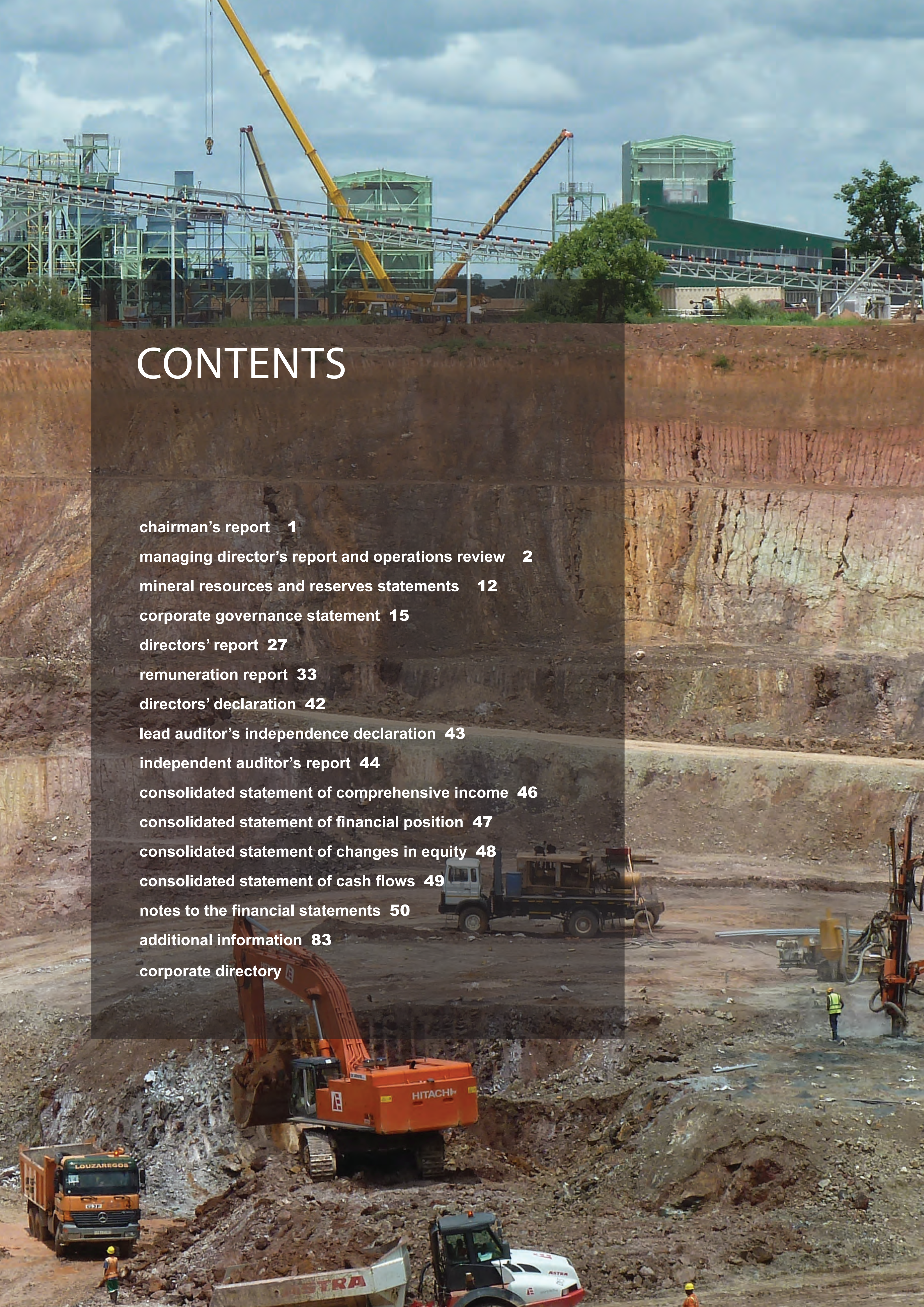
2012 annualreport

Blackthorn Resources Limited

BLACKTHORN RESOURCES



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CHAIRMAN'S REPORT

Dear Fellow Shareholders,

More than four years have passed since we embarked on the journey to restructure and reshape Blackthorn Resources and capitalise on, or rationalise the diversified asset base we inherited. I am pleased to report that we have substantially achieved all the goals we set at that time.

I am very pleased to say that the Perkoa Mine in Burkina Faso is close to final commissioning and the start of commercial production. Under the stewardship of Glencore International as the manager and joint venture (JV) partner, the mine is on track to produce silver and lead in concentrate form as well as zinc concentrate.

Recent results from the exploration program at our 100% owned Mumbwa Project in Zambia lead us to believe that this project could be a 'company maker'. Such is our confidence in the potential of the Mumbwa property that we embarked on a successful $40.1 million capital raising after the close of the 2012 financial year.

The highlights for the year for me have been:

- Our decision to support Glencore's proposal for the expansion of the Perkoa Mine
- Production of first ore from the underground mine development at Perkoa
- The significant mineral resource upgrade completed at Perkoa
- The major mineral resource upgrade, both tonnes and grade, for the Kitumba resource at the Mumbwa Project.

Throughout the course of the year we have refined our strategy and with it our portfolio, exiting the South African platinum group minerals project and in Burkina Faso deciding to focus on base metals exploration.

On the corporate front, we remain committed towards achievement of leading practice in corporate governance. The Company's Corporate Governance Statement on pages 15 to 26 of this annual report documents the comprehensive corporate governance framework the Company now has in place.

Mr Derek Carter joined the Board as a Non-executive Director in February 2012. Derek brings vast knowledge of and experience in mine geology and mineral exploration, particularly of IOCG deposits. He is also an experienced executive and director of a number of listed resource companies and various industry and governmental agency bodies.

The Board has grown into a capable, experienced and dedicated group with diversified and appropriate experience, skills and talents, committed to guiding the Company with robust questioning, discussion and balanced deliberation of matters brought forward for consideration.

I am very proud of what has been achieved by Blackthorn Resources over the past four years and, more particularly, the great steps forward we have made in the year under review. None of this would have been possible without the dedication and enthusiasm of our team and our specialist advisers in Australia, Burkina Faso and Zambia, capably lead by our Managing Director with support from our Chief Financial Officer and Chief Operating Officer. We are grateful for the ongoing faith and support of those shareholders who have stayed with us through the tough times and the confidence shown by those who have recently joined us.

The Managing Director's Report and Operations Review which follows, describes the year under review in greater detail.

Bill Cash
Chairman

MANAGING DIRECTOR'S REPORT AND OPERATIONS REVIEW

Dear Shareholders,

I am pleased to report that 2011/2012 was yet another very successful year for Blackthorn Resources with a number of important, even transformational goals being achieved. Around the world, the business environment has remained uncertain, dynamic and difficult, however our Company has continued to demonstrate an ability to execute and deliver on challenging objectives, while adapting to the prevailing economic circumstances to create shareholder value.

Blackthorn Resources has delivered a range of project outcomes that have been recognised by the investment community and resulted in a re-rating of the share price. In fact, the appreciation in share price and market capitalisation has been such that the Company was among the best performing of ASX listed resource companies of any size over the 2012 financial year.

Major achievements for the year include:

- Successful handover of the Mumbwa copper exploration project in Zambia from BHP Billiton
- Excellent drilling results and mineral resource upgrade at Mumbwa
- Mineral resource upgrade at the Perkoa Project in Burkina Faso
- Construction progress at Perkoa
- Approval of Blackthorn Resources' participation in the expansion of the Perkoa Project.

Blackthorn Resources' share price increased by more than 160% for the financial year, driven by reliable execution in developing a portfolio of quality assets. This result ranks the Company's shares amongst the top 5 resource stocks for price appreciation for the period as reported by the Greshan Group 150 ranking of the top 150 ASX listed resource companies (excluding oil and gas) published in July 2012.

Financial position

Closely managing cash remains a priority. At the end of the financial year Blackthorn Resources had cash on hand of $6.3 million, which was in-line with expectations. Following year-end, the Company initiated a capital raising to secure $40.1 million in funding and is now well capitalised for future operations.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

Blackthorn Resources is committed to establishing and maintaining health, safety and environmental standards and performance in line with industry practice, regardless of location. It is working closely with its JV partners to achieve these outcomes.

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

ENVIRONMENT, SOCIAL AND COMMUNITY

Blackthorn Resources values sustainable development and is committed to working with its partners to minimise environmental impacts and foster responsible relationships with local communities and various stakeholders. The Company is active in community development initiatives with a number of practical projects, which are identified and prioritised through consultation with local people.

In Burkina Faso, in April 2012 the Nantou Foundation started construction of a clinic for Perkoa and the surrounding villages. The clinic, due for completion in September 2012, will be well equipped and includes a health and maternity centre, a pharmacy and accommodation for a nurse and a midwife. A borehole will also be provided to supply water to the clinic.

During the year the Perkoa Literacy Centre became fully operational and is now overseen by the Government authority in charge of education and literacy. A total of 54 students including 42 women were trained in the two main languages of the area. Eighteen students including 17 women successfully passed the exams organised by the Local Department of Education. The authorisations to build a primary school and a larger dedicated literacy centre are still pending.

Blackthorn Resources undertook a campaign of rehabilitating non-functioning water boreholes to improve access to potable water for the local population. A total of 85 water boreholes were rehabilitated in Reo, the capital city of the province, and in the 12 villages surrounding the mine, including Perkoa where seven water boreholes were rehabilitated.

Following the decision to introduce open pit mining to the Perkoa Project, the Company compensated those farmers whose crop fields are affected by the open pit. No family was required to relocate outside the area.

In Zambia, Blackthorn Resources has focussed on engagement with the local community, the minimising of environmental impact, the rehabilitation of any impacts that do occur, and the transfer of skills to Zambians employed on the project. The majority of people employed are Zambians, with a significant number of these personnel employed from the local towns of Kaindu and Mumbwa. The Company also supports the Mumbwa Clinic, an HIV and AIDS anti-retroviral facility that services communities local to the Mumbwa Project.

Blackthorn Resources has appointed an environmental consultancy to complete a baseline biophysical and social environmental assessment in October 2012, followed by an environmental impact assessment (EIA) by mid-2013. These data are being collected in preparation for potential feasibility studies.

There were no significant environmental incidents or prosecutions reported during the year at any of the Company's projects.


VAIDEHI

PERKOA PROJECT - BURKINA FASO

As the project closest to production, the Perkoa Project in the Sanguie Province, Burkina Faso is an important part of Blackthorn Resources' portfolio. The project is a JV with Glencore International and construction work progressed under their management throughout the year.

Key achievements:

- Construction work progressed in line with expectations
- JORC mineral resource upgrade completed
- Blackthorn Resources' participation in project expansion approved.

Subsequent to year-end, the Company approved participation in an expansion of the Perkoa Project with funding for incremental capital to be provided by Glencore via an additional US$40 million project finance facility. The changes to the project include increased plant capacity, open-cut mining to supplement underground production, and importantly, the addition of silver and lead to the product stream.

Resources

The Perkoa JORC compliant mineral resource was increased to a total of 12.2Mt at 10.3% Zn, 53.9g/t Ag and 0.16% Pb.

Other parameters include:

- Production rate - 1M tonnes pa ROM ore mined and processed
- Start-up capital - Glencore is investing total US$120 million.

Outlook

Blackthorn Resources looks forward to the commencement of production and continuing to work closely with our JV partner Glencore.

MUMBWA PROJECT - ZAMBIA

Mumbwa is an exciting iron oxide copper-gold (IOCG) exploration project. Blackthorn Resources holds a 100% interest in the project, with former co-owner BHP Billiton retaining a 2% production royalty.

Key achievements:

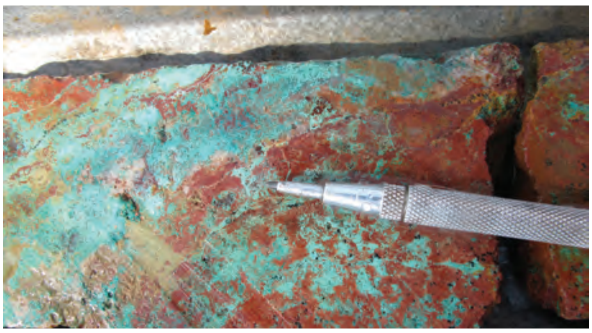
- Successful drilling program completed
- Very high-grade copper (Cu) and gold (Au) mineralisation reported in a number of holes across parts of the system
- JORC mineral resource upgrade completed**.**

During the year, the Company completed a very successful exploration drilling campaign. The best hole drilled was hole S36 – 033 which reported approximately 231m of an average of 4.5% copper. The drilling work also culminated in an impressive upgrade of the Kitumba JORC compliant mineral resource of 187Mt at 1.14% Cu, with 2.1Mt of contained copper metal using a cut-off grade of 0.5% copper.

A Scoping Study was initiated with the aim of assessing the economic viability of the Kitumba resource. This study was completed in September 2012 and supports the potential for a larger open cut mine.

