

29 July 2010

## **QUARTERLY ACTIVITIES REVIEW**

### **For the period ended 30 June 2010**

#### **► KEY POINTS**

##### **PERKOA (Blackthorn Resources 90%)**

- Detailed due diligence and negotiation of documents relating to the proposed Perkoa JV transaction with Glencore has significantly progressed, including execution of an Off-take Agreement.

##### **BURKINA FASO EXPLORATION (Blackthorn Resources 100%)**

- Follow-up gold exploration progressed during the quarter, with the diamond-core (DDH) drilling program being completed in mid-July totalling 57 holes for 8,017 metres.
- During the quarter, further DDH drill results were received from 20 holes, with 13 reporting gold mineralisation, including the following significant intersections on the GUIDO Prospect:

###### **Q22DH003**

- 12m at 1.26 g/t Au between 73m and 85m

###### **IKDH002**

- 5m at 3.98 g/t Au between 73m and 78m

###### **IKDH003**

- 1m at 3.14 g/t Au between 100m and 101m

###### **IKDH005**

- 6m at 2.28 g/t Au between 64m and 70m

###### **GDDH011**

- 6m at 1.50 g/t Au between 40m and 46m, including
  - 1m at 7.13 g/t Au between 41m and 42m

###### **GDDH012**

- 15m at 4.13 g/t Au between 39m and 54m, including
  - 3m at 18.12 g/t Au between 50m and 53m

###### **TZ21DH001**

- 3m at 1.15 g/t Au between 20m and 23m

**MUMBWA** (Blackthorn Resources 60%)

- BHP Billiton and Blackthorn Resources mutually agreed on the Scope of Works for the Phase 4 Concept Study
- Phase 4 drilling program commenced, with current plan to drill 12 targets for a total of ~ 10,100 meters
- Induced Polarisation (IP) geophysical survey commenced over selected targets at Mushingashi and Mutoya anomalies. Additional targets are expected to be generated following review and interpretation of the IP survey results.

**CORPORATE**

- Cash on hand at 30 June 2010 was \$12.2 million

► **PERKOA ZINC PROJECT, BURKINA FASO** (Blackthorn Resources 90%)

Perkoa Joint Venture

On 12 January 2010, the Company announced that a Heads of Agreement (“HoA”) had been signed with Glencore International AG (“Glencore”) for a joint venture (“JV”) to develop and operate the Perkoa Zinc Mine Project (“the Perkoa Project”).

During the quarter, Blackthorn Resources and Glencore continued to negotiate the terms of the JV for the Perkoa Project. Significant progress has been made, including finalisation and execution of an Off-Take Agreement for all available zinc concentrates. This Off-Take Agreement will only take effect once a JV is formed and Glencore has procured or provided the necessary funding to complete project construction.

Progress continues to be made in negotiating the other documents to establish the JV based on the HoA signed in January 2010. A number of “cornerstone” documents containing the key commercial and legal terms for the JV are being finalised for submission to Blackthorn Resources’ Board and Glencore senior management in Switzerland for final review prior to signing. The preparation of other supporting transaction documents is well advanced.

Following execution of the full set of transaction documents, the establishment of the JV will be subject to a number of conditions precedent, including shareholder approval. A Notice of Meeting for an EGM will be issued soon after definitive transaction documents are executed, to schedule a meeting to seek shareholder approval of the proposed transaction.

Perkoa Care & Maintenance and Construction Program

Current on-site construction activities were completed during the quarter, including final preparation of foundations for assembly of process plant components and the initial assembly of steel framework for the processing plant, workshop and conveyor systems.

Community & Social Program

Construction of housing for local residents displaced by the Perkoa Zinc Mine development was completed during the quarter.



Visit to Perkoa Plant site – May 2010



Housing for displaced local residents completed under the Community & Social program – May 2010

► **GOLD EXPLORATION, BURKINA FASO** (Blackthorn Resources 100%)

Gold Exploration Drilling Program

The Company continued to progress its 2010 gold exploration drilling program during the quarter. This drilling program, which has included Rotary Air Blast (RAB), Reverse Circulation (RC) and Diamond-core (DDH) drilling, completed approximately 16,200m with the last DDH hole drilled in July 2010. The drilling program has been undertaken to further test encouraging results identified in the area through previous exploration work and the presence on-site of some artisanal gold mining activities.

