



# 2010

**ANNUAL REPORT**



**BLACKTHORN RESOURCES LIMITED**





## COMMUNITY

**Blackthorn Resources believes that sustainable development and fostering responsible relationships with the communities in which we operate is key to responsible and sound business conduct. Ever since the Perkoa Zinc Project in Burkina Faso was put into “care and maintenance” in 2008, the Company has continued to contribute to the community in a meaningful way via a range of projects. These projects have been tailored to the needs of the local people.**

This year the Company completed building houses to compensate families that had been moved to outside the mine concession area. In total, 28 houses including facilities were built with permanent materials.

The Perkoa Literacy Centre continued to be an important part of our contribution to the community. This year 65 students including 34 women were trained in the two main languages of the area. This program is conducted in partnership with the Provincial Department of Education and Teaching, which assures the quality of the training through supervision. Authorisation was obtained from the relevant authorities for the building of a medical clinic. Quotes were received

from three local building companies and the construction of the clinic is scheduled to start after construction works resume at the mine.

In addition to the clinic, the Company intends to build a larger dedicated literacy centre. The plans have been drafted and the building authorisation from the necessary authorities is pending.

Access to potable water for the local population remains a problem in the area. This year, the Company drilled two water boreholes in order to supply clean water for the local village. A plan to rehabilitate existing water boreholes is currently being considered.

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# CHAIRMAN'S REPORT

My Fellow Shareholders,

Your Company would not have been able to continue to progress as it has in the financial year under review without the enthusiasm, commitment and dedication and plain old hard work by all of our staff in Head Office and in Burkina Faso. I thank each and every one of them for their support.

We commenced the year on a note of cautious optimism. The global financial crisis was on the wane but it had left a battered and disillusioned mining and exploration industry in its wake. Thankfully, metals markets have been steadily climbing back to price levels which can again sustain profitable mining operations, to a large extent due to the robust demand from China for raw materials to support its burgeoning manufacturing capabilities.

A truly successful organisation must be prepared for sudden change and be able to adapt quickly should conditions deteriorate or improve: this has been our byword throughout this difficult period. The bold yet positive decisions we took in the prior year to consolidate and restructure the Company, with the strong support of our shareholders, has ensured that your Company now has a solid base to confidently face the future.

The Managing Director's Report and Operations Review which follows, provides a clear and detailed synopsis of the year under review. From my perspective, the most significant event of the year was the signing in January 2010 of the Heads of Agreement with Glencore International AG, to form a joint venture to continue with development and the commencement of production at the Perkoa Zinc Project in Burkina Faso. We look forward to Perkoa reaching full production during 2012 and generating an income stream for the joint venture partners, as well as contributing generally to the betterment of the people of the Perkoa community.

Also in Burkina Faso we have continued with the exploration programme on our gold tenements, concentrating on the Guido property with some quite encouraging results.

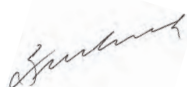
Our joint venture with BHP Billiton in the Mumbwa Copper-Gold prospect in Zambia, currently operated by our joint venture partner, has achieved the targets set under the exploration drilling programme and has now moved into its 4th Phase.

Regrettably the Mokopane Nickel-Platinum Project in South Africa has not realised the potential originally believed to exist when it was purchased, and the Board has made a decision to exit from this asset. Negotiations are in progress with our South African Black Economic Empowerment partner for them to buy the Company's investment in the Mokopane Project.

The 2009 / 2010 financial year has not been without challenges and difficulties for Blackthorn Resources. We have come through it with good cash reserves and a clear vision of where we wish to take the Company, building upon the outcomes of the Strategy Review undertaken and the review of the performance, skills and attributes of the Blackthorn Resources' Board completed by an external consulting firm.

We are confident that Blackthorn Resources has a firm base to realise its longer term goals of having an asset which will generate sufficient cash to cover our day to day operating expenses and assist with funding our exploration commitments under the Burkina Faso Gold programme.

In closing, we acknowledge the ongoing support and encouragement of our shareholders, without whose confidence the achievements and progress made during the year would not have been possible.



**Bill Cash**  
Chairman

# MANAGING DIRECTOR'S REPORT AND OPERATIONS REVIEW

Dear Shareholders,

2009 / 2010 has been another year of transformation and improvement for Blackthorn Resources in what continues to be a volatile business environment. A great deal has been achieved against a backdrop of economic uncertainty and a degree of nervousness in the market.

Our Company has remained focused on delivering project milestones based on a solid foundation of good corporate governance, and as a result we have delivered positive growth in shareholder value beyond the market average.

Significant progress in each of the Company's projects was delivered during the year including:

- Negotiation of a joint venture (JV) agreement with Glencore International AG (Glencore) for the completion of the Perkoa Zinc Project in Burkina Faso
- Completion of Phase 3B exploration at the Mumbwa exploration JV with BHP Billiton in Zambia
- Commencement of Phase 4 at Mumbwa with BHP Billiton fully funding and managing the project
- Commencement of drilling of gold exploration tenements in Burkina Faso.

We are proud that the Board and management of the Company have demonstrated the ability to deliver on the undertakings and objectives we set for ourselves this year.

## FINANCIAL POSITION

A fundamental priority for Blackthorn Resources during the year continued to be the careful management of cash reserves. As at year-end the Company had cash on hand of \$12.2 million, which is in-line with expectations.

The Company has reviewed the carrying value of each of its assets at year-end and, based on an assessment of the future financial economics of each project, has reversed \$15,000,000 of the \$67,500,000 impairment charge previously recognised against the Perkoa Zinc Project. This adjustment to the carrying value of the Perkoa Zinc Project reflects, not only the recent announcement regarding the proposed joint venture with Glencore International AG, but also a more favourable outlook on prevailing economic factors, in particular more positive projections for zinc prices.

## HEALTH, SAFETY AND ENVIRONMENT (HSE)

Blackthorn Resources is serious about health, safety and the environment and is committed to placing the highest priority on HSE objectives.

Once again, we are pleased to advise that there were no significant health or safety incidents to report involving employees, contractors or subcontractors in any operations controlled by Blackthorn Resources during the year.

Malaria remains an ever-present health risk to our workers and prevention programs are in place. Prompt testing and treatment is provided for those people who have been infected.

There were no significant environmental incidents or prosecutions reported during the year.

## COMMUNITY

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Ever since the Perkoa Zinc Project in Burkina Faso was put into "care and maintenance" in 2008, the Company has continued to contribute to the community in a meaningful way via a range of projects. These projects have been tailored to the needs of the local people.

This year the Company completed building houses to compensate families that had been moved to outside the mine concession area. In total, 28 houses including facilities were built with permanent materials.

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Access to potable water for the local population remains a problem in the area. This year, the Company drilled two water boreholes in order to supply clean water for the local village. A plan to rehabilitate existing water boreholes is currently being considered.

#### **PERKOA ZINC PROJECT – BURKINA FASO**

The Perkoa Zinc Project in the Sanguie Province, Burkina Faso is a “cornerstone” asset of Blackthorn Resources’ portfolio. After year end, the Company announced that it had executed a binding agreement to enter into a JV with Glencore, subject to a limited number of conditions precedent including shareholder approval.

##### ***Key achievements:***

- “Care and maintenance” program continued, keeping plant and equipment in good order
- Updated Competent Person’s report completed
- Significant progress made on construction of the process plant foundations and formwork
- Binding agreement to enter into JV negotiated with Glencore.

At the time of the project being put on hold in July 2008, construction was approximately 50% complete. While a program has been implemented to keep the equipment and facilities in good order, some construction work was completed during the year on the foundations and framework for the process plant.

In addition to the “care and maintenance” program and continuing civil construction work at Perkoa, considerable effort was put into reworking the business case and finding lower operating costs to improve the project economics and enhance its ability to cope with future zinc price volatility. SRK Consulting (UK) Ltd provided an updated Competent Person’s report that incorporated improvements made to the project cost structure.



### **Key Parameters:**

The Perkoa business case contains the following key operating and business parameters:

- Production rate 720k tonnes pa ROM ore
- Concentrate production 170k dry metric tonnes pa at 53% contained zinc
- Life of mine reserves 6.304M tonnes ROM
- Head grade 13.9% zinc
- Start up capital USD72M
- Cash production cost USD1,500 per payable metal tonne including treatment charges

### **Looking to the future**

Signing the binding agreement with Glencore to enter into a JV agreement represents a major milestone for the project and for Blackthorn Resources Limited. It is expected that the JV will be complete in the near future and that remobilisation of construction teams will commence shortly after that. Following approximately a year of construction work, commissioning of the mine is expected in early 2012.

### **EXPLORATION - BURKINA FASO**

During the year, the Company continued more advanced exploration work on targeted prospects within its 1,134km<sup>2</sup> of exploration leases in Burkina Faso. Rotary Air Blast (RAB), Reverse Circulation (RC) and Diamond Core (DDH) drilling followed on from previous earlier stage exploration work including soil/rock geochemistry and geophysics. The drilling confirmed encouraging levels of gold mineralisation.



### **Key achievements:**

- Geological mapping, trenching, and reconnaissance geochemical soil survey
- Induced Polarisation geophysical survey
- 750m of trenching completed
- 9,790m of RAB drilling completed from 576 drill holes
- 2,682m of RC drilling completed from 24 drill holes
- 8,017m of diamond core drilling completed from 57 drill holes.

### **Results**

The following is a summary of encouraging results achieved from the exploration program:

GDDH 012	15m @ 4.13g/t Au between 39m and 54m
IKDH 001	14m @ 2.06g/t Au between 88m and 102m
GDDH 032	11.7m @ 1.87g/t Au between 44m and 55.7m
IKDH 002	5m @ 3.98g/t Au between 73m and 78m
Q22DH 003	12m @ 1.26g/t Au between 73m and 85m

### ***Looking to the future***

The positive results from gold exploration drilling in Burkina Faso are very encouraging. The next important step in the exploration of these promising tenements is the estimation of a JORC code compliant inferred mineral resource. The Company's target is to have this work undertaken in the final quarter of 2010. Subject to the outcome of this resource estimation work, the Company intends to continue with work to assess the potential for economic mineral deposits in Burkina Faso.

### **MUMBWA PROJECT - ZAMBIA**

Mumbwa is an iron oxide copper-gold exploration project held in a JV partnership with BHP Billiton. Blackthorn Resources holds a 60% interest in the project.

#### ***Key achievements:***

- Phase 3B drilling program completed on schedule
- Assays from Phase 3B confirmed presence of copper (Cu) and gold (Au) mineralisation
- BHP Billiton election to fully fund additional drilling and a Concept Study in Phase 4.



At Mumbwa, BHP Billiton successfully completed the Phase 3B drilling program consisting of five cored holes surrounding the Kitumba mineral resource area and six cored holes on the Mushingashi anomaly identified by BHP Billiton's Solid Earth™ technology.

During the year, the JV partner BHP Billiton also made a decision to exercise its option to fully fund and manage Phase 4 of the program. This work is now underway and includes a Concept Study and targeted drilling along the approximately 19 kilometres of geophysical anomaly at Mumbwa.

### ***Looking to the future***

Under BHP Billiton's management, the Phase 4 drilling program has expanded beyond the 2 kilometre long Kitumba mineral resource area and has begun to drill test the 19 kilometre long Mushingashi-Mutoya area. The Mumbwa project represents significant potential for value creation and is an important part of Blackthorn Resources' asset base. The Company is very excited about the potential for the future and we look forward to continuing our partnership with BHP Billiton on this project.

## **MOKOPANE PROJECT - SOUTH AFRICA**

Mokopane is an early stage exploration project targeting platinum group elements. Blackthorn Resources holds 74% of the project and Black Economic Empowerment partner Matimba Platinum holds 26%.

### ***Key achievements:***

- A decision was taken during the year to exit this project to allow the Company to focus its resources and management attention on other assets.

The Mokopane Nickel-Platinum Project, in the Limpopo Province of South Africa, contains a mineralised Platreef zone on the northern limb of the Bushveld Complex.

Following the year end, the Company accepted an offer from its Black Economic Empowerment partner Matimba Resources to purchase the Company's 74% share in the project for Rand 4 million. Settlement of this transaction is now being progressed.

## **CORPORATE**

### ***Management and Board***

The Board has three non-executive and one executive member. There were no changes to the management or Board of the Company during the year. The Board continues to work on upgrading and refining its corporate governance processes and to strive for leading practice.

### ***Risk Management***

The Company continued to implement and improve the formal risk management process that was introduced in the previous year with assistance from KPMG, the Company's auditor. This system involves identification, prioritisation and mitigation of key risks across all aspects of the business.

### ***Litigation***

In February 2010, the Company settled legal proceedings against the former Managing Director Mr M Flory, together with other parties, for alleged breaches of his duties as a director of the Company. An out of court settlement amount of \$1.850 million was agreed, with no admission of liability by the defendants.

## **Company Outlook**

This past year has seen Blackthorn Resources continue its journey of transformation and improvement, with a number of very significant achievements being delivered. The Company has adapted effectively to the ongoing challenges of operating in the current climate of global economic uncertainty and has realised a number of important objectives in a tough market. Our success has been based on sound management and an over-riding emphasis on delivery on the goals that we set.

As we take the Company forward to its next phase of growth, we will continue to be driven by a number of critical business values, including:

- Sound corporate governance
- Effective risk management
- Tight control of costs
- Prudent investment of capital
- Active portfolio management
- Positive stakeholder relationships and communication.

Our priorities for the coming year will be:

- Making the JV with Glencore a success and taking Perkoa forward towards production
- Working with BHP Billiton to maximise the value of Mumbwa
- Continuing to explore for gold on the exploration leases in Burkina Faso
- Actively seeking opportunities to add to Blackthorn Resources' portfolio.

Our Company is now entering a new phase of its evolution. With a clear path to production and promising exploration results underpinned by sound management, we believe we are in good shape for the future.

I look forward to taking an active role in "unearthing value" for our shareholders and creating benefits for other key stakeholders in all aspects of our business.



