact of water associated with the fault zones is known.	Production and operating costs	Further hydrological studies are required to ensure suitable management plans are in place.	
M	Environmental Permits and Approvals			L
	Delays in receiving Project approvals. The Project environmental authorization from the Zambia Environmental Management Agency (ZEMA), is pending. In addition the Project will require obtainment of a Mining Right (also issued by ZEMA) and Water Use Authorizations upon final identification of a make-up water supply source.	Delay Project start-up	Actively engage with relevant authorities and other stakeholders to ensure approvals are gained in a timely manner.	
M	Employee Training			L
	The plan is to employ as many local residents as practical. As Central Zambia is not a significant mining area many likely to have little industrial experience.	Production Ramp-Up	A training program will need to be in place for mine machinery operators, plant operators and maintenance personnel.	
M	Key Personnel Management			L
	RPM considers that the retention of key management personnel onsite is critical to achieving development of the Project on time and within Budget	Project construction, budget and ramp up	Discussions with key persons should occur to ensure a smooth transition of ownership.	

Attachment B: Independent Technical Expert's Report (continued)

L	Comminution Studies			L
	Insufficient comminution studies have been conducted; not all parameters have been measured (e.g. UCS – suitability of one toggle jaw crusher).	Crusher and milling circuit sizings	Conduct more comminution testwork, including Unconfined Compressive Strength, Bond Ball Mill and Drop Weight Indices on a greater variety of ore and waste diluent samples	
L	Mining Cave Draw, Loss and Dilution Calculation			L
	SLC inventories were estimated using AMC's SLC mixing algorithm, which is in-house "black box" software that is not commercially available and not able to validated or reproduced.	Production tonnage and grade profile	Check using commercially available software that is well-recognised within mining industry for this purpose.	
L	Public Road Upgrade			L
	The Project has assumed the public authority will upgrade the public portion of the road between Mumbwa and the site. Though the Road Development Agency have engaged consultants for detailed engineering design of the upgrade, there are currently no firm designs and timelines for its delivery in place.	Project Schedule, Supply delivery delays, Capital Cost	Proactively work with the government to ensure the road is up to the standard required by the Project and that the upgrade is completed as soon as possible to facilitate Project construction.	
L	Top-cuts Applied to Composites			L
	Top-cuts applied to the composites only cut a small number of composites. RPM notes that more conservative top-cuts should be applied or consideration be given to dominating uncorrelated elements separately from the Cu domains to reduce the COV values.	Mineral Resource Model	Modify in future Mineral Resource update.	
L	Mineral Resource Classification			L
	Measured Mineral Resource was quantitatively applied on a cell by cell basis when kriging efficiency was > 0.5 and slope of regression was >80%. RPM recommends using a homogeneous region approach that incorporates kriging efficiency and slope of regression parameters as a guide.	Mineral Resource Model	Modify in future Mineral Resource update.	
L	Flotation Testwork			L
	The split between the concentrate and the tailings has not been established as a function of the mill feed over the early mining years. This affects the overall copper recoveries since only 80% copper recovery would be realised from the flotation tailings while 98% would be achieved in pressure oxidation.	Overall copper recoveries.	Conduct more rougher flotation testwork on early mining year samples.	

L	Neutralisation circuit			L
	The worst case neutralization requirements have not been measured. Testwork has only been conducted on composite 2 atmospheric tailings (only flotation tailings). This was a rather moderate leach and only required lime for neutralization.	Equipment sizing and operating costs.	The requirements (time and reagents) to neutralize the more aggressive atmospheric leach required for composite 1 as well as the POX discharge (up to 54g/L free acid) needs to be determined.	
L	Environmental Management Plans			L
	A high-level review of the key environmental issues associated with the Project identified multiple studies that still need to be undertaken to refine environmental management planning.	General site environmental management	Additional studies are planned to be undertaken at the DFS stage of Project development.	
L	Tailings Management			L
	Leachate to environment through poor construction and management. Tailings may produce a small amount of acid under extreme oxidizing conditions. Tailings are currently classified as Potentially Acid Forming – Low Capacity.	Potential impacts to surface and ground water.	Final design of the TSF will be provided during the DFS phase of development.	

Attachment B: Independent Technical Expert's Report (continued)

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14. Valuation of Exploration Tenure

14.1 Exploration Licences

Blackthorn has title to five exploration areas surrounding the mine project area shown on Error! Reference source not found. The description of the licences is provided in Table 14.1.

Table 14.1 – Kitumba Project Exploration Areas

Licence No.	Name	Area (ha)	Grant Date	Expiry Date
8589-HQ-LPL	Mumbwa	2482	14 Nov 2007	N/A ⁽¹⁾
14265-HQ-LPL	Musafwa	930	16 June 2011	16 June 2015
14266-HQ-LPL	Kachindu	2038	8 July 2011	8 July 2015
14267_HQ-LPL	Kabwera	1470	21 Sept 2012	21 Sep 2014
16385-HQ-LPL	Nyoko	2550	2 January 2013	2 January 2015

⁽¹⁾ Application for renewal has been submitted with approval pending

14.2 Valuation Methodology

14.2.1 Requirements

The Australian Securities and Investment Commission Regulatory Guide RG111 does not prescribe a single method for valuing an asset but rather specifies that the expert should use skill and judgment to select the most appropriate methodology. Also, when possible the expert should use more than one valuation methodology.

The selection of an appropriate methodology for valuing a mineral asset will depend on:

- The development status of the mineral asset,
- The extent of exploration and information available, and
- The type of mineralisation and market.

Additionally, a range of values should be given and the range should be as narrow as possible. Where more than one method is used the Specialist should comment on differences in value and the reason for selecting the preferred value. In general the methods used in valuing early stage exploration assets are subjective and rely on the Specialist's expertise, assumptions and judgment.

The valuation methods typically used for estimating a fair value for mineral exploration assets are listed in Table 14.2.

Table 14.2 – Valuation Methodologies for Exploration Tenements

Classification	General Description	Valuation Methods
Exploration Areas	Properties where mineralization may or may not have been identified, but a Resource has not been identified	Rule of Thumb, Geoscience Factor, Comparable Transaction
Advanced Exploration Areas	Properties where considerable exploration has been undertaken and specific targets identified. Resource estimation may or may not have been completed. Good understanding of mineralization present	Geoscience Factor, Appraised Value, Comparable Transaction
Pre-development Project	Properties where mineral resources have been identified but decision to proceed with development not made. Includes properties held on retention titles	The above methods and DCF/NPV valuation.

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14.2.2 Geoscience Factor Method

The geoscience factor or Kilburn method (1990) is based on a rating system of four main characteristics of the mineral deposit:

- Off Property Factor - Location with respect to off property mineral occurrence
- On Property Factor - Inclusion of mineralisation on the property
- Anomaly Factor - Inclusion of geophysical/geochemical targets within the property,
- Geology Factor - geological structure on the property and potential difficulties for mining.

These four categories are subdivided into 19 subcategories which are used to determine the value of the property. The subcategories have a value factor ranging from 1.3 to 10. These multiplier factors are sequentially applied to a Base Acquisition Cost (BAC) for the property. The BAC is calculated by summing the application fees, annual rent, work to proceed with continuing the licence and any statutory expenditure. The BAC is generally expressed as a cost per square kilometre or hectare.

This method attempts to apply some scientific rigour to what basically is a subjective method. Each category has been given a maximum value weighting which has been modified by practitioners for different jurisdictions. The original weightings were such that the greatest influence was given to the On Property Factors with the overall scoring distributed as 47% (On Property), 23% (Off Property), 16% (Anomaly) and 14% (Geology). For the valuation of the Kitumba Project exploration tenements RPM has adjusted the ratings to a more simplified format with a maximum value of 5 but graded in such a manner that On Property receives a higher scores for less exploratory outcomes. The ratings and descriptors are presented in Table 14.3.

Table 14.3 – Geoscience Rating Criteria

Rating	Off Property Factor	On Property Factor	Anomaly Factor	Geological Factor
0		No prospect of mineralisation		
0.5	Unsuitable environment with little chance of mineralisation	Unsuitable environment with little chance of mineralisation	Previous exploration with poor results - no encouragement	Generally unfavourable lithology
0.75	No known mineralisation in district	No known mineralisation in tenement area	No targets identified	Generally < 50% favourable
1.0	Indications of prospectivity in surrounding areas	Indications of mineralisation	Previous exploration - no targets identified	Generally favourable geology in area <75%
1.5	Promising results from drilling around the area	Sampling shows encouragement with zone of mineralisation found	Early stage targets	Generally favourable geology in area. Structures present
2.0	Historical workings in adjacent areas	Significant drilling	Well defined targets identified	Strongly favourable geology, some exposed
2.5	Along strike from historical workings	Historic production within the area	Several well defined targets	
3.0	Resources identified in adjacent areas	Recent mining in area	Significant targets	
3.5	Adjacent area has resources and project prefeasibility status	Historic production with high grades	Significant targets with ore grade intersections	
4.0	Adjacent area has resources and project feasibility status	Historic production and along strike from previous working	Economic targets	
5.0	Adjacent of operating mine	Inferred resource identified	Ore grades found in drill intersections	

The Geoscience Method is generally endorsed as a justifiable method but should not be used in isolation from other methods.

Attachment B: Independent Technical Expert's Report (continued)

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Detracting from this method is the complex matrix of factors to be applied and that the value estimate relies on a reasonable estimate of the BAC.

14.2.3 Appraised Value Method

This method is based on the “meaningful past exploration expenditures plus warranted future costs”. The method is generally applied to tenements that are actively being explored and costs are limited to the previous five years and the next years’ approved expenditure. The basic tenet is that where exploration expenditure has enhanced the understanding and improvement of mineralisation occurrence then the recovery of this expenditure is justified in a transaction. Additionally, depending on the future prospects a premium is justified if the outlook is positive or a discount is applied if results are poor. This adjustment is often referred to as a Prospectivity Enhancement Multiplier (PEM) ranging from 0 to 5. Zero reflects a write off of past expenditure resulting from no mineralisation being identified.

Past expenditure is adjusted for inflation and future expenditure discounted. The discount by some valuers is as much as 50% depending on the uncertainty attached to committing the expenditure or the uncertainty of results. RPM has only included the current financial year’s committed expenditure and applied a 15% discount.

The value obtained is a technical value and adjustment needs to be made to account for current market conditions and possible logistic considerations to obtain a fair market value.

The multiples and description of their application are provided in Table 14.4.

Table 14.4 – Appraised Value Method Prospectivity Enhancement Multiplier Criteria

Range	Criteria
0	No further exploration is justified
0 – 0.5	Recent exploration has significantly downgraded the tenement’s prospectivity. Further exploration cannot be justified and disposal is best option
0.5 – 1.0	Recent exploration has maintained rather than enhanced the prospectivity of the tenement. Further exploration delayed until reassessment of an appropriate strategy.
1.0 – 1.5	Further exploration justified and recent exploration has enhanced the prospectivity with a geological model showing targets.
1.5 – 2.0	Recent exploration has enhanced the prospect increasing targets and identifying potential areas for further studies and possible potential resources.
2.0 – 2.5	A small resource Inferred Resource is able to be identified with good prospects of increasing the resource and economics through infill drilling with excellent potential extending along strike.
2.5 – 3.0	Sufficient drilling to identify additional resources. Some Indicated Resources and possible mine areas targeted. Further infill drilling planned.
3.0 – 4.0	Indicated Resources identified confirming types and economic potential.
4.0 – 5.0	Indicated and Measured Resources identified. Progress to a pre-feasibility study.

An advantage of this method is that exploration cost information is readily available.

Issues and limitations of this method include:

- The technique should be applied to properties that are being actively explored;
- Experienced judgment must be applied to separate past expenditures considered productive from those that have not contributed to the value of the property; and
- Properties with difficult geological structure may have incurred higher costs in exploration that may not necessarily be transferred to meaningful advancement of the property.

Although this method requires judgment and has some subjective elements, it is a recognised methodology for valuing exploration properties and is transparent in its application.

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14.2.4 Market Approach – Comparable Transaction

This method uses recent sales of comparable assets as a guide to valuing the subject asset. The value is based on a \$/ha, \$/contained in-ground metal or \$/resource (such as, per ounce or tonne). This method is easily applied and understood; however caution needs to be applied to the selection of comparable assets, noting that:

- The assets should be at an equivalent stage of exploration and development;
- Similar style of mineralisation;
- Within the same geographical region; and,
- Similar application of potential mining method.

Past sales are influenced by the current and forecast market and commodity cycle therefore adjustments are made to historic sales by the commodity price at the time compared to published commodity price forecast. RPM has adjusted the copper price at the announced transaction date to the average LME copper settlement price for year 2014.

Factors that must be considered in assessing the value of comparative sales are whether the comparative asset has defined mineral targets or estimated resources which can inflate the value; and the sale process whether direct cash or equity basis or a farm-in basis.

14.3 Selected Methods

A combination of all three valuation methods has been used. The Geoscience Factor and MEE methods are the primary methods with the comparative sales as a reasonableness check. RPM considers this is justified by:

- The Geoscience Factor method can be readily used for all the tenements that have a wide variation in exploration activity from cursory surface mapping through to extensive drilling;
- The MEE method can be used on the majority of the tenements however two, Kabwera and Nykoto have had no active exploration; and,
- The Comparative Transaction method can be applied to all tenements using a base factor of \$/km², but adjusted to ensure comparing like for like transactions at the similar stage of exploration.

The range of values is compared and an average of the preferred estimates, relative to the status of exploration and mineralisation, has been selected.

14.4 Value Estimates

14.4.1 Geoscience Factor

The BAC estimated for the tenements has been derived from the leasing and area cost, minimal annual exploration expenditure and site environment charges to derive a typical annual cost to maintain and retain the lease. These costs averaged \$48/km². The rankings and value estimates are provided in Table 14.5.

Table 14.5 – Geoscience Rating Criteria

Tenement	Area (km ²)	BAC (USD/km ²)	Off Site	On Site	Anomaly	Geology	Factor	Value (\$kUS)
Mumbwa	248	48	4	5	5	2	200	2,383
Musafwa	93	48	4	1.5	2	1.5	18	80
Kachindu	204	48	4	1.5	2.5	1.5	22.5	220
Kabwera	147	48	2.5	1.5	1.5	1.5	8.4	60
Nyoko	255	48	4	2.5	2.5	1.5	37.5	459

Source: Annual exploration and site costs provided by Blackthorn, criteria rating by RPM and Blackthorn (reviewed by RPM)

Attachment B: Independent Technical Expert's Report (continued)

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14.4.2 Appraised Value Estimate

The exploration expenditure and that for mineral assay has been provided by the Client. Expenditure on consultancy who managed the exploration program has been excluded together with that for administration and levies. The history of exploration expense to enhance the understanding of each tenement has been adjusted to today's costs by applying the Zambian CPI from the year of expenditure.

The determination of the PEM for each tenement is described in Table 14.6 and the valuation in Table 14.7.

Table 14.6 – Appraised Value Method Multipliers

Tenement	Descriptor	PEM	
		Low	High
Mumbwa	Contains the Kitumba deposit, prospective for extensions and satellite deposits. Kakozhi and other satellite targets within Hook granitoids have recently been covered by IP, highest priority ex-Kitumba targets lie within the Mumbwa tenement.	2	2.5
Musafwa	Geochemical anomalism in meta-sediments. Targets generated from the current soil sampling program could enhance/further downgrade Kabwera	1.0	1.5
Kachindu	Geochemical anomalism on regional shear, same structure that recent Chinese activity has concentrated on 20km west of Mumbwa. Despite favourable structural position and surface geochemical anomalism no drilling has occurred limiting the potential of a multiplier greater than 2.	1.5	2.0
Kabwera	Low level geochemical anomalism on the edge of younger intrusives. Potential under the Tertiary cover is unknown (>200m depth).	1.0	1.5
Nyoko	Multiple geochemical anomalies in prospective lithologies. New tenement created from ground that was relinquished from Mumbwa EL 8589, no drilling.	1.5	2.0

The value for the Mumbwa area is inflated by the exceptionally high budget expenditure for 2014/2015 and must be dealt with caution. This does however demonstrate a high prospective outlook for the property.

1.1.1 Comparative Transactions

RPM has reviewed a set of transactions in neighbouring jurisdictions for which sufficient information is available to determine a value for the farm-in transactions that are a combination of cash and shares and planned exploration expenditure to acquire an interest in the asset. Only those transactions that have been confirmed by a heads of agreement and initial payment being made have been included. The transactions are summarised in Table 14.8.

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Table 14.7 – Appraised Value Method Values

Property	Tenement	Expenditure (FY June) ¹				CPI Adjustment ²				Adjusted Expenditure (USD)	Value (USD)	
		2012	2013	2014	2015	2012	2013	2014	2015		Low	High
Mumbwa	8589-HL-LPL	0	328,996	629,779	1,859,136	115.18	107.9	100.0	87.0	2,601,362	5,202,765	6,503,456
Musafwa	14265-HL-LPL	4,500	36,317	0	87,003	115.18	107.9	100.0	87.0	120,050	120,050	180,075
Kachindu	14266-HL-LPL	4,500	36,368	0	86,337	115.18	107.9	100.0	87.0	119,526	179,289	239,052
Kabwera	14267-HL-LPL				62,273	115.18	107.9	100.0	87.0	54,150	54,150	81,226
Nyoko	16385-HL-LPL				108,012	115.18	107.9	100.0	87.0	93,923	140,88	187,847

Source:

1. Blackthorn annual expenditure and FY 2015 budget. RPM has extracted those costs directly related to exploration and sampling for deriving the expenditure.

2. Republic of Zambia Central Statistical Office, Volume 126, August 2014

Table 14.8 – Comparative Transactions

Date	Buyer	Seller	Transaction	Description	Estimated Tenement Value 100% Basis (USD million)	Tenement Area (km ²)	Value (USD/km ²)
July 2011	Argonaut Resources	Mwombeshi Resources Ltd	75% of the Lumwa West copper project in Zambia. Up-front cash payment and farm-in exploration expenditure leading to Feasibility. Target identified	Advanced exploration. Close to existing mines	7.528	588	12,803
Nov 2012	Metals of Africa	Baobab Resources Ltd	55% of the Changra Base Metals project in Mozambique via a farm-in agreement	Broken Hill type Zn-Pb-Cu-Ag sulphides	1.301	525	2,480
Mar 2011	MOD Resources	GMR Resources	Acquisition of the Botswana Copper Project via farm-in including cash and options	Large area within a belt of significant copper/silver mineralization. Early stage	18.466	8,359.9	2,210
Jan 2013	Redcliffe Resources	Local owners	75% of the Mbesi Copper Project in Tanzania for exploration expenditure over three years. Progressive expenditure and earn in rights	Artisanal copper mining on tenements. Visible malachite in mined rocks. Considered highly prospective	1.862	247	7,538
Nov 2012	Rift Valley Resources	Sable Minerals	70% of the Ozango Project in Angola through cash and shares. Early stage exploration	Archean to Proterozoic Luapula Graben (Angola to DRC) Has Catabola IOCH target, Longonjo	1.952	3,670	532

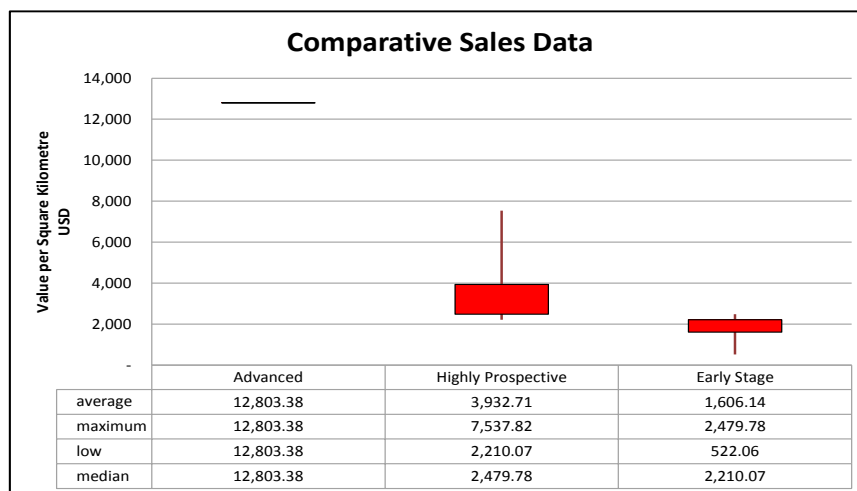
Attachment B: Independent Technical Expert's Report (continued)

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Date	Buyer	Seller	Transaction	Description	Estimated Tenement Value 100% Basis (USD million)	Tenement Area (km ²)	Value (USD/k m ²)
				REE target & Bongo Au target. Early stage.			
Oct 2012	Bannon Limited	Local Tanzanian interests	76% interest in the Kaoko Project in Namibia via farm in agreement. USD50,000 deposit plus exploration expenditure of USD1.5 million. Subsequent agreement to increase to 95% acquiring all AMC3 interest.	Six exploration licences over large area with similar host rocks to copper mineralisation in Zambia. Dolomite ore formation Cu-Co target. Early stage	1,943	3,722	522
Feb 2013	Nimrodal Resources	Local Tanzanian interests	Farm in agreement to acquire 75% interest in of PML's in Kigoma region of west Tanzania delivering prefeasibility in 3 years. Artisanal mining in area.	Sediment hosted Cu deposits. Promising style of mineralisation including Ni-Cu-PGE.	2,575	500	5,149
Feb 2013	Nimrodal Resources	Local Tanzanian interests	To acquire 85% interest in a group of 54 PML's in west Tanzania via a farm-in agreement plus option to increase to 85% for additional payment. Artisanal mining in area	Sediment hosted Cu deposits. Promising style of mineralisation including Ni-Cu-PGE. Early stage.	0,457	200	2,268

Source: ASX Company announcements

The status of exploration and mineral occurrence at the time of each acquisition has been reviewed and the classification of comparative sales values including averages and median estimates are presented in Figure 14.1.

Figure 14.1 – Comparative Transaction Range



RPM considers that the Kitumba tenement areas are a combination of advanced (Mumbwa) highly prospective with strong mineralisation evidence and early stage exploration. The estimated value for each area derived from comparative transaction data is presented in **Table 14.9**.

Table 14.9 – Comparative Transaction Value Estimate

Tenement	Area (km ²)	Status	Value Estimate USD		
			Low	High	Average
Mumbwa	248	Advanced			3,178,462
Musafwa	93	Early Stage	107,250	509,434	329,958
Kachindu	204	Early Stage	106,429	505,537	327,434
Kabwera	147	Early Stage	76,765	264,633	236,171
Nyoko	255	Early Stage	133,148	632,452	409,636

14.4.3 Licence Area Value

The valuation estimates derived from each method are shown in Table 14.10.

In reviewing the values derived by the different methodologies, RPM concludes that:

- The Geoscience method underestimates the high prospective nature of the Mumbwa area where extensive exploration expenditure is planned within the current twelve month period. This is captured in the MEE which RPM considers to be more indicative of the value of this property being adjacent to the Kitumba project area and provides confidence in the higher value estimate. The greater than 50% value attributed by the planned expenditure in year 2014/2015 does however have some risk. RPM therefore assigns an overall average value between the three methods of USD3.80 million.

Attachment B: Independent Technical Expert's Report (continued)

- The average value of the Geoscience and MEE methods are in reasonable agreement for the Kachinda and Kabwera areas and RPM considers that the average of these two methods to be the preferred value. The small data base of the comparative transaction assets and variable status of exploration distorts this estimate.
- The geoscience valuation for the Musafwa property is mostly attributed by off-site mineralisation occurrences. It may have minimal prospectivity and therefore a value that averages the geoscience and MEE methodologies is considered to be the preferred value.
- The Nyoko area has a reasonably high prospectivity being adjacent to attractive Off Property areas. The MEE is depressed due to low historical expenditure. RPM considers an average of all methods reflects the prospective nature of this location.

The total of the preferred value is similar to the overall average value for the combined areas.

Table 14.10 – Valuation Summary (USD)

Area	Geoscience	MEE (Average)	Comparative (Average)	Overall Average (USD)	Preferred Value (USD)
Mumbwa	2,383,217	5,853,110	3,178,462	3,804,930	3,804,930
Musafwa	80,352	150,062	329,958	186,791	115,207
Kachindu	220,173	209,170	327,434	252,359	214,671
Kabwera	59,552	67,688	236,171	121,137	63,620
Nyoko	459,078	164,336	409,636	344,350	344,360
Total	3,202,373	6,444,397	4,481,662	4,709,477	4,542,789

RPM therefore concludes that a reasonable value for the tenements in an open and unrestricted market between a willing buyer and willing seller in an "arm's length" transaction, with each party acting knowledgeably, prudently and without compulsion is between USD3.2 million and USD6.4 million with a preferred value of USD4.5 million. This is a "Technical value" with no premium or discount applied.

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A1. Annexure A – Qualifications and Experience

Bob Dennis – Executive Consultant, Geology and Mining, BSc (Hons-First Class), MAIG, MAusimm

Mr. Dennis has over 36 years of operational and advisory experience including senior leadership positions at operating mines and properties in Australia and Italy. Bob has a broad experience in the fields of mineral exploration, feasibility, due diligence, resource audits, geologic reviews, mine geology, mining and metallurgical management and general mine management. His Due Diligence experience covers most metals and Industrial metals. His exploration experience ranges from grass roots to brownfields and mine-based, both underground and surface, for gold, uranium, copper and lead-zinc. Mining experience includes operating experience in gold and base metal mines, with responsibility for the resource drilling, resource and reserve estimation, grade control, surveying, drafting, pit design, mine planning and ground conditions control. He was intimately involved in the feasibility study and initial mining of the Ravenswood Gold Mine in Queensland, Australia and managed geologic parts of the feasibility study that led to establishment of the High Sulphidation Epithermal gold mine at Furtei, Sardinia, Italy. In addition, he has detailed operational knowledge of all aspects of copper HL/SX/EW operations. He has been involved with numerous operation & construction audits, numerous investigations and implementations of internal growth projects and numerous acquisition evaluations of individual properties and of entire companies. He has a solid grasp of the technical, operational and financial aspects of mining for all sizes of projects.

Igor Bojanic, Manager Metals Consulting Australasia + Russia/CIS, BE (Mining, Hons), Grad. Dip. Business, MAppl. Sc. (Environmental Management)

Igor has over 28 years' experience in the mining industry, and has a broad range of experience, including being involved with a large number of mining studies on metalliferous and coal mining projects throughout the world. He has approximately 10 years' professional experience at operating mines having worked for Newcrest and BHP Iron Ore.

Igor's key strengths include strategic analysis of new and existing mining projects to optimise value, and developing mine plans that deliver practical and achievable outcomes. He is a senior project manager and has extensive experience in technical reviews of mining projects. He is familiar with both the Australian JORC Code and the Canadian NI 43-101 reporting requirements having been involved with a number of relevant studies.

In addition, Igor has post-graduate qualifications in business and environmental management.

Andrew Newell – Executive Consultant, Processing, ARC, RPM Global, B.E. (Met, 1st Class Honours). M.Eng.Sc., PhD, MAusIMM, CP(Met), MIEAust, CP(Chem), MAIME (SME), MCIM

Andrew has over 35 years of experience in the fields of minerals processing, hydrometallurgy and smelting encompassing metallurgical testwork and programme development, process engineering (including equipment selection and design), plant design, commissioning, operations and management. He has had considerable experience in feasibility studies, due diligences, process and processing plant evaluations and project management. Andrew is a Competent Person for metallurgical input into JORC Resource and Reserve statements and a Qualified Person for NI-43-101.

In operational, design and consulting roles, Andrew has worked on numerous copper milling and flotation operators, as well as several leaching, solvent extraction and electrowinning operations and projects. In addition Andrew has evaluated several high pressure acid leaching operations and projects, mainly in nickel including one copper project.

