

# NOTICE OF EXTRAORDINARY GENERAL MEETING & EXPLANATORY MEMORANDUM



**Date of Meeting**

Thursday, 14 October 2010

**Time of Meeting**

11:00am AEDT

**Place of Meeting**

Computershare Investor Services Pty Ltd  
Level 4, 60 Carrington St  
Sydney, NSW 2000

**A PROXY FORM IS ENCLOSED**

Please read the Notice of Meeting and Explanatory Memorandum carefully.

If you are unable to attend the Meeting please complete and return the enclosed Proxy Form in accordance with the specified instructions.

## IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it, or any part of it, you should consult with your professional advisers.

The Notice of Extraordinary General Meeting is accompanied by an Explanatory Memorandum. The Explanatory Memorandum has been prepared to assist Shareholders in determining whether or not to vote in favour of the Resolution set out in the Notice of Meeting.

The Explanatory Memorandum is intended to be read in conjunction with the Notice of Meeting.

You are encouraged to attend the Meeting, but if you cannot attend, you are requested to complete and return the enclosed Proxy Form without delay to:

<p>Computershare Investor Services Pty Limited GPO Box 242 Melbourne, Victoria, 3001, Australia</p>	<p>Facsimile: (within Australia) 1800 783 447 Facsimile: (outside Australia) +61 3 9473 2555</p>
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# CHAIRMAN'S LETTER

14 September 2010

Dear Shareholders

On 12 January 2010, Blackthorn Resources Limited (**Blackthorn Resources** or the **Company**) undertook a transformational step in the Company's history with the signing of a Heads of Agreement with Glencore International AG (**Glencore**) to develop and operate the Perkoa Zinc Mine Project (**the Perkoa Project**). On 24 August 2010, Blackthorn Resources announced that it had entered into binding transaction documentation with Glencore to form a joint venture at the Perkoa Project (**Joint Venture or JV**) which is subject to the approval of Blackthorn Resources shareholders (**Shareholders**) at an Extraordinary General Meeting (**EGM**).

The Board of Blackthorn Resources is pleased to present Shareholders with this Notice of Extraordinary General Meeting and Explanatory Memorandum which sets out the details of the proposed Joint Venture arrangements with Glencore.

The Joint Venture with Glencore introduces to Blackthorn Resources a well funded strategic partner with extensive African operating experience, without diluting the interests of Shareholders in the Company's suite of other highly attractive development and exploration assets. Under the Joint Venture, Glencore is committed to providing the first US\$80 million of the remaining capital required to commission the Perkoa Project. This amount is higher than the US\$72 million estimated in SRK Consulting (UK) Limited's report dated October 2009<sup>1</sup>. Of Glencore's US\$80 million in capital commitments, the first US\$50 million is to be in the form of an equity contribution by Glencore with the balance to be provided by way of secured project finance. While Blackthorn Resources considered alternative funding arrangements to commission the Perkoa Project, there is no assurance that such capital would have been available to Blackthorn Resources on commercially acceptable terms.

In return for making the contractual capital commitments, Glencore will hold a 50.1% interest in the Perkoa Project, Blackthorn Resources will hold a 39.9% interest, and the State of Burkina Faso will continue to hold the remaining 10% interest. Glencore will be the manager and logistics services provider for the Joint Venture, responsible for day-to-day operations and for sourcing funding facilities, including a working capital facility. Provided it has completed commissioning of the Perkoa Project, Glencore will also be entitled to purchase all available off-take.

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<sup>1</sup>SRK Consulting (UK) Ltd report titled "Technical Report On The Perkoa Zinc Project" (October 2009)

**The Board recommends that, in the absence of a superior proposal being made to Blackthorn Resources, Shareholders vote in favour of Blackthorn Resources entering into the Joint Venture with Glencore.**

The Board believes that the best way to finance the completion of the Perkoa Project is via the formation of a Joint Venture at the project level. By concluding the Joint Venture negotiations and documentation in August 2010, Blackthorn Resources expects that the Perkoa Project will be producing saleable zinc concentrate by the first half of 2012. A number of market analysts have forecast increases in zinc prices for 2012 relative to current spot pricing.

The Board is confident that Blackthorn Resources' Joint Venture with Glencore over the Perkoa Project, in combination with its existing joint venture with BHP Billiton at the Mumbwa Project, puts Blackthorn Resources in a strong position with two of the world's largest resources companies in two quality African metals projects. Further, Blackthorn Resources has ongoing upside potential from its continuing gold exploration program in Burkina Faso.

We look forward to welcoming you at Blackthorn Resources' EGM and moving forward in this new and exciting chapter in Blackthorn Resources' history.



Bill Cash  
**Chairman**

# NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting (**EGM**) of the Company will be held on Thursday 14 October 2010, commencing at 11:00am (AEDT) at Computershare Investor Services Pty Ltd, Level 4, 60 Carrington St, Sydney, NSW 2000.

The attached Explanatory Memorandum should be read in conjunction with the Notice of Meeting.

## **BUSINESS**

### **Resolution — Approval of the Perkoa Joint Venture**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

That, for all purposes, approval is given for Blackthorn Resources to implement the Joint Venture with Glencore as described in the Explanatory Memorandum accompanying the Notice of Meeting.

**The Board recommends that, in the absence of a superior proposal being made to Blackthorn Resources, Shareholders vote in favour of Blackthorn Resources entering into the Perkoa Joint Venture with Glencore.**

## **EXPLANATORY MEMORANDUM**

An Explanatory Memorandum to Shareholders follows this Notice of Meeting.

By Order of the Board



Chris Brown  
**Company Secretary**  
14 September 2010

### Entitlement to Vote

It has been determined that for the purposes of the Extraordinary General Meeting, Blackthorn Resources' Shares will be taken to be held by persons who are registered holders at 7.00 pm (AEDT) on 12 October 2010. Accordingly, Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

### How to Vote

You may vote by attending the meeting in person, by proxy or by authorised representative.

### Voting in Person

To vote in person, please attend the meeting on the date and at the place set out above. The meeting will commence at 11:00am (AEDT) on 14 October 2010.

### Voting by Proxy

Please note that:

1. A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies.
2. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights.
3. Appointment of a proxy by a member who is a corporation should be given in accordance with the Corporations Act 2001 or signed on its behalf by an authorised attorney.
4. If this proxy is executed under a Power of Attorney, the instrument appointing the attorney must accompany the form of proxy.
5. 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 Extraordinary General Meeting.
6. A proxy need not be a member of the Company.
7. To be effective the proxy form must be received by the Company not less than 48 hours before the time for holding the meeting. Details of how and where to lodge the proxy are set out on the proxy form.

# EXPLANATORY MEMORANDUM

## IMPORTANT INFORMATION

The Notice of Meeting, this Explanatory Memorandum and the Proxy Form are all important documents. They should be read carefully in their entirety before you make a decision on how to vote at the meeting.

If you have any questions regarding matters set out in these documents, please contact Blackthorn Resources, your stockbroker or other professional adviser.

## Key Dates

Date of this Explanatory Memorandum	14 September 2010
Proxy Form to be received no later than	11:00am (AEDT), 12 October 2010
Snapshot Date for entitlement to Vote	7:00pm (AEDT), 12 October 2010
Shareholders Meeting	11:00am (AEDT), Thursday 14 October 2010

## Purpose of this Explanatory Memorandum

This Explanatory Memorandum has been prepared for the information of Shareholders of the Company in connection with the business to be transacted at the Extraordinary General Meeting of Shareholders to be held at Computershare Investor Services Pty Ltd, Level 4, 60 Carrington St, Sydney NSW 2000 on Thursday 14 October 2010, commencing at 11:00am (AEDT).

