

# Interim Financial Report

**Blackthorn Resources Limited & Controlled Entities**

ABN 63 009 193 980



for the half-year ended 31 December 2010



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# REVIEW OF OPERATIONS

## OVERVIEW

- Cash on hand at 31 December 2010 was \$6,885,000.
- Net profit for the half-year was \$2,848,000, (including an accounting gain on the deconsolidation of the Company's interest in the Perkoa Zinc Project of \$6,430,000).
- Perkoa Joint Venture with Glencore International AG completed in November 2010, with Glencore now managing and operating the Perkoa Zinc Project.
- Maiden JORC Code compliant Inferred Mineral Resource estimated on the GUIDO prospect for the Gold Exploration Project in Burkina Faso.
- Phase 4 drilling program, with approximately 14,500 metres from 15 planned targets, completed for the Mumbwa JV Project in Zambia.
- Mumbwa JV licence validity confirmed.



## PERKOA ZINC PROJECT

**Burkina Faso (Blackthorn Resources 39.9%)**

### Perkoa Joint Venture

On 14 October 2010, Blackthorn Resources' shareholders approved the Company entering into the Perkoa Joint Venture ("JV") with Glencore International AG ("Glencore"). The JV was completed and became effective on 22 November 2010.

Under the JV agreements signed by the parties, Glencore has agreed to fund US\$80 million to complete project construction, comprising US\$50 million in direct project equity with a further US\$30 million to be provided by way of project finance to the JV.

Upon formation of the JV, Glencore effectively obtained control of 50.1% of the Perkoa Zinc Project, with Blackthorn Resources and the State of Burkina Faso holding interests of 39.9% and 10% respectively. Under the terms of the JV, Glencore is responsible for managing construction, as well as providing management and logistic services to the JV. Glencore is also responsible for day-to-day operations and for sourcing funding facilities, including a working capital facility. In addition, it has been agreed that Glencore will purchase all of the Perkoa Zinc Project's available zinc metal concentrates for the life of the mine, with the exception of any off-take otherwise allocated.

Since taking over responsibility for managing the project, mining activities at the Perkoa site have recommenced. Already significant progress has been made in repairing haul roads, surface ramps and the underground decline for vehicle access. Underground development has also recommenced using hand-held equipment pending the arrival of a mechanised underground drilling jumbo.

Glencore has also initiated a mine optimisation study which aims to reduce mining and production costs through a revised mine schedule and block plan, revised logistics and transport routes and improved processing and treatment methods.

Glencore is an extremely capable JV partner, who not only has the financial capacity, but also the technical and commercial expertise to make this project a success. Blackthorn Resources continues to work closely with its JV partner as Glencore transitions into its JV responsibilities.



Construction works



Water Separation Tanks



Progress works on the decline

**Community & Social Program**

Ever since the Perkoa Zinc Project was put on 'care and maintenance' in 2008, the Company has continued to contribute to the Perkoa community in a meaningful way via a range of community and social programs.

During the half-year, an on-site ceremony was held to formally hand over to the Perkoa community the housing project undertaken by the Company. This housing project, initiated to compensate families that had been moved to outside the Perkoa mine concession area, consisted of the construction of 28 houses and associated facilities built with permanent materials.

In addition, the Perkoa Literacy Centre continued to be an important part of the Company's contribution to the community. Training of students in the two main languages of the area, as well as numeracy and literacy classes continued to be provided to the Perkoa community during the half-year.



**Housing Project Ceremony** - Village Elders, Burkina Faso Minister of Mines, Hon Abdoulaye Cisse and Managing Director, Mr Scott Lowe



28 completed houses and associated facilities



**Housing Project Ceremony** - Community attendance

# GOLD EXPLORATION

Burkina Faso (Blackthorn Resources 100%)

## Exploration Activities

The Company completed its 2010 gold exploration drilling program during the half-year. This drilling program, which 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 was undertaken to further test encouraging results identified in the area through previous exploration work and the presence on-site of artisanal gold mining activities. The Company has targeted three priority prospects, POA, SEMAPOUN and GUIDO on the POA and GUIDO tenements (see FIGURE 1).