**Scott Lowe**  
**Managing Director**

# MINERAL RESOURCES AND RESERVES STATEMENTS

## Perkoa Zinc Project, BURKINA FASO

### Mineral Resources - Perkoa

Category	Tonnes (millions)	Zinc grade (%)	Contained zinc ('000 tonnes)	Silver grade (g/t)	Contained silver (tonnes)
Measured – Footwall Zone	0.24	16.6	40	41.0	10
Measured – Hanging wall Zone	0.19	18.0	34	41.8	8
Total Measured Resource	0.43	17.2	74	41.4	18
Indicated – Footwall Zone	4.14	17.9	741	30.6	127
Indicated – Hanging wall Zone	2.15	13.3	286	43.4	93
Total Indicated Resource	6.29	16.3	1,027	35	220
Total Measured and Indicated Mineral Resource	6.72	16.4	1,101	35.4	238

### Ore Reserve - Perkoa

Category	Tonnes (millions)	Zinc grade (%)	Contained Zn ('000 tonnes)
Proved Reserve	-	-	-
Probable Reserve	6.3	13.9	873
Total Ore Reserve	6.3	13.9	873

### Notes for Perkoa

- Mineral Resources are inclusive of Ore Reserves.
- The Mineral Resource was estimated at a cut-off grade of 5% zinc and is dated 29 August 2005 as presented in the December 2005 Bank Feasibility Study.
- The Mineral Resource was derived using data from approximately 23,000m of drilling in 80 diamond drill holes completed pre-2005 and a further 3,520m of drilling in 16 diamond drill holes completed in 2005.
- NQ core was cut with one-half sampled and one-half stored.
- The Mineral Resource was estimated using 3D geological modelling using Ordinary Kriging method of interpolation and incorporates mineralisation between a minimum depth of 35m and a maximum depth of 600m below surface.
- A nominal drill hole spacing of 50m by 50m was used to define Indicated Resources and 25m by 25m to define Measured Resources.
- The Ore Reserve was estimated at a cut-off grade of 9% zinc, assumes a zinc price of US\$2,000/t and is dated 1 July 2009.
- The Ore Reserve includes estimated mining losses and dilution and reflects anticipated tonnes and grades delivered to the processing plant.

## Mumbwa JV Project, ZAMBIA

### Mineral Resources – Kitumba (at a 0.5% Cu cut-off)

Category	Tonnes (millions)	Copper grade (%)	Gold grade (g/t)	Silver grade (g/t)	Uranium grade (ppm)
Inferred	87	0.94	0.05	1.27	37
Total Inferred Mineral Resources	87	0.94	0.05	1.27	37

### Notes for Kitumba

- The Mineral Resources estimates were classified in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code), developed by the Joint Ore Reserves Committee (JORC), created by the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Council of Australia.
- The Mineral Resources were classified in accordance with the JORC Code 2004 by Competent Person: Mr Michael R. Hall, MBA, MAusIMM who is a consultant to the MSA Group, South Africa.
- An Inferred Mineral Resource is reported at a copper cut-off grade of 0.5% and based on information made available to the MSA Group up to and including 12 September 2009.
- The geological model was derived using data from 25 cored drill holes and a single reverse circulation drill hole comprising 4,794.43 metres. Of these a total of 20 cored holes and 1 reverse circulation hole were used in generating the grade block model. Holes were excluded on the basis of distance to the core of the deposit and/or pending assay results.
- PQ, HQ and NQ sized core was analysed. PQ core was quartered, HQ and NQ core was halved for geochemical analysis. Remaining core was stored onsite in an adequate, locked core shed facility.
- A geological volume model was generated using Leapfrog™ geological modelling software (version 2.2.1) developed by Zaparo Limited. Three-dimensional (3D) block models were created using commercial mining software (Datamine™ Studio 2 and Studio 3).
- Ordinary Kriging method of interpolation was used to estimate copper, gold, silver, uranium and bulk density block grades. The mineral resource model incorporates mineralisation to a maximum depth of 900m below surface.
- An independent peer review was conducted by Venmyn Rand (Pty) Limited to review all the processes, inputs and outputs relating to the mineral resource estimate by the MSA Group.

## Mokopane Ni-PGE Project, SOUTH AFRICA

### Mineral Resources – Mokopane (South West Anomaly)

Category	Tonnes (‘000 tonnes)	Nickel grade (%)	Copper grade (%)	Platinum grade (g/t)	Palladium grade (g/t)
Inferred	39,740	0.15	0.09	0.22	0.33
Total Inferred Mineral Resources	39,740	0.15	0.09	0.22	0.33

### Notes for Mokopane

- The Mineral Resources estimates were classified in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code), developed by the Joint Ore Reserves Committee (JORC), created by the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Council of Australia.
- The Inferred Mineral Resource was classified in accordance with the JORC Code 2004 by Competent Person: Mr Ivor Jones, who is a full-time employee of Snowden Mining Industry Consultants.
- The Mineral Resource was estimated at a 0.0% nickel cut-off grade, but reported based on geological domains.
- The Mineral Resource estimate was calculated from surface to a maximum depth of approximately 200 metres.

### Background Project Information for Mokopane

The Mokopane project covers an area of 960 hectares and is situated on the northern limb of the Bushveld Complex on the northern outskirts of the township of Mokopane in the Limpopo Province, South Africa. Within the northern limb of the Bushveld Complex, the Platreef from the Rustenburg Layered Suite is the most significant mineralised horizon, which is described as a sulphide bearing pyroxenite layer of variable thicknesses (between 1m and 100m). The Platreef is widely interpreted as broadly analogous to the well known Merensky Reef found on the Eastern and Western limbs.

Rock units at Mokopane have a south-easterly strike, and dip towards the southwest. The project area is partially underlain by the Platreef, and contains structural features including open fold-like undulations, embayments and fault displacements, which have resulted in the Platreef being compartmentalised into five distinct geological domains, described as the Far North, North West, North East, Central and South West anomalies. By combining these domains, the near surface Platreef can be traced for up to 5km along strike within the project area.

Within the Platreef, Platinum Group Elements (PGE), Nickel (Ni) and Copper (Cu) mineralisation occurs in variable concentrations along strike, with most of the knowledge established from drilling conducted on the South West Anomaly in the southern part of the project area.

In 2003, Lower Quartile Solutions (LQS) prepared a mineral resources estimate comprised from 118 holes drilled on a grid spacing of approximately 100m x 50m, and included percussion and diamond drilling information from previous explorers. The mineral resource estimate was based on digitised lithological boundaries which included four mineralised zones.

In 2009, Snowden Mining Industry Consultants (Snowden) conducted a review of the 2003 LQS mineral resource estimate model for the Mokopane Project.

Snowden observed that the wireframes representing the mineralised zones did not include all of the mineralised intercepts, and would have resulted in an underestimation of the resource tonnage. Snowden noted that borehole data was composited to one metre intervals, and 29% of these composites did not have any Platinum (Pt) and Palladium (Pd) assays. Also, 90% of samples within the wireframes representing the mineralisation did not have Gold (Au) assays. This lack of assay data potentially causes over-estimation of Pt, Pd and Au in the model, although a sensitivity model completed by Snowden indicates this is minor. Estimation was carried out using ordinary kriging with an anisotropic search radius.

For the sensitivity model, Snowden examined the correlation between the PGE assays and the Ni assays and found a strong correlation between them. In addition, the individual PGE elements maintain a consistent proportion of the PGE grade. Where there was a Ni grade but no PGE grade, Snowden estimated the sample PGE grade, and then the individual sample grades for Pt, Pd and Au based on the proportion of the total PGE grade. Null grades were assigned to intervals >2m that had no assays. The new Platreef mineral envelope encompassed most of the mineralisation, and did not exceed the horizontal limits of the 2003 LQS model.

As part of the review, Snowden applied a 0.1% Ni cut-off grade to the sensitivity model, and was able to reproduce the resource estimate to within acceptable limits as previously reported, despite the 2009 model not being as tightly constrained.

Snowden's opinion is that the Inferred Resource classification is consistent with the guidelines defined by the 2004 JORC Code.

## TENEMENTS SUMMARY

Concession		Tenement number	Interest	
			2010	2009
Perkoa Exploitation Licence (1)	Burkina Faso	07-143	90%	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 (2)	Zambia	LPL 374	60%	60%
Mokopane Permit	South Africa	MPT 03-2009	74%	74%

- (1) The Company, through its wholly-owned subsidiary Nantou Mining Limited B.V. holds a 90% interest in the Perkoa Zinc Project. The remaining 10% is held by the State of Burkina Faso.
- (2) Subject to Joint Venture Agreement with BHP Billiton. A 2-year renewal for the Mumbwa large-scale prospecting licence was granted in January 2010 in accordance with the Zambian Mines Development Act (No. 7) 2008. The Mumbwa licence covers approximately 500 sq km and expires on 13 November 2011.

## **ATTRIBUTIONS**

### ***Perkoa Zinc Project***

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves at the Perkoa Zinc Project is based on information compiled by Mr John Miles and Dr Mike Armitage, both of whom are Members of the Institute of Materials, Minerals and Mining which is a 'Recognised Overseas Professional Organisation' ('ROPO'). Dr Armitage, who is also a fellow of the Geological Society of London, is the Chairman of SRK Consulting (UK) Ltd and has 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 modelling 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 for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Miles and Dr Armitage consent to the inclusion in this Annual Report of the matters based on their information in the form and context in which it appears.

### ***Mumbwa JV Project***

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

The information in this report which relates to Mineral Resources at the Mumbwa JV Project in Zambia has been reviewed and approved for release by Mr Michael R Hall, MBA, MAusIMM who has 29 years experience in mineral exploration and who is a consultant to the MSA Group and who 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 in this Annual Report of this information in the form and context in which it appears.

### ***Mokopane Project***

The information in this report which relates to the Mokopane Mineral Resource has been reviewed and approved for release by Mr Ivor Jones, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Jones is a full-time employee of Snowden Mining Industry Consultants and has sufficient experience in relation to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined by the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Jones has consented to inclusion in this Annual Report of this information in the form and context in which it appears.

### ***Burkina Faso Gold Project***

The information in this report that relates to Exploration Results at the Burkina Faso Gold Project is based on information that has been reviewed and approved for release by Mr Adama Barry, who is a member of The Australasian Institute of Mining and Metallurgy. Mr Barry has 20 years experience in mineral exploration and is a full-time employee of Nantou Mining Limited B.V., a subsidiary of Blackthorn Resources in Burkina Faso. Mr Barry has sufficient experience in relation to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined by the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Barry consents to the inclusion in this Annual Report of the matters based on this information in the form and context in which it appears.

# CORPORATE GOVERNANCE STATEMENT

In accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("ASX Corporate Governance Principles and Recommendations"), Blackthorn Resources (the Company) has made it a priority to adopt corporate governance practices and principles relevant to a company of Blackthorn Resources nature and size. This corporate governance statement summarises the main corporate governance practices that have been adopted by the Company's Board.

A table has been included at the end of this statement detailing the Company's compliance with the ASX Corporate Governance Principles and Recommendations.

Details of the Company's corporate governance policies and practices can be located on the Company's website at [www.blackthornresources.com.au](http://www.blackthornresources.com.au).

## 1. Board of Directors

### *Role of the Board*

The Board of Directors is responsible for the protection and enhancement of long-term shareholder value of the Company. This includes overall responsibility for the corporate governance policies and practices adopted by the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

As the Board acts on behalf of shareholders, it seeks to identify the expectations of shareholders, as well as other ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

The primary responsibilities of the Board include:

- Formulating and approving the strategic direction, objectives and goals of the Company;
- Monitoring the performance of the Company, the Board and management, including approval of the Company's financial statements;
- Ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- Identifying significant business risks and ensuring that such risks are adequately managed;
- Identifying and appointing new directors;
- Reviewing the performance and remuneration of executive directors;
- Reporting to shareholders; and
- Taking responsibility for corporate governance.

### *Board Delegation*

The Board has delegated responsibility for the day-to-day operation and administration of the Company to the Chief Executive Officer, supported by executive management. These delegated responsibilities are defined by formal delegated authorities. The Board ensures that executive management is suitably qualified and experienced to discharge their responsibilities, and assesses on an ongoing basis the performance of each member of the management team, to ensure that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Chief Executive Officer and Chief Financial Officer are employed under individual service agreements, which set out their terms of employment, duties, responsibilities and entitlements.

### *Board Composition*

The Board seeks to appoint directors to the Board with an appropriate mix of skills, personal qualities, expertise and diversity, which will compliment the business. Directors are encouraged to undertake relevant education in the duties and responsibilities of directors.

The names of the current directors of the Company and information regarding each director's skills, experience and expertise are set out in the Directors' Report on pages 23 to 24.

The number of directors able to be appointed is specified in the Company's Constitution as a minimum of three and a maximum of twelve. Retirement and rotation of directors is governed by the Corporations Act 2001 and the Company's Constitution. Each year one third of the directors must retire. The directors who retire by rotation at each annual general meeting are those with the longest length of time in office since their last appointment or last election. A director must retire at the conclusion of the third annual general meeting after the director was last elected. A retiring director remains in office until the end of the meeting and is eligible for re-election. A director appointed to fill a casual vacancy on the Board holds office until the next annual general meeting of the Company and is eligible for re-election.

The Board is satisfied that the current structure of the Board is appropriate for the size of the Company and the nature of its operations, and is a cost effective structure for managing the Company.

### ***Independent Directors***

In-line with ASX guidelines, the Board considers a director to be independent if the director complies with the following criteria:

- Should not have any business dealings which could materially affect their independent judgement;
- Has not been in an executive or advisory capacity to the Company in the last three years;
- Does not have a material contractual relationship with the Company other than as a director;
- Is not a material customer of or supplier to the Company; and
- Is not a substantial shareholder or associated with a substantial shareholder of the Company.

The Board considers that Ms Nicki Bowman and Mr Louis Mnguni are independent directors. Mr Scott Lowe and Mr Bill Cash are or have been in the last three years executive directors of the Company, and under the ASX Corporate Governance Principles and Recommendations are deemed not to be independent by virtue of their position. Currently the Board does not have a majority of independent directors as recommended under the ASX Corporate Governance Principles and Recommendations.