Joe McDiarmid, Principal Mining Engineer RPM, BEng (Mining), MAusIMM (CP), RPEQ

Joe is an experienced and fully qualified Mining Manager with exposure to operational, technical and leadership roles in mineral resource companies globally since 1995. He has a broad exposure to a variety of metalliferous mining methodologies coupled with a well-developed understanding of the commercial, functional and safety management aspects of mining operations globally.

Attachment B: Independent Technical Expert's Report (continued)

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Joe as a Competent Person for JORC and Qualified Person for NI43-101 reporting, Ore Reserve estimation, media releases, short and long-term planning, due diligence investigations, studies ranging from scoping level (PEA) to Bankable Feasibility and into cash positive operations.

Philip Mitchell, Executive Consultant RPM, BSc, BE (Mining), Grad Dip App Fin, MAusIMM

Phil has over forty years' experience in underground mining in both technical and management roles, he has worked as a consultant for ten years undertaking due diligence, technical reviews and valuation work for mergers and acquisitions. Phil is a competent person for coal reserves reporting and VALMIN assessments.

Phil has had extensive experience in longwall operations in NSW and Queensland, ventilation planning and technical specialist roles for public reporting including IPO's.

**Steve Hinde, B.S. Hons Geology, Royal School of Mines, Imperial College, London, UK
Mineral Economics Masters, Macquarie University, Sydney, Australia**

Has a broad experience in the fields of mineral exploration, mine geology, technical services and auditing. The experience includes operating experience in gold and base metal mines, with responsibility for the resource drilling, resources and reserves estimation, grade control, surveying, drafting, stope design, mine planning and ground conditions control. He has broad exploration experience from grass roots to brownfields and mine-based, both underground and surface, for gold, copper and lead-zinc. In addition, he has broad experience in auditing from resources and capital projects, through mineral processing and logistics to sales and marketing. He has undertaken a number of technical reviews and valuations of copper, molybdenum, uranium, gold and rare metals projects in Australia and overseas. Commodity and project reviews have been provided for clients wishing to invest in copper, uranium, nickel laterites and rare metals.

Dana A. Strength, R.G. M.S. in Geology, Northern Arizona University, 1997. B.S. with Honors in Geology, Indiana University, 1994. Area Certificate in Environmental Studies. Registered Geologist, State of Arizona, USA.

Mr. Strength has over 20 years of environmental due diligence experience and has been involved in the evaluation of environmental and social impacts for hundreds of mining projects. He has authored and co-authored Environmental and Social Impact Assessments, Environmental and Social Action Plans, Biodiversity Action Plans, Resettlement Action Plans, IFC Performance Standard and Equator Principle compliance reviews, due diligence environmental assessments, and corporate Annual Environmental (CSR) Reports. He has extensive experience in joint financing/insurance due diligence review with international financial institutions. He has developed legally binding language identifying environmental and social performance terms as a condition of financial or other support.

James Tang – Engineering Consultant , Bachelor of Engineering (Mechanical, Hons) and Bachelor of Arts – The University of Western Australia.

James is a mechanical engineer with experience working with mining operators and consultancies. Previously, he has worked on ports conveyor belt design in a large magnetite project for an international consultancy firm in Perth. Prior to joining RPM, he was a site mechanical engineer in Karratha Western Australia for Rio Tinto Iron Ore's rail reliability and asset improvement. At RPM, James has been project managing Independent technical reports for clients in Asia and involved in the reviews of project infrastructure, mining and processing equipment inspections. Recent projects he has worked on include subsea tin dredging in Indonesia, nickel laterite mining in the Philippines, ferro-nickel smelting, stainless steel production plant and flake graphite processing in China. James is also fluent in Mandarin.

Peter Goh, Business Analyst RPM, BCom, Grad Cert App Fin, ICAA

Peter is an experienced Business Analyst, having seven years' experience in the mining industry. He is an expert in mining economic evaluation using RPM's XERAS economic modelling software. His expertise is in development of mining economic models from first principles in order to produce a transparent, accurate and defensible cost estimates. Peter has also developed XERAS budgeting models for several large Australian mining companies.

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Peter has a degree in Accounting and Finance, is a Member of the Institute of Chartered Accountants (Australia) and has a Graduate Certificate in Applied Finance.

Company's Relevant Experience

RungePincockMinarco (RPM) is the market leader in the innovation of advisory and technology solutions that optimise the economic value of mining assets and operations. RPM has serviced the industry with a full suite of advisory services for over 45 years and is the largest publicly traded independent group of mining technical experts in the world.

RPM has completed over 11,000 studies across all major commodities and mining methods, having worked in over 118 countries globally.

RPM has operations in all of the world's key mining locations enabling them to provide experts who understand the local language, culture and terrain. RPM's global team of technical specialists are located in 18 offices around the world. Through their global network, RPM can provide you access to the right specialist technical skills for your project.

RPM's advisory division operates as Independent Expert consultants providing services across the entire mining life cycle including exploration and project feasibility, resource and reserve evaluation, mining engineering and mine valuation services to both the mining and financial services industries.

RPM's trusted advisors typically complete assignments across all commodities in the disciplines of:

- Geology;
- Mining Engineering;
- Minerals Processing;
- Coal Handling and Preparation;
- Infrastructure and Transportation;
- Environmental Management;
- Contracts Management;
- Mine Management;
- Finance and Project Funding;
- Commercial Negotiations.

RPM was founded in Australia and as a result, has a solid understanding of and is committed to compliance with the codes which regulate Australian corporations and consultants.

Over the past 45 years, RPM has grown into an international business which has continued to provide clients and those that rely on its work the confidence that can be associated by the use of the relevant global industry codes some of which include:

- The Australasian Institute of Mining and Metallurgy Code of Ethics;
- The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves;
- The Australian Institute of Geoscientists Code of Ethics and Practices;

Attachment B: Independent Technical Expert's Report (continued)

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- Society for Mining, Metallurgy and Exploration Code of Ethics; and
- The National Instrument 43-101 Standards of Disclosure for Mineral Projects.

RPM has conducted numerous independent mining technical due diligence studies and reporting for IPO's and capital raisings under the requirements of all key mining equity markets over the past six years, with involvement in capital raisings worth more than US\$44 billion. Some of this and other work is summarised in **Table A1**.

RPM leverages the power of its specialist knowledge to also provide cutting edge mining software that is sought after globally for mine scheduling, equipment simulation and financial analysis. RPM software is relied on by mining professionals to understand how to structure their long and short term operations efficiently using auditable best practice methodologies and solutions.

Table A1 - Mining Related IPO and M&A Technical Experience

Recent Major Mergers and Acquisitions
MMG Limited (30 June 2014) Las Bambas Cu Mo Project, Peru, Competent Persons' Report http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0630/LTN20140630228.PDF
China Molybdenum Company Limited (6 November 2013) Northparkes Au Cu Project, Central West NSW, Competent Persons' Report www.hkexnews.hk/listedco/listconews/SEHK/2013/1106/LTN20131106492.pdf
Aston Resources Merger with Whitehaven Coal Limited Merger (ASX Code: WHC) (19 April 2012) Scheme of Arrangement, Independent Technical Specialist Report www.whitehavencoal.com.au/investors/documents/AstonSchemeBooklet_000.pdf
China Daye Non-Ferrous Metals Mining Ltd. (HKEx Code: 661) (8 March 2012) Hubei Polymetallic Mine HKEx, Competent Persons' Report www.hkexnews.hk/listedco/listconews/sehk/2012/0109/LTN20120109098.PDF
Initial Public Offerings
Huili Resources (Group) Ltd. IPO (HKEx Code: 1303) (12 January 2012) Xinjiang and Shanxi Polymetallic Mine HKEx Competent Persons' Report www.hkexnews.hk/listedco/listconews/sehk/2012/0112/LT2120112270.PDF
Glencore IPO LSE and HKEx (24 May 2011) Mineral Experts Report – Colombian Coal Assets www.hkexnews.hk/listedco/listconews/sehk/2011/0513/00805_1074520/EWPGLENCORE-20110511-41.pdf
China Polymetallic Mining Limited IPO (HKEx Code: 2133) (2 December 2011) Yunnan Pb-Zn-Ag HKEx Competent Persons' Report www.hkexnews.hk/listedco/listconews/sehk/2011/1214/LTN20111214250.PDF
FeOre Limited IPO (ASX: FEO) 1 November 2011 Independent Geologist's Report Ereeny Iron Project www.hkexnews.hk/listedco/listconews/sehk/20110209/LTN20110209114.pdf
Aston Resources IPO (ASX: AZT) (6 August 2010) Independent Technical Experts Report, Mules Creek Coal Project www.whitehavencoal.com.au/investors/documents_astonax/2010%20ASX%20ANOUNCE_PDF/August%202010/Replacement%20Prospectus.pdf

Attachment B: Independent Technical Expert's Report (continued)

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Perseus Mining Limited (TSX: (30th November, 2009)

Technical Report, Central Ashanti Gold project, Ghana (Technical report in support of IPO Prospectus)

http://sedar.com/GetFile.do?lang=EN&docClass=24&issuerNo=00029380&fileName=/csfsprod/data103/filings/01519387/00000002/c%3A%5CPerseus%5CPer_Tech_Rpt_C_Ashanti.pdf

Metallurgical Corporation of China Ltd. (HKEx Code: 1618) (11 September 2009)

Global Mining Assets Independent Technical Review

www.hkexnews.hk/listedco/listconews/SEHK/2009/0911/01618_632658/E133.pdf

Whitehaven Coal IPO (ASX: WHC) (June 2007)

Independent Technical Experts Report

[www.whitehavencoal.com.au/investors/documents/Whitehaven Coal Limited Prospectus May2007.pdf](http://www.whitehavencoal.com.au/investors/documents/Whitehaven_Coal_Limited_Prospectus_May2007.pdf)

A2. Annexure B – Glossary of Terms

The key terms used in this report include:

- **A** refers to ampere
 - **AA** or **AAS** stands for atomic adsorption, an analytical procedure
 - **AFS** refers to Australian Financial Services
 - **Ag** refers to silver
 - **AGES** refers to AGES Gauteng Pty Ltd
 - **AGG** stands for airborne gravity gradiometer
 - **AI** refers to Abrasion Index
 - **AIG** stands for Australian Institute of Geoscientists
 - **AMC** refers to AMC Consultants Pty Ltd
 - **ASCu** refers to acid soluble copper
 - **ASIC** refers to Australian Securities and Investments Commission
 - **ASS** refers to Atomic Absorption Spectrometry
 - **ASX** stands for Australian Stock Exchange
 - **ATV** refers to Acoustic Televiwer
 - **Au** refers to Gold
 - **AUSIMM** stands for Australasian Institute of Mining and Metallurgy
 - **BAC** refers to Base Acquisition Cost
 - **BHP** refers to BHP Billiton Limited
 - **Bornite** refers to a brown metallic mineral containing Cu Sulphide
 - **Blackthorn** refers to Blackthorn Resources Limited
 - **BRMWI** refers to Bond Ball Mill Work Index
 - **BSc** refers to a Bachelor of Science
 - **BTR** stands for Blackthorn Resources Limited
 - **C** stands for Celsius degrees
 - **Ca** refers to Calcium
 - **CCD** refers to counter current decantation
 - **chalcopryite** refers to a brassy sulphide mineral containing copper and iron.
 - **chalcocite** refers to a gray to black brittle copper sulphide mineral
 - **covellite** refers to a purple mineral consisting of thin sheets of Cu sulphide
 - **chalcosiderite** refers to recently identified Cu phosphate identified in the deposit
 - **Client** means each of Blackthorn Resources Limited and Intrepid Mines Limited (each a 'Client' and collectively the 'Clients')
 - **Co** refers to Cobalt
 - **Concentrate** refers to the Cu concentrate bought by the Operation to raise iron levels in leaching solutions
 - **Company** means Blackthorn Resources Limited.
 - **COG** refers to Cut-Off Grade
- Resource cog:** is the lowest grade of mineralised material that qualifies as having reasonable economic potential for eventual extraction and supports a geologically justifiable and continuous mineralisation domain.
- Economic/Reserve cog:** is the lowest grade of mineralised material that qualifies as economically mineable and available in a given deposit after application of modifying factors and economic assessment at given commodity prices. It may be defined on the basis of economic evaluation, or on physical or chemical attributes that define an acceptable product specification.

Attachment B: Independent Technical Expert's Report (continued)

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- **COV** refers to coefficient of variation
- **CRM** refers to certified reference material
- **CSI** refers to Corporate Social Investment
- **Cu** refers to Copper
- **CWi** refers to Bond Crushing Index
- **DCF** refers to Discounted Cash Flow
- **Deposits** refers to the cluster of mineralised bodies which are contained within the Project.
- **DFS** stands for Definitive Feasibility Study
- **DH** or **DDH** stands for diamond-drill hole
- **DO** refers to Dissolved Oxygen
- **DRC** stands for Democratic Republic of Congo
- **EGL** stands for effective grinding length, used of grinding mills
- **EHS** means Environmental, Health and Safety
- **EIS** stands for environmental impact assessment
- **EM** Electromagnetic Surveys
- **EMP** stands for environmental management plan
- **EMS** stands for environmental management system
- **EPB** refers to Environmental Project Brief
- **EPCM** stands for engineering, procurement, and construction-management, a type of contract
- **ESIA** stands for environmental social impact assessment
- **EW** refers to electrowinning
- **EYTAS** means Ernst & Young Transaction Advisory Services Limited
- **Fault** refers to a slip-surface between two portions of the earth's surface that have moved relative to each other. A fault is a failure surface and is evidence of severe earth stresses.
- **Fe** refers to Iron
- **FEL** refers to Front End Loader
- **FOS** refers to Factor of Safety
- **FQM** refers to First Quantum Minerals
- **FY** refers to Financial Year
- **g** stands for grams
- **Ga** refers to giga-annum: billion years ago
- **GPS** refers to Global Positioning System
- **GT** means Grant Thornton Corporate Finance Pty Ltd
- **GW** stands for gigawatt
- **G&A** stands for General and Administrative, a category of operating costs
- **g/t** stands for grams per tonne
- **ha** stands for Hectares
- **hr** stands for hour
- **HRL** stands for HRL LIMITED, a public, unlisted Australian owned energy, technology, technical services and project development company
- **ICP-MS** refers to Inductively Coupled Plasma Mass Spectrometry
- **ICP-OES** refers to Inductively Coupled Plasma Optical (Atomic) Emission Spectrometry
- **IER** stands for Independent Expert Review
- **IFC** refers to International Finance Corporation
- **IK** refers to indicator kriging
- **Intrepid** refers to Intrepid Mines Limited

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- **IOCG** stands for iron oxide – copper – gold deposit
- **IRR** refers to Internal Rate of Return
- **IT** refers to the Itezhi Tezhi
- **ITSR** stands for Independent Technical Specialist Report
- **JORC** stands for Joint Ore Reserves Committee
- **JORC Code** refers to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 edition, which is used to determine resources and reserves, and is published by JORC of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia
- **K** refers to Potassium
- **kg** stands for kilogram
- **KFZ** refers to the Kitumba Fault Zone
- **km** stands for kilometre
- **km²** stands for square kilometres
- **KNA** refers to Kriging Neighbourhood Analysis
- **kt** stands for 000's of tonnes of kilo tonnes
- **ktpa** stands for 000's tonnes per annum or kilo tonnes per annum
- **kv** refers to kilovolt
- **kW** stands for kilowatt
- **KWh** refers to kilowatt hours
- **L** stands for litres
- **L/s** stands for litres per second
- **lbs or lb** stands for pounds (avoirdupois)
- **LME** stands for the London Metals Exchange
- **LOM** stands for Life of Mine
- **LOM plan** stands for Life of Mine Plan
- **Lycopodium** refers to Lycopodium Minerals Pty Ltd
- **m** stands for metre
- **M** stands for Million
- **m³** stands for cubic metres
- **m³ph** stands for cubic metres per hour
- **m³/s** stands for cubic metres per second
- **MEE** stands for Appraisal Value Method
- **mm** refers to millimetre
- **Mm³** stands for one million cubic metres
- **Mn** refers to Manganese
- **mine production** is the total raw production from any particular mine
- **Mining rights** means the rights to mine mineral resources and obtain mineral products in areas where mining activities are licensed
- **Mo** refers to Molybdenum
- **MSA** refers to MSA Group
- **MSZ** refers to the Mwembeshi Shear Zone
- **Mt** stands for mega tonnes which is equal to one million tonnes
- **Mtpa** stands for million tonnes per annum
- **mV** refers to millivolt
- **MVA** refers to megavolt ampere
- **MW** refers to megawatt

Attachment B: Independent Technical Expert's Report (continued)

Runge Pincock Minarco

- **MWh** stands for Mega watt hour
- **N** refers to Nitrogen
- **Nb** refers to Niobium
- **NPV** refers to Net Present Value
- **OK** refers to Ordinary Kriging
- **OPFS** refers to Optimised Prefeasibility Study
- **ORP** refers to Oxygen Reduction Potentials
- **P** refers to Phosphorus
- **P₈₀** refers to 80 weight % passing, used in association with particle size
- **PABX** refers to private automatic branch exchange
- **PAG** stands for potential acid generating
- **PAX** stands for Potassium Amyl Xanthate, a strong collector that is widely used in the flotation processes of nonferrous metallic minerals
- **Pb** refers to Lead
- **PEM** refers to Prospectivity Enhancement Multiplier
- **PFD** refers to process flow diagrams
- **PFS** stands for Prefeasibility Study
- **POX** refers to pressure oxidation
- **ppm** stands for parts per million
- **Project** refers to the Kitumba Copper Project located in Zambia, Africa.
- **PSM** refers to Pells Sullivan Meynink Consultants Pty Ltd
- **Pyrite** refers to a hard, heavy, shiny, yellow mineral, FeS₂ or iron disulfide, generally in cubic crystals.
- **P&ID** refers to Process and Instrumentation Diagrams
- **QA/QC** stands for quality assurance and quality control
- **QXRD** refers to Quantitative XRD
- **RC** stands for reverse circulation, a drilling method
- **REE** refers to Rare Earth Element
- **REDE** refers to REDE Engineering and Management Solutions Pty Ltd
- **Relevant Assets** means the Kitumba Copper Project and surrounding exploration licences.
- **RL** refers to Reduced Level
- **RMC** refers to rock mass characterisation
- **ROM** stands for run-of-mine, being material as mined before beneficiation
- **RPM** refers to RungePincockMinarco Limited
- **RPS** refers to RPS Aquaterra Pty Ltd
- **RQD** refers to rock quality designation
- **S** refers to Sulphur
- **SABC** stands for SAG-Ball-Pebble Crushing
- **SAG** stands for semi-autogenous mill, a type of grinding mill
- **SLC** refers to Sub Level Cave
- **SLP** refers to Social Labour Plan
- **SLOS** refers to sub-level open stoping
- **SMC** refers to Semi-autogenous Mill Comminution
- **SPI** refers to Semi-autogenous Mill Power Index
- **SS** refers to Scoping Study
- **SX** refers to solvent extraction

Runge Pincock Minarco

- **t** stands for tonne
- **TC** refers to treatment charge
- **TSF** stands for tailings storage facility
- **tonne** refers to metric tonne
- **tpd** stands for tonnes per day
- **tph** stands for tonnes per hour
- **t/m³** stands for tonnes per cubic metre
- **U** refers to Uranium
- **UCS** refers to Unconfined Compressive Strength
- **µm** stands for micron (1/1,000 of a metre)
- **UNDP** refers to the United Nations Development Program
- **USD** refers to United States dollar currency.
- **UTM** refers to Universal Transverse Mercator coordinate system
- **VALMIN Code** refers to the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, 2005 Edition, prepared by the VALMIN committee
- **Wi** stands for work index, a measure of rock hardness
- **WGS84** refers to World Geodetic Datum 1984
- **WSF** refers to water storage facility
- **WUA** refers to Water Use Authorisation
- **ZEMA** refers to the Zambia Environmental Management Agency
- **ZESCO** refers to Zambia Electricity Supply Corporation Limited
- **ZRDA** refers to Zambian Roads Development Agency
- **Zn** refers to Zinc
- **%** refers to a Percentage.

Note: Where the terms Competent Person, Inferred Resources and Measured and Indicated Resources are used in this report, they have the same meaning as in the JORC Code.

A 'Mineral Resource' is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

An 'Ore Reserve' is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified.

A 'Measured Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

Mineralisation may be classified as a Measured Mineral Resource when the nature, quality, amount and distribution of data are such as to leave no reasonable doubt, in the opinion of the Competent Person determining the Mineral Resource, that the tonnage and grade of the mineralisation can be estimated to within close limits, and that any variation from the estimate would be unlikely to significantly affect potential economic viability.

Attachment B: Independent Technical Expert's Report (continued)

Runge Pincock Minarco

An 'Indicated Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource, but has a higher level of confidence than that applying to an Inferred Mineral Resource. Mineralisation may be classified as an Indicated Mineral Resource when the nature, quality, amount and distribution of data are such as to allow confident interpretation of the geological framework and to assume continuity of mineralisation. Confidence in the estimate is sufficient to allow the application of technical and economic parameters, and to enable an evaluation of economic viability.

An 'Inferred Mineral Resource' is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource. The Inferred category is intended to cover situations where a mineral concentration or occurrence has been identified and limited measurements and sampling completed, but where the data are insufficient to allow the geological and/or grade continuity to be confidently interpreted. Commonly, it would be reasonable to expect that the majority of Inferred Mineral Resources would upgrade to Indicated Mineral Resources with continued exploration. However, due to the uncertainty of Inferred Mineral Resources, it should not be assumed that such upgrading will always occur. Confidence in the estimate of Inferred Mineral Resources is usually not sufficient to allow the results of the application of technical and economic parameters to be used for detailed planning. For this reason, there is no direct link from an Inferred Resource to any category of Ore Reserves.

Annexure C – References

Data was made available in a data room and where this was found to be either insufficient information or an explanation or improved clarity was required, Blackthorn Resources Limited was approached and additional data was supplied. RPM has supplied data references for Report tables.

The primary data sources were;

- OPFS document [05.03.10.26.05 1829-STY-001_B_OPFS_final (Unsecured)].
- Appendices to the OPFS 05.03.10.26.05 1829-STY-001_B_OPFS_final were reviewed.
- The mass balance and flowsheets were also inspected [Mass Balance Output - Year 4S (xls) and Mass Balance Flowsheets - Year 4S].
- Capital and Operating costs was also based on the supporting Appendices '05.03.10.26.10.01 S1829 Kitumba CCE PFS summaries 160414' and '05.03.10.26.11.01 Operating Cost Estimate_Rev E' documentation respectively. A freight cost spreadsheet was also viewed [Transport Cost Summary (xls)].
- Selected documentation from the Pre-Feasibility Study (PFS) was also reviewed at a high level since references were made to this documentation in the OPFS, particularly for the capital cost estimates. It was considered important to understand the nature of the previous testwork programme and samples tested, given the limited amount of testwork conducted for the OPFS. These PFS documents included '05.03.10.18 3135-STY-001_6_Metallurgy %26 Flowsheet Development_0' (testwork and samples), 'Appendix 7.1 – FINAL' (a version of the equipment list) and '05.03.10.10 3135-STY-001_15_Capital Cost Estimate_0'.
- AGES Gauteng (PTY) Ltd., September, 2013. *Environmental Pre-Feasibility Study (PFS) Report for the proposed Kitumba Copper Project, Mumbwa District, Central Province, Zambia.*
- AGES Gauteng (PTY) Ltd., September, 2013. *Kitumba Copper Gold Project: Hydrogeological specialist investigation and water management plan.*
- REDE Engineering and Management Solutions, June, 2013. *BTR Kitumba Project: Bulk Water Value Engineering.*

Knight Piesold Consulting, May, 2014. *Tailings Management Design Optimisation Study.*

Attachment B: Independent Technical Expert's Report (continued)

Runge Pincock Minarco

END OF REPORT

C

Attachment C: Investigating Accountant's Report

Attachment C: Investigating Accountant's Report

**KPMG Transaction Services**

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The Directors
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Level 5, Suite 502
80 William Street
Sydney, NSW, 2011

The Directors
Intrepid Mines Limited
Level 1, WBM Building
490 Upper Edward Street
Spring Hill, QLD, 4004

13 October 2014

Dear Directors

Limited Assurance Investigating Accountant's Report and Financial Services Guide**Investigating Accountant's Report****Introduction**

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("KPMG Transaction Services") has been engaged by Blackthorn Resources Limited ("Blackthorn") and Intrepid Mines Limited ("Intrepid") to prepare this report for inclusion in the scheme booklet of Blackthorn, to be issued by Blackthorn and dated on or about 13 October 2014 ("Scheme Booklet") and in the explanatory memorandum of Intrepid, to be issued by Intrepid and dated on or about 16 October 2014 ("Explanatory Memorandum"), in connection with the proposed merger between Blackthorn and Intrepid by way of a Scheme of Arrangement ("the Scheme").

Expressions defined in the Scheme Booklet and in the Explanatory Memorandum have the same meaning in this report.

*Blackthorn Resources Limited and Intrepid Mines Limited
Limited Assurance Investigating Accountant's Report and
Financial Services Guide*

Scope

You have requested KPMG Transaction Services to perform a limited assurance engagement in relation to the Merged Group Pro Forma Historical Financial Information described below and disclosed in the Scheme Booklet by Blackthorn and in the Explanatory Memorandum by Intrepid (each a responsible party).

The Merged Group Pro Forma Historical Financial Information is presented in the Scheme Booklet and in the Explanatory Memorandum in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Merged Group Pro Forma Historical Financial Information

The Merged Group Pro Forma Historical Financial Information consists of the unaudited pro forma historical statement of financial position of the Merged Group as at 30 June 2014, as set out in Section 6.5.2 of the Scheme Booklet and in Section 5.5 (b) of the Explanatory Memorandum.

The Merged Group Pro Forma Historical Financial Information has been compiled by Blackthorn and Intrepid and derived from the financial statements of Blackthorn for the year ended 30 June 2014 and from the interim financial statements of Intrepid for the six months ended 30 June 2014, after adjusting for the effects of pro forma adjustments described in Section 6.5.3 of the Scheme Booklet and in Section 5.5 (b) of the Explanatory Memorandum, to illustrate the effect of the Scheme as if it had been implemented on 30 June 2014.

The financial statements of Blackthorn for the year ended 30 June 2014 were audited by KPMG in accordance with Australian Auditing Standards. The audit opinion issued to the members of Blackthorn relating to those financial statements was unqualified. The interim financial statements of Intrepid for the six months ended 30 June 2014 were reviewed by KPMG in accordance with Australian Auditing Standards. The review opinion issued to the members of Intrepid relating to those financial statements was unqualified.

The stated basis of preparation of the Merged Group Pro Forma Historical Financial Information is the recognition and measurement principles contained in applicable Australian Accounting Standards and Intrepid's accounting policies, applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in Section 6.5.1 of the Scheme Booklet and in Section 5.5 (a) of the Explanatory Memorandum. Due to its nature, the Merged Group Pro Forma Historical Financial Information does not represent the Merged Group's actual or prospective financial position.

For the purposes of preparing this report we have performed limited assurance procedures in relation to the Merged Group Pro Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Merged Group Pro Forma Historical Financial Information is not prepared, in all material respects, by the directors of Blackthorn and Intrepid in accordance with the stated basis of preparation.

Attachment C: Investigating Accountant's Report (continued)

*Blackthorn Resources Limited and Intrepid Mines Limited
Limited Assurance Investigating Accountant's Report and
Financial Services Guide*

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Merged Group Pro Forma Historical Financial Information is prepared, in all material respects, by the directors of Blackthorn and Intrepid, in accordance with the stated basis of preparation.

Directors' responsibilities

The directors of Blackthorn and Intrepid are responsible for the preparation of the Merged Group Pro Forma Historical Financial Information, including the selection and determination of the pro forma transactions and/or adjustments made to the historical financial information and included in the Merged Group Pro Forma Historical Financial Information.