Outlook

The Mumbwa Project has the potential to be a 'company making' asset and has already generated value for shareholders. Beyond the current resource, there is the opportunity for additional value creation through exploration upside. Mumbwa represents value growth potential in a range of areas and remains a fundamental part of Blackthorn Resources' portfolio. The Company is focused on developing the Kitumba resource subject to economic assessment, as well as further exploration through resource definition and step-out drilling. There are also a number of additional attractive targets contained within the Mumbwa Project that have yet to be fully tested.



BURKINA FASO EXPLORATION

During the year, the Company examined a number of strategic alternatives for exploration in Burkina Faso, deciding ultimately to focus efforts on base metals, and not pursue gold prospects.

Outlook

The Company holds a number of exploration tenements surrounding the Perkoa Project that are prospective for base metals. Some early stage exploration work has been completed and a more detailed program is expected to be developed for FY 2013 and beyond.

CORPORATE

Management

During the year Mr Tony De Santis joined the Company as its Chief Operating Officer. Tony is a business executive with over 25 years' experience in the mining industry, having held senior operational and management roles in BHP Billiton, Anglo American, Peabody Pacific and most recently as COO and Acting CEO at Delta SBD Ltd.

Corporate Governance and Risk Management

The Company remains committed to working towards achievement of leading practice in corporate governance.

Throughout the year, the Audit and Risk Committee continued the important work of identifying key operational and business risks faced by the Company. This process involved identifying, prioritising and mitigating key risks across all aspects of our business using a framework that is regularly reviewed and updated.

COMPANY OUTLOOK

In FY 2012, Blackthorn Resources met or exceeded a number of important objectives and made tangible progress towards achieving its long term ambition to become a mid-tier mining house. Once again, and for a number of consecutive years, the Company has delivered on a range of specific business objectives, demonstrating its execution capability and reliability.

Although the global economy continued to be volatile, the Company achieved operational success and was recognised by the market through a re-rating of the Company's value.

While we are very proud of what has been achieved in the past year, we recognise there is still untapped potential in the assets, and a difference between the intrinsic value of the assets and the current market capitalisation of the Company. We look to the future with a sense of optimism and determination to continue to deliver on our corporate objectives.

The priorities for the medium term will be:

- Working with Glencore to make Perkoa a success as it enters the production phase
- Assessing the economic potential at Kitumba
- Further exploration at Mumbwa including resource definition and extension
- Greenfields testing of attractive Mumbwa targets
- Continuing to explore on the exploration leases in Burkina Faso.

We will generate value by moving projects along the development pipeline, working through the various phases through to construction and production.

While business circumstances are ever-changing and our strategy will be adapted from time to time to suit the business and economic environment, our core values remain. They are:

- Sound corporate governance
- Setting and achieving challenging business and operational goals
- Effective risk management
- Tight control of costs
- Prudent investment of capital
- Active portfolio management
- Positive stakeholder relationships and communication.

Blackthorn Resources' overriding objective is to deliver shareholder value growth. With production at Perkoa in the near term, excellent exploration and development potential at Mumbwa, all underpinned by sound management, we believe we are in a very good position to achieve a step change in value. Our team looks forward to continuing to 'Unearth Value' for our shareholders through '**Discovery, Development and Delivery**'. We will also continue to strive to create benefits for other key stakeholders associated with Blackthorn Resources.

Scott Lowe
Managing Director

MINERAL RESOURCES AND RESERVES STATEMENTS

Perkoa Project, BURKINA FASO

Mineral Resources - Perkoa

Category	Tonnes (Mt)	Zinc grade (%)	Silver grade (g/t)	Lead grade (%)
Measured Resource	1.49	13.1	38.4	0.09
Indicated Resource	5.66	10.5	57.9	0.18
Total Measured & Indicated Resources	7.15	11.0	53.8	0.16
Inferred Resource	5.01	9.1	54.1	0.17
Total Mineral Resources	12.17	10.3	53.9	0.16

Ore Reserves - Perkoa

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

Notes for Perkoa

- The Mineral Resource and Ore Reserve estimates are reported in accordance with the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code).
- Mineral Resources are inclusive of Ore Reserves.
- The Mineral Resources are reported in accordance with the JORC Code by Competent Person Mr Danny Kentwell, FAusIMM, who is an employee of SRK Consulting Australasia Pty Ltd.
- The Mineral Resources are estimated at a cut-off value of US$80 per tonne and is dated 25 May 2012.
- The Ore Reserves are reported in accordance with the JORC Code by Competent Person Mr John Miles, MIMMM, who is a principle associate of SRK Consulting (UK) Ltd.
- The Ore Reserves are 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 Reserves include estimated mining losses and dilution and reflects anticipated tonnes and grades delivered to the processing plant.

Mumbwa Project, ZAMBIA

Mineral Resources – Kitumba

Category	Tonnes (Mt)	Copper grade (%)	Gold grade (g/t)	Silver grade (g/t)	Uranium grade (ppm)
Indicated Resource	79.9	1.33	0.04	0.90	43
Inferred Resource	107.1	1.00	0.04	0.86	45
Total Mineral Resources	187.0	1.14	0.04	0.88	44

Notes for Kitumba

- The Mineral Resource estimates are reported in accordance with the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code).
- The Mineral Resources are reported in accordance with the JORC Code by Competent Person Mr Michael R. Hall, MBA, Pr.Sci.Nat., MAusIMM, who is a consultant to the MSA Group, South Africa.
- The Mineral Resources are reported at a copper cut-off grade of 0.5% and is dated 29 June 2012.

Burkina Faso Gold Project, BURKINA FASO

Mineral Resource – Guido Prospect

Category	Tonnes (Mt)	Gold grade (g/t)	Contained gold (ounces)
Inferred Resource	4.1	1.06	139,000
Total Mineral Resource	4.1	1.06	139,000

Notes for Burkina Faso Gold

- The Mineral Resource estimate is reported in accordance with the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code).
- The Mineral Resource is reported in accordance with the JORC Code by Competent Person Mr Michael R. Hall, MBA, Pr.Sci.Nat., MAusIMM, who is a consultant to the MSA Group, South Africa.
- The Mineral Resource is reported at a gold cut-off grade of 0.4g/t and based on information made available to the MSA Group up to and including 31 October 2010.
- The Mineral Resource incorporates mineralisation between surface and a maximum depth of 300m below surface.

TENEMENTS SUMMARY

		Tenement Number	2012	2011
Perkoa Exploitation Licence [(1)]	Burkina Faso	07-143	39.9%	39.9%
Poa Exploration Licence	Burkina Faso	11-117	100%	100%
Guido Exploration Licence	Burkina Faso	11-116	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%	100%
Naboue Exploration Licence	Burkina Faso	09-280	100%	100%
Bonzan Exploration Licence	Burkina Faso	09-279	100%	100%
Mumbwa Permit [(2)]	Zambia	8589-HQ-LPL	100%	60%
Musafwa Permit	Zambia	14265-HQ-LPL	100%	100%
Kachindu Permit	Zambia	14266-HQ-LPL	100%	-

(1) The Company, through its wholly-owned subsidiary Blackthorn Investments Pty Ltd, effectively holds a 39.9% interest in the Perkoa Project. Joint venture partner Glencore International holds a 50.1% interest, with the remaining 10% held by the State of Burkina Faso.

(2) Previously subject to joint venture with BHP Billiton which was terminated effective 16 August 2011. Application for renewal of the permit is pending in accordance with the Zambian Mines Development Act.

ATTRIBUTIONS

Perkoa Project

The information in this report that relates to the Ore Reserves at the Perkoa Project is based on information compiled by Mr John Miles, who is a Member of the Institute of Materials, Minerals and Mining, which is a 'Recognised Overseas Professional Organisation' ('ROPO'). Mr Miles is a Principal Associate of SRK Consulting (UK) Ltd. Mr Miles has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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 Miles has consented to the inclusion in this Annual Report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the Mineral Resources at the Perkoa Project is based on information compiled by Mr Danny Kentwell, who is a Fellow of The Australasian Institute of Mining and Metallurgy (FAusIMM). Mr Kentwell has 23 years' experience in resource evaluation, mine planning and operations and is employed full-time by SRK Consulting Australasia Pty Ltd. Mr Kentwell has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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 Kentwell has consented to the inclusion in this Annual Report of the matters based on his information in the form and context in which it appears.

Mumbwa Project

The information in this report which relates to Mineral Resources at the Mumbwa Project in Zambia is based on information compiled by Mr Michael R Hall, MBA, Pr.Sci.Nat., MAusIMM, who is a member of The Australian Institute of Mining and Metallurgy. Mr Hall has 32 years' experience in mineral exploration and is a consultant to the MSA Group. Mr Hall has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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 the inclusion in this Annual Report of the matters based on his information in the form and context in which it appears.

Burkina Faso Gold Project

The information in this report which relates to Mineral Resources at the Burkina Faso Gold Project in Burkina Faso is based on information compiled by Mr Michael R Hall, MBA, Pr.Sci.Nat., MAusIMM, who is a member of The Australian Institute of Mining and Metallurgy. Mr Hall has 32 years' experience in mineral exploration and is a consultant to the MSA Group. Mr Hall has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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 the inclusion in this Annual Report of the matters based on his information in the form and context in which it appears.

CORPORATE GOVERNANCE STATEMENT

This section of the Annual Report sets out the Company's corporate governance framework and the main corporate governance practices that have been adopted by the Company's Board.

In accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (Corporate Governance Principles and Recommendations), Blackthorn Resources Limited (the Company) has made it a priority to ensure that the corporate governance practices and principles adopted by the Company reflect a high standard of corporate governance.

A table has been included at the end of this statement summarising the Company's compliance with each of the 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**.

Principle 1: Lay solid foundations for management and oversight
(Companies should establish and disclose the respective roles and responsibilities of board and management)

Responsibilities of the Board and management

The Board of the Company operates under a Board Charter, which sets out how the Company is governed and the role and responsibilities of the Board of the Company. A copy of this charter is available on the Company's website **www.blackthornresources.com.au**.

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 role of the Board is to provide overall strategic direction for the Company and to guide and monitor the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board operates under the Company's Constitution, from which it derives its ultimate authority.

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;
- Reviewing and approving strategic plans, capital investments and corporate objectives consistent with corporate strategy;
- Providing financial and operational oversight, including monitoring the performance of the Company, the Board and management, and 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;
- Taking responsibility for corporate governance;
- Identifying and appointing new directors and senior executives, and implementing relevant succession plans;
- Reviewing the performance and remuneration of senior executives and directors;
- Reporting to shareholders and monitoring compliance with the Company's Disclosure Policy; and
- Reviewing the Board Charter annually to ensure that it remains relevant to the Company's business operations and its changing business requirements.

Directors are required at all times to act in accordance with legal and statutory requirements, and properly discharge all their duties as directors. In doing so directors must:

- Discharge their duties in good faith, for a proper purpose and in the Company's best interests;
- Act with care and diligence and with a level of skill expected of a director of a public listed company;
- Avoid conflicts of interest, except as permitted by law and with proper disclosure where a conflict arises;
- Not take improper advantage of their position as a director;
- Undertake appropriate and necessary enquiry in respect of the Company's business and its delegates; and
- Provide all necessary information required by Corporations Law, including relevant ASX disclosures.

Non-executive directors appointed to the Board receive a formal letter of appointment which sets out the terms and conditions of their appointment including director responsibilities, duties and entitlements.

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 executive management team, to ensure that management's objectives and activities are aligned with the expectations and risks identified by the Board.

Evaluating the performance of management

The performance of senior executives of the Company is reviewed annually against appropriate performance measures as part of the Company's performance management system. This performance management system includes processes to establish annual targets for senior executives that measure business and/or individual performance during the year. Actual performance against these key performance indicators is reviewed annually by the Remuneration Committee.

Further details of the assessment of performance of senior executives and relevant performance based remuneration are set out in the Remuneration Report on pages 33 to 41.

Principle 2: Structure the Board to add value
(Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties)

Board Composition

The Board seeks to appoint directors to the Board with an appropriate mix of skills, personal qualities, expertise and diversity, which will complement 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 27 to 28.

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 should comprise a majority of non-executive directors, with the Chairman of the Board, who is elected by the directors, being a non-executive director. The Board is satisfied that the current structure and size of the Board is appropriate for 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 Mr Bill Cash, Ms Nicki Bowman, Mr Derek Carter and Mr Mike Oppenheimer are independent directors. Mr Scott Lowe who is an executive director of the Company and Mr Peter Kalkandis who represents Glencore International a substantial shareholder of the Company, are not deemed independent under the Corporate Governance Principles and Recommendations by virtue of their positions. The Board has a majority of independent directors as recommended under the Corporate Governance Principles and Recommendations.

The Chairman of the Board, Mr Bill Cash, who was appointed Chairman effective 1 January 2009, is deemed to be an independent non-executive director.

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 28.

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 latest independent review of the Board's performance and that of its committees and individual directors was completed in August 2012.