The purpose of this Explanatory Memorandum is to provide Shareholders with all information known to the Company which is material to the Resolution outlined in the accompanying Notice of Meeting, so that Shareholders can make an informed decision on how to vote on the Resolution.

Shareholders should read the accompanying Notice of Meeting and this Explanatory Memorandum in full before making any decision in relation to the Resolution.

## Forward Looking Statements

Certain statements in this Explanatory Memorandum relate to the future. These statements reflect views only as of the date of this Explanatory Memorandum. While Blackthorn Resources believes that the expectations reflected in the forward looking statements are reasonable, neither Blackthorn Resources nor any other person gives any representation, assurance, or guarantee that the occurrence of an event expressed or implied in any forward looking statements in this Explanatory Memorandum will actually occur.

## **Notice to Persons outside Australia**

This Explanatory Memorandum has been prepared in accordance with Australian laws and disclosure requirements. These laws and disclosure requirements may be different to those in other countries.

## **Disclaimer**

No person is authorised to give any information or make any representation in connection with the Joint Venture which is not contained in this Explanatory Memorandum. Any information or representation not contained in this Explanatory Memorandum may not be relied on as having been authorised by Blackthorn Resources or the Board in connection with the Joint Venture.

## **Responsibility for Information**

The information contained in this Explanatory Memorandum (except the information regarding Glencore in the section entitled “Glencore Overview”) has been prepared by Blackthorn Resources and is the responsibility of Blackthorn Resources. Information concerning Glencore in the section entitled “Glencore Overview” has been sourced by publicly available information and none of Blackthorn Resources, its associates or advisers assumes any responsibility for the accuracy or completeness of that information. Glencore does not assume any responsibility for the accuracy or completeness of any information other than that in the section entitled “Glencore Overview”.

## **Definitions**

Capitalised terms used in this Explanatory Memorandum are defined in the Glossary at the end of this Explanatory Memorandum.

## A. BACKGROUND & OVERVIEW

### 1. Background

The Perkoa Project was placed on care and maintenance in July 2008 following a major reduction in global zinc prices which rendered the project uneconomic at that time. Construction is approximately 50% complete. To mitigate the risk of movements in the price of zinc, the Company sought suitable investors or partners to contribute funding to the project before construction work could recommence.

On 12 January 2010, the Company announced that the Heads of Agreement had been signed with Glencore for a joint venture to develop and operate the Perkoa Project. On 24 August 2010, following extensive due diligence investigations by Glencore and detailed commercial and legal negotiations, Blackthorn Resources and Glencore signed a legally binding Umbrella Deed under which they agreed to proceed with the Joint Venture subject to satisfaction or waiver of a limited number of conditions precedent.

A condition precedent to Completion under the Joint Venture documentation is that the Company obtains the approval of its Shareholders to implement the Joint Venture. The Company will only proceed with the Joint Venture with the support of its Shareholders.

This Explanatory Memorandum provides a summary of the key commercial terms agreed between Blackthorn Resources and Glencore.

### 2. Overview of the Joint Venture

#### 2.1 Purpose

The purpose of the Joint Venture is to progress the development of the Perkoa Project into a sustainable producing mine for zinc concentrate. The Company believes that Glencore has the necessary experience and technical knowledge to complete the construction of the Perkoa Project and manage its operations. Furthermore, Glencore has committed to purchasing all available base metals concentrates not already committed, which are produced by the Perkoa Project throughout the life of the mine.

#### 2.2 Structure

Nantou Mining Ltd B.V. (**Nantou Mining**), a wholly-owned subsidiary of Blackthorn Resources, currently holds a 90% interest in Nantou Mining Burkina Faso SA (**Project Owner**), the entity which owns the Perkoa Project. The remaining 10% interest in Project Owner is held by the State of Burkina Faso.

To implement the Joint Venture, Nantou Mining will transfer its 90% interest in Project Owner to a newly formed joint venture company called Boundary Ventures Limited (**NewCo**). Blackthorn Resources will hold its interest in NewCo through a wholly-owned special purpose subsidiary, Blackthorn Investments Pty Ltd (**Blackthorn SPV**).

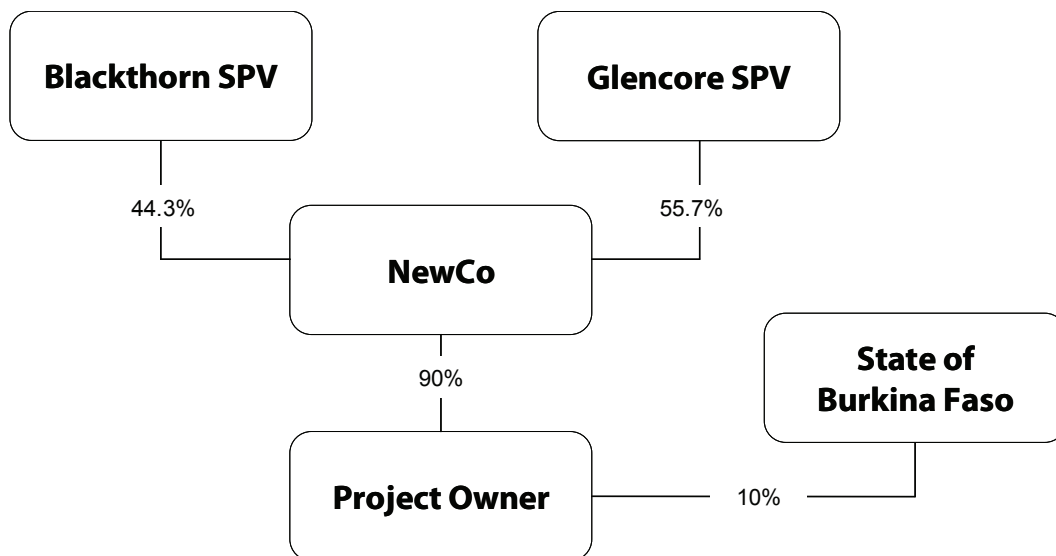
Blackthorn SPV will acquire its interest in NewCo primarily in consideration for the assignment to NewCo of certain existing shareholder loans advanced to Project Owner (as borrower) (**Existing Loans**). Blackthorn SPV's interest in NewCo will consist of 19,900,000 ordinary shares, 19,900,000 Redeemable Preference Shares and one Class A Share (entitling Blackthorn SPV to a priority distribution of up to US\$5 million subject to there being US\$5 million of available free cash in the first production year of the Perkoa Project), all issued at US\$1.00 per share.

Glencore will acquire its interest in NewCo through a wholly-owned special purpose subsidiary, Merope Holdings Ltd (**Glencore SPV**), in consideration for investing the equity capital to be provided by Glencore SPV as described in Part C, Section 1.2(a) ("Funding during Construction Phase-Equity"). Glencore SPV's interest in NewCo will consist of 25,000,000 ordinary shares and 25,000,000 Redeemable Preference Shares, all issued at US\$1.00 per share.

Following the contributions of equity capital from Glencore SPV, Glencore SPV will own a 55.7% interest in NewCo, and Blackthorn SPV will own the remaining 44.3% interest, which means the Project Owner will be owned in the following proportions:

Glencore SPV (indirectly through NewCo)	50.1%
Blackthorn SPV (indirectly through NewCo)	39.9%
State of Burkina Faso	10%

The following diagram depicts the proposed Joint Venture ownership structure.



### 2.3 Conditions Precedent to Completion

Completion of the transaction to implement the Joint Venture (**Completion**) is subject to a limited number of conditions precedent, including the approval of the Resolution set out in the Notice of Meeting by Blackthorn Shareholders, the transfer of Nantou Mining's 90% interest in Project Owner to NewCo, and there being no material adverse change affecting the Perkoa Project occurring before Completion.

