



**BREAKAWAY**  
Resources Limited

# Preliminary Final Report

## 30 June 2003

12 September 2003

The directors of Breakaway Resources Limited are pleased to present the Preliminary report "Appendix 4E" for the year ended 30 June 2003.

### FINANCIAL PERFORMANCE

The consolidated net loss after tax from ordinary activities for the financial year ended 30 June 2003 was \$8.51 million (compared to the \$34.78 million loss for the period ended 30 June 2002). The result largely reflects the restructuring of the Group following the acquisition of Breakaway Resources Limited and the disposal of Loongana Lime Pty Ltd during the year.

A major portion of the loss resulted from the following write downs:

- Expensing of capitalised underground development at the Eloise Mine for the year (\$4.09 million),
- Barbara Surprise tenement carrying value (\$0.25 million) on expiry of the lease,
- Intercompany loan on disposal of Loongana Lime Pty Ltd (\$0.82 million), and
- Capital work in progress on the kilns at Loongana Lime Pty Ltd (\$0.74 million).

The overall operating loss for the financial year prior to write downs was \$3.32 million.

### FINANCIAL POSITION AND CASHFLOWS

Breakaway Resources Limited cash asset position at 30 June 2003 was \$4.64 million (30 June 2002: \$0.59 million).

Current assets increased from \$8.65 million as at 30 June 2002 to \$11.12 million mainly due to the proceeds from the \$4.50 million public share offer completed during the financial year and the disposal of Loongana Lime Pty Ltd for \$3.05million.

During the year to 30 June 2003, the Company retired \$2.60 million of secured debt.

### DIVIDENDS

The directors have resolved not to pay a dividend out of the full year result.

It is the intention of the Directors to retain cash reserves until sustainable profits are achieved.

## FUTURE OUTLOOK

### Eloise Copper Gold Mine

Exploration success at Eloise has increased the global resource by 204% to 1.77 million tonnes grading 4.10% copper with a considerable increase in resource category confidence. Total proved and probable reserves also substantially increased by 183% to 931,000 tonnes grading 3.9% copper. The Eloise Deeps ore body remains open to the south and at depth below the 200 RL. The Eloise Copper Gold Mine now has an anticipated life of three years.

The benefits of significant ore reserve increase together with capital upgrades to the ventilation, pumping and power generation plant are expected to be realised progressively through the second and third quarters of the current year. Based on the current mine plan for the Eloise Copper Gold Mine, Breakaway Resources Limited is forecasting copper concentrate production to increase to 72,000 dry metric tonnes at an operating cost of US\$0.68c/lb Cueq for the financial year ended 30 June 2004.

## DEVELOPMENT

At the Vivien Gold Project, Breakaway Resources Limited's Joint Venture partner Gold Fields Australasia Pty Ltd has defined a global inferred resource of 191,000 ounces of gold. Detailed mine planning is underway prior to considering a decision to mine in the December 03 quarter.

Detailed drilling at the Spargoville 5A nickel prospect intersected significant high grade nickel mineralisation during the year. Feasibility studies are underway and a production decision is expected in the December 2003 quarter.

## EXPLORATION

The board has approved a discretionary exploration budget of \$3.0 million for the year ended 30 June 2004 in order to continue the exploration of encouraging nickel, gold and copper targets at the wholly owned Kambalda West, Bannockburn and Eloise Projects.

At Eloise, detailed surface and underground exploration will continue to build on the 3 year mine life of the operation.

Within the Miranda Exploration Joint Venture, Gold Fields Australasia Pty Ltd, is continuing to delineate significant gold mineralisation at Greensox North, Greensox, Cliftons and Fortitude areas. Conceptual mine planning is underway at Cams on the defined global inferred resource of 51,500 ounces of gold.

Further detailed exploration of the existing 5B, 5D and 1A nickel sulphide deposits at Spargoville is expected to increase the resource base of the Kamabalda West Project.

