

BLACKTHORN RESOURCES LIMITED

THIRD QUARTER ACTIVITIES REPORT

MARCH 2014



BLACKTHORN
RESOURCES

THIRD QUARTER ACTIVITIES REPORT

KEY POINTS

KITUMBA PROJECT (Blackthorn Resources 100%)

- The Prefeasibility Study Optimisation program is progressing to plan with results expected to be released by the end of April 2014.
- Work completed to date is showing encouraging results with the aim of providing:
 - Improved feed grade
 - Improved recovery
 - Lower operating costs
 - Substantially improved economics.

MUMBWA EXPLORATION (Blackthorn Resources 100%)

- Analysis of DHEM survey data was completed during the quarter in preparation for subsequent FLEM survey work on both Kitumba and Kakozhi in Q2 CY2104.

PERKOA PROJECT (Blackthorn Resources 27.3%)

- Results of the Perkoa Project operations review, undertaken by Glencore Xstrata in response to the difficult current operating conditions, were received during the quarter. Blackthorn Resources engaged in an intensive due diligence process to thoroughly understand the information provided and identify a proposed way forward.
- Open-pit operations were suspended as a result of lower mined metal grades, lower metal prices and significantly higher strip ratio.
- Production from underground operations continued during the quarter.
- Subsequent to quarter-end, Blackthorn Resources announced it had reached a non-binding conditional agreement with Glencore Xstrata to sell its equity interest in the Perkoa JV and related assets in Burkina Faso for up to US\$12 million.

BURKINA FASO EXPLORATION (Blackthorn Resources 100%)

- Base metals exploration on Northern Tenements continued.

KEY POINTS Continued

CORPORATE

- Cash on hand at 31 March 2014 was \$14.2 million.
- Mr Mike Oppenheimer appointed Chairman on the retirement of Mr Bill Cash.
- Mr Mark Mitchell commenced as Chief Executive Office on 1st January.
- Mr Roger Higgins appointed a non-executive director effective 1st January.

KITUMBA PROJECT, ZAMBIA (Blackthorn Resources 100%)



Kitumba Prefeasibility Study Optimisation

The Kitumba Copper Project PFS Optimisation studies were started following release of preliminary PFS results in September 2013.

The preliminary PFS demonstrated an economic project at Kitumba, and importantly, put the Company in a position to apply for a mining licence for the project. The preliminary PFS also recognised that the project design was not optimised and that

further work was required to maximise its development potential. Perth-based Lycopodium Minerals and Australian Mining Consultants were engaged to complete a series of optimisation studies on the PFS to develop the key areas identified as having the greatest potential to improve the project economics.

Work completed to date is showing encouraging results with the aim of providing improved feed grade, improved recovery, lower costs and substantially improved economics.

The Kitumba Copper Project has the potential to be of great value to Blackthorn Resources, and the completion of the PFS Optimisation work is the next major step in the development programme for this important asset.

The results of the optimisation study are expected to be released to the market before the end of April 2014.

MUMBWA EXPLORATION, ZAMBIA (Blackthorn Resources 100%)

Analysis of data collected from the Down Hole Electro Magnetic (DHEM) survey that was conducted on eight drill holes within the Kitumba deposit in September 2013 was completed during the quarter. Indications from the survey suggest that EM can assist in locating other mineralisation zones around Kitumba (if they exist).

A program for a Fixed Loop Electro Magnetic (FLEM) survey has been prepared for Kitumba and if successful will be continued at Kakozhi. This work will be conducted during Q2 CY2014.