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.

Further details of the Board Committees are set out under Principle 4 (Audit and Risk Committee) and Principle 8 (Remuneration Committee).

Principle 3: Promote ethical and responsible decision-making
(Companies should actively promote ethical and responsible decision-making)

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**.

Diversity

Blackthorn Resources values a diverse and inclusive workplace and is committed to finding ways to actively support and encourage a workforce made up of individuals with diverse skills, experiences, backgrounds and attributes.

The Company established a formal Diversity Policy in January 2012 which sets out the Company's approach to diversity and how the Company intends to promote and encourage diversity in the workplace. A copy of the Diversity Policy is available on the Company's website at **www.blackthornresources.com.au**.

In-line with the strategy outlined in the policy, initial objectives of the Company have focused on:

- Documenting and promulgating the Diversity Policy, which has been distributed to all employees of the Company and published in the Company's website;
- Reviewing and updating Company policies to ensure they reflect the Company's commitment to support and encourage diversity in the workplace;
- Ensuring the Company's recruitment practices are managed free from bias on the basis of a person's competencies, skills and experience.

The Company will conduct an annual review of its diversity objectives and monitor progress against those objectives.

As at 30 June 2012, women represented 19% of the Group's total workforce. There were no women in senior executive positions. There is one woman director on the Board.

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, employees, consultants and contractors 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, employees, consultants and contractors are not permitted to deal in Blackthorn Resources' securities during certain defined restricted trading periods or 'prohibited periods'. In addition, the policy prohibits the entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based incentive scheme of the Company. A copy of the Securities Trading Policy is available on the Company's website at **www.blackthornresources.com.au**.

Principle 4: Safeguard integrity in financial reporting
(Companies should have a structure to independently verify and safeguard the integrity of their financial reporting)

Audit and Risk Committee

The Board has established an Audit and Risk Committee which operates under a charter approved by the Board. A copy of this charter is available on the Company's website at **www.blackthornresources.com.au**.

The function of the Audit and Risk Committee is to assist the Board:

- In fulfilling its responsibilities in relation to the audit of Blackthorn Resources and to verify and safeguard the integrity of the Company's financial reporting; and
- In reviewing and assessing the adequacy of Blackthorn Resources' risk management systems, and to ensure there is a sound framework of risk oversight, risk management and internal control in place and operating across Blackthorn Resources.

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 Company's insurance coverage;
- Reporting to the Board on its meetings and the results of any of its assessments, reviews and recommendations;
- Ensuring that the Corporate Governance Statement in Blackthorn Resources' annual report is in accordance with the requirements of the Corporate Governance Principles and Recommendations; and
- Reviewing the Audit and Risk Committee Charter annually to ensure that it remains relevant and is consistent with the Committee's objectives and responsibilities.

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 28.

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 and management reporting and risk management. In addition, the Board will, as far as practical, aspire to the Corporate Governance Principles and Recommendations in relation to the composition of audit committees.

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

The members of the Audit and Risk Committee are:

Ms Nicki Bowman - Chairman
Mr Bill Cash
Mr Mike Oppenheimer

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

Financial Reporting

The Company has established accounting and financial control procedures which guide the Company's financial reporting obligations. The Audit and Risk Committee reviews and monitors compliance with these procedures to ensure the financial reports and other accounting records are accurate and reliable.

The Audit and Risk Committee formally reviews the carrying value of assets and other accounting issues when considering the half-year and year-end financial reports. The Audit and Risk Committee receives and reviews formal Management Questionnaires which are completed by each senior executive half-yearly.

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 2012 year.

It is also policy for the Audit and Risk Committee to meet with the external auditor in the absence of the Chief Executive Officer and Chief Financial Officer as part of the external auditor's half-yearly reporting to the Committee.

External Auditor

The Company's external auditor is KPMG. KPMG were appointed in November 2008 based on the recommendation to the Board by the Audit and Risk Committee, which undertook a formal interview and selection process of five potential candidates. The Audit and Risk Committee monitors the procedures to ensure the rotation of the external audit engagement partner is undertaken every five years as required by the Corporations Act 2001.

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.

Principle 5: Make timely and balanced disclosures
(Companies should promote timely and balanced disclosures of all material matters concerning the company)

The Company acknowledges the importance of timely and adequate disclosure to the market to promote a fair market for its securities.

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.**

Principle 6: Respect the rights of shareholders
(Companies should respect the rights of shareholders and facilitate the effective exercise of those rights)

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.

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

- The Annual Report and Half-year Report which are 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 general meetings called to obtain approval for Board actions as appropriate;
- Webcasting of media briefings and general meeting presentations; and
- The Company's website.

Copies of all Company reports and announcements made to the ASX are published on the Company's website at **www.blackthornresources.com.au**. Company stakeholders are also able to receive copies of Company announcements and reports by registering to the Company's email distribution listing.

Shareholders of the Company are encouraged to attend and participate in all general meetings of the Company. All Notices of Meetings and explanatory information are published on the Company's website. Shareholders are invited to ask questions about the management of the Company and of the external auditor as to the conduct of the audit or the content of their audit report.

Principle 7: Recognise and manage risk
(Companies should establish a sound system of risk oversight and management and interim control)

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 responsible 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, 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 Chief Executive Officer, 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**.

Risk Management Objectives

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

- Blackthorn Resources has in place a culture and the 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 program 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 program.

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 formal risk assessment reviews to confirm and re-prioritise its key business risks and to reassess the Company's risk profile. These risk assessment reviews are 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. The Company has implemented and maintains a key business risk register.

Risk Management Practices

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

- Board and Board Committee Charters
- Code of Conduct
- Disclosure Policy
- Securities Trading Policy
- Risk Management Policy
- Travel Policy
- Corporate Governance Statement
- Comprehensive insurance program
- Regular reporting
- Delegation of Authorities
- Procedures to define and manage environmental, health and safety matters.
- Establishment of Key Performance Indicators for senior management that ensures alignment of risk management priorities.

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, the Chief Operating Officer and the 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 2012 year has been received by the Board in accordance with the Company's Risk Management Policy.

Principle 8: Remunerate fairly and responsibly
(Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear)

Remuneration Committee

The Board has established a Remuneration Committee which operates under a charter approved by the Board. A copy of this charter is available on the Company's website at **www.blackthornresources.com.au**.

The function of the Remuneration Committee is to assist the Board in fulfilling its responsibilities in relation to determining and reviewing compensation arrangements for executives and non-executive directors of Blackthorn Resources.

The Board recognises that Blackthorn Resources' performance and success depends on its ability to attract and retain suitably qualified and experience people in a competitive remuneration market. At the same time remuneration practices must take account of the nature and size of the organisation. To assist in achieving this objective, the Board has adopted a Remuneration Policy which sets out the broad principles and practices that are used to structure remuneration for executives and non-executive directors. Details of this Remuneration Policy are set out in the Remuneration Report on pages 33 to 41.

Key performance targets and goals are established annually for senior executives, against which their performance is measured on an annual basis. The performance of the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer for the 2012 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 33 to 34.

The Remuneration Charter stipulates that the Remuneration Committee should meet at least three times in a year. Details of attendance at Remuneration Committee meetings held during the year are detailed in the Directors' Report on page 28.

The composition of the Remuneration Committee is determined by the Board. In considering appropriate members for the Remuneration Committee the Board will, as far as possible, aspire to the Corporate Governance Principles and Recommendations in relation to the composition and practices of remuneration committees.

The Chairman of the Remuneration Committee should be an independent non-executive director.

The members of the Remuneration Committee are:

Mr Mike Oppenheimer – Chairman
Ms Nicki Bowman
Mr Derek Carter
Mr Bill Cash

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

ASX Best Practice Recommendations

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

		comply	notes
1.	**Lay solid foundations for management and oversight**		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	√	The Company has adopted a Board Charter. A copy of the Board Charter is available on the Company's website.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	√	The performance evaluation for senior executives for the 2012 year has been completed in accordance with the defined process.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	√	
2.	**Structure the Board to add value**		
2.1	A majority of the Board should be independent directors.	√	
2.2	The Chair should be an independent director.	√	
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.	√	An independent review of the Board performance and that of its committees and directors was completed in August 2012
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	√	Refer to Notes 2.4 above.
3.	**Promote ethical and responsible decision-making**		
3.1	Companies should establish a Code of Conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	√	A copy of the Code of Conduct is available on the Company's website.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	√	A copy of the Diversity Policy is available on the Company's website.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	√	
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	√	
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	√	The Company's Security Trading Policy prohibits entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based incentive scheme. A copy of the Securities Trading Policy is available on the Company's website.
4.	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an Audit Committee.	√	

		comply	notes
4.2	The Audit Committee should be structured so that it: • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent Chairperson, who is not the Chairperson of the Board • has at least three members.	√	
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 the Guide to reporting on Principle 4.	√	
5.	**Make timely and balanced disclosures**		
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 the Guide to reporting on Principle 5.	√	
6.	**Respect the rights of shareholders**		
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.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	√	
7.	**Recognise and manage risk**		
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.	√	The report covering the 2012 year has been received by the Board in accordance with the Company's Risk Management Policy.
7.3	The Board should disclose whether it has received assurance 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.	√	The required declaration under section 295A of the Corporations Act has been received by the Board covering the 2012 year.
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	√	
8.	**Remunerate fairly and responsibly**		
8.1	The Board should establish a Remuneration Committee.	√	
8.2	The Remuneration Committee should be structured so that it: • consists of a majority of independent directors • is chaired by an independent chair • has a least three members	√	A copy of the Remuneration Policy is available on the Company's website
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	√	The Company has adopted a Remuneration Policy covering non-executive director and executive remuneration structures. A copy of the Remuneration Policy is available on the Company's website.
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	√	

DIRECTORS' REPORT

Your directors of Blackthorn Resources Limited ('the Company') are pleased to present their report together with the financial report of the consolidated entity of Blackthorn Resources Limited ('the Group'), being the Company and the entities it controlled for the year ended 30 June 2012, 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 (Hons), 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 the Company on 8 October 2008. She is Chairman of the Audit and Risk Committee and a member of the Remuneration Committee.

Derek Carter BSc, MSc, FAusIMM (CP) – Independent Non-executive Director

Derek Carter has over 40 years' experience in exploration and mine geology, including 17 years in management of ASX-listed exploration companies. He held senior positions in the Shell Group of Companies and Burmine Ltd, before founding Minotaur Exploration in 1993. Derek was managing director of Minotaur from its inception until 2010 when he became chairman of the company. He is also chairman of Petratherm Ltd (director since 2003), and is a director of Mithril Resources Ltd (since 2002) and Toro Energy Ltd (since 2005), all of which are listed on the ASX. Derek was Vice President and later President of the South Australia Chamber of Mines and Energy and chairman of the MEAG (Minerals Exploration Advisory Group), a body advising the Federal Minister on issues affecting exploration within Australia. He is currently a member of the South Australian Resources Development Board, and the South Australian Minerals and Petroleum Experts Group. Derek is also a Board member of AusIMM (The Australasian Institute of Mining and Metallurgy).

Derek was appointed a director of the Company on 1 February 2012. He is a member of the Remuneration Committee.

William (Bill) Cash – Independent Non-executive Chairman

Bill Cash joined the Blackthorn Resources' Board in May 2007 as a non-executive director following an 18 month engagement as a consultant advising the Company mainly on base metals concentrates quality and marketing matters and product transport and shipping logistics in relation to the development of the Perkoa Zinc Mine. In January 2008, he was appointed Chief Executive Officer until June 2008 and Managing Director until August 2008, and as an executive director until December 2008 when he was then appointed executive Chairman of the Board. On the 1 July 2009, Bill retired as an executive director, but remains the Company's Chairman on a non-executive basis.

In addition to his duties as Chairman, Bill is also a member of the Audit and Risk Committee and the Remuneration Committee.

Bill was a director of CuDeco Limited until April 2010.

Peter Kalkandis – Non-executive Director

Peter Kalkandis is a full-time employee of Glencore Australia Pty Limited, a subsidiary of Glencore International and is Head of Glencore's Base Metals Desk in Australia.

Peter joined the Board of Blackthorn Resources on 10 May 2011.

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

Scott Lowe is a senior business executive with extensive experience in the mining and maritime logistics industries. He has held senior management roles in BHP Billiton, Peabody Pacific and P&O. Scott joined Blackthorn Resources in November 2007 and was appointed Chief Executive Officer in June 2008. Scott holds a post-graduate qualification in Business Management (MBA) along with tertiary qualifications in Mining Engineering, a Mine Manager's Certificate of Competency (Australia) and a Diploma in Marine Terminal Operations from King's Point Merchant Marine Academy New York, USA. Scott is also a member of the Australian Institute of Company Directors.