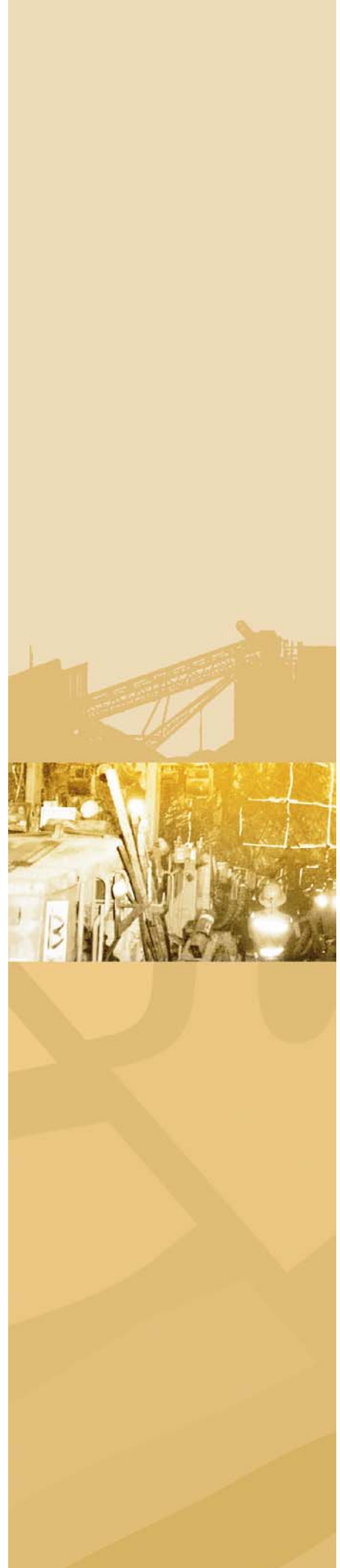
Joint Venture partner Jubilee Mines NL is continuing aggressive nickel exploration at Bannockburn where several nickel sulphide occurrences have been located.

Enquiries about this report may be directed to Trevor Hart or the undersigned.

Yours faithfully



Michael Mulroney  
Managing Director





## APPENDIX 4E

### PRELIMINARY FINAL REPORT FINANCIAL YEAR ENDED 30 JUNE 2003

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#### RESULTS FOR ANNOUNCEMENT TO THE MARKET

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The reporting period is the financial year ended 30 June 2003 with the corresponding period being the financial year ended 30 June 2002.

				<b>A\$'000</b>
<b>Results</b>				
Revenues from ordinary activities	Up	12.5%	to	71,227
(Loss) from ordinary activities after tax attributable to members	Down	75.5%	to	(8,507)
(Loss) for the period attributable to members	Down	75.5%	to	(8,507)

<b>Dividends</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
Final dividend	n/a	n/a
Interim dividend	n/a	n/a
Record date for determining entitlements to dividend	n/a	

The above results should be read in conjunction with the notes and commentary contained within this report.

## FINANCIAL PERFORMANCE

The consolidated loss after income tax for the financial year was \$8.51 million (2002: loss of \$34.78 million).

A major portion of the loss resulted from write offs of capital development for the Eloise Mine \$4.09 million, Barbara Surprise tenement carrying value of \$0.25 million, an intercompany loan on disposal of Loongana Lime Pty Ltd of \$0.82 million and work in progress on the Loongana Lime Pty Ltd Kilns of \$0.74 million. The overall operating loss for the financial year excluding write offs was \$3.32 million.

Revenue from concentrate sales was up 22.3% to \$59.47 million due to an increase in concentrate production and rising copper and gold prices. The full benefit of the rising metal prices was reduced due to the rising Australian dollar against the United States dollar.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Consolidated entity during the financial year were as follows:

	<b>2003</b>
	<b>\$'000</b>
• Fully paid ordinary share capital increased during the year as follows:	
1. 10 March 2003 – cash issue under public share offer of 112,500,000 ordinary shares at 4 cents per share to provide additional working capital of \$4,500,000 (includes oversubscriptions of \$500,000) less transaction costs of \$283,533	4,216
2. 10 March 2003 – an allotment and share issue of 44,988,708 ordinary shares to Arrow Resources Management Pty Ltd and 92,511,292 ordinary shares to Barmenco Pty Ltd in consideration for the acquisition of BMV Properties Limited at a market rate of 4.5c	6,188
Increase in fully paid share capital	<u>10,404</u>
• On 10 March 2003, Mr John Charles Hocking resigned as Chairman of Breakaway Resources Limited and was replaced by Mr Jonathan Alister Young. On 24 April 2003 Mr John Charles Hocking resigned from his position as director.	
• On 10 March 2003, Mr John Albert Alman resigned as Director of Breakaway Resources Limited.	
• On 10 March 2003, Mr Michael Geoffrey Mulroney was appointed as Managing Director of Breakaway Resources Limited.	
• On 10 March 2003, Mr Jonathan Alister Young was appointed as Chairman of Breakaway Resources Limited.	
• On 22 April 2003 the Company changed its name from Amalg Resources NL to Breakaway Resources Limited.	
• On 6 June 2003, Breakaway Resources Limited repaid in full the \$2.1 million convertible note held by Barmenco Pty Ltd.	
• Loongana Lime Pty Ltd, a wholly owned subsidiary, was sold on 7 April 2003 for a total of \$3.05 million as per sale agreement.	

## **REVIEW OF OPERATIONS**

### *Eloise (65 km southeast of Cloncurry, Queensland)*

The Eloise mine concentrate production increased 7.6% for the year to 68,215 dry metric tonnes at an cash operating cost of US\$0.628/lb Cu eq. and a total cost of US\$0.70/lb Cu eq. Exploration successfully delineated the new Eloise Deeps ore zone extending the mine life to 3 years.

### *Spargoville (20 km east of Kambalda, Western Australia)*

Under an agreement with OMG Cawse Pty Ltd, a total of 19,381 dry metric tonnes of previously mined oxide nickel ore from the 5A deposit was sold and processed through the Cawse treatment plant. Total proceeds received under the agreement to 30 June 2003 was \$669,000 prior to final grade reconciliations.

## **DIVIDENDS**

No dividend will be paid in respect of the current financial year. It is the intention of the Directors to retain cash reserves until sustainable profits are achieved.

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2003**

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	Note	Consolidated	
		2003	2002
		\$'000	\$'000
Revenue from sale of goods	1(a)	67,088	61,821
Other Revenues from ordinary activities	1(b)	4,139	1,463
Total Revenue from ordinary activities		<u>71,227</u>	<u>63,284</u>
Expenses from ordinary activities:			
Cost of goods sold		68,044	72,811
Borrowing costs		598	843
Other expenses from ordinary activities		11,092	27,203
Total expenses from ordinary activities		<u>79,734</u>	<u>100,857</u>
Profit/(loss) from ordinary activities before related income tax		(8,507)	(37,573)
Income tax (expense)/benefit relating to ordinary activities		(-)	2,795
Profit/(loss) from ordinary activities after related income tax		<u>(8,507)</u>	<u>(34,778)</u>
Basic earnings per share (cents)		(4.20)	(27.15)
Net Tangible Assets per share (cents)		2.34	5.41

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2003**

	Note	Consolidated	
		2003	2002
		\$'000	\$'000
<b>Current Assets</b>			
Cash Assets		4,641	594
Receivables	3	5,728	4,117
Other financial assets	4	17	14
Inventories	5	732	3,901
Other	6	-	20
<b>Total Current Assets</b>		<b>11,118</b>	<b>8,646</b>
<b>Non Current Assets</b>			
Receivables	3	434	780
Property, plant and equipment	7	2,563	9,584
Exploration, evaluation and development expenditure	8	11,815	6,641
<b>Total Non Current Assets</b>		<b>14,812</b>	<b>17,005</b>
<b>Total Assets</b>		<b>25,930</b>	<b>25,651</b>
<b>Current Liabilities</b>			
Payables	9	13,768	9,918
Interest bearing liabilities	10	512	4,314
Provisions	11	668	1,182
<b>Total Current Liabilities</b>		<b>14,948</b>	<b>15,414</b>
<b>Non Current Liabilities</b>			
Interest bearing liabilities	10	138	2,381
Provisions	11	2,012	921
<b>Total Non Current Liabilities</b>		<b>2,150</b>	<b>3,302</b>
<b>Total Liabilities</b>		<b>17,098</b>	<b>18,716</b>
<b>NET ASSETS</b>		<b>8,832</b>	<b>6,935</b>
<b>Equity</b>			
Contributed equity	12	52,918	42,514
Retained profits/(accumulated losses)	13	(44,086)	(35,579)
<b>TOTAL EQUITY</b>		<b>8,832</b>	<b>6,935</b>