The Company has targeted three priority prospects, the POA, SEMAPOUN and GUIDO (which consolidates the TZ21-IK-Q22 anomalies) prospects (see FIGURE 1), and aims to collect sufficient data before the start of the annual wet season to initiate a JORC Code compliant mineral resource study by the end of 2010.

Subsequent to the quarter-end, the DDH drilling program has been completed totalling 57 holes for 8,017 meters. Ongoing processing of completed holes is underway and remaining assays are expected to be delivered to the company during August/September 2010.

DDH Drilling Results

During the quarter, results have been received from 20 DDH holes drilled on the GUIDO prospect, with 13 holes reporting gold mineralisation above the 0.45 g/t reporting cut-off. The drilling has intersected some interesting mineralised zones in several holes which represent quite wide, albeit low grade intersections. These intersections have the potential to provide a large tonnage, low grade bulk mining scenario.

Details of the drilling parameters and the assay results for these completed DDH holes are included in **Annexure 1** to this report.





DDH drilling the IK anomaly on the GUIDO prospect.

### RC Drilling Results

During the quarter, the Company completed drilling 24 RC holes totalling 2,682m on the GUIDO and SEMAPOUN prospects.

During the drilling program the majority of RC holes on the GUIDO prospect intersected significant ground water and it was considered that this water may have an influence on the quality of RC sampling. Initially RC samples were taken as 2m composites and submitted to the ALS Laboratory in Ougadougou for analysis. Upon receipt of assay results from the composite samples it was identified that some mineralised intervals contained lower gold grades than drill holes situated nearby. A decision was made to conduct further analysis to verify the results from the mineralised zones. This work included the re-sampling of mineralised zones in RC holes at 1m intervals and conducting 'twinning' DHH drilling adjacent to selected RC holes.

The Company intends to conduct a mineral resource study following the drilling program, and to ensure a high level of sample quality was maintained, it was decided to continue the program by drilling DDH holes over the GUIDO prospect. The holes drilled on the SEMAPOUN prospect remained relatively dry and the RC drilling program was completed on this prospect.

Details of the drilling parameters and the assay results for these completed RC holes are included in **Annexure 2** to this report.