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

Michael (Mike) Oppenheimer BSc Chemical Engineering (Honours) – Independent Non-executive Director

Mike Oppenheimer is a senior executive with over 30 years' experience in the resource sector. He has extensive business leadership and value delivery experience in the international mining industry. Now a principal and founder of a mining investment and advisory group, Mike's most recent CEO position was with Ferrexpo plc, where he established the iron ore company's business model and led it through a successful IPO in London in 2007. Prior to his successful stewardship of Ferrexpo, Mike was with BHP Billiton since 1988 in senior positions, including roles on the executive committee reporting to the CEO. His experience includes leadership of BHP Billiton's businesses in minerals and petroleum, and he played a significant role in the BHP and Billiton merger, integrating the energy coal businesses.

Mike was appointed a director of the Company on 1 April 2011. He is Chairman of the Remuneration Committee and a member of the Audit and Risk 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 25 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 the Company on 15 August 2007.

Directors' Meetings

Directors	Board meetings		Audit and risk committee meetings		Remuneration committee meetings	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
N Bowman	10	11	4	4	2	2
D Carter	6	6	-	-	1	1
W Cash	11	11	4	4	2	2
P Kalkandis	9	11	-	-	-	-
S Lowe	10	11	-	-	-	-
M Oppenheimer	11	11	4	4	2	2

Directors' Interests

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

Directors	Direct		Indirect	
	Shares	Options	Shares	Options
N Bowman	458,826	-	-	-
D Carter	-	-	-	-
W Cash	-	-	573,530	-
P Kalkandis	-	-	-	-
S Lowe	1,077,000	1,500,000	370,000	-
M Oppenheimer	-	-	531,089	-

Remuneration Report

The Remuneration Report, which forms part of the Directors' Report for the year ended 30 June 2012, is set out on pages 33 to 41.

Corporate Governance

The Group's Corporate Governance Statement is set out on pages 15 to 26.

Options

At 30 June 2012 the Company had 2,060,000 (2011: 5,210,000) options on issue as follows:

Number	Exercise price	Expiry date	
210,000	$0.60	21 June 2013	Employee options
1,850,000	$1.63	27 June 2015	Employee options

All options refer to options over the ordinary shares in the Company which are exercisable on a one-for-one basis. These options were provided at no cost to the recipients. All options expire on the earlier of the expiry date or termination of the recipient's employment.

During the year 4,900,000 ordinary shares of the Company were issued on the exercise of employee options at an exercise price of $0.45 per option. In addition during the year 100,000 employee options with an exercise price of $0.80 per option lapsed.

Subsequent to the end of the financial year the following options were issued:

Number	Exercise price	Expiry date	
1,500,000	$1.63	27 June 2015	Employee options

All options refer to options over the ordinary shares in the Company which are exercisable on a one-for-one basis. These options were provided at no cost to the recipient. All options expire on the earlier of the expiry date or termination of the recipient's employment.

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 Group's operations for the year ended 30 June 2012 is set out on pages 2 to 11 of the Annual Report.

Financial Position

Results

The Group recorded a net loss after tax for the year of $4,994,000, compared to a net profit of $1,167,000 for 2011.

The current year loss includes an impairment charge of $718,000 recognised as a result of writing off previously capitalised exploration and evaluation expenditure incurred in relation to the three Southern Tenements held in Burkina Faso. In addition, the current year loss includes an accounting loss of $41,000 recognised as a result of the deconsolidation of the Group's interest in the Mokopane Project entities divested on 26 July 2011.

The prior year's result included an accounting gain of $6,430,000 recognised as a result of the deconsolidation of the Group's interest in the Perkoa Zinc Project on the establishment of the Perkoa JV with Glencore, as well as consulting and legal costs of $2,387,000 relating to the establishment of the Perkoa JV.

Financial Position

The net assets of the Group have decreased by $2,923,000, from $66,472,000 in 2011 to $63,549,000 in 2012. This decrease is principally a result of a decrease in working capital, partially off-set by an increase in exploration and evaluation expenditure capitalised principally in relation to the Group's Mumbwa Project in Zambia.

Working capital decreased during the year by $9,956,000 due largely to a decrease in cash of $9,034,000.

Cash Flows

As at 30 June 2012, the Group had a cash balance of $6,347,000 (2011: $15,381,000).

The Group spent $7,580,000 on exploration expenditure, principally in the relation to the Mumbwa Project in Zambia. In addition, $266,000 was spent to fund fixed asset purchases and security deposits, primarily in relation to our exploration work programs. The Company also spent $4,089,000 on administration costs.

The Company received proceeds from the exercise of employee options of $2,205,000. Interest received on cash held on deposit was $736,000.

Legal Proceedings

The Company has been involved in the following legal proceedings during the year (refer to Note 27 of the financial statements for further details):

- 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 appealed the court's decision. On 30 November 2011, the Court of Appeal of New South Wales dismissed the appeal filed by DHJPM Pty Ltd against the Company and awarded costs to Blackthorn Resources.

- The Company is currently defending a claim commenced in the High Court of South Africa for breach of contract. The Company does not admit any liability. The Company's attempts to resolve the matter have been unsuccessful to date and the action is currently scheduled for a hearing in October 2012.

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 2012 that have significantly affected, or may significantly affect the operations of the Company or the Group.

- On 12 July 2012, the Company announced that it had approved its participation in the expansion of the Perkoa JV project. The expansion proposal provided by JV partner Glencore International will include: modifying the process plant configuration to include separate lead/silver concentrate and zinc concentrate product streams, increasing plant throughput capacity by 40%, and adding open-cut mining to supplement the underground mine. Funding for the incremental expansion investment is to be made available via an additional project finance facility to be provided by Glencore to the joint venture.

- On 17 July 2012, the Company announced a fully underwritten capital raising to raise approximately $40.1 million at a fixed offer price of $1.10 per new share via an institutional placement to raise approximately $23.5 million and a non-renounceable accelerated pro-rata entitlement offer of 2 new shares for every 17 existing shares held to raise approximately $16.6 million.

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 agreed to indemnify the following current directors: Ms N Bowman, Mr D Carter, Mr W Cash, Mr S Lowe and Mr M Oppenheimer, the former directors: Mr V Bradley, Mr M Flory and Mr L Mnguni, 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.

Non-audit services

During the year the Group's auditor, KPMG has performed certain other services in addition to its statutory duties. Amounts paid to KPMG for non-audit services during the year were:

	2012 $	2011 $
Non-audit services		
Risk management workshop facilitation	-	3,829
	-	3,829

The Board of Directors is satisfied that the provision of non-audit services during the year was compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. In accordance with advice from the Audit and Risk Committee, 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 by the Audit and Risk Committee 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 Group's auditor and other auditors during the year for all audit and non-audit services, is set out in Note 21 of the financial statements.

Auditor's Independence

The lead auditor's independence declaration for the year ended 30 June 2012 has been received and is set out on page 43 of the Directors' Report.

Rounding of Accounts

The Group 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 statements and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

REMUNERATION REPORT - audited

Your directors are pleased to present the Remuneration Report for the Group for the year ended 30 June 2012.

This Remuneration Report forms part of the Directors' Report and has been prepared in accordance with section 300A of the Corporations Act 2001.

The Remuneration Report sets out the remuneration information in relation to the non-executive directors of the Company, the Chief Executive Officer and senior executives of the Group, collectively termed 'Key Management Personnel' or 'KMP', who are the key persons accountable for planning, directing and controlling the affairs of the Group. The people covered under these positions for the 2012 financial year were:

Non-executive Directors	
Bill Cash	Chairman
Nicki Bowman	Director
Derek Carter	Director
Peter Kalkandis	Director
Mike Oppenheimer	Director

Executives	
Scott Lowe	Chief Executive Officer
Adama Barry	General Manager, Burkina Faso
Chris Brown	Chief Financial Officer
Tony De Santis	Chief Operating Officer

Remuneration Policy

The Board has adopted a Remuneration Policy which sets out the broad principles and practices that will be used by the Company to structure remuneration for non-executive directors and executives of the Group. A copy of this policy is available on the Company's website **www.blackthornresources.com.au**.

The Board 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 adopted by the Group must take account of the nature and size of the organisation and its current stage of development.

To achieve this, the Board has adopted a remuneration strategy that links to and supports the Group's business objectives. By establishing remuneration structures which motivate and reward executives for pursuing targets linked to the Group's business objectives, the Board believes that its remuneration approach will align management to the expectations of its shareholders, to create long-term shareholder value.

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 Group, balanced against the need to also achieve critical short-term business objectives;

- Align to corporate and individual performance;
- Be internally consistent;
- Be transparent with respect to setting performance goals and the measurement of performance against those goals;
- Align with regional and industry norms and regulatory requirements.

Remuneration Settings

The Remuneration Committee is responsible for determining appropriate levels and structure of remuneration for non-executive directors and executives.

Remuneration levels for non-executive directors and executives are set to attract, retain and motivate appropriately qualified and experienced people. Remuneration structures and levels take account of comparable market practices for companies from relevant industry sectors and other listed companies of similar size in similar industries.

The Remuneration Committee reviews the remuneration for non-executive directors and executives on an annual basis. In undertaking this annual review, the Remuneration Committee considers relevant industry remuneration practices available through market information and compares to the Group's remuneration policies and practices. The primary referencing point adopted for remuneration benchmarking are Australian listed companies in the resource sector with comparable market capitalisation.

Remuneration levels are referenced to the market median, with a range around the median providing the flexibility to recognise an individual's relevant experience, capability, capacity to contribute, value to the business, performance and issues of tenure and retention. Consideration is also given when benchmarking executive positions to internal relativities.

Independent Remuneration Advice

When considered necessary the Remuneration Committee is able to seek advice from independent external remuneration consultants (ERC) to provide remuneration advice on relevant positions and appointments. The selection and appointment of any ERC to provide remuneration advice must be approved by the Board having established that the ERC is independent. In addition, any remuneration advice in relation to executive and non-executive directors subsequently provided by an ERC engaged by the Company must be sought by and provided directly to the Remuneration Committee.

Remuneration for non-executive directors, and the Chief Executive Officer and Chief Financial Officer positions, were last independently reviewed and benchmarked by the Hay Group in April 2009. Recent reviews of remuneration for KMP positions have been based on this independent report and relevant publically available market data acquired by the Remuneration Committee.

Executive Remuneration

Remuneration packages for executives consist of a mix of fixed remuneration, an 'at risk' cash award via a short-term incentive (STI) plan and long-term equity-based benefits (LTI). The mix of these remuneration components varies for the different executive levels in-line with the following 'targeted' proportions:

		At risk remuneration	
	Fixed remuneration	STI	LTI
Chief Executive Officer	33%	33%	33%
Other executives	50-70%	15-25%	15-25%

(i) Fixed remuneration remunerates executives for the effective completion of the executive's positional responsibilities and accountabilities, and consists of base salary (cash), 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 allow for available salary packaging options.

(ii) Short-term incentives in the form of annual cash awards are paid on the basis of individuals achieving or exceeding annual targets which measure business and/or individual performance during the year. The Company has implemented a formal STI plan based on the setting of pre-determined Key Performance Indicators (KPIs) and a STI target percentage of fixed remuneration based on the particular executive level. The Remuneration Committee sets the KPIs (such as business development, project performance and risk management/corporate governance targets) for executives each year and at the end of the year assesses the individual's actual performance against the KPIs, before recommending an award to be paid to an individual for approval by the Board. A percentage of the pre-determined target amount is awarded depending on the individual's actual assessed results. An individual who exceeds their annual targets can be awarded a higher STI percentage of fixed remuneration, up to a maximum 'stretch' percentage. The performance evaluation in respect of the 2012 financial year has been undertaken in accordance with this process.

Annual STI percentage targets for the different executive levels applied for the 2012 year were:

	STI target as % of fixed remuneration
Chief Executive Officer	70% (maximum 'stretch' 100%)
Other executives	20-35% (maximum 'stretch' 50%)

(iii) Long-term benefits are provided by way of options granted under the Company's Employee Option Plan, which was re-approved by shareholders on 31 August 2012. The options granted to executives in 2009 under the Employee Option Plan were provided primarily as a retention incentive and to align with shareholders' expectations regarding growth in the Company's share price. The options granted to executives during the 2012 year under the Employee Option Plan were provided primarily as a retention incentive, as well as ensuring that a significant portion of the executive's overall remuneration is aligned with shareholder value as evidenced through growth in the Company's share price. The options granted in 2012, which have been granted in three tranches, will require the executive to remain in the full-time employ of the Group for up to three years to obtain the maximum benefit of the options, and have no other exercise conditions attached.

Remuneration packages are reviewed annually by reference to the Group's business performance, an executive's individual performance and relevant market information.

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 open, but capable of termination by either party on three months' 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 12 months' fixed 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.