The current Chairman of the Board, Mr Bill Cash, was appointed to the position on a non-executive basis effective 1 July 2009.

### ***Conflict of Interest***

The directors are required to keep the Company informed, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes a significant conflict exists, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

### ***Independent Professional Advice***

Directors have the right of access to all relevant Company information and to the Company's management. Directors also have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, which will not be unreasonably withheld.

## ***Board Process***

The full Board currently holds a minimum of seven scheduled meetings each year. Additional meetings are convened at such times as are necessary to address specific significant matters that may arise. As specified in the Company's Constitution, meetings of directors may be held by communicating with each other using any technological means agreed to by directors – directors need not all be physically present in the same place. Details of attendance at Board meetings held during the year are detailed in the Directors' Report on page 24.

A quorum for meetings of directors is two directors, at least one who must be a non-executive director.

The Board has implemented a formal evaluation process of its performance and effectiveness, and that of its committees and individual directors. The initial independent review of the Board's performance was completed in August 2010.

## **2. Board Committees**

The Board has established two committees to consider specific issues and report back to the full Board. These are the Audit and Risk Committee and the Remuneration Committee. Other committees can be convened by the Board as required.

The Board does not have a Nomination Committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by a Nomination Committee can be adequately handled by the full Board.

### ***Audit and Risk Committee***

The Board has established an Audit and Risk Committee which operates under a charter approved by the Board. It is the Audit and Risk Committee's primary responsibility to assist the Board of Directors:

- In discharging its responsibilities in respect of the financial affairs of the Company; and
- To ensure there is a sound framework of risk oversight, risk management and internal control in place and operating across the Group.

The Audit and Risk Committee is responsible for:

- Reviewing the quality and integrity of Company's financial reporting to shareholders, the ASX, the Australian Securities and Investment Commission and any other applicable regulatory body;
- Reviewing the accounting policies, internal controls, internal reporting practices and disclosures to assist the Board in making informed decisions and to ensure that the Company complies with all relevant statutory and regulatory requirements;
- Reviewing with management and the external auditor, management's choice of accounting principles and material judgements, including assessing whether such choices are aggressive or conservative and whether they are normal or minority practices;
- Reviewing the scope and outcome of external audits;
- Nominating external auditors and reviewing the annual fees and other compensation to be paid, together with the adequacy and performance of existing external audit arrangements;
- Ensuring the independence of external auditors, including approving the nature and scope of any other services provided by them;
- Reviewing and assessing the adequacy of the Company's risk management systems, including an annual review of the Company's Risk Management Policy;
- Approving and reviewing the Company's delegated authorities, and compliance with them;
- Reviewing the Audit and Risk Committee Charter annually to ensure that it remains relevant and is consistent with the Committee's objectives and responsibilities;
- Reporting to the Board on its meetings and the results of any of its assessments, reviews and recommendations; and
- Ensuring that the Corporate Governance Statement in Blackthorn Resources' annual report is in accordance with the requirements of the ASX Corporate Governance Principles and Recommendations.

The Audit and Risk Committee Charter stipulates that the Audit and Risk Committee should meet at least four times a year. Details of attendance at Audit and Risk Committee meetings held during the year are detailed in the Directors' Report on page 24.

The composition of the Audit and Risk Committee is determined by the Board. In considering appropriate members for the Audit and Risk Committee, the Board will look for a mix of skills and experience, in particular in the area of financial reporting and risk management.

The Chairman of the Audit and Risk Committee must be an independent non-executive director.

The members of the Audit and Risk Committee are:

Ms Nicki Bowman - Chairman  
Mr Bill Cash  
Mr Louis Mnguni

A quorum for a meeting of the Audit and Risk Committee is two directors, at least one who must be a non-executive director.

#### ***Remuneration Committee***

The Board has established a Remuneration Committee which is responsible for determining and reviewing compensation arrangements for the directors themselves and for the Managing Director and the executive team. It is the Company's objective to attract and retain a high quality Board and executive team by remunerating directors and key management fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee aims to link the nature and amount of executive remuneration to the Company's financial and operational performance. Remuneration and other terms of employment for executives, including executive directors, are reviewed annually by the Remuneration Committee having regard to performance, relevant comparative information and, where necessary, independent expert advice.

Key performance targets and goals are established annually for each executive, against which their performance is measured on an annual basis. The performance of the Chief Executive Officer and Chief Financial Officer for the 2010 year, as well as their individual remuneration, has been reviewed by the Remuneration Committee in accordance with the established performance evaluation process.

The role, responsibilities and objectives of the Remuneration Committee are set out in the Remuneration Report on page 29.

The Remuneration Committee is scheduled to meet twice in a year. Details of attendance at Remuneration Committee meetings held during the year are detailed in the Directors' Report on page 24.

The members of the Remuneration Committee are:

Mr Bill Cash – Chairman  
Ms Nicki Bowman  
Mr Louis Mnguni

A quorum for a meeting of the Remuneration Committee is two directors.

### **3. Risk Management**

As a company focused on exploring for, and extracting mineral resources in different parts of the world, risk is an intrinsic part of Blackthorn Resources' operations. The management of risk within the Company is recognised as a critical part of its business operations. It underpins reliable financial reporting, compliance with relevant legal and regulatory obligations, efficient and effective business operations and safe and environmentally responsive activities.

The Board recognises that due to the nature and size of the Company, it faces additional challenges in adopting best practice systems of risk management and internal control and compliance.

Our activities by their very nature have multiple layers of risk, including:

- Highly speculative nature of mineral exploration activities;
- Investment and operations subject to foreign jurisdictions;
- Nature and size of the Company's operations, and dependence on a small number of key people;
- Ongoing commercial viability of mining operations, subject to significant cost and commodity price changes
- Foreign currency exposures;
- Exposure to environmental, health and safety issues associated with the mining industry;
- Requirement for ongoing additional capital to fund its exploration and development activities; and
- Certain uninsurable risks.

The Company's challenge is to develop a culture which allows its adventurous and entrepreneurial spirit to generate continued success in its exploration and development endeavours, and to thrive, while building a sound foundation of systems, practices and culture which identify and acceptably manage risks.

#### ***Risk Management Roles and Responsibilities***

The Board is ultimately responsible for overseeing the establishment and implementation of effective risk management systems and the monitoring of internal controls and compliance. The Audit and Risk Committee, on behalf of the Board, reviews the effectiveness of the Company's risk management systems, including reviewing and updating the Company's risk profile.

The implementation of the risk management systems and the management of risks within the Company on a day-to-day basis, are the responsibility of the Managing Director, with the assistance of senior management.

It is the responsibility of all Blackthorn Resources' employees and contractors as part of their day-to-day activities to ensure the Company complies as appropriate with its legal, regulatory, contractual and compliance obligations, and to take appropriate action as required to manage, monitor and report on risks.

The Company has established a Risk Management Policy, which sets out the broad principles, responsibilities and practices that are used to manage the Company's risk exposures and the various risk management systems and internal controls operated by the Company to respond to those risks. A copy of the Risk Management Policy is available on the Company's website at [www.blackthornresources.com.au](http://www.blackthornresources.com.au).

#### ***Risk Management Objectives***

The objectives of the Company's risk management programme are to ensure that:

- Blackthorn Resources has in place a culture and practices to encourage the identification, assessment and management of risks that may affect the Company's ability to achieve its business objectives;

- In managing risk, Blackthorn Resources complies with all relevant laws, regulations and contractual obligations, and that appropriate recognition is given to Blackthorn Resources' social and community obligations;
- Blackthorn Resources has in place a structured and effective approach to risk management;
- Blackthorn Resources' risk management programme is appropriate, taking account of the business environment that the Company operates in and the Company's assessed tolerance for risk; and
- Effective monitoring and regular reporting of risk is conducted under the risk management programme.

### ***Risk Management Framework***

To manage the risk exposures faced by the Company, the Board recognises the need to identify areas of significant business risk and to develop and implement strategies to investigate these risks as a basis of a formal system of risk management and internal control and compliance. During the year, the Company undertook a formal risk assessment review to confirm and re-prioritise its key business risks and to reassess the Company's risk profile. This risk assessment review is undertaken at least annually.

The Board meets regularly to evaluate, control, review and oversee the implementation of the Company's operations and objectives. The Company's strategic and business plans are formulated in the context of the key risk exposures identified by the Company and the requirements to effectively manage those risks as part of the Company's operations.

### ***Risk Management Practices***

The Company maintains a number of policies and procedures which are designed to manage specific business risks. These include:

- Audit and Risk Committee Charter
- Code of Conduct
- Disclosure Policy
- Securities Trading Policy
- Corporate Governance Statement
- Comprehensive insurance program
- Regular reporting
- Delegation of Authorities
- Procedures to define and manage environmental, health and safety matters.

Potential exposures are further managed by the appointment of senior management who have relevant industry experience and skills, and through regular communication and reporting of current business activities. In particular, reliance is placed on the Chief Executive Officer, the Chief Financial Officer and the Chief General Manager, Burkina Faso, to maintain direct involvement in the operational and financial aspects of the business. Specific areas where key business risks have been identified are delegated to relevant management to implement risk mitigation practices.

The Chief Executive Officer and the Chief Financial Officer are required to annually report to the Board as to the effectiveness of the Company's management of its material business risks. The report covering the 2010 year has been received by the Board in accordance with the Company's Risk Management Policy.

In addition, the Audit and Risk Committee is responsible for assessing the adequacy of the Company's internal control systems and financial reporting obligations. The Chief Executive Officer and the Chief Financial Officer are required to state in writing to the Board whether the Company's financial reports present a true and fair view, in all material respects, of the Company's financial position and operational results and are in accordance with relevant accounting standards. The required declaration under section 295A of the Corporations Act has been received by the Board covering the 2010 year.

#### **4. Ethical Standards**

All directors, management and staff are expected to consistently apply the highest ethical standards to their conduct to ensure that the Company's affairs and reputation are at all times maintained at the uppermost level.

The Company has established a formal Code of Conduct to guide directors, executives and employees in carrying out their duties and responsibilities. The Code of Conduct sets out the principles and core values by which the Company expects to operate its business and to interact with its stakeholders. A copy of the Code of Conduct is available on the Company's website at [www.blackthornresources.com.au](http://www.blackthornresources.com.au).

#### **5. Communication to Shareholders and the Markets**

The Board aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the directors and the Company.

The Company has implemented a Disclosure Policy that is designed to ensure compliance with its various regulatory disclosure obligations, including compliance with ASX Listing Rules, and to ensure accountability within the Company for that compliance. This disclosure policy includes processes for the identification of matters that may have a material effect on the price or value of the Company's securities, and the notification of those matters to the ASX. A copy of the Disclosure Policy is available on the Company's website at [www.blackthornresources.com.au](http://www.blackthornresources.com.au).

Information is communicated to shareholders, regulatory authorities and the broader community through:

- The Annual Report which is made available to all shareholders;
- Other periodic reports which are lodged with ASX and available for shareholder scrutiny;
- Other announcements made in accordance with ASX Listing Rules;
- Special purpose information memoranda issued to shareholders as appropriate;
- The Annual General Meeting and other meetings called to obtain approval for Board actions as appropriate;
- Webcasting of media briefings and general meeting transcripts; and
- The Company's website.

The Company's external auditor is KPMG. The external auditor is required to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

#### **6. Share Trading**

Trading of Blackthorn Resources' securities is covered by, amongst other things, the Corporations Act 2001 and ASX Listing Rules.

The Company has implemented a Securities Trading Policy that establishes strict guidelines as to when directors, officers and employees can deal in Blackthorn Resources' securities. The policy prohibits dealing in Blackthorn Resources' securities at any time whilst in the possession of price-sensitive information not already available to the market. In addition, directors, officers and employees are not permitted to deal in Blackthorn Resources' securities during certain defined restricted trading periods or "closed periods". A copy of the Securities Trading Policy is available on the Company's website at [www.blackthornresources.com.au](http://www.blackthornresources.com.au).

## 7. ASX Best Practice Recommendations

The following table summarises the ASX Corporate Governance Principles and Recommendations and whether or not the Company complies with the recommendations:

		comply	notes
<b>1.</b>	<b>Lay solid foundations for management and oversight</b>		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	√	
1.2	Companies should disclose the process for evaluating the performance of senior executives.	√	
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	√	
<b>2.</b>	<b>Structure the Board to add value</b>		
2.1	A majority of the Board should be independent directors.	x	Two of the four directors of the Board are deemed to be independent. The Board considers the current composition of the Board to be appropriate taking account of the size and nature of the Company's operations.
2.2	The Chair should be an independent director.	x	The current Chairman, appointed non-executive Chairman effective 1 July 2009, is not deemed to be independent having held an executive position with the Company within the last three years.
2.3	The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	√	
2.4	The Board should establish a Nomination Committee.	x	The Board does not have a Nomination Committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by a Nomination Committee can be adequately handled by the full Board.
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	√	The initial independent review of the Board performance was completed in August 2010.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	√	Refer to Notes 2.1, 2.2, and 2.4 above.
<b>3.</b>	<b>Promote ethical and responsible decision-making</b>		
3.1	Companies should establish a Code of Conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>the practices necessary to maintain confidence in the Company's integrity</li> <li>the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</li> <li>the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	√	A copy of the Code of Conduct is available on the Company's website.
3.2	Companies should establish a policy concerning trading in Company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	√	A copy of the Securities Trading Policy is available on the Company's website.
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.	√	
<b>4.</b>	<b>Safeguard integrity in financial reporting</b>		
4.1	The Board should establish an Audit Committee.	√	

		comply	notes
4.2	The Audit Committee should be structured so that it: <ul style="list-style-type: none"> <li>• consists only of non-executive directors</li> <li>• consists of a majority of independent directors</li> <li>• is chaired by an independent Chairperson, who is not the Chairperson of the Board</li> <li>• has at least three members.</li> </ul>	√	
4.3	The Audit Committee should have a formal charter.	√	A copy of the Audit and Risk Committee Charter is available on the Company's website.
4.4	Companies should provide the information indicated in Guide to reporting on Principle 4.	√	
<b>5.</b>	<b>Make timely and balanced disclosures</b>		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.	√	A copy of the Disclosure Policy is available on the Company's website.
5.2	Companies should provide the information indicated in Guide to reporting on Principle 5.	√	
<b>6.</b>	<b>Respect the rights of shareholders</b>		
6.1	Companies should design a communication policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	√	The Company has implemented a strategy to provide effective communication to its stakeholders. The Company's website outlines its communication practices and provides a separate Investor Relations section which contains relevant information to be communicated to its stakeholders. A copy of the Company's Disclosure Policy is also available on the Company's website.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	√	
<b>7.</b>	<b>Recognise and manage risk</b>		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	√	A copy of the Risk Management Policy is available on the Company's website.
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	√	
7.3	The Board should disclose whether it has received from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	√	
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	√	
<b>8.</b>	<b>Remunerate fairly and responsibly</b>		
8.1	The Board should establish a Remuneration Committee.	√	
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	√	
8.3	Companies should provide the information indicated in Guide to reporting on Principle 8.	√	

# DIRECTORS' REPORT

Your directors are pleased to present their report together with the financial report of the consolidated entity of Blackthorn Resources Limited (the Company), being the Company and the entities it controlled for the year ended 30 June 2010, and the auditor's report thereon.