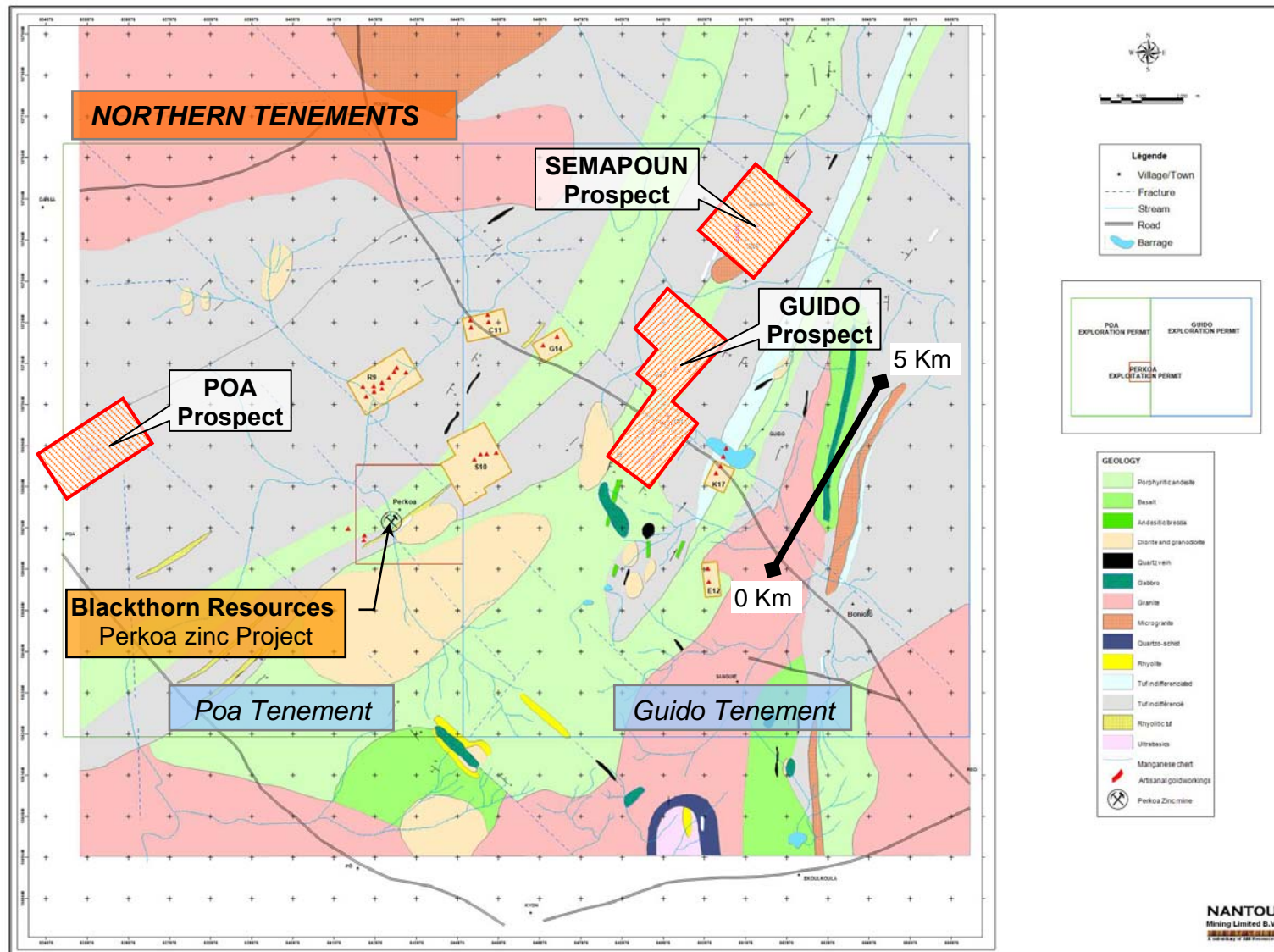


RC drilling on the SEMAPOUN prospect.



Trench digging on the POA prospect





**FIGURE 1** - Prospect areas for POA, GUIDO and SEMAPOUN selected for further exploration, including RAB, RC and DDH drilling.