Consequences of performance on shareholder wealth

In considering the Group's performance and the benefits derived by shareholders, the Remuneration Committee has regard to the impact that the Group's business performance has on shareholder value. It is considered that the achievement of individual KPIs established for each executive under the STI plan will positively impact on shareholder value over time. In addition, the vesting conditions attached to the employee options granted to executives in 2009 required the Company's share price to appreciate by approximately 255% over the three-year vesting period, thereby positively impacting shareholder value. During the three-year vesting period for the 2009 options the Company's share price appreciated approximately 432%. The current employee options granted to executives in May 2012 have been structured to provide key management with meaningful retention incentives, whilst ensuring that the ultimate value of the options to these executives will only be realised through growth in the Company's share price. Other measures of corporate performance, such as company earnings and capital management, will have more relevance in future years as the Company matures from its current exploration and development focus to profitability.

Non-executive Directors

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

The non-executive directors receive fixed remuneration only, which includes fixed fees and where relevant statutory superannuation contributions. Non-executive directors are paid additional fees as members of and to chair Board committees. The current remuneration fees payable for non-executive director positions are:

	Fixed fees[1]
Chairman	$110,000
Committee Chairman	$84,000
Committee member	$75,000
Director	$65,000

[1] excluding statutory superannuation contributions payable if applicable

Fees for non-executive directors are not linked to the performance of the Group. 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, it is not the Board's current policy to grant options to non-executive directors under the plan.

Total aggregate non-executive director fees payable to all non-executive directors, which is required to be approved by the shareholders and was last voted upon at the AGM on 25 November 2011, is set at a maximum of $400,000 (inclusive of 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.

Key Management Personnel Remuneration

Remuneration for each director and each named executive of the Blackthorn Resources Group (KMP) for the year is as follows:

	Short-term			Post-employment benefits	Share -based payments					
Key Management Personnel	Salary package and fees	Cash award	Non-monetary benefits	Superannuation	Options	Total	Proportion performance related	Value of options as proportion of remuneration	% short-term cash award vested in the year	% short-term cash award forfeited in the year
	(a)	(b)		(c)	(d)					
	$	$	$	$	$	$				
Non-executive Directors										
N Bowman										
2012	84,000	-	-	7,560	-	91,560	-	-	-	-
2011	84,000	-	-	7,560	-	91,560	-	-	-	-
D Carter (i)										
2012	31,250	-	-	2,813	-	34,063	-	-	-	-
2011	-	-	-	-	-	-	-	-	-	-
W Cash										
2012	110,000	-	-	9,900	-	119,900	-	-	-	-
2011	110,000	-	-	9,900	-	119,900	-	-	-	-
P Kalkandis (ii)										
2012	-	-	-	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-	-	-	-
L Mnguni (iii)										
2012	-	-	-	-	-	-	-	-	-	-
2011	43,750	-	-	-	-	43,750	-	-	-	-
M Oppenheimer (iv)										
2012	84,000	-	-	7,560	-	91,560	-	-	-	-
2011	21,000	-	-	1,890	-	22,890	-	-	-	-

	Short-term			Post - employment benefits	Share -based payments					
Key Management Personnel	Salary package and fees	Cash award	Non-monetary benefits	Superannuation	Options	Total	Proportion performance related	Value of options as proportion of remuneration	% short-term cash award vested in year (at target)	% short-term cash award forfeited in year (at target)
	(a)	(b)		(c)	(d)					
	$	$	$	$	$	$				
Executives										
S Lowe (v)										
2012	470,949	312,233	23,086	25,000	76,640	907,908	42.8%	8.4%	93.4%	6.6%
2011	424,892	180,667	23,803	25,000	93,962	748,324	36.7%	12.6%	97.5%	2.5%
A Barry (vi)										
2012	114,067	8,359	3,093	2,278	15,237	143,034	16.5%	10.7%	100%	0%
2011	103,401	43,265	4,175	2,378	7,830	161,049	31.7%	4.9%	100%	0%
C Brown (vii)										
2012	315,796	113,683	-	26,958	64,088	520,525	34.2%	12.3%	99%	1%
2011	295,241	74,847	-	26,168	46,981	443,237	27.5%	10.6%	94%	6%
T De Santis (viii)										
2012	310,279	111,150	20,174	25,000	45,549	512,152	30.6%	8.9%	92.9%	7.1%
2011	-	-	-	-	-	-	-	-	-	-
H Frey (ix)										
2012	-	-	-	-	-	-	-	-	-	-
2011	96,412	34,295	-	-	4,698	135,405	28.8%	3.5%	100%	0%
Total Remuneration										
2012	1,520,341	545,425	46,353	107,069	201,514	2,420,702				
2011	1,178,696	333,074	27,978	72,896	153,471	1,766,115				

(i) Mr Carter was appointed a director effective 1 February 2012.
(ii) Mr Kalkandis was appointed a director effective 10 May 2011. As a director nominee for Glencore, the Company's major shareholder, Mr Kalkandis does not receive any non-executive director remuneration.
(iii) Mr Mnguni resigned as a director effective 25 January 2011.
(iv) Mr Oppenheimer was appointed a director on 1 April 2011.
(v) 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.
(vi) Mr Barry is employed by the Company's subsidiary Nantou Mining Limited B.V. as the Company's General Manager, Burkina Faso.
(vii) Mr Brown commenced with the Company on 13 August 2007 as Chief Financial Officer, and was appointed company secretary effective 15 August 2007.
(viii) Mr De Santis commenced with the Company on 4 July 2011 as Chief Operating Officer.
(ix) Mr Frey was contracted by the Company's subsidiary Nantou Mining Limited B.V. as Project Manager, Perkoa Zinc Project. His employment was transferred to the Perkoa JV effective 1 January 2011.

Notes in relation to KMP Remuneration:

(a) Salary package and fees includes amounts salary sacrificed by the individual other than employer superannuation guarantee contributions.
(b) The 2012 cash awards are for performance during the 2012 financial year based on achievement of personal performance criteria. $537,066 of the 2012 amount was assessed and approved by the Board in September 2012. The amounts forfeited are due to personal performance criteria not being met in relation to the relevant performance year. No amounts vest in future financial years.
(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 employee options granted in June 2009, May 2012 and August 2012 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 relevant service commencement date to the relevant vesting dates.

Options Granted as Compensation

The following options have been issued as part of remuneration to KMP in June 2009 and May 2012 under the Company's Employee Option Plan approved by shareholders on 18 June 2009. All options refer to options over ordinary shares in the Company which are exercisable on a one-for-one basis. 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 granted	Grant date	Fair value per option (i)	Exercise price	Expiry date	Options vested during year (ii)	Options exercised during year	Value per option exercised during the year (iii)	Balance options at 30 June 2012	Option vested and exercisable 30 June 2012
Executives										
S Lowe	3,000,000	29 April 2009	$0.109	$0.45	28 April 2012	1,000,000	3,000,000	$0.86	-	-
A Barry	250,000	29 April 2009	$0.109	$0.45	28 April 2012	83,334	250,000	$0.86	-	-
	200,000	8 May 2012	$0.64	$1.63	27 June 2015	-	-	-	200,000	-
C Brown	1,500,000	29 April 2009	$0.109	$0.45	28 April 2012	500,000	1,500,000	$0.86	-	-
	750,000	8 May 2012	$0.64	$1.63	27 June 2015	-	-	-	750,000	-
T De Santis	750,000	8 May 2012	$0.64	$1.63	27 June 2015	-	-	-	750,000	-
H Frey (iv)	150,000	29 April 2009	$0.109	$0.45	28 April 2012	50,000	150,000	$0.86	-	-

(i) Valuation date for the options granted on 29 April 2009 was deemed to be 18 June 2009, the date the Employee Option Plan was approved by shareholders. The fair value for the options granted on 29 April 2009 represents the average value for each tranche calculated at deemed grant date and was valued using a binomial option-pricing model. The fair value for the options granted on 8 May 2012 represents the average value for each tranche calculated at grant date and was valued using a binomial option-pricing model.
(ii) Percent of options vested is 33.3%.
(iii) The value per option exercised during the year is calculated as the market price of the Company's shares on the date of exercise less the exercise price.
(iv) The Company resolved that the employee options granted to Mr Frey would not lapse as a result of his employment transferring to the Perkoa JV in January 2011.

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

Options Granted 29 April 2009:

(a) One third are exercisable if the share price is at least $0.60 by 28 April 2010;
(b) One third are exercisable if the share price is at least $0.80 by 28 April 2011; and
(c) The total numbers of options granted, less any options exercisable under a) and b) above, are exercisable if the share price is a least $1.00 by 28 March 2012.

Options Granted 8 May 2012:

(a) One third vest 12 months from 8 May 2012 and are exercisable if the option holder remains in the full-time employ of the Group over the vesting period;
(b) One third vest 24 months from 8 May 2012 and are exercisable if the option holder remains in the full-time employ of the Group over the vesting period; and
(c) One third vest 35 months from 8 May 2012 and are exercisable if the option holder remains in the full-time employ of the Group over the vesting period.

The following employee options have been issued as part of remuneration to KMP since the end of the financial year under the Company's Employee Option Plan, which was re-approved by shareholders on 31 August 2012. All options refer to options over ordinary shares in the Company which are exercisable on a one-for-one basis. The options were provided at no cost to the recipient. All options expire on the earlier of the expiry date or termination of the individual's employment.

	Number of options granted	Grant date (i)	Fair value per option(ii)	Exercise price	Expiry date
Executives					
S Lowe	1,500,000	31 August 2012	$0.28	$1.63	27 June 2015

(i) Grant date for the options is the 31 August 2012, the date the shareholders approved the grant of these options to the Managing Director. The service commencement date relating to these options is 8 May 2012.

(ii) The fair value for the options at the grant date represents the average value for each tranche calculated at grant date and was valued using a binomial option-pricing model.

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

(a) One third vest 12 months from 8 May 2012 and are exercisable if the option holder remains in the full-time employ of the Group over the vesting period;

(b) One third vest 24 months from 8 May 2012 and are exercisable if the option holder remains in the full-time employ of the Group over the vesting period; and

(c) One third vest 35 months from 8 May 2012 and are exercisable if the option holder remains in the full-time employ of the Group over the vesting period.

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

W D Cash
Chairman

S F Lowe
Managing Director

Sydney, 27 September 2012

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 46 to 82 and the Remuneration Report in the Directors' Report set out on pages 33 to 41, 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 2012 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 declarations 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 2012.

3. The Directors draw attention to Note 2 to 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, 27 September 2012

LEAD AUDITOR'S INDEPENDENCE DECLARATION

KPMG

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 2012 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.

KPMG

KPMG

Shane O'Connor
Partner

Sydney

27 September 2012

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

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 Blackthorn Resources Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2012, 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, notes 1 to 33 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply 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 of the financial report that gives a true and fair view 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, a true and fair 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)

KPMG

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 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards 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 in the directors' report for the year ended 30 June 2012. 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 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Shane O'Connor
Partner

Sydney
27 September 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $000	2011 $000
Finance income	4	581	512
Other income	5	-	6,430
Employee benefits expense		(2,800)	(1,958)
Depreciation		(13)	(18)
Exploration expenditure		(241)	(76)
Loss on deconsolidation of subsidiaries	6	(41)	-
Impairment charge	7	(718)	-
Finance expense	8	(91)	(133)
Share of loss of equity accounted associate	17	(55)	(12)
Other expenses		(1,616)	(3,578)
(Loss) profit before income tax		(4,994)	1,167
Income tax expense	9	-	-
(Loss) profit attributable to equity holders in the Company		(4,994)	1,167
Other comprehensive income (loss)			
Foreign currency translation differences		(347)	(2,527)
Net change in fair value of available-for-sale assets		(3)	2
Other comprehensive loss for the year, net of tax		(350)	(2,525)
Total comprehensive loss for the year		**(5,344)**	**(1,358)**
		Cents	**Cents**
Basic earnings per share	28	(4.03)	1.07
Diluted earnings per share	28	(4.03)	0.99

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	2012 $000	2011 $000
CURRENT ASSETS			
Cash and cash equivalents	10	6,347	15,381
Trade and other receivables	11	982	350
Other current assets	12	41	22
TOTAL CURRENT ASSETS		7,370	15,753
NON-CURRENT ASSETS			
Trade and other receivables	11	447	485
Financial assets	13	-	3
Property, plant and equipment	14	234	56
Mine development assets	15	-	-
Exploration and evaluation expenditure	16	18,467	11,526
Investment in equity accounted associate	17	39,333	39,378
TOTAL NON-CURRENT ASSETS		58,481	51,448
TOTAL ASSETS		65,851	67,201
CURRENT LIABILITIES			
Trade and other payables	18	2,159	622
Provisions	19	143	107
TOTAL CURRENT LIABILITIES		2,302	729
NON-CURRENT LIABILITIES			
Provisions	19	-	-
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		2,302	729
NET ASSETS		63,549	66,472
EQUITY			
Share capital	20	175,655	173,450
Reserves		(4,964)	(4,830)
Accumulated losses		(107,142)	(102,148)
TOTAL EQUITY		63,549	66,472