### 2.4 Break Fee

Glencore has a right to terminate the Joint Venture documentation before Completion if Blackthorn Resources does not have the Resolution set out in the Notice of Meeting put to a vote of Shareholders on or before 25 October 2010. A US\$900,000 break fee is payable to Glencore in certain circumstances, including if Blackthorn Resources does not hold a general meeting at which the Resolution is put to a vote of Shareholders on or before 22 December 2010 (unless the Joint Venture documentation has been terminated prior to then), if the Resolution is put to a vote of Shareholders and is not approved, or if Blackthorn Resources' Board recommends a competing proposal on or before Completion.

### 2.5 Construction and Production Phases

A description of the proposed Construction Phase and Production Phase, as well as certain key rights and obligations of the Joint Venture parties, is set out in Part C ("Overview of Construction & Production Phases").

## **B. KEY REASONS WHY YOU SHOULD VOTE FOR THE JOINT VENTURE**

✓	<b>The Glencore investment represents an attractive source of capital and African operating experience for Blackthorn Resources to complete the commissioning of the Perkoa Project</b>
✓	<b>The investment by Glencore will result in Blackthorn Resources having two of the world's largest resource companies as Blackthorn Resources' joint venture partners in two quality base metals projects in Africa – Glencore at Perkoa and BHP Billiton at Mumbwa</b>
✓	<b>The investment by Glencore in the Perkoa Project implies an attractive valuation of Perkoa's contained zinc resources relative to trading multiples of other comparable ASX-listed zinc and lead companies</b>
✓	<b>Finalisation of the Joint Venture arrangements with Glencore over the Perkoa Project by the end of 2010 should allow the Perkoa Project to be producing saleable zinc concentrate by the first half of 2012. A number of market analysts have forecast increases in zinc prices for 2012 relative to current spot prices</b>
✓	<b>The investment by Glencore will take place at the asset level only, meaning that Blackthorn Resources Shareholders' interests in the Mumbwa project and the Company's gold exploration assets in Burkina Faso will not be diluted</b>
✓	<b>The structure of the Joint Venture and the associated legal arrangements contain a number of features that the Board believes are attractive for Blackthorn Resources</b>
✓	<b>The Board has considered a number of alternative transactions and believes that the proposed Joint Venture with Glencore at the Perkoa Project represents the best outcome for Blackthorn Resources Shareholders</b>

### **1. The Glencore investment represents an attractive source of capital and African operating experience for Blackthorn Resources to complete the commissioning of the Perkoa Project**

Once the Joint Venture with Glencore becomes effective, Glencore will be contractually committed to provide the first US\$80 million of funding to be applied towards the commissioning of the Perkoa Project. Glencore is committed to invest the initial US\$50 million of investment through equity contributions and to provide up to US\$30 million additional funding by way of a senior debt facility which will be secured at the project level. To the extent the remaining capital to be committed exceeds US\$80 million, Glencore and Blackthorn Resources will contribute on the basis of 55.7% from Glencore SPV and 44.3% from Blackthorn SPV to any excess amount up to a cap of US\$86 million (or any lower cap determined by the Independent Assessment described in Part C, Section 1.1 (“Construction Budget and Schedule”)) and to any amount in excess of such cap which is required for reasons that are outside the control of the Manager. Any capital spent beyond the cap will be the funding responsibility of Glencore SPV where the additional capital expenditure is required due to acts or omissions within the control of the Manager.

While Blackthorn Resources could seek to access traditional sources of debt and equity capital to finalise the commissioning of the Perkoa Project without looking to introduce a joint venture partner, there can be no assurance that such capital would be available to Blackthorn Resources, or that, if it was available, whether it could be secured on commercially acceptable terms. Further, any equity raising which included a non pro-rata component would result in dilution to existing Shareholders over their interest in the assets held by Blackthorn Resources.

For further information regarding Glencore, refer to Part D (“Glencore Overview”).

### **2. The investment by Glencore will result in Blackthorn Resources having two of the world’s largest resource companies as Blackthorn Resources’ joint venture partners in two quality base metals projects in Africa – Glencore at Perkoa and BHP Billiton at Mumbwa**

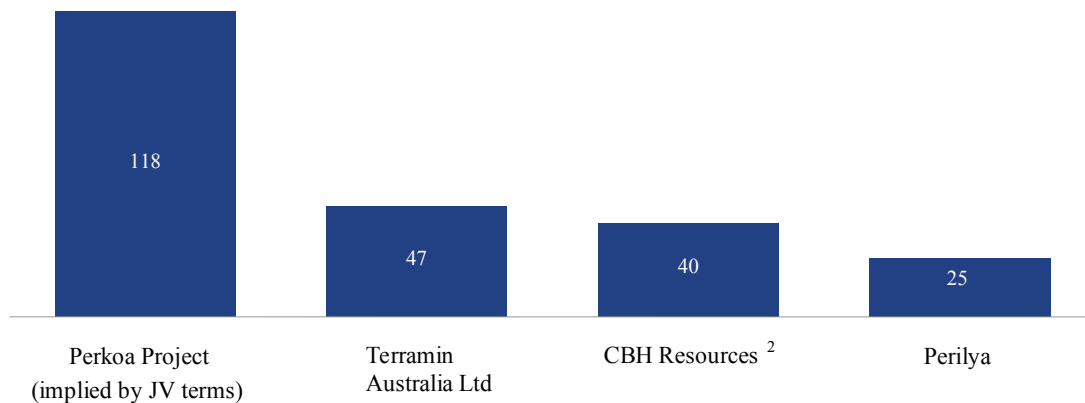
Following formation of the Joint Venture, Blackthorn Resources will have interests in two quality African base metals joint ventures. Blackthorn Resources’ joint venture partners will be BHP Billiton at Mumbwa and Glencore at Perkoa. BHP Billiton and Glencore are two of the world’s largest resources companies and each company has significant funding capacity and technical expertise. Blackthorn Resources believes that it will benefit from having these two very strong groups as the Company’s joint venture partners at Blackthorn Resources most advanced projects.

**3. The investment by Glencore in the Perkoa Project implies an attractive valuation of Perkoa’s contained zinc resources relative to trading multiples of other comparable ASX-listed zinc and lead companies**

Glencore is attributing a high multiple to the resource base at Perkoa through the equity valuation it is paying to become a joint venture partner at the Perkoa Project. Glencore is committing a minimum of US\$50 million in equity to acquire a 50.1% shareholding in the Perkoa Project. This implies an equity valuation for all of the Perkoa Project of approximately US\$100 million. Additionally, Glencore has agreed to provide up to US\$30 million in senior debt financing for the Perkoa Project. This implies a total valuation of the Perkoa Project through the transaction of US\$130 million.

Blackthorn Resources published an updated resource at the Perkoa Project in October 2009<sup>1</sup>. The ore body has a resource of approximately 6.7 million tonnes at a zinc grade of 16.4% for 1.1 million tonnes of contained zinc resources. While a very high proportion of the Perkoa Mineral Resource has been converted to Ore Reserves, the implied enterprise valuation / resource tonne multiple of US\$118 / contained zinc tonne compares favourably to the trading multiples for other ASX-listed lead / zinc companies such as Perilya Limited (trading at an enterprise valuation / resource multiple of approximately US\$25 / contained zinc tonne) and CBH Resources Limited (which has just been subject to a change of control transaction at an enterprise valuation / resource multiple of approximately US\$40 / contained zinc tonne).