## Directors

The directors of the Company in office at any time during or since the end of the year are:

### **Nicole (Nicki) Bowman B Econ, LLB, MAICD – Independent Non-executive Director**

Nicki Bowman joined the Blackthorn Resources' Board having gained extensive experience as a corporate and commercial lawyer in private practice within a Top 10 Australian law firm. Nicki has held senior corporate counsel positions in BHP and Bluescope Steel, before moving into senior management and executive positions. Her experience included key roles in merger and acquisition transactions, leading contract negotiations, and managing corporate restructures. Nicki holds a Bachelor of Economics and Bachelor of Law degrees from Sydney University, and is a member of the Australian Institute of Company Directors.

Nicki was appointed a director of Blackthorn Resources on 8 October 2008. She is Chairman of the Audit and Risk Committee and a member of the Remuneration Committee.

### **William (Bill) Cash – Non-executive Chairman**

Bill Cash has been associated with the Company since 2005, initially as a consultant advising on and assisting with product marketing and logistics for the Perkoa Zinc Project. Bill's career includes banking, human resources, industrial relations, as well as more than 20 years experience in sales and marketing of zinc, lead and copper concentrates and metals marketing, production logistics and feasibility studies while he held senior positions at MIM Holdings Limited and the Lishen Mine in Ireland.

Bill joined the Board of Blackthorn Resources on 31 May 2007 as a non-executive director. In January 2008, he assumed the role of Managing Director pending the appointment of a permanent incumbent. Following the appointment of Scott Lowe as Managing Director on 1 August 2008, Bill continued on the Board as an executive director to assist with the restructure and repositioning of the Company.

Bill was appointed Executive Chairman on 1 January 2009 following the resignation for health reasons of Chairman Victor Bradley. On the 1 July 2009, Bill retired as an executive director, but remains the Company's Chairman on a non-executive basis. He is Chairman of the Remuneration Committee and a member of the Audit and Risk Committee.

Bill was a director of CuDeco Limited until April 2010.

### **Scott Lowe MBA, Dip Coal Mining, Mine Manager's Certificate of Competency (Coal) NSW, MAICD – Managing Director**

Scott Lowe joined Blackthorn Resources in November 2007 and was appointed Chief Executive Officer in June 2008. Before joining the Company, Scott was employed by BHP Billiton for over 20 years in a number of roles, including Vice President Operations Ingwe in South Africa, Vice President HSEC for BHP Billiton's Global Energy Coal Business and General Manager Business Development & Operating Excellence. In the mining industry Scott has also worked as General Manager for Peabody Coal. Beyond the mining industry, he has worked for P&O, one of the world's largest infrastructure and stevedoring companies, at vice president level with global responsibilities covering a range of complex business and cultural environments. Scott holds a Master Business Administration from Wollongong University, a Graduate Diploma in Coal Mining, a Mine Manager's Certificate of Competency (Coal) in New South Wales, and is a member of the Australian Institute of Company Directors.

Scott was appointed a director of Blackthorn Resources on 13 June 2008, and was appointed Managing Director on 1 August 2008.

### **Louis Mnguni BA (Sociology and Hons Philosophy), MPhil (Politics) – Independent Non-executive Director**

Louis Mnguni was a Philosophy Lecturer at the University of the North, South Africa. He became President of the United Democratic Front (“UDF”), Northern Transvaal and a member of the UDF National Executive Committee. The UDF was an affiliate of the African National Congress (“ANC”). During 1993 and 1994 he was the overall election coordinator for the ANC in the Northern Province. From 1994 to 1999, Louis was a Member of the National Assembly (South African Parliament), representing the ANC, and served in the Portfolio Committees of Foreign Affairs, Education and the Reconstruction and Development Program. From February 1999 to March 2004 he was the South African High Commissioner to the Republic of Mauritius. In April 2008, Louis was appointed South African Ambassador to Guinea Bissau, West Africa.

Louis was appointed a director of Blackthorn Resources on 18 November 2003. He is a member of the Audit and Risk Committee and the Remuneration Committee.

### **Company Secretary**

#### **Chris Brown BComm, CA (NZ), DipCM**

Chris Brown is a member of the New Zealand Institute of Chartered Accountants, and has had over 20 years experience in senior finance roles for public companies in Australia and New Zealand, including Chief Financial Officer/Company Secretary for Sydney Gas Limited and General Manager, Accounting for AGL. He holds a Bachelor of Commerce degree from Auckland University and a Diploma in Corporate Management.

Chris was appointed company secretary of Blackthorn Resources on 15 August 2007.

### **Directors’ Meetings**

The number of Directors’ meetings of the Company, including meetings of committees of directors, held during the financial year, and the number of meetings attended by each director were as follows:

Director	Directors’ meetings		Audit and risk committee meetings		Remuneration committee meetings	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
N Bowman	14	14	4	4	2	2
W Cash	14	14	4	4	2	2
S Lowe	14	14	-	-	-	-
L Mnguni	14	14	4	4	2	2

### **Remuneration Report**

The Remuneration Report, which forms part of the Directors’ Report for the year ended 30 June 2010, is set out on pages 29 to 33.

## Directors' Interests

At the date of this report, the interests of the directors in the shares and options of the Company were:

Director	Direct		Indirect	
	Shares	Options	Shares	Options
N Bowman	350,000	-	-	-
W Cash	-	-	300,000	-
S Lowe	150,000	3,000,000	350,000	-
L Mnguni	200,000	-	-	-

## Options

At the date of this report, the Company had 5,000,000 options on issue as follows:

Number	Exercise price	Expiry date	
4,900,000	\$0.45	28 April 2012	Employee options
100,000	\$0.80	15 December 2011	Employee options

No options have been exercised during or since the end of the financial year. No new options have been issued since the end of the financial year.

## Corporate Governance

The Company's Corporate Governance Statement is set out on pages 14 to 22.

## Principal Activities

The principal activities of the Group during the financial year were mineral exploration and development. There has been no change in the nature of these activities during the financial year.

## Review and Results of Operations

A detailed review of the Company's operations for the year ended 30 June 2010 is set out on pages 3 to 8 of the Annual Report.

## Financial Position

### Results

The Group incurred a net profit after tax for the year of \$13,098,000, compared to a loss of \$72,134,000 for 2009.

The current year's result includes a \$15,000,000 reversal of the impairment losses previously recognised against the Perkoa Zinc Project. The prior year's result included the recognition of \$71,964,000 of impairment losses against the Group's Perkoa and Mokopane projects.

### *Impairment Review*

The directors have reviewed the carrying value of the Group's investment in the Perkoa Zinc Project at 30 June 2010 for impairment. In assessing impairment of the Perkoa Zinc Mine assets, the directors have taken account of the recent announcement regarding the proposed joint venture with Glencore International AG, as well as prevailing economic factors, in particular future projections of zinc prices. Based on their assessment of the future financial economics of the project, the directors have reversed \$15,000,000 of the previous impairment losses of \$67,500,000 recognised at 30 June 2009. Details of this impairment assessment are set out in Note 6 of the Financial Statements.

### *Financial Position*

The net assets of the Group have increased by \$7,882,000, from \$49,935,000 in 2009 to \$57,817,000 in 2010. This increase is principally a result of the \$15,000,000 reversal of impairment losses previously recognised against the Perkoa Zinc Project, partially offset by a reduction in working capital and the foreign exchange translation impact on the value of the Company's assets held in foreign jurisdictions.

Working capital decreased during the year by \$5,897,000 due largely to a decrease in cash of \$6,201,000.

### *Cash Flows*

As at 30 June 2010, the Group had cash on hand of \$12,170,000 (2009: \$18,371,000).

During the year, the Group spent \$3,178,000 on the Perkoa Zinc Mine development, principally on preparation of foundations for assembly of process plant components and the initial assembly of steel framework for the processing plant, workshop and conveyor systems. The Group also continued to support its community and social program obligations in relation to the Perkoa Zinc Project.

The Group spent \$1,691,000 during the year on exploration expenditure, principally in relation to the 2010 drilling phase of its gold exploration program in Burkina Faso. The Company also received proceeds of \$1,470,000 from settlement of its legal case.

### **Legal Proceedings**

The Company has been involved in the following legal proceedings during the year (refer to Note 26 of the Financial Statements for further details):

- On 26 February 2010, the Company settled its legal proceedings against the former managing director and two former officers of the Company. The terms of the settlement provided that the Company was to be paid a total settlement sum of \$1,850,000, inclusive of costs. The settlement was made without any admission of liability.
- The Company was involved in legal proceedings commenced in the District Court of New South Wales concerning a claim for alleged repudiation of an office licence agreement. On the 8 June 2010, the court found in favour of the Company on all claims made against it and ordered the claimant to pay the company's legal costs. The claimant has appealed the decision of the court.
- The Company is defending a claim commenced in the High Court of South Africa for breach of contract. The Company is defending the claim and does not admit any liability. The Company's attempts to resolve the matter have been unsuccessful and the action is currently before the court for scheduling of a hearing date.
- The Company is currently involved in proceedings commenced by it in the High Court of South Africa seeking damages in relation to a breach of agreement regarding technical services provided to the Company. A hearing date is scheduled for February 2011.

## **Environmental Issues**

The Group operates in a number of overseas jurisdictions. Directors take every care to ensure that relevant regulations are followed and a review of operations is undertaken at regular intervals. The directors are not aware of any significant breaches of environmental regulations during the year.

## **Dividends Paid or Recommended**

No dividends were paid during the year. No dividend is proposed for the current year.

## **Significant Changes in State of Affairs**

In the opinion of directors, there are no significant changes in the state of affairs during the financial year under review not otherwise disclosed in this report.

## **Subsequent Events**

Other than as noted below, no matters or circumstances have arisen since 30 June 2010 that have significantly affected, or may significantly affect the operations of the Company or the Group.

- On 29 July 2010, the Company announced 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 in South Africa for a total consideration of R4 million. The transaction is subject to the approval of the Department of Minerals and Energy.
- On 24 August 2010, the Company announced that it had signed a legally binding agreement towards the formation of a joint venture with Glencore International AG for the Perkoa Zinc Project in Burkina Faso. The establishment of the joint venture is subject to a limited number of conditions precedent, including the approval of the Company's shareholders.

## **Future Developments, Prospects and Business Strategies**

Other than as referred to in this report, the disclosure of further information as to likely developments in the operations of the Group and the expected results of those operations would, in the opinion of the directors, be speculative and not in the best interests of the Group.

## **Indemnifying Officers or Auditor**

During the financial year, the Company arranged a contract insuring the directors and officers of the Group against liability incurred in their capacity as a director or officer to the extent permitted by the Corporations Act 2001. The premium paid has not been disclosed as it is subject to the confidentiality provisions of the insurance policy.

The Company has entered into Indemnity Deeds to indemnify the following current directors: Ms N Bowman, Mr W Cash, Mr S Lowe and Mr L Mnguni, the former directors: Mr V Bradley and Mr M Flory, and the company secretary, against all liabilities incurred in the course of or arising out of employment with the Company and its controlled entities, other than conduct involving a willful breach of duty. The agreements stipulate that the Company will meet the full amount of any such liabilities, including costs and expenses in successfully defending legal proceedings.

Other than as stated above, the Company has not agreed to indemnify an officer or auditor of the Company against any such liability.

## **External Auditors**

The Company's external auditor is KPMG.

During the year the Company's auditor has performed certain other services in addition to its statutory duties. The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services provided did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Details of amounts paid to the Company's auditor during the year for audit and non-audit services, is set out in Note 20 of the Financial Statements.

## **Auditor's Independence**

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and is set out on page 35 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 the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

# REMUNERATION REPORT - audited

This report is prepared in accordance with section 300A of the Corporations Act 2001.

## **Remuneration Policy**

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and practices applicable to Board members and employees. The Committee recognises that Blackthorn Resources' performance and success depends on its ability to attract and retain suitably qualified and experienced people in a competitive remuneration market. At the same time, remuneration practices must take account of the nature and size of the organisation and its current stage of development.

The primary responsibilities of the Remuneration Committee are to review and make recommendations on:

- Policies for executive recruitment, employment and termination
- Remuneration packages for the Managing Director and executives
- Development and implementation of appropriate incentive plans
- Remuneration for non-executive directors.

The remuneration policy adopted by Blackthorn Resources has been designed to:

- Align with shareholder and business objectives and expectations
- Attract and retain suitably qualified and experienced people
- Provide a level and composition of remuneration that is reasonable, fair and aligned to market
- Encourage directors and executives to pursue the long-term growth and success of the Company
- Align to corporate and individual performance.

## **Remuneration Structures**

Remuneration levels for directors and executives of the Company are set to attract, retain and motivate appropriately qualified and experienced people. Remuneration structures and levels take account of comparable market practices for companies of a similar nature and size.

## **Executive Directors and Executives**

The remuneration policy, setting the terms and conditions for executive directors and executives of the Company, was developed by the Board. Remuneration packages consist of fixed remuneration, short-term incentives and long-term equity-based benefits. Remuneration packages are reviewed annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The Chief Executive Officer's and Chief Financial Officer's current remuneration packages have been reviewed by the Remuneration Committee against relevant independent benchmark information.