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Conclusions

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Merged Group Pro Forma Historical Financial Information, as set out in Section 6.5.2 of the Scheme Booklet and in Section 5.5 (b) of the Explanatory Memorandum, comprising the unaudited pro forma historical statement of financial position of the Merged Group as at 30 June 2014, is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in Section 6.5.3 of the Scheme Booklet and in Section 5.5 (b) of the Explanatory Memorandum, and in accordance with the recognition and measurement principles prescribed in applicable Australian Accounting Standards, and Intrepid's accounting policies.

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed Scheme, other than in connection with the preparation of this report for which normal professional fees will be received. KPMG is the auditor of Blackthorn and Intrepid and from time to time, KPMG also provides Blackthorn and Intrepid with certain other professional services for which normal professional fees are received.

General advice warning

This report has been prepared, and included in the Scheme Booklet and in the Explanatory Memorandum, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any

*Blackthorn Resources Limited and Intrepid Mines Limited
Limited Assurance Investigating Accountant's Report and
Financial Services Guide*

information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Restriction on use

Without modifying our conclusions, we draw attention to Section 6.5 of the Scheme Booklet and to Section 5.5 of the Explanatory Memorandum, which describe the purpose of the Merged Group Pro Forma Historical Financial Information, being for inclusion in the Scheme Booklet and in the Explanatory Memorandum. As a result, the Merged Group Pro Forma Historical Financial Information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the Merged Group Pro Forma Historical Financial Information to which it relates, for any purpose other than that for which it was prepared.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Scheme Booklet and in the Explanatory Memorandum in the form and context in which it is so included, but has not authorised the issue of the Scheme Booklet or the Explanatory Memorandum. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Scheme Booklet and the Explanatory Memorandum.

Yours faithfully



James Malackey
Authorised Representative

Attachment C: Investigating Accountant's Report (continued)



KPMG Transaction Services

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Financial Services Guide

Dated 13 October 2014

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) ('**KPMG Transaction Services**'), and James Malackey as an authorised representative of KPMG Transaction Services, authorised representative number 404261 (**Authorised Representative**).

This FSG includes information about:

- KPMG Transaction Services and its Authorised Representative and how they can be contacted;
- the services KPMG Transaction Services and its Authorised Representative are authorised to provide;
- how KPMG Transaction Services and its Authorised Representative are paid;
- any relevant associations or relationships of KPMG Transaction Services and its Authorised Representative;
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that KPMG Transaction Services has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Transaction Services.

This FSG forms part of an Investigating Accountant's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

*Blackthorn Resources Limited and Intrepid Mines Limited
Limited Assurance Investigating Accountant's Report and Financial
Services Guide*

Financial services that KPMG Transaction Services and the Authorised Representative are authorised to provide

KPMG Transaction Services holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investments schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Transaction Services to provide financial product advice on KPMG Transaction Services' behalf.

KPMG Transaction Services and the Authorised Representative's responsibility to you

KPMG Transaction Services has been engaged by Blackthorn Resources Limited and Intrepid Mines Limited (collectively, the "Client") to provide general financial product advice in the form of a Report to be included in the Scheme Booklet prepared by Blackthorn Resources Limited and in the Explanatory Memorandum prepared by Intrepid Mines Limited (individually, the "Document") in relation to the proposed merger between Blackthorn Resources Limited and Intrepid Mines Limited by way of a Scheme of Arrangement (the "Scheme").

You have not engaged KPMG Transaction Services or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Transaction Services nor the Authorised Representative are acting for any person other than the Client.

KPMG Transaction Services and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Transaction Services has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Scheme.

Fees KPMG Transaction Services may receive and remuneration or other benefits received by our representatives

KPMG Transaction Services charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Transaction Services \$100,000 for preparing the Report. KPMG Transaction Services and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Transaction Services officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Transaction Services' representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Transaction Services nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Attachment C: Investigating Accountant's Report (continued)

*Blackthorn Resources Limited and Intrepid Mines Limited
Limited Assurance Investigating Accountant's Report and Financial
Services Guide*

Associations and relationships

Through a variety of corporate and trust structures KPMG Transaction Services is controlled by and operates as part of the KPMG Partnership. KPMG Transaction Services' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Transaction Services and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Transaction Services, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have provided, and continue to provide, a range of audit, tax and advisory services to the Client for which professional fees are received. Over the past two years professional fees of \$254,806 and \$214,179 have been received from Blackthorn Resources Limited and Intrepid Mines Limited, respectively. None of those services have related to the transaction or alternatives to the transaction.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Transaction Services or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Transaction Services or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1300 78 08 08

Facsimile: (03) 9613 6399

Email: info@fos.org.au

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Transaction Services has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Transaction Services or the Authorised Representative using the contact details:

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D

Attachment D: Scheme Implementation Deed

Attachment D: Scheme Implementation Deed

Conformed version

Scheme Implementation Deed (as
amended by Amendment Deed to Scheme
Implementation Deed dated 29 September
2014)

Blackthorn Resources Limited

ACN 009 193 980

and

Intrepid Mines Limited

ACN 060 156 452

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Attachment D: Scheme Implementation Deed (continued)

Conformed version

THIS DEED is made on 27 August 2014

BETWEEN:

- (1) **Blackthorn Resources Limited** ACN 009 193 980 of Level 5, Suite 502, 80 William Street, Sydney, NSW 2011 (**Blackthorn**); and
- (2) **Intrepid Mines Limited** ACN 060 156 452 of Level 1, 490 Upper Edward Street, Spring Hill QLD 4000 (**Intrepid**).

RECITALS:

- (A) Intrepid and Blackthorn have agreed that a scheme of arrangement will be proposed under Part 5.1 of the *Corporations Act 2001* (Cth) between Blackthorn and the holders of its ordinary shares in accordance with this document.
- (B) Intrepid and Blackthorn have agreed certain other matters in connection with the Share Scheme as set out in this document.

THE PARTIES AGREE AS FOLLOWS:

1. **INTERPRETATION**

1.1 **Definitions**

The following definitions apply in this document.

Announcement means a press release, announcement, ASX announcement or other public statement (other than a draft explanatory statement, an explanatory statement or supplementary explanatory statement as required under Part 5.1 of the *Corporations Act*).

ASIC means the Australian Securities and Investments Commission.

ASIC Review Draft means the draft of the Share Scheme Booklet, which is provided to ASIC for approval under section 411(2) of the *Corporations Act*.

ASX means the Australian Securities Exchange or ASX Limited (ABN 98 008 624 691), as the context requires.

ASX Listing Rules means the listing rules of ASX.

Authorisation means:

- (a) an approval, authorisation, consent, declaration, exemption, licence, notarisation, permit or waiver, however it is described, including any renewal or amendment and any condition attaching to it from or by a Government Agency; and
- (b) in relation to anything that could be prohibited or restricted by law, if a Government Agency acts in any way within a specified period, the expiry of that period without that action being taken.

Blackthorn Board means the board of directors of Blackthorn.

Blackthorn Competing Proposal means any proposal (including a scheme of arrangement) or offer that would, if completed substantially in accordance with its terms, result in any person or persons other than Intrepid or a member of the Intrepid Group acquiring (directly or indirectly):

- (a) an interest in all or a substantial part of the assets of Blackthorn or the Blackthorn Group;
- (b) a relevant interest in more than 20% of the voting shares of Blackthorn;
- (c) control of Blackthorn within the meaning of section 50AA of the Corporations Act; or
- (d) otherwise acquiring or merging with Blackthorn (including by way of reverse takeover, reverse scheme of arrangement or dual listed company structure).

Blackthorn Consolidated Tax Group means the consolidated group of which Blackthorn is the head company. In this definition, "*consolidated group*" and "*head company*" have the meaning respective meanings given by the *Income Tax Assessment Act 1997* (Cth).

Blackthorn Disclosure Material means the:

- (a) Blackthorn Due Diligence Information; and
- (b) information available on the Public Registers prior to the date of this document.

Blackthorn Due Diligence Information means all written information relating to the business, assets, liabilities, operations, profits and losses, financial position and performance and prospects of Blackthorn and its subsidiaries provided or made available by or on behalf of any member of the Blackthorn Group or its Representatives to Intrepid or its Representatives.

Blackthorn Excluded Transaction means a transaction:

- (a) fairly disclosed in the Blackthorn Disclosure Material before the date of this document;
- (b) consistent with a policy relating to employment which was fairly disclosed in the Blackthorn Disclosure Material;
- (c) in relation to the Blackthorn Option Buy Out;
- (d) required to be done or procured by Blackthorn under this document or the Share Scheme; or
- (e) in relation to which Intrepid has expressly consented in writing.

Blackthorn Group means Blackthorn and its subsidiaries (each of Blackthorn and each such subsidiary being a member of the Blackthorn Group).

Blackthorn Material means information to be included by Blackthorn in the Share Scheme Booklet that explains the effect of the Share Scheme and sets out the information prescribed by the *Corporations Act* and the *Corporations Regulations 2001* (Cth), and any other information that is material to the making of a decision by Blackthorn Shareholders whether or not to vote in favour of the Share Scheme, being information that is within the knowledge of Blackthorn's directors and has not previously been disclosed to Blackthorn Shareholders, other than the Intrepid Material and the Independent Expert's Report.

Blackthorn Option means an option to subscribe for a Blackthorn Share, listed in Schedule 2.

Blackthorn Option Holder means each holder of a Blackthorn Option.

Attachment D: Scheme Implementation Deed (continued)

Blackthorn Option Buy Out means the transaction described in clause 5.

Blackthorn Prescribed Event means the occurrence of any of the following:

- (a) Blackthorn converting all or any of its shares into a larger or smaller number of shares;
- (b) Blackthorn resolving to reduce its share capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares;
- (c) Blackthorn:
 - (i) entering into a buy-back agreement; or
 - (ii) resolving to approve the terms of a buy-back agreement under the Corporations Act;
- (d) Blackthorn declaring, paying or distributing any dividend, bonus or other share of its profits or assets or returning or agreeing to return any capital to its members;
- (e) a member of the Blackthorn Group:
 - (i) issuing shares or securities convertible into shares, or granting an option over its shares, or agreeing to make such an issue or grant such an option other than:
 - (A) to a wholly-owned subsidiary of Blackthorn; or
 - (B) pursuant to the exercise of any convertible securities or options existing as at, and the issue of which has been notified to the ASX before, the date of this document;
 - (C) the vesting or exercising of any Blackthorn Options;
 - (ii) making any change to its constitution;
 - (iii) being deregistered as a company or otherwise dissolved except in the case of a Blackthorn Group member with less than \$100,000 in net assets as at the date of this document;
 - (iv) carrying on its business other than in the ordinary and usual course;
 - (v) acquiring, offering to acquire or agreeing to acquire any one or more assets (including any one or more shares in any company) having a market value that in aggregate is, or the consideration for which in aggregate is, \$100,000 or more;
 - (vi) disposing, offering to dispose or agreeing to dispose of any one or more assets (including any one or more shares in any company), or an interest in any one or more assets, having a market value that in aggregate is, or the consideration for which in aggregate is, \$100,000 or more (and, for the avoidance of doubt, "dispose" includes sell, transfer, grant an option over, declare or create a trust over, surrender, allow to lapse or Encumber), except for the sale of the exploration licences in Burkina Faso to Glencore as approved by Blackthorn shareholders at the extraordinary general meeting on 14 August 2014;

- (vii) granting, or agreeing to grant, any Security Interest over the whole, or a substantial part, of its business or property;
- (viii) entering into, or offering to enter into, any joint venture, asset or profit sharing arrangement, partnership or merger of businesses or of corporate entities (including through a multiple listed companies structure) in respect of any one or more assets (including any one or more shares in any company) or undertakings having a market value that in aggregate is, or involving a commitment or liability that in aggregate is, \$100,000 or more;
- (ix) other than in the ordinary course of business:
 - (A) incurring or committing to, or bringing forward the time for incurring or committing, or granting to another person a right the exercise of which would involve a member of the Blackthorn Group incurring or committing to, any capital expenditure or liability; or
 - (B) foregoing any revenue,

for one or more related items or amounts of \$100,000 or more.

(For the avoidance of doubt and for the purposes of this paragraph (ix), ordinary course of business includes, without limitation, any budgeted expenditures of Blackthorn previously approved by the Blackthorn board of directors, and disclosed in writing to Intrepid, prior to the date of this document and that are made substantially in the manner previously approved);

- (x) entering into or resolving to enter into a transaction with any related party of Blackthorn (other than a related party which is a wholly-owned member of the Blackthorn Group) as defined in section 228 of the Corporations Act;
- (xi) changing any accounting policy applied by them to report its financial position other than any change in policy required by a change in applicable accounting standards or law;
- (xii) doing anything that would result in a change in the membership of the Blackthorn Consolidated Tax Group;
- (xiii) other than in accordance with annual remuneration reviews occurring in the ordinary course of business, varying or agreeing to vary the employment arrangements or remuneration of any director or employee of any member of the Blackthorn Group whose annual remuneration as at the date of this document is \$100,000 or more;
- (xiv) amending the terms of an employee share scheme or any other plan or scheme operated for the benefit of directors or employees of any one or more members of the Blackthorn Group;
- (xv) paying or agreeing to pay any bonus, termination or retention payment to any director or employee of any member of the Blackthorn Group except, in accordance with the terms of the contract in place with such person as at the date of this document or otherwise in the ordinary course of business;
- (xvi) employing or agreeing to employ any person the value of whose total remuneration is or is to be \$100,000 or more;

Attachment D: Scheme Implementation Deed (continued)

(xvii) entering into any enterprise bargaining agreement other than in the ordinary course of business or pursuant to contractual arrangements in effect on the date of this document and which have been disclosed in writing to Intrepid prior to the date of this document; or

(xviii) disclosing (without having disclosed before the date of this document) the existence of any matter described in subparagraphs (i) to (xvii) above, or announces an intention to do anything described in described in subparagraphs (i) to (xvii) above; or

(f) an Insolvency Event occurring in relation to a member of the Blackthorn Group, but excluding any Blackthorn Excluded Transaction.

Blackthorn Provided Material means the information provided by Blackthorn to Intrepid in accordance with clause 6(g) for inclusion in the Intrepid Meeting Material.

Blackthorn Share means each fully paid ordinary share in Blackthorn.

Blackthorn Shareholder means each person entered in the Register as a holder of Blackthorn Shares.

Blackthorn Shareholder Approval means a resolution in favour of the Share Scheme passed by the required majority of Blackthorn Shareholders under section 411(4)(a)(ii) of the Corporations Act.

Business Day means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Brisbane, Queensland and Sydney, New South Wales.

Claim, in relation to a person, means any claim, allegation, cause of action, proceeding, liability, suit or demand made against the person concerned however it arises and whether it is present or future, fixed or unascertained, actual or contingent.

Condition means a condition precedent set out in clause 3.2.

Confidentiality Deeds means the deed of that name between Blackthorn and Intrepid in respect of the proposed Scheme dated 6 June 2014 and 29 July 2014 respectively.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia or any other court of competent jurisdiction under the Corporations Act agreed in writing between Intrepid and Blackthorn.

Deed Poll means a document in the form or substantially in the form of Schedule 4, or in such other form as is agreed in writing between Blackthorn and Intrepid.

Effective means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Share Scheme.

Effective Date means the date on which the Share Scheme becomes Effective.

End Date means 12 December 2014, subject to any extension to that date made under clause 3.7

Exclusivity Period means the period commencing on the date of this document and ending on the earlier of:

- (a) termination of this document in accordance with its terms;
- (b) the Implementation Date; and
- (c) the End Date.

First Court Date means the first day of the hearing of the Court of an application for an order under section 411(1) of the Corporations Act convening of the Share Scheme Meeting.

Government Agency means a government, government department or a governmental, semi-governmental, administrative, statutory or judicial entity, agency, authority, commission, department, tribunal, or person charged with the administration of a law or agency, whether in Australia or elsewhere, including ASIC, ASX, the Takeovers Panel, and any self-regulatory organisation established under statute or by ASX.

GST Law means the same as "GST Law" in *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Implementation means the implementation of the Share Scheme, on it becoming Effective.

Implementation Date means the day that is 5 Business Days following the Record Date, or such other date:

- (a) agreed between Intrepid and Blackthorn in writing;
- (b) ordered by the Court; or
- (c) as required by ASX.

Impugned Amount means all or any part of the payment required to be made under clause 11.2 or 11.3 that is found by the Takeovers Panel or court to:

- (a) be unlawful;
- (b) involve a breach of directors' duties; or
- (c) constitute Unacceptable Circumstances.

Independent Expert means an independent expert to be engaged by Blackthorn to express an opinion on whether the Share Scheme is in the best interests of Blackthorn Shareholders.

Independent Expert's Report means a report prepared by the Independent Expert in accordance with ASIC Regulatory Guides 111 and 112.

Ineligible Overseas Shareholder means a Blackthorn Shareholder:

- (a) who is (or is acting on behalf of) a resident of a jurisdiction other than Australia or New Zealand and their respective external territories;
- (b) whose address is shown in the Register as a place outside of Australia or New Zealand and their respective external territories,

Attachment D: Scheme Implementation Deed (continued)

unless Blackthorn and Intrepid agree that a Blackthorn Shareholder with a registered address outside of Australia and New Zealand should not be treated as an Ineligible Overseas Shareholder and may be issued the New Intrepid Shares in accordance with the Share Scheme and for this purpose the parties agree that shareholders who are residents of, or whose address as shown in the Register is in, USA and Singapore will not be treated as an Ineligible Overseas Shareholder.

Further, if a Blackthorn Shareholder has a registered address outside of Australia, New Zealand, USA or Singapore and Blackthorn considers it appropriate for those shareholders to have the opportunity to receive the New Intrepid Shares, then Intrepid will agree to those shareholders not being treated as Ineligible Overseas Shareholders if Blackthorn can provide, to Intrepid's reasonable satisfaction, at least 3 Business Days before the date on which the Court makes orders under section 411(4)(b) of the Corporations Act approving the Share Scheme, confirmation that there are appropriate exemptions available to allow Intrepid to issue the New Intrepid Shares to those shareholders without having to undertake onerous filing or disclosure obligations in those jurisdictions.

Insolvency Event means, in respect of a person:

- (a) an administrator being appointed to the person;
- (b) a controller or analogous person being appointed to the person or any of the person's property;
- (c) an application being made to a court for an order to appoint a controller, provisional liquidator, trustee for creditors or in bankruptcy or analogous person to the person or any of the person's property;
- (d) an appointment of the kind referred to in paragraph (c) being made (whether or not following a resolution or application);
- (e) the holder of a Security Interest or any agent on its behalf, appointing a controller or taking possession of any of the person's property (including seizing the person's property within the meaning of section 123 of the PPSA) or otherwise enforcing or exercising any rights under the Security Interest or Chapter 4 of the PPSA;
- (f) the person being taken under section 459F(1) of the Corporations Act to have failed to comply with a statutory demand;
- (g) an application being made to a court for an order for its winding up;
- (h) an order being made, or the person passing a resolution, for its winding up;
- (i) the person:
 - (i) suspending payment of its debts, ceasing (or threatening to cease) to carry on all or a material part of its business, stating that it is unable to pay its debts or being or becoming otherwise insolvent; or
 - (ii) being unable to pay its debts or otherwise insolvent;
- (j) the person taking any step toward entering into a compromise or arrangement with, or assignment for the benefit of, any of its members or creditors;
- (k) a court or other authority enforcing any judgment or order against the person for the payment of money or the recovery of any property; or

(l) any analogous event under the laws of any applicable jurisdiction,

unless this takes place as part of a solvent reconstruction, amalgamation, merger or consolidation that has been approved by the other party to this document.

Intrepid Board means the board of directors of Intrepid.

Intrepid Buy-Back has the meaning given to that term in clause 10.

Intrepid Competing Proposal means any proposal (including a scheme of arrangement) or offer that would, if completed substantially in accordance with its terms, result in any person or persons other than a member of Blackthorn, Blackthorn or a member of the Blackthorn Group acquiring (directly or indirectly):

- (a) an interest in all or a substantial part of the assets of Intrepid or the Intrepid Group;
- (b) a relevant interest in more than 20% of the voting shares of Intrepid;
- (c) control of Intrepid within the meaning of section 50AA of the Corporations Act; or
- (d) otherwise acquiring or merging with Intrepid (including by way of reverse takeover, reverse scheme of arrangement or dual listed company structure).

Intrepid Disclosure Material means:

- (a) the Intrepid Due Diligence Information; and
- (b) information available on the Public Registers prior to the date of this document.

Intrepid Due Diligence Information means all written information relating to the business, assets, liabilities, operations, profits and losses, financial position and performance and prospects of Intrepid and its subsidiaries made available by or on behalf of any member of the Intrepid Group or its Representatives to Blackthorn or its Representatives.

Intrepid Excluded Transaction means a transaction:

- (a) fairly disclosed in the Intrepid Disclosure Material before the date of this document;
- (b) consistent with a policy relating to employment which was fairly disclosed in the Intrepid Disclosure Material;
- (c) required to be done or procured by Intrepid under this document or the Share Scheme; or
- (d) in relation to which Blackthorn has expressly consented in writing.

Intrepid Independent Expert means an independent expert engaged by Intrepid to prepare an Intrepid Independent Expert's Report.

Intrepid Independent Expert's Report means any independent expert's report commissioned by Intrepid to express an opinion as to whether the Intrepid Buy-Back is fair and reasonable to all Intrepid Shareholders, prepared in accordance with ASIC Regulatory Guides 111 and 112.

Intrepid Group means Intrepid and its subsidiaries.

Attachment D: Scheme Implementation Deed (continued)

Intrepid Material means the information provided by Intrepid to Blackthorn in accordance with clause 7(h) for inclusion in the Share Scheme Booklet.

Intrepid Meeting Material means all material in respect of the Share Scheme and the Intrepid Buy-Back to be provided to Intrepid Shareholders, and any other material also being provided to the Intrepid Shareholders for the purposes of the Intrepid Shareholder Meeting prior to the Intrepid Shareholder Meeting, including the:

- (a) offer documents associated with the Intrepid Buy-Back, including the Intrepid Independent Expert's Report; and
- (b) notice of meeting and explanatory material to be provided to Intrepid Shareholders in relation to the Intrepid Shareholder Meeting.

Intrepid Option means an option to subscribe for an Intrepid Share, listed in Schedule 2.

Intrepid Prescribed Event means the occurrence of any of the following:

- (a) Intrepid converting all or any of its shares into a larger or smaller number of shares;
- (b) Intrepid resolving to reduce its share capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares;
- (c) Intrepid:
 - (i) entering into a buy-back agreement; or
 - (ii) resolving to approve the terms of a buy-back agreement under the Corporations Act;
- (d) Intrepid declaring, paying or distributing any dividend, bonus or other share of its profits or assets or returning or agreeing to return any capital to its members;
- (e) a member of the Intrepid Group:
 - (i) issuing shares or securities convertible into shares, or granting an option over its shares, or agreeing to make such an issue or grant such an option other than:
 - (A) to a wholly-owned subsidiary of Intrepid; or
 - (B) pursuant to the exercise of any convertible securities existing as at, and the issue of which has been notified to the ASX before, the date of this document; or
 - (C) to Intrepid's non-executive directors pursuant to its Non-Executive Directors' Share Plan where each director's interest has been disclosed in writing to Blackthorn before the date of this document;
 - (ii) making any change to its constitution; or
 - (iii) being deregistered as a company or otherwise dissolved except in the case of an Intrepid Group member with less than \$100,000 in net assets, or which is not carrying on business as at the date of this document; or
 - (iv) carrying on its business other than in the ordinary and usual course;

- (v) acquiring, offering to acquire or agreeing to acquire any one or more assets (including any one or more shares in any company) having a market value that in aggregate is, or the consideration for which in aggregate is, \$100,000 or more;
- (vi) disposing, offering to dispose or agreeing to dispose of any one or more assets (including any one or more shares in any company), or an interest in any one or more assets, having a market value that in aggregate is, or the consideration for which in aggregate is, \$100,000 or more (and, for the avoidance of doubt, "dispose" includes sell, transfer, grant an option over, declare or create a trust over, surrender, allow to lapse or Encumber);
- (vii) granting, or agreeing to grant, any Security Interest over the whole, or a substantial part, of its business or property;
- (viii) entering into, or offering to enter into, any joint venture, asset or profit sharing arrangement, partnership or merger of businesses or of corporate entities (including through a multiple listed companies structure) in respect of any one or more assets (including any one or more shares in any company) or undertakings having a market value that in aggregate is, or involving a commitment or liability that in aggregate is, \$100,000 or more;
- (ix) other than in the ordinary course of business:
 - (A) incurring or committing to, or bringing forward the time for incurring or committing, or granting to another person a right the exercise of which would involve a member of the Intrepid Group incurring or committing to, any capital expenditure or liability; or
 - (B) foregoing any revenue,
 for one of more related items or amounts of \$100,000 or more;
- (x) entering into or resolving to enter into a transaction with any related party of Intrepid (other than a related party which is a wholly-owned member of the Intrepid Group) as defined in section 228 of the Corporations Act;
- (xi) changing any accounting policy applied by them to report its financial position other than any change in policy required by a change in applicable accounting standards or law;
- (xii) doing anything that would result in a change in the membership of the Intrepid Consolidated Tax Group;
- (xiii) other than in accordance with annual remuneration reviews occurring in the ordinary course of business, varying or agreeing to vary the employment arrangements or remuneration of any director or employee of any member of the Intrepid Group whose annual remuneration as at the date of this document is \$100,000 or more;
- (xiv) amending the terms of an employee share scheme or any other plan or scheme operated for the benefit of directors or employees of any one or more members of the Intrepid Group;
- (xv) paying or agreeing to pay any bonus, termination or retention payment to any director or employee of any member of the Intrepid Group except in

Attachment D: Scheme Implementation Deed (continued)

accordance with the terms of the contract in place with such person as at the date of this document or otherwise in the ordinary course of business;

- (xvi) employing or agreeing to employ any person the value of whose total remuneration is or is to be \$100,000 or more;
 - (xvii) entering into any enterprise bargaining agreement other than in the ordinary course of business or pursuant to contractual arrangements in effect on the date of this document and which have been disclosed in writing to Intrepid prior to the date of this document; or
 - (xviii) disclosing (without having disclosed before the date of this document) the existence of any matter described in subparagraphs (i) to (xvii) above, or announces an intention to do anything described in described in subparagraphs (i) to (xvii) above; or
 - (f) an Insolvency Event occurring in relation to a member of the Intrepid Group (except in the case of an Intrepid Group member with less than \$100,000 in net assets as at the date of this document),
- but excluding:
- (g) any occurrence relating to the closure of Intrepid's representative office in Jakarta, including the divestment or liquidation of related assets and the termination of contracts of employment providing that the aggregate liabilities, or anticipated contingent liabilities, for these events do not exceed \$100,000;
 - (h) the buy-back of Intrepid Shares pursuant to the Intrepid Buy-Back;
 - (i) the payment of a cash amount of \$320,000 to Scott Lowe in lieu of the issue of securities pursuant to the long term incentive component of his remuneration package; or
 - (j) any Intrepid Excluded Transaction.

Intrepid Share means a fully paid ordinary share in Intrepid.

Intrepid Shareholder means each person entered in the register of members of Intrepid as a holder of Intrepid Shares.

Intrepid Shareholder Approval means:

- (a) the approval by Intrepid Shareholders by ordinary resolution to the acquisition by Intrepid of the Blackthorn Shares in accordance with the Share Scheme terms for all purposes including pursuant to Chapter 11 of the ASX Listing Rules; and
- (b) the approval by Intrepid Shareholders by ordinary resolution of the Intrepid Buy-Back.