**Zinc and lead trading comparables (US\$ / tonne)**



Source: UBS Research

Note:2 CBH has recently been delisted

<sup>1</sup>SRK Consulting (UK) Ltd report titled “Technical Report On The Perkoa Zinc Project” (October 2009)

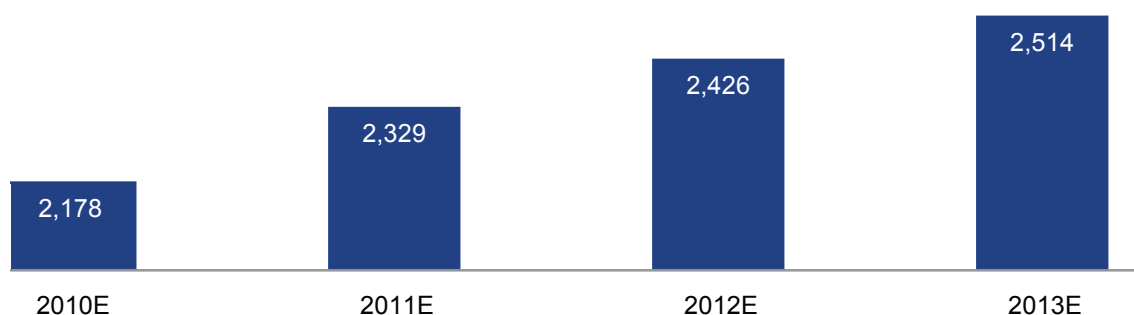
The information in this Notice of Meeting that relates to Mineral Resources or Ore Reserves at the Perkoa Project is based on information compiled by Mr John Miles and Dr Mike Armitage, both of who are members of the Institute of Materials, Minerals and Mining, which is a ‘Recognised Overseas Professional Organisation’ (‘ROPO’). Dr Armitage, who is a fellow of the Geological Society of London, is Chairman of SRK Consulting (UK) Ltd and had taken responsibility for the mineral resource aspects of SRK’s work. Mr Miles is a Principal Associate of SRK Consulting (UK) Ltd and takes responsibility for the ore reserve and economic modeling aspects of SRK’s work. Mr Miles and Dr Armitage both have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the ‘Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves’. Mr Miles and Dr Armitage consent to the inclusion in this Notice of Meeting of the matters based on their information in the form and context in which it appears.

**4. Finalisation of the Joint Venture arrangements with Glencore over the Perkoa Project by the end of 2010 should allow the Perkoa Project to be producing saleable zinc concentrate by the first half of 2012. A number of market analysts have forecast increases in zinc prices for 2012 relative to current spot prices**

If the Joint Venture is established as planned during the second half of 2010, Blackthorn Resources expects that the Perkoa Project should be producing saleable zinc concentrate by the first half of 2012. A number of analysts who follow the zinc market have expressed a view that zinc prices will rise over the next few years as reduced supply from anticipated zinc mine closures fails to keep pace with projected increases in the demand for zinc.

Blackthorn Resources believes that commissioning of the Perkoa Project in the first half of 2012 should allow Blackthorn Resources to take advantage of anticipated future shortfalls in the global supply of zinc and should enable Blackthorn Resources to maximise its return from its investment in the Perkoa Project.

**Research analyst consensus - zinc prices forecasts (US\$ / tonne)**



Source: Broker research as at 7 September 2010

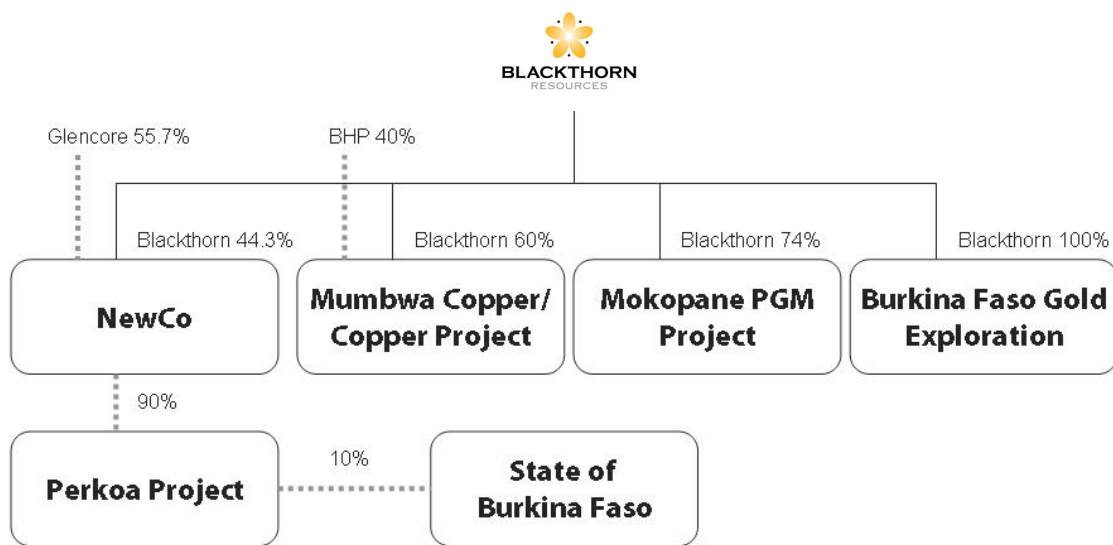
Glencore funding obligations for the Perkoa Project are to ensure that construction is completed in accordance with several key milestones to ensure production of the first zinc concentrate by the first half of 2012. A summary of the scheduled milestones is provided below:

Transaction completion	Month 0
Mobilisation	Month 1 to 3
Underground development commences	Month 4 (critical path)
Plant / infrastructure construction commences	Month 4 (+1 month float on critical path)
First ore from underground	Month 9
Planned commercial operations date	Month 16

**5. The investment by Glencore will take place at the asset level only, meaning that Blackthorn Resources Shareholders’ interests in the Mumbwa project and the Company’s gold exploration assets in Burkina Faso will not be diluted**

Glencore’s proposed investment is to take place at the asset level only. Glencore will not receive any shares at the Blackthorn Resources corporate level as part of the proposed transaction so there will be no adverse impact on the liquidity of trading in shares in Blackthorn Resources or any effect on the control of Blackthorn Resources.

**Simplified Blackthorn Resources corporate structure – post formation of Perkoa Project Joint Venture**



Source: Blackthorn Resources

Further, by avoiding the need to undertake an equity raising with a non pro-rata component at the Blackthorn Resources listed share level, Shareholders’ investment in the Mumbwa project and other Blackthorn Resources assets is not being diluted.

### **6. The structure of the Joint Venture and the associated legal arrangements contain a number of features that the Board believes are attractive for Blackthorn Resources**

Blackthorn Resources believes it has secured a number of features through the legal documentation that adequately protect or enhance its commercial position in the Joint Venture with Glencore. Specifically:

- Blackthorn Resources will be entitled to a dividend of up to US\$5 million payable prior to any repayments being made under the Senior Facility, from the first available cash flow from the Perkoa Project in its first production year.
- If the Perkoa Project sustains a net operating loss over a period of 24 months and Glencore wishes to continue operations, Blackthorn Resources has the right to “step out” from the Project and contribute on the basis of what Blackthorn Resources’ share of a “care and maintenance” program would have been. Blackthorn Resources can thereby maintain its proportional Joint Venture shareholding, provided it is not in breach of any Joint Venture documents.
- A list of important matters pertaining to the Joint Venture must be decided by the Joint Venture shareholders with required voting thresholds above 50%. Blackthorn Resources therefore maintains a veto right over important Joint Venture decisions (which require 75% majority approval) provided Blackthorn Resources retains at least 25% of the Joint Venture equity.
- Blackthorn Resources also has a veto right over certain related party transactions, as these related party transactions require unanimous shareholder approval under the Joint Venture documentation. Related party transactions may arise due to, for example, Glencore’s role as the provider of management services and logistics services to the Perkoa Project.
- During the 3 months following formation of the Joint Venture, Blackthorn Resources is entitled to obtain an independent assessment of the amount budgeted by Glencore to complete construction and commissioning of the Perkoa Project. To the extent the agreed budgeted amount to be committed exceeds US\$80 million, Glencore and Blackthorn Resources will contribute to any excess amount on the basis of 55.7% from Glencore SPV and 44.3% from Blackthorn SPV up to a cap of US\$86 million (or any lesser amount determined by the Independent Assessment described in Part C, Section 1.1 (“Construction Budget and Schedule")), and to any amount in excess of such cap which is required for reasons outside the control of the Manager. Any capital spent beyond the cap will be the funding responsibility of Glencore SPV where the additional capital expenditure is required due to any acts or omissions within the control of the Manager.