Fixed remuneration consists of base salary, any non-cash benefits provided inclusive of FBT charges, as well as employer contributions to superannuation. Packages are tailored to an individual's requirements to maximise available salary packaging options. Fixed remuneration compensation is reviewed annually.

Short-term incentives in the form of cash bonuses are paid on the basis of an individual's performance and contribution during the year. The Company has implemented a formal short-term incentive plan based on predetermined Key Performance Indicators (KPIs). This plan was formally adopted for executives for the 2010 year, with relevant KPIs established for each executive, against which the executives' performance was measured. The Remuneration Committee sets the KPIs for executives and at the end of the year assesses the individuals actual performance against the KPIs, before recommending a bonus payment to be paid to an individual for approval by the Board. A percentage of the pre-determined maximum amount is awarded depending on the individuals actual assessed results. The performance evaluation in respect of the 2010 financial year has been undertaken in accordance with this process.

Long-term benefits are provided by way of equity-based incentive plans. The Company has implemented a formal Employee Option Plan, which was approved by shareholders on 18 June 2009. Grants of options under the plan have been made in April 2009 and December 2009 to certain specified employees.

The Company has entered into service agreements with the Chief Executive Officer and the Chief Financial Officer. These service agreements outline the components of compensation to be paid, including that remuneration levels will be reviewed annually to take account of market conditions. The term of the service agreements is unlimited, but capable of termination by either party on three month's notice. The Company retains the right to terminate the agreement on payment in lieu of notice period. The service agreements provide, under certain circumstances where the contract is terminated, for the payment of one year's remuneration as a termination payment, in addition to statutory entitlements, including accrued leave and superannuation benefits. No termination payment is payable under the service agreements in the event of removal of the executive for misconduct or breach of duties.

### ***Non-executive Directors***

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability.

In the 2009 year, the Company engaged independent external advice to benchmark non-executive director remuneration against relevant market practice.

Total aggregate non-executive director fees payable to all non-executive directors was last voted upon by shareholders in June 2009, and is set at a maximum of \$270,000, excluding statutory superannuation contributions. In accordance with the Company's Constitution, the aggregate maximum sum may be distributed among the non-executive directors in a quantity and manner that is determined by the Board. Remuneration paid to non-executive directors consists of fixed fees, and where relevant, statutory superannuation contributions. Fees for non-executive directors are not linked to the performance of the Company. Non-executive directors do not receive any performance related remuneration or retirement benefits other than statutory requirements.

Under the terms of the Employee Option Plan, non-executive directors may participate in the plan. However, no options have been granted to non-executive directors under the plan.

### Key Management Personnel Remuneration

Remuneration for each director and each named executive of the Group (Key Management Personnel) for the year is as follows:

Key Management Personnel	Short-term benefits			Post employment benefits	Share based payments	Total	Proportion performance related	Value of options as proportion of remuneration
	Salary package and fees	Cash bonus	Non-monetary benefits	Superannuation	Options			
	(a)	(b)		(c)	(d)			
	\$	\$	\$	\$	\$	\$		
<b>Non-executive Directors</b>								
N Bowman(i)								
2010	84,000	-	-	7,560	-	91,560	-	-
2009	50,000	-	-	4,500	-	54,500	-	-
V Bradley(ii)								
2010	-	-	-	-	-	-	-	-
2009	50,000	-	-	-	-	50,000	-	-
W Cash (iii)								
2010	110,000	-	-	9,900	-	119,900	-	-
2009	338,054	-	-	23,812	-	361,866	-	-
L Mnguni								
2010	75,000	-	-	-	-	75,000	-	-
2009	60,000	-	-	-	-	60,000	-	-
<b>Executive Director</b>								
S Lowe (iv)								
2010	398,292	162,000	43,100	25,000	188,615	817,007	42.9%	23.1%
2009	374,998	130,500	-	33,750	7,345	546,593	25.2%	1.3%

Key management personnel	Short-term benefits			Post employment benefits	Share based payments	Total	Proportion performance related	Value of options as proportion of remuneration
	Salary package and fees	Cash bonus	Non-monetary benefits	Superannuation	Options			
	(a)	(b)		(c)	(d)			
	\$	\$	\$	\$	\$	\$		
<b>Executives</b>								
A Barry (v)								
2010	102,206	8,005	14,982	2,942	15,718	143,853	16.5%	10.9%
2009	114,638	-	3,683	3,175	612	122,108	0.5%	0.5%
C Brown (vi)								
2010	283,703	70,000	6,405	25,313	94,307	479,728	34.3%	19.7%
2009	265,833	69,500	-	23,925	3,672	362,930	20.2%	1.0%
H Frey (vii)								
2010	149,759	33,230	-	-	9,431	192,420	22.2%	4.9%
2009	181,630	14,600	342	-	367	196,939	7.6%	0.2%
<b>Total Remuneration</b>								
2010	1,202,960	273,235	64,487	70,715	308,071	1,919,468		
2009	1,435,153	214,600	4,025	89,162	11,996	1,754,936		

- (i) Ms Bowman was appointed a director on 8 October 2008.
- (ii) Mr Bradley resigned as a director and Chairman effective 1 January 2009.
- (iii) Mr Cash retired as an executive director effective 30 June 2009, but remains the Company's Chairman on a non-executive basis.
- (iv) Mr Lowe commenced with the Company on 1 November 2007 as Chief Operating Officer, and was appointed a director and Chief Executive Officer on 13 June 2008. Mr Lowe was appointed Managing Director effective 1 August 2008.
- (v) Mr Barry is employed by the Company's subsidiary Nantou Mining Limited B.V. as the Company's Chief General Manager, Burkina Faso.
- (vi) Mr Brown commenced with the Company on 13 August 2007 as Chief Financial Officer, and was appointed company secretary effective 15 August 2007.
- (vii) Mr Frey is employed by the Company's subsidiary Nantou Mining Limited B.V. as Project Manager for the Perkoa Zinc Project.

Notes in relation to Key Management Personnel remuneration:

- (a) Salary package and fees includes amounts salary sacrificed by the individual.
- (b) The cash bonuses are for performance during the respective financial year. \$232,000 of the 2010 amount was assessed and approved by the Board in August 2010. The cash bonus payments to the Chief Executive Officer and the Chief Financial Officer represented 90% of the maximum available short-term incentive.
- (c) Superannuation includes the amount contributed by the Company by way of super guarantee contributions, and does not include additional amounts salary sacrificed by the employee.
- (d) The amount disclosed under share-based payments relates to the options granted in April 2009 and represents the portion of the fair value of the options granted recognised in the relevant reporting period. The total value of the options granted is allocated to each reporting period over the period from the deemed valuation date (18 June 2009) to the relevant vesting dates.

### Options and Rights Granted as Compensation

The following options were granted as part of remuneration to Key Management Personnel in April 2009 under the Company's Employee Option Plan approved by shareholders on 18 June 2009. The options were provided at no cost to the recipients. All options expire on the earlier of the expiry date or termination of the individual's employment.

	Number of options	Grant date	Fair value per option*	Exercise price	Expiry date	Options vested during 2010
<b>Director</b>						
S Lowe	3,000,000	29 April 2009	\$0.109	\$0.45	28 April 2012	1,000,000
<b>Executives</b>						
A Barry	250,000	29 April 2009	\$0.109	\$0.45	28 April 2012	83,333
C Brown	1,500,000	29 April 2009	\$0.109	\$0.45	28 April 2012	500,000
H Frey	150,000	29 April 2009	\$0.109	\$0.45	28 April 2012	50,000

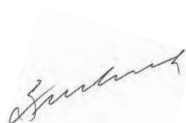
\* Valuation date was deemed to be 18 June 2009, the date the Employee Option Plan was approved by shareholders. The fair value per option represents the average value for each tranche granted and was valued using a binomial option-pricing model.

Details of the vesting conditions relating to the above employee options are as follows:

- One third are exercisable if the share price is at least \$0.60 by 28 April 2010;
- One third are exercisable if the share price is at least \$0.80 by 28 April 2011; and
- The total numbers of options granted, less any options already vested, are exercisable if the share price is at least \$1.00 by 28 March 2012.

During the year, the Company granted an additional 100,000 options under the Employee Option Plan to an employee of the Company. No further employee options were granted to Key Management Personnel during the financial year. No employee options have been exercised or expired during the year. No employee options have been granted since the end of the financial year.

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



**W D Cash**  
Chairman



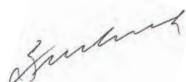
**S F Lowe**  
Managing Director

Sydney, 30 September 2010

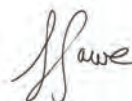
## DIRECTORS' DECLARATION

1. In the opinion of the Directors of Blackthorn Resources Limited (the Company):
  - (a) the consolidated financial statements and notes that are set out on pages 38 to 72 and the Remuneration Report in the Directors' Report set out on pages 29 to 33, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declaration required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer of the Company for the financial year ended 30 June 2010.
3. The Directors draw attention to Note 2 of the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

This declaration is signed in accordance with a resolution of the Board of Directors:



**W D Cash**  
**Chairman**



**S F Lowe**  
**Managing Director**

Sydney, 30 September 2010

# LEAD AUDITOR'S INDEPENDENCE DECLARATION



## *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 audit for the financial year ended 30 June 2010 there have been:

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

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink, appearing to read 'Shane O'Connor'.

Shane O'Connor  
*Partner*

Sydney

30 September 2010

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

# INDEPENDENT AUDITOR'S REPORT



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

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

We have audited the accompanying financial report of the Group comprising Blackthorn Resources Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the consolidated statement of financial position as at 30 June 2010, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 32 and the directors' declaration.

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

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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# INDEPENDENT AUDITOR'S REPORT (CONTINUED)



## *Independence*

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

## *Auditor's opinion*

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

## **Report on the remuneration report**

We have audited the Remuneration Report included on pages 29 to 33 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

## *Auditor's opinion*

In our opinion, the remuneration report of Blackthorn Resources Limited for the year ended 30 June 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Shane O'Connor  
*Partner*

Sydney

30 September 2010

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$000	2009 \$000
Finance income	4	654	2,616
Other income	5	1,870	1,561
Employee benefits expense		(2,062)	(1,785)
Depreciation		(40)	(43)
Exploration expenditure		(51)	(19)
Net impairment reversal(losses)	6	15,120	(72,084)
Finance expense	7	(159)	-
Other expenses		(2,234)	(2,380)
Profit(loss) before income tax		13,098	(72,134)
Income tax expense	8	-	-
<b>Profit(loss) attributable to equity holders in the Company</b>		13,098	(72,134)
<b>Other comprehensive income</b>			
Adjustment for translation of foreign controlled entities		(5,536)	22
Net change in fair value of available-for-sale assets		(1)	(8)
<b>Other comprehensive income for the period</b>		(5,537)	14
<b>Total comprehensive income for the period</b>		7,561	(72,120)
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	24	12.25	(67.49)
Diluted earnings per share	24	10.37	-

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 30 JUNE 2010

	Note	2010 \$000	2009 \$000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	9	12,170	18,371
Trade and other receivables	10	1,165	655
Inventories	11	89	45
Other current assets	12	17	116
<b>TOTAL CURRENT ASSETS</b>		<b>13,441</b>	<b>19,187</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	10	621	671
Financial assets	13	1	2
Property, plant and equipment	14	14,785	14,930
Mine development assets	15	23,596	10,225
Deferred exploration expenditure	16	10,949	10,345
<b>TOTAL NON-CURRENT ASSETS</b>		<b>49,952</b>	<b>36,173</b>
<b>TOTAL ASSETS</b>		<b>63,393</b>	<b>55,360</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	2,683	2,330
Provisions	18	93	295
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,776</b>	<b>2,625</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	18	2,800	2,800
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,800</b>	<b>2,800</b>
<b>TOTAL LIABILITIES</b>		<b>5,576</b>	<b>5,425</b>
<b>NET ASSETS</b>		<b>57,817</b>	<b>49,935</b>
<b>EQUITY</b>			
Share capital	19	163,606	163,606
Reserves		(2,474)	2,742
Accumulated losses		(103,315)	(116,413)
<b>TOTAL EQUITY</b>		<b>57,817</b>	<b>49,935</b>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Share capital	Accumulated losses	Financial asset reserve	Foreign currency translation reserve	Equity compensation reserve	Total equity
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Balance at 1 July 2008</b>	<b>163,606</b>	<b>(44,279)</b>	<b>(4)</b>	<b>2,720</b>	<b>-</b>	<b>122,043</b>
<i>Comprehensive income for the period</i>						
Loss for the period	-	(72,134)	-	-	-	(72,134)
<i>Other comprehensive income</i>						
Net change in fair value of available-for-sale assets	-	-	(8)	-	-	(8)
Adjustment for translation of foreign controlled entities	-	-	-	22	-	22
<i>Transactions with owners, recorded in equity</i>						
Amortisation of employee option grants	-	-	-	-	12	12
<b>Balance at 30 June 2009</b>	<b>163,606</b>	<b>(116,413)</b>	<b>(12)</b>	<b>2,742</b>	<b>12</b>	<b>49,935</b>
<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>						
Profit for the period	-	13,098	-	-	-	13,098
<i>Other comprehensive income</i>						
Net change in fair value of available-for-sale assets	-	-	(1)	-	-	(1)
Adjustment for translation of foreign controlled entities	-	-	-	(5,536)	-	(5,536)
<i>Transactions with owners, recorded in equity</i>						
Amortisation of employee option grants	-	-	-	-	321	321
<b>Balance at 30 June 2010</b>	<b>163,606</b>	<b>(103,315)</b>	<b>(13)</b>	<b>(2,794)</b>	<b>333</b>	<b>57,817</b>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$000	2009 \$000
<b><u>Cash flows from operating activities</u></b>			
Interest received		661	1,609
Payments to suppliers and employees		(3,529)	(4,396)
Other income		1,479	9
<b>Net cash used in operating activities</b>	29	<b>(1,389)</b>	<b>(2,778)</b>
<b><u>Cash flows from investing activities</u></b>			
Receipts from sale of investments		-	1,552
Payments for exploration and evaluation expenditure		(1,691)	(6,427)
Payments for mine development assets		(2,729)	(22,730)
Payments for plant and equipment		(449)	(9,940)
Receipts from sale of plant and equipment		175	165
Payments for security deposits		(7)	(448)
Receipts from security deposits		-	170
<b>Net cash used in investing activities</b>		<b>(4,701)</b>	<b>(37,658)</b>
<b><u>Cash flows from financing activities</u></b>			
Proceeds from issues of shares		-	-
Payments of share issue costs		-	-
<b>Net cash provided from financing activities</b>		<b>-</b>	<b>-</b>
Net decrease in cash held		(6,090)	(40,436)
Cash and cash equivalents at beginning of the year		18,371	57,718
Effect of exchange rate fluctuations on cash held		(111)	1,089
<b>Cash and cash equivalents at end of the year</b>	9	<b>12,170</b>	<b>18,371</b>

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

## 1. Reporting entity

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

## 2. Basis of preparation

### *Statement of compliance*

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards, including Australian Interpretations adopted by the Australian Accounting Standards Board (AASB), and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRS) and the interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 30 September 2010.

