



30 November 2011

## **PERKOA JV PROJECT: BLACKTHORN RESOURCES' BOARD GIVES CONDITIONAL APPROVAL TO PROCEED WITH SILVER AND LEAD EXPANSION**

### **KEY POINTS**

- **Blackthorn Resources' Board has given conditional approval to participate in the expansion of the Perkoa Project, with funding for its pro-rata share of the incremental investment available via project finance from Glencore**
- **Net Present Value (NPV) of the expanded project to Blackthorn Resources is estimated at USD65M , an increase of ~USD25M over the current carrying value of the Project**
- **The expansion enhances the economic robustness of the Perkoa Project through unit cost reductions and commodity diversification.**

Blackthorn Resources Limited (ASX: BTR) ("the Company" or "Blackthorn Resources") is pleased to provide the following project update on the Perkoa JV Project in Burkina Faso, West Africa.

### **Background - enhanced business case at Perkoa**

The Company has previously received an investment proposal from JV partner Glencore International (50.1%) ("Glencore") to enhance the business case for the Perkoa JV Project.

The changes in the investment proposal include:

- Modifying the process plant configuration to include separate Ag/Pb concentrate and Zn concentrate product streams
- Increase plant throughput capacity to 1Mtpa ROM at peak production
- Open-cut mining to supplement the underground mine.

Detailed technical and financial information has been provided by Glencore, including a financial model supporting the investment case. Assumptions used in the financial modelling include tonnage and grade estimates based on both historical data and assays



received from the holes drilled to explore for along strike extension of mineralisation in the proposed open-cut area.

As previously announced, Glencore has advised Blackthorn Resources that it believes that there is an attractive business case with a much improved return on investment compared with the Zn base case and Glencore intends to proceed with the expansion. Blackthorn Resources has a right to participate in the expansion on a pro-rata basis (Glencore 55%, Blackthorn Resources 45%). Funding for incremental capital is available to the JV via a project finance facility to be provided by Glencore based on terms agreed in a term sheet signed in May 2011.

### **Conditional approval by Blackthorn Resources' Board to participate**

Blackthorn Resources has been reviewing the technical and financial information provided by Glencore for the proposed business case for the expansion and has also used external consultants to help assess the proposal. To date the Company has found that the information provided supports a decision to proceed.

Some technical information is still outstanding. However, the Board of the Company is sufficiently confident in the strength of the business case to give conditional approval for Blackthorn Resources to participate in the expansion on a pro-rata basis utilising the additional project financing to be made available by Glencore. This conditional approval is subject to there being no material problems or inconsistencies being identified in the outstanding information to be provided by Glencore.

Negotiations will now commence with Glencore on the detailed project finance terms and conditions based on the previously agreed term sheet, as well as work continuing onsite for the expansion to proceed. The expansion case work is not expected to delay the commissioning of the project which is expected to commence mid-2012.

### **Financial impacts of the expansion**

The following are key financial outcomes from the financial modelling of the expansion. This assessment is based on the financial model supplied by Glencore including capital and operating cost and other financial and operating information that has been independently reviewed. The Company has modified the model to be based on consensus commodity price forecasts:

#### NPV - Blackthorn Resources' share

*USD65M \* – USD25M increase on carrying value of ~ USD40M*

#### Capital -100% project basis

*USD115 M – additional USD35M above current project financing of USD80M*

#### Annual throughput capacity / plant feed

*1.0Mt pa – 40% increase on base case*



\* NPV of net cash flows to Blackthorn Resources using Blackthorn Resources' internal discount rate of 16% real.

Broker Consensus Commodity Prices

	Dec '11 to Mar '14	2014 to 2016	2017 to 2021
Zinc USD/tonne	2,325	2,467	1,990
Silver USD/ounce	35	25.46	16.84
Lead USD/tonne	2,441	2,484	1,902

Source: UBS

Managing Director Mr Scott Lowe said:

*“The decision to enhance the Perkoa Project represents a very important and positive milestone for the project. The addition of silver and lead credits plus the lower operating costs made possible through open-cut mining and increased throughput will make the project more robust and capable of withstanding zinc market volatility. We now look forward to Glencore continuing with the technical work required to deliver the expanded case, while negotiations to finalise the detail of the project financing are undertaken. Provided the outstanding technical information is within expectations, then Blackthorn Resources intends to go ahead and execute the financing documentation and participate in the expanded and improved project.”*

**About the Perkoa Zinc Project**

The Perkoa Zinc Project is a zinc mine that is currently under construction and is being operated as a joint venture between Blackthorn Resources (39.9%) and Glencore International (50.1%), with the remainder (10%) being held by the Government of Burkina Faso as a free carried interest. Since the formation of the JV in late 2010, Glencore has been managing and operating the construction activities at the Perkoa mine site which has significantly scaled up operations by mobilising personnel, plant and machinery early in 2011. Glencore has already procured equipment, awarded a number of contracts and appointed key personnel to oversee the success of operations on site.

The Project is located within the Proterozoic, Boromo Greenstone belt in Burkina Faso and is situated approximately 120km west of the capital, Ouagadougou.

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