**7. The Board has considered a number of alternative transactions and believe that the proposed Joint Venture with Glencore at the Perkoa Project represents the best outcome for Blackthorn Resources' Shareholders**

During 2009 Blackthorn Resources contacted other companies regarding the possible formation of a joint venture at Perkoa. These parties and other companies have also had an opportunity to provide superior proposals to Blackthorn Resources since Blackthorn Resources announced in January 2010 that it had entered into a Heads of Agreement with Glencore in relation to the Perkoa Project. The Blackthorn Resources' Board believes the current proposed arrangements with Glencore will provide the best outcome for Blackthorn Resources' Shareholders if the resolution to approve the Perkoa Project is passed.

Blackthorn Resources recently received an indicative proposal that was very similar in nature to the Glencore Joint Venture proposal for an investment at the Perkoa Project level. However, the Board of Blackthorn Resources determined that it was highly conditional, based on very limited due diligence, subject to the receipt of necessary regulatory approvals and not superior to the Glencore proposal. The Board decided that, given the uncertainty of the proposal and the time required to develop such a proposal, the Shareholders' interests were best served by pursuing the Joint Venture with Glencore.

## C. OVERVIEW OF CONSTRUCTION & PRODUCTION PHASES

### 1. Construction Phase

#### 1.1 Construction Budget and Schedule

A construction budget and schedule prepared by Glencore for the Perkoa Project (**Construction Budget and Schedule**) will govern the construction and commissioning of the Project (**Construction Phase**).

Blackthorn Resources has an option to have the Construction Budget and Schedule assessed by an independent expert within 3 months of the date of Completion (**Independent Assessment**).

#### 1.2 Funding during Construction Phase

The Existing Loans described in Part A, Section 2.2 ("Structure") were funded by Blackthorn Resources to progress the Perkoa Project to its current state of construction.

Glencore SPV and Cobar Management Pty Ltd (**Glencore Lender**), a wholly-owned subsidiary of Glencore, will be obliged to commit the majority of the remaining capital required to construct and commission the Perkoa Project in accordance with the requirements of the Construction Budget and Schedule.

Glencore has agreed to guarantee the initial capital funding obligations of Glencore SPV and Glencore Lender as described below.

##### a. Equity

Glencore SPV has agreed to provide the first US\$50 million of capital in return for 55.7% equity in NewCo. Glencore SPV must invest its capital in accordance with the requirements of the Construction Budget and Schedule. NewCo has agreed to then lend US\$50 million to the Project Owner (**NewCo Loan Agreement**).

##### b. Debt

A loan of up to US\$30 million on negotiated commercial terms will be provided by Glencore Lender directly to the Project Owner (the **Senior Facility**). The Senior Facility will be secured by a mortgage over NewCo's shares in Project Owner, a mortgage over the mining permit for the Perkoa Project and a pledge over Project Owner's plant and equipment (together, **Senior Facility Security**). The Senior Facility has a term of six years from the date of first drawdown, with monthly repayments equal to the greater of all available free cash flows for the relevant month and an agreed minimum amount.

All amounts payable by Project Owner to NewCo, including the Existing Loans, will be subordinated to the repayment by Project Owner of the Senior Facility, with the exception of an amount of up to US\$5 million of available free cash flow during the Perkoa Project's first year of production, which will be payable to NewCo under an Existing Loan Agreement and which (if available) will be applied by NewCo as a dividend payment to Blackthorn Resources under the terms of the Class A Share.

The Senior Facility is repayable and the obligation to advance funds terminates if Glencore SPV ceases to hold at least 25% of the shares of NewCo.

**c. Funding Requirements above US\$80 million**

If the cost of commissioning the Perkoa Project exceeds US\$80 million, Blackthorn SPV and Glencore SPV will fund such excess up to US\$86 million (or any lesser amount per the Independent Assessment described in Part C, Section 1.1 ("Construction Budget and Schedule")), and amounts in excess of US\$86 million (or any cap) which are not due to acts or omissions within the control of the manager of the Perkoa Project (Pasley Universal Inc., a wholly-owned subsidiary of Glencore (**Manager**)), in amounts equivalent to their respective shareholdings in NewCo.

Additional amounts required in excess of US\$86 million (or any lesser cap) which are required due to any acts or omissions within the control of the Manager will be funded solely by Glencore SPV.

**1.3 Suspension Option**

Glencore SPV may suspend completion of the Construction Phase for a period of up to 12 months in the event that, during the Construction Phase, the monthly average spot zinc price on the London Metals Exchange falls below US\$1,500 per tonne for three consecutive months (**Suspension Option**). This option may only be exercised once by Glencore SPV. The London Metals Exchange spot price of zinc as at the close of trade on 8 September 2010 was US\$2,189.

At the end of the period of suspension, the Construction Phase must recommence or Blackthorn SPV has an option to purchase all of Glencore SPV's shares in NewCo and the benefit of Glencore Lender's interest in the Senior Facility for a consideration equal to the amount invested and lent by Glencore to that date.

**1.4 Delays in the Construction Phase**

If the Construction Phase is not completed 16 months after Completion (as extended for certain events, including Glencore's Suspension Option described in Part C, Section 1.3 ("Suspension Option")) (**Planned Commercial Operations Date**), an interest free period of up to 12 months on the Senior Facility will commence, and run until the earlier of 12 months from the Planned Commercial Operations Date and the date the Production Phase commences.

### 1.5 Post Completion Assistance

Blackthorn Resources has agreed at its own cost to provide the Manager with a reasonable level of support in relation to the management of the Perkoa Project for a period of 12 months following Completion, including making certain employees involved with the Perkoa Project available to the Project Owner. Blackthorn Resources' Perkoa Project manager is expected to transfer to the Project Owner.

## 2. Production Phase

### 2.1 Funding during Production Phase

#### a. Equity Capital

During the production phase for the Perkoa Project (**Production Phase**), required funding will be provided by Blackthorn SPV and Glencore SPV subscribing for shares in NewCo, and under the Working Capital Facility described below. Neither shareholder is required to subscribe for any shares offered by NewCo. In the event a shareholder does not subscribe for its entitlement, NewCo will offer those shares to the other shareholder. If only one shareholder subscribes for shares offered by NewCo, the percentage shareholding of the other shareholder will decrease accordingly.

#### b. Working Capital Facility

The Manager must procure a working capital facility of up to US\$20 million (**Working Capital Facility**). The Working Capital Facility must be provided by Glencore if a suitable facility from a third party financier cannot be arranged.

Blackthorn Resources and Blackthorn SPV, and Glencore and Glencore SPV, will each guarantee the Project Owner's obligations to repay the lender under the Working Capital Facility in the proportions Blackthorn SPV as to 44.3% and Glencore as to 55.7%.