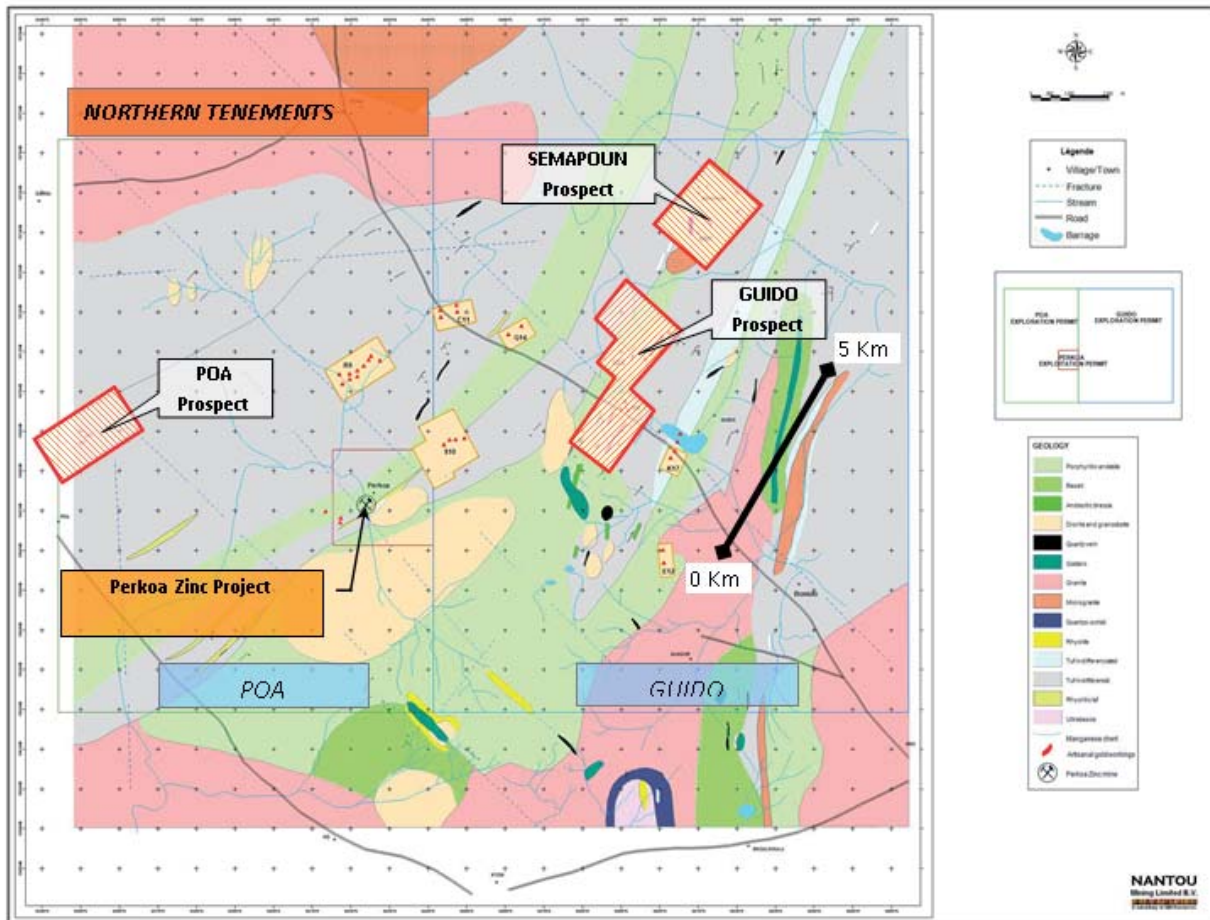


FIGURE 1 - Prospect location plan showing POA, GUIDO and SEMAPOUN prospects

In addition to the drilling program, further exploration activity was completed on the SEBOUN, FAFO and BONZAN tenements, including soil geochemistry, geological mapping and litho-geochemistry on outcrops and sampling of artisanal gold working rejects.

## Maiden Mineral Resource Estimate

During the half-year, Blackthorn Resources released its maiden JORC Code compliant Inferred Mineral Resource estimate for the GUIDO Prospect.

MSA Group was engaged to evaluate exploration data acquired from the various exploration programs completed by the Company, with a focus on the recent exploration drilling work completed on the northern tenement prospects of POA, GUIDO and SEMAPOUN.

Only the GUIDO prospect was categorised as an Inferred Mineral Resource in accordance with the JORC Code, and using a 0.4 g/t gold (Au) cut-off the prospect is estimated to contain 4.1Mt at 1.06 g/t Au for approximately 139,000 ounces of contained gold metal. The Inferred Mineral Resource at various cut-off grades is shown in TABLE 1.

**TABLE 1 - GUIDO Prospect, Burkina Faso**

### Mineral Resource Statement

| Mineral Resource Category | Gold Cut-off Grade (g/t Au) | Million tonnes (Mt) | Gold Grade (g/t Au) | Contained Gold Metal (Au ounces)* |
|---------------------------|-----------------------------|---------------------|---------------------|-----------------------------------|
| Inferred                  | 0.2                         | 7.3                 | 0.71                | 167,100                           |
|                           | 0.4                         | 4.1                 | 1.06                | 139,000                           |
|                           | 1.0                         | 1.1                 | 2.11                | 76,600                            |

\* Rounded to the nearest 100 ounces

### Permit Renewal

In July 2010, Blackthorn Resources was granted renewal of its 100% owned POA and GUIDO exploration permits in the Sanguié Province of Burkina Faso. These permits, which cover 133 sq km and 177 sq km respectively, have been granted for a period of three years each, expiring in July 2013. The POA and GUIDO permits have now been renewed for their second term, and after expiry of this new term will be eligible for a final 3-year renewal.

Blackthorn Resources currently holds 100% exploration tenure for approximately 1,134 sq km of ground that is situated within the prospective Boromo greenstone belt that trends across Burkina Faso to Ghana in the South.

# **MUMBWA IRON OXIDE COPPER-GOLD (IOCG) PROJECT**

**Zambia (Blackthorn Resources 60%)**

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## **Mumbwa JV Licence**

On 1 September 2010, the Company was informed by JV partner BHP Billiton that it had received a letter from the Director of the Geological Survey Department of the Ministry of Mines and Minerals Development in Zambia purporting to cancel the Mumbwa prospecting licence due to the existence of an alleged military security zone in the area.

Following consultation with Blackthorn Resources, BHP Billiton appealed the notice of cancellation and held urgent meetings with the relevant Minister in an effort to confirm the validity of the licence and re-establish security of tenure.

BHP Billiton subsequently received written notice from the Ministry reversing the decision of the Director and confirming the validity of the licence.

## **Phase 4 Drilling Program**

Drilling under the Phase 4 program, which is being managed and fully funded by JV partner BHP Billiton (40%), continued during the half-year having completed approximately 14,500m from 15 targets along the Mushingashi-Mutoya anomalies.