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2003**

	Note	Consolidated	
		2003	2002
		\$'000	\$'000
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		64,575	65,003
Cash payments in the course of operations		(56,779)	(55,675)
Interest received		159	53
Borrowing costs paid		(598)	(572)
Income taxes paid		-	-
<b>Net cash provided by operating activities</b>	15(b)	<u>7,357</u>	<u>8,809</u>
<b>Cash flows from investing activities</b>			
Payments for exploration and development		(5,818)	(9,526)
Payments for property, plant and equipment		(122)	(1,147)
Proceeds from the sale of plant and equipment		612	200
Proceeds from sale of investment	17(b)	2,616	500
Proceeds from sale of tenement		155	-
Payment for investment	17(b)	(68)	-
<b>Net cash used in investing activities</b>		<u>(2,625)</u>	<u>(9,973)</u>
<b>Cash flow from financing activities</b>			
Repayment of borrowings		(782)	(774)
Repayment of lease liability		(1,622)	(2,090)
Repayment of proceeds from convertible note		(2,100)	2,100
Proceeds from share issue		4,216	-
<b>Net cash from/(used in) financing activities</b>		<u>(288)</u>	<u>(764)</u>
Net increase/(decrease) in cash held		4,444	(1,928)
Cash at the beginning of the financial year		594	2,522
Cash balances in controlled entities acquired		(66)	-
Cash balances in controlled entities disposed		(331)	-
<b>Cash at the end of the financial year</b>	15(a)	<u><u>4,641</u></u>	<u><u>594</u></u>

# NOTES TO THE FINANCIAL STATEMENTS

	Note	Consolidated	
		2003	2002
		\$'000	\$'000
<b>1 REVENUE FROM ORDINARY ACTIVITIES</b>			
(a) Revenue from sale of goods:			
Copper revenue		52,463	42,199
Gold revenue		5,515	5,642
Silver revenue		1,497	782
Nickel revenue		620	-
Quicklime & limestone revenue		6,993	13,198
Sale of goods revenue from operating activities		67,088	61,821
(b) Other revenues:			
<i>From operating activities</i>			
Interest:			
Other parties		159	53
Prior year diesel fuel rebates		-	710
<i>From outside operating activities</i>			
Gross proceeds from the sale of non-current assets		3,819	700
Sundry Other		161	-
Total other revenues		4,139	1,463
Total revenue from ordinary activities		71,227	63,284
<b>2 PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>			
(a) Individually significant items of expense/(revenue) included in profit from ordinary activities before income tax			
Writeoff of loan on disposal of controlled entity		822	-
Legal costs for final decision on Eroc Case		339	-
Disposal of Loongana Lime Pty Ltd net assets		2,327	-
Write off of work in progress on Loongana Lime Pty Ltd Kilns		745	-
Prior year diesel fuel rebates		-	(710)