Intrepid Shareholder Meeting means the meeting of Intrepid Shareholders where Intrepid Shareholders will be asked to consider and approve:

- (a) as an ordinary resolution, the acquisition by Intrepid of the Blackthorn Shares in accordance with the Share Scheme terms;
- (b) as an ordinary resolution, the Intrepid Buy-Back,

which resolutions set out in paragraphs (a) and (b) above will be inter-conditional;
and

(c) at Intrepid's election, either of the following resolutions (being the **Alternative Resolution**):

- (i) as an ordinary resolution, pursuant to section 257B of the Corporations Act an equal access share buy-back under which all Intrepid Shareholders as at the relevant record date will be given the opportunity to elect that some or all of their Intrepid Shares are bought back by Intrepid for the amount of \$0.275 per Intrepid Share; or
- (ii) as a special resolution, for the purposes of sections 256B(1)(c) and 256C(1) of the Corporations Act, Regulation 30 of Intrepid's constitution and for all other purposes, a reduction in Intrepid's issued ordinary share capital to permit the return to all Intrepid Shareholders as at the relevant record date of the amount of \$0.275 per Intrepid Share,

where such Alternative Resolution will begin with the words "*Only if either Resolution 1 (approving the Share Scheme) or Resolution 2 (approving the Intrepid Buy-Back) are not approved, to consider and, if thought fit to pass the following ...*" and where such Alternative Resolution will only be put to Intrepid Shareholders if either of the resolutions set out in paragraphs (a) and (b) above are not approved by Intrepid Shareholders.

Loss includes any loss, damage, liability, obligation, compensation, fine, penalty, charge, payment, cost or expense (including any legal cost and expense) however it arises and whether it is present or future, fixed or unascertained, actual or contingent but excluding any consequential or indirect loss, economic loss or loss of profits.

Material Adverse Effect, in relation to a party, means a material adverse effect on the structure, business, assets, liabilities, operations, financial or trading position or performance and prospects of the party and its subsidiaries, taken as a whole, which diminishes the value and prospects of the party and its subsidiaries, taken as a whole of not less than \$500,000, including (without limitation), any material investigation, prosecution, arbitration, litigation or dispute being threatened against the party's Group which could reasonably be expected to give rise to a liability for the party's Group in excess of \$500,000 (**Material Proceedings**), or circumstances arising which would reasonably be expected to give rise to any Material Proceedings, but excluding any event, occurrence or matter:

- (a) which is fully and fairly disclosed in an ASX lodgement made by the affected party prior to the Execution Date;
- (b) which is a change in generally accepted accounting principles or the interpretation of them;
- (c) which is solely a change in interest rates, commodity prices or currency exchange rates;
- (d) required to be undertaken or procured by a party pursuant to the terms of this document; or
- (e) to the extent that event, occurrence or matter was known to the non-affected party prior to the date of this document (which does not include knowledge of the risk of an event, occurrence or matter happening).

Attachment D: Scheme Implementation Deed (continued)

Meeting Date means the date on which Blackthorn Shareholders vote on a resolution to approve the Share Scheme under section 411(4)(a)(ii) of the Corporations Act.

Mining Licence Approval means the granting of a mining licence pursuant to the Mines and Minerals Development Act 2008, Republic of Zambia, to succeed Blackthorn's Prospecting Licence 8589-HQ-LPL;

Mining Licence Approval End Date means 28 November 2014, or such later date as agreed between Intrepid and Blackthorn in writing.

New Intrepid Share means Intrepid Shares to be issued under the Share Scheme as Share Scheme Consideration.

PPS Security Interest means a security interest that is subject to the PPSA.

PPSA means the *Personal Property Securities Act 2009* (Cth).

Public Registers means the records made available for public inspection by ASIC and ASX.

Record Date means 7:00pm (Sydney time) on the day which is five Business Days after the Effective Date, or any other date (after the Effective Date) agreed by the parties to be the record date to determine entitlements to receive Share Scheme Consideration under the Share Scheme.

Register means the register of Blackthorn Shareholders.

Relevant Date means, in relation to a Condition, the date or time specified in this document for its fulfilment or, if no date or time is specified, 8.00 am on the Second Court Date, subject, in either case, to extension of that date made pursuant to clause 3.7(f).

Representatives means, in relation to an entity:

- (a) each of the entity's subsidiaries; and
- (b) each of the directors, officers, employees and legal, financial and other expert advisers of the entity or any of its subsidiaries.

Scheme Booklet means the information memorandum in respect of the Share Scheme to be approved by the Court and dispatched to Blackthorn Shareholders, and includes the Share Scheme, a copy of the Deed Poll executed by Intrepid, an explanatory statement as that term is defined in section 412 of the Corporations Act, the Independent Expert's Report and a notice of meeting and proxy form.

Scheme Shareholders means each Blackthorn Shareholder as at the Record Date (taking into account registration of all registrable transfers and transmission applications received at Blackthorn's share registry by the Record Date) but excluding Ineligible Overseas Shareholders.

Scheme Resolution means a resolution to approve the Share Scheme.

Second Court Date means the first day on which the Court hears the application for an order under section 411(4)(b) of the Corporations Act approving the Share Scheme or, if the application is adjourned or subject to appeal for any reason, the first day on which the adjourned or appealed application is heard.

Security Interest means any security interest, including:

- (a) any other mortgage, charge, pledge or lien; or
- (b) any other interest or arrangement of any kind that in substance secures the payment of money or the performance of an obligation, or that gives a creditor priority over unsecured creditors in relation to any property.

Share Scheme means a scheme of arrangement under Part 5.1 of the Corporations Act between Blackthorn and the Blackthorn Shareholders in the form or substantially in the form of Schedule 3 or in such other form as is agreed in writing between Blackthorn and Intrepid, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved by each party.

Share Scheme Consideration means the number of Intrepid Shares for each Blackthorn Share held by a Scheme Shareholder as at the Record Date as determined by the following formula (subject to rounding in accordance with clause 2.4(b)), which based on the current issued capital of Intrepid as at the date of this document will provide a result of between 1.078 and 1.147 Intrepid Shares for each Blackthorn Share:

$$\text{Share Scheme Consideration} = 0.356 / ((A - B) / C)$$

Where:

A = 173,000,000

B = the cash amount to be paid by Intrepid under the Intrepid Buy-Back, which is subject to Intrepid Shareholder Approval being obtained

C = the number of Intrepid Shares on issue at the close of trading of Intrepid's securities on the ASX on the last day of the Intrepid Buy-Back offer period, less the number of Intrepid Shares to be bought back under the Intrepid Buy-Back, which is subject to Intrepid Shareholder Approval

Share Scheme Meeting means the meeting of Blackthorn Shareholders to be convened as ordered by the Court under section 411(1) of the Corporations Act, to consider the Share Scheme.

Takeovers Panel means the Takeovers Panel constituted under the *Australian Securities and Investments Commission Act 2001* (Cth).

Timetable means the timetable set out in Schedule 1, subject to any modifications as the parties may agree in writing.

Unacceptable Circumstances has the meaning given to that term in section 657A of the Corporations Act.

1.2 Rules for interpreting this document

Headings and catchwords are for convenience only, and do not affect interpretation. The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply.

- (a) A reference to:
 - (i) a legislative provision or legislation (including subordinate legislation) is to that provision or legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;

Attachment D: Scheme Implementation Deed (continued)

- (ii) a document (including this document) or agreement, or a provision of a document (including this document) or agreement, is to that document, agreement or provision as amended, supplemented, replaced or novated;
- (iii) a party to this document or to any other document or agreement includes a permitted substitute or a permitted assign of that party;
- (iv) a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person; and
- (v) anything (including a right, obligation or concept) includes each part of it.
- (b) A singular word includes the plural, and vice versa.
- (c) A word which suggests one gender includes the other genders.
- (d) If a word or phrase is defined, any other grammatical form of that word or phrase has a corresponding meaning.
- (e) If an example is given of anything (including a right, obligation or concept), such as by saying it includes something else, the example does not limit the scope of that thing.
- (f) The words **associate**, **controller**, **entity**, **officer**, **relevant interest**, **security interest** and **subsidiary** have the same meanings as given by the Corporations Act.
- (g) A reference to **\$** or **dollar** is to Australian currency.
- (h) The word **agreement** includes an undertaking or other binding arrangement or understanding, whether or not in writing.
- (i) The expression **this document** includes the agreement, arrangement, understanding or transaction recorded in this document.
- (j) Words defined in the GST Law have the same meaning in clauses concerning GST.
- (k) A reference to time in this document is a reference to time in Sydney, New South Wales.

1.3 Non-Business Days

If the day on or by which a person must do something under this document is not a Business Day the person must do it on or by the next Business Day.

2. BLACKTHORN SCHEME

2.1 Agreement to propose and implement the Share Scheme

- (a) Blackthorn agrees to propose and implement the Share Scheme in accordance with Part 5.1 of the Corporations Act and subject to the terms of this document, and must use all reasonable endeavours to do so substantially in accordance with the Timetable.
- (b) Intrepid agrees to assist Blackthorn to propose and implement the Share Scheme in accordance with Part 5.1 of the Corporations Act and subject to the terms of this document, and must use all reasonable endeavours to do so substantially in accordance with the Timetable.

2.2 Outline of the Share Scheme

Subject to the terms of this document, on the Implementation Date, all of the Blackthorn Shares held by Scheme Shareholders will be transferred to Intrepid and the Scheme Shareholders will be entitled to receive the Share Scheme Consideration.

2.3 No amendments to the Share Scheme without consent

Blackthorn must not consent to any modification of, or amendment to, or the making or imposition by the Court of any condition in respect of, the Share Scheme without the prior written consent of Intrepid or the consent of Intrepid's representative in attendance at Court proceedings for the Share Scheme (which consents must not be unreasonably withheld or delayed).

2.4 Share Scheme Consideration

- (a) Intrepid agrees and undertakes to Blackthorn that in consideration of the transfer to Intrepid of each Blackthorn Share held by a Scheme Shareholder under the terms of the Share Scheme, Intrepid will on the Implementation Date, subject to the terms of this document, the Deed Poll and the Share Scheme, accept that transfer and issue the Share Scheme Consideration to each Scheme Shareholder as at the Record Date.
- (b) Any fractional entitlement of a Scheme Shareholder to part of an Intrepid Share will be rounded up or down to the nearest whole number of Intrepid Shares in accordance with the Share Scheme (and if the fraction entitlement would include one-half of an Intrepid Share, the entitlement will be rounded up to the nearest whole number of Intrepid Shares in accordance with the Share Scheme).
- (c) Unless Intrepid is satisfied that it may lawfully issue New Intrepid Shares to an Ineligible Overseas Shareholder either unconditionally or after compliance with terms which Intrepid reasonably regards as acceptable and practical, Intrepid has no obligation to allot or issue New Intrepid Shares to the Ineligible Overseas Shareholder.
- (d) If Intrepid elects not to allot or issue New Intrepid Shares to an Ineligible Overseas Shareholder under clause 2.4(c), it must allot and issue the New Intrepid Shares to which the Ineligible Overseas Shareholder would otherwise become entitled to a nominee appointed by Intrepid (with the consent of Blackthorn, not to be unreasonably withheld or delayed). Intrepid must procure that the nominee sell those New Intrepid Shares at the time and the nominee must then pay to that Ineligible Overseas Shareholder the proceeds received after deducting any applicable fees, brokerage, taxes and charges.

3. CONDITIONS

3.1 Obligations not binding until Conditions satisfied

Subject to this clause 3, the obligations of the parties with respect to Implementation (including the obligations of Intrepid under clauses 2.4 above and 7(v) below) do not become binding unless and until each Condition is satisfied or waived under clause 3.4.

Attachment D: Scheme Implementation Deed (continued)

3.2 Conditions

The Conditions are as follows:

Conditions for the benefit of both parties

- (a) **(Independent Expert's Report)** the Independent Expert's Report concludes that the Share Scheme is in the best interests of Blackthorn Shareholders and the Independent Expert maintains that opinion (including by not withdrawing or changing that opinion) at all times up to 8.00am on the Second Court Date;
- (b) **(orders convening Meeting)** the Court makes orders convening the Share Scheme Meeting under section 411(1) of the Corporations Act;
- (c) **(Blackthorn Shareholder Approval)** Blackthorn Shareholder Approval is obtained at the Share Scheme Meeting convened in accordance with the orders made under section 411(1) of the Corporations Act;
- (d) **(Intrepid Shareholder Approval)** Intrepid Shareholder Approval is obtained;
- (e) **(Court approval of Scheme)** the Court makes orders under section 411(4)(b) of the Corporations Act approving the Share Scheme;
- (f) **(order lodged with ASIC)** an office copy of the Court order approving the Share Scheme is lodged with ASIC under section 411(4)(b) of the Corporations Act;
- (g) **(no restraint adversely affecting Implementation)** no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the acquisition of all the Blackthorn Shares by Intrepid or otherwise preventing Implementation is in effect at 8.00 am on the Second Court Date;
- (h) **(ASX quotation)** before 8.00 am on the Second Court Date, the New Intrepid Shares to be issued to Scheme Shareholders in accordance with the Share Scheme are approved for official quotation on ASX, which approval may be conditional on the issue of those shares and other conditions customarily imposed by ASX;
- (i) **(Mining Licence Approval)** before 8.00 am on the Mining Licence Approval End Date, the Mining Licence Approval has been obtained;
- (j) **(ASIC and ASX consents)** before 8.00am on the Second Court Date, ASIC and ASX issue or provide such consents or approvals or have done such other acts which Blackthorn and Intrepid agree are reasonably necessary to implement the Scheme;
- (k) **(Intrepid Independent Expert's Report)** the Intrepid Independent Expert's Report concluding that the Intrepid Buy-Back is either fair and reasonable, or not fair but reasonable, to all Intrepid Shareholders and the Intrepid Independent Expert maintaining that opinion (including by not withdrawing or changing that opinion) at all times up until the conclusion of the Intrepid Shareholder Meeting;
- (KA) **(Authorisations)** before 8:00am on the Second Court Date, all Authorisations required to implement the Scheme are granted or obtained;

Conditions for the benefit of Intrepid

- (l) **(no Material Adverse Effect on Blackthorn)** during the period commencing on the date of this document and ending at 8.00 am on the Second Court Date, no one or more events, occurrences or matters individually or in aggregate that have

or could reasonably be expected to have a Material Adverse Effect on Blackthorn, occurs or becomes known to Intrepid, other than a Material Adverse Effect that resulted solely from an event, occurrence or matter which:

- (i) was fairly disclosed in the Blackthorn Disclosure Material;
 - (ii) was due to one or more acts or omissions which were required to be done or procured by Blackthorn under this document or the Share Scheme;
 - (iii) was due to one or more acts or omissions which Intrepid expressly consented to in writing;
 - (iv) was attributable to the approval of Mining Licence not being obtained prior to the Mining Licence Approval End Date; or
 - (v) is a Blackthorn Excluded Transaction;
- (m) **(no Blackthorn Prescribed Event)** during the period commencing on the date of this document and ending at 8.00 am on the Second Court Date, no Blackthorn Prescribed Event occurs;
- (n) **(Blackthorn representations and warranties)** each of the representations and warranties given or made by Blackthorn under clause 18 below is true and correct as at the time it is given or made;

Conditions for the benefit of Blackthorn

- (o) **(no Material Adverse Effect on Intrepid)** during the period commencing on the date of this document and ending at 8.00 am on the Second Court Date, no one or more events, occurrences or matters individually or in aggregate that have or could reasonably be expected to have a Material Adverse Effect on Intrepid, occurs or becomes known to Blackthorn unless that event, occurrence or matter:
- (i) was fairly disclosed in the Intrepid Disclosure Material;
 - (ii) was due to one or more acts or omissions which were required to be done or procured by Intrepid under this document or the Share Scheme;
 - (iii) was due to one or more acts or omissions which Blackthorn expressly consented to in writing; or
 - (iv) was an Intrepid Excluded Transaction;
- (p) **(no Intrepid Prescribed Event)** during the period commencing on the date of this document and ending at 8.00 am on the Second Court Date, no Intrepid Prescribed Event occurs; and
- (q) **(Intrepid representations and warranties)** each of the representations and warranties given or made by Intrepid under clause 18 below is true and correct as at the time it is given or made.

3.3 Benefit of Conditions

The Conditions in:

- (a) clauses 3.2(a) to 3.2(KA) are for the benefit of each party (except that clauses 3.2(b), 3.2(c), 3.2(e), 3.2(j) and 3.2(KA) cannot be waived by any party);
- (b) clauses 3.2(l) to 3.2(n) are for the benefit of Intrepid; and

Attachment D: Scheme Implementation Deed (continued)

- (c) clauses 3.2(o) to 3.2(q) are for the benefit of Blackthorn.

3.4 Waiver of Conditions

- (a) If a Condition has been included for the benefit of:
- (i) one party only, only that party may, in its sole and absolute discretion, waive the breach or non-fulfilment of the Condition; or
 - (ii) more than one party, the breach or non-fulfilment of the Condition may be waived only by the consent of all those parties, except in relation to clauses 3.2(b), 3.2(c), 3.2(e), 3.2(j) and 3.2(KA) which cannot be waived by the parties.

However, a party for whom a Condition has been included must not waive the Condition if it would result in a breach of law.

- (b) The breach or non-fulfilment of a Condition may only be waived in writing.
- (c) If a party waives the breach or non-fulfilment of a Condition, that waiver precludes the party from suing another party for any breach of this document that resulted in the breach or non-fulfilment of the Condition.

3.5 Fulfilment of Conditions

Each party must:

- (a) use its reasonable endeavours (other than by waiver) to ensure and procure that each Condition is satisfied as soon as practicable after the date of this document;
- (b) not take any action or refrain from taking any action (except as required by law) designed to prevent the Conditions being satisfied, without the prior consent of the other party;
- (c) keep the other party promptly and reasonably informed of the steps it has taken and of its progress towards satisfaction of the Conditions;
- (d) promptly inform the other party of any circumstances of which it becomes aware which may result in any of the Conditions not being satisfied in accordance with its terms; and
- (e) promptly advise the other party of the satisfaction of a Condition.

3.6 Parties to provide certificate to Court

Each of Blackthorn and Intrepid must provide to the other and to the Court before or at the Second Court Hearing, a certificate or such other evidence as the Court requests, confirming whether or not the conditions set out in clause 3.2 of this document included for its benefit, other than the conditions in clause 3.2(e) and 3.2(f), have been satisfied (or waived by it) in accordance with the terms of this document.

3.7 If a Condition is not fulfilled or waived

Subject to clause 3.4(a), if:

- (a) a Condition set out in clause 3.2(a) to 3.2(d) inclusive and clause 3.2(g) to 3.2(q) inclusive has not been fulfilled by the Relevant Date and is not waived;

- (b) a Condition set out in clause 3.2(e) or 3.2(f) has not been fulfilled or waived by the End Date;
- (c) the Effective Date does not occur on or prior to the End Date; or
- (d) there is an act, failure to act, event or occurrence which will prevent a Condition being fulfilled by:
 - (i) in the case of a Condition in clause 3.2(a) to 3.2(d) inclusive or clause 3.2(g) to 3.2(q) inclusive, the Relevant Date; or
 - (ii) in the case of a Condition in clause 3.2(e) or 3.2(f), the End Date,
 (and the breach or non-fulfilment of the Condition which would otherwise occur has not been waived),

the parties:

- (e) must consult in good faith to determine whether the Share Scheme may proceed by way of alternative means or method so as to achieve a commercial outcome which reflects the Share Scheme; and
- (f) may agree to extend the Relevant Date or the End Date, or both.

4. OBLIGATIONS OF THE PARTIES

Each party must use reasonable endeavours to give effect to the Share Scheme, subject to compliance with their respective obligations, powers and duties under this document, their constituent documents and all applicable laws and the proper performance by the directors of each of Blackthorn and Intrepid respectively of their fiduciary duties.

5. BLACKTHORN OPTION BUY OUT

- (a) As soon as practicable following the date of this document, Blackthorn and Intrepid will use their best endeavours to enter into binding written agreements with each Blackthorn Option Holder which will set out the terms on which:
 - (i) Blackthorn Option Holders will have their Blackthorn Options cancelled on the Implementation Date (conditional on the Scheme being implemented and the Option Consideration being issued) in exchange for Intrepid issuing the Option Consideration (as described in clause 5(a)(ii) below) to them on the Implementation Date;
 - (ii) in consideration for the Blackthorn Option Holders cancelling their Blackthorn Options, Intrepid will issue Intrepid Shares (**Option Consideration**) to each Blackthorn Option Holder, with the number of such shares to be calculated as set out in Schedule 5 to this document; and
 - (iii) in respect of any Option Consideration granted to Mr Mark Mitchell, Mr Mitchell will be restricted in dealing (including by way of selling, transferring or creating a trust over) with 50% of the Option Consideration for a period of 12 months following the issue of the Option Consideration and Mr Mitchell will agree to Intrepid implementing any reasonable procedure it considers to restrict such dealings, including by way of a Holding Lock (as such term is defined in chapter 19 of the ASX Listing Rules except that the restriction will be lifted if a takeover bid is made for Intrepid or a scheme of arrangement is proposed for all of the shares in Intrepid),

(Blackthorn Option Buy Out)

Attachment D: Scheme Implementation Deed (continued)

- (b) Blackthorn and Intrepid agree to use their best endeavours to and do all things reasonably necessary to:
 - (i) enter into binding written agreements with Blackthorn Option Holders before the date of the Scheme Meeting for the cancellation of the Blackthorn Options consistent with the terms of this clause 5; and
 - (ii) effect the Blackthorn Option Buy Out on the Implementation Date.

6. BLACKTHORN OBLIGATIONS

Blackthorn must take all necessary steps to propose and implement the Share Scheme as expeditiously as practicable and use all reasonable endeavours to do so substantially in accordance with the Timetable, including taking each of the following steps:

- (a) **(Announcement)** on the date of this document, make an Announcement, in a form agreed between Blackthorn and Intrepid which includes a statement (on the basis of written statements made to it by each of its directors) that each director of Blackthorn:
 - (i) considers the Share Scheme to be in the best interest of Blackthorn Shareholders and recommends to Blackthorn Shareholders that the Share Scheme be approved; and
 - (ii) who holds Blackthorn Shares intends to vote his or her Blackthorn Shares in favour of the Share Scheme,

subject to no superior proposal emerging and the Independent Expert's Report opining at all times prior to the Second Court Date that the Share Scheme is in the best interest of Blackthorn Shareholders;
- (b) **(directors' approval)** use reasonable endeavours to procure that, subject to:
 - (i) the proper performance by its directors of their fiduciary duties;
 - (ii) no superior proposal emerging; and
 - (iii) the Independent Expert's Report opining at all times prior to the Second Court Date that the Share Scheme is in the best interest of Blackthorn Shareholders,

the Blackthorn directors maintain the recommendation referred to in clause 6(a) until the Implementation Date;
- (c) **(Independent Expert's Report)** commission the preparation of the Independent Expert's Report and provide all assistance and information reasonably requested by the Independent Expert to enable it to prepare the Independent Expert's Report;
- (d) **(Intrepid Independent Expert's Report)** provide all assistance and information reasonably requested by the Intrepid Independent Expert in connection with the preparation of any Intrepid Independent Expert's Report commissioned by Intrepid;
- (e) **(prepare Scheme Booklet)** prepare the Share Scheme Booklet in accordance with the principles in clause 8, subject to Intrepid complying with its obligations under clauses 7(h) and 7(j) below in respect of the Intrepid Material;
- (f) **(continuing obligation of disclosure)** subject to any order of the Court and applicable law, ensure that the Share Scheme Booklet (but in respect of the Intrepid Material, subject to Intrepid complying with its obligations under clauses

7(h) and 7(j) below) is updated by all such further or new information which may arise after the Share Scheme Booklet has been dispatched until the Share Scheme Meeting which is necessary to ensure that the Share Scheme Booklet is not misleading or deceptive in any material respect (including because of any material omission) and otherwise complies with all applicable laws;

(g) **(Intrepid Meeting Material):**

- (i) as expeditiously as practicable, give to Intrepid for inclusion in the Intrepid Meeting Material such information regarding Blackthorn which would be included in the Scheme Booklet and which is required to be included in the Intrepid Meeting Material (**Blackthorn Provided Material**). The Blackthorn Provided Material must be provided to Intrepid in a form appropriate for inclusion in the Intrepid Meeting Material (to the extent that Blackthorn reasonably can and except where the form appropriate for inclusion in the Intrepid Meeting Material is more onerous than required of Blackthorn to provide for the Scheme Booklet) and with reasonable time to allow Intrepid to prepare the Intrepid Meeting Material in accordance with this document; and
- (ii) take all reasonable steps to ensure and confirm in writing to Intrepid before the time the Intrepid Meeting Material is dispatched to Intrepid Shareholders that the Blackthorn Provided Material is accurate and not misleading or deceptive in any material respect (including because of any material omission);

(h) **(further information)** inform Intrepid in writing as expeditiously as practicable if it becomes aware that the Blackthorn Provided Material (or any part of it) is or has become inaccurate or misleading or deceptive in any material respect (including because of any material omission) and provide Intrepid with updated information that is accurate and not misleading or deceptive in any material respect (including because of any material omission);

(i) **(Court documents)** prepare all documents necessary for the Court proceedings relating to the Share Scheme in accordance with all applicable laws;

(j) **(consult with Intrepid)** in a timely manner consult with Intrepid as to the form and content of all documents required for the purposes of the Share Scheme, including:

- (i) the Share Scheme Booklet, including taking into account Intrepid's reasonable comments received in a timely manner and incorporating the Intrepid Material. Intrepid acknowledges and agrees that Blackthorn has ultimate discretion with respect to the preparation, form and content of the Share Scheme Booklet, other than as expressly provided in this document with respect to the Intrepid Material; and
- (ii) the Court proceedings relating to the Share Scheme, including taking into account Intrepid's reasonable comments received in a timely manner in relation to the documents required for the Court proceedings;

(k) **(lodgement of ASIC Review Draft)** as soon as practicable after the preparation of an advanced draft of the Share Scheme Booklet suitable for review by ASIC, subject to Intrepid complying with its obligations under clauses 7(h) and 7(j) , procure that:

- (i) a meeting of the Blackthorn Board, or of a committee of the Blackthorn Board appointed for the purpose, is held to consider approving that draft as

Attachment D: Scheme Implementation Deed (continued)

being in a form appropriate for provision to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act; and

- (ii) provide such advanced draft of the Share Scheme Booklet to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act;
- (l) **(approval of Share Scheme Booklet)** as soon as practicable after the conclusion of the review by ASIC of the Share Scheme Booklet, procure that a meeting of the Blackthorn Board (or a subcommittee of it) is convened to consider approving the Share Scheme Booklet (except those sections of the Share Scheme Booklet that relate to Intrepid and the Independent Expert's Report) as being in a form appropriate for dispatch to the Blackthorn Shareholders, subject to approval of the Court;
- (m) **(apply to Court for order to convene Meeting)** apply to the Court under section 411(1) of the Corporations Act for an order directing Blackthorn to convene the Share Scheme Meeting;
- (n) **(convene Meeting)** convene the Share Scheme Meeting in accordance with any order made by the Court under section 411(1) of the Corporations Act;
- (o) **(registration of Scheme Booklet)** take all reasonable measures necessary for the registration of the Share Scheme Booklet under section 412 of the Corporations Act;
- (p) **(dispatch of Scheme Booklet)** as expeditiously as practicable following an order made by the Court under section 411(1) of the Corporations Act, dispatch a copy of the Share Scheme Booklet to each Blackthorn Shareholder and to all other persons entitled to receive notice of the Share Scheme Meeting;
- (q) **(inform shareholders)** if it becomes aware of information after the date of dispatch of the Share Scheme Booklet which is material for disclosure to Blackthorn Shareholders in deciding whether to approve the Share Scheme, subject to applicable laws and any order of the Court, inform shareholders of such information in an appropriate and timely manner;
- (r) **(proxy information)** upon request of Intrepid made before the commencement of the Share Scheme Meeting, inform Intrepid of the total number of proxy votes in respect of which the appointment for the Share Scheme Meeting specified that:
 - (i) the proxy is to vote in favour of the Scheme Resolution;
 - (ii) the proxy is to vote against the Scheme Resolution;
 - (iii) the proxy is to abstain on the Scheme Resolution; and
 - (iv) the proxy may vote at the proxy's discretion;
- (s) **(section 411(17)(b) statement)** if Blackthorn Shareholder Approval is obtained, apply to ASIC for the production of a statement under section 411(17)(b) of the Corporations Act in relation to the Share Scheme;
- (t) **(Court approval)** subject to satisfaction or waiver of all Conditions other than the Conditions in clause 3.2(e) and 3.2(f), apply to the Court for orders approving the Share Scheme under section 411(4) of the Corporations Act;
- (u) **(no Blackthorn Prescribed Event)** not take or fail to take any action that constitutes a Blackthorn Prescribed Event or that could reasonably be expected to

result in a Blackthorn Prescribed Event occurring during the period commencing on the date of this document and ending at 8.00 am on the Second Court Date and, if a Blackthorn Prescribed Event occurs, immediately inform Intrepid;

- (v) **(certificate)** before commencement of the hearing by the Court of the application for the order under section 411(4)(b) of the Corporations Act, give:
 - (i) to Intrepid a certificate signed by Blackthorn stating whether or not each representation or warranty given by Blackthorn is true and correct as at the time it is given or made under clause 18 below; and
 - (ii) to Intrepid and the Court the certificate referred to in clause 3.6 above;
- (w) **(not act inconsistently)** subject to clause 14.6, not act in a manner inconsistent with obtaining Court approval for the Share Scheme and provided that nothing in this paragraph prevents any action by or on behalf of Blackthorn or its directors if taking the action or failure to take the action would, in the reasonable opinion of the board of directors of Blackthorn, be likely to otherwise involve a breach of duties of the directors of Blackthorn;
- (x) **(lodge copy of order)** if the Court approves the Share Scheme under section 411(4) of the Corporations Act, lodge an office copy of the Court order with ASIC in accordance with section 411(10) of the Corporations Act no later than the first Business Day after the day on which the Court approves the Share Scheme;
- (y) **(Scheme Shareholders)** give to the share registry of Intrepid details of the names, registered addresses and holdings of Blackthorn Shares of every Blackthorn Shareholder as shown in the Register on the Record Date, in such form as Intrepid may reasonably require, and determine Blackthorn Shareholders' respective entitlements to the Share Scheme Consideration in accordance with the Share Scheme; and
- (z) **(register transfers)** if the Share Scheme is approved by the Court, register all transfers of Blackthorn Shares to Intrepid on the Implementation Date (subject to provision of the Share Scheme Consideration by Intrepid in accordance with the Share Scheme and Deed Poll).