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Share capital $000	Accumulated losses $000	Financial asset reserve $000	Foreign currency translation reserve $000	Equity compensation reserve $000	Total equity $000
Balance at 1 July 2010	**163,606**	**(103,315)**	**(13)**	**(2,794)**	**333**	**57,817**
Comprehensive income for the year						
Profit for the year	-	1,167	-	-	-	1,167
Other comprehensive income						
Net change in fair value of available-for-sale assets	-	-	2	-	-	2
Foreign currency translation differences	-	-	-	(2,527)	-	(2,527)
Total other comprehensive income	**-**	**-**	**2**	**(2,527)**	**-**	**(2,525)**
Total comprehensive income	**-**	**1,167**	**2**	**(2,527)**	**-**	**(1,358)**
Transactions with owners, recorded in equity						
Issue of ordinary shares	9,844	-	-	-	-	9,844
Amortisation of employee option grants	-	-	-	-	169	169
Balance at 30 June 2011	**173,450**	**(102,148)**	**(11)**	**(5,321)**	**502**	**66,472**
Balance at 1 July 2011	**173,450**	**(102,148)**	**(11)**	**(5,321)**	**502**	**66,472**
Comprehensive income for the year						
Loss for the year	-	(4,994)	-	-	-	(4,994)
Other comprehensive income						
Net change in fair value of available-for-sale assets	-	-	(3)	-	-	(3)
Foreign currency translation differences	-	-	-	(347)	-	(347)
Total other comprehensive income	**-**	**-**	**(3)**	**(347)**	**-**	**(350)**
Total comprehensive income	**-**	**(4,994)**	**(3)**	**(347)**	**-**	**(5,344)**
Transactions with owners, recorded in equity						
Issue of ordinary shares	2,205	-	-	-	-	2,205
Amortisation of employee option grants	-	-	-	-	216	216
Balance at 30 June 2012	**175,655**	**(107,142)**	**(14)**	**(5,668)**	**718**	**63,549**

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $000	2011 $000
Cash flows from operating activities			
Interest received		736	416
Payments to suppliers and employees		(4,089)	(5,660)
Other income		-	380
Net cash used in operating activities	30	(3,353)	(4,864)
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(7,580)	(1,334)
Payments for mine development assets		-	(670)
Payments for plant and equipment		(249)	(36)
Payments for security deposits		(17)	-
Receipts from security deposits		-	67
Receipts from loan repayment		-	275
Net cash used in investing activities		(7,846)	(1,698)
Cash flows from financing activities			
Proceeds from share issues	20	2,205	10,012
Share issue costs	20	-	(168)
Net cash provided by financing activities		2,205	9,844
Net (decrease) increase in cash held		(8,994)	3,282
Cash and cash equivalents at beginning of the year		15,381	12,170
Effects of exchange rate fluctuations on cash held		(40)	(71)
Cash and cash equivalents at end of the year	10	6,347	15,381

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. Reporting entity

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

2. Basis of preparation

Statement of compliance

The financial statements are general purpose financial statements, which have 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 statements of the Group comply 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 27 September 2012.

The financial statements have been prepared on an accruals basis and are based on historical costs, except for available-for-sale financial assets that are measured at fair value, and do 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.

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(k) – 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 3(o) and Note 9 – Recognition of tax losses: assessment of the point-in-time at which it is deemed probable that future taxable income will be derived.
- Note 20 – Share-based entitlements and payments: assumptions required to be made in respect to measuring share volatility, dividend yield, future option holding periods and other inputs to the option model fair value calculations.

Functional and presentation currency

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

Rounding

The Group 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 statements 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 statements. Except as described below, the accounting policies are consistent with those applied in prior years.

(a) 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.

On loss of control, the Group derecognises the assets and liabilities of the controlled entity, any non-controlled interests and other components of equity related to the controlled entity. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous controlled entity, then the retained interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

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 24 to the financial statements.

(b) 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.

(b) Foreign currency transactions and balances (continued)

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 recognised in other comprehensive income and presented in the Group's foreign currency translation reserve in equity. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

(c) 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).

(d) 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.

(e) 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.

(f) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses. An impairment loss is recognised when there is objective evidence that an individual trade or 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.

(g) 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, less any impairment losses.

(g) Financial instruments (continued)

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, less any impairment losses.

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 recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences, are recognised in other comprehensive income and presented in the financial asset reserve in equity.

(h) 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.

(i) 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.

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.

(j) 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
Site restoration costs 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.

(k) 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 the following conditions are satisfied:

(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, and 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.

(l) Trade and other payables

Creditors and other payables, including accruals not yet invoiced, are recognised when the Group becomes obliged to make future payments, principally as a result of the purchase of goods or services. Trade and other payables are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

(m) 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.

(n) 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.

(o) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or non-deductible expenditure. 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 tax will be recognised from the initial recognition of an asset or liability in a transaction, 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 recognised in the statement of comprehensive income except where it relates to items that may be recognised directly in equity, in which case the deferred tax is adjusted directly against equity.

Deferred 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.

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.

(p) 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 taxation authority. 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.

(q) 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 interest 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 ventures are brought to account using the cost method.

(r) Investment in associates

Investments in associates are accounted for using the equity method of accounting in the consolidated financial statements. The Company's interests in associates are brought to account using the cost method. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustment to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influences ceases.

When the Group's share of losses exceeds the interest in an equity accounted investee, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(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 intangible assets that have indefinite 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 the asset's original 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

The Group determines and presents segment information based on the information that is provided internally to the Chief Executive Officer, who is the Group's chief operating decision maker.

(w) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual reporting periods beginning after 1 July 2011. These have not been applied in preparing these consolidated financial statements. None of these new standards, amendments to standards and interpretations are expected to have a significant effect on the consolidated financial statements of the Group, except for the following which are described below. The Company is currently assessing the impacts of these new and revised standards:

AASB 9: *Financial Instruments*. The revised standard amends requirements for the classification and measurement of financial assets. This standard is effective from annual reporting periods beginning on or after 1 January 2015.

AASB 10: *Consolidated Financial Statements*. This new standard, introduces a new concept of 'control' to determine which investees are to be consolidated. This standard is effective from annual reporting periods beginning on or after 1 January 2013.

AASB 11: *Joint Arrangements*. This new standard, which replaces AASB131: *Interests in Joint Ventures*, defines a 'joint arrangement' and makes the distinction between a joint arrangement that is a joint operation where the venturers have a right to the underlying assets and obligations for liabilities of the joint arrangement, and a joint arrangement that is a joint venture where the venturers have a right to the net assets. This standard is effective from annual reporting periods beginning on or after 1 January 2013.

AASB 12: *Disclosure of Interests in Other Entities*. This new standard requires new disclosures relating to an entities interests in joint arrangements, associates and unincorporated structured entities. This standard is effective from annual reporting periods beginning on or after 1 January 2013.

AASB 13: *Fair Value Measurement*. AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 emphasis that fair value is a market based measurement rather than an entity-specific measurement. AASB 13 also requires the disclosure of information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. This standard is effective from annual reporting periods beginning on or after 1 January 2013.

AASB 119: *Employee Benefits*. Among the changes in this standard is the revision of the definition of short-term benefits whereby some annual leave entitlements may become long-term in nature with a revised measurement. This standard is effective for annual reporting periods beginning on or after 1 January 2013.

AASB 127: S*eparate Financial Statements*. This standard supersedes the previous AASB 127: *Consolidated and Separate Financial Statements*. The revised standard incorporates IAS 27: *Separate Financial Statements* issued by the International Accounting Standards Board and prescribes the accounting for investments in subsidiaries, joint ventures and associates when an entity elects, or is required to present, separate financial statements. This standard is effective from annual reporting periods beginning on or after 1 January 2013.

AASB 128: *Investment in Associates and Joint Ventures*. This is a revised standard that incorporates IAS 28: *Investments in Associates and Joint Ventures* issued by the International Accounting Standards Board and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates or joint ventures. This standard is effective from annual reporting periods beginning on or after 1 January 2013.

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

AASB 2011-4: *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*. AASB 2011-4 makes amendments to remove individual key management personnel disclosure requirements from AASB 124: *Related Party Disclosures*. However, companies will still be required to provide these disclosures in the remuneration report under Section 300A of the Corporations Act 2001. This standard is effective from annual reporting periods beginning on or after 1 July 2013.

AASB 2011-9: *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*. AASB 2011-9 requires entities to group items presented in other comprehensive income on the basis of whether they are potentially re-classifiable to profit or loss subsequently. This standard is effective from annual reporting periods beginning on or after 1 July 2012.

		2012 $000	2011 $000
4.	**Finance income**		
	Interest received	581	512
		581	512

5.	**Other income**		
	Gain on deconsolidation of the Perkoa Zinc Project	-	6,430
		-	6,430

6.	**Loss on deconsolidation of subsidiaries**		
	Deconsolidation of Mokopane Project	41	-
		41	-

The Group sold its interest in Lepelle Platinum (Pty) Ltd and Platinexco (Pty) Ltd (the Mokopane Project) in South Africa to interests associated with Black Economic Empowerment partner Matimba Resources effective 26 July 2011.

Deconsolidation adjustment as at 26 July 2011

	$000
Cash	1
Foreign currency translation reserve write-back	40
Consideration received	-
Accounting loss on deconsolidation of Mokopane Project	41

		2012 $000	2011 $000
7.	**Impairment Charge**		
	Exploration and evaluation expenditure	718	-
		718	-

Write off of capitalised exploration and evaluation expenditure incurred in relation to the three Southern Tenement permits (Naboue, Bonzan, Fafo) in Burkina Faso.

8.	**Finance Expense**		
	Net foreign exchange losses	91	133
		91	133

	2012 $000	2011 $000
9. Income tax expense		
(Loss) profit before income tax	(4,994)	1,167
Prima facie income tax (benefit) liability at 30%	(1,498)	350
(Increase) decrease in income tax benefit due to:		
Non-deductible expenses/losses	12	208
Deductible expenditure recognised	(364)	(388)
Benefit of foreign tax losses not recognised	(309)	(28)
Tax losses not recognised as future income tax benefit	2,159	(142)
Income tax expense	-	-
Deferred tax (assets) liabilities brought to account include:		
Accrued interest	8	55
Tax losses brought to account	(8)	(55)
	-	-
Deferred tax assets not brought to account include:		
Other	(588)	(150)
Tax losses carried forward	(18,613)	(16,462)
	(19,201)	(16,612)

10. Cash and cash equivalents

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:

	2012 $000	2011 $000
Cash on hand and at bank	1,746	781
Short-term deposits	4,601	14,600
	6,347	15,381

11. Trade and other receivables (current)

	2012 $000	2011 $000
Interest receivable	27	182
Other debtors	955	168
	982	350

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

Trade and other receivables (non-current)

	2012 $000	2011 $000
Security deposits	447	485
	447	485

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

	2012 $000	2011 $000

12. Other current assets

Prepayments	41	22
	41	22

13. Financial assets

Available-for-sale financial assets:		
- Listed investments, at fair value	-	3
	-	3

Available-for-sale financial assets comprise an investment in the ordinary capital of a listed entity. There are no fixed returns or fixed maturity date attached to this investment.

14. Property, plant and equipment

Plant and equipment	332	183
Less: accumulated depreciation	(176)	(138)
	156	45
Motor vehicles	282	201
Less: accumulated depreciation	(204)	(190)
	78	11
Leasehold improvements	1	-
Less: accumulated depreciation	(1)	-
	-	-
	234	56

14. Property, plant and equipment (continued)

Movements in carrying amounts	Buildings $000	Plant & equipment $000	Motor vehicles $000	Leasehold improvements $000	Total $000
2011					
Carrying amount at the beginning of the year	3,123	11,583	78	1	14,785
Additions	5	39	-	-	44
Disposals	-	-	-	-	-
Depreciation	-	(200)	(14)	(1)	(215)
Effect of movements in exchange rates	(47)	(64)	(1)	-	(112)
Deconsolidation of Perkoa Zinc Project	(3,081)	(11,313)	(52)	-	(14,446)
Carrying amount at the end of the year	-	45	11	-	56
2012					
Carrying amount at the beginning of the year	-	45	11	-	56
Additions	-	154	95	1	250
Disposals	-	(1)	-	-	(1)
Depreciation	-	(42)	(27)	(1)	(70)
Effect of movements in exchange rates	-	-	(1)	-	(1)
Carrying amount at the end of the year	-	156	78	-	234

	2012 $000	2011 $000
15. Mine development assets		
Opening balance at the beginning of the year	-	23,596
Expenditure incurred during the year	-	89
Effect of movements in exchange rates	-	(127)
Deconsolidation of Perkoa Zinc Project	-	(23,558)
Closing balance at the end of the year	-	-
16. Exploration and evaluation expenditure		
Costs carried forward in respect of areas-of-interest in the exploration and evaluation phase:		
Opening balance at the beginning of the year	11,526	10,949
Expenditure incurred during the year	8,000	625
Effect of movements in exchange rates	(341)	(48)
Expenditure written off during the year	(718)	-
Closing balance at the end of the year	18,467	11,526

	2012 $000	2011 $000
17. Investment in equity accounted associate		
Perkoa joint venture	39,333	39,378
	39,333	39,378

On 22 November 2010, Blackthorn Resources executed joint venture agreements with Glencore International to form a joint venture to develop and operate the Perkoa Zinc Project in Burkina Faso. Upon formation of the Perkoa JV, Glencore effectively obtained control of 50.1% of the Perkoa Zinc Project, with Blackthorn Resources and the State of Burkina Faso holding interests of 39.9% and 10% respectively.