The Phase 4 drilling program has focused on the north-south trending Mushingashi and Mutoya gravity anomalies which are situated between 5km and 20km north-northwest from the Kitumba mineral resource area. The planned Mushingashi and Mutoya drill targets are widely spaced at approximately 2,000m apart (see FIGURE 2).

## **Drilling Results**

To date assay results have been received and reported for 9 of the 15 holes drilled in Phase 4.

In December 2010, the Company announced that a potential discrepancy had been uncovered regarding the gold assay results from one drill hole, MUM-008BD. An independent assay verification process was agreed with BHP Billiton regarding a process required to verify the accuracy of assay results for the 9 holes reported to date from Phase 4. This process, designed with independent input and Competent Person approval, aimed to verify that results reported were reliable and that the laboratory concerned could be depended upon to provide accurate assays for the remaining completed holes that have been drilled under the Phase 4 program.

Subsequent to 31 December 2010, the Company received the final assay verification report prepared by the independent QA/QC expert. In addition to the independent expert review, BHP Billiton also conducted an extensive audit of the laboratory facilities in Ndola, Zambia and Johannesburg, South Africa.

Reanalysis of the original sample pulps as well as resamples taken from remaining half core confirmed there was an error made by the laboratory in the original gold assay for drill hole MUM-008BD as reported on 20 October 2010. Only low levels of gold were detected in the subsequent reanalysis of the drill hole.

In addition, a random selection of 400 core sample pulps taken from the previously tested Phase 4 drill holes and submitted to an independent laboratory to run check assays for all elements analysed in the original analytic process, confirmed that, except for the gold assay result for drill hole MUM-008BD as noted above, the previous results reported for the other drill holes were correct and reliable.

In summary, the independent verification report confirmed that the sample handling and analytic processes from both laboratories had passed the independent audit. It is now considered that the sampling and laboratory analysis processes can be relied upon to complete the assaying of the remaining drill holes in the Phase 4 program.

The Company notes that the validity of the Inferred Mineral Resource defined for the Kitumba area and reported to the ASX on the 19 October 2009 is not in doubt.

No plans for further drilling in Phase 4 have been made. However, BHP Billiton is considering the potential to drill additional anomalies within the Mumbwa lease beyond the Mushingashi and Mutoya areas. A decision regarding any additional drilling is expected by April 2011 when the annual wet season is expected to end.

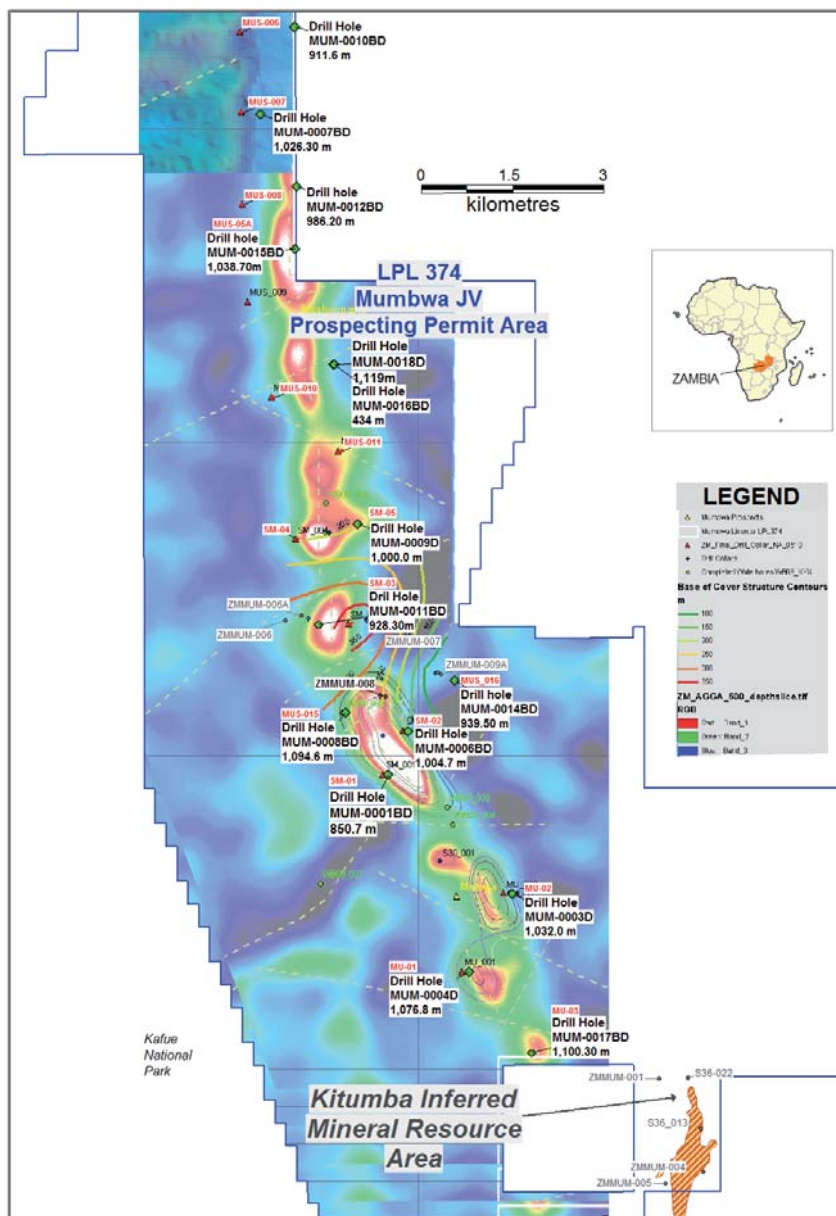


FIGURE 2 - Plan illustrating the location of the drill targets on the Mushingashi-Mutoya anomalies which trend for approximately 20km along strike.