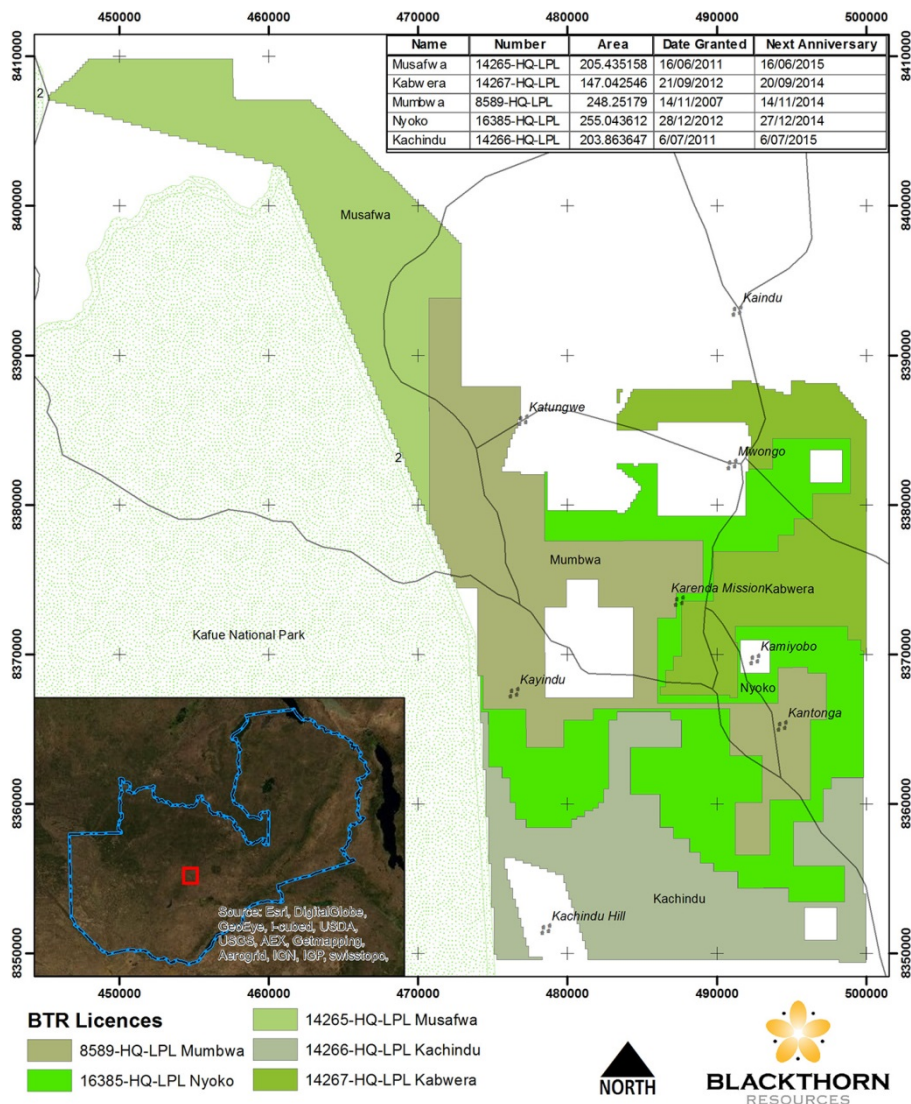


Figure 1: Mumbwa Project large-scale prospecting licences covering approximately 1,036 sq. km.

PERKOA PROJECT, BURKINA FASO (Blackthorn Resources 27.3%)

Perkoa Project Business Review

During the quarter, Blackthorn Resources received results of a review of operations for the Perkoa Project undertaken by Glencore Xstrata. As outlined to shareholders in the release on 17th March, the current status of the Perkoa Project is a disappointment, with the original core project struggling under the legacy of a heavy debt burden.

The debt burden is the result of the funding structures agreed with our JV partner for the original zinc project, the decision to mine the open pit for lead and silver and expand the capacity of the plant, and difficulties in project execution. Whilst the funding arrangements put in place have enabled Blackthorn Resources to retain a significant equity participation in the project without recourse to our own cash resources, the expansion of the project has performed substantially below business case expectations.

As part of the operations review of the Perkoa Project the following areas were highlighted:

1. Suspension of Open Pit Operations

Whilst ore tonnage from the open pit was in line with the business plan, metal grades being mined were lower than expected and the strip ratio significantly higher. These issues have combined with lower metal prices than assumed in the open pit business case to deliver unacceptable financial performance. As a result operations at the open pit have been suspended.