Subsequent to year end, the Board of Blackthorn Resources gave approval for the Company's participation in the expansion of the Perkoa Zinc Project to: include separate lead/silver concentrate and zinc concentrate product streams, to increase plant throughput capacity, and to include open-cut mining to supplement the underground mine. Funding for the incremental expansion capital is to be made available to the project via an additional US$40 million project finance facility to be provided by Glencore.

Capital commitments

Blackthorn Resources is currently not committed to incur any capital expenditure in relation to the expanded Perkoa Project.

Under certain circumstances if the costs of developing and commissioning the expanded Perkoa Project exceed US$120 million, Blackthorn Resources may be required to fund its share of any amounts in excess of US$120 million which are not due to any acts or omissions within the control of Glencore as manager of the expanded Perkoa Project.

Contingent liabilities

Under the terms of the JV Agreements, Blackthorn Resources has provided certain guarantees and indemnities to Glencore in relation to the Perkoa JV. Blackthorn Resources had agreed to indemnify Glencore against any direct loss incurred in connection with any incorrect or misleading warranty given under the JV Agreements, as well as for certain tax liabilities of the Perkoa Zinc Project entity relating to the period before establishment of the Perkoa JV. The warranties given by Blackthorn Resources are subject to customary carve-outs and limitations.

Except in relation to any liability of Blackthorn Resources under the tax indemnity, or any liability of Blackthorn Resources under a guarantee of any working capital facility, the liability of Blackthorn Resources under the JV Agreements is limited to an amount equal to the fair market value of Blackthorn Resources' investment in the Perkoa JV. As security for the payment of any amounts payable by Blackthorn Resources to Glencore under the warranties or indemnities, Blackthorn Investments Pty Limited has provided a mortgage over its shares held in the Perkoa JV, and a charge over all of its assets and undertakings.

	2012 $000	2011 $000
17. Investment in equity accounted associate (continued)		
Summary of financial information for equity accounted associate, not adjusted for the percentage ownership held by the Group.		
Boundary Ventures Ltd - Perkoa JV		
Current assets	30,993	7,321
Non-current assets	145,182	37,022
Total assets	176,175	44,343
Current liabilities	19,457	3,961
Non-current liabilities	106,755	248
Total liabilities	126,212	4,209
Expenses	(135)	(27)
	(135)	(27)
18. Trade and other payables		
Trade payables	1,287	251
Accrued expenses	872	371
	2,159	622
19. Provisions		
Employee entitlements (current)		
Opening balance at the beginning of the year	107	93
Additions to provisions	140	94
Usage of provisions	(104)	(74)
Deconsolidation of Perkoa Zinc Project	-	(6)
Closing balance at the end of the year	143	107
Mine site rehabilitation (non-current)		
Opening balance at the beginning of the year	-	2,800
Deconsolidation of Perkoa Zinc Project	-	(2,800)
Closing balance at the end of year	-	-

	2012 $000	2011 $000
20. Share capital		
Ordinary shares		
Opening balance at the beginning of the year 122,918,000 (2011: 106,885,300)	173,450	163,606
Shares issued private placement (16,032,700)	-	10,012
Employee options exercised (4,900,000)	2,205	-
Less transaction costs	-	(168)
Closing balance at the end of the year 127,818,000 (2011: 122,918,000)	175,655	173,450

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 2012 (2011: Nil).

Options

As at 30 June 2012 there were 2,060,000 (2011: 5,210,000) options on issue as follows:

Number	Grant date	Exercise price	Expiry date	
210,000	22 June 2011	$0.60	21 June 2013	Employee options
1,850,000	8 May 2012	$1.63	27 June 2015	Employee options

Employee option plan

On 18 June 2009, shareholders approved the Company's Employee Option Plan (Plan). The Company has issued options under the Plan to certain executives and employees of the Group as part of their remuneration on 18 June 2009, 17 December 2009, 22 June 2011 and 8 May 2012. During the year 4,900,000 employee options were exercised at an exercise price of $0.45 per option (weighted average share price on exercise date $1.31). In addition during the year 100,000 employee options with an exercise price of $0.80 per option lapsed.

	2012	2011
20. Share capital (continued)		
Options outstanding at 1 July	5,210,00	19,519,257
Granted	1,850,000	210,000
Exercised	(4,900,000)	-
Lapsed	(100,000)	(14,519,257)
Options outstanding at 30 June	2,060,000	5,210,000
Options exercisable at 30 June	105,000	1,633,333

The options were provided at no cost to the recipients. 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:

Grant date	Number of options	Fair value per option	Exercise price	Expiry date	Vesting conditions
22 June 2011	210,000	$0.25	$0.60	21 June 2013	One half are exercisable if the share price is at least $1.00 by 21 June 2012; The total number of options granted, less any options already exercisable, may be exercised if the share price is at least $1.20 by 22 May 2013.
8 May 2012	1,850,000	$0.64	$1.63	27 June 2015	One third vest 12 months from grant date and are exercisable if the option holder remains in the full-time employ of the Group over the vesting period; One third vest 24 months from grant date and are exercisable if the option holder remains in the full-time employ of the Group over the vesting period; One third vest 35 months from grant date and are exercisable if the option holder remains in the full-time employ of the Group over the vesting period.

20. Share capital (continued)

Measurement of fair values

The fair value of the options granted on 22 June 2011 was calculated using the Black-Scholes formula. The fair value of the options granted on 8 May 2012 was independently calculated at the grant date using a binomial option-pricing model. Key assumptions used in the valuations were:

	8 May 2012	22 June 2011
Underlying share price at valuation	$1.47	$0.50
Assumed option life	3 years	2 years
Risk free rate	2.67%	4.8%
Volatility (historic)	80-90%	100%
Expected dividend yield	Nil	Nil

	2012 $	2011 $
21. Auditor's remuneration		
Remuneration of the auditor of the parent entity for:		
- auditing or reviewing the financial statements	110,570	94,467
- risk management workshop facilitation	-	3,829
	110,570	98,296
Remuneration of other auditors of controlled entities for:		
- auditing or reviewing the financial statements	28,685	14,570

22. Key Management Personnel disclosures

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

Name	Appointed
Non-executive Directors	
N Bowman	8 October 2008
D Carter	1 February 2012
W Cash	31 May 2007
P Kalkandis	10 May 2011
M Oppenheimer	1 April 2011
Executive Director	
S Lowe	1 November 2007
Executives	
A Barry	1 January 2005
C Brown	13 August 2007
A De Santis	4 July 2012

(b) Details of Key Management Personnel compensation

	2012 $	2011 $
Short-term benefits	2,112,119	1,539,748
Post-employment benefits	107,069	72,896
Share-based payments	201,514	153,471
	2,420,702	1,766,115

Details of the Key Management Personnel compensation are included in the Remuneration Report on pages 33 to 41.

22. **Key Management Personnel disclosures (continued)**

(c) Option holdings

Number of options held by Key Management Personnel:

2012	Balance 1.7.2011	Granted	Options exercised	Balance 30.6.2012	Total vested 30.6.2012	Total vested and exercisable 30.6.2012	Total vested and not exercisable 30.6.2012
Directors							
N Bowman	-	-	-	-	-	-	-
D Carter*	-	-	-	-	-	-	-
W Cash	-	-	-	-	-	-	-
S Lowe	3,000,000	-	(3,000,000)	-	-	-	-
P Kalkandis	-	-	-	-	-	-	-
M Oppenheimer	-	-	-	-	-	-	-
Executives							
A Barry	250,000	200,000	(250,000)	200,000	-	-	-
C Brown	1,500,000	750,000	(1,500,000)	750,000	-	-	-
A De Santis*	-	750,000	-	750,000	-	-	-

* appointed during the year

2011	Balance 1.7.2010	Granted	Net change other	Balance 30.6.2011	Total vested 30.6.2011	Total vested and exercisable 30.6.2011	Total vested and not exercisable 30.6.2011
Directors							
N Bowman	-	-	-	-	-	-	-
W Cash	-	-	-	-	-	-	-
S Lowe	3,000,000	-	-	3,000,000	2,000,000	1,000,000	1,000,000
P Kalkandis*	-	-	-	-	-	-	-
M Oppenheimer*	-	-	-	-	-	-	-
L Mnguni**	-	-	-	-	-	-	-
Executives							
A Barry	250,000	-	-	250,000	166,667	83,333	83,334
C Brown	1,500,000	-	-	1,500,000	1,000,000	500,000	500,000
H Frey***	150,000	-	(150,000)	-	-	-	-

* appointed a director during the year
** resigned as a director during the year
*** employment transferred to the Perkoa JV during the year

22. Key Management Personnel disclosures (continued)

(d) Shareholdings

Number of shares held by Key Management Personnel:

2012	Balance 1.7.2011	Received exercised options	Net purchases/ sales	Net change other	Balance 30.6.2012
Directors					
N Bowman	400,000	-	-	-	400,000
D Carter*	-	-	-	-	-
W Cash	500,000	-	-	-	500,000
S Lowe	527,000	3,000,000	(2,080,000)	-	1,447,000
P Kalkandis	-	-	-	-	-
M Oppenheimer	363,000	-	100,000	-	463,000
Executives					
A Barry	39,650	250,000	(175,000)	-	114,650
C Brown	150,000	1,500,000	(199,540)	-	1,450,460
A De Santis*	-	-	-	500,000	500,000

* appointed during the year

2011	Balance 1.7.2010	Received exercised options	Net purchases/ sales	Net change other	Balance 30.6.2011
Directors					
N Bowman	350,000	-	50,000	-	400,000
W Cash	300,000	-	200,000	-	500,000
S Lowe	500,000	-	27,000	-	527,000
P Kalkandis*	-	-	-	-	-
M Oppenheimer*	-	-	80,000	283,000	363,000
L Mnguni**	200,000	-		(200,000)	-
Executives					
A Barry	39,650	-	-	-	39,650
C Brown	125,000	-	25,000	-	150,000
H Frey***	-	-	-	-	-

* appointed a director during the year
** resigned as a director during the year
*** employment transferred to the Perkoa JV during the year

23. 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.

Transactions with wholly-owned controlled entities
Interest free loans provided by the Company to its wholly-owned controlled entities total $113,960,000 (2011: $105,331,000). Loans to wholly-owned controlled entities have been impaired by $66,601,000 (2011: $66,238,000).

24. Group entities

Company	Place of incorporation	Class of shares	Equity holding	
			2012	2011
African Investments Pty Ltd (1)	Australia	Ordinary	100%	100%
African Platinum Ltd #	Mauritius	Ordinary	100%	100%
Blackthorn Exploration Burkina Faso SA #	Burkina Faso	Ordinary	100%	-
Blackthorn Investments Pty Ltd	Australia	Ordinary	100%	100%
Blackthorn Resources Burkina Faso SA #	Burkina Faso	Ordinary	100%	100%
Blackthorn Resources (Zambia) Limited #	Zambia	Ordinary	100%	100%
Lepelle Platinum (Proprietary) Limited #	South Africa	Ordinary	-	74%
Nantou Mining Limited B.V. #	Netherlands	Ordinary	100%	100%
Platinexco (Proprietary) Limited #	South Africa	Ordinary	-	74%

This company is audited by a firm other than the auditor of the parent entity
(1) Formerly African Platinum Pty Ltd

25. Joint venture

As at 30 June 2012 the Company has no interest in any unincorporated joint ventures.

Mumbwa

At 30 June 2011, the Company had a 60% interest in the Mumbwa Project, with BHP Billiton holding a 40% interest in the project. On 16 August 2011, BHP Billiton's withdrawal from the joint venture was completed with Blackthorn Resources gaining a 100% interest in the Mumbwa Project and BHP Billiton entitled to a 2% production royalty.

	2012 $000	2011 $000

26. Expenditure commitments

(a) Operating leases

Commitments for minimum contract payments in relation to non-cancellable operating leases are payable as follows:		
Less than one year	87	101
Between one and five years	128	259
	215	360

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

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

The Company leased its current office on 1 December 2010 for a four year period. Future payments under the office lease arrangement are secured by way of a bank guarantee as noted in Note 27.

(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 $511,000 (2011: $724,000).

(c) Capital expenditure

The Group has no capital commitments contracted for but not payable at 30 June 2012 (2011: Nil).

27. Contingent liabilities

Bank guarantees

The Group's bankers have given bank guarantees to various parties to secure future operational obligations totaling $137,000 (2011: $149,000). These guarantees are partly secured by charges over cash deposits totaling $89,000 lodged with the bankers.

Litigation

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

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.