## **MOKOPANE NICKEL PLATINUM PROJECT**

**South Africa (Blackthorn Resources 74%)**

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No exploration work was carried out on the Mokopane Project during the half-year.

The Company announced on 29 July 2010 that it had accepted an offer from its Black Economic Empowerment partner, Matimba Resources, to purchase the Company's 74% interest in the Mokopane Project for a total consideration of Rand 4 million.

Unfortunately, despite considerable efforts by Blackthorn Resources, the Company has not been able to get Matimba Resources to execute the necessary sale and purchase agreement to effect settlement of the transaction. It is the Company's view that it is now extremely unlikely that Matimba Resources will be in a position to secure the necessary funding to complete settlement before the current Mokopane permit expires in April 2011.

The Company's investment in the Mokopane Project was fully impaired in 2009.

## **CORPORATE**

### **Board and Management**

On 25 January 2011, Mr Louis Mnguni stepped down from the Board of Directors of the Company. Mr Mnguni had been a director of the Company since November 2003, and since his appointment had played an important role in providing counsel to his fellow directors regarding doing business in South Africa and other parts of the African continent during the period that the Company was developing its African strategy.

On 3 February 2011, the Company announced that Mr Michael Oppenheimer had agreed to join the Board as a non-executive director, effective from 1 April 2011. Mr Oppenheimer is a senior executive with over 30 years' experience in the resource sector, including CEO of Ferrexpo Plc, where he established the iron ore company's business model and led it through a successful IPO in London in 2007. Prior to his successful stewardship of Ferrexpo, he was with BHP Billiton since 1988 in a variety of senior positions, including roles on the Executive Committee of the company reporting to the CEO.

### **Capital**

Issued capital at 31 December 2010 was:

- 106,885,300 ordinary shares;
- 100,000 employee options, with exercise price \$0.80, expiring 15 December 2011;
- 4,900,000 employee options, with exercise price \$0.45, expiring 28 April 2012.

## ATTRIBUTION

### Burkina Faso Gold Exploration

The information in this report which relates to Exploration Results from the Burkina Faso Gold Project in Burkina Faso 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 in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Robertson has consented to inclusion of this information in the form and context in which it appears.

The information in this report which relates to Mineral Resources from the Burkina Faso Gold Project in Burkina Faso has been reviewed and approved for release by Mr Michael R Hall, MBA, MAusIMM, Pr.Sci.Nat. Mr Hall who has 30 years' experience in mineral exploration and who is a consultant to 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 in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Hall has consented to inclusion of this information in the form and context in which it appears.

### 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 in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Robertson has consented to inclusion of this information in the form and context in which it appears.

## TENEMENT SUMMARY

| Concession                                 |              | Tenement Number | 31 Dec 2010 | 30 June 2010 |
|--|--------------|-----------------|-------------|--------------|
| Perkoa Exploitation Licence <sup>(1)</sup> | Burkina Faso | 07-143          | 39.9%       | 90%          |
| Poa Exploration Licence                    | Burkina Faso | 10-090          | 100%        | 100%         |
| Guido Exploration Licence                  | Burkina Faso | 10-091          | 100%        | 100%         |
| Fafo Exploration Licence                   | Burkina Faso | 08-063          | 100%        | 100%         |
| Sepaogo Exploration Licence                | Burkina Faso | 09-054          | 100%        | 100%         |
| Seboun Exploration Licence                 | Burkina Faso | 09-055          | 100%        | 100%         |
| Naboue Exploration Licence                 | Burkina Faso | 09-280          | 100%        | 100%         |
| Bonzan Exploration Licence                 | Burkina Faso | 09-279          | 100%        | 100%         |
| Mumbwa Permit <sup>(2)</sup>               | Zambia       | 8589-HQ-LPL     | 60%         | 60%          |
| Mokopane Permit <sup>(3)</sup>             | South Africa | MPT 03-2009     | 74%         | 74%          |

(1) Subject to joint venture with Glencore International (50.1%) and the State of Burkina Faso (10%).

(2) Subject to joint venture with BHP Billiton (40%).

(3) Subject to joint venture with BEE partner Matimba Resources (26%).

# DIRECTORS' REPORT

Your Directors are pleased to present their report together with the interim financial report of the consolidated entity ("Blackthorn Resources" or "Group"), being Blackthorn Resources Limited (the "Company") and the entities it controlled for the half-year ended 31 December 2010, and the Auditor's review report thereon.

## DIRECTORS

The names of the Directors in office during and since the end of the half-year are:

**MS NICKI BOWMAN**

Non-executive Director  
*Appointed 8 October 2008*

**MR BILL CASH**

Chairman  
*Appointed 31 May 2007*

**MR SCOTT LOWE**

Managing Director  
*Appointed 13 June 2008*

**MR LOUIS MNGUNI**

Non-executive Director  
*Appointed 18 November 2003  
(Resigned 25 January 2011)*

## PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial half-year were mineral exploration and development.

## REVIEW OF OPERATIONS

A detailed review of the Group's operations for the half-year ended 31 December 2010 is set out on pages 2 to 10 of this Interim Financial Report.

## FINANCIAL POSITION

### Results

The Company recorded a net profit of \$2,848,000 for the six month period to 31 December 2010. This compared to a net loss of \$1,472,000 in the prior corresponding period.