7. INTREPID OBLIGATIONS

Intrepid must take all necessary steps to assist Blackthorn to propose and implement the Share Scheme as expeditiously as practicable and use all reasonable endeavours to do so in accordance with the Timetable, including taking each of the following steps:

- (a) **(Announcement)** on the date of this document make an Announcement, in a form agreed between Blackthorn and Intrepid which includes a statement (on the basis of written statements made to it by each of its directors) that each director of Intrepid, subject to no superior proposal emerging:
 - (i) unanimously recommends that Intrepid Shareholders vote in favour of both the acquisition by Intrepid of the Blackthorn Shares in accordance with the Share Scheme terms and the Intrepid Buy-Back; and
 - (ii) who holds Intrepid Shares intends to vote his or her Intrepid Shares in favour of the acquisition by Intrepid of the Blackthorn Shares in accordance with the Share Scheme terms and the Intrepid Buy-Back;
- (b) **(Intrepid directors' approval)** use reasonable endeavours to procure that, subject to:

Attachment D: Scheme Implementation Deed (continued)

- (i) the proper performance by Intrepid directors of their fiduciary duties;
- (ii) no superior proposal emerging; and
- (iii) the Intrepid Independent Expert's Report opining at all times up until the Intrepid Shareholder Meeting, that the Intrepid Buy-Back is either, fair and reasonable, or not fair but reasonable, to all Intrepid Shareholders,

the Intrepid directors maintain the recommendations referred to in clause 7(a) until the Implementation Date;

- (c) **(Intrepid Shareholder Approval)** convene the Intrepid Shareholders Meeting;
- (d) **(Independent Expert's Report)** provide all assistance and information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report;
- (e) **(Intrepid Independent Expert's Report)** in respect of the Intrepid Independent Expert's Report commissioned by Intrepid, provide all reasonable assistance and information reasonably requested by the Intrepid Independent Expert to enable it to prepare such report;
- (f) **(prepare Intrepid Meeting Materials)** prepare the Intrepid Meeting Materials in accordance with the principles in clause 10, subject to Blackthorn complying with its obligations under clauses 6(g) and 6(h) in respect of the Blackthorn Provided Material;
- (g) **(continuing obligation of disclosure)** subject to any applicable law, ensure that the Share Intrepid Meeting Material (but in respect of the Blackthorn Provided Material, subject to Blackthorn complying with its obligations under clauses 6(g) and 6(h) is updated by all such further or new information which may arise after the Intrepid Meeting Material has been dispatched until the Intrepid Shareholders Meeting, which is necessary to ensure that the Intrepid Meeting Material is not misleading or deceptive in any material respect (including because of any material omission) and otherwise complies with all applicable laws;
- (h) **(Intrepid Material):**
 - (i) as expeditiously as practicable, give to Blackthorn for inclusion in the Share Scheme Booklet such information regarding Intrepid, all information regarding Intrepid and Intrepid's intentions with respect to the assets, business and employees of Blackthorn if the Scheme is approved and implemented and all other information as is required under all applicable laws, relevant ASIC regulatory guides, Takeovers Panel policy and guidance notes and the ASX Listing Rules to be included in the Share Scheme Booklet **(Intrepid Material)**. The Intrepid Material must be provided to Blackthorn in a form appropriate for inclusion in the Share Scheme Booklet and with reasonable time to allow Blackthorn to prepare the Share Scheme Booklet in accordance with this document; and
 - (ii) take all reasonable steps to ensure and confirm in writing to Blackthorn before the Share Scheme Booklet is dispatched to Blackthorn Shareholders that:
 - (A) the Intrepid Material is not misleading or deceptive in any material respect (including because of any material omission) and otherwise complies with all applicable laws, relevant ASIC regulatory guides, Takeovers Panel policy and guidance notes and the ASX Listing Rules; and

- (B) the Share Scheme Booklet includes all information regarding Intrepid as is required under all applicable laws, relevant ASIC regulatory guides, Takeovers Panel policy and guidance notes and the ASX Listing Rules;

- (i) **(consult with Blackthorn)** in a timely manner consult with Blackthorn as to the form and content of the Intrepid Meeting Material, including taking into account Blackthorn's reasonable comments received in a timely manner and incorporating the Blackthorn Provided Material.

Blackthorn acknowledges and agrees that Intrepid has ultimate discretion with respect to the preparation, form and content of the Intrepid Meeting Material, other than as expressly provided in this document with respect to the Blackthorn Provided Material;

- (j) **(further information):**

- (i) inform Blackthorn in writing if it becomes aware that the Intrepid Material (or any part of it) is or has become misleading or deceptive in any material respect (including because of any material omission) or otherwise does not comply with all applicable laws, relevant ASIC regulatory guides, Takeovers Panel policy and guidance notes and the ASX Listing Rules; and

- (ii) as expeditiously as practicable, give to Blackthorn any further information required before the Meeting Date to ensure that the Intrepid Material is not, having regard to applicable disclosure requirements, false, misleading or deceptive in any material respect (including because of any material omission) and does so comply with all applicable laws, relevant ASIC regulatory guides, Takeovers Panel policy and guidance notes and the ASX Listing Rules;

- (k) **(review of Share Scheme Booklet)** as soon as reasonably practicable after delivery, review the drafts of the Share Scheme Booklet prepared by Blackthorn and provide comments on those drafts in good faith;

- (l) **(approval of draft Share Scheme Booklet for ASIC review)** as soon as practicable after the preparation of an advanced draft of the Share Scheme Booklet suitable for review by ASIC, procure that a meeting of the Intrepid Board, or of a committee of the Intrepid Board appointed for the purpose, is held to consider approving those sections in such draft that comprise the Intrepid Material as being in a form appropriate for provision to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act;

- (m) **(approval of Share Scheme Booklet)** as soon as practicable after the conclusion of the review by ASIC of the Share Scheme Booklet, procure that a meeting of the Intrepid Board (or a subcommittee of it) is convened to consider approving those sections of the Share Scheme Booklet that relate to Intrepid as being in a form appropriate for dispatch to the Blackthorn Shareholders, subject to approval of the Court;

- (n) **(Deed Poll)** at least 7 Business Days before the dispatch of the Share Scheme Booklet, duly execute and enter into the Deed Poll;

- (o) **(no Intrepid Prescribed Event)** not take or fail to take any action that constitutes a Intrepid Prescribed Event or that could reasonably be expected to result in an Intrepid Prescribed Event occurring during the period commencing on the date of this document and ending at 8.00 am on the Second Court Date and if a Intrepid Prescribed Event occurs, immediately inform Blackthorn;

Attachment D: Scheme Implementation Deed (continued)

- (p) **(representation)** procure that it is represented (and will consider any reasonable request by Blackthorn to be represented by Counsel, but for the avoidance of doubt will have full discretion as to whether it is represented by Counsel) at the Court hearings convened for the purposes of section 411(4)(b) of the Corporations Act, at which through its representative Intrepid will undertake (if requested by the Court) to do all such things and take all such reasonable steps within its power as are necessary in order to ensure the fulfilment of its obligations under this agreement and the Share Scheme;
- (q) **(certificates)** before commencement of the hearing by the Court of the application for the order under section 411(4)(b) of the Corporations Act, give:
 - (i) to Blackthorn a certificate signed by Intrepid stating whether or not each representation or warranty given by Intrepid is true and correct as at the time it is given or made under clause 18 below; and
 - (ii) to Blackthorn and the Court the certificate referred to in clause 3.6 above;
- (r) **(proxy information)** upon request of Blackthorn made before the commencement of the Intrepid Shareholders Meeting, inform Blackthorn of the total number of proxy votes in respect of which the appointment for the Intrepid Shareholder Meeting specified that:
 - (i) the proxy is to vote in favour of the Scheme Resolution;
 - (ii) the proxy is to vote against the Scheme Resolution;
 - (iii) the proxy is to abstain on the Scheme Resolution;
 - (iv) the proxy is to vote in favour of the Intrepid Buy Back;
 - (v) the proxy is to vote against the Intrepid Buy Back;
 - (vi) the proxy is to abstain on the Intrepid Buy Back;
 - (vii) the proxy is to vote in favour of the Alternative Resolution;
 - (viii) the proxy is to vote against the Alternative Resolution;
 - (ix) the proxy is to abstain on the Alternative Resolution; and
 - (x) the proxy may vote at the proxy's discretion.
- (s) **(not act inconsistently)** not act in a manner inconsistent with obtaining Court approval for the Share Scheme (provided that nothing in this paragraph prevents any action by or on behalf of Intrepid or its directors if taking the action or failure to take the action would, in the reasonable opinion of the board of directors of Intrepid, be likely to involve a breach of duties of the directors of Intrepid);
- (t) **(New Intrepid Shares)** apply for the New Intrepid Shares to be approved for official quotation on ASX subject to the Share Scheme becoming Effective and do everything reasonably necessary to obtain ASX's approval for official quotation by 8.00 am on the Second Court Date and that trading in the New Intrepid Shares commences by the first Business Day after the Implementation Date;
- (u) **(Share transfer)** if the Share Scheme becomes Effective, Intrepid shall accept a transfer of the Blackthorn Shares as contemplated by this document;

- (v) **(Share Scheme Consideration)** if Implementation occurs, provide the Share Scheme Consideration as contemplated by the Share Scheme and in accordance with the Deed Poll on the Implementation Date; and
- (w) **(Scheme)** do all things within its power that are reasonably necessary to lawfully give effect to the Share Scheme and the orders of the Court approving the Share Scheme.

8. **SHARE SCHEME BOOKLET PREPARATION PRINCIPLES**

- (a) As soon as reasonably practicable after the date of this document and substantially in accordance with the Timetable, Blackthorn must prepare the Share Scheme Booklet in compliance with:
 - (i) all applicable laws, in particular with the Corporations Act, Regulatory Guide 60 and the Listing Rules; and
 - (ii) this clause 8.
- (b) The Share Scheme Booklet will include:
 - (i) the terms of the Share Scheme;
 - (ii) the notice of Share Scheme Meeting, and any other notice of meeting in respect of any resolution that is necessary, expedient or incidental to give effect to the Scheme, together with a proxy form for the Share Scheme Meeting and for any ancillary meeting;
 - (iii) the Blackthorn Material;
 - (iv) the Intrepid Material;
 - (v) a copy of this document (without the schedules or annexures);
 - (vi) a copy of the executed Deed Poll; and
 - (vii) a copy of the Independent's Expert Report.
- (c) Intrepid and Blackthorn each agree that the efficient preparation of the Share Scheme Booklet and the implementation of the Share Scheme are in the interests of Blackthorn Shareholders and Intrepid and Blackthorn agree that they will use all reasonable endeavours and utilise all necessary resources (including management resources and the resources of external advisers) to comply with their respective obligations under this clause 8 and to implement the Share Scheme as soon as reasonably practicable and substantially in accordance with the Timetable.

9. **POST-IMPLEMENTATION BOARD AND MANAGEMENT STRUCTURE**

On the Effective Date the parties must do all things necessary to reconstitute the Intrepid Board as follows:

- (a) three of the current directors of Intrepid will remain on the Intrepid Board, including Scott Lowe and one of which will be the Chairman; and
- (b) three additional directors nominated by Blackthorn will be appointed to the Intrepid Board, one of which will be the deputy chairman, and Blackthorn will nominate the Chief Executive Officer who will not be a director.

Attachment D: Scheme Implementation Deed (continued)

10. INTREPID BUY-BACK AND INTREPID MEETING MATERIALS PREPARATION PRINCIPLES

- (a) Blackthorn agrees that Intrepid will, substantially in accordance with the Timetable, provide Intrepid Shareholders with the opportunity to participate in an equal access share buy-back in accordance with section 257B of the Corporations Act under which all Intrepid Shareholders (as at the relevant record date) will be sent an equal access share buy-back offer pursuant to which each Intrepid shareholder will be given the opportunity to elect that some or all of their Intrepid Shares are bought back by Intrepid for the amount of \$0.30 per Intrepid Share on the following terms:
 - (i) the buy-back will be subject to a total monetary cap of \$110,000,000 as consideration for the buy-back and if acceptances are received by Intrepid Shareholders that would provide that the aggregate buy-back was over this amount, acceptances received by Intrepid Shareholders will be scaled back on a proportionate basis; and
 - (ii) completion of the buy-back will be subject to:
 - (A) Intrepid Shareholders approving the buy-back by ordinary resolution in accordance with section 257C of the Corporations Act; and
 - (B) Implementation occurring,
- (the **Intrepid Buy-Back**).
- (b) As soon as reasonably practicable after the date of this document and substantially in accordance with the Timetable, Intrepid must prepare the Intrepid Meeting Materials in compliance with:
 - (i) all applicable laws, in particular with the Corporations Act and the Listing Rules; and
 - (ii) this clause 10.
- (c) The Intrepid Meeting Materials will include:
 - (i) the terms of the Share Scheme, Intrepid Buy Back and if determined by Intrepid, the Alternative Resolution;
 - (ii) the notice of the Intrepid Shareholders Meeting which will set out, among other things, the terms of:
 - (A) the Intrepid Shareholder Approval resolutions (being Resolution 1 approving the acquisition by Intrepid of the Blackthorn Shares in accordance with the Share Scheme terms and Resolution 2 approving the Intrepid Buy-Back);
 - (B) if determined by Intrepid, the Alternative Resolution; and
 - (C) the Intrepid director's recommendations, in the form and manner described in clause 7(a) of this document;
 - (D) a proxy form for the Intrepid Shareholders Meeting and for any ancillary meeting where disclosure is made either in the notice of meeting or proxy form (or both) that the Chairman will vote undirected proxies in favour of the resolutions approving the Share Scheme and the Intrepid Buy Back;

- (iii) the Blackthorn Provided Material; and
- (iv) a copy of the Intrepid Independent's Expert Report.
- (d) Intrepid and Blackthorn each agree that the efficient preparation of the Intrepid Meeting Material is in the interests of Intrepid Shareholders and Blackthorn and Intrepid agree that they will use all reasonable endeavours and utilise all necessary resources (including management resources and the resources of external advisers) to comply with their respective obligations under this clause 10 to implement the Share Scheme (and in relation to Intrepid only, the Intrepid Buy Back) substantially in accordance with the Timetable.

11. PRE-IMPLEMENTATION OBLIGATIONS

11.1 Conduct of the Blackthorn business

During the period commencing on the date of this document and ending on the Implementation Date, Blackthorn must conduct (and must procure that each of its subsidiaries conducts) its businesses in the ordinary course, in substantially the same manner and at the same locations as conducted on the date of this document, and to the extent consistent, use reasonable efforts to:

- (a) preserve intact its business organisation;
- (b) keep available the services of its officers and employees;
- (c) preserve its relationship with customers, suppliers, licensors, licensees and others having business dealings with it;
- (d) take or fail to take any action that constitutes a Blackthorn Prescribed Event or that could reasonably be expected to result in such event occurring; and
- (e) maintain its business and assets, including maintaining at least its current level of insurance,

as in place on the date of this document.

11.2 Conduct of the Intrepid business

During the period commencing on the date of this document and ending on the Implementation Date, Intrepid must conduct (and must procure that each of its operating subsidiaries conducts) its businesses in the ordinary course, in substantially the same manner and at the same locations as conducted on the date of this document, and to the extent consistent, use reasonable efforts to:

- (a) preserve intact its business organisation;
- (b) keep available the services of its officers and employees that relate to the ongoing business activities of the Intrepid Group as at the date of this document;
- (c) preserve its relationship with customers, suppliers, licensors, licensees and others having business dealings with it;
- (d) take or fail to take any action that constitutes a Intrepid Prescribed Event or that could reasonably be expected to result in such event occurring; and
- (e) maintain its assets, including maintaining at least its current level of insurance,

as in place on the date of this document.

Attachment D: Scheme Implementation Deed (continued)

11.3 Exception

Clause 11.1 does not apply to anything:

- (a) which the party is required to do, permitted to do or is permitted not to do, under or in accordance with this document or the Share Scheme; or
- (b) in respect of which the other party consents (such consent not to be unreasonably withheld or delayed).

11.4 Access to information

- (a) From the date of this document and up to and including the Implementation Date, subject to applicable laws each party must give (and must procure each of its subsidiaries gives) the other party reasonable access to its records (subject to any existing confidentiality obligations owed to third parties), premises and personnel and reasonably co-operate for the purpose of:
 - (i) understanding the financial and tax position of it and its subsidiaries including the cash flow and working capital position of each of them;
 - (ii) integrating the business of Blackthorn with the business of Intrepid;
 - (iii) understanding the operations of the business of it and its subsidiaries;
 - (iv) Implementation; and
 - (v) any other purpose which is agreed in writing between the parties.
- (b) Nothing in clause 11.4(a) requires a party or any of its subsidiaries to provide information to the other party concerning consideration of the Share Scheme by directors and management of it or any of its subsidiaries.

11.5 Information on representations and warranties

From the date of this document and up to and including the Implementation Date each party must promptly give, and must procure that each of its subsidiaries promptly gives, to the other party details of any matter or occurrence which might reasonably make any representations or warranties given under this document by the first-mentioned party inaccurate in a material respect.

11.6 Information provided subject to confidentiality obligation

All information provided under or in connection with this document is subject to the terms of the Confidentiality Deeds which continue to have full force and effect subject to this document.

12. ANNOUNCEMENT

12.1 No Announcement

Neither party may make an Announcement relating to the subject matter of this document or its termination or make public this document (or any of its terms) unless the Announcement or publication:

- (a) is required by this document;
- (b) has the prior approval of the other party; or

- (c) is required to be made by any applicable law, the ASX Listing Rules or the requirements of the Ontario Securities Commission.

12.2 **Notice of Announcement**

If a party is required to make an Announcement under clause 12.1(c), it must, to the extent practicable without that party breaching any applicable law, give to the other party:

- (a) such notice as is reasonable in the circumstances of its intention to make the Announcement; and
- (b) a draft of the Announcement and an opportunity, to the extent practicable in the circumstances, to comment on the contents of the draft Announcement.

13. **STANDSTILL**

13.1 **Restriction on Intrepid**

Subject to clause 13.2, during the Exclusivity Period, Intrepid must not, and must make sure that members of the Intrepid Group do not, and must use reasonable endeavours to ensure its associates do not:

- (a) acquire or offer to acquire, any securities or property or any right or option to acquire any Blackthorn Shares or other securities in Blackthorn unless it has received the prior written consent of Blackthorn;
- (b) enter into any arrangements involving the conferring of rights the economic effect of which is equivalent, or substantially equivalent, to acquiring, holding or disposing of securities in Blackthorn; or
- (c) solicit proxies from Blackthorn Shareholders or otherwise seek to influence or control the management or policies of Blackthorn.

13.2 **Exceptions**

- (a) Clause 13.1 does not apply to any action required to be taken by Intrepid, members of the Intrepid Group or any other person under the Share Scheme.
- (b) Clause 13.1 ceases to apply if a Blackthorn Competing Proposal is announced by a person other than Intrepid or a member of the Intrepid Group.

13.3 **Restrictions on Blackthorn**

Subject to clause 13.4, during the Exclusivity Period, Blackthorn must not, and must make sure that members of the Blackthorn Group do not, and must use reasonable endeavours to ensure its associates do not:

- (a) acquire or offer to, acquire any securities or property or any right or option to acquire any Intrepid Shares or other securities in Intrepid unless it has received the prior written consent of Intrepid;
- (b) enter into any arrangements involving the conferring of rights the economic effect of which is equivalent, or substantially equivalent, to acquiring, holding or disposing of securities in Intrepid; or
- (c) solicit proxies from Intrepid Shareholders or otherwise seek to influence or control the management or policies of Intrepid.

Attachment D: Scheme Implementation Deed (continued)

13.4 Exceptions

- (a) Clause 13.3 does not apply to any action required to be taken by Blackthorn, members of the Blackthorn Group or any other person under the Share Scheme.
- (b) Clause 13.3 ceases to apply if a Intrepid Competing Proposal is announced by a person other than Blackthorn or a member of the Blackthorn Group.

14. BLACKTHORN EXCLUSIVITY

14.1 Cease existing discussions and negotiations

- (a) Blackthorn represents and warrants to Intrepid that immediately following the execution of this document it will:
 - (i) unconditionally cease and terminate any discussions or negotiations with all third parties relating to any Blackthorn Competing Proposal that have been conducted prior to the date of this document; and
 - (ii) notify all persons (other than Intrepid) to whom it has provided non-public information between the period commencing on 1 May 2014 and the date of this document in connection with a Blackthorn Competing Proposal to keep confidential any information about Blackthorn provided to it in connection with such Blackthorn Competing Proposal in accordance with the terms of any confidential agreement between Blackthorn and such persons.
- (b) Blackthorn must, by no later than two Business Days after this document is executed, notify Intrepid in writing that the notifications required to be given under clause 14.1(a)(ii) have been given.

14.2 No shop

- (a) During the Exclusivity Period, Blackthorn must not and must ensure that its Representatives do not directly or indirectly solicit, initiate, invite or encourage any inquiries, proposals, discussions or negotiations, or communicate any intention to do any of these things, regarding any Blackthorn Competing Proposal.
- (b) Nothing in clause 14.2(a) prevents Blackthorn from continuing to make presentations to, and respond to enquiries from brokers, portfolio investors, analysts, shareholders and media in the ordinary course in relation to the Share Scheme or its business generally provided those communications do not concern or relate to a Blackthorn Competing Proposal.

14.3 No talk

Subject to clause 14.6, during the Exclusivity Period, Blackthorn must not and must ensure that its Representatives do not directly or indirectly participate in any discussions or negotiations with any person regarding, or that could reasonably be expected to lead to, a Blackthorn Competing Proposal, even if:

- (a) those discussions or negotiations were not directly or indirectly encouraged, solicited, invited or initiated by Blackthorn; or
- (b) that person has publicly announced a Blackthorn Competing Proposal.

For the avoidance of doubt, this clause 14.3 does not apply to the normal provision of information to a Public Authority, auditors, advisers and financiers in the ordinary course of business or making presentations to brokers, portfolio investors and analysts in the ordinary course of business.

14.4 No due diligence

- (a) Subject to clause 14.6, during the Exclusivity Period, Blackthorn must not and must ensure that its Representatives do not, make available to any other person or permit any other person to receive non-public information relating to Blackthorn, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Blackthorn Competing Proposal (**Blackthorn Diligence Information**).
- (b) Where, in reliance on clause 14.6, Blackthorn or any of its Representatives proposes to provide any Blackthorn Diligence Information to any third party in connection with or for the purposes of a current or future Blackthorn Competing Proposal, it must, to the extent that Intrepid has not previously been provided with the information, provide Intrepid with a complete copy of that information at the same time as it is provided to the third party.

14.5 Blackthorn to notify Intrepid

- (a) During the Exclusivity Period, Blackthorn must immediately notify Intrepid in writing if it proposes, in circumstances permitted by clause 14.6, to take any action of a kind that is set out in clause 14.3 or 14.4.
- (b) During the Exclusivity Period, Blackthorn must promptly notify Intrepid in writing if in circumstances permitted by clause 14.6:
 - (i) Blackthorn enters into discussions or negotiations with a party that has proposed (or may reasonably be expected to propose) a Blackthorn Competing Proposal; or
 - (ii) Blackthorn makes available to any person, or permits any person to receive, any Blackthorn Diligence Information.

14.6 Fiduciary exception

The restrictions in clauses 14.3 and 14.4 and the notification obligations in clause 14.5(b) do not apply to the extent that they restrict Blackthorn or the Blackthorn Board from taking or refusing to take any action with respect to a bona fide Blackthorn Competing Proposal (which was not encouraged, solicited, invited or initiated by Blackthorn or one of its Representatives in contravention of clause 14.2) provided that in the opinion of each Blackthorn Director, reasonably formed in good faith and for a proper purpose:

- (a) the Blackthorn Competing Proposal is bona fide and is made in writing by or on behalf of a person that the Blackthorn Board considers is of reputable commercial standing;
- (b) the Blackthorn Competing Proposal if substantially completed in accordance with its terms, would, or would reasonably be expected to lead to, a transaction which is more favourable to Blackthorn Shareholders than the Share Scheme, after taking into account all aspects of the Blackthorn Competing Proposal; and

taking or failing to take the action with respect to the Blackthorn Competing Proposal would, or would be likely to, involve a breach of the fiduciary or statutory duties of the directors of Blackthorn, in the opinion of the Blackthorn Board acting reasonably and after having taken written advice from Blackthorn's legal advisors to the effect that the Blackthorn Directors' fiduciary or statutory duties require them to take or not take the action proposed under this clause 14.6.

Attachment D: Scheme Implementation Deed (continued)

14.7 Provision of information

- (a) Without limiting Blackthorn's obligations under clause 14.5, if any Blackthorn Director proposes to (whether or not subject to conditions) change his or her recommendation of the Offer so that he or she can recommend a Blackthorn Competing Proposal, Blackthorn must give Intrepid written notice (**Relevant Notice**) of such proposed change of recommendation.
- (b) A Relevant Notice must include details of the basis on which the Blackthorn Director intends to change his or her recommendation.

15. INTREPID EXCLUSIVITY

15.1 Cease existing discussions and negotiations

- (a) Intrepid represents and warrants to Blackthorn that immediately following the execution of this document it will:
 - (i) unconditionally cease and terminate any discussions or negotiations with all third parties relating to any Intrepid Competing Proposal that have been conducted prior to the date of this document; and
 - (ii) notify all persons (other than Blackthorn) to whom it has provided non-public information between the period commencing on 1 May 2014 and the date of this document in connection with an Intrepid Competing Proposal to keep confidential any information about Intrepid provided to it in connection with such Intrepid Competing Proposal in accordance with the terms of any confidential agreement between Intrepid and such persons.
- (b) Intrepid must, by no later than two Business Days after this document is executed, notify Blackthorn in writing that the notifications required to be given under clause 15.1(a)(ii) have been given.