		2012 $000	2011 $000
28.	**Earnings per share**		
	(a) Net (loss) profit used in the calculation of basic and diluted earnings per share	(4,994)	1,167
	(b) Weighted average number of ordinary shares at 30 June	123,908,710	109,389,037
	Weighted average number of options used in calculation of diluted earnings per share	4,361,913	8,581,817
	Weighted average number of ordinary shares (diluted) at 30 June	128,270,623	117,970,854

29. 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 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 21 to 23.

ii) Financial risk exposures and management

Price risk

The Group may be exposed in the future to commodity price risk from the sale of a number of commodities, including zinc, silver, copper and gold. The Group is not currently exposed to commodity price risk and will continue to develop appropriate hedging policies to manage this risk in the future.

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 bank deposits. For further details on interest rate risk refer to Note 29 (b) (i).

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 29 (b) (ii).

29. Financial risk management (continued)

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, the Zambian Kwacha and the South African rand, arising from fluctuations in these foreign currencies in relation to the purchase of goods and services. The Group is able to 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 29 (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. Cash and cash equivalents are held with investment rated banks. Trade and other receivables mainly represent GST receivables due from taxation authorities and accrued interest on term deposits held with investment rated banks. For further details on credit risk refer to Note 29 (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 29 (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.

29. 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:

2012	Note	Floating interest rate $000	Fixed interest rate $000	Non-interest bearing $000	Total $000
Financial assets					
Cash and cash equivalents	10	1,735	4,601	11	6,347
Trade and other receivables	11	358	88	983	1,429
Financial assets	13	-	-	-	-
		2,093	4,689	994	7,776
Weighted average interest rate		4.2%			
Financial liabilities					
Trade and other payables	18	-	-	2,159	2,159
		-	-	2,159	2,159
Weighted average interest rate		-			

2011	Note	Floating interest rate $000	Fixed interest rate $000	Non-interest bearing $000	Total $000
Financial assets					
Cash and cash equivalents	10	773	14,600	8	15,381
Trade and other receivables	11	394	89	352	835
Financial assets	13	-	-	3	3
		1,167	14,689	363	16,219
Weighted average interest rate		5.4%			
Financial liabilities					
Trade and other payables	18	-	-	622	622
		-	-	622	622
Weighted average interest rate		-			

29. 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:

	2012 $000	2011 $000
Interest rate +1%	14	12
Interest rate -1%	(14)	(12)

ii) Liquidity risk
The following are the contractual maturities of financial liabilities:

	2012 $000	2011 $000
Trade and other payables		
Less than 6 months	2,159	622

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

	AUD 000	EUR(i) 000	USD 000	ZAR 000	ZMK 000
2012					
Cash and cash equivalents	5,271	8	408	1	3,507,503
Trade and other receivables	438	79	95	3,008	2,337,403
Trade and other payables	(1,017)	(86)	(389)	(75)	(3,405,354)
Net statement of financial position exposure	4,692	1	114	2,934	2,439,552
2011					
Cash and cash equivalents	14,662	41	696	44	-
Trade and other receivables	255	69	95	2,861	12,018
Trade and other payables	(528)	(39)	(44)	-	-
Net statement of financial position exposure	14,389	71	747	2,905	12,018

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

29. Financial risk management (continued)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2012	2011	2012	2011
EUR/AUD	1.2986	1.3812	1.2379	1.3583
USD/AUD	0.9685	1.0151	0.9843	0.9438
ZAR/AUD	0.1251	0.1452	0.1189	0.1382
ZMK/AUD	0.0002	-	0.0002	-

Sensitivity analysis

The following summarises the net effect on profit and equity 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:

	2012 AUD 000	2011 AUD 000
- Improvement in AUD to EUR by 10%	-	(9)
- Decline in AUD to EUR by 10%	-	11
- Improvement in AUD to USD by 10%	15	(64)
- Decline in AUD to USD by 10%	(12)	79
- Improvement in AUD to ZAR by 10%	39	(37)
- Decline in AUD to ZAR by 10%	(32)	45
- Improvement in AUD to ZMK by 10%	49	-
- Decline in AUD to ZMK by 10%	(40)	-

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:

	2012 $000	2011 $000
Financial assets		
Cash and cash equivalents	6,347	15,381
Trade and other receivables	1,429	835
Financial assets	-	3
	7,776	16,219

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

	2012 $000	2011 $000
Africa	898	489
Australia	437	256
Other	94	90
	1,429	835

29. Financial risk management (continued)

v) Fair values

The fair values of financial assets and financial liabilities approximate the carrying amounts as shown in the statement of financial position.

30. Cash flow information

	2012 $000	2011 $000
Reconciliation of (loss) profit after income tax to net cash flows from operating activities:		
(Loss) profit for the year	(4,994)	1,167
Adjustments for:		
Depreciation	13	18
Change to provisions	36	21
Impairment charge	718	-
Unrealised foreign exchange losses	95	112
Exploration & development expenditure written off	241	155
Gain on deconsolidation	-	(6,430)
Loss on deconsolidation	40	-
Equity accounted investment - share of losses	55	12
Equity compensation charges	216	170
Other	-	(5)
Changes in assets and liabilities:		
Change in trade and other receivables	(185)	309
Change in other assets	(21)	(6)
Change in trade and other payables	433	(387)
Net cash flows from operating activities	(3,353)	(4,864)

31. 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 JV in Burkina Faso (zinc, lead, silver concentrate production)
- Exploration Project in Burkina Faso (base metals exploration)
- Mumbwa Project in Zambia (copper, gold exploration)
- Other

	Perkoa JV $000	Burkina Faso exploration $000	Mumbwa project $000	Other $000	Total $000
Reportable segment information					
2012					
Loss before tax for the year	(55)	(959)	(22)	(53)	(1,089)
Segment assets	-	2,000	17,886	4	19,890
Investment in equity accounted associate	39,333	-	-	-	39,333
Segment liabilities	-	(104)	(1,033)	(4)	(1,141)
Share of loss of equity accounted associate	(55)	-	-	-	(55)
Depreciation	-	(10)	(45)	-	(55)
Impairment	-	(718)	-	-	(718)
Capital expenditure	-	267	7,613	-	7,880
2011					
Profit(loss) before tax for the year	6,418	-	-	(83)	6,335
Segment assets	-	2,682	9,011	5	11,698
Investment in equity accounted associate	39,378	-	-	-	39,378
Segment liabilities	-	(52)	(14)	(7)	(73)
Share of loss of equity accounted associate	(12)	-	-	-	(12)
Depreciation	-	(10)	-	-	(10)
Impairment	-	-	-	-	-
Capital expenditure	-	1,298	(317)	-	981

31. Segment reporting (continued)

Reconciliation of reportable segment profit and loss, assets and liabilities

	2012 $000	2011 $000
Profit and loss		
Total (loss) profit for reportable segments	(1,089)	6,335
Unallocated amounts:		
Finance income	581	512
Corporate expenses	(4,395)	(5,547)
Finance expense	(91)	(133)
(Loss) profit before income tax	(4,994)	1,167
Assets		
Total assets for reportable segments	19,890	11,698
Investment in equity accounted associate	39,333	39,378
Other assets	928	793
Unallocated amounts	5,700	15,332
Total assets	65,851	67,201
Liabilities		
Total liabilities for reportable segments	(1,141)	(73)
Other liabilities	(1,161)	(656)
Total liabilities	(2,302)	(729)

Geographical information

All segment non-current assets are in Africa.

32. Parent entity disclosures

	2012 $000	2011 $000
Parent entity results		
Loss after tax for the year	(3,924)	(5,168)
Other comprehensive income (loss)	(3)	2
Total comprehensive loss for the period	(3,927)	(5,166)
Parent entity financial position at year end		
Current assets	6,124	15,526
Total assets	64,734	65,736
Current liabilities	1,161	656
Total liabilities	1,161	656
Parent entity total equity at year end		
Share capital	175,655	173,450
Reserves	704	492
Accumulated losses	(112,786)	(108,862)
Total equity	63,573	65,080

Parent entity contingent liabilities

Bank guarantees
The Company's banker has given a bank guarantee to secure the Company's future lease obligations totaling $22,000 (2011: $22,000). This guarantee is secured by a charge over a cash deposit of $23,800 lodged with the banker.

Litigation
As at balance date the Company is responding to the one claim for damages as noted in Note 27.

Capital commitments
The Company has no capital commitments.

33. Subsequent events

Other than as noted below, no matters or circumstances have arisen since 30 June 2012 that have significantly affected, or may significantly affect the operations of the Company or the Group:

- On 12 July 2012, the Company announced that it had approved its participation in the expansion of the Perkoa JV project. The expansion proposal provided by JV partner Glencore International will include: modifying the process plant configuration to include separate lead/silver concentrate and zinc concentrate product streams, increasing plant throughput capacity by 40%, and adding open-cut mining to supplement the underground mine. Funding for the incremental expansion investment is to be made available via an additional project finance facility to be provided by Glencore to the joint venture.

33. Subsequent events (continued)

- On 17 July 2012, the Company announced a fully underwritten capital raising to raise approximately $40.1 million at a fixed offer price of $1.10 per new share via an institutional placement to raise approximately $23.5 million and a non-renounceable accelerated pro-rata entitlement offer of 2 new shares for every 17 existing shares held to raise approximately $16.6 million.

ADDITIONAL INFORMATION

Shareholdings

(a) 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.

(b) The names of the twenty largest shareholders of ordinary shares as at 21 September 2012.

	No. of shares	% of Total
J P Morgan Nominees Australia Ltd (Cash Income A/C)	21,938,016	13.35
Singpac Investment Holding Pte Ltd	21,205,853	12.91
Citicorp Nominees Pty Ltd	17,325,775	10.55
JP Morgan Nominees Australia Ltd	16,253,202	9.89
HSBC Custody Nominees (Australia)	15,851,505	9.65
National Nominees Ltd	11,530,278	7.02
UBS Nominees Pty Ltd	2,619,248	1.59
Singpac Investment Holding Pte Ltd	2,100,000	1.28
Brispot Nominees Pty Ltd (Head House Nominee No 1 A/C)	1,807,796	1.10
Mr Christopher Brown	1,450,460	0.88
SA Capital Funds Management Ltd (SACFM No 1 A/C)	1,423,230	0.87
Rokeba Nominees Pty Ltd (Silman Property A/C)	1,050,000	0.64
HSBC Custody Nominees (Australia) (NT Comnwlth Super Corp)	939,480	0.57
Bond Street Custodians Ltd (Macquarie Smaller Co's A/C)	750,000	0.46
Citicorp Nominees Pty Ltd (Colonial First State Inv A/C)	675,000	0.41
HSBC Custody Nominees (Australia)	669,850	0.41
Equity Trustees Ltd (Lowell Resources Fund A/C)	625,999	0.38
Cashmere Super Pty Ltd (Cashmere Super Fund A/C)	573,530	0.35
Oppenheimer Superannuation Fund Pty Ltd	531,089	0.32
Pershing Australia Nominees Pty Ltd (Investec)	524,660	0.32
	119,844,971	72.95%

Shareholdings (continued)

(c) Shareholders who have given notice of being substantial shareholders in the Company at the date of this report as follows:

Substantial shareholder	%
Glencore International	14.10
North Sound	8.06
Acorn Capital	8.01
F Brewer	6.84

Under the placement agreement executed with Glencore in March 2011, Glencore has a "Top-up Right" pursuant to which Glencore may maintain its percentage interest in the issued capital of the Company by participating in any issue of shares or convertible securities or subscribing for shares in respect of a diluting event. This Top-up Right, subject to a listing rule waiver issued by the ASX, is provided on the following terms:

- The Top-up Right lapses if Glencore's holding in the Company falls below 9.99%
- The Top-up Right lapses if the strategic relationship between the Company and Glencore ceases
- The Top-up Right may only be transferred to a wholly-owned subsidiary of Glencore
- Any securities issued under the Top-up Right are issued to Glencore for cash consideration that is no more favourable than cash consideration offered by a third party or equivalent in value to non-cash consideration offered by a third party
- The number of securities that may be issued to Glencore under the Top-up Right in the case of any diluting event must not be greater than the number required in order for Glencore to maintain its percentage holding in the issued capital of the Company immediately before the diluting event.

(d) Analysis of shareholdings as at 21 September 2012

	Number of holders
1-1,000	1,590
1,001-5,000	1,763
5,001-10,000	560
10,001-100,000	636
100,001 and over	84
	4,633
Less than marketable parcels	739

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 holds Shares) are an Excluded U.S. person. The Company may treat any investor who does not 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.

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CORPORATE DIRECTORY

DIRECTORS

Bill Cash - Chairman
Nicki Bowman - Non-executive Director
Derek Carter - Non-executive Director
Peter Kalkandis - Non-executive Director
Scott Lowe - Managing Director
Mike Oppenheimer - Non-excecutive Director

COMPANY SECRETARY

Chris Brown - Chief Financial Officer

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Australian Securities Exchange
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Technical Advisors - SRK Consulting
- MSA Group

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