The financial report has been prepared on an accruals basis and is based on historical costs, except for available-for-sale financial assets that are measured at fair value, and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

### *Financial statement presentation*

On 28 June 2010, the Corporations Amendment (Corporate Reporting Reform) Act 2010 was enacted. Under the Act, where consolidated financial statements are required to be prepared, parent entity financial statements do not need to be presented. Instead, the consolidated financial statements are required to include a note containing certain information about the parent entity. This parent entity information is provided in Note 31.

### *Use of estimates and judgments*

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 3(m) – Exploration and evaluation expenditure: estimates of fair values and ore reserves.
- Note 3(s) – Impairment of assets: estimates of fair values and future cash flows, in particular commodity prices and exchange rates.
- Note 8 – Recognition of tax losses: assessment of the point-in-time at which it is deemed probable that future taxable income will be derived.
- Note 18 – Provisions: estimates of amounts and timing of future mine closure costs.
- Note 19 – Share-based entitlements and payments: assumptions required to be made in respect to measuring share volatility, dividend yield, future option holding period and other inputs to the option model fair value calculations.
- Note 25 – Expenditure commitments: estimates of future commitments.

### ***Functional and presentation currency***

These financial statements are presented in Australian dollars, which is the Company's functional currency.

### ***Rounding***

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

## **3. Significant accounting policies**

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. Except as described below, the accounting policies are consistent with those applied in prior years.

### **(a) Changes in accounting policies**

#### ***Determination and presentation of operating segments***

As from 1 July 2009, 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 decision maker, to the Company's Board. This change in accounting policy is due to the adoption of AASB 8: *Operating Segments*. Previously segment information was determined and presented in respect of the Group's geographical segments. Comparative segment information has been re-presented in conformity with the transitional requirements of AASB 8. The change in accounting policy only impacts the presentation and disclosure aspects of segment information.

#### ***Presentation of financial information***

As from 1 July 2009, the Group applies revised AASB 101: *Presentation of Financial Statements*. As a result, the Group presents in the consolidated statement of changes in equity all owners changes to equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

### **(b) Principles of consolidation**

A controlled entity is any entity controlled by the Group. Control exists where the Group has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the entity operates with the Group to achieve the objectives of the Group.

All intra-group balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of entities in the Group have been changed where necessary to ensure consistency with those policies applied by the Group.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered or left the Group during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Where losses applicable to the minority interest in a controlled entity exceed the minority interest in a controlled entity's equity, the excess and any further losses applicable to the minority, are allocated against the majority interest, except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

A list of controlled entities is contained in Note 23 to the financial statements.

**(c) Foreign currency transactions and balances**

***Transaction and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

***Group companies***

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

**(d) Revenue**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable and is recognised upon the delivery of goods to customers.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

**(e) Finance income**

Finance income comprises interest on funds invested and net foreign exchange gains. Interest income is recognised as it accrues in the statement of comprehensive income, using the effective interest rate method.

**(f) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

**(g) Trade and other receivables**

Trade and other receivables are stated at their cost less impairment losses. An impairment loss is recognised when there is objective evidence that an individual trade or term receivable is impaired. Trade and other receivables are assessed for recoverability based on the underlying terms of the contract. Impaired assets are provided for in full.

**(h) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

**(i) Financial instruments**

***Recognition***

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

***Held-to-maturity investments***

These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments held by the Group are stated at amortised cost using the effective interest rate method.

***Available-for-sale financial assets***

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

**(j) Leases**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership but not legal ownership are transferred to entities in the Group, are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Leased assets are depreciated on a straight line basis over the lesser of their estimated useful lives, where it is likely that the Group will obtain ownership of the asset, or over the term of the lease.

Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

**(k) Property, plant and equipment**

Items of property, plant and equipment are carried at cost less, where applicable, any accumulated depreciation and impairment losses. The cost of constructed assets includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of production overheads. The cost of assets includes estimates of the costs of dismantling and removing the assets and restoring the site on which the assets are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(k) **Property, plant and equipment (*continued*)**

***Depreciation***

Depreciation of property, plant and equipment is recognised on either a straight line basis or units-of-production basis over the shorter of the assets estimated useful lives or the life of the mining operations if applicable, commencing from the time the asset is held ready for use. The estimated depreciable periods for property, plant and equipment assets are:

- Plant and equipment	3-10 years
- Buildings	5-10 years
- Motor vehicles	3 years
- Office equipment	3-5 years
- Furniture and fittings	3-5 years
- Leasehold improvements	3-5 years

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

The assets' residual values and useful lives are reviewed by directors at least annually.

(l) **Mine development assets**

Mine development expenditure is accumulated separately for each area-of-interest in which economically recoverable reserves have been identified. This expenditure includes direct costs, borrowing costs and an appropriate allocation of overheads. Once a development decision has been made, all past and future exploration and evaluation expenditure in respect of the area-of-interest is aggregated with the costs of development and classified as a mine development asset.

All expenditure incurred prior to commencement of production from each development asset is carried forward to the extent that the expenditure results in future economic benefits.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

***Amortisation***

Amortisation of mine development assets commences when a mine starts commercial production. Amortisation is calculated on the basis of units-of-production. Amortisation is based on assessments of proven and probable reserves and a proportion of resources available to be mined by current production equipment and techniques to the extent that such resources are considered to be economically recoverable.

***Restoration***

Costs of site restoration are recognised progressively as the site is disturbed and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology.

Any changes in estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

**(m) Exploration and evaluation expenditure**

Exploration and evaluation expenditure incurred, including the cost of acquiring licences, is accumulated in respect of each identifiable area-of-interest. These costs are capitalised to the extent that:

- a. rights to tenure of the area-of-interest are current; and
- b. either:
  - (i) such costs are expected to be recouped through the successful development of the area or alternatively by sale; or
  - (ii) where exploration and evaluation activities in the area-of-interest have not reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves, active and significant operations in relation to the area are continuing.

Where the above criteria are not met, exploration and evaluation expenditure is recognised in the statement of comprehensive income as incurred.

Accumulated costs in relation to an abandoned area are written off in full to the statement of comprehensive income in the year in which the decision to abandon the area is made. Each area-of-interest is reviewed at least annually by directors and accumulated costs are written off to the extent they are not expected to be recoverable in the future.

**(n) Employee benefits**

Provision is made for the liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

**(o) Royalties and other production imposts**

Ad valorem and other production imposts are accrued and charged against earnings when the liability from production or sale occurs.

**(p) Income tax**

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the statement of financial position date.

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, other than a business combination, where at the time of the transaction there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

**(p) Income tax (*continued*)**

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**(q) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

**(r) Interest in joint ventures**

The Group's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated statement of comprehensive income and statement of financial position.

The Group's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The Company's interests in joint venture entities are brought to account using the cost method.

**(s) Impairment of assets**

At each reporting date, the Group reviews the carrying value of its non-financial assets that have a finite life to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and its value-in-use, is compared to the asset's carrying value. In assessing value-in-use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the value of money and the risks specific to the asset. Any excess of the asset's carrying value over its recoverable amount is recognised in the statement of comprehensive income. For goodwill and intangible assets that have infinite lives or are not yet available for use, the recoverable amount is estimated each reporting period.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. If such an indication exists, an impairment loss is calculated, being the difference between its carrying value and the present value of its estimated future cash flows discounted at an effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. All impairment losses are recognised in the statement of comprehensive income. Any cumulative loss in respect of an available-for-sale financial asset previously recognised in equity is transferred to the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying value does not exceed the carrying value that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(t) Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

**(u) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

**(v) Segments**

As from 1 July 2009, 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. This change in accounting policy is due to the adoption of AASB 8: *Operating Segments*. Previously segment information was determined and presented in respect of the Group's geographical segments.

Comparative segment information has been re-presented in conformity with the transitional requirements of AASB 8. The change in accounting policy only impacts the presentation and disclosure aspects of segment information.

**(w) New standards and interpretations not yet adopted**

The following standards, amendments to standards and interpretations have been identified as those which may impact on the Group in the period of initial application. These standards are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report.

AASB 9: *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139: *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.

AASB 124: *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements of government-related entities. The amendments, which will become mandatory for the Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.

AASB 2009-5: *Further Amendments to Australian Accounting Standards Arising From the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

AASB 2009-8: *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions* resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 Scope of AASB 2 and AI 11 AASB 2: – *Group and Treasury Share Transactions* will be withdrawn from the application date. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

(w) **New standards and interpretations not yet adopted (continued)**

AASB 2009-10: *Amendments to Australian Accounting Standards – Classification of Rights Issue* [AASB 132] (October 2010) clarifies that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its non-derivative equity instruments. The amendments which will become mandatory for the Group's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.

IFRIC 19: *Extinguishing Financial Liabilities with Equity Instruments* addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in an entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the Group's 30 June 2011 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

	2010 \$000	2009 \$000
<b>4. Finance income</b>		
Interest received	654	1,533
Net exchange gains	-	1,083
	654	2,616
<b>5. Other income</b>		
Sundry income	20	9
Proceeds from legal settlement	1,850	-
Proceeds from sale of investments	-	1,552
	1,870	1,561
<b>6. Impairment reversals(losses)</b>		
Loan to former director	120	(120)
Perkoa Zinc Mine development	15,000	(67,500)
Mokopane project	-	(4,464)
	15,120	(72,084)

*Loan to former director*

The loan to former director of \$275,000, which was repayable within two years of the director's effective termination date of 2 April 2007, is secured by way of lien over 500,000 shares in the Company. Repayment of the amount owing is subject to a settlement agreement and provides for the repayment of the amount owing over a maximum 180 day period from 11 May 2010. The market value of the shares held as security at 30 June 2010 was assessed at \$302,500.

*Perkoa Zinc Mine development*

The directors have reviewed the carrying value of the Perkoa Zinc Mine assets at 30 June 2010 for impairment. In assessing impairment of the Perkoa Zinc Mine assets, the directors have taken account of the recent announcement regarding the proposed joint venture with Glencore International AG, as well as prevailing economic factors, in particular future projections for zinc prices. Based on their assessment of the future economics of the project, the directors have reversed \$15,000,000 of the previous impairment charge of \$67,500,000, recognised at 30 June 2009.

The following is a summary of the key outcomes of the financial modelling of the project:

LOM reserves	6.304 Mt ROM
Head grade	13.9% Zn
Production rate	60kt/month
Zinc to concentrate recovery rate	92.1%
Concentrate grade	53% Zn
Zinc price (average LOM realised price)	USD 2,200/Mt
Discount rate	16%

	2010 \$000	2009 \$000
<b>7. Finance expense</b>		
Interest expense	36	-
Net exchange losses	123	-
	159	-

	2010 \$000	2009 \$000
<b>8. Income tax expense</b>		
Profit(loss) before income tax	13,098	(72,134)
Prima facie income tax liability(benefit) at 30%	3,929	(21,640)
(Increase) decrease in income tax benefit due to:		
Non-deductible expenses/losses	195	1,375
Tax exempt income/gains	-	(466)
Deductible expenditure recognised	(377)	(323)
Benefit of foreign tax losses not recognised	2	506
Tax losses not recognised as future income tax benefit	(3,749)	20,548
Income tax expense	-	-
Deferred tax (assets) liabilities brought to account include:		
Accrued interest	26	23
Tax losses carried forward	(26)	(23)
	-	-
Deferred tax assets not brought to account include:		
Unrealised foreign exchange losses	(45)	(335)
Other	(193)	(100)
Tax losses carried forward	(16,375)	(20,150)
	(16,613)	(20,585)
<b>9. Cash and cash equivalents</b>		
Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash on hand and the bank	1,269	511
Short-term deposits	10,901	17,860
	12,170	18,371
<b>10. Trade and other receivables (current)</b>		
Loan to former director	275	155
Interest receivable	87	94
Other debtors	803	406
	1,165	655

Details relating to the Loan to former director are set out in Note 6.

It is expected that trade and other receivables will be received when due.