The current half-year profit includes an accounting gain of \$6,430,000 recognised as a result of the deconsolidation of the Group's interest in the Perkoa Zinc Project on the establishment of the Perkoa JV with Glencore.

### Cash Flows

As at 31 December 2010, the Group had a cash balance of \$6,885,000 (30 June 2010: \$12,170,000).

During the half-year, the Company received final proceeds from the settlement of legal action of \$380,000, as well as proceeds from the repayment of an outstanding loan of \$275,000. Interest received on cash held on deposit was \$296,000.

Payments totalling \$816,000 were made on the Perkoa Zinc Mine development, including expenditure on the community & social and care & maintenance programs. The Group also spent \$1,017,000 during the half-year on exploration expenditure, principally in relation to its gold exploration program in Burkina Faso.

Payments made to suppliers and employees totalled \$4,350,000. However, this amount included financial consulting and legal costs of \$2,387,000 relating to the establishment of the Perkoa JV. Total costs incurred by the Company in relation to the establishment of the Perkoa JV have totalled approximately \$3,000,000, which represents 3.75% of the USD80 million committed by Glencore to complete construction of the Perkoa Zinc Project.

#### **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

There have been no significant changes in the state of affairs during the half-year other than disclosed in this report.

#### **SUBSEQUENT EVENTS**

Other than as disclosed below, no matters or circumstances have arisen since 31 December 2010 that have significantly affected, or may significantly affect operations of the Company or the Group:

- On 25 January 2011, Mr Louis Mnguni resigned as a director of Blackthorn Resources Limited.

#### **LEAD AUDITOR'S INDEPENDENCE DECLARATION**

The lead auditor's independence declaration for the six months to 31 December 2010 as set out on page 13 forms part of the Directors' Report.

#### **ROUNDING OF ACCOUNTS**

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

Signed in accordance with a resolution of the Board of Directors:



W D Cash  
**Director**



S F Lowe  
**Managing Director**

Sydney, 15 March 2011



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

To: the directors of Blackthorn Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review of the half year ended 31 December 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Shane O'Connor  
*Partner*

Sydney

15 March 2011

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



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

### **Report on the financial report**

We have reviewed the accompanying interim financial report of Blackthorn Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2010, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the interim period ended on that date, notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group set out on page 16 comprising the company and the entities it controlled at the half-year's end or from time to time during the interim period.

#### *Directors' responsibility for the interim financial report*

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2010 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Blackthorn Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



*Independence*

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

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Blackthorn Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Shane O'Connor  
*Partner*

Sydney

15 March 2011

## DIRECTORS' DECLARATION

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

1. The consolidated financial statements and notes that are set out on pages 17 to 26 are in accordance with the Corporations Act 2001, including:
  - a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
  - b. giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the half-year ended on that date.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



W D Cash  
**Director**



Scott Lowe  
**Managing Director**

Sydney, 15 March 2011

# FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

|  | Note | 31 Dec 2010<br>\$000 | 31 Dec 2009<br>\$000 |
|--|------|----------------------|----------------------|
| Finance income   | 4    | 259                  | 336                  |
| Other income   | 5    | 6,430                | 20                   |
| Employee benefits expense                                    |      | (878)                | (897)                |
| Depreciation   |      | (12)                 | (20)                 |
| Exploration expenditure                                      |      | (34)                 | (4)                  |
| Impairment reversal  | 6    | -                    | 120                  |
| Finance expense  |      | (61)                 | (78)                 |
| Share of loss of equity accounted associate                  | 7    | (4)                  | -                    |
| Other expenses   |      | (2,852)              | (949)                |
| Income before tax  |      | 2,848                | (1,472)              |
| Income tax expense   |      | -                    | -                    |
| <b>Income attributable to equity holders in the Company</b>  |      | <b>2,848</b>         | <b>(1,472)</b>       |
| <b>Other comprehensive income:</b>                           |      |                      |                      |
| Foreign exchange translation differences                     |      | (3,574)              | (7,928)              |
| Net change in fair value of available-for-sale assets        |      | 1                    | (1)                  |
| <b>Other comprehensive income for the period, net of tax</b> |      | <b>(3,573)</b>       | <b>(7,929)</b>       |
| <b>Total comprehensive income for the period</b>             |      | <b>(725)</b>         | <b>(9,401)</b>       |
|  |      | <b>Cents</b>         | <b>Cents</b>         |
| Basic earnings per share                                     | 9    | 2.66                 | (1.38)               |
| Diluted earnings per share                                   | 9    | 2.39                 | -                    |