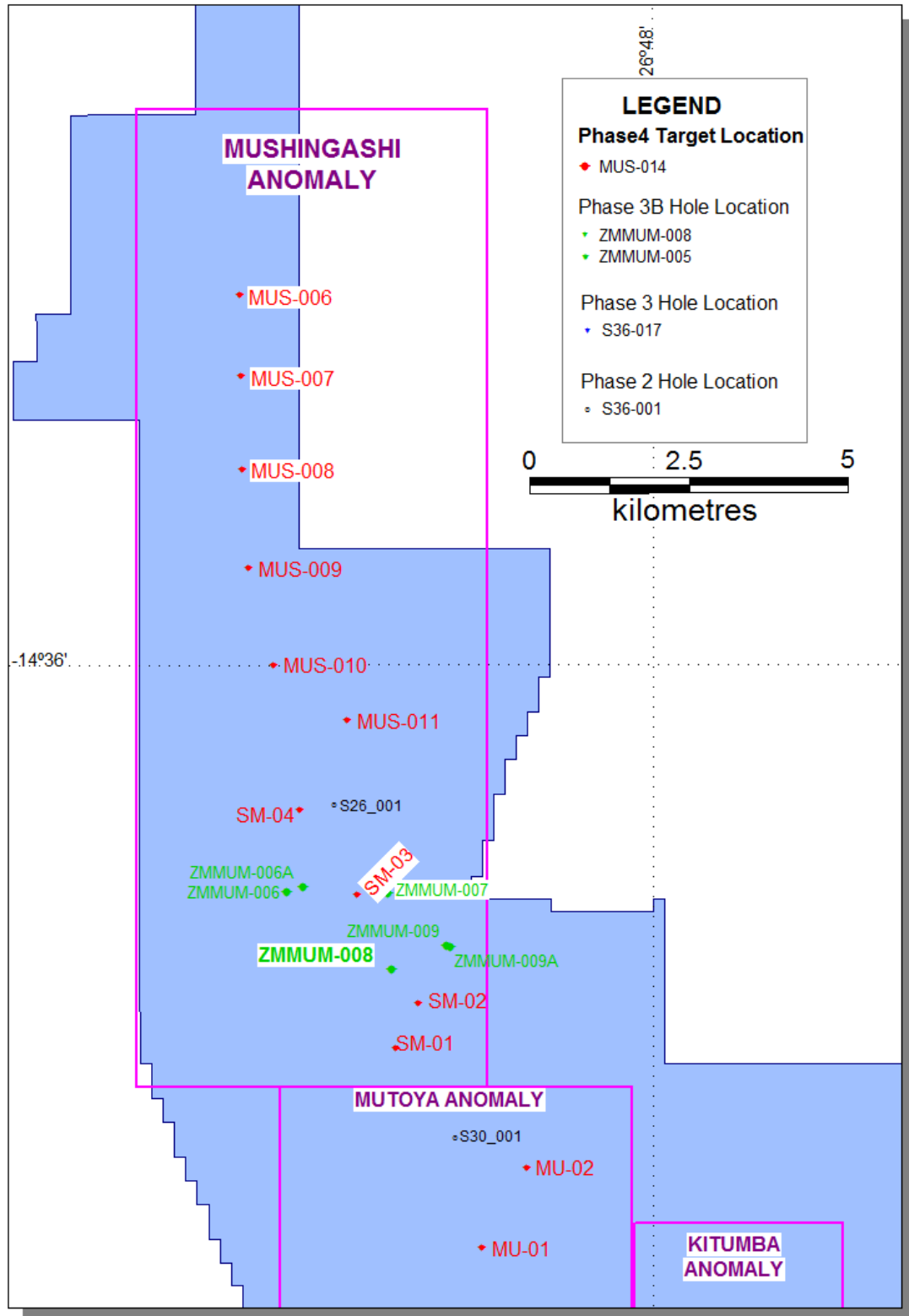
► **MUMBWA JOINT VENTURE PROJECT, ZAMBIA** (Blackthorn Resources 60%)

Phase 4 Drilling Program

The Phase 4 drilling program, which commenced during the quarter, is being managed and funded by JV partner BHP Billiton (40%), and includes drilling approximately 10,100m from 12 planned targets. In conjunction with the drilling program, BHP Billiton is testing the effectiveness of an Induced Polarisation geophysical survey which may generate further target sites for drilling. The Phase 4 program is currently using three 'universal' drilling rigs capable of RC and DDH drilling methods to test the Mushingashi, South Mushingashi and Mutoya anomalies.

Drilling commenced at Mushingashi, with the initial drill hole located near hole ZMMUM-008, which had revealed interesting Iron-Oxide-Copper-Gold (IOCG) mineral alteration in the previous Phase 3B drilling program. The extent and characteristics of the alteration observed in ZMMUM-008 is indicative that the core of a broader IOCG system could potentially be located in the vicinity. The first hole on target SM-01 was drilled to a final depth of 851m, which exceeded the planned depth of 800 meters. The decision to continue drilling beyond the planned depth was based on the observation of interesting geology and possible mineralisation in the core.

Other targets currently being drilled include SM-02, MU-01 and MU-02 targets as shown in FIGURE 2. These planned targets are situated along a north-south trending gravity anomaly, which has a strike length of approximately 20 kilometres. Initial drilling has commenced at the southern end of the regional-scale gravity anomaly, which also includes some co-incident magnetic and radiometric anomalies. The current drill sites are located within 5km of the Kitumba resource area where Blackthorn Resources reported a maiden inferred mineral resource in October 2009.



**FIGURE 2** – Plan illustrating the location of drill targets on the Mushingashi-Mutoya anomalies which trend for approximately 20km along strike.

► **MOKOPANE PROJECT, SOUTH AFRICA (Blackthorn Resources 74%)**

No work has been carried out on this project during the quarter.