### 2.2 Sustained Operating Losses

If the Project Owner sustains a net operating loss over a period of 24 months and Glencore SPV wishes to continue the operations but Blackthorn SPV wishes to put the Perkoa Project on care and maintenance, then Blackthorn SPV may provide Glencore SPV with a notice of its decision to cease funding operating costs (**Step-out Period**). During any Step-out Period, Blackthorn SPV:

- will retain its proportional interest in NewCo, provided that it contributes to a notional care and maintenance cost which would have been incurred by Project Owner had the Perkoa Project been put on care and maintenance; but
- will lose its right to be paid dividends during the Step-out Period.

Blackthorn SPV has the option to step back into the Joint Venture on three months notice to Glencore SPV, provided that it has paid the cost of the notional care and maintenance for the Step-out Period. At the end of the Step-out Period Blackthorn SPV will regain its right to be paid dividends.

### **2.3 Off-take**

Blackthorn Resources has agreed that provided Completion occurs and the Perkoa Project reaches the Production Phase as a result of Glencore funding construction and commissioning, Glencore will purchase all of the Perkoa Project's available zinc metal concentrates for the life of the mine, with the exception of any off-take otherwise allocated.

### **2.4 Distributions**

In the first year of the Production Phase, Project Owner will pay all available free cash flow up to US\$5 million to NewCo for distribution to Blackthorn SPV under the terms of the Class A Share issued to Blackthorn SPV. For this purpose, available free cash flow is cash available after payment of the Project Owner's reasonably foreseeable working capital cash flow requirements (including third party creditors and payments to the Manager) and after payments are made pursuant to the Working Capital Facility.

Following payment of the amount of up to US\$5 million described in the preceding paragraph, any additional available free cash flow in the first year of the Production Phase will be used to repay the Senior Facility.

After the first year of the Production Phase, available free cash flow will be applied in the following order of priority:

- repayment of the Senior Facility;
- repayment to the JV of the Existing Loans and the NewCo Loan Agreement; and
- as dividends to NewCo and the State of Burkina Faso.

## **3. Control and Operations**

### **3.1 Control of NewCo and Project Owner**

As described in Part A, Section 2.2 ("Structure"), Glencore SPV will have a controlling interest in NewCo and Project Owner, and be entitled to appoint a majority of directors to the boards of NewCo and Project Owner. Prior to Glencore SPV actually subscribing for 55.7% of the shares in NewCo, Glencore SPV will still be entitled to exercise 55.7% of the votes in NewCo during the course of the Construction Phase, and appoint a majority of directors to the boards of NewCo and Project Owner.

Notwithstanding Glencore SPV's controlling interest, Blackthorn Resources and Glencore have agreed that certain important matters must be determined by special majority shareholder approval (holders of 75% of the ordinary shares in NewCo) and, in the case of certain related party transactions, by unanimous shareholder approval.

### **3.2 Management and Logistics**

Under the Joint Venture documentation, NewCo and the Project Owner have agreed to appoint the Manager to manage the construction, development and operations of the Perkoa Project, and the Project Owner has agreed, subject to certain conditions precedent, to appoint the Manager to provide logistics services in relation to the sale of base metals concentrates that are produced at the Perkoa Project.

Glencore has agreed to guarantee certain payment obligations of the Manager under the management agreement and the logistics services agreement.

If the management agreement or the logistics services agreements are terminated by the Project Owner, and the Project Owner fails to appoint a manager or logistics services provider within 30 days who is not a related party of Glencore, the Project Owner must offer Blackthorn SPV the right to enter into a new management or logistics services agreement. Any such agreement with Blackthorn SPV would remain in place until the Project Owner appoints a manager or logistics services provider who is not a related party of Glencore.

Under the management agreement, Glencore is entitled to a fixed annual fee plus cost recovery. Under the logistics services agreement Glencore is entitled to a minimum fee, with linkages to sales value.

## **4. Key rights and obligations**

### **4.1 Indemnity obligations of Blackthorn SPV**

Blackthorn SPV has agreed to indemnify Glencore and Glencore SPV against any direct loss incurred in connection with any incorrect or misleading warranty given by Blackthorn SPV under the Joint Venture documentation, as well as for certain tax liabilities of the Project Owner relating to the period before Completion. The warranties given by Blackthorn SPV are subject to customary carve-outs and limitations.

Blackthorn Resources has agreed to guarantee the obligations of Blackthorn SPV in respect of the tax indemnity described above.

### **4.2 Recourse Limited to Joint Venture Interest**

Except in relation to any liability of Blackthorn Resources and Blackthorn SPV under the tax indemnity, or any liability of Blackthorn Resources and Blackthorn SPV under a guarantee of the Working Capital Facility, the liability of Blackthorn Resources and Blackthorn SPV under the Joint

Venture documentation is limited to an amount equal to the fair market value of the shares in NewCo owned by Blackthorn SPV at the time the relevant liability must be satisfied. Blackthorn SPV may elect to satisfy any such liability (including a liability under the tax indemnity) by the transfer of its shares in NewCo to Glencore SPV, or the payment of cash.

#### **4.3 Blackthorn Share Mortgage and Charge**

As security for the payment of any amounts payable by Blackthorn SPV to Glencore SPV under the Joint Venture transaction documents (and any Glencore entity which provides the Working Capital Facility), Blackthorn SPV has agreed to provide a mortgage over its shares in NewCo, and a charge over all of its assets and undertaking, in favour of Glencore SPV (***Blackthorn Share Mortgage and Charge***).

#### **4.4 Related Party Transactions**

Under the terms of the JV, Glencore will control Glencore SPV, NewCo, Project Owner, Manager and Glencore Lender, and is entitled to purchase all available off-take not already committed, from the Perkoa Project under an off-take agreement with Project Owner. If Blackthorn SPV believes that a counterparty to NewCo or Project Owner that is also a Glencore controlled entity is in material breach of its contractual obligations to NewCo or the Project Owner, then representatives of Blackthorn SPV (and, in the case of Project Owner, the State of Burkina Faso) on the boards of NewCo and Project Owner may pursue an action against such Glencore-controlled counterparty, with the representatives of Glencore SPV on those boards abstaining from voting with respect to any such action taken by Project Owner or NewCo.

#### **4.5 Assignment, Pre-emptive rights and Lock-up**

The Joint Venture documentation contains customary pre-emptive rights and restrictions on assigning an interest in NewCo. Blackthorn SPV and Glencore SPV have also agreed not to transfer any shares in NewCo until the later to occur of 6 months after the beginning of the Production Phase, and the second anniversary of the Completion date.

Blackthorn Resources has agreed that Glencore may, at any time and without triggering pre-emptive rights or requiring any further consent from Blackthorn Resources, assign its interest in the Perkoa Project to Xstrata Plc ("Xstrata") or any of Xstrata's related bodies corporate. Glencore owns approximately 35% of Xstrata.

#### **4.6 Blackthorn Resources' Poa and Guido tenements**

The Poa and Guido exploration tenements form part of Blackthorn Resources' gold project in Burkina Faso. As Poa and Guido are contiguous with the Perkoa Project, Blackthorn Resources has agreed that NewCo will be entitled to access, and to form a joint venture with Blackthorn Resources, in respect of any base metals discovery that may be made on the Poa or Guido tenements. Blackthorn Resources has granted NewCo a pre-emptive right to acquire these tenements in the event Blackthorn Resources decides to sell either or both of them.

### **4.7 Non-zinc base metal off-take**

In the event that Project Owner produces non-zinc base metal concentrates or ore capable of commercial sale, the Project Owner has agreed to negotiate in good faith an off-take agreement with Glencore on applicable industry-standard commercial terms in respect of such non-zinc base metal concentrates or ore.