The accompanying notes form an integral part of these financial statements

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

|  | Note | 31 Dec 2010<br>\$000 | 30 Jun 2010<br>\$000 |
|--|------|----------------------|----------------------|
| <b>CURRENT ASSETS</b>                    |      |                      |                      |
| Cash and cash equivalents                |      | 6,885                | 12,170               |
| Trade and other receivables              |      | 562                  | 1,165                |
| Inventories                              |      | -                    | 89                   |
| Other current assets                     |      | 5                    | 17                   |
| <b>TOTAL CURRENT ASSETS</b>              |      | <b>7,452</b>         | <b>13,441</b>        |
| <b>NON-CURRENT ASSETS</b>                |      |                      |                      |
| Trade and other receivables              |      | 585                  | 621                  |
| Financial assets                         |      | 2                    | 1                    |
| Property, plant and equipment            |      | 57                   | 14,785               |
| Mine development asset                   |      | -                    | 23,596               |
| Deferred exploration expenditure         |      | 11,113               | 10,949               |
| Investment in equity accounted associate | 7    | 38,468               | -                    |
| <b>TOTAL NON-CURRENT ASSETS</b>          |      | <b>50,225</b>        | <b>49,952</b>        |
| <b>TOTAL ASSETS</b>                      |      | <b>57,677</b>        | <b>63,393</b>        |
| <b>CURRENT LIABILITIES</b>               |      |                      |                      |
| Trade and other payables                 |      | 401                  | 2,683                |
| Provisions                               |      | 100                  | 93                   |
| <b>TOTAL CURRENT LIABILITIES</b>         |      | <b>501</b>           | <b>2,776</b>         |
| <b>NON-CURRENT LIABILITIES</b>           |      |                      |                      |
| Provisions                               |      | -                    | 2,800                |
| <b>TOTAL NON-CURRENT LIABILITIES</b>     |      | <b>-</b>             | <b>2,800</b>         |
| <b>TOTAL LIABILITIES</b>                 |      | <b>501</b>           | <b>5,576</b>         |
| <b>NET ASSETS</b>                        |      | <b>57,176</b>        | <b>57,817</b>        |
| <b>EQUITY</b>                            |      |                      |                      |
| Share Capital                            | 8    | 163,606              | 163,606              |
| Reserves                                 |      | (5,963)              | (2,474)              |
| Accumulated losses                       |      | (100,467)            | (103,315)            |
| <b>TOTAL EQUITY</b>                      |      | <b>57,176</b>        | <b>57,817</b>        |

The accompanying notes form an integral part of these financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED  
31 DECEMBER 2010**

|   | Share<br>Capital | Accumulated<br>Losses | Financial<br>Asset<br>Reserve | Foreign<br>Currency<br>Translation<br>Reserve | Equity<br>Compensation<br>Reserve | Total<br>Equity |
|---|------------------|-----------------------|-------------------------------|---|-----------------------------------|-----------------|
|   | \$000            | \$000                 | \$000                         | \$000   | \$000                             | \$000           |
| <b>Balance at 1 July 2009</b>                         | <b>163,606</b>   | <b>(116,413)</b>      | <b>(12)</b>                   | <b>2,742</b>                                  | <b>12</b>                         | <b>49,935</b>   |
| <i>Comprehensive income for the period</i>            |                  |                       |                               |   |                                   |                 |
| Loss for the period                                   | -                | (1,472)               | -                             | -   | -                                 | (1,472)         |
| <i>Other comprehensive income</i>                     |                  |                       |                               |   |                                   |                 |
| Net change in fair value of available-for-sale assets | -                | -                     | (1)                           | -   | -                                 | (1)             |
| Foreign exchange translation differences              | -                | -                     | -                             | (7,928)                                       | -                                 | (7,928)         |
| <i>Transactions with owners, recorded in equity</i>   |                  |                       |                               |   |                                   |                 |
| Amortisation of employee option grants                | -                | -                     | -                             | -   | 160                               | 160             |
| <b>Balance at 31 December 2009</b>                    | <b>163,606</b>   | <b>(117,885)</b>      | <b>(13)</b>                   | <b>(5,186)</b>                                | <b>172</b>                        | <b>40,694</b>   |
| <b>Balance at 1 July 2010</b>                         | <b>163,606</b>   | <b>(103,315)</b>      | <b>(13)</b>                   | <b>(2,794)</b>                                | <b>333</b>                        | <b>57,817</b>   |
| <i>Comprehensive income for the period</i>            |                  |                       |                               |   |                                   |                 |
| Profit for the period                                 | -                | 2,848                 | -                             | -   | -                                 | 2,848           |
| <i>Other comprehensive income</i>                     |                  |                       |                               |   |                                   |                 |
| Net change in fair value of available-for-sale assets | -                | -                     | 1                             | -   | -                                 | 1               |
| Foreign exchange translation differences              | -                | -                     | -                             | (3,574)                                       | -                                 | (3,574)         |
| <i>Transactions with owners, recorded in equity</i>   |                  |                       |                               |   |                                   |                 |
| Amortisation of employee option grants                | -                | -                     | -                             | -   | 84                                | 84              |
| <b>Balance at 31 December 2010</b>                    | <b>163,606</b>   | <b>(100,467)</b>      | <b>(12)</b>                   | <b>(6,368)</b>                                | <b>417</b>                        | <b>57,176</b>   |

The accompanying notes form an integral part of these financial statements

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED  
31 DECEMBER 2010**

|   | <b>31 Dec 2010</b> | <b>31 Dec 2009</b> |
|---|--------------------|--------------------|
|   | <b>\$000</b>       | <b>\$000</b>       |
| <b>Cash flows from operating activities</b>           |                    |                    |
| Interest received                                     | 296                | 351                |
| Other income  | 380                | 9                  |
| Payments to suppliers and employees                   | (4,350)            | (1,870)            |
| <b>Net cash used in operating activities</b>          | <b>(3,674)</b>     | <b>(1,510)</b>     |
| <b>Cash flows from investing activities</b>           |                    |                    |
| Loan repaid   | 275                | -                  |
| Payments for plant and equipment                      | (27)               | (336)              |
| Payments for exploration and evaluation expenditure   | (1,017)            | (616)              |
| Payments for mine development assets                  | (789)              | (1,343)            |
| Payments for security deposits                        | (5)                | (8)                |
| <b>Net cash used in investing activities</b>          | <b>(1,563)</b>     | <b>(2,303)</b>     |
| <b>Cash flows from financing activities</b>           |                    |                    |
| Proceeds from issues of shares                        | -                  | -                  |
| Share issue costs                                     | -                  | -                  |
| <b>Net cash provided from financing activities</b>    | <b>-</b>           | <b>-</b>           |
| Net decrease in cash held                             | (5,237)            | (3,813)            |
| Cash and cash equivalents at beginning of the period  | 12,170             | 18,371             |
| Effect of exchange rate fluctuations on cash held     | (48)               | (62)               |
| <b>Cash and cash equivalents at end of the period</b> | <b>6,885</b>       | <b>14,496</b>      |

The accompanying notes form an integral part of these financial statements

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

### **1. Reporting Entity**

The interim financial report covers the consolidated entity consisting of Blackthorn Resources Limited and its controlled entities. Blackthorn Resources Limited is a listed public company, incorporated and domiciled in Australia.