## NOTES TO THE FINANCIAL STATEMENTS

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	Note	Consolidated	
		2003	2002
		\$'000	\$'000
<b>2 PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE (Continued)</b>			
Write down of stock to net realisable value		286	-
Prepayments written off		-	429
Exploration, evaluation and development costs written off to recoverable amount			
- Eloise		4,095	6,948
- Other		250	5,023
Plant and equipment written down to recoverable amount:			
- Loongana Lime Pty Ltd operations		-	16,552
Other plant and equipment written off		-	400
Limestone stocks written off		-	2,903
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(b) Profit/(loss) from ordinary activities before income tax expense has been arrived at after charging/ (crediting) the following items:			
Borrowing costs:			
Related parties		208	43
Other parties			
Bank loans and overdraft		-	170
Finance charges on capitalised leases		117	630
Glencore International AG		265	-
Other		8	-
Total borrowing costs		598	843
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Depreciation			
Plant and equipment		1,912	4,891
Buildings		-	15
		1,912	4,906
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Amortisation:			
Mine development and production expenditure		2,610	7,141
Deferred expenditure - exploration cost		290	629
Total amortisation		2,900	7,770
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Deferred loss on sale and lease back brought to account		-	200
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Amounts set aside/(credited) to provision for:			
Employee entitlements	11	(249)	(227)
Rehabilitation	11	527	585
Rehabilitation – waste oil purification	11	-	320
Total amounts set aside/(credited) to provisions		278	678
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# NOTES TO THE FINANCIAL STATEMENTS

	Note	Consolidated	
		2003	2002
		\$'000	\$'000
<b>2</b>	<b>PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b> (Continued)		
	Lease rental expense - operating lease	30	51
	General exploration expenditure incurred and written off	1,486	146
	Government royalties on mineral sales or production	917	1,188
	<b>Net (gain)/loss on disposal of non-current assets:</b>		
	Non-current assets	<u>(1,207)</u>	<u>(365)</u>
<b>3</b>	<b>RECEIVABLES</b>		
	<b>Current</b>		
	Trade debtors	3,932	2,927
	Other - bonds	324	-
	Other	<u>1,472</u>	<u>1,190</u>
		<u>5,728</u>	<u>4,117</u>
	<b>Non-Current</b>		
	Other - bonds	<u>434</u>	<u>780</u>
		<u>434</u>	<u>780</u>
<b>4</b>	<b>OTHER FINANCIAL ASSETS</b>		
	<b>Current</b>		
	Shares listed on a prescribed stock exchange - at cost	31	31
	Less: provision for diminution in value	<u>(14)</u>	<u>(17)</u>
		<u>17</u>	<u>14</u>
<b>5</b>	<b>INVENTORIES</b>		
	<b>Current</b>		
	Consumables and spares - at cost	188	339
	Ore stocks - at cost	-	1,246
	Copper concentrate stocks - at net realisable value	544	-
	Copper concentrate stocks - at cost	-	1,660
	Quicklime stocks - at cost	-	78

# NOTES TO THE FINANCIAL STATEMENTS

	Note	Consolidated	
		2003	2002
		\$'000	\$'000
<b>5 INVENTORIES</b> (Continued)			
Limestone stocks - at cost		-	578
		732	3,901
<b>6 OTHER ASSETS</b>			
<b>Current</b>			
Prepayments		-	20
		-	20
<b>7 PROPERTY, PLANT &amp; EQUIPMENT</b>			
Land and buildings at cost		139	154
Disposals through sale of entity		(139)	-
Less: Accumulated depreciation		-	(15)
		-	139
Plant and equipment - at cost		15,288	14,850
Less: Accumulated depreciation		(12,725)	(11,287)
		2,563	3,563
Plant and equipment – at recoverable amount		-	4,841
Total plant and equipment		2,563	8,404
Capital works in progress - at cost		-	1,041
Total property, plant and equipment - at net book value		2,563	9,584
<b>Reconciliations</b>			
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:			
<b>Buildings</b>			
Carrying amount at beginning of year		139	34
Disposals through sale of entity		(139)	-
Additions		-	120
Depreciation		-	(15)
Carrying amount at end of year		-	139
<b>Plant and Equipment</b>			
Carrying amount at beginning of year		8,404	25,921
Additions		122	3,531
Additions through acquisition of entity		1,420	-
Transfer from capital works in progress		-	828
Disposals		(1,103)	(426)