Subsequent to the end of the quarter, Blackthorn Resources announced that it had accepted an offer from the Company's Black Economic Empowerment partner, Matimba Resources, to purchase the Company's 74% interest in the Mokopane Project for Rand 4 million. The transaction is subject to approval by the Department of Minerals and Energy.

The project, which was acquired by the Company in 2003, was fully written off in 2009 based on an assessment of current commodity prices, the extent of work completed on the project, and taking account of the specific conditions relating to the permit covering the Mokopane Project, including the fact that the term of the existing prospecting rights expires in April 2011 with no remaining rights of renewal.

The Company anticipates that the net gain on disposal of its interest in the project will be in the order of \$450,000 to \$500,000.

► **CORPORATE**

**Available Cash Funds**

As at 30 June 2010, the Company had cash on hand of \$12.2 million.

Expenditure incurred during the quarter on the Perkoa Zinc Mine development, including community & social programs and care & maintenance, totalled \$0.6 million. Exploration expenditure incurred, principally on the Burkina Faso gold exploration program, totalled \$0.9 million. In addition, the Company received proceeds from the settlement of its legal case of \$1.4 million. The balance of the settlement proceeds is due in the next quarter.

Expenditure to be incurred in the next quarter on exploration and development activities is forecast to be \$0.9 million.

**Issued Capital**

Issued capital at 30 June 2010 was:

- 106,885,300 ordinary shares;
- 14,519,257 unlisted warrants, with exercise price \$4.50, expiring 28 September 2010;
- 4,900,000 employee options, with exercise price \$0.45, expiring 28 April 2012.
- 100,000 employee options, with exercise price \$0.80, expiring 15 December 2011.

Managing Director, Scott Lowe, said

*"It has been a very busy and productive quarter, with much being achieved.*

*At Perkoa, the work with Glencore on the proposed JV transaction has taken longer to finalise than originally anticipated. However, a great deal of positive progress has been made. It remains the Company's goal to execute the necessary transaction documents in the near future, and to then call an EGM to allow shareholders to vote on the proposal.*



*Glencore is an excellent Company, with all the right attributes to not only facilitate the necessary financing, but also to extract maximum value from the project for the benefit of both partners.*

*On the Mumbwa project in Zambia, we are eagerly awaiting the results of the current BHP Billiton drilling campaign. To date only approximately 2km of the almost 20km of geophysical anomaly has been drilled to any significant degree, and so much of the potential scale of the project remains to be quantified. This is indeed an exciting time for this project.*

*Our gold exploration work in Burkina Faso has delivered some very positive indications of the extent of gold mineralisation in the areas surrounding the Perkoa Zinc project. The GUIDO Prospect alone trends for more than 5km and there remain some untested areas representing further potential. The Company is reviewing the geological data-set to evaluate structure and its relationship with mineralisation. In addition, work is underway to compile remaining data for a JORC code compliant mineral resource study to be completed by end of 2010.*

*While much has been accomplished in the quarter, the coming months remain very important, with additional milestones in the Company's history remaining to be achieved. To date the work done has placed the Company in an excellent position and maximised the opportunity to achieve our goals. I very much look forward to keeping shareholders and stakeholders updated on our continued progress into the second half of 2010."*

***Burkina Faso Gold Exploration***

The information in this report which relates to exploration activities in Burkina Faso has been reviewed and approved for release by Mr Adama Barry, who is a member of The Australasian Institute of Mining and Metallurgy. Mr Adama Barry has 20 years experience in mineral exploration and who is a full-time employee of Nantou Mining Limited BV, a subsidiary of Blackthorn Resources in Burkina Faso, has sufficient experience in relation to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined by the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (The JORC Code 2004 Edition). Mr Barry has consented to the inclusion of this information in the form and context in which it appears.

**ATTRIBUTION**

***Mumbwa JV Project***

The information in this report which relates to Exploration Activities at the Mumbwa JV Project in Zambia has been reviewed and approved for release by Mr Michael J Robertson, MSc, Pr.Sci.Nat., MSAIMM. Mr Robertson who has 20 years experience in mineral exploration and who is a full-time employee of the MSA Group, has sufficient experience in relation to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined by the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (The JORC Code 2004 Edition). Mr Robertson has consented to inclusion of this information in the form and context in which it appears.