15.2 No shop

- (a) During the Exclusivity Period, Intrepid must not and must ensure that its Representatives do not directly or indirectly solicit, initiate, invite or encourage any inquiries, proposals, discussions or negotiations, or communicate any intention to do any of these things, regarding any Intrepid Competing Proposal.
- (b) Nothing in clause 15.2(a) prevents Intrepid from continuing to make presentations to, and respond to enquiries from brokers, portfolio investors, analysts, shareholders and media in the ordinary course in relation to the Share Scheme or its business generally provided those communications do not concern or relate to a Intrepid Competing Proposal.

15.3 No talk

Subject to clause 15.6, during the Exclusivity Period, Intrepid must not and must ensure that its Representatives do not directly or indirectly participate in any discussions or negotiations with any person regarding, or that could reasonably be expected to lead to, a Intrepid Competing Proposal, even if:

- (a) those discussions or negotiations were not directly or indirectly encouraged, solicited, invited or initiated by Intrepid; or
- (b) that person has publicly announced a Intrepid Competing Proposal.

For the avoidance of doubt, this clause 15.3 does not apply to the normal provision of information to a Public Authority, auditors, advisers and financiers in the ordinary course of business or making presentations to brokers, portfolio investors and analysts in the ordinary course of business.

15.4 **No due diligence**

- (a) Subject to clause 15.6, during the Exclusivity Period, Intrepid must not and must ensure that its Representatives do not, make available to any other person or permit any other person to receive non-public information relating to Intrepid, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Intrepid Competing Proposal (**Intrepid Diligence Information**).
- (b) Where, in reliance on clause 15.6, Intrepid or any of its Representatives proposes to provide any Intrepid Diligence Information to any third party in connection with or for the purposes of a current or future Intrepid Competing Proposal, it must, to the extent that Blackthorn has not previously been provided with the information, provide Blackthorn with a complete copy of that information at the same time as it is provided to the third party.

15.5 **Intrepid to notify Blackthorn**

- (a) During the Exclusivity Period, Intrepid must immediately notify Blackthorn in writing if it proposes, in circumstances permitted by clause 15.6, to take any action of a kind that is set out in clause 15.3 or 15.4.
- (b) During the Exclusivity Period, Intrepid must promptly notify Blackthorn in writing if in circumstances permitted by clause 15.6:
 - (i) Intrepid enters into discussions or negotiations with a party that has proposed (or may reasonably be expected to propose) a Intrepid Competing Proposal; or
 - (ii) Intrepid makes available to any person, or permits any person to receive, any Intrepid Diligence Information.

15.6 **Fiduciary exception**

The restrictions in clauses 15.3 and 15.4 and the notification obligations in clause 15.5(b) do not apply to the extent that they restrict Intrepid or the Intrepid Board from taking or refusing to take any action with respect to a bona fide Intrepid Competing Proposal (which was not encouraged, solicited, invited or initiated by Intrepid or one of its Representatives in contravention of clause 15.2) provided that in the opinion of each Intrepid Director, reasonably formed in good faith and for a proper purpose:

- (a) the Intrepid Competing Proposal is bona fide and is made in writing by or on behalf of a person that the Intrepid Board considers is of reputable commercial standing;
- (b) the Intrepid Competing Proposal if substantially completed in accordance with its terms, would, or would reasonably be expected to lead to, a transaction which is more favourable to Intrepid Shareholders than the Share Scheme, after taking into account all aspects of the Intrepid Competing Proposal; and

taking or failing to take the action with respect to the Intrepid Competing Proposal would, or would be likely to, involve a breach of the fiduciary or statutory duties of the directors of Intrepid, in the opinion of the Intrepid Board acting reasonably and after having taken written advice from Intrepid's legal advisors to the effect that the Intrepid Directors'

Attachment D: Scheme Implementation Deed (continued)

fiduciary or statutory duties require them to take or not take the action proposed under this clause 15.6.

15.7 Provision of information

- (a) Without limiting Intrepid's obligations under clause 15.5 if any Intrepid Director proposes to (whether or not subject to conditions) change his or her recommendation of the Offer so that he or she can recommend a Intrepid Competing Proposal Intrepid must give Blackthorn written notice (**Intrepid Relevant Notice**) of such proposed change of recommendation.
- (b) An Intrepid Relevant Notice must include details of the basis on which the Intrepid Director intends to change his or her recommendation.

16. PAYMENT OF LIQUIDATED AMOUNT

16.1 Background

- (a) Each of Blackthorn and Intrepid confirms its belief that the Share Scheme will provide significant benefits to it and its shareholders and acknowledges that each of them has and will incur significant costs in connection with performing its obligations under this document and the Share Scheme.
- (b) The parties agree that provisions be made in this document for the payments set out in clauses 16.2 in the absence of which it would not have entered into this document. The parties acknowledge that the amounts they have agreed to pay each other under this clause 16 is an amount which is appropriate to compensate them for their reasonable external and internal costs and opportunity costs in connection with the Share Scheme.

16.2 Payment by Blackthorn to Intrepid

Blackthorn undertakes to pay Intrepid \$580,000 (exclusive of GST) if:

- (a) between the date of this document and the End Date:
 - (i) Blackthorn accepts or enters into or offers to accept or enter into, any agreement, arrangement or understanding regarding a Blackthorn Competing Proposal or any other transaction that may reduce the likelihood of success of the Share Scheme;
 - (ii) any Blackthorn director does not recommend the Share Scheme or withdraws or adversely modifies an earlier recommendation or approves or recommends or makes an announcement in support of a Blackthorn Competing Proposal or any other transaction that may reduce the likelihood of success of the Share Scheme or announces an intention to do any of these acts, other than:
 - (A) in circumstances where Blackthorn is entitled to terminate this document under clause 17:
 - (aa) because any Condition set out in clauses 3.2(d), 3.2(g), 3.2(h) or in clauses 3.2(o) to 3.2(q) (inclusive) will not be fulfilled; or
 - (bb) because Intrepid is in material breach of this document and such breach is not remedied in accordance with the terms of this document; or

- (cc) because of the Effective Date not occurring by the End Date; or
- (B) because the Independent Expert's Report concludes or is modified to conclude that the Share Scheme is not in the best interest of Blackthorn Shareholders;
- (iii) a Blackthorn Competing Proposal is announced, made or becomes open for acceptance before the End Date and, whether before or after termination of this document or before or after the End Date but within 12 months after the End Date, under that Blackthorn Competing Proposal the relevant bidder:
 - (A) acquires a relevant interest in more than 50% of all Blackthorn Shares and that Blackthorn Competing Proposal is (or becomes) free from any defeating conditions;
 - (B) acquires all or a substantial part of the assets of Blackthorn or the Blackthorn Group;
 - (C) acquires control of Blackthorn, within the meaning of section 50AA of the Corporations Act; or
 - (D) otherwise acquires or merges with Blackthorn (including by way of reverse takeover bid, reverse scheme of arrangement of dual listed companies structure); or
- (b) Blackthorn is in material breach of any provision of this document and this document is terminated in accordance with clause 17.2(a).

16.3 Payment by Intrepid to Blackthorn

Intrepid undertakes to pay Blackthorn \$580,000 (exclusive of GST) if:

- (a) between the date of this document and the End Date:
 - (i) Intrepid accepts or enters into or offers to accept or enter into, any agreement, arrangement or understanding regarding a Intrepid Competing Proposal or any other transaction that may reduce the likelihood of success of the Share Scheme;
 - (ii) any Intrepid director does not recommend the Share Scheme or the Intrepid Buy-Back (for those Shareholders that desire to divest themselves of their Intrepid Shares) or withdraws or adversely modifies an earlier recommendation or approves or recommends or makes an announcement in support of a Intrepid Competing Proposal or any other transaction that may reduce the likelihood of success of the Share Scheme or the Scheme Capital Return or announces an intention to do any of these acts, other than:
 - (A) in circumstances where Intrepid is entitled to terminate this document under clause 17:
 - (aa) because any Condition set out in clauses 3.2(g), 3.2(h) or in clauses 3.2(l) to 3.2(n)(inclusive) will not be fulfilled; or
 - (bb) because Blackthorn is in material breach of this document and such breach is not remedied in accordance with the terms of this document; or

Attachment D: Scheme Implementation Deed (continued)

- (cc) because of the Effective Date not occurring by the End Date; or
 - (B) because the Intrepid Independent Expert's Report concludes or is modified to conclude that the Intrepid Buy-Back is not fair and not reasonable to Intrepid Shareholders except where this arises due to the existence of an Intrepid Competing Proposal;
 - (iii) a Intrepid Competing Proposal is announced, made or becomes open for acceptance before the End Date and, whether before or after termination of this document or before or after the End Date but within 12 months after the End Date, under that Intrepid Competing Proposal the relevant bidder:
 - (A) acquires a relevant interest in more than 50% of all Intrepid Shares and that Intrepid Competing Proposal is (or becomes) free from any defeating conditions;
 - (B) acquires all or a substantial part of the assets of Intrepid or the Intrepid Group;
 - (C) acquires control of Intrepid, within the meaning of section 50AA of the Corporations Act; or
 - (D) otherwise acquires or merges with Intrepid (including by way of reverse takeover bid, reverse scheme of arrangement of dual listed companies structure); or
 - (iv) Intrepid is in material breach of any provision of this document and this document is terminated in accordance with clause 17.3(a).
- 16.4 Demand for payment**
- (a) If an event referred to in clause 16.2 occurs, any demand for payment under clauses 16.2 and 16.3 must be in writing and Blackthorn or Intrepid (as applicable) must pay the amount referred to in either clause 16.2 or clause 16.3 to the other party within 10 Business Days of receipt of such demand.
 - (b) The parties acknowledge and agrees that if an amount is paid to it under clause 16.2 or 16.3, that payment constitutes that party's sole and exclusive remedy in respect of the matter giving rise to the payment.
- 16.5 Compliance with law**
- If the Takeovers Panel or a court of competent jurisdiction determines that an amount paid or payable under clause 16.2 or 16.3 is an Impugned Amount and:
- (a) the period for lodging an application for review for a notice of appeal of that decision has expired without such application or notice having been lodged; or
 - (b) an application for review or a notice of appeal has been lodged with the Takeovers Panel or a court within the prescribed period and the relevant review Panel or court also determines that the amount is an Impugned Amount,
- then:
- (c) the undertaking under clause 16.2 or 16.3 does not apply to the extent of the Impugned Amount; and

- (d) if a party has been paid an Impugned Amount under this document, it must refund that Impugned Amount to the other party.

17. TERMINATION

17.1 Termination for non-fulfilment of Condition

- (a) If Intrepid and Blackthorn are unable to reach agreement under clause 3.7 above within five Business Days after both parties become aware that a Condition will not be fulfilled (or waived), any party for whose benefit the Condition is included (see clause 3.3 above) (whether solely or jointly with the other party) may terminate this document by notice in writing to the other party.
- (b) Without limiting clause 17.1(a), a party may terminate this document by giving notice in writing to the other party after the End Date, if the Effective Date does not occur on or before that date.

17.2 Intrepid's additional right to terminate

Intrepid may terminate this document by giving notice in writing to Blackthorn before 8.00 am on the Second Court Date if:

- (a) Blackthorn is in breach of this document (including a breach of a representation or warranty under clause 18) and that breach is material and is not remedied by Blackthorn within five Business Days (or such shorter period ending on the Second Court Date) of it receiving notice from Intrepid of the details of the breach and its intention to terminate;
- (b) any of Blackthorn's directors adversely changes or withdraws his or her recommendation that the Share Scheme is in the best interests of Blackthorn Shareholders; or
- (c) Blackthorn or any of its directors acts in a manner which is inconsistent with obtaining approval for the Share Scheme (including by recommending a Competing Proposal in respect of Blackthorn).

17.3 Blackthorn's additional right to terminate

Blackthorn may terminate this document by giving notice in writing to Intrepid if, before 8.00 am on the Second Court Date:

- (a) Intrepid is in breach of this document (including a breach of a representation or warranty under clause 18) and that breach is material and is not remedied by Intrepid within five Business Days (or such shorter period ending on the Second Court Date) of it receiving notice from Blackthorn of the details of the breach and its intention to terminate;
- (b) any of Intrepid's directors withdraws his or her support for the Share Scheme or the Intrepid Buy-Back; or
- (c) Intrepid or any of its directors acts in a manner which is inconsistent with obtaining approval for the Share Scheme or the Intrepid Buy-Back (including by recommending a Competing Proposal in respect of Intrepid).

17.4 Obligations on termination

- (a) If a party terminates this document, all obligations of the parties under this document, other than this clause, clauses 12 (Announcements), 15 (Payment of Liquidated Amount), 18 (Representations and warranties), 19 (Indemnities), 20

Attachment D: Scheme Implementation Deed (continued)

(Release), 21 (GST), 22 (Notices), 23 (Amendment and Assignment) and 24 (General), immediately cease to be of further effect.

- (b) The termination of this document does not affect any Claim that a party may have against another party where that Claim arose before this document is terminated.

18. REPRESENTATIONS AND WARRANTIES

18.1 Mutual representations and warranties

Each party represents and warrants to the other party that:

- (a) **(status)** it is a company limited by shares under the Corporations Act;
- (b) **(power)** it has full legal capacity and power to:
 - (i) own its property and to carry on its business; and
 - (ii) enter into this document and carry out the transactions that this document contemplates in accordance with its terms;
- (c) **(corporate authority)** it has taken all corporate action that is necessary or desirable to authorise it entering into this document and carrying out the transactions that this document contemplates in accordance with its terms;
- (d) **(Authorisations)** it holds each Authorisation that is necessary or desirable to:
 - (i) enable it to properly execute this document and to carry out the transactions that this document contemplates in accordance with its terms;
 - (ii) ensure that this document is legal, valid, binding and admissible in evidence; and
 - (iii) enable it to properly carry on its business,

and it is complying with any conditions to which any such Authorisation is subject;
- (e) **(document effective)** this document constitutes its legal, valid and binding obligations, enforceable against it in accordance with its terms;
- (f) **(no contravention)** neither its execution of this document nor the carrying out by it of the transactions that it contemplates in accordance with its terms, does or will contravene:
 - (i) any law to which it or any of its property is subject or any order of any Government Agency that is binding on it or any of its property;
 - (ii) any Authorisation held by it;
 - (iii) any undertaking or instrument binding on it or any of its property; or
 - (iv) its constitution;
- (g) **(no Insolvency Event)** neither it nor any of its subsidiaries is affected by an Insolvency Event;
- (h) **(not representative capacity)** it is not entering into this document as trustee of any trust or settlement or otherwise in a representative capacity;

- (i) **(information provided to the Independent Expert)** all information provided by it to the Independent Expert will be provided in good faith and on the understanding that the Independent Expert will rely on that information for the purpose of preparing the Independent Expert's Report for inclusion in the Share Scheme Booklet; and
- (j) **(information provided to the Intrepid Independent Expert)** all information provided by it to any Intrepid Independent Expert will be provided in good faith and on the understanding that the Intrepid Independent Expert will rely on that information for the purpose of preparing the Intrepid Independent Expert's Report.

18.2 Blackthorn representations and warranties

Blackthorn represents and warrants to Intrepid that:

- (a) **(Blackthorn Due Diligence Information not false or misleading)** to Blackthorn's knowledge, Blackthorn has not knowingly or recklessly:
 - (i) omitted to disclose information to Intrepid, the disclosure of which might reasonably be expected to have resulted in Intrepid not entering into this document, or entering into it on materially different terms;
 - (ii) omitted anything from the Blackthorn Due Diligence Information that would make any part of that information materially false or misleading;
 - (iii) included anything materially false or misleading in the Blackthorn Due Diligence Information; or
 - (iv) denied access to requested information with the intention of misleading Intrepid;
- (b) **(Scheme Booklet not false or misleading)** to Blackthorn's knowledge, as at the date of dispatch of the Share Scheme Booklet, the Share Scheme Booklet (other than the Intrepid Material and the Independent Expert's Report) will not contain any material statement which is false or misleading (including because of any material omission);
- (c) **(no false or misleading statement)** to Blackthorn's knowledge, as at the date of dispatch of the Intrepid Meeting Material, the Blackthorn Provided Material will not contain any material statement which is false or misleading (including because of any material omission);
- (d) **(continuous disclosure)** Blackthorn is not in breach of its continuous disclosure obligation under ASX Listing Rule 3.1 and, except for information contained in the Announcement to be made in accordance with clause 6(a) above, there is no information to which ASX Listing Rule 3.1 does not apply because of ASX Listing Rule 3.1A;
- (e) **(complied with applicable laws)** other than as fairly disclosed in the Blackthorn Disclosure Material, Blackthorn and its wholly owned subsidiaries have complied in all material respects with all applicable laws and the ASX Listing Rules;
- (f) **(no default)** other than as fairly disclosed in the Blackthorn Disclosure Material:
 - (i) neither Blackthorn nor any of its wholly owned subsidiaries is in default under any document or agreement binding on it or its assets; and

Attachment D: Scheme Implementation Deed (continued)

- (ii) nothing has occurred which is or would, with the giving of notice or lapse of time or both, constitute an event of default, prepayment event or similar event under any such document or agreement;
- (g) **(no litigation)** other than as fairly disclosed in the Blackthorn Disclosure Material no litigation, arbitration, mediation, conciliation or administrative proceedings are taking place, pending or to its knowledge, threatened which, if adversely decided, could reasonably be expected to have a Material Adverse Effect on Blackthorn;
- (h) **(schedule accurately details Blackthorn capital)** Part A of Schedule 2 accurately records the total number and details of Blackthorn Shares, securities convertible into Blackthorn Shares, Blackthorn Options, notes or other securities issued by Blackthorn as at the date of this document and Blackthorn is not under any actual or contingent obligation to issue, convert or cancel any securities other than as listed in Schedule 2; and
- (i) **(no other approvals necessary)** to Blackthorn's knowledge, no consents, approvals or other acts by a Government Agency are necessary to effect Implementation, other than as disclosed to Intrepid prior to lodgement of the draft Scheme Booklet with ASIC for review.

18.3 Intrepid representations and warranties

Intrepid represents and warrants to Blackthorn that:

- (a) **(Intrepid Due Diligence Information not false or misleading)** to Intrepid's knowledge, Intrepid has not knowingly or recklessly:
 - (i) omitted to disclose information to Blackthorn, the disclosure of which might reasonably be expected to have resulted in Blackthorn not entering into this document, or entering into it on materially different terms;
 - (ii) omitted anything from the Intrepid Due Diligence Information that would make any part of that information materially false or misleading;
 - (iii) included anything materially false or misleading in the Intrepid Due Diligence Information; or
 - (iv) denied access to requested information with the intention of misleading Blackthorn;
- (b) **(no false or misleading statement)** to Intrepid's knowledge, as at the date of dispatch of the Share Scheme Booklet, the Intrepid Material will not contain any material statement which is false or misleading (including because of any material omission);
- (c) **(complied with applicable laws)** other than as fairly disclosed in the Intrepid Disclosure Material, Intrepid and its wholly owned subsidiaries have complied with all applicable laws and the ASX Listing Rules;
- (d) **(material correspondence to be promptly disclosed)** without limiting clause 18.3(a), all material correspondence between Intrepid or any of its wholly owned subsidiaries and any Government Agency which is received following execution of this document until the Effective Date will be promptly disclosed in writing to Blackthorn;
- (e) **(no default)** other than as fairly disclosed in the Intrepid Disclosure Material:

- (i) neither Intrepid nor any of its wholly owned subsidiaries is in default under any document or agreement binding on it or its assets; and
- (ii) nothing has occurred which is or would, with the giving of notice or lapse of time or both, constitute an event of default, prepayment event or similar event under any such document or agreement,

which individually or in aggregate could reasonably be expected to have a Material Adverse Effect on Intrepid;

- (f) **(no litigation)** no litigation, arbitration, mediation, conciliation or administrative proceedings are taking place, pending or to its knowledge, threatened which, if adversely decided, could reasonably be expected to have a Material Adverse Effect on Intrepid;
- (g) **(continuous disclosure)** Intrepid is not in breach of its continuous disclosure obligation under ASX Listing Rule 3.1 and, except for information contained in the Announcement to be made in accordance with clause 6(a) above, there is no information to which ASX Listing Rule 3.1 does not apply because of ASX Listing Rule 3.1A;
- (h) **(schedule accurately details Intrepid capital)** Part B of Schedule 2 accurately records the total number and details of Intrepid Shares, securities convertible into Intrepid Shares, Intrepid Options, notes or other securities issued by Intrepid at the date of this document;
- (i) **(New Intrepid Shares)** the New Intrepid Shares will, upon issue:
 - (i) be duly issued and fully paid;
 - (ii) be free from any Security Interest or other encumbrance, other than as provided for in the constitution of Intrepid; and
 - (iii) rank equally in all respects, including for future dividends, with all existing Intrepid Shares; and
- (j) **(no other approvals necessary)** to Intrepid's knowledge, no consents, approvals or other acts by a Government Agency are necessary to effect Implementation other than as disclosed to Blackthorn prior to lodgement of the draft Scheme Booklet with ASIC for review.

18.4 No representations made on economic or future matters

Each party acknowledges and agrees that the other party makes no representation or warranty other than as set out in this clause 18 and, in particular, at no time has the other party made or given any representation or warranty in relation to the achievability of:

- (a) any economic, fiscal or other interpretations or evaluations by it; or
- (b) future matters, including future or forecast costs, prices, revenues or profits.

18.5 Reliance on representations and warranties

Each party acknowledges that the other party has executed this document and agreed to take part in the transactions that this document contemplates in reliance on the representations and warranties that are made in clauses 18.1, 18.2 and 18.3.

Attachment D: Scheme Implementation Deed (continued)

18.6 When warranties are given

Each representation and warranty given or made under clauses 18.1, 18.2 and 18.3 is given:

- (a) as at the date of this document;
- (b) as at 8.00 am on the Second Court Date;
- (c) in the case of representations and warranties in clauses 18.2(a) and 18.3(a), when the Intrepid and Blackthorn Due Diligence Information is provided by the relevant party to the other; and
- (d) at any other date at which the representation or warranty is expressed to be given under this document.

19. INDEMNITIES

19.1 Indemnities by Blackthorn

Blackthorn indemnifies Intrepid and members of the Intrepid Group and their respective directors, officers and employees against, and must pay on demand, any Loss, Claim or damage (including any right to common law damage) arising from or incurred in connection with a breach of the representation and warranty in clause 18.2(b) to the fullest extent permitted by law.

19.2 Indemnities by Intrepid

Intrepid indemnifies Blackthorn and members of the Blackthorn Group and their respective directors, officers and employees against, and must pay on demand, any Loss, Claim or damage (including any right to common law damage) arising from or incurred in connection with a breach of the representation and warranty in clause 18.3(b) to the fullest extent permitted by law.

20. RELEASE

Each party agrees with each other, and declares and covenants in favour of each party's officers and employees, as follows:

- (a) subject to applicable law (including section 199A of the Corporations Act) and clause 20(b), no officer or employee of a party, is liable for anything done or purported to be done in connection with Implementation;
- (b) clause 20(a) does not exclude an officer or employee from any liability which may arise from wilful misconduct or a grossly negligent act or omission on the part of the person; and
- (c) this clause 20 operates as a deed poll in favour of and for the benefit of each officer and each employee of each party and may be relied on and enforced by each such officer and employee in accordance with its terms even though the officer or employee is not named as a party to this document.

21. GST

21.1 GST pass on

If GST is or will be imposed on a supply made under or in connection with this document, to the extent that the consideration otherwise provided for that supply under this document is not stated to include an amount for GST on the supply:

- (a) the consideration otherwise provided for that supply under this document is increased by the amount of that GST; and
- (b) the recipient must make payment of the increase as and when the consideration otherwise provided for, or relevant part of it, must be paid or provided or, if the consideration has already been paid or provided, within seven days of receiving a written demand from the supplier.

21.2 **Tax Invoice**

The right of the supplier to recover any amount in respect of GST under this document on a supply from the recipient is subject to the issuing of the relevant tax invoice or adjustment note.

21.3 **Consideration exclusive of GST**

Any consideration otherwise provided for a supply or payment obligation in connection with this document is exclusive of GST unless stated otherwise.

21.4 **Adjustments**

If there is an adjustment event in relation to a supply which results in the amount of GST on a supply being different from the amount in respect of GST already recovered by the supplier, as appropriate, the supplier within 14 days of becoming aware of the adjustment event:

- (a) may recover from the recipient the amount by which the amount of GST on the supply exceeds the amount already recovered by giving seven days written notice; or
- (b) must refund to the recipient the amount by which the amount already recovered exceeds the amount of GST on the supply to the extent that the supplier is entitled to a refund or credit from the Commissioner of Taxation; and
- (c) must issue an adjustment note or tax invoice reflecting the adjustment event in relation to the supply to the recipient within 28 days of the adjustment event.

21.5 **Reimbursements**

Costs actually or estimated to be incurred or revenue actually or estimated to be lost by a party that is required to be reimbursed or indemnified by another party, or used as the basis for calculation of consideration for a supply, under this document must exclude the amount of GST referable to the cost to the extent to which an entitlement arises or would arise to claim an input tax credit and any amount in respect of GST referable to the revenue.

22. **NOTICES**

22.1 **How to give a notice**

A notice, consent or other communication under this document is only effective if it is:

- (a) in writing, signed by or on behalf of the person giving it;
- (b) addressed to the person to whom it is to be given; and
- (c) either:

Attachment D: Scheme Implementation Deed (continued)

- (i) delivered or sent by pre-paid mail (by airmail, if the addressee is overseas) to that person's address; or
- (ii) sent by fax to that person's fax number and the machine from which it is sent produces a report that states that it was sent in full; or
- (iii) sent by email to that person's email address.

22.2 When a notice is given

A notice, consent or other communication that complies with this clause is regarded as given and received:

- (a) if it is delivered or sent by fax:
 - (i) by 5.00 pm (local time in the place of receipt) on a Business Day – on that day; or
 - (ii) after 5.00 pm (local time in the place of receipt) on a Business Day, or on a day that is not a Business Day – on the next Business Day;
- (b) if it is sent by mail:
 - (i) within Australia – three Business Days after posting; or
 - (ii) to or from a place outside Australia – seven Business Days after posting; and
- (c) if it is sent by email, on the earlier of:
 - (i) when the sender receives an automated message confirming delivery; or
 - (ii) four hours after the time sent (as recorded in the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered.

22.3 Address for notices

A person's address and fax number are those set out below, or as the person notifies the sender:

Blackthorn

Address: Level 5, Suite 502,
80 William Street
Sydney, New South Wales 2011
Fax number: +61 2 9332 1336
Email: c.brown@blackthornresources.com.au
Attention: Chris Brown, Company Secretary

Intrepid

Address: Level 1, 490 Upper Edward Street
Spring Hill, Queensland 4000
Fax number: +61 7 3007 8080
Email: vchidrawi@intrepidmines.com
Attention: General Counsel

23. AMENDMENT AND ASSIGNMENT**23.1 Amendment**

This document can only be amended or replaced by another document executed by the parties.

23.2 Assignment

A party may only assign, encumber, declare a trust over or otherwise deal with its rights under this document with the prior consent of each other party.

24. GENERAL**24.1 Governing law**

- (a) This document is governed by the law in force in Queensland.
- (b) Each party submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in Queensland, and any court that may hear appeals from any of those courts, for any proceedings in connection with this document, and waives any right it might have to claim that those courts are an inconvenient forum.

