

24 February 2010

Blackthorn Resources

Year End	Revenue (A\$m)	PBT* (A\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
06/08	0.0	(2.5)	(2.37)	0.0	N/A	N/A
06/09	0.0	(0.0)	(0.05)	0.0	N/A	N/A
06/10e	0.0	(3.7)	(3.45)	0.0	N/A	N/A
06/11e	0.0	(10.3)	(9.78)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding goodwill amortisation and exceptional items

Investment summary: BHP Billiton backs Mumbwa

In late January 2010 BHP Billiton elected to progress to Phase 4 of the Mumbwa copper and gold project in Zambia. The decision endorses the potential of this area, where an inferred mineral resource has already been defined by Blackthorn Resources. BHP Billiton will fully fund Phase 4 which, once successfully completed, will allow it to increase its share of the project from 40% to 60% subject to a back-in payment to Blackthorn Resources estimated to be US\$11.5m (A\$12.5m). This is not reflected in our financials pending further information on the outcome of Phase 4.

Phase 4 to assess the full potential at Mumbwa

The next stage of exploration at Mumbwa is expected to commence in April 2010. Initial drilling will be guided by geophysics and is designed to test the 19km long Mushingashi anomaly. A concept study will also be carried out to evaluate the project's development potential within the recently renewed exploration licence area.

Perkoa due diligence underway

Due diligence is currently underway at the Perkoa zinc project in Burkina Faso following the conclusion of a HoA between Blackthorn Resources and Glencore. As a potential partner, Glencore will be required to provide or procure the US\$72m (A\$79m) needed to put Perkoa into production.

Gold exploration continues

The company is continuing with exploration on their Burkina Faso Gold properties immediately adjacent to Perkoa. Drilling is proceeding on schedule.

Valuation: Pre-dilution value of US\$152m (A\$165m)

Our combined valuation of Blackthorn Resources is unchanged at US\$152m (A\$165m) or A\$1.54 per share with c 107m shares in issue. This is based on a zinc price of US\$2,486/t and an A\$:US\$ exchange rate of 1.086. The Glencore HoA lends support to our assumption that Perkoa will be commissioned in Q311. A change in the structure of the Mumbwa JV will affect the valuation but only after the successful completion of Phase 4.

Price **A\$0.83**
Market Cap **A\$88m**

Share price graph



Share details

Code **BTR**
Listing **ASX**
Sector **Materials**
Shares in issue **106.9m**

Price

52 week High **A\$1.025** Low **A\$0.075**

Balance Sheet as at 30 June 2009

Debt/Equity (%) **N/A**
NAV per share (A\$) **0.47**
Net borrowings (A\$m) **18.4**

Business

Blackthorn Resources is an Australian exploration company with projects in Burkina Faso, Zambia and South Africa. By focusing on priority projects, the company aims to become a self-funding exploration and mining company.

Valuation

	2009	2010e	2011e
P/E relative	N/A	N/A	N/A
P/CF	N/A	N/A	N/A
EV/Sales	N/A	N/A	N/A
ROE	N/A	N/A	N/A

Revenues on geography

	UK	Europe	US	Other
0%	0%	0%	100%	

Analysts

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Exhibit 1: Financials

	A\$'000s	2008	2009	2010e	2011e	2012e
Year end 30 June		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		0	0	0	0	22,052
Cost of Sales		0	0	0	0	(56,187)
Gross Profit		0	0	0	0	(34,135)
EBITDA		(7,315)	(2,623)	(4,185)	(4,185)	(38,320)
Operating Profit (before GW and except.)		(7,386)	(2,666)	(4,242)	(10,724)	(46,266)
Intangible Amortisation		0	0	0	0	0
Exceptionals		0	(72,084)	0	0	0
Other		0	0	0	0	0
Operating Profit		(7,386)	(74,750)	(4,242)	(10,724)	(46,266)
Net Interest		4,931	2,616	551	376	204
Profit Before Tax (norm)		(2,455)	(50)	(3,690)	(10,347)	(46,063)
Profit Before Tax (FRS 3)		(2,455)	(72,134)	(3,690)	(10,347)	(46,063)
Tax		0	0	0	(110)	(306)
Profit After Tax (norm)		(2,455)	(50)	(3,690)	(10,457)	(46,369)
Profit After Tax (FRS 3)		(2,455)	(72,134)	(3,690)	(10,457)	(46,369)
Average Number of Shares Outstanding (m)		103.8	106.9	106.9	106.9	106.9
EPS - normalised (c)		(2.37)	(0.05)	(3.45)	(9.78)	(43.4)
EPS - FRS 3 (c)		(2.37)	(67.49)	(3.45)	(9.78)	(43.4)
Dividend per share (c)		0.0	0.0	0.0	0.0	0.0
Gross Margin (%)		N/A	N/A	N/A	N/A	N/A
EBITDA Margin (%)		N/A	N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	N/A	N/A
BALANCE SHEET						
Fixed Assets		83,645	36,173	36,681	96,212	103,599
Intangible Assets		82,640	21,241	21,670	22,920	24,170
Tangible Assets		995	14,930	15,009	73,290	79,427
Investments		10	2	2	2	2
Current Assets		58,163	19,187	12,658	6,900	6,611
Stocks		33	45	0	0	4,682
Debtors		375	655	0	0	1,812
Cash		57,718	18,371	12,542	6,784	0
Current Liabilities		(18,765)	(2,625)	(295)	(295)	(39,806)
Creditors		(18,765)	(2,625)	(295)	(295)	(4,913)
Short term borrowings		0	0	0	0	(34,893)
Long Term Liabilities		(1,000)	(2,800)	(2,800)	(2,800)	(2,800)
Long term borrowings		0	0	0	0	0
Other long term liabilities		(1,000)	(2,800)	(2,800)	(2,800)	(2,800)
Net Assets		122,043	49,935	46,245	100,017	67,603
CASH FLOW						
Operating Cash Flow		(5,632)	(5,394)	(5,144)	(4,185)	(40,196)
Net Interest		4,931	2,616	551	376	204
Tax		0	0	0	(110)	(306)
Capex		(38,630)	(39,210)	(1,236)	(1,840)	(1,378)
Acquisitions/disposals		0	0	0	0	0
Financing		85,041	2,641	0	0	0
Dividends		0	0	0	0	0
Net Cash Flow		45,710	(39,347)	(5,829)	(5,758)	(41,677)
Opening net debt/(cash)		(12,008)	(57,718)	(18,371)	(12,542)	(6,784)
HP finance leases initiated		0	0	0	0	0
Other		0	0	0	0	0
Closing net debt/(cash)		(57,718)	(18,371)	(12,542)	(6,784)	34,893

Source: Edison Investment Research

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