# NOTES TO THE FINANCIAL STATEMENTS

	Note	Consolidated	
		2003 \$'000	2002 \$'000
<b>7</b>	<b>PROPERTY, PLANT &amp; EQUIPMENT (Continued)</b>		
	Disposals through sale of entity	(4,841)	-
	Depreciation	(1,912)	(4,898)
	Accumulated Depreciation on acquisitions	(344)	-
	Accumulated Depreciation on disposals	817	-
	Written off	-	(16,552)
	Carrying amount at end of year	<u>2,563</u>	<u>8,404</u>
	<b>Capital works in progress</b>		
	Carrying amount at beginning of year	1,041	1,238
	Additions	-	1,031
	Disposals through sale of entity	(1,026)	-
	Transfer to plant and equipment	-	(828)
	Written off	(15)	(400)
	Carrying amount at end of year	<u>-</u>	<u>1,041</u>
	Total property, plant and equipment	<u>2,563</u>	<u>9,584</u>
<b>8</b>	<b>EXPLORATION, EVALUATION AND DEVELOPMENT</b>		
	Costs carried forward in respect of areas of interest in:		
	<b>Production phase</b>		
	At cost	76,076	72,539
	Accumulated amortisation	(67,623)	(55,742)
	Less write down to recoverable amount	<u>(4,095)</u>	<u>(10,744)</u>
		4,358	6,053
	<b>Exploration and/or evaluation phase</b>		
	At cost	8,306	1,815
	Less exploration costs written off	<u>(849)</u>	<u>(1,227)</u>
		<u>7,457</u>	<u>588</u>
	Total exploration, evaluation and development expenditure	<u>11,815</u>	<u>6,641</u>
	The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas.		
<b>9</b>	<b>PAYABLES</b>		
	<b>Current</b>		
	Trade Creditors	13,297	9,055
	Other accrued expenses	<u>471</u>	<u>863</u>
		<u>13,768</u>	<u>9,918</u>

# NOTES TO THE FINANCIAL STATEMENTS

	Note	Consolidated	
		2003	2002
		\$'000	\$'000
<b>10 INTEREST BEARING LIABILITIES</b>			
<b>Current</b>			
Loan from Directors' related entity		357	500
Convertible note		-	2,100
Lease/hire purchase liability		155	1,714
		<u>512</u>	<u>4,314</u>
<b>Non-Current</b>			
Lease/hire purchase liability		138	2,381
		<u>138</u>	<u>2,381</u>
<b>11 PROVISIONS</b>			
<b>Current</b>			
Employee entitlements		123	243
Rehabilitation		545	939
		<u>668</u>	<u>1,182</u>
<b>Non-Current</b>			
Employee entitlements		102	231
Rehabilitation		1,910	690
		<u>2,012</u>	<u>921</u>
<b>12 CONTRIBUTED EQUITY</b>			
<b>Issued and Paid-up Capital</b>			
378,108,338 ordinary shares, fully paid (2002: 128,108,338)		52,918	42,514
		<u>52,918</u>	<u>42,514</u>
<b>Movements in ordinary share capital</b>			
Balance at the beginning of the financial year		42,514	42,514
137,500,000 ordinary shares at 4.5c pursuant to shareholders meeting for acquisition of BMV Properties Limited (as per terms set out in the Notice of Meeting and Explanatory Memorandum)		6,188	-
Public share offer of 112,500,000 ordinary shares at 4c pursuant to prospectus		4,500	-
Transaction costs arising from public share offer pursuant to prospectus		(284)	-
		<u>6,404</u>	<u>-</u>
Balance at the end of the financial year		<u>52,918</u>	<u>42,514</u>