**Should you require further information please contact:**

**Scott Lowe**  
**Managing Director**  
**Ph: +61 2 9357 9000**

## ANNEXURE 1

**TABLE 1 – Summary of DDH drilling parameters for 20 holes completed during the quarter ended 30 June 2010**

Drill hole ID	Easting (mE) WGS 84	Northing (mN) WGS 84	Dip (degrees)	Azimuth (degrees)	End of Hole Depth (m)
IKDH002	549,824	1,370,049	-60	310	168.0
IKDH003	549,889	1,370,142	-60	310	152.0
IKDH004	549,358	1,369,153	-60	310	110.5
IKDH005	549,431	1,369,232	-60	310	110.5
IKDH006	549,476	1,369,331	-60	310	110.5
GDDH007	549,455	1,369,457	-60	310	91.0
GDDH008	549,507	1,369,527	-60	310	110.0
GDDH009	549,564	1,369,622	-60	310	130.0
GDDH010	549,647	1,369,685	-60	310	110.5
GDDH011	549,681	1,369,784	-60	310	110.5
GDDH012	549,732	1,369,873	-60	310	161.5
GDDH013	549,773	1,369,966	-60	310	107.5
GDDH014	549,801	1,370,068	-60	310	121.5
GDDH015	549,852	1,370,173	-60	310	110.5
GDDH016	549,992	1,370,176	-60	310	121.5
GDDH017	550,061	1,370,257	-60	310	130.0
Q22DH001	550,207	1,371,180	-60	315	167.5
Q22DH002	550,730	1,371,768	-60	315	167.5
Q22DH003	550,351	1,371,435	-60	315	181.0
TZ21DH001 *	549,483	1,372,061	-60	315	173.5
				<b>TOTAL</b>	<b>2,645.5</b>

**Note:** All drill hole collar co-ordinates, except those marked \*, have been accurately surveyed by local contractor. Ongoing surveying of drill hole collars is underway.

## Assay Results – GUIDO Prospect

Gold assays from DDH holes are reviewed initially using a 0.0 g/t Au cut-off to broadly identify mineralised zones. Mineralised zones within drill holes are further assessed using a 0.15 g/t Au cut-off grade to evaluate the mineralised intersections for reporting purposes. Only mineralised intersections with weighted average cut-off grade greater than 0.45 g/t Au are reported below. True-width intersections are not quoted as additional interpretation is required to correlate data from adjacent holes.

**TABLE 2 – Summary of DDH drilling assay results received during the quarter ended 30 June 2010**

Drill hole ID	Depth From (m)	Depth To (m)	Drilled Interval (m)	Gold Assay (g/t)
IKDH002	66	69	3	0.47
	70	71	1	0.98
	73	78	5	3.98
	98	99	1	1.58
IKDH003	62	64	2	0.64
	100	101	1	3.14
IKDH004	23	25	2	0.53
	88	89	1	0.49
IKDH005	64	70	6	2.28
GDDH009	3	5	2	1.10
GDDH011	17	18	1	0.94
	40	46	6	1.50
	41	42	1	7.13
GDDH012	15	16	1	1.14
	39	54	15	4.13
	50	53	3	18.12
	80	85	5	0.47
	84	85	1	1.21
	90	92	2	1.00
	90	91	1	1.47
	147	148	1	0.55
GDDH013	47	48	1	2.89
	51	56	5	0.54
GDDH014	23	24	1	0.53
	41	42	1	0.47
	48	49	1	0.65
	52	53	1	0.71



Drill hole ID	Depth From (m)	Depth To (m)	Drilled Interval (m)	Gold Assay (g/t)
Q22DH001	11	12	1	0.50
	35	39	4	0.83
	46	47	1	0.65
	93	95	2	1.06
	98	99	1	0.48
Q22DH002	38	42	4	1.09
	76	78	2	0.87
Q22DH003	71	72	1	1.07
	73	85	12	1.26
	100	101	1	0.62
TZ21DH001	20	23	3	1.15
	24	26	2	0.51
	152	153	1	0.93

