



12 January 2010

BLACKTHORN RESOURCES SIGNS A HEADS OF AGREEMENT WITH GLENCORE FOR PERKOA ZINC PROJECT JOINT VENTURE

KEY POINTS:

- **Blackthorn Resources has signed a Heads of Agreement (“HoA”) with Glencore International AG (“Glencore”) for a Joint Venture (“JV”) to develop and operate the Perkoa Zinc Mine Project (“the Perkoa Project”). The proposed transaction is at the asset level only and does not involve Glencore taking a shareholding in Blackthorn Resources.**
- **The commercial terms are currently non-binding and include:**
 - **Glencore to provide or procure funding to complete development of the Perkoa Project, estimated at US\$72 million.**
 - **Glencore will earn a 50.1% interest in the JV and will provide or procure loans to the JV**
 - **Glencore will purchase all of the Perkoa Project’s available base metal concentrates not otherwise contracted to other customers**
 - **Glencore to be appointed as JV manager and will be a committed strategic partner for Blackthorn Resources and the State of Burkina Faso with the financial capacity to see the project through to completion**
- **The proposed transaction will be subject to shareholder approval which will be sought via an Extraordinary General Meeting once binding documents are executed**
- **A break fee will be payable to Glencore under certain circumstances including the board of Blackthorn Resources recommending a competing offer to shareholders, or Blackthorn Resources withdrawal from negotiations**



Blackthorn Resources Limited (ASX: BTR – “Blackthorn Resources” or “the Company”) is pleased to announce that it has entered into a HoA with Glencore, in relation to the formation of a JV to commercialise the Perkoa Zinc Mine in Burkina Faso, West Africa. However, there are a number of key commercial terms that are yet to be finalised and made binding. These key commercial terms are summarised below.

Funding

Under the terms of the HoA, Glencore will provide or procure funding in the form of project equity and loans to the JV to complete development of the Perkoa Project. This has been estimated at US\$72 million. The final form of corporate and investment structuring is yet to be determined.

Ownership

Upon the project being successfully commissioned, Glencore will hold a 50.1% interest in the project, Blackthorn Resources will hold a 39.9% interest, and the State of Burkina Faso will continue to hold a 10.0% free carried interest.

Management

The HoA proposes that Glencore be appointed manager of the JV, responsible for day-to-day operations and for sourcing the required debt funding facilities, including a working capital facility.

The JV will be governed by a JV Management Board comprising representatives from each of the JV shareholders.

Off-take

Blackthorn Resources and Glencore intend to negotiate off-take sales agreements for all of Perkoa’s available base metal concentrate as a part of the JV agreement. Glencore will purchase all of the Perkoa Project’s available base metal concentrates not otherwise committed to other customers. The specific terms and conditions of sales to Glencore will be negotiated and defined under a separate off-take agreement.

Due Diligence and Conditions Precedent

In formulating the HoA, Glencore has already undertaken certain due diligence in relation to the Perkoa Project. However, commencement of the JV will be conditional upon a number of issues including the following key matters:

- Glencore finalising remaining due diligence investigations
- Execution of definitive and legally binding transaction documents
- Shareholder approval



Shareholder Approval

The proposed JV is subject to execution of binding transaction documents. Upon execution of the binding documents, Blackthorn Resources will hold an Extraordinary General Meeting of shareholders to consider the proposal and vote on the recommendation.

Rationale

Managing Director Scott Lowe said, "Blackthorn Resources announced on 28 October 2009 that the Company believes that the best way to finance the completion of the Perkoa development is a joint venture at the project level.

Our analysis shows that the Glencore proposal provides value per share to shareholders that is superior to other alternative funding options. Glencore is a strong and well-funded strategic partner, with widespread industry knowledge and expertise, as well as the ability to assist with reducing capital and operating costs.

A major benefit of this proposal is that it does not dilute the interests of Blackthorn Resources' shareholders in the Company's other attractive development assets, including the Mumbwa copper project in Zambia which is in a joint venture with BHP Billiton. Another positive aspect of the proposed transaction is the reduced exposure of Blackthorn Resources' shareholders to a number of the critical risks otherwise associated with project implementation."

Break Fee and Timing

A break fee will be payable to Glencore under certain circumstances including the board of Blackthorn Resources recommending a competing offer to shareholders, or Blackthorn Resources withdrawal from negotiations.

Subject to execution of binding transaction documents, Blackthorn Resources expects by the end of March 2010 to call an Extraordinary General Meeting of shareholders to consider the proposal and vote on the recommendation. The shareholders' meeting is likely to take place early in the second quarter of 2010.

Should you require further information please contact:

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Ends

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