# NOTES TO THE FINANCIAL STATEMENTS

	Note	Consolidated			
		2003	2002		
		\$'000	\$'000		
<b>13 RETAINED PROFITS/(ACCUMULATED LOSSES)</b>					
Opening accumulated losses		(35,579)	(801)		
Profit/(loss) from ordinary activities after related income tax		(8,507)	(34,778)		
Accumulated losses at end of the year		(44,086)	(35,579)		
		<b>Copper Mining</b>	<b>Exploration</b>	<b>Limestone</b>	<b>Consolidated</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>14 SEGMENT INFORMATION</b>					
<b>Primary Reporting</b>					
30 June 2003					
Revenue					
Total segment revenue		63,637	25	7,405	71,067
Other unallocated revenue					159
Total revenue					71,227
Result					
Segment result		(3,913)	23	21	(3,869)
Unallocated expenses					(5,362)
Loss from ordinary activities before tax					(9,231)
Income tax benefit					-
Net loss					(9,231)
Depreciation and amortisation		4,800	11	333	5,144
<i>Significant items</i>					
Write off of loan on disposal of controlled entity		822	-	-	822
Legal costs for final decision on Eroc case		339	-	-	339
Capital development costs written off		4,095	-	-	4,095
Disposal of Loongana Lime Pty Ltd shares		3,052	-	-	3,052
Write down of copper inventory to net realisable value		286	-	-	286
Write off of work in progress on Loongana Lime Pty Ltd Kilns		-	-	745	745
		8,594	-	745	9,339
Other unallocated					-
Total significant items					9,339
Assets					
Segment assets		24,411	5,988	-	30,400
Other unallocated					(4,470)
Total assets					25,930
Acquisition of non-current assets		122	5,922	-	6,044

# NOTES TO THE FINANCIAL STATEMENTS

	Copper Mining \$'000	Exploration \$'000	Limestone \$'000	Consolidated \$'000
<b>14 SEGMENT INFORMATION</b>				
<i>Liabilities</i>				
Segment liabilities	15,459	2,052	-	17,511
Other unallocated				(413)
Total liabilities				17,098
<b>Secondary reporting</b>				
Geographical segments	<b>Australia</b>			<b>Consolidated</b>
External segment revenue by location of customer	71,227			71,227
	<b>WA</b>	<b>QLD</b>		<b>Consolidated</b>
Segment assets by location of assets	5,988	24,412		30,400
Acquisition of non-current assets	5,922	122		6,044

Comparative segment information has not been disclosed in the notes to financial statements as preparation of this is considered impracticable given the acquisition and disposal of controlled entities.

## 15 NOTES TO STATEMENTS OF CASH FLOWS

### (a) Reconciliation of Cash

For the purposes of the statements of cash flows, cash includes cash on hand and at bank. Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statement of financial position as follows:

	<b>Consolidated</b>	
	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash assets	4,641	594
	<u>4,641</u>	<u>594</u>
<b>(b) Reconciliation of profit/(loss) from ordinary activities after income tax to net cash provided by operating activities</b>		
Profit/(loss) from ordinary activities after income tax	(8,507)	(34,778)
Add/(less) items classified as investing/financing activities		
(Profit)/loss on sale of non-current assets	(1,207)	(365)
Add non-cash items		
Write off of loan on disposal of controlled entity	822	-
Amortisation of exploration expenditure	300	629

# NOTES TO THE FINANCIAL STATEMENTS

		<b>Consolidated</b>	
		<b>2003</b>	<b>2002</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>15</b>	<b>NOTES TO STATEMENTS OF CASH FLOWS (Continued)</b>		
	Amortisation of mine development expenditure	2,710	7,141
	Deferred loss on sale & leaseback	-	372
	Exploration, evaluation and development costs written off	4,345	11,971
	Write off of work in progress	793	-
	Plant and equipment written off	-	16,952
	Write off of pre-payments	-	429
	Write off of inventory to net realisable value	286	2,903
	Depreciation	2,234	4,906
	Net cash provided by operating activities before changes in assets and liabilities	1,776	10,160
	Change in assets and liabilities has been adjusted for effects of purchase and disposal of Controlled entities during the financial year		
	<b>Change in assets and liabilities during the financial year</b>		
	(Increase)/decrease in inventories	1,972	(766)
	(Increase)/decrease in prepayments	(49)	13
	(Increase)/decrease in receivables	(2,102)	1,862
	Increase/(decrease) in trade and other creditors	5,031	(393)
	Increase/(decrease) in provisions	758	683
	Increase/(decrease) in mining tenement bonds	(29)	61
	Increase/(decrease) in deferred taxes payable	-	(2,477)
	Increase/(decrease) in current tax liabilities	-	(334)
	Net cash provided by operating activities	<u>7,357</u>	<u>8,809</u>

### Non cash financing activities

During the financial year the consolidated entity acquired property plant and equipment with an aggregate fair value of \$68,000 (2002: \$2.65 million) means of finance leases assigned on acquisition of controlled entity. The acquisitions are not reflected in the Statements of Cash Flows.