A copy of the annual financial report of Blackthorn Resources for the year ended 30 June 2010 is available on request from the Company's registered office at Level 5, Suite 502, 80 William Street Sydney NSW 2011 or at [www.blackthornresources.com.au](http://www.blackthornresources.com.au).

### **2. Basis of Preparation**

#### *Statement of compliance*

The interim financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The interim financial report does not include full disclosures of the type normally included in an annual financial report. Accordingly, it is recommended that the interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2010 and any public announcements made by Blackthorn Resources Limited during the half-year ended 31 December 2010 and up to the date of this interim report, in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The interim financial report was approved by the Board of Directors on 15 March 2011.

#### *Use of estimates and judgements*

Estimates and underlying assumptions are reviewed on an ongoing basis. The basis of estimation for the period and key areas where estimates have been applied is consistent with the basis described in the annual financial report for the year ended 30 June 2010.

#### *Rounding*

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

### **3. Significant accounting policies**

The accounting policies applied in the interim financial report are consistent with those applied in the 30 June 2010 annual financial report.

|                          | <b>31 Dec 2010</b><br><b>\$000</b> | <b>31 Dec 2009</b><br><b>\$000</b> |
|--------------------------|------------------------------------|------------------------------------|
| <b>4. Finance income</b> |                                    |                                    |
| Interest received        | 258                                | 336                                |
| Exchange gains           | 1                                  | -                                  |
|                          | <u>259</u>                         | <u>336</u>                         |

|  | <b>31 Dec 2010</b><br><b>\$000</b> | <b>31 Dec 2009</b><br><b>\$000</b> |
|--|------------------------------------|------------------------------------|
| <b>5. Other income</b>   |                                    |                                    |
| Sundry income  | -                                  | 20                                 |
| Gain on deconsolidation of the Perkoa Zinc Project ( <i>refer Note 7</i> ) | 6,430                              | -                                  |
|  | <u>6,430</u>                       | <u>20</u>                          |

|                               | <b>31 Dec 2010</b><br><b>\$000</b> | <b>31 Dec 2009</b><br><b>\$000</b> |
|-------------------------------|------------------------------------|------------------------------------|
| <b>6. Impairment reversal</b> |                                    |                                    |
| Loan to former director       | -                                  | 120                                |
|                               | <u>-</u>                           | <u>120</u>                         |

The loan to a former director of \$275,000 was settled fully during this half year.

|  | <b>31 Dec 2010</b><br><b>\$000</b> | <b>30 Jun 2010</b><br><b>\$000</b> |
|--|------------------------------------|------------------------------------|
| <b>7. Investment in equity accounted associate</b> |                                    |                                    |
| Perkoa joint venture                               | 38,468                             | -                                  |
|  | <u>38,468</u>                      | <u>-</u>                           |

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

Up to the establishment of the Perkoa JV, the Group's investment in the Perkoa Zinc Project was consolidated under AASB 127: Consolidated and Separate Financial Statements. At 22 November 2010, when the Company lost control of the Perkoa Zinc Project, it was required under AASB 127 to deconsolidate its investment. The deconsolidation process required the carrying values of the Perkoa Zinc Project assets and liabilities to be off-set against the fair value of the investment retained in the Perkoa Zinc Project at the date when control was lost. This resulted in an accounting profit of \$6,430,000 being recognised by the Group on deconsolidation of its investment in the Perkoa Zinc Project.

## 7. Investment in equity accounted associate (continued)

Deconsolidation adjustment - as at 22 November 2010

|   | <b>\$000</b> |
|---|--------------|
| Cash  | (228)        |
| Trade and other receivables (current and non-current)     | (50)         |
| Inventories   | (5)          |
| Other assets (current and non-current)                    | (4)          |
| Property, plant and equipment                             | (14,446)     |
| Mine development asset                                    | (23,558)     |
| Trade and other payables                                  | 292          |
| Provisions (current and non-current)                      | 2,806        |
| Foreign currency translation reserve writeback            | 2,223        |
| Fair value of Perkoa JV investment                        | 39,400       |
| Accounting gain on deconsolidation of Perkoa Zinc Project | <u>6,430</u> |

From 22 November 2010, Blackthorn Resources effectively retained a 39.9% interest in the Perkoa Zinc Project as part of the Perkoa JV with Glencore. As Blackthorn Resources is deemed to have "significant influence" (but not control) of the Perkoa Zinc Project, it is required to equity account its 39.9% investment under AASB 128: Investments in Associates.

Under AASB 128, the Group initially recognised as an asset on its balance sheet its share of the fair value of the Perkoa JV of \$39,400,000 (Investment in equity accounted associate).

The Group's share of losses of the Perkoa JV for the period from recognition to 31 December 2010 was \$4,000. The Group recognised as Other comprehensive income an amount of \$927,000, being its share of the Perkoa JV's foreign currency translation reserve movements for the period from recognition to 31 December 2010. The Group did not receive any dividends from the Perkoa JV for the period from recognition to 31 December 2010.