## ANNEXURE 2

**TABLE 1 – Summary of RC drilling parameters for 24 holes completed during the quarter ended 30 June 2010**

Drill hole ID	Easting (mE) WGS 84	Northing (mN) WGS 84	Dip (degrees)	Azimuth (degrees)	End of Hole Depth (m)
TZ21RC001	549,683	1,372,145	-60	315	120
TZ21RC002	549,880	1,372,510	-60	315	90
TZ21RC003	549,893	1,372,754	-60	315	110
TZ21RC004	550,054	1,372,881	-60	315	117
TZ21RC005	550,162	1,373,044	-60	315	130
IKRC012	549,326	1,370,658	-50	310	100
IKRC013	549,460	1,370,807	-50	310	108
IKRC014	549,663	1,371,156	-50	310	100
IKRC015	549,896	1,370,986	-50	310	124
Q22RC009	550,094	1,370,998	-60	315	120
Q22RC010	550,599	1,371,616	-60	315	120
Q22RC011	550,554	1,371,656	-60	315	120
Q22RC012	550,509	1,371,695	-60	315	103
SPNRC001 *	551,515	1,374,962	-60	190	90
SPNRC002 *	551,512	1,374,932	-60	190	80
SPNRC003 *	551,511	1,374,911	-60	190	80
SPNRC004 *	551,722	1,374,995	-60	190	120
SPNRC005 *	551,923	1,374,974	-60	190	120
SPNRC006 *	551,955	1,375,041	-60	190	120
SPNRC007 *	552,115	1,374,930	-60	190	120
SPNRC008 *	552,311	1,374,904	-60	190	120
SPNRC009 *	552,296	1,374,722	-60	190	120
SPNRC010 *	552,707	1,374,827	-60	190	120
SPNRC011 *	552,430	1,374,986	-60	190	130
<b>TOTAL</b>					<b>2,682</b>

**Note:** All drill hole collar co-ordinates, except those marked \*, have been accurately surveyed by local contractor. Ongoing surveying of drill hole collars is underway.

## Assay Results - RC drilling

Samples of RC drill cuttings were collected in 2m composites and despatched to ALS Laboratory in Ouagadougou for analysis. A cut-off grade of 0.20 g/t Au was applied when evaluating the mineralised intersections and a weighted average cut-off grade greater than 0.45 g/t Au was applied to intersections for reporting purposes. True-width intersections are not quoted as additional interpretation is required to correlate data from adjacent holes.

**TABLE 2 – Summary of RC drilling assay results received during the quarter ended 30 June 2010**

Drill hole ID	Depth From (m)	Depth To (m)	Drilled Interval (m)	Gold Assay (g/t)
TZ21RC002	58	62	4	0.78
TZ21RC005	66	68	2	0.52
SPNRC001	28	30	2	0.51
SPNRC002	2	4	2	0.56
SPNRC003	34	40	6	0.58
SPNRC006	102	116	14	0.70
SPNRC010	62	64	2	0.86
SPNRC011	48	50	2	1.16
	58	62	4	1.15
	88	92	4	5.16

**Notes:**

1. Analysis of samples was performed by ALS Chemex, an ISO/17025 accredited laboratory using conventional fire assay procedures with AAS finish on 50g aliquots for gold. A Quality Assurance/Quality Control (QA/QC) program includes chain of custody protocol, a systematic submittal of 10% QA/QC samples including field duplicates, field blanks and certified reference samples into the flow of samples submitted to the laboratory as well as re-assaying of the mineralised zones.
2. Samples were obtained by splitting RC drill chips to obtain approximately 2kg samples. Analysis involved the assaying of 2m composite samples. The RC drilling results reported above only indicate the presence or absence of gold mineralisation.
3. For review of gold mineralisation from RC drilling, a 0.20 g/t Au cut-off was applied to mineralised intervals and weighted averages above 0.45 g/t Au were calculated for reporting purposes.
4. Samples were obtained by splitting nominal sized HQ/NQ diamond-core in half to obtain approximately 2kg samples. Half core was submitted to the laboratory for analysis with the remaining half stored in core trays at the Perkoa site in Burkina Faso.
5. For review of gold mineralisation from DDH drilling, a 0.15 g/t Au cut-off was applied to mineralised intervals and weighted averages above 0.45 g/t Au were calculated for reporting purposes.

Ends