24.2 Liability for expenses

- (a) Intrepid must pay for all stamp duty payable on this document or any instrument or transaction contemplated in or necessary to give effect to this document.
- (b) Subject to clause 24.2(a), each party must pay its own expenses incurred in negotiating, preparing, executing and registering this document.

24.3 Giving effect to this document

Each party must do anything within its power (including execute any document) that the other party may reasonably require to give full effect to this document.

24.4 Waiver of rights

A right may only be waived in writing, signed by the party giving the waiver, and:

- (a) no other conduct of a party (including a failure to exercise, or delay in exercising, the right) operates as a waiver of the right or otherwise prevents the exercise of the right;
- (b) a waiver of a right on one or more occasions does not operate as a waiver of that right if it arises again; and
- (c) the exercise of a right does not prevent any further exercise of that right or of any other right.

24.5 No partnership or agency

Nothing in this document is to be treated as creating a partnership and, except as specifically provided in this document, no party may act as agent of or in any way bind another party to any obligation.

24.6 Operation of this document

- (a) Subject to clause 11.6:

Attachment D: Scheme Implementation Deed (continued)

- (i) this document contains the entire agreement between the parties about its subject matter;
 - (ii) any previous understanding, agreement, representation or warranty relating to that subject matter is replaced by this document.
- (b) Any right that a person may have under this document is in addition to, and does not replace or limit, any other right that the person may have.
- (c) Any provision of this document which is unenforceable or partly unenforceable is, where possible, to be severed to the extent necessary to make this document enforceable, unless this would materially change the intended effect of this document.

24.7 Operation of indemnities

- (a) Each indemnity in this document survives the expiry or termination of this document.
- (b) A party may recover a payment under an indemnity in this document before it makes the payment in respect of which the indemnity is given.

24.8 Consents

Where this document contemplates that a party may agree or consent to something (however it is described), unless this document expressly contemplates otherwise, the party may:

- (a) agree or consent, or not agree or consent, in its sole and absolute discretion; and
- (b) agree or consent subject to conditions.

24.9 No merger

No provisions of this document merge on Implementation.

24.10 Inconsistency with other documents

If this document is inconsistent with any other document or agreement between the parties, this document prevails to the extent of the inconsistency.

24.11 Counterparts

- (a) This document may be executed in counterparts.
- (b) If this document is executed in counterparts, it is not binding until all executed counterparts have been exchanged.
- (c) Executed counterparts may be exchanged by email or fax. While not effecting the validity of exchange, if executed counterparts are exchanged by email or fax, original executed counterparts must be exchanged as soon as practicable after the time of exchange.

SCHEDULE 1**Timetable**

Step	Date	Action
1.	Thursday 28 August 2014	Sign Scheme Implementation Deed and announce transaction
2.	Friday 26 September 2014	Provide ASIC and ASX with draft Intrepid Meeting Material
3.	Monday 29 September 2014	Provide ASIC, ASX and the Court with draft Scheme Booklet and provide notice of First Court Hearing to ASIC
4.	Tuesday 7 October 2014	Announcement of Intrepid Buy-Back and lodgement of Appendix 3C
5.	Wednesday 8 October 2014	Intrepid Shares quoted ex-entitlement to Intrepid Buy-Back
6.	Monday 13 October 2014 (at least 14 days after Step 3)	First Court Date to convene Share Scheme Meeting and approve Scheme Booklet for dispatch
7.	Tuesday 14 October 2014	Record date for Intrepid Buy-Back
8.	Tuesday 14 October 2014	Scheme Booklet registered by ASIC and lodged with ASX
9.	Thursday 16 October 2014	Dispatch Intrepid Meeting Material
10.	Friday 17 October 2014	Dispatch Intrepid Buy-Back offer documents
11.	Tuesday 21 October 2014	Dispatch notice of Share Scheme Meeting and Scheme Booklet to Blackthorn Shareholders
12.	Tuesday 11 November 2014	Close of Intrepid Buy-Back offer period
13.	Tuesday 18 November 2014	Hold Intrepid Shareholder Meeting and announce results to ASX
14.	Friday 21 November 2014	Hold Share Scheme Meeting and announce results to ASX
15.	Wednesday 26 November 2014	Second Court Date and announce to ASX intention to lodge Court order on the next Business Day
16.	Thursday 27 November 2014	Effective Date File Court order approving the Share Scheme with ASIC and announce to ASX
17.	Thursday 27 November	Blackthorn securities cease trading at close of trading

Attachment D: Scheme Implementation Deed (continued)

Step	Date	Action
	2014	on ASX
18.	Thursday 4 December 2014 <i>(5th Business Day after the Effective Date)</i>	Record Date for entitlements to Share Scheme Consideration
19.	Thursday 11 December 2014	Implementation Date Intrepid issues Share Scheme Consideration
20.	Thursday 11 December 2014	Expected date of dispatch of holding statements for New Intrepid Shares
21.	Thursday 11 December 2014	Expected date of dispatch of Intrepid Buy-Back consideration and cancellation of Intrepid Shares bought-back
22.	Friday 12 December 2014	Commencement of normal settlement trading of New Intrepid Shares

SCHEDULE 2**Capital****Part A - Blackthorn's Capital****1. BLACKTHORN SHARES**

Blackthorn has 164,285,950 fully paid ordinary shares on issue.

2. BLACKTHORN OPTIONS

Blackthorn has on issue a total of 2,810,000 options to subscribe for fully paid shares issued on the following key terms:

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

Part B - Intrepid's Capital**3. INTREPID SHARES**

Intrepid has 557,500,888 fully paid ordinary shares on issue.

4. INTREPID OPTIONS

Intrepid has on issue a total of 2,201,357 options to subscribe for fully paid shares issued on the following key terms:

Number	Expiry Date	Exercise Price
24,258	31 January 2015	\$0.4536
715,569	30 April 2015	\$0.2938
155,789	31 May 2012	\$1.181
187,797	17 July 2016	\$1.72
494,203	1 January 2017	\$1.181
623,741	31 May 2017	\$0.5565

5. INTREPID SHARES RIGHTS

Intrepid has on issue 652, 871 share rights that vest into fully paid ordinary shares subject to vesting conditions.

Attachment D: Scheme Implementation Deed (continued)

SCHEDULE 3

Scheme of Arrangement (Share Scheme)

[The Scheme of Arrangement is set out at Attachment F]

SCHEDULE 4**Deed Poll**

[The Deed Poll is set out at Attachment E]

Attachment D: Scheme Implementation Deed (continued)

SCHEDULE 5

Option Consideration

Option series	Total Number of Intrepid Shares to be offered to the relevant Blackthorn Option Holder
Holder of 75,000 Blackthorn Options with an exercise price of \$1.63 expiring on 27 June 2015	545 Intrepid Shares

Option series	Number of Intrepid Shares to be offered for each Blackthorn Option
Blackthorn Options with an exercise price of \$0.25 expiring on 31 May 2017	0.4720 Intrepid Share per Blackthorn Option

E

Attachment E: Deed Poll

This Deed Poll forms Schedule 4 of the Scheme Implementation Deed set out in Attachment D.

Attachment E: Deed Poll

Deed Poll

Intrepid Mines Limited

ACN 060 156 452

Deed Poll relating to proposed Scheme of
Arrangement between Blackthorn Resources
Limited and its members

DEED POLL

DATE:

BY

Intrepid Mines Limited ACN 060 156 452 (**Intrepid**)

IN FAVOUR OF

Each person registered as a holder of fully paid ordinary shares in Blackthorn Resources Limited ACN 009 193 980 as at the Record Date (**Scheme Shareholder**)

RECITALS

- (A) Blackthorn Resources Limited ACN 009 193 980 (**Blackthorn**) and Intrepid have entered into a Scheme Implementation Deed dated 27 August 2014 (the **Scheme Implementation Deed**).
- (B) Under the Scheme Implementation Deed, Blackthorn has agreed to propose the Share Scheme, pursuant to which (among other things) Intrepid agreed to make this deed poll and the Scheme Shareholders will transfer to Intrepid, and Intrepid is to acquire, all the Blackthorn Shares, and Intrepid is to provide the Share Scheme Consideration to each Scheme Shareholder.
- (C) Intrepid is executing this document to covenant in favour of each Scheme Shareholder to perform the obligations contemplated of it under the Share Scheme and ensure that the Scheme Consideration is paid to the Scheme Shareholders.

OPERATIVE PROVISIONS

1. INTERPRETATION

1.1 Definitions

Words and expressions that are defined in the Scheme Implementation Deed (other than words and expressions defined in this document) have the same meaning in this document as given to the term in the Scheme Implementation Deed, unless the context makes it clear that a definition is not intended to apply.

1.2 Rules for interpreting this document

The rules in clause 1.2 of the Scheme Implementation Deed apply in interpreting this document, unless the context makes it clear that a rule is not intended to apply.

1.3 Time for performance

- (a) If the day on or by which a payment or an act is to be done under this document is not a Business Day, that act must be done on the next Business Day.
- (b) In this document, if a period occurs from, after or before a day or the day of an act or event, it excludes that day.
- (c) In this document, a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later.

Attachment E: Deed Poll (continued)

2. NATURE OF THIS DOCUMENT

Intrepid acknowledges that:

- (a) this document is a deed poll and may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not parties to it; and
- (b) under the Share Scheme, each Scheme Shareholder irrevocably appoints Blackthorn and each of its directors and officers, jointly and severally, as its agent and attorney to enforce this document against Intrepid.

3. CONDITIONS PRECEDENT AND TERMINATION

3.1 Conditions precedent

Intrepid's obligations under this document are subject to the Share Scheme becoming Effective.

3.2 Termination

- (a) If the Scheme Implementation Deed is terminated or the Share Scheme does not become Effective on or before the End Date, Intrepid's obligations under this document will automatically terminate and the terms of this document will be of no further force or effect, unless Intrepid and Blackthorn otherwise agree in writing.
- (b) If this document is terminated pursuant to this clause then, in addition and without prejudice to any other rights, powers or remedies available to it:
 - (i) Intrepid is released from its obligations under this document except those obligations contained in clause 8.1; and
 - (ii) each Scheme Shareholder retains any rights, powers or remedies it has against Intrepid in respect of any breach of this document which occurred before this document was terminated.

4. INTREPID COVENANT TO COMPLY WITH SHARE SCHEME OBLIGATIONS

Subject to clause 3, in consideration of the transfer of each Scheme Share to Intrepid in accordance with the Share Scheme, Intrepid covenants in favour of each Scheme Shareholder that it will duly and punctually observe and perform all obligations contemplated of it under the Share Scheme, including all obligations contemplated of it relating to the provision of the Share Scheme Consideration in accordance with the Share Scheme.

5. REPRESENTATIONS AND WARRANTIES

Intrepid represents and warrants in favour of each Scheme Shareholder that:

- (a) **(status)** it is a validly existing corporation under the laws of its place of incorporation; and
- (b) **(power)** it has full legal capacity and power to execute this document and to carry out the transactions that this document contemplates; and
- (c) **(corporate authority)** it has taken all corporate action that is necessary or desirable to authorise its execution of this document and its carrying out the transactions this document contemplates; and

- (d) **(documents effective)** this document constitutes its legal, valid and binding obligations, enforceable against it in accordance with its terms; and
- (e) **(no adverse regulatory action)** no regulatory action of any nature has been taken which would prevent, inhibit or otherwise have a material adverse effect on its ability to fulfil its obligations under this document and, to the knowledge of Intrepid, no such regulatory action has been threatened or is proposed to be taken against Intrepid; and
- (f) **(solvent)** it is solvent and not affected by any Insolvency Event;
- (g) **(breach of law)** this document does not conflict with, or result in the breach of or default under any provision of Intrepid's constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound; and
- (h) **(New Intrepid Shares)** each New Intrepid Share will, upon issue of the Share Scheme Consideration:
 - (i) be fully paid up; and
 - (ii) be free from any Security Interest (other than as provided for under the constitution of Intrepid); and
 - (iii) rank equally in all respects with all Intrepid Shares then on issue.

6. CONTINUING OBLIGATIONS

This document is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of Intrepid having fully performed its obligations under this document or termination of this document pursuant to clause 3.

7. NOTICES

7.1 How to give a notice

A notice or other communication to a person in respect of this document is only effective if it is:

- (a) in writing, legible and in English, signed by or on behalf of the person giving it;
- (b) addressed to the person to whom it is to be given; and
- (c) either:
 - (i) delivered or sent by pre-paid mail (by airmail, if the addressee is overseas) to that person's address; or
 - (ii) sent by fax to that person's fax number and the machine from which it is sent produces a report that states that it was sent in full.

7.2 When a notice is given

A notice, consent or other communication that complies with this clause is regarded as given and received upon:

- (a) if sent by fax, at the local time (in the place of receipt of the fax) which then equates to the time at which the fax is sent as shown on the transmission report which is produced by the machine from the fax is sent and which confirms transmission of the

Attachment E: Deed Poll (continued)

fax in its entirety (unless that local time is not a Business Day or is after 5.00 pm on a Business Day, in which case the notice or other communication will be regarded as received at 9.00 am on the next Business Day (in the place of receipt of the fax));

- (b) in any other case, on delivery to the address of Intrepid as specified in clause 7.3 below (unless delivery is not made on a Business Day or is made after 5.00 pm on a Business Day (in the place of receipt of the fax), in which the notice or other communication will be regarded as delivered at 9.00 am on the next Business Day (in the place of receipt of the fax)).

7.3 Address for notices

A person's mail and fax number are those set out below, or as the person otherwise notifies:

Intrepid

Address: Level 1, 490 Upper Edward Street
 SPRING HILL QLD 4000
 Fax number: +61 7 3007 8080
 Attention: Company Secretary

8. GENERAL

8.1 Costs and stamp duty

Intrepid shall bear and be responsible for:

- (a) its own costs arising out of the negotiation, preparation and execution of this document; and
- (b) any and all stamp duty (including any related fines or penalties) payable on or in respect of this document, or any transaction contemplated by it (including any transfer of Scheme Shares pursuant to the Share Scheme), and Intrepid shall indemnify each Scheme Participant on demand against any liability for any and all such stamp duty.

8.2 Amendment

A provision of this document may not be amended or varied unless:

- (a) the amendment or variation is agreed to in writing by Blackthorn;
- (b) Intrepid executes a further deed poll in favour of each Scheme Shareholder giving effect to that amendment or variation; and
- (c) if the amendment or variation is to be made on or after the First Court Date, with the approval of the Court and the Court indicating that the amendment would not of itself preclude approval of the Share Scheme.

8.3 Assignment

The rights and obligations of Intrepid and of each Scheme Shareholder under this document are personal and, except with the prior written consent of Blackthorn and Intrepid cannot be assigned, encumbered, charged or otherwise dealt with. Any purported dealing in contravention of this clause is invalid.

8.4 Further assurances

Intrepid will, at its own expense, do all things reasonably required of it to give full effect to this document.

8.5 **Waiver of rights**

No other conduct of a party (including a failure to exercise, or delay in exercising, the right) operates as a waiver of the right or otherwise prevents the exercise of the right. A waiver of a right on one or more occasions does not operate as a waiver of that right if it arises again. The exercise of a right does not prevent any further exercise of that right or of any other right. A waiver is not valid or binding on the person granting the waiver unless the waiver is made in writing.

8.6 **Operation of this document**

- (a) Any right that a person may have under this document is in addition to, and does not replace or limit, any other right that the person may have.
- (b) Any provision of this document which is unenforceable or partly unenforceable is, where possible, to be severed to the extent necessary to make this document enforceable, unless this would materially change the intended effect of this document.

8.7 **Cumulative rights**

The rights, powers and remedies of Intrepid and the Scheme Shareholders under this document are cumulative with the rights, powers or remedies provided by law independently of this document.

8.8 **Governing law**

- (a) This document is governed by the law in force in Queensland.
- (b) Intrepid submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in Queensland, and any court that may hear appeals from any of those courts, for any proceedings in connection with this document, and waives any right it might have to claim that those courts are an inconvenient forum.

EXECUTED as a deed poll.

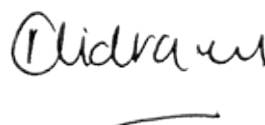
EXECUTED by INTREPID MINES LIMITED
ACN 060 156 452:



Signature of director

Scott Lowe

Name



Signature of director/secretary

Vanessa Chidrawi

Name

F

Attachment F: Scheme of Arrangement

This Scheme of Arrangement forms Schedule 3 of the
Scheme Implementation Deed set out in Attachment D.

Attachment F: Scheme of Arrangement

Scheme of Arrangement

Blackthorn Resources Limited

ACN 009 193 980

The holders of ordinary fully paid shares issued in
Blackthorn Resources Limited

Attachment F: Scheme of Arrangement (continued)

SCHEME OF ARRANGEMENT

Under section 411 of the Corporations Act

BETWEEN:

- (1) Blackthorn Resources Limited ACN 009 193 980 of Level 5, Suite 502, 80 William Street, Sydney, NSW 2011 (**Blackthorn**); and
- (2) each Scheme Shareholder.

BACKGROUND

- (A) Blackthorn is a public company incorporated in Australia under the Corporations Act. It is registered in Western Australia and is a company limited by shares. It has its registered office at Level 5, Suite 502, 80 William Street, Sydney, New South Wales 2011. Blackthorn is admitted to the official list of ASX and Blackthorn Shares are quoted on the stock market conducted by ASX. As at the date of the Scheme Implementation Deed, 164,285,950 of Blackthorn Shares were on issue.
- (B) Intrepid Mines Limited (**Intrepid**) is a public company incorporated in Australia under the Corporations Act. It is registered in Queensland and is a company limited by shares. It has its registered office at Level 1, 490 Upper Edward Street, Spring Hill, Queensland 4000. Intrepid is admitted to the official list of ASX and its fully paid ordinary shares are quoted on the stock market conducted by ASX. As at the date of the Scheme Implementation Deed, 557,500,888 of Intrepid Shares were on issue.
- (C) Blackthorn and Intrepid entered into the Scheme Implementation Deed on 27 August 2014 to facilitate the implementation of the Share Scheme. The directors of Blackthorn have proposed the Share Scheme to the members of Blackthorn and consider that the Share Scheme is in the best interests of Blackthorn and its members as a whole.
- (D) Under the Scheme Implementation Deed, Blackthorn and Intrepid have agreed that each of them will perform their respective obligations under the Share Scheme and do everything within their powers that is necessary to give full effect to the Share Scheme.
- (E) Intrepid has executed the Deed Poll under which it covenants in favour of the Blackthorn Shareholders to carry out its obligations under the Share Scheme, including to provide the Share Scheme Consideration in accordance with the terms of the Share Scheme.
- (F) If the Share Scheme becomes Effective:
 - (1) Intrepid will issue the Share Scheme Consideration in accordance with the terms of this Scheme in consideration of the transfer of the Scheme Shares to Intrepid; and
 - (2) all the Scheme Shares will be transferred to Intrepid and Blackthorn will become a wholly owned subsidiary of Intrepid; and
 - (3) Blackthorn will enter Intrepid's name in the Register as the holder of all Scheme Shares.

OPERATIVE PROVISIONS

1. INTERPRETATION

1.1 Definitions

The following definitions apply in this document:

ASIC means the Australian Securities and Investments Commission.

ASX means the Australian Securities Exchange or ASX Limited (ABN 98 008 624 691), as the context requires.

ASX Listing Rules means the listing rules of ASX.

Blackthorn Share means each fully paid ordinary share in the capital of Blackthorn.

Blackthorn Shareholder means each person who is registered in the Register as a holder of Blackthorn Shares.

Business Day means a business day as defined in the ASX Listing Rules.

CHESS means the clearing house electronic subregister system for the electronic transfer of securities operated by ASX Settlement Pty Limited, which provides for the electronic transfer, settlement and registration of securities.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia or any other court of competent jurisdiction under the Corporations Act agreed in writing between Intrepid and Blackthorn under the terms of the Scheme Implementation Deed.

Deed Poll means the deed poll executed by Intrepid in favour of Blackthorn Shareholders in the form set out in Schedule 4 to the Scheme Implementation Deed.

Effective means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Share Scheme.

Effective Date means the date on which the Share Scheme becomes Effective.

End Date means 12 December 2014, subject to any extension under clause 3.7(f) of the Scheme Implementation Deed.

Implementation means the implementation of the Share Scheme, on it becoming Effective.

Implementation Date means the day that is 5 Business Days following the Record Date, or such other date:

- (a) as Blackthorn and Intrepid may agree in writing;
- (b) ordered by the Court; or
- (c) as required by ASX.

Attachment F: Scheme of Arrangement (continued)

Ineligible Overseas Shareholder means a Blackthorn Shareholder:

- (a) who is (or is acting on behalf of) a resident of a jurisdiction other than Australia or New Zealand and their respective external territories;
- (b) whose address is shown in the Register as a place outside of Australia or New Zealand and their respective external territories,

unless Blackthorn and Intrepid agree that a Blackthorn Shareholder with a registered address outside of Australia and New Zealand should not be treated as an Ineligible Overseas Shareholder and may be issued the New Intrepid Shares in accordance with the Share Scheme and for this purpose the parties agree that shareholders who are residents of, or whose address as shown in the Register is in, USA and Singapore will not be treated as an Ineligible Overseas Shareholder.

Further, if a Blackthorn Shareholder has a registered address outside of Australia, New Zealand, USA or Singapore and Blackthorn considers it appropriate for those shareholders to have the opportunity to receive the New Intrepid Shares, then Intrepid will agree to those shareholders not being treated as Ineligible Overseas Shareholders if Blackthorn can provide to Intrepid's reasonable satisfaction, at least 3 Business Days before the date on which the Court makes orders under section 411(4)(b) of the Corporations Act approving the Share Scheme, confirmation that there are appropriate exemptions available to allow Intrepid to issue the New Intrepid Shares to those shareholders without having to undertake onerous filing or disclosure obligations in those jurisdictions.

Intrepid Buy-Back means the equal access buy-back to be conducted by Intrepid in accordance with section 257B of the Corporations Act as more particularly described in clause 10 of the Scheme Implementation Deed.

Intrepid Share means a fully paid ordinary share in Intrepid.

Intrepid Shareholder Approval means:

- (a) the approval by Intrepid Shareholders by ordinary resolution to the acquisition by Intrepid of the Blackthorn Shares in accordance with this document for all purposes including pursuant to Chapter 11 of the ASX Listing Rules; and
- (b) the approval by Intrepid Shareholders by ordinary resolution of the Intrepid Buy-Back.

New Intrepid Shares means Intrepid Shares to be issued under the Share Scheme as Share Scheme Consideration.

Nominee has the meaning given in clause 3.2(a) of this document.

Record Date means 7.00 pm (Sydney time) on the day which is five Business Days after the Effective Date or any other date agreed by the parties to be the record date to determine entitlements to receive Share Scheme Consideration under the Share Scheme.

Register means the register of Blackthorn Shareholders.

Registered Address means, in relation to a Blackthorn Shareholder, the address of the shareholder shown in the Register.

Scheme Implementation Deed means the Scheme Implementation Deed between Intrepid and Blackthorn dated 27 August 2014 relating to the implementation of the Share Scheme.

Scheme Order means the order of the Court under section 411(4)(b) of the Corporations Act approving this Scheme, with or without modification.

Scheme Share means each Blackthorn Share on issue as at the Record Date.

Scheme Shareholder means each Blackthorn Shareholder at the Record Date, taking into account registration of all registrable transfers and transmission applications in accordance with clause 4.1 below.

Scheme Transfer, in relation to Scheme Shares, means a duly completed and executed instrument of transfer of the Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all the Scheme Shares.

Second Court Date means the first day on which the Court hears the application for an order under section 411(4)(b) of the Corporations Act approving the Share Scheme or, if the application is adjourned or subject to appeal for any reason, the first day on which the adjourned or appealed application is heard.

Share Scheme Meeting means the meeting of Blackthorn Shareholders to be convened as ordered by the Court under section 411(1) of the Corporations Act, to consider the Share Scheme.

Share Scheme means the scheme of arrangement under Part 5.1 between Blackthorn and the Scheme Shareholders, set out in this document, subject to any alterations or conditions made or required by the Court under section 411(6).

Share Scheme Consideration means the number of Intrepid Shares for each Blackthorn Share held by a Scheme Shareholder as at the Record Date as determined by the following formula, which based on the current issued capital of Intrepid as at the date of this document will provide a result of between 1.079 and 1.147 Intrepid Shares for each Blackthorn Share, subject to rounding in accordance with clause 3.7:

$$\text{Share Scheme Consideration} = 0.356 / ((A - B) / C)$$

Where:

A = 173,000,000

B = the cash amount to be paid by Intrepid under the Intrepid Buy-Back, which is subject to Intrepid Shareholder Approval being obtained

C = the number of Intrepid Shares on issue at the close of trading of Intrepid's securities on the ASX on the last day of the Intrepid Buy-Back offer period, less the number of Intrepid Shares to be bought back under the Intrepid Buy-Back, which is subject to Intrepid Shareholder Approvals

Attachment F: Scheme of Arrangement (continued)

1.2 Rules for interpreting this document

Headings and catchwords are for convenience only, and do not affect interpretation. The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply.

- (a) A reference to:
 - (i) a legislative provision or legislation (including subordinate legislation) is to that provision or legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
 - (ii) a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person; and
 - (iii) anything (including a right, obligation or concept) includes each part of it.
- (b) A singular word includes the plural, and vice versa.
- (c) A word which suggests one gender includes the other genders.
- (d) If a word or phrase is defined, any other grammatical form of that word or phrase has a corresponding meaning.
- (e) If an example is given of anything (including a right, obligation or concept), such as by saying it includes something else, the example does not limit the scope of that thing.
- (f) The words **officer** and **security interest** have the same meaning as in section 9 of the Corporations Act.
- (g) The expression **related body corporate** has the same meaning given in section 50 of the Corporations Act.
- (h) The word **agreement** includes an undertaking or other binding arrangement or understanding, whether or not in writing.
- (i) A reference to **\$** or **dollar** is to Australian currency.

1.3 Non-Business Days

If the day on or by which a person must do something under this document is not a Business Day the person must do it on or by the next Business Day.

2. CONDITIONS PRECEDENT

2.1 Conditions precedent to the Share Scheme

The Share Scheme is conditional on the following:

- (a) as at 8.00am on the Second Court Date, neither the Scheme Implementation Deed nor the Deed Poll has been terminated in accordance with its terms;
- (b) all the conditions set out in clause 3.2 of the Scheme Implementation Deed, other than the condition in clause 3.2(e), having been satisfied or waived (other than the

conditions which may not be waived by either party to the Scheme Implementation Deed), in accordance with the terms of the Scheme Implementation Deed; and

- (c) the Court having made an order under section 411(4)(b) of the Corporations Act approving the Share Scheme.

2.2 **Certificate**

Blackthorn and Intrepid must provide to the Court at the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent to this Share Scheme set out in clause 2.1 above have been satisfied or waived. The certificate constitutes conclusive evidence that those conditions precedent (other than Court approval) are satisfied, waived or taken to be waived.

2.3 **Effective Date**

The Share Scheme takes effect on the Effective Date. Blackthorn must lodge with ASIC an office copy of the order of the Court approving the Share Scheme under section 411(4)(b) of the Corporations Act and by no later than 10.00am on the first Business Day after the date on which the Court makes that order.

2.4 **End Date**

The Share Scheme will lapse and be of no effect if:

- (a) the Effective Date has not occurred on or before the End Date;
- (b) the Scheme Implementation Deed has been terminated in accordance with its terms,

unless Blackthorn and Intrepid otherwise agree in writing.