2. Review of Ore Reserves

Blackthorn Resources noted the release of Glencore Xstrata's Resources and Reserves Statement as at 31 December 2013 that included a downgrade of the Perkoa Ore Reserve. The Perkoa Ore Reserve, as reported by Glencore Xstrata, is now reported as 4.9/Mt at 9.9% zinc, 0.2% Lead and 41/gt Silver. A draft Perkoa Ore Reserve

statement was received from the Perkoa operator in September 2013. Blackthorn Resources has been engaged in dialogue with the Perkoa operator in subsequent months and requested further work by the Perkoa operator and the Competent Person to verify and explain the proposed changes.

Blackthorn Resources considers that the updated Mining Reserve remains part of the overall business plan review, with finalisation of the Ore Reserve to be subject to appropriate due diligence.

3. Underground Mine Optimisation

A number of options were being assessed for the ongoing operation of the underground mine to determine the most appropriate mining schedule and scale of operation.

4. Costs

The current cost structures were being reviewed and opportunities for cost reductions (both operating and capital) were being identified in all areas of the operation, including mining, processing, administration and logistics.

5. Operating Scenarios

A number of schedule, cost and capital scenarios were being considered as the basis for the future of the project, including consideration of placing the project into care and maintenance for a period of time until zinc prices improve.

Blackthorn Resources engaged in an intensive due diligence process to thoroughly understand the information provided and identify a way forward, including resolution of working capital funding options.

Prior to the end of the quarter, the Company provided Glencore Xstrata with its assessment of

the potential business plan for the Perkoa Project and the Company's future investment in the project.

Subsequent Agreement to Divest

On 16 April 2014, the Company announced that it has reached a non-binding conditional agreement with Glencore Xstrata to sell its remaining 27.3% share of the Perkoa Project for US\$10 million. The agreement, which will be subject to shareholder approval, will also include the sale of Blackthorn Resources' Northern Tenement exploration licences in Burkina Faso for up to US\$2 million.

In addition, Blackthorn Resources will not be required to contribute its US\$9 million share of the US\$30 million working capital requirement for Perkoa announced in August 2013.

The agreement in principle with Glencore Xstrata follows Blackthorn Resources' recently completed due diligence review of the Perkoa business plan, and included consideration of the impact of project debt levels plus appropriate consideration of potential zinc pricing trends over the remaining mine life.

Mining Operations/Production

Underground mining operations performed in line with the reduced production targets during the quarter, with production from the underground stoping continuing to ramp up, and providing higher grade zinc ore to the mill.

Whilst ROM production from the open pit had been in line with the business plan during CY2013, the zinc grades being mined were lower than originally expected. The lower grades, combined with the lower than planned metal prices made the open pit uneconomic. As a result, a decision was made in early CY2014 to suspend the open pit operations and focus on the higher grade underground operations.

The suspension of the open pit resulted in lower total ore production for the quarter, however, overall zinc production was higher than the previous quarter due to the higher zinc grades being fed to the mill.

Mill throughput and concentrate quality for the quarter were consistent with expected performance and the higher zinc head grade.

Perkoa Production (100% basis)

DESCRIPTION	UNIT	DECEMBER 2013 QUARTER (3 mths Actual)	MARCH 2014 QUARTER (3 mths Actual)	QUARTER-ON- QUARTER Change	CY2014 YTD (3 mths Actual)
TOTAL ORE PRODUCED	t	209,267	129,830	-38%	129,830
Underground Ore Produced	t	87,154	102,040	17%	102,040
Milled Tonnes	DMT	172,759	133,313	-23%	133,313
Zinc Concentrate Produced	DMT	28,958	33,440	15%	33,440
Lead Concentrate Produced	DMT	835	510	-39%	510
Zinc Metal Contained	DMT	14,674	16,556	13%	16,556
Lead Metal Contained	DMT	369	245	-33%	245
Silver Metal in Lead Concentrate	Kg	5,267	2,823	-46%	2,823

EXPLORATION, BURKINA FASO (Blackthorn Resources 100%)

Base Metals Exploration Program

During the quarter, final assessment and site preparations for priority targets selected for follow up ground geophysics and RAB drilling were completed. The targets are located in the Northern Tenements consisting of the Poa, Guido, Seboun and Sepaogo exploration permits which surround the Perkoa zinc mine.