	2010 \$000	2009 \$000
<b>10. Trade and other receivables (non-current) (continued)</b>		
Security deposits	621	671
	<u>621</u>	<u>671</u>
It is expected Trade and other receivables will be received when due.		
<b>11. Inventories</b>		
Fuel stocks	89	45
	<u>89</u>	<u>45</u>
<b>12. Other current assets</b>		
Prepayments	17	116
	<u>17</u>	<u>116</u>
<b>13. Financial assets</b>		
Available-for-sale financial assets:		
Listed investments, at fair value	1	2
	<u>1</u>	<u>2</u>
Available-for-sale financial assets comprise an investment in the ordinary capital of a listed entity. There is no fixed returns or fixed maturity date attached to this investment.		
<b>14. Property, plant and equipment</b>		
Buildings	3,123	3,079
Less: accumulated depreciation	-	-
	<u>3,123</u>	<u>3,079</u>
Plant and equipment	12,246	12,991
Less: accumulated depreciation	(663)	(1,397)
	<u>11,583</u>	<u>11,594</u>
Motor vehicles	265	624
Less: accumulated depreciation	(187)	(375)
	<u>78</u>	<u>249</u>
Leasehold improvements	8	21
Less: accumulated depreciation	(7)	(13)
	<u>1</u>	<u>8</u>
	<u>14,785</u>	<u>14,930</u>

Movements in carrying amounts	Buildings \$000	Plant & equipment \$000	Motor vehicles \$000	Leasehold improvements \$000	Total \$000
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**14. Property, plant and equipment (continued)**

**2009**

Carrying amount at the beginning of the year	-	305	670	15	990
Additions	775	1,354	1	-	2,130
Disposals	-	-	(226)	-	(226)
Assets transferred from Mine development assets	5,383	22,594	53	-	28,030
Depreciation	-	(1,236)	(211)	(7)	(1,454)
Effects of movements in exchange rates	-	15	45	-	60
Impairment charge	(3,079)	(11,438)	(83)	-	(14,600)
Carrying amount at the end of the year	3,079	11,594	249	8	14,930

**2010**

Carrying amount at the beginning of the year	3,079	11,594	249	8	14,930
Additions	9	271	46	-	326
Disposals	-	(91)	-	-	(91)
Assets transferred from Mine development assets	-	-	-	-	-
Asset transfers	(78)	78	-	-	-
Depreciation	-	(663)	(187)	(7)	(857)
Effect of movements in exchange rates	(572)	(2,148)	(47)	-	(2,767)
Impairment reversal	685	2,542	17	-	3,244
Carrying amount at the end of the year	3,123	11,583	78	1	14,785

	2010 \$000	2009 \$000
<b>15. Mine development assets</b>		
Opening balance at the beginning of the year	10,225	72,156
Expenditure incurred during the year	4,270	13,841
Expenditure transferred to plant and equipment	-	(28,030)
Effect of movements in exchange rates	(2,655)	5,158
Impairment reversal(charge)	11,756	(52,900)
Closing balance at the end of the year	23,596	10,225
<b>16. Deferred exploration expenditure</b>		
Costs carried forward in respect of areas-of-interest in the exploration and evaluation phase:		
Opening balance at the beginning of the year	10,345	9,812
Expenditure incurred during the year	813	4,997
Effect of movements in exchange rates	(209)	-
Impairment charge	-	(4,464)
Closing balance at the end of the year	10,949	10,345
<b>17. Trade and other payables</b>		
Trade payables	2,149	1,005
Accrued expenses	534	1,325
	2,683	2,330
<b>18. Provisions</b>		
<b>Employee entitlements (current)</b>		
Opening balance at the beginning of the year	295	248
Additions to the provisions	28	47
Usage of provisions	(230)	-
Closing balance at the end of the year	93	295
<b>Mine site rehabilitation (non-current)</b>		
Opening balance at the beginning of the year	2,800	1,000
Additions to provisions	-	1,800
Closing balance at the end of the year	2,800	2,800

A provision has been recognised for the estimated costs to be incurred for the restoration of the Perkoa Zinc Mine development. It is anticipated that the mine site will require restoration within 10 years from when production commences at the mine.

	2010 \$000	2009 \$000
<b>19. Share capital</b>		
106,885,300 (2009:106,885,300) ordinary shares	163,606	163,606

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid upon shares held.

Ordinary shares entitle the holder to one vote, either in person or by proxy, at a meeting of the Company.

No dividends were declared or paid during the year to 30 June 2010 (2009: Nil).

#### Options

As at 30 June 2010 there were 19,519,257 (2009: 19,419,257) options on issue as follows:

Number	Exercise price	Expiry date	
14,519,257	\$4.50	28 September 2010	Unlisted warrants
4,900,000	\$0.45	28 April 2012	Employee options
100,000	\$0.80	15 December 2011	Employee options

#### *Employee option plan*

On 18 June 2009, shareholders approved the Company's Employee Option Plan (Plan). On 18 June 2009 and 17 December 2009, the Company issued options under the Plan to certain executives and senior employees of the Group as part of their remuneration.

The options were provided at no cost to the participants. All options expire at the earlier of the option expiry date or termination of the recipient's employment. Each option entitles the option holder to subscribe for one fully paid ordinary share in the Company.

The terms and conditions relating to the options granted under the Plan are as follows.

## 19. Share capital (continued)

Grant date	Number of options	Fair value per option	Exercise price	Expiry date	Vesting conditions
29 April 2009	4,900,000	\$0.109	\$0.45	28 April 2012	One third are exercisable if the share price is at least \$0.60 by 28 April 2010; One third are exercisable if the share price is at least \$0.80 by 28 April 2011; The total number of options granted, less any options already vested, are exercisable if the share price is at least \$1.00 by 28 March 2012.
16 December 2009	100,000	\$0.313	\$0.80	15 December 2011	One half are exercisable if the share price is at least \$1.00 by 15 December 2010; The total number of options granted, less any options already vested, are exercisable if the share price is at least \$1.20 by 15 November 2011.

### Measure of fair values

The fair value of the options granted on 29 April 2009 was independently calculated at the valuation date<sup>(i)</sup> using a binomial option-pricing model. The fair value of the options granted on 16 December 2009 was calculated on the Black-Scholes formula. Key assumptions used in the valuation were:

- (i) Valuation date was deemed to be 18 June 2009, the date the Employee Option Plan was approved by shareholders.

	29 April 2009	16 December 2009
Underlying share price at valuation	\$0.33	\$0.64
Assumed option life	3 years	2 years
Risk free rate	3.9%	4.5%
Volatility	95%-105%	100%
Expected dividend yield	Nil	Nil

No options were exercised during the year. No options lapsed during the year.

	2010 \$	2009 \$
<b>20. Auditor's remuneration</b>		
Remuneration of the auditor of the parent entity for:		
- auditing or reviewing the financial report (i)	86,836	76,667
- other services	20,000	6,832
	106,836	83,499
Remuneration of other auditors of controlled entities for:		
- auditing or reviewing the financial report	31,286	52,917
	31,286	52,917

(i) 2010 fee includes \$6,563 that relates to 2009 financial year

## 21. Key Management Personnel compensation

### (a) Details of Key Management Personnel in office at any time during the year

Name	Appointed	Resigned
<b>Non-executive Directors</b>		
N Bowman	8 October 2008	-
W Cash	31 May 2007	-
L Mnguni	18 November 2003	-
<b>Executive Director</b>		
S Lowe	1 November 2007	-
<b>Executives</b>		
A Barry	1 January 2005	-
C Brown	13 August 2007	-
H Frey	1 October 2006	-

### (b) Summary of Key Management Personnel compensation

	2010 \$	2009 \$
Short-term benefits	1,540,682	1,653,778
Post employment benefits	70,715	89,162
Share-based payments	308,071	11,996
	1,919,468	1,754,936

Details of Key Management Personnel compensation is included in the Remuneration Report on pages 31 and 32.

## 21. Key Management Personnel compensation (continued)

### (c) Option holdings

Number of options held by Key Management Personnel:

2010	Balance 1.7.2009	Granted	Options exercised	Net change other	Balance 30.6.2010	Total vested 30.6.2010
<b>Directors</b>						
N Bowman	-	-	-	-	-	-
W Cash	-	-	-	-	-	-
S Lowe	3,000,000	-	-	-	3,000,000	1,000,000
L Mnguni	-	-	-	-	-	-
<b>Executives</b>						
A Barry	250,000	-	-	-	250,000	83,333
C Brown	1,500,000	-	-	-	1,500,000	500,000
H Frey	150,000	-	-	-	150,000	50,000
<b>2009</b>						
2009	Balance 1.7.2008	Granted	Options exercised	Net change other	Balance 30.6.2009	Total vested 30.6.2009
<b>Directors</b>						
N Bowman*	-	-	-	-	-	-
W Cash	-	-	-	-	-	-
S Lowe	-	3,000,000	-	-	3,000,000	-
L Mnguni	-	-	-	-	-	-
<b>Executives</b>						
A Barry	-	250,000	-	-	250,000	-
C Brown	-	1,500,000	-	-	1,500,000	-
H Frey	-	150,000	-	-	150,000	-

\* appointed a director during the year.

## 21. Key Management Personnel compensation (continued)

### (d) Shareholdings

Number of shares held by Key Management Personnel:

2010	Balance 1.7.2009	Received as remuneration	Adjustment for share consolidation	Net purchases/ sales	Balance 30.6.2010
<b>Directors</b>					
N Bowman	200,000	-	-	150,000	350,000
W Cash	225,000	-	-	75,000	300,000
S Lowe	450,000	-	-	50,000	500,000
L Mnguni	200,000	-	-	-	200,000
<b>Executives</b>					
A Barry	39,650	-	-	-	39,650
C Brown	100,000	-	-	25,000	125,000
H Frey	-	-	-	-	-
<b>2009</b>					
2009	Balance 1.7.2008	Received as remuneration	Adjustment for share consolidation	Net purchases/ sales	Balance 30.6.2009
<b>Directors</b>					
N Bowman*	-	-	-	200,000	200,000
W Cash	450,000	-	(990,000)	765,000	225,000
S Lowe	-	-	-	450,000	450,000
L Mnguni	2,000,000	-	(1,800,000)	-	200,000
<b>Executives</b>					
A Barry	396,500	-	(356,850)	-	39,650
C Brown	-	-	-	100,000	100,000
H Frey	-	-	-	-	-

\* appointed a director during the year.

### (e) Loans to Key Management Personnel

There are no loans to Key Management Personnel

## 22. Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

### (a) Transactions with wholly-owned controlled entities

Interest free loans provided by the Company to its wholly-owned controlled entities total \$34,644,000 (2009: \$10,699,000). Loans to wholly-owned controlled entities have been impaired by \$8,286,000 (2009: \$6,277,000).

### (b) Transactions with the partly-owned controlled entities

Interest free loans provided by the Company to its partly-owned controlled entities total \$69,256,000 (2009: \$86,729,000). Loans to partly-owned controlled entities have been impaired by \$58,300,000 (2009: \$65,708,000).

## 23. Group entities

Company	Place of incorporation	Class of shares	Equity holding	
			2010	2009
African Platinum Pty Ltd	Australia	Ordinary	100%	100%
African Platinum Limited #	Mauritius	Ordinary	100%	100%
Blackthorn Resources Burkina Faso SA #(i)	Burkina Faso	Ordinary	100%	100%
Blackthorn Resources (Zambia) Limited *	Zambia	Ordinary	100%	-
Lepelle Platinum (Proprietary) Limited #	South Africa	Ordinary	74%	74%
Nantou Mining Limited B.V. #	Netherlands	Ordinary	100%	100%
Nantou Mining Burkina Faso SA #	Burkina Faso	Ordinary	90%	90%
Platinexco (Proprietary) Limited #	South Africa	Ordinary	100%	100%

\*This company was incorporated during the year

# This company is audited by a firm other than the auditor of the parent entity

(i) Formerly AIM Resources Burkina Faso SA

	2010 \$000	2009 \$000
--	---------------	---------------

## 24. Earnings per share

(a) Net profit(loss) used in the calculation of basic and diluted earnings per share	13,098	(72,134)
(b) Weighted average number of ordinary shares at 30 June	106,885,300	106,885,300
Effect of options on issue	19,473,230	28,641,542
Weighted average number of ordinary shares (Diluted) at 30 June	126,358,530	135,526,842

## 25. Expenditure commitments

### (a) Operating leases

Commitments for minimum contract payments in relation to non-cancellable operating leases are payable as follows:

	2010 \$000	2009 \$000
Less than one year	23	73
Between one and five years	61	5
	<u>84</u>	<u>78</u>

The operating leases comprise leases of office equipment and office space.

The Company leases certain office equipment over five year lease terms.

The Company's office lease expired on 31 July 2010 and is now leased on a month-by-month basis. Future payments under the office lease arrangement are secured by way of a bank guarantee as noted in Note 26.

### (b) Exploration expenditure

The Group has minimum expenditure commitments over the next twelve months to undertake exploration work and expend money on mineral exploration tenements of \$715,000 (2009: \$140,000).

### (c) Capital expenditure

The Group has commitments for development work in relation to the Perkoa Zinc Mine contracted for but not yet payable of Nil (2009: \$465,000) within the next twelve months.

## 26. Contingent liabilities

### *Bank guarantees*

The Group's bankers have given bank guarantees to various parties to secure future operational obligations totaling \$442,000 (2009: \$339,000). These guarantees are partly secured by charges over cash deposits totaling \$206,000 lodged with the bankers.

### *Litigation*

As at balance date the Company is responding to the following two claims for damages:

- (a) A claim filed in the High Court of South Africa for approximately \$250,000 plus costs for breach of contract. The Company is defending the claim and does not admit liability. A security deposit has been lodged by the Company with its lawyers in South Africa to cover any liabilities that may arise from the claim should its defence against the action be unsuccessful.
- (b) A claim filed in the District Court of New South Wales for approximately \$270,000 plus costs for alleged repudiation of an office licence agreement. On 8 June 2010 the court found in favour of the Company on all claims made against it and ordered the claimant to pay the Company's legal costs. Subsequent to year end the claimant has filed an appeal of the decision of the court.

## 27. Joint ventures

The Group has an interest in the following unincorporated joint venture:

Name	Principal activity	Other participant
Mumbwa	Exploration	BHP Billiton

As at 30 June 2010, the Company had earned a 60% interest in the Mumbwa project. BHP Billiton, who currently holds a 40% interest in the project, has options to earn back a further 40% interest by fully funding the completion of various future work phases.

The joint venture is not a separate legal entity. It is a contractual arrangement between the participants for the sharing of costs and any outputs and does not, in itself, generate revenue and profit. The net contribution of joint venture activities to the operating profit(loss) before income tax of the Group was Nil (2009: Nil). The Group's assets employed in the joint venture, are included in the statement of financial position of the Group as follows:

	2010 \$000	2009 \$000
Deferred exploration expenditure	9,326	9,160

## 28. Financial risk management

### a. Financial risk management policies

The Group has exposure to market, credit and liquidity risks in relation to financial instruments used in the normal course of its business operations. The Group's financial instruments consist of deposits with banks, accounts receivable, available-for-sale assets, loans to controlled entities and payables. The Group has not conducted any hedging activities during the year, and does not have any derivative financial instruments at year-end.