## **D. GLENCORE OVERVIEW**

### **1. Overview**

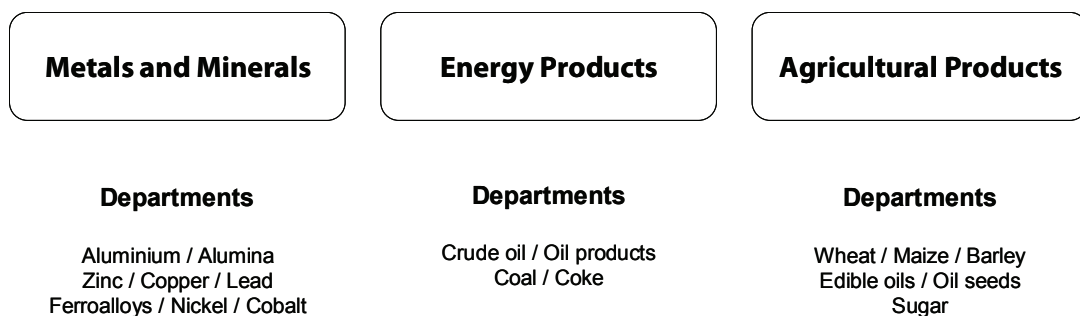
The Glencore Group of Companies (“Glencore”) is one of the world’s largest suppliers of commodities and raw materials to industrial consumers. Customers around the world, in industries such as automotive, power generation, steel production and food processing, rely upon Glencore’s established global network of operations as a source of Metals and Minerals, Crude Oil and Oil Products, Coal and Agricultural Products. These commodities originate either from Glencore’s owned production assets, are secured from third parties, or benefit from the refining, processing or marketing expertise of Glencore. The Group also provides financing, logistics and other supply chain services to producers and consumers of commodities.

Glencore, founded in 1974, is a privately held Group owned by its management and employees. Headquartered in Baar, Switzerland, Glencore employs over 2,000 people in its global marketing operations in some 50 offices in over 40 countries. In its industrial operations, Glencore employs over 50,000 people at 15 plants in 13 countries. Additionally, Glencore has interests in various publicly listed companies including 34.4% in Xstrata, 44% economic (39% voting) in Century Aluminum, 70.6% in Minara Resources, 74.4% in Katanga Mining, 8.8% in UCR, 51.5% in Chemoil Energy and 32.2% in Recylex.

Glencore is not a related party or a substantial shareholder in Blackthorn Resources.

### **2. Glencore Structure**

Glencore has three principal business groups: Metals and Minerals, Energy Products and Agricultural Products. These business groups are each comprised of commodity departments, through which operations are conducted.



Source: Glencore

These commodity departments are responsible for managing the production, marketing, sourcing, hedging, logistics and industrial investment activities relating to the commodities within the respective department worldwide.

### 2.1 Metals and Minerals

Metals and minerals produced by Glencore's investments in industrial assets for smelting, refining, mining and processing as well as purchases from third parties are marketed through the three departments illustrated above.

Glencore holds, directly or indirectly, significant interests in the production of alumina, aluminium, zinc, lead, copper, nickel, cobalt and ferroalloys. Metals and minerals commodities are handled primarily by Glencore's subsidiaries' offices in Baar and Stamford.

Glencore has significant operating experience in Africa, and owns, amongst other investments, 73% of the Mopani Copper and Cobalt Mine in Zambia, and 74% of Katanga Mining Limited in the Democratic Republic of Congo. Combined the two operations employ over 10,000 people and produce over 300,000 metric tonnes of copper metal per year.

Glencore operates a total of 16 zinc mines and 4 zinc smelters that produce over 600,000 metric tonnes of Zinc concentrate and 450,000 metric tonnes of Zinc metal per year, which combined with copper operations employ over 28,000 people.

### 2.2 Energy Products

Crude oil and oil products (e.g. fuel oil, heating oil, gasoline, naphtha, jet fuel and liquefied petroleum gas, steam coal, metallurgical coal and coke) are physically marketed through the Energy Products commodity departments illustrated above.

To support the activities of these two departments, Glencore holds ownership interests, both directly and indirectly, in several coal mining operations in strategic geographic locations as well as a diversified portfolio of oil producing assets.

Energy Products commodities are marketed and coordinated primarily by Glencore's subsidiaries' offices in London, Baar, Stamford and Singapore.

### 2.3 Agricultural Products

Glencore and its subsidiaries originate and market wheat, corn, barley, rice, oilseeds, meals, edible oils, biodiesel and sugar. These commodities are purchased from mills, refineries, regional merchants, silo companies, cooperatives and, in some countries, directly from farmers.

This activity is supported by significant investments by Glencore subsidiaries in storage, processing and handling infrastructure. The marketing of agricultural commodities is serviced by Glencore's subsidiaries' offices in London and Rotterdam.

### **3. Financial Overview**

On a consolidated basis, turnover for the 2009 fiscal year was US\$106.4 billion, total assets were US\$66.3 billion and total Glencore shareholders' funds were US\$16.7 billion at 31 December 2009. Glencore is investment grade rated BBB- (stable) and Baa2 (negative) by Standard & Poor's and Moody's respectively.

## **E. KEY RISKS**

Shareholders should be aware of the following key risks that may affect Blackthorn Resources and the value of its shares, when considering voting on the Resolution. These risks include those associated with approving and implementing the Joint Venture, and risks associated with not approving the Joint Venture.

The Board of Blackthorn Resources has carefully considered the suite of documents that make up the Joint Venture and regard the risks as commercially acceptable, particularly when compared to the risks associated with progressing the development of the Perkoa Project alone (i.e. with 100% ownership), and after various risk mitigation measures have been taken into account. Entering into the Joint Venture with Glencore will also reduce, but not eliminate, some of the risks associated with the Perkoa Project such as construction and operational risks.

The list below is not intended to be a complete list of the risks associated with the Company or the approval or failure to approve the Joint Venture, and other risks are disclosed elsewhere in this Explanatory Memorandum, which should be read in its entirety.

### **1. Risks if the Joint Venture is not Approved**

#### **1.1 Blackthorn Resources must pay a break fee to Glencore SPV**

If Blackthorn Resources' Shareholders vote against the Joint Venture, Blackthorn Resources will be under an obligation to pay Glencore a break fee of US\$900,000. Other circumstances where the break fee must be paid are set out in Part A, Section 2.4 ("Break Fee").

#### **1.2 Indefinite delays to the development of the Perkoa Project**

If Blackthorn Resources' Shareholders vote against the Joint Venture, Blackthorn Resources would have to keep the Perkoa Project on care and maintenance for a further indefinite period, and potentially seek other suitable joint venture partners or access to traditional sources of debt and equity capital to finalise the commissioning of the Perkoa Project. It is an expectation of the State of Burkina Faso that Blackthorn Resources works to make the Perkoa Project viable and to secure funding to complete construction.

There can be no assurance that a suitable joint venture partner could be found, or that traditional sources of capital would be available to Blackthorn Resources, or that if such sources of capital were available, whether they could be secured on commercially acceptable terms. Furthermore, an equity raising which included a non pro-rata component would result in dilution to existing Shareholders over their interests in the assets held by Blackthorn Resources. Seeking other suitable joint venture partners or access to traditional forms of capital would involve significant further costs and delays to progressing the development of the Perkoa Project.

## **2. Risks if the Joint Venture is Approved**

### **2.1 Blackthorn Resources may be exposed to claims in relation to the tax indemnity, the Working Capital Facility and other matters**

Blackthorn Resources has agreed to guarantee its share of the obligations of Project Owner under the Working Capital Facility (if it is provided by a Glencore entity) and the obligations of Blackthorn SPV in respect of the tax indemnity it is providing under the Joint Venture documentation. This exposure is not limited by the limited recourse regime described in Part C, Section 4.2 (“Recourse Limited to Joint Venture Interest”).