### **Capital commitments**

Blackthorn Resources is currently not committed to incur any capital expenditure in relation to the Perkoa JV.

Under certain circumstances if the costs of commissioning the Perkoa Zinc Project exceeds US\$80 million, Blackthorn Resources may be required to fund its share of any excess up to US\$86 million (or lesser amount subject to an Independent Assessment), or its share of any amounts in excess of US\$86 million which are not due to any acts or omissions within the control of Glencore as manager of the Perkoa Zinc Project.

### **Contingent liabilities**

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

## 7. Investment in equity accounted associate (continued)

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

|  | 31 Dec 2010<br>\$000 | 30 Jun 2010<br>\$000 |
|--|----------------------|----------------------|
| <b>8. Share Capital</b>  |                      |                      |
| 106,885,300 fully paid ordinary shares (30 June 2010: 106,885,300) | 163,606              | 163,606              |

No dividends were paid during the six month period to 31 December 2010 (2009: Nil).

|  | 31 Dec 2010<br>\$000 | 31 Dec 2009<br>\$000 |
|--|----------------------|----------------------|
| <b>9. Earnings per share</b>   |                      |                      |
| (a) Net profit(loss) used in the calculation of basic and diluted earnings per share | 2,848                | (1,472)              |
| (b) Weighted average number of ordinary shares at 31 December                        | 106,885,300          | 106,885,300          |
| Effect of options on issue   | 12,101,810           | 19,427,953           |
| Weighted average number of ordinary shares (diluted) at 31 December                  | 118,987,110          | 126,313,253          |

## 10. Contingent liabilities

The Group's bankers have given bank guarantees/undertakings to various parties to secure future operational obligations – as at 31 December 2010 these totalled \$243,000 (30 June 2010: \$442,000). These guarantees/undertakings are partly secured by charges over cash deposits lodged with the bankers which total \$188,000.

## 11. Expenditure commitments

### *Exploration expenditure*

At 31 December 2010, the Group had no commitments to undertake exploration work and expend money on mineral exploration tenements contracted for, but not yet payable.

The Group is committed, as a condition of the gold exploration licences held in Burkina Faso, to expend a minimum amount on exploration expenditure per sq. km per licence in each year of tenure. The aggregate annual minimum expenditure requirement across the seven tenements is currently \$610,000.

## 12. Segment Reporting

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

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

Segment accounting policies are the same as the Group's accounting policies. Except for the change in the nature of the Group's investment in the Perkoa Zinc Project as outlined in Note 7, there were no changes in segment accounting policies that had a material effect on the segment information.

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

- Perkoa Joint Venture project in Burkina Faso;
- Gold Exploration project in Burkina Faso;
- Mumbwa Joint Venture project in Zambia;
- Other – principally the Mokopane project in South Africa.

|                                       | Perkoa<br>JV<br>Project<br>\$000 | Gold<br>Exploration<br>Project<br>\$000 | Mumbwa<br>JV<br>Project<br>\$000 | Other<br>\$000               | Total<br>\$000 |
|---------------------------------------|----------------------------------|---|----------------------------------|------------------------------|----------------|
| <b>Reportable segment information</b> |                                  |   |                                  |                              |                |
| <i>31 December 2010</i>               |                                  |   |                                  |                              |                |
| External revenues                     | -                                | -                                       | -                                | -                            | -              |
| Profit(loss)before tax for the period | 6,426                            | -                                       | -                                | (34)                         | 6,392          |
| Segment assets                        | 38,468                           | 2,184                                   | 9,130                            | 3                            | 49,785         |
| <i>31 December 2009</i>               |                                  |   |                                  |                              |                |
| External revenues                     | -                                | -                                       | -                                | -                            | -              |
| Loss before tax for the period        | -                                | -                                       | -                                | (7)                          | (7)            |
| Segment assets                        | 18,817                           | 1,729                                   | 9,337                            | 2                            | 29,885         |
|                                       |                                  | <b>31 Dec 2010<br/>\$000</b>            |                                  | <b>31 Dec 2009<br/>\$000</b> |                |

### Reconciliation of reportable segment profits(losses) for the period

|  |         |         |
|--|---------|---------|
| Total reportable segment profits(losses) | 6,392   | (7)     |
| Unallocated amounts:                     |         |         |
| Finance income                           | 259     | 336     |
| Other income                             | -       | 20      |
| Corporate expenses                       | (3,742) | (1,743) |
| Finance expense                          | (61)    | (78)    |
| Profit(loss) before tax for the period   | 2,848   | (1,472) |

### **13. Subsequent events**

Other than as disclosed below, there are no matters or circumstances have arisen since 31 December 2010 that have significantly affected, or may significantly affect operations of the Company or the Group:

- On 25 January 2011, Mr Louis Mnguni resigned as a director of Blackthorn Resources Limited.

# CORPORATE DIRECTORY

## DIRECTORS

Bill Cash - Chairman  
Nicki Bowman - Non-executive Director  
Scott Lowe - Managing Director

## COMPANY SECRETARY

Chris Brown - Chief Financial Officer

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## STOCK EXCHANGE LISTING

Australian Securities Exchange Limited  
ASX Code: BTR

## SHARE REGISTRAR

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Telephone: +61 3 9415 4000 (from overseas)  
Facsimile: +61 3 9473 2500  
Website: [www.computershare.com.au](http://www.computershare.com.au)

## ASSOCIATES

Auditor - KPMG

Technical Advisors - MSA Group

Public Relations - Mandate Corporate Australia



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