### i) Risk management

The Board of Directors is responsible for overseeing the establishment and implementation of an effective risk management framework for the Group.

The Audit and Risk Committee is responsible for reviewing and assessing the adequacy of the Group's risk management system and the monitoring of compliance with the risk management policies and procedures.

A summary of the Group's risk management principles and practices is contained in the Corporate Governance Statement of the Annual Report on pages 18 to 19.

### ii) Financial risk exposures and management

The Group is exposed through its financial instruments to interest rate risk, liquidity risk, foreign currency risk and credit risk.

#### *Interest rate risk*

The Group is subject to interest rate risk from movements in interest rates on cash held. During the financial year the Group held all its available funds in short-term (no greater than 90 days) bank deposits. For further details on interest rate risk refer to Note 28 (b) (i).

## **28. Financial risk management (continued)**

### ***Liquidity risk***

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by monitoring forecast cash flows and by ensuring that the Group has sufficient funds available to meet its future commitments. For further details on liquidity risk refer to Note 28 (b) (ii).

### ***Foreign currency risk***

The Group operates in various international jurisdictions and is exposed to foreign exchange risk, primarily with respect to the Euro, the West African CFA franc, the United States dollar and the South African rand, arising from fluctuations in these foreign currencies in relation to the purchase of goods and services. The Group will hold surplus funds in foreign currency denominated bank deposit accounts as a means of reducing its exposure to foreign currency risks. For further details on foreign currency risk refer to Note 28 (b) (iii).

### ***Credit risk***

Credit risk represents the potential loss that would be recognised if counterparties to the Group's financial assets failed to perform as contracted. The maximum exposure to credit risk in relation to the Group's financial assets is the carrying amount, net of any impairment losses of those assets. For further details on credit risk refer to Note 28 (b) (iv).

### ***Net fair values***

The carrying value of financial assets and financial liabilities, as disclosed in the financial statements, represents their fair values. No financial assets or financial liabilities are readily traded on organised markets in standardised form, other than listed investments. For further details on fair values risk refer to Note 28 (b) (v).

### ***Capital management***

The Board of Directors maintains an ongoing review of the capital management requirements for the Group to ensure appropriate allocation of its capital resources. The Group's debt and capital consists of share capital and financial liabilities, supported by financial assets. Management effectively manages the Group's capital by monitoring its financial risks and adjusting its capital structure in response to changes in those risks and in the market. These responses include the management of the Group's debt levels, share issues and distributions to shareholders.

The Group has no externally imposed capital requirements, and has no debt as at year-end.

## 28. Financial risk management (continued)

### b. Financial instruments

#### i) Interest rate risk

The economic exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities are set out below:

2010	Note	Floating interest rate \$000	Fixed interest rate \$000	Non-interest bearing \$000	Total \$000
<b>Financial assets</b>					
Cash and cash equivalent	9	1,266	10,900	4	12,170
Trade and other receivables	10	414	16	1,356	1,786
Financial assets	13	-	-	1	1
		1,680	10,916	1,361	13,957
Weighted average interest rate		5.2%			
<b>Financial liabilities</b>					
Trade and other payables	17	-	-	2,683	2,683
		-	-	2,683	2,683
Weighted average interest rate		-			
2009	Note	Floating interest rate \$000	Fixed interest rate \$000	Non-interest bearing \$000	Total \$000
<b>Financial assets</b>					
Cash and cash equivalent	9	738	17,627	6	18,371
Trade and other receivables	10	394	-	932	1,326
Financial assets	13	-	-	2	2
		1,132	17,627	940	19,699
Weighted average interest rate		3.8%			
<b>Financial liabilities</b>					
Trade and other payables	17	-	-	2,330	2,330
		-	-	2,330	2,330
Weighted average interest rate		-			

## 28. Financial risk management (continued)

The following summarises the effect on profit of variable rate financial instruments held at balance date as a result of a 1% movement in interest rates, with all other variables remaining constant:

	2010 \$000	2009 \$000
Interest rate +1%	16	7
Interest rate -1%	(16)	(7)

### ii) Liquidity risk

The following are the contractual maturities of financial liabilities:

	2010 \$000	2009 \$000
<b>Trade and other payables</b>		
Less than 6 months	2,683	2,330

### iii) Foreign currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	2010 AUD 000	2009 AUD 000
<b>Cash and cash equivalents</b>		
AUD	11,823	17,902
EUR (i)	344	155
GBP	-	-
USD	2	313
ZAR	1	1
	<u>12,170</u>	<u>18,371</u>
<b>Trade and other receivables</b>		
AUD	833	360
EUR (i)	539	572
ZAR	414	394
	<u>1,786</u>	<u>1,326</u>
<b>Trade and other payables</b>		
AUD	857	330
EUR (i)	930	749
GBP	4	27
USD	854	1,011
ZAR	38	213
	<u>2,683</u>	<u>2,330</u>

(i) Includes foreign currency exposure to the West African CFA franc (XOF), the currency of Burkina Faso, which is fixed to the Euro.

## 28. Financial risk management (continued)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2010	2009	2010	2009
EUR/AUD	1.5729	1.8544	1.4247	1.7462
GBP/AUD	1.7893	2.1705	1.7587	2.0533
USD/AUD	1.1335	1.3604	1.1673	1.2430
ZAR/AUD	0.1491	0.1510	0.1525	0.1583

### Sensitivity analysis

The following summarises the net effect on profit of financial assets and financial liabilities held at balance date as a result of a 10 % movement in exchange rates to the Australian dollar, with all other variables remaining constant.

	2010 AUD 000	2009 AUD 000
- Improvement in AUD to EUR by 10%	4	2
- Decline in AUD to EUR by 10%	(5)	(2)
- Improvement in AUD to GBP by 10%	-	2
- Decline in AUD to GBP by 10%	-	(3)
- Improvement in AUD to USD by 10%	77	63
- Decline in AUD to USD by 10%	(95)	(78)
- Improvement in AUD to ZAR by 10%	(34)	(17)
- Decline in AUD to ZAR by 10%	42	20

### iv) Credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at balance date was as follows:

	2010 \$000	2009 \$000
<b>Financial assets</b>		
Cash and cash equivalent	12,170	18,371
Trade and other receivables	1,786	1,326
Financial assets	1	2
	13,957	19,699

The Group's exposure to credit risk for trade and other receivables by geographical region at balance date was as follows:

	2010 \$000	2009 \$000
Africa	953	966
Australia	833	360
	1,786	1,326

## 28. Financial risk management (continued)

### v) Fair values

The fair values of financial assets and financial liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2010		2009	
	Carrying value \$000	Fair value \$000	Carrying value \$000	Fair value \$000
Cash and cash equivalent	12,170	12,170	18,371	18,371
Trade and other receivables	1,786	1,786	1,326	1,326
Financial assets	1	1	2	2
Trade and other payables	(2,683)	(2,683)	(2,330)	(2,330)
	<u>11,274</u>	<u>11,274</u>	<u>17,369</u>	<u>17,369</u>

## 29. Cash flow information

	2010 \$000	2009 \$000
Reconciliation of profit(loss) after income tax to net cash flows from operating activities:		
Profit(loss) for the year	13,098	(72,134)
Adjustments for:		
Depreciation	40	43
Change to provisions	(202)	47
(Reversal of) impairment losses	(15,120)	72,084
Unrealised foreign exchange losses(gains)	151	(1,086)
Exploration & development expenditure written off	203	19
Gain on sale of investment	-	(1,552)
Equity compensation charges	321	12
Other	(12)	-
Changes in assets and liabilities:		
Change in trade and other receivables	(387)	200
Change in inventories	-	(12)
Change in other assets	(8)	(102)
Change in trade and other payables	527	(297)
Net cash flows from operating activities	<u>(1,389)</u>	<u>(2,778)</u>

### 30. Segment reporting

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

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

- Perkoa Zinc 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 Zinc project \$000	Burkina Faso exploration \$000	Mumbwa JV project \$000	Other \$000	Total \$000
<b>Reportable segment information</b>					
<b>2010</b>					
Profit(loss) before tax for the year	15,000	-	-	(8)	14,992
Segment assets	38,917	2,023	9,326	1	50,267
Segment liabilities	(3,515)	(1,018)	-	-	(4,533)
Depreciation	(1,200)	(26)	-	-	(1,226)
Impairment reversal	15,000	-	-	-	15,000
Capital expenditure	2,220	2,311	166	-	4,697
<b>2009</b>					
Loss before tax for the year	(67,500)	-	-	(4,502)	(72,002)
Segment assets	25,641	1,369	9,160	5	36,175
Segment liabilities	(4,409)	(290)	(23)	(16)	(4,738)
Depreciation	(1,408)	(3)	-	-	(1,411)
Impairment losses	(67,500)	-	-	(4,464)	(71,964)
Capital expenditure	12,350	1,304	2,312	-	15,966

### 30. Segment reporting (continued)

#### Reconciliation of reportable segment profit and loss, assets and liabilities

	2010 \$000	2009 \$000
<b>Profit and loss</b>		
Total profit(loss) for reportable segments	14,992	(72,002)
Unallocated amounts:		
Finance income	654	2,616
Other income	1,870	1,561
Corporate expenses	(4,259)	(4,309)
Finance expense	(159)	-
Profit(loss) before income tax	13,098	(72,134)
<b>Assets</b>		
Total assets for reportable segments	50,267	36,175
Other assets	1,198	720
Unallocated amounts	11,928	18,465
Total assets	63,393	55,360
<b>Liabilities</b>		
Total liabilities for reportable segments	(4,533)	(4,738)
Other liabilities	(1,043)	(687)
Total liabilities	(5,576)	(5,425)

### 31. Parent entity disclosures

	2010 \$000	2009 \$000
<b>Parent entity results</b>		
Profit(loss) after tax for the year	5,506	(70,448)
Other comprehensive income	(1)	(8)
Total comprehensive income for the period	5,505	(70,456)
<b>Parent entity financial position at year end</b>		
Current assets	12,666	18,589
Total assets	61,254	55,117
Current liabilities	1,022	711
Total liabilities	1,022	711
<b>Parent entity total equity at year end</b>		
Share capital	163,606	163,606
Reserves	320	-
Accumulated losses	(103,694)	(109,200)
Total equity	60,232	54,406

#### Parent entity contingent liabilities

##### *Bank guarantees*

The Company's banker has given a bank guarantee to secure the Company's future lease obligations totaling \$16,000 (2009: \$16,000). This guarantee is secured by a charge over a cash deposit of \$16,000 lodged with the banker.

##### *Litigation*

As at balance date the Company is responding to the two claims for damages as noted in Note 26.

##### *Capital commitments*

The Company has no capital commitments.

### **32. Subsequent events**

Other than as disclosed below, no matters or circumstances have arisen since 30 June 2010 that have significantly affected, or may significantly affect the operations of the Group.

- On 29 July 2010, the Company announced 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 in South Africa for a total consideration of R4 million. The transaction is subject to the approval of the Department of Minerals and Energy.
- On August 2010, the Company announced that it had signed a legally binding agreement towards the formation of a joint venture with Glencore International AG for the Perkoa Zinc Project in Burkina Faso. The establishment of the Joint Venture is subject to a limited number of conditions precedent, including the approval of the Company's shareholders.

# ADDITIONAL INFORMATION

## Shareholdings

### (a) Analysis of shareholdings as at 27 September 2010

	Number of holders
1-1,000	1,738
1,001-5,000	1,966
5,001-10,000	620
10,001-100,000	696
100,001 and over	69
	5,089
Less than marketable parcels	1,303

### (b) Substantial shareholders

Shareholders who have given notice of being substantial shareholders in the Company at the date of this report, where their relevant interest in the number of fully paid ordinary shares are as follows:

Substantial shareholder	%
North Sound	10.19
F Brewer	7.96
J P Morgan Chase & Co	7.05
S Jones	6.27

## Shareholdings (continued)

### (c) Voting rights

At meetings of the Company, each shareholder entitled to vote may vote in person or by proxy or attorney, or, in the case of a shareholder which is a body corporate, by duly authorised representative.

On a show of hands every member present or by proxy shall have one vote and upon a poll each share shall have one vote.

### (d) The names of the twenty largest registered shareholders of ordinary shares as at 27 September 2010

	No. of shares	% of Total
J P Morgan Nominees Australia Ltd	21,873,855	20.46
HSBC Custody Nominees Australia Ltd	11,151,781	10.43
J P Morgan Nominees Australia Ltd	9,155,543	8.57
HSBC Custody Nominees Australia Ltd	6,842,149	6.40
National Nominees Ltd	5,311,245	4.97
Rokeba Nominees Pty Ltd	3,225,941	3.02
SA Capital Funds Management Ltd	2,807,212	2.63
Citicorp Nominees Pty Ltd	1,812,347	1.70
Mr Marc Flory	1,190,000	1.11
Mr Marc Flory	630,282	0.59
Tarmel Pty Ltd	530,943	0.50
Chotai International Pty Ltd	500,000	0.47
Honour Path Holdings Ltd	418,534	0.39
Mr Brett Taylor & Mrs Donna Taylor	400,000	0.37
Emibarb Pty Ltd	392,300	0.37
Middleton Nominees (SA) Pty Ltd	383,415	0.36
Dr Michael Dineen & Mrs Kerry Dineen	309,800	0.29
Mrs Sharyn Elizabeth Farrell	304,325	0.28
Chashmere Super Pty Ltd	300,000	0.28
Y S Chains Pty Ltd	290,000	0.27
	67,829,672	63.46%

# CORPORATE DIRECTORY

## DIRECTORS

Bill Cash - Chairman  
Nicki Bowman - Non-executive Director  
Scott Lowe - Managing Director  
Louis Mnguni - Non-executive 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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GPO Box 2975 Melbourne VIC 3001  
Telephone: 1300 850 505 (within Australia)  
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 - SRK Consulting  
- MSA Group

Public Relations - Mandate Corporate Australia

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