If Blackthorn Resources self-funded the Perkoa Project, it could in any case be exposed to potential tax and working capital liabilities.

### **2.2 Under certain circumstances, in the event of a default, Blackthorn SPV may lose certain rights or all of its shares in the NewCo under the Blackthorn Share Mortgage and Charge**

The Blackthorn Share Mortgage and Charge secures all amounts owing by Blackthorn SPV to Glencore SPV under the Joint Venture transaction documents, including liabilities in respect of warranty claims (which must be made within 24 months from Completion) or under the tax indemnity (which is indefinite).

If an event of default occurs under the Blackthorn Share Mortgage and Charge, then a receiver may be appointed to Blackthorn SPV, any dividends paid in respect of Blackthorn SPV’s shares will be held in a suspense account by Glencore SPV and applied against amounts due and payable by Blackthorn SPV, and Glencore SPV (or a receiver appointed by it) will obtain control over the voting of Blackthorn SPV’s shares and overall decisions of the Joint Venture, subject to satisfying certain conditions where the event of default is a payment default.

Where an event of default is a payment default, Blackthorn SPV retains the right to vote its shares in NewCo, unless and until Blackthorn SPV fails to pay an amount which is due and either (i) a court or arbitrator determines that the amount is due and payable or (ii) the unpaid amount is owed under the guarantee of the Working Capital Facility and the default has not been remedied within a specified period.

If Blackthorn SPV loses control of its voting rights, the minority protection provisions for important decisions and related party transactions will cease to apply and Glencore SPV will effectively have complete control of the Perkoa Project.

### **2.3 If in default, Blackthorn SPV may be forced to sell its interest in the Perkoa Project to Glencore**

As is customary in joint ventures, if Blackthorn SPV were to become a “defaulting shareholder”, Glencore SPV would have the right to buy all Blackthorn SPV’s shares in NewCo for a sum equal to 90% of the fair market value of those shares.

### **2.4 If Project Owner is in default under the Senior Facility, Glencore Lender may enforce its security over the Perkoa Project**

The US\$30 million Senior Facility between Project Owner and Glencore Lender is secured by a mortgage over NewCo's shares in Project Owner, a mortgage over the mining permit for the Perkoa Project and a pledge over Project Owner's plant and equipment. If the Senior Facility cannot be repaid by the Project Owner in accordance with its terms, then such security may be enforced resulting in the Joint Venture losing part or all of its interest in the Perkoa Project and its assets.

### **2.5 Circumstances could potentially arise where Glencore is in a position of conflict of interest**

On Completion, Glencore will control Glencore SPV, NewCo, Project Owner, Manager and Glencore Lender, and will, provided it completes construction and commissioning, be entitled to all available off-take not already committed, from the Perkoa Project under an off-take agreement with Project Owner. Accordingly, Glencore could potentially, in certain circumstances, be in a position of conflict of interest when making decisions with respect its controlling interest in NewCo and Project Owner. However, to mitigate this risk, certain rights have been retained by Blackthorn Resources as set out in Part C, Section 4.4 ("Related Party Transactions").

### **2.6 Risk of the Joint Venture not being established**

Glencore is not under an obligation to complete the transaction to implement the Joint Venture if a material adverse change occurs in relation to the business or prospects of NewCo or Project Owner prior to Completion.

## **F. GLOSSARY**

In this Explanatory Memorandum the following terms have the following meanings, unless the context requires otherwise:

**Blackthorn Resources** or the **Company** means Blackthorn Resources Limited (ABN 63 009 193 980).

**Blackthorn Share Mortgage and Charge** means the mortgage over Blackthorn SPV's shares in NewCo and charge over all of its assets and undertaking in favour of Glencore SPV, as security for the payment of any amounts payable by Blackthorn SPV to Glencore SPV under the Joint Venture transaction documents (or payable to any Glencore entity which provides the Working Capital Facility).

**Blackthorn SPV** means Blackthorn Investments Pty Ltd (ACN 145 539 359), a wholly-owned subsidiary of Blackthorn Resources.

**Board** means the Board of Directors of the Company.

**Completion** means completion occurring under the Joint Venture transaction documents.

**Construction Budget and Schedule** means the budget and the construction and development schedule set out in the Joint Venture transaction documents.

**Construction Phase** means the period from the date on which Completion occurs to the date on which the construction and commissioning of the Perkoa Project is completed.

**EGM** means the Extraordinary General Meeting of Shareholders to be held to consider and vote on the Resolution.

**Existing Loans** means the existing advances made by Blackthorn Resources to Project Owner to fund the development of the Perkoa Project to date.

**Glencore** means Glencore International AG.

**Glencore Lender** means Cobar Management Pty Ltd (ACN 083 171 546), a wholly-owned subsidiary of Glencore.

**Glencore SPV** means Merope Holdings Ltd, a company incorporated in Bermuda and a wholly-owned subsidiary of Glencore.

**HoA** means the Heads of Agreement in relation to the Perkoa Project between Blackthorn Resources and Glencore dated 11 January 2010.

**Independent Assessment** means Blackthorn SPV's option to have the Construction Budget and Schedule assessed by an independent expert within 3 months of the date of Completion.

**Joint Venture or JV** means the proposed joint venture in relation to the Perkoa Project between Blackthorn Resources, Glencore and certain of their respective subsidiaries.

**Manager** means Pasley Universal Inc., a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Glencore.

**Nantou Mining** means Nantou Mining Ltd B.V., a company registered in The Netherlands and a wholly-owned subsidiary of Blackthorn Resources.

**NewCo** means Boundary Ventures Limited, a company incorporated in Bermuda which will own a 90% interest in the Perkoa Project.

**NewCo Loan Agreement** means the loan agreement between NewCo (as lender) and Project Owner (as borrower) for up to US\$50 million.

**Notice of Meeting** means the Notice of Extraordinary General Meeting which accompanies this Explanatory Memorandum.

**Perkoa Project** means the base minerals mining project known as the Perkoa Zinc Project which is owned by the Project Owner and located in Burkina Faso.

**Planned Commercial Operations Date** means the date which occurs 16 months after Completion (which date may be extended for certain events, including Glencore's SPV's Suspension Option).

**Production Phase** means the period commencing after completion of the Construction Phase and continuing during the production life of the Perkoa Project.

**Project Owner** means Nantou Mining Burkina Faso SA, a company registered in Burkina Faso which owns the Perkoa Project.

**Resolution** means the resolution to approve the Perkoa Joint Venture set out in the Notice of Meeting.

**Senior Facility means** the loan agreement between Glencore Lender (as lender) and the Project Owner (as borrower) for up to US\$30 million.

**Senior Facility Security** means the mortgage over NewCo's shares in Project Owner, the mortgage over the mining permit for the Perkoa Project and the pledge over Project Owner's plant and equipment, each in favour of Glencore Lender as security for amounts due and payable under the Senior Facility.

**Share** means a fully paid ordinary share in the capital of the Blackthorn Resources.

**Shareholder** means a holder of Shares in Blackthorn Resources.

**Step-out Period** has the meaning given in Part C, Section 2.2 ("Sustained Operating Losses").

**Suspension Option** means Glencore SPV's right to suspend completion of the Construction Phase for a period of up to 12 months in the event that, during the Construction Phase, the monthly average spot zinc price on the London Metals Exchange falls below US\$1,500 per tonne for three consecutive months.

**Working Capital Facility** means a working capital facility of up to US\$20 million to be provided by Glencore or a financial institution to the Project Owner.

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