Poa and Guido

Line cutting and site preparations were completed on the AF1, Perkoa North-East and Semapoun West prospects located along strike of the Perkoa zinc deposit, and selected on the basis of previous ground Induced Polarization geophysics and RAB drilling results. The designed shallow vertical RAB drilling, planned to start early Q4 2014, is intended to complete the previous RAB lines. High priority anomalies will be further tested with inclined Reverse Circulation (RC) drilling.

Seboun and Sepaogo

Three priority anomalies were selected on the Seboun and Sepaogo permits. These prospects are known as Sepaogo North on the Sepaogo permit, and Seboun South and Seboun North on the Seboun permit. The selected VTEM targets coincide with previous geochemical base metals anomalies. Mapping, litho-geochemical sampling, line cutting and site preparation were completed on these prospects. Induced Polarization geophysics and shallow vertical RAB drilling are planned for early Q4 2014.

Subsequent to quarter-end, the Company announced that it would sell its Northern Tenement holdings, consisting of the Poa, Guido, Seboun and Sepaogo permits, to Glencore Xstrata for up to US\$2 million as part of the agreement for Blackthorn Resources to sell its equity investment in the Perkoa JV.

Southern Tenements

The Company has received formal confirmation of acceptance of the relinquishment of the Naboue, Fafo and Bonzan exploration permits from the Ministry of Mines and Energy. These tenements were previously referred to as the Southern Tenements.

CORPORATE

Available Cash Funds

As at 31 March 2014, the Company had cash on hand of \$14.2 million.

Exploration and evaluation expenditure incurred during the quarter on the Mumbwa Project and Burkina Faso Exploration programs totalled \$1.3 million. In addition, during the quarter the Company incurred administration expenses totalling \$0.8 million, net of interest received.

Expenditure to be incurred in the next quarter on exploration and evaluation activities is forecast to be \$1.2 million. Expenditure to be incurred on administration expenses, net of interest received, is forecast to be \$0.9 million.

Chairman/Director Appointments

On 6 February 2014, the Company announced the retirement of its Chairman Mr Bill Cash. The Board of Directors unanimously endorsed the appointment of Mr Mike Oppenheimer as Chairman to succeed Mr Cash.

In addition, Mr Roger Higgins was appointed a non-executive director effective 1 January 2014.

CEO Appointment

Mr Mark Mitchell commenced as Chief Executive Officer on 1 January 2014.

Issued Capital

Issued capital at 31 March 2014 was:

- 164,285,950 ordinary shares (listed);
- 150,000 employee options, with exercise price \$1.63, expiring 27 June 2015 (unlisted);
- 2,660,000 employee options, with exercise price \$0.25, expiring 31 May 2017 (unlisted).

During the quarter, 1,700,000 employee options with an exercise price \$1.63 were cancelled.

In addition during the quarter, 2,660,000 employee options were issued under the Company's Employee Option Plan approved by shareholders on 31 August 2012, with an exercise price of \$0.25 per option exercisable between 19 March 2017 and 31 May 2017, if the BTR share price is at least \$0.75 (based on 30 day VWAP) on 19 March 2017.

All Ordinaries Index

As a result of the S&P Dow Jones March 2014 Quarterly Rebalance, effective 21 March 2014 the Company was removed from the All Ordinaries Index.

Should you require further information please contact:

Mark Mitchell
Chief Executive Officer
Ph: +61 2 9357 9000

TENEMENTS SUMMARY

CONCESSION	LOCATION	TENEMENT NUMBER	CURRENT QUARTER	PREVIOUS QUARTER
Perkoa Exploitation Licence ⁽¹⁾	Burkina Faso	07-143	27.3%	27.3%
Guido Exploration Licence	Burkina Faso	13-118	100%	100%
Poa Exploration Licence	Burkina Faso	13-119	100%	100%
Sepaogo Exploration Licence	Burkina Faso	11-335	100%	100%
Seboun Exploration Licence	Burkina Faso	11-336	100%	100%
Fafo Exploration Licence	Burkina Faso	11-152	-	100%
Bonzan Exploration Licence	Burkina Faso	13-049	-	100%
Naboue Exploration Licence	Burkina Faso	13-050	-	100%
Mumbwa Permit	Zambia	8589-HQ-LPL	100%	100%
Musafwa Permit	Zambia	14265-HQ-LPL	100%	100%
Kachindu Permit	Zambia	14266-HQ-LPL	100%	100%
Kabwera Permit	Zambia	14267-HQ-LPL	100%	100%
Nyoko Permit	Zambia	16385-HQ-LPL	100%	100%

1. At 31 March 2014 the Company, through its wholly-owned subsidiary Blackthorn Investments Pty Ltd, effectively held a 27.3% interest in the

Perkoa Project. Joint venture partner Glencore Xstrata held a 62.7% interest, with the remaining 10% held by the State of Burkina Faso.

CORPORATE INFORMATION

DIRECTORS

Mike Oppenheimer – Non-executive Chairman
Nicki Bowman - Non-executive Director
Derek Carter - Non-executive Director
Roger Higgins - Non-executive Director
Peter Kalkandis - Non-executive Director

CHIEF EXECUTIVE OFFICER

Mark Mitchell

COMPANY SECRETARY

Chris Brown

OFFICES

Australia

Level 5, Suite 502
80 William Street
Sydney NSW 2011
Australia
Telephone: +61 2 9357 9000
Facsimile: +61 2 9332 1336
Website: www.blackthornresources.com.au
Email : info@blackthornresources.com.au

Burkina Faso

536, rue Guillaume Ouédraogo
Ouagadougou 01 BP 1463
Burkina Faso
Telephone: +226 50 31 66 35
Facsimile: +226 50 31 70 97

Zambia

Suite 1A, Al Jahazi Village
155 Kabulonga Road
Kabulonga, Lusaka
Zambia
Telephone: +260 211 268 502

STOCK EXCHANGE LISTING

Australian Securities Exchange Limited
ASX Code: BTR

SHARE REGISTRAR

Computershare Investor Services
Level 3, 60 Carrington Street
Sydney NSW 2000
GPO Box 2975EE 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

U.S. OWNERSHIP RESTRICTIONS

The ordinary shares of the Company (the “Shares”) have not been, and will not be, registered under the U.S. Securities Act of 1933 (the “U.S. Securities Act”) or the securities laws of any state or other jurisdiction in the United States. In addition, the Company has not been registered under the U.S. Investment Company Act of 1940, as amended (the “U.S. Investment Company Act”), in reliance on the exception provided by section 3(c)(7) thereof. Accordingly, the Shares cannot be held at any time by, or for the account or benefit of, any “U.S. person”, as defined in Rule 902(k) under the U.S. Securities Act, who is not both a “qualified institutional buyer” (“QIB”), as defined in Rule 144A under the U.S. Securities Act, and a “qualified purchaser” (“QP”), as defined in Section 2(a)(51) of the U.S. Investment Company Act. Any U.S. Person who is not both a QIB and a QP (or any investor who holds Shares for the account or benefit of any U.S. Person who is not both a QIB and QP) is an “Excluded U.S. person”. The Company may require an investor to complete a statutory declaration as to whether they (or any person on whose account or benefit it Company may treat any investor who does not holds Shares) are an Excluded U.S. person. The comply with such a request as an Excluded U.S. person. The Company has the right to: (i) refuse to register a transfer of Shares to any Excluded U.S. person; (ii) require any Excluded U.S. person to dispose of their Shares; or (iii) take such other action as it deems necessary or appropriate to enable it to maintain the exception from registration under Section 3(c)(7) of the U.S. Investment Company Act. To monitor compliance with these foreign ownership restrictions, the ASX’s settlement facility operator, ASX Settlement and Transfer Corporation Pty Limited (ASTC) has classified the Shares as Foreign Ownership Restricted financial products and put in place certain additional monitoring procedures.



blackthornresources.com.au