# NOTES TO THE FINANCIAL STATEMENTS

	2003 Cents	2002 Cents
<b>16 EARNINGS/(LOSS) PER SHARE</b>		
Basic earnings/(loss) per share (cents per share)	(4.20)	(27.15)
Weighted average number of ordinary shares used in the calculation of basic earnings/(loss) per share	202,765,872	128,108,338

There are no dilutive potential ordinary shares, therefore diluted earnings per share have not been calculated or disclosed.

## 17 CONTROLLED ENTITIES

	Interest Held	
	2003 %	2002 %
<b>(a) Particulars in relation to controlled entities</b>		
<b>Parent entity</b>		
Breakaway Resources Limited		
<b>Controlled Equity</b>		
BMV Properties Limited	100	-
Loongana Lime Pty Ltd	-	100

## (b) Acquisition/disposal of controlled entities

The following controlled entities were acquired or disposed of during the financial year:

### Acquisition of entities

During the financial year the consolidated entity purchased 100% of the voting shares of BMV Properties Limited via an allotment of 44,988,708 ordinary shares to Arrow Resources Management Pty Ltd and 92,511,292 ordinary shares to Barmenco Pty Ltd

	Consolidated	
	2003 \$'000	2002 \$'000
Consideration – 137,500,000 shares at 4.5c	6,188	-
Incidental costs on acquisition (cash)	68	-
Consideration on acquisition	6,256	-

# NOTES TO THE FINANCIAL STATEMENTS

17 CONTROLLED ENTITIES (Continued)	Consolidated	
	2003	2002
	\$'000	\$'000
Fair value of net assets of entity acquired:		
Cash	(66)	-
Receivables	221	-
Property, plant and equipment	1,076	-
Exploration expenses	4,672	-
Payables	(46)	-
Borrowings	(701)	-
Provisions	(1,100)	-
	<u>4,056</u>	<u>-</u>
Goodwill on acquisition	2,200	-
	<u>2,200</u>	<u>-</u>
Consideration (cash)	-	-
	<u>-</u>	<u>-</u>

BMV Properties Limited was acquired on 13 March 2003 and the operating results of the entity from that date have been included in consolidated operating profit. The entities principle activity is the exploration of tenements.

#### Disposals of entities

During the financial year, the consolidated entity disposed of all of the ordinary shares of Loongana Lime Pty Ltd. Details of the disposal is as follows (in aggregate):

Consideration (cash)	2,616	-
Consideration (receivables – tenement bonds and insurance premium refund)	436	-
Total consideration	<u>3,052</u>	<u>-</u>

#### Net assets of entity disposed

Cash	332	-
Receivables	1,522	-
Inventory	911	-
Property, plant and equipment	5,064	-
Exploration, evaluation and development	5	-
Other Assets	66	-

# NOTES TO THE FINANCIAL STATEMENTS

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	Consolidated	
	2003	2002
	\$'000	\$'000
<b>17 CONTROLLED ENTITIES</b> (Continued)		
Payables	(1,410)	-
Interest bearing liabilities	(3,008)	-
Provisions	(1,154)	-
Net Assets	2,327	-
Profit on Disposal	724	-
	<u>          %</u>	<u>          %</u>
Interest held after disposal	<u>          -</u>	<u>          -</u>

The entity was disposed of on 7<sup>th</sup> April 2003 and the operating result to that date has been included in the consolidated operating profit.

## 18 COMPLIANCE STATEMENT

This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views.

This report is based on accounts that are currently in the process of being audited.

The date of the next Annual General Meeting is to be advised.

Yours faithfully



Michael Mulroney  
Managing Director