3. **THE SCHEME**

3.1 **Implementation steps**

On the Implementation Date:

- (a) subject to the provision of the Share Scheme Consideration in accordance with this document, the Share Scheme and Intrepid having provided Blackthorn with written confirmation of that having occurred, all the Scheme Shares, together with all rights and entitlements attaching to those shares as at the Implementation Date, will be transferred to Intrepid without the need for any further act by any Scheme Shareholder (other than acts performed by Blackthorn or its directors and officers as attorney and agent for the Scheme Shareholders under the Share Scheme) by Blackthorn effecting a valid transfer or transfers of the Scheme Shares to Intrepid under section 1074B of the Corporations Act or, if that procedure is not available for any reason in respect of any Scheme Shares, by:
 - (i) Blackthorn delivering to Intrepid for execution duly completed and, if necessary, stamped Scheme Transfers to transfer the Scheme Shares to Intrepid, duly executed by Blackthorn or any of its directors and officers as the attorney and agent of each Scheme Shareholder as transferor under clause 5.4 below;

Attachment F: Scheme of Arrangement (continued)

- (ii) Intrepid executing the Scheme Transfers as transferee and attending to stamping the Scheme Transfers (if required) and delivering them to Blackthorn; and
- (iii) Blackthorn upon receipt the Scheme Transfers under subparagraph (ii) above entering or procuring entry of the name and address of Intrepid in the Blackthorn Register as the holders of all the Scheme Shares; and
- (b) Intrepid will:
 - (i) issue to each Scheme Shareholder (other than Ineligible Overseas Shareholders) the Share Scheme Consideration for each Blackthorn Share held by the Scheme Shareholder, in accordance with and subject to the terms of this Share Scheme; and
 - (ii) issue to the Nominee the Share Scheme Consideration that would have otherwise been issued to the Ineligible Overseas Shareholders in accordance with clause 3.2 below.

3.2 Ineligible Overseas Shareholders

- (a) Ineligible Overseas Shareholders shall not be entitled to be issued the Share Scheme Consideration under clause 3.1(b) above. Instead, the Share Scheme Consideration that, but for this clause, would be issued to the Ineligible Overseas Shareholders will be issued to a person nominated by Intrepid (with the consent of Blackthorn, not to be unreasonably withheld or delayed) for this purpose (the **Nominee**). Where the Nominee is issued Share Scheme Consideration under this clause, Blackthorn shall cause:
 - (i) the Nominee, as soon as reasonably practicable (but, in any case within 28 days after the Implementation Date), to offer all the Intrepid Shares comprising such Share Scheme Consideration for sale on ASX in such manner, at such price or prices and on such other terms as the Nominee determines in good faith (and at the risk of the Ineligible Overseas Shareholders); and
 - (ii) as reasonably practicable but in any case within 5 Business Days after settlement of all the sales of the Intrepid Shares comprising the Share Scheme Consideration issued to the Nominee having occurred, to be remitted to each Ineligible Overseas Shareholder the same proportion of the net proceeds of sale of all such shares (after deduction of any fees and taxes and other charges and costs of sale) as the Share Scheme Consideration issued to the Nominee in respect of that Ineligible Overseas Shareholder bears to the total number of Intrepid Shares issued to and sold by the Nominee under paragraph (i) above.
- (b) Ineligible Overseas Shareholders agree that the amount referred to in clause 3.2(a)(ii) may be paid by the Nominee doing any of the following at the Nominee's election:
 - (i) sending by pre-paid post (or pre-paid airmail if the address is outside Australia) the proceeds to the Ineligible Overseas Shareholder's Registered Address;

- (ii) depositing or procuring the Blackthorn Registry to deposit it into account with any Australian bank notified to Blackthorn (or Blackthorn's agent who manages the Blackthorn Register) by an appropriate authority from the Ineligible Overseas Shareholder; or
- (iii) in the event that an Ineligible Overseas Shareholder does not have a Registered Address or the Nominee believes an Ineligible Overseas Shareholder is not known at its Registered Address, and no account has been notified in accordance with paragraph (d) or a deposit into such account is rejected or refunded, the Nominee may credit the amount payable to that Ineligible Overseas Shareholder to a separate bank account of Blackthorn to be held until the Ineligible Overseas Shareholder claims the amount or the amount is dealt with in accordance with unclaimed money legislation, and Blackthorn must hold the amount on trust, but any amount accruing from the amount will be to the benefit of Blackthorn. An amount credited to the account is to be treated as having been paid to the Ineligible Overseas Shareholder. Blackthorn must maintain records of the amounts paid, the people who are entitled to the amounts and any transfers of the amounts.
- (c) Payment by the Nominee to an Ineligible Overseas Shareholder in accordance with this clause 3.2 satisfies in full the Ineligible Overseas Shareholder's right to Share Scheme Consideration.
- (d) Each Ineligible Overseas Shareholder appoints Blackthorn, and each director and officer of Blackthorn, as its agent to receive on its behalf any financial services guide or other notice which may be given by the Nominee to Ineligible Overseas Shareholder for or in connection with its appointment or the sales.

3.3 Registration and confirmations

- (a) Intrepid will register, or cause to be registered, the Scheme Shareholders (other than the Ineligible Overseas Shareholders) and the Nominee (in respect of Ineligible Overseas Shareholders) as the holders of the Intrepid Shares to which they become entitled under the Share Scheme.
- (b) As required by the Corporations Act Intrepid will send confirmations of allotment, including uncertificated holding statements where applicable, for the Intrepid Shares issued to Scheme Shareholders (at the risk of the Scheme Shareholders) by pre-paid ordinary mail or, in the case of an address outside Australia by airmail, to the Registered Addresses of the respective Scheme Shareholders. In the case of Scheme Shareholders that are joint holders, such confirmations or notices shall be sent to the holder whose name appears first in the Register on the Record Date.

3.4 Agreement to become member of Intrepid

Each Scheme Shareholder agrees for all purposes to become a member of Intrepid (without the need for any further act on its part) and to be bound by the constitution of Intrepid.

3.5 Blackthorn Shares transferred free from encumbrance

- (a) To the extent permitted by law, the Blackthorn Shares transferred to Intrepid under the Share Scheme will be transferred (subject to Blackthorn's constitution)

Attachment F: Scheme of Arrangement (continued)

free from all security interests (including mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise).

- (b) Each Scheme Shareholder is deemed to have warranted to Intrepid and, to the extent enforceable, appointed and authorised Blackthorn as its agent to warrant to Intrepid that all its Scheme Shares (including any rights and entitlements attaching to those Shares) will, as at the time of the transfer of them to Intrepid, be fully paid and (subject to Blackthorn's constitution) free from all security interests (including mortgages, charges, liens, encumbrances, pledges, security interests and interests of third parties of any kind, whether legal or otherwise), and from any restrictions on transfer of any kind, and that it has full power and capacity to sell and to transfer its Scheme Shares (including any rights and entitlements attaching to those shares) to Intrepid under the Share Scheme. Blackthorn undertakes in favour of each Scheme Shareholder that it will provide such warranty to Intrepid on behalf of the Scheme Shareholder.

3.6 Intrepid beneficially entitled to Scheme Shares

Intrepid will be beneficially entitled to the Scheme Shares transferred to it under the Share Scheme pending registration by Blackthorn of the name and address of Intrepid in the Register as the holder of the Scheme Shares.

3.7 Fractional entitlements and splitting

- (a) Subject to clause 3.7(b), where the calculation of the number of New Intrepid Shares to be issued to a particular Scheme Shareholder would result in the issue of a fraction of a New Intrepid Share, the fractional entitlement:

- (i) which is 0.5 or greater will be rounded up to the nearest whole number of New Intrepid Shares; and
- (ii) which is less than 0.5 will be rounded down to the nearest whole number of New Intrepid Shares,

after aggregating all holdings of the Scheme Shareholder and in a manner which avoids manipulation of a Scheme Shareholder's holdings to take advantage of the rounding entitlement.

- (b) If Intrepid reasonably forms the opinion that two or more Scheme Shareholders, each of whom holds a number of Scheme Shares which result in rounding in accordance with clause 3.7(a), have, before the Record Date, been party to shareholding splitting or division in an attempt to obtain advantage by reference to such rounding, Intrepid may send a notice to those Scheme Shareholders stating that opinion and attributing to one of them specifically identified in that notice (the **Deemed Holder**) all of the Scheme Shares held by all of them, upon which, for the purposes of the Scheme:
- (i) the Deemed Holder will be taken to hold all the Scheme Shares referred to in the notice; and
 - (ii) each of the Scheme Shareholders whose names are set out in the notice, will be taken not to hold any of the Scheme Share,

and by complying with this clause 3.7(b), Intrepid will be taken to have satisfied and discharged its obligation under the terms of the Scheme to all the Scheme Shareholders named in the notice.

3.8 **Ranking of Scheme Consideration**

Upon issue:

- (a) the New Intrepid Shares will rank equally in all respects with all other Intrepid Shares then on issue; and
- (b) each New Intrepid Share will be fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.

4. **DEALINGS IN BLACKTHORN SHARES**

4.1 **What Blackthorn Share dealings are recognised?**

To establish the persons who are Scheme Shareholders, dealings in Blackthorn Shares will be recognised only if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the Blackthorn Shares as at the Record Date; and
- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the Registry at or before the Record Date.

4.2 **Blackthorn to register transfer and transmission applications**

Blackthorn will register registrable transfers or transmission applications of the kind referred to in clause 4.1(b) above by, or as soon as practicable after, the Record Date.

4.3 **Transfers received after Record Date not recognised**

- (a) If the Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose or purport or agree to dispose of any Scheme Shares or interest in them after the Effective Date.
- (b) Blackthorn will not accept for registration, nor recognise for any purpose, any transfer or transmission application in respect of Scheme Shares received after the Record Date.

4.4 **Blackthorn to maintain Register to determine entitlements**

In order to determine entitlements to the Share Scheme Consideration, Blackthorn will maintain, or procure the maintenance of, the Register in accordance with this clause 4 until the Share Scheme Consideration has been paid to Scheme Shareholders and the Register in this form will solely determine entitlements to the Share Scheme Consideration.

4.5 **Holding statements no effect from Record Date**

From the Record Date, all holding statements for Scheme Shares will cease to have effect as documents of title (or evidence thereof), and each entry on the Register at the Record

Attachment F: Scheme of Arrangement (continued)

Date will cease to have any effect other than as evidence of the entitlements of Scheme Shareholders to the Share Scheme Consideration.

4.6 **Blackthorn to provide contact information for Scheme Shareholders**

As soon as practicable after Record Date and in any event at least three Business Days before the Implementation Date, Blackthorn will give to Intrepid or procure that Intrepid be given details of the name, Registered Address and the number of Blackthorn Shares held by each Scheme Shareholder, as shown in the Register at the Record Date, in whatever form Intrepid reasonably requires.

4.7 **Suspension of trading**

Blackthorn will apply to ASX to suspend trading in Blackthorn Shares on the stock market conducted by ASX from the close of trading on the Effective Date.

4.8 **Blackthorn to apply for termination of quotation of Blackthorn Shares**

On a date after the Implementation Date to be determined by Intrepid, Blackthorn will apply for termination of the official quotation on the stock market conducted by ASX of Blackthorn Shares and to have itself removed from the official list of ASX.

5. **GENERAL PROVISIONS**

5.1 **Blackthorn giving effect to the Share Scheme**

Blackthorn must do anything (including execute any document), and must ensure that its employees and agents do anything (including execute any document), that is necessary, expedient or incidental to give full effect to the Share Scheme and the transactions contemplated by it. Without limiting Blackthorn's power under the Share Scheme, Blackthorn has power to do all things that it considers necessary or desirable to give effect to the Share Scheme and the Scheme Implementation Deed.

Each Scheme Shareholder:

- (a) agrees to the transfer of their Blackthorn Shares, together with all rights and entitlements attaching to those Shares, to Intrepid, in accordance with the Share Scheme;
- (b) consents to Blackthorn doing all things and executing all deeds, instruments, transfers or other documents as may be necessary, expedient or incidental to Implementation and to give full effect to the Share Scheme and the transactions contemplated by it and Blackthorn, as agent of each Scheme Shareholder, may sub-delegate its functions under this document to any of its directors and officers, jointly and severally,

without the need for any further act by the Scheme Shareholder.

5.2 **Scheme Shares – Free of encumbrances**

- (a) To the extent permitted by law, the Scheme Shares transferred to Intrepid under this Scheme must be transferred free from all mortgages, charges, liens, encumbrances and interest of third parties of any kind, whether legal or otherwise.

- (b) Each Scheme Shareholder is deemed to have warranted to Intrepid that all their Scheme Shares (including any rights attaching to those shares) that are transferred to Intrepid under this Scheme are, at the date of transfer, fully paid and free from all mortgages, charges, liens, encumbrances and interest of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their Scheme Shares together with any rights attaching to those shares.

5.3 **Beneficial ownership pending registration**

Intrepid is beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by Blackthorn of Intrepid in the Blackthorn Register as the holder of the Scheme Shares.

5.4 **Appointment as attorney of Scheme Shareholders**

Each Scheme Shareholder without the need for any further act, irrevocably appoints Blackthorn and each of its directors and officers, jointly and severally, on and from the Effective Date, as the Scheme Shareholder's attorney and agent,

- (a) to execute any document or do any other act necessary, expedient or incidental to give full effect to the Share Scheme and the transactions contemplated by it, including the effecting of a valid transfer or transfers (or execution and delivery of any Scheme Transfer) under clause 3 above; and
- (b) enforcing the Deed Poll against Intrepid,

and Blackthorn accepts such appointment. Blackthorn may as agent and attorney of each Scheme Shareholder sub-delegate any of its functions, authorities, powers under this clause to all or any of its directors and officers (jointly, severally, or jointly and severally).

5.5 **Appointment of Intrepid as attorney in respect of Scheme Shares**

- (a) Immediately upon the provision of the Share Scheme Consideration until Intrepid is registered as the holder of all Scheme Shares, each Scheme Shareholder:
 - (i) irrevocably appoints Intrepid as its attorney and agent (and irrevocably appoints Intrepid as its agent and attorney to appoint any of the directors and officers of Intrepid as its attorney and agent) to:
 - (A) appoint the chairman of the board of directors of Intrepid, or failing him, the Chief Executive Officer of Intrepid, as its sole proxy and, where applicable, corporate representative to attend shareholders' meetings of Blackthorn;
 - (B) exercise the votes attaching to the Blackthorn Shares registered in the name of the Scheme Shareholder;
 - (C) sign any Blackthorn Shareholders' resolution; and
 - (ii) must take all other action in the capacity of a registered holder of Scheme Shares as Intrepid reasonably directs.

Attachment F: Scheme of Arrangement (continued)

- (b) From the Implementation Date no Scheme Shareholder may attend or vote at any of those meetings or sign any Blackthorn Shareholders resolution (whether in person, by proxy or by corporate representative) other than under this clause.

5.6 **Binding effect of Scheme**

The Share Scheme binds Blackthorn and all Blackthorn Shareholders from time to time, including those who do not attend the Share Scheme Meeting, do not vote at that meeting or vote against the Share Scheme. To the extent of inconsistency between this Scheme and the Blackthorn Constitution, this Scheme overrides the Blackthorn Constitution to the extent permitted by law.

5.7 **Alteration or conditions to the Share Scheme**

If the Court proposes to approve the Share Scheme subject to any alteration or condition Blackthorn may, by its counsel or solicitors, but subject to the prior approval of Intrepid (which may not be unreasonably withheld or delayed), consent on behalf of all persons concerned, including each Scheme Shareholder, to those alterations or conditions.

5.8 **Deed Poll**

Blackthorn undertakes in favour of each Scheme Shareholder to enforce the Deed Poll against Intrepid for and on behalf of each Scheme Shareholder.

5.9 **Notices**

Where a notice, transfer, transmission application, direction or other communication referred to in the Share Scheme is sent by post to Blackthorn, it will be deemed to be received on the date (if any) on which it is actually received at Blackthorn's registered office or Blackthorn's Share Registry and on no other date.

5.10 **Costs and stamp duty**

Intrepid will pay all stamp duty and any related fines, penalties and other costs in respect of the Share Scheme and the Deed Poll (including in connection with the transfer of the Scheme Shares to Intrepid) in accordance with the terms of the Share Scheme.

5.11 **No liability when acting in good faith**

To the maximum extent permitted by law, none of Blackthorn or Intrepid nor any officer of any of those companies is liable for anything done or omitted to be done in the performance of this Scheme in good faith.

5.12 **Governing law**

This document is governed by the law in force in Queensland. The parties submit to the non-exclusive jurisdiction of the courts exercising jurisdiction in Queensland.

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Attachment G: Notice of Scheme Meeting

Attachment G: Notice of Scheme Meeting

BLACKTHORN RESOURCES LIMITED (ACN 009 193 980)

NOTICE OF COURT ORDERED MEETING OF HOLDERS OF FULLY PAID ORDINARY SHARES IN BLACKTHORN RESOURCES LIMITED

By an Order of the Federal Court of Australia (**Court**), made on Monday, 13 October 2014 under Section 411(1) of the *Corporations Act 2001* (Cth), notice is hereby given that a meeting of holders of fully paid ordinary shares in Blackthorn Resources Limited (**Blackthorn**), will be held at the offices of Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney at 11:00 am (Sydney time) on Friday, 21 November 2014.

Terms used in this Notice of Scheme Meeting will, unless the context otherwise requires, have the meaning given to them in the Glossary in Section 12 in the Scheme Booklet.

PURPOSE OF MEETING

The purpose of the meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without modification) to be made between Blackthorn and holders of fully paid ordinary shares in Blackthorn.

RESOLUTION

To consider and, if thought fit, to pass the following resolution in accordance with section 411(4)(a)(ii) of the *Corporations Act 2001* (Cth):

'That, pursuant to and in accordance with Section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed to be entered into between Blackthorn and the holders of fully paid ordinary shares in Blackthorn, the terms of which are described in the Scheme Booklet (of which the Notice convening this meeting forms part), is agreed to, with or without modification as approved by the Federal Court of Australia.'

BY ORDER OF THE BOARD



Chris Brown
Company Secretary

Sydney, 13 October 2014

WHAT YOU NEED TO DO

READ THIS DOCUMENT

The Scheme Booklet, of which this Notice of Scheme Meeting forms part, sets out the details of the Resolution being put to Blackthorn Shareholders. This information is important to assist you in determining how to vote on the Resolution. You should read the Scheme Booklet carefully and, if necessary, seek your own independent advice on any aspects about which you are not certain.

REQUIRED VOTING MAJORITY

The Resolution to approve the Scheme is subject to approval by the majorities required under section 411(4)(a)(ii) of the *Corporations Act 2001* (Cth), namely approval by:

- (a) a majority in number (more than 50%) of Blackthorn Shareholders present and voting at the Scheme Meeting (whether in person, by proxy, attorney or, in the case of corporate Blackthorn Shareholders, by corporate representative); and
- (b) Blackthorn Shareholders whose Blackthorn Shares in aggregate account for at least 75% of the votes cast on the Resolution.

COURT APPROVAL

In accordance with section 411(4)(b) of the *Corporations Act 2001* (Cth), the Scheme (with or without modification) must also be approved by an order of the Court. If all necessary conditions to the Scheme Implementation Deed are satisfied or waived (as appropriate), Blackthorn intends to apply to the Court for the necessary orders to give effect to the Scheme.

VOTE AT THE SCHEME MEETING OR BY PROXY, ATTORNEY, OR CORPORATE REPRESENTATIVE

Scheme Meeting	The Scheme Meeting will be held at the offices of Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney at 11.00am (Sydney time) on Friday, 21 November 2014.
Entitlement to vote:	If you are registered as a Blackthorn Shareholder on the Blackthorn Share Register at 7.00pm (Sydney time) on Wednesday, 19 November 2014, you will be entitled to vote at the Scheme Meeting. Accordingly, registrable transmission applications or transfers registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting. Voting is not compulsory.
How to vote:	You may vote by attending the Scheme Meeting in person, by proxy or by authorised representative.
Voting in person:	Blackthorn Shareholders wishing to vote in person (other than under a power of attorney) should attend the Scheme Meeting in person and can cast their votes at that meeting. Please note that you should: ▪ bring a suitable form of personal identification (such as your driver's licence); and ▪ arrive (if possible) at the venue 20 minutes prior to the time designated for the commencement of the Scheme Meeting (so that your shareholding may be checked against the Blackthorn Share Register and attendance notice).
Voting by attorney:	If a Blackthorn Shareholder proposes that an attorney is to vote at the Scheme Meeting the instrument conferring the power of attorney or a certified copy of it must be produced to the Share Registry by no later than 11.00am (Sydney time) on Wednesday, 19 November 2014 in the same way as a proxy.
Voting by corporate representative:	A Blackthorn Shareholder that is a corporation may appoint an individual to act as its representative to vote at the Scheme Meeting in accordance with section 250D of the <i>Corporations Act</i> . The appropriate 'Certificate of Appointment of Corporate Representative' should be produced prior to admission.

Attachment G: Notice of Scheme Meeting (continued)

Voting by proxy:	Blackthorn Shareholders wishing to vote by proxy at the Scheme Meeting must complete and sign the personalised Proxy Form which is enclosed with this Scheme Booklet. A person appointed as a proxy may be an individual or a body corporate. Completed Proxy Forms must be delivered by no later than 11.00am (Sydney time) on Wednesday, 19 November 2014 to: Computershare Investor Services Pty Limited GPO Box 242 Melbourne Victoria 3001, Australia Fax: (within Australia) 1800 783 447 Fax: (outside Australia) + 61 3 9473 2555 Please note that: ▪ A Blackthorn Shareholder entitled to attend and vote at the Scheme Meeting is entitled to appoint not more than two proxies to vote on that Blackthorn Shareholder's behalf. ▪ Where more than one proxy is appointed, the Blackthorn Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If the appointment does not specify the proportion or number of the Blackthorn Shareholder's votes, each proxy may exercise half of those votes on a poll. ▪ Appointment of a proxy by a Blackthorn Shareholder who is a corporation should be given in accordance with the Corporations Act or signed on its behalf by an authorised attorney. ▪ If the proxy is executed under a Power of Attorney, the original instrument (or a certified copy of the original instrument) appointing the attorney must accompany the Proxy Form. ▪ A proxy need not be a Blackthorn Shareholder and may be an individual or body corporate. ▪ Any instrument of proxy in which the name of the appointee is not filled in shall be deemed to be given in favour of the Chairman of the Scheme Meeting. ▪ If a Blackthorn Shareholder appoints the Chairman of the Scheme Meeting as proxy, the Blackthorn Shareholder can direct the Chairman of the Scheme Meeting how to vote by either marking the 'For', 'Against' or 'Abstain' box on the Proxy Form (Step 2) or by marking 'the Chairman of the Meeting' box on the Proxy Form (Step 1). ▪ To be effective the Proxy Form must be received by the Company not less than 48 hours before the time for holding the Scheme Meeting. Details of how and where to lodge the proxy are set out on the Proxy Form. ▪ The Company encourages all Blackthorn Shareholders who submit proxies to direct their proxy how to vote on the Resolution by marking the relevant boxes on the Proxy Form (Step 2).
Undirected proxies:	The Chairman of the Scheme Meeting intends to vote undirected proxies in favour of the Resolution.

Directed proxies:

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

- a proxy need not vote on a show of hands but, if the proxy does vote, the proxy must vote as directed;
- if a proxy is appointed by two or more Blackthorn Shareholders who specify different ways to vote on a Resolution, the proxy must not vote on a show of hands;
- if a proxy is the Chairman of the Scheme Meeting, the proxy must vote as directed on a poll;
- if the proxy is not the Chairman of the Scheme Meeting, the proxy need not vote on a poll but, if the proxy does vote, the proxy must vote as directed; and
- if the proxy is not the Chairman of the Scheme Meeting and does not attend the General Meeting or does not vote on the Resolution, but the Proxy Form specifies how to vote and a poll is demanded, then the Chairman of the Scheme Meeting is taken to have been appointed as a proxy and must vote as directed.

SEEK FURTHER INFORMATION IF REQUIRED

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

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

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Corporate Directory

BLACKTHORN RESOURCES LIMITED ACN 009 193 980

Directors

Michael Oppenheimer (Chairman)
Mark Mitchell (Managing Director, CEO)
Nicole Bowman
Derek Carter
Roger Higgins
Peter Kalkandis

Company Secretary

Chris Brown

Registered office

Suite 502, Level 5, 80 William Street
Sydney NSW 2011

Stock Exchange Listing

Blackthorn Resources Limited is listed on ASX
ASX code: BTR

Share Registry

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000

Blackthorn Shareholder Information Line

1300 723 047 (within Australia)
+61 3 9415 4341 (outside Australia)
The Blackthorn Shareholder Information Line is open
Monday to Friday, 9.00am – 5.00pm (Sydney time)

Financial adviser

UBS AG, Australia Branch
Chifley Tower
2 Chifley Square
Sydney NSW 2000

Australian legal adviser

Minter Ellison
Aurora Place
88 Phillip Street
Sydney NSW 2000

Independent Expert

Ernst & Young Transaction Advisory Services Limited
680 George Street
Sydney NSW 2000

Independent Technical Expert

Runge Pincock Minarco Limited
Level 16, Australia Square
264-278 George Street
Sydney NSW 2000

Investigating Accountant

KPMG Financial Advisory Services (Australia) Pty Ltd
10 Shelley Street
Sydney NSW 2000



DISCOVER | DEVELOP | DELIVER

Blackthorn Resources Limited
Level 5, Suite 502, 80 William Street
Sydney NSW 2011, Australia
P. +61 2 9357 9000 F. +61 2 9332 1336
www.blackthornresources.com.au



BLACKTHORN
RESOURCES

Blackthorn Resources Limited
ABN 63 009 193 980

Complete your proxy online:



www.investorvote.com.au

Or lodge your proxy form:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

In Person:

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000

By Fax:

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 723 047
(outside Australia) +61 3 9415 4341

Scheme Meeting Proxy Form



Complete your proxy online or view the Notice of Scheme Meeting and Scheme Booklet,
24 hours a day, 7 days a week:

www.investorvote.com.au



Complete your proxy online



**Access the Notice of Scheme Meeting and
Scheme Booklet**



Review and update your shareholding

Your secure access information is:

Control Number: 137495

SRN/HIN:



PLEASE NOTE: For security reasons it is important that you keep your
SRN/HIN confidential.



For your vote to be effective it must be received by 11:00am (AEDT) on Wednesday, 19 November 2014

How to Vote on the Item of Business

All your shares will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking the box opposite the item of business. If you do not mark the box your proxy may vote as they choose. If you mark more than one box on the item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of shares you wish to vote in the For, Against or Abstain box. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you should use the same Scheme Meeting Proxy Form to appoint both proxies and you must specify the percentage of votes or number of shares for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of shares for each in Step 1 overleaf.

Default to the Chairman of the Scheme Meeting: If your appointed proxy does not attend the Scheme Meeting, then the proxy appointment will automatically default to the Chairman of the Scheme Meeting. Also, any directed proxies that are not voted on a poll at the Scheme Meeting will automatically default to the Chairman of the Scheme Meeting who is required to vote proxies as directed on a poll.

A proxy need not be a shareholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the shareholder must sign.

Joint Holding: Where the holding is in more than one name, all of the shareholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate shareholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO COMPLETE YOUR PROXY,
or turn over to complete the form to
appoint a proxy** ➔

Registered Name

Registered Address

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Shareholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

Holder Identification Number (HIN) or Security holder Reference Number (SRN)

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Blackthorn Resources Limited hereby appoint

☐

the Chairman of the Meeting **OR**



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Scheme Meeting of Blackthorn Resources Limited to be held at the offices of Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney NSW 2000 on Friday, 21 November 2014 at 11:00am (AEDT) and at any adjournment of that meeting.

STEP 2 Item of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

Scheme Resolution

That, pursuant to and in accordance with Section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed to be entered into between Blackthorn and the holders of fully paid ordinary shares in Blackthorn, the terms of which are described in the Scheme Booklet (of which the Notice convening this meeting forms part), is agreed to, with or without modification as approved by the Federal Court of Australia.

For

Against

Abstain

☐
☐
☐

The Chairman of the Meeting intends to vote undirected proxies in favour of the item of business.

SIGN Signature of Shareholder(s)

This section must be completed.

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /

B T R

1 8 9 9 5 6 A

Computershare +